



# **SOUTHERN ISPAT LIMITED**

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## **Eleventh Annual Report 2005-2006**



## **SOUTHERN ISPAT LIMITED**

### **DIRECTORS**

Shri Vivek Agarwal-Managing Director  
Shri Amit Kumar Sinha-Executive Director  
Shri E. Sankaranarayana- Director  
Shri E. Thippe Swamy- Director  
Smt Richa Agarwal- Director  
Shri Anil Kumar Jain- Director  
Shri Manish Pankar- Director  
Shri Sanjay Gupta- Director  
Shri Rajesh Shukla- Director  
Shri M. Eswaran- Director

### **AUDITORS**

M/s Sunil Johri & Associates  
Chartered Accountants  
Raipur (C.G.)

### **BANKERS**

State Bank Of India, Palakkad  
HDFC Bank, Palakkad

### **REGISTERED OFFICE**

19/629 (1), "Sreyas",  
Near Yakkara School Bus Stop,  
West Yakkara,  
Palakkad-678 001

### **FACTORY**

Kariankode P.O.  
Kottayi, Palakkad - 678 572

### **SHARE TRANSFER AGENTS**

M/s S.K.D.C. Consultants Ltd.,  
No.11, Street No.1,  
S.N. Layout,  
Tatabad, Coimbatore - 641 012

**NOTICE TO THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Eleventh Annual General Meeting of the members of Southern Ispat Limited will be held at the Registered Office of the Company at 19/629 (1), "Sreyas", Near Yakkara School Bus Stop, West Yakkara, Palakkad-678 001 at 11.00 AM on Wednesday the 19<sup>th</sup> July 2006 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and Profit and Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. (i) To appoint a Director in the place of Sri Amit Kumar Sinha who retires by rotation and is eligible for reappointment.  
(ii) To appoint a Director in the place of Smt Richa Agarwal who retires by rotation and is eligible for reappointment.
3. To appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution  
"RESOLVED THAT Shri Anil Kumar Jain who appointed as an Additional Director of the Company by the Board of Directors and holds Office upto the date of this meeting under Section 260 of the Companies Act, 1956 and in respect of whom, the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution  
"RESOLVED THAT Shri Manish Pankar who appointed as an Additional Director of the Company by the Board of Directors and holds Office upto the date of this meeting under Section 260 of the Companies Act, 1956 and in respect of whom, the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution  
"RESOLVED THAT Shri Sanjay Gupta who appointed as an Additional Director of the Company by the Board of Directors and holds Office upto the date of this meeting under Section 260 of the Companies Act, 1956 and in respect of whom, the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution  
"RESOLVED THAT Shri Rajesh Shukla who appointed as an Additional Director of the Company by the Board of Directors and holds Office upto the date of this meeting under Section 260 of the Companies Act, 1956 and in respect of whom, the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution  
"RESOLVED THAT Shri M. Eswaran who appointed as an Additional Director of the Company by the

Board of Directors and holds Office upto the date of this meeting under Section 260 of the Companies Act, 1956 and in respect of whom, the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

9. To consider and if thought fit, to pass with or without modification (s) the following resolution as Special Resolution

"RESOLVED THAT subject to the provisions of the Companies act, 1956(including any statutory modifications) or re-enactments thereof for the time being in force and as may be enacted hereinafter) Securities Contracts (Regulation) Act 1956 and the rules framed there under, SEBI (Delisting of Securities) Guidelines, 2003. Listing Agreements and all other applicable laws, rules, regulations and guidelines and subject to such approvals permissions and sanctions as may be necessary, the Board Of Directors of the Company be and is hereby authorised to seek voluntary delisting of its equity shares listed at the Stock Exchanges in Ahmedabad and Chennai.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to apply to such Stock Exchanges/SEBI/and to comply with all the legal and procedural formalities laid down by the Stock Exchanges and further authorise any of its Committee or any of its Directors or any of the officers of the Company to do all such acts, deeds or things to give effect to the above said resolution.

#### PROFILE OF DIRECTORS RETIRING BY ROTATION AND RE-APPOINTMENT

##### ITEM NO.2 (i) AND 2 (ii) OF NOTICE

##### 1) PROFILE OF MR. AMIT KUMAR SINHA

Age	34 Years
Qualification	B.Com
Experience	13 Years in Steel Industry

##### 2) PROFILE OF MRS. RICHA AGARWAL

Age	33 Years
Qualification	B.B.A.
Experience	8 Years

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

##### ITEM NO. 4 OF NOTICE

Shri Anil Kumar Jain was appointed as an Additional Director of the Company by the Board of Directors with effect from 26.12.05 under Section 260 of the Companies Act 1956 and holds office upto the Eleventh Annual General Meeting of the Company.

##### HIS PROFILE IS GIVEN BELOW: -

Shri Anil Kumar Jain, aged 58 years is a Commerce Graduate. He has 35 years experience in various steel Industries. He joined the Board in December 2005.

As required under Section 257 of the Companies Act 1956 notice has been received from a member proposing the name of Shri Anil Kumar Jain for the office of Director. None of the directors, except Sri Anil Kumar Jain himself is concerned or interested in the resolution. Board of Directors recommends the passing of the resolution as stated under Item No. 4 of the Notice.

##### ITEM NO. 5 OF NOTICE

Shri Manish Pankar was appointed as an Additional Director of the Company by the Board of Directors with effect

from 26.12.05 under Section 260 of the Companies Act 1956 and holds office upto the Eleventh Annual General Meeting of the Company.

**HIS PROFILE IS GIVEN BELOW:-**

He is 39 years old. He has done Post Graduate Diploma in Computer Application (PGDCA). He joined the Board in December 2005. For the past 10 years he is working with a well reputed C.A. firm of Raipur.

As required under Section 257 of the Companies Act 1956 notice has been received from a member proposing the name of Shri Manish Pankar for the office of Director. None of the directors, except Sri Manish Pankar himself is concerned or interested in the resolution. Board of Directors recommends the passing of the resolution as stated under Item No. 5 of the Notice.

**ITEM NO. 6 OF NOTICE**

Shri Sanjay Gupta was appointed as an Additional Director of the Company by the Board of Directors with effect from 26.12.05 under Section 260 of the Companies Act 1956 and holds office upto the Eleventh Annual General Meeting of the Company.

**HIS PROFILE IS GIVEN BELOW:-**

He is 29 years old. He has done his post graduation in Economics. He was employed in M/s Mahavir Chemicals, Ankleswar for 7 years.

As required under Section 257 of the Companies Act 1956 notice has been received from a member proposing the name of Shri Sanjay Gupta for the office of Director. None of the directors, except Sri Sanjay Gupta himself is concerned or interested in the resolution. Board of Directors recommends the passing of the resolution as stated under Item No. 6 of the Notice.

**ITEM NO. 7 OF NOTICE**

Shri Rajesh Shukla was appointed as an Additional Director of the Company by the Board of Directors with effect from 26.12.05 under Section 260 of the Companies Act 1956 and holds office upto the Eleventh Annual General Meeting of the Company.

**HIS PROFILE IS GIVEN BELOW:-**

He is 36 years old. He has done his Post Graduation in Commerce. For the past 12 years he is a Director in M/s Shukla Herbals, Raipur. He joined the Board in December 2005.

As required under Section 257 of the Companies Act 1956 notice has been received from a member proposing the name of Shri Rajesh Shukla for the office of Director. None of the directors, except Sri Rajesh Shukla himself is concerned or interested in the resolution. Board of Directors recommends the passing of the resolution as stated under Item No. 7 of the Notice.

**ITEM NO. 8 OF NOTICE**

Shri M. Eswaran was appointed as an Additional Director of the Company by the Board of Directors with effect from 23.01.06 under Section 260 of the Companies Act 1956 and holds office upto the Eleventh Annual General Meeting of the Company.

**HIS PROFILE IS GIVEN BELOW:-**

He was working with Tata Iron and Steel Company Ltd.(TISCO) for 17 years in administration and ministerial post. He was Company Secretary from 1981 to 1984 in Nagpur with Hariganga Group of Industries. From 1984 to 1986, he was Company Secretary in Midwest Leasing Ltd, Mumbai. From 1986 to 1990 he was Group Secretary to Gold Star Group, Hyderabad. From 1990 to 1992 was Company Secretary to Coimbatore Stock Exchange Ltd. In 1995 he was Vice President to Marg Securities Limited, Category I Merchant Banker. At present he is practising Company Secretary. He joined the Board in January 2006.

As required under Section 257 of the Companies Act 1956 notice has been received from a member proposing the name of Shri M. Eswaran for the office of Director. None of the directors, except Sri M. Eswaran himself is concerned or interested in the resolution. Board of Directors recommends the passing of the resolution as stated

under Item No. 8 of the Notice.

#### ITEM NO.9

Presently the Companies Securities are listed with the following four Stock Exchanges in India

Cochin Stock Exchange  
Ahmedabad Stock Exchange  
Madras Stock Exchange  
Bombay Stock Exchange

Cochin  
Ahmedabad  
Chennai  
Mumbai

The bulk of the trading in the Company's Equity Shares takes place on the BSE and the depth and liquidity of trading in the Company's Securities on the Ahmedabad Stock Exchange and Madras Stock exchange is lower.

It is also observed that the listing fees paid to the above Stock Exchanges are considerable in comparison to the trading volumes and liquidity.

As a part of its cost reduction measures the Company has proposed this resolution which will enable it to delist all its Securities from Ahmedabad Stock Exchange and Madras Stock Exchange at an appropriate time in the future. The actual timing of such a move will depend upon future developments.

In tune with the SEBI guidelines members' approvals is being sought by a Special Resolution for enabling voluntary delisting of its securities from the above said Stock Exchanges.

The proposed delisting of the Company's securities from Ahmedabad Stock Exchange and Madras Stock Exchange, as and when the same takes place will not adversely affect the investors. The Company's securities will continue to be listed on Bombay Stock Exchange and Cochin Stock Exchange. The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified on that time.

Your Directors recommend the Special Resolution for approval of the members. None of the Directors of the Company is in any way, concerned or interested in the resolution.

#### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of himself and such proxy or proxies need not be a member or members of the Company. The proxy form duly signed must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
2. A proxy can be in any form set out in Schedule IX of the Companies Act, 1956.
3. Members intending to ask for information/clarifications at the Annual General Meeting regarding Balance Sheet etc. are requested to give notice of the particulars of information required to the Company at least 7 days before the date of meeting.
4. Members are requested to bring the Copy of this Annual Report to the meeting for identity.
5. Members are requested to notify the change of address, if any, to the Company.
6. The Register of Members of the Company will remain closed from Monday the 10th July 2006 to Wednesday the 19th July 2006 both days inclusive.

BY ORDER OF THE BOARD

PLACE: PALAKKAD  
DATE: 09.05.2006

VIVEK AGARWAL  
MANAGING DIRECTOR

## DIRECTORS' REPORT

Your Directors have great pleasure to take this opportunity to present the Eleventh Annual Report of the Company together with Audited Financial Statement for the year ended 31<sup>st</sup> March 2006.

### A. FINANCIAL RESULTS

(Amount in 000's)

Particulars	Year ended	
	31.03.2006	31.03.2005
Turnover (Gross Revenue)	22,72,65,810	25,50,29,168
Total Expenditure	20,99,64,531	24,97,88,269
Profit Before Depreciation	1,73,01,279	52,40,899
Depreciation	44,94,821	43,00,730
Income Tax/Deferred Tax	27,48,589	10,86,336
Net Profit	100,57,869	20,26,505

### B. OPERATIONS

The Operations have resulted in a Net Profit of Rs.1,00,57,869 even though there is slight reduction in gross turnover. During the year the Company had earned substantial amount by way of commission on services. Compared to sales, the operational expenditure incurred had been lower during the year under review than that in the previous year and this had contributed for the increase in profit. As indicated in the last year the Company had written off the balance in the electricity charges of about Rs.1.89 Crores.

### C. POLLUTION

Your Company had taken necessary steps in controlling the pollution around its operational environment.

### D. ENERGY SAVING DEVICES

Necessary equipment had been installed at the unit with regard to energy saving.

### E. EMPLOYEES

None of the employees of the Company was in receipt of remuneration above Rs.2,00,000/= per month or Rs.24,00,000/= per annum during the year under review and as such there is no need to give a declaration u/s 217 (2A) of the Companies Act, 1956

### F. DIVIDEND

In order to strengthen the net worth of the Company it is decided not to recommend any dividend for the year ended 31<sup>st</sup> March 2006.

### G. AUDITORS

M/s Sunil Johri & Associates Chartered Accountants Raipur retires at this Annual General Meeting and they have consented to be reappointed as Auditors of the Company for the year 2006-07. Necessary resolution will be placed before the members at the Annual General Meeting.

### H. FUTURE PLANS

The Company's order position is encouraging and the management is confident of recording a better performance in the coming years.

### I. DIRECTORS

- Shri Amit Kumar Sinha and Smt Richa Agarwal, Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment. Necessary resolution will be placed before the members at the Annual General Meeting.
- Further the following directors being appointed as Additional Directors will hold the office upto the date of the Eleventh Annual General Meeting. Company has received notice in writing from a



member proposing them for the office of the Directors. Necessary resolutions in this regard will be placed before the members at the Eleventh Annual General Meeting:-

1. Shri Anil Kumar Jain
2. Shri Manish Pankar
3. Shri Sanjay Gupta
4. Shri Rajesh Shukla
5. Shri M. Eswaran

#### J. DIRECTORS RESPONSIBILITY STATEMENT U/S 217(2AA)

Pursuant to section 217(2AA) of The Companies (Amendment) Act, 2000 the Directors confirm:

- (i) that in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that appropriate Accounting Principles have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2006 and of the profit of the Company for the period ended 31<sup>st</sup> March, 2006.
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) that the annual accounts have been prepared on a going concern basis.

The following accounting standards were not applicable to the company during the year under review due to non-occurrence of events and transactions covered under the scope of these accounting standards: -

AS-13	Accounting for amalgamation
AS-17	Segment reporting
AS-21	Consolidated financial statements
AS-23	Accounting for investments in associates in consolidated financial statements
AS-24	Dis-continuing operation
AS-7	Accounting for construction
AS-11	Accounting for the effects of changes in Foreign Exchange rates
AS-12	Accounting for Government Grants
AS-13	Accounting for investments

#### K. MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

##### (i) INDUSTRY STRUCTURE AND DEVELOPMENT

There is a continuing positive trend in the Indian Steel Industry. The growth is well supported by the rise in demand for Steel Products. The user industries like infrastructure auto, white goods are doing well and this would lead to an increased demand for Steel. Your Company is seized of this opportunity and is taking necessary steps to take the maximum benefit out of this boom. Hopefully, this would improve its performance in the coming years.

##### (ii) OPPORTUNITIES AND THREATS

There are tremendous opportunities available consequent to the boom in the construction industry. Company is aware of threats posed by the unorganised sector and also some of the regulatory measures which would hamper growth. Company is fully geared to meet the challenges facing the industry and show a creditable performance.

##### (iii) SEGMENT WISE PERFORMANCE

The Company operates in only one segment i.e. manufacturing of steel items such as MS Ingots and C.I. Moulds.

##### (iv) OUTLOOK

Future outlook seems to be very promising and the Company is proposed to make best use of the opportunities.



**(v) RISK AND CONCERNS**

The Company is facing all external risks pertaining to this business especially market risk. The Company has taken all possible steps to overcome such risks.

**(vi) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company is having in-built internal control and check systems and it has been constantly monitored by experienced professionals. Further the Company is engaged in continuous improvement exercise, modernization and systemization to bring out visible gains.

**(vii) DISCUSSION ON FINANCIAL PERFORMANCE**

During the year, the Company had made sale of Rs. 1931.8 Lakhs as against Rs. 1716.3 Lakhs in the previous year and earned Rs. 291.1 Lakhs as commission on services compared to Rs. 527.5 Lakhs in the previous year.

**(viii) MATERIAL DEVELOPMENT IN INDUSTRIAL RELATIONS FRONT**

The Company has been maintaining a cordial and harmonious relationship with the employees.

**L. CORPORATE GOVERNANCE**

The policies, procedures and practices that are installed in the Company ensure requisite care and diligence in functioning as well as providing transparencies and accountability for performance thereby enhancing the value of shareholders and safeguarding their interest. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges forms part of the Annual Report.

**i) BOARD OF DIRECTORS**

1) The Board of Directors of the Company is comprised of

1. Mr. Vivek Agarwal
2. Mrs. Richa Agarwal
3. Mr. Amit Kumar Sinha
4. Mr. E. Sanakaranarayana
5. Mr. E. Thippeswamy
6. Mr. Anil Kumar Jain
7. Mr. Manish Pankar
8. Mr. Sanjay Gupta
9. Mr. Rajesh Shukla
10. Mr. M. Eswaran

2) The attendance particulars of Directors at the meeting of the Board of Directors and at the Annual General Meeting during the period 01.04.2005 to 31.03.2006 are given below:

Name of Directors	No. of Meetings	Attended	Last AGM attended
Mr. Vivek Agarwal	8	7	Yes
Mrs. Richa Agarwal		8	No
Mr. Amit Kumar Sinha		8	Yes
Mr. E. Sankaranarayana		6	Yes
Mr. E. Thippeswamy		7	Yes
Mr. Manish Pankar		0	Recently elected
Mr. Sanjay Gupta		0	Recently elected
Mr. M. Eswaran		0	Recently elected
Mr. Rajesh Shukla		0	Recently elected
Mr. Anil Kumar Jain		0	Recently elected