



# **SOUTHERN ISPAT LIMITED**

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**Thirteenth Annual Report  
2007-2008**

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## SOUTHERN ISPAT LIMITED

### BOARD OF DIRECTORS

**Shri. Vivek Agarwal**  
*Managing Director*

**Smt. Richa Agarwal**  
*Director*

**Shri. M. Eswaran**  
*Director*

**Shri. V. Manikandan**  
*Director*

**Smt. Anusuya Devi Agarwal**  
*Director*

### Auditors

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

M/s. Mahadevan & Sivarajan  
Chartered Accountants,  
Palakkad

### Bankers

State Bank of India, Palakkad.

### Registered Office

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

### Factory

Kariankode Post,  
Kottayi, Palakkad - 678 572

### Share Transfer Agents

M/s. SKDC 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 13<sup>th</sup> Annual General Meeting of the Company will be held on Tuesday, the 12th August, 2008 at 03-00 P.M. at the Registered Office of the Company at 19/629(1) "SREYAS" Near Yakkara School Bus Stop, West Yakkara, Palakkad – 678 001 to transact the following business.

### Item No. 1:

To receive consider approve and adopt the **Audited Balance Sheet as at 31/3/2008** together with these schedules, the profit and loss account for the year ending 31/3/2008 together with the schedules the Directors Report and the Auditors Report thereon.

### Item No. 2:

To reappoint a director in place of **Smt. Anusuya Devi Agarwal** who retires by rotation and being eligible offers herself for reappointment.

### Item No. 3:

To reappoint a director in place of **Sri. V. Manikandan** who retires by rotation and being eligible offers himself for reappointment.

### Item No. 4:

To appoint auditors and fix their remuneration.

Resolved that **M/s. Sunil Johri & Associates**, Chartered Accountants be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting on a remuneration of Rs.20,000/- per annum plus Out of Pocket Expenses incurred by them during the course of audit, Internal audit, system audit etc. as and when they are called upon to do so.

Resolved that **M/s. Mahadevan & Sivarajan**, Chartered Accountants be and are hereby appointed as Joint Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting on a remuneration of Rs.15,000/- per annum plus Out of Pocket Expenses incurred by them during the course of audit, Internal audit, system audit etc. as and when they are called upon to do so.

## SPECIAL BUSINESS

### Item No. 5: Change of name

To consider and if thought fit to pass with or without modification the following resolution as Special Resolution.

Resolved that pursuant to Sec 21 of the Companies Act, 1956 and subject to the approval of the Central Government (Registrar of Companies, Kerala nad Lakshadweep) the name of the Company be changed from Southern Ispat Limited to "Southern Ispat and Energy Limited"

### Item No. 6:

To insert new Objects to the Main Objects of the Memorandum of Association

To consider and if thought fit to pass with or without modification the following resolutions as special resolution.

Resolved that pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government (ROC) two new Objects as Object no.2 and 3 as the main objects of the Company be inserted while the existing main Object is numbered as 1.

(This is required to be passed by POSTAL BALLOT)

## III. Main Objects

2. To enter into the business of generation, distribution and sale of all types of energy such as electric, fuel, wind, natural oil, gas and conventional and non-conventional.

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3. To act as agent, commission agent, broker, stockists, trader, buyer, seller, importer, exporter, job worker or otherwise to deal in all goods, materials or things that need not necessarily be the products the company mainly deals with.

By order of the Board

Palakkad  
27.06.2008

**Vivek Agarwal**  
Managing Director

## Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. A proxy form is enclosed.
2. An Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business is set out in the annexure enclosed.
3. Members are requested to notify change of Address, if any, immediately to the Registrars & Share Transfer Agents M/s S.K.D.C. Consultants Ltd., West Power House Road, Tatabad, Coimbatore Pin 641 012 Ph.: 0422-6549995,2499803 Fax: 0422-2499574 EP.

## Annexure to Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 which forms part of the Notice convening the Annual General Meeting of the Company on 12<sup>th</sup> August, 2008.

## Item 5:

## Change of name of the Company

The Company is in energy intensive industry with electrical induction furnace. It has to rely upon outside agencies in order to keep up its production your board thought to enter into the activity of generating energy so that dependance upon outsiders will come down. It has been proposed to change the name of the Company to "Southern Ispat and Energy Limited". The Registrar of Companies had made available this name.

The letter dated 19.06.2008 received from the Registrar of Companies making available the name is available for inspection during office hours by any member.

None of the Director is interested in the resolution.

## Item 6:

## Change in new Objects to the Main Objects

In order to enable the Company to enter into energy generation and to act as agent, Commission agent etc. two new Objects are proposed to be inserted to the main objects as object no.2 and 3. As per Companies Act, 1956 this should be approved by members through Postal Ballot in a general meeting by way of Special Resolution, subject to the approval of the Central Government (ROC).

None of the Director is interested in the resolution.

By order of the Board

Palakkad  
27.06.2008

**Vivek Agarwal**  
Managing Director



## 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. 2255.78 Lakhs as against Rs. 2215.52 Lakhs in the previous year and earned Rs. 278.17 Lakhs as commission on services compared to Rs. 180.96 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.

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**Directors' Report to Shareholders**

Your Directors have great pleasure to take this opportunity to present the Thirteenth Annual Report of the Company together with Audited Financial Statement for the year ended 31<sup>st</sup> March 2008.

**A. FINANCIAL RESULTS**

Particulars	(Amount in Rs.) Year ended	
	31.03.2008	31.03.2007
Turnover (Gross Revenue)	41,70,78,456	33,44,86,961
Total Expenditure	40,88,18,032	33,38,84,802
Profit Before Depreciation	82,60,424	6,02,158
Depreciation	67,16,568	—
Income Tax/Deferred Tax	12,73,389	4,97,612
Net Profit	2,70,467	1,04,546

**B. OPERATIONS**

The Operations have resulted in a Net Profit of Rs.2,70,467/- . This is inspite of the Company charging previous years depreciation of Rs. 3,35,628 in the current year. This year the Company could earn through trading of Steel Products, Commission from Contract Services and Commission from Services.

**C. 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.

**D. 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 2008.

**E. PUBLIC DEPOSITS:**

The Company has not invited or received any deposit from Public.

**F. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE OUTGO:**

Necessary particulars are furnished in the annexures as prescribed.

**G. AUDITORS**

M/s Sunil Johri & Associates, Chartered Accountants, Raipur, and M/s. Mahadevan & Sivarajan, Chartered Accountant, Palakkad, are eligible for reappointment as Auditors of the Company from the conclusion of the ensuing Annual General Meeting to the conclusion of the next Annual General Meeting. Necessary resolution is being placed before the members at the Annual General Meeting.

**H. FUTURE PLANS**

The Company order position is encouraging and the management is confident of recording a better performance in the coming years. Your Company is planning to install a Rolling Mill during the coming financial year. For this purpose Warrant issue was made to several persons on preferential basis with an option to convert the same into equity shares of the Company on or before 6<sup>th</sup> March 2008. Further however at the request of the warrant holders the time was extended upto 6<sup>th</sup> June 2008. The date is further extended upto 31<sup>st</sup> December 2008 by your Board.

Further to this the Company is planning to acquire a running Rolling Mill and the negotiations in this regard in advanced stage.



In order to meet the rising demand for energy the Company wants to set up its own energy generating unit. It is proposed to insert a new Object in order to enable the Company to enter into the Energy Generation business.

There is a proposal for the Company to takeover Kerala Sponge Iron Limited which has just commenced production. This will help the Company to meet its raw material requirement and the sale of the surplus to outsiders. This proposal is accepted by the Board of Directors of Kerala Sponge Iron Limited and steps are being taken towards this end.

Further in order to reflect the new activity the name of the Company it is proposed to change the name of the Company as "Southern Ispat and Energy Limited"

#### I. DIRECTORS

During the year under report Directors Mrs. Anusuya Devi Agarwal and Mr. V. Manikandan retire by rotation and being eligible offers themselves for reappointment.

#### 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.
- (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, 2008 and of the profit of the Company for the year ended on that date (except policy of depreciation charging).
- (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-21	Consolidated financial statements
AS-23	Accounting for investments in associates in consolidated financial statements
AS-24	Discontinuing operation
AS-7	Accounting for construction
AS-11	Accounting for the effects of changes in Foreign Exchange rates

#### K. PARTICULARS OF EMPLOYEES:

During the year ended 31<sup>st</sup> March 2008, there was no employee within the purview of Sec. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### L. CORPORATE GOVERNANCE

Your Company has complied with the Corporate Governance norms and a report is annexed to this report.

#### M. ACKNOWLEDGEMENT

Your Directors like to place on record their immense gratitude to the Central and State Government Agencies and Banks and others for their continued support and help. We wish to place on record our appreciation to our members for the confidence reposed by them in the Company. We also wish to place on record our appreciation of the sincere and efficient service put in by our employees.

By order of the Board

Palakkad  
27.06.2008

Vivek Agarwal  
Managing Director

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## ANNEXURE

## ANNEXURE TO DIRECTORS' REPORT:

Information under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## 1. Conservation of Energy:

- |   |   |   |
|---|---|---|
| (a) Energy conservation measures taken  | } | The Company is using Induction Furnace and hence possibility of conserving energy is limited. |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.                             | } | NIL   |
| (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | } | N.A.  |

## FORM A

## A. Power and Fuel Consumption

	Current Year (ended on 31-3-2008)	Previous Year (ended on 31-3-2007)
1. Electricity:		
(a) Purchased:		
Units/KWH	16361120	18114800
Total amount (Rs. lakhs)	606.45	669.92
Rate/Unit Rs.	3.71	3.70
(b) Own generation:		
(i) Through Diesel Generator:	Nil	Nil
Units/KWH	NA	NA
Units per litre of Diesel Oil	NA	NA
Cost of Unit of Diesel Oil Rs./KWH	NA	NA
2. Coal:		
Quantity (T) (Grade varies from A to D)	Nil	Nil
Total Cost (Rs. lakhs)	Nil	Nil
Average rate (Rs./Tonne)	NA	NA
3. Furnace Oil (Diesel Oil/LD Oil)	Nil	Nil
Quantity (litres)	Nil	Nil
Total amount (Rs. lakhs)	Nil	Nil
Average rate (Rs./litre)	NA	NA

## B. Consumption per unit of production:

Product	Current Year (ended 31-3-2008)			Previous Year (ended 31-3-2007)		
	Elec. Units (KWH)	Diesel/LD Oil/(litre)	Coal (MT)	Elec.Units (KWH)	Diesel/LD Oil(litre)	Coal (MT)
M.S. INGOT/ C.I.MOULDS	1391	-	-	1449	-	-





## II. Technology Absorption

### FORM B

(See Rule 2)

(Form for disclosure of particulars with respect to Technology Absorption)

- |  |   |     |
|--|---|-----|
| 1. Specific area in which R & D carried out                  | : | NIL |
| 2. Benefits derived as a result of the above                 | : | NIL |
| 3. Future Plan of Action                                     | : | NIL |
| 4. Expenditure on R & D                                      | : | NIL |
| (a) Capital  | : |     |
| (b) Recurring  | : |     |
| (c) Total  | : |     |
| (d) Total R&D Expenditure as a percentage of total turnover: |   |     |

### Technology Absorption, Adaptation and Innovation:

- |   |   |     |
|---|---|-----|
| 1. Efforts, in brief, made towards technology Absorption, adaptation and innovation   | : | NIL |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution                             | : | NIL |
| 3. In case of imported technology (imported during the last five years, reckoned from the beginning of the financial year), following information may be furnished: | : | NIL |
| (a) Technology imported   | : | NIL |
| (b) Year of import  | : |     |
| (c) Has technology been fully absorbed?   | : | NA  |
| (d) If not fully absorbed, areas where this has not taken place (reasons and future plans of action):   | : | NA  |

### III. Foreign Exchange Earnings and outgo:

The particulars of foreign exchange earned/ Utilized during the year	:	NIL
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