



**AN
ISO 9002
COMPANY**

STEELCAST LIMITED

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**28TH ANNUAL REPORT
1998-99**

STEELCAST LIMITED**BOARD OF
DIRECTORS**

Shri I. F. Tamboli	
Shri M. F. Tamboli	(Managing Director)
Shri B. F. Tamboli	
Shri B. T. Doshi	
Shri T. Kumar	(Executive Director)
Shri M. C. Bhatt	
Shri R. J. Shah	
Shri K. K. Kripalani	(Nominee Director)
Shri Chetan M. Tamboli	(Joint Managing Director)

BANKERS

Bank of India

LEGAL ADVISORS

J. S. Parikh & Co., Bhavnagar.

AUDITORSSanghavi & Company
Chartered Accountants**REGISTERED OFFICE
& WORKS**Ruvapari Road,
BHAVNAGAR, GUJARAT, INDIA - 364 005**CONTENTS**

1	Quarterly Financial Results.....	2
2	Notice.....	3
3	Annexure to the Notice.....	6
4	Directors' Report.....	8
5	Auditors' Report.....	12
6	Balance Sheet.....	15
7	Profit & Loss Account.....	16
8	Schedules.....	17
9	Notes on Accounts.....	25
10	Cash Flow Statement.....	30

AUDITED FINANCIAL RESULTS FOR THE QUARTER & YEAR ENDED ON MARCH 31, 1999

(Amount in lacs)

Sr. No.	Description	Three Months Ended 31.03.99	Current Year Ended 31.3.99	Previous Year 1997-98
1.	Net Sales	553.61	2644.85	2756.10
2.	Other Income	(5.83)	17.00	16.21
3.	Change in Inventory	(62.88)	(120.21)	(201.41)
4.	Total Income (1+2+3)	484.90	2541.64	2570.90
5.	Total Expenditure	499.84	2262.20	2186.54
6.	Interest	21.42	160.42	190.22
7.	Gross Profit after interest but before depreciation and taxation (4-5-6)	(36.36)	119.02	194.14
8.	Depreciation	46.41	188.65	116.25
9.	Profit before Tax (7-8)	(82.77)	(69.63)	77.89
10.	Provision for Tax	Nil	Nil	32.00
11.	Profit after Tax (9-10)	(82.77)	(69.63)	45.89
12.	Paidup Share Capital	359.46	359.46	359.46
13.	Reserves (Excluding Revaluation Reserves)	787.32	787.32	870.91

Notes :

- The above results were taken on record by the Board of Directors at it's meeting held on May 26, 1999.
- Being the first time that the quarterly results are prepared, the figures for the corresponding period of the previous year are not available and hence not given.
- Lower demand due to domestic demand recession has resulted in lesser orders. Due to stiff competition in the domestic market, the Company was forced to keep prices lower, which resulted in price reduction of Rs. 71.50 lacs over previous year.
- Heavy demand recession forced the Company to approach Government for retrenching its employees. The permission was granted and has costed the Company Rs. 32.61 lacs.
- The Board decided to raise the rates of depreciation provided as a measure of prudence based on a technological re-evaluation resulting in an increase in depreciation of Rs. 67.27 lacs over the previous year.
- Without apparent increase in power tariff, the increase in power cost charges by way of Fuel Cost Adjustments were Rs. 23.52 lacs more over the previous year.
- Adequate reduction in other costs like power, personnel, etc. was not possible as they were controlled by public sector, Government, etc.
- The Company has ongoing well established Cost Reduction and Energy Conservation programmes which have yielded Rs. 40.61 lacs during the year over previous year.
- Serious efforts are being put in to improve the profitability of the Company.
- All the hardware in the Company is Y2K Compliant. Certain application software written in COBOL is being corrected inhouse. The software for computerised attendance system and share accounting is expected to be replaced at a cost of about Rs. 1.00 lakh. The above actions are expected to be completed by September'99 and since alternative manual arrangements are available, no significant contingent difficulty is envisaged.

STEELCAST LIMITED

RUVAPARI ROAD, BHAVNAGAR - 364 005.

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF STEELCAST LIMITED WILL BE HELD ON AUGUST 24, 1999 AT HOTEL NILAMBAG PALACE, BHAVNAGAR AT 1530 HOURS to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Company's Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended on that date together with Schedules annexed thereto as well as Directors' Report and Auditors' Report attached/annexed therewith.
2. To declare dividend for the financial year 1998-99.
3. To appoint a Director in the place of Shri M.C. Bhatt who retires by rotation as director as at this meeting, but being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri. R. J. Shah who retires by rotation as director as at this meeting, but being eligible, offers himself for re-appointment.
5. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions.

6. " RESOLVED that in pursuant to the provisions under Sections 269, 198, 309 and 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and also subject to the approval of the Central Government, if applicable and/or necessary, the Company in general meeting hereby accords its approval to the re-appointment of Shri M.F. Tamboli as Managing Director for a further period of five years w.e.f. January 1st, 1999, upon the remuneration comprising of :
 - (a) Salary of Rs. 27,000/- per month in the scale of Rs. 25,000-1000-35,000 per month with future increments due on January 1st every year hereafter.
 - (b) Perquisites as specified in the draft agreement placed before the meeting, duly initialled by the Chairman for the purpose of identification.
 - (c) Commission at the rate of 1% on the net profit, if any, in a financial year subject to a maximum of 50% of salary or Rs.90,000/- whichever is less.

Provided that, where in any financial year during the currency of tennure of the Whole Time Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites stated hereinabove and also subject to the other terms and conditions contained in the aforesaid draft agreement, which agreement be and are hereby approved."

"Further resolved that the Board of Directors of the Company be and are hereby authorised to vary the terms and conditions of the aforesaid appointee, including the terms of remuneration payable to him, provided that the modified remuneration shall be within the ambit of the provisions under Schedule XIII of the Companies Act 1956 as may be applicable from time to time and also to do all acts, things and matters necessary".

7. "RESOLVED that in pursuant to the provisions under Sections 269, 198, 309 and 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 and also subject to the approval of the Central Government, if applicable and/or necessary, the Company in general meeting hereby accords its approval to the re-appointment of Shri B.T. Doshi as Wholetime Director for a further period of one year w.e.f. January 1st, 1999, as per the terms laid down in the draft agreement.

(a) Salary of Rs.20,000/- per month.

(b) Perquisites as specified in the draft agreement placed before the meeting, duly initialled by the Chairman for the purpose of identification.

(c) Commision - Nil.

Provided that, where in any financial year during the currency of tennure of the Whole Time Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites stated hereinabove and also subject to the other terms and conditions contained in the aforesaid draft agreement, which agreement be and are hereby approved."

"Further resolved that the Board of Directors of the Company be and are hereby authorised to vary the terms and conditions of the aforesaid appointee, including the terms of remuneration payable to him, provided that the modified remuneration shall be within the ambit of the provisions under Schedule XIII of the Companies Act, 1956, as may be applicable from time to time and also to do all acts, things and matters necessary".

By Ordèr of the Board of Directors

Bhavnagar.

June 10, 1999.

CHETAN M. TAMBOLI

Joint Managing Director

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument of proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

2. An Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under item 6 & 7 set out as above is annexed hereto.
3. Members are requested to notify immediately any change in their address to STEELCAST LIMITED, Ruvapari Road, Bhavnagar, Gujarat 364 005 and quote their Folio Number in all their correspondence.
4. Members are requested to bring their copy of Annual Report to the Meeting and produce attendance slip at the entrance where Annual General Meeting will be held.
5. Register of Members and Share Transfer Books of the Company will be closed from August 18, 1999 to August 24, 1999 [both days inclusive].
6. If the dividend on shares as recommended by the Board of Directors is declared at the Meeting, payment thereof will be made to those Shareholders whose names are on the Register of the Company on August 24, 1999.

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STEELCAST LIMITED

Ruvapari Road, Bhavnagar - 364 005.

ANNEXURE TO THE NOTICE DATED JUNE 10, 1999.**EXPLANATORY STATEMENT**

The following constitutes the explanatory statement pursuant to the provisions under Section 173(2) of the Companies Act, 1956, setting out all material facts concerning each item of special business as per the accompanying notice, dated June 10, 1999.

Item No. 6 & 7 : Ordinary Resolution No. 6 & 7

These items relate to the re-appointment of Shri M.F. Tamboli and Shri B.T. Doshi as Managing Director and Whole Time Director respectively of the Company for a further period of five years and one year respectively from January 1st, 1999.

Shri M.F. Tamboli has been associated with the Company as Managing Director from February 11, 1972 onwards. His last appointment and remuneration as Managing Director in pursuance of the Provisions under Schedule XIII of the Companies Act, 1956, for five years, was on August 20, 1994, which period expired on December 31, 1998. Similarly, Shri B.T. Doshi has been associated with the Company as its Whole Time Director, designated as Director since November 5, 1976. His last appointment and remuneration as Whole Time Director in pursuance of the Provisions under Schedule XIII of the Companies Act, 1956, for five years, was on August 20, 1994. which period expired on December 31, 1998.

Taking into account their rich and wide ranging experience and accomplished business accumen as well as their knowledged contribution to the growth of the business activities of the Company, the Board has re-appointed Shri M.F. Tamboli as Managing Director and Shri B.T. Doshi as Whole Time Director designated as Director for a further period of five years and one year respectively from January 1st, 1999, in pursuance of the Provisions under Schedule XIII of the Companies Act, 1956.

The appointments are made subject to the terms and conditions contained in the draft agreements duly initialled by the Chairman for the purpose of identification and available for inspection at the Registered Office of the Company on a working day between 2.00 PM and 5.00 PM.

Approval of the Shareholders to the above appointment and remuneration being required by law, the matter is being placed for your consideration.

The remuneration payable to the appointees is as under

Apointee's Name	Monthly Salary	Perquisites	Commission
Shri M.F. Tamboli	27,000/= in the scale of 25000-1000-35000	As split out (i)	1 % of Net Profits, if any, in the Financial Year Subject to a maximum of 50 % of Annual Salary or Rs.90000/- whichever is less.
Shri B.T. Doshi	20,000/=	As split out (ii)	Nil

(i) Perquisites Payable to Shri M.F. Tamboli

Perquisites shall be allowed in addition to salary and/or commission or both. Perquisites are classified in three categories i.e., Part A, Part B and Part C, as follows:

Part A**1. Housing**

House Rent Allowance @ Rs. 2500/- per month will be paid.

2. Medical Reimbursement

Expenses incurred for Managing Director and his family subject to a ceiling of one month salary or three months' salary over a period of three years.

3. Leave Travel Concession

Managing Director and his family. Once in a year in accordance with the rules specified by the Company.

4. Fees of Clubs

Subject to a maximum of two clubs. This will not include admission and life membership fees.

5. Personal Accident Insurance

Premium not to exceed Rs.4000/- per year.

Family means : Spouse, dependent children and dependent parents.

Part B

- Contributions to the Provident Funds, Superannuation Funds or Annuity Funds will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable shall not exceed half a month's salary for each completed year of service.

Part C

Provision of telephone at the residence will not be considered as perquisites. Personal long distance calls on telephone shall be billed by the Company to the Managing Director.

(ii) Perquisites Payable to Shri B.T. Doshi

Perquisites shall be allowed in addition to salary and/or commission or both. Perquisites are classified in three categories i.e., Part A, Part B and Part C, as follows:

Part A**1. Housing**

House Rent Allowance @ Rs. 2000/- per month will be paid.

2. Medical Reimbursement

Expenses incurred for Whole Time Director and his family subject to a ceiling of one month salary or three months' salary over a period of three years.

3. Leave Travel Concession

Whole Time Director and his family. Once in a year in accordance with the rules specified by the Company.

4. Fees of Clubs

Subject to a maximum of two clubs. This will not include admission and life membership fees.

5. Personal Accident Insurance

Premium not to exceed Rs.4000/- per year.

Family means Spouse, dependent children and dependent parents.

Part B

- Contributions to the Provident Funds, Superannuation Funds or Annuity Funds will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity payable shall not exceed half a month's salary for each completed year of service.

Part C

Provision of telephone at the residence will not be considered as perquisites. Personal long distance calls on telephone shall be billed by the Company to the Whole Time Director.

Shri M.F.Tamboli is related to Directors Shri I.F.Tamboli, Shri Chetan M.Tamboli, Shri B.F.Tamboli and Shri B.T.Doshi. Likewise, Shri B.T.Doshi is related to Directors Shri M.F.Tamboli, Shri I.F.Tamboli, Shri B.F.Tamboli and Shri Chetan M.Tamboli. Excepting these Directors, none of the other Directors may be considered as interested or concerned in the passage of the above resolutions.

The above may be treated as the abstracts of the terms of contract with the Managing Director/Whole-time Director pursuant to the provisions under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Bhavnagar.

June 10, 1999.

CHETAN M. TAMBOLI

Joint Managing Director

DIRECTORS' REPORT

To:

Members

Your Directors have pleasure in submitting the 28th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 1999.

1. FINANCIAL RESULTS

The following are the working results :

	1998-99 Rs. in lacs	1997-98 Rs. in lacs
Total Income	2541.64	2570.90
Profit before Depreciation	119.02	194.14
Profit before taxation amounted to	(69.63)	77.89
Less: Taxation	Nil	32.00
Leaving Net Profit after tax	(69.63)	45.89
Adding (Deducting) thereto		
- Balance brought forward from last balance sheet.	20.96	16.51
- Prior Period adjustments	(13.97)	(4.78)
- Excess (short) provisions in earlier years.	Nil	Nil
Making a total of	(62.64)	57.62
which has been appropriated as follows:		
(a) Proposed dividend	Nil	26.96
(b) Corporate Dividend Tax	Nil	2.70
(c) General reserve	Nil	7.00
Leaving a balance to be carried forward	(62.64)	20.96
Total	(62.64)	57.62

2. REVIEW OF OVERALL PERFORMANCE

The total income after considering change in inventories during the year under review aggregated to Rs 25.42 crores as against Rs 25.71 crores in the previous year, thereby showing a marginal decrease of 1.13%.

The cash profit during the year is Rs 119.02 lacs as compared to Rs. 194.14 lacs (previous year), showing a decrease of 38.7%. This is mainly due to following:

- a) Due to severe recession in domestic and international markets, the Company was forced to give substantial price reduction, in order to sustain the volumes. This has resulted in loss of income of Rs 71.50 lacs over previous year.
- b) With a view to make the Company more competitive, the Company had approached Government for retrenchment and the approval was granted. However, the Company had to incur a one time cost of Rs 32.61 lacs towards retrenchment compensation.

- c) While there was no apparent increase in power tariff by GEB during the year, the power cost had gone up by way of Fuel Adjustment Charges, to the tune of Rs. 23.52 lacs over previous year.

Due to above, the cash profit dipped by 38.7%, despite a saving of Rs. 40.61 lacs from various Cost Reduction and Energy Conservation measures implemented by the Company during the year.

The Board of Directors thought it prudent to provide for higher rates of depreciation for the year after a technological revaluation and also keeping in view the processes presently used. This has resulted in higher provision for depreciation by an amount of Rs 67.27 lacs.

Apart from a difficult market situation, the above are the reasons as to why the Profit Before Tax has declined to Rs (-)69.63 lacs (loss), as compared to Rs 77.89 lacs in the previous year.

3. EXPORTS

We have achieved an export turnover of Rs. 79.69 lacs during the year as compared to the previous year figure of Rs. 33.54 lacs, an increase of 137%. We are strengthening our export efforts towards developing further export markets. For this purpose, we have recently participated in HANNOVER Fair in Germany.

4. QUALITY

We are constantly reviewing our ISO:9002 systems in all the areas in order to maintain and improve high quality standards built up over the years.

5. DISCLOSURE OF PARTICULARS WITH RESPECT TO THE TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

(a) Specific areas in which R&D was carried out by the Company

- i) Product development.
- ii) Process improvement and introduction of new processes to meet the emerging market needs.
- iii) Development of new specifications to meet the emerging market needs.

(b) Benefit derived as a result of the above R&D

- i) Cost Reduction.
- ii) More effective service to the customers and widening our market.
- iii) Improved employee morale.

(c) Future Plan of Action

All our efforts and actions will continue in the same broad directions. Areas are being identified and will be taken up for implementation during the coming years.

(d) Expenditure on R&D

i)	Capital	:	Rs. 21.05 lacs
ii)	Recurring	:	Rs. 3.78 lacs
iii)	Total	:	Rs. 24.83 lacs
iv)	Total R&D Expenditure as a percentage of total turnover	:	0.94 %