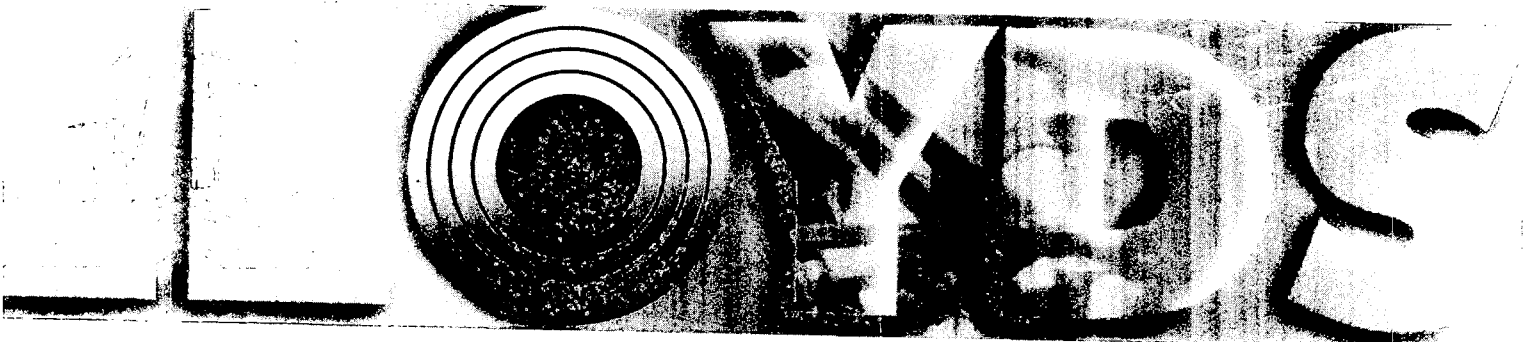


LLOYDS STEEL INDUSTRIES LIMITED

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

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ANNUAL REPORT





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B OARD OF DIRECTORS



CHAIRMAN R.N. GUPTA

VICE CHAIRMAN MUKESH R. GUPTA

MANAGING DIRECTOR RAJESH R. GUPTA

DIRECTORS

R.S. MAHUDAWALA
(NOMINEE - ICICI)
V.R. MEHTA
(NOMINEE - IFCI)
T.A.N. DEVALKAR
(NOMINEE - SICOM)
N.N. JOSHI
(NOMINEE - LIC)
R. JAYARAMAN IYER
(NOMINEE -IDBI)

B.L. AGARWAL
S. SAMARAPUNGAVAN
D.D. DAMODAR
P.P. CHITALE
S. GOVINDARAJ
R. NARAYANAN
P.C. SONI

COMPANY SECRETARY S.N. TIWARI

EXECUTIVES

CORPORATE OFFICE

G.C. SHARMA
R.N. VYAS
DR. B.R. SINGH
RAJESH CHANDRA
J.S. BASRUR
SUNDER RAJAN

CHIEF EXECUTIVE (TAXATION)
CHIEF EXECUTIVE (FINANCE)
CHIEF EXECUTIVE (HRD & TQM)
PRESIDENT (CORP. AFFAIRS)
CHIEF FINANCE CONTROLLER
GENERAL MANAGER (CORP. COMMN.)

STEEL DIVISION

M.B. KANODIA
M.S. MEHTA
S.N. SINGH
P. CHELLAPPA
DR. R.K.P. SINGH
R.S. THAKUR
ASHOK KAPOOR

CHIEF EXECUTIVE (STEEL DIVISION)
EXECUTIVE VICE-PRESIDENT (COMMERCIAL)
EXECUTIVE VICE-PRESIDENT (OPERATIONS)
GENERAL MANAGER (MARKETING)
GENERAL MANAGER (QUALITY CONTROL & R&D)
GENERAL MANAGER (PERSONNEL & ADMIN.)
GENERAL MANAGER (COLD ROLLING MILL)

ENGINEERING DIVISION

ASHOK TANDON
N.V. BHAT
T.S. TAKSALI
P.N. JAISWAL
V.S. MURTHY
K.A. CORREA
J.N. TRIVEDI
M.V. RABADE
P.R. RAVI GANESAN
V. CHINNAIAH

EXECUTIVE VICE PRESIDENT
VICE-PRESIDENT (MARKETING)
VICE-PRESIDENT (COMMERCIAL)
VICE-PRESIDENT (PROJECTS)
VICE-PRESIDENT (PROJECTS)
GENERAL MANAGER (STEEL PLANT EQUIPMENT)
GENERAL MANAGER (STEEL PLANT EQUIPMENT)
GENERAL MANAGER (POWER PLANT)
GENERAL MANAGER (COMMERCIAL)
GENERAL MANAGER (WORKS)

**BANKERS**

CENTRAL BANK OF INDIA
 STATE BANK OF INDIA
 STATE BANK OF HYDERABAD
 BANQUE INDOSUEZ
 THE FEDERAL BANK LIMITED
 PUNJAB NATIONAL BANK
 STATE BANK OF TRAVANCORE
 PUNJAB AND SIND BANK
 ABU DHABI COMMERCIAL BANK LTD.
 INDUSIND BANK LIMITED
 BANK OF INDIA
 THE BANK OF TOKYO MITSUBISHI LTD.

AUDITORS

TODARWAL & TODARWAL
 LAKHANI & CHADHA

LEGAL ADVISORS

KANGA & COMPANY
 (SOLICITORS & ADVOCATES)

REGD. OFFICE

'LLOYDS HOUSE',
 954, APPASAHEB MARATHE MARG
 PRABHADEVI, MUMBAI - 400 025.

OPERATIONS-(STEEL DIVISION)

'LLOYDS HOUSE',
 954, APPASAHEB MARATHE MARG
 PRABHADEVI, MUMBAI - 400 025.

OPERATIONS-(ENGG DIVISION)

SHAH INDUSTRIAL ESTATE,
 BUILDING B, 1ST FLOOR,
 NR.NEELKAMAL PLASTICS LTD.,
 SAKI VIHAR ROAD,
 MUMBAI - 400 072.

WORKS - STEEL DIVISION

LLOYDS NAGAR, BHUGAON LINK
 ROAD, WARDHA - 442 001

WORKS - ENGG DIVISION

PLOT NO.A-5/5,A-6/3,
 M.I.D.C. INDUSTRIAL AREA,
 MURBAD, DIST. THANE.

REGIONAL OFFICES

CALCUTTA, HYDERABAD, MUMBAI AND NEW DELHI.

REGISTRARS & TRANSFER AGENT

LLOYDS CAPITAL SERVICES LTD.,
 VTM BUILDING, 3RD FLOOR,
 MEHRA COMPOUND, OPP. ORKAY MILLS,
 SAKI NAKA, ANDHERI (E),
 MUMBAI - 400 072.
 Tel : 851 4580 Fax : 8514543

NOTICE



NOTICE is hereby given that the 27th Annual General Meeting of the Members of Lloyds Steel Industries Limited will be held at Y.B. Chavan Auditorium, Y.B. Chavan Centre, Gen. J. Bhosale Marg, Near Sachivalaya Gymkhana, Mumbai - 400 021, on Thursday, the 25th day of September, 1997 at 3.00 p.m. to transact the following Business :-

ORDINARY BUSINESS :

1. To consider, approve and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 1997 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri P. P. Chitale who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri P.C. Soni, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri R.Narayanan, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:
 "RESOLVED THAT M/s. Todarwal & Todarwal, Chartered Accountants and M/s. Lakhani & Chadha, Chartered Accountants, be and are hereby appointed Joint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors, exclusive of travelling and other out of pocket expenses."

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON

A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.

2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 12th day of September, 1997 to Thursday, the 25th day of September, 1997 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31st March, 1993 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2nd Floor, Dattaram Lad Path, Kalachowkie, Mumbai - 400033. The unclaimed dividends for the financial year ended 31st March, 1994 will be transferred to General Revenue Account of the Central Government during the current year and the Company has already sent individual reminders to the members at their last recorded address, for encashing the dividend warrants for the same.
5. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of meeting to enable the Management to keep full information ready.
6. Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the Share Certificate(s) to the Registrars & Transfer Agent, M/s. Lloyds Capital Services Limited for consolidation of all such Shareholdings into one account to facilitate better services.

By Order of the Board

Place : Mumbai

Dated: 26th June, 1997

S.N.Tiwari

Company Secretary

DIRECTORS' REPORT



The Directors are pleased to present their Twenty Seventh Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 1997.

FINANCIAL HIGHLIGHTS

	Current Year 1996-97 (Rs. in lacs)	Previous Year 1995-96 (Rs. in lacs)
Sales :		
Engineering Division (including job work)	31454.33	31155.45
Steel Division	94664.15	66774.68
	126118.48	97930.13
Other Income	625.68	378.02
Total Income :	126744.16	98308.15
Profit before Interest and Depreciation	22064.88	27564.13
Less : Finance Charges	14331.80	12435.57
Gross Profit	7733.08	15128.56
Less : Depreciation	7651.29	3883.59
Profit before Tax	81.79	11244.97
Less : Tax Provision	17.00	13.33
Profit After Tax	64.79	11231.64
Add : Income Tax Refund of earlier year	-	19.86
NET PROFIT	64.79	11251.50
Add : Excess Provision for Depreciation of earlier year written back	28.62	6.76
Add/(Less) : Excess / Short Provision of Dividend in previous year written back	(1.71)	6.11
	91.70	11264.37
Balance b/f from previous year	5745.66	2542.04
Balance available for appropriation	5837.36	13806.41
Appropriations :		
Debenture Redemption Reserve	631.00	591.00
General Reserve	-	6000.00
Proposed Dividend	-	1469.75
Balance Carried Forward	5206.36	5745.66
	5837.36	13806.41



DIVIDEND

In view of the sluggish market condition currently prevalent in the Steel Industry and with a view to conserve resources for ongoing projects, the Directors have not recommended any Dividend for the year ended 31st March, 1997 as against 15% for the previous year.

TOTAL INCOME

The Total Income of the Company increased by 29% to Rs.1267.44 Crores from Rs.983.08 crores in the previous year. With the Cold Rolled Coils (CRC) and Galvanised Plain / Corrugated (GP/GC) Coils / Sheets complex in a full year's operation, the Steel Division contributed substantially to increased income.

PROFITABILITY

The PBID for the year under report declined to Rs.220.65 crores showing a decrease of 20% over the previous year's figure of Rs.275.64 crores. The decreased PBID, despite an increase in Turnover, was caused by a variety of factors. The cost of production of Steel has gone up due to a substantial increase in the cost of power, an upward revision in the administered prices of coal, petroleum products and railway transportation cost, and Company's inability to pass on to consumer the increase in the input costs due to low market demand and an increased market competition arising from enhanced domestic production. The situation was aggravated by dumping by East European Countries following the reduction in import duty on HR Coils particularly at a juncture when International Steel prices were falling due to cyclical downturn in the Market. The Finance Charges for the year increased to Rs.143.32 crores as compared with Rs. 124.36 crores in the previous year. The continuing liquidity crunch in the Economy also had its impact in the form of increased cost of borrowings.

The lower operating profit and higher financing charges contributed to lower Cash Profit of Rs.77.33 crores during the year compared with Rs.151.29 crores during the preceding year. As a result of higher provision for depreciation of Rs. 76.51 crores during the year compared with Rs. 38.84 crores in the preceding year, partly due to change in method of Depreciation from Straight Line Method to Written Down Value Method in respect of Fixed Assets of Cold Rolling Mill Phase I, the Net Profit was down at Rs. 0.65 crores compared with Rs. 112.52 crores in the preceding year.

OPERATIONS

Engineering Division

During the year under review, the Division has recorded a marginally higher turnover of Rs.314.54 crores as compared to previous year of Rs.311.55 crores. The division has completed some of the major Turnkey Projects during the year.

In addition to the Turnkey Projects, the fabrication and machine shop at Murbad has successfully despatched all the equipments for projects such as IFFCO's Ammonia and Urea expansion at Aonla, NFL's expansion at Vijapur, MFL's revamping/expansion projects at Chennai, IPCL's expansion project at Gandhar and IOCL's Refinery at Panipat.

The Equipment Group for Steel Plant has moved strongly towards completion of Cold Rolling Mill (CRM-II) and bases for Annealing Furnace. Acid Recovery Plant has been commissioned and put in operation. Most of the Equipments of ongoing projects have been delivered and site activities are in full swing for the jobs which are under advanced stage of commissioning.

The order position at the year end stands at Rs.220 crores, as compared to Rs.230 crores in the previous year, reflecting stagnancy in industrial climate. The division has been pursuing many orders some of which are expected to crystallize by end September 1997.



Steel Division

The CR/GP Phase I Plant has recorded its first full year of operation. While the Cold Rolled and Galvanised Coils/Sheets production was 82239 MTS, the Division has recorded Hot Rolled Coils production of 319150 MTS during the year. The Division's turnover during the year was 42% higher at Rs.946.64 crores as against Rs.667.75 crores in the preceding year.

Profitability has been under pressure even though the Company has increased the production level of HR/CR/GP & GC Coils/Sheets. The increased domestic production and competition and progressive reduction in Import Tariff, which has exposed the Indian Manufacturers to International competition, as well have both put pressure on selling price of our products.

The Company has adopted a multipronged strategy to improve the Economics of the operations. It is proposed to setup a Captive Power Plant as a strategic measure to bring down the cost of production. In addition, a major overall exercise has been undertaken by the Management to bring down the cost of production and cut wasteful expenditure at all levels. Operational and managerial reorganisation is underway to bring greater focus on operations and costs.

The other major concern is high cost of capital. To partly mitigate this the Company has initiated steps to obtain Foreign Currency Loan/s to repay some of the equivalent high cost Rupee Loan, which is expected to restore competitive edge to our prices and help make our operations internationally competitive.

During the year the Company has exported its GP products amounted to Rs.21.37 crores. Exports have been identified as a focus area during the current year and the enquiries received for the Company's product are encouraging.

PROJECTS

Engineering Division

The commissioning of balancing equipment as reported last year is being utilised for building technology based plant and equipment. To facilitate effective service to the customers, upgradation of the commissioned equipment has been taken-up and sophisticated control/tools have been added for its better utilisation. Upgradation of Computerisation in the division, including Murbad, was also accomplished.

Steel Division

The plate finishing facilities and cut to length line project has been completed during the year.

The Implementation of Module II of CR Project was delayed because of certain factors beyond the control of the Company. Firstly the sluggish Capital Market condition and general credit contraction delayed the mobilisation of the envisaged resources for the Project. In order to keep the tempo of the Project, the Company had to borrow short term funds incurring higher interest cost. The project is now envisaged to be completed in the third quarter of the year, but the delay has resulted in cost overrun in the project. The Project cost is now estimated at Rs.440 crores compared with the earlier Rs.326 crore, the bulk of overrun has been caused by the increased interest cost. Notwithstanding the delay, the Forward Integration Project will impart the benefits of value addition and strategic presence in all segments of flat products and will provide natural hedge against Demand recession in any one user segment of the steel sector.

In order to insulate the Steel Making business against potential uncertainties and periodic tariff increases in the supply of Electric power by MSEDCL, the Company is putting up a 80 MW Captive Power Plant at an estimated cost of Rs.394 crores. The Power Project has already been appraised by



Financial Institutions, who have also agreed to provide financial support for the project. The Project is scheduled to be implemented over a period of 24 months from the date of finalisation of Financial Arrangements.

RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

During the year the Company took steps to optimise the Technology for production of Steel Sheets for LPG Cylinders and medium and high carbon steel for cold rolling industry. The Company has developed Cold Rolled weather resistant Steel for Indian Railways. Research studies have been initiated for the development of corrosion resistant steel for the Sugar Industry.

CURRENT YEAR OUTLOOK

Engineering Division

The slowdown of Country's Economic Liberalisation had its impact on the momentum of Engineering Industries. However, with its improved capability the division is confident of securing adequate number of orders, even in the present sluggish market.

Steel Division

A number of negative factors operated during the year gone past. Persistent liquidity crisis suppressed the growth in demand of flat steel products and the domestic supply of flat products exceeded the demand. The situation was further worsened by recessionary trend in the international steel markets and continuous dumping at cheap prices by East European Countries. The upward trend in input costs registered in 1995-96 continued during the year.

The new year 1997-98 began with a positive note of demand recovery and an upward trend in the international steel prices. The price realisation has shown an upward movement in the Current Year but pressure on the margins is still being felt. However high cost of fund continues to be a major factor. In addition, the commissioning in the near future of two more flat steel plants is likely to once again aggravate the existing over supply situation in the Country.

The Company has taken several steps to increase the Operational Efficiency at its Plant and in its Marketing Offices. During the course of the Current Year the commissioning of second phase of the Cold Rolling project will make the Company's factory a fully integrated flat steel plant by which could adjust and optimize its product-mix and widening its range of value-added products and thus sharpen its marketing edge. The Company then expects to be in a position to meet more effectively the emerging competition.

The Company has made a major head-way in export of Galvanised Sheets and the exports will receive increasing focus in the future.

MACRO ECONOMIC ENVIRONMENT

In 1996-97, all segments of the economy went through a difficult patch. Liquidity crunch was the major cause. Depressed conditions in the Financial Markets slowed down the Industrial Expansion and the new projects. The growth in demand for flat steel products during the year 1996-97 was only 9% compared with 15% in 1995-96. The demand growth for flat steel products in the current year is also projected at only about 7%.

The Indian Economy is gradually integrating with the global economy. The political stability in the Country is essential for sustaining the economic growth but to a great extent, the recent events are indicating that the linkage is gradually weakening.



The process of liberalisation has to be continued. However the process cannot go on regardless of the health of the domestic industry. For long term development of the Economy, strong and stable steel production is a pre-requisite. The present unrealistic cheap prices of imported Hot Rolled Coils from CIS countries has the potential of threatening the survival of the domestic steel producers and import from these countries has started attracting dumping levies in some of the affected countries. In our country also, it is the need of the hour to take a quick and pragmatic view of the situation to safeguard the survival of domestic steel producers. Even the most developed countries resort to anti-dumping levies the moment they have the faintest suspicion of injury to their domestic industry and in our country also the process of imposition of anti-dumping duty should become simpler and quick and should be guided by long term implications of injury to the domestic industry.

INVESTOR SERVICES

The Company and its Registrars M/s. Lloyds Capital Services Limited endeavored their best to service the investor satisfactorily.

As promised at the 25th Annual General Meeting, the Company has successfully conducted the Scholarship and Medical Aid Schemes and eligible candidates were given the Scholarships and Medical Aid as per the Rules framed for the purpose.

EMPLOYEE RELATIONS

Employee/Industrial relations at all units and job sites remained cordial during the year under review. The Company has recently entered into a new Agreement with the Technicians for a period of three years.

During the year the Company continued the training programmes for its employees in various disciplines

including Total Quality Management, Shop Floor Management, Motivation, etc. Training workshops were also conducted to upgrade the skills of the employees at all the levels of operation.

ENVIRONMENT & SOCIAL OBLIGATION

The Company has given utmost priority for the environment, health and safety conditions at its plants and offices. At the steel plant, Effluent Treatment and Acid Regeneration Plants were installed to control pollution. Ecological balance in and around the plant area were maintained with the continuation of large tree plantation programmes.

The Company continues to strongly emphasize the need to improve the quality of life in the communities surrounding its industrial complex. During the year the following measures were taken in this direction at its plant site at Wardha.

- free medical treatment to nearby villages.
- provision of scholarships to meritorious students in the nearby villages.
- construction of new boreholes at Barbadi village to provide free drinking water to the villagers, and
- organization of medical camp at Wardha for operations for the cataract afflicted villages around the factory.

SUBSIDIARY OF THE COMPANY

The Report of the Directors of Lloyds Realty Limited, a wholly owned subsidiary of your Company and Statement of Accounts of the said subsidiary for the year ended on 31st March, 1997 together with the Auditor's Report thereon, form part of this report and are attached. A Statement pursuant to Section 212 of the Companies Act, 1956 is attached herewith.