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LLOYDS STEEL

INDUSTRIES LIMITED

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32nd

Annual Report

2001 - 2002

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BOARD OF DIRECTORS

CHAIRMAN	MUKESH R. GUPTA
MANAGING DIRECTOR	*RAJESH R. GUPTA*
DIRECTORS	B. L. AGARWAL
	E. S. JAYARAMAN (IDBI Nominee)
	P. C. SONI

BANKERS

CENTRAL BANK OF INDIA

STATE BANK OF INDIA

STATE BANK OF HYDERABAD

CREDIT AGRICOLE 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.

GLOBAL TRUST BANK LTD.

REGISTRAR & SHARE TRANSFER AGENTS

Sarthak Capital Services Limited
Modern Mills Compound,
101, Keshavrao Khade Marg,
Jacob Circle, Mumbai - 400 011.

Works - Steel Division :-
LLOYDS Nagar,
Bhugaon Link Road,
Wardha - 442 001.

Works - Engg. Division :-
Plot No. A-5/5, & A6/3,
MIDC Industrial Area,
Murbad, Dist. Thane.

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NOTICE

NOTICE is hereby given that the **32nd Annual General Meeting** of the Members of **Lloyds Steel Industries Limited** will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on Wednesday, the 25th day of September, 2002 at 11.00 a.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, 2002 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 Mukesh R Gupta who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri B. L. Agarwal who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration

   "RESOLVED THAT "M/s Todarwal & Todarwal, Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company to hold office until the conclusion of next Annual General Meeting and they are remunerated by way of such fees as the Board of Directors may determine.

SPECIAL BUSINESS :

5. Alteration of Articles of Association

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

   "RESOLVED that pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following new Article be inserted immediately after the respective existing Articles in the Articles of Association of the Company.

   Article 140 A- Whole-time Director

   Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its number as Whole-time Director or Whole time directors of the Company for fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit. the Board may by resolution vest in such Whole-time Director or Whole-time Directors such of powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Whole-time Director shall be subject to the extent provisions of the Companies Act, 1956, applicable from time to time and may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all these modes, or any other mode not expressly prohibited by the Act.

   "RESOLVED FURTHER that pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following new Article be substituted immediately after the existing Article 141, in the Articles of Association of the Company.

   Article 142- Managing Director/Whole-time Director- Special position

   A Managing Director/Whole-time Director shall not while he continues to hold that office be subject to the retirement by rotation, in accordance with Article 130. If he ceases to hold the office of Director he shall ipso facto and immediately ceases to be a Managing Director/ Whole-time Director.

By order of the Board

Place : Mumbai
Dated : 30th July 2002

S. N. TIWARI
Company Secretary

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 Wednesday, the 11th day of September 2002 to Wednesday, the 25th day of September 2002 (both days inclusive).
4. 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.
5. 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 Registrar & Transfer Agent, M/s. Sarthak Capital Services Limited for consolidation of all such Shareholdings into one account to facilitate better services.
6. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31st March 1995 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-400 033.

By order of the Board

Place : Mumbai
Dated : 30th July 2002

S. N. TIWARI
Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Term of Office of the Auditors, M/s Lakhani & Company, Chartered Accountants, Mumbai is expiring at the conclusion of the ensuing Annual General Meeting. However they have expressed their unwillingness, due to their other preoccupations, for the reappointment as Auditors to hold office until the conclusion of next Annual General Meeting. The Board recommends M/s. Todarwal & Todarwal, Chartered Accountants, Mumbai for appointing as Auditors of the Company to hold the office from the conclusion of ensuing Annual General Meeting until the conclusion of next Annual General Meeting. The Board has received consent of Ms/ Todarwal & Todarwal. Chartered Accountants, and they have informed that their appointment will be within the limit of Section 224(1b) of the Companies Act, 1956, if appointed, to act as Auditors. The members are requested to appoint M/s. Todarwal & Todarwal, Chartered Accountants, as Auditors and fix their remuneration.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No. 5

The Company is proposing to induct Plant Incharge, who are responsible for day to day affairs of the Plant/Unit, as Directors on the Board of the Company. This will enable direct interaction of the plant incharge at Board level and likely to establish improved communication channel in the interest of smooth functioning of the plant. Since the appointee would be drawing remuneration they will be deemed as Whole-time Directors as per the provisions of Companies Act, 1956.

The consequential changes are required to be incorporated in the Articles of Association of the Company to appoint the Whole-time Directors and hence , your approval is sought to the proposed resolution.

The amended Articles of Association, as referred in the resolution is open for inspection at the Registered Office of the Company from 11.00 a.m. to 1.00 p.m. on all the working days of the Company till the date of Annual General Meeting.

None of the Directors of the Company is concerned or interested in the said resolution.

By order of the Board

Place : Mumbai
Dated : 30th July 2002

S. N. TIWARI
Company Secretary

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DIRECTORS' REPORT

The Directors present their Thirty Second Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March 2002.

FINANCIAL HIGHLIGHTS

	Current Year 2001-02 (Rs.in Lacs)	Previous Year 2000-01 (Rs.in Lacs)
Sales :	**34666.26**	49489.69
Other Income	**695.90**	847.63
Total Income :	**35362.16**	50337.32
Profit /Loss (-) before Interest and Depreciation	**-4818.82**	-2680.89
Less : Finance Charges	**8552.49**	28883.06
Gross Loss	**13371.31**	31563.95
Add : Depreciation	**11086.23**	9087.31
Loss before Tax	**24457.54**	40651.26
Add : Tax Provision	**0.00**	0.00
Loss After Tax	**24457.54**	40651.26
Add/Less: Prior Period Expenses/ Income (-)	**-1248.46**	158.27
Net Loss	**23209.08**	40809.53
(Profit)/Loss b/f from previous year	**90183.90**	49374.37
	113392.98	90183.90
Less:- Set off against General Reserve	**15881.35**	15881.35
Balance Carried Forward	**97511.63**	74302.55

DIVIDEND

In view of the loss the Directors have not recommended any Dividend for the year ended 31st March 2002.

TOTAL INCOME & PROFITABILITY

The Company recorded total Income of Rs. 353.62 crores during the year against Rs. 503.37 crores in the previous year in the wake of continuing economic slowdown and steel industry under doldrums for quite some time now.

The steel sector has witnessed a fall in growth rate during the financial year. Continuous inflow of imports in the name of seconds/defective steel continue to bog the sector marked by decline in the rate of growth. With recession putting squeeze on demand on one hand, paucity of working capital on the other hand, continuing to hamper the effective use of the available resources, the financial year resulted in the cash loss of Rs. 133.71 crores during the year compared with Rs. 315.64 crores of cash loss during the preceding year. The Company has incurred a net loss of Rs. 244.57 crores as compared with previous year loss of Rs. 406.51 crores after providing depreciation of Rs. 110.86 crores (Previous year Rs 90.87 crores).

OPERATIONS

Steel Division

The steel markets were battered for two years by the economic slowdown that has eaten into infrastructure and engineering projects, leaving prices floundering. With domestic overcapacity in the sector, only improvement in demand backed with good show on export front, could mitigate the hardship faced by the sector.

During the financial year Company made exports of Rs. 17.56 crores to various countries.

Engineering Division

The Division during the year under review has recorded a total income of Rs.37.02 crores as compared to the previous year of Rs. 30.49 crores. Slow down and sluggishness in the economy continues impacting the functioning of the Division.

The Division has successfully executed orders of Ispat Industries, MECON/ISRO, HPCL, Kochi Refineries, DRDO, Navy besides other during the year under review.

The Division during the year, in view of spurt of investments by certain Public Sector Undertakings, has successfully bagged orders in a highly competitive environment. The Division, continues to support and service the Defence Research and Development Organisation, Navy, Coast Guard, Hindustan Shipyard, Mazagon Dock, and GRSE in supplying valuable and critical spares besides attending to the service requirements.

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 made development of API-5L Gr. X-52/60/65 with assessment done by LRIS, and development of high tensile alloy steel grades.

CURRENT YEAR OUTLOOK

Steel Division

The Company has continuously been taking several steps to reduce costs at all levels by way of manpower rationalisation, reduction in operational overheads and streamlining use of available resource etc. The Restructuring exercise undertaken by the company, which was approved by the members could not be proceeded further for want of approval from banks though approved by institutions.

The recent signs of improvement in Realisation may improve to some extent the pressure on working capital front thereby increase capacity utilisation and help earn better margin.

Engineering Division

The current year appears to be encouraging in view of the industrial revival as would be evident from the orders procured by the division. In line with the above revival, the current year is expected particularly towards servicing of ports, Navy, Defence Establishment and additional facilities of NPC.

REFERENCE TO BIFR

Based on the Audited Balance Sheet for the year ended 31st March 2001 the Company has become a Sick Company as defined under Section 3 (1)(o) of the Sick Industrial Companies (Special Provisions) Act 1985 and reference has been registered during the year with Hon'ble Board for Industrial and Financial Reconstruction (BIFR) to seek determination of measures which would be adopted as required under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

MACRO ECONOMIC ENVIRONMENT

Trade barriers imposed by America, the world's biggest steel consumer, through high tariffs on steel imports in order to protect domestic industry, resulting denial of access to the US markets to steel producers worldwide have shaken the prospect of early revival. Indian steel exports may take another blow in the wake of China's plans to impose safeguard levies on imports of all steel items. The fortunes of the Engineering and capital goods sector, in doldrums for quite sometime, could improve on increased spending on infrastructure projects.

However experts are of the opinion that current trend of upswing in local demand and improving steel market is likely to soon push domestic prices to international level.

INVESTOR SERVICES

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

EMPLOYEE RELATIONS

During the year under review Employee/Industrial relations at all units and job sites remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

For the Company, the year 2001-2002 was a tough one. On the operation side while the entire steel industry was facing the problem of demand and oversupply, your Company was not an exception. The capacity utilisation and realisation has shown a decreasing trend during the financial year.

Sales turnover

The Sales Turnover of the Company during the year under review was Rs. 34666.26 Lacs as against Rs. 49489.69 Lacs for the previous year.

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Adequacy of Internal Control
Company has a very effective internal control system covering both accounting and administrative controls.

Balance Sheet

Particulars	As at March 31, 2002	As at March 31, 2001
Liabilities.		
Share Capital	**18862.03**	18861.99
Reserve & Surplus	**38749.91**	38749.91
Loan Fund	**220874.11**	213847.96
Total Liabilities	**278486.05**	271459.86
Assets		
Net Fixed Assets	**156912.74**	167938.76
Investments	**1163.48**	1163.48
Net Working Capital	**20534.85**	25281.31
Misc. Expenditure	**2363.35**	2773.76
Profit & Loss A/c	**97511.63**	74302.55
Total Assets	**278486.05**	271459.86

Share Capital
Company's share capital was at Rs.18862.03 Lacs during the year.

Loan Funds
Company's Loan funds have been at Rs. 220874.11 Lacs during the year.

Investments
Investment during the year remained at Rs.1163.48 Lacs.

Human Resources / Industrial Relations
Despite uncertainties prevailing during the year under review on account of sluggish market condition and working capital constraints management was able to ensure high morale of the employees.
No. of employees as on 31.03.2002 was 1095.

Out look for the 2002-2003
The outlook for 2002-2003 has to be viewed in the context of policies of Government as well as international prices of Iron and Steel products, market conditions, entry of China, exchange fluctuations etc.

DIRECTORS
Shri E.S. Jayaraman has been appointed as Nominee Director by IDBI on the Board of the Company with effect from 24th April 2002. Shri R. J. Bedekar Nominee Director of IDBI on the Board of the Company had been withdrawn w.e.f. 24.04.2002.
Shri P. Mohapatra, Nominee Director appointed by Life Insurance Corporation of India has resigned w.e.f. 28.12.2001.
Shri S. S. Jha, Nominee Director appointed by IFCI Limited has been withdrawn w.e.f. 09.01.2002.
Shri S. Samarapungavan has resigned from directorship w.e.f. 23.01.2002.
The Board places on record its sincere appreciation for the valuable contributions made by Shri R. J. Bedekar, Shri P. Mohapatra, Shri S. S. Jha and Shri S. Samarapungavan during their association with the Company.
The Directors take pleasure in welcoming Shri E. S. Jayaraman who is possessing rich and varied experience, on the Board and are sure that Company will be benefited immensely.
Shri Mukesh R Gupta, Chairman and Shri B. L. Agarwal Director of your Company, retire by rotation and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT
Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that :

1. In the preparation of annual accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
3. The directors have taken proper and sufficient care 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,
4. Final accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE
Pursuant to the amendment to the Listing Agreement your Company has set up an Audit Committee and Investor Grievance Committee. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.
A separate report on Corporate Governance is produced as part of the Annual Report along with the Auditor's Certificate on its compliance.

DELISTING OF SHARES
As the Members are aware that Company's shares are listed at Ahmedabad, Chennai, Delhi, Kolkata, Mumbai and National Stock Exchanges. Since most of the trading in equity shares is taking place at Mumbai and at National Stock Exchange, pursuant the resolution passed at Annual General Meeting of the Company held on 25th September 1999 the Company has initiated steps to delist its shares from Ahmedabad, Chennai, Kolkata and Delhi Stock Exchange after complying with Stock Exchange and SEBI guidelines in this regard.
Accordingly the Company had requested the respective Stock exchanges on December 28th 2001 to delist the Company's securities form respective exchange.

ENVIRONMENT & SOCIAL OBLIGATION
Our plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution.
The Company is continuously endeavouring to improve the quality of life in the communities surrounding its industrial complex.

SUBSIDIARY OF THE COMPANY
The Report of the Directors of Aristo Realty Developers Limited (formerly 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, 2002 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.

FIXED DEPOSITS
In spite of the grave economic scenario and liquidity crunch the Company has repaid fixed deposits of Rs.89.54 Lacs during the year. As on 31st March 2002 there were unclaimed deposits amounting to Rs 398.36 lacs.

AUDITORS & AUDITORS' REPORT
The Term of Office of the Auditors, M/s Lakhani & Company, Chartered Accountants, Mumbai is expiring at the conclusion of the ensuing Annual General Meeting. However they have expressed their unwillingness due to their other preoccupations, for the reappointment as Auditors to hold office until the conclusion of next Annual General Meeting. The Board recommends M/s Todarwal & Todarwal, Chartered Accountants, Mumbai for appointing as Auditors of the Company to hold the office from the conclusion of ensuing Annual General Meeting until the conclusion of next Annual General Meeting. The Board has received consent of M/s Todarwal & Todarwal,Chartered Accountants, and they have informed that their appointment will be within the limit of Section 224(1B) of the Companies Act, 1956, if appointed, to act as Auditors. The members are requested to appoint M/s Todarwal & Todarwal, Chartered Accountants as Auditors and fix their remuneration.
Notes on Accounts under Schedule "Q" are self-explanatory and do not require further explanation on the auditor's qualification mentioned at Sr. No. 5 (vi) & (vii). As regards Auditor's observation mentioned at Sr. No. 7, Directors wish to state that the Company has no default as per Section 274(1)(g) of the Companies Act, 1956, except for redemption of privately placed debentures and pursuant to the proviso to Section 274(1) Directors of the Company other than Nominee Directors shall not be liable to be appointed as a director of any other public Company (other than the Company in which they are already director). As regards the observation in the Auditors' Report in respect of Non maintenance of Liquidity Reserve to be maintained under Section 58A - Point No. xiii Manufacturing and other Companies (Auditor's Report) Order, 1988 (MANCARO) Report Directors wish to state that as explained in the earlier part of Report under the paragraph "Total Income & Profitability of Operations" the Company has incurred losses during the year and due to severe liquidity crunch, the Company could not maintain liquidity reserve.

PARTICULARS OF EMPLOYEES
As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amending, the names and other particulars of the employees are set out in the annexure to the Directors Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.
Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'A' forming part of this report.

ACKNOWLEDGEMENT
Your Directors would like to express their grateful appreciation for the assistance and continued co-operation extended by the Financial Institutions, Banks, Government Authorities, Clients and Suppliers during the year under review. The Directors wish to place on record their deep sense of appreciation for the devotion and sense of commitment shown by the employees at all levels and acknowledge their contribution.

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 30th July, 2002

Mukesh R. Gupta
Chairman

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ANNEXURE - A

STATEMENT PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

(A) CONSERVATION OF ENERGY

Engineering Division

Form "A" is not applicable at its' activities does not fall under the list of Industries specified in the Schedule attached to Rule 2.

Steel Division

1. Improvement of power factor by installing additional H.T. & L. T. Capacitors.
2. Reduction of ventilation loads by optimising air requirement.
3. Optimisation of Air-conditioning requirement and reduction of A/c. loads.
4. Reduction of water pumps by optimising water requirement and reduction of pumping loads.
5. Rationalisation of compressed air requirement and reduction of running Hrs. of compressors to save energy.
6. Maximum night operation of EAF to save maximum demand and utilisation of off-peak hours demand.

Form "A", for Disclosure of Particulars with respect to Conservation of Energy is as per Annexure-A1.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

STEEL DIVISION

Research and Development (R & D) :

Sr. No. Particulars

1. Specified areas in which R & D carried out by the Company
   a) Development of API-5L Gr X-52/60/65 with assessement done by LRIS.
   b) Development of high tensile alloy steel grades.
   c) R & D carried out for reduction of Nitrogen content in steel produced from high sulphur coal based DRI by selecting proper charge mix.
   d) Casting defects like central shrinkage reduced by controlling the secondary water cooling.
   e) Improvement in adherence of zinc after extra alloy addition with Aluminium in zinc bath.
   f) In annealing, heating cycles modified wrt charge weight to reduce the fuel and power consumption.
2. Benefits derived as a result of R & D
   a) Costing wrt power, fuel, consumption reduced in annealing area by Rs. 500/mt by modifying the cycles.
   b) Quality improved & customer satisfaction.
   c) No customer complaints in special steel grades.
3. Future plan of action for R & D
   a) Spangle control in GC Sheets.
   b) Narrow hardness range for galvanised coils.
   c) Development of deep drawing quality having hardness 45 HRb for high export potential.
   d) Development in quality of plate rolling with Ultrasonic guarantee as per ASTM A0578 L-1 upto 63mm plates.
4. Expenditure on R & D NIL

1) Technology Absorption, Adaptation and Innovation :

a) Zinc bath alloy control developed for providing minimum spangle in CGL.
b) Descaling cycle developed in HRM to eliminate oxidation induced surface cracks.
c) Introducing Carbon boil during tapping in LHF to reduce the Nitrogen content in high "S" coal based DRI steel.
d) LF power reduction by optimising use of 2 ladles in 3 heat sequence casting.

2) Benefits :

a) Development of new galvanised market.
b) Improvement in finished hardness of EDD grade CR Sheets.
c) Saving in EAF power.

3) NOT APPLICABLE

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company undertakes orders for design, engineering, supply, erection and commissioning of equipments under global tenders and these are treated as deemed exports.

The details of Foreign Exchange Earnings and Outgo are as under :

(Rs in lacs)

	2001-02	2000-01
(a) Earnings		
a. Brokerage and Commission	36.11	65.53
b. Sales including deemed exports	2830.03	2264.13
(b) Outgo		
Travelling Boarding Head Quarters	7.50	7.28
Imports (Raw Materials, Stores & Spares etc.)	1254.91	1774.56
Interest	107.10	109.90
Brokerage & Commission	69.47	19.52
Engg. & Design	53.21	1.00
Legal Charges	0.07	0.25

For and on behalf of the Board of Directors

MUKESH R. GUPTA
Chairman

Place : Mumbai
Dated : 30th July, 2002

ANNEXURE - A1

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power & Fuel Consumption	UNIT	2001-02	2000-01
1 Electricity			
a) Purchased			
Units	Kwh	**154199250**	223010723
Total Amount	Rs.	**555445561**	833320058
Rate/Unit	Rs./KWH	**3.60**	3.74
b) Own Generation			
i) Through Diesel Generator			
Units	Kwh	**124000**	8128
Units per ltr. of Diesel Oil	Kwh/ltr	**4.20**	2.66
Cost Unit	Rs/kwh	**4.14**	6.39
ii) Through Steam Turbine / Generator			
Units		**NIL**	NIL
Units per ltr. of Fuel Oil/Gas		**NIL**	NIL
Cost Unit		**NIL**	NIL
2 Coal			
Quantity	Ton	**NIL**	NIL
Total Cost Rs.		**NIL**	NIL
Average Rate	Rs/Ton	**NIL**	NIL
3 Fuel Oil			
a) Furnace Oil			
Quantity	Kl	**8326**	12188
Total Amount	Rs.	**73300493**	129867046
Average Rate	Rs/Kl	**8804**	10655
b) LDO			
Quantity	Kl	**1530**	3395
Total Amount	Rs.	**19391531**	42490110
Average Rate	Rs/Kl	**12677**	12517
4 Others/Internal Generation			
Quantity		**NIL**	NIL
Total Cost	NIL	NIL	
Rate/Unit		**NIL**	NIL
B. Consumption per unit of production			
1 RF PRODUCTS			
Electricity	kwh/mt	**1095**	1655
Furnace Oil	ltr/mt	**72**	66
LDO	ltr/mt	**4**	12
2 GP/GC PRODUCTS			
Electricity	kwh/mt	**1521**	1378
Furnace Oil	ltr/mt	**82**	70
LDO	ltr/mt	**16**	26
3 CR PRODUCTS			
Electricity	kwh/mt	**1351**	1295
Furnace Oil	ltr/mt	**82**	73
LDO	ltr/mt	**16**	20

For and on behalf of the Board of Directors

MUKESH R. GUPTA
Chairman

Place : Mumbai
Dated : 30th July, 2002

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CORPORATE GOVERANCE

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Board of Directors of **Lloyds Steel Industries Limited**

We have reviewed implementation of Corporate Governance procedure set by **Lloyds Steel Industries Limited** ("The Company") for the year ended 31st March 2002 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on over verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For **LAKHANI & Co.**
Chartered Accountants.

Mumbai
Dated:- June 26, 2002

R. S. Chadha
Partner

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to become a good Corporate Citizen.

2. BOARD OF DIRECTORS

The Board consists of Mr. Mukesh R Gupta, Chairman, Non-Executive promoter Director, Mr. B.L. Agarwal, Non-Executive Promoter Director and Mr. Rajesh R. Gupta as Managing Director of the Company.

Mr. R. J. Bedekar, Non-executive Independent Nominee Director appointed by IDBI Limited has been withdrawn w.e.f 24.04.2002 and Mr. E. S. Jayaraman has been appointed on the Board.

Mr. P. C. Soni is Independent Non-Executive Director.

Mr. P. Mohapatra, Non-executive, Independent Nominee Director appointed by Life Insurance Corporation of India has resigned w.e.f. 28.12.2001.

Mr. S. S. Jha, Non-executive, Independent Nominee Director appointed by IFCI Limited has been withdrawn w.e.f. 09.01.2002.

Mr. S. Samarapungavan has resigned during the year.

Attendance of each Director at the Board of Directors meetings and the last AGM is as follows.

Director	No. of meeting held	Attended	Last AGM Attended	No. of Directorship on other public Company	Remarks
Mr. Mukesh R. Gupta	5	5	Yes	4	
Mr. Rajesh R. Gupta	5	4	Yes	4	
Mr. B.L. Agarwal	5	5	Yes	4	
Mr. P. C. Soni	5	5	No	1	
Mr. E.S. Jayaraman	5	0	No	2	Appointed on 24.04.2002
Mr.R.J. Bedekar	5	3	No		Withdrawn w.e.f. 24.04.2002
Mr.P. Mohapatra	5	1	No		Resigned w.e.f. 28.12.2001
Mr. S. S. Jha	5	2	No		Withdrawn w.e.f. 09.01.2002
Mr. S. Samarapungavan	5	3	No		Resigned on 23.01.2002

Number of Board of Directors meeting held and the dates on which held.

5 (Five) Board Meetings were held during the year. The dates on which the meetings were held were 30th April 2001, 27th June 2001, 27th July 2001, 31st October 2001 and 31st January 2002.

3. AUDIT COMMITTEE

The Company had already constituted an Audit Committee comprising of 6 directors with 4 independent non-executive directors, including one nominee director of IFCI Limited, one nominee director of LIC and 2 independent non executive directors as follows :

Mr. P. C. Soni	Independent Director	
Mr. Mukesh R Gupta	Promoter Director	
Mr. B. L. Agarwal	Promoter Director	
Mr. R. J. Bedekar	IDBI Nominee Director	Withdrawn w.e.f. 24.04.2002
Mr. E. S. Jayaraman	IDBI Nominee Director	Appointed w.e.f 24.04.2002
Mr. S.Samarapungavan	Independent Director	Resigned w.e.f.23.01.2002
Mr. P. Mohapatra	LIC-Nominee Director	Resigned w.e.f. 28.12.2001
Mr. S. S. Jha	IFCI Ltd- Nominee Director	Withdrawn w.e.f.09.01.2002

The broad terms of reference of Audit Committee are as follows :-

Review of internal control and audit system.

Review of the Company's financial progress and report.

Review of the Company's working capital and loan position

Review of the Company Division wise activities and the operation performed at the divisional level.

Review of the Company's sales policies and the debt recovery

Review of the Company purchase, consumption of raw material and other stores.

Review of Risk Management policies and practices.

The Committee has met 5 times during the financial year ended March 31st 2002, Mr. S. Samarapungavan and Mr. S. S. Jha had attended 2 meetings and Mr. P. M. Mohapatra has not attended any meeting.

4. REMUNERATION COMMITTEE

The remuneration of director in all the cases is decided by the Board subject to necessary approval of shareholders and other applicable approvals, if any. Save and except Mr. Rajesh R Gupta, Managing Director, no other director is drawing remuneration.

During the year Mr. Rajesh R Gupta, Managing Director has been paid aggregate remuneration of Rs.24,00,000 by way of Salary & Remuneration.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

5. SHAREHOLDERS' COMMITTEE

The Company has constituted the Share Transfer & Investor Grievance Committee comprising of 3 promoter directors, Mr. Mukesh R. Gupta, Mr. B.L. Agarwal and Mr. Rajesh R Gupta are the members of the share transfer committee.

The Committee oversees the performance of the Registrar and Transfer Agents' and recommend measures to improve the level of investor services.

The Committee meets fortnightly for the approval of the share transfers/issue of duplicate shares/replacements etc.

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The Board has designated Mr. S. N. Tiwari, Company Secretary, as the Compliance Officer.

The total number of complaints received and replied to the satisfaction of the shareholders during the year is as follows :

Description	Received	Replied
Consumer Forum	NIL	NIL
Bombay Stock Exchange	10	10
SEBI Complaints	42	42
Legal Notice	NIL	NIL
Misc	459	459

6. GENERAL BODY MEETING

Location time for last 3 Annual General Meeting were :-

Year	Location	Date	Time
1998-99	Y. B. Chavan Auditorium, Y. B. Chavan Centre, Gen. J. Bhosale Marg, Near Sachivalaya Gymkhana, Mumbai- 400 021	24.09.1999	11.30 a.m.
1999-2000	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.	26.09.2000	11.30 a.m.
2000-2001	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.	26.09.2001	11.00 a.m.

7. DISCLOSURE ON MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTION IE. TRANSACTIONS OF THE COMPANY OF MATERIAL NATURE, WITH ITS PROMOTERS, THE DIRECTORS OR THE MANAGEMENT, THEIR SUBSIDIARIES OR RELATIVES ETC. THAT MAY HAVE POTENTIAL CONFLICTS WITH THE INTEREST OF THE COMPANY AT LARGE.

There are no such transaction during the year.

8. DETAILS OF NON-COMPLIANCE BY THE COMPANY, PENALITIES STRICTURES IMPOSED ON THE COMPANY BY STOCK EXCHANGES, OR SEBI OR ANY STATUTORY AUTHORITY ON ANY MATTER RELATED TO CAPITAL MARKETS DURING THE LAST THREE YEARS.

None

9. MEANS OF COMMUNICATION

The Quarterly Results are published in Navshakti and Free Press Journals.

10. GENERAL SHAREHOLDER INFORMATION

Detailed information in this regard is provided elsewhere in the report.

Shareholders' Information

1	Annual General Meeting	Date 25th September 2002
	Venue	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road Worli, Mumbai- 400 018.
2	Financial Calander (tentative)	
	Annual General Meeting	25th September 2002
	Results for quarter ending 30.06.2002	Fourth Week of July 2002
	Results for quarter ending 30.09.2002	Fourth week of October 2002
	Results for quarter ending 31.12.2002	Fourth week of January 2003
	Results for quarter ending 31.03.2003	Fourth week of June 2003.
3.	Book Closure Date	11th September 2002 to 25th September 2002 (both inclusive)
4.	Dividend Payment date	Not declared
5.	Listing of Equity Shares on Stock Exchanges at	Mumbai * Ahmedabad * Channai*Delhi *Kolkata and National Stock Exchange

However the company had applied for delisting from Ahmedabad, Chennai, Delhi and Kolkata Stock Exchange.

6.	Stock Code	254 – Bombay Stock Exchange	
7.	Stock Market Date	Bombay Stock Exchange	
		(BSE)	(In.Rs.)
	April 2001	1.80	0.85
	May 2001	1.80	1.00
	June 2001	1.45	1.10
	July 2001	1.30	0.80
	Aug. 2001	1.15	0.75
	Sept. 2001	0.95	0.55
	Oct. 2001	1.05	0.60
	Dec. 2001	1.25	0.70
	Jan. 2002	1.00	0.70
	Feb.2002	0.95	0.60
	Mar. 2002	0.80	0.65
8	Registrar and Transfer Agents (share transfer and communication regarding share certificates, dividends and change of address)	Sarthak Capital Services Limited. Modern Mills Compound, 101, Keshavrao Khadye Marg, Jacob Circle, Mumbai- 400 011.	
9.	Share Transfer System	Share transfer request received in physical form with demat request are registered within an average of 20 days from the date of receipt. Share transfer requests received in physical form without demat requests are registered within an average of 25 to 30 days.	
10.	Distribution of shareholding as on 31st March 2002	Promoters	20.26
		Indian Financial Institutions	16.55
		Banks/Mfs	02.06
		FII	00.00
		Others	61.13
11	Dematerialisation of Shares	Over 48 % of the outstanding shares have been *dematerialised upto 31st March 2002.* Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 08.05.2000 as per notification issued by the Securities and Exchange Board of India.	
	Liquidity	Company's Shares are actively traded on the Mumbai Stock Exchange & National Stock Exchange of India Limited. However the company had applied for delisting from Ahmedabad, Chennai, Delhi and Kolkata Stock Exchange.	
12	Outstanding Warrants and covertible Bonds, Conversion date and likely impact on the Equity	Not Applicable	
13	Plant Locantions	Steel Division :- Lloyds Nagar, Bhugaon Link Road, Wardha- 442 001. Engg. Division :- Plot No. A-5/3 & A6/3, MIDC Industrial Area, Murbad, Dist. Thane.	
14	(I) Investor Correspondence For transfer / dematerlisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company.	Sarthak Capital Services Limited. Modern Mills Compound, 101, Keshavrao Khadye Marg, Jacob Circle, Mumbai- 400 011.	
	(II) Any query on Annual Report	Secretarial Department Lloyds Steel Industries Limited Modern Mills Compound, 101, Keshavrao Khade Marg, Jacob Circle, Mumbai- 400 011.	

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AUDITORS' REPORT

TO THE MEMBERS OF LLOYDS STEEL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Lloyds Steel Industries Limited, as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards Generally Accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order,1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
   a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
   b) In our opinion proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of such books.
   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
   d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
5. Attention is invited to the following Notes:
   (i) Despite continued huge losses resulting in total erosion of the net worth of the company,the accounts for the year have been prepared on the assumption of the going concern basis in view of the ongoing efforts being made by the company for recovery and pending determination of appropriate measures by the BIFR for the revival of the company.
   (ii) As regards debtors amounting to Rs.27350.78 lacs, we are unable to express our opinion regarding the realisability of the said debtors.
   (iii) As regards Advances amounting to Rs.13150.40 lacs, we are unable to express our opinion regarding the realisability of the said advances.
   (iv) Note no.22 regarding non provision of Interest amounting to Rs.30925.35 lacs (till date Rs.33601.97 lacs). As a result loss for the year is understated by Rs. 30925.35 lacs and Interest Accrued and due is understated by Rs. 30925.35 lacs
   (v) Note no.23 regarding Investment in the subsidiary company and other unquoted investments have suffered diminution in value of Rs.1006 lacs and no provision has not been made against such investments, as a result loss for the year has been understated by Rs.1006 lakhs and Investments are overstated by Rs.1006 lacs.
   (vi) We further report that, without considering items mentioned at para 5(i) to (ii), had the other observations made by us in paragraphs above have been considered, the loss for the year after taxation would have been Rs.56388.89 lacs (as against the reported figure of loss of Rs.24457.54 lacs) and the accumulated loss would have been Rs.129442.98 lacs (as against the reported loss of Rs.97511.63 lacs)
6. In view of the foregoing paragraphs, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the Balance Sheet, of the State of Affairs as at 31st March, 2002, and
   ii) in the case of the Profit and Loss Account of the Loss for the year ended on that date.
7. On the basis of the written representation received from Directors as on 31st March 2002, and taken on record by the Board of Directors we report that the Directors,other than Nominee Directors, are disqualified under section 274(1)(g) of the Companies Act, 1956.

For **LAKHANI & CO.**
Chartered Accountants

Place : Mumbai
Dated : 26th June, 2002

R. S. CHADHA
Partner

AS REQUIRED BY THE MANUFACTURING AND OTHER COMPANIES (AUDITOR'S REPORT) ORDER, 1988

i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. All the fixed assets have not been verified during the year, but according to the information and explanations given to us, there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between book records and physical inventory have been noticed in respect of the assets physically verified.
ii. The Company has not revalued any fixed assets during the year.
iii. Physical verification has been conducted by the management at reasonable intervals as well as by Independent Auditor in respect of finished goods, stores, spare parts and raw materials.
iv. In our opinion, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
v. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company. The stock of Raw Material at year end has been verified by a firm of chartered accountants and has been relied upon by us.
vi. In our opinion, valuation of these stocks is fair and proper in accordance with the generally acceptec accounting principles. The valuation of Stock is on the same basis as in the previous year.
vii. The Company has not taken any loan, secured or unsecured, from a company, firm or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there are no companies covered under section 370 (1B) of the Companies Act, 1956
viii. The Company has given interest free unsecured loan to its subsidiary as well as to a company as listed in the register maintained under Section 301 of the Companies Act, 1956. The other terms and conditions are prima facie not prejudical to the interest of the company. We have been informed that there are no companies covered under section 370 (1B) of the Companies Act, 1956.
ix. The parties to whom loans and/or advances in the nature of loans have been given by the Company, are repaying the principal amount wherever stipulated and are also regular in payment of interest wherever stipulated except in cases referred to in para 5 (iii) of Audit Report.
x. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, other assets and for the sale of goods.
xi. In our opinion and according to the information and explanations given to us, the company has entered into transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or prices at which transaction for similar goods or material have been made with other parties.
xii. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising on the items so determined.
xiii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public except for the non maintenance of Liquidity Reserve during the year.
xiv. In our opinion, the Company is maintaining reasonable records for the sale and disposal of scrap and by-products.We are informed that there are no by-products generated by company.
xv. The scope of internal audit needs to be enlarged to make it commensurate with the size of the company and nature of its business.
xvi. We have broadly reviewed the books of account maintained by the Company in respect of Steel division, where, pursuant to the rules made by the Central Government, the maintenance of cost records have been prescribed under section 209 (1)(d) of the Companies Act, 1956. We are of the view that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
xvii. In our opinion, the Company is generally regular in depositing Provident Fund and Employees' State Insurance dues, wherever applicable, with the appropriate authorities.
xviii. According to the information and explanations given to us, we are of the opinion that there are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty outstanding as at 31st March, 2002 for a period exceeding six months from the date they became payable.
xix. On the basis of the examination of (i) the books of account (ii) other records (iii) the explanations given to us on our inquiries, no personal expenses, other than expenses under service contract obligations with the Company's employees and / or accepted business practices, have been charged to revenue account during the year.
xx. The Company is a sick industrial company within the meaning of Clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. A reference made under section 15 is pending determination of appropriate measures by the BIFR for the revival of the company.
xxi. In respect of the trading activity of the Company, there are no damaged goods requiring determination.

For **LAKHANI & CO.**
Chartered Accountants

Place : Mumbai
Dated : 26th June, 2002

R. S. CHADHA
Partner

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BALANCE SHEET
AS AT 31ST MARCH, 2002

(Rupees In Lacs)

	PARTICULARS	Schedule	AS AT 31.03.2002		AS AT 31.03.2001
I.	**SOURCES OF FUNDS**				
	1. **SHAREHOLDERS' FUNDS**				
	(a) Capital	'A'	18862.03	18861.99	
	(b) Reserves & Surplus	'B'	38749.91	38749.91	
			57611.94		57611.90
	2. **LOAN FUNDS**				
	(a) Secured Loans	'C'	212408.19	202494.56	
	(b) Unsecured Loans	'D'	8465.92	11353.40	
			220874.11		213847.96
	TOTAL		278486.05		271459.86
II.	**APPLICATION OF FUNDS**				
	1. **FIXED ASSETS**	'E'			
	Gross Block		212285.37	212276.51	
	Less: Depreciation		55372.63	44337.75	
	Net Block		156912.74		167938.76
2.	**INVESTMENTS**	'F'	1163.48		1163.48
3.	**CURRENT ASSETS, LOANS & ADVANCES**	'G'			
	(a) Inventories		14522.41	16263.25	
	(b) Sundry Debtors		26348.97	29738.99	
	(c) Cash & Bank Balances		270.26	890.03	
	(d) Other Current Assets		8685.28	10604.77	
	(e) Loans & Advances		8244.70	8103.24	
			58071.62	65600.28	
	Less:Current Liabilities	'H'	37536.77	40318.97	
	NET CURRENT ASSETS		20534.85		25281.31
4.	**MISCELLANEOUS EXPENDITURE**	'I'	2363.35		2773.76
5.	**PROFIT & LOSS ACCOUNT**		97511.63		74302.55
	TOTAL		278486.05		271459.86
	Notes forming part of Accounts.	'Q'			

As per our Report of even date attached

For LAKHANI & CO.
Chartered Accountants

R. S. CHADHA
Partner

Place : Mumbai
Date : 26th June, 2002

For and on behalf of the Board

S. N. TIWARI
Company Secretary

RAJESH. R. GUPTA
Managing Director

MUKESH. R. GUPTA
Chairman

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