

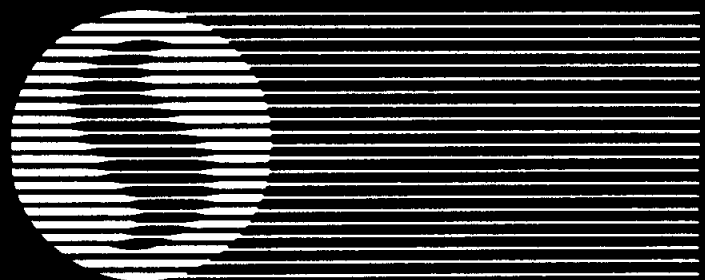
SESA GOA LIMITED

37th Annual Report

2001-2002



SESA GROUP



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SESA GOA LIMITED

REGISTERED OFFICE :

Sesa Ghor, 20 EDC Complex, Patto, Panjim, Goa – 403 001

DIRECTORS :

S. D. Kulkarni	Chairman
P. G. Kakodkar	
A. Pradhan	
M. D. Phal	
K. R. V. Subrahmanian	
M. Paul Sukagawa	
Y. Takase	
H. Tada	
H. Nishio	Wholetime Director
P. K. Mukherjee	Wholetime Director
A. K. Rai	Wholetime Director
C. M. Brown	Managing Director

SECRETARY :

C. D. Chitnis

AUDITORS :

S. J. Thaly & Co.
Chartered Accountants
Panjim, Goa – 403 001

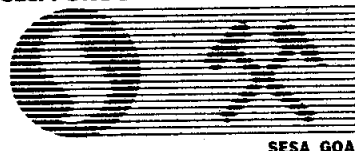
SOLICITORS :

T. Pooran & Co.
Taj Building
210, D. Naoroji Road
Mumbai – 400 001

BANKERS :

Canara Bank
State Bank of India
ICICI Bank Limited

SESA GROUP



SESA GOA

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SESA INDUSTRIES

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SESA KEMBLA

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**SESA GOA****DIRECTORS' REPORT**

To the Members,

The Directors' herewith present the Annual Report of the Company together with the Audited Statements of Accounts for the Financial Year ended 31st March, 2002.

FINANCIAL RESULTS

	2001-2002 (Rs. in million)	2000-2001 (Rs. in million)
Profit before provisions for depreciation and tax	364.259	340.481
(Less): Depreciation	(131.335)	(127.378)
Provision for Tax		
— Current Tax	(50.000)	(30.000)
— Deferred Tax	(27.000)	—
Profit after Depreciation & Tax	155.924	183.103
Add: Investment Allowance (Utilised)		
Reserve written back	—	6.116
Add: Balance brought forward from the preceding year	99.489	95.335
Profit available for appropriation	255.413	284.554

Appropriations

Dividend	59.043	59.043
Tax on Distributed Profit	—	6.022
General Reserve	120.000	120.000
Balance carried to Balance Sheet	76.370	99.489
	255.413	284.554

DIVIDEND

The Board of Directors recommends Dividend of Rs. 3 per share for the year 2001 - 2002. The dividend for the Financial Year 2001-2002 will be taxable in the hands of Shareholders and shall also be subject to deduction of income tax at the appropriate rate.

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OPERATIONS

A summary of the Sales Turnover and the working results is given below:

(All money values net of freight)	2001-2002		2000-2001	
	Qty. in million Tonnes or Nos.	Value Rs. in million	Qty. in million Tonnes or Nos.	Value Rs. in million
Sales of Iron Ore	4.623	2,458	5.054	2,747
Direct Exports	3.398	2,091	4.508	2,567
Indirect Exports (through local exporters)	0.840	252	0.238	109
Other Sales	0.385	115	0.308	71
Sale of Vessels	—	—	1	15
Profit after Depreciation & Taxation	—	156	—	183

During the year under review, world iron ore prices increased by 4.30% for fines and 3.23% for lumps for the FOB contracts in Japan and by 4.31% and 3.62% for the CFR contracts for Europe. The Rupee depreciated versus the US Dollar from Rs. 46.75 to Rs. 48.94 during the year.

Other than in China, world demand for iron ore remained flat during the past year. Business uncertainty, post September 11, 2001, further fueled recessionary conditions already present in the global steel industry. This factor, coupled with the export of high-grade iron ore from Karnataka and Orissa in the name of the leaseholders, rather than the Company, resulted in the reduction in total sales volume reported for the year under review as compared to the previous year.

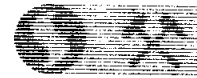
Mine production in Goa was impacted due to work disruptions related to negotiations for a new workplace agreement with the employee union. Despite the production shortfall, all sales commitments for the year were met. With the productivity gains being realized through continuous mine operations, long term mine development schedules are now being progressively re-established. The Company continues to face challenges in Goa, connected with high profile environmental issues receiving focussed media and public attention and ore transport operations and overburden disposal being temporarily disrupted at several locations during the year.

Karnataka mine operations remain stable, the Company fulfilling the export of 3,00,000 tonnes of high-grade fines licenced in the name of its subsidiary A. Narrain Mines Ltd., the leaseholder. The sales could be further improved if the railway freight structure is rationalized and Chennai Port productivity gains in rail rake unloading and ship loading rates are achieved.

In December 2001 the company commissioned a new process plant for its mining operations at Orissa which is aiding both the production and the quality of iron ore produced. The planned development of a dedicated rail loading facility at the Thakurani mine will also assist the growth of iron ore exports from this sector not only to China, but also potentially to Europe and Japan. A new rail line is also currently being built from the mining district to the coast which should reduce the transportation costs significantly once commissioned.

The Company has recently introduced a second Voluntary Retirement Scheme for the employees above the age of 40 years with a view to further reducing operating costs and improving productivity.

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As reported last year, the major mining companies in Goa have now established **The Mineral Foundation of Goa** to undertake environmental enhancement and socio-economic development projects in the mining regions of the State. Last year the Foundation undertook social programmes and also desilted Harvalem Waterfalls. These community relations and environmental initiatives have received favourable notice throughout Goa. Your Company is the single largest contributor to the Foundation.

The safety performance for the Calendar Years 2000 and 2001 was as under:

Division		FSI		Remarks
		2001	2000	
Sesa Goa Limited				
- Mining (Goa)	Employees	*0.53	0.4	* Increase in the year 2001 resulted from less man-hours worked during the period June/July/August due to the suspension of mine operations for safety reasons.
-Shipbuilding Division	Employees	*1.42	0.657	* Increase for the year 2001 is due to an increase in the number of accidents, though the total mandays lost remained approximately the same in both years i.e.13 days in 2001 and 12 days in 2000.

The FSI is an index which takes both the frequency of accidents and severity of accidents together into account.

OUTLOOK

There is a modest improvement projected for the international iron ore market during the coming year. Sesa Goa sales are now forecast to be higher than the past year's levels with further upside potential existing for sales to new customers in Europe, China and Pakistan. Also, while a reduction in global steel production had been widely forecast, no substantial reduction in our existing Asian or European customers off take is evident as yet. Despite the difficult situation of the Japanese steel industry, it currently appears that iron ore price decreases will be minimal. The major Australian and Brazilian iron ore producers continue to point to low inventories and strong off take, particularly for fine ore to China, in arguing that there should be no price decrease. At the time of writing, the international price of iron ore has not yet been finalized.

The forecast profit for Sesa Goa during the coming year remains depressed due to modest projected price cuts and realizations for iron ore sales. Studies of potential business rationalization opportunities are hence ongoing with the view to achieving further operating cost reductions and productivity gains.

Significant progress has been made on strategic business improvement projects including Panchwadi road and bunder project and transhipper upgrade project. These projects when completed should contribute to profit growth.

ISO CERTIFICATION

The Company has maintained ISO 9002 Quality Certification in all Goa and Karnataka mine and logistic operations and ISO 9001 Certification in the Engineering Design Group and Shipbuilding Division. Certification for Orissa mine operations is in progress.

The mining operations also remain ISO 14001 certified for environmental management practices.

All of the Company's operations are actively seeking Safety Management Certification under OHSAS 18001 this year with Karnataka operations already certified. This certification was a first for the mining industry in India.

SUBSIDIARY COMPANIES

A. NARRAIN MINES LIMITED, a 100% Subsidiary of the Company, achieved a total production of 0.853 million tonnes and reported a modest profit of Rs. 3.896 million as against the loss of Rs. 3.552 million last year. The mining reserve of the company was valued at Rs. 96 million as on 31st March, 2002 by a registered valuer. The difference between the subsidiary company's net worth (excluding the balance of the Profit and Loss Account) and your Company's investment for acquiring the share capital of this company has been provided for in your Company's Profit and Loss account for the year.

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SESA INDUSTRIES LIMITED's pig iron production was marginally higher than the previous year despite the work disruptions suffered during the year. Both furnaces continue to achieve record levels of productivity. The domestic pig iron market remains in a serious situation of oversupply and hence depressed prices, although there is some very recent evidence of strengthening domestic demand and prices. The Company exported 33665 tonnes of low sulphur pig iron this year against 13896 tonnes in the previous year. During the year 2001-02, the profit after tax (including deferred tax of Rs. 22 million) was Rs. 27 million as against previous year's profit of Rs. 59 million.

SESA KEMBLA COKE COMPANY LIMITED also suffered marginal production losses due to the work disruptions during the year. The company recorded a substantial loss of Rs. 88 million as against the previous year's profit of Rs. 68 million, primarily owing to a reduction in coke prices realized and a substantial increase in the price of coal purchased. Coke prices reduced due to the reduction of customs duty on imported metallurgical coke from an effective rate of 19.6% to 9.2%. The prospects for the current year are also not encouraging in view of further anticipated price increases for hard coking coal. Despite intense representations made to the government, there has been no restoration of duty protection to the earlier level as yet. Initiatives taken for reduction in operating costs will help minimize the losses in short term. The longer term prospects of the company remain bright with power plant commissioning and anticipated technology sales once the investment in steel industry restarts worldwide.

Further details of the operations of subsidiary companies are available in the Directors' Reports of those Companies appended to this report.

SESA COMMUNITY DEVELOPMENT FOUNDATION

The Company contributed Rs. 5 million during the year to the activities of the Sesa Community Development Foundation.

Sesa Technical School graduating students once again placed at the top of the State examinations and all achieved first class marks.

Sesa Football Academy has graduated the first batch of trainees after successful completion of their training period. They have very strong prospects of playing professional football at the top level in various clubs of India.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars prescribed under Section 217(1) (e) of the Companies Act, 1956, are given in Annexure A which forms part of this Report.

ECOLOGY

The Company, having obtained ISO 14001 Environmental Management Certification in 1997, continues to focus on due care and attention to environmental and ecological matters as a primary operating objective.

The Company reconfirmed its ISO 14001 status by a surveillance audit completed during the year under review.

During the year under review 1,25,000 tree saplings of different native varieties were planted at our mining sites.

The Company is the largest individual contributor to the Mineral Foundation of Goa, a charitable organization, with the objects of environmental enhancement and social development in the mining districts of the State.

FIXED DEPOSITS

The Company's Fixed Deposit Scheme continues to enjoy public confidence. On 31st March, 2002, the Company held Rs. 147.655 million on account of deposits received from the public and our shareholders. 106 deposits aggregating to Rs. 1.100 million matured and were unclaimed as on 31st March, 2002, of which 35 deposits amounting to Rs. 0.461 million have since been repaid. As a matter of cost reduction the company has temporarily stopped accepting new fixed deposits given that the interest costs of bank borrowings for working capital are currently lower than provided by the fixed deposit scheme.

**ACCOUNTING STANDARDS**

During the year under review the company has adopted various new mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. The company has also presented a consolidated financial statement, as per requirements of the listing agreement.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2002 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 to safeguard the assets of the Company and prevent fraud or other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis;
- (v) that the Directors' Report reflects a realistic view of the Board's position on the current year's performance and its assessment of the future outlook for the Company.

DIRECTORS

Mr. M. Sukagawa, Mr. M. D. Phal and Mr. A. Pradhan will retire by rotation and being eligible, offer themselves for re-appointment as Directors.

Mr. H. Nishio resigned effective from 1st April, 2002. The Board accepted the resignation and recorded its appreciation of services rendered by Mr. H. Nishio during his tenure.

The Board of Directors at its meeting held on 27th March, 2002 appointed Mr. Y. Takase effective from 1st April, 2002 in the casual vacancy created by the resignation of Mr. H. Nishio.

Mr. P. F. X. D'Lima ceased to be a Director on reaching superannuation age effective from 1st January, 2002. Dr. K. S. Subramanian ceased to be a Director effective from 2nd April, 2002 on withdrawal of nomination by ICICI Ltd. The Board recorded its appreciation of services rendered by Mr. P. F. X. D'Lima and Dr. K. S. Subramanian during their tenure.

The Board at its meeting held on 24th January, 2002 appointed Mr. M. D. Phal with effect from 1st January, 2002 in place of Mr. P. F. X. D'Lima.

Mr. M. Kanezashi ceased to be Nominee Director of FINCO and consequently as Wholetime Director of the Company with effect from 1st April, 2002. The Board recorded its appreciation of services rendered by Mr. M. Kanezashi during his tenure.

Mr. H. Nishio was appointed as Nominee Director of FINCO and consequently as a Wholetime Director of the Company with effect from 1st April, 2002 in place of Mr. M. Kanezashi, subject to the approval of Central Government and approval of Shareholders in the ensuing Annual General Meeting.

Mr. K. R. V. Subrahmanian was appointed as an Additional Director at the Board Meeting held on 22nd May, 2002. He ceases to hold office at the forthcoming Annual General Meeting in terms of Section 260 of the Companies Act, 1956, but being eligible, offers himself for re-appointment.

AUDITORS

The Company's Auditor, Messrs. S.J. Thaly & Co., Chartered Accountants, Panjim, Goa, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

**COMPLIANCE CERTIFICATE**

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

LISTING

As stipulated under clause 32 of the Listing Agreement, the names and addresses of Stock Exchanges on which the Company's equity shares are listed, are as under: -

- 1) Mangalore Stock Exchange (Regional Stock Exchange)
4th Floor, Rambhavan Complex,
Kodialbail, Mangalore – 575 003.
- 2) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
- 3) National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra Kurla Complex,
Bandra East, Mumbai – 400 051.

Your Company confirms that Annual Listing Fees for the year 2002-2003 have been paid.

EMPLOYEES

During the year under review, a new four year settlement was reached between the company and its unionized employees which has been implemented.

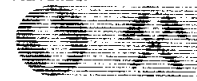
The Directors place on record their appreciation of the services provided by all employees of the Company and thank them for their contributions to the continued operations of the Company.

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, a statement giving the required information relating to the employees covered by the said Section is given in Annexure B.

For and on behalf of the Board of Directors

Place : Panjim, Goa – 403 001
Dated : 22nd May, 2002

S.D. KULKARNI
CHAIRMAN



ANNEXURE – A TO DIRECTORS' REPORT

Information as per Section 217 (1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2002.

(A) CONSERVATION OF ENERGY

The Company continues to accord high priority to energy conservation. Aspects of programmes in place include monitoring and control of the fuel consumption of our barge fleet, transport vehicles and earthmoving equipment and the monitoring and optimisation of electrical energy consumed in all Group activities.

(B) TECHNOLOGY ABSORPTION

Particulars with respect to Technology Absorption are given below in the prescribed Form B:

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company:

Continued work on new designs and applications of machinery for iron ore mining and beneficiation.
Process developmental work on the recovery of pellet feed from tailings.

2. Benefits derived as a result of the above R & D:

Development activities have resulted in reductions in capital and operating costs and environmental control improvements.

3. Future plans of action:

Developmental work will continue to be carried out on optimization of yields from ore processing.

4. Expenditure on R&D:

	2001-2002 Rs. in million	2000-2001 Rs. in million
a) Capital	0.084	—
b) Recurring (revenue)	0.476	0.703
c) Total	0.560	0.703
d) Total R & D expenditure as a percentage of total turnover	0.02%	0.02%

Technology Absorption, Adaptation and Innovation

1. Efforts made towards technology absorption, adaptation and innovation are outlined briefly:

The Company maintains a close contact and continuous interaction with its principal shareholder and its foreign associates as well as with the suppliers of specialized equipment.

2. Benefits derived as a result of the above efforts are inter alia:

Improved mining efficiencies and product quality control.
Improvement in pollution control system.

3. In conjunction with NEERI, extensively trialing the biological treatment of overburden storage areas to enhance reforestation.