

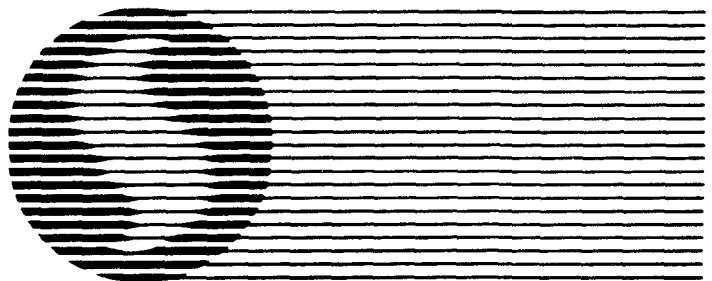
SESA GOA LIMITED

38th Annual Report

2002-2003



SESA GROUP



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SESA GOA LIMITED

REGISTERED OFFICE :

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

DIRECTORS :

S. D. Kulkarni	Chairman
P. G. Kakodkar	
K. R. V. Subrahmanian	
S. Araki	
S. Nakura	
M. Kanezashi	
K. Sakurai	
A. Pradhan	
M. D. Phal	
P. K. Mukherjee	Wholetime Director
A. K. Rai	Wholetime Director
L. A. Dean	Managing Director

SECRETARY :

C. D. Chitnis

AUDITORS :

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

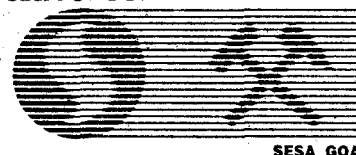
SOLICITORS :

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

BANKERS :

Canara Bank
State Bank of India
ICICI Bank Limited
UTI Bank Limited

SESA GROUP



SESA GOA

SESA GROUP



SESA INDUSTRIES

SESA GROUP



SESA KEMBLA



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, 2003. The figures for the financial year ended 31st March, 2003 include the figures of erstwhile A.Narrain Mines Ltd. which has been merged with the Company w.e.f. 1st April, 2002 by High Court Order. Therefore, the figures for the year under review are not comparable with those of the previous year.

FINANCIAL RESULTS

	2002-2003 (Rs. in million)	2001-2002 (Rs. in million)
Profit before provisions for depreciation and tax	320.968	364.259
(Less): Depreciation	(141.112)	(131.335)
Provision for Tax		
- Current Tax	(39.000)	(50.000)
- Deferred Tax	(15.000)	(27.000)
Profit after depreciation & Tax	125.856	155.924
Add: Balance brought forward from the Preceding year	76.370	99.489
Balance of erstwhile A. Narrain Mines Ltd.	(0.337)	
Profit available for appropriation	201.889	255.413
Appropriations		
Dividend	49.203	59.043
Tax on Distributed Profit	6.304	-
General Reserve	80.000	120.000
Balance carried to Balance Sheet	66.382	76.370
	201.889	255.413

The Company has also prepared a consolidated financial statement as per requirements of the Listing Agreement and the same is included in this Annual Report.

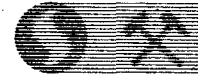
DIVIDEND

The Board of Directors recommends Dividend of Rs. 2.50 per share for the year 2002 - 03. The dividend for the Financial Year 2002 - 03, while tax-free in the hands of the shareholders, is subject to dividend distribution tax to be borne by the Company.

OPERATIONS

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

(All money values net of freight)	2002-2003		2001-2002	
	Qty. in million Tonnes or Nos.	Value Rs. in million	Qty. in million Tonnes or Nos.	Value Rs. in million
Sales of Iron Ore	6.881	3,480	4.623	2,458
Direct Exports	3.834	2,336	3.398	2,091
Indirect Exports (through local exporters)	2.540	874	0.840	252
Other Sales	0.507	270	0.385	115
Profit after Depreciation & Tax	-	126	-	156



During the year under review, world iron ore prices decreased by 2.4% for fines and 5% for lumps for the FOB contracts and 8.3% and 9% for fines and lumps respectively for the CFR contracts for Europe.

During the year under review world demand for iron ore experienced a robust growth following increased steel demand particularly led by China. However, the steel production in USA continued to remain subdued with almost flat economic growth. The Indian Rupee like all other currencies appreciated against the US\$ from Rs. 48.94 to Rs. 47.65 during the year.

The export of high grade iron ore from Orissa continued in the name of the leaseholder rather than that of the Company. In view of the merger of erstwhile A. Narrain Mines Ltd. with the Company, as stated above, the export of high grade iron ore from Karnataka of 0.616 million tons has been included in the Company's export performance.

Mine production in Goa, Karnataka and Orissa remained stable and the targets have been achieved to meet the market demand. The productivity gains of continuous mine operations in Goa have been realized for the full year enabling the Company to reduce operating cost. The long-term mine development programme and the scheduled maintenance of mining equipments, processing plants and barges which were affected in the earlier years owing to work disruptions have all been brought in line during the year under review. Consequently, there is a considerable increase in consumption of stores material affecting the profitability for the year. The price of diesel, which is one of the major costs for the Company, has gone up by 34% during the course of the year under review putting further pressure on the Company's profits.

The Company's transhipper M.V. Orissa was positioned at Panaji Port from end November, 2002 on its return after dry docking/overseas voyage and its handling has gone up by 28%. A new barge of 2000 dwt capacity has also been added to Company's barge fleet during the current year.

The loading operations at Chennai Port continues to be a cause of concern because of its unreliable Plant and Equipments, coupled with environmental issues for which the port and exporters are facing a public interest litigation.

The Company has also started operation in a new satellite mine in Orissa, during the year under review. The said mine named as Jalahuri Mine is near to the Company's existing Thakurani Mine and the lump ore from these two mines are blended to cater to the growing demand of lump ore in the region. The progress on building of the new rail-line, as reported last year, is slow, but when completed, will help to reduce Company's logistics cost substantially.

99 employees opted for Voluntary Retirement under the scheme introduced during the year under review.

The Company continues to be the single largest contributor to **The Mineral Foundation of Goa** who undertakes various projects for environmental enhancement and socio-economic developments in the mining regions in the State of Goa.

OUTLOOK

The demand for iron ore continue to remain strong during the current year. Sesa Goa exports are now forecast at a higher level during the current year, particularly to China. FOB prices for fines and lumps have increased by 9% and 8.9% respectively, while CFR prices to Europe has increased by 18.98% for Fines and 12.87% for Lumps. However, some of the gains are being off-set by domestic inflation together with a strong rupee against US dollar and higher ocean freight.

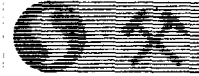
The Company's transhipper is being upgraded for increasing its loading capacity which in turn will result in cost reduction. Continuous efforts are also on to gain access to new iron ore reserves in various states.

ISO CERTIFICATION

The Company has maintained ISO 9001:2000 Quality Certification in all Goa and Karnataka mine and logistic operations and ISO 9001 Certification in the Shipbuilding Division.

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

During the year under review, the Company's operations in Goa and Karnataka have also received Safety Management Certification under OHSAS 18001.



SUBSIDIARY COMPANIES

SESA INDUSTRIES LTD. has earned a record profit of Rs.111 million and consequently wiped-off its accumulated losses. The productivity levels continue to remain high. The growth in demand by over 24% matched with the growth in supply by about 26% in the domestic market. The demand for pig iron from East Asian countries, including China, were at a high level during the year under review and consequently, the public sector steel plants exported their production thereby reducing pressure on the domestic supply. The metallurgical coke, which is the costliest raw material for pig iron, continues to be in short supply and consequently, there is a tremendous pressure on production cost of all pig iron producers in India. During the current year the Company is expected to make a moderate profit but may not be able to maintain the profit level of the year under review.

The Company has also made an offer to all the minority shareholders of Sesa Industries Ltd., which is not a listed Company, to acquire their shares at a price of Rs. 30 per share. The offer price is based on the valuation report by a firm of eminent Chartered Accountants. This offer was made on the request of Sesa Industries Ltd. to give an exit opportunity to their shareholders.

SESA KEMBLA COKE CO. LTD. has posted a profit of Rs. 32 million thereby reducing the accumulated loss to only Rs. 3 million. During the year under review, the international coke prices continued its upward movements and at present stabilised at the level of US\$140-150 CIF at west coast of India. The effective duty on metallurgical coke for blast furnace use has gone up marginally from 9.2% to 10% in the current year. The prospects for the current year look good in view of the high level of coke price which is expected to remain more or less at the current level in the near term.

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

SESA COMMUNITY DEVELOPMENT FOUNDATION

The Company contributed Rs. 5.4 million during the year under review to the activities of this foundation.

The students of Sesa Technical School graduated with flying colours at the State level examinations and got absorbed in local industry.

The second batch of trainees graduated from Sesa Football Academy with most of them having already got placements in the professional clubs of Goa.

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

Being ISO 14001 certified, one of the primary operating objective of the Company is to maintain the environment and ecology. The Company's environment monitoring laboratory at Codli in Goa has been approved by the Government of India which signifies its high standards.

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

550,000 tree saplings of different native varieties were planted at various mining sites during the year under review.

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 of Goa.

**SESA GOA****FIXED DEPOSITS**

The Company's Fixed Deposit Scheme continues to enjoy public confidence. On 31st March, 2003, the Company held Rs. 116.819 million on account of deposits received from the public and shareholders/employees. 135 Deposits aggregating to Rs. 1.570 million matured and were unclaimed as on 31st March, 2003, of which 79 Deposits amounting to Rs. 0.892 million have since been repaid.

SAFETY

The safety performance was as under :-

Division		FSI	
		2002 - 03	2001 - 02
Mining	Employees	3.74	0.486
	Contractors	0.348	NIL
Shipbuilding Division	Employees	3.54	1.2
	Contractors	NIL	NIL

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the accounting policies have been selected and applied consistently and made judgements 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, 2003 and of the profits of the Company for that year;
- (iii) that proper and sufficient care has been taken to maintain 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 or other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. S. D. Kulkarni, Mr. S. Araki and Mr. M. Kanezashi will retire by rotation and being eligible, offer themselves for re-appointment as Directors.

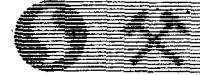
Mr. H. Tada resigned effective from 1st October, 2002. The Board accepted the resignation and recorded its appreciation of services rendered by Mr. H. Tada during his tenure.

The Board of Directors at its meeting held on 31st October, 2002 appointed Mr. S. Araki effective from 31st October, 2002 in the casual vacancy created by the resignation of Mr. H. Tada.

Mr. M. Sukagawa, Mr. Y. Takase and Mr. H. Nishio resigned effective from 1st April, 2003. The Board recorded its appreciation of services rendered by Mr. M. Sukagawa, Mr. Y. Takase and Mr. H. Nishio during their tenure.

The Board at its meeting held on 26th March, 2003 appointed Mr. M. Kanezashi and Mr. S. Nakura with effect from 1st April, 2003 in place of Mr. M. Sukagawa and Mr. Y. Takase.

Mr. C.M. Brown ceased to be Nominee Director of FINCO and consequently as Managing Director of the Company with effect from 1st April, 2003. The Board recorded its appreciation of services rendered by Mr. C.M. Brown during his tenure.



Mr. Leonard Anthony Dean was appointed as Nominee Director of FINCO and consequently as a Managing Director of the Company with effect from 1st April, 2003 in place of Mr. C.M. Brown, subject to the approval of Central Government and approval of Shareholders in the ensuing Annual General Meeting.

The Board at its meeting held on 28th July, 2003 appointed Mr. Keizo Sakurai as an Additional Director. 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 reappointment.

AUDITORS

The Company's Auditor, Messrs. S.J. Thaly & Co., Chartered Accountants, Panaji, 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 Exchange 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 2003 - 04 have been paid.

EMPLOYEES

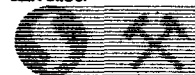
The Directors place on record the appreciation of the services rendered by all employees of the Company in achieving the productivity levels and solicit their co-operation for further increasing the productivity.

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, 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 : Panaji, Goa – 403 001
Dated : 28th July, 2003

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, 2003.

(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 barge fleet, transport vehicles and earth moving equipments and the monitoring and optimization 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 development work on the recovery of pellet feed from tailings.

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

Developmental activities have resulted in reductions in capital and operating cost and environmental control improvement.

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:

	2002-2003 Rs. in million	2001-2002 Rs. in million
a) Capital	0.309	0.084
b) Recurring (revenue)	0.624	0.476
c) Total	0.933	0.560
d) Total R & D expenditure as a percentage of total turnover	0.026%	0.021%

Technology Absorption, Adaptation and Innovation

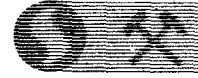
1. Efforts made towards technology absorption, adaptation and innovation are outlined briefly:

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

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, extensive trials are conducted for the biological treatment of overburden storage areas to enhance reforestation.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The major portion of the iron ore produced by the Company is for export either directly or indirectly. The Foreign Exchange earnings of the Company during the year under report amounted to Rs. 2,352 million. The Foreign Exchange outgo (Details given in Schedule 19) amounted to Rs. 400 million. The Company thus earned net Foreign Exchange of Rs. 1,952 million during the year.

For and on behalf of the Board of Directors

Place : Panaji, Goa – 403 001
Dated : 28th July, 2003

S. D. KULKARNI
CHAIRMAN

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