



**31st
ANNUAL REPORT
2003-2004**



**VIDARBHA IRON & STEEL
CORPORATION LIMITED**

VIDARBHA IRON & STEEL CORPN. LTD.

Board of Directors :

M. D. SARAF Managing Director

R.V. DALVI

S. C. BHANDARI

MAHESH SARAF

Auditors :

SALVE AND COMPANY

Solicitors :

BHAISHANKER KANGA AND GIRDHARLAL

Bankers :

BANK OF INDIA

Share Department :

**PLOT NO. 46 - A & B, MIDC INDUSTRIAL ESTATE,
NAGPUR - 440 028**

Registered Office & Steel Works :

**PLOT NO. 46 - A & B, MIDC INDUSTRIAL ESTATE,
NAGPUR - 440 028**

VIDARBHA IRON & STEEL CORPN. LTD.**NOTICE**

NOTICE is hereby given that the 31st Annual General Meeting of Vidarbha Iron & Steel Corporation Ltd., will be held at the Registered Office of the Company at 46A & B, MIDC Industrial Estate, Nagpur 440028 on Tuesday, the 14th December, 2004 at 10.30 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the year ended 31st March, 2004 with the report of Auditors and Directors.
2. To appoint a Director in the place of Shri S.C. Bhandari, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint retiring Auditors M/s. Salve & Co; Chartered Accountants, a Partnership Firm, as Auditors of the Company in place of Shri K.P. Sahasrabudhe, Chartered Accountant and Proprietor of M/s. Salve and Company (who was appointed by the Board of Directors under section 224(5) of the Companies Act, 1956 as the Auditor of the Company and who holds office under the said section until the conclusion of the forthcoming Annual General Meeting) due to change in the constitution of the firm M/s. Salve and Co; from Proprietorship to Partnership, and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s. Salve and Company, Chartered Accountants, a Partnership firm, be and are hereby appointed as Auditors of the Company in place of Shri K.P. Sahasrabudhe, Chartered Accountant and Proprietor of the Proprietorship firm M/s. Salve and Company, consequent upon change in the constitution of the said firm from Proprietorship to Partnership, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses as the Board of Directors may fix in that behalf in consultation with the said Auditors."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.
"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Sec.257 Shri R.V. Dalvi be and is hereby appointed as Director of the Company"
5. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution:
"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Sec.257 Shri Mahesh Saraf be and is hereby appointed as Director of the Company"
6. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution:
"RESOLVED that consent of the Company be and is hereby accorded in terms of Sec. 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (The Board) to continue with the leave and licence arrangement with M/s. FACOR Steels Ltd, situated at 46A&B, MIDC Industrial Area, Nagpur 440 028 for a period of 5 years on such terms and conditions and with effect from 1/1/2005 the whole of the undertaking of the Company comprising of Mini Steel Plant situated at Nagpur on monthly compensation of Rs.1.75 lacs."
"RESOLVED FURTHER that the Board be and is hereby authorised to do or cause to be done all such acts, deeds and other things as may be required or considered necessary or incidental thereto for giving effect to the aforesaid Resolution."

Registered Office:
46A&B, MIDC Industrial Area
Nagpur 440 028
Dated: 28th October, 2004

BY ORDER OF THE BOARD OF DIRECTORS

M. D. SARAF
MANAGING DIRECTOR

VIDARBHA IRON & STEEL CORPN. LTD.**Notes:**

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos:4 to 6 of the Notice set out above is annexed hereto. Proxy forms in order to be effective must be received by the Company not less than 48 hours before the time appointed for the meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. Register of Members and Share Transfer Book will remain closed from 6th December, 2004 to 14th December, 2004.
4. Members are requested to intimate immediately any change in their address at our Registered Office:46A&B, MIDC Industrial Estate, Nagpur 440 028

ANNEXURE TO THE NOTICE:

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 for Item No: 4, 5 and 6.

Item No:4

Shri R.V. Dalvi who has vast experience in Steel making was appointed as Additional Director by the Board of Directors of the Company. According to provision of Section 260 of the Companies Act, 1956 he holds office as a Director only up to the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to the proposed appointment of Shri R.V. Dalvi as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

No Director other than Shri R.V. Dalvi is interested in the resolution proposed under Item No.4

Item No: 5

Shri Mahesh Saraf who has vast experience in Steel, Automobile and allied business was appointed as Additional Director by the Board of Directors of the Company. According to provision of Section 260 of the Companies Act, 1956 he holds office as a Director only up to the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to the proposed appointment of Shri Mahesh Saraf as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

No Director other than Shri Mahesh Saraf is interested in the resolution proposed under Item No.5

Item No:6

The Mini Steel Plant of the Company was given on leave and licence basis to M/s.Ferro Alloys Corporation Ltd (FACOR) vide Agreement dated 25.9.1978. Subsequently, the same was amended from time to time by several supplemental agreements executed between FACOR and VISCO. The last such Agreement was executed between the said two companies on 1.10.2003 which is valid upto 31.12.2004.

As per Agreement dated 26.12.1997 which was valid till 31.12.1999, FACOR has been making payment of compensation for the above Mini Steel Plant @ Rs.9.75 lacs per month. Subsequently, it was agreed between the Company and FACOR to extend the agreement for further period of 5 years w.e.f. 1.1.2000 on a total compensation of Rs.9.75 lacs per month. However, in view of stringent financial difficulties faced by FACOR, it had sought some relief from the Company in the form of reduction in the compensation amount from Rs.9.75 lacs per month to Rs.1.75 lacs per month with retrospective effect from 1.4.1999 (being substantial higher loss period of FACOR) to enable FACOR to tide over its financial difficulties to some extent. This reduction in compensation for Mini Steel Plant was approved by our Board on 29.3.2003 and the Board of FACOR on 6.8.2003 and accordingly the above agreement dated 1.10.2003 was entered into.

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Subsequently, FACOR's Rehabilitation Package, which was pending for approval of the Hon'ble BIFR, was sanctioned on 2.4.2004 and was approved for implementation vide Hon'ble BIFR Order dated 13.4.2004.

As per the Scheme of Arrangement to and forming part of the Rehabilitation Scheme sanctioned to FACOR, the Steel Division of FACOR at Nagpur which was operating the Mini Steel Plant owned by our Company has been transferred along with all assets and liabilities of the said Division appearing in the Books of A/c. of FACOR as on 31.3.2003 to new Company FACOR Steels Ltd (FSL), formed and registered in the State of Maharashtra for the said purpose. FACOR Steels Ltd. was incorporated on 13.5.2004 and Certificate of Commencement of Business dated 14.6.2004 was received by it from the Registrar of Companies (Maharashtra). However, according to the Scheme, FACOR Steels Ltd. is deemed to have carried on the business of FACOR's Steel Division w.e.f. Appointed Date i.e. 1.4.2003

As per clause (viii) of Para-4 of the Scheme of Arrangement, all Contracts, Deeds, Bonds, Agreements, Memorandum of Understanding and other instruments of whatever nature relating to the Steel Division to which FACOR is a party, subsisting or having effect immediately before the Appointed Date, shall remain in full force and effect against or in favour of FACOR Steels Ltd. and may be enforced as fully and effectively as if the FACOR Steels Ltd., instead of FACOR, had been a party thereto. Accordingly, the leave and licence agreement entered into between FACOR and our Company shall remain in full force and effect in favour of FACOR Steels Ltd. and can be enforced as fully and effectively as if FACOR Steels Ltd., instead of FACOR, had been a party thereto.

Since the above provisions will be valid till the expiry of the existing agreement between VISCO and FACOR, i.e. upto 31.12.2004, FACOR Steels Ltd. has approached our Company for taking over its Mini Steel Plant and operate the same after 31.12.2004. For this purpose, FACOR Steels Ltd. approached us with a request to allow the Company to continue to operate its Mini Steel Plant on leave and licence basis for a period of 5 years from 1.1.2005 on terms and conditions similar to the terms and conditions contained in the Agreement entered into between FACOR and our Company on 25.9.1978 and subsequently, amended and extended from time to time by various supplemental Agreements, the last of such was entered into on 1.10.2003.

FACOR Steels Ltd. also requested us to agree to the same compensation of Rs. 1.75 lacs per month for the Mini Steel Plant which was being paid to the Company as per the last Agreement dated 1.10.2003 entered into between FACOR and our Company.

The Board of Directors recommends the resolution for approval by the Members of the Company.

Shri M.D. Saraf, Managing Director is the Vice Chairman and Managing Director of FACOR Steels Ltd. and Shri R.V. Dalvi is also the Director (Technical) of FACOR Steels Ltd. and are interested in the said resolution.

Registered Office:
46 A & B, MIDC Industrial Estate
Nagpur 440 028
Date: 28th October, 2004

BY ORDER OF THE BOARD OF DIRECTORS

M. D. SARAF
MANAGING DIRECTOR

VIDARBHA IRON & STEEL CORPN. LTD.**DIRECTORS' REPORT TO THE MEMBERS:**

Your Directors are presenting the 31st Annual Report together with Audited Statement of Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

	Year ended 31 st March, 2004 (Rs. in lacs)	Year ended 31 st March, 2003 (Rs. in lacs)
Gross Profit/(Loss) before depreciation	50.53	(1820.83)
Less: Depreciation for the current year	23.50	82.62
Net Profit/(loss) for the year after depreciation	27.03	(1903.45)
Loss Brought forward from previous year	(839.80)	(2066.71)
	(812.77)	(3970.16)
Less: Effect of one time settlement with Financial Institutions	—	2295.04
Less: Adjustment as a result of AS22	2.78	835.32
Profit/(Loss) carried to Balance Sheet	(809.99)	(839.80)

In view of the accumulated losses incurred by Ferro Alloys Corporation Ltd., (FACOR)/FACOR Steels Ltd. on operation of our Steel Plant at Nagpur, no provision for our share in profit has been made.

SETTLEMENT OF LOANS OF FINANCIAL INSTITUTION:

The Company has arrived at a One Time Settlement (OTS) with State Bank of Patiala in respect of their outstanding dues. The Company paid Rs.36.77 lacs as settlement amount and the same is appropriately accounted for in the books of accounts.

CONSERVATION OF ENERGY : Not applicable

TECHNOLOGY ABSORPTION : Not applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Foreign Exchange earnings : Nil
2. Foreign Exchange Outgo : Nil

INSURANCE : The Assets of the Company are adequately insured.

DIRECTORS:

Your Board has appointed Shri R.V. Dalvi and Shri Mahesh Saraf as Additional Directors. Notice has been received from Members proposing the appointment of Shri R.V. Dalvi and Shri Mahesh Saraf as Directors of the Company.

Shri S.C. Bhandari retires by rotation and being eligible, offers himself for re-appointment at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of Companies Act, 1956, your Directors state as under:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations,
- ii) that the Directors have selected such accounting policies and applied them 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 and of the profit of the Company for that period,
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.