


TOWARDS TURNAROUND 

2002-2003

# ANNUAL REPORT



**STEEL AUTHORITY OF INDIA LIMITED**



(As on 29.07.2003)

## Chairman

Shri V.S. Jain

## Managing Directors

*Bhilai Steel Plant*

Shri B.K. Singh

*Durgapur Steel Plant*

Dr. S.K. Bhattacharyya

*Bokaro Steel Plant*

Shri S. Pandey

*Rourkela Steel Plant*

Dr. Sanak Mishra

## Functional Directors

*Technical*

Shri S.C.K. Patne

*Personnel*

Shri Ashis Das

## Directors

Dr. Y.R.K. Reddy

Shri D.V. Singh

Shri R.V. Gupta

Prof. Ram Prasad Sengupta

Shri Pyarimohan Mohapatra

Dr. Atul Sarma

Shri Surendra Nath Mishra

Shri Dhananjaya Prasad Singh

Shri V.K. Agarwal

Shri P.K. Sengupta

Dr. Amit Mitra

Shri A.H. Jung

## Secretary

Shri Devinder Kumar

## Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003

Phone: 24367481; Fax-24367015

Gram: STEELINDA

Internet: www.sail.co.in

E.Mail: secy.sail@sail.com

## Bankers

State Bank of India

Bank of Baroda

Canara Bank

Punjab National Bank

United Bank of India

Syndicate Bank

Union Bank of India

Bank of India

Indian Overseas Bank

Oriental Bank of Commerce

Central Bank of India

UCO Bank

State Bank of Patiala

Punjab & Sind Bank Ltd.

Allahabad Bank

Jammu & Kashmir Bank

State Bank of Saurashtra

State Bank of Hyderabad

Bank of Maharashtra

State Bank of Indore

State Bank of Bikaner & Jaipur

State Bank of Mysore

## Statutory Auditors

M/s. S.N. Nanda & Co.  
Chartered Accountants

M/s. Chaturvedi & Co.  
Chartered Accountants

M/s. P.A. & Associates  
Chartered Accountants

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## STEEL AUTHORITY OF INDIA LIMITED REGISTERED OFFICE : ISPAT BHAWAN, LODI ROAD, NEW DELHI - 110003

NOTICE IS HEREBY GIVEN THAT the 31<sup>st</sup> Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Friday, the 26<sup>th</sup> September, 2003 at NDMC Indoor Stadium, Talkatora Garden, New Delhi-110001 to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2003, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri S.C.K. Patne who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri B.K. Singh who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Suresh Pandey who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. Atul Sarma who retires by rotation and is eligible for re-appointment.
6. To fix the remuneration of Auditors of the Company appointed by the Comptroller & Auditor General of India.

### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Shri V.K. Agarwal who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 25<sup>th</sup> March, 2003."

8. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Shri P.K. Sengupta who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 25<sup>th</sup> March, 2003."

9. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Dr. Amit Mitra who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under

Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 25<sup>th</sup> March, 2003."

10. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Shri A.H. Jung who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 25<sup>th</sup> March, 2003."

11. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Shri Ashis Das who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board of Directors

  
(Devinder Kumar)  
Secretary

New Delhi  
26th August, 2003  
Registered Office:  
Ispat Bhawan, Lodi Road,  
New Delhi-110003.

### Notes:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. 7 to 11 above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ENCLOSED AT THE END OF ANNUAL REPORT.
3. Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered folios wherein the name of the sole holder/first joint-holder is same, only the



- first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.
4. Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.
  5. The Register of Members of the Company will remain **closed from 29<sup>th</sup> August, 2003 to 26<sup>th</sup> September, 2003 (both days inclusive)**.
  6. M/s. RCMC Share Registry Private Limited are acting as Registrar and Transfer Agent for carrying out its entire share related activities viz. Transfer/ transmission/transposition/dematerialisation/rematerialisation/split/consolidation of shares, change of address, bank mandate, filing of nomination, dividend payment and allied activities. Shareholders are requested to make all future correspondence related to share transfer and allied activities with this agency only at the following address:  
M/s. RCMC Share Registry Private Limited,  
1515 (1<sup>st</sup> Floor), Bhisham Pitamah Marg,  
Kotla Mubarakpur (Near South Ext.), New Delhi-110003.  
Tel: (011) 24649720, e-mail: rcmc@theoffice.net
  7. Members should notify change in their addresses, if any, specifying full address in block letters with **PIN CODE** of their post offices, which is mandatory.
  8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Shares Department enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
  9. Members who have not encashed the dividend warrant(s) so far for the years 1995-96, 1996-97 and 1997-98 are requested to make their claims to the Company immediately for its revalidation and subsequent encashment. The unclaimed dividends pertaining to the year 1995-96 will be transferred to the Investor Education & Protection Fund on its completion of 7 years on 10<sup>th</sup> November, 2003. As such members who have not claimed the dividend for the year 1995-96 must forward their claim so as to reach the Company latest by 10<sup>th</sup> November, 2003.
  10. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.
  11. **Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**
  12. **No Brief case or Bag will be allowed to be taken inside the auditorium.**

## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### Item No. 7

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC. Vol. IV dated 21<sup>st</sup> March, 2003, Shri V.K. Agarwal was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri V.K. Agarwal as a candidate for the office of Director of the Company.

Shri V.K. Agarwal has done B.Sc. (Engg) with Honours in Civil Engineering. He was Chairman, Railway Board and ex-officio Principal Secretary to Government of India in the Ministry of Railways.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Shri V.K. Agarwal, to the extent of his appointment as Director, is concerned or interested in the above resolution.

#### Item No. 8

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC Vol. IV dated 21<sup>st</sup> March, 2003, Shri P.K. Sengupta was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing

the name of Shri P.K. Sengupta as a candidate for the office of Director of the Company.

Shri P.K. Sengupta has done B.Com. (Hons) and is a Fellow member of Institute of Cost and Works Accountants of India. His area of specialization is Finance & Administration. He was Chairman of Coal India Limited.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Shri P.K. Sengupta, to the extent of his appointment as Director, is concerned or interested in the above resolution.

#### Item No. 9

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC. Vol. IV dated 21<sup>st</sup> March, 2003, Dr. Amit Mitra was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Dr. Amit Mitra as a candidate for the office of Director of the Company.

Dr. Amit Mitra has done MA (Economics) from Delhi School of Economics, Delhi University and Ph.D. (Economics), from Duke University, USA. His area of specialization is Public Economics; Mathematical Economics & Economics; Economic Demography (Population Economics); Industrial Economics; Advance Economic theory (Macro & Micro). Presently, he is working as Secretary General of Federation of Indian Chambers of Commerce and

# Notice

Industry (FICCI). He is a Director on the Board of the following companies:

- GAIL (India) Ltd.
- IDBI - Principal
- On the Advisory Board of India Fund, UTI

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Dr. Amit Mitra, to the extent of his appointment as Director, is concerned or interested in the above resolution.

## Item No. 10

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC. Vol. IV dated 21<sup>st</sup> March, 2003, Shri A.H. Jung was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri A.H. Jung as a candidate for the office of Director of the Company.

Shri A.H. Jung belonged to Indian Audit & Accounts Service (IAAS). He worked in various capacities in the Government of India and retired as Secretary, Ministry of Power, Government of India. He is a Director on the Board of Max Healthcare Institute Limited.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Shri A.H. Jung, to the extent of his appointment as Director, is concerned or interested in the above resolution.

## Item No. 11

On nomination by the President of India vide Government's Notification No.6(11)/2002-SAIL-PC. dated 17<sup>th</sup> June, 2003,

Shri Ashis Das was appointed as an Additional Director of the Company with effect from 18<sup>th</sup> June, 2003 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri Ashis Das as a candidate for the office of Director of the Company.

Shri Ashis Das is a B.Sc. Engineering (Mechanical) and has a rich work experience in a variety of operational areas in the steel industry. His fields of specialization include management of operations, projects, planning and process control in large industries such as steel plants. He is also a Director on the Board of the following companies:

- Indian Iron & Steel Company Limited
- Maharashtra Elektrosmetelt Limited
- Bokaro Power Supply Company Private Limited
- Bhilai Oxygen Limited
- Bhilai Electric Supply Company Private Limited

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Shri Ashis Das, to the extent of his appointment as Director, is concerned or interested in the above resolution.

By order of the Board of Directors



(Devinder Kumar)  
Secretary

New Delhi  
26th August, 2003  
Registered Office:  
Ispat Bhawan, Lodi Road,  
New Delhi-110003.

## Details of Directors seeking appointment/re-appointment in forthcoming Annual General Meeting furnished in terms of clause 49 of Listing Agreements:

Name of the Director	Shri S.C.K. Patne	Shri B.K. Singh	Shri Suresh Pandey	Dr. Atul Sarma
Date of Birth	19.04.1944	02.02.1944	05.11.1943	01.01.1941
Date of Appointment	17.04.1996	23.09.1996	13.07.1998	21.03.2001
Expertise in Specific functional areas	Technical	Technical	Technical	Economist
Qualifications	BE/B.Tech. (Chemical)	BE/B.Tech. (Mech.)	BE/B.Tech. (Met.)	Ph.D (Eco.)
List of Companies in which outside Directorship held as on 31 <sup>st</sup> March, 2003.	<ul style="list-style-type: none"> <li>• Indian Iron &amp; Steel Co. Ltd. (IISCO)</li> <li>• UEC-SAIL Information Technology Ltd. (USIT)</li> <li>• Romelt SAIL India Ltd. (RSIL)</li> <li>• Metaljunction.com Private Ltd. (MJ)</li> </ul>	<ul style="list-style-type: none"> <li>• Bhilai Oxygen Ltd. (BOL)</li> <li>• Maharashtra Elektrosmetelt Ltd. (MEL)</li> <li>• Hindustan Steelworks Construction Ltd. (HSCL)</li> <li>• Bharat Refractories Ltd. (BRL)</li> </ul>	<ul style="list-style-type: none"> <li>• Tata Refractories Ltd. (TRL)</li> <li>• Bharat Refractories Ltd. (BRL)</li> </ul>	NIL
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31st March, 2003.	<b>SAIL</b> Shareholder/Investor Grievance Committee – Member			<b>SAIL</b> Audit Committee –Member



To,  
The Members,

The Directors have pleasure in presenting the 31<sup>st</sup> Annual Report of the Company together with audited accounts for the year ended 31st March, 2003.

## FINANCIAL REVIEW

The year witnessed a growth of about 24% in the sales turnover, which at Rs. 19207 crore (previous year Rs. 15502 crore) was the highest ever achieved by your Company. This was possible due to higher sales volume, better product mix and higher steel prices. The Company made a cash profit of Rs. 831 crore during the year as compared to a cash loss of Rs. 551 crore in the previous year. The net loss after tax at Rs. 304.31 crore (previous year Rs. 1706.89 crore) recorded an improvement of Rs. 1402.58 crore indicating reduction of over 82% over the previous year. This was after providing for interest of Rs. 1334.02 crore (previous year Rs. 1562.03 crore) and depreciation of Rs. 1146.66 crore (previous year Rs. 1155.89 crore). In view of the loss, the directors do not recommend dividend.

During the year capital gains of Rs. 144 crore (previous year Rs. 662 crore) accrued on sale of surplus houses/other assets. After adjustment of such capital gains, the improvement in operating performance was Rs. 1921 crore. Such a significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings, supported by external factors viz. growth in steel demand, and firming of international and domestic prices.

Thrust on reduction in borrowings continued and there was a decline of Rs. 1049.71 crore during the year. Interest charge is also lower by Rs. 256 crore including Rs. 228 crore on operation account. This reduction has been possible through prudent cash management, substitution by borrowings carrying lower interest bearing instruments etc.

Steel Authority of India Ltd. (SAIL) continued its thrust on intensive cost control and revenue maximisation measures resulting in benefit of about Rs. 451 crore during the year. Cost control measures focused on reduction in usage of coking coal/ other raw materials, improvement in yields and techno-economic parameters, reduction in energy consumption and control on administrative expenditure. Substantial savings were also achieved in the non-conventional areas like higher volume of waste utilisation, control on arisings and maximising in-house manufacturing of spares & refractories.

Management expects that with the improvement in market demand, increase in net sales realization and through continuous cost control efforts, your Company would achieve even better performance and turnaround in the financial year 2003-04.

## SALES & MARKETING REVIEW

Your Company recorded a sales growth of 6% during the year which is in line with the growth in steel consumption in the country, thus sustaining the competitiveness. The Company sold 9.78 million tonnes of mild steel. In spite of the highly competitive global market the company could achieve a record export of about 8.5 lakh tonnes of mild steel to various destinations across the world, registering a growth of about 53% over the last year.

With international prices firming up and demand being robust, there was an improvement in prices by about 20% particularly in flat products, thus retrieving the decline in prices in previous years.

There was a significant increase in the sales of Railway material, Hot Rolled (HR) Coils/Skelp, Electrical Steel Sheets and Tin Plates. Higher availability of special grade products like HR Coils for cold reducing segments, Electrical Steel Sheets and Tin Plates enabled the company to maintain and achieve larger market share in value added segments. The Company has strived to expand the customer base by entering into tie-ups with major customers and the project authorities. With a pricing system which is market driven, increased customer and product focus and continuous review of distribution channels, company could achieve substantial growth in sales turnover (24%) during the year.

Your Company's website was ranked 3<sup>rd</sup> amongst the websites of major steel producers of the world by International Iron & Steel Institute. A major advertising campaign for popularising and branding of Galvanised Sheets (GP/GC Sheets) and Thermo Mechanically Treated (TMT) Bars was taken up by your Company to supplement its marketing.

## PRODUCTION REVIEW

The saleable steel production during the year increased, keeping pace with the market upswing. The production crossed 10 million tonne mark for the first time, with highest ever production of 10.35 million tonne – a growth of 7% over previous year. This improvement was possible through better input and logistic management, technological innovations and greater exploitation of potential of the assets. Production of hot metal and crude steel at 12.2 million tonne and 11.3 million tonne respectively, with a growth of 6% each over previous year, was also the highest.

There has been significant improvement in the product-mix. Finished steel production went up by 10% over previous year and its proportion in saleable steel increased from 77% to 80%. Rails production at Bhilai steel plant went up by 32% to a record level of 769,000 tonne.

SAIL continued with its thrust on improvement in efficiency parameters. Continuous cast production increased to 59% of total crude steel. Coke rate declined by 3.4% over previous year to the lowest ever level of 538 kg/thm. Overall energy consumption reduced by 2.5% and was 7.5 Gcal/tcs, the lowest ever achieved so far.

## Raw Materials

During 2002-03, total iron ore production and despatch from captive mines were 11.8 million tonne and 11.75 million tonne respectively. These were the best since inception with a growth of 6% both in production and despatch over the previous year. The flux production and despatch during the year 2002-03 were 1.12 million tonne and 1.2 million tonne respectively achieving growth of 17% and 35% in production and despatch respectively.

SAIL continued its efforts to put constant thrust on the improvement in stores and spares management including inventory control and achieved all time low inventory of Rs. 881 crore. Sale of idle assets of Rs. 72 crore has been achieved during the year.

## Purchase Cost Optimisation

A new concept of e-procurement/Reverse Auction (RA) introduced during 2001-02, has been quite successful venture for the company. SAIL is the pioneer among all PSUs/Govt. sector to introduce procurement through Reverse Auction. During the year SAIL conducted RAs worth Rs. 42 crore. The process is being carried forward and RAs worth Rs. 150 crore are expected during 2003-04. Forward Auctions (FA) have been

# Directors' Report

started for sale of secondary steel and Commercial Quality Stainless Steel of SSP resulting in higher realization than conventional mode. The process of FA would be extended with greater thrust during 2003-04.

## CAPITAL SCHEMES

The Company incurred a capital expenditure of Rs. 241 crore during the year. At Durgapur Steel Plant (DSP), with the upgradation of Blast Furnace-3, productivity of the furnace increased from 0.9 to 1.3 t/m<sup>3</sup>/day. Its Cast House Slag Granulation Plant has also been commissioned. Wheel testing facilities of Wheel & Axle Plant had also been augmented to meet Railways requirement for testing operations as per their revised specifications of IR-R-19-93 and IR-R-34-99.

At Bhilai Steel Plant (BSP), the capital schemes of Long Rails Facilities to produce rails of length upto 78 M length and welded rail panels upto length of 260 M with Class-A quality as per Railways specification IRS-T-12-1996 has been approved. Orders for major facilities have been finalised and construction activities are progressing as per schedule. Also De-scaling System at Rail & Structural Mill has been installed for ensuring good surface finish and elimination of defects. Further, Carbide Saw was installed for cutting the rails to size. Plant-wide Fibre Optic Cable Networking was also completed under assistance/guidance from Electronic Research & Development Corporation of India (ER&DCI) to achieve increased output, reduction in rejection/mix ups of metal.

At Rourkela Steel Plant (RSP), rebuilding of Coke Oven Battery No.1 has been taken up to incorporate pollution control measures for meeting the statutory emission norms. Also the work for upgradation of ERW Pipe Plant to produce higher quality pipes (API-5L upto X-70 grade) has been awarded. Basic engineering has been completed and detailed engineering is in progress. Orders for major imported equipment have been finalised and construction work is in progress. Further two nos. of Stoves (one for BF-4 and one for BF-2) had been upgraded for increasing the hot blast temperature to 1,000°C which in turn would result in higher furnace productivity and lower coke rate.

At Bokaro Steel Plant (BSL), erection work has been completed for Reheating Furnace No.2. Further, Combined Blowing facilities in the Converters of SMS-II were installed to improve the quality of steel.

## IN HOUSE DESIGN & ENGINEERING/ MARKETING OF SERVICES

Centre for Engineering & Technology (CET) has been providing its services in the areas of modernisation, technological upgradation and additions, modifications and replacement schemes, to plants and units within SAIL and clients outside SAIL - both in India and abroad.

Major projects implemented during 2002-03 include upgradation of BF-3 with increase in useful volume and installation of INBA Cast House Slag Granulation Plant at BF-3 at DSP, installation of De-scaling Unit before 950 mm Roughing Stand of Rail & Structural Mill of BSP and installation of Combined Blowing Technology in Converter No. 2 at SMS-II of BSL.

The major ongoing projects are Finishing of Long Rails at Rail & Structural Mill at BSP, provision of Tension Levelling Facilities in Side Trimming cum Slitting Line No.3 in CRM and installation of Walking Beam type Reheating Furnace No. 2 at BSL and Replacement of Turbo-Alternator in CPP-1 at RSP.

Besides above, CET also provided consultancy for some of the projects under implementation for clients outside SAIL like

installation of 3rd Cowper Stove at Chanderiya Zinc Smelter of M/s. Hindustan Zinc Ltd and installation of 0.3 Mtpa Romelt Plant of M/s. National Mineral Development Corporation.

During the year, the company obtained orders in India and abroad for providing technical assistance for setting up a 7 m tall Coke Oven Battery to M/s Ghaem Al Reza, Iran; design, engineering and other services for a BF gas based power plant to Kalyani Steel, Pune; technical assistance for stabilisation of VAD/VOD at BHEL, Haridwar; technical training in Georgia to Petroleum India International, Mumbai; study for shifting of EAF-CCP facilities to a new location to EGITALEC, Egypt; design & engineering services for upgradation of Coal Handling Plant to NTPC SAIL Power Company Pvt.Limited (NSPCL), Durgapur.

## RESEARCH & DEVELOPMENT

Research & Development Centre for Iron & Steel (RDCIS), of the company, completed 93 R&D projects during the year. These projects provided technological inputs to the company's plants/units with thrust on cost reduction, value addition, quality improvement and development of new products. The Centre has filed 24 patents and 20 copyright proposals during 2002-03, which included 4 patents from the plants.

During the year, 8 prestigious national awards were bagged by RDCIS collective and 201 technical papers were published/presented.

## HUMAN RESOURCES MANAGEMENT REVIEW

SAIL has always believed that human resource is one of the most important resources and continues to work for its development. Ongoing restructuring process of the organisation also focuses greatly on proper utilisation of human resource and its rightsizing to make the company healthy.

Providing opportunity for open interaction, communication and feedback have been highlights of HRD intervention during the year. Communication exercises have been accepted as a continuous process to keep the employees informed of the challenges being faced by the company and also motivate them to take up higher responsibilities, in tune with the requirements of the company.

The manpower strength as on 31st March, 2003 was 1,37,496 (comprising 15,078 executives and 1,22,418 non-executives) a reduction of 10,105 employees compared to the number at the beginning of the year. The manpower productivity at 123 tonnes of crude steel per man per year registered an increase of 9.75 percent over the previous year. With a view to optimising the manpower and reducing the labour cost, Voluntary Retirement Schemes were launched whereby 5814 employees separated.

Need based training was provided to employees to equip them to meet the challenges of the competitive environment. Over 69,000 employees were trained during the year.

The Company continued its efforts in the implementation of Official Language Policy of the Government of India. Emphasis was laid on creating an environment in which employees adopt Hindi in their office work. Official Language shield and cup was awarded to your company for excellent performance in this area. Department of Official Language, Ministry of Home Affairs has also awarded Corporate Office, RMD, DSP, BSL, RSP, RDCIS and Branch Sales Office (BSO), Patna separately for their performance.

Presidential Directives on Scheduled Castes and Scheduled Tribes continued to be implemented and monitored on regular basis. Out of the total manpower, 14.6 per cent were Scheduled Castes and 11.5 per cent were Scheduled Tribes.



One of our colleagues, Ms. Teejan Bai, of BSP was conferred the Padma Bhushan award during the year. Also, six of our employees were decorated with Shram awards for the year 2001.

Your Company continued its efforts to promote the various disciplines of sports in tune with its passion for the all round personality development of an individual. Around 50 medal winning SAIL wards were awarded sports scholarships for furtherance in sporting events. With its philosophy of "Catching them Young", the Company is running three major Sports Academies - one each at Bhilai, Rourkela and Bokaro where players of different disciplines are developed and imparted training. The Company participated in prestigious sports events like IFA League, Subroto Cup, Beighton Cup, All India Public Sector Tournaments, etc. during the year under review.

Consistent efforts were made by SAIL Safety Organisation for improving safety standards in the Company specific by taking measures like intensive safety drives in works area, introduction of Risk Control Grading System in Bhilai, Durgapur and Rourkela Steel Plants, conducting safety audit, workshop & training etc. During the calendar year 2002, there was 33.1% reduction in injuries on Works compared to year 2001. A number of safety training programmes, workshops and seminars covering heads of shops, line managers, safety personnel and trade unions leaders were organised. Safety audits were conducted in hazardous departments of different plants and mines. Activities of Joint Committee on Safety, Health & Environment were intensified with a view to promote safety consciousness among wider cross section and inculcate safety culture.

## ENVIRONMENT MANAGEMENT

Improvement in environmental performance over last year is also evident through reduction in Particulate Matter Emission (18%), reduction in Specific Water Consumption (12%), reduction in Specific Effluent Discharge (7.4%) and increased recycle/reuse or commercial disposal of process solid wastes (over 70% utilisation).

Another important milestone is the partnership of SAIL with the Ministry of Environment & Forests. SAIL is one of the signatories to National Charter on Corporate Responsibilities floated by Ministry of Environment and Forest whereby SAIL and the other Indian steel players are to implement a time bound voluntary action plan for Pollution Control in the Steel Industry.

During the year, various environmental awareness programmes, afforestation drives, and observance of World Environment Day, Earth Day, International Ozone Layer Protection Day, Environment Month, Mines Environment & Mineral Conservation Week etc. have been organised in SAIL to mark the consciousness towards a better and cleaner environment. In addition, several training programmes have been organised to sensitise the SAIL collective on environmental issues.

## VIGILANCE ACTIVITIES

During the year, the focus was on reducing the pending cases, streamlining the system and providing flexibility to Plant/Units to perform better, ensuring transparency in every sphere and activities. The effort was in building the confidence across the Company which is the need of the hour for faster decision making.

Special drive was taken for timely clearing of all the pending investigations and departmental enquiries to reduce hardship to the employees.

Emphasis was given for computerisation of vigilance activities which included completion of computerisation of Immovable Property Returns and development of data base for MIS.

Interactions were organised between the Vigilance Executives and the Line Managers on regular basis to demystify the role of vigilance and to lay importance on the need for following policies and guidelines laid down by the Company. Vigilance Awareness Week was observed in all the Plants and Units.

## SUBSIDIARIES

### The Indian Iron & Steel Company Limited (IISCO)

The Company recorded a turnover of Rs. 924.21 crore. The net loss for the year after charging depreciation of Rs. 23.22 crore and interest of Rs. 10.33 crore was Rs. 182.23 crore compared to net loss of Rs. 179.87 crore during 2001-02.

The company produced 327 thousand tonnes of crude steel, 264 thousand tonnes of saleable steel and 280 thousand tonnes of pig iron during the year.

IISCO was declared a sick industrial company by the Board for Industrial & Financial Reconstruction (BIFR) on 17th August, 1994. The Government of India (GOI) in June, 2002 had approved a revival plan of IISCO, which is under implementation. Based on the Government's approval, rehabilitation proposal submitted in April, 2003 by IDBI, (the operating agency) to BIFR is under their consideration. Some of the reliefs envisaged in the proposal have already been availed by IISCO.

Government of India has already provided Rs. 186 crore as grant-in-aid for implementation of Voluntary Retirement in Kulti Works of IISCO. Most of the employees have applied for VR and the operation of Kulti Works has been stopped with effect from 1.4.2003.

Preparatory jobs with regard to technical specification of major packages envisaged under capital investment are under preparation.

IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary of IISCO, was decided to be wound up by BIFR in June '96. The Official Liquidator has initiated the liquidation process.

### Maharashtra Elektros melt Limited (MEL)

MEL achieved a turnover of Rs. 189.66 crore during the year as against Rs. 155.64 crore during the previous year. MEL has reported a net profit of Rs. 1.12 crore as compared to the loss of Rs. 8.38 crore during the previous year. The major constraint for MEL is high power cost.

### Bhilai Oxygen Limited (BOL)

As a part of the business restructuring plan, a separate subsidiary company was incorporated under the name of Bhilai Oxygen Limited (BOL) on 9th February, 1999. The Company was to take over Oxygen Plant-II of Bhilai Steel Plant under business restructuring of SAIL. However, due to non-receipt of suitable offer despite repeated attempts, divestment process of Oxygen Plant-II of BSP has been closed.

### Audited Accounts of Subsidiaries

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektros melt Limited and Bhilai Oxygen Limited for the year ending 31st March, 2003 are enclosed.



# Directors' Report

## Auditors Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2003 alongwith Management's replies are enclosed at Annexure-I. The comments and the review on accounts for the year ended 31st March, 2003 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 alongwith Management's replies are placed at Annexure-II.

## Report on Conservation of Energy, Technology Absorption, etc.

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure-III to this report.

## Particulars of Employees

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the directors had 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 and of the profit or loss of the company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

## Corporate Governance

In terms of listing agreement with the Stock Exchanges, a compliance report on Corporate Governance is given at Annexure-IV. The Management Discussion & Analysis Report

is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI.

## Consolidated Financial Statements

In terms of listing agreement with the Stock Exchanges, the duly audited consolidated financial statements are placed at Annexure-VII.

## Directors

Shri Arvind Pande ceased to be Director and Chairman of the Company on attaining the age of superannuation w.e.f. 30.09.2002 (A.N.)

Shri V.S. Jain took over as Chairman of the Company w.e.f. 30.9.2002 (A.N.).

Shri R.C. Jha ceased to be Director on attaining the age of superannuation w.e.f. 31.10.2002 (A.N.)

Shri A.K. Singh, Director (Commercial) ceased to be Director w.e.f. 1.4.2003.

Shri V.K. Agarwal has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Shri P.K. Sengupta has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Dr. Amit Mitra has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Shri A.H. Jung has been appointed as part-time non-official Director w.e.f. 25.3.2003.


Shri Ashis Das has been appointed as Director (Personnel) w.e.f. 18.06.2003.

## Acknowledgment

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SAIL family. The Directors are thankful to the State Governments, Electricity Boards, Railways, Banks, Suppliers, Customers and Shareholders for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi  
Dated: 26th August, 2003

  
**(V.S. JAIN)**  
Chairman



## Financial Highlights

	2002-03	2001-02	2000-01	99-2000	98-99	97-98	96-97	95-96	94-95	93-94
	<i>(Rupees in crores)</i>									
<b>Sales</b>	<b>19207</b>	15502	16233	16250	14994	14624	14131	14710	13867	11671
Other Income	<b>788</b>	1274	784	989	651	728	828	699	650	583
Expenditure (Net of Stock Accretion/Depletion)	<b>15460</b>	15765	14850	12112	14142	12854	12501	12697	12120	10434
Operating Profit (PBDIT)	<b>2165</b>	1011	2167	1202	1503	2498	2458	2712	2397	1820
Depreciation	<b>1147</b>	1156	1144	1133	1104	795	691	585	524	510
Interest & Finance Charges	<b>1334</b>	1562	1752	1789	2017	1554	1179	808	710	765
<b>Profit before Tax</b>	<b>-316</b>	<b>-1707</b>	<b>-729</b>	<b>-1720</b>	<b>-1618</b>	<b>149</b>	<b>588</b>	<b>1319</b>	<b>1163</b>	<b>545</b>
Provision for Tax/Income Tax Refund	<b>-12</b>	0	0	0	-44	16	73	—	55	—
Profit after Tax	<b>-304</b>	-1707	-729	-1720	-1574	133	515	1319	1108	545
Equity Capital	<b>4130</b>	4130	4130	4130	4130	4130	4130	4130	3986	3986
Reserves & Surplus (Net of DRE)	<b>-2141</b>	-1878	34	635	2756	4359	3868	3807	2570	1677
<b>Net Worth</b>	<b>1989</b>	<b>2252</b>	<b>4165</b>	<b>4765</b>	<b>6886</b>	<b>8489</b>	<b>7998</b>	<b>7937</b>	<b>6556</b>	<b>5663</b>
<b>Total Loans</b>	<b>12970</b>	<b>14019</b>	<b>14251</b>	<b>15082</b>	<b>21017</b>	<b>20015</b>	<b>17421</b>	<b>14574</b>	<b>12214</b>	<b>11331</b>
Net Fixed Assets	<b>14036</b>	14798	15177	15873	18307	14137	12624	8771	7557	7011

## Production Statistics

Item	2002-03	2001-02	2000-01	99-2000	98-99	97-98	96-97	95-96	94-95	93-94
	<i>(Thousand tonnes)</i>									
<b>Main Integrated Steel Plants</b>										
Hot Metal	<b>12080</b>	11327	11202	10939	11180	11615	11393	10901	10868	10172
Crude Steel	<b>11087</b>	10467	10306	9788	9858	10260	10319	9986	9821	9506
Pig Iron	<b>288</b>	353	358	574	731	772	673	574	750	584
<b>Saleable Steel</b>										
Semi Finished Steel	<b>2057</b>	2149	2141	2592	2293	3110	2104	1784	1680	1434
Finished Steel	<b>8029</b>	7315	7269	6637	6034	5602	6798	7136	6951	6877
Saleable Steel (4-Plants)	<b>10086</b>	9464	9410	9229	8327	8712	8902	8920	8631	8311
<b>Alloy &amp; Special Steel Plants (ASP, SSP &amp; VISL)</b>	<b>266</b>	234	293	301	275	331	333	239	210	206
<b>Total Saleable Steel*</b>	<b>10352</b>	9697	9703	9530	8602	9043	9235	9159	8841	8517

\* Includes VISL, merged with SAIL from 1998-99 onwards

## Shareholding Pattern

(Taking Account of the Beneficiary Position of Dematerialised Shares)

(As on 31.03.2003)

CATEGORY	NUMBER OF EQUITY SHARES HELD	NUMBER OF HOLDERS	AMOUNT (RS. IN CRORES)	% OF EQUITY
Government of India	3544690285	1	3544.690	85.820
Financial Institutions	312632703	13	312.633	7.569
Banks	5951600	22	5.952	0.144
Mutual Funds	41649277	29	41.649	1.008
Foreign Institutional Investors (FIIs)	41492414	45	41.492	1.004
Global Depository Receipts (GDRs)	3512800	2	3.513	0.085
Companies (including Trusts & Clearing Members)	28650015	3359	28.650	0.694
Individuals (including Employees & NRIs)	151821451	207155	151.821	3.676
<b>TOTAL</b>	<b>4130400545</b>	<b>210626</b>	<b>4130.400</b>	<b>100.000</b>

# Balance Sheet AS AT 31ST MARCH, 2003

	Schedule No.	As at 31st March, 2003		As at 31st March, 2002	
<i>(Rupees in crores)</i>					
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	1.1	4130.40		4130.40	
Reserves and Surplus	1.2	<u>1159.77</u>	<b>5290.17</b>	<u>1159.97</u>	5290.37
<b>Loan Funds</b>					
Secured Loans	1.3	5533.84		7051.38	
Unsecured Loans	1.4	<u>7435.81</u>	<b>12969.65</b>	<u>6967.98</u>	14019.36
			<u>18259.82</u>		<u>19309.73</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	1.5	27534.61		27198.88	
Less: Depreciation		<u>13498.75</u>		<u>12400.73</u>	
Net Block		14035.86		14798.15	
Capital Work-in-Progress	1.6	<u>378.62</u>	<b>14414.48</b>	<u>555.94</u>	15354.09
<b>Investments</b>					
	1.7		<b>543.17</b>		538.62
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	1.8	3744.37		4041.83	
Sundry Debtors	1.9	1660.09		1389.41	
Cash & Bank Balances	1.10	535.16		416.37	
Interest Receivable/Accrued	1.11	90.59		93.52	
Loans & Advances					
Subsidiary Companies	1.12	8.30		23.37	
Others	1.13	<u>1274.44</u>		<u>1165.42</u>	
		<u>7312.95</u>		<u>7129.92</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	1.14	4475.32		4654.88	
Provisions	1.15	<u>2836.70</u>		<u>2096.29</u>	
		<u>7312.02</u>		<u>6751.17</u>	
<b>Net Current Assets</b>			<b>0.93</b>		378.75
<b>Miscellaneous Expenditure</b>	1.16		<b>536.31</b>		577.65
(to the extent not written off or adjusted)					
<b>Profit &amp; Loss Account Debit Balance</b>			<u>2764.93</u>		<u>2460.62</u>
			<u>18259.82</u>		<u>19309.73</u>
Accounting Policies and Notes on Accounts	3				
Schedules 1 and 3 annexed, hereto form part of the Balance Sheet.					

For and on behalf of Board of Directors

Sd/-  
(Devinder Kumar)  
Secretary

Sd/-  
(S.C.K. Patne)  
Director

Sd/-  
(V.S Jain)  
Chairman

In terms of our report of even date

For S.N. Nanda & Co.  
Chartered Accountants

For Chaturvedi & Co.  
Chartered Accountants

For P.A. & Associates  
Chartered Accountants

Sd/-  
(S.N. Nanda)  
Partner

Sd/-  
(S.C. Chaturvedi)  
Partner

Sd/-  
(P.S. Panda)  
Partner

Place : New Delhi  
Dated : May 28, 2003

# Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2003



	Schedule No.	Year ended 31st March, 2003	Year ended 31st March, 2002
<i>(Rupees in crores)</i>			
<b>INCOME</b>			
Sales	2.1	19207.10	15502.00
Less : Excise duty		<u>2370.56</u>	<u>1982.62</u>
Finished products internally consumed		213.87	181.68
Interest earned	2.2	88.96	105.30
Other revenues	2.3	451.72	919.93
Provisions no longer required written back	2.4	<u>47.82</u>	<u>76.81</u>
		<b>17638.91</b>	<b>14803.10</b>
<b>EXPENDITURE</b>			
Depletion to stocks	2.5	433.00	422.38
Raw materials consumed	2.6	6225.96	5645.48
Purchase of semi/finished products and others		8.07	18.09
Employees' Remuneration & Benefits	2.7	3722.80	3249.33
Stores & Spares consumed		1733.73	1586.01
Power & Fuel	2.8	2036.56	1709.59
Repairs & Maintenance	2.9	188.01	162.07
Freight outward		511.81	552.85
Other expenses	2.10	1456.28	1234.30
Interest & finance charges	2.11	1334.02	1562.03
Depreciation		<u>1146.66</u>	<u>1155.89</u>
Total		<b>18796.90</b>	<b>17298.02</b>
Less : Transferred to Inter Account Adjustments	2.12	<u>856.21</u>	<u>798.55</u>
Loss for the year		<b>-301.78</b>	<b>-1696.37</b>
Adjustments pertaining to earlier years	2.13	<u>-14.09</u>	<u>-10.52</u>
Loss before Tax		<b>-315.87</b>	<b>-1706.89</b>
Add : Refund of Income Tax		<u>11.56</u>	<u>—</u>
Loss after Tax		<b>-304.31</b>	<b>-1706.89</b>
Debit Balance brought forward from previous year		<b>-2460.62</b>	<b>-753.73</b>
Loss carried over to Balance Sheet		<b>-2764.93</b>	<b>-2460.62</b>

Accounting Policies and Notes on Accounts 3  
Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account.

*For and on behalf of Board of Directors*

Sd/-  
**(Devinder Kumar)**  
Secretary

Sd/-  
**(S.C.K. Patne)**  
Director

Sd/-  
**(V.S Jain)**  
Chairman

*In terms of our report of even date*

**For S.N. Nanda & Co.**  
Chartered Accountants

**For Chaturvedi & Co.**  
Chartered Accountants

**For P.A. & Associates**  
Chartered Accountants

Sd/-  
**(S.N. Nanda)**  
Partner

Sd/-  
**(S.C. Chaturvedi)**  
Partner

Sd/-  
**(P.S. Panda)**  
Partner

Place : New Delhi  
Dated : May 28, 2003

# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.1 : SHARE CAPITAL

	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
<b>Authorised</b>		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>
<p><i>Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.</i></p>		

## 1.2 : RESERVES AND SURPLUS

	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
<b>Capital Reserve</b>		
As per last Balance Sheet	1.44	1.58
Less: Adjustment during the year	<u>—</u>	<u>0.14</u>
	1.44	1.44
<b>Prime Minister's Trophy Award Fund</b>		
As per last Balance Sheet	7.48	6.89
Add : Additions during the year	<u>0.73</u>	<u>0.71</u>
	8.21	7.60
Less : Adjustments towards expenses incurred during the year	<u>0.11</u>	<u>0.12</u>
	8.10	7.48
<b>Share Premium Account</b>		
As per Last Balance Sheet	236.15	236.84
Less : Adjustment towards Bond Issue Expenses	<u>0.82</u>	<u>0.69</u>
	235.33	236.15
<b>Bond Redemption Reserve</b>	<u>914.90</u>	<u>914.90</u>
	<u>1159.77</u>	<u>1159.97</u>



### 1.3 : SECURED LOANS

		As at 31st March, 2003	As at 31st March, 2002
(Rupees in crores)			
Working Capital Borrowings from Banks (Including Foreign currency Non-Resident (Bank) Loan of Rs. 1175.78 crores (Previous Year Rs. 661.74 crores)		2716.87	4026.65
Rupee Term Loan from Banks		516.25	718.33
Foreign Loans		357.97	366.45
<b>Non Convertible Bonds</b>			
Interest Rate (%)	Face value of Bond (Rs.)	Date of Redemption	
13.5%	100,000/-	1st Dec.2002	270.00
13.75%	500,000/-	1st July 2003	175.55
14.5%	100,000/-	21st May 2004	497.00
14.0%	500,000/-	1st July 2005	394.45
14.5%	500,000/-	1st April 2006	226.90
12.95%	500,000/-	1st December 2007	100.05
11.30%	500,000/-	1st June 2008	7.25
11.60%	500,000/-	1st June 2008	33.95
11.10%	500,000/-	1st December 2008	6.50
11.50%	500,000/-	1st December 2008	0.30
11.10%	500,000/-	20th July 2009	0.50
11.50%	500,000/-	20th July 2009	48.65
9.75%	500,000/-	1st February 2010	0.10
10.25%	500,000/-	1st February 2010	88.35
13.05%	500,000/-	1st December 2010	59.80
12.10%	500,000/-	1st June 2011	91.30
12%	500,000/-	1st December 2011	76.90
12%	500,000/-	20th July 2012	109.90
10.75%	500,000/-	1st February 2013	75.30
		1942.75	1939.95
		5533.84	7051.38

- (a) Secured by hypothecation of Company's inventories, book debts and other current assets.  
 (b) Secured by hypothecation of Sinter Plant III of Bhilai Steel Plant Rs. 161.25 crores. Selective units of Rourkela Steel Plant Rs 125 crores and all tangible machinery pertaining to modernisation stage - 1 at Bokaro Steel Plant of Rs. 230 crores.  
 (c) Secured by hypothecation of all tangible movable machinery pertaining to modernisation stage - I at Bokaro Steel Plant Rs. 357.97 crores.  
 (d) Secured by charges ranking pari-passu inter-se, on all the present and future immovable assets except for Bonds of face value of Rs. 1,00,000 each which are secured on movable and immovable property also at Mouje Wadej of City Taluka, District Ahmedabad, Gujarat and company's Plant & Machinery including the land on which it stands, pertaining to Durgapur Steel Plant.

### 1.4 : UNSECURED LOANS

		As at 31st March, 2003	As at 31st March, 2002
(Rupees in crores)			
<b>Public Deposits</b>		1036.39	1272.46
Interest accrued and due thereon		4.35	2.60
<b>Government of India</b>		0.27	0.27
Interest accrued and due thereon		0.42	0.35
<b>Steel Development Fund</b>		204.16	204.16
Interest accrued and due thereon		539.85	454.41
<b>Foreign Loans</b>			
Long Term (Guaranteed by Govt. of India/State Bank of India Rs.864.79 crores (Previous Year Rs. 913.22 crores)		1475.03	1548.37
Short Term Loans from Banks		444.16	551.76
Term Loans From Banks/Financial Institutions		500.00	150.00
<b>Non Convertible Bonds (a)</b>			
Interest Rate (%)	Face value of Bond (Rs.)	Date of Redemption	
10%	500,000/-	18 th September, 2003	100.00
10%	500,000/-	24th September, 2003	400.00
12%	500,000/-	1st February, 2007	100.00
12.15%	500,000/-	1st February, 2007	400.00
11.10%	500,000/-	30th March, 2007	60.00
11.25%	500,000/-	30th March, 2007	99.00
11.25%	500,000/-	15th April, 2007	400.00
11.10%	500,000/-	15th April, 2007	50.00
10.25%	500,000/-	3rd June, 2007	500.00
12.15%	500,000/-	1st September, 2007	152.35
11.30%	500,000/-	12th March, 2008	105.00
11.60%	500,000/-	12th March, 2008	15.00
10.10%	500,000/-	1st August, 2008	35.00
10.50%	500,000/-	1st August, 2008	35.00
11.50%	500,000/-	30th March, 2010	43.50
11.50%	500,000/-	15th April, 2010	21.00
12.45%	500,000/-	1st September, 2010	38.15
12.55%	500,000/-	1st September, 2010	39.40
12.65%	500,000/-	1st September, 2010	96.60
12.10%	500,000/-	12th March, 2011	195.00
11%	500,000/-	1st August, 2011	115.00
		3000.00	2500.00
<b>Others</b>			
Inter Corporate Loans - Short term		6.18	—
Bond Application Money		0.00	83.60
Housing Finance Loans		225.00	200.00
		231.18	283.60
		7435.81	6967.98

- (a) Guaranteed by Government of India and also secured by charges ranking pari-passu interse on immovable property (Book value as on 31.03.2003 Rs. 0.57 crore) at Mouje-Wadej, Ahmedabad, Gujarat.  
 Note : Secured/Unsecured Loans repayable within one year as at 31.03.2003 Rs. 2743.44 crore (Previous year : Rs. 2522.80 crore).

# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.5 : FIXED ASSETS

Description	GROSS BLOCK (AT COST)			
	As at 31st March 2002	Additions/ Adjustments during the year	Less : Sales during the Year	As at 31st March 2003
<b>A. PLANTS, MINES, OTHERS</b> <span style="float: right;">(Rupees in crores)</span>				
Land (including cost of development)				
— Freehold Land	54.61	1.04	—	55.65
— Leasehold Land	30.00	-2.16	—	27.84
Right and Patents	9.12	6.74	—	15.86
Railway Lines & Sidings	219.56	0.58	1.41	218.73
Roads, Bridges & Culverts	145.02	0.94	0.15	145.81
Buildings	1617.79	28.62	1.19	1645.22
Plant & Machinery				
— Steel Plant	21686.89	339.31	46.76	21979.44
— Others	1400.98	27.34	4.40	1423.92
Furniture & Fittings	69.63	1.52	0.43	70.72
Vehicles	407.93	0.68	5.61	403.00
Water Supply & Sewerage	283.54	-0.23	-2.02	285.33
EDP Equipment's	199.00	7.76	1.66	205.10
Miscellaneous Articles	216.37	2.93	1.89	217.41
Sub-total 'A'	26340.44	415.07	61.48	26694.03
Figures for the Previous Year	26031.37	1013.37	704.30	26340.44
<b>B. SOCIAL FACILITIES</b>				
Land (including cost of development)				
— Freehold Land	8.67	1.26	0.11	9.82
— Leasehold Land	7.22	—	0.08	7.14
Roads, Bridges & Culverts	43.14	—	—	43.14
Buildings	533.52	0.70	19.30	514.92
Plant & Machinery-Others	70.40	0.02	0.05	70.37
Furniture & Fittings	11.40	0.03	0.05	11.38
Vehicles	6.75	—	0.41	6.34
Water Supply & Sewerage	92.10	0.42	—	92.52
EDP Equipments	2.01	0.15	0.01	2.15
Miscellaneous Articles	83.23	0.41	0.84	82.80
Sub-total 'B'	858.44	2.99	20.85	840.58
Figures for the Previous Year	884.22	2.91	28.69	858.44
Total ('A'+ 'B')	27198.88	418.06	82.33	27534.61
Figures for the Previous Year	26915.59	1016.28	732.99	27198.88



## 1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March 2002	For the Year	Less : On sales during the Year	Up to 31st March 2003	As at 31st March 2003	As at 31st March 2002
<b>A. PLANTS, MINES, OTHERS</b>						
<i>(Rupees in crores)</i>						
Land (including cost of development)						
— Freehold Land	—	—	—	—	<b>55.65</b>	54.61
— Leasehold Land	7.86	0.44	—	8.30	<b>19.54</b>	22.14
Right and Patents	6.97	1.52	—	8.49	<b>7.37</b>	2.15
Railway Lines & Sidings	120.76	8.35	-0.86	129.97	<b>88.76</b>	98.80
Roads, Bridges & Culverts	29.99	2.50	-0.13	32.62	<b>113.19</b>	115.03
Buildings	611.48	49.10	2.23	658.35	<b>986.87</b>	1006.31
Plant & Machinery						
— Steel Plant	9680.17	952.83	39.58	10593.42	<b>11386.02</b>	12006.72
— Others	853.32	63.48	3.22	913.58	<b>510.34</b>	547.66
Furniture & Fittings	46.27	3.55	0.57	49.25	<b>21.47</b>	23.36
Vehicles	279.36	14.45	2.84	290.97	<b>112.03</b>	128.57
Water Supply & Sewerage	174.41	9.08	-1.98	185.47	<b>99.86</b>	109.13
EDP Equipments	159.76	12.61	2.04	170.33	<b>34.77</b>	39.24
Miscellaneous Articles	115.56	9.15	0.71	124.00	<b>93.41</b>	100.81
Sub-total 'A'	12085.91	1127.06	48.22	13164.75	<b>13529.28</b>	14254.53
Figures for the Previous Year	11435.70	1143.92	493.71	12085.91	<b>14254.53</b>	
<b>B. SOCIAL FACILITIES</b>						
Land (including cost of development)						
— Freehold Land	—	—	—	—	<b>9.82</b>	8.67
— Leasehold Land	4.19	0.11	0.04	4.26	<b>2.88</b>	3.03
Roads, Bridges & Culverts	12.52	0.76	-0.60	13.88	<b>29.26</b>	30.62
Buildings	129.24	8.12	3.32	134.04	<b>380.88</b>	404.28
Plant & Machinery-Others	46.65	2.60	-1.25	50.50	<b>19.87</b>	23.75
Furniture & Fittings	10.17	0.19	0.04	10.32	<b>1.06</b>	1.23
Vehicles	5.33	0.18	0.43	5.08	<b>1.26</b>	1.42
Water Supply & Sewerage	58.55	3.41	-1.91	63.87	<b>28.65</b>	33.55
EDP Equipments	1.76	0.07	—	1.83	<b>0.32</b>	0.25
Miscellaneous Articles	46.41	4.35	0.54	50.22	<b>32.58</b>	36.82
Sub-total 'B'	314.82	19.79	0.61	334.00	<b>506.58</b>	543.62
Figures for the Previous Year	302.49	20.59	8.26	314.82	<b>543.62</b>	
Total ('A'+ 'B')	12400.73	1146.85	48.83	13498.75	<b>14035.86</b>	14798.15
Figures for the Previous Year	11738.19	1164.51	501.97	12400.73	<b>14798.15</b>	
<b>Note : Allocation of depreciation</b>					<b>Current Year</b>	Previous Year
(a) Charged to Profit & Loss Account					<b>1146.66</b>	1155.89
(b) Charged to expenditure during construction					<b>0.35</b>	0.39
(c) Debited to adjustments pertaining to earlier years					<b>-0.16</b>	8.23
Total					<b>1146.85</b>	1164.51



# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.6 : CAPITAL WORK-IN-PROGRESS

	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rupees in crores)</i>
Expenditure during construction pending allocation (Schedule 1.6.1)	<b>38.51</b>	40.43
<b>Capital Work-in-progress</b>		
Steel Plants & Units	<b>86.07</b>	278.79
Township	<b>2.25</b>	4.68
Ore Mines and Quarries	<b>0.85</b>	0.55
	<b>89.17</b>	284.02
Capital equipments pending erection, installation, commissioning and adjustments	<b>56.58</b>	56.36
Construction Stores and Spares	<b>15.52</b>	22.62
Less: Provisions	<b>3.80</b>	2.51
	<b>11.72</b>	20.11
Advances	<b>184.40</b>	156.70
Less: Provisions	<b>1.76</b>	1.68
	<b>182.64</b>	155.02
	<b>378.62</b>	555.94
<b>Particulars of advances</b>		
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs. 15.31 crores) (Previous year Rs. 13.85 crores)	<b>182.64</b>	155.02
Unsecured, Considered Doubtful	<b>1.76</b>	1.68
	<b>184.40</b>	156.70



### 1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

		As at 31st March, 2003		As at 31st March, 2002
				(Rupees in crores)
Opening Balance	(a)	40.43		39.76
<b>Expenditure incurred during the year</b>				
<b>Employees' Remuneration &amp; Benefits</b>				
Salaries, Wages & Bonus		7.73	16.37	
Company's contribution to Provident and other Funds		0.83	1.12	
Travel Concession		—	0.01	
Welfare Expenses		0.02	0.02	
Gratuity		0.02	0.39	17.91
Repairs & Maintenance		0.12		0.47
Stores and Spares		0.62		3.05
Power & Fuel		2.34		5.82
Rent		—		3.21
Rates & Taxes		—		0.01
Other expenses		2.37		2.30
Interest & Finance charges		11.38		39.81
Depreciation		0.35		0.39
		25.78		72.97
<b>Less: Income</b>				
Interest Earned		0.01	1.14	
Liquidated Damages		0.96	0.91	
Hire Charges		1.76	1.45	
Internal consumption of sinter		—	15.55	
Sundries		1.74	0.77	19.82
Net expenditure during the year	(b)	21.31		53.15
	Total (a)+(b)	61.74		92.91
Amount allocated to Fixed Assets/ Capital Work-in-progress		23.23		52.48
Balance carried forward		38.51		40.43
	Total	61.74		92.91

# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.7: INVESTMENTS AT COST — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2003		As at 31st March, 2002
<i>(Rupees in crores)</i>					
<b>Quoted</b>					
Housing Development Finance Corporation Limited (Market Value Rs. 39,76,200; Previous year Rs. 41,07,600)	12,000 (6,000)	10	0.01	0.01	
HDFC Bank Limited (Market Value Rs 1,17,275; Previous year Rs. 1,17,575)	500	10	—*	0.01	—*
<b>Unquoted</b>					
<b>Trade Investments</b>					
Tata Refractories Limited	10,00,000	10	1.12	1.12	
Almora Magnesite Limited	40,000	100	0.40	0.40	
North Bengal Dolomite Limited	97,900	100	0.98	0.98	
Indian Potash Limited	2,40,000	10	0.18	0.18	
NTPC- SAIL Power Company Pvt Limited	5,86,50,050	10	58.65	58.65	
Bokaro Power Supply Company Pvt Limited	8,40,25,000	10	84.02	84.02	
Bhilai Electric Supply Company Pvt Limited	1,66,00,000	10	16.60	16.60	
SAIL- Bansal Service Centre Limited	32,00,000 (27,23,200)	10	3.20	2.72	
Metaljunction.com Pvt Limited	40,00,000 (4,000)	10	4.00	169.15	—
<b>Other Investments - Subsidiary Companies</b>					
Indian Iron & Steel Company Limited	38,76,65,757	10	374.94	374.94	
Maharashtra Elektros melt Limited	2,37,87,935	10	23.79	23.79	
Bhilai Oxygen Limited	49,998 (98)	10	0.05	398.78	—*
<b>Other Companies</b>					
Management & Technology Application (India) Limited \$	(16,334)	10	—	0.02	
UEC SAIL Information Technology Limited	1,80,000	10	0.18	0.18	
Cement & Allied Products (Bihar) Limited \$	2	10	—	—*	
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	—*	—*	
Bhilai Power Supply Company Limited	5	10	—*	—*	
Romelt SAIL (India) Limited	63,000	10	0.06	0.06	
MSTC Limited	20,000	10	0.01	0.01	
Shares in Co-operative Societies (1.7.1)			0.14	0.39	0.14
				568.33	563.82
Less : Provision for diminution in value of investments			25.16		25.20
				543.17	538.62

\* Cost being less than Rs. 50,000/-, figures not given.

\$ Company under winding-up .



### 1.7.1: SHARES IN CO-OPERATIVE SOCIETIES

	Numer of Fully Paid-up Shares	Face value per Share (Rs.)	As at 31st March, 2003	As at 31st March, 2002
				<i>(In Rupees)</i>
Rajhara Employees' Co-operative Stores Limited	25	100	2500	2500
Nandini Employees' Co-operative Stores Limited	25	100	2500	2500
BSP Employees' Consumers' Co-operative Stores (Sector 4) Limited	25	100	2500	2500
Bhilai Steel Employees' Consumers' Co-operative Society Limited (Sector-8)	250	10	2500	2500
Bokaro Steel Employees' Co-operative Credit Society Limited	6,250   1,16,500	20   10	1290000	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	250	10	2500	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	2500	2500
NMDC Meghahatuburu Employees' Consumers Co-operative Society Limited	25	100	2500	2500
DSP Employees' Co-operative Society Limited	1377	100	137700	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	5000	5000
			<u>1450200</u>	<u>1450200</u>

# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.8 : INVENTORIES\*

	As at 31st March, 2003	As at 31st March, 2002
		<i>(Rupees in crores)</i>
Stores & spares	903.04	893.44
Add: In-transit	<u>73.42</u>	<u>76.20</u>
	976.46	969.64
Less: Provision	<u>95.86</u>	<u>77.89</u>
	<b>880.60</b>	891.75
Raw materials	542.16	492.13
Add: In-transit	<u>233.63</u>	<u>138.73</u>
	775.79	630.86
Less: Provision	<u>0.99</u>	<u>2.41</u>
	<b>774.80</b>	628.45
Semi/finished products (including scrap)	<b>2067.12</b>	2500.12
Salvaged/Scrapped fixed assets	<b>21.85</b>	21.51
	<u><b>3744.37</b></u>	<u>4041.83</u>

\* As certified by the Management and Valued as per Accounting Policy No. 1.6

## 1.9 : SUNDRY DEBTORS

	As at 31st March, 2003	As at 31st March, 2002
		<i>(Rupees in crores)</i>
Debts over six months	<b>382.90</b>	367.94
Other debts	<u>1462.01</u>	<u>1183.35</u>
	<b>1844.91</b>	1551.29
Less: Provision for doubtful debts	<u>184.82</u>	<u>161.88</u>
	<u><b>1660.09</b></u>	<u>1389.41</u>
<b>Particulars</b>		
Unsecured, considered good (Including debts backed by bank guarantees Rs. 466.77 crores; Previous year Rs. 353.80 crores)	<b>1660.09</b>	1389.41
Unsecured, considered doubtful	<b>184.82</b>	161.88
	<u><b>1844.91</b></u>	<u>1551.29</u>



## 1.10 : CASH & BANK BALANCES

	As at 31st March, 2003		As at 31st March, 2002
			<i>(Rupees in crores)</i>
Cash and Stamps on hand	1.93		1.49
Cheques on hand	215.56		261.68
With Scheduled Banks			
Current account	23.24	19.40	
Unpaid Dividend account	0.36	0.42	
Term deposits *	<u>293.59</u>	<u>132.83</u>	152.65
With Post Office	0.01		0.01
(Deposits pledged with excise authorities)			
Remittances-in-transit	0.47		0.54
	<u>535.16</u>		<u>416.37</u>

\* Includes Rs. 220 crores held in escrow account for Voluntary Retirement Payments (previous year Rs. 58 crores)

## 1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2003		As at 31st March, 2002
			<i>(Rupees in crores)</i>
Loans to subsidiary companies	1.52		0.67
Loans to other companies	0.00		0.53
Employees	76.66		82.60
Others	18.97		15.91
	<u>97.15</u>		<u>99.71</u>
Less: Provision for doubtful interest	6.56		6.19
	<u>90.59</u>		<u>93.52</u>
<b>Particulars</b>			
Unsecured, considered good	90.59		93.52
Unsecured, considered doubtful	6.56		6.19
	<u>97.15</u>		<u>99.71</u>

## 1.12 : LOANS AND ADVANCES TO SUBSIDIARY COMPANIES

	As at 31st March, 2003		As at 31st March, 2002
			<i>(Rupees in crores)</i>
Loans	23.81		9.33
Stores issued on loan	14.96		14.04
	<u>38.77</u>		<u>23.37</u>
Less : Provision for doubtful loans & advances	30.47		—
	<u>8.30</u>		<u>23.37</u>
<b>Particulars</b>			
Unsecured, considered good	8.30		23.37
Unsecured, considered doubtful	30.47		—

# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.13 : LOANS & ADVANCES — OTHERS

	As at 31st March, 2003		As at 31st March, 2002
<i>(Rupees in crores)</i>			
<b>Loans</b>			
Employees	166.75		204.76
Others	<u>86.03</u>	<b>252.78</b>	<u>115.87</u>
			320.63
<b>Advances recoverable in cash or in kind or for value to be received</b>			
Claims recoverable	366.94		305.23
Contractors & suppliers	71.42		75.07
Employees	1.92		1.42
Advance Income Tax and Tax deducted at source *	106.55		84.27
For purchase of shares	0.00		4.00
Export Incentive Receivable	152.96		58.74
Others	<u>217.98</u>	<b>917.77</b>	<u>212.59</u>
			741.32
<b>Deposits</b>			
Port Trust, Excise Department, Railways, etc.	70.04		85.06
Others	<u>123.61</u>	<b>193.65</b>	<u>111.06</u>
			196.12
Less : Provision for doubtful Loans & Advances		<b>1364.20</b>	1258.07
		<u>89.76</u>	<u>92.65</u>
		<b>1274.44</b>	1165.42
			<u>92.65</u>
			<u>1258.07</u>
			<u>1165.42</u>
* (Includes Rs. 105.24 crores against disputed demands; previous year Rs. 82.65 crores).			
<b>Particulars of Loans &amp; Advances - Others</b>			
Secured, considered good	161.72		201.04
Unsecured, considered good (Including loans & advances backed by bank guarantees Nil) (Previous year Rs. 0.77 crores)	1112.72		964.38
Unsecured, considered doubtful	89.76		92.65
	<u>1364.20</u>		<u>1258.07</u>
Amount due from			
— Directors	—		0.03
— Officers	—		—
Maximum amount due at any time during the year from			
— Directors	0.03		0.04
— Officers	—		0.02



## 1.14 : CURRENT LIABILITIES

	As at 31st March, 2003		As at 31st March, 2002	
			<i>(Rupees in crores)</i>	
Sundry creditors				
Capital works	194.99		253.95	
Small Scale Industrial Undertaking	7.93		3.40	
Others (Including Rs. 2.26 crores to subsidiary companies, Previous year Rs. 3.61 crores)	1474.37	1677.29	1593.92	1851.27
Advances from				
Customers	219.34		223.81	
Others	31.18	250.52	32.96	256.77
Security deposits	192.58		183.01	
Less : Investments received as security deposit	0.66	191.92	0.21	182.80
Interest accrued but not due on Loans		997.91		1082.10
Stores received on loan (Including Rs. 2.55 crores from subsidiary companies, Previous year Nil)		2.55		—
Dividend warrants - unencashed		0.37		0.42
Other liabilities		1354.76 *		1281.52
		<u>4475.32</u>		<u>4654.88</u>

\* Include Rs. 25,798 due towards Investor Education & Protection Fund.

## 1.15 : PROVISIONS FOR

	As at 31st March, 2003		As at 31st March, 2002	
			<i>(Rupees in crores)</i>	
Gratuity		1387.63		1090.06
Accrued Leave Liability		747.23		557.70
Post-Retirement Medical and Settlement Benefits		209.74		—
Employee Family Benefit Scheme		123.24		86.58
Voluntary Retirement Compensation		208.48		246.79
<b>Pollution Control &amp; Peripheral Development</b>				
Opening Balance	43.16		30.08	
Add : Provision during the year	17.81		14.48	
Less: Amount utilised during the year	2.24	58.73	1.40	43.16
<b>Exchange Fluctuation</b>				
Opening Balance	15.93		22.93	
Add : Provision during the year	13.65		11.10	
Less: Amount utilised during the year	29.58	—	18.10	15.93
Others		101.65		56.07
		<u>2836.70</u>		<u>2096.29</u>



# Schedules (FORMING PART OF THE BALANCE SHEET)

## 1.16 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

	Balance as at 31st March 2002	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March 2003
<i>(Rupees in crores)</i>					
(i) Development Expenditure					
(a) On Mines	31.45	17.19	48.64	16.86	<b>31.78</b>
(b) On New Projects	0.28	—	0.28	0.20	<b>0.08</b>
Total (i)	<u>31.73</u>	<u>17.19</u>	<u>48.92</u>	<u>17.06</u>	<u><b>31.86</b></u>
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	455.33	256.15	711.48	215.22	<b>496.26</b>
(b) Employee's Family Benefit Scheme	69.26	24.10	93.36	93.36	—
(c) Others	21.33	-3.69	17.64	9.45	<b>8.19</b>
Total (ii)	<u>545.92</u>	<u>276.56</u>	<u>822.48</u>	<u>318.03</u>	<u><b>504.45</b></u>
Total (i+ii)	<u>577.65</u>	<u>293.75</u>	<u>871.40</u>	<u>335.09</u>	<u><b>536.31</b></u>
Previous year	<u>371.99</u>	<u>438.20</u>	<u>810.19</u>	<u>232.54</u>	<u><b>577.65</b></u>
<b>Charged Off to:</b>				<b>Current Year</b>	<b>Previous Year</b>
Raw Materials				<b>15.55</b>	13.16
Other Expenses & Provisions				<b>319.54</b>	219.38
				<u><b>335.09</b></u>	<u>232.54</u>



## 2.1 : SALES

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Direct	<b>10772.12</b>	8716.43
From Stockyards	<b>7191.35</b>	6180.10
Exports	<b>1076.42</b>	530.97
Export Incentive	<b>158.95</b>	52.89
Others	<b>8.26</b>	21.61
	<b><u>19207.10</u></b>	<u>15502.00</u>

## 2.2 : INTEREST EARNED

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Loans & advances to subsidiary companies	<b>1.70</b>	0.51
Loans & advances to other companies	<b>2.00</b>	8.39
Customers	<b>34.66</b>	37.66
Employees	<b>12.09</b>	16.55
Term Deposits	<b>22.83</b>	35.28
Others	<b>15.68</b>	6.91
	<b><u>88.96</u></b>	<u>105.30</u>

## 2.3 : OTHER REVENUES

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Social amenities-recoveries	<b>107.25</b>	92.39
Sale of empties etc.	<b>37.66</b>	30.67
Liquidated damages	<b>13.85</b>	8.76
Service charges *	<b>43.91</b>	4.82
Subsidy	<b>5.37</b>	7.70
Hire charges etc.	<b>0.94</b>	0.79
Claims for finished products (Shortages & missing wagons)	<b>0.48</b>	4.19
Dividend (gross) from Other investments	<b>2.67</b>	5.74
Profit on sale of fixed assets (net)	<b>0.25</b>	0.25
Profit on sale of power plants	<b>—</b>	490.58
Profit on sale of houses	<b>143.94</b>	171.64
Sundries	<b>95.40</b>	102.40
* (Tax deducted at source Rs. 0.29 crores, previous year Rs. 0.10 crores)	<b><u>451.72</u></b>	<u>919.93</u>

# Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

## 2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Loans & advances	13.91	19.55
Sundry debtors	7.44	12.79
Stores & spares	11.24	5.87
Others	15.23	38.60
	<u>47.82</u>	<u>76.81</u>

## 2.5 : DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Opening stock	2500.12	2922.50
Less : Closing stock	2067.12	2500.12
	<u>433.00</u>	<u>422.38</u>

## 2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	19712992	891.35	18565736	833.47
Coal	11806885	3904.19	11439373	3464.14
Coke	100474	65.31	128215	70.38
Limestone	2979285	341.15	3165910	322.59
Dolomite	2415587	135.46	2305359	122.53
Naphtha	12724	17.23	18730	25.53
Ferro Manganese	56635	134.87	51842	118.42
Ferro Silicon	17991	58.90	16329	52.96
Silico Manganese	78175	177.20	71384	157.92
Hot Rolled Stainless Steel Coils	7954	31.01	15856	58.16
Intermediary Products	21912	126.12	13817	85.23
Zinc	10500	57.74	10977	68.85
Aluminium	12961	106.05	13544	111.13
Others		<u>179.38</u>		<u>154.17</u>
		<u>6225.96</u>		<u>5645.48</u>

- NOTES : 1. Consumption of raw materials includes shortages Rs. 12.06 crores, (previous year Rs. 4.44 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 2.10 crores (previous year Rs. 5.35 crores).  
2. Value of raw materials consumed is after adjustments relating to Inter Plant Transfers.



## 2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		(Rupees in crores)
Salaries, wages & annual bonus	2647.75	2568.65
Company's contribution to provident fund & other funds	236.79	240.81
Travel concession	0.18	7.69
Welfare expenses	304.27	104.51
Gratuity	534.48	328.33
	<u>3723.47</u>	<u>3249.99</u>
Less : Grants-in-Aid received from Govt. of Karnataka	0.67	0.66
	<u>3722.80</u>	<u>3249.33</u>
<b>Note :</b>		
<b>Expenditure on Employees' Remuneration and Benefits not included above and charged to:</b>		
a) Expenditure during Construction	8.60	17.91
b) Deferred Revenue Expenditure	308.58	188.22
c) Net expenditure on Social Amenities charged to various primary revenue heads	177.21	176.22
	<u>494.39</u>	<u>382.35</u>

## 2.8 : POWER & FUEL

	Year ended 31st March, 2003	Year ended 31st March, 2002
		(Rupees in crores)
Purchased power	1659.87	1388.11
Duty on own generation	12.44	25.08
Boiler Coal/Middling	101.82	211.08
Furnace Oil/LSHS/LDO	50.07	60.24
Others	212.36	25.08
	<u>2036.56</u>	<u>1709.59</u>
<b>Note :</b>		
<b>Expenditure on Power &amp; Fuel not included above &amp; charged off to:</b>		
— Expenditure during Construction	2.34	5.82

# Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

## 2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Buildings	25.11	23.03
Plant & Machinery	117.65	89.54
Others	45.25	49.50
	<u>188.01</u>	<u>162.07</u>
<b>Note :</b>		
<b>Expenditure on repairs &amp; maintenance not included above and charged to:</b>		
<b>a) Employees' Remuneration &amp; Benefits</b>		
Buildings	36.75	35.94
Plant & Machinery	545.73	408.09
Others	57.97	55.37
	<u>640.45</u>	<u>499.40</u>
<b>b) Stores &amp; Spares</b>		
Buildings	7.14	8.87
Plant & Machinery	652.24	630.27
Others	35.51	33.31
	<u>694.89</u>	<u>672.45</u>
<b>c) Expenditure during Construction</b>	0.12	0.47
<b>Total (a+b+c)</b>	<u>1335.46</u>	<u>1172.32</u>



## 2.10 : OTHER EXPENSES

	Year ended 31st March, 2003		Year ended 31st March, 2002	
			<i>(Rupees in crores)</i>	
Commission to selling agents		15.45		11.50
Directors' Fees		0.03		0.03
Export sales expenses		34.68		24.28
<b>Handling expenses</b>				
— Raw Material	82.34		75.59	
— Finished goods	51.13		59.89	
— Scrap recovery expenses	52.82	186.29	62.80	198.28
Insurance		7.28		6.96
Postage, telegram & telephone		12.29		17.32
Printing & stationery		7.26		7.39
<b>Provisions</b>				
— Doubtful debts, loans and advances	81.13		72.65	
— Investments	0.00		0.02	
— Stores, Spares and Sundries	92.20	173.33	35.70	108.37
Rates & Taxes		27.32		24.20
<b>Remuneration to Auditors</b>				
— Audit fees	0.47		0.47	
— Tax Audit fees	0.12		0.12	
— Out of pocket expenses	0.59		0.62	
— In other capacities	0.21	1.39	0.20	1.41
Cost Audit Fees		0.01		0.01
Rent		22.71		21.94
Royalty and cess		37.90		35.79
Security expenses		80.39		73.28
Travelling expenses		134.12		96.91
<b>Write Offs</b>				
— Miscellaneous & Deferred Revenue	319.54		219.38	
<b>Expenditure</b>				
— Others	11.44	330.98	7.08	226.46
Cash Discount		92.69		52.96
Training expenses		4.21		5.34
Conversion charges		44.21		26.21
Foreign Exchange Fluctuation (Net)		24.57		45.80
Water charges & Cess on water pollution		24.76		23.24
Contribution to Joint Plant Committee Funds		2.39		2.27
Miscellaneous (include Donation Rs. 49.81 lakhs, previous year Rs. 0.50 lakhs)		192.02		224.35
		<u>1456.28</u>		<u>1234.30</u>

# Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

## 2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Public Deposits	147.44	167.61
Foreign Currency Loans	110.56	136.42
Non Convertible Bonds	589.14	576.73
Bank borrowings - working capital	304.37	453.28
Steel Development Fund Loans	55.54	37.48
Others	125.97	176.11
Finance Charges	48.77	40.64
	<u>1381.79</u>	1588.27
Less : Interest Subsidy received from GOI	47.77	26.24
	<u>1334.02</u>	<u>1562.03</u>
<b>Note :</b>		
<b>Expenditure on interest not included above &amp; charged to:</b>		
<b>Expenditure During Construction</b>		
Foreign Currency Loans	0.30	1.69
Non Convertible Bonds	9.06	24.56
Steel Development Fund Loans	1.63	9.48
Others	0.09	3.43
Finance Charges	0.30	0.65
	<u>11.38</u>	<u>39.81</u>

## 2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Raw materials	585.62	560.31
Departmentally manufactured stores	244.46	211.68
Services transferred to capital works	20.66	21.30
Coke subsidy to Employees	—	0.51
Others(Net)	5.47	4.75
	<u>856.21</u>	<u>798.55</u>

## 2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Sales	1.54	0.73
Other revenues	-6.00	0.66
Raw materials consumed	0.57	-1.88
Employees' remuneration & benefits	-0.79	1.42
Stores & spares consumed	-0.10	-5.01
Power & Fuel	14.09	-5.30
Repairs & Maintenance	-0.10	-0.24
Excise Duty	—	-1.56
Freight Outward	-4.83	—
Other Expenses & Provisions	1.19	10.01
Interest	8.68	3.46
Depreciation	-0.16	8.23
	<u>14.09</u>	<u>10.52</u>
Net Debit		
(-) indicate credit items		



## **SCHEDULE 3 : ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

### **1. ACCOUNTING POLICIES**

#### **1.1 BASIS OF ACCOUNTING**

The Company prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.

#### **1.2 FIXED ASSETS**

All fixed assets are stated at historical cost less depreciation.

Land gifted by the State Governments is valued notionally/nominally and the corresponding amount is credited to 'Capital Reserve'. The expenditure on development of land including leasehold land is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised, based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

Expenditure incurred during the trial run period are capitalised till the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expenses.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals thereagainst, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

#### **1.3 BORROWING COSTS**

Borrowing costs relating to the acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

#### **1.4 DEPRECIATION**

Depreciation is provided on straight line method at the rates specified in Schedule-XIV to the Companies Act, 1956. However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset based on the rates specified in Schedule XIV as stated above.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

Cost of acquiring mining rights is amortised over the lease period.

#### **1.5 INVESTMENTS**

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

#### **1.6 INVENTORIES**

Semi/Finished products, are valued at lower of cost and net realisable value of the respective plants.

Raw-materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.



The stocks of wear scrap lying unconsumed at the plant and mixed coke and middlings/rejects, are valued at the estimated net realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost upto the stage of process.

Stores and spares are valued at cost. However, in the case of stores and spares declared obsolete/surplus and also those which have not moved for five years or more, provision is made at 75% and 10% respectively of the book value and charged to revenue.

In respect of inter-unit transfers: (i) the closing stock of semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter-plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transferred materials used for capitalisation have, however, been considered at cost (ii) Stores and spares are valued at cost of the transferor plant (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based on the average of purchase cost and transfer price.

Cost is arrived on weighted average basis.

## 1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

Expenditure incurred on development of new projects, removal of over-burden at mines, cost of feasibility studies for new projects and payments for technical know-how/documentation is treated as development expenditure.

Expenditure on extraction at captive mines is distributed over the excavation of ore, normal waste (intercalated waste) and over burden. The expenditure on removal of normal waste (intercalated waste) is loaded on the cost of ore excavated. Expenditure on removal of over burden is treated as deferred revenue expenditure and the same is written off in 5 years.

Expenditure on feasibility studies, technical know-how/documentation and other development expenditure is added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.

Voluntary retirement compensation liability ascertained on actuarial valuation, is treated as deferred revenue expenditure and written-off in five years. Further, annual increase/decrease to the above liability actuarially ascertained, is taken to Profit and Loss Account, after adjustment of payments thereof during the year. Incremental payments against Voluntary Retirement Schemes due to wage revision is charged corresponding to the period for which deferred revenue expenditure relating to such Voluntary Retirement Scheme is amortised, with the first charge being made for the entire lapsed period in the year in which such wage agreement is finalised. In case of Voluntary Retirement Schemes which envisage monthly payments, the payments are charged off as per contractual terms.

Other deferred revenue expenditure including expenditure on consultancy/technological assistance for strategic cost reduction and quality improvements is written-off in five years.

## 1.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities, other than those covered by forward contracts, as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

## 1.9 RESEARCH & DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

## 1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are treated as income on completion of the projects/final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

## 1.11 RETIREMENT BENEFITS

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.



### 1.12 EMPLOYEES' FAMILY BENEFIT SCHEME

The provision towards payments to be made in future to the disabled employees/legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

### 1.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs. 5 lakhs in each case, are treated as income/expenditure of current year.

### 1.14 SALES

Sales include Excise Duty and are net of rebates/price concessions/sales tax.

Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection of payments, since the significant risks and rewards in such cases are passed on to the buyers on despatch of materials. Export sales are treated as sales on issue of Bills of lading.

### 1.15 EXPORT INCENTIVES

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

### 1.16 LEASES

#### (a) Where the Company is lessor

Assets given under finance lease are recognised as receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the basis of internal rate of return. The principal amount received is reduced from the net investment in the lease while interest recovery is recognised as revenue. In those cases where the entire lease premium/consideration is received up front, the difference between consideration money and net book value of the assets is recognised as income in the Profit & Loss Account.

Assets subject to operating lease are included in fixed assets and the lease income is recognised in the Profit & Loss Account on a straight line basis over the lease term. Expenses including depreciation in relation thereto, are recognised as an expense in the Profit & Loss Account.

#### (b) Where the Company is lessee

Finance leases which effectively transfer to the Company substantially all the risks and rewards incidental to the ownership of the leased items, are capitalised at the lower of the face value and present value of the minimum lease payments at the inception of the lease term. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability. Capitalised leased assets are depreciated over the lease term or estimated useful life of the relevant assets, whichever is shorter.

All leases except for those specified above, are classified as operating leases. Lease payments, in such cases, are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

### 1.17 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

### 1.18 SEGMENT REPORTING

#### (a) Identification of Segments

The Company has identified that its operating segments are primary segments. The Company's operating business are organised and managed separately for all the manufacturing units, with each business unit representing a strategic segment. Accordingly, each manufacturing unit has been identified as an operating segment for reporting purposes.

The analysis of geographical segments is based on the areas in which the customers of the Company are located.

#### (b) Allocation of Common costs

Common expenses are allocated to each segment on appropriate basis. Revenue and expenses not allocated to segments, have been included under the head "unallocated – common expenses".

The Accounting Policies adopted for segment reporting are in line with those of the Company.

# Schedules

## NOTES ON ACCOUNTS

### 2.1 CONTINGENT LIABILITIES

	<b>As at 31st March, 2003</b>	As at 31st March, 2002
	<i>Rs. in crores</i>	
i) Claims against the Company pending appellate/judicial decisions	<b>1271.83</b>	1445.12
ii) Other claims against the Company not acknowledged as debt	<b>542.59</b>	572.71
iii) Guarantee given to Banks on behalf of a subsidiary Company	<b>28.85</b>	28.85
iv) Bank guarantee given to excise authorities on behalf of a joint venture company	<b>2.55</b>	—
v) Bills drawn on customers and discounted with banks	<b>25.11</b>	30.30
vi) Claims by certain employees and escalation claims, extent whereof is not ascertainable		

**2.2.** Sales Tax authorities have raised demands for Rs. 982.32 crores (As at 31<sup>st</sup> March, 2002 - Rs. 1041.86 crores) on account of sales tax on stock transfers made by the plants over the years to stockyards situated in different States, under various marketing schemes. The demands of Sales Tax authorities at plants have been contested by the Company which are pending at various stages of appeal. As sales tax liability has been discharged by the respective stockyards on sale of such stocks by depositing sales tax with the respective Sales Tax authorities in different States, no liability is expected to arise, as sales tax is leviable only once.

### 3. FIXED ASSETS

#### 3.1 Land includes:

- i) 61138.27 acres (As at 31<sup>st</sup> March 2002 – 61123.45 acres) owned/leased/possessed by the Company, in respect of which title/lease deeds are pending for registration.
- ii) 4442.30 acres (As at 31<sup>st</sup> March 2002 – 4442.30 acres) gifted by State Governments, which are pending for registration and included in (i) above.
- iii) 5315.35 acres (As at 31<sup>st</sup> March 2002 – 4991.43 acres) given on lease to various agencies/employees/ex-employees.
- iv) 14459.72 acres (As at 31<sup>st</sup> March, 2002 – 14459.72 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/registered. Out of the above, 11274.55 acres (As at 31<sup>st</sup> March, 2002 - 10626.73 acres) have already been adjusted in the accounts.
- v) 12767.96 acres (As at 31<sup>st</sup> March, 2002 – 12767.96 acres) in respect of which title is unascertained.

**3.2** Fixed assets include Rs. 8000/- (As at 31<sup>st</sup> March, 2002 – Rs. 8000/-) being the cost of shares in a Co-operative Housing Society.

**3.3** Foreign exchange variations aggregating to Rs. 65.03 crores (net debit) [previous year Rs. 56.95 crores (net debit)] have been included in the carrying amount of fixed assets during the year.

**3.4** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 522.40 crores (As at 31<sup>st</sup> March, 2002 - Rs. 254.79 crores).

### 4. INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

**4.1** The Company has equity investments of Rs. 374.94 crores (As at 31<sup>st</sup> March 2002 - Rs. 374.94 crores) and other recoverable dues (net) of Rs. 12.07 crores (As at 31<sup>st</sup> March 2002 – Nil) in its subsidiary company, the Indian Iron & Steel Co. Ltd. (IISCO), a sick company, the proposal for revival of which is pending with Board for Industrial and Financial Reconstruction (BIFR). The value of IISCO's land and buildings as on 31<sup>st</sup> March, 2000 has been determined by an independent agency which, if taken together with the value of assets like plant & machinery, mines etc. is quite adequate to cover the company's investments in IISCO. The Government of India in June 2002 approved a revival plan of IISCO, which is under implementation. Some of the reliefs envisaged in the proposal have already been availed of by IISCO. Based on the Government of India's approval, a rehabilitation proposal, was submitted to Industrial Development Bank of India (IDBI) on 9<sup>th</sup> July, 2002. The proposal was examined by IDBI, as per directive of BIFR. IDBI submitted a draft rehabilitation scheme to BIFR on 9<sup>th</sup> April 2003 in respect of which final sanction is awaited. In view of the above and also considering the long-term nature of these investments, there is no permanent diminution in the value of investments and other recoverable dues, and thus no provision thereof is called for in the accounts.



- 4.2 At Durgapur Steel Plant, recoverable advances/dues of Rs. 138.60 crores from Hindustan Steelworks Construction Limited (HSCL) include (i) Rs. 133.40 crores (As at 31st March, 2002 - Rs. 133.40 crores) paid over the years in excess of contractual obligations included in Capital Work-in-Progress (ii) Rs. 2.54 crores (As at 31st March, 2002- Rs. 2.54 crores) paid against future jobs to be awarded (iii) Estate dues of Rs. 2.66 crores (As at 31st March, 2002 - Rs. 2.43 crores). HSCL has disputed the above advances and has made further claims against the Company and the Company, in turn, has also made counter claims. These matters have been referred to a conciliator. Pending conciliation and HSCL being Government of India Undertaking, the advances and other dues have been considered recoverable. Adjustment/provision, if any, required with regard to such advances/dues shall be carried out on finalisation of conciliation proceedings/settlement of claims/counter claims.

Further, an amount of Rs. 40.32 crores (net) [As at 31<sup>st</sup> March, 2002 – Rs. 41.49 crores (net)] is due from HSCL at Bokaro Steel Plant towards advances against future jobs to be executed, estate dues etc. These are considered as recoverable and the company expects to recover these advances in due course

- 4.3 Claims recoverable (Schedule-1.13) include Rs. 44.76 crores (As on 31<sup>st</sup> March 2002 – Rs. 44.76 crores) due from M/s TPE, Russia towards claims for short weight of equipments (less than contractual estimates) and equipments getting shipped through shorter route resulting in freight refunds to Bhilai Steel Plant during the years 1976 to 1984. The above claims have already been accepted by the party in Nov.'97 and recovery thereof is being followed up by the company and through Inter-Governmental meetings/protocol.
- 4.4 Sundry creditors, other liabilities, sundry debtors, claims recoverable, deposits and advances to parties include some old unlinked balances pending reconciliation/confirmation/adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances. The account of Public Deposit Scheme is also under reconciliation in respect of adjustment of Rs. 2.14 crores carried out during 2001-02, out of which an amount of Rs. 0.80 crores has been adjusted. Further adjustments would be carried out after due verification/reconciliation.
- 4.5 The Company has substantial carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961 and accordingly deferred tax asset of about Rs. 1986 crores has arisen as on 31<sup>st</sup> March 2003 (As at 31<sup>st</sup> March 2002 – Rs. 2117 crores) as per Accounting Standard-22 on 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India. However, in consideration of prudence, the above deferred tax asset has not been recognised in the financial statements and the same would be considered at appropriate time keeping in view the availability of sufficient taxable income against which such deferred tax asset can be realised.
- 4.6 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide its Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted and kept separately and not deposited with the Income Tax Department and vide order dated 30.1.2002 has granted an interim stay restraining the Company from deduction of tax on perquisite on accommodation provided to the employees by the Company. Accordingly the company has not deducted tax on house perquisite and tax on other perquisites has been deducted and kept in separate account for all the employees as per the legal advice. Necessary accounting adjustments in the above matter would be carried out on the disposal of appeals filed by the Employees' Union/ Association.
- 4.7 The amount due to Small Scale Industrial Undertakings (as disclosed in schedule 1.14 – Current Liabilities) is to the extent such parties have been identified. The company has normally made payments to SSI units in due time and also there being no claims from the parties, interest, if any, on overdue payments is unascertainable and thus not provided for. The names of the units to whom outstandings are more than 30 days are as under:

S.K. Engineering, Ranchi; OM Electrical Power Pvt. Ltd., Ranchi; Control Desk Solution Pvt. Ltd., Jamshedpur.

- 4.8 During the year, the Hon'ble Supreme Court of India has held that contributions made to Steel Development Fund (SDF), Engineering Goods Export Assistance Fund (EGEAF) and Joint Plant Committee (JPC) by the company, are part of ex-works price and as such excise duty is leviable on such contributions. As a result, excise duty liability of Rs. 91.19 crores for the period March 1992 to September 1994 is payable. As per decision of the SDF managing committee, the demands for reimbursement of excise duty on various funds may be met in the case of the SDF, by adjusting against interest due from the company on the SDF loans and with respect of EGEAF and JPC levies may be adjusted against dues payable to respective funds. Accordingly, the excise duty payable in respect of SDF (Rs. 51.85 crores) and JPC levies (Rs. 0.40 crores) has been adjusted against the interest due on SDF loans and JPC cess payable by the company. The excise duty adjustable against EGEAF (Rs. 38.94 crores) has been shown as claims recoverable from JPC, pending approval of the Ministry of Steel.

## 5. PROFIT & LOSS ACCOUNT

- 5.1 The Company has granted long term lease, in respect of certain residential premises at its various units to the employees, ex-employees etc. and profit of Rs. 143.94 crores (Previous year – Rs. 171.64 crores) arising on leasing of such assets has been included under 'Other Revenues' as 'Profit on sale/lease of houses'.

- 5.2** The long term agreements for employees' salaries & wages had expired on 31.12.1996. The Company has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustments thereof have been carried out in the accounts. However, the issue of wage revision (including other benefits) for the period from 1.1.1997 to 31.12.2000 is to be discussed separately with the employees keeping in view the financial health of the company. Though, representatives of employees have demanded discussions on arrears, they have been informed that the issue would be discussed further after the financial position of the company improves. Also, associations of ex-employees have filed cases in various High Courts seeking payment of arrears/benefits based on the revised scales of pay, which are pending. Liability, if any, in this regard is unascertainable. However, following the past practice, the adhoc adjustable advances/Interim Relief of Rs. 421.64 crores (including Rs. 1.29 crores during the year) for the above period have been charged to "Employees' Remuneration and Benefits" in the respective years.
- 5.3** The Company vide Resolution passed by its Board of Directors at the meeting held on 26<sup>th</sup> April 2002, has withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for the block calendar years of 1998-99, 2000-01 and 2002-03. The representatives of the employees have raised the matter for restoring the facility for LTC/LLTC. Further, a case has been filed in the Hon'ble Orissa High Court by one of the unions for restoring the benefit of LTC/LLTC, which is pending. However, as the facility continues to be withdrawn, no liability towards LTC/LLTC for the above periods have been provided for.
- 5.4** During the year, based on actuarial valuation, an amount of Rs. 173.88 crores, has been provided towards present value of post retirement medical benefits at plant hospitals for existing and retired employees (including premium payable on mediclaim scheme for retired employees) and an amount of Rs. 35.86 crores has been provided towards present value of settlement benefits payable to employees on retirement. This has resulted in an increase of loss for the year by Rs. 209.74 crores.
- 5.5** During the year, the future liability for benefits payable to the disabled employees/legal heirs of deceased employees under the Employee Family Benefit Scheme, which was hitherto being treated as deferred revenue expenditure to be charged off in five years, has been fully charged off, including unamortised amount of previous year, resulting an increase in loss for the year by Rs. 71.22 crores.
- 5.6** Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.
- 5.7** The Research and Development costs charged to Profit & Loss Account and Fixed Assets during the year amount to Rs. 53.93 crores (previous year - Rs. 48.15 crores) and Rs. 0.89 crores (previous year - Rs. 1.70 crores) respectively.
- 5.8** Amount of foreign exchange differences in respect of forward exchange contracts to be recognised in the Profit and Loss Account for subsequent periods is Rs. 35.70 crores (net debit) (Previous year – Rs. 15.43 crores).
- 5.9** In accordance with the Government of India's guidelines for State Electricity Boards as extended to Central Public Sector undertakings, out of the total outstanding dues of Rs. 111.18 crores payable by the Company to Damodar Valley Corporation (DVC) on account of surcharge for delayed payment, an amount of Rs. 44.47 crores has been paid/provided and balance amount of Rs. 66.71 crores has been considered as waived, based on mutual understanding with DVC, pending approval of their competent authority.
- 5.10** The excise duty of Rs. 2370.56 crores, shown as deduction from sales, includes excise duty on internal consumption and closing stock.
- 5.11** As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.
- 5.12** The classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.

## **6. GENERAL**

### **6.1. Segment Reporting**

- i) Business Segment: The four integrated steel plants and three alloy steel plants, being manufacturing units, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.
- ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as a geographical segment and exports as other segments. The disclosures of segment-wise information is given at Annexure-I.



## 6.2 Related party

As per Accounting Standard - 18 - 'Related party disclosures' issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of Relationship	Name of the related parties
<b>Joint Venture</b>	SAIL, Bansal Service Centre Limited Metaljunction. Com Pvt. Limited UEC SAIL Information Technology Limited
<b>Key Management Personnel:</b>	Shri Arvind Pande (Retired on 30 <sup>th</sup> Sept., 2002) Shri V.S. Jain Shri S.C.K. Patne Shri B.K. Singh Dr. S.K. Bhattacharyya Dr. Sanak Mishra Shri A.K. Singh Shri Barun Ghoshal (Retired on 31 <sup>st</sup> July, 2002) Shri R.P. Singh Shri Sudhakar Jha Shri D.A. Pikle Shri S. Panigrahy Shri S.N.P. Singh Shri M.N. Thakur (Retired on 28 <sup>th</sup> Feb., 2003) Shri M. Roy Shri R.C. Jha Shri U.P. Singh Shri Ashis Das Shri N.P. Jayswal Shri B.N. Singh (Joined on 3 <sup>rd</sup> Feb., 2003)

The details of transactions between the company and the related parties, as defined in the Accounting Standard, are given below :

Sl. No.	Nature of transactions	Amount Rs./crores		Ref. Schedule & Account head of the Accounts
		Joint Venture	Key Management Personnel	
i)	Other Loans		0.05	1.13: Loans & Advances – Others
ii)	Interest recoverable		0.01	1.11: Interest receivable/accrued
iii)	Investments	7.38		1.7: Investments
iv)	Payments made against services rendered during previous year	0.02		
v)	Managerial Remuneration		1.38	2.7: Employees' Remuneration and Benefits.

## 6.3. Earning Per Share (EPS)

In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below:

	2002-03	2001-02
i) Loss as per Profit & Loss Account (Rs. in crores)	-304.31	-1,706.89
ii) Weighted average number of equity shares outstanding during the year	4,13,04,00,000	4,13,04,00,000
iii) Basic and diluted EPS (Rs.)	-0.74	-4.13

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- 6.4 As per Accounting Standard - 27 - 'Financial reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India, the name and other details of the joint ventures entered into by the Company are given below:

Sl. No.	Name of the company	% of share-holding in the company	Country of Incorporation
1.	North Bengal Dolomite Limited	50%	India
2.	NTPC SAIL Power Company Pvt. Limited	50%	India
3.	SAIL Bansal Service Centre Limited	40%	India
4.	Metaljunction.Com Pvt. Limited	50%	India
5.	UEC SAIL Information Technology Limited	40%	India
6.	Bokaro Power Supply Co. Pvt. Ltd.	50%	India
7.	Bhilai Electric Supply Co. Pvt. Ltd.	50%	India

SAIL's share of assets, liabilities, income, expenses, contingent liabilities and capital commitment in its Joint venture companies are given below:

Sl. No	Name of the company	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
<i>(Rs. in crores)</i>							
1.	North Bengal Dolomite Limited (*)						
2.	NTPC SAIL Power Company Pvt. Limited (@)	223.54	158.59	86.29	68.40	0.02	1.55
3.	SAIL Bansal Service Centre Limited (@)	4.92	2.12	3.74	4.72	—	—
4.	Metaljunction.Com Pvt. Limited	5.16	0.81	2.50	1.55	—	0.02
5.	UEC SAIL Information Technology Limited (@)	2.39	1.66	4.55	4.50	—	—
6.	Bokaro Power Supply Co. Pvt. Limited (@)	276.59	174.79	112.66	101.45	—	—
7.	Bhilai Electric Supply Co. Pvt. Limited (@)	59.78	39.82	35.25	31.97	—	0.04

\* Operations under suspension and accounts prepared upto 1998-99.

@ Based on un-audited accounts for 2002-03.

- 6.5 As per requirements of the listing agreements with the stock exchanges, the requisite details of loans and advances in the nature of loans are as given below:

(i) In respect of subsidiary companies

Sl. No.	Name of the subsidiary company	Loans and advances in the nature of loans outstanding as on 31 <sup>st</sup> March 2003	Maximum amount of loans and advances in the nature of loans outstanding during the year 2002-03
1.	Indian Iron and Steel Co. Ltd.	8.30	8.30
2.	Maharashtra Elektros melt Limited	15.24	15.24
3.	IISCO Ujjain Pipe and Foundry Co. Ltd.	15.23	15.23
4.	Bhilai Oxygen Ltd.	—	—

ii) The company does not have loans, wherein there is no repayment schedule or repayment is beyond seven years; and

iii) The company does not have loans and advances in the nature of loans to firms/companies in which directors are interested.

- 6.6 Previous year's figures are given in brackets and these have been re-arranged/re-grouped wherever necessary.



### 7(a). Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity (i)	Installed Capacity	Production
			(Quantity : Tonnes)
<b>Main Steel Plants</b>			
Pig Iron		1740000	288249
		(1797000)	(353242)
Crude Steel (ii)		11987000	11086646
		(11987000)	(10466919)
Saleable Steel		10190000	10086156
		(10190000)	(9463747)
<b>Alloy Steels Plants</b>			
Pig Iron		205000	19738
		(205000)	(21544)
Crude Steel		301078	215330
		(301078)	(209838)
Saleable Steel		435000	265633
		(435000)	(233660)
<b>Others</b>			
Calcium Ammonium Nitrate (in terms of 25% N)		360000	1550
		(360000)	(315)

Notes: i) "Licensed Capacity" Not applicable (N.A.) in terms of Government of India Notification No.S.O.477(E) dated 25th July, 1991.  
ii) Crude Steel installed capacity is in terms of solid steel as per IISI requirements.

### 7(b). Opening Stock, Purchases, Turnover and Closing Stock

	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
								(Quantity : Tonnes) (Value : Rs. /crores)
<b>OWN PRODUCTS</b>								
<b>Main Steel Plants</b>								
Pig Iron	23080	14.95	—	—	190384	149.11	19877	14.82
	(23458)	(13.93)	(—)	(—)	(279914)	(197.80)	(23080)	(14.95)
Steel Ingots	128128	114.81	—	—	17811	18.31	104836	103.12
	(226742)	(170.03)	(—)	(—)	(26895)	(22.46)	(128128)	(114.81)
Saleable Steel	997147	1344.97	—	—	9782157	17053.39	802760	1106.75
	(1328881)	(1772.20)	(—)	(—)	(9255359)	(13571.00)	(997147)	(1344.97)
<b>ALLOY STEELS PLANTS</b>								
Pig Iron	189	0.14	—	—	19346	16.48	62	0.06
	(196)	(0.14)	(—)	(—)	(20826)	(15.49)	(189)	(0.14)
Steel Ingots	10288	34.03	—	—	—	—	8932	31.87
	(13138)	(33.57)	(—)	(—)	(—)	(—)	(10288)	(34.03)
Saleable Steel	53735	268.24	—	—	246656	885.26	46492	232.01
	(52252)	(272.97)	(—)	(—)	(210284)	(741.75)	(53735)	(268.24)
<b>OTHERS</b>								
Calcium Ammonium Nitrate (in terms of 25% N)	4921	—	—	—	1478	1.10	4993	—
	(4857)	(—)	(—)	(—)	(250)	(0.19)	(4921)	(—)
<b>SUNDRIES</b>								
Cinders	21601	—	—	—	21601	—	—	—
	(21601)	(—)	(—)	(—)	(—)	(—)	(21601)	(—)
Others		722.69		—		1076.69		577.95
		(659.58)		(—)		(934.93)		(722.69)
<b>TRADING ACTIVITIES</b>								
Indigenous Steel	91	0.29	1913	8.07	2002	6.76	—	0.54
	(50)	(0.08)	(9679)	(18.09)	(9638)	(18.38)	(91)	(0.29)
		2500.12		8.07		19207.10		2067.12
		(2922.50)		(18.09)		(15502.00)		(2500.12)

Notes: i) The classification of the company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No.3/19/80-CL VI dated 16th July 1980. However, in respect of an item (Sundries), the particulars of installed capacity and production have not been given, as this being an omnibus head, clubbing of various products and by-products under one head would not give meaningful information.  
ii) Sales are net of rebates/price concessions allowed on certain Iron & Steel products.  
iii) Figures of closing stock are after adjustment for inter-plant transfers, internal consumption, transfer to capital works etc.



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## 7(c). Pig Iron and Saleable Steel Quantitative Reconciliation

	Pig Iron		Saleable Steel	
	(Main Steel Plants)	(Alloy Steels Plants)	(Main Steel Plants)	(Alloy Steels Plants)
	<i>(Quantity : Tonnes)</i>			
Opening Stock	23080 (23458)	189 (196)	997147 (1328881)	53735 (52252)
Production	288249 (353242)	19738 (21544)	10086156 (9463747)	265633 (233660)
Total	311329 (376700)	19927 (21740)	11083303 (10792628)	319368 (285912)
Sales	190384 (279914)	19346 (20826)	9782157 (9255359)	246656 (210284)
Inter Plant Transfers	26148 (15580)	— (—)	243095 (208192)	19556 (16586)
Internal Consumption (incl. for capital works)	72499 (62383)	— (581)	70775 (68543)	700 (482)
Assorted length/Cuttings/Ingot etc.	— (—)	— (—)	97676 (99541)	1091 (940)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	-2651 (—)	— (—)	75019 (134166)	4389 (4617)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	5072 (-4257)	519 (144)	11821 (29680)	484 (-732)
Closing Stock	19877 (23080)	62 (189)	802760 (997147)	46492 (53735)
Total	311329 (376700)	19927 (21740)	11083303 (10792628)	319368 (285912)

### Notes to 7(a), 7(b) & 7(c)

Figures in brackets pertain to previous year and have been rearranged/regrouped inter-se wherever necessary.



	<u>Current Year</u>	<u>Previous Year</u>		
<i>(Rupees in crores)</i>				
<b>8. Expenditure incurred in foreign currency on account of</b>				
Know-how	12.48	10.79		
Interest	101.29	106.76		
Training expenses & payments to Foreign Technicians	11.54	15.74		
Others	1.42	0.50		
Total	<u>126.73</u>	<u>133.79</u>		
<b>9. Earnings in foreign exchange on account of</b>				
Export of goods (Calculated on FOB basis)	1075.51	531.55		
Royalty, Know-how, professional and consultation fees	1.09	3.43		
	<u>1076.60</u>	<u>534.98</u>		
<b>10. Value of imports during the period (Calculated on CIF basis)</b>				
Raw materials	2157.69	1775.25		
Capital goods	6.50	33.23		
Stores, Spares and Components	153.81	130.81		
Total	<u>2318.00</u>	<u>1939.29</u>		
<b>11. Value of raw materials consumed during the year</b>				
	<u>Rs./crores</u>	<u>%</u>	<u>Rs./crores</u>	<u>%</u>
Imported	2827.61	45.42	2394.74	42.42
Indigenous	3398.35	54.58	3250.74	57.58
	<u>6225.96</u>	<u>100.00</u>	<u>5645.48</u>	<u>100.00</u>
<b>12. Value of stores/spares &amp; components consumed during the year</b>				
	<u>Rs./crores</u>	<u>%</u>	<u>Rs./crores</u>	<u>%</u>
Imported	180.24	10.39	145.14	9.13
Indigenous	1554.11	89.61	1443.92	90.87
	<u>1734.35</u>	<u>100.00</u>	<u>1589.06</u>	<u>100.00</u>
<b>13. Particulars of Directors' Remuneration</b>				
	<u>Current Year</u>	<u>Previous Year</u>		
<i>(Rupees in crores)</i>				
Salaries	0.40	0.44		
Company's contribution to provident fund & other funds	0.05	0.05		
Medical benefits	0.01	0.01		
Provision for Gratuity & Accrued Leave	0.14	0.23		
Total	<u>0.60</u>	<u>0.73</u>		

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## 14. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

### I. REGISTRATION DETAILS

Registration No.

State Code

Balance Sheet Date

### II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Lakhs)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Lakhs)

Total Liabilities

Total Assets

**Sources of Funds**  
Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**  
Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

### IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Lakhs)

Turnover/Other Income

Total Expenditure

Loss Before Tax

Loss After Tax

Earnings per Share in Rs.

Dividend Rate (%)

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per Monetary Terms)

Item Code No. (ITC code) :         /

Product Description : HOT ROLLED COILS

Item Code No. (ITC code) :         /

Product Description : SEMI-FINISHED PRODUCT

Item Code No. (ITC code) :

Product Description : RAILWAY RAILS



## Annexure - I

### Segment Information as at 31st March, 2003

#### A. BUSINESS SEGMENT

(Rs. In crores)

PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	Others	Inter Segment Sales	SAIL
<b>REVENUE</b>										
— External Sales	6502.83	2357.34	3144.88	6251.46	234.30	427.28	281.83	7.18		19207.10
— Internal Segment Sales	253.63	63.39	26.72	170.24	115.49	6.79	4.72	362.96	-1003.94	—
— Total Revenue	6756.46	2420.73	3171.60	6421.70	349.79	434.07	286.55	370.14	-1003.94	19207.10
<b>RESULT</b>										
— Operating profit/(-) loss (Before Interest Expenses)	1088.52	-117.45	-227.68	644.65	-151.09	-45.56	-118.24	-55.00		1018.15
— Interest expenses										1334.02
— Net Loss (-)										-315.87
<b>OTHER INFORMATION</b>										
— Segment Assets	3987.11	4353.61	4810.03	4393.73	377.04	799.79	346.82	3738.78		22806.91
— Segment Liabilities	1511.17	668.51	902.83	1577.72	192.04	74.58	161.03	2224.14		7312.02
— Capital Expenditure	73.21	24.38	81.28	34.61	0.67	6.66	2.29	17.64		240.74
— Depreciation	224.19	296.46	280.27	234.51	10.55	44.31	10.99	45.38		1146.66

#### B. GEOGRAPHICAL SEGMENT

PARTICULARS	AMOUNT
	(Rs. in crores)
<b>Sales Revenue</b>	
India	18130.68
Foreign Countries	1076.42
Total	19207.10

#### Note :

1. Segment assets/liabilities exclude inter-unit balances
2. Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10% of the total assets of all segments, and hence not disclosed.

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	Current Year	Previous Year
<i>(Rupees in crores)</i>		
<b>Expenditure on public relations departments</b>		
Employees remuneration & benefits	5.49	5.11
Expenditure on institutional publicity	1.45	1.29
Other items of expenditure under publicity	3.57	2.23
<b>Total</b>	<b>10.51</b>	<b>8.63</b>
Turnover	19207.10	15502.00
Percentage	0.05	0.06

## SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & cultural activities	Co-operative societies	Transport & dairy	Total	Previous year
<i>(Rupees in crores)</i>								
<b>Employees' Remuneration &amp; Benefits</b>								
— Salaries, Wages & Annual Bonus	99.47	66.58	94.67	2.88	0.70	12.28	276.58	261.72
— Company contribution to PF & other funds	9.04	6.27	8.96	0.27	0.06	1.16	25.76	25.79
— Travel concessions	0.06	0.03	0.03	—	—	—	0.12	1.49
— Welfare expenses	8.80	3.69	29.35	2.02	3.58	0.63	48.07	33.35
— Consumption of medicines	0.41	—	27.95	—	—	—	28.36	22.22
— Coke & Other Subsidy	—	—	—	—	—	—	—	0.11
— Gratuity	17.51	9.82	12.93	0.49	0.07	1.64	42.46	24.90
<b>Total</b>	<b>135.29</b>	<b>86.39</b>	<b>173.89</b>	<b>5.66</b>	<b>4.41</b>	<b>15.71</b>	<b>421.35</b>	<b>369.58</b>
Stores & Spares	8.09	0.26	1.37	0.08	0.01	1.65	11.46	12.48
Repair & maintenance	24.31	0.08	1.06	0.11	0.07	0.25	25.88	26.72
Power & fuel	186.59	1.32	3.39	0.85	0.09	0.29	192.53	177.99
Miscellaneous expenses	21.90	3.26	7.05	0.41	0.01	2.17	34.80	31.28
Depreciation	15.58	0.65	3.22	0.13	0.01	0.20	19.79	20.59
<b>Total</b>	<b>391.76</b>	<b>91.96</b>	<b>189.98</b>	<b>7.24</b>	<b>4.60</b>	<b>20.27</b>	<b>705.81</b>	<b>638.64</b>
Less: Income	79.12	4.22	23.49	0.07	—	0.35	107.25	92.84
<b>Net Deficit</b>	<b>312.64</b>	<b>87.74</b>	<b>166.49</b>	<b>7.17</b>	<b>4.60</b>	<b>19.92</b>	<b>598.56</b>	<b>545.80</b>

# Cash Flow Statement



Cash Flow Statement for the year	2002-03	2001-02
<b>A. Cash flow from Operating Activities</b>		<i>(Rupees in crores)</i>
<b>Net loss (-) before taxation, and extraordinary items</b>	<b>(315.87)</b>	<b>(1706.89)</b>
Add/(Less) Adjustments for :		
Depreciation	<b>1146.50</b>	1164.12
Interest Expenses	<b>1334.02</b>	1562.03
Bad debts written-off	<b>4.36</b>	(6.20)
Unrealised Foreign Exchange Fluctuation	<b>94.13</b>	79.66
Provision for diminution in value of investments	<b>(0.04)</b>	0.02
Provision for Gratuity	<b>297.57</b>	212.22
Provision for Accrued Leave Liability	<b>189.53</b>	178.98
Provision for Post Retirement Benefits	<b>209.74</b>	—
Provision for Employee Family Benefit Scheme	<b>36.66</b>	86.58
Provision for Voluntary Retirement Scheme	<b>(38.31)</b>	(42.96)
Provision for Pollution Control & Peripheral Development	<b>15.57</b>	13.08
Provision for Exchange Fluctuation	<b>(15.93)</b>	(7.00)
Provision for Wage Revision	<b>—</b>	(259.81)
Provision for Others	<b>45.58</b>	(30.85)
Deferred Revenue Expenditure (Charged-off during the year)	<b>335.09</b>	232.54
Refund of Income tax	<b>11.56</b>	—
Profit on sale of Fixed Assets	<b>(144.19)</b>	(662.47)
Interest Income	<b>(88.96)</b>	(105.30)
Dividend Income	<b>(2.67)</b>	(5.74)
<b>Operating profit before working capital change</b>	<b>3114.34</b>	702.01
Adjustments for :		
Decrease in Inventories	<b>297.46</b>	477.16
Increase in Sundry Debtors	<b>(275.04)</b>	304.38
Decrease in Loans and Advances	<b>(138.86)</b>	122.60
Decrease in Current Liabilities	<b>(36.41)</b>	(17.28)
Deferred Revenue Expenditure (Additions)	<b>(293.75)</b>	(438.20)
<b>Net Cash from Operating Activities</b>	<b>2667.74</b>	1150.67
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	<b>(299.35)</b>	(322.03)
Fixed Assets sold/discarded	<b>20.35</b>	32.67
Sale of Captive Power Plant	<b>—</b>	670.50
Sale/Lease of houses	<b>157.34</b>	190.32
Purchase/Sale of investments (net)	<b>(4.51)</b>	(103.34)
Interest received	<b>91.89</b>	186.47
Dividend received	<b>2.67</b>	5.74
<b>Net Cash from Investing Activities</b>	<b>(31.61)</b>	660.33
<b>C. Cash flow from Financing Activities</b>		
Decrease in Reserves & Surplus	<b>(0.20)</b>	(0.24)
Repayment of Borrowings (net)	<b>(1,143.84)</b>	(318.71)
Loans to Subsidiary & Other Companies	<b>44.91</b>	15.93
Less : Interest and Finance Charges paid	<b>(1,418.21)</b>	1759.04
<b>Net Cash from Financing Activities</b>	<b>(2,517.34)</b>	(2,062.06)
<b>Net Increase/Decrease (-) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>118.79</b>	(251.06)
<b>Cash &amp; Cash Equivalents (Opening)</b>	<b>416.37</b>	667.43
<b>Cash &amp; Cash Equivalents (Closing) *</b>	<b>535.16</b>	416.37
(Represented by Cash & Bank balances)		

## Notes :

- The above Cash Flow Statement has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Figures in bracket indicate cash outflow.
- Significant Accounting Policies (Schedule 15) and other Notes to Accounts (Schedule 16) form an integral part of the Cash Flow Statement.
- Previous year figures have been regrouped/reclassified to conform to current year's classification.

\* Includes Rs. 220 crores as on 31.03.2003 and Rs. 58 crores as on 31.03.2002 held in escrow account for Voluntary Retirement payments.

*For and on behalf of Board of Directors*

Sd/-  
**(Devinder Kumar)**  
*Secretary*

Sd/-  
**(S.C.K. Patne)**  
*Director*

Sd/-  
**(V.S Jain)**  
*Chairman*

*In terms of our report of even date*

**For S.N. Nanda & Co.**  
*Chartered Accountants*

**For Chaturvedi & Co.**  
*Chartered Accountants*

**For P.A. & Associates**  
*Chartered Accountants*

Sd/-  
**(S.N. Nanda)**  
*Partner*

Sd/-  
**(S.C. Chaturvedi)**  
*Partner*

Sd/-  
**(P.S. Panda)**  
*Partner*

Place : New Delhi  
Dated : May 28, 2003

### COMMENTS

### MANAGEMENT'S REPLIES

To

The Members of Steel Authority of India Limited

We have audited the attached Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, as on 31<sup>st</sup> March 2003 and the annexed Profit & Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, in which are incorporated the accounts of Plants, Units, Branches and other Offices audited by the Branch Auditors in accordance with the letter of appointment of Comptroller & Auditor General of India. 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those 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 a 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The branch auditors' report(s) have been forwarded to us and have been appropriately dealt with.
3. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account and with the audited returns from the branches.
4. In our opinion, read with our comments in Paragraphs 7(a) herein below regarding investments in terms of Accounting Standard-13, the Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
5. In terms of Department of Company Affairs General Circular No. 8/2002 dated 22<sup>nd</sup> March, 2002, Government companies are exempt from the applicability of Provisions of Section 274(1)(g) of the Companies Act, 1956.
6. Pending framing/notification of rules referred to under section 441A of the Companies Act, 1956, we are unable to comment about the liabilities on account of cess on turnover in respect of the company. (Refer Note No. 5.11 of Schedule 3)
7. (a) *No provision has been made for the likely shortfall in the value of equity investments of Rs. 374.94 crores in Indian Iron & Steel Co. Ltd. (under BIFR) as stated in Note No. 4.1 in schedule 3 whose impact on the company's loss is not presently ascertainable.*

Reply as at para 7 (a)

The Companies (Second Amendment) Act, 2002 provides for a levy of cess towards rehabilitation/revival of sick industrial companies, as the Central Government may from time to time specify by notification in the Official Gazette. There is no notification as yet. Liability, if any, would be provided in line with the notification as and when issued.

Based on the Government of India's approval, a rehabilitation proposal has been submitted to Board for Industrial and Financial Reconstruction (BIFR). Some of the reliefs envisaged in the proposal have already been availed of by IISCO. Grant in Aid of Rs. 186 crores for implementation of VRS at Kulti Works has been released by the Government and payments are being made. Further, SDF loan of Rs. 44.68 crores has been waived. The Government has also provided guarantee for raising loans for capital investment of Rs. 341 crores, and Rs. 90 crores for giving voluntary retirement to other IISCO employees. IISCO's Bankers, Financial

**COMMENTS****MANAGEMENT'S REPLIES**

(b) *Advances, claims etc. to the extent of Rs. 223.68 Crores as stated in Note Nos. 4.2 and 4.3 in schedule 3 are considered fully recoverable by the management. However, since all the items referred to are outstanding since long, we are unable to offer our comments on the recoverability thereof.*

(c) *Pending finalisation and ascertainment of the arrear salaries and wages of employees for the period from 1.1.1997 to 31.12.2000, we are unable to comment on the adequacy of the provision of Rs. 421.64 crores as stated in Note No. 5.2 in Schedule 3.*

(d) *The company has withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for various block periods from 1998-99 to 2002-03 as stated in note No. 5.3 in Schedule 3. Because of the above withdrawal, no liability towards LTC/LLTC has been provided in the accounts. However, in view of specific agreements with the unions and terms of employment for extension of above benefits to the employees, we are unable to comment whether, such liabilities have accrued or not. (amount unascertained).*

The effect of item nos. (a) to (d) of paragraph 7 above on the company's loss and debit balance in the profit and loss account is not presently ascertainable.

8. Subject to the above and read with accounting policies and notes appearing in the Schedule 3, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in case of Balance Sheet, of the state of affairs of the Company as at 31st March 2003 and
- ii) in case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.
- iii) in case of the Cash flow statement, of the cash flows for the year ended on that date.

**For S.N. Nanda & Co.**  
Chartered Accountants

Sd/-  
**(S.N. Nanda)**  
Partner

**For Chaturvedi & Co.**  
Chartered Accountants

Sd/-  
**(S.C. Chaturvedi)**  
Partner

For and on behalf of the Board of Directors

Sd/-  
**(V.S. Jain)**  
Chairman

**For P.A. & Associates**  
Chartered Accountants

Sd/-  
**(P.S. Panda)**  
Partner

Place : New Delhi  
Dated : 28th May, 2003

Place : New Delhi  
Dated : 26th August, 2003



# Auditors' Report

## ANNEXURE TO THE AUDITORS' REPORT

[Referred to in our Report of even date]

COMMENTS	MANAGEMENT'S REPLIES
<p>1. (a) The Company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets.</p> <p>(b) The fixed assets of the Company, <i>except in some cases</i> have been physically verified by the management in accordance with a phased programme of verification which, in our opinion requires strengthening having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies have been noticed with respect to those fixed assets where the reconciliation has so far been completed, and the same have been duly adjusted in the books. <i>As regards the fixed assets not yet verified/reconciled, the discrepancies are not presently ascertainable.</i></p>	<p>Physical verification of fixed assets is carried out in a cycle of three years. This is a continuous process.</p>
<p>2. The fixed assets of the Company have not been revalued during the year.</p>	
<p>3. Except in a few cases, the stocks of semi/finished products and raw materials have been physically verified by the management at all its locations with reasonable frequency during the year. Stores and spare parts, except in a few cases, are verified in accordance with a regular programme of verification which in our opinion, is generally reasonable. In certain cases, the stocks of scraps and middlings have been verified on the basis of visual survey/ estimates.</p>	
<p>4. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks followed by the management are generally reasonable and adequate in relation to the size of the company and the nature of its business.</p>	
<p>5. The discrepancies between physical stocks and book records arising out of physical verification, which were not material, have been dealt with in the books of account.</p>	
<p>6. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.</p>	
<p>7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of Sub-section (6), the provisions of Section 370 of the aforesaid Act, are not applicable to a company on or after 31<sup>st</sup> October, 1998.</p>	
<p>8. The Company has granted loans to certain companies listed in the register maintained under Section 301 of the Companies Act, 1956 and according to the information and explanations given to us, the rate of interest and the terms and conditions thereof, are not prejudicial to the interest of the Company.</p>	
<p>9. Loans and advances in the nature of loans have been given by the Company to the employees, their co-operative societies and other parties and they are repaying, in most cases, the principal amounts as stipulated and are also generally regular in payment of interest, where applicable <i>except for Rs. 178.92 crores due from a public sector undertaking where recovery of principal and interest as stipulated has not been made during the year. The above amount includes an advance of Rs. 163.07 crores, which has been given in excess of the contractual amount to a public sector undertaking, for recovery of which no stipulations have been agreed to (Refer Note No.4.2 in Schedule 3).</i> We are informed that reasonable steps have been taken for recovery in the defaulting cases.</p>	<p>The amount of Rs. 178.92 crores pertains to advances given to HSCL. Reply is given at para 7(b) of the Auditors' Report.</p>
<p>10. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, 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 including components, plant and machinery, equipment and other assets and for the sale of goods.</p>	
<p>11. According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services 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 the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.</p>	
<p>12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and on such basis, adequate amounts have been written off or provided for in the accounts against such stocks.</p>	

**COMMENTS****MANAGEMENT'S REPLIES**

13. 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 applicable rules framed thereunder with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scraps and by-products where applicable and significant.
15. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business. However, it needs to be further strengthened and its scope to be enlarged.
16. We have broadly reviewed the records maintained by the Plants for production of Fertilisers (Ammonium Sulphate & Calcium Ammonium Nitrate), Chemicals (Benzene & Toluene), Industrial gases and Steel products pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion 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 these are accurate and complete.
17. According to the records of the Company Provident Fund dues, *except in a few cases*, have generally been regularly deposited during the year with the appropriate authorities. As informed to us, the Employees' State Insurance Act is not applicable to the Company.
18. According to the information and explanations given to us, *except for Rs. 12.96 crores in respect of excise duty and sales tax*, there are no undisputed amounts payable in respect of income-tax, sales tax, custom duty and excise duty which have remained outstanding as at 31<sup>st</sup> March, 2003 for a period of more than six months, from the date they became payable.
19. According to information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of Clause (0) of sub-section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the Company's trading activities, damaged goods as explained to us by the management, have been ascertained and adequately dealt with in the accounts.
22. In respect of service activities carried out by the Company, which are not significant in view of the size of the Company, in our opinion there is a reasonable system of recording receipts, issues and consumption of materials and stores and allocation of materials and man-hours to the relative jobs. There is also a reasonable system of authorisation at proper levels and adequate system of internal controls, commensurate with the size of the Company and the nature of its business, on the issue of stores and allocation of stores and man-hours to the relative jobs.

Provident fund dues payable during the year have been fully deposited.

The amount of Rs. 12.96 crores in respect of excise duty and sales tax pertains to estimated value of escalation claims on Railways and the same would be discharged on settlement of claims through supplementary invoices.

**For S.N. Nanda & Co.**  
Chartered Accountants

Sd/-  
**(S.N. Nanda)**  
Partner

**For Chaturvedi & Co.**  
Chartered Accountants

Sd/-  
**(S.C. Chaturvedi)**  
Partner

For and on behalf of the Board of Directors

Sd/-  
**(V.S. Jain)**  
Chairman

**For P.A. & Associates**  
Chartered Accountants

Sd/-  
**(P.S. Panda)**  
Partner

Place : New Delhi  
Dated : 28th May, 2003

Place : New Delhi  
Dated : 26th August, 2003

## COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2003

Item No.	Comments	Management's Replies
<b>A.</b>	<b>PROFIT &amp; LOSS ACCOUNT</b>	
	Net loss (after tax) of the company for the year amounting to Rs. 304.31 crore would increase in view of the following:	
<b>1.</b>	<b>Other Expenses have been understated by Rs.58.56 crore due to :</b>	
	(i) Non-provision of liability towards guarantee fee payable to Government of India on foreign loan (Rs.50.96 crore).	At the time of grant of guarantee for foreign loans prior to 1992, there was no provision for payment of guarantee fee. Subsequently, such guarantee fee has been unilaterally levied on retrospective basis. The matter is being pursued with the Government of India for not levying the guarantee fee on such loans retrospectively.
	(ii) Non-provision for doubtful debts outstanding from the parties (Rs.7.60 crore).	Legal action has been initiated against the party (Rs. 1.53 crores), whose cheque got dishonoured. The other debt (Rs. 6.07 crores) pertains to Small Scale Industries Corporation, a unit of Uttar Pradesh State Government. The dues are being pursued for recovery. In our view the amounts are recoverable.
<b>2.</b>	Interest and Finance charges have been understated by Rs.51.38 crore due to accountal of excess subsidy claimed from Government of India.	The Financial & Business Restructuring proposal of SAIL approved by the Government of India (GOI) in February 2000, inter-alia, provided for GOI's guarantees of Rs.1500 crores, with 50% interest subsidy on the funds, to be raised from the market by SAIL for reduction in manpower through Voluntary Retirement Schemes. In line with the decision of the GOI, the funds were raised during 2000-01 to 2002-03 from the market and subsidy @ 50% of the interest paid to the Bond holders from the date of allotment of Bonds was claimed and received from the GOI.
		As per company's rules, employees are released after they settle their dues, vacate company's accommodation etc. Thus, the employees were released over a period of time and the VRS funds parked in the escrow account were withdrawn and utilised in phases. Interest subsidy has been correctly claimed in line with fund raised and interest paid thereon.
<b>3.</b>	Depreciation has been understated due to incorrect application of depreciation rate and non-capitalisation of machinery spares (Rs.16.15 crore).	The process control assets forming part of the main equipments have been depreciated at the rates applicable to plant and machinery, in line with consistent accounting treatment followed over the years. Accordingly, there is no under provision of depreciation of Rs. 12.17 crores on the assets. Further the depreciation on some of the assets/ spares procured in earlier years, now commented upon (Rs. 3.98 crores) will be reviewed in the current year.
<b>4.</b>	Income of the company has been overstated by Rs.52.46 crore due to accountal of materials worth Rs.254.41 crore as sales although the company had not endorsed the railway receipts in favour of the customer or material were not delivered within 31 <sup>st</sup> March, 2003.	Sales are accounted for consistently based on the delivery of goods to the carriers wherein significant risks and rewards of ownership have been passed on to the customers. In the cases referred, the despatches have been made to the customers and accordingly included in the sales. However, the documents were held in the custody of the company for securing the payments.
		It is a normal accounting principle that a transaction of sale/ revenue gets recognised even when an enterprise retains an insignificant risk of ownership i.e. legal title to the goods by delaying endorsement of Railway Receipts etc. to protect the



## Comments

## Management's Replies

collectability of amount due. Further, the position is adequately clarified through the accounting policy of the company which states that 'Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection of payments'.

### B. BALANCE SHEET

1. Fixed Assets include idle assets namely, short blasting machine (Rs.1.01 crore) of Alloy Steel Plant, I-D Motor (Rs. 8.79 crore) procured for rail and structural mill of Bhilai Steel Plant and Box Annealing & Carlite line (Rs.7.79 crore) of Rourkela Steel Plant.

Some facilities/assets do remain idle for some time due to technical or commercial reasons or as a standby equipment. As per normal accounting practice, depreciation continues to be charged on such assets. Status of each scheme is being reviewed regularly.

2. Inventories have been over-stated by Rs. 59.30 crore due to :

(i) Valuation of residual and accumulated old dump of mixed coke embedded with soil at Bokaro Steel Plant (Rs.56.25 crore).

Mixed Coke lying at Bokaro Steel Plant is usable within the plant and has also a good market outside. Mixed Coke lying in the yard is being continuously drawn and used in the sinter plant. M/s MECON, an independent agency, also surveyed the stock and confirmed the availability, usability and valuation of the same.

(ii) Valuation at higher rates of cold rolled arisings at Bokaro Steel Plant (Rs. 3.05 crore).

The arisings of Cold Rolling Mills are not scrap and are distinctly marketed. These are valued at lower of cost or net sales realisation of defective steel products. This accounting treatment is being consistently followed.

### C. NOTES ON ACCOUNTS

#### Contingent liabilities do not include the following:

(i) Arrears of pay & allowances for the period from 1.1.97 to 31.12.2000 in respect of employees (Rs. 1500 crores)

Wage agreements have been finalised with the employees, notionally from 1.1.1997 to 31.12.2000 and implemented from 1.1.2001. The liability has been provided accordingly as the matter relating to arrears, for the period from 1.1.1997 to 31.12.2000 is to be discussed separately, keeping in view the financial health of the company. Liability if any, will be provided only on settlement. Contingent liability arises when there are disputes on existing agreement/contract. The position has also been adequately disclosed in Note No.5.2 of Schedule 3 – 'Notes on Accounts'.

(ii) Claims lodged by contractors under modernization packages of Durgapur Steel Plant (Rs. 394.70 crores) and Bokaro Steel Plant (Rs. 247.29 crores)

The claims of HSCL (a public sector undertaking) and BTS against Durgapur Steel Plant (DSP) and claims of VAI, SMS (AG) and its consortium members against Bokaro Steel Plant (BSL) under various modernisation packages, are under conciliation. Claims of the aforesaid parties get off-set against our counter-claims. Thus there is no contingent liability requiring disclosure.

Sd/-  
(Amrik Singh)

Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board,  
Ranchi.

For and on behalf of the  
Board of Directors

Sd/-  
(V.S. Jain)  
Chairman

Place : Ranchi  
Date : 22<sup>nd</sup> August, 2003

Place : New Delhi  
Date : 26<sup>th</sup> August, 2003

## REVIEW OF ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003, BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

(Review of Accounts has been prepared without taking into account the impact of comments of the COMPTROLLER & AUDITOR GENERAL OF INDIA under Section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report).

### 1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :-

DESCRIPTION	2000-01	2001-02	2002-03
			<i>(Rs. in crores)</i>
<b>LIABILITIES</b>			
(a) Paid-up Capital			
i) Government	3544.69	3544.69	<b>3544.69</b>
ii) Others	585.71	585.71	<b>585.71</b>
(b) Reserves & Surplus			
i) Free Reserves & Surplus	0.00	0.00	<b>0.00</b>
ii) Share Premium Account	236.84	236.15	<b>235.33</b>
iii) Specific Reserves	923.37	923.82	<b>924.44</b>
(c) Borrowings from			
i) (a) Government of India	0.27	0.27	<b>0.27</b>
(b) Steel Development Fund	204.16	204.16	<b>204.16</b>
ii) Foreign sources - Long-term	2092.95	1914.82	<b>1833.00</b>
iii) Term Loan	1397.50	868.33	<b>1016.25</b>
iv) Non Convertible Bonds	4780.73	4439.95	<b>4942.75</b>
v) Bond Application Money	39.45	83.60	<b>0.00</b>
vi) Housing Finance Loans	200.01	200.00	<b>225.00</b>
vii) Inter-Corporate Loans	0.00	0.00	<b>6.18</b>
viii) Public Deposits	1337.16	1272.46	<b>1036.39</b>
ix) Working capital borrowings from Banks	3546.86	4026.65	<b>2716.87</b>
x) Foreign sources - Short-term	331.29	551.76	<b>444.16</b>
Total Borrowings (i to x)	13930.38	13562.00	<b>12425.03</b>
xi) Interest accrued and due	320.30	457.36	<b>544.62</b>
(d) i) Trade Dues, Current Liabilities and Provisions (excluding Gratuity / Accrued Leave & Post - Retirement Medical & Settlement Benefit)	5273.77	4849.46	<b>4772.43</b>
ii) Provision for Gratuity / Accrued Leave & Post Retirement Medical & Settlement Benefit	1256.56	1647.76	<b>2344.60</b>
iii) Sundry Creditors for capital works	263.41	253.95	<b>194.99</b>
Total (a to d)	<u>26335.03</u>	<u>26060.90</u>	<u><b>25571.84</b></u>
Note : Rs. 2743.44 crore of loans fall due for repayment in next financial year.			
<b>ASSETS</b>			
(e) Gross Block	26915.59	27198.88	<b>27534.61</b>
(f) Less : Cumulative Depreciation	11738.19	12400.73	<b>13498.75</b>
(g) Net Block	15177.40	14798.15	<b>14035.86</b>
(h) Capital Work-in-Progress	1220.59	555.94	<b>378.62</b>
(i) Investments	435.30	538.62	<b>543.17</b>
(j) Loans & Advances to Subsidiary Companies	14.31	23.37	<b>8.30</b>
(k) Current Assets, Loans and Advances	8361.71	7106.55	<b>7304.65</b>
(l) Miscellaneous Expenditure (to the extent not written-off or adjusted)	371.99	577.65	<b>536.31</b>
(m) Profit & Loss Account Debit Balance	753.73	2460.62	<b>2764.93</b>
Total (e to m)	<u>26335.03</u>	<u>26060.90</u>	<u><b>25571.84</b></u>
(n) Working Capital [k-d(i)-c(xi)]	2767.64	1799.73	<b>1987.60</b>
(o) Capital Employed (g +n)	17945.04	16597.88	<b>16023.46</b>
(p) Net Worth [(a)+b(i)+b(ii) - l - m]	3241.52	1328.28	<b>1064.49*</b>
(q) Net Worth per Rupee of Paid-up Capital (Re.)	0.78	0.32	<b>0.26</b>
(r) Profit / Loss (-) before Tax	-728.66	-1706.89	<b>-315.87</b>
(s) Profit / Loss (-)after Tax	-728.66	-1706.89	<b>-304.31</b>

N:B. The figures for the previous years wherever necessary have been re-arranged / regrouped

\* The company has become a potential sick company in terms of section 23 of the Sick Industrial Companies Act, 1985



## 2. Ratio Analysis

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under :-

	2000-01	2001-02	<u>2002-03</u> (In Percentages)
<b>A. Liquidity</b>			
i) Current ratio (current assets to current liabilities & provisions and interest accrued & due but excluding provisions for (Gratuity/ accrued leave and post-retirement benefits) [k/(d(i)+c(xi))]	149.47	133.91	<b>137.38</b>
ii) Acid Test Ratio (quick assets i.e. cash and bank balances, sundry debtors and loans and advances (excluding balances with Customs, Excise, Port Trust and Railways, etc., and stores issued on loan) to current liabilities (excluding provisions and deferred credits and stores received on loan)	72.67	59.41	<b>70.19</b>
<b>B. Debt Equity Ratio</b>			
Long term debt to Equity [c(i) to (viii)/(a+b(i)+b(ii))]	2.30	2.06	<b>2.12</b>
<b>C. Profitability Ratios</b>			
Due to loss, profitability ratios are in negative.			

## 3. Working Capital

i) The following indicates the ratio of working capital to Sales during the last three years :-

	2000-01	2001-02	<u>2002-03</u> (Rs. in crores)
a) Working capital	2767.64	1799.73	<b>1987.60</b>
b) Sales	16232.63	15502.00	<b>19207.10</b>
c) % of Working capital to Sales	17.05	11.61	<b>10.35</b>

ii) The Company has made credit arrangements with consortium of banks, lead Bank being the State Bank of India, secured by Company's inventories, book debts and other current assets. The actual utilisation at the year end, during the last three years, was as under :

Years	Utilisation (Rs. in crores)
2000-01	3546.86
2001-02	4026.65
<b>2002-03</b>	<b>2716.87</b>

## 4. Sources and Utilisation of Funds

Funds amounting to Rs. 1629.56 crores from internal and external sources were realised and utilised during the year ended 31st March, 2003 as given below :

		(Rs. in crores)
<b>I. Sources of Funds</b>		
a) Loss after tax	<b>-304.31</b>	
Add : Depreciation (including Rs. -0.16 crores relating to prior period)	<b>1146.50</b>	
Add : Decrease in miscellaneous expenditure	<b>41.34</b>	
Less : Profit on sale of fixed assets	<b>144.19</b>	<b>739.34</b>
b) Sale of fixed assets		<b>20.35</b>
c) Sale / Lease of houses		<b>157.34</b>
d) Increase in Gratuity/Accrued Leave Provision/Post-Retirement Medical and Settlement Benefits		<b>696.84</b>
e) Increase in Capital Reserve(incl. P.M's Trophy Award Fund)		<b>0.62</b>
f) Decrease in loans and advances to Subsidiary Company		<b>15.07</b>
Total (a to f)		<b>1629.56</b>

# Review of Accounts

(Rs. in crores)

## II. Utilisation of Funds

a) Additions to fixed assets	418.06	
Less : Decrease in Capital W-I-P (excl. depreciation on own equipments used for construction)	177.67	240.39
b) Increase in working capital		187.87
c) Decrease in borrowed funds		1136.97
d) Decrease in sundry creditors for capital works		58.96
e) Decrease in share premium (Net)		0.82
f) Increase in Investment		4.55
Total (a to f)		<u>1629.56</u>

## 5. Working Results

### 5.1 The working results of the Company for the last three years are tabulated below :

	2000-01	2001-02	2002-03
			(Rs. in crores)
a) Sales	16232.63	15502.00	19207.10
b) Cash profit / loss (-) (Profit/Loss before depreciation and tax)	414.96	-551	830.79
c) Net profit / loss (-) before tax	-728.66	-1706.89	-315.87
d) % of Cash profit to Sales	2.56	-ve	4.33

### 5.2 Trends

The finished/semi-finished goods stock at the end of the year as percentage to sales has reduced from 18.00 in 2000-01 to 16.13 in 2001-02 and to 10.76 in 2002-03 as indicated below :

Year	Semi/Finished Stock (Rs. in crores)	Sales (Rs. in crores)	Percentage
2000-01	2922.50	16232.63	18.00
2001-02	2500.12	15502.00	16.13
<b>2002-03</b>	<b>2067.12</b>	<b>19207.10</b>	<b>10.76</b>

### 6 (a) Cost Trends

The table below indicates the percentage of cost of sales to net sales realisation during the last three years :

Particulars	2000-01	2001-02	2002-03
			(Rs. in crores)
<b>Sales</b>	16232.63	15502.00	19207.10
Less :			
Excise duty	2122.91	1982.62	2370.56
Freight outward	531.21	552.85	511.81
JPC Cess	2.14	2.27	2.39
Other Export Sales Expenses	35.6	35.78	50.13
Total Deductions	<u>2691.86</u>	<u>2573.52</u>	<u>2934.89</u>
Net Sales realisation	13540.77	12928.48	16272.21
Add : Loss	-728.66	-1706.89	-315.87
Cost of Sales	14269.43	14635.37	16588.08
Percentage of Cost of Sales to Net Sales realisation	105.38	113.20	101.94



## 6 (b) Value of Production

The value of production including excise duty, freight outwards, etc. during the last three years is indicated below :

	2000-01	2001-02	<b>2002-03</b>
			<i>(Rs. in crores)</i>
i) Sales	16232.63	15502.00	<b>19207.10</b>
ii) Closing stock of finished/semi-finished products	2922.50	2500.12	<b>2067.12</b>
iii) Opening stock of finished/semi-finished products	2818.57	2922.50	<b>2500.12</b>
iv) Value of Production (i+ii-iii)	16336.56	15079.62	<b>18774.10</b>

The percentage of value of production to Net Worth was 503.98 in 2000-01, 1135.27 in 2001-02 and 1763.67 in 2002-03. The percentage of value of production to total net assets of the company was 62.03 in 2000-01, 57.86 in 2001-02 and 73.42 in 2002-03.

7. The following table gives the comparative position of Inventory (net of provisions) and its broad details at the close of the last three years :

	2000-01	2001-02	<b>2002-03</b>
			<i>(Rs. in crores)</i>
i) Stores & Spares (excluding in-transit)	865.64	815.55	<b>807.18</b>
ii) Raw Materials (excluding in-transit)	522.24	489.72	<b>541.17</b>
iii) Stock in trade	2922.50	2500.12	<b>2067.12</b>
iv) Others	16.71	21.51	<b>21.85</b>
Total	4327.09	3826.90	<b>3437.32</b>

The stock of stores & spares is equivalent to 6.30 months' consumption of stores and spares in 2000-01, 6.13 months' consumption in 2001-02 and 5.59 months' consumption in 2002-03. The stock of raw materials represents 1.16 months' consumption in 2000-01, 1.04 months' consumption in 2001-02 and 1.04 months' consumption in 2002-03. The stock in trade is equivalent to 2.16 months' sales in 2000-01, 1.94 months' sales in 2001-02 and 1.29 months' sales in 2002-03.

## 8. Sundry Debtors and Turnover

- a) The following table indicates the volume of book debts and sales for the last three years :

As on 31st March	Total Book Debts			Sales	% age of total Debts to Sales
	Considered good	Considered doubtful	Total		
2001	1687.59	126.76	1814.35	16232.63	11.18
2002	1389.41	161.88	1551.29	15502.00	10.01
<b>2003</b>	<b>1660.09</b>	<b>184.82</b>	<b>1844.91</b>	<b>19207.10</b>	<b>9.61</b>

Though the percentage of Sundry debtors to sales has decreased, the percentage of doubtful debt to sundry debtors increased from 6.99 in 2000-01 to 10.43 in 2001-02 but has declined to 10.02 in 2002-03.

- b) The following table indicates the details of the debts outstanding for more than one year as on 31st March, 2003 :

	Government Departments/Undertakings	Private Parties
		<i>(Rs. in crores)</i>
1. Debts outstanding for more than one year but less than three years	105.82	18.47
2. Debts outstanding for three years or more	96.55	92.95

## 9. Contingent Liabilities

The following table indicates the details of contingent liabilities and current liabilities for the last three years :

	2000-01	2001-02	<b>2002-03</b>
			<i>(Rs. in crores)</i>
(i) Contingent Liabilities	2761.50	3118.84	<b>2853.25</b>
(ii) Current Liabilities	4838.66	4654.88	<b>4475.32</b>
(iii) Percentage of Contingent Liabilities to Current Liabilities	57.07	67.00	<b>63.76</b>

The percentage of Contingent Liabilities to Current Liabilities which was 57.07 in 2000-01 increased to 67.00 in 2001-02 has declined to 63.76 in 2002-03.

Sd/-

**(Amrik Singh)**

Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board, Ranchi

Place : Ranchi  
Dated : 22<sup>nd</sup> August, 2003



**A. CONSERVATION OF ENERGY****(a) Conservation of Energy Measures Taken**

The overall specific energy consumption in SAIL of 4 integrated steel plants during 2002-03 has been 7.5 Gcal/tcs, as compared to 7.69 Gcal/tcs in 2001-02. A few important energy conservation schemes implemented during the year 2002-03 are listed below:

**Bhilai Steel Plant**

- Introduction of PCM firing in rotary kiln of RMP-I with dual fuel burners.
- Modification of coke oven gas burner in PP-I to increase the coke oven gas intake in boilers.
- Installation of high pressure oxygen line from OP-2 to SMS-I.
- Installation of modified dumpers in SP-II.

**Durgapur Steel Plant**

- Computerisation of section mill reheating furnace.
- Performance improvement in reheating furnace of Skelp Mill.

**Rourkela Steel Plant**

- Introduction of slit burners in two machines at Sinter Plant-I.
- Improvement in LD gas recovery in SMS-II.
- Reduction in oxygen consumption in SMS-I & II.

**Bokaro Steel Plant**

- Introduction of dual fuel burner in rotary kilns of RMP.
- Introduction of efficient heating system in ladle repair shop of blast furnace.

**(b) Additional Investment and Proposal, if any, being Implemented for Reduction in Energy Consumption****Bhilai Steel Plant**

- Stabilisation of coal dust injection in BF # 6.
- Injection of tar in BF# 4 as an additional fuel.
- Introduction of coke oven gas firing in vertical shaft kiln, RMP-2.
- Improvement in LD gas recovery system.
- Introduction of BF gas firing in Boiler # 6, PP-I.

**Durgapur Steel Plant**

- Computerisation and optimization of heating regimes of the reheating furnace at Section Mill with delay strategies.
- Improvement in productivity of reheating furnace at Merchant Mill.

- Improvement in performance of BF # 3 w.r.t. coke rate and quality of hot metal.

**Rourkela Steel Plant**

- Introduction of multi-slit burner in SP-2.
- Reduction of specific hot metal consumption in BOF, SMS-II.
- Improvement in annealing furnace of continuous annealing furnaces in CRM.

**Bokaro Steel Plant**

- Introduction of slit burners and ignition hood in machine # I at Sinter Plant.
- Reduction in coke rate of Blast Furnace # 3.
- Achievement of higher hot blast temperature in blast furnace.

**Visveswaraya Iron and Steel Plant**

- Optimisation of techno-economic parameter of blast furnace.
- Improvement in utilization of BF gas.

**(c) Impact of Measures on Energy Consumption**

The overall energy consumption during the year has reduced by about 2.5% as compared to previous year.

**(d) Total Energy Consumption & Energy Consumption per unit of Production**

Form 'A' enclosed.

**B. TECHNOLOGY ABSORPTION**

Efforts made in 'Technology Absorption' are given in Form 'B'.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(Rs. in crores)

i)	Foreign exchange earned from exports and other activities	1076.60
ii)	Foreign exchange used:	
	(a) CIF value of import	2318.00
	(b) Other expenditure in foreign currency	126.73

For and on behalf of  
the Board of Directors

New Delhi  
Dated : 26th August, 2003

Sd/-  
**(V.S. Jain)**  
Chairman



**FORM A**  
**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO**  
**CONSERVATION OF ENERGY**

Particulars	2002-03	2001-02
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
<b>a) Total Power Purchased</b>		
Units (Million KWH)	5697	4559
Total amount (Rs.crores)	1661	1344
Average Rate per Unit (Rs./KWH)	2.92	2.95
<b>b) Own Generation</b>		
i) Through Diesel Generator		
Units (Thousand KWH)	0.626	0.463
Units per litre of Diesel Oil (KWH)	3.51	3.44
Average Cost per Unit (Rs./KWH)	4.45	3.20
ii) Through Steam Turbine/Generator		
Units (Million KWH)	709	1839
Units per Gega Calories of Energy Input	214	284
Average Cost per Unit (Rs./KWH)	2.99	2.19
<b>2. COAL</b>		
i) Coking Coal		
Quantity (Million Tonnes)	11.81	11.44*
Total Cost (Rs. crores)	3904	3464*
Average Rate (Rs. per Tonne)	3307	3028*
ii) Non-coking coal		
Quantity (Million Tonnes)	0.84	1.91
Total Cost (Rs. crores)	102	212
Average Rate (Rs. per tonne)	1217	1108
<b>3. FUEL - OILS</b>		
Quantity ('000 Kilo Litres)	42	56
Total Cost (Rs. crores)	50	60
Average Rate (Rs./Kilo Litres)	12029	10775
<b>4. OTHERS</b>		
Purchased Coke, LPG, Oxygen, Gases, Process Steam, etc. (Rs. in crores)	276	95*

\* Jhama Coal included in coking coal shifted to others.

**B. CONSUMPTION PER TONNE OF PRODUCTION**

	STEEL (4 Integrated Steel Plants)	ALLOY & SPL. STEELS (ASP, SSP & VISL)*	GROSS CAN AT ROURKELA FERTILIZER PLANT
Purchased Electricity (kwh)	517 (435)	1184 (1265)	1116 (1079)
Fuel-oils (Litres)	2 (3)	86 (286)	
Coking Coal (kgs.)	1143 (1183)		
Non-coking Coal (kgs.)	81 (197)		

\* ASP, SSP & VISL stand for Alloy Steel Plant, Salem Steel Plant and Visvesvaraya Iron & Steel Plant.

Note: 1. Purchase power quantity consists of power from Joint Venture also.

2. Figures in brackets are for the previous year. In view of divestment of Power Plants, the last year's figures are not comparable.

3. For like to like comparison, last year figures have been regrouped.

## FORM 'B'

### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

#### 1. Specific areas in which R&D activities were carried out by the company

- Quality Improvement
- Yield / Productivity improvement
- Energy conservation
- New Technology/Product Development

#### 2. Benefits Derived as a result of R&D efforts

##### Quality Improvement

- Introduction of superior quality magnesia board in tundish, alumina graphite SEN and use of start-up powder improved slab yield at Bhilai Steel Plant (BSP). Better dimensional control of rolled plates was ensured by introducing proper edging passes and roll pass schedule thereby reducing losses due to excessive trimming of plates. These measures resulted in about 10% increase in the yield of the finished plates.

Further, a combined effect of technological measures like restricting super heat to 35 °C (max.), use of smaller diameter rolls in secondary cooling zone and multiple point bending of slab during casting, control of Mn (1.5% max.) and elimination of slab thickness laying passes in the plate mill resulted in decrease in Non Distinctive Testing failure of plates from 10 to 4%.

Design modification in A & B strands of Wire Rod Mill at BSP have been made for accelerated cooling of wire rods. This has enabled cooling of wire rods at a water pressure of 8-10 kg/cm<sup>2</sup> resulting in average coiling temperature of 770–830 °C as compared to earlier level of 880-920 °C. This has resulted in reduction in secondary scale formation to 0.84-1.24% from a level 2.0– 2.5%. The system is in regular use.

- Increased incidence of rolled-in-scale on the surface of HR coils was tackled effectively through reduction of entry bar temperature after R5 of Hot Strip Mill at Bokaro Steel Plant (BSL) by bringing down furnace drop out temperature in the range of 1050-1060 °C from earlier value of 1100 °C. Finishing entry temperature of 930-950 °C was maintained. Inter-stand cooling between F6-F7 and F7-F8 was introduced to prevent further rise in skin temperature. Thus, formation of hard haematite could be restricted to around 5.5-7.5%. The marked decrease in haematite content had a profound influence in reducing the diversions.
- A new system has been designed and commissioned for making provision for applying pressure from 0 to 100 bar for precise shape control in TCM-1 at BSL. A similar system has been designed for SPM-1. Strip crown after TCM-1 has been reduced from 0.010–0.20 mm to 0.005–0.01 mm. Strip flatness improved by 25% and customer complaint on account of bad shape reduced considerably.

##### Cost Reduction

- A screen type charging system was developed and installed in machine no.8 of Sinter Plant – II at BSP replacing conventional chute system to improve vertical segregation of carbon and size in sinter mix. Mean size of sinter mix on the pallet varied from 2.49 to 7.6 mm from top to bottom of the bed. Specific productivity and strength of sinter improved by 3% & 7% respectively.
- Heat holding time (above 1100 °C) of top layer (80 mm above surface) of SP-III at BSP has been prolonged from 60 to 90 seconds by reducing velocity of air sucked through sinter bed from 0.3 –0.4 to 0.25 - 0.32 m/sec by manipulating damper opening of initial & final wind boxes. The productivity increased from 1.12 to 1.23 t/m<sup>2</sup>/hr.
- In order to bring down the consumption of costly deoxidisers viz., Aluminium and CaSi/CaFé in SMS- II at BSL, a process has been designed and implemented. It comprises reduced use of Al at tap, partial replacement of Al by sacrificial deoxidiser, on-line argon purging during tapping, improved LF slag regime; & ladle to tundish shrouding by ceramic and gas. This has resulted in reduction in specific Al consumption from 2.67 kg/tcs to 2.1 Kg/tcs.
- RDCIS provided a number of technological inputs in SP-II at Rourkela Steel Plant during April'99 to March'03 such as improvement in suction; optimisation of ignition regime; installation of permeability bar; optimisation of charging, etc. During the period, the productivity of SP-II improved from 1.16 to 1.26 t/m<sup>2</sup>/hr.
- Improved operating practice, regular slag splashing, hot maintenance, patching and gunning also contributed to increase in lining life. Increased lining life of approximately 1100 heats has been achieved during current year as compared to 995 heats during 2001-2002.
- To enhance life of steel ladle at RSP, a zonal lining design comprising of different qualities of MgO-C bricks has been developed and two sets of linings procured and tried. The important issues considered during lining design were: restriction of heat loss by using insulation, carbon pickup in steel, matching repair schedule of slag zone, seating and well blocks. The ladle lining lasted 100 heats as compared to 45 heats obtained earlier with only one repair of slag zone.
- With an aim to increase specific productivity, a numbers of measures have been incorporated for raw material preparation and sintering process. In Sinter Plant – II at Durgapur Steel Plant in RMHP, Coke Crushing Index has been improved to 70-75% as against earlier value of 60-65%. In sinter plant, installation of two rows of permeability bars, IR moisture meter, increase in bed height by 75mm, modification of the raw mix profile in sinter mix hopper resulted in improving productivity from 1.15 t/m<sup>2</sup>/h to 1.3 t/m<sup>2</sup>/h. Simultaneously, further efforts are directed towards: installation of additional facilities such as: in-situ roll turning in coke crushing circuit, 3 piece sector gate distribution system for controlling sintering speed across the width of pallet, horizontal heat pattern control and compaction rollers for compacting top layers of sinter mix.

##### Energy Conservation

- Wire rod mill furnace lining thickness at Bhilai Steel Plant has been reduced by 65 mm replacing the 115 mm thick insulation brick in each wall with ceramic fibre board and one layer of asbestos board. Specific energy consumption decreased from 485.5 to 462.5 Mcal/ton and productivity increased by 4% due to faster pick-up of temperature after shutdown.
- Application software has been developed in-house and applied in Coke Oven Battery # 3 at BSP for coking process control. Based upon raw coke oven gas temperature and coke temperature at the quenching tower, optimum heat demand calculation is being worked out and heating of ovens is controlled through coking control model. This has resulted in reduction in specific heat consumption by 5% in the coke oven battery. This technology also facilitates on-line preparation of oven scheduling and data logging for operator guidance.



- Average dropout temperature was reduced at BSL from 1250–1280 °C to 1180 –1210 °C and average specific heat consumption has been brought down to 463 from 485 Mcal/t due to higher rolling rate attained through the use of heat shield between R4 and R5.
- A number of process optimisation measures such as burden distribution optimisation based on the cold model findings with MTA charging system, control of KE and RAFT at optimum level, increased number of castings to 8-9 casts/day along with other process control measures, were undertaken at Rourkela Steel Plant to improve the blast furnace performance. Successful implementation of these measures resulted in 12% increase in hot metal production and 5.8% decrease in coke rate.

#### New Technology/Product Development

- A modified superior chemistry was designed for TMT wire rod with low carbon (0.10% max.), low Mn (0.50% max.) and slightly higher P (0.08-0.10%). Two heats were made at Bhilai Steel Plant with this chemistry and processed to SWR-14 grade and TMT 415 grade wire rod simultaneously conforming to IS 1786 specification. In the performance trial at the customer's works, newly developed SWR-14 grade steel has performed well in batch drawing and continuous drawing process in which 8 mm dia wire rod was drawn to 2 mm dia wire, besides improved atmospheric corrosion resistance properties of the drawn wire.
- Experimental corrosion resistant rails with controlled alloying addition of Cu and Cu-Mo were made at Bhilai Steel Plant in separate campaigns for Indian Railways. Mechanical properties and corrosion resistance of these experimental rail steels were found to be superior to the conventional IRS T-12/96 Gr. 880 plain C-Mn rail. These grades of steel are to be used in coastal railway line where the environment is corrosive and harsh.
- To increase the market share of EDD steel (HR/CR), particularly in the automobile and cold reducer segments, improvement in quality of conventional EDD steel ( $C \leq 0.06\%$ ) through lowering of carbon ( $\leq 0.04\%$ ) was attained at Bokaro Steel Plant through Combined Blowing Technology in BOF by optimising the steel making parameters. This resulted in reducing carbon level in the range of 0.025-0.04% and nitrogen level between 35 to 40 ppm. Cleanliness level of steel also improved (inclusion vol. 0.12% max.).
- As an import substitution measure, trial manufacturing of the plates used for proof of ammunition for strategic applications was carried out at Rourkela Steel Plant. The steel chemistry and process details were designed and one heat of 50t was made at ASP and the ingots were rolled at BSL. The slabs were converted into 150mm thick plates conforming to the required properties. Ballistic tests were conducted at Chandipur and the results were comparable to imported plates. The material flow during bullet penetration was more uniform in trial plate.

### 3. Future Plan of Action

R&D programmes identified for the next five years are as follows :

Technology Areas	Objectives
Coal, Coke & Chemicals	Improvement in coal carbonization practices and coke quality; Introduction of process automation for improvement in coke quality and yield of by-products; Improvement in service life of coke oven battery, Improvement in coal charge preparation for optimization of cost of coal blends.
Iron & Sinter	Maximising of BF productivity with Indian Iron ore through in-furnace investigations (Under SDF aided Project); Reduction in coke rate; Assimilation of new iron making technologies; Improvement in process parameter for increasing productivity and reducing cost of BF hot metal; Development of appropriate beneficiation and agglomeration schemes through lab/pilot studies; Technological upgradation of beneficiation plants, Improvement in sintering technology to achieve performance of sinter plant to international level; Optimisation of sintering process parameters to improve sinter quality/yield; Introduction of innovative agglomeration technologies and their horizontal transfer.
Steel Making & Casting	Reduction in cost of liquid steel through improved productivity and reduced level of inputs in BOF and secondary refining units, enhancement of caster productivity including improved sequence length and tundish life and reduction in level of non-metallic residuals for production of high value products.
Refractories	Improvement in life of ladles for handling hot metal and steel by using better refractory lining; Introduction of low/ultra low cement castables in SAIL plants; Laboratory development of refractory cement from dolomite; Development and application of models for state-of-art customised lining design and life prediction aimed at reduction of specific refractory consumption; Introduction of self flow castable in SAIL plants.
Rolling Technology	Improvement in the operational efficiency of Rolling Mills; Elimination of surface defects; Improvement in the productivity and surface quality of cold rolled products; Control of process parameters for improving the quality of rails and yield improvement of primary mills.
Product Development	Development of process for advanced hot dip coated products using hot dip process (SDF aided project). Production of low aluminium wheel and optimization of heat treatment practice; Improvement in yield and quality of special quality plates; Development of special steel grades for automobile, agriculture and oil segments, corrosion resistant rail steel, auto body quality sheets & coils; Improvement in the performance of lubrication systems to enhance life of critical equipment; Promoting the application of new SAIL products in different sectors like - agriculture, automobile and construction.
Energy Conservation	Development and introduction of fuel efficient burners; Optimisation of heating and rolling regime for reduction in energy consumption; Modifications of combustion system in heating/

## Technology Areas

## Objectives

	heat treatment furnaces; Improvement in utilization of BF gas; Energy conservation using computerised process and combustion control systems, Implementation of multi-slit burners at Sinter Plants for improved fuel efficiency.
Automation & Computerisation	Introduction of automation and control systems for productivity, yield and quality improvement in steel plant units like – reheating furnaces, heat treatment furnaces, finishing lines and rolling mills; Development of integrated communication and instrumentation system; Development and application of softwares for various applications.
Environment & Pollution Control	Assessment of PAH, NO <sub>x</sub> and improving effluent treatment in coke oven area of different steel plants; Evaluation of impact of hazardous wastes and studies on their reuse/safe disposal.

#### 4. Expenditure on R&D

(Rs. in crores)

Capital	0.89
Revenue	53.93
Total	54.82
% of Turnover	0.29

### TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Technology development, absorption, adaptation and further improvement are continuously taking place in SAIL in different areas of steel plant operation through a definitive technology strategy and intensive R&D efforts. A number of new technologies are installed/being installed as a part of modernisation/continuous improvement. These area-wise include:

#### Coke Making

- Introduction of new environment friendly designs in rebuilding of Coke Oven Battery No. 1 of RSP.
- Selective crushing of Coal (for improved coke quality) at DSP.
- Partial Briquetting of Coal Charge for improving coke strength at RSP.
- Computerised Combustion Control of Battery No.4 and 8 at BSL.

#### Sinter Making

- Base Blending for Sinter mix (for improved sinter quality).
- System for recovery of sensible heat from sinter for increased energy efficiency in ignition furnace at the new Sinter plants of BSP, DSP & RSP.

#### Iron Making

- Two stage Gas Cleaning Plant for Blast Furnace at RSP for improvement in quality of BF gas.

#### Steel Making

- Hot Metal Desulphurisation system after mixer for charging low sulphur hot metal in the BOF converters for improved steel quality at RSP.
- Introduction of combined blowing technology (for improved product quality) in SMS-II, BSL.
- Introduction of RH Degassing for improved rail steel product quality in SMS-II of BSP.
- Introduction of Electro-magnetic stirring (for improved product quality) in the continuous casting machines at VISL, DSP and ASP.

#### Rolling Finishing

- Slit rolling in Merchant Mill (for increased productivity and broader product range) in Merchant Mill of DSP.
- Laminar Strip Cooling, Hydraulic Automatic Gauge Control, Work Rolling Bending (all for improved product quality) in the Hot Strip Mill of BSL & RSP.
- Installation of Walking Beam Reheating Furnaces (for improved product quality, yield and reductions in energy consumption) in the Hot Strip Mills of BSL and RSP and in the Plate Mill of RSP.

#### Computerisation & Automation

- Introduction of on-line computerized process control system based on mathematical models in all major process units to achieve power optimization and reduce specific energy consumption.

These technologies have been/are being gradually absorbed by the plants. No other major technologies were imported by the Company during the last five years.



### (a) Company's philosophy

The philosophy of the company in relation to corporate governance is to ensure transparency, disclosures and reporting that conforms fully with laws, regulations and guidelines, and to promote ethical conduct throughout the organization, with the primary objective of enhancing shareholders value while being a responsible corporate citizen. The company is committed to conforming to the highest standards of corporate governance in the country. It recognizes that the Board is accountable to all shareholders and that each member of the Board owes his/her first duty to protecting and furthering the interest of the company.

### (b) Board of Directors

As on 31<sup>st</sup> March, 2003, the Board of Directors comprised of a full time Chairman, 6 Whole Time Directors (WTD) and 12 non-executive Directors (Non-ED). During the year, 8 Board meetings were held on 26.04.2002, 28.05.2002, 31.07.2002, 24.09.2002, 29.10.2002, 11.12.2002, 28.01.2003 and 25.03.2003.

The composition of directors and their attendance at the board meetings during the year and at the last Annual General Meeting as also number of other directorships are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other directorship held as on 31.3.2003*
Shri V.S. Jain	Chairman	8	Yes	Nil
Shri S.C.K. Patne	WTD	8	Yes	4
Shri B.K. Singh	WTD	8	Yes	5
Dr. S.K. Bhattacharyya	WTD	5	Yes	-
Shri S. Pandey	WTD	7	Yes	2
Dr.Y.R.K. Reddy	Non-ED	6	Yes	4
Shri D.V. Singh	Non-ED	7	-	1
Shri R.V. Gupta	Non-ED	5	Yes	5
Prof. Ram Prasad Sengupta	Non-ED	8	Yes	-
Shri Pyarimohan Mohapatra	Non-ED	4	-	-
Dr. Atul Sarma	Non-ED	8	Yes	-
Shri S.N. Mishra	Non-ED	8	Yes	1
Shri D.P. Singh	Non-ED	7	-	3
Dr. Sanak Mishra	WTD	5	Yes	-
Shri V.K. Agarwal (w.e.f. 25.03.2003)	Non-ED	-	-	-
Shri P.K. Sengupta (w.e.f. 25.03.2003)	Non-ED	-	-	-
Dr. Amit Mitra (w.e.f. 25.03.2003)	Non-ED	-	-	3
Shri A.H. Jung (w.e.f. 25.03.2003)	Non-ED	-	-	1
Shri Arvind Pande (upto 30.09.2002)	Former Chairman	4	Yes	-
Shri A.K. Singh (upto 01.04.2003)	WTD	8	Yes	-
Shri R.C. Jha (upto 31.10.2002)	WTD	3	Yes	-
Dr. Isher Judge Ahluwalia (resigned from the Board w.e.f. 30.07.2002)	Non-ED	1	-	-

\* Includes Directorship in Private companies. The details in respect of directors who are not in office as on 31<sup>st</sup> March, 2003 are not available.

### (c) Audit Committee

#### i) Terms of reference

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight

responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews with management, the quarterly and annual financial statements before their submission to the Board.

The minutes of the audit committee meetings are circulated to the Board, discussed and taken note of.

#### ii) Composition

The Audit Committee of the Board was formed in 1998. However, the Audit Committee was reconstituted on 21<sup>st</sup> March, 2001, consisting of four non-executive Directors. As on 31<sup>st</sup> March, 2003, Shri R.V. Gupta, Shri D.V. Singh, Dr. Atul Sarma and Prof. Ram Prasad Sengupta were the members of the Audit Committee.

During the last year, the committee met 7 times and attendance at the meetings are as follows:

Name of the Director	Status	No. of meetings attended
Shri R.V. Gupta	Chairman	5
Shri D.V. Singh	Member	6
Dr. Atul Sarma	Member	7
Prof. Ram Prasad Sengupta	Member	7

### (d) Nomination & Compensation Committee

- Being a Government company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committees has not been constituted.

- The details of remuneration to whole time directors are given below:

(Rupees)

Name of the Director	Salary	Retirement & other Benefits	Total
Shri V.S. Jain	501812	215232	717044
Shri S.C.K. Patne	507227	202757	709984
Shri A.K. Singh	496710	176237	672947
Shri S. Pandey	521188	186934	708122
Shri B.K. Singh	506904	209403	716307
Shri R.C. Jha (upto 31.10.02)	217374	492341	709715
Dr. S.K. Bhattacharyya	487228	175729	662957
Dr. Sanak Mishra	495703	199924	695627
Shri Arvind Pande (upto 30.09.02)	262001	116421	378422
<b>Total</b>	<b>3996147</b>	<b>1974978</b>	<b>5971125</b>

- The non-executive Directors are paid only sitting fees of Rs.5,000/- for each Board/Board Sub-Committee Meetings attended by them.

- iv) The salary of the whole time directors is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.
- v) Terms & Conditions  
The whole time directors are nominated by Government of India for appointment as Director for a period of 5 years or till the age of Superannuation, which ever is earlier. They are initially appointed by the Board as Additional Directors and thereafter by the shareholders in the Annual General Meeting in terms of the provisions of the Companies Act, 1956.  
The appointment may, however, be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

## (e) Shareholders/Investors Grievance Committee

- i) A Shareholders/Investors Grievance Committee under the Chairmanship of a non-executive director namely Shri R.V. Gupta and comprising of two other directors namely Shri S.C.K. Patne and Shri S.N. Mishra as members is functioning to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- ii) Name of compliance officer: Shri Devinder Kumar, Company Secretary.
- iii) Number of shareholder complaints received during the period from 01.04.2002 to 31.03.2003: NIL

## (f) General Body Meetings

Location and time where last three AGMs held:

Financial Year	Date	Time	Location
2001-2002	24.09.2002	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi
2000-2001	21.09.2001	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.
1999-2000	22.09.2000	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi

## (g) Disclosures

There were no transactions by the Company of material nature with promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions vis-à-vis the company during the year except receipt of sitting fee for attending the meetings of the Board/Board Sub-Committee.

There were no instances of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

## (h) Means of Communication

Quarterly results are published in prominent daily newspapers as per requirements. The quarterly/Annual results are made available at the website of the Company. The Management's Discussion & Analysis Report forms part of the annual report.

## (i) General Shareholders Information

- i) Annual General Meeting is proposed to be held on 26<sup>th</sup> September, 2003 at NDMC Indoor Stadium, Talkatora Garden, New Delhi.
- ii) Dates of Book Closure - 29th August to 26th September, 2003.
- iii) The shares of the Company are listed at the following stock exchanges:  
The Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi-110002.  
The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai-400001 (Stock Code No.113).  
The National Stock Exchange of India Limited, Plot No. C/1, G Block, Bandra Kurla Complex  
Bandra (E), Mumbai-400051.  
The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata-700001.  
Madras Stock Exchange Limited, Exchange Building, Post Box No.183,  
11, Second Line Beach, Chennai-600001.  
The Stock Exchange Ahmedabad, Kamdhenu Complex, Near Polytechnic Panjara Pole, Ahmedabad-380015.  
The London Stock Exchange,  
London EC2N 1HP, UK

It is confirmed that Annual Listing Fee has been paid to each of the stock exchanges.

- iv) The monthly high and low quotation of the company's shares during each month in the last financial year at Mumbai Stock Exchange (BSE) and its comparative performance with the broad based BSE Sensex during the year 2002-2003 are indicated below:

MONTH & YEAR	SENSEX		SAIL at BSE	
	HIGH	LOW	HIGH	LOW
APR '02	3538.49	3296.88	5.40	4.80
MAY '02	3478.02	3097.73	8.95	4.85
JUN '02	3377.88	3148.57	13.30	8.40
JUL '02	3366.74	2932.35	12.70	7.80
AUG '02	3185.08	2931.78	9.55	8.00
SEP '02	3227.62	2973.97	9.15	6.35
OCT '02	3038.92	2828.48	7.40	6.35
NOV '02	3245.98	2928.63	8.70	7.05
DEC '02	3413.83	3186.62	10.45	8.55
JAN '03	3416.92	3199.18	11.70	9.30
FEB '03	3341.61	3218.37	11.45	9.50
MAR '03	3311.57	3039.83	10.75	8.70

- v) Registrar and Share Transfer Agent  
M/s. RCMC Share Registry Private Limited,  
1515 (1<sup>st</sup> Floor), Bhisham Pitamah Marg,  
Kotla Mubarakpur, New Delhi - 110 003.  
Phone No.011-24649720

- vi) Share Transfer System

The Share Transfer Committee of the Board meets at regular intervals, almost every fortnight, so that shares lodged for transfer are despatched back well within the time limit prescribed in this respect under the listing agreements.



vii) Distribution of Shareholdings as on 31st March, 2003

Share Holding	Share holder Number	% of Total	Amount In Rupees	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 5,000	172794	82.04	328,496,480	0.80
5,001 - 10,000	18,315	8.70	167,436,610	0.41
10,001 - 20000	8,957	4.25	149,613,480	0.36
20,001 - 30,000	3,169	1.50	84,811,480	0.21
30,001 - 40,000	1,448	0.69	53,833,690	0.13
40,001 - 50,000	1,923	0.91	93,824,650	0.23
50,001 - 1,00,000	2,158	1.02	167,427,550	0.41
1,00,001 and above	1,862	0.88	40,258,561,510	97.47
<b>TOTAL</b>	<b>210,626</b>	<b>100.00</b>	<b>41,304,005,450</b>	<b>100.00</b>

viii) Shareholding pattern as on 31st March, 2003

Category	No. of Shares held	%age of Holding
<b>A. Promoters' Holding</b>		
1 Promoters		
- Indian Promoters viz, the Govt of India	3,544,690,285	85.820
- Foreign Promoters	-	-
2 Persons acting in Concert		
<b>Sub-Total</b>	<b>3,544,690,285</b>	<b>85.820</b>
<b>B. Non-Promoters Holding</b>		
3 Institutional Investors		
a Mutual Funds and UTI	288,929,279	6.995
b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt Institutions)	71,304,301	1.726
c FIs	41,492,414	1.005
<b>Sub-Total</b>	<b>401,725,994</b>	<b>9.726</b>
4 Others		
a Private Corporate Bodies	28,641,915	0.693
b Indian Public	151,186,985	3.660
c NRIs/OCBs	642,566	0.016
d Any other (Please specify) - GDR	3,512,800	0.085
<b>Sub-Total</b>	<b>183,984,266</b>	<b>4.454</b>
<b>GRAND TOTAL</b>	<b>4,130,400,545</b>	<b>100.000</b>

ix) Status of dematerialisation as on 31st March, 2003

Particulars	No. of shares	% of capital	No. of Accounts
NSDL	560066807	13.56	79897
CDSL	664805	0.02	3894
<b>Total Dematerialised</b>	<b>560731612</b>	<b>13.58</b>	<b>83791</b>
Physical - Government of India	3544690285	85.82	1
Physical - Other Shareholders	24978648	0.60	126834
<b>Total</b>	<b>4130400545</b>	<b>100.00</b>	<b>210626</b>

Apart from the shares held by the Government of India, 95.74% of the disinvested shares have already been dematerialised by 31.03.2003.

x) The Company's plants/units/subsidiaries are located at:

**STEEL PLANTS**

- **Bhilai Steel Plant,**  
Bhilai-490001, Chhatisgarh
- **Durgapur Steel Plant,**  
Durgapur-713203, West Bengal
- **Rourkela Steel Plant,**  
Rourkela-769011, Orissa
- **Bokaro Steel Plant,**  
Bokaro Steel City-827001, Jharkhand.

- **Salem Steel Plant,**  
Salem-636013, Tamil Nadu
- **Alloy Steels Plant,**  
Durgapur-713208, West Bengal
- **Visvesvaraya Iron & Steel Plant,**  
Bhadravati, Karnataka

**UNITS**

- **Centre Marketing Organisation,**  
Ispat Bhawan, 40,  
Jawahar Lal Nehru Road,  
Kolkata-700071, West Bengal.
- **Research & Development Centre for Iron & Steel,**  
Ranchi-834002, Jharkhand
- **Centre for Engineering & Technology,**  
Ranchi-834002, Jharkhand
- **Central Coal Supply Organisation,**  
Dhanbad-828127, Jharkhand
- **Growth Division,**  
97, Park Street, Kolkata-700016, West Bengal
- **Management Training Institute,**  
Ranchi-834002, Jharkhand
- **Raw Materials Division,**  
10, Camac Street, Industry House, Kolkata-700017,  
West Bengal
- **Environment Management Division,**  
6, Ganesh Chandra Avenue, (5th Floor),  
Kolkata-700013, West Bengal
- **SAIL Safety Organisation,**  
Ranchi-834002, Jharkhand
- **SAIL Consultancy Division,**  
Hindustan Times House, 14th Floor,  
18-20 Kasturba Gandhi Marg,  
New Delhi-110001.

**SUBSIDIARIES**

- **The Indian Iron & Steel Company Limited,**  
Burnpur-713325, West Bengal
- **Maharashtra Elektros melt Limited,**  
Chandamul Road, Chandrapur-442401, Maharashtra.
- **Bhilai Oxygen Limited,**  
Ispat Bhawan, Lodi Road, New Delhi - 110 003.

xi) Address for correspondence from shareholders for queries/complaints, if any:

M/s. RCMC Share Registry Private Limited,  
1515 (1<sup>st</sup> Floor), Bisham Pitamah Marg,  
Kotla Mubarakpur,  
New Delhi - 110 003.  
Phone No.011-24649720



The Management of Steel Authority of India Limited presents its Analysis Report covering the performance and outlook of the Company.

## A. INDUSTRY STRUCTURE & DEVELOPMENTS

### General Economic Environment

After reeling under severe recession due to depressed market demand, leading to suppressed margins, FY 2002-03 brought respite to the beleaguered steel industry. International steel prices firmed up, particularly in flat products, fuelled by China's consumption of around 15 million tonnes per month. The global demand for steel is estimated to have grown by 6% in the year. The growth in domestic finished steel consumption was 5.7% as compared to 3.4% during the previous year. These factors stimulated an upturn in domestic steel prices.

During the last two years (2002-03 and 2001-02), GDP growth is estimated to have grown by 4.3% and 5.6%, respectively. The Index of Industrial Production grew by 5.7% in the year against a growth of 2.7% during 2001-02. The key steel-consuming sectors like capital goods, automobiles, and construction, registered sharp growth during FY '03.

### Production vis-a vis Demand for Steel in India

The Indian steel scenario improved with increase in internal consumption. Domestic demand grew by about 5.7% in 2002-03. This, along with firming up of international prices, aided growth in domestic prices by around 20%, more sharply in case of the flat product prices.

Domestic consumption of finished steel, which was 27.44 million tonnes (MT) in 2001-02, is estimated to have grown to 29.02 MT in 2002-03 against a production capacity of around 34 MT.

India exported 3.7 MT of steel in FY '03, a whopping 37% growth over the previous year, while imports stood at 1.5 MT.

### Position of Steel Authority of India Ltd (SAIL)

SAIL was the 15<sup>th</sup> largest steel producer in the world in 2002 (source: IISI), and the largest producer of finished steel in India with about 26% market share.

## B. OPPORTUNITIES & THREATS FOR SAIL

### Opportunities

SAIL's four main integrated steel plants (ISPs) have a combined capacity of 10.2 MT of saleable steel. With the modernised units in these plants having stabilised, SAIL is in a position to supply superior grades of quality steels. The potential to increase the percentage of special / high-value products in its product-mix remains and is being tapped aggressively. Given its wide product portfolio, SAIL has the advantage of meeting diverse customised requirements in the areas of quality, size, type, grade, delivery, etc. SAIL has also increased sales of high-value items like rails to the Railways by 27%, HR coils by 12% and plates by 10%.

The per capita consumption of steel in India is still very low at about 26 kg compared to 132 kg in China (source : IISI), implying an opportunity for significant growth in steel consumption. This should take care of the excess capacities in the industry over the medium run, and provide the steel sector and SAIL a platform for growth.

SAIL has exported around 8.5 lakh tonnes of steel in FY '03. With India's geographical proximity to the world's fastest growing market, China (projected demand for 2003-04 is more than 220 MT), SAIL has a tremendous opportunity to further improve exports.

Increased orders from the Railways resulted in enhanced supply of rails from Bhilai Steel Plant, reaching a level of 6.5 lakh tonnes in 2002-03.

SAIL sold 4 MT of long products and maintained its market share in this category in 2002-03. There is a substantial scope for growth in long products from likely investments in infrastructure areas, such as construction of highways, bridges, seaports and airports, etc. There has been an emphasis in the Union Budget for 2003-04 for stimulating growth in this sector.

SAIL has been the major supplier of HR coils to the tube-making sector. Steel tubes are used widely for rural and urban water supply, an activity that is likely to grow as water supply – particularly drinking water – becomes increasingly critical. In addition, the growing white goods and automobile sectors present a market for CR coils and sheets.

Also, the oil & gas sector presents a major area of growth with a number of major pipeline projects likely to be firmed up. SAIL is already modernising the Electric Resistance Welded Pipe Plant (ERWPP) at Rourkela Steel Plant to seize the opportunity in this area. After modernisation the ERWPP will be equipped to produce higher-grade API pipes up to API X-70, as per API 5L specifications, with wall thicknesses of 3.2-12.7 mm.

The opportunity also exists for value addition in semis through conversion arrangements.

In the last few years, the company has initiated many programmes for cost reduction in areas like operations, purchase, etc., which has helped in containing SAIL's cost of production by neutralising the impact of input cost escalation. Thrust will continue in these areas to further improve the competitive strengths of SAIL.

### Threats

Reduction in custom duties in the Union Budget 2003-04 (from 30% to 25% for CR coils, plates and galvanised products) may lead to stiffer competition from imports.

Levying of excise duty on stockyard margin and freight would have an adverse impact on the financials of the company by about Rs.50 crore.

Anti-dumping measures adopted in the USA and European Union still affect our exports to these countries. Also, global steel consumption may be affected in case the Chinese demand tapers off.

Surplus capacity in India, estimated at 4 to 5 MT for HR coils / sheets in 2002-03, continues to remain an area of concern for the steel sector.

Even though SAIL has taken necessary steps to upgrade and modernise BSP's Rail Mill, entry of new rail producers is a potential source of competition. However, SAIL has signed an MoU with the Railways for sourcing their requirement of long rails from BSP.

## C. RISKS AND CONCERNS

The low growth in per capita consumption may affect the growth prospects of Indian steel companies. Government initiative by way of promoting steel-intensive projects is a possible solution.

Highly volatile international prices have direct bearing on domestic prices particularly on flat products. Any decline leads to squeezed margins.

Inadequate availability of key raw materials such as coal in desired quantity and quality will impact operations at the SAIL plants as well as their operating margins.



Some of the coke oven batteries have become old and their rebuilding would require substantial investment.

The company's asset restructuring plan has not been entirely fulfilled. The divestment of Alloy Steels Plant, Visvesvaraya Iron & Steel Plant and Salem Steel Plant through Joint Ventures could not be concluded due to poor response from bidders, and in some cases due to socio-political reasons, including resistance from trade unions / political parties, etc. However, efforts in this direction continue.

SAIL has reduced its manpower in the past 5 years by about 38,000. However, it continues to have one of the highest wages-to-sales turnover ratio at about 20%, compared to other steel companies which have ratios ranging from 3% to 12%. Manpower rationalisation continues to be a thrust area. After achieving manpower reduction of over 10,000 during 2002-03, similar efforts would be made for 2003-04. However, in view of improved performance of the company VR scheme is not generating desired response.

#### D. OUTLOOK

The year 2003-04 has begun on a positive note. With buoyancy in both domestic and international demand, the steel business scenario looks upbeat. The market is expected to remain firm during the current year.

SAIL is aiming at 6-8% improvement in all its critical productivity parameters to take advantage of this opportunity. For the year 2003-04, the thrust is to maximise production volumes, optimise product-mix, and lay a special emphasis on exports. For the increased volumes available capacities would be used to their full potential. Further achievement of better techno-economics would reduce operational costs and improve profitability. Besides these measures, innovative initiatives taken by SAIL like reducing purchase cost by utilising the e-commerce channel of reverse auction, sale of idle assets, etc., will make the company more competitive.

#### E. REVIEW OF FINANCIAL PERFORMANCE

##### 1. FINANCIAL OVERVIEW OF SAIL

The steel sector is highly sensitive to general economic conditions and vulnerable to unpredictable business cycles. After going through a very difficult phase in the last few years, the sector saw an upturn in 2002-03. Domestic demand for steel improved, with Indian industry showing signs of revival. Noticeable growth was registered in all core sectors, except agriculture. In fact, industrial growth is estimated to be around 5.7%, whereas GDP growth is around 4.3%

Exports also improved as China's robust buying kept international steel prices afloat for the major part of the year.

The average growth in steel consumption since 1996-97 is as follows:

Year	Steel Consumption (in MT)	% Growth over Previous Year
2002-03	29.02*	5.7
2001-02	27.44	3.4
2000-01	26.53	5.7
1999-00	25.09	6.6
1998-99	23.55	4.0
1997-98	22.63	2.3
1996-97	22.13	3.9

\* Source JPC

##### 1.1 The business performance of SAIL reflects the cyclic nature

of the steel business. Overall profits, which peaked at Rs. 1319 crore in 1995-96, declined to a loss of Rs. 1707 crore in 2001-02. However, in 2002-03, SAIL effected a strong recovery by cutting losses by over 80%, despite increase in cost of inputs such as imported/indigenous coal, limestone, ferro-alloys, etc.

During FY '03, SAIL incurred a loss of Rs. 316 crore (before taxes). The major reasons for reduction in loss are:

- Record saleable steel production from 4 ISPs (growth of 7%)
- Improved product-mix and techno-economic factors
- Highest-ever sales volume (growth 6%)
- Highest turnover (24% growth)
- Reduction in debt resulting in substantial savings in interest
- Revival of economy resulting in higher steel consumption
- Strengthening of international and domestic steel prices.

##### 1.2 Initiatives taken to put SAIL back on the path of profitability

SAIL's financial health gains importance in view of the company's pre-eminent position in the domestic steel industry, the large number of employees on its rolls, and also the large number of suppliers and ancillaries dependent on it.

Among the initiatives taken by the SAIL management in the recent past to bring the company back to a position of profitability are:

##### ➤ Adopting a market-oriented product-mix, reinforcing sales and marketing efforts with greater focus on customer satisfaction

- SAIL's Central Marketing Organisation (CMO) has given special emphasis on customer satisfaction and nurturing customer loyalty to increase sales. CMO has also adopted a focused marketing strategy on various steel consuming segments such as tube makers, automobiles, cold rolling units, white goods segment, oil & gas sector, railways, machinery manufacturers, re-rollers, wire drawing units, etc.
- Continuance of the Key Account Management (KAM) concept in most of its major branches which calls for special attention towards customers to understand and meet their requirements to their satisfaction.
- Customer satisfaction being on top of the company's agenda, SAIL's network of branch offices was reorganised into separate Marketing and Warehousing wings, to enable better focus on marketing functions.

##### ➤ Rightsizing manpower

- SAIL introduced Voluntary Retirement Schemes (VRS) in 1998 and 1999 on deferred payment basis, which resulted in separation of about 19,600 employees. VRS based on the Department of Public Enterprises (DPE) model which envisages lump sum payment, was operated in 2001 and 2002, resulting in separation of about 12,300 employees.
- Further manpower rationalization through VRS has been planned for the current year.

##### ➤ Sale/lease of houses

Rationalisation of manpower has resulted in houses becoming surplus in the steel townships. These houses

have been offered to SAIL employees/ex-employees on long-term lease. Under the scheme, launched two years ago, over 14,000 houses have been leased out till March 2003. Sale/lease of houses to employees/ex-employees in the steel townships resulted in profit of Rs.144 crore during 2002-03.

## ➤ Intensive cost control

To insulate the company from the vagaries of unpredictable business cycles, intensive cost control measures continued during the year to enhance the inherent competitive strengths of the company. Cost control savings have been achieved in almost all the major areas of operation, viz.:

- Reduction in consumption of coking coal and other raw materials.
- Reduction in power & fuel consumption.
- Lowering of expenditure on stores & spares/contractual maintenance.
- Improvement in techno-economic factors like blast furnace productivity, energy consumption, mill yields, etc.
- Austerity measures, including trimming/closure of Liaison Offices, use of telecommunication facilities instead of undertaking journeys, reduction in subsidies and other administrative expenses.

The benefit of above measures during FY '03 is about Rs.451 crore (including revenue maximisation). The major impact of cost control measures is that despite substantial increase in prices of almost all major inputs like indigenous coal, imported coal, power, etc., variable cost of production during 2002-03 increased by only about 5% from 1996-97 level.

## ➤ Reduction in borrowing levels

Overall debt of the company declined by about Rs. 1,050 crore to Rs. 12,970 crore on 31.03.2003. This, coupled with substitution of high-cost borrowings with lower cost borrowings and reduction in interest rates helped SAIL in reducing its total interest burden (including interest charged to capital items) by Rs. 256 crore.

## ➤ Control on capital expenditure

- During 2002-03, fresh investment proposals were cleared for schemes relating to customer needs, pollution control, safety, etc. Capital expenditure during the year was restricted to about Rs. 241 crore, compared to the level of Rs. 2000 crore per year in earlier years when modernisation was in full swing. Present thrust is on deriving full benefit of modernization of DSP, RSP & BSL.
- Some important capital schemes like long rail production at BSP, upgradation of ERWPP at RSP, etc., have been taken up to improve the competitive strength of the company.

## 2. SUMMARISED FINANCIAL PERFORMANCE

	Rs./cr.	
	2002-03	2001-02
Turnover	19207	15502
Operating Profit (PBDIT)	2165	1011
Interest	1334	1562
Cash Profit	831	-551
Depreciation	1147	1156
Net Profit/Loss (-) [PBT]	-316	-1707
Net Profit/Loss (-) [PAT]	-304	-1707

PBT has improved by Rs. 1,391 crore over that in the previous year mainly due to improvement in production, product-mix, techno-economic factors and net sales realisation (NSR) of saleable steel. After netting out the capital gains on account of asset sales, the company's financials show an improvement of about Rs.1900 crore, as company had recorded substantial capital gain in the previous year on divestment of power plants at BSL & BSP.

## a) Sales Turnover

- SAIL's sales turnover during 2002-03 was Rs. 19,207 crore, which was 24% higher than the previous year's Rs. 15,502 crore, mainly on account of higher sales volume, better product mix and prices. SAIL sold about 9.8 MT of mild steel in FY '03 as compared to around 9.3 MT the previous year. Sales of secondary products like pig iron, ingot steel, coal chemicals and other by products were also higher than the previous year. SAIL's main business arena continues to be the domestic market, which provides about 94% of the company's total sales turnover. Mild steel exports at 8.5 lakh tonnes during 2002-03, was higher by 53% over the previous year.
- SAIL's product-mix is evenly balanced and caters to the entire gamut of the mild steel business – flat products in the form of plates, HR coils/sheet, CR coils/sheets, plain/corrugated galvanised sheets, long products comprising rails, structurals, wire-rods, merchant products, etc. In addition, pipes (ERW & SW), electrical steel sheets and tin plates also form part of the rich product-mix of SAIL's mild steel business. The product category-wise sales turnover during 2002-03 is as follows:

Saleable steel – 4 Integrated steel plants	%
Flat Products	53
Long Products	34
PET (Pipes, Electrical sheets, Tin plates) Products	2
<b>Total mild steel</b>	<b>89</b>
Alloy & Special Steel Plants (Pig Iron, Ingot & Saleable Steel)	5
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	6

## b) Operating Profit (PBDIT)

The operating profit of SAIL during FY '03 was Rs.2165 crore, an improvement of Rs.1154 crore over the previous year.

The above improvement in operating profit was despite escalation in the price of some of the key inputs such as imported and indigenous coking coal, boiler coal and ferro manganese. The company's expenditure on salary & wages also increased over the previous year, mainly due to impact of reduction in the discounting factor for gratuity & leave, additional provision for mediclaim as retirement benefit, and normal increase on account of inflation / increments etc. A part of the input cost escalation was neutralized by higher efficiency in the operational areas, by way of improved yields and lower specific consumption for raw materials.

## c) Interest

As a result of reduction in total borrowings, and substitution of high-cost borrowings with low-cost borrowings, the total interest and finance charges (including interest charged to capital items) reduced by



about Rs. 256 crore in FY '03. The reduction in interest charges on operations account is Rs. 228 crore.

The total borrowings reduced by Rs.1050 cr. as shown below :

Items	31.3.2003	31.3.2002
Working capital borrowings from banks	2717	4027
Secured bonds	1943	1940
Unsecured bonds (Guaranteed)	3000	2584
Term loan from banks/Institutions	1016	868
Foreign currency borrowings	2277	2467
GOI /SDF loans	745	659
Public Deposit Scheme	1041	1275
Housing loans	225	200
Inter-corporate deposit	6	—
<b>Total</b>	<b>12970</b>	<b>14020</b>

#### d) Working capital

	As on 31.3.2003	As on 31.3.2002
<b>Current Assets</b>		
Inventory	3744	4042
Sundry debtors	1660	1389
Cash & bank balance	535	416
Interest receivable	91	94
Loans and advance	1274	1166
<b>1. Total current assets</b>	<b>7304</b>	<b>7107</b>
<b>Current Liabilities</b>		
Current liabilities	4280	4401
Provisions (excl. gratuity/leave/retirement benefits)	492	449
<b>2. Total current liabilities</b>	<b>4772</b>	<b>4850</b>
<b>3. Working capital (1 – 2)</b>	<b>2532</b>	<b>2257</b>

Increase in debtors in FY '03 is mainly due to higher sales and restriction in offering cash discount for early payments.

### 3. PLANTWISE PROFIT & LOSS AFTER INTEREST AND DEPRECIATION (BEFORE TAXES)

	2002-03	2001-02
BSP	735	477
DSP	-247	-262
RSP	-593	-1036
BSL	311	-459
ASP	-180	-149
SSP	-119	-153
VISL	-136	-103
Other Units	-87	-22
<b>SAIL</b>	<b>-316</b>	<b>-1707</b>

There is considerable improvement in financial performance of integrated steel plants. However, special steels plants continue to suffer. Efforts are continuing for their divestment through Joint Ventures.

#### F. HUMAN RESOURCES / INDUSTRIAL RELATIONS

SAIL has always considered its employees as its most important resource. Over the years, there has been unwavering focus on the development and management

of human resources in SAIL, with the emphasis on creating a committed workforce.

Providing opportunity for open interaction, communication and feedback have been highlights of HRD intervention during 2002-03. Communication exercises have been accepted as a continuous process to keep the employees informed of the concerns of the company and to motivate them to take up tougher challenges, in tune with the requirements of the time. The underlying theme of SAIL's restructuring plan is cost competitiveness and this can be achieved through manpower rationalisation and increasing efficiency at all levels.

SAIL's manpower strength as on 31<sup>st</sup> March 2003 was 1,37,496 comprising 15,078 executives and 122,418 non-executives. There was a reduction of 10,105 employees during 2002-03. The issue of reduction of contract labour was dealt in a comprehensive manner during the year and a reduction of around 7% was achieved.

Manpower productivity at 123 tonnes of crude steel per man per year registered an increase of 9.7% over the previous year. With a view to rationalise manpower and reduce cost of labour, a VR scheme was launched during the year, through which 5,814 employees separated.

Need-based training was provided to employees to equip them to meet the challenges of the competitive environment.

After extensive deliberation, efforts have been made to give greater thrust on performance orientation in the company. With a view to improve work practices, reduction/elimination of shift change delays, decriticalisation of operations, rotation of employees, personal counselling, etc., were some of the measures undertaken across the organisation. An updated *Personnel Manual*, incorporating the amendments over the years, was released in 2002.

One of our colleagues, Ms. Teejan Bai of BSP, was conferred the Padma Bhushan during the year. Also, six SAIL employees were decorated with Shram awards for the year 2001. These included five employees from BSP who were awarded the Shram Bhushan and one from RSP who was awarded the Shram Vir.

#### G. INTERNAL CONTROL SYSTEM

The Company has an efficient system of internal control for achieving the following objectives:

- Efficiency of operations
- Protection of resources
- Accuracy and promptness of financial reporting
- Compliance with the laid down policies and procedures
- Compliance with laws and regulations.

In SAIL, internal audit is a multi-disciplinary function which reviews, evaluates and appraises the various systems, procedures/policies of the company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of risk management towards good corporate governance.

SAIL, has taken a number of steps to make the audit function more effective. These measures include setting up a Board-level Audit Committee, providing independence to the internal audit function, emphasising

transparency in the systems and internal controls, providing appropriate skill-mix of internal audit personnel, etc. During FY '03, the company undertook an exercise to restructure/re-engineer the internal audit set-up in the Plants/Units to make the function more effective. This included preparation of audit plans based on identification of key risk areas with thrust on system/process audits, development of internal audit executives, bringing awareness amongst auditees, focusing on the proactive role of internal audit, etc.

## H. Project Management

SAIL incurred a capital expenditure of about Rs.241 crore during 2002-03 and approved 15 AMR schemes valued at Rs. 524 crore for implementation. This includes provision of facilities for long rail production at Bhilai and rebuilding of Coke Oven Battery # 1 at Rourkela incorporating latest devices on pollution control measures.

Thirteen schemes costing around Rs. 95 crore were also accorded in-principle approval. This includes installation of Ladle Furnace in SMS-II at Durgapur and Cast House Slag Granulation Plant in BF # 1 at Rourkela.

Addition/Modification/Replacement (AMR) schemes valued at Rs. 208 crore were completed during the year. Blast Furnace-3 at Durgapur was upgraded in August 2002 leading to increase in productivity of the furnace from 0.9 to 1.3 t/m<sup>3</sup>/day. Its Cast House Slag Granulation Plant was also commissioned in December 2002. Wheel testing facilities at DSP's Wheel & Axle Plant were augmented in November 2002 to meet the Railways' requirement for testing operations as per their revised specifications. Further, two stoves in blast furnaces at Rourkela were upgraded for increasing the hot blast temperature to 1000°C for achieving higher furnace productivity and lower coke rate. To meet the iron ore

and flux requirements, mining equipment were procured at the various SAIL mines.

## I. Environment Management

Compliance with national environment norms is vital for all industrial operations. Concerted efforts have brought stack emissions under control in SAIL plants. Improvement in environmental performance over last year is evident through

- Reduction in particulate matter emission by 18%
- Reduction in specific water consumption by 12%
- Reduction in specific effluent discharge by 7.4%
- Increased recycle/reuse or disposal of process solid wastes .

Three units of SAIL received Environment Management System accreditation in 2002-03.

## J. ENERGY CONSERVATION

SAIL continued to give thrust in the area of energy conservation and contributed to overall operational efficiency. Energy consumption came down further to 7.5 Gcal/tcs in 2002-03, a reduction of 2.5% over the previous year. This was achieved in spite of higher proportion of finished steel, which consumes more energy. Lower energy consumption levels were achieved by improving input quality, improved generation of byproduct fuels, stopping leakages, improvement in yields, waste heat recovery, etc. Increased thrust was laid on production through the continuous casting route. The SAIL plants achieved rated capacity production in their concast shops, leading to a substantial reduction in energy consumption during the year. Optimising soaking pit operations and reheating furnaces with improved work practices also contributed to energy efficiency.



To

The Members of

Steel Authority of India Limited

We have examined the compliance of the conditions of corporate governance by **Steel Authority of India Limited** for the year ended 31st March , 2003, as stipulated in clause 49 of the Listing Agreements of the said company with the various stock exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We certify that, in our opinion, and to the best of our information and according to explanations given to us, the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that no investor grievance is pending for a period exceeding one month against the company, as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For S.N. Nanda & Co.**  
*Chartered Accountants*

Sd/-  
**(S.N. Nanda)**  
*Partner*

**For Chaturvedi & Co.**  
*Chartered Accountants*

Sd/-  
**(S.C. Chaturvedi)**  
*Partner*

**For P.A. & Associates**  
*Chartered Accountants*

Sd/-  
**(P.S. Panda)**  
*Partner*

**Place :** New Delhi

**Dated :** 28th May, 2003

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES**

<b>NAME OF THE SUBSIDIARY COMPANY</b>	<b>INDIAN IRON &amp; STEEL COMPANY LIMITED</b>	<b>MAHARASHTRA ELEKTROSMELT LIMITED</b>	<b>BHILAI OXYGEN LIMITED</b>
Financial year of the subsidiary ended on	31st March, 2003	31st March, 2003	31st March, 2003
Date from which they became subsidiary	1st May, 1978	18th October, 1986	9th February, 1999
Share of the subsidiary held by the company as on 31st March, 2003			
a) Number & face value	38,76,65,757 equity shares of Rs. 10/- each fully paid-up.	2,37,87,935 equity shares of Rs. 10/- each fully paid-up.	49,998 equity shares of Rs. 10/- each fully paid-up.
b) Extent of holding	100%	99.12%	99.99%
The Net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the member of the holding company :	<b>(Rupees in Crores)</b>		<b>(In Rupees)</b>
a) Not dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2003	(182.23)	1.11	(22098)
ii) Upto the previous financial years of the subsidiary companies	(797.14)	(48.01)	(32147)
b) Dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2003	Nil	Nil	Nil
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	Nil	Nil	Nil

**Notes :**

Indian Iron & Steel Company Limited holds 30,00,000 equity shares of Rs. 10 each in IISCO Ujjain Pipe & Foundry Co. Ltd. The cumulative loss of IISCO Ujjain Pipe & Foundry Co. Ltd. upto 10th July' 97 was Rs. 17.05 crores. The Hon'ble High Court of Calcutta vide its order dated 10th July, 1997 had directed winding-up of the Company from the said date i.e. 10.7.1997 and the official liquidator has initiated the liquidation process of the Company.

For and on behalf of Board of Directors

Sd/  
**(Devinder Kumar)**  
Secretary

Sd/  
**(S.C.K Patne)**  
Director

Sd/  
**(V.S Jain)**  
Chairman



# Consolidated Balance Sheet

AS AT 31ST MARCH, 2003

	Schedule No.	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>			
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	1163.38	1163.63
		<b>5293.78</b>	5294.03
<b>Loan Funds</b>			
Secured Loans	1.3	6024.29	7200.22
Unsecured Loans	1.4	7446.09	7013.84
		<b>13470.38</b>	14214.06
		<b>18764.16</b>	19508.09
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	1.5	29582.23	28699.68
Less: Depreciation		14765.59	13569.00
Net Block		14816.64	15130.68
Capital Work-in-Progress	1.6	387.35	567.99
		<b>15203.99</b>	15698.67
<b>Investments</b>			
	1.7		4.46
			163.75
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	1.8	3931.23	4253.44
Sundry Debtors	1.9	1668.11	1458.72
Cash & Bank Balances	1.10	739.60	441.33
Interest Receivable/Accrued	1.11	92.29	94.17
Loans & Advances	1.12	1285.48	1223.29
		<b>7716.71</b>	7470.95
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	1.13	5289.50	5370.00
Provisions	1.14	3136.19	2316.41
		<b>8425.69</b>	7686.41
<b>Net Current Assets</b>			<b>-708.98</b>
			-215.46
<b>Deferred Tax Assets</b>		<b>0.13</b>	
<b>Less : Deferred Tax Liability</b>		<b>8.58</b>	<b>-8.45</b>
			—
<b>Miscellaneous Expenditure</b>	1.15		<b>539.57</b>
(to the extent not written off or adjusted)			591.64
<b>Minority Interest</b>	1.16		<b>0.23</b>
			0.24
<b>Profit &amp; Loss Account Debit Balance</b>			<b>3733.34</b>
			3269.25
		<b>18764.16</b>	19508.09

Accounting Policies and Notes on Accounts 3  
Schedules 1 and 3 annexed, hereto form part of the Consolidated Balance Sheet.  
*For and on behalf of Board of Directors*

Sd/-  
**(S.C.K. Patne)**  
Director

Sd/-  
**(V.S. Jain)**  
Chairman

*In terms of our report of even date*

**For S.N. Nanda & Co.**  
Chartered Accountants

**For Chaturvedi & Co.**  
Chartered Accountants

**For P.A. & Associates**  
Chartered Accountants

Sd/-  
**(S.N. Nanda)**  
Partner

Sd/-  
**(S.C. Chaturvedi)**  
Partner

Sd/-  
**(P.S. Panda)**  
Partner

Place : New Delhi  
Dated : 7th August, 2003



# Consolidated Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule No.	Year ended 31st March, 2003		Year ended 31st March, 2002	
<i>(Rupees in crores)</i>					
<b>INCOME</b>					
Sales	2.1	20275.88		16323.27	
Less : Excise Duty		<u>2469.55</u>	17806.33	<u>2085.03</u>	14238.24
Finished products internally consumed		217.56		184.97	
Interest earned	2.2	91.81		105.49	
Other revenues	2.3	534.69		938.44	
Provisions no longer required written back	2.4	<u>56.32</u>	<u>900.38</u>	<u>103.08</u>	1331.98
			<b>18706.71</b>		15570.22
<b>EXPENDITURE</b>					
Depletion to stocks	2.5	468.98		450.75	
Raw materials consumed	2.6	6710.31		6141.87	
Purchase of semi/finished products and others		79.39		69.87	
Employees' Remuneration & Benefits	2.7	4144.98		3608.96	
Stores & Spares consumed		1803.99		1674.92	
Power & Fuel	2.8	2240.07		1887.69	
Repairs & Maintenance	2.9	222.27		175.67	
Freight outward		534.38		574.47	
Other expenses	2.10	1616.61		1369.38	
Interest & finance charges	2.11	1395.28		1575.49	
Depreciation		1220.48		1181.09	
Total		<u>20436.74</u>		18710.16	
Less : Transferred to Inter Account Adjustments	2.12	<u>1283.71</u>	<u>19153.03</u>	<u>1256.44</u>	17453.72
Loss for the year			<b>-446.32</b>		-1883.50
Adjustments pertaining to earlier years	2.13		<b>-16.67</b>		-11.65
Net Loss for the year			<b>-462.99</b>		-1895.15
Provision for current tax			<b>-1.86</b>		—
Provision for Deferred tax			<b>-7.23</b>		—
Refund of Income Tax			<b>11.56</b>		—
Profit / Loss (-) after tax			<b>-460.52</b>		-1895.15
Minority Interest			<b>-0.01</b>		0.07
			<b>-460.53</b>		-1895.08
Share of loss (-) of Associate			<b>-0.40</b>		—
Balance brought forward from previous year (Net)			<b>-3262.58</b>		-1374.17
Amount available for Appropriation			<b>-3723.51</b>		-3269.25
<b>APPROPRIATIONS</b>					
Proposed dividend			<b>8.00</b>		—
Tax on Dividend			<b>1.02</b>		—
Deferred Tax of Last Year			<b>0.81</b>		—
Loss carried over to Balance Sheet			<b>-3733.34</b>		-3269.25
			<b>-3723.51</b>		-3269.25

Accounting Policies and Notes on Accounts 3

Schedules 2 and 3 annexed hereto, form part of the Consolidated Profit & Loss Account.

*For and on behalf of Board of Directors*

Sd/  
(S.C.K. Patne)  
Director

Sd/  
(V.S. Jain)  
Chairman

*In terms of our report of even date*

For S.N. Nanda & Co.  
Chartered Accountants

For Chaturvedi & Co.  
Chartered Accountants

For P.A. & Associates  
Chartered Accountants

Sd/  
(S.N. Nanda)  
Partner

Sd/  
(S.C. Chaturvedi)  
Partner

Sd/  
(P.S. Panda)  
Partner

Place : New Delhi

Dated : 7th August, 2003



## 1.1 : SHARE CAPITAL

	As at 31st March, 2003	As at 31st March, 2002
		(Rupees in crores)
<b>Authorised</b>		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>

Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.

## 1.2 : RESERVES AND SURPLUS

	As at 31st March, 2003	As at 31st March, 2002
		(Rupees in crores)
<b>Capital Reserve</b>		
As per last Balance Sheet	4.74	4.88
Less: Adjustment during the year	<u>0.05</u>	<u>0.14</u>
	4.69	4.74
<b>Prime Minister's Trophy Award Fund</b>		
As per last Balance Sheet	7.48	6.89
Add : Additions during the year	<u>0.73</u>	<u>0.71</u>
	8.21	7.60
Less : Adjustments towards expenses incurred during the year	<u>0.11</u>	<u>0.12</u>
	8.10	7.48
<b>Share Premium Account</b>		
As per last Balance Sheet	236.51	237.20
Less : Adjustment towards Bond Issue Expenses	<u>0.82</u>	<u>0.69</u>
	235.69	236.51
<b>Bond Redemption Reserve</b>	<u>914.90</u>	914.90
	<u>1163.38</u>	<u>1163.63</u>

## 1.3 : SECURED LOANS

		As at 31st March, 2003	As at 31st March, 2002	
			(Rupees in crores)	
Working Capital Borrowings from Banks (Including Foreign Currency Non-Resident (Bank) Loan of Rs.1175.78 crores)		2964.01		4101.63
Term Loan from Banks / Financial Institutions		713.71		749.28
Interest accrued and due thereon		44.77	758.48	41.42
Foreign Loans		<u>357.97</u>		<u>366.45</u>
<b>Non Convertible Bonds</b>				
Interest Rate (%)	Face value of Bond (Rs.)			Date of Redemption
13.5 %	100,000/-	—		270.00
13.75 %	500,000/-	175.55		175.55
14.5 %	100,000/-	447.00		497.00
14.0 %	500,000/-	394.45		394.45
14.5 %	500,000/-	226.90		226.90
12.95 %	500,000/-	100.05		100.05
11.30 %	500,000/-	7.25		7.25
11.60 %	500,000/-	33.95		33.95
11.10 %	500,000/-	6.50		6.50
11.50 %	500,000/-	0.30		0.30
11.10 %	500,000/-	0.50		—
11.50 %	500,000/-	48.65		—
9.75 %	500,000/-	0.10		—
10.25 %	500,000/-	88.35		—
13.05 %	500,000/-	59.80		59.80
12.10 %	500,000/-	91.30		91.30
12 %	500,000/-	76.90		76.90
12 %	500,000/-	109.90		—
10.75 %	500,000/-	75.30	1942.75	—
Housing Development Finance Corporation Limited		1.06		1.45
Interest accrued and due thereon		0.02	1.08	0.04
			<u>6024.29</u>	<u>7200.22</u>

## 1.4 : UNSECURED LOANS

		As at 31st March, 2003	As at 31st March, 2002	
			(Rupees in crores)	
<b>Public Deposits</b>		1036.39		1272.46
Interest accrued and due thereon		4.35	1040.74	2.60
<b>Government of India</b>		0.27		0.27
Interest accrued and due thereon		0.42	0.69	0.35
<b>Steel Development Fund</b>		204.16		248.84
Interest accrued and due thereon		539.85	744.01	454.41
<b>Foreign Loans</b>				
Long Term		1475.03		1548.37
(Guaranteed by Govt. of India / State Bank of India Rs.864.79 crores; previous year Rs. 913.22 crores)				
Short Term		444.16	1919.19	544.03
<b>Term Loans From UTI</b>		1.00		1.00
Interest accrued and due thereon		2.16	3.16	2.00
Term Loans From Financial Institutions		<u>505.98</u>		<u>155.91</u>
<b>Non Convertible Bonds*</b>				
Interest Rate (%)	Face value of Bond (Rs.)			Date of Redemption
10%	500,000/-	100.00		100.00
10%	500,000/-	400.00		400.00
12%	500,000/-	100.00		100.00
12.15%	500,000/-	400.00		400.00
11.10%	500,000/-	60.00		60.00
11.25%	500,000/-	99.00		99.00
11.25%	500,000/-	400.00		400.00
11.10%	500,000/-	50.00		50.00
10.25%	500,000/-	500.00		—
12.15%	500,000/-	152.35		152.35
11.30%	500,000/-	105.00		105.00
11.60%	500,000/-	15.00		15.00
10.10%	500,000/-	35.00		35.00
10.50%	500,000/-	35.00		35.00
11.50%	500,000/-	43.50		43.50
11.50%	500,000/-	21.00		21.00
12.45%	500,000/-	38.15		38.15
12.55%	500,000/-	39.40		39.40
12.65%	500,000/-	96.60		96.60
12.10%	500,000/-	195.00		195.00
11%	500,000/-	115.00	3000.00	115.00
<b>Others</b>				
Inter Corporate Loans — Short term		7.32		—
Bond Application Money		—		83.60
Housing Finance Loans		225.00	232.32	200.00
			<u>7446.09</u>	<u>7013.84</u>

\*Guaranteed by Government of India and also secured by charges ranking pari passu-inter se on immovable property (Book value as on 31.03.2003 Rs.0.57 crore) at Mouje-wadej, Ahmedabad, Gujarat.



## 1.5 : FIXED ASSETS

<b>GROSS BLOCK (AT COST)</b>				
Description	As at 31st March 2002	Additions/ Adjustments during the year	Less : Sales during the Year	<b>As at 31st March 2003</b>
<b>A. PLANTS, MINES, OTHERS</b> <span style="float: right;"><i>(Rupees in crores)</i></span>				
Goodwill *	651.42	0.57	0.00	<b>651.99</b>
Land (including cost of development)				
—Freehold Land	112.95	2.41	0.00	<b>115.36</b>
—Leasehold Land	30.84	-1.87	0.00	<b>28.97</b>
Right and Patents	9.12	13.72	0.00	<b>22.84</b>
Railway Lines & Sidings	225.95	0.58	1.41	<b>225.12</b>
Roads, Bridges & Culverts	147.90	0.94	0.15	<b>148.69</b>
Buildings	1740.83	29.90	1.20	<b>1769.53</b>
Plant & Machinery				
— Steel Plant	22478.10	339.55	49.53	<b>22768.12</b>
— Others	1655.54	31.60	4.86	<b>1682.28</b>
Furniture & Fittings	73.45	2.11	0.43	<b>75.13</b>
Vehicles	447.86	1.15	6.75	<b>442.26</b>
Water Supply & Sewerage	288.94	-0.23	-2.02	<b>290.73</b>
EDP Equipments	203.73	8.27	1.66	<b>210.34</b>
Miscellaneous Articles	221.70	2.97	2.09	<b>222.58</b>
Sub-total 'A'	<u>28288.33</u>	<u>431.67</u>	<u>66.06</u>	<u><b>28653.94</b></u>
<b>B. SOCIAL FACILITIES</b>				
Land (including cost of development)				
— Freehold Land	8.87	1.26	0.11	<b>10.02</b>
— Leasehold Land	7.22	0.00	0.08	<b>7.14</b>
Roads, Bridges & Culverts	46.35	0.00	0.00	<b>46.35</b>
Buildings	582.10	0.70	19.28	<b>563.52</b>
Plant & Machinery-Others	78.84	0.02	0.05	<b>78.81</b>
Furniture & Fittings	12.68	0.03	0.05	<b>12.66</b>
Vehicles	8.24	0.21	0.42	<b>8.03</b>
Water Supply & Sewerage	111.80	0.42	0.00	<b>112.22</b>
EDP Equipments	2.02	0.15	0.01	<b>2.16</b>
Miscellaneous Articles	87.74	0.48	0.84	<b>87.38</b>
Sub-total 'B'	<u>945.86</u>	<u>3.27</u>	<u>20.84</u>	<u><b>928.29</b></u>
Total ('A'+ 'B')	<u>29234.19</u>	<u>434.94</u>	<u>86.90</u>	<u><b>29582.23</b></u>

## 1.5 : FIXED ASSETS

Description	DEPRECIATION/AMORTISATION			NET BLOCK		
	Up to 31st March 2002	For the Year	Less : On sales during the Year	Up to 31st March 2002	As at 31st March 2003	As at 31st March 2002
<b>A. PLANTS, MINES, OTHERS</b>						<i>(Rupees in crores)</i>
Goodwill *	651.42	0.57	0.00	651.99	<b>0.00</b>	0.00
Land (including cost of development)						
— Freehold Land	—	—	—	—	<b>115.36</b>	112.95
— Leasehold Land	8.06	0.44	0.00	8.50	<b>20.47</b>	22.78
Right and Patents	6.97	1.71	0.00	8.68	<b>14.16</b>	2.15
Railway Lines & Sidings	125.17	8.53	-0.76	134.46	<b>90.66</b>	100.82
Roads, Bridges & Culverts	31.04	2.62	-0.18	33.84	<b>114.85</b>	116.91
Buildings	634.68	55.14	2.57	687.25	<b>1082.28</b>	1104.44
Plant & Machinery						
— Steel Plant	10043.93	997.20	40.00	11001.13	<b>11766.99</b>	12592.05
— Others	932.09	81.38	3.23	1010.24	<b>672.04</b>	571.35
Furniture & Fittings	48.89	3.75	0.57	52.07	<b>23.06</b>	24.51
Vehicles	309.32	15.49	3.88	320.93	<b>121.33</b>	138.63
Water Supply & Sewerage	177.27	9.19	-1.99	188.45	<b>102.28</b>	111.59
EDP Equipment's	163.67	12.82	2.04	174.45	<b>35.89</b>	40.04
Miscellaneous Articles	118.47	9.37	0.82	127.02	<b>95.56</b>	103.27
Sub-total 'A'	13250.98	1198.21	50.18	14399.01	<b>14254.93</b>	15041.48
<b>B. SOCIAL FACILITIES</b>						
Land (including cost of development)						
— Freehold Land	—	—	—	—	<b>10.02</b>	8.87
— Leasehold Land	4.19	0.11	0.04	4.26	<b>2.88</b>	3.03
Roads, Bridges & Culverts	13.55	0.80	-0.60	14.95	<b>31.40</b>	32.77
Buildings	141.75	8.94	3.30	147.39	<b>416.13</b>	440.35
Plant & Machinery—Others	51.00	2.97	-1.25	55.22	<b>23.59</b>	27.89
Furniture & Fittings	11.00	0.24	0.04	11.20	<b>1.46</b>	1.68
Vehicles	6.70	0.21	0.43	6.48	<b>1.55</b>	1.54
Water Supply & Sewerage	65.88	4.19	-1.91	71.98	<b>40.24</b>	45.87
EDP Equipments	1.77	0.07	0.00	1.84	<b>0.32</b>	0.25
Miscellaneous Articles	49.24	4.56	0.54	53.26	<b>34.12</b>	38.49
Sub-total 'B'	345.08	22.09	0.59	366.58	<b>561.71</b>	600.74
Total ('A'+ 'B')	13596.06	1220.30	50.77	14765.59	<b>14816.64</b>	15642.22
<b>Note : Allocation of Depreciation/Amortisation</b>					<b>Current Year</b>	Previous Year
(a) Charged to Profit & Loss Account					<b>1220.48</b>	1181.09
(b) Charged to expenditure during construction					<b>0.35</b>	0.44
(c) Debited to adjustments pertaining to earlier years					<b>-0.16</b>	8.23
(d) Debited to Accumulated Losses					<b>0.57</b>	651.42
Total					<b>1221.24</b>	1189.76

\*Arising out of Consolidation of Subsidiary Accounts.



## 1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2003		As at 31st March, 2002
			<i>(Rupees in crores)</i>
Expenditure during construction pending allocation (Schedule 1.6.1)	38.51		40.43
<b>Capital Work-in-progress</b>			
Steel Plants & Units	92.99	290.66	
Township	2.25	4.71	
Ore Mines and Quarries	1.07	0.55	295.92
Capital equipments pending erection, installation, commissioning and adjustments	57.71		56.36
Construction—Stores and Spares	15.52	22.62	
Less: Provisions	3.80	2.51	20.11
Advances	188.30	161.14	
Less: Provisions	5.20	5.97	155.17
	<u>387.35</u>		<u>567.99</u>
<b>Particulars of advances</b>			
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs.15.31 crores) (Previous year Rs.13.85 crores)	183.10		155.17
Unsecured, Considered Doubtful	5.20		5.97
	<u>188.30</u>		<u>161.14</u>

## 1.6.1 : EXPENDITURE DURING CONSTRUCTION (pending allocation)

		As at 31st March, 2003		As at 31st March, 2002
				(Rupees in crores)
Opening balance	(a)	40.43		43.58
<b>Expenditure incurred during the year</b>				
<b>Employees' Remuneration &amp; Benefits</b>				
Salaries, Wages & Bonus		7.73	17.34	
Company's contribution to Provident and other Funds		0.83	1.21	
Travel Concession		0.00	0.02	
Welfare Expenses		0.02	0.04	
Gratuity		0.02	0.43	19.04
		<u>8.60</u>		
Technical Consultants' fees & know-how		0.00		0.02
Repairs & Maintenance				
Buildings		0.12	0.00	
Plant & Machinery		0.00	0.10	
Others		0.00	0.37	0.47
		<u>0.12</u>		
Stores and Spares		0.62		3.05
Power & Fuel		2.34		5.82
Rent		0.00		3.21
Rates & Taxes		0.00		0.01
Other expenses		2.37		2.30
Interest & Finance charges		11.38		39.81
Depreciation		0.35		0.44
		<u>25.78</u>		<u>74.17</u>
<b>Less: Income</b>				
Interest Earned		0.01	1.14	
Liquidated Damages		0.96	0.95	
Hire Charges		1.76	1.45	
Internal Consumption of sinter		0.00	15.55	
Sundries		1.74	0.77	19.86
		<u>4.47</u>		
Net expenditure during the year	(b)	21.31		54.31
	Total (a)+(b)	61.74		97.89
Amount allocated to Fixed Assets/ Capital Work-in-progress		23.23		57.46
Balance carried forward		38.51		40.43
	Total	61.74		97.89



## 1.7: INVESTMENTS AT COST — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2003		As at 31st March, 2002	
<i>(Rupees in crores)</i>						
<b>Quoted</b>						
Housing Development Finance Corporation Limited (Market Value Rs. 39,76,200; Previous year Rs. 41,07,600)	12,000 (6,000)	10	0.01		0.01	
HDFC Bank Limited (Market Value Rs 1,17,275; Previous year Rs. 1,17,575)	500	10	—*		—*	
ICICI Bank Ltd. (Market Value Rs. 38,45,270; Previous Year Rs. 36,60,800)	28600	10	0.05	0.06	0.05	0.06
<b>Unquoted</b>						
<b>Trade Investments</b>						
Almora Magnesite Limited (Including Rs. 0.56 crores of Capital Reserve arising on acquisition) Less : Share of post acquisition loss	40,000	100	0.40			
			0.40	—	0.40	
North Bengal Dolomite Limited Less : Goodwill arising on consolidation	97,900	100	0.98		0.98	
			0.57	0.41		
Tata Refractories Limited	10,00,000	10		1.12	1.12	
Indian Potash Limited	2,40,000	10		0.18	0.18	
NTPC- SAIL Power Company Pvt Limited	5,86,50,050	10		—	58.65	
Bokaro Power Supply Company Pvt Limited	8,40,25,000	10		—	84.02	
Bhilai Electric Supply Company Pvt Limited	1,66,00,000	10		—	16.60	
SAIL- Bansal Service Centre Limited (27,23,200)	32,00,000	10		—	2.72	
Metaljunction.com Pvt Limited (4,000)	40,00,000	10		—	—	
South India Export Co. (P) Limited	7,500	10		0.01	0.01	
India Standard Wagon Company Limited	130	100		—*	—*	
Hoogly Docking and Engg. Company Limited	1,433	100		0.02	0.02	
Satna Stone Lime Company Limited	33,804	10		0.03	0.03	164.73
<b>Other Investments -</b>						
<b>Subsidiary Companies</b>						
IISCO Ujjain Pipe & Foundry Company Limited	30,00,000	10		3.00	3.00	3.00
<b>Other Companies</b>						
Management & Technology Application (India) Limited	(16,334)	10		—*	0.02	
UEC SAIL Information Technology Limited	1,80,000	10		—	0.18	
Cement & Allied Products (Bihar) Limited	2	10		—*	0.00*	
Chemical & Fertilizer Corporation (Bihar) Limited	1	10		—*	—*	
Bhilai Power Supply Company Limited	5	10		—*	—*	
Romelt SAIL (India) Limited	63,000	10		0.06	0.06	
MSTC Limited	20,000	10		0.01	0.01	
Bihar State Financial Corporation	500	100		0.01	0.01	
Units of Mutual Fund				3.43	—	
Government Securities				0.06	0.06	
<b>Shares in Co-operative Societies</b>			0.19	3.76	0.19	0.53
Less : Provision for diminution in value of investments				8.59		168.32
				4.13		4.57
				4.46		163.75

\* Cost being less than Rs. 50,000/-, figures not given.



## 1.8 : INVENTORIES\*

	As at 31st March, 2003	As at 31st March, 2002	
<i>(Rupees in crores)</i>			
<b>Stores &amp; Spares</b>	<b>978.79</b>	947.47	
Add: In-transit	<u>75.86</u>	<u>78.51</u>	
	<b>1054.65</b>	1025.98	
Less: Provision	<u>110.77</u> <b>943.88</b>	<u>88.51</u> 937.47	
Raw materials	<b>562.06</b>	517.54	
Add: In-transit	<u>235.42</u>	<u>142.36</u>	
	<b>797.48</b>	659.90	
Less: Provision	<u>1.12</u> <b>796.36</b>	<u>2.91</u> 656.99	
Semi/finished products (including scrap)	<b>2159.43</b>	2627.56	
Salvaged/Scrapped fixed assets	<u>31.56</u>	<u>31.42</u>	
	<u><b>3931.23</b></u>	<u>4253.44</u>	

\* As certified by the Management and Valued as per Accounting Policy No. 1.6 in Schedule No. 3

## 1.10 : CASH & BANK BALANCES

	As at 31st March, 2003	As at 31st March, 2002	
<i>(Rupees in crores)</i>			
Cash and Stamps on hand	<b>2.30</b>	1.77	
Cheques on hand	<u>215.95</u>	<u>261.81</u>	
With Scheduled Banks on			
Current account*	<b>170.72</b>	37.91	
Unpaid Dividend Account	<b>0.36</b>	0.42	
Margin Money Account	<b>0.01</b>	0.95	
Term Deposit Account*	<u>348.87</u> <b>519.96</b>	<u>133.06</u> 172.34	
With post office (Deposits pledged with excise authorities)	<b>0.01</b>	0.01	
Remittances-in-transit	<u>1.38</u>	<u>5.40</u>	
	<u><b>739.60</b></u>	<u>441.33</u>	

\* Includes Rs. 349.98 crores held in escrow account for Voluntary Retirement Payments (previous year Rs. 58 crores)

## 1.9 : SUNDRY DEBTORS

	As at 31st March, 2003	As at 31st March, 2002	
<i>(Rupees in crores)</i>			
Debts over six months	<b>428.84</b>	409.20	
Other debts	<u>1444.58</u>	<u>1232.40</u>	
	<b>1873.42</b>	1641.60	
Less: Provision for doubtful debts	<u>205.31</u>	<u>182.88</u>	
	<u><b>1668.11</b></u>	<u>1458.72</u>	
<b>Particulars</b>			
Unsecured, considered good (Including debts backed by bank guarantees Rs. 466.77 crores; Previous year Rs. 353.80 crores)	<b>1668.11</b>	1458.72	
Unsecured, considered doubtful	<u>205.31</u>	<u>182.88</u>	
	<u><b>1873.42</b></u>	<u>1641.60</u>	

## 1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2003	As at 31st March, 2002	
<i>(Rupees in crores)</i>			
Loans to subsidiary company (Refer Note No. 6.1.1 of schedule 3)	<b>0.43</b>	0.35	
Loans to other companies	<b>—</b>	0.53	
Employees	<b>77.35</b>	83.34	
Others	<u>21.12</u>	<u>16.19</u>	
	<b>98.90</b>	100.41	
Less: Provision for doubtful interest	<u>6.61</u>	<u>6.24</u>	
	<u><b>92.29</b></u>	<u>94.17</u>	
<b>Particulars</b>			
Unsecured, considered good	<b>92.29</b>	94.17	
Unsecured, considered doubtful	<u>6.61</u>	<u>6.24</u>	
	<u><b>98.90</b></u>	<u>100.41</u>	



## 1.12 : LOANS AND ADVANCES

	As at 31st March, 2003		As at 31st March, 2002	
		(Rupees in crores)		
<b>Loans</b>				
Employees	170.59		207.81	
Stores issued	15.09		14.14	
Subsidiary company (Refer Note No. 6.1.1 of schedule 3)	2.38		2.38	
Others	66.28		115.87	
	254.34		340.20	
Less : Provision	32.58	221.76	2.11	338.09
<b>Advances recoverable in cash or in kind or for value to be received</b>				
Claims recoverable	378.80		326.37	
Contractors & suppliers	83.14		86.65	
Employees	6.31		4.30	
Advance Income Tax and Tax deducted at source*	111.46		84.92	
Bills Receivable	0.42		0.10	
For purchase of shares	—		4.00	
Export Incentive Receivable	152.96		58.74	
Others	218.58	951.67	216.05	781.13
<b>Deposits</b>				
Port Trust, Excise Department, Railways, etc.	76.00		90.92	
Others	136.61	212.61	120.33	211.25
		1386.04		1330.47
Less : Provision for doubtful Loans & Advances	100.56		107.18	
		1285.48		1223.29
* (Includes Rs. 105.24 crores against disputed demands; previous year Rs. 82.65 crores).				
<b>Particulars of Loans &amp; Advances—Others</b>				
Secured, considered good	161.72		203.88	
Unsecured, considered good	1123.76		1019.41	
Unsecured, considered doubtful	100.56		107.18	
		1386.04		1330.47

## 1.13 : CURRENT LIABILITIES

	As at 31st March, 2003		As at 31st March, 2002	
		(Rupees in crores)		
Sundry creditors				
Capital works	199.94		259.68	
Small scale Industrial Undertaking	9.40		0.00	
Others	1962.93	2172.27	2000.56	2260.24
Advances from Customers	266.21		273.01	
Others	31.81	298.02	33.57	306.58
Security deposits	208.72		199.64	
Less : Investments received as security deposit	0.71	208.01	0.26	199.38
Interest accrued but not due on Loans		1001.35		1082.53
Dividend warrants - unencashed		0.37		0.42
Other liabilities		1609.48		1520.85
		5289.50		5370.00

## 1.14 : PROVISIONS

	As at 31st March, 2003		As at 31st March, 2002	
		(Rupees in crores)		
Gratuity	1599.37		1258.17	
Accrued Leave Liability	790.23		591.13	
Post-Retirement Medical and Settlement Benefits	219.94		—	
<b>Taxation</b>				
Opening Balance	0.04		0.04	
Add : Provision during the year	3.95		—	
Taxation	—	3.99	—	0.04
<b>Pollution control &amp; peripheral development</b>				
Opening Balance	43.16		30.08	
Add : Provision during the year	17.81		14.48	
Less: Amount utilised during the year	2.24	58.73	1.40	43.16
<b>Exchange Fluctuation</b>				
Opening Balance	15.93		22.93	
Add : Provision during the year	13.65		11.10	
Less: Amount utilised during the year	29.58	0.00	18.10	15.93
Proposed Dividend	8.00		—	
Tax on Dividend	1.02		—	
Voluntary Retirement Compensation	210.05		248.78	
Employee's Family Benefit Scheme	141.75		87.90	
Others	103.11		71.30	
		3136.19		2316.41

## 1.15 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

	Balance as at 31st March 2002	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March 2003
<i>(Rupees in crores)</i>					
(i) Development Expenditure					
(a) On Mines	31.45	17.27	48.92	17.08	<b>31.84</b>
(b) On New Projects	0.44	—	0.44	0.24	<b>0.20</b>
Total (i)	<u>32.09</u>	<u>17.27</u>	<u>49.36</u>	<u>17.32</u>	<u><b>32.04</b></u>
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	457.01	256.81	713.82	216.22	<b>497.60</b>
(b) Employee's Family Benefit Scheme	81.23	27.09	108.32	108.32	—
(c) Others	24.09	-3.69	20.40	10.47	<b>9.93</b>
Total (ii)	<u>562.33</u>	<u>280.21</u>	<u>842.54</u>	<u>335.01</u>	<u><b>507.53</b></u>
Total (i+ii)	<u>594.42</u>	<u>297.48</u>	<u>891.90</u>	<u>352.33</u>	<u><b>539.57</b></u>
Previous year	<u>375.06</u>	<u>453.93</u>	<u>828.99</u>	<u>237.35</u>	<u><b>591.64</b></u>

	Current Year	Previous Year
<b>Charged Off to:</b>		
Raw Materials	<b>15.55</b>	13.16
Other Expenses & Provisions	<b>336.78</b>	233.60
Prior Period Adjustments/EDC	—	0.59
	<u><b>352.33</b></u>	<u>237.35</u>

## 1.16 : MINORITY INTEREST

	Current Year	Previous Year
Balance of Equity as on the date of Investment	<b>-0.43</b>	-0.43
Add : Movement in Equity and proportionate share of losses from the date of investment up to 31.03.2003	<b>0.20</b>	0.19
	<u><b>-0.23</b></u>	<u>-0.24</u>



## 2.1 : SALES

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Domestic - Iron & steel, By-products, others	<b>18796.91</b>	15703.25
Export - Iron & Steel	<b>1092.91</b>	554.33
Exports Incentives	<b>159.73</b>	53.32
Energy & Steam	<b>216.23</b>	—
Others	<b>10.46</b>	12.37
	<b>20275.88</b>	16323.27

## 2.2 : INTEREST EARNED

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Loans & Advances	<b>2.00</b>	8.39
Customers	<b>34.68</b>	37.81
Employees	<b>12.29</b>	16.74
Term Deposits	<b>24.28</b>	35.29
Others	<b>18.56</b>	7.26
	<b>91.81</b>	105.49

## 2.3 : OTHER REVENUES

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Social amenities—recoveries	<b>11.45</b>	102.10
Sale of empties etc.	<b>37.99</b>	30.17
Liquidated damages	<b>17.49</b>	9.01
Service charges	<b>42.30</b>	3.23
Grant-in-aid	—	0.03
Subsidy	<b>6.88</b>	9.45
Hire charges etc.	<b>1.04</b>	0.88
Claims for finished products (Shortages & missing wagons)	<b>0.51</b>	4.62
Dividend (gross) from investments	<b>2.67</b>	5.80
Profit on sale of fixed assets (net)	<b>0.25</b>	0.25
Profit on sale of power plants	—	490.58
Profit on sale of houses	<b>143.94</b>	171.64
Profit on sale of current Investment	<b>0.13</b>	—
Waiver of Steel Development Fund Loans	<b>44.68</b>	—
Sundries	<b>119.36</b>	110.68
	<b>534.69</b>	938.44

## 2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Loans & advances	<b>16.80</b>	20.78
Sundry debtors	<b>8.70</b>	13.50
Stores & spares	<b>11.89</b>	9.39
Others	<b>18.93</b>	59.41
	<b>56.32</b>	103.08

## 2.5 : DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Opening stock	<b>2628.72</b>	3079.47
Less : Closing stock	<b>2159.74</b>	2628.72
	<b>468.98</b>	450.75

## 2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	<b>20808692</b>	<b>958.77</b>	19820153	911.12
Coal	<b>13203073</b>	<b>4240.44</b>	12813926	3774.57
Coke	<b>69541</b>	<b>54.29</b>	127077	72.09
Limestone	<b>3079114</b>	<b>353.25</b>	3306876	338.91
Dolomite	<b>2582571</b>	<b>144.63</b>	2454931	130.33
Naphtha	<b>12724</b>	<b>17.23</b>	18730	25.53
Ferro Manganese	<b>59485</b>	<b>140.57</b>	57784	129.90
Ferro Silicon	<b>18531</b>	<b>60.58</b>	17359	56.21
Silico Manganese	<b>78175</b>	<b>179.77</b>	71384	157.96
Hot Rolled Stainless				
Steel Coils	<b>7954</b>	<b>31.01</b>	15856	58.16
Intermediary Products	<b>23321</b>	<b>127.00</b>	3082	85.95
Zinc	<b>10500</b>	<b>57.74</b>	10977	68.85
Aluminium	<b>12961</b>	<b>106.43</b>	13544	111.63
Others	<b>238.60</b>	<b>—</b>	—	220.66
	<b>6710.31</b>	<b>—</b>	<b>6141.87</b>	<b>—</b>

## 2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Salaries, wages & annual bonus	2952.34	2846.95
Company's contribution to provident fund & other funds	267.76	269.84
Travel concession	0.51	9.17
Welfare expenses	329.90	120.94
Gratuity	595.14	362.72
	<u>4145.65</u>	<u>3609.62</u>
Less : Grants in Aid received from Government of Karnataka	0.67	0.66
	<u>4144.98</u>	<u>3608.96</u>
<b>Note :</b> <b>Expenditure on Employees' Remuneration and Benefits not included above and charged to:</b>		
a) Expenditure During Construction	8.60	19.04
b) Deferred Revenue Expenditure	324.54	192.20
c) Net Expenditure on Social Amenities charged to various primary revenue heads	177.21	183.55
	<u>510.35</u>	<u>394.79</u>

## 2.8 : POWER & FUEL

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Purchased power	1831.02	1557.30
Duty on own generation	13.02	25.66
Boiler Coal/Middlings	121.76	226.22
Furnace Oil/LSHS/LDO	60.37	60.30
Others	213.90	18.21
	<u>2240.07</u>	<u>1887.69</u>
<b>Note :</b> <b>Expenditure on Power &amp; Fuel not included above &amp; charged off to:</b>		
— Expenditure During Construction	2.34	5.82

## 2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2003	Year ended 31st March, 2002
		<i>(Rupees in crores)</i>
Buildings	28.56	25.88
Plant & Machinery	141.81	96.29
Others	51.90	53.50
	<u>222.27</u>	<u>175.67</u>
<b>Note :</b> <b>Expenditure on repairs &amp; maintenance not included above and charged to:</b>		
<b>a) Employees' Remuneration &amp; Benefits</b>		
Buildings	44.70	43.69
Plant & Machinery	588.51	450.34
Others	65.24	62.46
	<u>698.45</u>	<u>556.49</u>
<b>b) Stores &amp; Spares</b>		
Buildings	8.94	11.40
Plant & Machinery	672.76	659.07
Others	35.74	33.63
	<u>717.44</u>	<u>704.10</u>
<b>c) Expenditure during Construction</b>		
Buildings	0.12	—
Plant & Machinery	—	0.10
Others	—	0.37
	<u>0.12</u>	<u>0.47</u>
Total (a+b+c)	<u>1416.01</u>	<u>1261.06</u>



## 2.10 : OTHER EXPENSES

	Year ended 31st March, 2003	Year ended 31st March, 2002	
			(Rupees in crores)
Commission to selling agents	15.76	12.44	
Directors' Fees	0.03	0.03	
Export sales expenses	34.81	24.33	
<b>Handling expenses</b>			
— Raw Material	128.29	129.68	
— Finished goods	58.52	72.04	
— Scrap recovery expenses	57.27	68.49	270.21
Insurance	8.11	7.46	
Postage, telegram & telephone	13.26	18.56	
Printing & stationery	7.96	8.03	
<b>Provisions</b>			
— Doubtful debts, loans and advances	82.48	77.04	
— Investments	0.00	0.05	
— Stores, Spares and Sundries	95.57	41.13	118.22
Rates & Taxes	29.32	23.45	
<b>Remuneration to Auditors</b>			
— Audit fees	0.53	0.51	
— Tax Audit fees	0.13	0.13	
— Out of pocket expenses	0.61	0.64	
— In other capacities	0.21	0.20	1.48
Cost Audit Fees	0.01	0.01	
Rent	23.81	25.17	
Royalty and cess	48.19	44.70	
Security expenses	91.63	84.99	
Travelling expenses	143.08	104.72	
<b>Write Offs</b>			
— Miscellaneous & Deferred Revenue Expenditure	336.78	223.60	
— Doubtful debts, advances etc.	11.86	7.95	231.55
Cash Discount	92.69	52.96	
Training expenses	4.29	5.37	
Conversion charges	44.21	26.21	
Foreign Exchange Fluctuation (Net)	24.53	45.81	
Water Charges & Cess on water pollution	38.61	23.29	
Contribution to Joint Plant Committee Funds	2.39	2.27	
Miscellaneous (include Donation of Rs. 49.81 lacs)	221.67	238.12	
	<b>1616.61</b>	<b>1369.38</b>	

## 2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2003	Year ended 31st March, 2002	
			(Rupees in crores)
Public deposits	147.44	167.61	
Foreign currency loans	110.56	136.42	
Non Convertible Bonds	589.14	576.73	
Bank borrowings - working capital	314.83	462.93	
Steel Development Fund Loans	55.54	37.48	
Others	176.44	179.58	
Finance Charges	49.10	40.98	
	<b>1443.05</b>	<b>1601.73</b>	
Less : Interest Subsidy received from GOI	47.77	26.24	
	<b>1395.28</b>	<b>1575.49</b>	
<b>Note :</b>			
<b>Expenditure on interest not included above &amp; charged to: Expenditure During Construction</b>			
Foreign Currency Loans	0.30	1.69	
Non Convertible Bonds	9.06	24.56	
Steel Development Fund Loans	1.63	9.48	
Others	0.09	3.43	
Finance Charges	0.30	0.65	
	<b>11.38</b>	<b>39.81</b>	

## 2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2003	Year ended 31st March, 2002	
			(Rupees in crores)
Raw materials	993.10	987.63	
Departmentally manufactured stores	244.46	211.68	
Services transferred to capital works	20.66	21.30	
Coke subsidy to Employees	0.00	1.94	
Inter plant transfer of stocks/stores	19.05	28.15	
Others (Net)	6.44	5.74	
	<b>1283.71</b>	<b>1256.44</b>	

## 2.13 : ADJUSTMENT PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2003	Year ended 31st March, 2002	
			(Rupees in crores)
Sales	1.40	1.81	
Other revenue	-5.96	0.48	
Raw materials consumed	-2.15	-0.47	
Employees' remuneration & benefits	-1.36	1.42	
Stores & spares consumed	0.27	-4.73	
Power & fuel	16.66	-6.02	
Repairs & Maintenance	-0.10	-0.24	
Excise duty	—	-1.56	
Freight Outward	-4.83	—	
Other Expenses & Provisions	4.32	9.27	
Interest	8.58	3.46	
Depreciation	-0.16	8.23	
Net Debit	<b>16.67</b>	<b>11.65</b>	

\*(-) indicate credit items

## SCHEDULE 3 : ACCOUNTING POLICIES & NOTES ON ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 BASIS OF ACCOUNTING

The Group prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles. In the case of Power Generation Companies, the accounts are prepared in accordance with the provisions of the Electricity (Supply) Act, 1948.

#### 1.2 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

Land gifted by the State Governments is valued notionally/nominally and the corresponding amount is credited to 'Capital Reserve'. The expenditure on development of land including leasehold land is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised, based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

Expenditure incurred during the trial run period are capitalised till the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expenses.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals thereagainst, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

#### 1.3 BORROWING COSTS

Borrowing costs relating to the acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

#### 1.4 DEPRECIATION

Depreciation is provided on straight line method at the rates specified in Schedule-XIV to the Companies Act, 1956. However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset based on the rates specified in Schedule XIV as stated above.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

Cost of acquiring mining rights is amortised over the lease period.

In case of Power Generation Companies, depreciation is charged on straight-line method as per the rates prescribed under Electricity (Supply) Act, 1948 as notified from time to time.

In case of Metaljunction.Com (P) Ltd., SAIL Bansal Service Centre Ltd. and UEC SAIL Information Technology Ltd., depreciation on fixed assets is provided on reducing balance method at the rates specified in Schedule XIV of the Companies Act, 1956.

#### 1.5 INVESTMENTS

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

#### 1.6 INVENTORIES

Semi/Finished products, are valued at lower of cost and net realisable value of the respective plants.

Raw-materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

The stocks of wear scrap lying unconsumed at the plant and mixed/ coke rejects and middlings/Mn ore fines, are valued at the estimated net realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost upto the stage of process.

Stores and spares are valued at cost. However, in the case of stores and spares declared obsolete/surplus and also those which have not moved for five years or more, provision is made at 75% and 10% respectively of the book value and charged to revenue.



In respect of inter-unit transfers: (i) the closing stock of semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter-plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transferred materials used for capitalisation have, however, been considered at cost, (ii) Stores and spares are valued at cost of the transferor plant, (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based on the average of purchase cost and transfer price.

Cost is arrived on weighted average basis.

In case of Power Generation Companies, inventories, other than scrap are valued at cost, on monthly weighted average basis.

## **1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE**

Expenditure incurred on development of new projects, removal of over-burden at mines, cost of feasibility studies for new projects and payments for technical know-how/documentation is treated as development expenditure.

Expenditure on extraction at captive mines is distributed over the excavation of ore, normal waste (intercalated waste) and over burden. The expenditure on removal of normal waste (intercalated waste) is loaded on the cost of ore excavated. Expenditure on removal of over burden is treated as deferred revenue expenditure and the same is written off in 5 years. In case of Almora Magnesite Ltd., mines development expenses are amortised over a period of ten years.

Expenditure on feasibility studies, technical know-how/documentation and other development expenditure is added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.

Voluntary retirement compensation liability ascertained on actuarial valuation, is treated as deferred revenue expenditure and written-off in five years. Further, annual increase/decrease to the above liability actuarially ascertained, is taken to Profit and Loss Account, after adjustment of payments thereof during the year. Incremental payments against Voluntary Retirement Schemes due to wage revision is charged corresponding to the period for which deferred revenue expenditure relating to such Voluntary Retirement Scheme is amortised, with the first charge being made for the entire lapsed period in the year in which such wage agreement is finalised. In case of Voluntary Retirement Schemes which envisage monthly payments, the payments are charged off as per contractual terms.

Other deferred revenue expenditure including expenditure on consultancy/technological assistance for strategic cost reduction and quality improvements is written-off in five years.

## **1.8 FOREIGN CURRENCY TRANSACTIONS**

Foreign currency assets and liabilities, other than those covered by forward contracts, as on the Balance Sheet date are converted at the year end exchange rates and loss or

gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

## **1.9 RESEARCH & DEVELOPMENT EXPENDITURE**

Research and Development Expenditure is charged to Profit & Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development is treated in the same way as other fixed assets.

## **1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION**

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Group. These are treated as income on completion of the projects/final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Group.

## **1.11 RETIREMENT BENEFITS**

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.

## **1.12 EMPLOYEES' FAMILY BENEFIT SCHEME**

The provision towards payments to be made in future to the disabled employees/legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

## **1.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES**

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs.5 lakhs, [Rs.1 lakh in case of NTPC-SAIL Power Company (P) Ltd. and Bhilai Electric Supply Company (P) Ltd.] in each case, are treated as income/expenditure of current year.

## **1.14 SALES**

Sales include Excise Duty and are net of rebates/price concessions/sales tax.

Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the Company's name, pending collection of payments, since the significant risks and rewards in such cases are passed on to the buyers on despatch of materials. Export sales are treated as sales on issue of Bills of lading.

## **1.15 EXPORT INCENTIVES**

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme



and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

## 1.16 LEASES

### (a) Where the Group is lessor

Assets given under finance lease are recognised as receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the basis of internal rate of return. The principal amount received is reduced from the net investment in the lease while interest recovery is recognised as revenue. In those cases where the entire lease premium/consideration is received up front, the difference between consideration money and net book value of the assets is recognised as income in the Profit & Loss Account.

Assets subject to operating lease are included in fixed assets and the lease income is recognised in the Profit & Loss Account on a straight line basis over the lease term. Expenses including depreciation in relation thereto, are recognised as an expense in the Profit & Loss Account.

### (b) Where the Group is lessee

Finance leases which effectively transfer to the Group substantially all the risks and rewards incidental to the ownership of the leased items, are capitalised at the lower of the face value and present value of the minimum lease payments at the inception of the lease term. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability. Capitalised leased assets are depreciated over the lease term or estimated useful life of the relevant assets, whichever is shorter.

All leases except for those specified above, are classified as operating leases. Lease payments, in such cases, are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

## 1.17 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

## 1.18 SEGMENT REPORTING

### (a) Identification of Segments

The Group has identified that its operating segments are primary segments. The Group's operating business are organised and managed separately for all the manufacturing units, with each business unit representing a strategic segment. Accordingly, each manufacturing unit has been identified as an operating segment for reporting purposes.

The analysis of geographical segments is based on the areas in which the customers of the Group are located.

### (b) Allocation of Common Costs

Common expenses are allocated to each segment on appropriate basis. Revenue and expenses not allocated to segments, have been included under the head "unallocated – common expenses".

The Accounting Policies adopted for segment reporting are in line with those of the Group.

## NOTES ON ACCOUNTS

### 2. Principles of Consolidation of Financial Statements:

The consolidated financial statements of Steel Authority of India Ltd. (SAIL) and its various subsidiary companies, Joint Venture Companies and Associate are prepared in accordance with Accounting Standard 21 (AS) on "Consolidated Financial Statements", AS-23 on "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 on "Accounting for interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and are presented to the extent possible in the same manner as the company's separate financial statement.

- 2.1 The Financial Statements of SAIL, IISCO and MEL are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances, intra group transactions and any unrealised profit/loss included therein. However, materials lying in stock against intra-group transfers and profit margins included therein; the quantum whereof is insignificant, have been accounted for based on the management certificates.
- 2.2 The interest in the Joint Venture has been accounted by using the proportionate consolidation method as per AS-27.
- 2.3 Investment in Associate company has been accounted for using "equity method" of accounting prescribed by Accounting Standard (AS) – 23 whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post-acquisition change in the company's share of net assets of the Associate.
- 2.4 The excess of cost to SAIL, of its investment in its Subsidiary Companies, Joint Venture Companies and Associate, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the Subsidiary Companies, Joint Venture Companies and Associate over cost of its investment is treated as Capital Reserve. This has been calculated, presuming such acquisitions to be on the last date of the respective years, irrespective of the actual date of such acquisition.
- 2.5 The accounts of one of the Joint Ventures, namely North Bengal Dolomite Limited in which the company has 50% shareholding and incorporated in India, have not been consolidated since the company's Operations are under suspension and accounts have been prepared upto 1999-2000.
- 2.6 Since AS-23 and AS-27 are applicable to the Reporting Company from the current year, previous year's figures do not include figures for associate and joint ventures.



3.1 The subsidiary companies, Joint Ventures and Associate considered in the financial statements are as follows:

Sl. No.	Name of the Company	Proportion (%) of Shareholding as on 31st March, 2003
<b>Subsidiary Companies</b>		
1	Indian Iron & Steel Company Ltd. (IISCO)	100
2	Maharashtra Elektros melt Ltd. (MEL)	99.12
3	Bhilai Oxygen Limited (BOL)	100
<b>Joint Venture Companies</b>		
1	NTPC SAIL Power Company (P) Limited (NSPCL)	50
2	SAIL Bansal Service Centre Limited (SBSCL)	40
3	Metaljunction.Com (P) Limited (MJCPL)	50
4	UEC SAIL Information Technology Limited (USIT)	40
5	Bokaro Power Supply Company (P) Ltd. (BPSCL)	50
6	Bhilai Electric Supply Company (P) Ltd. (BESCL)	50
<b>Associate</b>		
1	Almora Magnesite Limited (AML)	20

3.2 All the above companies have been incorporated in India.

#### 4.1 CONTINGENT LIABILITIES

(Rs. in crores)

	As at 31st March, 2003	As at 31st March, 2002
i) Claims pending appellate/ judicial decisions	1357.77	1495.04
ii) Other claims not acknowledged as debt	600.32	680.94
iii) Guarantee given to Banks	28.85	28.85
iv) Bank guarantee given to excise authorities	2.55	
v) Bills drawn on customers and discounted with banks	25.66	30.76
vi) Claims by certain employees and escalation claims, extent whereof is not ascertainable	—	—

4.2 Sales Tax authorities have raised demands for Rs. 982.32 crores (As at 31<sup>st</sup> March, 2002 - Rs. 1041.86 crores) on account of sales tax on stock transfers made by SAIL over the years to stockyards situated in different States, under various marketing schemes. The demands of Sales Tax authorities have been contested by SAIL which are pending at various stages of appeal. As sales tax liability has been discharged by the respective stockyards on sale of such stocks by depositing sales tax with the respective Sales Tax authorities in different States, no liability is expected to arise, as sales tax is leviable only once.

4.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 525.37 crores (As at 31<sup>st</sup> March, 2002 - Rs. 288.51 crores).

## 5. FIXED ASSETS

5.1 Land includes:

- 62033.19 acres (As at 31<sup>st</sup> March 2002 – 61473.20 acres) owned/ leased/ possessed by the Group, in respect of which title/lease deeds are pending for registration.
- 4442.30 acres (As at 31<sup>st</sup> March 2002 – 4442.30 acres) gifted by State Governments, which are pending for registration and included in (i) above.
- 5344.39 acres (As at 31<sup>st</sup> March 2002 - 4991.43 acres) given on lease to various agencies/ employees/ex-employees.
- 14459.72 acres (As at 31<sup>st</sup> March, 2002 - 14459.72 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/registered. Out of the above, 11274.55 acres (As at 31<sup>st</sup> March, 2002 - 10626.73 acres) have already been adjusted in the accounts.
- 12787.02 acres (As at 31<sup>st</sup> March, 2002 – 12767.96 acres) in respect of which title is unascertained.

5.2 Fixed assets include Rs. 8000/- (As at 31<sup>st</sup> March, 2002: Rs.8000/-) being the cost of shares in a Co-operative Housing Society.

5.3 Foreign exchange variations aggregating to Rs. 65.03 crores (net debit) [previous year Rs. 56.95 crores (net debit)] have been included in the carrying amount of fixed assets during the year.

## 6. INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

6.1 IISCO was declared a Sick Industrial Company by the Board for Industrial and Financial Reconstruction (BIFR) on 17<sup>th</sup> August, 1994. The Government of India in June 2002 approved a revival plan of IISCO, which is under implementation. Some of the reliefs envisaged in the proposal have already been availed of by IISCO. Based on the Government of India's approval, a rehabilitation proposal, was submitted to Industrial Development Bank of India (IDBI) on 9<sup>th</sup> July, 2002. The proposal was examined by IDBI, as per directive of BIFR. IDBI submitted a draft rehabilitation scheme to BIFR on 9<sup>th</sup> April 2003 in respect of which final sanction is awaited. The accounts of IISCO have been drawn up based on the assumption that it is a going concern.

6.1.1 IISCO-Ujjain Pipe & Foundry Company Ltd.(IISCO-Ujjain), a wholly owned subsidiary company of IISCO, is under liquidation and an official liquidator has been appointed on 10<sup>th</sup> July 1997 by the Hon'ble High Court of Kolkata, who has taken over the possession of the assets. As IISCO-Ujjain is held exclusively with a view to its disposal in the near future, consolidation of the accounts of IISCO-Ujjain is not called for with the group in terms of AS-21.

6.2 At Durgapur Steel Plant of SAIL, recoverable advances/dues of Rs. 138.60 crores from Hindustan Steel Works Construction Limited (HSCL) include (i) Rs. 133.40 crores (As at 31<sup>st</sup> March, 2002 - Rs.133.40 crores) paid over the years in excess of contractual obligations included in Capital Work-in-Progress (ii) Rs. 2.54 crores (As at 31<sup>st</sup> March, 2002- Rs. 2.54 crores) paid against future jobs to be awarded

(iii) Estate dues of Rs. 2.66 crores (As at 31st March, 2002 - Rs.2.43 crores). HSCL has disputed the above advances and has made further claims against SAIL and SAIL, in turn, has also made counter claims. These matters have been referred to a conciliator. Pending conciliation and HSCL being Government of India Undertaking, the advances and other dues have been considered recoverable. Adjustment/provision, if any, required with regard to such advances/dues shall be carried out on finalisation of conciliation proceedings/settlement of claims/counter claims.

Further, an amount of Rs. 40.32 crores (net) {As at 31st March, 2002 – Rs. 41.49 crores (net)} is due from HSCL at Bokaro Steel Plant of SAIL towards advances against future jobs to be executed, estate dues etc. These are considered as recoverable and the company expects to recover these advances in due course

- 6.3** Claims recoverable (Schedule-1.13) include Rs. 44.76 crores (As on 31st March 2002 – Rs. 44.76 crores) due from M/s TPE, Russia towards claims for short weight of equipments (less than contractual estimates) and equipments getting shipped through shorter route resulting in freight refunds to Bhilai Steel Plant of the company during the years 1976 to 1984. The above claims have already been accepted by the party in Nov.'97 and recovery thereof is being followed up by SAIL and through Inter-Governmental meetings/protocol.
- 6.4** Sundry creditors, other liabilities, sundry debtors, claims recoverable, deposits and advances to parties include some old unlinked balances pending reconciliation/ confirmation/ adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances. The account of Public Deposit Scheme of SAIL is also under reconciliation in respect of adjustment of Rs. 2.14 crores carried out during 2001-02, out of which an amount of Rs. 0.80 crores has been adjusted. Further adjustments would be carried out after due verification/ reconciliation.
- 6.5** SAIL, IISCO and MEL have substantial carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961 and accordingly deferred tax asset of about Rs. 2448.16 crores has arisen as on 31st March 2003 (As at 31st March 2002 – Rs. 2513.06 crores) as per Accounting Standard-22 on 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India. However, in consideration of prudence, the above deferred tax asset has not been recognised in the financial statements and the same would be considered at appropriate time keeping in view the availability of sufficient taxable income against which such deferred tax asset can be realised. In respect of Joint Venture Companies, the deferred tax assets/liabilities and provision for taxation has been consolidated based on the accounts of respective companies.
- 6.6** The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. Employees' Unions/Associations have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide its Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted and kept separately and not deposited with the Income Tax

Department and vide Order dt. 30.1.2002 has granted an interim stay restraining SAIL, IISCO and MEL from deduction of tax on perquisite on accommodation provided to their employees. Accordingly, the aforesaid companies have not deducted tax on house perquisite and tax on other perquisites has been deducted and kept in separate account for all the employees as per the legal advice. Necessary accounting adjustments in the above matter would be carried out on the disposal of appeals filed by the Employees' Unions/ Associations.

- 6.7** During the year, the Hon'ble Supreme Court of India has held that contributions made to Steel Development Fund (SDF), Engineering Goods Export Assistance Fund (EGEAF) and Joint Plant Committee (JPC) by SAIL, are part of ex-works price and as such excise duty is leviable on such contributions. As a result, excise duty liability of Rs. 91.19 crores for the period March 1992 to September 1994 is payable. As per decision of the SDF managing committee, the demands for reimbursement of excise duty on various funds may be met in the case of the SDF, by adjusting against interest due from SAIL on the SDF loans and with respect of EGEAF and JPC levies may be adjusted against dues payable to respective funds. Accordingly, the excise duty payable in respect of SDF (Rs. 51.85 crores) and JPC levies (Rs. 0.40 crores) has been adjusted against the interest due on SDF loans and JPC cess payable by SAIL. The excise duty adjustable against EGEAF (Rs. 38.94 crores) has been shown as claims recoverable from JPC, pending approval of the Ministry of Steel.
- 6.8** An amount of Rs. 186 crores has been received from the Government of India for funding VRS of Kulti works of IISCO. The amount has been deposited in a "No lien" Deposit account and shown under Cash and Bank Balance with corresponding disclosure of the same under Current Liabilities. The balance of amount lying in the above account as on 31st March 2003 is Rs. 129.98 crores.
- 7. PROFIT & LOSS ACCOUNT**
- 7.1** SAIL has granted long term lease, in respect of certain residential premises at its various units to the employees, ex-employees etc. and profit of Rs. 143.94 crores (Previous year – Rs. 171.64 crores) arising on leasing of such assets has been included under 'Other Revenues' as Profit on sale/ lease of houses'.
- 7.2** Waiver of Steel Development Fund loan amounting to Rs. 44.68 crores approved by the SDF Managing Committee, in respect of IISCO, during the period has been shown under "Other Revenues".
- 7.3** The long term agreements for employees' salaries & wages of SAIL and MEL had expired on 31.12.1996. The Companies has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustments thereof have been carried out in the accounts. However, the issue of wage revision (including other benefits) for the period from 1.1.1997 to 31.12.2000 is to be discussed separately with the employees keeping in view the financial health of the aforesaid companies. Though, representatives of employees have demanded discussions on arrears, they have been informed that the issue would



be discussed further after the financial position of the aforesaid companies improves. Also, associations of employees have filed cases in various High Courts seeking payment of arrears / benefits based on the revised scales of pay, which are pending. Liability, if any, in this regard is unascertainable. However, following the past practice, the adhoc adjustable advances/ Interim Relief of Rs. 424.20 crores (including Rs. 1.30 crores during the year) for the above period have been charged to "Employees' Remuneration and Benefits" in the respective years.

**7.3.1** In respect of Colliery employees and other units of IISCO, the long term agreements for employees' pay revision have expired on 30th June, 1996 and on 31st December, 1996 respectively. No provision has been made for pay revision and arrears, if any, in view of Government directives applicable to companies under BIFR. Liability, if any, in this regard is unascertainable. However, interim relief @12% has been and is being paid and provided for, pending final decision, for the period from 01.07.1996 for collieries and from 01.01.1997 to 31.03.1998 and thereafter from 01.01.2001 for other units.

**7.4** SAIL, IISCO and MEL, vide Resolution passed by their Board of Directors, have withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for the block calendar years of 1998-99, 2000-01 and 2002-03. The representatives of the employees have raised the matter for restoring the facility for LTC/LLTC. Further, a case has been filed in the Hon'ble Orissa High Court by one of the unions for restoring the benefit of LTC/LLTC, which is pending. However, as the facility continues to be withdrawn, no liability towards LTC/LLTC for the above periods have been provided for.

**7.5** During the year, SAIL, IISCO and MEL, based on actuarial valuation, has provided an amount of Rs. 183.36 crores, towards present value of post retirement medical benefits at plant hospitals for existing and retired employees (including premium payable on mediclaim scheme for retired employees) and an amount of Rs. 36.38 crores has been provided towards present value of settlement benefits payable to employees on retirement. This has resulted an increase of loss for the year by Rs. 219.74 crores.

**7.6** During the year, the future liability for benefits payable to the disabled employees / legal heirs of deceased employees under the Employee Family Benefit Scheme of SAIL, IISCO and MEL, which was hitherto being treated as deferred revenue expenditure to be charged off in five years, has been fully charged off, including unamortised amount of previous year, resulting an increase in loss for the year by Rs. 82.59 crores.

**7.7** Power & Fuel of SAIL, IISCO and MEL does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.

**7.8** The Research and Development costs charged to Profit & Loss Account and Fixed assets during the year amount to Rs. 53.93 crores (previous year - Rs.48.15 crores) and Rs. 0.89 crores (previous year - Rs.1.70 crores) respectively.

**7.9** Amount of foreign exchange differences in respect of forward exchange contracts of the company to be recognised in the Profit & Loss Account for subsequent periods is Rs. 35.70 crores (net debit) (Previous year – Rs. 15.43 crores (net debit)).

**7.10** In accordance with the Government of India's guidelines for State Electricity Boards as extended to Central Public Sector Undertakings, out of the total outstanding dues of Rs. 111.18 crores payable by SAIL to Damodar Valley Corporation (DVC) on account of surcharge for delayed payment, an amount of Rs. 44.47 crores has been paid/provided and balance amount of Rs. 66.71 crores has been considered as waived, based on mutual understanding with DVC, pending approval of their competent authority.

**7.11** The excise duty of Rs. 2469.55 crores, shown as deduction from sales, includes excise duty on internal consumption and closing stock.

**7.12** In case of Almora Magnesite Ltd., Depreciation on the assets of Cement unit of the Company has been charged for the whole year though the unit was partially operated.

**7.13** In case of NTPC-SAIL Power Company (P) Ltd., ancillary cost incurred in connection with arrangements of borrowings are amortized over a period of 5 years and Rs. 2.79 crores as on 31.3.2003 is to be written off. In case of Bokaro Power Supply Company (P) Ltd. and UEC SAIL Information Technology Ltd., pre-incorporation expenses represent expenses incurred towards incorporation of the company and are written off over a period of 10 years, while in case of Metal Junction. Com (P) Ltd., the same is written off over a period of 3 years.

In case of Metal Junction.Com (P) Ltd., expenditure incurred on software development relating to e-commerce and related activities are amortized over a period of two years.

**7.14** As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.

**7.15** In respect of SAIL, IISCO and MEL, the classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.

## **8. GENERAL**

### **8.1 Segment Reporting**

i) Business Segment: The four integrated steel plants and three alloy steel plants of SAIL, IISCO, MEL and three power plant Joint Venture companies, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.

ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as a geographical segment and exports as other segments. The disclosures of segment-wise information is given at Annexure-I.

# Schedules

## 8.2 Related party

As per Accounting Standard - 18 - 'Related party disclosures' issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of Relationship	Name of the related parties
<b>Joint Venture</b>	SAIL, Bansal Service Centre Limited Metaljunction.Com (P) Limited UEC SAIL Information Technology Limited
<b>Key Management Personnel:</b>	Shri Arvind Pande (Retired on 30 <sup>th</sup> Sept., 2002) Shri V.S. Jain Shri S.C.K. Patne Shri B.K.Singh Shri S.K.Bhattacharyya Shri Sanak Mishra Shri A.K.Singh Shri Barun Ghoshal (Retired on 31 <sup>st</sup> July, 2002) Shri R.P.Singh Shri Sudhakar Jha Shri D.A.Pikle Shri S.Panigrahy Shri S.N.P.Singh Shri M.N.Thakur (Retired on 28 <sup>th</sup> Feb., 2003) Shri M.Roy Shri R.C.Jha Shri U.P.Singh Shri Ashis Das Shri N.P.Jayswal Shri B.N.Singh (Joined on 3 <sup>rd</sup> Feb., 2003) Shri A.K.Jayswal Shri R.K.Gupta

The details of transactions between the SAIL, IISCO and MEL and the related parties, as defined in the Accounting Standard, are given below:

Sl. No.	Nature of transactions	Amount Rs./crores	Ref. Schedule & Account head of the Accounts	
		Joint Venture	Key Mgt. Personnel	
i)	Other Loans		0.05	1.13: Loans & Advances – Others
ii)	Interest recoverable		0.01	1.11: Interest receivable/ accrued
iii)	Investments	7.38		1.7: Investments
iv)	Payments made against services rendered during previous year	0.02		
v)	Managerial Remuneration		1.52	2.7: Employees' Remuneration and Benefits.

## 8.3. Earning Per Share (EPS)

In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below:

	2002-03	2001-02
i) Loss as per Profit & Loss Account (Rs. in crores)	-460.93	-1895.08
ii) Weighted average number of equity shares outstanding during the year	4,13,04,00,000	4,13,04,00,000
iii) Basic and diluted EPS (Rs.)	-1.12	-4.59

8.4 Previous year's figures are given in brackets and these have been re-arranged/ re-grouped wherever necessary.

## Annexure - I

### Segment Information as at 31st March, 2003

#### A. BUSINESS SEGMENT

(Rs. in crores)

PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	IISCO	MEL	Power Companies	Others	Inter Segment Adjustment	SAIL Group
<b>REVENUE</b>													
— External Sales	6502.54	2355.90	3143.00	6249.55	233.30	427.28	281.76	850.18	10.47	216.23	5.67	0.00	20275.88
— Internal Segment Sales	253.92	64.83	28.60	172.15	116.49	6.79	4.79	74.03	179.18	—	369.50	-1270.28	—
— Total Revenue	6756.46	2420.73	3171.60	6421.70	349.79	434.07	286.55	924.21	189.65	216.23	375.17	-1270.28	20275.88
<b>RESULT</b>													
— Operating profit/(-) loss (Before Interest Expenses)	1088.52	-117.45	-227.68	644.65	-151.09	-45.56	-118.24	-171.90	7.01	79.51	-55.48	—	932.29
— Interest Expenses	—	—	—	—	—	—	—	—	—	—	—	—	1395.28
— Net Loss (-)	—	—	—	—	—	—	—	—	—	—	—	—	-462.99
<b>OTHER INFORMATION</b>													
— Segment Assets	3987.11	4353.61	4810.03	4393.73	377.04	799.79	346.82	676.44	71.90	568.71	3751.58	-671.67	23465.09
— Segment Liabilities	1511.17	668.51	902.83	1577.72	192.04	74.58	161.03	1114.70	59.95	30.98	2227.16	-86.40	8434.27
— Capital Expenditure	73.21	24.38	81.28	34.61	0.67	6.66	2.29	5.43	0.12	2.81	19.11	—	250.57
— Depreciation	224.19	296.46	280.27	234.51	10.55	44.31	10.99	23.22	1.76	48.43	45.79	—	1220.48

#### B. GEOGRAPHICAL SEGMENT

PARTICULARS	AMOUNT (Rs. in crores)
<b>Sales Revenue</b>	
India	19182.97
Foreign Countries	1092.91
Total	20275.88

#### Note :

- Others include Raw Material Division and Central Units of SAIL, Bhilai Oxygen Limited, Metal Junction.com (p) Ltd. UEC-SAIL Information Technology Limited, SAIL-Bansal Service Centre Limited.
- Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10% of the total assets of all segments, and hence not disclosed.



**AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS  
OF STEEL AUTHORITY OF INDIA LIMITED AND ITS SUBSIDIARIES,  
JOINT VENTURES AND ASSOCIATES**

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, and its subsidiaries, Joint Ventures and Associates (SAIL group) as on 31<sup>st</sup> March 2003 and the annexed consolidated Profit & Loss Account for the year ended on that date and the consolidated Cash Flow Statement 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.

We conducted our audit in accordance with the 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 also includes examining, on a 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not carry out audit of the financial statements of the Company's following subsidiaries, Joint Ventures and Associates, which have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the Subsidiaries, Joint Ventures and Associates, is based solely on the reports of the other auditors. The details of the assets and revenues in respect of these subsidiaries, joint ventures and associates to the extent to which they are reflected in the consolidated financial statements are given below:

(Rs. in crores)

Name of the Companies	Total Assets	Total Revenues
<b>A. Subsidiaries</b>		
Indian Iron & Steel Company Ltd. (IISCO)	676.00	920.30
Maharashtra Elektrosmetelt Ltd. (MEL)	70.82	157.58
Bhilai Oxygen Ltd.	0.05	0.00
<b>B. Joint Ventures</b>		
NTPC SAIL Power Company (P) Limited	225.63	80.32
Metaljunction.Com (P) Limited	5.15	2.49
Bokaro Power Supply Company (P) Ltd.	281.62	110.47
Bhilai Electric Supply Company (P) Ltd.	60.06	29.19

(Rs. in crores)

Name of the Company	Net carrying cost of investment	Current year share of profit
<b>C. Associate</b>		
Almora Magnesite Limited	0.40	0.12

We further report that in respect of the following Joint Ventures, we did not carry out the audit. The figures of these financial statements are provisional and have been furnished to us by the management, and our opinion, insofar as it relates to the amounts included in respect of Joint Ventures is based solely on these provisional financial statements. Since the financial statements for the financial year ended 31<sup>st</sup> March 2003, which were compiled by the management of these companies were not audited, any subsequent adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of these Joint Ventures in the consolidated position is not significant in relative terms. The details of total assets and total revenues in respect of these Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:

(Rs. in crores)

Name of the Companies	Total Assets	Total Revenues
SAIL Bansal Service Centre Limited	5.39	3.35
UEC SAIL Information Technology Limited	1.87	4.64

We report that, subject to our observation vide paragraph (i) below, the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", AS-23, "Accounting for Investments in Associates in Consolidated financial statements" and AS-27, "Accounting for interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Steel Authority of India Limited and its subsidiaries, Joint Ventures and Associates included in the consolidated financial statements:

- i) The Accounts of IISCO-Ujjain Pipe & Foundry Company Ltd., a subsidiary of Indian Iron and Steel Company Ltd. (the Company's subsidiary) and North Bengal Dolomite Ltd., a Joint Venture Company, have not been consolidated in these accounts for the reasons mentioned vide note nos. 6.1.1 and 2.6 respectively in Schedule 3.
- ii) As NTPC-SAIL Power Company (P) Ltd., Bokaro Power Supply Company (P) Ltd., and Bhilai Electric Power Supply Company (P) Ltd. are governed by the Electricity (Supply) Act, 1948, the provisions of the said Act read with rules thereunder have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.

- iii) Pending framing/notification of rules referred to under section 441A of the Companies Act, 1956, we are unable to comment about the liabilities on account of cess on turnover in respect of the company. (Refer Note No. 7.14 of Schedule 3)
- iv) (a) *No provision has been made by SAIL for the likely shortfall in the value of equity investments of Rs.374.94 crores in Indian Iron & Steel Company Ltd. (under BIFR) as stated in Note no. 6.1 in Schedule 3 whose impact on the SAIL's loss is not presently ascertainable. However, IISCO continues to prepare its accounts on historical cost basis as a going concern.*
- (b) *Advances, claims etc. to the extent of Rs. 223.68 crores as stated in Note Nos. 6.2 and 6.3 in schedule 3 are considered fully recoverable by the management. However, since all the items referred to are outstanding since long, we are unable to offer our comments on the recoverability thereof.*
- (c) *Pending finalisation and ascertainment of the arrear salaries and wages of employees for the period from 1.1.1997 to 31.12.2000, we are unable to comment on the adequacy of the provision of Rs. 424.20 crores as stated in Note No.7.3 in Schedule 3.*
- (d) *SAIL, IISCO and MEL have withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for various block periods from 1998-99 to 2002-03 as stated in Note No. 7.4 in Schedule: 3. Because of the above withdrawal, no liability towards LTC/LLTC has been provided in the accounts. However, in view of specific agreements with the unions and terms of employment for extension of above benefits to the employees, we are unable to comment, whether, such liabilities have accrued or not (amount unascertained).*
- (e) *Plant and Machinery of MEL having written down value of Rs. 7.74 crores were transferred to Inventories and pending finalisation of sale thereof, a provision of Rs. 1.50 crores was made there against in an earlier year. During the year, a further provision has been made by the company for a sum of Rs. 0.60 crores on an adhoc basis. We are unable to comment on adequacy of the provisions so made.*

*The effect of item nos. (iv) (a) to (e) above on the Group's loss and debit balance in the Profit & Loss Account is not presently ascertainable.*

*Subject to the above, we report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the SAIL group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:*

- i) *in case of consolidated Balance Sheet, of the state of affairs of the SAIL Group as at 31st March 2003,*
- ii) *in case of consolidated Profit & Loss Account, of the Loss of the SAIL Group for the year ended on that date, and.*
- iii) *in case of the consolidated Cash flow statement, of the cash flows of the SAIL Group for the year ended on that date.*

**For S.N. Nanda & Co.**  
Chartered Accountants

Sd/-  
**(S.N. Nanda)**  
Partner

**For Chaturvedi & Co.**  
Chartered Accountants

Sd/-  
**(S.C. Chaturvedi)**  
Partner

**For P.A. & Associates**  
Chartered Accountants

Sd/-  
**(P.S. Panda)**  
Partner

**Place :** New Delhi

**Dated :** 7th August, 2003

# Consolidated Cash Flow Statement



Consolidated Cash Flow Statement for the year	2002-03	2001-02
<b>A. Cash flow from Operating Activities</b>		<i>(Rupees in crores)</i>
<b>Net loss (-) before taxation, and extraordinary items</b>	<b>(462.99)</b>	<b>(1895.08)</b>
Add/(Less) Adjustments for :		
Depreciation	<b>1220.32</b>	1189.32
Interest Expenses	<b>1395.28</b>	1575.49
Bad debts written-off	<b>3.80</b>	7.95
Unrealised Foreign Exchange Fluctuation	<b>94.13</b>	79.67
Provision for diminution in value of investments	<b>(0.44)</b>	0.05
Provision for Gratuity	<b>340.64</b>	228.63
Provision for Accrued Leave Liability	<b>199.10</b>	182.53
Provision for Post Retirement Benefits	<b>219.94</b>	0.00
Provision for Employee Family Benefit Scheme	<b>53.69</b>	87.90
Provision for Voluntary Retirement Scheme	<b>(38.73)</b>	(42.86)
Provision for Pollution Control & Peripheral Development	<b>15.57</b>	13.08
Provision for Exchange Fluctuation	<b>(15.93)</b>	(7.00)
Provision for Wage Revision	<b>0.00</b>	(259.81)
Provision for Others	<b>30.08</b>	(17.24)
Provision for Taxation	<b>3.95</b>	0.00
Tax on Dividend	<b>0.46</b>	0.00
Deferred Revenue Expenditure (Charged-off during the year)	<b>352.33</b>	237.35
Refund of Income tax	<b>2.47</b>	0.00
Profit on sale of Fixed Assets	<b>(144.19)</b>	(662.47)
Interest Income	<b>(91.81)</b>	(105.30)
Dividend Income	<b>(2.67)</b>	(5.80)
<b>Operating profit before working capital change</b>	<b>3175.00</b>	606.22
Adjustments for :		
Decrease in Inventories	<b>338.71</b>	507.41
Increase in Sundry Debtors	<b>(189.03)</b>	306.95
Decrease in Loans and Advances	<b>(108.24)</b>	153.26
Decrease in Current Liabilities	<b>70.51</b>	56.07
Deferred Revenue Expenditure (Additions)	<b>(297.48)</b>	(453.93)
<b>Net Cash from Operating Activities</b>	<b>2989.47</b>	1175.98
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	<b>(311.70)</b>	(326.91)
Fixed Assets sold/discarded	<b>22.98</b>	30.60
Sale of Captive Power Plant	<b>0.00</b>	670.50
Sale/Lease of houses	<b>157.34</b>	190.32
Purchase/Sale of investments (net)	<b>(1.22)</b>	(103.34)
Interest received	<b>94.64</b>	187.13
Dividend received	<b>2.67</b>	5.80
<b>Net Cash from Investing Activities</b>	<b>(35.29)</b>	654.10
<b>C. Cash flow from Financing Activities</b>		
Decrease in Reserves & Surplus	<b>(0.72)</b>	(0.09)
Repayment of Borrowings (net)	<b>(1242.73)</b>	(310.70)
Loans to Subsidiary & Other Companies	<b>48.65</b>	0.00
Less : Interest and Finance Charges paid	<b>(1479.81)</b>	(1772.50)
Proposed Dividend	<b>(8.00)</b>	0.00
Tax on Dividend	<b>(1.02)</b>	0.00
Deferred Tax on Last year	<b>(0.81)</b>	0.00
Loss of associate companies	<b>(0.40)</b>	0.00
Loss of JV company - Adjusted against Accumulated losses	<b>(0.57)</b>	0.00
<b>Net Cash from Financing Activities</b>	<b>(2,685.41)</b>	(2,083.29)
<b>Net Increase/Decrease (-) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>268.77</b>	(253.21)
<b>Cash &amp; Cash Equivalents (Opening)</b>	<b>470.83</b>	694.54
<b>Cash &amp; Cash Equivalents (Closing) *</b>	<b>739.60</b>	441.33
(Represented by Cash & Bank Balances)		

## Notes :

- The above Consolidated Cash Flow Statement has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Figures in bracket indicate cash outflow.
- Accounting Policies & Notes on Accounts (Schedule 3) and other Notes form an integral part of the Consolidated Cash Flow Statement.
- Previous year figures relate to SAIL and Subsidiary Companies whereas current year figures include Joint venture companies.

\* Includes Rs. 394.98 crores as on 31.03.2003 and Rs. 58 crores as on 31.03.2002 held in escrow account for Voluntary Retirement payments.

For and on behalf of Board of Directors

Sd/-  
(S.C.K. Patne)  
Director

Sd/-  
(V.S. Jain)  
Chairman

In terms of our report of even date

For S.N. Nanda & Co.  
Chartered Accountants

For Chaturvedi & Co.  
Chartered Accountants

For P.A. & Associates  
Chartered Accountants

Sd/-  
(S.N. Nanda)  
Partner

Sd/-  
(S.C. Chaturvedi)  
Partner

Sd/-  
(P.S. Panda)  
Partner



## CORPORATE OFFICE

### NEW DELHI

#### Chairman

V.S. Jain

#### Directors

*Technical*  
S.C.K. Patne  
*Personnel*  
Ashis Das

#### Chief Vigilance Officer

S.K. Panda

#### Executive Directors

*Internal Audit*  
B.K. Verma  
*Chairman's Sectt.*  
R.B. Majumdar  
*Operations*  
U.P. Singh  
*Law*  
A.K. Shahi  
*Projects*  
K.K. Khanna  
*Materials Management*  
S.K. Sinha  
*SAILCON*  
Rajinder Nath  
*Vigilance*  
N.K. Verma  
*Coal Import Group*  
L.K. Sehgal  
*Corporate Planning*  
V. Shyamsundar  
*Finance & Accounts*  
Vipin Puri  
*Personnel & Admn.*  
Raman Kumar  
*HRD*  
R.K. Sarangi  
*Safety*  
Shashikant

#### Company Secretary

Devinder Kumar

## STEEL PLANTS

### Durgapur Steel Plant

*Managing Director*  
Dr. S.K. Bhattacharyya  
*Executive Directors*  
*Works*  
Nilotpal Roy  
*Projects*  
K.M. Singh  
*Finance & Accounts*  
S.N. Srivastava  
*Personnel & Admn.*  
V.K. Gulati  
*Materials Management*  
B.M.K. Singh

### Bokaro Steel Plant

*Managing Director*  
S. Pandey  
*Executive Directors*  
*Works*  
H.M.P. Singh  
*Projects*  
D.P. Sharma  
*Finance & Accounts*  
S.K. Choudhury  
*Personnel & Administration*  
U.N. Jha  
*Materials Management*  
R.P. Chourasia  
*Medical*  
Dr. C.R. Das

### Bhilai Steel Plant

*Managing Director*  
B.K. Singh  
*Executive Directors*  
*Works*  
S.B. Singh  
*Projects*  
R.P. Singh  
*Finance & Accounts*  
P.K. Chakraborty  
*Personnel & Admn*  
G. Ojha  
*Materials Management*  
A.P. Mohan Kumar

### Rourkela Steel Plant

*Managing Director*  
Dr. Sanak Mishra  
*Executive Directors*  
*Works*  
N.M. Verma  
*Projects*  
S. Padhi  
*Personnel & Administration*  
G. Jagannathan  
*Materials Management*  
B.B. Mohanty

### Alloy Steels Plant

*Executive Director*  
N.P. Jayaswal

### Salem Steel Plant

*Executive Director*  
S.N.P. Singh

### Visvesvaraya Iron & Steel Plant

*Executive Director*  
R.P. Singh

## ORGANISATIONS

### Research & Development Centre for Iron & Steel

*Executive Director*  
Sudhakar Jha  
*Executive Director*  
S. Kumar

### Raw Materials Division

*Executive Director*  
U. Mishra  
*Executive Director*  
B.N. Singh  
*Executive Director*  
R.C. Srivastava

### Centre for Engg. & Technology

*Adviser*  
D.A. Pikle  
*Executive Director*  
D.S. Lal

### Growth Division, Kolkata

*Executive Director*  
M. Roy

### Central Marketing Organisation

*Executive Directors*  
*Incharge Commercial/Transport & Shipping*  
B. Basu

*Personnel & Administration*  
A.K. Mukerji

*Marketing - Flat Product*  
S.K. Roongta

*Marketing - Long Product*  
Shoeb Ahmed

*International Trade Division*  
A.K. Verma

*Warehousing*  
Ranen Nag

## SUBSIDIARIES

### The Indian Iron & Steel Co. Ltd.

*Executive Director I/c*  
A.K. Jayswal  
*Executive Directors*  
*Works*  
A.K. Sinha  
*Collieries & Mines*  
P.K. Dutta  
*Central Growth Works, Kulti*  
*General Manager*  
V.C. Dimri

### Maharashtra Elektrosmetelt Ltd.

*Executive Director*  
R.K. Gupta

# SUBSIDIARIES

- I. THE INDIAN IRON & STEEL COMPANY LIMITED
- II. MAHARASHTRA ELEKTROSMELT LIMITED
- III. BHILAI OXYGEN LIMITED

To  
The Members,

The Board of Directors have pleasure in presenting the 86<sup>th</sup> Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2003.

## FINANCIAL REVIEW

During the year 2002-03 the Company achieved a turnover of Rs. 924.21 crores (previous year Rs. 911.94 crores). The Net Loss for the year after charging depreciation of Rs. 23.22 crores (previous year Rs. 23.94 crores) and interest of Rs. 10.33 crores (previous year Rs. 11.63 crores) was Rs. 182.23 crores compared to the net loss of Rs. 179.87 crores during 2001-02.

There was improvement in net sales realisation and in the area of techno-economics during the year 2002-03 as compared to last year. However, the net loss of the Company during the year 2002-03 has increased marginally as compared to last year after considering adverse impact due to higher input cost, increase in actuarial valuation of liabilities towards gratuity, leave encashment and other post retirement employee related benefits and positive impact arising out of waiver of SDF Loan.

## PRODUCTION REVIEW

### Burnpur Works

The production of hot metal was 672 thousand tonnes, pig iron 280 thousand tonnes, crude steel 327 thousand tonnes and saleable steel 264 thousand tonnes during the year.

On the techno-economic front the plant achieved the lowest ever Specific Energy Consumption of 9.220 G.Cal/tcs, best yearly B.F. Coke Yield of 68.8%, lowest ever Refractory Consumption of 18.2 kg/tcs and lowest ever IMBP Consumption of 18.35 kg/tcs during the year.

### Kulti Works

Spun Pipe production was 5.5 thousand tonnes (previous year 15.7 thousand tonnes). Total Casting output for the year was 18.4 thousand tonnes (previous year 17.0 thousand tonnes).

### Collieries

Total Coal raisings from three Captive Collieries was 820.3 thousand tonnes. Clean coal output from Chasnalla Washery was 520.06 thousand tonnes and despatch of clean coal to Burnpur was 509.21 thousand tonnes.

### Ore Mines

Total Iron Ore Lump production was 1205 thousand tonnes. Lump Ore despatch from two Captive Ore Mines was 1204 thousand tonnes.

## SALES AND MARKETING REVIEW

### Domestic Sales

Sale of Saleable Steel was 260.7 thousand tonnes. Sale of Pig Iron was 228.8 thousand tonnes. Sale of spun pipe was 7.0 thousand tonnes (previous year 16.7 thousand tonnes).

### Export

8.84 thousand tonnes of Saleable Steel 9.71 thousand tonnes of Pig Iron were exported.

## CAPITAL SCHEMES REVIEW

During the year 2002-2003, the Company incurred capital expenditure towards fixed assets and capital work-in-progress to the tune of Rs. 5.43 crores on various Capital Schemes including Additions/Modifications/Replacements. Financial constraints continued to affect the progress of work against ongoing schemes.

The schemes for Revamping and up-gradation of Merchant and Rod (M&R) Mill, installation of Slit Rolling facility for production of 10 & 12mm dia Thermo-mechanically treated bars approved at a cost of Rs. 3.47 crores is under implementation. Also up-gradation of Mill Control System of M&R Mill is under implementation.

The Scheme of augmentation of 11 KV distribution network for Steel Section has been provisionally commissioned awaiting formal statutory inspection by CEA. The Scheme of Reactive Power Compensation at Ilgner House No. 2 (Power Factor Improvement in Rolling Mill Area) is under implementation.

## ENVIRONMENT MANAGEMENT

Environment Management and pollution control have been given priority in all the activities of the Company. Ambient air stack emission and water environment quality are within specified limits of statutory authority. As a result, nominal rebate of cess on water has been received from State Pollution Control Board. Further, consent for air emission, effluent

discharge and hazardous waste handling/disposal has been received from State Pollution Control Board.

Industrial Water Consumption was limited per ton of Crude Steel to 7.01 cu m/tcs in 2002-2003. No cess had to be paid to DVC because of less withdrawal of water from Damodar River than permissible limit. Drinking water consumption in works was reduced by 5% compared to last year.

Consequent upon our laboratory's recognition from CPCB and WBPCB we are rendering our services to the nearby industries on commercial basis.

Environment awareness campaign through observation of World Environment Day, SAIL Environment month and Workshop/Training on Environment Management was organised for different section of Employees at Burnpur and Eco-club Members and students of affiliated schools. About 1200 saplings of different plants were planted in Town and Burnpur Works.

## HUMAN RESOURCE MANAGEMENT REVIEW

The Company gives great importance to the development of its Human Resources to improve efficiency and productivity.

### Manpower Strength

The Manpower strength as on 31st March, 2003 was 19471 comprising 936 executives and 18535 non-executives. There was a reduction of manpower strength by 3296 compared to the previous year.

### Voluntary Retirement Scheme for KULTI

The Voluntary Retirement Scheme was introduced in Kulti Works of IISCO w.e.f. 01.01.2003. A total of 2543 employees have been released on VRS as on 31.03.2003. However, 355 (out of which 321 opted for VR) Employees could not be released so far as essential services like Water Supply, Pump House, Electricity, Medical Facilities etc., are required to be maintained at Kulti.

### Industrial Relations

The Industrial Relations remained more or less cordial and peaceful during the year. However, in the Collieries there were stoppages of work and economic blockade on a number of times on the issue of implementation of wage as per NCWA-VI in the Collieries and employment to the persons whose land have been acquired by IISCO and also employment to dependent of died in harness cases.

### Safety and Occupational Health

The thrust towards Safety and Occupational Health continued. 1797 regular employees and 2036 contract labourers were trained on various safety aspects.

### Training

The endeavour to make training more result and skill oriented continued. During the year 2180 employees were trained in various fields.

### Scheduled Castes/Scheduled Tribes

Scheduled Caste/Scheduled Tribes employees were 12.65 percent and 3.10 percent respectively of the total manpower as on 31.03.2003.

### Awards

16 Executives and 15 Non-executives were given Jawahar and Nehru Awards respectively for extra ordinary, innovative or exemplary jobs in their fields of work. 10 employees were given Netaji Subhas Award for significant achievement in various fields of activities. 7 Non-executives were given safety awards for achievement in various safety activities.

### Official Language Policy

During the year the Company continued to pursue vigorously the implementation of Official Language Policy of the Government. Employees were encouraged to carry out their official work in Hindi and liberal incentives for such work were given. Official Language Fortnight Celebrations and Hindi Workshops & Seminars were organised. Hindi Scholarships were given to encourage the wards of Non-Hindi speaking employees studying Hindi in Schools. Certificate and cash prizes were awarded in various competitions to encourage the employees.

### Employees' Welfare

The Company undertook various welfare measures like maintenance of houses, education for children, medical facilities, socio-cultural activities and other facilities and spent Rs. 34.49 crores during the year (previous year Rs. 37.16 crores).

### Sports

During the year, various sports activities were conducted for employees and their dependants.

IISCO Football and Bridge teams emerged winners while Athletic team became runners up in SPSB Inter Steel Championships conducted last year.

Shri Pershram Singh of IISCO became National Yoga Champion of 2002-03 and was awarded Gold Medal.

9 (Nine) Junior wards of IISCO Employees received SAIL Sports Scholarships 2002-03. The number of recipients are highest ever from IISCO.

2(two) Junior Athletes of IISCO were declared as Best Runners among all SAIL Units and have been given cash awards.

#### **Status on Rehabilitation**

IISCO was declared a Sick Industrial Company by the Board for Industrial and Financial Reconstruction (BIFR) on 17-08-1994. The Government of India (GOI) in June 2002 had approved a revival plan of IISCO, which is under implementation. Based on the Government's approval, a rehabilitation proposal was submitted in April, 2003 by IDBI, the operating agency, to BIFR. Some of the relief's envisaged in the proposal have already been availed by IISCO.

Government of India has already provided Rs. 186 crores as grant-in-aid for implementation of Voluntary-Retirement in Kulti Works of IISCO. Most of the employees have applied for VR and the final payment to these employees is being made progressively. The operation of Kulti Works has been stopped with effect from 1.04.2003. Government of India has given guarantee of Rs. 431 crores for raising funds for Capital Investment (Rs. 341 crores) and for payment of VRS to other IISCO Employees (Rs. 90 crores). Further SDF Loans amounting to Rs. 44.68 crores have already been waived.

Preparatory jobs with regard to Technical specification of major packages envisaged under capital investment are under preparation.

#### **Vigilance Report**

During the financial year 2002-2003, special drive was initiated for reducing the pending cases, Streamlining the system and procedure to plug the loop-holes, if any, and to ensure transparency in the activities of Plants/Units having sensitive areas. The aim was to build confidence across the Organisation which is the prime need in this juncture for faster decision making by the Executives concerned.

Effort was also made to clear up all the pending investigations and departmental enquiries within the given time frame to reduce the hardship of the Employees involved.

Emphasis was put forth for computerisation of vigilance activities including immovable property returns and database for MIS.

Interactions between the Vigilance Personnel and the Line Managers/ Supervisors were organised from time to time through Vigilance Awareness Programme/Seminars to explain the role of vigilance and the importance of adherence to the laid down policies and guidelines of the Company in decision making. Vigilance Awareness Week was also observed in all the Units/Branches of IISCO.

#### **Subsidiary**

IISCO Ujjain Pipe & Foundry Co. Ltd. (IISCO Ujjain) a wholly-owned Subsidiary of IISCO, was decided to be wound-up by BIFR in June, 1996. The Official Liquidator has initiated the Liquidation Process.

#### **AUDITORS' REPORT**

Replies of the Board of Directors to the observations made in the Report of the Statutory Auditors on the Accounts are enclosed at Annexure-1. The comments and review of Accounts by the Comptroller and Auditor General of India along with management's replies are enclosed at Annexure-II.

#### **REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.**

Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure-III to this report.

#### **PARTICULARS OF EMPLOYEES**

There was no employee of the Company who received remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended up-to-date.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 (As amended by Companies (Amendment) Act, 2000) it is hereby confirmed :-

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had 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 2002-2003 and of the Profit & Loss Account of the company for the financial year ended 2002-2003 ;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis.

#### **COMPOSITION OF AUDIT COMMITTEE**

Pursuant to Section 292A of the Companies Act, 1956 [As amended by Companies (Amendment) Act, 2000] an Audit Committee consisting of the following Directors has been constituted by the Board of Directors of the Company:-

- i) Shri D.V. Singh
- ii) Shri Ashis Das
- iii) Shri Vipin Puri

Shri D.V. Singh is the Chairman of the Audit Committee.

#### **DIRECTORS**

Shri Arvind Pande, Chairman, Steel Authority of India Ltd., resigned from the Part-time Chairmanship and Directorship of the Company w.e.f. 30-09-2002.

Shri V.S. Jain, Chairman, Steel Authority of India Ltd., resigned from the Directorship of the Company w.e.f. 03-10-2002.

Shri S.C.K. Patne, Director of the Company and Director (Technical), Steel Authority of India Ltd., was appointed as (Part-time) Chairman of the Board of Directors of the Company w.e.f. 04-10-2002.

Shri K.K. Khanna, Executive Director (Projects), Steel Authority of India Ltd., was appointed as Addl. Director w.e.f. 28-03-2003.

Shri Vipin Puri, Additional Director I/C (F&A), Steel Authority of India Ltd., was appointed as Additional Director w.e.f. 25-11-2002.

Shri B. Ghoshal, resigned from the Directorship of the Company w.e.f. 31-07-2002.

The Board has placed on record valuable services rendered by Shri Arvind Pande, Shri V.S. Jain and Shri B. Ghoshal.

Shri D.V. Singh, retires by rotation and is eligible for re-appointment as Director.

As Addl. Directors Shri K.K. Khanna and Shri Vipin Puri hold Office upto the Annual General Meeting for the year 2002-03 and are eligible for appointment as Directors. Notice has been received from a Member under Section 257 of the Companies Act, 1956 proposing election of Shri K.K. Khanna and Shri Vipin Puri as Directors.

#### **ACKNOWLEDGEMENT**

The Directors place on record their sincere appreciation for the services rendered and co-operation extended by the employees at all levels and hope that they will continue to contribute their best to the continuous efforts of the Management for optimising the resources and improving the operations of the Company. The Directors whole-heartedly thank the State Government Agencies, Financial Institutions, Bankers, Suppliers, Customers and Auditors for their co-operation, assistance and patronage. The Directors also wish to acknowledge the continuous support and guidance received from Steel Authority of India Ltd., Government of West Bengal and the different Departments of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

Sd/-  
**(S.C.K. Patne)**  
Chairman

Place: New Delhi  
Dated: 22nd August, 2003

# Balance Sheet

AS AT 31ST MARCH, 2003

	Schedule No.	As at 31st March, 2003		As at 31st March, 2002	
<i>(Rupees in crores)</i>					
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	1.1	387.66		387.66	
Reserves and Surplus	1.2	<u>3.46</u>	391.12	<u>3.51</u>	391.17
<b>Loan Funds</b>					
Secured Loans	1.3	138.53		131.71	
Unsecured Loans	1.4	<u>11.46</u>	149.99	<u>47.68</u>	179.39
			<u>541.11</u>		<u>570.56</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	1.5	799.49		793.74	
Less: Depreciation		<u>506.48</u>		<u>487.57</u>	
Net Block		293.01		306.17	
Capital Work-in-Progress	1.6	<u>6.56</u>	299.57	<u>11.93</u>	318.10
<b>Investments</b>					
	1.7		0.07		0.07
<b>Current Assets, Loans &amp; Advances</b>					
Inventories	1.8	138.43		178.86	
Sundry Debtors	1.9	63.12		71.86	
Cash & Bank Balances	1.10	147.89		21.97	
Interest Receivable/Accrued	1.11	0.14		0.23	
Loans & Advances					
Subsidiary Companies	1.12	0.00		0.00	
Others	1.13	<u>26.78</u>		<u>30.71</u>	
		<u>376.36</u>		<u>303.63</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	1.14	842.75		649.52	
Provisions	1.15	<u>271.95</u>		<u>210.69</u>	
		<u>1114.70</u>		<u>860.21</u>	
<b>Net Current Assets</b>			-738.34		-556.58
<b>Miscellaneous Expenditure</b>	1.16		0.44		11.83
(to the extent not written off or adjusted)					
<b>Profit &amp; Loss Account Debit Balance</b>			979.37		797.14
			<u>541.11</u>		<u>570.56</u>
Accounting Policies and Notes on Accounts	3				
Schedules 1 and 3 annexed, hereto form part of the Balance Sheet.					

In terms of our report of even date

For and on behalf of  
**M/s Guha Nandi & Co.**  
Chartered Accountants

For and on behalf of  
**M/s S. Ghose & Co.**  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
**(Asitabha Jana)**  
Partner

Sd/-  
**(Chandan Chattopadhyay)**  
Partner

Sd/-  
**(A.K.Mukherjee)**  
Secretary

Sd/-  
**(A.K.Jayswal)**  
Exe.Director./C

Sd/-  
**(Vipin Puri)**  
Director

Sd/-  
**(S.C.K.Patne)**  
Chairman

Place : New Delhi  
Dated : 29th May, 2003

# Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule No.	Year ended 31st March, 2003		Year ended 31st March, 2002	
<i>(Rupees in crores)</i>					
<b>INCOME</b>					
Sales	2.1	924.21		911.94	
Less Excise duty		<u>97.80</u>	<b>826.41</b>	<u>102.25</u>	809.79
Finished products internally consumed		3.69		3.29	
Interest earned	2.2	0.19		0.10	
Other revenues	2.3	82.10		19.74	
Provisions no longer required written back	2.4	<u>7.91</u>	<b>93.89</b>	<u>26.27</u>	49.40
			<b>920.30</b>		859.19
<b>EXPENDITURE</b>					
Accretion(-)/Depletion to stocks	2.5	33.18		31.26	
Raw materials consumed	2.6	483.25		486.32	
Purchase of semi/finished products		71.32		53.16	
Employees Remuneration & Benefits	2.7	371.96		338.56	
Stores & Spares Consumed		92.77		107.44	
Power & Fuel	2.8	94.44		100.09	
Repairs & Maintenance	2.9	13.13		13.34	
Freight outward		22.05		21.62	
Other expenses	2.10	128.87		128.96	
Interest & finance charges	2.11	10.33		11.63	
Depreciation		<u>23.22</u>		<u>23.94</u>	
Total		1344.52		1316.32	
Less : Transferred to Inter Account Adjustments	2.12	<u>243.05</u>	<b>1101.47</b>	<u>278.39</u>	1037.93
Profit/Loss(-) for the year			<b>-181.17</b>		-178.74
Adjustments pertaining to earlier years	2.13		<u>-1.06</u>		<u>-1.13</u>
Net Loss(-)			<b>-182.23</b>		-179.87
Balance brought Forward from previous year			<b>-797.14</b>		-617.27
Balance carried over to Balance Sheet			<u><b>-979.37</b></u>		<u>-797.14</u>
Accounting Policies and Notes on Accounts Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account	3				

In terms of our report of even date

For and on behalf of  
**M/s Guha Nandi & Co.**  
Chartered AccountantsSd/-  
**(Asitabha Jana)**  
PartnerFor and on behalf of  
**M/s S. Ghose & Co.**  
Chartered AccountantsSd/-  
**(Chandan Chattopadhyay)**  
Partner

For and on behalf of Board of Directors

Sd/-  
**(A.K.Mukherjee)**  
SecretarySd/-  
**(A.K.Jayswal)**  
Exe.Director./I/CSd/-  
**(Vipin Puri)**  
DirectorSd/-  
**(S.C.K.Patne)**  
ChairmanPlace : New Delhi  
Dated : 29th May, 2003

1.1 SHARE CAPITAL	As at 31st March, 2003	As at 31st March, 2002
	(Rupees in crores)	
<b>Authorised</b>		
54,70,00,000 Equity Shares of Rs.10/- each	547.00	547.00
3,00,000 5% Cumulative preference shares of Rs.100/- each	3.00	3.00
<b>Issued, Subscribed &amp; Paid-up*</b>		
36,94,84,257 Equity Shares Rs.10/- each fully paid-up in cash	369.48	369.48
1,81,81,500 Equity Shares of Rs.10/-each fully paid-up for consideration other than cash (including 1,24,40,899 and 20,73,483 fully paid Bonus Shares allotted by Capitalisation of General Reserves and from Share premium respectively	18.18	18.18
	<b>387.66</b>	<b>387.66</b>

\* (All the shares are held by Steel Authority of India Limited of which the company is a wholly owned subsidiary)

1.2 RESERVES & SURPLUS	As at 31st March, 2003	As at 31st March, 2002
	(Rupees in crores)	
<b>Capital Reserve</b>		
As per last Balance Sheet	3.15	3.15
Less: Adjustment during the year	0.05	0.00
	<b>3.10</b>	<b>3.15</b>
<b>Share Premium Account</b>		
As per last Balance Sheet	0.36	0.36
	<b>3.46</b>	<b>3.51</b>

1.3 SECURED LOANS	As at 31st March, 2003	As at 31st March, 2002
	(Rupees in crores)	
Working Capital Borrowings from Banks*	62.81	59.34
Term Loan from Banks/Financial Institutions#	30.95	30.95
Interest accrued and due thereon	44.77	41.42
	<b>138.53</b>	<b>131.71</b>

\*Secured by hypothecation Company's inventories, book debts and other current assets.

#Consortium Loan for plant rehabilitation Loan from Consortium (Consisting of Industrial Development Bank of India, United Bank of India, Allahabad Bank, Central Bank of India, Grindlays Bank Ltd.Industrial Financial Corporation of India Ltd., Industrial Credit & Investment Corporation Limited and Life Insurance Corporation of India) secured by First Mortgage of the properties and undertakings of the Company together with a floating charge on the whole of the undertakings and assets ranking pari-passu interse of the Consortium Members

1.4 UNSECURED LOANS	As at 31st March, 2003	As at 31st March, 2002
	(Rupees in crores)	
Steel Development Fund	0.00	44.68
Term Loans From UTI	1.00	1.00
Interest accrued and due thereon	2.16	2.00
Loan from SAIL	8.30	0.00
	<b>11.46</b>	<b>47.68</b>

1.5 FIXED ASSETS				
GROSS BLOCK (AT COST)				
Description	As at 31st March, 2002	Additions/ Adjustments during the year	Less:Sales/ Adjustments during the year	As at 31st March, 2003
	(Rupees in crores)			
<b>A. PLANTS, MINES, OTHERS</b>				
Land (including cost of development)				
– Freehold Land	58.04	1.37	0.00	59.41
– Leasehold Land	0.84	0.03	0.00	0.87
Right and Patents	0.00	6.98	0.00	6.98
Railway Lines & Sidings	4.75	0.00	0.00	4.75
Roads,Bridges & Culverts	2.37	0.00	0.00	2.37
Buildings	28.52	0.00	0.01	28.51
Plant & Machinery				
– Steel Plant	470.52	0.11	2.77	467.86
– Others	88.44	2.01	0.90	89.55
Furniture & Fittings	2.46	0.00	0.00	2.46
Vehicles	39.55	0.01	1.13	38.43
Water Supply & Sewerage	4.95	0.00	0.00	4.95
EDP Equipments	3.55	0.01	0.00	3.56
Miscellaneous Articles	5.28	0.00	0.20	5.08
Sub-total 'A'	709.27	10.52	5.01	714.78
Figures for the previous year	702.01	9.79	1.86	709.94
<b>B. SOCIAL FACILITIES</b>				
Land (including cost of development)				
– Freehold Land	0.20	0.00	0.00	0.20
– Leasehold Land	0.00	0.00	0.00	0.00
Roads, Bridges & Culverts	3.21	0.00	0.00	3.21
Buildings	45.58	0.00	-0.02	45.60
Plant & Machinery— Others	8.44	0.00	0.00	8.44
Furniture & Fittings	1.28	0.00	0.00	1.28
Vehicles	1.49	0.21	0.01	1.69
Water Supply & Sewerage	19.70	0.00	0.00	19.70
EDP Equipments	0.01	0.00	0.00	0.01
Miscellaneous Articles	4.51	0.07	0.00	4.58
Sub-total 'B'	84.42	0.28	-0.01	84.71
Figures for the previous year	83.73	0.12	0.05	83.80
Total ('A'+ 'B')	793.69	10.80	5.00	799.49
Figures for the previous year	785.74	9.91	1.91	793.74

## 1.5 FIXED ASSETS (Contd.)

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2002	For the year	Less : On sales/ Adjustments during the year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>						
<b>A. PLANTS, MINES, OTHERS</b>						
Land (including cost of development)						
– Freehold Land	-	-	-	-	59.41	<b>58.04</b>
– Leasehold Land	0.20	0.00	0.00	0.20	0.67	<b>0.64</b>
Right and Patents	0.00	0.19	0.00	0.19	6.79	<b>0.00</b>
Railway Lines & Sidings	3.36	0.10	0.16	3.30	1.45	<b>1.39</b>
Roads, Bridges & Culverts	1.03	0.05	0.00	1.08	1.29	<b>1.36</b>
Buildings	17.59	0.52	0.00	18.11	10.40	<b>10.94</b>
Plant & Machinery						
– Steel Plant	330.67	15.86	2.28	344.25	123.61	<b>139.83</b>
– Others	64.92	2.80	0.77	66.95	22.60	<b>23.48</b>
Furniture & Fittings	1.89	0.08	0.00	1.97	0.49	<b>0.58</b>
Vehicles	29.64	1.01	1.03	29.62	8.81	<b>9.99</b>
Water Supply & Sewerage	2.69	0.10	0.00	2.79	2.16	<b>2.26</b>
EDP Equipments	3.11	0.04	0.00	3.15	0.41	<b>0.46</b>
Miscellaneous Articles	2.90	0.21	0.11	3.00	2.08	<b>2.40</b>
Sub-total 'A'	<u>458.00</u>	<u>20.96</u>	<u>4.35</u>	<u>474.61</u>	<u>240.17</u>	<u>251.37</u>
Figures for the previous year	439.48	21.64	2.55	458.57	251.37	
<b>B. SOCIAL FACILITIES</b>						
Land (including cost of development)						
– Freehold Land	-	-	-	-	0.20	<b>0.20</b>
– Leasehold Land	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Roads, Bridges & Culverts	1.03	0.04	0.00	1.07	2.14	<b>2.15</b>
Buildings	11.84	0.78	-0.02	12.64	32.96	<b>33.75</b>
Plant & Machinery — Others	4.35	0.37	0.00	4.72	3.72	<b>4.14</b>
Furniture & Fittings	0.83	0.05	0.00	0.88	0.40	<b>0.45</b>
Vehicles	1.37	0.03	0.00	1.40	0.29	<b>0.12</b>
Water Supply & Sewerage	7.33	0.78	0.00	8.11	11.59	<b>12.32</b>
EDP Equipments	0.01	0.00	0.00	0.01	0.00	<b>0.00</b>
Miscellaneous Articles	2.83	0.21	0.00	3.04	1.54	<b>1.67</b>
Sub-total 'B'	<u>29.59</u>	<u>2.26</u>	<u>-0.02</u>	<u>31.87</u>	<u>52.84</u>	<u>54.80</u>
Figures for the previous year	26.81	2.29	0.10	29.00	54.80	
Total ('A'+ 'B')	<u>487.59</u>	<u>23.22</u>	<u>4.33</u>	<u>506.48</u>	<u>293.01</u>	<u>306.17</u>
Figures for the previous year	466.29	23.93	2.65	487.57	306.17	

## NOTE: ALLOCATION OF DEPRECIATION

	Current Year	Previous Year
(a) Charged to Profit & Loss Account	23.22	23.94
(b) Charged to expenditure during construction	0.00	0.05
(c) Debited to adjustments pertaining to earlier years	0.00	0.00
Total	<u>23.22</u>	<u>23.99</u>

\* Net Block as on 31.03.2003 includes Rs. 0.37 crores being assets retired from active use (Provision there against Rs. 0.33 crores held under 'Other Provisions')

## 1.6 CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
<b>Capital Work-in-progress</b>		
Steel Plants & Unit	6.10	11.75
Township	0.00	0.03
Advances*	3.90	4.44
Less: Provisions	3.44	4.29
	<u>6.56</u>	<u>11.93</u>
<b>Particulars of advances</b>		
Unsecured, Considered Good	0.46	0.15
Unsecured, Considered Doubtful	3.44	4.29
	<u>3.90</u>	<u>4.44</u>

\* Includes Rs. 2.34 crores earmarked for low cost housing scheme (Against Capital Reserve)

## 1.6.1 EXPENDITURE DURING CONSTRUCTION (Pending allocation)

	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
Opening balance	(a) 0.00	1.88
<b>Expenditure incurred during the year</b>		
<b>Employees Remuneration &amp; Benefits</b>		
Salaries & Wages	0.00	0.62
Company's contribution to Provident and other Funds	0.00	0.06
Travel Concession	0.00	0.01
Gratuity	0.00	0.04
Depreciation	0.00	0.05
	<u>0.00</u>	<u>0.78</u>
<b>Less: Income</b>		
Liquidated Damages	0.00	0.04
Net expenditure during the year (b)	<u>0.00</u>	<u>0.74</u>
Total (a)+(b)	<u>0.00</u>	<u>2.62</u>
Amount allocated to Fixed Assets/ Capital Work-in-Progress	0.00	2.62



1.7 INVESTMENT (AT COST) — Long Term	Number of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>				
<b>Quoted Investments</b>				
ICICI Bank Ltd (Market Value Rs. 3845270/=; Previous Year Rs. 3660800/=)	28600	10	<b>0.05</b>	0.05
<b>Unquoted Investments</b>				
<b>Trade Investments</b>				
South India Export Co. (P) Ltd.	7500	10	<b>0.01</b>	0.01
India Standard Wagon Company Limited*	130	100	<b>0.00</b>	0.00
Hoogly Docking and Engg. Company Limited	1433	100	<b>0.02</b>	0.02
Satna Stone Lime Company Limited	33804	10	<b>0.03</b>	<b>0.06</b> 0.03 0.06
<b>Other Investments</b>				
<b>Subsidiary Company</b>				
IISCO Ujjain Pipe & Foundry Company Limited	30,00,000	10	<b>3.00</b>	3.00
<b>Other Companies—</b>				
Bihar State Financial Corporation	500	100	<b>0.01</b>	0.01
Government Securities			<b>0.06</b>	0.06
<b>Shares in Co-operative Societies (1.7.1)</b>			<b>0.05</b>	0.05
			<b>3.23</b>	3.23
Less : Provision for demerution in value of investments			<b>3.16</b>	3.16
			<b>0.07</b>	0.07

\* Cost being less than Rs. 50.000 figures not given.

1.7.1. SHARES IN CO-OPERATIVE SOCIETIES	<i>(In Rupees)</i>			
Barajamda Iron Ore Mines Central Co-operative Stores Limited	400	25	10000	10000
IISCO Employees Primary Co-operative Stores Limited	23000	20	460000	460000
			470000	470000

1.8 INVENTORIES*	As at 31st March, 2003		As at 31st March, 2002	
<i>(Rupees in crores)</i>				
Stores & spares*	<b>56.86</b>		60.90	
Add: In-transit	<b>1.45</b>		2.31	
	<b>58.31</b>		63.21	
Less: Provision	<b>13.37</b>	<b>44.94</b>	13.60	49.61
Raw materials*	<b>15.49</b>		16.90	
Add: In-transit	<b>1.69</b>		3.61	
	<b>17.18</b>		20.15	
Less: Provision	<b>0.13</b>	<b>17.05</b>	0.48	20.03
Semi/finished products* (including scrap)	<b>67.05</b>		101.22	
Add: In transit	<b>5.32</b>	<b>72.37</b>	4.33	105.55
Salvaged/Scrapped fixed assets	<b>4.07</b>		3.67	
	<b>138.43</b>		178.86	

\*Valued as per Accounting Policy No. 1.6

1.9 SUNDRY DEBTORS	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
Debts over six months	<b>37.82</b>	40.92
Other debts	<b>45.51</b>	51.75
	<b>83.33</b>	92.67
Less: Provision for doubtful debts	<b>20.21</b>	20.81
	<b>63.12</b>	71.86
<b>Particulars</b>		
Unsecured, considered good	<b>63.12</b>	71.86
Unsecured, considered doubtful	<b>20.21</b>	20.81
	<b>83.33</b>	92.67

1.10 CASH & BANK BALANCES	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
Cash and Stamp on hand	<b>0.29</b>	0.27
With Scheduled Banks		
Current account*	<b>143.77</b>	18.21
Term deposits	<b>3.00</b>	0.03
Remittances-in-trnsnit	<b>0.83</b>	3.46
	<b>147.89</b>	21.97

\*{Includes balance with Llyods Bank Ltd. (Rs. 0.05 lakhs) & Midland Bank Ltd. (Rs. 0.07 Lakhs) London} [Maximum balance same]

1.11 INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
Deposits	<b>0.02</b>	0.03
Employees	<b>0.14</b>	0.22
	<b>0.16</b>	0.25
Less: Provision for doubtful interest	<b>0.02</b>	0.02
	<b>0.14</b>	0.23
<b>Particulars</b>		
Unsecured, considered good	<b>0.14</b>	0.23
Unsecured, considered doubtful	<b>0.02</b>	0.02
	<b>0.16</b>	0.25

1.12 LOANS AND ADVANCES TO SUBSIDIARY COMPANIES	As at 31st March, 2003	As at 31st March, 2002
<i>(Rupees in crores)</i>		
Loans	<b>2.11</b>	2.11
Less: Provisions	<b>2.11</b>	2.11
	<b>0.00</b>	0.00
<b>Particulars</b>		
Unsecured, considered doubtful	<b>2.11</b>	2.11

## 1.13 LOANS &amp; ADVANCES — OTHERS

	As at 31st March, 2003	As at 31st March, 2002		As at 31st March, 2002
<i>(Rupees in crores)</i>				
<b>Loans</b>				
Employees	0.10			0.16
Stores issued	0.13	0.23	0.10	0.26
<b>Advances recoverable in cash or in kind or for value to be received</b>				
Claims recoverable	11.64			20.71
Contractors & suppliers	10.97			10.65
Employees	4.35			2.85
Advance Income Tax and Tax deducted at source	0.22			0.23
Bills Receivable	0.10			0.10
Others	2.03	29.31	1.83	36.37
<b>Deposits</b>				
Port trust, excise department, Railways etc.	5.91			5.74
Others	1.88	7.79	1.96	7.70
		37.33		44.33
Less: Provision for doubtful Loans & Advances		10.55		13.62
		26.78		30.71
<b>Particulars of Loans &amp; Advances—Others</b>				
Unsecured, considered good	26.78			30.71
Unsecured, considered doubtful	10.55			13.62
	37.33			44.33

## 1.14 CURRENT LIABILITIES

	As at 31st March, 2003	As at 31st March, 2002		As at 31st March, 2002
<i>(Rupees in crores)</i>				
<b>Sundry creditors</b>				
Capital works	4.34			5.73
Small Scale Industrial Undertakings	0.50			0.44
Others	534.49	539.33	353.59	359.76
<b>Advances from</b>				
Customers	46.26			48.69
Others	0.63	46.89	0.61	49.30
Security deposits	13.33			14.56
Less: Investment received as security deposit	0.05	13.28	0.05	14.51
Interest accrued but not due on Loans		0.43		0.43
Stores received on loan		0.10		0.10
Other Liabilities		242.72		225.42
		842.75		649.52
<b>1.15 PROVISIONS FOR</b>				
<i>(Rupees in crores)</i>				
Gratuity	205.59			163.91
Accrued Leave Liability	40.01			31.55
Post Retirement Medical Benefits and Settlement	9.35			0.00
Employee Family Benefit Scheme	16.47			13.68
Others	0.53			1.55
	271.95			210.69

1.16 MISCELLANEOUS EXPENDITURE  
(To the extent not written off or adjusted)

	Balance as at 31st March, 2002	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2003
<i>(Rupees in crores)</i>					
(i) Development Expenditure					
(a) On Mines	0.20	0.08	0.28	0.22	0.06
(b) On New Projects	0.16	0.00	0.16	0.04	0.12
Total (i)	0.36	0.08	0.44	0.26	0.18
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	0.58	0.00	0.58	0.32	0.26
(b) Employee's Family Benefit Scheme	10.91	2.40	13.31	13.31	0.00
Total (ii)	11.49	2.40	13.89	13.63	0.26
Total (i+ii)	11.85	2.48	14.33	13.89	0.44
Previous year	1.63	14.08	15.71	3.88	11.83
<b>Charged Off to:</b>				<b>Current Year</b>	<b>Previous Year</b>
Other Expenses & Provisions				13.89	3.29
Adjustments pertaining to earlier years				0.00	0.59
				13.09	3.88

2.1 SALES	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Direct	598.78	605.43
From Stockyards	308.52	283.15
Exports	16.49	23.36
Export Incentive	0.42	0.00
	<u>924.21</u>	<u>911.94</u>

2.2 INTEREST EARNED	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Customers	0.02	0.04
Employees	0.00	0.01
Term Deposits	0.17	0.01
Others	0.00	0.04
	<u>0.19</u>	<u>0.10</u>

2.3 OTHER REVENUES	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Social amenities—recoveries	10.11	9.19
Sale of empties etc.	0.32	0.07
Liquidated damages	3.64	0.24
Service charges	0.14	0.13
Grant-in-aid	0.00	0.03
Subsidy	1.51	1.75
Hire charges etc.	0.10	0.09
Claims for finished products (Shortages & missing wagons)	0.03	0.43
Dividend from Other investments	0.00	0.06
Foreign Exchange Fluctuation (Net)	0.03	-0.01
Waiver of Steel Development Fund Loans	44.68	0.00
Sundries	21.54	7.76
	<u>82.10</u>	<u>19.74</u>

2.4 PROVISIONS NO LONGER REQUIRED WRITTEN BACK	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Loans & advances	2.89	1.23
Sundry debtors	1.26	0.71
Stores & spares	0.65	3.52
Others	3.11	20.81
	<u>7.91</u>	<u>26.27</u>

2.5 ACCRETION(-) / DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Opening stock	105.55	136.81
Less : Closing stock	72.37	105.55
	<u>33.18</u>	<u>31.26</u>

2.6 RAW MATERIALS CONSUMED	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	1095700	67.42	1254416	77.65
Indigenous Coal	1315991	308.14	1261485	284.11
Imported Coal	80198	28.11	50020	17.40
Coke	6490	2.85	7797	3.30
Limestone	99828	12.10	140966	16.32
Dolomite	166984	9.17	149572	7.80
Pig Iron	25499	19.43	29382	18.48
Scrap	42164	19.79	56104	27.98
Ferro Manganese	2850	5.70	5941	11.48
Others		10.54		21.80
		<u>483.25</u>		<u>486.32</u>

NOTE: Consumption of raw materials includes shortages Rs.3.26 crores, (previous year Rs.1.63 crores) to the extent not covered by normal handling losses and excess to the extent of Rs.8.36 crores (previous year Rs. 11.47 crores).

2.7 EMPLOYEES' REMUNERATION & BENEFITS	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Salaries & wages	266.16	262.24
Company's contribution to provident fund & other funds	27.14	27.46
Travel concession	0.33	1.37
Welfare expenses	22.38	14.93
Gratuity	55.95	32.56
	<u>371.96</u>	<u>338.56</u>

Note :

Expenditure on Employees' Remuneration and Benefits not included above and charged to:

a) Expenditure During Construction	0.00	0.73
b) Deferred Revenue Expenditure	13.63	3.05
c) Net expenditure of Social Amenities charged to various primary revenue heads	6.83	0.00
	<u>20.46</u>	<u>3.78</u>

2.8 POWER & FUEL	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Purchased power	75.97	77.86
Duty on own generation	0.58	0.58
Boiler Coal/Middling	16.30	19.60
Others	1.59	2.05
	<u>94.44</u>	<u>100.09</u>

**2.9 REPAIRS & MAINTENANCE**      Year ended 31st March, 2003      Year ended 31st March, 2002

	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Buildings	3.13	2.75
Plant & Machinery	6.76	6.68
Others	3.24	3.91
	<u>13.13</u>	<u>13.34</u>

**Note:**  
Expenditure on repairs & maintenance not included above and charged to:

a) Employee's Remuneration & Benefits	Year ended 31st March, 2003	Year ended 31st March, 2002
Buildings	7.95	7.75
Plant & Machinery	42.78	42.25
Others	7.27	7.09
	<u>58.00</u>	<u>57.09</u>

b) Stores & Spares	Year ended 31st March, 2003	Year ended 31st March, 2002
Buildings	1.80	2.53
Plant & Machinery	20.52	28.80
Others	0.23	0.32
	<u>22.55</u>	<u>31.65</u>
Total (a)+(b)	<u>80.55</u>	<u>88.74</u>

**2.10 OTHER EXPENSES**

	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	

Commission to selling agents	0.31	0.94
Demurrage & wharfage	0.00	0.09
Expenses connected with Imports	0.02	0.01
Export sales expenses	0.13	0.05
Handling expenses		
– Handling expenses - Raw Material	43.00	51.34
– Handling expenses -Finished goods	6.70	11.57
– Scrap recovery expenses	4.35	5.61
	<u>54.05</u>	<u>68.52</u>
Insurance	0.25	0.33
Law charges	0.37	0.45
Postage, telegram & telephone	0.68	1.05
Printing & stationery	0.59	0.61

Provisions	Year ended 31st March, 2003	Year ended 31st March, 2002
— Doubtful debts, loans and advances	1.09	4.39
— Investments	0.00	0.03
— Sundries	2.69	4.84
	<u>3.78</u>	<u>9.26</u>

Rates & Taxes	Year ended 31st March, 2003	Year ended 31st March, 2002
Remuneration to Auditors	1.30	1.22
— Audit Fees	0.05	0.03
— Tax Audit Fees	0.01	0.01
— Out of pocket expenses	0.02	0.01
	<u>0.08</u>	<u>0.05</u>

Rent	0.50	0.54
Royalty and cess	10.29	8.91
Security expenses	10.71	11.66
Travelling expenses	6.91	7.20
Write Offs		
— Miscellaneous & Deferred Revenue Expenditure	13.89	3.29
— Advances	0.34	0.38
— Others	0.00	0.49
	<u>14.23</u>	<u>4.16</u>
Training expenses	0.03	0.02
Water Charges & Cess on water Pollution	0.05	0.05
Miscellaneous	24.59	13.84
	<u>128.87</u>	<u>128.96</u>

**2.11 INTEREST & FINANCE CHARGES**      Year ended 31st March, 2003      Year ended 31st March, 2002

	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	
Bank borrowings — working capital	6.30	7.34
Others	3.89	4.04
Finance Charges	0.14	0.25
	<u>10.33</u>	<u>11.63</u>

**2.12 INTER ACCOUNT ADJUSTMENTS**

	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	

Raw materials	223.03	247.84
Coke subsidy to Employees	0.00	1.41
Inter plant transfer of stocks/stores	19.05	28.15
Others (Net)	0.97	0.99
	<u>243.05</u>	<u>278.39</u>

**2.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS**

	Year ended 31st March, 2003	Year ended 31st March, 2002
	<i>(Rupees in crores)</i>	

Sales	-0.14	1.08
Other revenues	0.04	-0.18
Raw materials consumed	-2.72	1.41
Employees' remuneration & benefits	-0.57	0.00
Stores & spares consumed	0.37	0.28
Power & fuel	2.57	-0.72
Other Expenses & Provisions	1.51	-0.74
	<u>1.06</u>	<u>1.13</u>

(-) indicate credit items.

## SCHEDULE 3: ACCOUNTING POLICIES & NOTES ON ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 BASIS OF ACCOUNTING

The Company prepares its accounts on accrual basis under historical cost convention and as per the generally accepted accounting principles.

#### 1.2 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

The expenditure on development of land including lease-hold land, is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

Expenditure incurred during the trial run period are capitalised still the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expense.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals there against, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

#### 1.3 BORROWING COST

Borrowing cost relating to the acquisition construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

#### 1.4 DEPRECIATION

Depreciation is provided on straight line method at the rates specified in Schedule-XIV to the Companies Act, 1956. However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset computed on the basis of rates specified in schedule XIV as stated above.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

Cost of acquiring mining rights is amortised over the lease period.

#### 1.5 INVESTMENTS

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost and market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

#### 1.6 INVENTORIES

Semi/Finished products, are valued at lower of cost and net realisable value of the respective plants.

Raw materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

The stocks of wear scrap lying unconsumed at the plant and mixed coke and middlings/rejects, are valued at the estimated net realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost up to the stage of process.

Stores and spares are valued at cost. However, in the case of stores and spares declared obsolete/surplus and also those which have not moved for five years or more, provision is made at 75% and 10% respectively of the book value and charged to revenue.

In respect of inter-unit transfers (i) the closing stock of semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transfer materials used for capitalisation have, however, been considered at cost (ii) Stores and spares are valued at

cost of the transferor plant (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based on the average of purchase cost and transfer price.

Cost is arrived on weighted average basis.

#### 1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

Expenditure incurred on development of new projects, removal of over-burden at mines, cost of feasibility studies for new projects and payments for technical know-how/documentation is treated as development expenditure.

Expenditure on extraction of captive mines is distributed over the excavation of ore, normal waste (intercalated waste) and over burden. The expenditure on removal of normal waste (intercalated waste) is loaded on the cost of ore excavated. Expenditure on removal of over burden is treated as deferred revenue expenditure and the same is written off in five years.

Expenditure on feasibility studies, technical know-how/documentation and other development expenditure is added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.

Voluntary retirement compensation incurred by the company is treated as deferred revenue expenditure and written-off in five years.

Other deferred revenue expenditure including expenditure on consultancy/technological assistance for strategic cost reduction and quality improvements is written-off in five years.

#### 1.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

#### 1.9 RESEARCH & DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

#### 1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and or considered recoverable by the Company. These are treated as income on completion of the projects/final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

#### 1.11 RETIREMENT BENEFITS

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.

#### 1.12 EMPLOYEES' FAMILY BENEFIT SCHEME

The provision towards payments to be made in future to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

#### 1.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs. 5.00 lakhs in each case, are treated as income/expenditure of current year.

#### 1.14 SALES

Sales include Excise Duty and are net of rebates/price concessions/sales tax.

Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection of payments. Export sales are treated as sales on issue of Bills of lading.

#### 1.15 EXPORT INCENTIVES

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme (DEPB) and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

#### 1.16 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

#### 1.17 SEGMENT REPORTING

##### Identification of Segments

The Company has identified that its operating segments are primary segments.

The Company's operating units are organised and managed separately with each representing a strategic segment.

The analysis of geographical segments is based on the areas in which the customers of the Company are located.

## NOTES ON ACCOUNTS - 2002-03

## 2.1 CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31st March, 2003	As at 31st March, 2002
i) Claims against the Company pending appellate/judicial order/decisions	84.03	111.41
ii) Other claims against the Company not acknowledged as debt	55.02	37.97
iii) Claims of colliery employees	0.96	—

2.2 In view of the principles laid down by the Hon'ble Supreme Court and the judgement passed by The Hon'ble Kolkata High Court on 25th November, 1992, the Company has ceased to provide cess on coal under provisions of the West Bengal Primary Education Act, 1973 and West Bengal Rural Employment and Production Act, 1976 from the year 2000-01. However, in view of special leave petition preferred by the Government of West Bengal against such judgement of the Kolkata High Court, the liability upto 31st March 2000 amounting to Rs. 83.69 crores has not been written back pending disposal of the petition. The liability for the period 2000-01 to 2002-2003 amounting to Rs. 37.84 crores has been disclosed as a contingent liability.

## 3.0 FIXED ASSETS

3.1 Physical verification of fixed assets and corresponding linking of the same with the Fixed Asset Register is carried out on continuous basis.

## 3.2 LAND INCLUDES:

- 894.92 acres (As at 31st March 2002 — 653.20 acres) owned/leased/possessed by the Company. In respect of which title/lease deeds are pending for registration.
- 29.04 acres (As at 31st March, 2002— 29.04 acres) given on lease to various agencies/employee/ex-employees.
- 19.06 acres (As at 31st March, 2002— 19.06 acres) in respect of which title is unascertained for of units other than Burnpur. In respect of Burnpur, "The Land & Land Reforms Department, Govt. of West Bengal" is conducting settlement operation in different mouzas of Asansol Sub-Division, on completion of which the exact area in acres in possession of the Company may be ascertained.

3.3 Estimated amount of contracts pending execution on capital account and not provided for Rs. 1.26 crores (As at 31st March, 2002— 16.81 crores).

## 4.0 CURRENT ASSETS, LOANS &amp; ADVANCES AND CURRENT LIABILITIES &amp; PROVISIONS

4.1 Sundry creditors, other liabilities, sundry debtors, claims recoverable, deposits and advances to parties include some old unlinked balances pending reconciliation/confirmation/adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances.

4.2 The company has substantial carry forward losses and unabsorbed depreciation under the Income Tax Act, 1961 and accordingly, net deferred tax assets as reduced by deferred tax liability of about Rs. 445.34 crores has arisen as on 31.3.2003 (including Rs 59.96 crores for the current period) as per Accounting Standard – 22 on "Accounting for Taxes on Income". However, as a prudent practice and above deferred tax asset has not been recognized in the financial statements and the same would be considered at appropriate time keeping in view of the availability of sufficient taxable income against which the deferred tax can be realised.

4.3 In terms of Employees Provident Fund and Miscellaneous Provisions (Amendment) Ordinance, 1995 for employees covered under Employees Family Pension Scheme, a new pension scheme had been made effective from 16th November, 1995 in respect of which Rs. 3.52 crores had been deposited with RPFC covering the period up to January, 1996 and from October 1996 to December, 1996. In terms of the injunction issued by the Hon'ble Kolkata High Court, deposit is being made under EEP-1971, the old scheme, and the remaining amount i.e. the amount payable under 1995 scheme over the amount payable under 1971 scheme is being kept deposited with the P.F. Trusts. Accordingly, a sum of Rs. 5.39 crores had been deposited under old scheme i.e. EFP-1971 covering period from 16.11.95 to 31.3.2000. Further, with effect from April, 2000 deposit is being made under EFP- 1971 and the remaining amount is being deposited with P.F. Trusts. The amount lying deposited with the P.F. Trusts on account of pension fund excluding interest stands at Rs. 54.75 crores (As at 31 March 2002 – Rs. 46.34 crores).

4.4 The Central Board of Direct Taxes vide its Notification dated 25th September, 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide its Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted and kept separately and not to be deposited with the Income Tax Department and further vide order dated 30.1.2002 has granted an interim stay restraining the Company from deduction of tax on perquisites on accommodation provided to the employees by the Company. Accordingly, the Company has not deducted tax on house perquisites. However, the tax on other perquisites has been deducted from concerned employees and kept in separate account.

4.5 The amount due to small scale industrial undertakings (as disclosed in schedule 1.14 - Current Liabilities) covers to the extent the parties have been identified.

There is no S.S.I. unit to whom any amount is due over 30 days.

4.6 An amount of Rs. 186 crores has been received from the Govt. of India for funding VRS of Kulti Works. The amount has been deposited in a "No Lien" Deposit Account and shown under Cash & Bank Balance with corresponding disclosure of the same under Current Liabilities. The amount lying deposited with the above account as on 31.3.2003 stands at Rs. 129.98 crores.

## 5.0 PROFIT &amp; LOSS ACCOUNT

5.1 The long term agreements for employees' pay revision have expired on 30th June, 1996 in respect of colliery employees and on 31st December, 1996 for employees of other units of the Company. No provision has been made for pay revision and arrears, if any, in view of Government directives applicable to companies under BIFR. Liability, if any, in this regard is unascertainable. However, interim relief @12% has been and is being paid and provided for, pending final decision, from 01.07.1996 for collieries and from 01.01.1997 to 31.03.1998 and thereafter from 01.01.2001 for other units.

5.2 The Company vide a Resolution passed by its Board of Directors at the meeting held on 30th May, 2002, has withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for the block calendar years of 1998-99, 2000-01 and 2002-03. In view of withdrawal of the facility, no liability exists towards LTC/LLTC for the above periods.

5.3 During the year based on actuarial valuation, an amount of Rs. 8.88 crores, has been provided towards present value of post retirement medical benefits for existing and retired employees (including premium payable on medi-claim scheme for retired employees) and an amount of Rs. 0.47 crores has been provided towards present value of settlement benefits payable to employees on retirement. These has resulted in increase of loss for the year by Rs. 9.35 crores.

5.4 During the year, the future liability for benefits payable to the disabled employees/legal heirs of deceased employees under the Employees Family Benefit Scheme which was higherto being treated as deferred revenue expenditure to be charged off in five years, has been fully charged off inclusive of unamortised amount of previous year resulting in increase of loss for the year by Rs. 10.10 crores.

5.5 As per directives of the Ministry of Steel, Govt. of India, most of the employees of Kulti Works of IISCO have been granted voluntary retirement at the close of the financial year. Consequently, all production related activities at the works have since been ceased. However, essential maintenance and administrative services are being continued.

5.6 Waiver of SDF loan amounting to Rs. 44.68 crores approved by the SDF Managing Committee during the period has been shown under "Other Revenues" (Schedule No. 2.3).

5.7 The excise duty of Rs. 97.80 crores (Previous year – Rs. 102.15 crores) shown as deduction from Sales includes excise duty on internal consumption and closing stock.

5.8 As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided for and/or paid.

5.9 Power & Fuel does not include certain expenses for generation of power and such elements of expenses have been included under the primary heads of account.

## 6.0 GENERAL

## 6.1 Segment Reporting

i) Business Segment: Steel plant, foundry, collieries and mines have been considered as primary business segment for reporting under 'Accounting Standard-17-Segment Reporting' issued by the Institute of Chartered Accountants of India.

ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as one segment and exports as the other. The disclosures of segment-wise information is given in Annexure-I.

## 6.2 Related Party

As per Accounting Standard-18- "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, the names of the related parties are given below:

## Name of the related parties

Joint Venture: Nil

Key Management Personnel: Shri A.K. Jayswal, Executive Director I/C, IISCO

The details of transactions between the company and the related parties, as defined in the Accounting Standard, are given below:

SI No.	Nature of transactions	Amount (Rs. crores)	Ref. Schedule & Account head of the Accounts
1	Managerial Remuneration	0.07	2.7 Employees' Remuneration and Benefits

6.3 The Company was declared a Sick Industrial Company by the Board for Industrial and Financial Reconstruction (BIFR) on 17th August, 1994. The Industrial Development Bank of India has been appointed as operating agency and the proposal for revival/modernization is in process. The company is, however, continuing with the assumption of going concern in the preparation of its financial statements.

6.4 Previous year's figures have been re-arranged/re-grouped wherever necessary.

## 7. (a) Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity	Installed Capacity	Production
			(Quantity : Tonnes)
Steel Ingots	<b>1300000</b> (1300000)	<b>1000000</b> (1000000)	<b>326698 *</b> (345729) **
Saleable steel	<b>1048000</b> (10480000)	<b>800000</b> (800000)	<b>264074 ***</b> (291986) ****
Cast Iron Spun Pipes (I & II)	<b>156960</b> (156960)	<b>156960</b> (156960)	<b>5485</b> (15354)
Cast Iron Spun Pipes (III)	<b>0</b> (0)	<b>9000</b> (9000)	<b>0</b> (392)
Steel Castings	<b>5484</b> (5484)	<b>5300</b> (5300)	<b>1028</b> (2302)
Non Ferrous Castings	<b>564</b> (564)	<b>530</b> (530)	<b>85</b> (189)
Other Castings	<b>82716</b> (82716)	<b>77916</b> (77916)	<b>17273</b> (14528)

Note : \*\* including steel casting – 520 MT  
 \*\*\* including steel casting – 1205 MT  
 \*\*\*\* excluding conversion – 24381 MT  
 \*\*\*\*\* excluding conversion – 10459 MT

## 7. (b) Opening Stock, Purchases, Turnover and Closing Stock

	Opening stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
								(Quantity : Tonnes) (Value : Rs./crores)
Saleable Steel	<b>7977</b> (15990)	<b>10.97</b> (21.72)	— (—)	— (—)	<b>260735</b> (293283)	<b>395.48</b> (411.57)	<b>7194</b> (7977)	<b>10.25</b> (10.97)
Pig Iron	<b>9727</b> (14375)	<b>7.00</b> (10.36)	— (—)	— (—)	<b>228811</b> (245099)	<b>189.88</b> (192.61)	<b>7162</b> (9727)	<b>6.35</b> (7.00)
Cast Iron Spun Pipes	<b>8739</b> (10427)	<b>11.77</b> (14.53)	— (—)	— (—)	<b>7047</b> (16687)	<b>11.48</b> (27.96)	<b>6255</b> (8739)	<b>9.21</b> (11.77)
Steel Castings	<b>2607</b> (2105)	<b>10.88</b> (8.17)	— (—)	— (—)	<b>1553</b> (1863)	<b>4.15</b> (5.21)	<b>1806</b> (2607)	<b>5.68</b> (10.88)
Non Ferrous Castings	<b>157</b> (134)	<b>2.68</b> (3.69)	— (—)	— (—)	<b>150</b> (167)	<b>2.08</b> (3.06)	<b>88</b> (157)	<b>1.72</b> (2.68)
Other Castings	<b>6488</b> (7575)	<b>11.52</b> (13.03)	— (—)	— (—)	<b>20111</b> (15194)	<b>25.78</b> (12.52)	<b>3201</b> (6488)	<b>5.57</b> (11.52)
Others		<b>50.67</b> (65.24)		<b>0.00</b> (0.00)		<b>221.63</b> (203.85)		<b>33.59</b> (50.67)
<b>TRADING ACTIVITIES</b>								
Indigenous Steel	<b>0</b> (7)	<b>0.00</b> (0.01)	<b>38832</b> (31888)	<b>71.32</b> (53.16)	<b>38832</b> (31888)	<b>73.73</b> (55.16)	<b>0</b> (0)	<b>0.00</b> (0.00)
Purchased Pipes & Castings	<b>98</b> (98)	<b>0.06</b> (0.06)	<b>0</b> (0)	<b>0.00</b> (0.00)	<b>0</b> (0)	<b>0.00</b> (0.00)	<b>0</b> (98)	<b>0.00</b> (0.06)
		<b>105.55</b> (136.81)		<b>71.32</b> (53.16)		<b>924.21</b> (911.94)		<b>72.37</b> (105.55)

### Notes

- The classification of the company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No. 3/19/80-CL VI dated 16th July 1980. However, in respect of item (Sundries), particulars of installed capacity and production have not been given, as this being an omnibus head, clubbing of various products and by-products under one head would not give meaningful information.
- Sales are net of rebates/price concessions allowed on certain Iron and Steel products.
- Figures of closing stock are after adjustment for internal consumption, transfer to capital works, shortages/excess etc.

## 7. (c) Pig Iron and Saleable Steel Quantitative Reconciliation

(Quantity : Tonnes)

	Pig Iron	Saleable Steel
Opening Stock	<b>9727</b> (14375)	<b>7977</b> (15990)
Production	<b>279848</b> (287743)	<b>264074</b> (291986)
Total	<b>289575</b> (302118)	<b>272051</b> (307976)
Sales	<b>228811</b> (245099)	<b>260735</b> (293283)
Inter Plant Transfers	<b>25846</b> (32299)	<b>1374</b> (1454)
Internal Consumption (incl. for capital works)	<b>15690</b> (10250)	<b>1574</b> (1216)
Assorted length/Cuttings etc.	<b>6711</b> (0)	<b>2561</b> (3996)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	<b>5355</b> (4743)	<b>-1387</b> (50)
Closing Stock	<b>7162</b> (9727)	<b>7194</b> (7977)
Total	<b>289575</b> (302118)	<b>272051</b> (307976)

Note to 7(a), 7(b) & 7(c)

Figures in brackets pertain to previous year and have been rearranged/regrouped inter-se wherever necessary.

8. Earnings in foreign exchange on account of

	Current Year	Previous Year
	(Rupees in crores)	
Export of goods (Calculated on FOB basis)	15.74	16.86
	<u>15.74</u>	<u>16.86</u>

9. Value of imports during the period (Calculated on CIF basis)

	Current Year	Previous Year
	(Rupees in crores)	
Raw Materials	21.30	14.45
Capital Goods	1.22	0.00
Stores, Spares and Components	3.76	4.63
Total	<u>26.28</u>	<u>19.08</u>

10. Value of raw materials consumed during the year

	Rs./Crores	%	Rs./Crores	%
Imported	28.11	5.82	17.40	3.58
Indigenous	455.14	94.18	468.92	96.42
	<u>483.25</u>	<u>100.00</u>	<u>486.32</u>	<u>100.00</u>

11. Value of stores/spares & components consumed during the year

	Rs./Crores	%	Rs./Crores	%
Imported	3.90	4.20	3.96	3.69
Indigenous	88.87	95.80	103.48	96.31
	<u>92.77</u>	<u>100.00</u>	<u>107.44</u>	<u>100.00</u>

SCHEDULE 4

EXPENDITURE ON PUBLIC RELATIONS DEPARTMENTS

	Current Year	Previous Year
	(Rupees in crores)	
Employees' remuneration & benefits	0.31	0.27
Other items of expenditure under publicity	0.05	0.06
Total	<u>0.36</u>	<u>0.32</u>
Turnover	924.21	911.94
Percentage	0.04	0.04

SCHEDULE 5  
SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & Cultural activities	Co-operative Societies	Transport & Diary	Total	Previous Year
	(Rupees in crores)							
<b>Employees' Remuneration &amp; Benefits</b>								
Salaries & wages	8.06	2.06	9.60	0.58	1.61	1.44	23.35	22.08
Company contribution of PF & other funds	0.70	0.23	0.78	0.06	0.02	0.16	1.95	2.00
Travel concessions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51
Welfare expenses	0.08	0.07	0.12	0.02	0.00	0.03	0.32	0.32
Consumption of medicine	0.02	0.01	0.08	0.00	0.00	0.01	0.12	2.03
Coke Subsidy	1.11	0.00	0.00	0.00	0.00	0.00	1.11	1.64
Gratuity	0.34	0.20	0.15	0.00	0.00	0.12	0.81	1.25
Total	10.31	2.57	10.73	0.66	1.63	1.76	27.66	29.83
Stores & Spares	0.56	0.00	0.11	0.00	0.00	0.02	0.69	1.03
Repair & Maintenance	1.28	0.00	0.02	0.00	0.00	0.13	1.43	1.35
Power & Fuel	8.75	0.18	0.57	0.18	0.00	0.00	9.68	8.84
Miscellaneous expenses	1.15	1.03	0.75	0.27	0.00	0.01	3.21	3.21
Depreciation	1.72	0.06	0.20	0.01	0.01	0.22	2.22	2.20
Total	23.77	3.84	12.38	1.12	1.64	2.14	44.89	46.46
Less: Income	8.68	0.06	1.47	0.00	0.00	0.19	10.40	9.30
Net Deficit	15.09	3.78	10.91	1.12	1.64	1.95	34.49	37.16



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.     State Code

Balance Sheet Dated

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Re-deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Funds**

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

**IV. Performance of the Company (Amount in Rs. Thousands)**

Turnover

Total Expenditure

Profit Before Tax

Profit After Tax

Earning per share in Rs. (Annualised) (Rs.)

Dividend Rate %

**V. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms)**

Item Code No. (ITC Code)         /

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

## Primary Business Segment-wise information for the year ended 31.03.2003

Particulars	(Rs. in crores)						
	Burnpur	Kulti	Collieries	Ore Mines	Total Segment	Eliminations	Total Enterprise
<b>REVENUE</b>							
External Sales	820.90	42.41	45.85	15.05	924.21		924.21
Inter segment sales	29.18	16.39	136.74	41.83	224.13	-224.13	0.00
<b>Total Revenue</b>	<b>850.08</b>	<b>58.80</b>	<b>182.59</b>	<b>56.88</b>	<b>1148.34</b>	<b>-224.13</b>	<b>924.21</b>
Total revenue of each segment as a % of total revenue of all segment	74.03	5.12	15.90	4.95			
<b>RESULT</b>							
Operating profit(+) / loss(-)	-139.36	-30.42	1.65	-3.96	-172.09		
Interest expenses	8.44	0.76	0.50	0.63	10.33		
Interest income	0.19	0.00	0.00	0.00	0.19		
Income Taxes	0.00	0.00	0.00	0.00	0.00		
<b>Net Profit (+) / Loss(-)</b>	<b>-147.61</b>	<b>-31.18</b>	<b>1.15</b>	<b>-4.59</b>	<b>-182.23</b>		
<b>OTHER INFORMATION</b>							
Segment assets( excl. capital WIP & int Rec./Acc.)	393.50	184.18	71.77	19.78	669.23		669.23
Unallocated Corporate assets	0.00	0.00	0.00	0.00	0.00		0.00
<b>Total assets</b>	<b>393.50</b>	<b>184.18</b>	<b>71.77</b>	<b>19.78</b>	<b>669.23</b>		<b>669.23</b>
Segment liabilities (excl Interest Acct. But not due)	647.75	197.01	231.86	38.08	1114.70		1114.70
Unallocated Corporate liabilities	0.00	0.00	0.00	0.00	0.00		0.00
<b>Total liabilities</b>	<b>647.75</b>	<b>197.01</b>	<b>231.86</b>	<b>38.08</b>	<b>1114.70</b>		<b>1114.70</b>
Capital Expenditure	2.86	0.00	0.36	2.62			5.84
Depreciation	15.28	1.12	5.69	1.13			23.22
Non-cash expenditure other than depreciation (based on Actuarial Valuation)	79.91	-22.32	13.41	2.18			73.18

## Geographical Segment

Particulars	(Rs.in crores)	
	Amount	%
<b>Sales Revenue</b>		
India	907.72	98.22
Foreign Countries	16.49	1.78
<b>Total</b>	<b>924.21</b>	<b>100.00</b>
<b>Assets</b>		
	Carrying amount of segment assets	Addition to fixed assets
India	669.23	5.84*
<b>Total</b>	<b>669.23</b>	<b>5.84</b>

\*Includes addition to Fixed Assets and Capital W.I.P.

# Auditors' Report

## ANNEXURE-I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLY
To The Members of THE INDIAN IRON & STEEL CO. LTD.	
<p>1.0 We have audited the attached Balance Sheet of The Indian Iron &amp; Steel Co. Ltd. as at 31<sup>st</sup> March 2003, and also the Profit &amp; Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the accounts of plants, collieries, mines and stockyard-cum-sales offices. 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.</p> <p>2.0 We have conducted our audit in accordance with Auditing Standards generally accepted in India. Those 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 a 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.</p> <p>3.0 We report as follows:</p> <p>3.1 <i>We are unable to comment on the pay revision liability, if any, in view of Government directives applicable to companies under BIFR (Note No.5.1 in Schedule-3).</i></p> <p>3.2 <i>Attention is drawn to Note No.6.3 in Schedule-3 regarding underlying assumption of going concern in the preparation of financial statements of the Company.</i></p> <p>4.0 As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the said Order.</p> <p>5.0 Further to our comments in Paragraphs 3.0 and 4.0 above, we report that:</p> <p>5.1 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.</p> <p>5.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from Stockyard-cum-sales offices not visited by us.</p> <p>5.3 The Balance Sheet, Profit &amp; Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.</p> <p>5.4 In our opinion the Balance Sheet, Profit &amp; Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards, to the extent applicable, as referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.</p> <p>5.5 On the basis of written representations received from the directors, we report that non of the directors is disqualified as on 31<sup>st</sup> March, 2003 from being appointed as director in terms of Clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956. However, in terms of Department of Company Affairs, General Circular No.8/2002 Dated 22<sup>nd</sup> March, 2002 the provisions of Section 274(1)(g) are not applicable to the directors nominated by the Government of India.</p> <p>6.0 In our opinion and to the best of our information and according to the explanations given to us, subject to our comments in Paragraphs 3.1 and 3.2 above, the said Accounts read together with Accounting Policies and Notes on Accounts appearing in Schedule-3, give the information required by the Companies Act, 1956, in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India :</p> <p>i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2003;</p> <p>ii) in the case of the Profit &amp; Loss Account, of the Loss for the year ended on that date, and;</p> <p>iii) in the case of the Cash Flow Statement of the cash flows for the year ended on that date.</p>	<p>The long-term agreements for employees' pay revision have expired on 30.6.96 for collieries and on 31.12.96 for other units. Pending finalisation of wage agreements and in view of the Company being under BIFR, no provision towards the pay revision has been made. Liability, if any, in this regard is unascertainable. The position has been appropriately disclosed in Notes on Accounts at 5.1 of schedule 3 forming part of accounts.</p> <p>IISCO, is having continuous operations and accounts have been drawn up accordingly.</p>
<p>For and on behalf of</p> <p><b>Guha Nandi &amp; Co.</b> <i>Chartered Accountants</i></p> <p>Sd/- <b>(Asitabha Jana)</b> <i>Partner</i></p>	<p>For and on behalf of Board of Directors</p> <p><b>S. Ghose &amp; Co.</b> <i>Chartered Accountants</i></p> <p>Sd/- <b>(Chandan Chattopadhyay)</b> <i>Partner</i></p> <p>Sd/- <b>(S.C.K.Patne)</b> <i>Chairman</i></p>
<p>Place : New Delhi Date : 29th May, 2003</p>	<p>Place: New Delhi Date : 22nd August, 2003</p>

## ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph 4.0 of our report of even date)

COMMENTS	MANAGEMENT'S REPLY
<p>1. The Company has maintained reasonable records showing in most cases, full particulars including quantitative details and situation of its fixed assets.</p> <p>2. The Fixed Assets of the Company, except in some cases, have been physically verified in phased manner by the management during the year in accordance with a regular program of verification and the discrepancies noticed on such verification have been ascertained and necessary provisions have been made in the accounts.</p> <p>3. The Fixed Assets of the Company, have not been revalued during the year.</p> <p>4. Stock of semi-finished/finished products and raw materials have been physically verified by the management at its various locations at the year end. Stores and spare parts are verified in accordance with a regular programme of verification which, in our opinion, is reasonable. Year end stock of scrap and middlings have been estimated on the basis of visual survey/estimates.</p> <p>5. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks, followed by the Management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>6. The discrepancies between the physical stocks and book records arising out of physical verification, as stated in foregoing paragraph, have been properly dealt with in the books of account. <i>Material discrepancies between physical stock and book records of Raw Materials at Kulti Works were noticed for which adjustments have been made in the accounts.</i></p> <p>7. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.</p> <p>8. The Company has not taken any loan, secured or unsecured from companies, firms or other parties listed in the register maintained U/S.301 of the Companies Act, 1956. The operation of Section 370(1B) of the Companies Act, 1956, in respect of the companies under the same management, is not applicable w.e.f. 31/10/1998.</p> <p>9. The Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section-301 of the Companies Act, 1956. However, in respect of dues of Rs.211.28 lakhs (previous year Rs.211.28 lakhs) from IISCO Ujjain Pipe &amp; Foundry Co. Ltd. (in liquidation), a wholly owned subsidiary of the Company, the terms and conditions of the advance which is in the nature of loan are not specified and no interest has been charged during the year on the same. Nothing contained in Section-370(1B) is, however, applicable with effect from 31/10/1998.</p> <p>10. Employees and other parties to whom loans and advances in the nature of loans have been given, are generally repaying the principal amount as stipulated and are also regular in payment of interest wherever applicable except where such loans and advances are treated as doubtful. Reasonable steps have been and are being taken for recovery in the defaulting cases.</p> <p>11. 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 purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.</p> <p>12. On the basis of our test checks and having regard to the explanations that some of the items purchased/sold are of special nature and comparable prices are not available, the transactions for the purchase of goods, materials and services and sale of goods, and services, made in pursuance of contracts or arrangements listed 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 pre-fixed standard prices which are not comparable with either the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials and services have been made with other parties.</p> <p>13. As explained to us, the Company has in general a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Reasonable provisions/adjustments, wherever applicable, have been made in the accounts for the same.</p> <p>14. The Company has not accepted any public deposits within the meaning of Section-58A of the Companies Act, 1956.</p> <p>15. Reasonable records are maintained by the Company for sale, disposal or usage of realisable scrap and by-products.</p> <p>16. <i>The Internal Audit System of the Company is not commensurate with the size and nature of its business.</i></p> <p>17. Maintenance of cost records by steel plants has been prescribed by the Central Government under Section-209 (1) (d) of the Companies Act, 1956. On broad review of the relevant records we are of the opinion that the prescribed accounts and records have prima facie, been maintained by the Company.</p> <p>18. Although the Company is not regular in depositing Provident Fund dues with the appropriate authorities (P. F. Trusts), as per books of account, the Company has issued cheques for the entire amount payable by it within the year. There are, however, certain P. F. related accounts which are scattered over different units, but to be considered as a whole, where reconciliation with the P. F. Trust Accounts is still under process.</p> <p>19. As explained to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Excise Duty and Customs Duty were outstanding as on 31<sup>st</sup> March, 2003 for a period exceeding six months from the date they became payable. <i>However, in respect of Sales Tax collected, the undisputed amount payable and outstanding for more than six months as at the year end stood at Rs. 19.24 crores.</i></p> <p>20. According to the information and explanations given to us no personal expenses have been charged to revenue other than those payable under contractual obligation or in accordance with the generally accepted business practice.</p> <p>21. The Company is a sick industrial company within the meaning of Section 3 (1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 and a reference was made on 22/06/1994 under Section 15 of the said Act to BIFR, decision of which is pending.</p> <p>22. In respect of the Company's trading activities, we are informed that damaged goods have been ascertained and adequately dealt with in the accounts.</p>	<p>During the course of despatch of Pig Iron to Kulti Works from Burnpur, certain quantity of Pig Iron chips/dust also get loaded/ included in the normal course. The variation is mainly on account of this Pig Iron chips/dust and on overall basis there is no shortage. Necessary adjustments have been made in the accounts.</p> <p>Steps are being taken to strengthen the internal audit department and enhance the scope by covering more functional areas/departments.</p> <p>Due to adverse liquidity position, dues on account of Sales Tax could not be paid within 31.03.03. Sales Tax dues would be cleared with expected improvement in the operations.</p>

For and on behalf of  
**Guha Nandi & Co.**  
Chartered Accountants

Sd/-  
**(Asitabha Jana)**  
Partner

**S. Ghose & Co.**  
Chartered Accountants

Sd/-  
**(Chandan Chattopadhyay)**  
Partner

For and on behalf of Board of Directors

Sd/-  
**(S.C.K.Patne)**  
Chairman

Place : New Delhi  
Date : 29<sup>th</sup> May, 2003

Place: New Delhi  
Date : 22nd August, 2003

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956  
ON THE ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2003

COMMENTS	MANAGEMENT'S REPLIES
<p><b>A. Profit &amp; Loss Account</b></p> <p>Loss of Rs. 182.23 crore for the year would increase further by Rs. 5.78 cr. in view of the following:</p>	
<p><b>1. Schedule 1.8 Inventory Rs. 138.43 crore</b></p> <p>(i) Over-valuation of castings manufactured without confirmed orders and lying unsold. – Rs. 3.21 crore.</p> <p>(ii) Non-provision against surplus stores and spares of Kulti unit, which has been closed - Rs 2.57 crore.</p>	<p>Castings have been regular item of production and get marketed in line with the market requirements. Valuation has been done on the basis of market price or cost of production whichever is less as per normal accounting practice followed on consistent basis. Thus there is no over valuation.</p> <p>The stores &amp; spares items have been carried at book value. Operation at Kulti Works have been stopped from 1<sup>st</sup> April, 2003. Loss/gain would be provided on actual disposal or utilisation elsewhere in the system.</p>
<p><b>B. Notes on Accounts</b></p> <p>(i) The existence of 40 million tonne of Iron Ore Fines lying at Gua Ore Mines was neither disclosed nor accounted for.</p> <p>(ii) The Government of India has approved revival package of IISCO in June 2002, which <i>inter alia</i> included closure of Kulti Works and reduction of manpower through implementation of VRS and capital investment at Burnpur Works.</p>	<p>Iron Ore fines get generated alongwith production of lump ore during normal mining operation. Since the fines could neither be utilised at Burnpur Works in the absence of Sinter Plant nor could be sold on a regular basis, the stock of the same was not valued on following the principle of conservation as in the previous years. No separate disclosure on contingent assets is required.</p> <p>Position with regard to revival package of the company has been duly disclosed in the 'Notes on Accounts' at Note No. 5.5 of schedule 3.</p>

Sd/-  
**(Amrik Singh)**  
Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board, Ranchi

For and on behalf of  
the Board of Directors

Sd/-  
**(S.C.K. Patne)**  
Chairman

Place : Ranchi  
Date : 18th August, 2003

Place : New Delhi  
Date : 22nd August, 2003

REVIEW OF ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED, KOLKATA  
FOR THE YEAR ENDED 31ST MARCH, 2003 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note :- Review of Accounts has been prepared without taking into account the Comments under section 619(4) of the Companies Act, 1956 and qualification contained in the Statutory Auditors' Report.

## 1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :-

Description	2000-01	2001-02	2002-03
<i>(Rs. in crores)</i>			
<b>LIABILITIES</b>			
a) Paid-up Capital			
i) Government	387.66	387.66	387.66
ii) Others	0.00	0.00	0.00
b) Reserves & Surplus			
i) Free Reserve	0.00	0.00	0.00
ii) Share Premium Account	0.36	0.36	0.36
iii) Capital Reserve	3.15	3.15	3.10
c) Borrowings:			
i) From Govt. of India	0.00	0.00	0.00
ii) From Financial Institutes/Banks	31.95	31.95	31.95
iii) Foreign Currency Loans	0.00	0.00	0.00
iv) Cash Credit	56.58	59.34	62.81
v) Others	44.68	44.68	8.30
Total Borrowing (i to v)	133.21	135.97	103.06
vi) Interest Accrued and due	39.92	43.42	46.93
d) i) Current Liabilities & Provisions	663.13	651.07	843.28
ii) Provision for Gratuity, Leave, Medical Benefit & settlement T.A., E.F.B.S.	177.18	209.14	271.42
<b>Total</b>	<b>1,404.61</b>	<b>1,430.77</b>	<b>1,655.81</b>
<b>ASSETS</b>			
e) Gross Block	785.68	793.74	799.49
f) Less: Depreciation	466.33	487.57	506.48
g) Net Block	319.35	306.17	293.01
h) Capital Work-in-progress	17.56	11.93	6.56
i) Investments	0.10	0.07	0.07
j) Current Assets, Loans & Advances	448.70	303.63	376.36
k) Miscellaneous Expenditure not written off	1.63	11.83	0.44
l) Accumulated Loss	617.27	797.14	979.37
<b>Total</b>	<b>1,404.61</b>	<b>1,430.77</b>	<b>1,655.81</b>
m) Working Capital {j-d(i)-c(vi)}	-254.35	-390.86	-513.85
n) Capital Employed (g+m)	65.00	-84.69	-220.84
o) Net Worth {a+b(i)+b(ii)-k-l}	-230.88	-420.95	-591.79
p) Net Worth per Rupee of Paid-up Capital (in Rs.)	-ve	-ve	-ve

The cumulative loss of Rs. 979.37 crore as on 31st March 2003 represents 252.64% of the paid-up capital. The net worth having become negative, the company has been declared sick by Board for Industrial and Financial Reconstruction (BIFR) on 17th August 1994.

## 2. RATIO ANALYSIS

Some important financial ratios on the financial health and work of the Company at the end of last 3 years are as under:

	2000-01	2001-02	2002-03
<i>(in percentage)</i>			
<b>A. Liquidity Ratio</b>			
Current Ratio (Current assets to Current liabilities & Provision and interest accrued & due but excluding provision for Gratuity, Leave, E.F.B.S., Medical Benefit & Retirement T.A.) {j/d(i)+c(iv)}	62	43	42

## 6. SUNDRY DEBTORS

The following indicates the sundry debtors and sales during the last three years:

As on 31st March	Sundry Debtors		Total Sundry Debtors	Sales	Percentage of Sundry Debtors to Sales
	considered good	considered doubtful			
2001	176.90	18.46	195.36	941.37	20.75
2002	71.86	20.81	92.67	911.94	10.16
<b>2003</b>	<b>63.12</b>	<b>20.21</b>	<b>83.33</b>	<b>924.21</b>	<b>9.02</b>

*(Rs. in crores)*

	2000-01	2001-02	2002-03
<i>(in percentage)</i>			
<b>B. Debt Equity Ratio</b> (Long term debt to Equity) {c(i) to v but excluding short term loans} /0)	-ve	-ve	-ve
<b>C. Profitability Ratios</b>			
a) Profit before tax to			
i) Capital Employed	-ve	-ve	-ve
ii) Net Worth	-ve	-ve	-ve
iii) Sales	-ve	-ve	-ve
b) Profit after tax to Equity	-ve	-ve	-ve
c) Earning per share (in Rs.)	-ve	-ve	-ve

## 3. SOURCES AND USES OF FUNDS

Funds amounting to Rs.134.76 crores from internal and external sources were realised and utilised during this year as given below :

<i>(Rs. in crores)</i>			
<b>Sources of Funds</b>			
1. Decrease in Working Capital			122.99
2. Increase in Borrowing			11.77
Total			134.76
<b>Utilisation of Funds</b>			
1) Loss for the year	182.23		
Less: Gratuity, Leave, EFBS etc.	62.28	119.95	
Less : Miscellaneous Expenditure		11.39	108.56
2) Addition to Fixed Assets			-18.53
3) Decrease in Reserve			0.05
4) Decrease in long term loan			44.68
Total			134.76

## 4. WORKING RESULTS

The table below indicates sales, net loss, etc. during the last three years:-

	2000-01	2001-02	2002-03
<i>(Rs. in crores)</i>			
a) Sales	941.37	911.94	924.21
b) Net loss during the year	187.31	179.87	182.23*
c) Percentage of net loss to sales	19.90	19.72	19.72

\*Due to waiver of loan by SDF Managing committee net loss was decreased by Rs. 44.68 crores.

## 5. INVENTORY LEVEL

The following table indicates the inventory levels (Net of Provisions) during the last three years :

	2000-01	2001-02	2002-03
<i>(Rs. in crores)</i>			
Stores & Spares (excluding in-transit)	47.41	47.30	43.49
Raw Materials (excluding in-transit)	24.19	16.42	15.36
Semi/Finished Goods (excluding in transit)	129.69	101.22	67.05
Scrap & Others	3.63	3.67	4.07

Sd/-

(Amrik Singh)

Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board, Ranchi

Place : Ranchi  
Date : 18.08.2003

## ANNEXURE-III TO THE DIRECTORS' REPORT

## INFORMATION AS PER 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:**

Specific energy consumption during 2002-2003 was 9.222 Gcal/tcs against 9.342 Gcal/tcs achieved in 2001-2002 and APP 9.020 Gcal/tcs. The specific energy consumption was 1.3% lower than 2001-2002 and was lowest ever achieved in IISCO, Burnpur Works.

**a) Energy conservation measures taken in 2002-2003 are as follows :**

- i) Arresting steam leakages by on-line & conventional methods and by installation/replacement of steam traps & valves.
- ii) On-line sealing of leakages on B.F. Gas and C.O. Gas mains.
- iii) Optimisation of Operation of reheating Furnace at M&R Mill
- iv) Optimisation of Soaking Pit Nos. 5 & 6
- v) Repair of Top Bleeder of Blast Furnace No. 3

**b) Additional investments and proposals being implemented for reduction of consumption of energy during 2003-2004:**

- i) Arresting steam leakages using on-line & conventional methods and by installation/replacement of steam traps and valves.
- ii) Thermal insulation of Steam Pipelines & Hot Air Ducts
- iii) Periodic cleaning of Boiler heating surface & increase dosing of TSP for better heat transfer
- iv) Installation of reactive compensation device at Ilgner House No. 2
- v) On-line sealing of leakages on B.F. Gas and C.O. Gas Mains

**c) Impact of measures at (a) and (b) above for reduction of energy and cost are as follows :****Measures taken during 2002-2003**

- i) 5673 tonnes of Steam (@ 0.65 tph) worth Rs. 18 lakhs was saved due to Steam leakage eliminations.
- ii) Gas losses worth Rs. 13 lakhs were arrested by on-line leak sealing of C.O. Gas and B.F. Gas mains and Gas Hazards were arrested.
- iii) Process optimisation yielded 8% and 3% reduction in specific heat consumption in 2002-2003 over 2001-2002 and budget respectively in the reheating Furnaces of Merchant & Rod Mill. Financial savings Rs.6.0 lakhs over budget.
- iv) Optimisation of Pit Nos. 5 & 6 in Soaking Pits contributed to 4% reduction in overall specific heat consumption of Soaking Pits in 2002-2003 over 2001-2002.
- v) Additional B.F. Gas available worth Rs. 1.09 crores by eliminating B.F. top bleeder leakage.

**Proposals/Measures Planned to be taken up during 2003-2004:**

- i) Steam Savings @ 0.45 tonnes/hr by elimination of steam leakages.
- ii) Projected savings of 1122 MT of Coal worth Rs. 13.4 lakhs by thermal insulation of steam lines and hot air ducts.
- iii) Projected savings of 2144 MT of Coal worth Rs. 25.6 lakhs by periodic cleaning of boiler heating surfaces and increasing TSP dosing.
- iv) Projected improvement of power factor from 0.83 to 0.91; expected savings Rs. 14.1 lakhs during 2003-2004.
- v) Online sealing of Gas Pipe Line leakages will minimise gas losses and will help to ensure industrial safety.

For and on behalf of the Board of Directors

Sd/-  
(S.C.K. Patne)  
Chairman

Place: New Delhi  
Dated: 22nd August, 2003

## FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH  
RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	2002-03	2001-02
-------------	------	---------	---------

## BURNPUR WORKS:

## A. POWER AND FUEL CONSUMPTION

## 1. Electricity

a) Purchased Unit	10 <sup>6</sup> KWH	<b>109.51</b>	112.70
Total amount	Rs./Lakhs	<b>3487.87</b>	3606.87
Rate/Unit	Rs./KWH	<b>3.18</b>	3.20
b) Own Generation			
i) Through Diesel Generator Set	NIL	<b>NIL</b>	NIL
Through Steam Turbine/Generator Unit	10 <sup>6</sup> KWH	<b>125.25</b>	121.48
Unit per litre of fuel oil/gas	KWH/G.Cal	<b>185.15</b>	179.01
Cost/Unit	Rs./KWH	<b>3.29</b>	3.34

## 2. Coal

a) Coking Coal (Indigenous) used in Coke Ovens:			
Quantity (wet)	Tonne	<b>979561</b>	963820
Total Cost	Rs.Lakhs	<b>26398.87</b>	24582.54
Average Rate	Rs./Tonne	<b>2694.97</b>	2550.53
b) Coking Coal (imported) used in Coke Ovens:			
Quantity(wet)	Tonne	<b>80198</b>	50020
Total Cost	Rs./Lakhs	<b>2811.33</b>	1740.04
Average Rate	Rs./Tonne	<b>3505.49</b>	3478.69
c) Non-Coking Coal used in Boilers:			
Quantity (wet)	Tonne	<b>127092</b>	183533
Total Cost	Rs.Lakhs	<b>1575.09</b>	1905.54
Average Rate	Rs./Tonne	<b>1239.33</b>	1038.25

## 3. Furnace Oil

Quantity	K. Litres	<b>6.0</b>	3.0
Total Amount	Rs. Lakhs	<b>0.25</b>	0.12
Average Rate	Rs./KL	<b>4140</b>	4140

## 4. Others/Internal Generation — — —

## B. CONSUMPTION PER UNIT

## OF PRODUCTION:

Electricity	kwh/tcs	<b>603.3**</b>	553.4**
Furnace Oil	Kl/tcs	—	—
Coking Coal	t/tcs	<b>3.244</b>	2.932
Non-Coking Coal	t/tcs	<b>0.389</b>	0.531

\*\* For calculation, Electricity Units (2002-2003 – 37652549 kwh; 2001-2002 – 32353485 kwh) supplied to Employees and others have been excluded.

## FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH  
RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	2002-03	2001-02
-------------	------	---------	---------

## KULTI WORKS:

## A. POWER AND FUEL CONSUMPTION

## 1. Electricity

a) Purchased Unit	10 <sup>6</sup> KWH	<b>28.98</b>	31.68
Total amount	Rs./Lakhs	<b>1018.13</b>	1051.50
Rate/Unit	Rs./KWH	<b>3.51</b>	3.32
b) Own Generation	—	—	—

## 2. Coal

'000T	<b>0.088</b>	0.3
Rs./Lakhs	<b>1.02</b>	3.78

## 3. Furnace Oil

Rs./T	<b>1161.43</b>	1216.41	
Quantity	KL	<b>283.262</b>	274.818
Total Amount	Rs./Lakhs	<b>27.61</b>	24.43
Average Rate	Rs./KL	<b>9747.16</b>	8889.52

## 4. Others/Internal Generation — — —

## 5. CONSUMPTION PER UNIT

## OF PRODUCTION:

Electricity	—	—	—
Spun Pipes	KWH/mt	<b>411</b>	212
Castings	kwh/mt	<b>268</b>	449

(This excludes Electricity consumption for services and non-works Departments which is 913 kwh/mt in 2002-2003 and 626 kwh/mt in 2001-2002)



## FORM – B

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

**Research & Development**

1. Following Projects were carried out in the year 2002-2003:-
  - i) Optimisation in use of +6mm Iron Ore Dump Fines in Blast Furnace burden.
  - ii) Study of performance improvement of reheating Furnace at Merchant and Rod Mill.
  - iii) Improvement in the clean coal quality of Chasnalla Washery.
  - iv) Statutory monitoring of particulate PAH at Coke Oven Work Zone.
  - v) Improvement in the productivity and reduction in operational delay time at Light Structural Mill
2. Expenditure on R&D:
 

(a) Capital	:	Nil
(b) Revenue	:	25 lakhs
(c) Total of R&D Expenditure as a percentage of total turnover	:	0.03%

**Technology Absorption, Adaptation & Innovation:**

1. Installation of Benzol recovery Unit at No. 8 Battery to increase generation of secondary products.
2. Improvement of Roll Pass life through modification of guard and roll cooling system in L.S. Mill.
3. Installation of microprocessor based Thyristor control panels replacing obsolete mechanical disc rectifiers for No. 5 Electro static precipitator of gas cleaning plant at Blast Furnace.
4. Replacement of outdated Mercury Rectifier at Merchant & Rod Mill by an Electronic Panel.
5. Sagging of Ram Car Track of No. 8 Coke Oven Battery arrested by an in house design and Engineering of RCC Foundation.
6. Introduction of Auxiliary C.O. Gas firing in Boilers No. 7-12 for efficient burning of Coal.
7. Successful fabrication of 60 MT Hot Metal Transfer Ladle for Steel Melting Shop through proper Designing, fabrication and testing.
8. 22mm TMT bars rolled successfully for the first time in the month of November, 2002 towards product development.
9. Laboratory of Environment Management Department, IISCO, Burnpur Works has been recognised by Central Pollution Control Board and West Bengal Pollution Control Board as authorised Agency for monitoring both AIR and WATER.

## FORM – C

## FOREIGN EXCHANGE EARNING AND OUTGO

	<i>(Rs. in Crores)</i>
(i) Foreign exchange earned from exports and other activities	15.74
(ii) Foreign exchange used :	26.28
➤ CIF value of imports	

Cash Flow Statement for the year	2002-03	2001-02
		<i>(Rupees in crores)</i>
<b>A. Cash Flow from Operating Activities</b>		
<b>Net loss(-) before taxation, and extraordinary items</b>	<b>-182.23</b>	<b>-179.87</b>
Add: Adjustment for:		
Depreciation	23.22	23.94
Interest Expenses	10.33	11.63
Bad debts written-off	0.34	0.38
Deferred revenue expenditure (Charged during the year)	13.89	3.88
Less: Adjustment for:		
Waiver of loan	44.68	—
Interest Income	0.19	0.10
Dividend Income	—	0.06
<b>Operating profit before working capital change</b>	<b>-179.32</b>	<b>-140.20</b>
Less: Adjustment for:		
Inventories	-40.43	-35.02
Sundry Debtors	-8.74	-105.06
Loans and Advances	-3.93	-4.74
Current Liabilities and Provisions	-241.13	-18.43
Deferred Revenue Expenditure (Additions)	2.48	14.08
<b>Net Cash from Operation Activities</b>	<b>112.43</b>	<b>8.97</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	5.38	4.34
Interest received	-0.28	-0.18
Dividend received	—	-0.06
<b>Net Cash from Investing Activities</b>	<b>5.1</b>	<b>4.1</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Borrowings (net)	11.77	2.76
Interest and Finance Charges paid	6.82	-8.13
<b>Net Cash from Financing Activities</b>	<b>18.59</b>	<b>-5.37</b>
<b>Net Increase/Decrease(-) in Cash &amp; Cash Equivalents (A-B+C)</b>	<b>125.92</b>	<b>-0.50</b>
<b>Cash &amp; Cash Equivalents (Opening)</b>	<b>21.97</b>	<b>22.47</b>
<b>Cash &amp; Cash Equivalents (Closing)*</b>	<b>147.89</b>	<b>21.97</b>
		<i>(Represented by Cash &amp; Bank Balances)</i>

\* Includes Rs. 129.98 cr. held in 'No Lien' deposit account on account of grant-in-aid for VRS.

In terms of our report of even date

For and on behalf of  
**M/s Guha Nandi & Co.**  
Chartered Accountants

For and on behalf of  
**M/s S. Ghose & Co.**  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
**(Asitabha Jana)**  
Partner

Sd/-  
**(Chandan Chattopadhyay)**  
Partner

Sd/-  
**(A.K.Mukherjee)**  
Secretary

Sd/-  
**(A.K.Jayswal)**  
Exe.Director./I/C

Sd/-  
**(Vipin Puri)**  
Director

Sd/-  
**(S.C.K.Patne)**  
Chairman

Dated : 29th May, 2003  
Place : New Delhi

To

The Members,

The Directors have pleasure in presenting the 30th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2003.

## FINANCIAL REVIEW

During the year the Company has recorded a turnover of Rs. 189.66 crores (including conversion income of Rs. 165.79 crores) as compared to Rs. 155.64 crores (including conversion income of Rs.133.92 crores) in the previous year. The Company has made a turnaround performance and earned a net profit of Rs. 1.12 crores despite high power cost in Maharashtra. The financial results are summarised below:

	2002-2003	2001-2002
	(Rs. in crores)	
Turnover	189.66	155.64
Operating Profit/Loss(-)	8.77	(-) 4.69
Interest	5.89	2.43
Depreciation	1.76	1.26
Net Profit/Loss	1.12	(-) 8.38

Though the Company has earned a net profit of Rs. 1.12 crores for the year 2002-03, the Directors do not recommend any dividend for the year in view of the accumulated loss of Rs. 47.32 crores as on 31<sup>st</sup> March, 2003.

On 27<sup>th</sup> April, 2003, at around 4.15 a.m. a fire has broken out in the Transformer room of Furnace No.1 causing severe damage to the Transformer, H.T. Panels, Capacitor Bank, outgoing Bus Bars, civil structures, etc. Necessary steps are being taken to replace the equipments and repair civil structures. The replacement/repairing activity is likely to keep the Furnace No.1 out of operation for about 6-7 months. This fire accident will affect the performance of the Company till re-starting of production of Furnace No.1.

## PRODUCTION REVIEW

The Company's production of different grades of ferro alloys was as under:

	2002-2003	2001-2002
	(MT)	
High Carbon Ferro Manganese	57849	47299
Silico Manganese	35318	32147
Medium Carbon Ferro Manganese	1939	1052

## SALES & MARKETING REVIEW

During the year the Company continued conversion arrangements with SAIL Steel Plants to maximise revenue generation. Vigorous efforts were made by the Company to find markets outside SAIL. Sales volume of different grades of Ferro Alloys were as under:

	2002-2003	2001-2002
	(MT)	

## SAIL STEEL PLANTS

High Carbon Ferro Manganese	55641	42488
Silico Manganese	32908	30155
Medium Carbon Ferro Manganese	1695	683

## OTHER CUSTOMERS

High Carbon Ferro Manganese	2622	3003
Silico Manganese	2565	851
Medium Carbon Ferro Manganese	187	230

## RESEARCH & DEVELOPMENT

Studies were carried out for utilisation of sludge in sinter and palletisation of sludge towards reduction in the cost of production.

## HUMAN RESOURCES MANAGEMENT REVIEW

Effectiveness of the Human resource was considered and identified as a major factor

for turnaround strategy to MEL. For this purpose, the Company took concrete steps to motivate and fully involve the workforce collective to improve the overall performance of the Company. The employees through structured sessions were communicated about the status of the Company i.e. strengths, weaknesses, opportunities and threats and brainstorming sessions were organised on regular basis to bring out the hidden creative and innovative ideas of the employees. The suggestions so generated were implemented and this has resulted in considerable savings and improvement in the Company. All executives and 189 non-executives were covered in the communication programme 2002-03.

The creative ideas put-up by the employees were also recognised through a Suggestion Scheme. A Total of 32 suggestors were awarded and one employee was given "Suggestor of the year" award. A rolling trophy was introduced at the departmental level to bring healthy competition among the departments to encourage Creative Ideas/Suggestions. The Rolling Trophy was awarded to Ferro Alloys Division in works areas and to Finance & Accounts in non-works departments category.

The manpower strength as on 31<sup>st</sup> March, 2003 was 868 comprising of 133 Executives and 735 Non-Executives, out of which 116 were Scheduled Castes and 41 were Scheduled Tribes. A total of 16 employees were separated under Voluntary Retirement Scheme during the year 2002-2003.

Under Company wide training programs 190 executives and 531 non-executives were trained in various disciplines.

During the year the Industrial Relations continued to remain harmonious and peaceful with full support and co-operation of the Trade Union and Officers' Association.

## ENVIRONMENT

Environment Management and pollution control continued to get top priority in company's activities during the year. To keep environment clean for ecological protection, thrust was given in the areas of green belt development in and around the plant premises, solid waste management, monitoring of liquid and air effluent for various environmental parameters. In addition to the regular maintenance of existing teak trees and other trees, 5000 tree saplings were planted during the year.

To comply with the environmental standards set up by Maharashtra Pollution Control Board (MPCB), recirculation of waste water scheme has been commissioned and slag pitching of Effluent Pond No.1 was done by using Slag/Lime (waste material). Gas Cleaning Plant for SAF-I & II would also enhance the availability of clean gas for gainful utilization as a fuel to Sintering Plant, Lime Kiln and Gas based 4.2 MW Captive Power Plant.

Continuous steps were taken towards gainful utilization of High MnO Slag in SiMn Production, Lumpy SiMn Slag as rail ballast and Sale of SiMn Slag for road construction.

## TOTAL QUALITY & INDUSTRIAL SAFETY

Quality Assurance System (QAS) addressed to ISO-9002 (1994) International Standard was successfully maintained in the organisation during the year 2002-2003. In addition, the ISO-9001-2000 (QMS) has been implemented on account of revision in ISO-9000 standards.

After obtaining ISO-9001-2000 QMS certification in August, 2002 from M/s. Lloyd's Register of Quality Assurance (LRQA), 1<sup>st</sup> Surveillance Audit was conducted and the entire Quality Management System was cleared for satisfactory maintenance.

During the year under review in Industrial Safety, the Company has been awarded the Prestigious National Safety Award of the British Safety Council, London, for the year 2001, SAIL Chairman's Silver Plaque for No Fatal Accident during the year 2001 and first prize for the "Best overall performance" received from the Directorate (ISH) Vidarbha Region and Vidarbha Industrial Safety Committee for the year 2001-02.

## SICK COMPANY

The erstwhile reference registered as case No.501/2002 and filed with BIFR by the Company based on its audited accounts for the financial year ending 31<sup>st</sup> March, 2001 was held as time barred by BIFR at the hearing held on 29<sup>th</sup> November, 2002. While the Appeal filed by the Company against the said order of BIFR is pending before the AAIFR, the audited accounts of the Company for the year ending 31<sup>st</sup> March, 2003, show that the entire net worth of the Company continues to remain eroded by its accumulated losses and therefore, your directors, at the meeting held on 29<sup>th</sup> May, 2003, formed an opinion on the sickness of the Company and also authorised filing of the reference based on the said accounts pursuant to the proviso to Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

## FUTURE PLAN

To achieve the objectives of the Corporate Plan 2005, studies were carried out for utilisation of sludge in sinter and palletisation of sludge towards reduction in the cost of production.

Installation of 30 MW Power Plant on Build, Operate, Lease and Transfer (BOLT) basis is under consideration.

Production of special Ferro Alloys like Ferro Titanium, Ferro Molybdenum is under examination.

**REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.**  
Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, is given at Annexure - I, II & III to this report.

**PARTICULARS OF EMPLOYEES**

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**DIRECTORS**

Shri V.S. Jain, Director, has resigned w.e.f. 23<sup>rd</sup> October, 2002.

Shri S.C.K. Patne, Director, has resigned w.e.f. 28<sup>th</sup> November, 2002.

Shri Sunil Porwal, Director, ceased to be Director on 28<sup>th</sup> October, 2002.

Shri Vipin Puri has been appointed as Director w.e.f. 28<sup>th</sup> October, 2002.

Shri A.K. Nigote has been appointed as Director w.e.f. 28<sup>th</sup> October, 2002.

Shri S.K. Sinha has been appointed as Director w.e.f. 28<sup>th</sup> January, 2003.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 it is hereby confirmed that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the directors had 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 or loss of the Company for that period;

- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv) the directors had prepared annual accounts on a going concern basis.

**CORPORATE GOVERNANCE**

In terms of listing agreement with the Stock Exchanges a report on Corporate Governance is given at Annexure-IV to this report. The Management Discussion & Analysis Report is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI to this report.

**AUDITORS' REPORT**

The Statutory Auditors' Report on Accounts of the Company for the financial year ended 31st March, 2003 alongwith Management's replies are enclosed. The comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 alongwith review on accounts of the Company for the year ended 31<sup>st</sup> March, 2003 are also enclosed at Annexure-VII.

**ACKNOWLEDGEMENT**

The Board of Directors wish to place on record their appreciation for the support, Co-operation and loyalty extended by every employee of the Company. They wish to acknowledge the continued support extended by Steel Authority of India Limited. The Directors also greatly appreciate the excellent support the Company received from Shareholders, Auditors, Bankers, Financial Institutions, Central & State Governments, Local Authorities, Maharashtra Electricity Regulatory Commission (MERC), Electricity Board and the Suppliers and Customers.

For and on behalf of the Board

Place : Bhilai  
Date : 28th June, 2003

Sd/-  
**(B.K. Singh)**  
Chairman

# Balance Sheet

AS AT 31ST MARCH, 2003

	Schedule No.	As at 31st March, 2003		As at 31st March, 2002
(Rs. in lakhs)				
<b>SOURCES OF FUNDS :</b>				
<b>SHAREHOLDERS' FUNDS:</b>				
Share Capital	1.1	2400.00	2400.00	
Reserves & Surplus	1.2	15.00	15.00	
		<b>2415.00</b>		2415.00
<b>LOAN FUNDS:</b>				
Secured Loans	1.3	1395.63	1712.93	
Unsecured Loans	1.4	2115.88	1497.34	
		<b>3511.51</b>		3210.27
TOTAL		<b>5926.51</b>		<b>5625.27</b>
<b>APPLICATION OF FUNDS:</b>				
<b>FIXED ASSETS :</b>				
Gross Block	1.5	5489.03	5471.22	
Less: Depreciation		3009.51	2835.40	
Net Block		2479.52	2635.82	
Capital Work-in-progress	1.6	2.94	11.86	
		<b>2482.46</b>		2647.68
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	1.7	2715.43	3276.06	
Sundry Debtors	1.8	522.69	204.46	
Cash and Bank Balances	1.9	62.87	299.22	
Interest Receivable	1.10	76.05	74.03	
Loans and Advances	1.11	1223.24	1285.55	
		<b>4600.28</b>	5139.32	
Less: CURRENT LIABILITIES & PROVISIONS	1.12	5996.24	7220.90	
Net Current Assets		<b>-1395.96</b>		-2081.58
Miscellaneous Expenditure (To the Extent not written off or adjusted)	1.13	108.35		215.54
Profit & Loss Account		4731.66		4843.63
TOTAL		<b>5926.51</b>		<b>5625.27</b>
Notes on Accounts	3.0			
Schedules 1 to 3 form part of Accounts.				

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.  
Chartered Accountants

Sd/-  
(R. Ashokkumarr)  
Company Secretary

Sd/-  
(R.K. Gupta)  
Executive Director

Sd/-  
(M.A. Gohel)  
Partner

Sd/-  
(T.K. Gupta)  
General Manager (F&A)

Sd/-  
(B.K. Singh)  
Chairman

Place : New Delhi

Date : 29th May, 2003

# Profit and Loss Account

MAHARASHTRA ELEKTROSMELT LIMITED

FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule No.	Year Ended 31st March, 2003	Year Ended 31st March, 2002
<i>(Rs. in lakhs)</i>			
<b>INCOME</b>			
Sales	2.1	18965.99	15564.22
Accretion/(-)Depletion in Stock of Finished Goods	2.2	-630.90	447.53
Interest Earned	2.3	52.75	60.30
Other Revenues	2.4	30.16	83.67
Provision no longer required written back	—	7.11	0.14
<b>TOTAL</b>		<b>18425.11</b>	<b>16155.86</b>
<b>EXPENDITURE</b>			
Raw Materials consumed	2.5	1201.37	1556.03
Employees' Remuneration and Benefits	2.6	2149.41	2061.72
Stores and Spares consumed	—	386.19	303.59
Power and Fuel	—	9524.45	9139.49
Repairs and Maintenance	2.7	33.25	26.43
Excise Duty	—	3295.51	2790.43
Other Expenses and Provisions	2.8	956.06	747.01
Interest	2.9	588.92	243.37
Depreciation	—	176.27	125.89
<b>TOTAL</b>		<b>18311.43</b>	<b>16993.96</b>
Profit / (-) Loss for the year		113.68	-838.10
Adjustments pertaining to earlier years	—	1.71	0.00
<b>Net Profit for the year</b>		<b>111.97</b>	<b>-838.10</b>
Profit/Loss brought forward from previous year		-4843.63	-4005.53
Balance of Loss carried forward to Balance Sheet		-4731.66	-4843.63

Notes on Accounts  
Schedules 1 to 3 form part of Accounts

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.  
Chartered Accountants

Sd/-  
(R. Ashokkumarr)  
Company Secretary

Sd/-  
(R.K. Gupta)  
Executive Director

Sd/-  
(M.A. Gohel)  
Partner

Sd/-  
(T.K. Gupta)  
General Manager (F&A)

Sd/-  
(B.K. Singh)  
Chairman

Place : New Delhi  
Date : 29th May, 2003

1.1 SHARE CAPITAL	As at 31st March, 2003	As at 31st March, 2002
		(Rs. in lakhs)
<b>Authorised :</b>		
30,000,000 Equity Shares of Rs.10/- each	3000.00	3000.00
	<u>3000.00</u>	<u>3000.00</u>
<b>Issued :</b>		
24,000,000 Equity Shares of Rs.10/- each	2400.00	2400.00
	<u>2400.00</u>	<u>2400.00</u>
<b>Subscribed and Paid-up :</b>		
24,000,000 Equity Shares of Rs.10 /- each fully paid-up [*]	2400.00	2400.00
	<u>2400.00</u>	<u>2400.00</u>
<b>TOTAL</b>	<b>2400.00</b>	<b>2400.00</b>

[\*] Of the above, 237,87,935 (237,87,935) Equity Shares are held by Steel Authority of India Limited - Holding Company

1.2 RESERVES & SURPLUS	As at 31st March, 2003	As at 31st March, 2002
		(Rs. in lakhs)
<b>CAPITAL RESERVE :</b>	15.00	15.00
(Represents amount received from Central Government by way of Capital subsidy)		
<b>TOTAL</b>	<b>15.00</b>	<b>15.00</b>

## 1.5 FIXED ASSETS

	GROSS BLOCK			As at 31st March, 2003	DEPRECIATION			NET BLOCK		
	As at 31st March, 2002	Additions During the Year	Sales / Adjustments (Net)		Upto 31st March, 2002	During the year	On Sales/ Adjustments (Net)	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land - Freehold	29.79	0.00	0.00	29.79	0.00	0.00	0.00	29.79	29.79	(Rs. in lakhs)
Building and Roads										
- Factory Buildings	628.25	0.00	0.00	628.25	198.97	20.96	0.00	219.93	408.32	429.28
- Other than Factory Buildings	300.10	0.00	0.00	300.10	67.74	4.90	0.00	72.64	227.46	232.36
Railway Sidings	108.58	0.00	0.00	108.58	103.15	0.00	0.00	103.15	5.43	5.43
Plant and Machinery	4203.26	11.18	-0.61	4213.83	2312.76	141.59	-0.26	2454.09	1759.74	1890.50
Tubewells	24.31	0.00	0.00	24.31	17.47	0.44	0.00	17.91	6.40	6.84
Furniture and Fixtures	98.03	2.60	-0.16	100.47	69.30	4.61	-0.11	73.80	26.67	28.73
Computers	44.08	0.65	0.00	44.73	35.56	2.34	0.00	37.90	6.83	8.52
Vehicles	34.82	6.03	-1.88	38.97	30.45	1.43	-1.79	30.09	8.88	4.37
<b>Total</b>	<b>5471.22</b>	<b>20.46</b>	<b>-2.65</b>	<b>5489.03</b>	<b>2835.40</b>	<b>176.27</b>	<b>-2.16</b>	<b>3009.51</b>	<b>2479.52</b>	<b>2635.82</b>
Previous Year Total	3943.63	1528.13	-0.54	5471.22	2709.76	125.89	-0.25	2835.40	2635.82	1233.87

1.3 SECURED LOANS	As at 31st March, 2003	As at 31st March, 2002
		(Rs. in lakhs)
<b>TERM LOANS FROM :</b>		
Housing Development Finance Corporation Ltd.	105.66	145.43
[Due for repayment within one year Rs.29.72 lakhs (Rs.42.73 lakhs)]		
Interest accrued and due	2.49	3.88
	<u>108.15</u>	<u>149.31</u>
<b>CASH CREDIT FROM BANKS:</b>	1287.48	1563.62
[Secured by hypothecation of stocks, stores and book debts and are guaranteed by Steel Authority of India Limited (Holding Company)]		
<b>TOTAL</b>	<b>1395.63</b>	<b>1712.93</b>

1.4 UNSECURED LOANS	As at 31st March, 2003	As at 31st March, 2002
		(Rs. in lakhs)
<b>FROM SICOM LIMITED :</b>		
Interest Free Loan	591.78	591.78
[Due for repayment within one year Rs.165.18 lakhs (Rs.113.84 lakhs)].		
<b>FROM STEEL AUTHORITY OF INDIA LIMITED (HOLDING COMPANY) :</b>		
Interest Bearing Loans	1524.10	905.56
[Due for repayment within one year Rs. 66.67 lakhs (Rs. Nil)].		
<b>TOTAL</b>	<b>2115.88</b>	<b>1497.34</b>

<b>1.6 CAPITAL WORK-IN-PROGRESS</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Expenditure during construction pending allocation (Schedule 1.6.1)	<b>0.00</b>	0.00
Capital work-in-progress :		
Ferro alloy plant	<b>57.42</b>	57.42
Plant & Machinery	<b>2.94</b>	20.35
	<b>60.36</b>	77.77
Less : Provision	<b>57.42</b>	75.44
	<b>2.94</b>	2.33
Power Plant	<b>0.00</b>	9.53
<b>TOTAL</b>	<b>2.94</b>	11.86

<b>1.6.1 EXPENDITURE DURING CONSTRUCTION (pending allocation)</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Opening Balance	<b>0.00</b>	194.07
Expenditure incurred during the year :		
Employees' Remuneration & Benefits		
Salaries & Wages	<b>0.00</b>	39.49
Technical Consultants' fees & know-how	<b>0.00</b>	1.89
Stores & Spares	<b>0.00</b>	0.46
Other Expenses	<b>0.00</b>	0.47
Interest	<b>0.00</b>	0.00
<b>TOTAL</b>	<b>0.00</b>	236.38
Amount allocated to Fixed Assets/CWIP	<b>0.00</b>	236.38
Balance carried forward	<b>0.00</b>	0.00

<b>1.7 INVENTORIES (As taken, valued and certified by Management)</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Stores and Spares	<b>400.24</b>	392.45
Less : Provision	<b>153.81</b>	146.09
	<b>246.43</b>	246.36
Raw Materials :	<b>594.09</b>	474.10
Add : In transit	<b>9.51</b>	1.69
	<b>603.60</b>	475.79
Less : Provision	<b>0.00</b>	2.34
	<b>603.60</b>	473.45
Finished products, by-products and scrap	<b>1301.09</b>	1933.05
Less : Provision	<b>0.00</b>	1.05
	<b>1301.09</b>	1932.00
Salvaged / Scrapped Fixed Assets (At book or assessed or realisable value whichever is lower)	<b>774.40</b>	775.08
Less : Provision	<b>210.09</b>	150.83
	<b>564.31</b>	624.25
<b>TOTAL</b>	<b>2715.43</b>	3276.06

<b>1.8 SUNDRY DEBTORS (UNSECURED)</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Debts due for more than six months	<b>16.69</b>	33.66
Others	<b>518.40</b>	189.19
	<b>535.09</b>	222.85
Less : Provision for doubtful debts	<b>12.40</b>	18.39
	<b>522.69</b>	204.46
<b>TOTAL</b>	<b>522.69</b>	204.46
<b>PARTICULARS</b>	<b>522.69</b>	204.46
Considered Good	<b>522.69</b>	204.46
Considered Doubtful	<b>12.40</b>	18.39
<b>TOTAL</b>	<b>535.09</b>	222.85

Note :  
Due from Steel Authority of India Limited (Holding Company) **496.98** 153.72

<b>1.9 CASH AND BANK BALANCES</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Cash on hand	<b>0.98</b>	1.17
Cheques/Drafts on hand	<b>37.74</b>	12.87
Remittance in Transit	<b>8.12</b>	140.00
With Scheduled Banks in :		
- Current Account	<b>3.78</b>	125.48
- Term Deposit	<b>12.25</b>	19.70
<b>TOTAL</b>	<b>62.87</b>	299.22

<b>1.10 INTEREST RECEIVABLE</b>	<b>As at 31st March, 2003</b>	<b>As at 31st March, 2002</b>
		<i>(Rs. in lakhs)</i>
Employees	<b>54.57</b>	52.36
Others	<b>24.51</b>	24.70
	<b>79.08</b>	77.06
Less : Provision for doubtful Interest	<b>3.03</b>	3.03
	<b>76.05</b>	74.03
<b>TOTAL</b>	<b>76.05</b>	74.03



## 1.11 LOANS AND ADVANCES

	As at 31st March, 2003	As at 31st March, 2002
	<i>(Rs. in lakhs)</i>	
<b>(Unsecured, considered good unless otherwise stated)</b>		
Loans to employees [Secured Rs. 251.40 lakhs (Rs.283.60 lakhs)]	256.19	289.46
Advances recoverable in cash or kind or for value to be received :		
Claims recoverable	22.44	43.43
Contractors and suppliers	43.34	93.39
Employees	2.32	2.91
Income tax deducted at source	25.98	42.16
Others	141.47	162.25
	<u>235.55</u>	<u>344.14</u>
Less : Provision for doubtful advances	<u>25.10</u>	<u>91.35</u>
	<u>210.45</u>	<u>252.79</u>
Deposits :		
With Excise Authorities	0.31	7.43
With MSEB and Others	756.29	735.87
	<u>756.60</u>	<u>743.30</u>
<b>TOTAL</b>	<u><u>1223.24</u></u>	<u><u>1285.55</u></u>

i) Amount due from Steel Authority of India Limited (Holding Company) Maximum amount due at any time during the year	0 *	3.81
	0 *	9.51

\* After considering credit balance in related accounts.

## 1.12 CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2003	As at 31st March, 2002
	<i>(Rs. in lakhs)</i>	
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors :	3209.92	4602.00
SSI Units	96.70	94.51
Others	3113.22	4507.49
Advances from Customers	50.98	51.29
Security Deposits	226.00	206.68
Interest accrued but not due on loans	105.94	31.87
Unclaimed Dividend	0.24	0.24
Other Liabilities	1066.64	1385.41
	<u>4659.72</u>	<u>6277.49</u>
<b>PROVISIONS :</b>		
Gratuity	613.67	419.80
Accrued Leave	291.80	188.11
Voluntary Retirement Compensation	157.17	198.69
Medical Benefit	59.82	0.00
Employees Family Benefit Scheme	204.42	132.45
Retirement TA	5.28	0.00
Income Tax	4.36	4.36
<b>TOTAL</b>	<u><u>5996.24</u></u>	<u><u>7220.90</u></u>

## 1.13 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance As at 31.03.2002	Additions during the Year	Total	Amount Charged off during the Year	Balance As at 31.03.2003
<i>(Rs. in lakhs)</i>					
<b>DEFERRED REVENUE EXPENDITURE:</b>					
Voluntary Retirement Compensation	109.58	66.50	176.08	67.73	108.35
Employees Family Benefit Scheme	105.96	59.26	165.22	165.22	0.00
	<u>215.54</u>	<u>125.76</u>	<u>341.30</u>	<u>232.95</u>	<u>108.35</u>
Previous year	143.58	165.32	308.90	93.36	215.54

## 2.1 SALES

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
<i>(Rs. in lakhs)</i>		
Ferro Alloys	2370.34	2134.16
Conversion	16578.50	13391.78
Others	17.15	38.28
<b>TOTAL</b>	<u><u>18965.99</u></u>	<u><u>15564.22</u></u>

## 2.2 ACCRETION/(-)DEPLETION IN STOCK OF FINISHED GOODS

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
<i>(Rs. in lakhs)</i>		
Closing Stock	1301.09	1933.05
Less : Opening Stock*	1931.99	1485.52
<b>ACCRETION/(-)DEPLETION TOTAL</b>	<u><u>-630.90</u></u>	<u><u>447.53</u></u>

\* Stock of Pig Iron written-off Rs. 1.06 lakhs against provision

## 2.3 INTEREST EARNED (GROSS)

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
<i>(Rs. in lakhs)</i>		
Employees	16.58	18.46
Others*	36.17	41.84
<b>TOTAL</b>	<u><u>52.75</u></u>	<u><u>60.30</u></u>

\* Tax deducted at source Rs. 5.48 lakhs, (Rs. 5.65 lakhs).

## 2.4 OTHER REVENUES

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
<i>(Rs. in lakhs)</i>		
Social amenities-recoveries	8.99	6.98
Sundry Sales	1.46	5.06
Liquidated damages	0.07	0.73
Profit on sale of Fixed Assets	0.01	0.00
Sundries	19.63	70.90
<b>TOTAL</b>	<u><u>30.16</u></u>	<u><u>83.67</u></u>

**2.5 RAW MATERIAL CONSUMED**

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
	Quantity [MT]	Rs. in lakhs	Quantity [MT]	Rs. in lakhs
Manganese Ore	29859	798.71	46269	909.17
Others		402.66		646.86
<b>TOTAL</b>		<b>1201.37</b>		<b>1556.03</b>

**2.6 EMPLOYEES' REMUNERATION AND BENEFITS**

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
	<i>(Rs. in lakhs)</i>			
Salaries and wages	1572.80		1605.63	
Co's contribution to provident and other funds	158.13		156.92	
Travel concession	0.00		11.15	
Welfare expenses	189.83		104.64	
Gratuity	228.65		183.38	
<b>TOTAL</b>	<b>2149.41</b>		<b>2061.72</b>	

**2.7 REPAIRS AND MAINTENANCE**

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
	<i>(Rs. in lakhs)</i>			
Buildings and roads	7.22		10.16	
Plant and machinery	15.58		6.92	
Others	10.45		9.35	
<b>TOTAL</b>	<b>33.25</b>		<b>26.43</b>	

**2.8 OTHER EXPENSES AND PROVISIONS**

	Year Ended 31st March, 2003		Year Ended 31st March, 2002	
	<i>(Rs. in lakhs)</i>			
Bank charges	4.81		4.65	
Demurrage and wharfage	0.66		-0.16	
Handling and scrap recovery-Contractors	373.98		340.66	
Insurance	16.22		16.74	
Legal charges	3.74		2.56	
Postage, telegram & telephone	9.95		19.15	
Printing and stationery	3.99		2.70	
Rates and taxes	59.90		64.04	
Rent	7.93		8.40	
Travelling expenses	67.83		60.76	
Sundries	80.77		72.87	
Remuneration to auditors:				
Audit fees	1.05		1.09	
Tax audit fees	0.32		0.33	
Out of pocket expenses	0.31		0.43	
In Other Capacities	0.29		0.00	
	1.97		1.85	
Provisions & write off :				
Write-off Sundry Debtors	8.37		0.00	
Doubtful debts	15.18		0.00	
Diminution in the value of fixed assets & materials	67.81		59.43	
Deferred Revenue Expenditure	232.95		93.36	
	324.31		152.79	
<b>TOTAL</b>	<b>956.06</b>		<b>747.01</b>	

**2.9 INTEREST**

	Year Ended 31st March, 2003	Year Ended 31st March, 2002
	<i>(Rs. in lakhs)</i>	
Cash credit & other financing charges	233.41	249.00
Others	355.51	-5.63
<b>TOTAL</b>	<b>588.92</b>	<b>243.37</b>

**SCHEDULE 3:**

**ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

**ACCOUNTING POLICIES:**

**1. BASIS OF ACCOUNTING:**

The company prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.

**1.1 FIXED ASSETS:**

All fixed assets are stated at historical cost less depreciation. Fixed assets whose actual costs can not be accurately ascertained are initially capitalised on the basis of estimated cost and final adjustments for cost and depreciation, if any, are made retrospectively on ascertainment of actual cost.

Expenditure incurred during trial run period are capitalised till the concerned assets are ready for commercial production.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised.

**1.2 DEPRECIATION:**

Depreciation is provided on straight-line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Low value items costing Rs. 5000 or below are depreciated fully in the year of its acquisition.

Depreciation on assets installed/dropped off during the year is provided with respect to the month of addition/disposal thereof.

Extra shift depreciation is provided treating a particular plant as one unit.

Machinery spares capitalized and adjustment to fixed assets on account of fluctuations in foreign exchange rates are depreciated over residual useful life of the respective assets.

**1.3 GOVERNMENT GRANTS :**

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value.

Grants-in-aid related to revenue items are netted against the related expenses.

**1.4 BORROWING COST:**

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

**1.5 INVENTORY :**

Inventory is valued on the following basis:

**Finished Products** : at lower of cost and net realisable value.

**Raw Material** : at lower of weighted average cost and net realisable value.

**Stores & Spares** : Weighted average cost. However, in the case of stores & spares declared obsolete / surplus and stores & spares not moved for five years or more, provision is made at 75% and 10% respectively of the book value and charged to revenue.

**By-products and Process scrap / Mn ore fines / Coke rejects** : Net realisable value.

**1.6 DEFERRED REVENUE EXPENDITURE:**

Expenses incurred on development of new projects, cost of feasibility studies for new projects, payment of technical know-how/documentation, is treated as development expenditure.

Expenditure incurred on feasibility studies, technical know-how/documentation and other development expenditure is added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.

Voluntary retirement compensation liability ascertained on actuarial valuation, is treated as deferred revenue expenditure and written off in five years. Further, annual increase/decrease to the above liability actuarially ascertained, is taken to Profit and Loss Account, after adjustment of payments thereof during the year. Incremental liability against Voluntary Retirement Schemes due to wage revision is charged corresponding to the period for which deferred revenue expenditure relating to such Voluntary Retirement Scheme is amortised, with the first charge being made for the entire lapsed period in the year in which such wage agreement is finalised.

Other deferred revenue expenditure including expenditure on voluntary retirement compensation by way of lump sum payment, consultancy / technological assistance for strategic cost reduction and quality improvements is written off in five years.

**1.7 FOREIGN CURRENCY TRANSACTIONS:**

Foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

**1.8 CLAIMS FOR LIQUIDATED DAMAGES/ ESCALATION:**

Claims for liquidated damages are accounted for as and when these are deducted from the Suppliers' bill. These are treated as income on completion of the projects/final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the company.

**1.9 RETIREMENT BENEFITS:**

The provisions towards gratuity, leave encashment, post retirement medical & settlement benefits to employees are made based on the actuarial valuation as at end of the year.

**1.10 EMPLOYEES' FAMILY BENEFIT SCHEME :**

The provision towards payments to be made in future to the disabled employees / legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

**1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES:**

Income/expenditure relating to prior periods and prepaid expenses, which do not exceed Rs. 5.00 lakh in each case, are treated as income/expenditure of the current year.

**1.12 SALES:**

Materials sold in domestic market are treated as sales on delivery to carriers. Export sales are treated as Sales on issue of Bill of Lading.

"Sales and conversion charges" include packing charges, excise duty but exclude sales tax.

**1.13 EXPORT INCENTIVE:**

Export incentives in the form of Special/Advance Licenses and credit earned under Duty Entitlement Pass Book Scheme (DEPB) and Duty Drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

**1.14 TAXATION :**

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

**NOTES ON ACCOUNTS****2. CONTINGENT LIABILITIES:**

Contingent Liabilities not provided for :

- 2.1 Claims against the Company pending appellate/judicial decision Rs. 186.97 lakhs (Rs.176.03 lakhs)
- 2.2 Other claims against the Company not acknowledged as debts Rs. 270.92 lakhs (Rs. 688.08 lakhs)
- 2.3 Probable levy of penal interest by Sales Tax Authority which may amount to Rs. 3.65 lakhs (Rs.11.80 lakhs)
- 2.4 Bills drawn on customers and discounted with Bank Rs. 55.45 lakhs (Rs.46.11 lakhs)
- 2.5 Post Dated Cheques issued (on behalf of the Holding Company) to a supplier Rs. 99.47 lakhs (Rs. 1210.46 lakhs)
- 2.6 Claims by certain employees and selling agents/ contractors, extent of the same is unascertainable.

**3. PROFIT & LOSS ACCOUNT:**

- 3.1 The total production for the period is 57849 MT (47299 MT) of High Carbon Ferro Manganese and 35318 MT (32147 MT) of Silico Manganese. During the same period 54909 MT (42162 MT) of High Carbon Ferro Manganese and 31670 MT (26638 MT) of Silico Manganese are despatched under conversion arrangement.

The figure of sales & raw materials are not comparable with that of previous year due to variation in volume of activities carried out through conversion activities.

- 3.2 The excise duty of Rs. 3295.51 lakhs shown as deduction from sales includes excise duty on stock of finished goods amounting to Rs. (-) 87.02 lakhs.
- 3.3 The long term wage agreements for employees' salaries and wages had expired on 31.12.1996. The company has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustment thereof have been carried in the accounts. However, the issue of wage revision (including other benefits) for the period from 1.1.1997 to 31.12.2000 is to be discussed separately with the employees keeping in view the financial health of the company. Though, representatives of employees have demanded discussions on arrears, they have been informed that the issue would be discussed further after the financial position of the company improves. Liability, if any, in this regard is unascertainable. However, following the past practice, the adhoc adjustable advances/interim relief of Rs. 255.91 lakhs for the above period (including Rs. 0.52 lakhs paid during the year) have been charged to "Employees' Remuneration and Benefits" in the respective years.
- 3.4 The Company vide Resolution passed by its Board of Directors at the meeting held on 29<sup>th</sup> May 2002 has withdrawn the benefits relating to Leave Travel Concession (LTC)/Liberalised Leave Travel Concession (LLTC) for the block calendar years of 1998-99, 2000-01 and 2002-03. The representatives of the employees have raised the matter for restoring the facility for LTC/LLTC. However, as the facility continues to be withdrawn, no liability towards LTC/LLTC for the above periods have been provided for.
- 3.5 During the year, based on actuarial valuation, an amount of Rs. 59.82 lakhs, has been provided towards present value of post retirement medical benefits for existing & retired employees and an amount of Rs. 5.27 lakhs has been provided towards present value of settlement benefits payable to employees on retirement. This has resulted in decrease of profit for the year by Rs. 65.09 lakhs.
- 3.6 During the year, the future liability for benefits payable to the disabled employees/legal heirs of deceased employees under the Employee Family Benefit Scheme, which was hitherto being treated as deferred revenue expenditure to be charged off in five years, has been fully charged off, including unamortised amount of previous year, resulting in decrease in profits for the year by Rs. 126.88 lakhs.
- 3.7 Profit and / or loss on sale of coke rejects is not ascertained separately. The sale proceeds thereof have been adjusted to the raw material accounts.
- 3.8 Power & Fuel does not include expenses other than furnace oil for generation of power, which have been included under the primary heads of account.
- 3.9 The classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.
- 3.10 No provision for income tax has been made in the accounts in view of the accumulated losses & unabsorbed depreciation carried forward from earlier years.

**4. INVENTORY, SUNDRY DEBTORS, LOANS & ADVANCES AND CURRENT LIABILITIES:**

- 4.1 In accordance with past practice, quantities of inventories of bulk raw materials and finished goods have been taken as per weight-volume-ratio as determined by the Production/Technical Department.
- 4.2 Stock of Slag and Khad has been considered in accounts based on offers on hand.
- 4.3 Inventory of finished goods at the period end was physically verified and the surplus quantity of 46 MT (previous year surplus quantity of 381 MT) valuing Rs. 19.25 lakhs (previous year surplus of Rs. 84.37 lakhs) has been accounted for.
- 4.4 Raw materials are valued at lower of cost or net realisable value. Uptill 2001-02 cost for Raw materials (other than coke) were determined by following first in first out method (FIFO). During the period, the same is determined on the basis of weighted average cost.

Due to the above change in the accounting policy, the profit for the year & net current assets of the company as at 31.3.2003 are lower by Rs. 4.93 lakhs.

- 4.5 Allocation of cost of finished goods i.e. +25 MM production was, hitherto, arrived at by taking credit for net realisable value of -25 MM production. The cost of finished goods has this year been arrived at by allocation of total cost to total production (net of recycled production). Consequent to this change in the basis of valuation, the Profit for the year and the net current assets of the company as at 31.3.2003 are lower by Rs. 13.74 lakhs.
- 4.6 The amount due to small scale industrial undertakings (as disclosed in Schedule 1.12- Current Liabilities) is to the extent such parties have been identified. The company has normally made payments to SSI units in due time and also there being no claims from the parties, interest, if any, on overdue payments is unascertainable and thus not provided for. The names of the units to whom outstanding are more than 30 days are as under :

Sl. No.	Name of Unit	Amount (in Rs.)
1.	M/s Maharashtra Carbon (P) Ltd.	28,19,708.15
2.	M/s Raigarh Electrode Ltd.	32,33,221.36
3.	M/s Aditya Air Product (P) Ltd.	70,004.00
4.	M/s Bhilai Auxiliary Industry	1,45,998.00
5.	M/s Saranjam Mechanical Works	43,155.00
6.	M/s Paramount Sinter (P) Ltd.	81,232.03
7.	M/s Ashish Udyog	1,11,143.20
8.	M/s Rohit Fire & Safety Equipments	18,708.00
9.	M/s Jyoti Rubber Udyog	50,318.00
10.	M/s Reva Industries	99,030.00

- 4.7 The Company has retained Rs. 86.40 lakhs (Rs.54.83 lakhs) under Employees' Family Benefit Scheme which is exempt under section 58 A of the Companies Act, 1956.
- 4.8 The Central Board of Direct Taxes vide its Notification dated 25<sup>th</sup> September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association of SAIL (our holding company) have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above notification. The Hon'ble High Court, vide it's order dated 30-1-2002, has granted an interim stay restraining from deduction of tax on perquisite on accommodation provided to the employees. Accordingly, the company has not deducted tax on house perquisites. Necessary accounting adjustments in the above matter would be carried out on the disposal of appeals filed.

**6.1(a) LICENSED, INSTALLED CAPACITY AND PRODUCTION :**

	*LICENSED CAPACITY (TONNES)	**INSTALLED CAPACITY (TONNES)	#PRODUCTION (TONNES)
High Carbon Ferro Manganese	100,000	100,000	57,849 (47,299)
Silico Manganese	(100,000)	(100,000)	35,318 (32,147)
Medium Carbon Ferro Manganese			1,939 (1,052)

\* Re-endorsed capacity

\*\* As certified by Management and not verified by auditors, being a technical matter.

# Including jiggered Ferro/Silico Manganese and Metal dust & adjustment relating to excess/shortage on account of physical verification.

- 4.9 Sundry Creditors, other liabilities, Sundry Debtors, claims recoverable and advances to parties are subject to confirmation except that of units of Steel Authority of India Ltd.

- 4.10 As per section 441A of Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.

**5. GENERAL:**

- 5.1 A fire occurred at the factory premises of the company on 27<sup>th</sup> April, 2003, completely destroying transformer and other related electrical equipments of furnace no.1. The company has already registered the claim for compensation with the insurer. Necessary adjustment in this regard will be made in the accounts on settlement of related claims. The loss, if any, arising to the company consequent to the fire can not be ascertained at present.

- 5.2 Estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs. 1.36 lakhs (Rs. 4.63 lakhs).

- 5.3 The Company has substantial carried forward losses and unabsorbed depreciation under the Income Tax Act, 1961 and accordingly net deferred tax asset of about Rs. 1681.71lakhs has arisen as on 31.03.2003 (after adjustment of deferred tax liability of Rs. 74.13 lakhs for the current year) as per Accounting Standard-22 on 'Accounting for taxes on income'. However, in consideration of prudence, the above deferred tax asset has not been recognised in the financial statements and the same would be considered at appropriate time keeping in view the availability of sufficient taxable income against which such deferred tax asset can be realised.

- 5.4 The requirement under Accounting Standard-17 on Segment Reporting is not applicable since the company is having line of products which are subject to same risks and returns and operating in economic environment subject to same risk & returns.

Further, since the whole of India has been considered as one geographical segment and exports as other segment, the requirement on segment reporting does not exist, in the absence of any export during the year.

- 5.5 As per Accounting standard 18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of relationship	Name	Nature of Transaction	Amount (Rs. in lakhs)
Key Management Personnel	Shri. R.K.Gupta	Managerial Remuneration	Refer Point No.12 of Schedule No. 3

- 5.6 In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of "Earnings per Share" is given below :

	2002-03	2001-02
(i) Profit/(Loss) as per Profit & Loss Account (Rs. in lakhs)	111.97	-838.10
(ii) Weighted average number of equity shares outstanding	24,000,000	24,000,000
(iii) Basic and diluted EPS. (Rs.)	0.46	-3.49

- 5.7 Previous year's figures are given in brackets and these have been re-arranged/ regrouped wherever necessary.

6.1(b) **OPENING STOCK, SALES AND CLOSING STOCK :**

(Qty. in MT, Value in Rs. in lakhs)

	Opening Stock		Sales/Adjustment		Closing Stock	
	Qty.	Value	Qty.	Value	Qty.	Value
High Carbon Ferro Manganese	4,096	917.40	58,263	9778.32	3,238	716.26
	(2,634)	(504.09)	(45,491)	(7730.54)	(4,096)	(917.40)
Silico Manganese	3,236	703.89	35,473	8322.94	1,440	313.56
	(3,082)	(698.50)	(31,006)	(7391.05)	(3,236)	(703.89)
Medium Carbon Ferro Manganese/ Low Carbon Ferro Manganese	242	93.44	1,882	847.58	169	64.24
	(112)	(39.65)	(913)	(404.35)	(242)	(93.44)
<b>SUB-TOTAL</b>	<b>7,574</b>	<b>1714.73</b>	<b>95,618</b>	<b>18948.84</b>	<b>4,847</b>	<b>1094.06</b>
	<b>(5,828)</b>	<b>(1242.24)</b>	<b>(77,410)</b>	<b>(15525.94)</b>	<b>(7,574)</b>	<b>(1714.73)</b>
Steel **	52	1.06	0	0.00	0	0.00
	(52)	(1.06)	(Nil)	(Nil)	(52)	(1.06)
Others	40,218	217.26	2,204	17.16	38,014	207.03
	(46,985)	(242.22)	(6,767)	(38.28)	(40,218)	(217.26)
<b>TOTAL</b>	<b>47,844</b>	<b>1933.05</b>	<b>97,822</b>	<b>18966.00</b>	<b>42,861</b>	<b>1301.09</b>
	<b>(52,865)</b>	<b>(1485.52)</b>	<b>(84,177)</b>	<b>(15564.22)</b>	<b>(47,844)</b>	<b>(1933.05)</b>

\*\* Written Off during the year. **NOTE :** Sales of High Carbon Ferro Manganese and Silico Manganese include conversion.

6.1(c) **FERRO ALLOYS QUANTITATIVE RECONCILIATION :**

	Ferro Manganese (MT)	Silico Manganese (MT)	Medium Carbon Ferro Manganese (MT)
Opening Stock	4,096	3,236	242
	(2,634)	(3,082)	(112)
Production	57,849	35,318	1,939
	(47,299)	(32,147)	(1,052)
<b>TOTAL</b>	<b>61,945</b>	<b>38,554</b>	<b>2,181</b>
	<b>(49,933)</b>	<b>(35,229)</b>	<b>(1,164)</b>
Sales/Adjustments	58,263	35,473	1,882
	(45,491)	(31,006)	(913)
Internal Consumption	444	1,641	131
	(346)	(987)	(9)
Closing Stock	3,238	1,440	168
	(4,096)	(3,236)	(242)
<b>TOTAL</b>	<b>61,945</b>	<b>38,554</b>	<b>2,181</b>
	<b>(49,933)</b>	<b>(35,229)</b>	<b>(1,164)</b>

i) Sales of High Carbon Ferro Manganese and Silico Manganese include conversion.

7. **EXPENDITURE IN FOREIGN CURRENCIES :**

(Rs. in lakhs)

	Current Year	Previous Year
i) Others	0.24	0.30
<b>TOTAL</b>	<b>0.24</b>	<b>0.30</b>

8. **EARNING IN FOREIGN CURRENCIES :**

(Rs. in lakhs)

	Current Year	Previous Year
Export of goods on FOB basis	Nil	Nil

Signature to Schedules 1 to 3  
As per our report of even date attached

**For A.K. Jhunjhunwala & Co.**  
Chartered Accountants

Sd/-  
**(M.A. Gohel)**  
Partner

Place : New Delhi  
Date : 29th May, 2003

9. **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

(Rs. in lakhs)

	Current Year	Previous Year
Stores & Spares	7.15	8.26

10. **VALUE OF RAW MATERIAL CONSUMED :**

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	0.00	0.00	0.00	0.00
Indigenous	1201.36	100.00	1556.03	
<b>TOTAL</b>	<b>1201.36</b>	<b>100.00</b>	<b>1556.03</b>	

11. **VALUE OF STORES & SPARES CONSUMED :**

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	13.32	3.45	10.48	3.45
Indigenous	372.87	96.55	293.11	96.55
<b>TOTAL</b>	<b>386.19</b>	<b>100.00</b>	<b>303.59</b>	<b>100.00</b>

12. **REMUNERATION TO DIRECTORS :**

(Rs. in lakhs)

	Current Year	Previous Year
Remuneration	4.53	3.93
PF Contribution	0.52	0.44
Medical Benefit	0.51	0.30
Retirement Benefit provisions	1.32	4.23
<b>TOTAL</b>	<b>6.88</b>	<b>8.90</b>

For and on behalf of Board of Directors

Sd/-  
**(R. Ashokkumarr)**  
Company Secretary

Sd/-  
**(R.K. Gupta)**  
Executive Director

Sd/-  
**(T.K. Gupta)**  
General Manager (F&A)

Sd/-  
**(B.K. Singh)**  
Chairman

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.  of 1974 - 75 State Code

Balance Sheet Date     
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue  Rights Issue

Bonus Issue  Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities  Total Assets

**Sources of Funds**

Paid-up Capital  Reserves & Surplus

Secured Loans  Unsecured Loans

**Application of Funds**

Net Fixed Assets  Investments

Net Current Assets  Misc. Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover / Other Income  Total Expenditure

Profit Before Tax  Profit After Tax

Earning per share in Rs.  Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (as per Monetary Terms)**

Item Code No. (ITC Code)

Product Description

For A.K. Jhunjhunwala & Co.  
Chartered Accountants

Sd/-  
**(M.A. Gohel)**  
Partner

Place : New Delhi  
Date : 29th May, 2003

For and on behalf of Board of Directors

Sd/-  
**(R. Ashokkumarr)**  
Company Secretary

Sd/-  
**(R.K. Gupta)**  
Executive Director

Sd/-  
**(T.K. Gupta)**  
General Manager (F&A)

Sd/-  
**(B.K. Singh)**  
Chairman

ANNEXURE - I

**PARTICULARS REQUIRED UNDER THE COMPANIES  
(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

**CONSERVATION OF ENERGY**

Major areas of energy conservation include:

- Gainful utilisation of waste gas of Submerged Arc Furnace for generation of Power in 4.2 MW Gas Based Power Plant.
- Stoppage of Air Compressors in Sinter Plant-II and use of Blower for supply of air for Sintering for 30% reduction in specific power consumption.
- Use of low reactivity coke & charcoal to reduce specific power consumption for Silico Manganese production.
- Conservation of water by Recirculation of effluent water after filtration.
- Improvement in quality of inputs with respect to both physical & chemical composition.
- Use of alternative reductant and manganese bearing wastes in ferro alloy production.
- Change in the slag regime to improve productivity.
- Statistical Process Control for control of major elements in ferro alloys.

ANNEXURE - II

**FORM 'A'  
CONSERVATION OF ENERGY**

<b>POWER &amp; FUEL CONSUMPTION</b>		<b>2002-2003</b>	<b>2001-2002</b>
<b>ELECTRICITY</b>			
<b>1. PURCHASED</b>			
Unit	Million kwh	<b>283.81</b>	251.09
Total Amount	Rs./Lakhs	<b>9403.27</b>	8812.25
Rate	Rs./kwh	<b>3.31</b>	3.51
<b>2. OWN GENERATION</b>	Million kwh	<b>13.63</b>	10.24
<b>3. COAL</b>		<b>NIL</b>	NIL
<b>4. FURNACE OIL</b>			
Unit	KL	<b>63.00</b>	612.49
Total Amount	Rs./lakhs	<b>7.29</b>	62.54
Rate	Rs./KL	<b>11573.00</b>	10211.00

**CONSUMPTION PER UNIT OF PRODUCTION**

	Electricity (Kwh/Tonne)		Furnace Oil (KL)		Coal (Tonne)	
	<b>2002-03</b>	2001-02	<b>2002-03</b>	2001-02	<b>2002-03</b>	2001-02
Ferro Manganese	<b>2595</b>	2662	-	-	-	-
Silico Manganese	<b>4099</b>	4167	-	-	-	-
Medium Carbon	<b>1306</b>	1388	-	-	-	-

ANNEXURE - III

**FORM 'B'  
RESEARCH & DEVELOPMENT (R&D)**

- SPECIFIC AREA IN WHICH R&D CARRIED OUT BY THE COMPANY**
  - Utilisation of sludge in Sinter and Palletisation of sludge.
- BENEFITS DERIVED AS A RESULT OF ABOVE R & D**
  - In-house utilisation of sludge.
  - Utilisation of wastes.
- FUTURE PLAN OF ACTION**
  - Production of Low Carbon Ferro Manganese and Special Ferro Alloys like Ferro Titanium, Ferro Molybdenum.
  - Use of sludge in Sinter Production.
- EXPENDITURE ON R&D**

Research work is undertaken jointly with RDCIS, SAIL and as such no specific expenses on R&D are apportionable.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- 1) As an effective cost reduction measure and also as a strategy to conserve high grade manganese ores, use of low grade high silica ore in Silico Manganese has been increased.
- 2) Use of reject material like Khad in Silico Manganese production.

**FORM 'C'  
FOREIGN EXCHANGE EARNINGS & OUTGO**

		Rs./Lakhs
EARNINGS	:	NIL
OUTGO	:	0.24

**(a) COMPANY'S PHILOSOPHY**

The Company is committed to attain the highest standard of Corporate Governance. It recognises that the Board is accountable to all stakeholders for good governance. The philosophy of the company in relation to corporate governance is to ensure transparency in all its operations, make appropriate disclosures and enhance shareholders value without compromising in any way in compliance with laws and regulations.

**(b) BOARD OF DIRECTORS**

The Board of Directors at present comprises of non-executive Chairman, whole time Executive Director (WTD) and 4 non-executive Directors (Non-ED). During the year, five Board Meetings were held on 16/4/2002, 29/5/2002, 27/7/2002, 28/10/2002 and 28/1/2003.

The composition of directors and their attendance at board meetings during the year and at the last Annual General Meeting as also number of other directorships are as follows:

Name of the Director	Category of Directorship	Board Meetings Attended (Nos.)	Attendance at last AGM	No. of other Directorship held as on 31/3/2003
Shri V.S. Jain (upto 23/10/02)	Chairman	3	Yes	Nil
Shri B. K. Singh (w.e.f. 25/11/02)	Chairman	2	—	5
Shri SCK Patne (upto 28/11/02)	Non-ED	4	Yes	4
Shri Ashis Das	Non-ED	5	Yes	4
Shri Vipin Puri (w.e.f. 28/10/02)	Non-ED	1	—	3
Shri A. K. Nigote (w.e.f. 28/10/02)	Non-ED	1	—	—
Shri S.K.Sinha (w.e.f. 28/1/03)	Non-ED	—	—	1
Shri Sunil Porwal (upto 28/10/02)	—	—	—	—
Shri R.K.Gupta	WTD	5	Yes	—

**(c) AUDIT COMMITTEE**

**(i) Terms of Reference**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews with management, the quarterly and annual financial statements before their submission to the Board.

The minutes of the audit committee meetings are circulated to the Board, discussed and taken note of.

**(ii) Composition**

The Audit Committee of the Board was formed in January, 2001. The reconstituted Audit Committee consists of three non-executive Directors viz. Shri Ashis Das, Shri Vipin Puri and Shri A.K. Nigote. During the last year, the committee met 3 times and attendance at the Meetings are as follows :

Name of the Director	Status	No. of meetings attended
Shri S.C.K. Patne (upto 28/11/02)	Chairman	3
Shri V.S. Jain (Upto 23/10/02)	Member	2
Shri Ashis Das (w.e.f. 28/10/02)	Chairman	3
Shri Vipin Puri (w.e.f. 28/10/02)	Member	—
Shri A.K. Nigote (w.e.f. 28/10/02)	Member	—

**(d) NOMINATION & COMPENSATION COMMITTEE**

- (i) Being a Government Company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committee has not been constituted.
- (ii) The details of remuneration to whole time director during the year is given below:

(Rs. in Lakhs)

Name of the Director	Salary Benefits	Other Benefits P.F	Retirement/ Medical (Actuarial valuation)	Total
Shri R. K. Gupta	4.53	0.52	1.83	6.88

- (iii) No sitting fee is paid to the Non-Executive Directors for attending Board/ Board Sub-Committee Meetings.
- (iv) The salary of the whole time director is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.
- (v) Terms & Conditions  
The Executive Director is an employee of Company on transfer from Steel Authority of India Limited. He has been inducted on the Board of the Company as a Director. The appointment may be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

**(e) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

- (i) A Shareholders/Investors Grievance Committee is constituted under the Chairmanship of a non-executive director. The committee consists of Shri Ashis Das and Shri R.K. Gupta to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- (ii) Name of compliance officer : Shri R. Ashokkumarr, Company Secretary.
- (iii) Number of shareholder complaints received during the period from 01/04/2002 to 31/03/2003.

**Source from which complaint was received**

Number of the Complaint	Direct	SEBI	Exchange	Total
A) Non-receipt of shares after transfer	—	—	—	—
B) Delay in issuing Duplicate share certificates	—	—	—	—
C) Non-receipt of Dividend Warrants	—	—	—	—
D) Complaint-reg Transmission of Shares	—	—	—	—
Total*	—	—	—	—

\*Complaints not solved to the satisfaction of shareholders: Nil

**(f) GENERAL BODY MEETINGS:**

Financial year	Date	Time	Location
2001-2002	27/07/2002	12.00 noon	"Nirmal" 10 <sup>th</sup> floor, Nariman Point, Mumbai-400 021.
2000-2001	20/08/2001	12.00 noon	"Nirmal" 10 <sup>th</sup> floor, Nariman Point, Mumbai-400 021.
1999-2000	30/08/2000	12.00 noon	"Nirmal" 10 <sup>th</sup> floor, Nariman Point, Mumbai-400 021.

**(g) DISCLOSURES**

There were no transactions of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions viz-a-viz the company during the year. There were no instances of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.



# Report on Corporate Governance

## (h) MEANS OF COMMUNICATION

Quarterly results are published in the Newspapers as per the requirements. There is no website of the Company.

## (i) GENERAL SHAREHOLDERS INFORMATION

- (i) Annual General Meeting is proposed to be held on 22<sup>nd</sup> August, 2003 at 12.00 noon at the Registered Office at "Nirmal" 10<sup>th</sup> floor, Nariman Point, Mumbai-400 021.
- (ii) Date of Book Closure: 22<sup>nd</sup> July, 2003 to 28<sup>th</sup> July, 2003.
- (iii) The shares of the Company are listed at the following stock exchanges:
- (1) The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI-400 001
  - (2) The Stock Exchange Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, AHMEDABAD-380 015.

It is confirmed that Annual Listing Fee has been paid to each of the stock exchanges.

- (iv) Stock code : 4824
- (v) Market price data : High/Low during each month in last financial year : No floor trading in the last financial year.
- (vi) Registrar and Transfer Agent : M/s. IIT Corporate Services Limited, Protoprima Chambers, 2<sup>nd</sup> floor, Suren Road, Andheri (East), Mumbai – 400 093.
- (vii) Share transfer system : The Board has delegated powers to the Executive Director for transfer of shares. The shares lodged for transfer are despatched back well within the time limit prescribed in this respect under the listing agreements.

(viii) Distribution of shareholding as on 31<sup>st</sup> March, 2003:

Category	No. of Shares held	% age of Holding
<b>A) Promoter's Holding:</b>		
<b>Holding Company-SAIL</b>	2,37,87,935	99.12
Sub-Total	2,37,87,935	99.12
<b>B) Non-Promoter's Holding:</b>		
Banks	300	—
Sub-Total	300	—
<b>C) Others</b>		
Private Corporate Bodies	10,050	0.04
Indian Public	2,01,665	0.84
NRIs	50	—
OCBs	NIL	NIL
Any other - (Please specify)	NIL	NIL
<b>Sub-Total</b>	<b>2,11,765</b>	<b>0.88</b>
<b>Grand Total</b>	<b>2,40,00,000</b>	<b>100</b>

- (ix) Dematerialization of shares and liquidity as on 31/3/2003. : Shares are not dematerialised. Tradeable stock is 0.88% only. Thus liquidity is negligible.
- (x) Address for correspondence from shareholders for queries/complaints, if any:

**M/s. Maharashtra Elektrosmet Limited,**  
Chanda-Mul Road, Chandrapur-442 401.  
Fax No. : 07172-255812, 255437 • Phone No. 07172-253693

# Management Discussion and Analysis Report (MDAR)

ANNEXURE – V

The Management of Maharashtra Elektrosmet Limited presents its analysis report covering performance and outlook of the Company.

## INDUSTRY STRUCTURE & DEVELOPMENT

### General Economic Environment

During the last two years (2002-03 and 2001-02), GDP growth is estimated to have grown by 4.4% and 5.6% respectively. The index of Industrial sector grew by 5.8% in the year against a growth of 2.7% during 2001-02. Manufacturing sector, which grew by 2.9% in 2001-02 grew by 6.0% in 2002-03. The growth in finished Steel consumption was 5.7% as compared to 3.44% during the previous year. Since ferro alloys are exclusively utilised as raw materials in steel making, the growth in ferro alloy consumption is directly related to the growth in steel consumption. The financial year 2002-03 witnessed yet another difficult period in steel industry in India.

### Demand for ferro alloys in India

The demand for ferro alloys in India is almost constant for the last 3-4 years due to meager growth in steel production coupled with reduction in the consumption of ferro alloys for steel making. The demand for manganese based ferro alloys varies in the range of 3.25 to 3.35 lakh tonnes which includes about 1.5 lakhs tonnes of Silico Manganese and 1.75 lakhs tonnes of High Carbon Ferro Manganese. In line with the growth potential in terms of steel consumption, growth potential for ferro alloys also exists.

### Capacity for ferro alloys production

Over capacity in the area of Manganese based ferro alloys exists due to re-start of the closed down units in Chhattisgarh, Orissa and Andhra Pradesh. The Governments of those States have offered special concessional power tariff alongwith other attractive facilities to the ferro alloy units in their States. The capacity utilisation of the ferro alloy units, however, is around 50% due to low demand.

## Exports

Due to anti-dumping duty levied by United States, the export of ferro alloys have practically stopped and this has led to stress on margins in the domestic market.

## Position of MEL

MEL is the largest producer of manganese based ferro alloys in the country with 30% market share in the production.

## OPPORTUNITIES & THREATS FOR MEL

### Opportunities

MEL has integrated large-scale facilities for the production of Manganese based ferro alloys which are unique. It has, therefore, competitive edge in terms of specific consumption of inputs and operational efficiency.

MEL has a track record of achieving capacity utilisation of more than 100% over the last few years. It has got good potential with highly motivated work force and professionals not only to maintain the level of production but also to improve productivity, techno-economic parameters, etc.

MEL has been accredited with ISO 9001-2000 Certificate for Quality Assurance System. It ensures production and supply of ferro alloys of requisite quality for steel plants.

Abundant and rich reserves of Manganese Ore are available in Maharashtra for continuous supply of raw material. This is an added advantage for MEL to get quality raw materials.

The small capacity power plant installed at MEL utilises the waste gas generated from the ferro alloy furnaces. It provides good scope for savings on account of power and fuel expenses.

Installation of 30 MW Captive Power Plant on Build, Operate, Lease and Transfer (BOLT) basis is being pursued. This shall help in drastic reduction in the expenses on power.

**Threats**

High power tariff (by Rs.1.00 to 1.50/kwh) in Maharashtra compared to the neighbouring States like Chhattisgarh, West Bengal, Andhra Pradesh and Orissa has put MEL into adverse situation and the Company's survival has become a matter of great concern. MEL has already become a Sick Company under Sick Industrial Companies (Special Provisions) Act, 1985.

The Company seeks level playing field either through availing power at concessional tariff from MSEB/Govt. of Maharashtra in line with that of neighbouring States or allowing to purchase power from outside source (other than MSEB).

Govt. of Chhattisgarh has also levied Entry Tax @ 10% on High Carbon Ferro Manganese and Silico Manganese entering in the State of Chhattisgarh from other States. As a result of this, the major customer of the Company viz. BSP, Bhilai, which is badly affected and therefore, the Company has a threat of losing its market share.

**SEGMENTWISE OR PRODUCTWISE PERFORMANCE**

There has been a turnaround improvement in the performance during the year 2002-03 compared to previous year. There has been growth in the production of ferro alloys and improvement in the techno-economic parameters.

**OUT LOOK**

Domestic demand also is expected to increase by around 4-5% in the current year. This trend in steel industry will improve the performance of the ferro alloy industry.

The Company has a good potential with motivated and dedicated work force. It has maintained its quality standard. It has the capacity to cater to the SAIL plants in addition to supply to non-SAIL customers including exports. However, it needs help from State Government in the form of power tariff in line with that provided by the State Government of Chhattisgarh and other States or allow purchase of power from sources other than MSEB at cheaper rates.

In order to internalise the cost of power in addition to 4.2 MW Power Plant installed, installation of 30 MW Power Plant on BOLT basis is being pursued.

**RISK AND CONCERNS**

The Ferro Alloy industry is hard hit due to over supply, cheap imports and high power tariff. Expenditure on electrical power attributes to 54-60% of the cost of production. This has been further aggravated by high cost of power in Maharashtra. The ferro alloy producers in other States like West Bengal, Orissa, Andhra Pradesh and Chhattisgarh are getting cheaper power and therefore, can produce their products at lower cost, thus affecting the viability of the ferro alloy industry in Maharashtra.

On 27<sup>th</sup> April, 2003, at around 4.15 a.m. a fire has broken out in the Transformer room of Furnace No.1 causing severe damage to the Transformer, H.T. Panels, Capacitor Bank, outgoing Bus Bars, civil structures, etc. Necessary steps are being taken to replace the equipments and repair civil structures. The replacement/repairing activity is likely to keep the Furnace No.1 out of operation for about 6-7 months. This fire accident will affect the performance of the Company till re-starting of production of Furnace No.1.

**INTERNAL CONTROL SYSTEMS**

The Company has an adequate system of internal controls implemented by the management towards achieving the following objectives:

- Efficiency of operations.
- Protection of resources.
- Accuracy and promptness of financial reporting.
- Compliance with the laid down policies and procedures.
- Compliance with laws and regulations.

In MEL, Internal Audit Department reviews, evaluates and appraises the various systems, procedures/policies laid down by the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of management towards good corporate governance.

Internal Audit prepares audit programs to cover vital areas and ensures its compliance. Audit reports giving details of control factors, identification/ management of risk factors and preventive suggestions, are submitted to Management.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

During the year the Company has achieved a turnover of Rs.189.66 crores as against Rs. 155.64 crores in the previous year. Value of earning through conversion arrangement was Rs. 165.79 crores as against Rs.133.92 crores during the previous year. On the operational front, company has achieved a capacity utilisation of 114%. Sales of ferro alloys during the year was 95618 tonnes as against 77410 tonnes during the previous year.

In spite of high cost of power in Maharashtra, increase in cost of raw materials and other inputs including salary & wages, the company has made a turnaround and earned a net profit of Rs. 1.12 crores as against the loss of Rs.8.38 crores in the previous year. This is primarily due to improvement in higher production, despatches, reduction in interest, reduction in arrears towards MSEB and improvement in techno-economic parameters, etc.

**MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS**

Effectiveness of the Human resource was considered and identified as a major factor for turnaround strategy to MEL. For this purpose, the Company took concrete steps to motivate and fully involve the workforce collective to improve the overall performance of the Company. The employees through structured sessions were communicated about the status of the Company i.e. strengths, weaknesses, opportunities and threats. Personnel activities across the company got reoriented for maximum capacity utilisation, better operational control, quality products, enlarge the market coverage and cost reduction measures.

The company has been able to create a favourable work environment that encourages to yield better and better. To motivate employees, a Rolling Trophy was introduced at the departmental level to bring healthy competition among the departments to encourage Creative Ideas/Suggestions. A total of 32 suggestors were awarded and one employee was given "Suggestor of the year" award.

The manpower employed by MEL as on 31<sup>st</sup> March, 2003 was 868 comprising of 133 executives and 735 non-executives. With a view to optimise the manpower and reduce the labour cost a Voluntary Retirement Scheme based on Department of Public Enterprises (DPE) guidelines with lumpsum payment was introduced resulting in separation of 16 employees during the year.

**CERTIFICATE**

**ANNEXURE – VI**

To,  
The Members of  
Maharashtra Elektrosmet Limited

We have examined the compliance of the conditions of corporate governance by Maharashtra Elektrosmet Limited for the year ended 31<sup>st</sup> March, 2003 as stipulated in clause 49 of the Listing Agreement of the said company with the Mumbai and Ahmedabad Stock Exchange.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an opinion on the financial statements of the company.

We certify that in our opinion, and to the best of our information and according to explanations given to us, the company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.K. JHUNJHUNWALA & CO.  
Chartered Accountants

Sd/-  
(M.A. Gohel)  
Partner

Place : New Delhi  
Date : 29th May, 2003

COMMENTS

MANAGEMENT'S REPLIES

TO THE MEMBERS,

MAHARASHTRA ELEKTROSMELT LIMITED

We have audited the attached Balance Sheet of MAHARASHTRA ELEKTROSMELT LIMITED as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those 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 a 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order;

Further to our comments in the annexure referred to in paragraph '3' above, we report that:-

1. 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.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account of the Company.
4. In our opinion, the said 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. Based on the representations made by the Directors of the Company and information and explanations as made available to us, none of the Director of the Company is disqualified from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. Pending framing/notification of rules referred to under section 441A of the Companies Act 1956, we are unable to comment about the liabilities on account of cess on turnover in respect of the company. (Refer Note No.4.10 of Schedule : "3".)
7. (i) *Pending finalisation and ascertainment of the arrear salaries and wages of employees for the period from 01.01.1997 to 31.12.2000, we are unable to comment on the adequacy of the provision of Rs. 255.91 lacs ( including Rs. 0.52 lacs provided during the year) as referred to in Note No. 3.3 in Schedule : "3".*
- (ii) *The Company has withdrawn the benefits relating to Leave Travel Concession (LTC) / Liberalised Leave Travel Concession (LLTC) for various block periods from 1998-99 to 2002-03 as indicated in Note No. 3.4 in Schedule : "3". Consequently, no liability towards LTC / LLTC has been provided in the accounts. However, in view of specific agreements with the unions and terms of employment for extension of above benefits to the employees, and considering the fact that the representatives of the employees have raised the matter for restoring the facility for LTC/LLTC, we are unable to comment whether, such liabilities have accrued or not (amount unascertained).*
- (iii) *Plant and Machinery having written down value of Rs. 774.25 lakhs were transferred to Inventories and pending finalisation of sale thereof, a provision of Rs. 150 lakhs was made there against in an earlier year. During the year, a further provision has been made by the Company for a sum of Rs. 60 lakhs on an ad-hoc basis. We are unable to comment on adequacy of the provisions so made.*

The effect of item nos.(i) to (iii) of paragraph 7 above on the Companies profit for the year and debit balance in the Profit & Loss Account is not presently ascertainable.

8. Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with significant Accounting Policies and notes appearing thereon in Schedule "3" and elsewhere in the accounts, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:-
  - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
  - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date
  - and
  - c. In the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date.

Address : 59, Maker Tower – "F"  
Cuffe Parade,  
MUMBAI – 400 005.

For A. K. JHUNJHUNWALA & CO.,  
Chartered Accountants

Place : New Delhi  
Dated : 29-05-2003

Sd/-  
(M.A. GOHEL)  
Partner

Place : Bhilai  
Dated : 28-06-2003

For and on behalf of Board of Directors

Sd/-  
(B. K. Singh)  
Chairman

**ANNEXURE TO THE AUDITORS' REPORT**

**ANNEXURE REFERRED TO IN PARAGRAPH '1' OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHARASHTRA ELEKTROSMELT LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003**

COMMENTS	MANAGEMENT'S REPLIES
<p>On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that :-</p>	
<b>FIXED ASSETS:</b>	
<p>1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the management in accordance with regular programme of verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. We are informed that the reconciliation of physical verification with book records has been completed and discrepancies noticed on such verification have been properly dealt with in the books of account.</p>	
<p>2. None of the Fixed Assets have been revalued during the year.</p>	
<b>INVENTORIES:</b>	
<p>3. The Stock of finished goods, stores, spare parts and raw materials of the Company has been physically verified by the management at reasonable intervals. Stock-in-transit as at 31<sup>st</sup> March, 2003 has been verified by the management with reference to subsequent receipt of goods. The shortage / surplus as compared with book records have been properly dealt with in the books of account. The stock of Slag and Khad has been taken on the basis of offers on hand.</p>	
<p>4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p>	
<p>5. The discrepancies noticed on physical verification of stocks referred to in (3) above, as compared to book records i. e. the shortage / surplus, have been properly dealt with in the books of account of the Company.</p>	
<p>6. In our opinion and on the basis of examination of the valuation of stocks referred to in (3) above, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the immediately preceding year <i>except as stated below (Refer Note No.4.4 &amp; 4.5 in Schedule "3.0")</i> :</p>	
<p>(a) <i>Inventories of Raw Materials hitherto valued at Cost arrived at on "First in First Out (FIFO)" basis, have this year been valued at "Weighted Average Cost". Consequently, the profit for the year and net current assets as at 31-03-2003 of the Company are lower by Rs.4.93 lakhs.</i></p>	<p>The Accounting Policy for Valuation of Raw Materials has been changed with a view to have uniformity in Policies with the Holding Company. Appropriate disclosure has been made vide Note No. 4.4 in Schedule "3.0" under 'Notes on Accounts'.</p>
<p>(b) <i>Allocation of cost of finished goods i.e. +25 MM production was, hitherto, arrived at by taking credit for net realisable value of -25 MM production. The cost of finished goods has this year been arrived at by allocation of total cost to total production (net of recycled production). Consequent to this change in the basis of valuation, the Profit for the year and net current assets as at 31.3.2003 are lower by Rs.13.74 lakhs.</i></p>	<p>Method of cost allocation inter se of different sizes of finished goods has been reviewed during the year and certain changes incorporated. Appropriate disclosure has been made vide Note No.4.5 in Schedule "3" under 'Notes on Accounts'.</p>
<p>7. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. According to the information and explanations given to us, adequate provision has been made in the accounts for the loss arising on the items so determined.</p>	
<p>8. In our opinion and according to the information and explanations given to us, the Company has maintained reasonable records for the sale and disposal of realisable scrap and by-products.</p>	
<p>9. In respect of service activities carried out by the Company, in our opinion there is a reasonable system of recording receipts, issues and consumption of materials and stores and allocation of materials and man-hours to the relative jobs. There is also reasonable system of authorisation at proper level and adequate system of internal controls, commensurate with size of the Company and nature of its business, on the issue of stores and allocation of stores and man-hours to the relative jobs.</p>	
<b>LOANS AND ADVANCES :</b>	
<p>10. The rate of interest and other terms and conditions on which the Company has taken an Unsecured Loan from its Holding Company, are, in our opinion, prima facie, not prejudicial to the interest of the Company. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or a company under the same management within the meaning of Section 370(1B) (non-operative) of the Companies Act, 1956.</p>	

## COMMENTS

## MANAGEMENT'S REPLIES

11. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or a company under the same management within the meaning of Section 370(1B) (non-operative) of the Companies Act, 1956.
12. The employees to whom Loans or advances in the nature of loans have been given by the Company are generally repaying the principal amount as stipulated and are also generally regular in payment of interest, wherever applicable.

### INTERNAL CONTROLS:

13. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business. However, the same needs to be strengthened further and its scope needs to be enlarged.
14. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased and sold are of special nature and suitable alternative source does not exist for obtaining comparable quotations, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods.

### RELATED PARTIES:

15. According to the information and explanations given to us and on the basis of test checks carried out by us, there were no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.50,000 or more in respect of each party.

### FIXED DEPOSITS:

16. The Company has not accepted any deposits from the public other than the amount retained under Employees' Family Benefit Scheme for which exemption under Section 58A of the Companies Act, 1956 has been obtained.

### STATUTORY LIABILITIES:

- 17 (i) According to the records of the Company, the Provident Fund dues have been generally regularly deposited during the year with the appropriate authorities.
- (ii) As explained to us, the provisions of Employees' State Insurance Act, are not applicable to the Company.
18. According to the information and explanations given to us, no undisputed amount payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty were outstanding as at 31<sup>st</sup> March, 2003 for a period of more than six months from the date they became payable.

### OTHERS :

19. The Central Government has not prescribed maintenance of the Cost records under Section 209 (1)(d) of the Companies Act, 1956.
20. On the basis of (i) the examination of the Books of Accounts, (ii) vouchers produced to us for our verification, (iii) explanations given and representations made to us on our inquiries, (iv) the check and control relating to authorising expenditure on the basis of contractual obligations to the employees and (v) accepted business practices, having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue which, in our opinion and judgment and to the best of our knowledge and belief, could be regarded as personal expenses.
21. According to the information and explanations given to us, the reference made by the Company, a sick industrial Company within the meaning of Clause (O) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, under Section 15 of that Act to the Board for Industrial and Financial Reconstruction (BIFR) has been rejected by the said Board. The appeal by the Company under section 25 of the Act against this order of the Board is pending before the Appellate Authority for Industrial and Financial Reconstruction (AIFR).

For A. K. JHUNJHUNWALA & CO.,  
Chartered Accountants

Sd/-

(M. A. GOHEL)  
Partner

Place : New Delhi  
Dated : 29-05-2003

Place : Bhilai  
Dated : 28-06-2003

For and on behalf of Board of Directors

Sd/-  
(B. K. Singh)  
Chairman

ANNEXURE - VII

**COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956, ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED, CHANDRAPUR, FOR THE YEAR ENDED 31 MARCH, 2003**

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956, on the accounts of Maharashtra Elektros melt Limited, Chandrapur, for the year ended 31st March, 2003.

Mumbai  
Date : 07 July, 2003

Sd/-  
**(BALVINDER SINGH)**  
Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board-I, Mumbai

## Review of Accounts

**REVIEW ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

(Review of Accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualification contained in Statutory Auditor's Report)

**1. Financial Position:**

The Table below summarise the financial position of the company under the broad headings for the last 3 years:

(Rs. in lakhs)

	2000-2001	2001-2002	2002-2003
<b>LIABILITIES :</b>			
<b>a) Paid up Capital :</b>			
i) Government (SAIL)	2378.79	2378.79	<b>2378.79</b>
ii) Others	21.21	21.21	<b>21.21</b>
<b>b) Reserve and Surplus:</b>			
i) Free Reserve & Surplus	-	-	-
ii) Share Premium Accounts	-	-	-
iii) Capital Reserves	15.00	15.00	<b>15.00</b>
iv) Committed Reserves	-	-	-
<b>c) Borrowings:</b>			
i) From Govt. of India	-	-	-
ii) From Financial Institutions	770.34	737.21	<b>697.44</b>
iii) Foreign Currency Loan	-	-	-
iv) Cash Credit	1352.95	1563.62	<b>1287.48</b>
v) Others	-	905.56	<b>1524.10</b>
vi) Interest accrued and due	4.54	3.88	<b>2.49</b>
<b>d) Current Liabilities &amp; Provisions</b>	<b>7016.77</b>	<b>6801.10</b>	<b>5382.57</b>
ii) Provision for Gratuity	327.20	419.80	<b>613.67</b>
<b>TOTAL:</b>	<b>11886.80</b>	<b>12846.17</b>	<b>11922.75</b>
<b>ASSETS:</b>			
e) Gross Block	3943.63	5471.22	<b>5489.03</b>
f) (Less) Depreciation	2709.76	2835.40	<b>3009.51</b>
g) Net Block	1233.87	2635.82	<b>2479.52</b>
h) Capital work-in-progress	1444.69	11.86	<b>2.94</b>
i) Investments	-	-	-
j) Current Assets, Loans and Advances	5059.13	5139.32	<b>4600.28</b>
k) Misc. expenditure to the extent not written off	143.58	215.54	<b>108.35</b>
l) Accumulated Loss	4005.53	4843.63	<b>4731.66</b>
<b>TOTAL:</b>	<b>11886.80</b>	<b>12846.17</b>	<b>11922.75</b>
m) Working Capital [j-d(i)-c(vi)]	-1962.18	-1665.66	<b>-784.78</b>
n) Capital employed [g+m]	-728.31	970.16	<b>1694.74</b>
o) Net Worth [a+b(i)+b(ii)-k-l]	-1749.11	-2659.17	<b>-2440.01</b>
p) Net Worth per rupee of paid-up capital in Rs.	-	-	-

**2. WORKING RESULTS:**

Working results of the Company for last three years are given as under:

Particulars	2000-2001	2001-2002	2002-2003
i) Sales	18697.16	15564.22	<b>18965.99</b>
ii) Less: Excise Duty	2796.73	2790.43	<b>3295.51</b>
iii) Net Sales	15900.43	12773.79	<b>15670.48</b>
iv) Other or Misc. Income	234.41	144.11	<b>90.02</b>
v) Profit/Loss before tax and prior period adjustment	(1784.31)	(838.10)	<b>113.68</b>
vi) Prior period adjustment	-	-	<b>-1.71</b>
vii) Profit/Loss before tax	(1784.31)	(838.10)	<b>111.97</b>
viii) Tax Provision - earlier years	-	-	-
ix) Profit/Loss after tax	(1784.31)	(838.10)	<b>111.97</b>
x) Proposed Dividend	-	-	-

Due to negative net-worth, the Company has become Sick Company as per Sick Industrial Companies (Special Provision) Act, 1985.

**3. RATIO ANALYSIS:**

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under:

Particulars	2000-2001	2001-2002	2002-2003
<b>A. Liquidity Ratio :</b>			
Current assets to current liabilities	0.69:1	0.71:1	<b>0.77:1</b>
<b>B. Debt Equity Ratio :</b>	-	-	-
<b>C. Profitability Ratio:</b>			
a) Profit before tax			
(i) Capital Employed	-	-	<b>0.065:1</b>
(ii) Net Worth	-	-	-
(iii) Sales	-	-	<b>0.005:1</b>
b) Profit after tax to equity	-	-	<b>0.046:1</b>
c) Earning per share (in rupees)	-	-	<b>0.46</b>

**4. SOURCES AND UTILISATION OF FUNDS:**

Funds amounting to Rs.587.32 lakh were generated and utilised during the year as below:

	(Rs. in lakhs)	
<b>SOURCES OF FUNDS:</b>		
Profit for the year		<b>111.97</b>
Depreciation		<b>176.27</b>
Less: Adjustment		<b>2.16</b>
		<b>174.11</b>
Increase in Borrowings		<b>301.24</b>
		<b>587.32</b>
<b>APPLICATION OF FUNDS:</b>		
Additions to Fixed Assets		<b>17.81</b>
Less: Decrease in CWIP		<b>8.92</b>
		<b>8.89</b>
Increase in deferred revenue expenses		<b>-107.19</b>
Increase in working capital		<b>685.62</b>
		<b>587.32</b>

## 5. WORKING CAPITAL:

The working capital (i.e. Current Assets, Loans and Advances less Current Liabilities and Provisions including Interest Accrued and Due) of the company at the close of three years ending 31 March 2003 amounted Rs.(-) 1962.18 lakhs, Rs.(-) 1665.66 lakhs and Rs. (-) 784.78 lakhs respectively. The sales during three years were Rs.15900.43 lakhs, Rs.12773.79 lakhs and Rs. 15670.48 lakhs respectively.

## 6. INVENTORY LEVEL:

The inventory level at the end of the three years upto 2002-2003 are given below:

	(Rs. in lakhs)		
	2000-2001	2001-2002	2002-2003
(i) Raw Materials	467.18	473.45	<b>603.60</b>
(ii) General Spare Parts	255.22	246.36	<b>246.43</b>
(iii) Stock Under Process	-	-	-
(iv) Finished Products	1484.47	1932.00	<b>1301.09</b>

## 7(a). SUNDRY DEBTORS:

The position of Sundry Debtors vis-à-vis sales for the last three years ending 31 March, 2003 were as follows:

As on 31st March	Considered good	Sundry Debtors Considered Doubtful/ Bad	Total	Sales (excluding subsidiary & including Excise Duty)	% of Sundry Debtors to Sales
2001	305.19	18.39	323.58	18697.16	1.73
2002	204.46	18.39	222.85	15564.22	1.43
<b>2003</b>	<b>522.69</b>	<b>12.40</b>	<b>535.09</b>	<b>18965.99</b>	<b>2.82</b>

## 7(b). ANALYSIS OF SUNDRY DEBTORS:

(i) Age-wise analysis of Sundry Debtors is given as below:

	(Rs. in lakhs)
Debtors less than 6 months	<b>518.40</b>
Debtors more than 6 months but less than 1 year	<b>0.01</b>
Debtors more than 1 year but less than 2 years	<b>0.02</b>
Debtors more than 2 years but less than 3 years	<b>3.64</b>
Debtors more than 3 years	<b>13.02</b>
	<b>535.09</b>

(ii) Debts outstanding from:

Government (Central & State)/	-
Government Department	
Public Sector Undertakings/Companies	<b>497.59</b>
Private Companies & Others	<b>37.50</b>
	<b>535.09</b>

Mumbai  
Date : 07 July, 2003

Sd/-  
**(BALVINDER SINGH)**  
Principal Director of Commercial Audit &  
Ex-Officio Member, Audit Board-1, Mumbai.

# Cash Flow Statement

MAHARASHTRA ELEKTROSMELT LIMITED  
FOR THE PERIOD ENDED 31ST MARCH, 2003

	PERIOD ENDED 31ST MARCH'03 (Rs. in lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and dividend	111.97	
<b>Adjustment for :</b>		
Depreciation	176.27	
Interest and Finance Charges	588.92	
Provision for Fixed Assets discarded	59.94	
Misc. Expenditure (Deferred) charged during the year	232.95	
Operating profit before working capital changes	1170.05	
<b>Adjustment for :</b>		
Inventories	500.69	
Sundry Debtors	-318.23	
Interest Receivable	-2.02	
Loans and Advances	62.31	
Current Liabilities and Provisions	-1224.66	
Misc. Expenditure (Deferred) created during the year	-125.76	
Cash generated from operations	62.38	
<b>Net cash from Operating Activities</b>		<b>62.38</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	-11.05	
<b>Net cash from Investing Activities</b>		<b>-11.05</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Borrowings	301.24	
Interest and Finance Charges	-588.92	
<b>Net Cash from Financing Activities</b>		<b>-287.68</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	-236.35	
Cash & Cash Equivalents as on 31st March, 2002	299.22	
Cash & Cash Equivalents as on 31st March, 2003		<b>62.87</b>

SCHEDULES TO CASH FLOW STATEMENT :	PERIOD ENDED 31ST MARCH'03 (Rs. in lakhs)	
<b>a. Depreciation</b>		
Charged to P & L Accounts	176.27	
		<b>176.27</b>

SCHEDULES TO CASH FLOW STATEMENT :	PERIOD ENDED 31ST MARCH'03 (Rs. in lakhs)	
<b>b. Adjustment for Inventories</b>		
Inventory as on 31st March, 2002 (Net of value of discarded assets)	2651.81	
Inventory as on 31st March, 2003 (Net of value of discarded assets)	2151.12	
		<b>500.69</b>
<b>c. Adjustment for Sundry Debtors</b>		
Sundry Debtors as on 31st March, 2002	204.46	
Sundry Debtors as on 31st March, 2003	522.69	
		<b>-318.23</b>
<b>d. Adjustment for Interest Receivable</b>		
Interest Receivable as on 31st March, 2002	74.03	
Interest Receivable as on 31st March, 2003	76.05	
		<b>-2.02</b>
<b>e. Adjustment for Loans and Advances</b>		
Loans and Advances as on 31st March, 2002	1285.55	
Loans and Advances as on 31st March, 2003	1223.24	
		<b>62.31</b>
<b>f. Adjustment for Current Liabilities and Provisions</b>		
Current Liabilities as on 31st March, 2002	6277.49	
Current Liabilities as on 31st March, 2003	4659.72	
		<b>-1617.77</b>
Provision as on 31st March, 2002	943.41	
Provision as on 31st March, 2003	1336.52	
		<b>393.11</b>
<b>g. Purchase / Addition of Fixed Assets</b>		
Purchase/Capitalisation (including insurance spares)	20.46	
Less: Value of Assets Adjusted ( net of Depreciation)	-0.49	
		<b>-19.97</b>
Capital WIP as on 31st March, 2002	87.30	
Less: Write off during the period	18.02	
		<b>69.28</b>
Capital WIP as on 31st March, 2003	60.36	
		<b>8.92</b>
<b>TOTAL</b>		<b>-11.05</b>
<b>h. Interest and Finance Charges</b>		
Cash Credit	233.41	
Others	355.51	
		<b>588.92</b>
<b>i. Proceeds from Borrowings</b>		
Total Borrowing as on 31st March, 2003	3511.51	
Total Borrowing as on 31st March, 2002	3210.27	
		<b>301.24</b>

For A.K. Jhunjhunwala & Co.  
Chartered Accountants

Sd/-  
(M.A. Gohel)  
Partner

Place : New Delhi  
Date : 29th May, 2003

For and on behalf of Board of Directors

Sd/-  
(R. Ashokkumarr)  
Company Secretary

Sd/-  
(R.K. Gupta)  
Executive Director

Sd/-  
(T.K. Gupta)  
General Manager (F&A)

Sd/-  
(B.K. Singh)  
Chairman



To

The Members

The Directors have pleasure in presenting the 4<sup>th</sup> Annual Report of the Company together with audited accounts for the year ended 31st March, 2003.

### Financial & Operational Review

As the members are aware that the Company was incorporated with an objective to acquire, promote, develop, establish, own, operate and maintain Oxygen plants of all types and capacities and manufacture, purchase and supply Oxygen, Nitrogen, Acetylene, Hydrogen and other industrial gases to the Steel Plants, other agencies and consumer etc. The company was to take over assets covered under the Business Restructuring of SAIL relating to Oxygen Plant -II of Bhilai Steel Plant. Due to delay in the restructuring process, no asset has been transferred to the Company so far. As such, no commercial activity has been carried out by the Company during the period. The company has, however, spent Rs. 22,100/- on various miscellaneous matters. There being no income, loss for the period was also Rs. 22,100/-.

SAIL invited the bids from the interested parties to become Strategic Alliance Partner (SAP) in the Company along with SAIL. Detailed discussions were held with the short listed party, which finally failed. SAIL started the efforts afresh for identification and selection of SAP for the Company which also failed. However, due to non-receipt of suitable offer despite repeated attempts, SAIL has decided for the closure of divestment process of Oxygen Plant-II.

### Auditors Report

The Statutory Auditor's Report on the Accounts of the Company for the financial year ended 31st March, 2003 is enclosed at Annexure-I. The Comptroller & Auditor General of India has decided not to review the report of the auditors for the year 31st March, 2003 on the accounts of Bhilai Oxygen Ltd. and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non-Review Certificate is placed at Annexure-II.

### Report on Conservation of Energy, Technology Absorption, etc.

Since, no commercial activity was carried out by the Company, the disclosure of information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is not applicable.

### Particulars of Employees

Since, the Company has no employees, the particulars prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) the directors had 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 and of the profit or loss of the company for that period;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts on a going concern basis.

### Directors

Shri R.K. Gupta, ED (F&A), SAIL resigned on 30th November, 2002.

Shri B.M.K. Bajpai, ED(Works) was appointed as Director on the Board on 18th September, 2002 and ceased to be Director w.e.f. 31.1.2003.

Shri Vipin Puri, Addl. Director (F&A), SAIL was appointed as Director on the Board on 11th December, 2002.

Shri S.B. Singh, ED(Works), BSP was appointed as Director on the Board on 25th March, 2003.

### Acknowledgment

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by Steel Authority of India Limited. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi  
Dated: 29th July, 2003

Sd/-  
**(B.K. Singh)**  
Chairman

# Balance Sheet AS AT 31ST MARCH, 2003

BHILAI OXYGEN LIMITED

	Schedule No.	As at 31st March, 2003	As at 31st March, 2002
(In Rupees)			
<b>SOURCES OF FUNDS</b>			
<b>Share holders' Fund</b>			
Share Capital	1.1	500000	1000
		<u>500000</u>	<u>1000</u>
<b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances		499000	0
<b>Less : Current Liabilities and Provisions</b>			
Current liabilities	1.2	53250	31150
		<u>445750</u>	<u>-31150</u>
<b>Net Current Assets</b>			
Profit & Loss Account		54250	32150
		<u>500000</u>	<u>1000</u>
Accounting Policies and Notes on Accounts	3		

Schedules 1 & 3 annexed, hereto, form part of the Balance Sheet.

*In terms of our report of even date.*  
for **Rohtas & Hans**  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
**(Hans Jain)**  
Partner

Sd/-  
**(Ashis Kumar Das)**  
Director

Sd/-  
**(Vipin Puri)**  
Director

Place : New Delhi.  
Dated : 28th May, 2003.

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# Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule No.	Year ended 31st March, 2003	Year ended 31st March, 2002
(In Rupees)			
<b>INCOME</b>			
—			
<b>EXPENDITURE</b>			
Other Expenses	2.1	22100	11080
<b>Loss for the year</b>		<u>-22100</u>	<u>-11080</u>
Loss brought forward from previous year		-32150	-21070
Loss carried over to Balance Sheet		<u>-54250</u>	<u>-32150</u>
Accounting Policies and Notes on Accounts	3		

Schedules 2 & 3 annexed, hereto, form part of the Profit & Loss Account.

*In terms of our report of even date.*  
for **Rohtas & Hans**  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
**(Hans Jain)**  
Partner

Sd/-  
**(Ashis Kumar Das)**  
Director

Sd/-  
**(Vipin Puri)**  
Director

Place : New Delhi.  
Dated : 28th May, 2003.

**1.1 SHARE CAPITAL**

	As at 31st March, 2003	As at 31st March, 2002
		(in Rupees)
<b>Authorised</b>		
50,000 Equity shares of Rs. 10/- each (Previous year 10,000 Equity shares of Rs 10/-each)	<u>5,00,000</u>	<u>1,00,000</u>
<b>Issued, Subscribed and Paid-up *</b>		
50,000 Equity shares of Rs. 10/- each fully paid-up (Previous year 100 Equity shares of Rs. 10/- each fully paid-up)	<u>5,00,000</u>	<u>1,000</u>

\* (Out of 50,000 shares, 49,998 shares are held by Steel Authority of India Limited)(Holding Company)

**1.2 CURRENT LIABILITIES**

Sundry Creditors	<u>53,250</u>	<u>31,150</u>
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**2.1 OTHER EXPENSES**

	Year ended 31st March, 2003	Year ended 31st March, 2002
		(in Rupees)
Bank Charges	-	680
Remuneration to Auditors	6,300	6,300
Consultancy Charges	2,500	2,500
ROC Fees	<u>13,300</u>	<u>1,600</u>
	<u>22,100</u>	<u>11,080</u>

**SCHEDULE 3 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****1. ACCOUNTING POLICIES**

- 1.1 The Company prepares its Annual Accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.
- 1.2 The accounts are drawn up following the Mercantile System of Accounting.

**2. NOTES ON ACCOUNTS**

- 2.1 The Company was incorporated on 9th February, 1999 as a Private Limited Company and was later converted into a deemed Public Limited Company u/s 43A of the Companies Act, 1956 on 24th February, 1999. The paid up capital has been increased to Rs. 5,00,000 in terms of provisions of section 3(4) of the Companies Act, 1956 as amended vide Companies (Amendment) Act, 2000, as it is a subsidiary company of Steel Authority of India Ltd., a public limited company.
- 2.2 There are no contingent liabilities.
- 2.3 There are no contracts remaining to be executed on capital account.
- 2.4 In view of the fact that no commercial activity has been carried out during the period under report, the quantitative details and information on licensed/installed capacities etc. are not being given.
- 2.5 No expenses have been incurred in foreign currency.
- 2.6 No managerial remuneration has been paid during the period under report.

*In terms of our report of even date.*  
for **Rohtas & Hans**  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
**(Hans Jain)**  
Partner

Sd/-  
**(Ashis Kumar Das)**  
Director

Sd/-  
**(Vipin Puri)**  
Director

Place : New Delhi.  
Dated : 28th May, 2003.



To

The Members of Bhilai Oxygen Limited

We have audited the attached Balance Sheet of BHILAI OXYGEN LIMITED, as at 31st March, 2003 and the annexed Profit & Loss Account of the Company for the year ended on that date in accordance with the letter of appointment of Comptroller & Auditor General of India. 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows :

1. The provisions of MAOCARO, 1988 are not applicable as the company has not carried out any commercial activity.
- 2.1 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.
- 2.2 In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
- 2.3 The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account.
- 2.4 In our opinion, the Profit & Loss Account and the Balance Sheet have been drawn up in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 2.5 The said accounts, in our opinion and to the best of our information and according to the explanations given to us, and read with the accounting policies and notes appearing on Schedule 3, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
  - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2003
  - and
  - b) in the case of Profit & Loss Account, of the Loss of the Company for the period ended on that date.

Place : New Delhi  
Dated : 28th May, 2003

For **ROHTAS & HANS**  
*Chartered Accountants*

Sd/-  
**(Hans Jain)**  
*Partner*

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## Comments of C&AG ANNEXURE - II

### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHILAI OXYGEN LIMITED FOR THE YEAR ENDED 31ST MARCH, 2003

The Comptroller & Auditor General of India has decided not to review the report of the auditors for the year ended 31st March, 2003 on the accounts of Bhilai Oxygen Limited and as such he has no comments to make under section 619(4) of the Companies Act, 1956.

Place : Ranchi  
Dated : 16th July, 2003

Sd/-  
**(R.B. SINHA)**  
*Principal Director of Commercial Audit*