

BOARD OF DIRECTORS

Chairman-cum-Managing Director	B K Panda
Director (Personnel) & (Finance)	C Appa Rao [Additional Charge of Director (Finance) upto 31 st March, 2004]
Director (Commercial)	SKS Narayan (upto 31 st July, 2003) Y Siva Sagar Rao (from 1 st August, 2003)
Director (Finance)	P K Bishnoi (from 1 st April, 2004 onwards)
Director (Operations)	K K Rao (from 17 th August, 2004 onwards)
Directors	DP Singh (upto 2 nd September, 2003) Dr S Y Quraishi (from 11 th September, 2003) Dr S N Dash
Company Secretary	KMA Narayanaswami (upto 31 st March, 2004) P Mohan Rao (from 1 st April, 2004 onwards)
Registered Office	Administrative Building Visakhapatnam 530031

BANKERS

State Bank of India
Bank of Baroda
Canara Bank
UCO Bank
Central Bank of India
Dena Bank
Punjab & Sind Bank
Oriental Bank of Commerce
Andhra Bank
State Bank of Hyderabad
State Bank of Saurashtra
State Bank of Mysore
Allahabad Bank

Auditors

M/s P B Vijayaraghavan & Co
Chartered Accountants
Chennai

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Front Cover : MOU Award given by Hon'ble Prime Minister of India and received by CMD/RINL

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the 22nd Annual Report of the Company with the Audited Accounts for the year ended 31st March, 2004.

2003-04: AN YEAR OF CONSOLIDATION

The Company, having achieved a turnaround during the previous year by earning a net profit of Rs.520.69 crores for 2002-03, has sustained its growth rate both in terms of increased production and also increased net profit to a level of Rs.1547.19 crores, thereby consolidating its financial performance position to set a progressive trend in production, sales and profits.

HIGHLIGHTS:

During the year 2003-04, RINL's position amongst World's Steel majors has bettered to 67th position and became a debt free Company in September, 2003. The Rated Capacity has been surpassed for the third consecutive year. The Memorandum of Understanding with Government of India has been fully honoured for the Fifth consecutive year by registering fulfillment of Oven pushing (101%), Hot Metal (105%), Liquid Steel (108%), Billets (108%), Bar Mill Products (113%), Wire Rods (113%), MMSM products (120%) thus culminating into overall Saleable Steel increase to 109%. Hot Metal Production crossed a landmark of 4 Million Tonnes on 26.3.2004 as against Rated Capacity of 3.4 Million Tonnes.

RINL was awarded for the first time the prestigious Prime Minister's Trophy for Excellent Performance in the Steel Industry for the year 2002-03 which brings recognition to the commitment and determination of the VSP collective to become a World Class Company and stand on par with other steel majors in the country.

PRODUCTION PERFORMANCE:

Item	Rated Capacity	Actual 2003-04	Previous best '000 t.	Year
Production:	'000 t.	'000 t.	'000 t.	Year
Main Products:				
Gross Sinter	5256	5840	5859	02-03
Hot Metal	3400	4055	3942	02-03
Liquid Steel	3000	3508	3357	02-03
Cast Blooms	2820	3301	3155	02-03
Billets	1857	2020	1987	02-03
Bar products	710	815	799	02-03
Wire Rods	850	974	915	02-03
MMSM Products	850	993	908	02-03
Saleable steel	2656	3169	3056	02-03
Value added production	-	802	482	02-03

TECHNO-ECONOMIC PERFORMANCE :

On the Techno-economic front also, RINL continued its quest for excellence. RINL's Labour Productivity has increased by 4 % to record 262 tonnes/Man-year as against 252t/Man-year in the previous year. Likewise, the Specific Energy consumption of 6.07 G.cal/tLS is bettered when compared to previous year of 6.13 G.cal/tLS. Other major techno-economic parameters achieved during the year are listed below :

Parameter	Unit	Value 2003-04	Value 2002-03	% Improvement
1. Sp. Refractory Consumption	Kg/tLS	9.25	9.71	4.74
2. Blast Furnace Productivity	t/cum/day	1.76	1.72	2.33
3. Specific Water consumption	cum/tLS	3.31	3.96	16.41

Detailed Techno-economic parameters are furnished in Annexure-I.

FRESH INITIATIVES

- ₹ FORMATION OF CENTER FOR BUSINESS SYSTEMS IN VSP
- ₹ NATURAL GAS INJECTION
- ₹ GODAVARI WATER PUMPING SCHEME
- ₹ COKE OVEN BATTERY-4
- ₹ IMPROVEMENT IN PRODUCT QUALITY
- ₹ INTRODUCTION OF NEW SECTIONS & GRADES
- ₹ IMPROVEMENT IN PROCESS AND QUALITY.

MEMORANDUM OF UNDERSTANDING (MOU)

1. Secretary, Ministry of Steel, GOI, and CMD, RINL, signed MOU for the year 2003-04 on 31.3.2003. There were 19 key performance evaluation parameters in the MOU for the year 2003-04. The targets for each parameter were fixed on a five point scale. During the year, all the targets were overfulfilled. The fulfillment of hot metal, liquid steel and saleable steel with respect to MOU target was 105%, 108% and 109% respectively. Similarly, gross margin and cash profit registered target fulfillments of 244% and 295% respectively. Net profit of Rs.1547.19 cr. was achieved against the target of Rs.222.25 cr. The performance in 2003-04 enabled achievement of excellent rating on all the 19 parameters. During 2003-04, RINL's composite score is 1.06, which corresponds to Excellent rating for the year. The financial year, 2003-04, is the fourth successive year of achievement of excellent rating by the company.

2. MOU 2002-03

During 2002-03, based on audited financials, RINL achieved a composite score of 1.00, corresponding to excellent rating. The score is the best score achieved by RINL so far and is also the best that any MOU signing PSE can achieve.

3. CORPORATE PLAN OF RINL 2020

The Corporate Plan of RINL was cleared by the Board on 12.3.2004. The plan envisages expansion of the capacity of VSP to 10.2 Mt Liquid Steel by 2020 in three phases.

In the first phase, capacity enhancement to 5 Mt of hot metal, 5 Mt of liquid steel and 4.48 Mt of saleable steel has been planned. These units will be commissioned by December, 2007. The focus is on minimizing investment by maximizing utilization of facilities upto iron making stage. It is proposed to continue with longs production in this phase. The estimated investment for this phase is around Rs. 2275 cr.

Expansion under phase-II envisages enhancing production of hot metal to 7.5 Mt, liquid steel to 6.8 Mt and saleable steel to 6.165 Mt. Commissioning of phase-II units will be completed by March 2012. Investment will be in the order of Rs.6165 cr. It has been planned to produce longs in this phase also. However, production of flats may be considered as per the demand at that time.

Under phase-III expansion, diversification to flat products has been envisaged. On implementation of this phase, the production of hot metal will be enhanced to 10.5 Mt, liquid steel to 10.2 Mt and saleable steel to 9.162 Mt. Commissioning of phase-III units will be completed by March 2018. Total estimated investment under phase-III would be in the order of Rs.11400 cr.

COST REDUCTION MEASURES:

Maximising the utilization of waste products like:

- * LD slag used in Sinter Plant to replace limestone to the extent of 1,28,126t.
- * Scrap to the extent of 9,846t was reclaimed from maintenance activities and used in SMS.

In addition to the techno-economic parameters being focused and monitored by Works, the other functional areas like Finance, Materials Management and Marketing also adopted various measures in order to achieve reduction in freight,

transportation & handling charges for both inward and outward movement of materials including export as well as reduction in interest charges.

CAPTIVE MINES

The performance of Jaggayyapeta Limestone Mine for the year 2003-04 was excellent with all time production record of 3,69,715 tonnes of limestone. The % growth in respect of JLM production was 3.14% as compared to 2002-03. The despatch of limestone was 3,43,511.40 tonnes which was the highest and having growth of 1.98% as compared to 2002-03.

The performance of Madharam Dolomite Mine was 78.97% in production and 77.18% in despatch due to capital repairs and modification in Crushing & Screening Plant for one month.

The production of manganese at GMM was 12,688.60 tonnes and despatch was 11,613.99 tonnes. Production was achieved at 81.60%. There was less usage of manganese at Plant. The usage of sand was also reduced and achieved 63.97% of sand from Nellimarla Sand Mine.

The Karajada Sand Mine at Vamshadhara river in Srikakulam district will be operated during 2004-05. It is proposed to operate a quartz mine during this financial year 2004-05 at Kintada village, K. Kotapadu Mandal, Visakhapatnam district to maintain uniformity in quality of quartz and reduce usage of sand.

Iron ore bearing area in Orissa and Chattisgarh state has been identified and four mining leases for iron ore in Mankamacha and Balia Pahar area of Orissa State and one Mining Lease in Rowghat Deposit of Chattisgarh state were submitted.

MARKETING PERFORMANCE

As per MOU against a target of Rs.4727 Crs. for the year 2003-04, VSP could achieve a sales

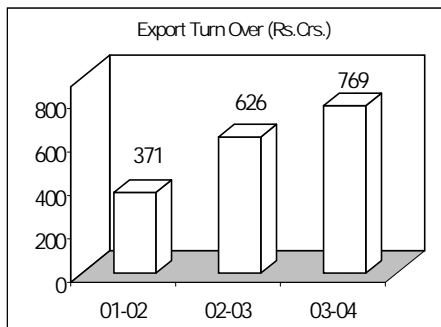
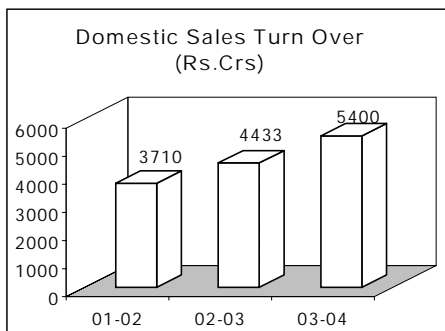
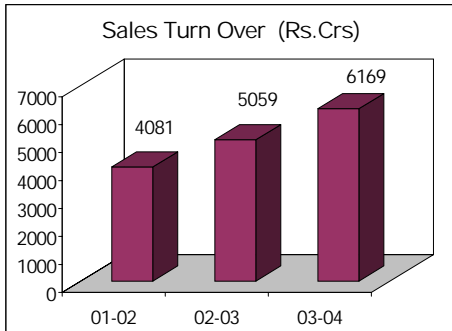
turnover of Rs. 6169 Crs., thus registering a fulfillment of 131 %. During the same period in 2002-03 the turnover was only Rs.5059 Crs. thus registering a growth of 22 %. The domestic sales of Rs.5270 Crs. (Iron & Steel) and Sales turnover of Rs.6169 Crs. were the best ever since inception for any year. Compared to last year the domestic sales turnover registered a growth of 22 %. The Company had retained also its share among the producers and increased its share among main producers.

The revenue generation had been increased by the sales realisation value and the increased sale of value added products. The company increased its sale of value added products by 56% in 2003-04 as compared to 2002-03.

Item	2003-04			2002-03	Growth
	Target	Actual	Ful-mnt		
Volume in '000t.					
Domestic					
Pig Iron	73	80	110%	149	-46%
Steel	2455	2809	114%	2826	-1%
Export					
Pig Iron	450	397	88%	386	3%
Steel	445	345	77%	377	-9%
Total					
Pig Iron	523	477	91%	535	-11%
Steel	2900	3154	109%	3203	-2%

Value in Rs. Crs.					
Domestic	3790	5280	139%	4303	23%
Export	787	769	98%	626	23%
By-Products	150	120	80%	130	-8%
Total	4727	6169	131%	5059	22%

3.0 The above figures have been depicted in bar charts below :



MATERIALS MANAGEMENT

FINALISATION OF ASSESSMENT OF PROJECT CONTRACTS BY CUSTOMS DEPARTMENT:

Total amount of CD provisionally paid against Project Imports Rs. 22,81,74,069
 Assessed Customs Duty (CD) Rs. 9,91,49,086
 Refund granted by Customs Authorities (Refund yet to be received, under process) Rs. 12,90,24,983

IMPLEMENTATION OF E-COMMERCE:

For reverse auction and for forward auction contracts were signed with M/s Metal

junction.com and M.s MSTC respectively. First reverse auction took place on 22.4.2004.

SIGNING OF MOUS :

In order to contain the large price fluctuations, signing of MOUs with the following was initiated :

M/s NALCO for Aluminium

- MOU Signed

M/s CCL for MCC

- Under process for signing MOU

M/s NMDC for Iron Ore

- Under process for signing MOU

VENDOR DEVELOPMENT:

Vendor Development Section has been designated as a nodal agency for addressing the grievances of Local Small Scale Industries and Down Stream Industries. Recently, One-day Workshop was conducted for the benefit of local industries. Monthly structured inter-active meetings are also taking place on every second Saturday of the month regularly.

FINANCIAL PERFORMANCE:

Description	(Figures in Crs.)	
	2003-04 Actual	2002-03 Actual
Turnover (Gross)	6169.09	5058.25
Total Income	5646.54	* 4414.60
Total expenditure	3573.83	* 3252.69
Gross Margin	2072.71	1161.91
Interest charges	49.04	186.61
Cash Profit	2023.67	975.30
Depreciation	476.48	454.61
Net Profit	1547.19	520.69
Accumulated Loss	2914.08	4461.27

*These figures have been regrouped in line with the figures for the year 2003-04.

The year 2003-04 witnessed a threefold growth in the Net Profit of the Company i.e., Rs. 1547.19 Crores as compared to Rs.520.69 Crores of 2002-03. The entire outstanding loans of Rs.773.27 crores were repaid during the year and the Company became debt free. Efficient Treasury Management, on the financial front, contained the interest cost to Rs.49 Crores for the year 2003-04 as against Rs.186 Crores for the previous year. The Company has also earned interest income of Rs.31 Crores during the year as against Rs.11 Crores over the previous year.

CORPORATE GOVERNANCE:

As a part of Corporate Governance, the Audit Committee of Functional Directors headed by CMD that was constituted in September 1998 for reviewing the important observations of Internal Audit and for taking expeditious actions by concerned Departments where necessary, had held meetings periodically. Appropriate corrective actions where necessary were taken which resulted in considerable savings to the Company.

Internal Audit Department was strengthened by inducting multi disciplinary engineering professionals for wider coverage of Technical aspects for evolving better controls, procedures and improved savings.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of Companies Act, 1956 your directors state as follows:

- (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 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.

REPORT TO BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION:

As the financial results of 1998-99 resulted in erosion of losses by more than 50% of Paid-up-Capital, the matter was reported to BIFR. The Company is still waiting for the approval of Capital Restructuring proposal submitted to the Government. The Company has come out of the category of Potentially Sick Company as on 31.3.2004, when the Company posted a net profit of Rs.1547 crores for the year 2003-04 thereby the cumulative losses have been brought to Rs.2914 crores which is below 50% of the net worth of the Company.

ENERGY CONSERVATION:

As required under the provisions of Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, information relating to Conservation of Energy, Technology Absorption & Foreign exchange earnings and outgo are furnished in the Annexure "A" to this Report and also in Forms "A" & "B".

SAFETY

Visakhapatnam Steel Plant is the first integrated steel plant to be certified for "Occupational Health & Safety Management System" as per British Standards Institute specification, OHSAS: 18001. As a result, Visakhapatnam Steel Plant is now incomparable amongst the Indian Steel fraternity. VSP's safety performance is even better than that of AK Steel, USA which is supposed to be best in safety standard world-wide. Continuous efforts in implementation of safety standards, monitoring of risk control measures and proactive measures has resulted in reduction/elimination of potential hazards in the activities which has helped in achieving 37.29% reduction of reportable accidents in both regular employees and contractual worker categories.

HIGHLIGHTS AND ACHIEVEMENTS

- D "Zero Accident" in 16 departments Viz. OATD, Instn., ETL, Telecom, Hyd.&Lub., EnMD, RMD, PPM, TS, PD, SED, Systems, T&DC, Canteens, Constn., OHSRC.
- D 37.29 % reduction of reportable accidents achieved during the year 2003.
- D 41 % reduction of reportable accidents per 1000 tons of Saleable Steel produced was achieved.
- D 3rd and 4th Surveillance Audits of "Occupational Health and Safety Management System (OHSAS : 18001)" were successfully completed and were appreciated by External Auditors.

AWARDS WON DURING THE YEAR :

1. VSP won "Steel Minister's Trophy" for Best Safety Performance for the year 2002-03.
2. VSP won Chairman's Silvers Plaque for No Fatal Accident for the year.

3. VSP won "Ispat Suraksha Puraskar" second prize for Iron Steel, Coal, Coke and Chemical Zone.
4. VSP received "Green Tech Silver Safety Award" for the year 2002-03 for the best Safety Performance in Steel Sector from M/s Green Tech Foundation, New Delhi.

ENVIRONMENT MANAGEMENT

VSP firmly believes in sustainable development. VSP seeks to manage its activities so as to avoid causing unacceptable risk to members of the public and the environment from all forms of pollution, be it air, water, land or nuisance due to noise while achieving the higher levels of production.

LEGAL COMPLIANCE :

All legal requirements pertaining to environmental protection have been complied with.

- D VSP has the valid consents & authorizations for operation of plant & its mines under the Air Act 1981, Water Act 1974 and Hazardous Waste (M&H) Rules, 1989.
- D Ambient air quality, Stack and Fugitive emissions were maintained within norms prescribed by statutory authorities.
- D All the conditions stipulated by APPCB in the authorization for handling hazardous wastes were complied with.

WASTE MANAGEMENT:

- D About 14343 t of coke sludge, 30912 t of coke dust 6829 t of lime fines, 2430 t of coal dust, 3253 t of ore fines etc. were recovered during the year from DE systems and are sold or recycled in sinter plant.
- D SMS Gas cutting fines recovery and usage in sinter plant initiated.
- D LD slag utilization in sinter plant has been increased by 11.4% over the previous year

WATER CONSERVATION:

- D Various water conservation schemes were implemented which have resulted in reduction

of specific water consumption from 3.96 cum/ t LS in 2002-03 to 3.31 cum/tLS during the year.

TRAINING:

- D About three hundred employees were trained in fifteen programs on waste management and on Oprn. & Maint. of dust extraction systems.
- D About 225 junior officers were trained on environmental management activities at VSP as a part of their comprehensive managerial course.

ENVIRONMENTAL MANAGEMENT SYSTEM :

- D The environmental management system as per ISO : 14001 – 1996 was effectively implemented.
- D 85 objectives & targets have been taken up and corresponding EMPs have been prepared for improving the environment in 03-04.
- D The effective implementation of EMS is ensured by regular reviews.

MANPOWER:

The total manpower of the organization has been kept within the sanctioned strength given by the Ministry. During the period from 01.04.2003 to 31.03.2004, there was a net decrease of manpower by 139 i.e. from 16,894 as on 01-04-2003 to 16,755 as on 31-03-2004.

As on 31-03-2004, the number of Displaced Persons on the rolls of VSP was 5,731 i.e. 34.20% of total employees.

The overall representation of Scheduled Castes (SCs) and Scheduled Tribes (STs) as on 31.03.2004 is 16.5% and 6.07% respectively.

(i) REPRESENTATION OF SCHEDULED CASTES(SCs) AND SCHEDULED TRIBES (STs):

The group-wise representation of SCs and STs in the company as on 31-03-2004 is as follows:

GROUP	TOTAL STRENGTH	SC	SC%	ST	ST%
A	4533	738	16.28	169	3.73
B	899	155	17.24	67	7.45
C	9542	1606	16.83	648	6.79
D	1731	249	14.38	132	7.63
D' (Sweepers)	50	17	34.00	1	2.00
TOTAL	16755	2765	16.50	1017	6.07

(ii) POSTS FILLED BY RECRUITMENT:

Class of Posts	Total no. of vacancies filled	No. of vacancies reserved for (out of Col.1)		No. of candidates appointed	
		SC	ST	SC	ST
	(1)	(2)	(3)	(4)	(5)
A	-	-	-	-	-
B	-	-	-	-	-
C	9	0	0	1	0
D	2	-	-	1	-

(iii) POSTS FILLED BY PROMOTIONS :

Class of Posts	Total no. of vacancies filled	No. of vacancies reserved for (out of Col.1)		No. of candidates appointed	
		SC	ST	SC	ST
	(1)	(2)	(3)	(4)	(5)
A	271	40	20	47	23
B	-	-	-	-	-
C	-	-	-	-	-
D	-	-	-	-	-

WELFARE ACTIVITIES

In connection with Jayanthi Celebrations of Babu Jagjeevan Ram and Dr. B R Ambedkar, Garlanding Functions followed by Commemoration Meeting were organised at Babu Jagjeevan Ram Children's Park, Sector-V on 05.04.2003 and at Dr. B R Amedkar Park, Sector-V on 14.04.2003.

A Sports & Cultural Festival was organised during the month of April 2003 at CWC, Ukkunagaram in connection with Dr B R Ambedkar Jayanthi Celebrations-2003. VSP had organised Independence Day Celebrations on 15.08.2003 and Republic Day celebrations on 26.1.2004 at Trishna Grounds, Ukkunagaram.

In connection with Vardhanthi Celebrations of Dr B R Ambedkar, garlanding function followed by a commemoration meeting was organised on 06.12.2003 at Dr. B R Ambedkar Park, Sector-VI.

RINL/VSP had given 11 nos. of Scholarships for the children of General, SC/ST and Physically Handicapped children of VSP employees during the year 2003-04.

VSP organised RINL Turnaround Function & RINL Formation Day Celebrations-2004 on 17th & 18th February, 2004 which were witnessed by more than 50,000 people.

355 cases have been covered under Employees' Family Benefit Scheme till the year 2003-04 extending Monthly Benefit to the dependents of the deceased employees/medically unfit cases.

Women employees have been associated in appropriate Committees to provide for an opportunity of exposure and development. Special programmes for women employees have been organised by HRD directly and also through the WIPS (Women in Public Sector Undertakings) which has been formed under the aegis of SCOPE.

While a specific Clause of misconduct on "Sexual Harassment of working women", has been included in CDA Rules / Standing Orders, Educational and Awareness exposure programmes have also been initiated in line with the Directives issued by Government of India from time to time.

INDUSTRIAL RELATIONS (IR)

The overall Industrial Relations (IR) scenario remained peaceful throughout the year. In spite of active participation and involvement of Trade Unions in nationwide strike on 21.05.2003 & 24.02.2004 and several other agitational activities, production continued unhampered. Secret Ballot Election was held on 21.06.2003 to determine the majority union in VSP. The majority union – Visakha Steel Employees Congress (INTUC) was accorded status of Recognition on 21.08.2003. A host of proactive initiatives which include continuous interaction with the Plant and Shop floor Level Union leaders with a view to building up commonality of perceptions on Organisational issues, strict monitoring of welfare measures and quick redressal of staff grievances were taken to promote and sustain a conducive IR climate propitious for higher production and productivity and there was no mandays loss/production loss. Consequently, the average Labour Productivity during 2003-2004 increased to 262 tonnes/manyear, which is much higher than the DPR norm and is the highest among the integrated Steel Plants in India. All time record production bears testimony to harmonious IR climate prevailing in VSP.

WORKERS' PARTICIPATION:

Workers' Participation has been given due emphasis and 70 Participative Committees at the Corporate, Shop/Department and Productivity Council at the Apex level have been constituted with equal participation from the Management and the Workers to discuss subjects on production,

productivity, quality, safety, corporate affairs, sports, recreation and also other work related issues like incentives, job rotation, deployment and re-deployment etc.

IMPLEMENTATION OF OFFICIAL LANGUAGE :

During the period 90 employees were trained in 4 Hindi Workshops and 205 employees were trained in Hindi Probodh and Praveen.

A training programme on translation from 09.06.03 to 13.06.03 was conducted by Kendriya Hindi Prashikshan Samsthan, Govt. of India, New Delhi at T&DC Visakhapatnam Steel Plant.

On 08.07.03 a Hindi Seminar on 'Water Conservation' was organised.

On 15-09-2003 (Monday), Hindi Day was celebrated by the Officers of Hindi Section at the Regional Offices of VSP (Delhi, Kolkata, Mumbai & Chennai) for the first time.

Hindi Month was organised in September, 2003. Different Hindi Competitions were organised for VSP employees and their family members.

During the period, Hindi Computer Training (Shusha Fonts) was given to employees and Shusha Font is loaded in the PCs of all the Depts./Sections.

Inspections were organised in the offices of 13 Depts./Sections and in some of the Branches of Marketing Dept.

DISPOSAL OF STAFF/PUBLIC GRIEVANCES

RINL/VSP has given top priority to the redressal of grievances-Staff as well as Public grievances.

STAFF GRIEVANCES

With a view to providing Forums for redressal of grievances at Shop/Section/Department/Plant/ Company level and settling the grievances of employees expeditiously within stipulated time so as to help obviating dissatisfaction, a

comprehensive grievance redressal system exists for Executive as well as Non-Executive employees. In pursuance of the directives from the Ministry of Steel laying down guidelines for activating grievance redressal machinery in respect of Staff/ Public grievances, all Zonal Personnel Executives(ZPEs) give utmost priority for redressal of grievances. Besides, CEO Direct, a Communication Forum between cross section of employees and CMD has been continuing since May, 2003 and so far 475 employees have been covered under 12 sessions.

PUBLIC GRIEVANCES

In compliance with the directives of Ministry of Steel from time to time the following actions have been taken to activate Public Grievance Redressal System.

As regards the Public Grievances appearing in the newspaper column, Corporate Communications Department is entrusted with the job of scrutinizing and forwarding the grievances to the concerned Head of the Department who in turn would examine the grievances and take prompt action for its redressal.

A senior level executive in the rank of Deputy General Manager is functioning as OSD (Public Grievances) in order to monitor the redressal of Public Grievances centrally and compile monthly status reports on disposal of Public Grievances for submission to the Ministry of Steel.

The status of receipt and disposal of Staff/Public Grievances during the period 2003-04 is as under :

Description	Number of Grievances		
	Received	Disposed Off	Pending
Staff Grievances	456#	448	08
Public Grievances	Nil	Nil	Nil

The figure includes 5 Nos. of old cases pertaining to earlier period.

MANAGEMENT SERVICES DEPARTMENT

1. 4 teams participated at the National convention organised by QCFI at Madurai and all the four teams bagged awards in excellent category and have an entry to participate in international convention.
2. VSP has bagged QCFI-NMDC Trophy for the best QC promoting Public Sector Organisation-2002-03. This award to VSP was presented to VSP officials on 4th Dec.'03 during the National Convention through the hands of Sri P.S.Ram Mohan Rao, His Excellency, Governor of Tamil Nadu.
3. 3838 QC projects implemented covering around 65% employees. Bi-monthly QC letter is published giving the different activities and also the happenings about QCs.
4. 32920 suggestions are developed and 8543 suggestions are implemented.
5. The 5 S concept was launched in Jan 2004. The concept was introduced to all senior executives by an exposure programme.
6. The gold and Silver Medal and best suggestors was presented during trunaround celebrations by the Governor of AP on 18th Feb, 2004. A regular slogan, poster and technical paper competitions are conducted. Shri N. Nageswara Rao, Techn (M), SMS has won second prize as best suggestor contest at the National Convention held at Tirichi.
7. The employees are motivated to operate consistently at these levels throughout the year and saleable steel touched 119% of the rated capacity.
8. Employee Instantaneous Recognition Scheme is introduced to reward an individual employee immediately by the HOD for a good job done. This will motivate to improve the belongingness amongst all other employees.

VIGILANCE ACTIVITIES:

During the year:

- i) Vigilance Department conducted 363 system checks including 41 quality checks and 50 rake/road re-weighments. The vigilance observations were brought to the notice of the concerned for taking corrective actions/ improvement of the existing procedures/ systems, wherever required.
- ii) Vigilance Awareness Week was observed during the week 3rd November, to 8th November 2003. During the week from 4th November to 7th November, 2003, presentations cum interaction sessions were held, which were attended by over 1000 middle and senior level Executives of the Company. During these sessions, relevant issues were discussed, doubts clarified and practical inputs were imparted to the participants.

The inaugural session on 3.11.2003 and valedictory session on 8.11.2003 were graced by CMD, Directors and senior officers of the Company as well as a large cross section of the executive community. During the valedictory session, prize-winning slogans were displayed and prizes were distributed to all prize winners from among company employees as well as students.
- iii) On the preventive vigilance front, greater thrust was laid on examination of tenders at the processing stage with a view to modifying certain restrictive tender clauses to increase competition.
- iv) Proactive vigilance work was done in the areas of estimation, award and execution of contracts pertaining to operation, maintenance, procurement and marketing and management exhibited positive attitude towards the suggestions of the Vigilance.
- v) Close interaction was maintained with CBI. Pending cases were reviewed periodically and full co-operation was extended to them.

vi) All the periodical statistical returns/reports were submitted to MOS, CVC, CBI and DOPT in time.

vii) All the physical targets set for the Department for the year 2003-04 were fulfilled.

TRAINING DEPARTMENT

A) EMPLOYEES DEVELOPMENT PROGRAMMES :

1. A total number of 34,629 employees were trained, achieved 9.8 man days of training per employee per year, by registering a growth of nearly 17% in number of persons trained and 25% in man days of training per employee per year, over previous year.
2. With regard to quality of training, in reaction level feed back 86% participants rated >4 on a 5-point scale, in learning level 84% participants scored >60% marks in post training tests, in application level feed back, controlling officers rated >3.5 for 80% participants on a 5-point scale.
3. A survey was conducted on evaluation of service quality by internal customers during October-November, 2003. The perception of 241 Sr. officers (E-6 & above) and 1621 other officers & employees have been obtained the average rating given by employees is 3.79 up to E-5 level and 4.04 by E-6 & above on 5 point scale.

B) REVENUE GENERATION :

- a) Training charges received from other organizations
(NINL, MGIT etc.) Rs. 37, 16, 400/-
 - b) Amount received from other organizations for utilization of facilities at T&DC and Hostel
(Rs.6310/- +Rs.2, 92,580/-) Rs 2, 98, 890/-
- Total Rs.40,15,290/-

HRD GROUP

A) IN-HOUSE AND EXTERNAL TRAINING PROGRAMME

Achieved a fulfillment of over 270% with 4360 employees trained during the year against an MOU target of 1600 as shown below :

	In-house	External	Total
No. of Programmes	122	224	346
No. of Executive Participants	2836	723	3559
No. of Non-executive Participants	727	74	801
Total Participants	3563	797	4360
Total Training Mandays	5091	2680	7771

Programmes on a number of unique themes were conducted with renowned outside experts. Almost all the regular programmes were facilitated with the help of internal faculty members.

B) ORGANISATIONAL RESEARCH

Employees Satisfaction Survey was conducted during 6-17 November, 2003 in Works and Non-Works division covering nearly 2000 employees with internal facilitators from HRD and Training Departments.

AUDITORS

M/S PB Vijayaraghavan & Co., Chennai are the Auditors of the Company and their report is enclosed.

DIRECTORS

Shri Y Siva Sagar Rao was appointed as full time Director (Commercial) on 1st August, 2003.

Shri P K Bishnoi was appointed as full time Director (Finance) on 1st April, 2004.

Shri K K Rao was appointed as full time Director (Operations) on 17th August, 2004.

Dr. SY Quraishi, Additional Secretary & Financial Adviser in the Ministry of Steel was appointed as a part-time Official Director with effect from 11th September, 2003.

Shri SKS Narayan, Director (Commercial) superannuated on 31st July, 2003.

Shri DP Singh, Additional Secretary & Financial Adviser in the Ministry of Steel relinquished the post of part-time official Director on 2nd September, 2003.

The Board placed on record its deep sense of appreciation to Shri SKS Narayan and Shri DP Singh for their valuable contributions in the deliberations of the Board.

C & AG REVIEW

The Comments of the Comptroller and Auditor General of India (C&AG) and also the Review on Accounts of the Company are enclosed.

ACKNOWLEDGEMENTS :

The Board places on record the excellent co-operation extended by the employees of the Company. It also places on record its appreciation

for the co-operation extended by its valued suppliers and customers. The Board also acknowledges the support and guidance received in full measure from the Ministry of Steel and also from the different departments of Government of India and Andhra Pradesh. It also places on record the support and assistance received from various financial institutions, Banks and numerous other agencies.

For and on behalf of Directors



(B K Panda)

Chairman-cum-Managing Director

Visakhapatnam

Date : 16-9-2004

Adopted at the 22nd Annual General Meeting held on 16th September, 2004



सत्यमेव जयते

MOU AWARD

GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES
DEPARTMENT OF PUBLIC ENTERPRISES

Dr. Manmohan Singh
Hon'ble Prime Minister of India
is pleased to award

Rashtriya Ispat Nigam Limited

MERIT CERTIFICATE

for Excellence in the Achievement of MOU Targets
for the year 2002 - 2003

AKushare

Secretary to Government of India
Department of Public Enterprises

New Delhi
September 04, 2004

TECHNO-ECONOMIC PERFORMANCE

Continuous Study, analysis of data using fundamental process principles and statistical quality control techniques were used to monitor important process parameters for achieving improvement in technical parameters as given below :

Shop	Parameter	Unit	03-04	Previous best	
RMPH & Traffic	Wagons tipped – Overall	Nos/day	554	523	02-03
	Sized ore preparation	t/day	4164	3865	02-03
	Average outward Rake Retention Time	Hrs.	30.35	30.44	02-03
COCCP	Yield /t of dry coal charged				
	Nut coke	%	5.99	5.82	02-03
	Soft pitch yield/t of				
	Tar distilled	%	37.00	36.79	98-99
	Tar sludge+Benzol				
	Muck recycling	t	4791	3173	02-03
	Coke dust recycling	t	1454	1154	02-03
SP	Productivity – Total	t/Hr/Sq.M	1.43	1.34	02-03
	- M/c –1	t/Hr/Sq.M	1.43	1.34	02-03
	- M/c –2	t/Hr/Sq.M	1.43	1.34	02-03
	Specific heat Consumption	Mcal/tGS	33	37	02-03
	LD Slag Recycling	t	128126	115023	02-03
	Coke Dust Recycling	t	30912	27300	02-03
BF	BF Productivity(u.vol)	t/d/Cum	1.76	1.72	02-03
	Not Dry casts/Total casts	%	0.32	0.41	02-03
	Specific Power Consumption	kwh/tHM	54.77	55.44	02-03
	Specific Heat Consumption	Mcal/tHM	521	523	02-03
	LD slag	t	6131	2526	02-03

Shop	Parameter	Unit	03-04	Previous best	
SMS	Heats/day	Nos.	66.6	64.1	02-03
	Heats/Sequence	Nos.	17.7	15.2	02-03
	Average Converter Life	Heats	1955	1655	02-03
	Average Ladle Life	Heats	75.1	69.6	02-03
	Average Tundish life	Heats	4.5	4.3	00-01
	Cast Blooms Yield	%	94.10	93.98	02-03
	Sp. Refractories	kg/tLS	9.25	9.71	02-03
	Sp. Oxygen conspn.	Ncum	55.78	56.98	02-03
	Sp. Heat conspn.	Mcal/tLS	40	43	99-00
LMMM	Billets Yield	%	97.659	97.658	96-97
	Bar Mill Rolling Rate	t/hr	146	144	02-03
	Bar Mill Sp.Heat conspn	Mcal/t bil rld.	21.60	21.70	02-03
WRM	Yield	%	97.81	97.73	02-03
	Average rolling rate	t/hr.	165	163	02-03
	Specific Heat conspn.	Mcal/t bil rld	259	260	02-03
	Specific power conspn	kwh/t bil rld	126.14	126.94	02-03
MMSM	Yield	%	95.73	95.46	02-03
	Specific Power conspn	kwhr/t blm rld	91.89	96.08	02-03
CRMP	Briquette production	t.	35025	28839	02-03
OVERALL	Specific energy conspn	G cal/t LS	6.07	6.13	02-03
	Labour productivity	t/man/year	262	253	02-03
	Gross Water consmpn	Cum/t LS	3.31	3.96	02-03
	Semis in Sal. Steel	%	12.20	14.21	02-03

ENERGY CONSERVATION MEASURES TAKEN DURING THE YEAR 2003-04 :

A Specific Energy Consumption reduced from 6.13 G cal/tLS in 2002-03 to 6.07 G Cal/tLS in 2003-04 due to various energy initiatives taken during the year and the Production Unit-wise details are given below:

1. Specific Heat consumption in CO Battery decreased from 666 M cal/t DCC in 2002-03 to 652 M cal/t DCC in 2003-04 by strict adherence to thermal regime.
2. Specific Heat consumption in Sinter Plant decreased from 37 Mcal/t of Sinter produced in 2002-03 to 33 M cal/t of sinter produced in 2003-04 by optimizing furnace parameters.
3. Specific heat consumption in BF stoves decreased from 523 M cal/t HM in 2002-03 to 521 M cal/tHM in 2003-04 by repairing damaged chequered brick work.
4. Specific heat consumption in SMS decreased from 46 M cal/tLS in 2002-03 to 40Mcal/tLS in 2003-04 by proper up keep of heating devices for tundishes, ladles & mixers.
5. Specific heat consumption in WRM decreased from 260M cal/t of billet rolled in 2002-03 to 259 M cal/t of billet rolled in 2003-04 by improving rolling time and rolling rate.
6. Specific heat consumption in MMSM decreased from 359 Mcal/t blooms rolled in 2002-03 to 345 M cal/t blooms rolled in 2003-04 by optimal utilisation of furnaces.

B OTHER ACHIEVEMENTS:

1.	LD gas recovery plant	
	Total volume of LD gas recovered	366.59 Mncum
2.	Power generation at	
a.	Back pressure turbine station	
	Total power generated	86493 mwh
b.	Gas Expansion turbine station	
	Total power generated	92766 mwh

C FOREIGN EXCHANGE EARNINGS & OUTFLOW:

Foreign Exchange Inflow	Rs. 780.90 crores
Foreign Exchange Outflow	Rs. 1208 crores

FORM 'A'

Form for disclosure of particulars with respect to conservation of energy

A. Power and fuel Consumption	Current Year 2003-04	Previous Year 2002-03
1. Electricity		
(a) (i) Purchased from AP Trans Co.	90528	84858
Unit	MWH	MWH
Import value (incl. Demand charges) (Rs. Crs)	65.20	53.47
Rate/Unit(average) Rs./MWH	7202	6301
ii) Gross Export to AP Trans Co.	*84734	133563
Unit	MWH	MWH
Export Value Rs.(crores)	9.02	42.34
Rate/Unit (average)Rs./MWH	1065	1980
iii) Net Export to AP Trans Co.	(-) 5794	48705
Unit	MWH	MWH
(b) Own generation		
(i) Through Diesel Generator	---	---
(ii) Through Steam Turbine/Generator		
Thermal Power Plant	1802839	1765210
Units	MWH	MWH
Units per liter of fuel oil	2.4	4.5
Cost/Units (Rs./MWH)	2023	1840 **
Back Pressure Turbine Station	86493	102512
Cost/Units (Rs./MWH)	1853	1418 **
Gas Expansion Turbine Station	92766	95746
Cost/Units (Rs./MWH)	227	138 **
2. Coal (Specify quality and where used)		
Thermal Power Plant		
Boiler coal		
Quantity (tonnes)	1518161	1505568
Total cost(Crores)	148.77	143.4
Average rate(Rs./Tonne)	979.94	952.6
Imported Coking Coal(ICC)		
Quantity (tonnes)	2745166	2796646
Total Cost (Crores)	862.51	879.0
Average Rate(Rs./Tonne)	3142	3143
Imported Soft Coal (ISC)		
Quantity (tonnes)	48332	-
Total Cost (Crores)	12.86	-
Average Rate(Rs./Tonne)	2660	-
Indigenous Medium Coking Coal (MCC)		
Quantity (tonnes)	448821	399825
Total Cost (Crores)	148.77	125.7
Average Rate(Rs./Tonne)	3314.78	3144.4

		Current Year 2003-04	Previous year 2002-03
3. Furnace Oil			
Quantity (k.ltrs)		997.227	396
Total Amount(crores)		1.22	0.39
Average rate(Rs./Kl)		12262	9848
4 Others			
HSD			
Quantity(Kl)		2803.926	2843
Total cost(crores)		5.90	5.4
Average Rate(Rs./Kl)		21028	19170
BF Coke Purchased			
Quantity(tonnes)		276610	100422
Total cost (crores)		223.92	62.0
Average rate(Rs./ton)		8095.33	6179
Coke Breeze Purchased			
Quantity(tonnes)		5159	0
Total cost (crores)		2.75	-
Average rate(Rs./ton)		5331.89	-
B. Consumption per unit of production:			
Liquid Steel Production	Tonnes	3508252	3356796
Item	Unit		
Purchased Electricity	KWH/tLS	25.8	25.3
Boiler Coal	Kg/tLS	393.8	448.5
Imported Coking Coal(ICC)	Kg/tLS	772.3	833.1
Imported Soft Coal (ISC)	Kg/tLS	13.5	0.0
Medium Coking Coal (MCC)	Kg/tLS	127.9	119.1
Total Coking coal	Kg/tLS	913.8	952.2
Furnace Oil	Liters/tLS	0.3	0.1
HSD	Litres/tLS	0.65	0.85
BF Coke Purchased	Kg/tLS	75.2	29.9
Coke Breeze Purchased	Kg/tLS	1.5	0.0

NOTE:

- i) Purchased electricity is more due to increase in production.
- ii) BF Coke purchase is more due to increase in production.
- iii) Coke breeze purchase is more due to increase in production.
- iv) tLS = tonne of Liquid Steel, HSD= High Speed Diesel MWH=Mega Watt Hour

* Agreement with APTRANSCO for Export of Power expired on 31-12-2002. Pending renewal of agreement, APTRANSCO permitted the Company to export power from 21-5-2003. The Gross Power exported from 1-1-2003 to 20-5-2003 is 13122 MWH. [2002-03-9434 MWH & 2003-04 (upto 20-5-03) - 3688 MWH] amounting to Rs. 1.31 Crores. (Note 18 of Notes to Accounts for the year 2003-04 explains the matter).

** Last year figures have been updated.

FORM - B

Form for disclosure of particulars with respect to Technology Absorption

- | | |
|---|---|
| 1. Specific areas in which R&D was carried out by the company | <p>a) Trouble shooting</p> <p>b) Process improvement in the form of carrying out small but decisive changes or additions in the technologies available in the company to derive benefits of enhanced efficiency, reduction in cost and improved quality.</p> <p>c) Product development</p> |
| 2. Benefits derived as a result of the above R&D | A brief note on R&D activities taken up during 2003-04, and the benefits derived is given in Enclosure-1. |
| 3. Future plan of action | <p>R&D projects planned for 2004-05 are :</p> <ol style="list-style-type: none">1. Development of model for coal blend selection based on the requirement of CSR, CRI, M10 & coke ash.2. Study for reduction in gangue content of sinter to reduce specific slag volume in BF.3. Study for use of alternate recarburizer for production of carbon steel.4. Study for improving properties of 12mm rebars in WRM. |
| 4. Expenditure on R&D | |
| a) Capital | Estimated expenditure on various R&D projects was around Rs 2.5 crores which was included in the over all plant expenditure |
| b) Recurring | R&D costs and the new development costs are all charged at the time they are incurred. |
| c) Total R&D expenditure as a % of total turn over | 0.04% |

RESEARCH & DEVELOPMENT ACTIVITIES DURING 2003-04

1.0 IMPROVEMENT IN PRODUCT QUALITY

At VSP, Monitoring and Control starts from raw materials to various stages of processing in order to achieve the final product quality jointly by the Operation and QATD personnel.

Testing, Inspection and Monitoring at each stage of production process by the line operators has helped reducing the quality deficiency and in turn improved the consistency level. The end results of reduction in defectives over the years are highlighted in Annexure-2. Strict adherence to work procedures and work instructions has been a step forward in the direction of systematic working of the plant. The internal quality audits, preventive & corrective actions and SQC techniques have been used for achieving improvement in the product quality.

2.0 NEW PRODUCTS :

Following new products have been developed during 2003-04

2.1 NEW SECTIONS :

Bar mill : 40mm rebar

MMSM : 90mm billet

2.2 GRADES :

EN8A	60Si7Cr	Fe500S	1008H
65Si7Cr	1008S	3SP	1008M
1026	S43C	S55C	HSCRM
S48C	1043		

3.0 IMPROVEMENT IN PROCESS AND QUALITY :

Technological improvements which have been achieved during this period are as follows:

- D Strategic use of semi soft coal as a partial replacement of costlier medium coking coal.
- D Screening of yard coke for generation of Nut coke so as to reduce the load on external purchase of metallurgical coke.
- D Developments of a new scheme at BHS for blending of coke having varied quality characteristics from different sources.
- D To make use of unused carbon blocks for BF capital repairs as a partial replacement of Petro coke for production of Carbon steel.

4.0 R & D ACTIVITIES AND BENEFITS ACCRUED :

Activity	Result achieved
1) Oxygen enrichment in Blast furnaces.	With the in-house available Oxygen, enrichment was successfully done upto 1.5 - 1.6%. Improvement in the production has been to the tune of 250 t/day/furnace.
2) Study for establishing requirements of effective slag splashing.	Slag chemistry was optimized to make it suitable for effective splashing. Assessment of optimum Nitrogen pressure was made to physically lift the slag to reach the top cone.
3) Quantitative determination of grain boundary pro-eutectoid phase in HC wire rods and its effect on further processing.	A high level carbon segregation is understood to be the primary reason for precipitation of the pro-eutectoid phase (Cementite) in High Carbon wire rods. Effects of process parameters such as laying head temperature, rolling speed, stelmor speed, blower capacity etc., were studied in details.
4) Study of scale formation and descaling behavior of steel manufactured at VSP.	The Fe loss as a percentage weight are found to be 1.2, 1.3 & 1.5 in LMMM, MMSM & WRM reheating furnaces respectively. The scale loss can be reduced by monitoring air-fuel ratio or result 2-3% of Oxygen in combustion gas of reheating furnace.

Annexure - 2

% DEFECTIVE GENERATION WITH RESPECT TO SALEABLE STEEL

Product	2000-01	2001-02	2002-03	2003-04
Wire rods	0.12	0.12	0.08	0.07
Bar mill	0.18	0.13	0.16	0.13
MMSM	0.23	0.23	0.21	0.16
Billets	0.14	0.12	0.14	0.11
Blooms	1.45	1.59	1.51	1.55

CUSTOMER QUALITY COMPLAINTS

Parameter	2000-01	2001-02	2002-03	2003-04
No. of complaints	349	210	231	216
Quantity of complaints (tons)	3452	2957	2711	2192
% in tonnage of complaint against domestic sales	0.14	0.12	0.10	0.08

**REVIEW OF ACCOUNTS OF RASHTRIYA ISPAT NIGAM LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2004
BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

(This review of Accounts is prepared without taking into account the comments of C&AG of India under Section 619(4) of the Companies Act, 1956)

1. FINANCIAL POSITION

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

(Rs. in crore)

LIABILITIES	2001-02	2002-03	2003-04
a) Paid-up Capital			
i) Government	7827.32	7827.32	7827.32
ii) Others	—	—	—
iii) Share money Pending Allotment	—	—	—
b) Reserves & Surplus			
i) Free Reserves & Surplus	—	—	—
ii) Share Premium Account	—	—	—
iii) Capital Reserves	—	—	—
c) Borrowings			
i) From Govt. of India	0.22	—	—
ii) Financial Institutions	1172.73	674.84	—
iii) Foreign Currency Loans	1.17	1.28	—
iv) Cash Credit	613.19	411.08	37.17
v) Others	202.68	100.00	—
vi) Interest Accrued & Due	0.60	0.05	—
d) i) Current Liabilities & Provisions	1171.65	1172.97	1156.15
ii) Provision for Gratuity	49.34	56.77	79.20
Total	11038.90	10244.31	9099.84
ASSETS			
e) Gross Block	8702.79	8730.76	8709.72
f) Less: Cumulative Depreciation	4467.75	4903.18	5337.59
g) Net Block	4235.04	3827.58	3372.13
Assets held for disposal	—	—	0.03
h) Capital Work-in-Progress	7.22	11.83	25.45
i) Investments*	0.00	0.00	0.00
j) Current Assets, Loans & Advances	1713.79	1863.60	2726.69
k) Miscellaneous Expenditure (to the extent not written-off)	100.89	80.02	61.45
l) Accumulated Loss	4981.96	4461.28	2914.09
Total	11038.90	10244.31	9099.84

* Investments amounted to Rs.0.03 lakhs and hence are shown as NIL in Crore Rupees.

m)	Working Capital [(j-d(i)-c(vi))]	541.54	690.58	1570.54
n)	Capital employed (g+m)	4776.58	4518.16	4942.67
o)	Net Worth [a+b(i)+b(ii)-k-l]	2744.47	3286.02	4851.78
p)	Net worth per rupee of Paid-up Capital (Rs.)(o/a) (including Share Money Pending Allotment)	0.35	0.42	0.62

2. 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 :

	2001-02	2002-03	2003-04
A) Liquidity Ratios :			
Current Ratio (Current Assets to Current Liabilities & Provisions and Interest accrued & due but excluding provision for Gratuity) $\{j/[d(i)+c(v)]\}$	1.46	1.59	2.36
B) Debt Net Worth Ratio Long Term Debt to Equity [c (i to iv but excluding short term loans)/o]	0.50	0.24	0.00
C) Profitability Ratios			
a) Profit before tax to			
i) Capital Employed (%)	—	12	31
ii) Net Worth (%)	—	16	32
iii) Sales (%)	—	10	25
b) Profit after tax to Equity (%) *	—	6.7	19.77
c) Earning per Share (in Rupees)	—	106.48	316.41
*Including Preference share Capital			

3. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 2046.10crore from internal and external sources were utilised during the year ended 31st March, 2004 as given below:

	(Rs. in crore)
A) SOURCES OF FUNDS	
a) Funds From Operations	2045.48
b) Sale of Fixed Assets	0.61
Total Funds inflow during the year	2046.09
B) UTILISATION OF FUNDS	
c) Increase in Working Capital	879.96
d) Decrease in Borrowings	1150.03
e) Increase in Fixed Assets	16.10
Total funds outflow during the year	2046.09

4. CAPACITY UTILISATION

The following table indicates the position of capacity utilisation of different production facilities for the last three years :

PRODUCT	YEAR	Installed Capacity	Actual Production	Percentage of Actual Production to Installed Capacity
		— TONNES '000—		
a) Wire Rods	2001-02	850	868	102
	2002-03	850	915	108
	2003-04	850	974	115
b) Light & Medium Merchant Products - Bar Mill	2001-02	710	715	101
	2002-03	710	799	113
	2003-04	710	815	115
c) Saleable Billets	2001-02	246	231	94
	2002-03	246	279	113
	2003-04	246	224	91
d) Medium Merchant & Structural Mill	2001-02	850	782	92
	2002-03	850	908	107
	2003-04	850	993	117
e) Pig Iron	2001-02	556	374	67
	2002-03	556	517	93
	2003-04	556	439	79
f) Granulated Slag	2001-02	1440	1281	89
	2002-03	1440	1499	104
	2003-04	1440	1569	109
g) Coke Ovens By-Products	2001-02	186	136	73
	2002-03	186	145	78
	2003-04	186	150	81

5. WORKING RESULTS

The Company started Commercial Production in 1990-91. The following table indicates the position of Sales and Profit/Loss (-) for the last three years :

	(Rs. in crore)		
	2001-02	2002-03	2003-04
Sales	4080.95	5058.25	6169.09
Profit/Loss (-)	- 75.15	520.69	1547.19

6. INVENTORIES

The following table indicates the position of inventory at the end of last three years:

	(Rs. in crore)		
	2001-02	2002-03	2003-04
Raw Materials	234.43	283.17	185.69
Stores & Spares including Scrap	342.50	321.02	292.89
Semi Finished/Finished Goods	534.46	253.36	227.76
Total	1111.39	857.55	706.34

The stock of raw materials in terms of number of months consumption increased from 1.76 in 2001-02 to 1.88 in 2002-03 and decreased to 1.09 in 2003-04.

7. SUNDRY DEBTORS VIS-À-VIS SALES :

The following table indicates the value of Sundry Debtors and Sales for the last three years:

	(Rs. in crore)		
Particulars	Ason 31.3.2002	Ason 31.3.2003	Ason 31-3-2004
SUNDRY DEBTORS :			
Considered Good	212.49	217.58	85.62
Considered Doubtful	11.97	20.20	20.85
Total	224.46	237.78	106.47
Sales			
Percentage of Debtors to Sales	5.50	4.70	1.73

Sd/-
(A. Srinivas Kumar)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board
Hyderabad

Place: Hyderabad
Date : 23 August 2004

Audited Accounts 2003 - 2004

BALANCE SHEET AS AT 31st March 2004

Rupees in lakhs

	Schedule No.		As at 31st March, 2004		As at 31st March, 2003
SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS:					
Share Capital	1		782731.62		782731.62
LOAN FUNDS :					
Secured loans	2	3717.06		71107.82	
Unsecured loans	3	-	3717.06	47483.71	118591.53
			<u>786448.68</u>		<u>901323.15</u>
APPLICATION OF FUNDS :					
FIXED ASSETS :					
Gross block	4	870971.72		873075.65	
Less: Depreciation		533759.04		490317.66	
Net block		<u>337212.68</u>		<u>382757.99</u>	
Held for disposal	5	3.51		-	
Capital work-in-progress	6	2544.87		1182.85	
			<u>339761.06</u>		383940.84
INVESTMENTS	7		0.03		0.03
CURRENT ASSETS, LOANS & ADVANCES :					
Inventories	8	70634.36		85755.23	
Sundry debtors	9	8561.55		21757.92	
Cash & Bank balances	10	135971.27		54157.34	
Other Current assets	11	2431.49		526.06	
Loans & Advances	12	55070.25		24163.47	
		<u>272668.92</u>		<u>186360.02</u>	
LESS : CURRENT LIABILITIES & PROVISIONS :					
Liabilities	13	107883.84		114037.78	
Provisions	14	15651.27		9069.97	
		<u>123535.11</u>		<u>123107.75</u>	
Net Current assets			149133.81		63252.27
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15		6145.06		8002.46
PROFIT & LOSS ACCOUNT					
Total			<u>291408.72</u>		446127.55
			<u>786448.68</u>		<u>901323.15</u>
Accounting Policies & Notes to Accounts	27				
Schedules 1 to 27 annexed form part of the Accounts					

Vide our report of even date
for P.B.VIJAYARAGHAVAN & CO
Chartered Accountants

Sd/-
(B.K.Panda)
Chairman-cum-Managing Director

Sd/-
(P.K.Bishnoi)
Director (Finance)

Sd/-
(P.Mohan Rao)
Company Secretary

Sd/-
(P.B.Santhanakrishnan)
Partner

Place : New Delhi
Date : 24th June, 2004

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2004

Rupees in lakhs

	Schedule No.	For the year ended 31st March, 2004	For the year ended 31st March, 2003
INCOME			
Gross Sales	16	616909.25	505825.04
Less: Excise duty recovered on sales		<u>70618.35</u>	<u>59361.55</u>
Net Sales		546290.90	446463.49
Internal consumption		500.19	277.15
Accretion/ (depletion) to Stock of Semi-finished/Finished goods	17	(2560.66)	(28109.12)
Interest earned	18	3119.01	1131.50
Other revenue	19	17304.50	21696.56
Total		<u>564653.94</u>	<u>441459.58</u>
EXPENDITURE			
Raw materials consumed	20	205043.47	180565.17
Employees' remuneration & benefits	21	48115.35	40599.07
Stores & spares consumed		34773.03	32282.20
Power & fuel	22	22004.01	20099.13
Repairs & maintenance	23	8447.88	7798.97
Contributions to Joint Plant Committee funds		68.33	72.43
Freight outward		25565.13	27199.93
Other expenses & provisions	24	22047.18	20535.07
Interest & finance charges	25	4889.89	18583.15
Depreciation		45727.49	43734.43
Wealth tax		7.70	3.50
		<u>416689.46</u>	<u>391473.05</u>
Less: Inter account adjustments-raw material mining cost		2112.28	1825.54
Net expenditure		<u>414577.18</u>	<u>389647.51</u>
Profit for the year		150076.76	51812.07
Prior period adjustments- Net credit	26	4642.07	256.60
Net Profit		<u>154718.83</u>	<u>52068.67</u>
Balance of loss brought forward from previous year		446127.55	498196.22
Balance of loss carried to Balance sheet		<u>291408.72</u>	<u>446127.55</u>
Accounting policies & Notes to accounts	27		
Schedules 1 to 27 annexed form part of the accounts			

Vide our report of even date
for P.B.VIJAYARAGHAVAN & CO
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Sd/-
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(P.Mohan Rao)
Company Secretary

Sd/-
(P.B.Santhanakrishnan)
Partner

Place : New Delhi
Date : 24th June, 2004

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st March , 2004

Schedule 01 : Share Capital

Rupees in lakhs

	As at 31st March, 2004	As at 31st March, 2003
AUTHORISED		
4,89,00,000 (Previous year 4,89,00,000) Equity shares of Rs.1000 each	489000.00	489000.00
3,11,00,000 (Previous Year 3,11,00,000) Preference shares of Rs.1000 each	311000.00	311000.00
Total	<u>800000.00</u>	<u>800000.00</u>
ISSUED, SUBSCRIBED & PAID-UP		
4,88,98,462 (Previous year 4,88,98,462) Equity shares of Rs.1000 each.	488984.62	488984.62
2,93,74,700 (Previous year 2,93,74,700) 7 % Non-Cumulative redeemable Preference shares of Rs.1000 each redeemable as under	293747.00	293747.00
10,00,000 during 2011-12 55,00,000 during 2014-15		
1,38,05,000 during 2012-13 30,00,000 during 2015-16		
60,69,700 during 2013-14		
Total	<u>782731.62</u>	<u>782731.62</u>

Of the above, 21,80,612 Equity shares of Rs.1000 each were allotted as fully paid-up for consideration other than cash.

Schedule 02: Secured loans

Rupees in lakhs

	As at 31st March, 2004	As at 31st March, 2003
Bonds : 6 Year 16.5% Taxable Bonds of Rs.1 lakh each Secured by a Fixed charge on office premises at Mumbai and pari-passu charge on plant & machinery ranking pari passu with the charges created/to be created with other term lending Institutions, balance redeemable at par : 25,000 Bonds redeemable in three instalments commencing from 30.09.2001. All the three instalments were paid on due dates i.e. 30.9.2001, 30.9.2002 and 30.9.2003	----	10000.00
Canara Bank Secured by second charge on the Fixed assets of the Company on pari-passu basis	----	5000.00
Bank of India Secured by second charge over fixed assets pari passu with other term lenders/ Bond holders / Banks lending working capital.	----	7500.00
State Bank of Hyderabad Secured by second charge on all Fixed assets of the Company (past and future)	----	7500.00
Cash Credit Accounts with Banks Secured by hypothecation of Raw materials, Semi-finished/ Finished goods, Stores & Spares, Book-debts, second charge on the Fixed assets to the extent of Rs. 2000 crores and guaranteed by Government of India to the extent of Rs. 500 crores	3717.06	41107.82
Total	<u>3717.06</u>	<u>71107.82</u>

Schedule 03: Unsecured loans

Rupees in lakhs

	As at 31st March, 2004	As at 31st March, 2003
Life Insurance Corporation of India Guaranteed by Government of India	----	47337.55
LIC Housing Finance Limited	----	146.16
Total	<u>----</u>	<u>47483.71</u>

Schedule 04 : Fixed Assets

Rupees in lakhs

	Gross Block			As at 31st March 2004
	As at 31st March, 2003	Additions & adjustments during the year	Sales & adjustments during the year	
A. Plant, Mines & Others :				
Land-Freehold (Including cost of development)	4098.40	21.65	—	4120.05
Land-Leasehold	165.39	—	—	165.39
Aerodrome-Hanger	34.21	—	34.21	0.00
Railway Lines & sidings	4802.88	—	—	4802.88
Roads, Bridges & Culverts	5759.58	93.20	—	5852.78
Buildings	73117.87	86.96	—	73204.83
Plant & Machinery	695554.57	2171.55	5345.97	692380.15
Furniture & Fittings	896.37	41.47	0.59	937.25
Locomotives	6400.67	—	—	6400.67
Vehicles & Air Craft	725.84	0.60	11.86	714.58
Electrical Installations	26275.08	34.04	—	26309.12
Water Supply & Sewerage systems	24498.65	37.73	—	24536.38
Miscellaneous Articles	4975.62	534.45	1.45	5508.62
Mining lease rights	582.80	—	—	582.80
Total (A)	847887.93	3021.65	5394.08	845515.50
Figures for the previous year	845196.39	2705.85	14.31	847887.93
B. Social Facilities :				
Land-Freehold (Including cost of development)	1028.29	—	—	1028.29
Roads, Bridges & Culverts	1193.85	—	—	1193.85
Buildings	18497.82	111.07	1.06	18607.83
Plant & Machinery	206.79	—	—	206.79
Furniture & Fittings	16.49	0.24	—	16.73
Electrical Installations	1817.61	25.32	—	1842.93
Water Supply & Sewerage systems	1851.33	—	—	1851.33
Miscellaneous Articles	575.54	132.93	—	708.47
Total (B)	25187.72	269.56	1.06	25456.22
Figures for the previous year	25082.14	109.83	4.25	25187.72
Total (A + B)	873075.65	3291.21	5395.14	870971.72
Figures for the previous year	870278.53	2815.68	18.56	873075.65

Schedule 04 : Fixed Assets (continued)

Rupees in lakhs

Depreciation			Net Block		
Up to 31st March, 2003	For the year (incl. PPA)	Sales & adjustments during the year	Up to 31st March 2004	As at 31st March 2004	As at 31st March 2003
—	—	—	—	4120.05	4098.40
37.42	2.87	—	40.29	125.10	127.97
14.85	1.15	16.00	0.00	—	19.36
2857.50	237.40	—	3094.90	1707.98	1945.38
1046.53	94.42	—	1140.95	4711.83	4713.05
26531.12	2265.04	—	28796.16	44408.67	46586.75
417695.32	38582.89	2319.74	453958.47	238421.68	277859.25
600.33	61.76	0.33	661.76	275.49	296.04
3587.15	304.03	—	3891.18	2509.49	2813.52
674.40	20.64	11.00	684.04	30.54	51.44
14591.74	1408.60	—	16000.34	10308.78	11683.34
14011.60	1471.54	—	15483.14	9053.24	10487.05
2621.14	720.01	0.90	3340.25	2168.37	2354.48
81.40	27.74	—	109.14	473.66	501.40
484350.50	45198.09	2347.97	527200.62	318314.88	363537.43
441356.76	43008.05	14.31	484350.50	363537.43	403839.63
—	—	—	—	1028.29	1028.29
218.58	19.46	—	238.04	955.81	975.27
3351.24	312.07	1.06	3662.25	14945.58	15146.58
100.73	9.83	—	110.56	96.23	106.06
12.02	1.49	—	13.51	3.22	4.47
946.35	113.87	—	1060.22	782.71	871.26
1020.91	87.94	—	1108.85	742.48	830.42
317.33	47.66	—	364.99	343.48	258.21
5967.16	592.32	1.06	6558.42	18897.80	19220.56
5418.11	553.30	4.25	5967.16	19220.56	19664.03
490317.66	45790.41	2349.03	533759.04	337212.68	382757.99
446774.87	43561.35	18.56	490317.66	382757.99	423503.66

ALLOCATION OF DEPRECIATION

Rupees in lakhs

	As at 31st March , 2004	As at 31st March, 2003
Charged to Profit & Loss Account:		
Current year	45727.49	43734.43
Prior periods	<u>62.92</u>	<u>-173.08</u>
Total	<u>45790.41</u>	<u>43561.35</u>

Schedule 05 : Fixed Assets held for disposal

Rupees in lakhs

	As at 31st March , 2004	As at 31st March, 2003
Value of Fixed Assets	1503.85	—
Less: Provision for loss	<u>1500.34</u>	—
Estimated Net Realisable value	<u>3.51</u>	—

Schedule 06 : Capital Work-In-Progress

Rupees in lakhs

	As at 31st March , 2004	As at 31st March, 2003
Work-in-progress (Including Materials at Site)	1775.89	781.91
Advances to Contractors	33.45	70.07
Advances to Government departments	291.37	291.37
Advances to Suppliers	<u>444.16</u>	<u>39.50</u>
Total	<u>2544.87</u>	<u>1182.85</u>
Advances : Unsecured & Considered good	768.98	400.94

Schedule 07 : Investments (At Cost)

Rupees in lakhs

	As at 31st March , 2004	As at 31st March, 2003
Trade - Quoted		
1,82,927 Equity shares of Rs. 10/- each in Bisra Stone Lime Company Limited	0.01	0.01
Non-trade - unquoted		
2,280 Equity shares of Re. 1/- each in Free Press House Limited	<u>0.02</u>	<u>0.02</u>
Total	<u>0.03</u>	<u>0.03</u>

- Investments as at 31st March 2004 include one fully paid-up share of Rs. 100/- each in Anakapalli Rural Electric Co-operative society Limited
- Market value of quoted investments - not available.

Schedule 08 : Inventories (As taken and certified by the Management)

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Semi Finished/ Finished goods at lower of cost or net realisable value	19860.07	22946.03
Add : In-transit	<u>2915.71</u>	<u>2390.41</u>
	22775.78	25336.44
Raw materials at cost	21083.15	28457.48
Add : In-transit/ Under inspection	<u>1958.22</u>	<u>6948.77</u>
	23041.37	35406.25
Less : Provision for shortages & damages	<u>4472.12</u>	<u>7089.09</u>
	18569.25	28317.16
Stores & Spares at cost	31130.62	34195.75
Add : In-transit/ Under inspection	<u>2459.06</u>	<u>2268.82</u>
	33589.68	36464.57
Less : Provision for obsolescence & Non-moving items	<u>4300.35</u>	<u>4362.94</u>
	29289.33	32101.63
Total	<u>70634.36</u>	<u>85755.23</u>

Schedule 09 : Sundry debtors

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Sundry debtors		
Debits over six months	2592.79	2694.45
Other debts	<u>8053.77</u>	<u>21083.65</u>
	10646.56	23778.10
Less : Provision for doubtful debts	<u>2085.01</u>	<u>2020.18</u>
Total—Unsecured & considered good	<u>8561.55</u>	<u>21757.92</u>

Schedule 10 : Cash & Bank balances

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Cash on hand	7.20	6.55
Cheques on hand	9601.76	5312.64
Remittances in-transit	358.89	863.30
Current Accounts with Scheduled Banks	8379.66	8624.45
Term deposits with Scheduled Banks	<u>117623.76</u>	<u>39350.40</u>
Total	<u>135971.27</u>	<u>54157.34</u>

Schedule 11 : Other Current assets

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Interest accrued on loans to employees	287.53	336.24
Interest accrued—Others	2132.66	177.71
Other income accrued	<u>11.30</u>	<u>12.11</u>
Total	<u>2431.49</u>	<u>526.06</u>

Schedule 12 : Loans & Advances

Rupees in lakhs

		Asat 31st March, 2004	Asat 31st March, 2003
Loans			
Employees		148.60	212.90
Others		17550.00	—
Material issued on loan		1375.59	—
Advances & other recoverables (Recoverable in cash or in kind or for value to be received)			
Government departments	6749.55		700.36
Contractors	344.70	274.44	
Less: Provision for doubtful advances	<u>154.67</u>	<u>154.67</u>	
	190.03		119.77
Suppliers	7803.69	2859.22	
Less: Provision for doubtful advances	<u>967.59</u>	<u>1125.07</u>	
	6836.10		1734.15
Employees	944.20	267.78	
Less: Provision for doubtful advances	<u>22.80</u>	<u>—</u>	
	921.40		267.78
Others	12994.37	13606.77	
Less: Provision for doubtful advances/ recoverables	<u>1590.66</u>	<u>1761.32</u>	
	<u>11403.71</u>		<u>11845.45</u>
Prepaid expenses		26100.79	14667.51
Claims recoverable		305.25	208.27
Less: Provision for doubtful claims	3226.82		3197.22
	<u>64.84</u>		<u>47.02</u>
		3161.98	3150.20
Deposits		6428.04	5924.59
Total		<u>55070.25</u>	<u>24163.47</u>
Loans : Unsecured & considered good	19074.19		212.90
Advances : Unsecured & considered good	26100.79		14667.51
Others : Unsecured & considered good	<u>9895.27</u>		<u>9283.06</u>
		55070.25	24163.47
Advances : Unsecured considered doubtful	2735.72		3041.06
Claims : Unsecured considered doubtful	<u>64.84</u>		<u>47.02</u>
		2800.56	3088.08
Total		<u>57870.81</u>	<u>27251.55</u>
Amounts due from —			
Directors		1.26	0.91
Maximum amount due at any time during the year from —			
Directors		1.41	0.96

Schedule 13 : Liabilities

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Sundry creditors	47076.84	55999.36
Advances from customers	21096.03	10108.07
Other advances	75.23	27.59
Earnest money, security & other deposits	5722.17	3241.08
Interest accrued but not due on loans	114.40	640.95
Other liabilities	33799.17	44020.73
Total	<u>107883.84</u>	<u>114037.78</u>

Schedule 14 : Provisions for

Rupees in lakhs

	Asat 31st March, 2004	Asat 31st March, 2003
Gratuity to employees	7920.34	5676.94
Future leave encashment	5345.30	3389.53
Post-retirement Benefits	416.30	-
Employee family Benefit Scheme	1962.83	-
Wealth tax	6.50	3.50
Total	<u>15651.27</u>	<u>9069.97</u>

Schedule 15 : Miscellaneous expenditure (To the extent not written-off or adjusted)

Rupees in lakhs

	As at 31st March 2003	Additions during the year	Charged off during the year	As at 31st March 2004
Deferred Revenue Expenditure:				
i) Training	53.46	--	31.99	21.47
ii) Others	7949.00	--	1825.41	6123.59
Total	<u>8002.46</u>	--	<u>1857.40</u>	<u>6145.06</u>
Previous Year	<u>10089.33</u>	58.65	2145.52	<u>8002.46</u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004

Schedule 16 : Gross Sales

Rupees in lakhs

	Current Year	Previous Year
Domestic	539985.56	445802.80
Export	76923.69	60022.24
Total	<u>616909.25</u>	<u>505825.04</u>

Schedule 17 : Accretion / (depletion) to Semi-Finished / Finished goods

Rupees in lakhs

	Current Year	Previous Year
Closing stock	22775.78	25336.44
Less: Opening stock	<u>25336.44</u>	<u>53445.56</u>
Net Accretion/ (depletion)	<u>(2560.66)</u>	<u>(28109.12)</u>

Schedule 18 : Interest earned

Rupees in lakhs

	Current Year	Previous Year
Loans to employees	19.22	23.67
Banks	1959.67	526.53
Others	1140.12	581.30
Total	<u>3119.01</u>	<u>1131.50</u>

Schedule 19 : Other revenues

Rupees in lakhs

	Current Year	Previous Year
Rent recoveries	202.90	229.91
Profit on sale of fixed assets	60.61	1.16
Provision no longer required written back	1585.83	1237.40
Liquidated damages	22.52	48.53
Claims for finished goods (Shortages & Missing Wagons)	84.65	160.96
Export benefits	7889.57	7817.00
Sale of power	902.12	2643.50
Net income from other operations	119.19	105.27
Exchange Rate Variation	3478.99	135.10
Write back of Interest on LIC loan	--	6342.11
Sundry receipts	2958.12	2975.62
Total	<u>17304.50</u>	<u>21696.56</u>

Schedule 20 : Raw materials consumed

Quantity : Tonnes
Value : Rupees in lakhs

	Current Year		Previous Year	
	Quantity	Value	Quantity	Value
Coal	3281719	103707.98	3281475	103036.17
Coke and Coke breeze	278029	22442.88	98138	6075.52
Iron Ore	6197105	50859.36	5848760	47276.38
Limestone	815143	6696.80	776444	6184.11
Dolomite	698798	4515.31	584365	3370.62
Silico Manganese	34026	8062.08	32937	6916.09
Ferro Silicon	7461	2469.20	6078	2020.48
Aluminium	3529	3224.33	3494	3058.06
Manganese Ore	13337	55.89	14567	57.45
Petroleum Coke	5641	611.08	4979	460.95
Sea Water Magnesite	6038	1271.64	6040	1272.41
Others		1126.92		836.93
Total		<u>205043.47</u>		<u>180565.17</u>

Schedule 21 : Employees remuneration & benefits

Rupees in lakhs

	Current Year	Previous Year
Salaries, wages & allowances	38399.18	34259.35
Company's contribution - provident fund & other funds	3098.68	2800.26
Staff welfare expenses	4119.91	2613.20
Gratuity	2463.96	926.10
Bonus	33.62	0.16
Total	<u>48115.35</u>	<u>40599.07</u>

Schedule 22 : Power & fuel

Rupees in lakhs

	Current Year	Previous Year
Purchased power	6802.44	5613.39
Boiler coal	15078.72	14435.67
Furnace oil/ LSHS/ LDO	122.85	50.07
Total	<u>22004.01</u>	<u>20099.13</u>

Schedule 23 : Repairs & maintenance

Rupees in lakhs

	Current Year	Previous Year
Plant & Machinery	5241.96	5159.75
Buildings	580.22	574.99
Others	2625.70	2064.23
Total	<u>8447.88</u>	<u>7798.97</u>

Schedule 24 : Other expenses & provisions

Rupees in lakhs

	Current Year	Previous Year
Technical services	47.88	99.52
Rent	245.22	235.04
Rates & taxes	308.48	263.98
Excise Duty	(805.26)	(2870.60)
Insurance	310.68	253.39
Handling & scrap recovery	8618.07	7627.15
Selling expenses	2013.75	2553.36
Travelling expenses	2180.79	2038.43
Printing & stationery	148.15	168.62
Postage, telegrams & telephone	246.63	213.05
Water charges	448.37	638.41
Legal expenses	32.36	36.61
Bank charges	739.86	726.66
Security expenses	1372.75	1380.99
Advertisement	555.97	328.96
Demurrages & wharfages	66.70	57.84
Auditors' Remuneration-statutory Audit	3.31	2.36
Auditors' remuneration-Tax matters	0.64	0.53
Auditors' travelling & other expenses	5.23	5.52
Provision for shortage/damaged material/obsolescence/non-moving items of stores	261.06	1361.84
Provision for doubtful advances and claims	73.45	1371.00
Provision for doubtful debts	92.89	872.63
Loss on Fixed Assets held for disposal written off / provided for	1515.04	—
Miscellaneous & deferred revenue expenditure written Off	1857.40	1898.68
Sundries	1707.76	1271.10
Total	<u>22047.18</u>	<u>20535.07</u>

Schedule 25 : Interest & finance charges

Rupees in lakhs

	Current Year	Previous Year
Interest :		
Foreign currency loans/suppliers' credit	509.74	674.67
Government of India	—	1.67
Public sector undertakings	2014.37	11179.98
Bonds	825.00	2268.75
Banks - Cash Credit	737.44	3168.86
Others	<u>240.54</u>	<u>479.46</u>
	4327.09	17773.39
Finance Charges	<u>562.80</u>	<u>809.76</u>
Total	<u>4889.89</u>	<u>18583.15</u>

Schedule 26 : Prior period adjustments

Rupees in lakhs

	Current Year		Previous Year	
Sales	—		7.00	DR
Claims for finished goods	14.76	DR	26.93	CR
Raw materials consumed	164.05	DR	—	
Employees' remuneration & benefits	5029.81	CR	—	
Repairs & maintenance	—		4.41	DR
Stores & spares	119.24	DR	202.16	CR
Power & Fuel	—		0.65	DR
Excise duty	—		27.29	DR
Freight outward	—		1.17	DR
Interest & finance charges	7.04	DR	74.28	DR
Depreciation	62.92	DR	173.08	CR
Others	19.73	DR	30.77	DR
Total	<u>4642.07</u>	CR	<u>256.60</u>	CR

A. SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

Financial statements are prepared on going concern basis under the historical cost convention, adopting accrual method of accounting and in accordance with the generally accepted Accounting Principles.

2. FIXED ASSETS AND INTANGIBLE ASSETS

a. Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties (net of CENVAT), taxes, incidental expenses relating to the cost of acquisition, allocated Expenditure during construction (which comprises of expenses less incomes attributable to the construction activities), borrowing costs and cost of installation / erection as applicable.

b. Net gain/loss arising on disposal/discarding of fixed assets is treated as revenue.

c. Contributions made by the company towards the cost of fixed assets owned by the State/Central Government are grouped together with similar assets owned by the company with appropriate disclosure thereof.

d. Pending ascertainment of actual amount to be capitalised to fixed assets, capitalisation is made initially on provisional basis. Adjustments to cost and depreciation are made on ascertainment of actual cost of the respective assets.

e. Expenditure on fixed assets is capitalised at the following points of time:

i) In case of Plant & Machinery, when the respective sub-units are fit for commercial production. A sub-unit is considered to be fit for commercial production at the later of the following:

a) from the end of 3 months from the commissioning date, provided such unit is capable of producing at 50% rated capacity.

b) from the end of calendar month in which the plant unit produces/becomes capable of producing atleast 50% of the rated capacity.

ii) In case of land, when the possession is taken/expenditure is incurred on development.

iii) In case of other assets, when they are put to use.

iv) Factory buildings are capitalised alongwith the Plant housed in the buildings.

f. Machinery spares identified with production/service units, whose use is expected to be irregular, but non-availability of which affects the production / service units are categorised as 'Risk Insurance Spares'. The cost of such items is depreciated over the useful life of the Principal plant unit.

g. Intangible assets are recorded at cost.

3. DEPRECIATION AND AMORTISATION

i) Depreciation is provided on straight line method (SLM), in accordance with the provisions of Schedule XIV of the Companies Act, 1956, except the following:

- a) Depreciation on Coke ovens & Coal chemical plant units is provided on SLM at 6.33% based on the Management's estimate of the useful life of the Plant; and
- b) Depreciation on the following categories of assets are provided on SLM at the rates mentioned against each based on the Management's estimate of the useful life of such assets.

Categories of Assets	Depreciation Rate (%)
Photo Copiers & Fax Machines	19.00
Other office Equipments	13.57
Air Conditioners	13.57
Cranes	9.50
Earth Moving Equipments	13.57
Slag Pot Carriers	9.50
Safety Equipments	11.87
Cars	15.83
Other light vehicles	11.87
Computers (including system software)	23.75

- c) Contributions made by the company towards the cost of fixed assets owned by the State/Central Government are depreciated over the estimated period of their utility or five years whichever is less.

ii) Mining lease rights are amortised over the period of lease.

iii) Intangible assets are amortised over their estimated useful lives.

4. INVENTORIES:

- a) (i) Finished/ Semi-finished goods are valued at lower of cost (excluding interest and administrative expenses but including all other costs incurred in bringing the inventories to their present location and condition) or net realisable value. Cost of production is the average cost of production of the last six months during the year considering normal capacity. Normal capacity is based on the average production of the preceding three years of main production units, excluding abnormal years. Abnormal year is the year in which the actual production is less than 40% of the installed capacity. Coke and other By-products are valued at net realisable value wherever cost is not determined except in the case of stock of BF granulated slag at dump yard for which no value is assigned. Products in respect of which there is no sale, are valued at cost. No credit is taken for the value of material in process except those lying at mills.
- (ii) Finished/Semi-finished goods transferred for construction/maintenance and included in the stock of stores & spares are valued at cost.
- (iii) Iron scrap and Steel scrap are valued at 75% and 90% respectively of the cost of pig iron or of the domestic net realisable value of Pig Iron, whichever is less.
- b) (i) Raw materials and spares imported during the year are valued at landed cost inclusive of import duty benefits availed. Liability to the extent of unfulfilled export obligations at the end of the year is provided for.
- (ii) No credit is taken in the accounts for the stock of run of mines ore and rejects at Mines.

-
- c) (i) Raw materials, stores, spares, loose tools, materials in transit are valued at cost. In the event of Net realisable value of Finished steel products being less than the cost of production, raw materials are valued at lower of cost and net realisable value.
 - (ii) Loss on account of obsolescence of stores & spares is charged to revenue.
 - (iii) Non-moving items of stores & spares are recognised at 80% of their cost.
 - (iv) Stock of spares acquired along with the related equipments, not having item-wise breakup of cost, are valued at average cost.
 - (v) For all the above, cost is determined on monthly weighted average basis unless otherwise specified.

5. INVESTMENTS :

Investments are stated at cost. Income from investments is accounted for on accrual basis.

6. SALES:

Gross Sales are inclusive of excise duty and contributions to various Funds and are net of discounts and rebates.

- a) Domestic sales on F.O.R. destination basis are accounted for when goods are delivered to the carriers.
- b) Exports sales are recognised:
 - i) on the date of Bill of lading.
 - ii) in cases where 'realisation of material value without shipment' is provided for in the Letters of credit of respective contracts, on expiry of laydays given in notice of readiness of cargo or the laydays otherwise accepted by the seller or on expiry of 15 days from notice of readiness of cargo whichever earlier.
- c) Export sales are inclusive of exchange rate variation.

7. EXPORT BENEFITS:

Export benefits are accounted as follows:

- a) Import duty benefits availed by way of duty exemption/remission licenses under Export Import Policy earned on exports are accounted as income under the head 'Export benefits'.
- b) DEPB/DFRC or any other Export Incentive credits sold or contracted /identified for sale are accounted on realisable value.
- c) The valid Licences under duty exemption / remission schemes under Export Import Policy, sanctioned till the date of finalisation of the accounts are accounted as 'Export benefits', to the extent of export obligations fulfilled up to the end of the year.

8. EXCISE & CUSTOMS DUTIES:

- a) Excise duty liability on finished goods is accounted for on the basis of actual production.
- b) Customs duty on imports is accounted provisionally, pending completion of final assessment.

9. 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.

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.

11. RESEARCH & DEVELOPMENT EXPENDITURE :

Research & Development expenditure is accounted under the primary heads of account and charged to P&L account. Capital expenditure on Research & Development is included in the fixed assets.

12. MISCELLANEOUS EXPENDITURE :

In line with AS 26, expenditure incurred and treated as Deferred revenue expenditure before 1.4.2003 is written off over a period of five years from the year of commencement of production/ year of initial incurring of expenditure, as the case may be except in the case of (i) expenditure on Blast Furnace relining which is written off over a period of eight years; and (ii) expenditure on cold repairs of Coke Oven batteries which is written off over a period of five years commencing from the year in which the units restarted production.

13. FOREIGN CURRENCY TRANSACTIONS :

- (i) Assets and Liabilities in foreign currencies are converted into Indian rupees at the rate of exchange prevailing as on the Balance sheet date or at the forward rate where forward cover exists.
- (ii) Net loss/gains arising on account of settlement/conversion of foreign currency liabilities are dealt with in the following manner :

- a) in respect of fixed assets, regarded as adjustment of cost and are included in the carrying amount of related fixed assets.
- b) in respect of Current Assets/Liabilities, treated as revenue and charged to Profit and Loss account. However, the cost of forward exchange contracts is spread over the period of the contract.

14. PRIOR PERIOD ADJUSTMENTS:

Items of Income/ Expenditure which arise in the current period as a result of errors or omissions in the preparation of Financial statements of one or more prior periods exceeding Rs.5,00,000 in value in each case are treated as prior period adjustments.

15. BORROWING COSTS:

- (i) Borrowing costs incurred for obtaining assets which take more than 12 months to get ready for its intended use are capitalised to the respective assets:
 - a) wherever the costs are directly attributable to such assets; and
 - b) in other cases by applying weighted average cost of borrowings to the expenditure on such assets.
- (ii) Other borrowing costs are treated as expense for the year.

16. SEGMENT REPORTING :

For the purpose of Segment Reporting :

- (i) Business segments (Primary) are identified into
 - a) Iron & Steel Products
 - b) Others

-
- (ii) Geographical Segments (Secondary) are identified into
- a) Domestic Market
 - b) International Market

17. TAXES ON INCOME:

Provision for income tax comprises of current tax and deferred tax. Deferred tax is recognised 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), subject to consideration of prudence.

18. CLAIMS :

- a) Claims for liquidated damages against the suppliers/contractors are accounted for when the amounts are actually recovered.
- b) Claims for escalation by Contractors and Suppliers are accounted on acceptance by the Company.
- c) Claims on Railways are accounted for when they are lodged.
- d) Claims lodged under various insurance policies, price subsidy & freight subsidy on Ammonium sulphate and the interest receivable from Sundry debtors for delayed payments/banks for delayed credits for Telegraphic transfers are accounted on certainty of realisation.

B. Notes forming part of the Accounts for the year ended 31st March, 2004.

1. Land of the value of Rs. 5013.34 lakhs (Previous year Rs. 5002.01 lakhs) acquired by Andhra Pradesh State Government for Union of India for establishing steel plant, mines, township and other related facilities is yet to be assigned to the Company.
2. Sale deeds in respect of the following are yet to be executed :

a) Stockyard at Chennai	Rs. 125.08 lakhs	(Previous Year Rs. 114.75 lakhs)
b) Office buildings at New Delhi	Rs. 118.61 lakhs	(Previous Year Rs. 111.90 lakhs)
c) Office buildings at Ahmedabad	Rs. 18.47 lakhs	(Previous Year Rs. 24.59 lakhs)
d) Residential buildings at Visakhapatnam acquired from AP Housing Board	Rs. 92.10 lakhs	(Previous Year Rs. 317.11 lakhs)
e) Residential buildings at Kolkata	Rs. 96.00 lakhs	(Previous Year Rs. 96.00 lakhs)
3. Land includes 339.8471 acres (Previous year 338.3771 acres) allotted to various agencies on lease basis
4. i) Fixed assets (Gross Block) include an amount of Rs. 1004.57 lakhs (previous year Rs. 1004.57 lakhs) representing expenditure incurred by the company towards: (a) construction of Yeleru canal to the tune of Rs. 570.55 lakhs (previous year Rs. 570.55 lakhs); (b) on extension of Power lines to the tune of Rs. 418.78 lakhs (previous year Rs. 418.78 lakhs) and (c) on Railway Lines & sidings to the tune of Rs. 15.24 lakhs (Previous year Rs. 15.24 lakhs) which are not owned by the Company and which have been capitalised under the heads "Water Supply & Sewerage systems", "Electrical installations", and "Railway lines & sidings" respectively. These assets have been depreciated over the period of their estimated utility or five years whichever is less as per the accounting policy no. 3(i) (c) as against the past practice of depreciating at the rates applicable to similar assets owned by the company. Consequent to this, depreciation for the year & cumulative depreciation as on 31.3.2004 have increased by Rs. 503.42 lakhs and Net profit and Net block as on 31.3.2004 have decreased by the same amount.

 ii) Fixed Assets are inclusive of Rs. 19.53 lakhs (Debit) [previous year Rs. 71.14 lakhs (Debit)] being the Exchange Rate Variation for the year.
5. Exchange rate variation credited to Profit & Loss account is Rs. 3419.99 lakhs [previous year Rs. 126.18 lakhs (debit)] of which Rs. 59.00 lakhs (debit) [previous year Rs. 8.92 lakhs (debit)] is included in 'Export Sales' and Rs. 3478.99 lakhs (credit) [previous year Rs. 135.10 lakhs (credit)] is given in Schedule for 'Other revenue'.
6. Main plant units, including Mills, are treated as "Continuous process plant".
7. a) Sundry Creditors consist of

	Rupees in lakhs	
	As on 31st March, 2004	As on 31st March, 2003
i) Total outstanding dues of Small Scale Industrial Undertakings	1275.82	1248.37
ii) Total outstanding dues of creditors other than Small Scale Industrial Undertakings	45801.02	54617.53

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- b) There is no Small Scale Industrial Undertakings to whom, a sum exceeding Rs. 1 lakh is due for more than 30 days.

The above information has been compiled in respect of parties to the extent identified as 'Small Scale Industrial Undertakings' on the basis of information available with the Company.

8. Adjustments have been made to the extent reconciliation of Priced stores ledger with Bin cards is completed.
9. Housing/ Vehicle Loans to employees are classified as unsecured and considered good.
10. Loans and advances, Sundry debtors/ Creditors, Secured/ Unsecured loans, Stock with some Consignment / Conversion agents are subject to reconciliation/confirmation.
11. Closing Stocks of finished / semi-finished goods have been adopted as per physical verification / custodians' certificate except in the case of BF Slag, Calcined Lime, Liquid Oxygen, Liquid Nitrogen, Argon gas, Oxygen gas, Nitrogen gas, Dolomite magnesite bricks, Calciumcarbide sludge and Stocks at New Steel Yard amounting to Rs. 996.89 lakhs (Previous Year Rs. 1098.70 lakhs) which are based on book balances.
12. (a) The stock of iron and steel scrap has been considered in the accounts on the basis of visual survey/ estimates.
(b) In the absence of Sale of Nut Coke & Coke Breeze, the same have been valued at 100% and 60% of the production cost of BF coke respectively. The effect of change in the method of valuation could not be ascertained
13. Power & fuel does not include the cost of generation of power and production of certain fuel elements in the Plant which are internally consumed, the expenses relating to which have been included under the primary heads of account.
14. Depreciation on Coke ovens & coal chemical plant units has been provided @ 6.33% from the year 1990-91. Had Depreciation been provided at the rates prescribed under Schedule XIV to the Companies Act, 1956, the depreciation for the year 2003-04 would have been less by Rs. 789.51 Lakhs and the net profit for the year would have been more by Rs. 789.51 Lakhs
15. Other liabilities (Schedule- 13) include the estimated liability of Rs. 9139.00 lakhs (Previous year Rs. 19366.69 lakhs) towards additional provision for arrears on account of pay revision of employees effective from 1.1.1997 to 31.12.1999 beyond the adhoc/interim relief amounts paid. The payment against this provision is subject to approval of Government of India.
16. During the year, based on actuarial valuation, an amount of Rs. 342.24 lakhs has been provided towards present value of post retirement medical benefits and an amount of Rs. 74.06 lakhs has been provided towards present value of settlement benefits payable to employees on retirement. This has resulted in decrease of net profit by Rs. 416.30 lakhs
17. During the year an amount of Rs. 1962.83 lakhs has been provided towards the future liability for benefits payable to the disabled employees/legal heirs of deceased employees under the Employees' Family Benefit Scheme which has resulted in decrease of net profit by Rs. 1962.83 lakhs.

18. The agreement with AP TRANSCO for export of power expired on 31.12.2002. Pending renewal of the agreement, A.P. Transco permitted the Company to export power with effect from 21.5.2003. Since the Agreement is yet to be concluded, the revenue on account of export of power is recognised in the Books of Accounts at the interim rate of Re. 1.00 per unit agreed by APTRANSCO for the period 21.05.2003 to 29.02.2004 and @ Rs. 1.76 per unit for March 2004 in line with the APTRANSCO's further communication for March and April 2004 exports. The export of power from 1.1.2003 to 20.5.2003 valuing Rs. 1.31 Crores (@ Re. 1.00 per unit) is not accounted.
19. Consequent to change in Accounting Policy No.2 (f) on Fixed Assets and Intangible Assets - Fixed Assets Gross Block decreased by Rs.2403.29 lakhs, Cumulative depreciation decreased by Rs.1339.38 lakhs, Net Block of Fixed Assets decreased by Rs.1063.91 lakhs, Stock of Stores & Spares decreased by 317.07 lakhs, Consumption of Stores and Spares increased by Rs.1512.03 lakhs, depreciation decreased by Rs.131.05 lakhs resulting in decrease of Net Profit by Rs.1380.98 lakhs
20. Consequent to revision in the estimated useful life of the assets mentioned in Accounting Policy No.3 (b), depreciation for the year increased and net profit decreased by 1640.80 lakhs.
21. Consequent to change in Accounting Policy No.4 a (iii) on Inventories, Stock of Iron Scrap and Steel Scrap at the end of the year have been valued at 75 % and 90 % respectively of lower of domestic net realisable value or cost of Pig Iron. This resulted in increase of depletion of Stock of Semi/Finished Goods, decrease of Inventories and Net Profit by Rs.948.73 lakhs.
22. Accounting Policy No. 12 on 'Miscellaneous Expenditure' has been modified during the year to comply with the Accounting Standard (AS) - 26 'Intangible Assets'. Consequently, expenditures incurred during the year, which hitherto treated as Deferred Revenue Expenditure, have been charged off to revenue resulting decrease in 'Miscellaneous Expenditure (to the extent not written off or adjusted)' and net profit by Rs. 32.23 lakhs
23. Consequent to change in Accounting policy No.14 on Prior Period Adjustments, Prior Period Adjustment (net credit) increased by Rs.139.49 lakhs.
24. Segment-wise income and expenses are categorised based on the items that are identifiable to the respective segments. Balance items are disclosed as unallocable items of income and expense. Fixed assets used in the Company's business and liabilities contracted have not been identified to any of the reportable segments as it is not practicable. The relevant disclosure is as under :

a) Business Segments

	Current Year			Previous Year		
	Iron & Steel	Others	Total	Iron & Steel	Others	Total
Revenues	542808.85	13704.88	556513.73	423248.12	9306.01	432554.13
Result	199140.33	(4286.21)	194854.12	106718.19	(1422.39)	105295.80
Unallocable revenue			8140.21			8905.45
			<u>202994.33</u>			<u>114201.25</u>
Unallocable expenses			48027.68			43806.03
Profit for the year before Interest			154966.65			70395.22
Interest & financing charges			4889.89			18583.15
Profit / (Loss) for the year			150076.76			51812.07
Prior Period Adj. Net credit / (debit)			4642.07			256.60
Net Profit / (Loss)			<u>154718.83</u>			<u>52068.67</u>

b) Geographic Segments

Rupees in lakhs

Current Year			Previous Year		
Domestic	International	Total	Domestic	International	Total

Revenues	479661.17	84992.77	564653.94	372467.01	68992.57	441459.58
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25. The lease transactions of the Company, being only incidental to the Company's main business of production & sale of Iron & Steel products, we are of the view that the disclosure requirements specified by the accounting standard on Lease, are not applicable.

26. Earning Per Share (EPS)

	2003-04	2002-03
i) Profit or (Loss) as per Profit & Loss Account (Rs. In lakhs)	154718.83	52068.67
ii) Weighted average number of equity shares outstanding during the year	48898462	48898462
iii) Basic and diluted EPS (in Rupees)	316.41	106.48

27. Keeping in view the accumulated losses / unabsorbed depreciation and Expert Opinion of consultants, provision towards Income Tax under Section 115JB of IT Act has not been made for the financial year 2003-04.

28. The Company has Net deferred tax asset of Rs. 49683.85 lakhs as on 31.3.2004 (Previous year Rs.104180.44 lakhs) as per Accounting Standard-22 on 'Accounting for taxes on income'. However, in consideration of prudence, the above net deferred tax asset has not been recognised in the financial statements and the same would be considered at an appropriate when sufficient taxable income would be available against which such deferred tax asset could be adjusted.

The net Deferred tax assets consist of the following components:

Particulars	Rupees in lakhs	
	As at 31st March, 2004	As at 31st March, 2003
Deferred Tax Assets		
Unabsorbed depreciation under Income Tax Act, 1961	137669.11	195160.53
Provision for Gratuity	2772.12	1986.93
Provision for Post retirement benefits & EFBS	832.70	-
Provision for doubtful debts, advances & Claims	1709.96	1794.89
Interest payable to Public Financial Institution	-	7258.18
Other Deferred Tax Assets	2035.39	1752.60
	(A) 145019.28	207953.13
Deferred Tax Liabilities		
Difference between book and tax depreciation	93184.66	100971.83
Deferred Revenue Expenditure	2150.77	2800.86
	(B) 95335.43	103772.69
Deferred tax asset (Net)	(A) - (B) 49683.85	104180.44

	Rupees in lakhs	
	As at 31st March, 2004	As at 31st March, 2003
29. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	9918.18	10529.69

30. Contingent liabilities not provided for: Rupees in lakhs

a)

	Claims against the Company not acknowledged as debts		Claims pending judicial decisions	
	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003
Contractors/ Suppliers/ customers	5866.05	5653.04	17591.01	16505.18
Local Authorities - State Govt.	79.12	95.78	28.29	28.29
Sales Tax matters	—	5.90	1776.74	1786.97
Income Tax on Foreign Contracts/Company Taxation	—	—	—	1353.97
Customs/ Excise duty	—	—	4990.47	1802.75
R & D Cess	1297.40	1270.79	—	—
Others	61.35	62.56	1.30	47.00

b) Claims in Courts in connection with Land Acquisition: — Amount not ascertainable.

c) Liability towards reimbursement of excise duty on structural works wherever applicable. — Amount not ascertainable.

d) Amounts paid under protest of Rs.3139.53 lakhs, Rs.1217.94 lakhs, Rs.292.51 lakhs and Rs.41.40 lakhs (Previous year Rs. 3271.05 lakhs, Rs.1217.92lakhs, Rs. 315.22 lakhs and Rs 40.00 lakhs) towards disputed demands of income tax on foreign suppliers & TDS, sales tax, excise duty and customs duty respectively are included under 'Advance recoverable' for which no liability has been created.

31. Previous year's figures have been regrouped and reclassified wherever necessary.

32. Stocks & Sales

Quantity in Tonnes
Value Rupees in lakhs

		Pig Iron	Blooms	Saleable Steel	Sundries		Total
					Coke & Coke Products	Others	
Opening stock-	Quantity	22701	31311	120900	11233	—	—
		(22938)	(56887)	(300090)	(55409)	—	—
	Value	1534.47	2897.18	14560.06	442.91	5901.82	25336.44
		(1591.87)	(5189.52)	(34901.60)	(2625.98)	(9136.59)	(53445.56)
Sales-	Quantity	453888	148488	2996348	14346	1109269	—
		(514582)	(148249)	(3048384)	(17804)	(1137915)	—
	Value	39731.06	22107.85	539463.82	420.15	15186.37	616909.25
		(33688.59)	(17219.72)	(440008.62)	(433.25)	(14474.86)	(505825.04)
Closing stock-	Quantity	3178	27762	123526	32295	—	—
		(22701)	(31311)	(120900)	(11233)	—	—
	Value	238.55	2627.78	14397.59	1429.84	4082.02	22775.78
		(1534.47)	(2897.18)	(14560.06)	(442.91)	(5901.82)	(25336.44)

Note: Figures in brackets are for previous period.

Closing stock includes 13739 tonnes in the custody of consignment agents.

Figures of closing stock are after adjustment for internal consumption, transfers to capital works, shortages/excesses.

Others include By-products, Iron & Steel Scrap.

33. Value of raw materials etc and stores/spares components consumed:

	Current year				Previous Year			
	Raw Materials		Stores & Spares		Raw Materials		Stores & Spares	
	Rupees in lakhs	Percentage	Rupees in lakhs	Percentage	Rupees in lakhs	Percentage	Rupees in lakhs	Percentage
(a) Indigenous	98224.68	47.90	28924.38	83.18	83301.09	46.13	26299.64	81.47
(b) Imported	106818.79	52.10	5848.65	16.82	97264.08	53.87	5982.56	18.53
Total	205043.47	100.00	34773.03	100.00	180565.17	100.00	32282.20	100.00

Rupees in lakhs

	Current year	Previous year
34. Expenditure in foreign currency (cash basis)		
(a) Technical consultation fee/know-how	20.42	48.07
(b) Interest	595.03	701.49
(c) Others	592.55	423.59
35. Earnings in foreign exchange(cash basis)		
(a) Export of goods (on FOB basis)	76816.52	60029.18
(b) Others	1273.85	1047.65
36. Value of imports during the year calculated on CIF basis		
(a) Spares	3806.40	5273.96
(b) Raw materials	94303.68	85528.79
37. Particulars of Directors' remuneration		
(a) Salaries & allowances *	25.26	19.66
(b) Company's contribution to provident fund	1.72	2.63
(c) Leave travel concession	—	0.39
(d) Medical reimbursement	0.14	3.09
(e) Gratuity	1.44	1.35
Total	28.56	27.12

* figure for the current year includes wage arrear of Rs. 5.28 lakhs paid during the year.

Product:	38. Licensed capacity, installed capacity & actual production (Tonnes in '000s)					
	Current Year			Previous Year		
	* Licenced Capacity	Installed Capacity	Actual Production	* Licenced Capacity	Installed Capacity	Actual Production
(a) Wire Rods		850	974		850	915
(b) Light&Medium Merchant Products-Bar Mill		710	815		710	799
(c) Saleable Billets		246	224		246	279
(d) Medium Merchant Structural Mill		850	993		850	908
Total		2656	3006		2656	2902
(e) Pig Iron		556	439		556	517
(f) Granulated Slag		1440	1569		1440	1499
(g) Coke ovens By-products		186	150		186	145

Note: *Licenced capacity not applicable in terms of Government of India notification No. S.O.477(E), dated 25th July, 1991.

39. Expenditure on public relations

	Current year	Previous year
(a) Employees' remuneration & benefits	60.64	43.12
(b) Expenditure on institutional publicity	155.23	105.91
Total	215.87	149.03

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40. Cash Flow Statement	Current year	Rupees in Lakhs Previous year
A. Cash flow from Operating activities		
Net Profit/ loss (-) before interest & tax	156496.75	69594.60
Adjustments for:		
Add: Depreciation (including Prior Period Depreciation)		45790.41
43561.35		
Add: Miscellaneous & deferred revenue expenditure written Off	1857.40	1899.69
Less: Profit on sale of fixed assets	60.61	1.16
Operating Profit		204083.95
115054.48		
Less: Adjustments for		
Inventories	-15120.87	-25382.72
Sundry debtors	-13196.37	508.52
Other Current assets	-0.81	-17.71
Loans & Advances	30906.78	1824.97
Liabilities	5853.86	-2770.30
Provisions	-6581.30	-1286.66
Less: Miscellaneous & deferred revenue expenditure	—	-187.18
Cash generated from operating activities	202222.66	142365.56
Less: Interest and Finance charges	5423.48	20131.23
Add: Interest received	1212.77	1128.23
Net cash from operating activities	198011.95	123362.56
B. Cash flow from Investing activity		
Increase in fixed assets (including Capital Work-in-progress)	1385.83	5027.28
Sale proceeds of Fixed Assets	62.28	1.16
Net cash used in Investing activity	1323.55	5026.12
C. Cash flow from Financing Activity		
Repayment of Secured loans	67390.76	66240.87
Repayment of Unsecured loans	47483.71	14050.45
Net cash used in financing activity	114874.47	80291.32
Net increase/decrease(-) in Cash & Cash equivalents (A-B-C)	81813.93	38045.12
Opening Balance of Cash & Cash equivalents	54157.34	16112.22
Closing Balance of Cash & Cash equivalents	135971.27	54157.34
(Represented by Cash & Bank Balances - Schedule 10)		

41. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

3	4	0	4
---	---	---	---

State Code :

0	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

Date Month Year

II. Capital raised during the Year (Amount in Rs. Thousands)
Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

9	0	9	9	8	3	7	9
---	---	---	---	---	---	---	---

Total Assets

9	0	9	9	8	3	7	9
---	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

7	8	2	7	3	1	6	2
---	---	---	---	---	---	---	---

Reserves & Surplus

					N	I	L
--	--	--	--	--	---	---	---

Secured Loans

		3	7	1	7	0	6
--	--	---	---	---	---	---	---

Unsecured Loans

					N	I	L
--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

3	3	9	7	6	1	0	6
---	---	---	---	---	---	---	---

Investments

							3
--	--	--	--	--	--	--	---

Application of Funds

Net current Assets

1	4	9	1	3	3	8	1
---	---	---	---	---	---	---	---

Miscellaneous Expenditure

		6	1	4	5	0	6
--	--	---	---	---	---	---	---

Accumulated Loss

2	9	1	4	0	8	7	2
---	---	---	---	---	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

5	6	7	2	1	4	6	0
---	---	---	---	---	---	---	---

Total Expenditure

4	1	2	4	9	5	7	7
---	---	---	---	---	---	---	---

Profit/Loss Before Tax

1	5	4	7	1	8	8	3
---	---	---	---	---	---	---	---

Profit/Loss After Tax

1	5	4	7	1	8	8	3
---	---	---	---	---	---	---	---

Earnings per Share in Rs.

		3	1	6	.	4	1
--	--	---	---	---	---	---	---

Dividend

					N	I	L
--	--	--	--	--	---	---	---

V. Generic Names of Three principal Products/ Services of Company (As per Monetary Terms)

Item Code No. (ITC Code)

7	2	1	3	9	1	0	9
---	---	---	---	---	---	---	---

Product Description

	W	I	R	E	R	O	D
--	---	---	---	---	---	---	---

Item Code No. (ITC Code)

7	2	0	1	1	0	0	0
---	---	---	---	---	---	---	---

Product Description

P	I	G		I	R	O	N
---	---	---	--	---	---	---	---

Item Code No. (ITC Code)

7	2	1	4	2	0	0	9
---	---	---	---	---	---	---	---

Product Description

		R	E	B	A	R	S
--	--	---	---	---	---	---	---

AUDITORS' REPORT

To the Members of Rashtriya Ispat Nigam Limited

1. We have audited the attached balance sheet of Rashtriya Ispat Nigam Limited, as at 31 st March 2004, and also the Profit and Loss account and the Cash Flow Statement 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.
2. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) 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 purposes of our audit have been received from the branches not visited by us;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns from the branches;
 - (d) In our opinion, the Balance Sheet, Profit and 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;
 - (e) The provisions of section 274(1)(g) is not applicable to directors of Government companies vide General Circular No.8/2002 of Department of Company Affairs;
 - (f) 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 the case of the Balance Sheet, of the state of affairs of the company as at 31 st March 2004;
 - (ii) In the case of the Profit and Loss Account, of the PROFIT for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P.B.VIJAYARAGHAVAN & CO.
CHARTERED ACCOUNTANTS

Sd/-

(P.B.Santhanakrishnan)

Partner

(Membership No: 20309)

Place: Chennai
Date : 24/06/04

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report U/S 227 (IA) of even date)

1. FixedAssets

- (a) The Company has maintained proper records showing full particulars including quantitative details of fixed assets, except historical cost figures in certain cases.
- (b) All assets have not been physically verified by the management during the year but there is a regular program of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets of the company has been disposed off during the year.

2. InventoryandProducts

- (a) The inventory of finished / semi-finished goods, and raw materials have been physically verified during the year by the management, except stocks with conversion agents and those referred to in Note No.11 to the Notes on Accounts, which are adopted basing it on the book value, amounting to Rs.996.89 Lakhs out of the total reported stock of Rs.41345.03 Lakhs. In respect of stores and spares, Company has a regular program of verification in a phased manner, which in our opinion, is adequate and reasonable having regard to the nature and location of the stocks.
- (b) The procedures for physical verification of inventory followed by the management are adequate in relation to the size of the Company and the nature of its business.
- (c) Reconciliation between Priced Stores Ledger and Bin Card in respect of stores and spares was continued during the year. Adjustment has been carried out to the extent reconciliation was completed. Impact of adjustments pending is not ascertainable.

3. LoansandAdvances

- (a) The Company has not taken or granted any loans, secured or unsecured, from/to companies, firms or other parties to which the provisions of Section 301 apply. The provisions of section 370 of the Companies Act,. 1956, are not applicable to the company as per section 620 of the Companies Act 1956, as per notification issued in GSR No. 309 dated 20.02.1978.
- (b) In respect of loans and advances in the nature of loans given by the Company, parties/staff have generally repaid the principal and interest amounts as stipulated. Reasonable steps are taken for recovery of principal and interest wherever there is a default.

(c) In our opinion, in respect of overdue amount is more than one lakh, reasonable steps have been taken by the company for recovery / payment of the principal and interest.

4. Internal Control Procedure

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, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards purchase of inventories and fixed assets and for sale of goods.

5 Register under Section 301 of the Act

In our opinion and according to the information and explanations given to us there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.

6. Deposits from public

The Company has not accepted any deposits from the public in terms of the provisions of Section 58A of the Companies Act, 1956.

7. Internal Audit

The Internal Audit for the year has been carried out by the Internal Audit department of the Company, and we are of the opinion that the existing internal audit system is commensurate with the size of the Company and the nature of its business.

8. Cost Records

We have broadly reviewed the books of accounts maintained by the Company pursuant to the order 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 in respect of the applicable products. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.

9. Statutory Payments

(a) According to the records of the Company, the company has been regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities in India as on March 31, 2004. According to the explanations given to us, Company is not required to make any contribution under the Employees' State Insurance Act.

(b) At the end of the financial year following were the dues of Sales Tax, Income Tax, Customs Duty, Excise Duty, and Cess which have not been deposited on account of dispute.

Name of the Statute	Nature of dues	Forum where dispute is Pending	Amount (Rs. in lakhs)
Customs & Excise Act	Excise duty and Modvat	CESTAT	3101.15
-do-	-do-	Commissioner Appeals	1362.84
-do-	-do-	Preferring appeal before CESTAT	334.05
-do-	Customs Duty	District Judge Court, Visakhapatnam	46.30
-do-	-do-	Commissioner Appeals, Hyderabad	97.85
-do-	-do-	-do-	23.82
R & D Cess Act	R & D Cess	High Court of Kolkata	959.12
-do-	-do-	-do-	338.28
APGST & CST Act	Sales Tax pending concessional forms	Sales Tax Appellate Authority	1736.79
Trade Tax Department, UP	ST appeal for 1994-95	Tribunal Bench, Agra	1.07
Gujarat Sales Tax Act	Tax and Interest demands for 1996-97 & 1997-98	Appellate Authority	37.44
Kerala State Sales Tax Act	Sales Tax on cutting & Bending charges for 94-95, 95-96 & 96-97	Sales Tax Appellate Tribunal	1.44

10. Accumulated losses

The accumulated losses at the end of the financial year are less than fifty per cent of its net worth and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.

11 Default in repayment to banks on FI's

According to the records produced, the company has not defaulted in repayment of its dues any financial institution or bank during the year.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The company is not either a chit fund or nidhi /mutual benefit fund / society and hence the provision of any special statute is not applicable. .

14. The company is not dealing or trading in shares, debentures etc and hence, this clause is not applicable.

15. The company has not given any guarantees for loans taken by others from banks or financial institutions.

16. The company has not availed any term loans during the year.

17. The company has not raised any funds on short term or long term basis, during the year.

18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.

19. No Debentures have been issued by the company.

20. The company has not raised money by public issues during the year.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company nor have we been informed by the management of any such instance being noticed or reported during the year.

P.B.VIJAYARAGHAVAN & CO.
CHARTERED ACCOUNTANTS

Sd/-
(P.B.Santhanakrishnan)
Partner
(Membership No: 20309)

Place : Chennai
Date :24/06/04

Comments of the Comptroller and Auditor General of India
under Section 619 (4) of the Companies Act, 1956 on the Accounts of
Rashtriya Ispat Nigam Limited, Visakhapatnam for the year ended 31st March, 2004

I have to state that the Comptroller and 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 Rashtriya Ispat Nigam Limited, Visakhapatnam for the year ended 31st March, 2004.

Sd/-
(A. SRINIVAS KUMAR)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
& EX-OFFICIO MEMBER, AUDIT BOARD
HYDERABAD

Place : Hyderabad

Dated : 23.8.2004

VISION

To be a continuously growing world class company.

We shall

- F Harness our growth potential and sustain profitable growth
- F Deliver high quality and cost competitive products and be the first choice of customers.
- F Create an inspiring work environment to unleash the creative energy of people
- F Achieve excellence in enterprise management
- F Be a respected corporate citizen, ensure clean and green environment and develop vibrant communities around us.

MISSION

To attain 10 million ton liquid steel capacity through technological up-gradation, operational efficiency and expansion; to produce steel at international standards of cost and quality; and to meet the aspirations of the stakeholders.

OBJECTIVES

- F Expand plant capacity to 5 million tons by 2007-08 with the mission to attain 10 million tons capacity in two subsequent phases.
- F Wipe out accumulated losses by 2006-07.
- F Be amongst top five lowest cost liquid steel producers in the world by 2006-07.
- F Achieve customer satisfaction levels on par with world class organizations by 2006-07.
- F Make RINL the employer of choice by caring for employees. Develop people as knowledge workers by 2005-06 and achieve an improvement of 5 percentage points in employee satisfaction levels every alternate year.
- F Be ranked as an excellent business organisation by 2006-07.
- F Ensure zero effluent discharge by 2005-06 and contribute to improving quality of life (health, literacy and water) in at least one village every year.

CORE VALUES

Commitment

Continuous Development

Customer Satisfaction

Concern for Environment

Creativity & Innovation