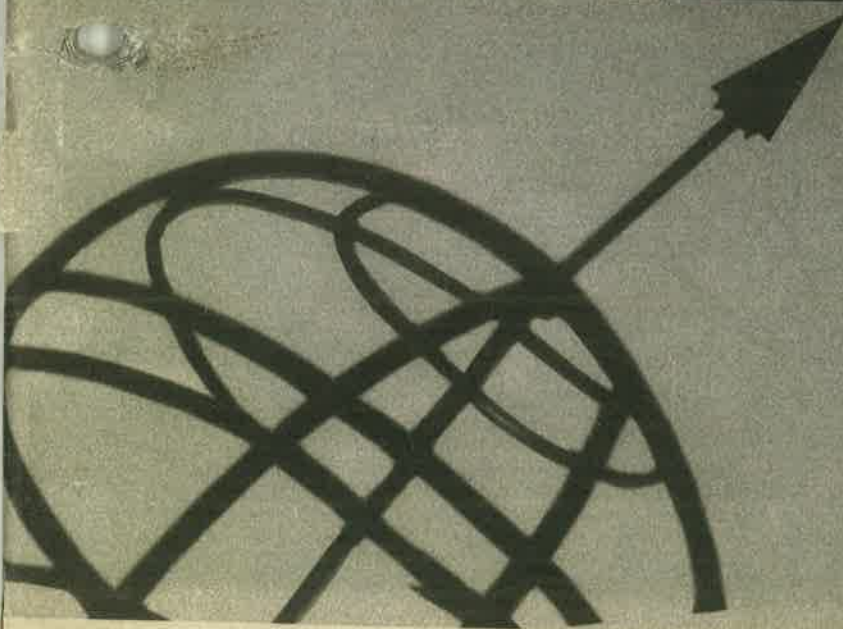




# SAW PIPES LIMITED

Annual Report  
2001-2002

*Driven by the Elements*



*Care*

*Quality*

*Value*

*Unity*

*Environment*

SAW Pipes Limited

Annual Report 2001-2002

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**Bankers :** State Bank of Patiala  
 State Bank of India  
 Canara Bank  
 Standard Chartered Girndlay Bank

ICICI Bank Limited  
 UTI Bank  
 State Bank of Mysore

**Auditors :** Statutory Auditors  
 M/s N.C. Aggarwal & Co.  
 Chartered Accountants,  
 New Delhi

Internal Auditors  
 RSM & Co.  
 Chartered Accountants,  
 New Delhi

**Address :** Regd. Office  
 A1-UPSIDC Industrial Area,  
 Nandgaon Road, Kosi Kalan  
 District Mathura 281403 (U.P.)

Corporate Office  
 Jindal Centre,  
 12 Bhikaji Cama Place,  
 New Delhi-110066

# From the Chairman's Desk



**Dear Shareholders,**

I welcome this opportunity to share with you the performance of SAW Pipes Limited. During the last fifteen months your company has continued to adapt and perform despite the great uncertainties in the world around us, whether in India or abroad.

We are all witness to the dynamics of the global economy. The world economic scenario is turning into a unified synergy. Barriers are coming down and pioneering forays continue, super highways of trade and business are continually being laid and the world is negotiating together, the construction of an entirely new dimension for the terms of economic exchange and progress. In this highly vibrant and vigorous economic environment your company has established its own presence. SAW Pipes Limited has expanded, consolidated and consistently exceeded its own rigorous high standards of quality and management.

India is once more the doorstep to future business. Traditionally we have always welcomed the world and that is our strength. Our doors remain open to new partnerships. It has made us the nerve center of world business. We must remember that we are an ancient civilization but a new country. Thus, we bring to the rest of the world a combination of strengths - The age and experience of history and the freshness and resurgence of youth. This dual composition drives us to develop our core strengths. To continually and consistently improve upon our own high standards, to create and re-create the measures of success against which others may measure themselves, that is our resolve. The last 15 months indicate that we have been successful. SAW Pipes Limited can look back with satisfaction; it deserves to look forward with confidence.

As leaders in the energy transportation infrastructure sector we have a duty towards the environment. I believe that the protection of the environment is a trans-national issue and we as a globe are responsible for its welfare. Our actions have demonstrated that we as a team are committed to safeguarding this legacy and enhancing it wherever and whenever possible. As a matter of course we have adopted protective and quality assurances of the highest standards to manage and provide safe ecological transportation solutions. Our intervention has been meaningful.

At the same time we have addressed growth and integration of our core strengths. The addition of a large capacity in spiral welded pipes at Mundra and the revitalisation of the seamless division at Nashik hold out



## From the Chairman's Desk

the promise of a robust potential. While this reinforces our commitments and practices on the ground we are already working to make our visions a reality.

SAW Pipes Limited has moulded prescience with practicality in its outlook for the future of hydrocarbon and the equally precious water segment. We have plans to serve the energy transportation needs for Industrial Infrastructure. Our delcation involves the service of social issues while providing for the water transportation infrastructure.

Naturally and above all else, the success of the company relies upon the motivation, commitment and level of dynamism of our employees. Our work ethic is incorporated in five elements - **Care, Unlty, Quality, Values and Environment.**

These represent the core philosophy of Team SAW Pipes. Our vision is the embodiment of the values we believe in. Our efforts make us the global leader for a "Total Pipe Solution Provider". We are proud of our repeated successes in creating wealth and prosperity for all our associates and partners. In turn their satisfaction motivates us to push even further the frontiers of our experience. We shall continue to do that; it is our responsibility as established market leaders to disperse and reiterate the same.

In our quest to purse our objectives we recognize and value the faith and conviction, which has been unflinchingly extended, to our cause by our shareholders, the financial institutions, the government authorities and our employees. It is a treasure we shall always safeguard and acknowledge in its entirety.

I welcome you to Team SAW Pipes - where the quest has just begun...

Jai Hind!



(P.R. Jindal)

*Driven by the Elements*

# Company Profile

SAW Pipes Limited (SPL), an established market in the manufacturing and Coating of Submerged Arc Welded pipes, is a part of the 2.6 billion USD Jindal Group.

Since its inception in 1984, SPL has pioneered and perfected the art of pipe making using U-O-E and J-C-O technology. Today it is a global player in the energy transportation segment with four state-of-the-art facilities in India and through affiliates it also manages the largest pipe mill in the US, supported by a plate mill with a matching capacity.



SAW Pipes Limited is a 'Total Pipe Solutions' provider with value added services like Anti-corrosion coatings - ranging from 3 LPE/FBE, CTE and Concrete weight coating, Long radius bends and connector casings. It is equipped to cater to clients globally and has mobile units to serve at pipe laying sites as well.

## The Multi-Location Advantage

### Kosi-Kalan Facility Uttar Pradesh (INDIA)

The Kosi-Kalan unit of SAW Pipes Limited is situated 100 kms from New Delhi, on the Delhi-Agra Highway. It is strategically situated and linked well to optimize necessary logistic support to clients.

### Mundra, Gujarat (INDIA)

To cater to the global market and be cost competitive, this unit was established. It is a 100% EOU, strategically located near a privately managed all weather port on the west coast of India.

### Nashik, Maharashtra, seamless division (INDIA)

This facility specializes in the manufacture of stainless steel and carbon steel seamless tubes and pipes. It has a range of 0.23" to 6.62 inches in OD, 0.27" to 0.47 inches in wall thickness. It has a capacity of 6000 metric ton per annum in cold finish and 75000 metric ton per annum in hot finish.

### Baytown, Texas (U.S.A.)

In an effort to consolidate growth and expand global horizons, SAW Pipes USA Inc. where SPL has a significant stake, was acquired. This plant is strategically positioned to ensure fast, dependable access to the U.S. and global pipeline market.



### Swastik Foils, Cold Rolled Division, New Delhi (INDIA)

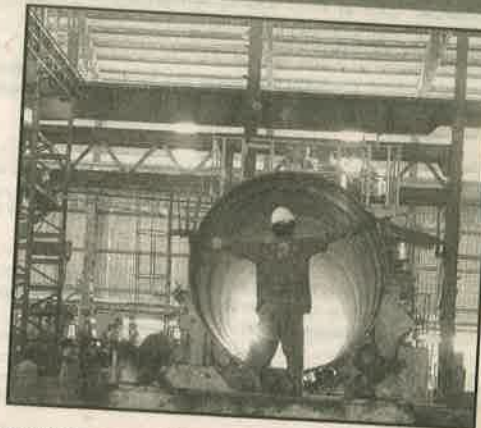
This division specializes in the manufacture of thin and ultra-thin gauges of Cold Rolled stainless steel precision coils. It has taken rapid strides in meeting stringent requirements for a diverse set of industries including Filter, Optical Fibers, Capillary tubes, Flexible Hoses, Shims, Gaskets, Automobiles, Thermowares and utensils.



# Company Profile

## Treasure Trove of Experience

Line Pipes manufactured	6300 Km
X-70	600 Km
Nace	700 Km
Anti-Corrosion	
Coatings Applied	7.5 million sq. m
LR bends fabricated	2100 pcs
Connector Casings supplied	250 Km



## Prestigious Clientele

A combination of flawless products, a pro-active marketing force, competitive pricing, our principle and values in conducting business gives our customers good value for their money. And we are proud to deliver this quality time and again. We have executed major projects globally and our clientele includes renowned names like - Indian Oil Corporation, Gas Authority of India, Engineers India Limited, Bharat Petroleum, Hindustan Petroleum Corpn. Ltd. in the domestic sector and Egyptian Natural Gas Co. (GASCO), Bechtel Intec Consortium Shell, Saudi Arabian Oil Co, Enron in the international arena.

## Quality is Intrinsic to the business

At SPL quality is a serious endeavor. Every member at SPL strives to comply with the various international Quality systems and guidelines. Quality assurance is in-built into each stage of production from raw material purchase to finished good handling. Each department meticulously adheres to the prescribed tests and inspections. Test results are recorded against identification numbers and archived to ensure full traceability of products. The test data is analyzed to further evolve the processes for more stringent quality results. Over a period, the efforts of SPL has taken it to a position where it has been certified from various reputed international agencies like API, ISO, and DNV. The various satisfactory performance certificates by the valued clients also speak for the quality control measures undertaken and practiced at SPL. Quality at SPL is an ongoing activity, bench marking the efforts for a future par excellence.

## Responsible corporate citizen

As a committed corporate entity, SPL endeavors to work in tandem with the environment without upsetting the eco-system. Strict quality management systems for air, water and waste treatment in and around the plants ensure stringent procedures and international compliance. The organization attempts to give its workforce a quality life and drive them to a higher standard of living by providing them access to amenities like housing, transportation, medical facilities, schools and other civic infrastructure.

As part of community service, SPL has adopted many villages surrounding the plants. Active volunteers from the organization undertake regular literacy drives; organize free health camps, mobile eye-care units and are continuously striving to make these villages independent and progressive.

In our pursuit to maintain the leadership position, we, at SAW Pipes Ltd, strive to learn each day. This continuous learning process helps us in keeping our faith in the Elements - Quality, Unity, Environment, Care and Value.

*Driven by the Elements*

# Notice

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of SAW Pipes Ltd. will be held at Registered Office at A-1, UPSIDC Indl. Area, Nandgaon Road, Kosi Kalan, Distt. Mathura (U.P.) - 281 403 on Saturday, the 21st day of December, 2002 at 11.30 a.m. to transact the following businesses :-

## ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 30th September, 2002 and the Profit & Loss Account for the year ended 30th September, 2002 and the Reports of Directors and Auditors.
2. To declare a Dividend.
3. To appoint a Director in place of Shri T. M. Sen, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Purshottam Lal, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s N.C. Aggarwal & Co., Chartered Accountants, retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

## SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :  
"RESOLVED THAT Shri M. K. Tandon be and is hereby appointed as a Director of the Company liable to retire by rotation."

Regd. Office:  
A-1, UPSIDC Indl. Area,  
Nandgaon Road, Kosi Kalan,  
Distt. Mathura (U.P.)-281403  
Dated : 14<sup>th</sup> November, 2002

By order of the Board  
for SAW PIPES LTD.,  
SUNIL JAIN  
COMPANY SECRETARY

## NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE VALID & EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE ABOVE MEETING.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under Item No. 6 of the Notice to be transacted at the above meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19.12.2002 to 21.12.2002 (both days inclusive). This may be treated as a Notice U/s 154 of the Companies Act, 1956.
4. The Dividend, if approved, will be paid subject to deduction of applicable Income Tax at Source as per provision of Finance Act, 2002 to those shareholders whose names appear : (a) As beneficial owners as at the end of the business on 18th December, 2002 as per the list to be furnished by NSDL and CDSL in respect of shares held in the Electronic Form; and (b) As members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 18th December, 2002.
5. In case of resident individual shareholders, income tax will not be deducted at source from dividend, where such dividend does not exceed Rs. 2500/-. The income tax will not be deducted, where such dividend exceeds Rs. 2,500/-, if the shareholder furnishes declaration in Form 15G, in duplicate, to the Company on or before 18<sup>th</sup> December, 2002.
6. The Company is required to issue TDS certificate, inter alia, quoting Permanent Account No. (PAN / GIR No.) of the shareholders under Section 139A(5A) of the Income Tax Act, 1961. Obligation has been cast on the shareholders receiving dividend which is subject to TDS to intimate his/her/its PAN/GIR Number to the Company.
7. The members are requested to notify promptly any change in their address to the Company.



# Notice

8. Pursuant to the provisions of Section 205A of the Companies Act, as amended, dividend for the financial year ended 30<sup>th</sup> June, 1995, which has remained unpaid for a period of 7 years will be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders who have not encashed the dividend warrants so far for the financial year ended on 30<sup>th</sup> June, 1995 are requested to make their claim to the Company at Jindal Centre, 12, Bhikaiji Cama Place, New Delhi- 110 066 before 27.12.2002. It may also be noted that once the unclaimed dividend is transferred to the fund as above, no claim shall lie in respect thereof.
9. Section 109A of the Companies Act, 1956 extends nomination facility to all shareholders. They may like to avail it.

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No. 6

Shri M. K. Tandon is formerly Chairman-cum-Managing Director of National Insurance Company Ltd. He had also held the position of Managing Director of General Insurance Corporation of India. He joined Life Insurance Corporation of India in 1964 and has held the various positions, apart from LIC, in General Insurance Corporation of India and Oriental Insurance Company Ltd. for about 30 years. He has also been associated with Insurance Institute of India as Deputy President, National Insurance Academy as a member of its governing body and Loss Prevention Association of India. He has also held position of director in a few companies in India and abroad.

The ICICI Bank Ltd. has appointed him its nominee on the Board of your Company. Consequently, he was appointed as an additional director by the Board in its meeting held on 30.1.2002. Presently, he is on the Board of GIC Housing Finance Ltd. and Trustee on the Board of Trustees of GIC Mutual Fund. He is also a member of Audit Committee of GIC Housing Finance Ltd.

Pursuant to Section 260 of the Companies Act, 1956, Shri M. K. Tandon holds office as Additional Director only upto the date of ensuing Annual General Meeting. The Company has received notice pursuant to Section 257 of the Companies Act, 1956 from one of the members signifying his intention to propose Shri M. K. Tandon as Director. The Board considers that it would be in the interest of the Company to appoint Shri M. K. Tandon as Director. The Board recommends passing of resolution at Item No. 6.

Except Shri M. K. Tandon, none of the other Directors is, in anyway, concerned or interested in the resolution.

Regd. Office:  
A-1, UPSIDC Indl. Area,  
Nandgaon Road, Kosi Kalan,  
Distt. Mathura (U.P.)-281403  
Dated : 14<sup>th</sup> November, 2002

By order of the Board  
for SAW PIPES LTD.,  
SUNIL JAIN  
COMPANY SECRETARY

The Brief resumes of Directors retiring by rotation are as follows :-

#### 1) Shri T. M. Sen

Shri T. M. Sen is senior Partner of Khaitan & Khaitan, a leading Law Firm, New Delhi and is Advocate of Supreme Court of India. He is also Attorney-at-Law at Calcutta High Court. He is Notary enrolled by the Government of India to practice all over the country.

Apart from SAW Pipes Ltd. he is a Director on the Board of Directors of Amrit Vanaspati Ltd. and is a member of Audit Committee of SAW Pipes Ltd.

#### 2) Shri Purshottam Lal

Shri Purshottam Lal is formerly Commissioner / Joint Secretary, Government of India. He has also held position of Director - Foreign Trade, Ministry of Finance, Govt. of India and has widely travelled across the globe in that capacity. He had prepared country reports for six countries for International Development Research Centre, Canada. In past, he has been associated with numerous companies, both public and private as Director.

Besides, he is a director of SAW Pipes Ltd., he is a member of the Audit Committee as well as Investor's Grievance Committee of SAW Pipes Ltd.

# Directors' Report

To  
The Members,

Your Directors are pleased to present the 18<sup>th</sup> Annual Report and Audited Statement of Accounts of the Company for the year ended 30<sup>th</sup> September, 2002.

## FINANCIAL RESULTS

Particulars	Current Year Ended 30 <sup>th</sup> Sept., 2002 (15 Months) (Rs in Lacs)	Previous Year Ended 30 <sup>th</sup> June 2001 (12 Months)(Rs in Lacs)
<b>Gross Sales &amp; Income from Operations</b>	<b>75,413.20</b>	<b>40,022.35</b>
Profit before Interest and Depreciation	<b>13,183.85</b>	<b>10,245.60</b>
Less:		
- Interest	<b>6,607.36</b>	<b>4,886.47</b>
- Depreciation	<b>1,741.00</b>	<b>1,292.72</b>
Profit before tax	<b>4,835.49</b>	<b>4,066.41</b>
Provision for Income Tax and Wealth Tax	<b>601.76</b>	<b>1,131.50</b>
Net Profit After tax	<b>4,233.73</b>	<b>2,934.91</b>
Add: Balance brought forward from previous Year	<b>2,554.96</b>	<b>1,878.32</b>
Debenture Redemption Reserve written back	<b>625.00</b>	<b>-</b>
Previous year taxation adjustment	<b>-</b>	<b>36.45</b>
Total amount available for appropriation	<b>7,413.69</b>	<b>4,849.68</b>
Less : Appropriations:		
(a) Debenture Redemption Reserve	<b>375.00</b>	<b>625.00</b>
(b) Capital Redumption Reserve	<b>750.00</b>	<b>-</b>
(c) Transfer to General Reserve	<b>500.00</b>	<b>1000.00</b>
(d) Interim Dividend on Preference shares paid	<b>137.04</b>	<b>137.04</b>
(e) Proposed dividend:	<b>58.25</b>	<b>65.47</b>
- on Preference Shares	<b>584.70</b>	<b>389.80</b>
- On equity shares	<b>13.98</b>	<b>77.41</b>
f) Corporate Tax on dividends	<b>4,994.72</b>	<b>2,554.96</b>
Balance carried to Balance Sheet		

## REVIEW OF OPERATION

The period under report has been significant in terms of the operations of the Company. During the period under review your Company achieved gross turnover of Rs. 75413.20 lacs. Thus, there has been an increase of 50.74% over previous year on the annualized basis. Out of the gross turnover of Rs. 75413.20 lacs, the exports have been to the tune of 61573.80 lacs - nearly 82% of the gross turnover. Accordingly, the production of the Company increased from 105526 Mt. to 257635 Mt., thereby, registering an increase of 95.31% on year to year basis.

Similarly, the profit after tax have increased on annualized basis by 15.40%. The EPS comes to Rs. 10.32 registering an increase of 19.54% over previous year on yearly basis.

## DIVIDEND

This year your Directors have recommended a dividend of Rupee 1.50 per share of Rs. 10/- each (15%) for the year ended 30<sup>th</sup> September, 2002 on the Equity Shares of your Company.

The Board of Directors recommends the final dividend on 13.5% Preference Shares. The Company has already paid an interim dividend on these Preference Shares.

## EXTENSION OF FINANCIAL YEAR

Keeping in view the operational and internal reporting requirements of the Company, your Directors had extended the Financial Year of the Company upto 30<sup>th</sup> September, 2002 and have also decided to change the financial year of the Company from 1<sup>st</sup> July to 30<sup>th</sup> June to 1<sup>st</sup> October to 30<sup>th</sup> September for every year.

## MANAGEMENT DISCUSSION AND ANALYSIS AND CORPORATE GOVERNANCE

A separate report on Management Discussion and Analysis relating to business and economic environment surrounding your Company is enclosed as a part of the Annual Report.

Another report provides information / status on the Corporate Governance.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed by the Board of Directors :-



# Directors' Report

- (a) that in the preparation of the annual accounts for the financial year ended 30<sup>th</sup> September, 2002, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (b) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the Directors had prepared the accounts for the financial year ended 30<sup>th</sup> September, 2002 on a 'going concern' basis.

## DIRECTORS

Shri T. M. Sen and Shri Purshottam Lal retire by rotation and, being eligible, offer themselves for reappointment. During the period under report the ICICI Bank Ltd. nominated Shri M. K. Tandon as a Director on the Board of your Company. He was appointed as an Additional Director by the Board. The Company has received the notice pursuant to provisions of Section 257 of the Companies Act, 1956 from one of its members signifying his intention to propose Shri M. K. Tandon as Director of the Company. Shri Subhash Chandra resigned from the Board. The Board welcomes the new Director and expresses its gratitude to the outgoing Director for valuable contribution made by him.

## AUDITORS & THEIR REPORT

M/s. N. C. Aggarwal & Co., Chartered Accountants, Auditors of the Company retire at the end of ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors' remarks in their report read with the notes to accounts referred to by them are self-explanatory.

## COST AUDIT

Pursuant to Section 233 B of the Companies Act, 1956 and as per the order of the Central Government, the Company carries out audit of Cost Accounts, relating to Steel Tubes and Pipes every year. The Company with the approval of Central Government has appointed Mr. S. N. Balasubramanian, Cost Accountant, to audit the Cost Accounts relating to manufacture of Steel tubes and pipes for the F.Y. ended 30<sup>th</sup> September, 2002.

## LISTING

The shares of your Company are listed on Delhi, Mumbai, Calcutta and Kanpur Stock Exchanges. The Annual Listing Fees for the year 2002-2003 have been paid to all the Stock Exchanges.

## PUBLIC DEPOSITS

The Company had repaid the deposits matured during the year except unclaimed deposits aggregating Rs. 59.35 lakhs at the end of the year.

## PARTICULARS REGARDING CONSERVATION OF ENERGY, ETC.

Information in accordance with the provision of Section 217(1)(e) of Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the statement annexed hereto.

## SUBSIDIARY COMPANIES

The Annual accounts of the Subsidiaries, Hexa Securities & Finance Company Ltd. and Jindal Enterprises LLC along with statement pursuant to Section 212(1)(e) of the Companies Act, 1956 are attached with this Report.

## PERSONNEL

The industrial relations remained cordial throughout the year. As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rule, 1975, as amended, the names and other particulars of the employees are set out in Annexure to this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

## ACKNOWLEDGEMENT

The Board of Directors are grateful to concerned Departments of Central/State Governments, Financial Institutions and Company's Bankers for their timely help and co-operation. The Directors also wish to place on record their appreciation for the contribution made by the employees at all levels to the efficient operations of the Company.

For and on behalf of the Board

Place : New Delhi  
Date : 14<sup>th</sup> November, 2002

P.R.Jindal  
Chairman

*Driven by the Elements*

# Directors' Report

## ANNEXURE TO THE DIRECTORS' REPORT

### ANNEXURE 1

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

#### CONSERVATION OF ENERGY :

##### a) ENERGY CONSERVATION MEASURES TAKEN :

- (i) 3240 KVA Generator has been installed which will run on furnace oil resulting in generation of electricity at a lower cost.
- (ii) Conveyor system has been made more effective to reduce the usage of E.O.T. cranes for handling of pipes, thus saving the electrical power.
- (iii) Shed lights are connected in zigzag for better utilization with less energy consumption during evening, when all lights are not required.
- (iv) Use of D.G.-sets has been restricted during peak hours by taking special permission from Govt. Authorities to use electrical power on 24 hours basis.
- (v) Installation of Diesel dewatering pump for rainwater that reduces the energy cost.
- (vi) By innovative improvement in Cold Pilgers we have achieved the final dimension of tube at Cold Pilger thus eliminating one complete process cycle of Draw Bench which in turn reduce the energy cost as well as process cost.
- (vii) In A/P Line dry heater reduced upto required temp for electrical energy saving.
- (viii) Regular monitoring of DG Set Fuel consumption and planning for DG Set operating to minimize cost of electricity generation.
- (ix) Mill # 1 MG Set replaced with PLC and Thyristar drives for saving of electrical power and increased productivity.
- (x) Power consumption in JCO press has been reduced by installing lower capacity motors of 400 HP from 430 HP.
- (xi) Pump and Motors have been replaced in C Press from 130 Hp to 105 Hp.
- (xii) Electric motor of 40 HP has been replaced by a 25 HP in EOT crane no. 5.
- (xiii) Timely preventive maintenance as per ISO-9000 system of DG set has been instrumental to minimise cost of electricity generation.

##### b) ADDITIONAL INVESTMENT AND PROPOSAL FOR REDUCTION OF CONSUMPTION OF ENERGY :

- (i) To procure and use centrifuge for filtering LDO to be used instead of HSD to generate energy at a lower cost.
- (ii) Walking Beam & Rotary Hearth in place of Electrically (induction) Heating System that reduces the fixed as well as variable cost of electrical energy substantially.
- (iii) Modernisation of Stretch Reducing Mill by installing digital drives & automation which in turn improves the productivity as well as quality of the product. Also in turn we can reduce fixed load of H.T. motor/generator.
- (iv) Decentralization of Air Compressor system by installing additional small capacity compressors at different workstations and by using them effectively. Also by replacing the pneumatic system by hydraulic system which in turn reduce the energy cost.
- (v) To make JCO and C press and expander hydraulic system more efficient in terms of oil leakage to reduce power on motors.
- (vi) Automation of C Press and expander using PLC for saving of power and increased productivity and also improvement in quality.
- (vii) Possibility of running JCO press by single motor of 200 HP (present two motors of 200 HP each) will be explored for reducing the power consumption.
- (viii) Installation of a mini power station to enable the use of furnace oil instead of HSD.

##### c) IMPACT OF ABOVE MEASURES :

The impact of above measures taken will result in lower energy consumption per tone of production.



# Directors' Report

## FORM "A"

Form for disclosure of particulars with respect to Conservation of Energy

### 1. POWER AND FUEL CONSUMPTION

	2001-2002	2000-2001
<b>I Electricity:</b>		
Purchased Units	10288339	7249137
Total Amount (Rs)	44789060	36869983
Rate per Unit (Rs)	4.35	5.09
<b>II Own Generation through D.G. Set</b>		
Generated Units	44639633	10685643
Unit per Liter of oil	3.20	3.23
Cost per Unit (Rs.)	4.97	4.78
<b>2. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Production : Submerged Arc Welded Pipes and Re Rolled Stainless Steel Strips, Electricity for		
(i) Manufacture of Steel Pipes per MT	193.501	94.56
(ii) Pre-rolling of Stainless Steel Strips per MT	646.874	704.678

## FORM "B"

Form of disclosure of particulars with respect to Technology Absorption for 2001-2002

1. Specific Areas in which Research and Development carried out by the Company.  
R & D was carried in product development, process development, energy conservation, environment protection, cost reduction and automation.
2. Benefits Derived  
With installation of additional equipments it was possible to achieve consistency in production and quality of finished product and saving of energy.
3. Future Plan of Action
  - (a) Reduction in Process Losses
  - (b) Development of New Products.
4. Expenditure on R & D  
Development and improvement of products is an inbuilt and ongoing activity within existing manufacturing facilities. Expenditure incurred on R&D during the year under report has not been specifically apportioned.
5. Foreign Exchange & Outgo
 

	<b>Rs. In Lacs</b>
(a) Foreign Exchange Earnings	<b>57060.28</b>
(b) Foreign Exchange Outgo	<b>32844.41</b>

For and on behalf of the Board

Place : New Delhi  
Date : 14<sup>th</sup> November, 2002

P.R.Jindal  
Chairman

# Report on Corporate Governance

## (1) COMPANY'S PHILOSOPHY

The Company's Philosophy on Corporate Governance envisages the attainment of highest level of transparency, accountability and equity in all facets of its operations and in all its inter-actions with its stakeholders including shareholders, employees, lenders and the Government. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

## (2) BOARD OF DIRECTORS

### (I) COMPOSITION OF BOARD

At present the strength of Board of Directors is 9 whose composition is given below :-

Name of Director	Status	No. of Other Directorships And Committee Memberships/Chairmanship		
		Other Directorship	Committee Membership	Committee Chairmanship
Shri P.R. Jindal	Promoter - Non Executive	6	-	1
Ms. Sminu Jindal	Promoter - Executive	2	1	-
Shri M. K. Tandon*	Independent - Non Executive	1	1	-
Shri T.M. Sen	Independent - Non Executive	1	1	-
Shri Purshottam Lal	Independent - Non Executive	-	1	-
Shri A.J.A. Tauro	Independent - Non Executive	2	1	2
Shri Kuldip Bhargava	Independent - Non Executive	5	1	-
Shri Moosa Raza	Independent - Non Executive	9	1	-
Shri H. S. Chaudhary	Independent - Executive	-	-	3

\* Nominee of ICICI Bank Ltd.

### (II) BOARD MEETINGS AND ATTENDANCE RECORD OF EACH DIRECTOR

7 meetings of the Board of Directors were held during the year ended 30<sup>th</sup> September, 2002. These were held on 30.07.2001, 26.09.2001, 29.10.2001, 22.11.2001, 30.01.2002, 30.04.2002 and 30.07.2002.

DIRECTORS	NO. OF BOARD MEETINGS ATTENDED	ATTENDANCE AT THE LAST AGM
Shri P.R. Jindal	4	Yes
Shri Ratan Jindal *	2	-
Shri Sajjan Jindal *	-	-
Ms. Sminu Jindal	2	No
Shri T. M. Sen	5	No
Shri A.J.A. Tauro	4	No
Shri Purshottam Lal	7	Yes
Shri Kuldip Bhargava	4	No
Shri H.S. Chaudhary	3	Yes
Shri Moosa Raza	2	No
Shri M. K. Tandon ***	2	No
Shri Dilip Bhargava *	-	-
Shri Subhash Chandra **	-	No

\* Ceased on 22.11.2001

\*\* Ceased on 30.04.2002

\*\*\* Appointed w.e.f. 30.01.2002

Chairman of the Audit Committee Shri A.J.A. Tauro had to cancel his travel plans at the last moment for undertaking travel from Mumbai to Kosi Kalan for attending Annual General Meeting due to unavoidable reason. However, the other Audit Committee member was present to answer the queries/ provide clarification on matters relating to accounts.



# Report on Corporate Governance

## (III) DETAILS OF REMUNERATION PAID TO DIRECTORS

### REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are paid sitting fees of Rs. 2,500/- (increased from 1,000/- w.e.f. 30.01.2002) for each meeting of the Board, Audit and Shareholders' Grievance Committee or other Committee attended by them.

NAME OF DIRECTOR	SITTING FEES (RS.)
Shri P. R. Jindal	37,500
Shri Ratan Jindal	3,000
Shri A.J.A. Tauro	11,000
Shri Purshottam Lal	58,500
Shri T. M. Sen	16,500
Shri Kuldip Bhargava	9,500
Shri M. K. Tandon	5,000
Shri Moosa Raza	3,500

### REMUNERATION PAID TO EXECUTIVE DIRECTORS

NAME OF DIRECTOR	POSITION	SALARY (RS.)	COMMISSION (RS.) *
Ms. Sminu Jindal	Managing Director	15,55,322	12,05,000
Shri H.S. Chaudhary	Whole-time Director	6,94,005	NIL

The terms of appointment of above Executive Directors are on contractual basis for a period of 5 years from the respective dates of appointment. The notice period is 6 Calendar Months. In the event of termination of appointment, the Executive Directors will be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956. The Company has not issued any stock option.

\* @ 1% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to a maximum of an amount equivalent to one year salary.

## (3) AUDIT COMMITTEE

### (I) TERMS OF REFERENCE

The role and terms of Audit Committee covers the area of Clause 49 of the listing agreement with Stock Exchanges and Section 292A of the Companies Act, 1956 besides other terms as may be referred to by the Board of Directors of the Company. The minutes of the Audit Committee are taken note by the Board of Directors.

### (II) COMPOSITION

The Audit Committee was reconstituted on 28<sup>th</sup> July, 2000 and comprises of 4 independent Non Executive Directors. Committee met 5 times during the year on 30.07.2001, 13.09.2001, 22.11.2001, 30.01.2002 and 30.07. 2002. The attendance of the members of the meetings are as follows:-

NAME OF MEMBER	STATUS	NO. OF MEETING ATTENDED
Shri A.J.A. Tauro	Chairman	4
Shri Purshottam Lal	Member	5
Shri T.M. Sen	Member	4
Shri Kuldip Bhargava *	Member	1

\* Appointed w.e.f. 22.11.2001

# Report on Corporate Governance

Shri Sunil Jain, Company Secretary is the Secretary of the Committee. Head of Finance & Accounts Department, Statutory Auditors, Cost Auditors and Internal Auditors attended the meetings of the Audit Committee. The Audit Committee deals with the various aspects of financial statements including quarterly, half yearly and annual results, adequacy of internal controls & internal audit functions, compliance with accountings standards and Company's financial & risk management policies. It reports to the Board of Directors about its findings & recommendations pertaining to above matters.

## (4) REMUNERATION COMMITTEE

The Company has only two Executive Directors on the Board whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the Members. In view of this, no remuneration committee needs to be constituted.

## (5) SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

### (I) TERMS OF REFERENCE

To look at redressing of shareholders/investors complaint like transfer of shares, non receipt of dividend warrants, etc. As there were no serious and major grievance reported so no meeting of this Committee was held.

### (II) COMPOSITION

The Shareholders/investor grievance committee was reconstituted on 28<sup>th</sup> July, 2000 and comprises 4 members :-

Name of Member	Status
Shri P.R. Jindal	Chairman
Shri A.J.A. Tauro	Member
Shri Purshottam Lal	Member
Ms. Sminu Jindal	Member

Shri Sunil Jain, Company Secretary is the Compliance officer of the Company.

The Board has delegated powers of approving transfer of shares to the Executive Directors of the Company to be ratified by the Board later in their meeting.

### (iii) SHAREHOLDERS' COMPLAINT

NO. OF SHAREHOLDER'S COMPLAINT RECEIVED DURING THE YEAR	NO. OF COMPLAINTS NOT SOLVED	NO. OF PENDING SHARE TRANSFERS
4	Nil	Nil

## (6) GENERAL BODY MEETINGS

(a) The details of Annual General Meetings held in last three years are as under :-

AGM	DAY	DATE	TIME	VENUE
15 <sup>th</sup>	Friday	24.12.1999	11.30 a.m.	Regd. Office
16 <sup>th</sup>	Saturday	30.12.2000	11.00 a.m.	- do -
17 <sup>th</sup>	Friday	21.12.2001	11.30 a.m.	- do -

(b) Whether special resolution were put through postal ballot last year ?

No.

(c) Are Special Resolutions proposed to be put through postal ballot this year?

No.



# Report on Corporate Governance

## (7) DISCLOSURES

a. Disclosures on materially significant related party transaction i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company. Transactions with the selected parties have been disclosed in Schedule No. 22 to the Accounts in the Annual Report.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None.

## (8) MEANS OF COMMUNICATION

- |  |                                       |
|--|---------------------------------------|
| (i) Half-yearly report sent to each household of shareholder   | No                                    |
| (ii) Quarterly results which newspapers normally published   | Business Standard / Hindustan (Hindi) |
| (iii) Any web site, where displayed displayed on it.   | No                                    |
| (iv) Whether it also displays official News releases and presentations made to Institutional investors/ analysis | No                                    |
| (v) Whether MD&A is a part of annual report  | Yes                                   |

## (9) GENERAL SHAREHOLDER INFORMATION

### (a) Annual General Meeting to be held :

Date : 21.12.2002.  
 Time : 11.30 A.M.  
 Venue : A-1, UPSIDC Indl. Area, Nandgaon Road, Kosi Kalan,  
 Distt. Mathura - 281 403

### (b) Financial Calendar 2002-2003 :

- |  |                               |
|--|-------------------------------|
| (i) First Quarterly Results  | : Before end of January, 2003 |
| (ii) Second Quarterly Results  | : Before end of April, 2003   |
| (iii) Third Quarterly Results  | : Before end of July, 2003    |
| (iv) Audited yearly result for the year ended 30 <sup>th</sup> September, 2003 | : November, 2003              |
| (v) Annual General Meeting in the year, 2003                                   | : December, 2003              |

### (c) Dates of Book Closure

19.12.2002 to 21.12.2002 (Both days inclusive)

### (d) Dividend payment date

Dividend on Equity Shares when sanctioned will be made payable on or after the 26<sup>th</sup> day of December, 2002 to those Shareholders whose names stand on the Company's Register of Members on the 18<sup>th</sup> day of December, 2002. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.

# Report on Corporate Governance

**(e) Listing on Stock Exchanges at :**

The Equity Shares of the Company are listed on the following Stock Exchanges :-

- (i) The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
- (ii) The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta - 700 001
- (iii) The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002
- (iv) The Uttar Pradesh Stock Exchange Association Ltd., Padam Tower, 14/113, Civil Lines, Kanpur - 208 001

**Note :** Listing fees have been paid to the Stock Exchanges for the year 2002-2003.

**(f) Stock/Company/Security/Common Code: Equity Shares**

The Stock Exchange, Mumbai	-	500378
The Delhi Stock Exchange Association Ltd.	-	19003
The Calcutta Stock Exchange Association Ltd.	-	10029015
The Uttar Pradesh Stock Exchange Association Ltd.	-	500179

**(g) Market Price Data**

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Stock Exchange, Mumbai during financial year 2001-2002 are as under :

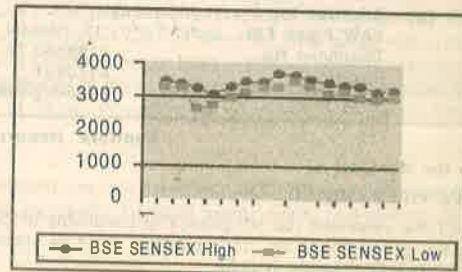
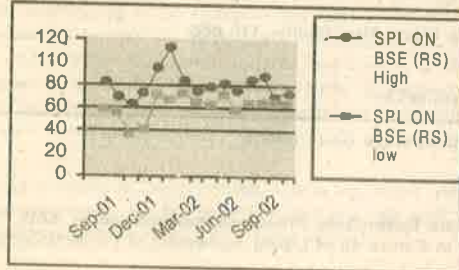
MONTH	HIGHEST RATE (RS.)	LOWEST RATE (RS.)
July, 2001	83.95	59.10
August, 2001	69.65	56.30
September, 2001	62.25	36.70
October, 2001	72.65	40.45
November, 2001	95.75	72.20
December, 2001	113.95	67.60
January, 2002	84.60	72.95
February, 2002	75.55	66.15
March, 2002	78.90	62.60
April, 2002	81.05	71.70
May, 2002	75.70	58.45
June, 2002	86.45	63.05
July, 2002	89.20	64.65
August, 2002	69.65	65.80
September, 2002	73.95	62.90



# Report on Corporate Governance

## (h) Performance in comparison to broad based indices :

MONTH	MARKET PRICE DATA		BSE SENSEX	
	SPL ON BSE (RS)		High	Low
	High	Low	High	Low
July, 2001	83.95	59.10	3453.89	3253.53
August, 2001	69.65	58.30	3337.91	3244.95
September, 2001	62.25	36.70	3231.60	2600.12
October, 2001	72.65	40.45	3061.91	2754.95
November, 2001	95.75	72.20	3322.77	3013.94
December, 2001	113.95	67.60	3442.89	3131.78
January, 2002	84.60	72.95	3437.89	3246.15
February, 2002	75.55	66.15	3712.74	3311.73
March, 2002	78.90	62.60	3690.27	3459.08
April, 2002	81.05	71.70	3512.55	3301.21
May, 2002	75.70	58.45	3462.01	3114.05
June, 2002	86.45	63.05	3362.42	3161.09
July, 2002	89.20	64.65	3358.58	2987.65
August, 2002	69.65	65.80	3181.23	2950.09
September, 2002	73.95	62.90	3187.26	2991.36



### (i) Registrar and Transfer Agents

The Company has not appointed any Registrar & Transfer Agents for share transfers. The work is done In-House at Share Department situate at Jindal Centre, 12, Bhikaiji Cama Place, New Delhi - 110 066.

### (j) Share Transfer System

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. Managing Director/Whole-time Director of the Company have been authorised to approve transfers in addition to the Committee.

### (k) Distribution of Shareholding

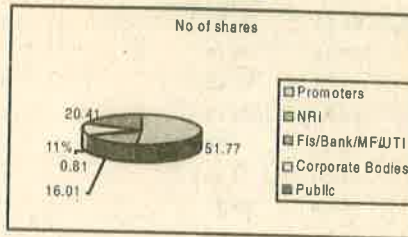
The shareholding distribution of equity shares as of 30<sup>th</sup> September, 2002 is given below :-

No. of Shares	No. of Shareholders	%	No. of Shares	%
Upto 500	24699	87.87	40,32,563	10.35
501-1000	1967	7.00	15,23,641	3.91
1000-5000	1207	4.30	24,71,195	6.34
5000-10000	93	0.33	6,81,396	1.75
Above 10000	141	0.50	3,02,70,683	77.65
Total	28107	100.00	3,89,79,458	100.00

# Report on Corporate Governance

(l) **Shareholding Pattern as on 30<sup>th</sup> September, 2002**

Category	No of shares	% of Holding
Promoters	20179780	51.77
NRI	6238905	16.01
Fis/Bank/MF/UTI	319501	0.81
Corporate Bodies	4287925	11.00
Public	7953347	20.41
<b>Total</b>	<b>38979458</b>	<b>100.00</b>



(m) **Dematerialisation of equity shares**

Nearly 38.29% of total equity share capital is held in dematerialisation form with NSDL and CDSL.

(n) **Outstanding GDRs**

No GDRs issued.

(o) **Plant (Locations)**

The Plants of the Company are located at Kosi Kalan (Mathura, U.P.), Sinar (Nashik, Maharashtra), New Delhi and Mundra (Kutch, Gujrat)

(p) **Address for correspondence**

SAW Pipes Ltd., Jindal Centre, 12, Bhikaiji Cama Place, New Delhi - 110 066  
 Telephone No. : 6188360-74  
 Fax No. : 6170691  
 E.mail No. : jindalorg@del2.vsnl.net.in

## Auditors' Report on Corporate Governance

To the Members of

**SAW PIPES LIMITED**

We have examined the compliance of conditions of Corporate Governance Procedure implemented by SAW Pipes LTD for the period ended on 30<sup>th</sup> September, 2002 as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of the Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation there of adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and based on the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investors grievances were pending for a period of one month against the Company as per the records maintained. Shareholders /Investor's Grievance Committee.

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

**G.K. AGGARWAL**  
Partner

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 14th November, 2002



SAW Pipes Limited

# Management Discussion And Analysis

## Industry structure, development and outlook

SPL belongs to the transportation Infrastructure sector which largely caters to the transportation of oil and gas and transportation of water for on shore and off shore applications within India and abroad.

The Hydro-Carbon transportation and water transportation has traditionally been carried out by road, rail and ships. Still more than the half transportation requirements are met by these modes of transport. However, off late there has been an emphasis on transportation through pipelines which offers a more stable eco-friendly and cost effective mode of transportation for Hydro-Carbons. The requirements to reach potable water for populations inhabiting in water scarce areas have also led to the development of this sector.

SPL has had the longest experience in developing, manufacturing and supplying high API grade large diameter pipe to the above sectors. SPL has also been the biggest exporter in the line pipes during the last 5 years.

### Opportunities and threats:

The per capita consumption of Hydro-Carbons in India stands at a low of around 113 Kgs. as compared to developed countries, where the per capita consumption exceeds 2500 Kgs. of oil equivalent. As India develops into an industrialized nation the per capita consumption of Hydro-Carbon is likely to increase, giving rise to a huge potential for transportation of this Hydro-Carbons. The recent discoveries of large reserves of Hydro-Carbon in Krishna-Godavari basin and Gujarat are positive developments in these direction.

India is strategically positioned in Asia, wherein on the one side we have the Middle East countries which have been significantly contributing to the Hydro-Carbon requirement of the world in the past few decades and then we have the East African countries as well as South East Asian countries, where large Hydro-Carbon reserves have been discovered recently. These major discoveries and the development of the Hydro-Carbon fields in India provide a positive outlook for the oil transportation sector and promises to throw up immense opportunities in the near future. The demand of natural gas and its distribution through the LNG terminal and transportation of water through large diameter pipelines are other avenues with immense potential.

The industry scenario is fast changing, where significant market leaders like SPL have to adapt to the overall changing economic environment with the changing tariff and non tariff barrier, increasing stringent quality norms and coming up of new capacities which may emerge in these regions.

### Risks and Concerns:

As the industry develops and more stringent quality norms are introduced, SPL has to rely more on imported steel plates and coils for the manufacturing of pipes, which exposes the company to foreign exchange, lead time for transportation of the raw material and the macro economic conditions of the countries of import. Also SPL is largely a project driven company and hence exposed to the cyclicalities of demand which is typical in project driven organization.

SPL has addressed the above risks by putting a robust financial management system in place. Also the operations at Nasik and Swastik Foils, which caters to a different market segments provide stability to the overall operations of SPL.

### Operational review

The period under review has been significant in terms of the operation of the Company. During the period under review SPL has manufactured 257635 MT of Steel Pipes in fifteen months period as compared to 105526 MT during the previous twelve months. Thus there has been an increase of 95.31% of production over previous year on the annualized basis. Similarly, coating activities have also seen upward trend and on an annualized basis production in this area has increased by 41.86% over the previous year figures. In the cold rolled division also production has increased on an annualized basis by 31.92% over previous year.

*Driven by the Elements*

# Management Discussion And Analysis

## Financial review

The financials for the period 2001-2002 are for 15 months whereas previous year figures are of 12 months. In order to make a comparison with previous year, current period figures have been annualized in the table given below: -

Particulars	Current Period ended on 30th Sept. 2002 (15 months) (Rs. in Lacs)	Annualized figure for the year 2001-2002	Previous year ended 30th June, 2001 (Rs. in Lacs)	% change on annualized basis.
Gross Sales & Income from operations	75,413.20	60,330.56	40,022.35	50.74
Profit before Interest & Depreciation	13,183.85	10547.08	10,245.60	2.94
- Interest	6,607.36	5285.89	4,886.47	8.17.
- Depreciation	1,741.00	1392.80	1,292.72	7.74
Profit before tax	4,835.49	3868.39	4,066.41	-4.87
Provision for Tax	601.76	480.49	1,131.50	-57.54
Net Profit After Tax	4,233.73	3387.90	2,934.91	15.43

SPL's exports increased to Rs..615.74 crores from Rs.66.03 cores in the previous year and it constitutes more than 81.50% of the total turnover of the current period.

Earning Per Share for the period under review is Rs.10.32 as against Rs.6.91 of previous year showing an increase of 19.54 %, on an annualized basis.

## Internal Control System and their Adequacy

The Company has a proper and adequate system of internal controls to ensure that all the assets are safeguarded and protected against unauthorized use or disposition and that the transactions are authorized, recorded and reported correctly. The internal control system is supplemented by an extensive programme of internal audits, review by management, documented policies, guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing statements and maintaining accountability of assets. Company has efficient and effective system of data integration and integrity for its core business. Further, to strengthen the internal control system SPL is in the final stage of introducing an integrated ERP system covering all its units and areas of operations.

Company has an Audit Committee comprising of Non-executive Directors with Shri A.J.A Tauro as the Chairman.

## Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's estimates, projections, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the Company operates, raw material prices, changes in the Government regulations, tax laws and other statutes, economic development within India and the countries within which the Company conducts business and incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.



# Auditors' Report

To

THE MEMBERS OF SAW PIPES LIMITED

We have audited the attached Balance Sheet of SAW PIPES LIMITED as at 30<sup>th</sup> September 2002 and also the Profit and Loss Account of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We REPORT that-

- A) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
- B) Further to our comments in the Annexure referred to Paragraph (A) above, we also report that:-
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purpose of our audit.
- (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books
- (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet and Profit & Loss Account comply with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; and
- (e) In our opinion, and based on information and explanations given to us, none of the Directors are disqualified as on 30<sup>th</sup> September, 2002 from being appointed as Directors in terms of Clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- (f) Attention is invited to the following notes of Schedule 22:

(i) Note No.6 regarding non-provision for diminution in value of investments (amount unascertained) and dues from subsidiary companies (ii) Note No.15 regarding debtors considered good by the management (iii) Note No. 13 regarding non-provision of loans and advances amounting to Rs.310.58 lacs considered good by the Management.

Without considering item (f) i & ii above, the effect of which could not be determined, had the impact of item (f) iii above been considered, profit after tax for the year would have been Rs. 3923.15 lacs (instead of Rs. 4233.73 lacs) and reserves and surplus would have been Rs 26151.49 lacs (instead of Rs.26462.07 lacs). Loans and advances would have been Rs.10659.72 lacs ( instead of Rs 10970.30 lacs)

Subject to above, in our opinion and to the best of our knowledge and according to the explanations given to us, the said statement of account read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-

- (i) In the case of Balance Sheet, of State of Affairs of the Company as at 30<sup>th</sup> September, 2002
- (ii) In the case of Profit and Loss Account, of Profit of the company for the period ended on that date.

G.K. AGGARWAL  
Partner

For & on behalf of  
N.C. AGGARWAL & CO.  
Chartered Accountants

Place : New Delhi  
Dated : 14th November, 2002

Driven by the Elements

Driven by the Elements

# Auditors' Report

## ANNEXURE TO THE AUDITORS' REPORT

Referred in Paragraph (A) in the report of even date.

- 1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets and also the same have been physically verified by the management at reasonable intervals during the year. However, record of fixed assets at Nashik and Mundra Division are being updated. We have been informed that no serious / material discrepancy has been noticed by the management on such verification.
- 2) The Company has not revalued any of its fixed assets during the year.
- 3) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, store, spare parts and raw materials.
- 4) In our opinion and according to information and explanations given to us, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of business.
- 5) The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operation of the Company and the same have been properly dealt with in the books of accounts.
- 6) On the basis of our examination of stock records, the valuation of stock is considered fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as followed in previous year.
- 7) The Company has not taken any loans secured or unsecured from companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of The Companies Act 1956 the provision of Section 370 are not applicable to the Company w.e.f. 31.10.1998.
- 8) The Company has granted demand loan/inter corporate deposits and advances in the nature of loan to Companies including loans to subsidiaries (as referred in note No. 6 (b) of Schedule 22) as listed in the register maintained U/s 301 of the Companies Act, 1956. In our opinion and as per the explanations given to us the rates of interest and other terms and conditions of the loans/deposits granted by the Company during the period are prima-facie not prejudicial to the interest of the Company except to the extent as stated in Note No.13 of Schedule 22. In terms of sub-section (6) of Section 370 of The Companies Act 1956 the provision of Section 370 are not applicable to the Company w.e.f. 31.10.1998.
- 9) The Company has given interest free loans and advances in the nature of loans to its employees and interest bearing demand loan/deposits to other parties, who are repaying the principal amount and interest as stipulated where such stipulation exists, except loan of Rs. 942.55 lacs, which has been renewed/ rescheduled along with interest.
- 10) In our opinion and according to information and explanations given to us, having regards to the explanation that some of the items purchased are of special nature and suitable alternative source do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of business for the purchase of store, raw-material, including components, plant and machineries, equipments and other assets and for the sale of goods.
- 11) In our opinion and having regard to our comments in paragraph (10) above and according to the information and explanations given to us, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, material and services made in pursuance of contracts or arrangements



# Auditors' Report

required to be entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50000/-or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, material or services where such market prices are available or the prices at which transactions for similar goods or materials have been entered with other parties.

- 12) The company has regular procedure for determination of unserviceable or damaged stores and raw-material. There have been no major items written off during the year.
- 13) In our opinion and according to the information and explanations given to us, the Company has complied with directives issued by the Reserve Bank of India and the provisions of Section 58A of Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from public.
- 14) In our opinion, the Company has internal audit system commensurate with the size and nature of its business.
- 15) In our opinion, reasonable records have been maintained by the Company for sale and disposal of realisable scrap. We are informed by the management that there is no by-product arising out of the manufacturing process of the Company.
- 16) We have broadly reviewed the accounts and records maintained by the Company in respect of manufacture of steel and steel products to which the said rules are made applicable pursuant to the order made by the Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed records have been made and maintained. We have not, however, made a detailed examination of such records with a view to determine whether these are accurate and complete.
- 17) According to the records of the Company, Provident fund dues and Employees State Insurance dues have, in general, been regularly deposited with the appropriate authorities.
- 18) As explained to us, no undisputed amount payable in respect of Income Tax, Customs Duty, Excise Duty and Sales Tax etc. were outstanding as at the last day of the financial year for a period of more than six months from the date they become payable.
- 19) According to the information and explanations given to us and the records examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligation or in accordance with generally accepted business practice.
- 20) The Company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- 21) In respect of Company's service activities we report that the company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs and authorisation at proper levels and an adequate system of internal control on issue of stores and labour to jobs, commensurate with the size of the Company and the nature of its business.

Place : New Delhi  
Dated : 14th November, 2002

G.K. AGGARWAL  
Partner

For & on behalf of  
N.C. AGGARWAL & CO.  
Chartered Accountants

# Balance Sheet AS AT 30TH SEPTEMBER, 2002

DESCRIPTION	SCHEDULE No.	As At Sept. 30, 2002 (Rs. in lacs)	As At June 30, 2001 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	1	4,648.15	5,398.15
Reserves and Surplus	2	<u>25,877.37</u>	<u>27,279.91</u>
		<u>30,525.52</u>	<u>32,678.06</u>
<b>Deferred Tax Liability (Net)</b> (Note No 23 of Schedule '22')		4,528.41	
<b>LOAN FUNDS</b>			
Secured	3	18,479.08	21,913.86
Unsecured	4	<u>4,083.54</u>	<u>1,972.25</u>
		<u>22,562.62</u>	<u>23,886.11</u>
<b>Total</b>		<u>57,616.55</u>	<u>56,564.17</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS :</b>			
Gross Block	5	35,122.49	34,132.92
Less : Depreciation		<u>10,546.55</u>	<u>8,575.67</u>
<b>Net Block</b>		24,575.94	25,557.25
Capital Work in Progress		1,641.58	794.01
Pre-operative Expenses		<u>112.96</u>	<u>9.54</u>
		<u>26,330.48</u>	<u>26,360.80</u>
<b>INVESTMENTS</b>	6	6,469.18	6,752.68
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	7,864.85	12,266.22
Sundry Debtors	8	13,216.52	7,391.51
Cash and Bank Balances	9	3,934.81	6,468.78
Loans and Advances	10	<u>10,970.30</u>	<u>10,357.01</u>
		<u>35,986.48</u>	<u>36,483.52</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	11	10,132.36	12,649.36
Provisions	12	<u>1,051.38</u>	<u>554.54</u>
		<u>11,183.73</u>	<u>13,203.90</u>
<b>NET CURRENT ASSETS</b>		24,802.75	23,279.62
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)	13	14.14	171.07
<b>Total</b>		<u>57,616.55</u>	<u>56,564.17</u>
<b>NOTES TO THE ACCOUNTS</b>			
22			

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

**P.R. JINDAL**  
Chairman

**SMINU JINDAL**  
Managing Director

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**SUNIL JAIN**  
Company Secretary

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

Place : New Delhi  
Dated : 14th November, 2002



# Profit & Loss Account

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2002

As At  
30.2001  
(in lacs)

,398.15  
,279.91  
,678.06

,913.86  
,972.25  
,886.11

,564.17

,132.92  
,575.67  
,557.25  
794.01  
9.54  
,360.80  
752.68

,266.22  
,391.51  
,468.78  
,357.01  
,483.52

,649.36  
554.54  
,203.90  
,279.62

171.07

,564.17

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DESCRIPTION	SCHEDULE No.	15 Months Ended Sept. 30,2002 (Rs. in lacs)	12 Months Ended June 30,2001 (Rs. in lacs)
<b>INCOME</b>			
Sales and Operational Income	14	75,413.20	40,022.35
Less: Excise Duty		<u>736.45</u>	<u>3,580.60</u>
Other Income	15	317.98	351.41
Increase/(Decrease) in Stock	16	<u>(1,583.07)</u>	<u>3,310.65</u>
		<u>73,411.66</u>	<u>40,103.81</u>
<b>EXPENDITURE</b>			
Raw Material Consumed		45,359.96	24,393.73
Purchase for Re-Sale		2.40	77.05
Manufacturing Expenses	17	4,369.83	2,161.85
Payments to and Provisions for Employees	18	1,942.39	1,089.54
Selling Expenses	19	6,927.23	1,152.81
Finance Expenses	20	6,607.36	4,886.47
Administrative & Other Expenses	21	1,626.00	983.23
Depreciation		1,994.50	1,495.52
Less: Transfer to Revaluation Reserve		<u>253.50</u>	<u>202.80</u>
		<u>68,576.17</u>	<u>36,037.40</u>
Profit before Taxation		4,835.49	4,066.41
Provision for Income Tax			
- Current Tax		661.00	1,130.00
- Withdrawn from Deferred Tax Liability		<u>(60.39)</u>	
Provision for Wealth Tax			
Profit After Taxation		1.15	1.50
Profit Brought Forward		4,233.73	2,934.91
Debtore Redemption Reserve Written Back		2,554.96	1,878.32
Previous year Taxation Adjustment		625.00	-
<b>Disposable Profit</b>		<u>7,413.69</u>	<u>36.45</u>
			<u>4,849.68</u>
<b>APPROPRIATIONS</b>			
Interim Dividend on Preference Shares Paid		137.04	137.04
Corporate Tax on Above		13.98	30.97
Proposed Dividend :			
- on Equity Shares		584.70	389.80
- on Preference Shares (Final)		58.25	65.47
Corporate Tax on Proposed Dividends			46.44
General Reserve		500.00	1,000.00
Debtore Redemption Reserve		375.00	625.00
Capital Redemption Reserve		750.00	
Balance Carried to Balance Sheet		<u>4,994.72</u>	<u>2,554.86</u>
		<u>7,413.69</u>	<u>4,849.68</u>
Basic and Diluted Earning per Share (In Rs.) of Rs. 10/- each		10.32	6.91

NOTES TO THE ACCOUNTS 22

As per our report of even date attached

G.K. AGGARWAL  
Partner

P.R. JINDAL  
Chairman

S MINU JINDAL  
Managing Director

A.J.A. TAURO  
KULDIP BHARGAVA

For & on behalf of  
N.C. AGGARWAL & CO.  
Chartered Accountants

SUNIL JAIN  
Company Secretary

NEERAJ KUMAR  
Director (Finance)  
& CFO

M.K. TANDON  
MOOSA RAZA  
PURSHOTTAM LAL  
T.M. SEN  
Directors

Place : New Delhi  
Dated : 14th November, 2002

Driven by the Elements

# Schedule

DESCRIPTION	As at Sept. 30, 2002 (Rs. in lacs)	As at June 30, 2001 (Rs. in lacs)
<b>SCHEDULE "1"</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
i) 5,00,00,000 Equity Shares of Rs. 10/- Each	5,000.00	5,000.00
ii) 25,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	2,500.00	2,500.00
	<u>7,500.00</u>	<u>7,500.00</u>
<b>ISSUED AND SUBSCRIBED</b>		
i) 3,89,81,808 Equity Shares of Rs. 10/- each	3,898.18	3,898.18
ii) *7,50,000 (Previous Year 15,00,000) - 13.5 % Redeemable Cumulative Preference Shares of Rs.100/- each	750.00	1,500.00
<b>PAID UP</b>		
i) 3,89,80,358 Equity Shares of Rs. 10/- each	3,898.04	3,898.04
Bonus Shares Held in Abeyance	0.07	0.07
Add: Forfeited Capital	3,898.11	3,898.11
	0.04	0.04
ii) * 7,50,000 (Previous Year 15,00,000)- 13.5% Redeemable Cumulative Preference share of Rs.100/- each	750.00	1,500.00
	<u>4,648.15</u>	<u>5,398.15</u>

\*13.5% Redeemable Cumulative Preference Shares  
are due for redemption on 05.03.2003

## OF THE ABOVE

- 20,08,000 Equity Shares are allotted as Fully Paid-up pursuant to contract without payment being received in cash.
- 19,70,936 Equity Shares are allotted as Fully Paid-up to the shareholders of Swastik Foils Ltd. as per Scheme of Amalgamation Order dated 3rd August/ 11th September 1989 of the Hon'ble High Court of Delhi.
- 46,43,000 Equity Shares are allotted as Fully Paid-up to the Share holders of Swastik Udyog Ltd. as per Scheme of amalgamation order dated 17.8.93 and 27.8.93 of the Hon'ble High Courts of Punjab and Haryana and Delhi.
- 2,57,97,872 Equity shares are allotted as fully paid-up bonus shares by capitalising General Reserves of Rs.630.70 lacs and Share Premium of Rs. 1949.09 lacs.
- 650 Bonus shares of Rs.10- each have been held in abeyance and not allotted as a result of necessary approval from attachment orders by Govt. authorities, lost share certificates and other disputes.
- 800 Shares of Rs. 10/- ( Partly Paid Rs. 5/-) have been forfeited.



# Schedule

DESCRIPTION	As at Sept. 30, 2002 (Rs. in lacs)	As at June 30, 2001 (Rs. in lacs)
<b>SCHEDULE "2"</b>		
<b>RESERVES AND SURPLUS</b>		
(i) Capital Reserve As per Last Account	9.50	9.50
(ii) Capital Redemption Reserve Transferred from Profit and Loss Account	750.00	-
(ii) General Reserve As per last Account Add: Transferred from Profit and Loss Account Less : Transferred to Deferred Tax Liability (Note No 23 of Schedule '22')	19,243.94 500.00 4,588.80 <u>15,155.14</u>	18,243.94 1,000.00 <u>19,243.94</u>
(iii) Debenture Redemption Reserve As per last Account Add: Transferred from Profit and Loss Account Less : Transferred to Profit and Loss Account	1,350.00 375.00 625.00 <u>1,100.00</u>	725.00 825.00 <u>1,350.00</u>
iv) Share Premium Account : As per last Account	558.91	558.91
(v) Revaluation Reserve As per last account Less : Transferred to Profit & Loss Account	3,582.60 253.50 <u>3,309.10</u>	3,773.05 210.45 <u>3,562.60</u>
(vi) Profit and Loss Account	4,894.72	2,554.96
	<u>25,877.37</u>	<u>27,279.91</u>
<b>SCHEDULE "3"</b>		
<b>SECURED LOANS</b>		
A. Redeemable Non-Convertible Debentures	5,250.00	4,500.00
B. Term Loan		
(i) Industrial Development Bank of India	1,833.40	
(ii) ICICI Bank Ltd.	1,842.93	10,927.33
(iii) Export - Import Bank of India	1,814.06	
(iv) Vehicle Loan from Banks	107.15	37.11
C. Working Capital Loans from Banks	7,698.75	6,192.94
D. Deferred Sales Tax	132.79	256.48
	<u>18,479.08</u>	<u>21,913.86</u>

## NOTES

- A (1) : Debentures referred to in A above are secured/to be secured by pari-passu charge by way of English mortgage on the company's immovable properties located in the State of Maharashtra and by way of equitable mortgage of company's immovable property in the state of U.P and Gujarat and hypothecation of movable properties in favour of debenture trustees.
- (2) Debentures referred to in A above are privately placed & consists of:
- 16 % Debentures of Rs. 100/- each, aggregating Rs. 1000.00 Lacs are redeemable in two equal installments at the end of 5th and 6th year from the date of allotment, commencing from 19.1.2004.
  - 15.5 % Debentures of Rs. 100/- each aggregating to Rs.1250.00 lacs are redeemable in twelve equal quarterly instalments commenced from 17th June, 2002
  - 14% debentures of Rs.100/- each aggregating to Rs.1000 lacs are redeemable in three equal installments at the end of 2nd, 3rd and 4th year from the date of allotment, commencing from 22.01.03

# Schedule

- (iv) 13% debentures of Rs.100/- each aggregating to Rs.1000 lacs are redeemable on 12.7.2004.  
 (v) 12.9% debentures of Rs.100/- each aggregating Rs.1000 lacs are redeemable at the end of 2nd and 3rd year from the date of allotment, commencing from 30.04.2004.
- B. (i) & (ii) Secured / to be secured by way of pari-passu charge by way of mortgage of Company's immovable properties and hypothecation of movable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.  
 (iii) To be secured by pari-passu charge by way of mortgage of entire immovable properties and hypothecation of movable fixed assets. The loan is also secured by personal guarantee of a Director.  
 (iv) Secured by way of hypothecation of vehicles.
- C. Secured by hypothecation of finished goods, raw-material, work-in-progress stores and spares, book debts and second charge in respect of other movable and immovable assets of the Company. The loan is also guaranteed by Directors. Further 172076 Equity Shares of Jindal Strips Limited, 114717 Equity Share of Jindal Steel & Power Limited and 301469 Equity Shares of Jindal Iron & Steel Co. Ltd, have been pledged to bank as collateral security for Working Capital Limits as well as non-fund based limits like Bank Guarantees and Letter of Credits. Besides above 10932 Equity Shares of Jindal Strips Ltd, and 7228 Equity Shares of Jindal Steel & Power Ltd, held by other companies have been pledged to Bank as Collateral Security.
- D. Secured by way of second Pari - Passu charge of movable and immovable assets of the Company in respect of Kosi Kalan Units (in UP).

## DESCRIPTION

### SCHEDULE "4"

#### UNSECURED LOANS

- (i) Fixed Deposits  
 (ii) Inter-Corporate Loans  
 (iii) Deferred Sales Tax  
 (iv) Non convertible Debentures from Banks  
 (v) Unsecured Loans from Banks

	As at Sept. 30,2002 (Rs. in lacs)	As at June 30,2001 (Rs. in lacs)
	333.06	899.41
	260.00	260.00
	490.48	512.84
		300.00
	<u>3,000.00</u>	
	<u>4,083.54</u>	<u>1,972.25</u>

### SCHEDULE "5"

#### FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.07.01	Additions	Deduction/ Adjustment	As at 30.09.02	Upto 30.06.01	For the Period	Deduction/ Adjustment	Upto 30.09.02	As at 30.09.02	As at 30.06.01
	[ Rs. In Lacs ]									
Land	182.98			182.98					182.98	182.98
Free Hold	413.78			413.78					371.95	377.58
Lease Hold					36.20	5.63		41.83	182.98	182.98
Buildings	4,281.45	318.03		4,599.48	765.15	158.37		923.52	3,675.96	3,516.30
Plant & Machinery	28,691.89	531.34	1.00	29,222.23	7,588.50	1,769.72		9,354.06	19,868.17	21,103.39
Vehicles	309.16	127.03	31.44	404.75	96.47	42.85	4.16	121.75	283.00	212.69
Furniture & Fixtures	253.66	50.13	4.52	299.27	89.35	17.93	17.57	105.39	193.88	164.31
<b>TOTAL</b>	<b>34,132.92</b>	<b>1,026.53</b>	<b>36.96</b>	<b>35,122.49</b>	<b>8,575.67</b>	<b>1,994.50</b>	<b>1.89</b>	<b>10,546.55</b>	<b>24,575.94</b>	<b>25,557.25</b>
Previous Year	30,698.68	3,510.42	76.18	34,132.92	7,069.74	1,496.56	(9.37)	8,575.67	25,557.25	

#### NOTE

A) Gross Block includes the following amount on account of revaluation of Pipe Division at A-1, Kosi Kalan at Net Current Residual Replacement Value.

	(Rs. In lacs)
i) LAND - Freehold	7.38
Leasehold	143.59
ii) Building	548.34
iii) Plant and Machinery	3,927.71



**SCHEDULE "6"**
**INVESTMENTS**
**LONG TERM - NON TRADE ( AT COST )**

Description	As at 30-09-2002			As at 30-06-2001		
	No. of Shares / Debentures	Face Value	Amount (Rs in lacs)	No. of Shares/ Debentures	Face Value	Amount (Rs in lacs)
<b>A Investment in Equity Shares of Subsidiary Companies Unquoted</b>						
a) Hexa Securities & Finance Co.Ltd.	25,500,000	10/-	2,550.00	25,500,000	10/-	2,550.00
b) Jindal Enterprises LLC (USA)	1,000	1000\$	361.92	1,000	1000\$	361.92
			<u>2,911.92</u>			<u>2,911.92</u>
<b>B Investment in Equity Shares other than trade Quoted</b>						
a) Jindal Strips Ltd.	523,076	10/-	817.34	523,076	10/-	817.34
b) Jindal Steel & Power Ltd.	348,717	10/-	544.90	348,717	10/-	544.90
c) Jindal Iron & Steel Co.Ltd.	377,528	10/-	169.08	377,528	10/-	169.08
d) Shalimar paints Ltd	300,000	10/-	180.00	300,000	10/-	180.00
e) Jindal Vijayanagar Steel Ltd.	10,001,400	10/-	1,000.08	10,001,400	10/-	1,000.08
			<u>2,711.40</u>			<u>2,711.40</u>
<b>Unquoted</b>						
a) Rohit Tower Building Ltd.	2,400	100/-	2.40	2,400	100/-	2.40
b) Sona Bheel Tea Ltd.	86,025	10/-	5.90	86,025	10/-	5.90
c) Saw Pipes U.S.A. Inc	1,935,000	1\$	609.51	1,935,000	1\$	609.51
d) Jindal Overseas Pte.Ltd.(Singapore)	153,000	1s\$	31.40	153,000	1s\$	31.40
e) Daelim E&C Pvt.Ltd.*	2,700,000		258.00	2,700,000	10/-	270.00
			<u>907.21</u>			<u>919.21</u>
Less: Provision for Diminution			<u>258.00</u>			
			<u>649.21</u>			<u>919.21</u>
<b>C. Govt.and Trust Securities</b>						
a) Units of Unit Trust of India	6,600	10/-	0.90	6,600	10/-	0.90
b) National Savings Certificates			0.15			0.15
c) Himachal Pardesh State Forest Corporation Ltd.	45	70000/-	30.60	45	100000/-	44.10
d) Punjab State Electricity Board	4	1000000/-	40.00	4	1000000/-	40.00
e) H.P.Road & Other Infrastructure Development Corporation	20	100000/-	20.00	20	100000/-	20.00
f) Gujrat State Petronet Limited **	100	100000/-	100.00	100	100000/-	100.00
g) Indira Vikas Patra			5.00			5.00
			<u>196.65</u>			<u>210.15</u>
<b>TOTAL</b>			<u>6,469.18</u>			<u>6,752.68</u>
Aggregate market value of quoted investments			1,960.15			1,308.44
Aggregate value of quoted investments			2,711.40			2,711.40
Agregate value of unquoted investment			3,757.78			4,041.28

Notes \* The Company is under voluntary winding-up, Rs. 12 lacs has been received during the year from the Liquidator and Rs. 258 Lacs has been provided for Diminution.

\*\* Pledged with Hon'ble High Court, Mumbai.

# Schedule

DESCRIPTION	As at Sept. 30, 2002 (Rs. in lacs)	As at June 30, 2001 (Rs. in lacs)
<b>SCHEDULE "7"</b>		
<b>INVENTORIES</b>		
(As taken valued and certified by the management)		
i) Stores and Spares	1,331.91	919.37
ii) Loose Tools	11.50	9.17
iii) Finished goods	874.37	3,084.73
iv) Work in Progress	1,724.68	1,048.13
v) Raw Material *	3,861.34	7,094.51
vii) Scrap	61.05	110.31
	<u>7,864.85</u>	<u>12,266.22</u>
* Includes Raw Material in Transit of Rs. 1620.37 lacs (Previous Year Rs. 5041.51 lacs)		
<b>SCHEDULE "8"</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
i) Exceeding six months	3,589.75	3,278.17
ii) Others	9,626.77	4,113.34
	<u>13,216.52</u>	<u>7,391.51</u>
<b>SCHEDULE "9"</b>		
<b>CASH AND BANK BALANCES</b>		
i) Cash / Cheques in hand	10.20	52.43
ii) With Scheduled banks		
—In Current Accounts	1,470.96	3,327.30
—In Fixed Deposit Account	2,453.65	3,089.05
	<u>3,934.81</u>	<u>6,468.78</u>
<b>SCHEDULE "10"</b>		
<b>LOANS AND ADVANCES</b>		
i) Advances recoverable in cash or in kind or for value to be received Considered Good	7,029.96	6,076.60
ii) Earnest money and Security deposits	1,066.42	1,010.18
iii) Deposit with Industrial Development Bank of India for surcharge on Income Tax U/S 32AB of Income Tax Act, 1961	0.66	0.66
iv) Advance Taxes (Net of Provision )	-	32.58
v) Balance with Customs and Port Authorities etc.	0.27	1.52
vi) Inter Corporate Loans	1,302.35	1,463.19
Vii) Loan to Subsidiary Company	1,480.19	1,561.57
viii) Prepaid Expenses	90.45	210.71
	<u>10,970.30</u>	<u>10,357.01</u>



# Schedule

## DESCRIPTION

### SCHEDULE "11"

#### CURRENT LIABILITIES

- i) Sundry Creditors - Raw Material
- ii) Sundry Creditors- Others
- iii) Advance from Customers
- iv) Interest Accrued but not due
- v) Other Liabilities
- vi) Unpaid Dividend

As at  
Sept. 30,2002  
(Rs. in lacs)

As at  
June 30,2001  
(Rs. in lacs)

6,946.08	10,122.86
2,359.90	1,434.50
45.02	88.53
192.67	300.16
529.27	646.61
59.41	56.70
<u>10,132.35</u>	<u>12,649.36</u>

### SCHEDULE "12"

#### PROVISIONS:

- For Taxation (Net of Prepaid Taxes)
- For Proposed Dividend
- For Corporate Tax on Proposed Dividend
- Others

343.05	-
642.95	455.27
-	46.44
65.38	52.83
<u>1,051.38</u>	<u>554.54</u>

### SCHEDULE "13"

#### MISCELLANEOUS EXPENDITURE

(to the extent not written off)

- i) Preliminary Expenses
- ii) Deferred Revenue Expenses

2.00	4.44
12.14	166.63
<u>14.14</u>	<u>171.07</u>

## DESCRIPTION

### SCHEDULE "14"

#### SALES AND OPERATIONAL INCOME

- i) Sales
- ii) Job Charges
- iii) Export / Deemed Export Benefits

15 Months Ended  
Sept. 30,2002  
(Rs. in lacs)

12 Months Ended  
June 30,2001  
(Rs. in lacs)

69,975.19	36,873.14
3,688.59	3,077.20
1,749.42	72.01
<u>75,413.20</u>	<u>40,022.35</u>

### SCHEDULE "15"

#### OTHER INCOME

- Dividend on Long Term investment  
(TDS Rs.3.29 Lacs, Previous Year Rs.Nil )
- Miscellaneous Receipts
- Foreign Exchange Fluctuation(Net)

87.36	19.05
106.45	82.90
124.17	249.46
<u>317.98</u>	<u>351.41</u>

# Schedule

DESCRIPTION	15 Months Ended Sept. 30, 2002 (Rs. in lacs)	12 Months Ended June 30, 2001 (Rs. in lacs)
<b>SCHEDULE "16"</b>		
<b>INCREASE / (DECREASE) IN STOCK</b>		
<b>OPENING STOCK</b>		
Finished Goods		
Work-in-progress	3,084.73	435.58
Scrap	1,048.13	395.53
	110.31	96.54
	<u>4,243.17</u>	<u>927.65</u>
<b>CLOSING STOCK</b>		
Finished Goods	874.37	3,079.86
Work-in-progress	1,724.68	1,048.13
Scrap	61.05	110.31
	<u>2,660.10</u>	<u>4,238.30</u>
Increase/(Decrease) in Stock	<u>(1,583.07)</u>	<u>3,310.65</u>
* Including production of pre-operative period of Rs. 4.87 lacs		
<b>SCHEDULE "17"</b>		
<b>MANUFACTURING EXPENSES</b>		
Stores and Spares		
Power and Fuel	1,382.73	759.58
Other Manufacturing expenses	1,252.46	883.21
Repair and Maintenance:	1,269.65	319.45
—Plant and Machinery		
—Building & Others	283.28	103.64
	181.71	95.97
	<u>4,369.83</u>	<u>2,161.85</u>
<b>SCHEDULE "18"</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salary, Wages and other Benefits	1,660.32	897.69
Contribution to Provident and other funds	78.51	49.18
Workmen and Staff Welfare	203.56	142.67
	<u>1,942.39</u>	<u>1,089.54</u>



# Schedule

DESCRIPTION	15 Months Ended Sept. 30,2002 (Rs. in lacs)	12 Months Ended June 30,2001 (Rs. in lacs)
<b>SCHEDULE "19"</b>		
<b>SELLING EXPENSES</b>		
Commission on Sales		
Advertisement	635.50	468.17
Forwarding charges (net of recoveries of Rs.309.42 Lacs (Prev. Year 1317.31 Lacs)	13.87	37.97
Other Selling Expenses	6,052.98	524.94
	224.88	121.73
	<u>6,927.23</u>	<u>1,152.81</u>
<b>SCHEDULE "20"</b>		
<b>FINANCE EXPENSES</b>		
Interest on Fixed Deposits	79.24	125.65
Interest on Debentures	989.91	521.24
Interest on Term Loans	2,422.35	2,423.27
Interest on Bank Borrowings	2,431.19	1,684.60
Bank and Finance charges	1,783.20	882.69
Interest to Others	227.42	228.25
	<u>7,933.31</u>	<u>5,865.70</u>
Less: Interest Received:		
Interest on Bonds and Debentures (TDS Rs. 9.60 Lacs, Previous Year Rs 4.56 Lacs)	38.34	20.48
Other Interest on Loans, Advances and Deposit (TDS Rs. 237.10 Lacs, Previous Year Rs. 209.50 Lacs)	1,287.61	958.75
	<u>1,325.95</u>	<u>979.23</u>
	<u>6,607.36</u>	<u>4,886.47</u>
<b>SCHEDULE "21"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES:</b>		
Rent	51.08	34.32
Rates & Taxes	16.14	11.68
Insurance	169.57	81.47
Postage, Telegrams & Telephones	132.53	84.89
Travelling & Conveyance	234.42	200.85
Vehicle upkeep & Maintenance	89.93	60.04
Director's Meeting Fees	1.45	0.51
Miscellaneous Expenses	301.41	260.32
Liquidated Damages	-	14.61
Auditor's Remuneration	7.76	5.55
Preliminary / Deferred Revenue Expenses W/off	156.93	167.01
Bad Debts	142.92	12.85
Loss on Sale of Fixed Assets( Net)	8.34	33.49
Previous Year's Adjustment (Net)	55.52	15.64
Provision for Diminution in value of Investment	258.00	-
	<u>1,626.00</u>	<u>983.23</u>

# Schedule

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

### SCHEDULE '22'

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income & expenditure items having a material bearing on the financial statement are recognized on accrual basis, except in respect of insurance claims, Liquidated damages, where the exact quantum cannot be ascertained.

##### B) SALES

- a) The Sales are inclusive of Excise Duty but net of Sales Tax.
- b) Material returned/rejected are accounted for in the year of return /rejection.
- c) Revenue in respect of Service/ Works Contracts is recognized based on the Work performed and invoiced as per the terms of specific Contracts.

##### C) FIXED ASSETS

###### a) VALUATION OF FIXED ASSETS

Building and Plant & Machinery in respect of Pipe Division, at A-1 U.P.S.I.D.C. Indl. Area Kosi Kalan, Mathura (U.P.) are stated at revalued amount as a result of their revaluation. Other fixed Assets are stated at cost of acquisition inclusive of all incidental expenses related thereto.

###### b) DEPRECIATION

- i) Depreciation on all Fixed Assets of the Company is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, as amended up to date.
- ii) Depreciation on revalued fixed assets is computed on the assessed residual life of the respective assets and excess depreciation on account of revaluation required to be provided under Schedule XIV of the Companies Act, 1956, has been transferred from Revaluation Reserve Account.

###### c) EXPENDITURE DURING CONSTRUCTION PERIOD

All expenditure during construction period in respect of new project including interest on borrowed loans are carried to pre-operative expenditure pending allocation on the completion of the project. All expenditure incurred during the construction period direct, incidental and ancillary are included under capital work-in-progress and the same are related to respective Fixed Assets on completion of project.

##### D) VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value except scrap, which is valued at net realizable value. The cost is computed on Weighted Average Basis. Finished goods and work in progress includes cost of conversion and other overheads incurred in bringing the inventories to their present location and condition.

##### (E) INVESTMENTS

Long-term investments are stated at cost which inter-alia includes brokerage, commission, stamp duty etc. When there is a decline other than temporary in their value, the carrying amount is reduced on an individual investment basis and decline is charged to the Profit and Loss account. Appropriate adjustment is made in carrying cost of investment in case of subsequent rise in value of investments. The loss on sale of non-convertible portion of Partly Convertible Debentures is added to the cost of convertible portion of Debentures where the intention is to retain the convertible portion of Debentures.

##### F) FOREIGN EXCHANGE TRANSACTIONS

Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the date of transaction. All exchange differences are dealt with in the Profit & Loss Account except those relating to acquisition of fixed assets, which are adjusted in the cost of assets. Current assets, loans other than for financing fixed assets and current liabilities in foreign currency, outstanding at the year end are translated at the rate of exchange prevailing at the close of the year and resultant gains /losses are recognised in the profit and loss account of the year except in cases where they are covered by forward foreign exchange contracts in which cases these are translated at the contracted rates of exchange and the resultant gains /losses are recognised in Profit and Loss



# Schedule

Account over the life of the contract. However, gain or loss on reinstatement on the forward exchange transaction or on cancellation of forward exchange contracts, if any, is reflected in the profit and loss account or capitalised as the case may be.

## G) CONTINGENT LIABILITIES

Contingent liabilities are not provided for in the accounts but are separately disclosed by way of a note.

## H) RETIREMENT BENEFITS

- i) Liabilities in respect of gratuity to the employees are covered under the group gratuity scheme with the Life Insurance Corporation of India, except in respect of Nashik Division, which is provided for on accrual basis.
- ii) Liabilities in respect of accumulated leaves to the credit of employees is determined on the basis of their current salaries.

## I) MISCELLANEOUS EXPENDITURE

- i) Preliminary & Share issue expenses are amortised over a period of ten years.
- ii) Deferred Revenue Expenses are amortised over a period of five years except in the case of leased assets where the same are amortised over the lease period.

## J) TAXATION

Provision for tax consists of current tax and deferred tax. Current tax provision is computed for current income based on the tax liability after considering allowances and exemptions.

Deferred tax resulting from timing differences between book profits and tax profits is accounted for, at the current rate of tax, to the extent that the timing differences that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets arising on account of brought forward losses and unabsorbed depreciation are recognized only when there is reasonable certainty of realizations supported by convincing evidence.

## 2. CONTINGENT LIABILITIES

	15 Months Ended Sept. 30, 2002 (Rs. in lacs)	12 Months Ended June 30, 2001 (Rs. in lacs)
a) Guarantees provided by banks	14,951.52	9,392.87
b) Letter of Credit Outstanding (Net of Liabilities provided in the books)	5,611.54	5,325.43
c) Claims against the Company not acknowledged as debt (being under dispute)	154.14	120.93
d) Guarantee given to Financial institutions/ body corporate against facility extended to other body corporate for foreign currency loan	2,123.81	2,951.17
e) Guarantees provided by Bank for credit facilities to Jindal Enterprises LLC (Wholly Owned Subsidiary Abroad).	12,337.50	11,758.75
f) Liability in respect of Corporate Guarantee (for 100% EOU Unit at Mundra)	794.16	653.39
g) Bank Guarantee given to Custom Authority for export obligation for export under EPCG Scheme	399.73	397.25
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	213.20	117.43
4. The company has given an undertaking to financial institutions for loan taken by Jindal Vijaynagar Steel Ltd.(JVSL) not to dispose off the investment in JVSL till the repayment of loan by JVSL or the project undertaken by JVSL is completed, whichever is later.		

# Schedule

5. (a) Based on the information available with the Company, the Sundry Creditors in Schedule "11" includes (a) Rs 67.91 lacs to Small Scale Industrial Undertakings (b) Rs.9238.07 lacs to other creditors. Names of the Small Scale Industrial Undertakings outstanding for more than 30 days are
- Erich Magnetics, Chadha Industries, N.Delhi., Hindustan Rubber Industries, Jindal Systems(P) Ltd., Oil Seal Mfg. Co., Air Fridge Industries, Ambica Engg Company, Hi Tech Engineers, Jain Metal Foundry, Kanwal Industrial Corp., Pioneer Industrial Equipment, Pee Kay Industries, Chauhan Industries, GRR Industries, Gemco Controls Ltd, Jhankar Industries, Acefit Engineering & Manufacturing, Amar Engineering, Aurangabad Metal Products, Classic Engineering Works, D.P. Engineers, Key Industries, Maruti Industries, Meenakshi Industries, Neuestan Industries, Noopur Industries, Perfect Industries, Powerflex Industries, Pragati Udyog, Prathoma Switchgears Pvt Ltd, Rahul Engineering Enterprises, Saico Engineering & Fabricators, Shree Engineering Services, Shree Vaibhav Laxmi Industries, Sigma Engg. Corporation, Technoman, V.M. Industries, Wezmann Engineering, Modern rubber and Plastic works, Jay Krishna Meghnatics, GGR Enterprises, Essen Engineering works, Everest Transmission, Continental Forms (P) Ltd., Bright Industries, MCA Industries, Naveen Flourine Industries, Mass Equipment (P) Ltd, Revex Plasticisers (P) Ltd.
6. (a) The Company has unquoted investments of Rs.2911.91 Lacs in Subsidiary Companies where the net worth is negative as per the latest available Balance Sheet and certain other unquoted investments where the fair value (amount unascertained) is lower than the cost (ii) quoted investments in certain companies where at the year end date there has been diminution in the market value (as reflected in Schedule '6'), considering the long term strategic investments and future prospects, such diminution, in the opinion of the management, has been considered to be of temporary in nature and hence no provision for the same is considered necessary.
- (b) The Company has given inter corporate deposits amounting to Rs. 1480.19 lacs to the Indian Subsidiary Company. The Subsidiary Company has accumulated losses. Having regard to the long- term involvement, no provision is considered necessary on this account.
7. Sundry Debtors, Creditors and other advances are subject to confirmation. The effect of the same, if any, which are not likely to be material will be adjusted at the time of confirmation.
8. The Stores and Spares consumed and Salaries & Wages incurred for repairs and maintenance of Plant and Machinery and shed and Building have not been allocated to the respective repairs and maintenance accounts.
9. In the opinion of the Board, the realisable value of Current assets, loans & advances, in the ordinary course of business, would not be less than the amount at which they are stated.
10. Capital work in progress includes Advance against capital goods and inventories of capital nature.
11. The amount of foreign exchange fluctuation amounting to Rs.183.75 lacs (Credit) (Previous Year Rs.41.83 lacs - Debit) is included under the relevant heads of income and expenditure.
12. Profit for the year includes Prior Period Adjustment of Rs 73.02 Lacs (Debit) and Rs. 17.50 Lacs (Credit) (Previous Year -Net debit of Rs.15.64 Lacs).
13. Loans and advances include Rs.310.58 lacs (Previous year Rs. 603.08 lacs) due from Jindal Seamless Tubes Ltd. The project of Jindal Seamless Tubes Ltd. is on hold for time being. As a matter of prudence the interest on the same is not provided in the accounts.
14. Profit or Loss on sale of raw material, stores and spares is not ascertained or shown separately and sale proceeds have been credited to the respective consumption accounts.
15. An amount of Rs.2318.46 lacs is referred to arbitration against customers for recovery of amount withheld, which as advised by the Company's legal experts and in the opinion of Management is good for recovery.
16. The Company has entered into certain derivative transactions including transactions involving foreign currencies. These derivative transactions, being considered as off- Balance Sheet transactions, the cash flows arising therefrom are recognised in the books of account as and when the settlements take place in accordance with the terms of the respective contracts.
17. (a) Unsecured loan from banks are for short term and Secured by the personal guarantee of the Directors.
- (b) Balances with scheduled bank includes Rs.2413.15 lacs (Previous year Rs.6281.78) on which lien is marked for availing credit facilities.



## 18. Related Parties Transactions

### A List of Related Parties & Relationship (As Identified by the Management)

#### a) Parties where control exists

1	Hexa Securities & Finance Co. Ltd	} Subsidiaries
2	Jindal Enterprises LLC.	

#### b) Joint Venture

Daelim E&C India Pvt. Ltd	Joint Venture
---------------------------	---------------

#### c) Key Management Personnel

1	Sminu Jindal	Managing Director
2	H.S. Chaudhary	Whole Time Director
3	Neeraj Kumar	Director -Finance & CFO
4	H.S. Bedi	President -Works
5	A.J. Vora	President - Plant
6	O.P.Sharma	Vice President -Marketing

### B Transactions

(Rs In Lacs)

Description	Subsidiaries	Joint Venture	Key Management Personnel	Total
Sale of Fixed Assets	---	---	0.78	0.78
Interest Paid	---	---	0.15	0.15
Diminution in the value of Investment	---	258.00	---	258.00
Remuneration Paid	---	---	71.02	71.02
<b>Outstanding Balance as on 30.09.2002</b>				
Loans & Advances Given	1480.19	2.86	---	1483.05
Financial Guarantees	12337.50	---	---	12337.50
Investments as on 30.09.2002	2911.91	---	---	2911.91
Others	---	---	0.50	0.50

#### Notes

- Being the first year of application of Accounting Standard-18 "Related Party Disclosures" figures for the Previous year has not been disclosed.
- In respect of above parties, there is no provision for doubtful debts as on 30.09.2002 and no amount is written off or written back during the year in respect of debt/loan & advances due from/to them.

### 19. a) Auditors' Remuneration

	15 Months Ended Sept. 30,2002 (Rs. in lacs)	12 Months Ended June 30,2001 (Rs. in lacs)	
1	Audit Fee	3.15	2.62
2	Tax Audit Fee	1.05	0.79
3	Taxation Matters	0.50	0.25
3	Certification /others	1.63	0.96
4	Out of pocket expenses	1.43	0.93
	<b>Total</b>	<b>7.76</b>	<b>5.55</b>

### (b) Directors' Remuneration

1	Salary including allowances etc.	21.11	13.18
2	Commission	12.05	3.75
2	Contribution to P.F. etc.	1.57	0.99
3	Perquisites (as per Income Tax Rules)	3.66	1.35
	<b>Total</b>	<b>38.39</b>	<b>13.33</b>

## 18. Related Parties Transactions

### A List of Related Parties & Relationship (As Identified by the Management)

#### a) Parties where control exists

1	Hexa Securities & Finance Co. Ltd	} Subsidiaries
2	Jindal Enterprises LLC.	

#### b) Joint Venture

Daelim E&C India Pvt. Ltd	Joint Venture
---------------------------	---------------

#### c) Key Management Personnel

1	Sminu Jindal	Managing Director
2	H.S. Chaudhary	Whole Time Director
3	Neeraj Kumar	Director -Finance & CFO
4	H.S. Bedi	President -Works
5	A.J. Vora	President - Plant
6	O.P.Sharma	Vice President -Marketing

### B Transactions

(Rs In Lacs)

Description	Subsidiaries	Joint Venture	Key Management Personnel	Total
Sale of Fixed Assets	---	---	0.78	0.78
Interest Paid	---	---	0.15	0.15
Diminution in the value of Investment	---	258.00	---	258.00
Remuneration Paid	---	---	71.02	71.02
<b>Outstanding Balance as on 30.09.2002</b>				
Loans & Advances Given	1480.19	2.66	---	1483.05
Financial Guarantees	12337.50	---	---	12337.50
Investments as on 30.09.2002	2911.91	---	---	2911.91
Others	---	---	0.50	0.50

#### Notes

- Being the first year of application of Accounting Standard-18 "Related Party Disclosures" figures for the Previous year has not been disclosed.
- In respect of above parties, there is no provision for doubtful debts as on 30.09.2002 and no amount is written off or written back during the year in respect of debt/loan & advances due from/to them.

### 19. a) Auditors' Remuneration

	15 Months Ended Sept. 30,2002 (Rs. in lacs)	12 Months Ended June 30,2001 (Rs. in lacs)	
1	Audit Fee	3.15	2.62
2	Tax Audit Fee	1.05	0.79
3	Taxation Matters	0.50	0.25
3	Certification /others	1.63	0.96
4	Out of pocket expenses	1.43	0.93
	<b>Total</b>	<b>7.76</b>	<b>5.55</b>

### (b) Directors' Remuneration

1	Salary including allowances etc.	21.11	13.18
2	Commission	12.05	3.76
2	Contribution to P.F. etc.	1.57	0.99
3	Perquisites (as per Income Tax Rules)	3.66	1.35
	<b>Total</b>	<b>38.39</b>	<b>13.33</b>

# Schedule

20. Detail of Pre operative expenses Pending allocation on completion of the Mundra project is as under:

Detail of Pre-operative Expenses	15 Months Ended Sept. 30, 2002 (Rs. in lacs)	12 Months Ended June 30, 2001 (Rs. in lacs)
Raw Material Consumption		
Power & Fuel		
Store & Spares	31.01	6.76
Salary, Wages & Othe Benefits		7.73
Contribution to PF & other funds	80.58	4.00
Workman & Staff Welfare	5.50	38.21
Rent, Rates & Taxes	5.41	1.31
Insurance Expenses		4.15
Travelling & Conveyance	0.59	0.63
Carriage Outward	0.91	1.44
Interest and bank charges	0.08	4.64
Miscellaneous Expenses	0.08	1.02
Depreciation	0.30	173.11
Total		7.04
Less:		1.04
Closing Stock of Finished good	124.46	251.08
Add: Opening Stock		(4.87)
		0.41
Add: Preoperative expenses brought forward	124.46	(4.46)
	9.54	246.62
Less; Capitalised during the year	134.00	735.24
	21.04	981.86
Preoperative Expenses Carried Over		972.32
	112.96	9.54

21 Segment Information:-

A) PRIMARY BUSINESS SEGMENT

Particulars	Steel Pipe	Others	Unallocable	Total (Rs. In Lacs)
1 Segment Revenue				
- External Turnover	72,745.41	2,667.79		75,413.20
Less: Excise Duty	736.45			736.45
Net Turnover	72,008.96	2,667.79		74,676.75
2 Segment Result Before Interest, Extra ordinary Items and Taxes				
Less: Interest Expenses(Net)	11,916.97	457.59	(931.71)	11,442.85
Profit before Extra Ordinary Items and Taxes	11,916.97	457.59	6,607.36	6,607.36
Extra Ordinary Items			(7,539.07)	4,835.49
Profit before Taxes	11,916.97	457.59	(7,539.07)	4,835.49
Current Tax			661.00	661.00
Withdrawn from Deffered Tax			60.39	60.39
Wealth Tax			1.15	1.15
Net Profit after Tax	11,916.97	457.59	(8,140.83)	4,233.73



# Schedule

## 3 Other Information

Segment Assets	49,701.21	905.76	11,709.99	62,316.96
Segment Liabilities	9,118.5	257.52	1,807.72	11,183.74
Capital Expenditure	18,21.57	81.76	74.19	1,977.52
Depreciation	1,639.15	61.12	40.73	1,741.00
Non Cash Expenses other than depreciation	-	-	414.93	414.93

## B) SECONDARY BUSINESS SEGMENT

Particulars	Domestic	Export	Total (Rs. In Lacs)
1 Gross Revenue	13,839.40	61,573.80	75,413.20
Less: Excise Duty	736.45	-	736.45
Net Revenue	13,102.95	61,573.80	74,676.75
2 Segment Assets*	32,316.96	-	32,316.96
3 Capital Expenditure*	68,800.28	-	68,800.28

\*The Company's operating facilities are located in India

### NOTE:

- 1 Segments have been identified in line with AS on Segment Reporting ( AS-17 ) taking into account the organisational structure, nature of product and differential risk and returns of these segments. The Primary operations of the Company relate to manufacture of Steel Pipes. Other Business Segment comprises of mainly manufacture of Cold Rolled Strips.
- 2 Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The income and expenses, which not directly relatable to the business segment, are shown as unallocated corporate cost. Segment Assets and Liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

## 22. COMPUTATION OF NET PROFIT UNDER SECTION 349 READ WITH SECTION 198 OF THE COMPANIES ACT, 1956.

	15 Months Ended Sept. 30, 2002 (Rs. in lacs)	12 Months Ended June 30, 2001 (Rs. in lacs)
Profit before Tax	4,835.49	4,066.41
Add :		
Managerial Remuneration	38.39	19.27
Director Sitting Fees	1.45	0.51
Net Profit for the year	4,875.33	4,086.19
Commission @ 1 % to Whole Time Director	48.75	40.86
Maximum Commission payable restricted to 100 % of salary as approved by shareholders	12.05	3.75
Commission payable	12.05	3.75

# Schedule

## 23. Deferred Tax Liability (Net)

### PARTICULARS

A) Deferred Tax Liability on account of  
Difference between book and tax depreciation  
**Total Deferred Tax Liability**

B) Deferred Tax Assets on account of  
1 Disallowance under Income Tax Act  
2 Provision for Diminution in Investments  
**Total Deferred Tax Assets**  
Deferred Tax Liability ( Net) ( A-B)

### Deferred Tax Liability/ Assets as at 30.09.2002

(Rs in lacs)

4,590.07

4,590.07

7.48

54.18

61.66

4,528.41

Pursuant to Accounting Standard (AS) 22 " Accounting for taxes on Income" the Company has recorded a net cumulative Deferred Tax Liability of Rs 4588.80 lacs as on 1.07.2001 as reduction in General Reserve . Further the impact of Deferred Tax Liability of Rs 60.39 lacs for the year ended 30.09.2002 has been credited to the Profit and Loss Account.  
24. Earning per share (EPS) computed in accordance with Accounting Standard 20 ' Earning Per Share"

	CURRENT PERIOD (Rs. In lacs)	PREVIOUS YEAR (Rs. In lacs)
<b>Basic and Diluted</b>		
Profit after tax	4,233.73	2,934.91
Less: Preference dividend including tax thereon	209.27	240.16
Profit attributable to Equity Shareholders	4,024.46	2,694.75
No of Shares issued	38981808	38981808
<b>Basic and Diluted EPS (Rs.)</b>		
(For the period) of face value of Rs. 10/- eqch	10.32	6.91

## 25. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 3 & 4 OF PART II OF THE SCHEDULE VI OF THE COMPANIES ACT,1956.

### A) INSTALLED CAPACITY AND PRODUCTION

Description	Unit	Annual Installed capacity		Production	
		Current Period	Previous Year	Current Period	Previous Year
(a) Steel Pipes	M T	385000	385000	257635	105526
(b) Anti-Corrosion Coating on Pipes	Sq.Mtr	4000000	4000000	1366391	770582
(c) Cold Rolled Strips ( Thinner Gauge)	M T	6000	6000	5931	4203
(d) Bevelling and End Finishing	M T	40000	40000	-	-
(e) Chemfering	M T	50000	50000	-	-

### NOTES

- The above production also includes goods manufactured for outside parties on job work basis as follows:
  - Steel Pipes MT **135** 16
  - Cold Rolled Strips:Thinner Gauge MT **5108** 2813
- The above production of Anti Corrosion of Pipes includes the coating done for Steel Pipes
- Licensed capacity is not applicable in view of the Company's production having been delicensed as per the Liberalised Licensing Policy announced by the Govt. of India.
- Installed capacity is as certified by the management.



# Schedule

## B) RAW MATERIAL CONSUMPTION

Description	Unit	CURRENT PERIOD		PREVIOUS YEAR	
		Qty	Amount (Rs. in lacs)	Qty	Amount (Rs. in lacs)
Steel Plates	MT	224773	34,032.28	109222	18,786.38
Semi finished pipes	MT		-	1929	535.10
Flux and Electrods	MT	1914	818.24	1308	709.45
Cold Rolled Strips	MT	1913	1,110.55	1448	1,003.12
Coating Material**			3,072.11		2,338.49
H.R. Coils/sheets	MT	41174	5,277.85	431	64.07
Others			1,046.93		957.12
			<u>45,359.96</u>		<u>24,393.73</u>
<b>TRADING GOODS PURCHASE</b>					
Others			2.40		77.05
			<u>2.40</u>		<u>77.05</u>

\*\*Quantity of consumption of coating material has not been given since their unit of measurement are different.

## C) QUANTITATIVE INFORMATION OF FINISHED GOODS STOCKS

Description	Unit	Opening Stock As on 1.07.2000		Closing Stock As on 30.06.2001		Closing Stock As on 30.09.2002	
		Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)
<b>Finished Goods:</b>							
Steel Pipes	MT	937	243.47*	14968	2,931.73*	6337	846.47
Cold Rolled Strips Thinner Gauge	MT	110	111.02	198	153.00	32	27.90
Engineering Products			81.50		-		-
			<u>435.99</u>		<u>3,084.73</u>		<u>874.37</u>

\* Includes production of Pre-operative period Rs. 4.87 Lacs ( Previous Year Rs. 0.41 Lacs)

## D) SALES

Description	Unit	CURRENT PERIOD		PREVIOUS YEAR	
		Qty	Amount (Rs.in lacs)	Qty	Amount (Rs.in lacs)
<b>Manufactured goods</b>					
Steel Pipes	MT	266131	68,232.45	91479	35,621.09
Cold Rolled Strips (Thinner Gauge)	MT	1989	1,504.89	1302	1,121.19
Engineering Product			48.69		28.74
Scrap			189.16		46.28
Others			-		55.84
			<u>69,975.19</u>		<u>36,873.14</u>

## E) C.I.F.Value of Imports

Raw Material		30,216.15	16,141.29
Stores & Spares		104.55	35.42
Capital Goods		673.32	5.40
Trading Goods		-	77.05
Others		117.53	-

# Schedule

## F) BREAK UP OF THE CONSUMPTION OF RAW MATERIALS AND STORES AND SPARES INTO IMPORTED AND INDIGENEOUS

	CURRENT PERIOD		Previous Year	
	% age	(Rs.in lacs)	%age	(Rs.in lacs)
a) Raw Material				
Imported	71.35%	32,365.13	61.27%	14,945.16
Indigeneous	28.65%	12,994.83	38.73%	9,448.57
	<u>100.00%</u>	<u>45,359.96</u>	<u>100.00%</u>	<u>24,393.73</u>
b) Stores & Spares				
Imported	5.97%	82.51	6.29%	47.76
Indigeneous	94.03%	1300.22	93.71%	711.82
	<u>100.00%</u>	<u>1,382.73</u>	<u>100.00%</u>	<u>759.58</u>

## G) EXPENDITURE IN FOREIGN EXCHANGE

	CURRENT PERIOD (Rs.in lacs)	Previous Year (Rs.in lacs)
i) Travelling	63.29	32.86
ii) Interest & Bank Charges	590.53	296.85
iii) Commission on Sale	459.47	206.56
iv) Job Work charges	536.12	52.28
v) Advertisement	2.28	13.25
vi) Others	81.17	8.19

## H) EARNING IN FOREIGN EXCHANGE

(i) F.O.B. Value of Exports	57,060.28	5,685.06
(ii) Interest		265.24

## I) REMITTANCE OF FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND:

	2000-2001	1999-2000
a) Financial year to which dividend relates		
b) No. of NRI shares holders	21	22
c) No. of shares held	9741800	9743000
d) Net amount of dividend remitted (net of Tax)	97.42 lacs	97.43 lacs

26. Figures of the current period of the Profit and Loss Account are not comparable with the previous year figures, since the current period figures are for fifteen months whereas previous year figures were for twelve months.

27. Previous years figures have been regrouped/re-arranged wherever necessary and practical.

28. Schedule 1 to 22 are annexed and form integral part of Balance Sheet and Profit and Loss Account.

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**P.R. JINDAL**  
Chairman

**SUNIL JAIN**  
Company Secretary

**SMINU JINDAL**  
Managing Director

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**

Directors

Place : New Delhi  
Dated : 14th November, 2002



# Balance Sheet Abstract

## BALANCE SHEET ABSTRACT AND COMPANIES BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I	Registration no	23979	State Code 20	Balance Sheet	30.09.2002
II	Capital raised during the year	(Amount Rs. in thousands)			
	Public issue		Nil		
	Bonus Issue		Nil		
	Rights Issue		Nil		
	Private placement		Nil		
III	Position of mobilisation and deployment of funds	(Amount Rs. In thousands)			
	Total liabilities	5,761,655	Total assets	5,761,655	
	<b>Sources of Funds:</b>				
	Paid up Capital	464,815	Reserves and Surplus	2,587,737	
	Deferred Tax Liability	452841	Secured loan	1,847,908	
	Un-secured loans	408,354			
	<b>Application of funds:</b>				
	Net fixed assets	2,633,048	Investments	646,918	
	Net current assets	2,480,275	Misc. Expenditure	1,414	
	Accumulated losses	NIL			
IV	Performance of the company (Amount Rs. in thousand)				
	Gross Turnover	7541320	Total expenditure	6857617	
	Net Turnover	7467675	Profit after tax	423373	
	Profit before tax	483549	Dividend rate	15.00%	
	Earning per share (Rs)- Equity	10.32			
V	Generic name of three principal products of the Company				
	Product description		Item Code No		
	i) Steel Pipes		7304.90/ 7305.90		
	ii) Cold Rolled Strips		7219.20/ 7220.20		

# Cash Flow Statement

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2002

PARTICULARS	15 Months Ended Sept. 30,2002 (Rs. in lacs)	12 Months Ended June 30,2001 (Rs. in lacs)
<b>A. CASH INFLOW(OUTFLOW) FROM THE OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ACTIVITY	4,835.49	4,066.41
Adjustments for		
Add/(Less)		
Depreciation	1,741.00	1,292.72
Misc. expenses written off during the year	156.93	167.01
Amortisation of lease pertaining to previous year	-	24.05
Other income(Dividend)	(87.36)	(19.05)
Interest Paid	6,150.11	4,983.01
Loss on sale of fixed assets	8.34	33.49
Provision for diminution in value of investment	258.00	
Interest Received	(1,325.95)	(979.23)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	11,736.56	9,568.41
Adjustments for:-		
Inventories	4,401.37	(7,464.95)
Sundry debtors	(5,825.01)	474.16
Other current assets	(1,015.42)	(246.26)
Current liabilities	(2,399.68)	4,878.62
CASH GENERATED FROM OPERATIONS	(4,838.74)	(2,358.43)
Tax Paid	6,897.82	7,209.98
NET CASH FROM OPERATING ACTIVITIES	(286.52)	(580.67)
	6,611.30	6,629.31
<b>B. CASH INFLOW(OUTFLOW)FROM INVESTMENT ACTIVITIES</b>		
(Increase)/Decrease in Investment	25.50	(10.00)
Capital expenditure	(1,977.52)	(780.44)
Sale proceeds of fixed assets	5.00	20.36
Loan & Advances	242.22	(73.23)
Interest Received	1,493.85	1,342.78
Dividend Received	46.79	53.11
NET CASH INFLOW/(OUTFLOW)FROM INVESTING ACTIVITIES	(164.16)	552.58



# Cash Flow Statement

PARTICULARS	15 Months Ended Sept. 30, 2002 (Rs. in lacs)	12 Months Ended June 30, 2001 (Rs. in lacs)
<b>C. CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		
Dividend paid	(589.60)	(575.82)
Interest paid	(6,257.60)	(5,247.18)
Dividend Tax Paid	(60.42)	(131.13)
Working Capital loans from banks	1,505.81	2,345.64
Increase/(Decrease) in secured loan	(4,940.59)	(3,347.65)
Increase/(Decrease) in fixed deposits	(566.35)	5.38
Increase/(Decrease) in unsecured loan	2,677.64	570.99
Redemption of Preference Share	(750.00)	
<b>NET CASH INFLOW/(OUTFLOW) USED IN FINANCING ACTIVITIES</b>	<b>(8,981.11)</b>	<b>(6,379.77)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENT</b>	<b>(2,533.97)</b>	<b>802.12</b>
Cash and cash equivalent as at 01.07-2001 (opening balance)	6,468.78	5,666.66
Cash and cash equivalent as at 30.09.2002 (Closing balance)	3,934.81	6,468.78

## NOTE:

- Increase in secured and unsecured loans are shown net of repayments.
- Purchase of fixed assets includes movements of Capital Work-in-progress between the beginning and end of the year.
- Previous year's figures have been regrouped wherever necessary.

## AUDITOR'S REPORT

We have examined the attached Cash Flow Statement of **SAW PIPES LIMITED** for the 15 Months ended on 30th September, 2002. The statement has been prepared by the company in accordance with the requirement of clause 32 of listing agreement with Stock Exchange and is based on and derived from the Balance Sheet of the Company as at 30th September, 2002 and Profit and Loss Account for the period ended on that date of the Company covered by our report to the Members of the Company.

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

Place : New Delhi  
Dated : 14th November, 2002

**P.R. JINDAL**  
Chairman

**SUNIL JAIN**  
Company Secretary

**SMINU JINDAL**  
Managing Director

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

*Driven by the Elements*

# Statement UNDER SECTION 212 OF THE COMPANIES ACT, 1956

a) Subsidiary Company	Hexa Securities & Finance Co. Ltd.	Jindal Enterprises L.L.C
b) Holding Company's interest	Holds 100% of 2,55,00,000 equity shares of Rs.10/- each	Holds 100% of 1000 equity shares of US \$1000 each
c) Financial Year of the Company ended on	30th September,2002	30 <sup>th</sup> June, 2002
d) Net aggregate amount of subsidiary Company's Profit (Loss) not dealt within the Company's Account		
(i) For the Subsidiary Company's financial year ended 30th Sept, 2002	Profit Rs.63.58 lacs	Profit Rs.849.61 Lacs
(ii) For the Subsidiary Company's previous financial periods, since it became the holding Company's Subsidiary	Loss Rs. 3,086.84 Lacs	Loss Rs.4,038.70 lacs
(e) Net aggregate amount of the subsidiary Company's Profit/ Loss dealt within the Company's account.		
(I) For the subsidiary Company's financial period ended 30th Sept,2002	NIL	NIL
(II) For the subsidiary Company's previous financial period since it became the holding Company's subsidiary	NIL	NIL
(f) Holding Company's interest as at 30.09.2002 incorporating changes since close of financial year/period of Subsidiary Company in pursuance of Section 212(5) of the Companies Act, 1956.	NA	No change

**P.R. JINDAL**  
Chairman

**SUNIL JAIN**  
Company Secretary

Place : New Delhi  
Dated : 14th November, 2002

**SMINU JINDAL**  
Managing Director

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors



# Directors' Report

Your Directors are pleased to present the 8th Annual Report together with the Audited Statement of Accounts for the year ended 30<sup>th</sup> September, 2002.

## 1. FINANCIAL RESULTS & DIVIDEND

During the year under report, the Company has earned income amounting to Rs. 63.58 lacs. However, due to accumulated losses of earlier years, the Directors do not recommend any dividend.

In view of the extension of the Financial Year by M/s SAW Pipes Ltd. (holding Company) upto 30<sup>th</sup> September, 2002, your Directors also decided to extend the current Accounting Period upto 30<sup>th</sup> September, 2002. It has been decided to change the Accounting year from 1<sup>st</sup> July - 30<sup>th</sup> June to 1<sup>st</sup> October - 30<sup>th</sup> September for every year.

## 2. AUDITOR'S REPORT

Auditor's remarks in their report read with the notes to accounts referred to by them are self-explanatory.

## 3. AUDITORS

M/s Amod Agrawal & Co. Chartered Accountants, auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

## 4. DIRECTORS

Shri Sandip Sharma, Director of the Company retire by rotation and being eligible, offer himself for re-appointment.

## 5. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :-

- that in the preparation of the annual accounts for the financial year ended 30<sup>th</sup> September, 2002 the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and loss of the Company for the year under review.
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors had prepared the accounts for the financial year ended 30<sup>th</sup> September, 2002 on a 'going concern' basis.

## 6. AUDIT COMMITTEE

Your Company has an Audit Committee comprising of the following Directors :

- Shri Sandip Sharma, (ii) Shri Arvind Kiran Aggarwal and (iii) Shri Raj Kamal Aggarwal

## 7. OTHER INFORMATION

The Report required under Section 217(1) (e) regarding conservation of energy technology absorption, foreign exchange earnings and outgo is not applicable as it is an investment Company and there is no foreign exchange transaction during the year. The information required under Section 217(2A) of the Companies Act, 1956 relating to particulars of employees is also not applicable.

For and on behalf of Board of Directors  
For HEXA SECURITIES & FINANCE CO. LTD.

Sandip Sharma  
Director

Place : New Delhi  
Date : 14<sup>th</sup> November, 2002

# Auditors' Report

To,

**THE MEMBERS OF HEXA SECURITIES & FINANCE CO. LTD.**

We have audited the attached Balance Sheet of Hexa Securities & Finance Company Ltd. as at 30<sup>th</sup> September 2002 together with annexed Profit & Loss Account for the period ended as on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

1. 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.
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from, our examination of these books.
3. The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts.
4. In our opinion, the Balance Sheet and Profit and Loss Account comply with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; and
5. In our opinion, and based on information and explanations given to us, none of the directors are disqualified as on 30<sup>th</sup> September 2002 from being appointed as directors in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to explanations given to us, the said statement of accounts read with the notes thereon appearing in schedule 'F' gives the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - a) In the case of Balance Sheet, of the State of Affairs of the Company as at 30<sup>th</sup> September, 2002.
  - b) In the case of Profit & Loss account the Profit of the Company for the period ended on that date.
7. As required by the Manufacturing & Other companies (Auditors Report) Order 1988 under section 227 (4A) of the companies Act, as per the information and explanations given to us during the course of our Audit, we report on the matters specified in the paragraph (4 & 5) of the said Order as far as applicable to the Company as under:-
  - i) The shares, Debentures and Bonds in hand were physically verified by the management at the end of the year, which is considered to be at a reasonable period except share pledged. No discrepancy between physical balance and book balance was noticed. The valuation of shares, Debentures and Bonds is fair and is in accordance with normally accepted accounting principles.



# Auditors' Report

- ii) The Company has taken unsecured loan from its holding Company, listed in the register maintained under section 301 of the act and/or a company under the same management as defined under section 370 (1B) in terms of sub section (6) of section 370 of the Companies Act 1956 the provision of section 370 are not applicable to the Company w.e.f. 31.10.1998.
- iii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under section 301 of the act and/or a company under the same management as defined under section 370 (1B) in terms of sub section (6) of section 370 of the Companies Act 1956 the provision of section 370 are not applicable to the Company w.e.f. 31.10.1998.
- iv) The Company has given interest bearing demand loans to other parties (outstanding Rs.283.67 lacs as on 30<sup>th</sup> September, 2002) who are not paying the interest amount.
- v) In our opinion there are adequate control procedures, commensurate with the size of the company and nature of its business with regard to the purchase and sale of shares, Bonds, Debentures and other assets.
- vi) The Company being a Non Banking Finance company (NBFC) Section 58A of the Companies Act, 1956 is not applicable to the Company. In our opinion the Company has complied with the directives issued by the Reserve Bank of India and rules there under for deposit.
- vii) In our opinion the company has internal audit system commensurate with the size and nature of its business.
- viii) The Company is not covered under the Provident Fund Act.
- ix) No undisputed amount is payable in respect of income tax, custom duty and excise duty were outstanding as at 30<sup>th</sup> September, 2002 for a period of more than six months from the date become payable.
- x) No personal expenses has been charged to revenue account.
- xi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
- xii) The company has maintained proper records of transactions and contracts of Shares, Securities, Debentures and other investments and timely entries have been made therein. The shares, securities, debentures and bonds etc. are held by the Company in its own name.

For and on behalf of  
**AMOD AGRAWAL & CO.**  
Chartered Accountants

Place : New Delhi.  
Dated : 14<sup>th</sup> November, 2002

**AMOD AGRAWAL**  
Partner

# Balance Sheet AS AT 30TH SEPTEMBER, 2002

DESCRIPTION	SCHEDULE	AS AT 30.09.2002 (Rs.)	AS AT 30.06.2001 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
A) Share Capital	A	255,000,000	255,000,000
B) Loan from Holding Company		148,018,990	156,157,240
C) Inter-Corporate Loans		700,000,000	610,000,000
<b>TOTAL</b>		<u>1,103,018,990</u>	<u>1,021,157,240</u>
<b>APPLICATION OF FUNDS</b>			
Investments	B	731,401,612	713,151,612
Current Assets, Loans & Advances			
Cash and Bank Balances	C	4,489	5,009
Loans and Advances	D	70,381,355	-
		<u>70,385,844</u>	<u>5,009</u>
Less: Current Liabilities & Provisions	E	1,233,312	921,178
<b>Net Current Assets</b>		69,152,532	(916,169)
Miscellaneous Expenditure (To the extent not written off)			
Preliminary Expenses		138,778	237,905
Profit & Loss Account		302,326,068	308,683,892
<b>TOTAL</b>		<u>1,103,018,990</u>	<u>1,021,157,240</u>
Notes to the Accounts	F		

As per our Report of even date attached

For and on behalf of  
Amod Agrawal & Co.  
Chartered Accountants

(Amod Agrawal)  
Partner

Sandip Sharma  
Arvind Kiran Aggarwal  
Directors

Place : New Delhi  
Dated : 14<sup>th</sup> November, 2002



# Profit & Loss Account

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2002

DESCRIPTION	SCHEDULE	15 MONTHS ENDED 30.09.2002 (Rs.)	12 MONTHS ENDED 30.06.2001 (Rs.)
<b>INCOME</b>			
Dividend Received		7,416,321	2,470,192
<b>TOTAL</b>		<b>7,416,321</b>	<b>2,470,192</b>
<b>EXPENDITURE</b>			
Miscellaneous Expenses		23,029	1,000
Registration & Filing Fees		12,000	-
Legal & Professional Expenses		47,500	1,006,000
Bank Interest & Finance Charges		611,766	3,150
Interest on Inter-Corporate Loan		-	5,009,588
Preliminary Expenses Written Off		99,127	79,301
Audit Fees		12,075	12,075
<b>TOTAL</b>		<b>805,497</b>	<b>6,111,114</b>
Profit / (Loss) Before Tax		6,610,824	(3,640,922)
Less: Provision For Income Tax		253,000	-
Profit/(Loss) After Tax		6,357,824	(3,640,922)
Less: Previous Year's Loss Brought Forward		(308,683,892)	(305,042,970)
<b>(Loss) Carried To Balance Sheet</b>		<b>(302,326,068)</b>	<b>(308,683,892)</b>
Notes to the Accounts,	F		

As per our Report of even date attached

For and on behalf of  
Amod Agrawal & Co.  
Chartered Accountants

(Amod Agrawal)  
Partner

Sandip Sharma  
Arvind Kiran Aggarwal  
Directors

Place : New Delhi  
Dated : 14<sup>th</sup> November, 2002

# Schedule

DESCRIPTION	AS AT 30.09.2002 (Rs.)	AS AT 30.06.2001 (Rs.)			
<b>SCHEDULE - A</b>					
<b>SHARE CAPITAL</b>					
<b>Authorised</b>					
26000000 Equity Shares of Rs. 10/- each	260,000,000	260,000,000			
<b>Issued Subscribed &amp; Paid Up</b>					
255000000 equity shares of Rs. 10/- each fully paid up	255,000,000	255,000,000			
	255,000,000	255,000,000			
<b>SCHEDULE - B</b>					
<b>LONG TERM INVESTMENTS IN SHARES ( AT COST ) NON TRADE</b>					
<b>PARTICULARS</b>	<b>FACE VALUE</b>	<b>NO. OF SHARES</b>	<b>AMOUNT (Rs.)</b>	<b>NO. OF SHARES</b>	<b>AMOUNT (Rs.)</b>
<b>Quoted</b>					
Jindal Vijaynagar Steel Limited	10	50,000,000	500,000,000	50,000,000	500,000,000
Jindal Steel & Power Limited	10	308,774	74,540,741	308,774	74,540,741
Jindal Strips Limited	10	463,160	111,810,871	463,160	111,810,871
<b>TOTAL</b>			686,351,612		686,351,612
<b>Unquoted</b>					
Lord Krishna Bank	10	150,000	1,800,000		
Shares Application Money in Jindal Transworld Pvt.Ltd.			43,250,000		26,800,000
<b>TOTAL</b>			45,050,000		26,800,000
<b>GRAND TOTAL</b>			731,401,612		713,151,612
Aggregate Market Value of Quoted Investments			281,496,897		248,319,402
Aggregate Value of Quoted Investments			686,351,612		686,351,612
<b>SCHEDULE - C</b>					
<b>CASH AND BANK BALANCES</b>					
Cash in Hand			3,729		4,729
Balance with Scheduled Banks in Current Account			760		260
			4,489		5,009
<b>SCHEDULE - D</b>					
<b>LOANS AND ADVANCES</b>					
Advance recoverable in cash or in kind or for value to be received			38,422,080		-
Considered Good			3,592,582		-
Dividend Receivable			28,366,693		-
Inter Corporate Loans			70,381,355		-
<b>SCHEDULE - E</b>					
<b>CURRENT LIABILITIES AND PROVISIONS</b>					
a) <b>Current Liabilities</b>					
Audit Fees Payable			36,225		24,150
Bank Overdraft			944,067		897,028
			980,312		921,178
b) <b>Provisions</b>					
For Taxation			253,000		-
			253,000		-
			1,233,312		921,178



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30<sup>th</sup> SEPTEMBER 2002.**
**SCHEDULE F**
**NOTES TO ACCOUNTS**
**I. ACCOUNTING POLICIES**
**a) GENERAL**

Accounting Policies not specifically referred to are in consonance with generally accepted accounting principles.

**b) BASIS OF ACCOUNTING**

All income and expenditure have been accounted for on accrual basis.

**c) INVESTMENTS**

Long Term Investment has been stated at cost.

**d) PRELIMINARY EXPENSES**

Preliminary expenses are written off in ten equal annual instalments.

2. All investments held by the Company has been shown as long term investment as in the opinion of the management the same is held for long term purposes. Any fall in the Market Value of long-term investments has not been provided since in the opinion of management such fall is temporary in nature.
3. The Company has given interest bearing demand loans to other parties (outstanding Rs.283.67 lacs as on 30<sup>th</sup> September, 2002) who are not paying the interest amount. However, necessary steps are taken to recover the interest. As a matter of abundant caution no provision for interest has been made.
4. Schedules 'A' to 'F' are annexed to and form an integral part of the Balance Sheet and Profit and Loss Account.
5. The Company has given an undertaking to Financial Institutions for loan taken by Jindal Vijaynagar Steel Limited (JVSL) not to dispose off the investment in JVSL till repayment of loan by JVSL or the project undertaken by JVSL is completed whichever is later.

As per our Report of even date attached

For and on behalf of  
Amod Agrawal & Co.  
Chartered Accountants

(Amod Agrawal)  
Partner

Sandip Sharma  
Arvind Kiran Aggarwal  
Directors

Place : New Delhi  
Dated : 14<sup>th</sup> November, 2002

# Balance Sheet Abstract

## BALANCE SHEET ABSTRACT AND COMPANIES BUSINESS PROFILE PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I	Registration no	62930	State Code No. 55
	Balance Sheet Date	30th Sept., 2002	
II	Capital raised during the year	(Amount in Rs.thousands)]	
	Public issue	Nil	
	Bonus Issue	Nil	
	Rights Issue	Nil	
	Private placement	Nil	
III	Position of mobilisation and deployment of funds (Amount in Rs. In thousands)		
	<b>Total liabilities</b>	1,103,019	<b>Total assets</b> 1,103,019
	<b>Sources of Funds:</b>		
	Paid up Capital	255,000	Reserves and Surplus
	Secured loan		Un-secured loans 848,019
	<b>Application of funds:</b>		
	Net fixed assets	-	Investments 731,402
	Net current assets	69,152	Misc. Expenditure 139
	Accumulated losses	302326	
IV	Performance of the company( Amount Rs.in thousand)		
	Gross Turnover	7416	Total expenditure 805
	Net Turnover	7416	
	Profit before tax	6611	Profit after tax 6358
	Earning per share (Rs)- Equity	0.25	Dividend rate Nil
V	Generic Names of three principal products of the Company		
	Product description	NA	Item Code No NA



# Auditors' Report

Jindal Enterprise, LLC

d.b.a. Jindal Stainless Steel Corporation

Baytown, Texas

We have audited the accompanying balance sheets of Jindal Enterprise, LLC, d.b.a. Jindal Stainless Steel Corporation as of June 30, 2002 and 2001, and the related statements of income, changes in members equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

As discussed in Note 2 of the financial statements, for the year ended June 30, 2001, the Company reports its investment in US Denro Steels, Inc., in which the Company held a 71 percent equity, on the equity method of accounting. Generally accepted accounting principles require that all majority owned subsidiaries be accounted for on a consolidated basis. In 2002 the Company reduced its holding in US Denro Steels, Inc. to 49 percent. As a result, the Company is not required to Consolidate US Denro Steels, Inc. with the Company's Financial Statements.

In our opinion, except for the effects of not consolidating US Denro Steels, Inc., for the year ended June 30, 2001, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jindal Enterprises, LLC., d.b.a. Jindal Stainless Steel Corporation as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Null-Lairson P.C. CPA's

October 29, 2002

Houston, Texas

# Balance Sheet AS OF JUNE 30, 2002 AND 2001

	2002		2001	
	US \$	Rs. in lacs	US \$	Rs. in lacs
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	469,471	229.29	225,328	105.96
Accounts receivable:				
Trade	342,891	167.47		
Receivables from and advances to related parties	38,570	18.84	412,734	194.09
Interest receivable from U.S. Denro Steels, Inc.	314,400	153.55	1,089,926	512.54
Inventories	977,549	477.43	1,840,775	865.62
Prepaid expenses and other	68,719	33.56	41,623	19.57
<b>Total current assets</b>	<b>2,211,600</b>	<b>1080.14</b>	<b>3,610,386</b>	<b>1697.78</b>
Property and equipment, less accumulated depreciation of 283,366 and 56,673, respectively	6,517,421	3183.11	6,744,114	3171.42
<b>Other Assets</b>				
Notes receivable - U.S. Denro Steels, Inc.	20,861,890	10186.95	20,861,890	9810.30
Notes receivable from related company	2,200,000	1074.48		
Investments in U.S. Denro Steels, Inc.				
	<b>23,061,890</b>	<b>11263.43</b>	<b>20,861,890</b>	<b>9810.30</b>
	<b>31,790,911</b>	<b>15526.68</b>	<b>31,216,390</b>	<b>14679.50</b>
<b>Liabilities and Member's Equity</b>				
<b>Current liabilities</b>				
Accounts payable	1,480,452	723.05	1,744,129	820.18
Accrued liabilities and other accruals	151,136	73.82	133,254	62.66
Interest payable related party	533,750	260.68	367,500	172.82
Customer deposit	305,043	148.98	240,442	113.07
Payables to and advances from related parties	808,725	394.98	1,370,575	644.51
Payables to U.S. Denro Steels, Inc.	975,805	476.58	1,564,069	735.50
Current portion of long-term debt	16,000,000	7814.40	8,000,000	3762.00
<b>Total current liabilities</b>	<b>20,254,911</b>	<b>9892.49</b>	<b>13,419,969</b>	<b>6310.74</b>
<b>Long-term debt, net of current portions:</b>				
Notes payable to financial institutions	9,000,000	4395.60	17,000,000	7994.25
Long term advances from U.S. Denro Steels, Inc.	2,165,676	1057.72	2,165,676	1018.41
Notes payable to related parties	5,900,000	2881.56	5,900,000	2774.47
<b>Total long-term debt</b>	<b>17,065,676</b>	<b>8334.88</b>	<b>25,065,676</b>	<b>11787.13</b>
<b>Total liabilities</b>	<b>37,320,587</b>	<b>18227.37</b>	<b>38,485,645</b>	<b>18097.87</b>
<b>Member's Equity</b>				
Stated Capital	1,000,000	488.40	1,000,000	470.25
Retained deficit	(6,529,676)	(3189.09)	(8,269,255)	(3888.62)
<b>Total member's equity</b>	<b>(5,529,676)</b>	<b>(2700.69)</b>	<b>(7,269,255)</b>	<b>(3418.37)</b>
	<b>31,790,911</b>	<b>(15526.68)</b>	<b>31,216,390</b>	<b>(14679.50)</b>



# Statement of Income

FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

	2002		2001	
	US \$	Rs. in lacs	US \$	Rs. in lacs
Net Sales	1,524,915	744.77	2,435,581	1145.33
Cost of Sales	1,758,509	858.86	3,037,781	1428.51
Gross Profit	(233,594)	(114.09)	(602,200)	(283.18)
Selling, General, and Administrative Expenses	284,656	139.02	147,620	69.42
Total Selling, General, and Administrative Expenses	284,656	139.03	147,620	69.42
Operating Income	(518,250)	(253.11)	(749,820)	(352.60)
Operating Income (Expenses):				
Interest Income	1,043,259	509.53	1,692,398	795.85
Interest expenses	(985,430)	(481.29)	(2,036,132)	(957.49)
Total Other Income (Expenses), net	57,829	28.24	(343,734)	(161.64)
Net loss before Equity Interest in subsidiary	(460,421)	(224.87)	(1,093,554)	(514.24)
Gain on sale of U.S. Denro Steels, Inc. stock	2,200,000	1074.48	-	-
Equity Interest in loss of U.S. Denro Steels, Inc.	-	-	(6,428,621)	(3023.06)
Income (Loss) Before Income Taxes	1,739,579	849.61	(7,522,175)	(3537.30)
Income Tax Expense (Note 6)	-	-	-	-
Net Income (Loss)	1,739,579	849.61	(7,522,175)	(3537.30)

## Statement of Changes in Member's Equity

For the Year Ended June 30, 2002 and 2001

	Member's Stated Capital		Retained Earnings		Total Member's Equity	
	In US \$	Rs. in lacs	In US \$	Rs. in lacs	In US \$	Rs. in lacs
Balance - June 30, 2000	1,000,000	488.40	(747,080)	(364.87)	252,920	123.53
Net Income / (Loss)	-	-	(7,522,175)	(3673.83)	(7,522,175)	(3673.83)
Balance - June 30, 2001	1,000,000	488.40	(8,269,255)	(4038.70)	(7,269,255)	(3550.30)
Net income / (Loss)	-	-	1,739,579	849.61	1,739,579	849.61
Balance at June 30, 2002	1,000,000	488.40	(6,529,676)	(3189.09)	(5,529,676)	(2700.69)

# Statements of Cash Flow

	2002		2001	
	US \$	Rs. in lacs	US \$	Rs. in lacs
<b>Cash Flows From Operating Activities:</b>				
Net Income	1,739,579	849.61	(7,522,175)	(3537,30)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	226,693	110.72	56,673	26.65
Losses of subsidiary			6,428,621	3023.06
<b>Changes in operating assets and liabilities:</b>				
<b>Accounts receivable:</b>				
Trade	(342,891)	(167.46)	259,779	122.16
Related parties	1,149,690	561.51	(1,305,132)	(613.74)
Notes receivables	(2,200,000)	(1074.48)		
Inventories	863,226	421.60	1,116,345	524.96
Prepaid expenses and other	(26,282)	(12.84)	37,885	17.82
Increase in accounts payable	(263,677)	(128.78)	1,291,512	607.33
Increase in accrued liabilities	17,882	8.73	(150,487)	(70.77)
Increase in accounts payable to affiliate	(1,150,114)	(561.72)	822,594	386.82
Increase in deposits	64,601	31.55	240,442	113.07
Increase in interest payable	166,250	81.20	245,000	115.21
<b>Net cash provided (used) by operating activities</b>	<b>244,957</b>	<b>119.64</b>	<b>1,521,057</b>	<b>715.27</b>
<b>Cash Flows From Investing Activities:</b>				
Capital expenditures	(814)	(0.40)	(2,086,514)	(981.18)
<b>Net cash used in investing activities</b>	<b>(814)</b>	<b>(0.40)</b>	<b>(2,086,514)</b>	<b>(981.18)</b>
<b>Cash Flows From Financing Activities:</b>				
Proceeds from borrowings related parties			704,872	331.47
<b>Net cash used in investing activities</b>			<b>704,872</b>	<b>331.47</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>244,143</b>	<b>119.24</b>	<b>139,415</b>	<b>65.56</b>
Cash and cash equivalents at beginning of year	225,328	110.05	85,913	40.40
<b>Cash and cash equivalents at end of year</b>	<b>469,471</b>	<b>229.29</b>	<b>225,328</b>	<b>105.96</b>
<b>Supplemental Cash Flow Information:</b>				
Interest paid	814,430.00	3977.69	1,784,833	839.32
<b>Noncash transaction- Sale of common stock</b>				
U.S. Denro Steels, Inc. Stock sold in exchange for promissory note from related party	2,200,000	1074.48		



# Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

**Note 1 - Organization****Organization and Operations**

Jindal Enterprises, LLC., d.b.a. Jindal Stainless Steel Corporation ("the Company") is a Texas Limited Liability Company which was organized in October 1997. The Company is a single member LLC which is 100 percent owned by SAW Pipes Limited of India. The Company as of June 30, 2002 and 2001 owned 49 and 71 percent, respectively, of U.S. Denro Steels, Inc. d.b.a. Jindal United Steel Corporation (US Denro Steels, Inc.). The Company operates a stainless steel processing facility and U.S. Denro Steels, Inc. operates a steel plate manufacturing facility located in Baytown, Texas. While the Company manufactures steel plate for use by various industries, a significant amount of sales of U.S. Denro Steels, Inc. are made to an affiliated pipe mill located adjacent to the Company's facilities. The affiliated pipe mill owns 29 percent of US Denro Steels, Inc.

The Company engages in business activities which involve various risks, and future success is dependent upon a number of factors which include, among others, generating sufficient revenues, the market demand and price for the Company's products, the price of raw materials and obtaining the necessary funds.

During fiscal year 2002, the Company sold 22 percent of its interest in US Denro Steels, Inc., to a related Company. The Company booked for financial statement purposes a gain of \$2.2 million (Rs.1074.48 lacs) on the transfer. The consideration for the stock transfer was a promissory note from the purchaser. The Company, during fiscal year 2001, had losses before recording its equity interest in its U.S. Denro Steels, Inc. of approximately \$1.09 million (Rs.512.57 lacs)

**Note 2 - Summary of Significant Accounting Policies**

The financial statements are prepared under accounting principles generally accepted in the United States of America except that the presentation of U.S. Denro Steels, Inc. is not consolidated in these financial statements of Jindal Enterprise LLC for the year ended June 30, 2001. The Company issued a separate Jindal Enterprises LLC consolidated report for the year ended June 30, 2001. The following notes describe the significant accounting policies.

**Investments Recorded on Equity Basis**

US Denro Steels, Inc. d.b.a. Jindal United Steel Corporation is recorded as an investment on the balance sheet. The percentage of income or loss increases or decreases the investment in U.S. Denro Steels, Inc. investment account on the Company's books. No intercompany transactions have been eliminated in the financial statements.

The investment in U.S. Denro Steels, Inc. has been reduced to zero on the balance sheet based on the Company's share of US Denro Steels, Inc.'s loss. However, due to the fact that the Jindal Enterprise LLC is not liable for the debts of US Denro Steels, Inc. the investment is not reduced below zero. When the equity interest in US Denro Steels, Inc. is positive, then the Company will again record the investment in US Denro Steels, Inc.

**Revenue Recognition**

Revenue is recognized generally when the product is shipped to the customer. The revenue from the sale of goods is recognized when the following has been satisfied:

1. the Company has transferred to the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
3. the amount of revenue can be measured reliably
4. it is probable that the economic benefits associated with the transaction will flow to the Company, and
5. the costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

**Property, equipment and depreciation**

Property and equipment are stated at cost. Except for machinery and equipment used in production, depreciation is calculated over the estimated useful lives of the assets using the straight-line method. The Company uses straight line depreciation method for machinery and equipment in manufacturing and processing operations and straight line for certain other manufacturing equipment. Expenditures for renewals and improvements are capitalized; repairs and maintenance are charged to expense as incurred.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Based on periodic assessments of the realizability of its long-term assets and the analysis of undiscounted future cash flows for its long-term assets, no impairment of long-term asset needs to be recognized by the Company.

# Notes to Financial Statements

## Federal Income Taxes

The Company has elected to be taxed as a Corporation under the federal tax laws. The Company records income taxes pursuant to the liability method. Deferred tax assets and liabilities are recorded based upon differences between the financial statement and tax bases of assets and liabilities and the available tax carryforwards. A deferred tax valuation allowance is recorded to state deferred tax assets at the estimated net realizable value.

## Allowance for Doubtful Accounts

Bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non-payment due to product claims by customers.

## Inventories

Inventories are valued at the lower of cost or market, with cost determined using the first-in first out (FIFO) methods.

## Advertising Costs

Advertising costs are expensed when incurred.

## Fair Value of Financial Instruments

The Company considers the fair value of all financial instruments not to be materially different from their carrying values at June 30, 2002 and 2001, based on management's estimate of the Company's ability to borrow funds under terms and conditions similar to those applicable to the Company's existing debt.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions which may at times be in excess of federally insured levels. The Company has not incurred losses related to these balances to date. Concentrations of credit risk with respect to accounts receivable are due to a significant portion of receivables balances being due from three customers. Although the Company does not currently foresee credit risk associated with these receivables, repayment is dependent upon the financial stability of those entities.

## Significant Supplier

For the year ended June 30, 2002 and 2001, two suppliers provided the majority of the inventory purchased during the two years. No other suppliers accounted for more than 10 percent of total inventory purchases during these periods.

## Note 3 - Inventories:

At June 30, 2002 and 2001, inventories consisted of the following:

	2002		2001	
	US \$	Rs. In lacs	US \$	Rs. in lacs
Stainless steel slab	757,840	370.12	1,341,324	630.76
Plates-finished goods Stainless steel	121,623	59.40	499,451	234.86
Plates-work Inprogress	98,086	47.91		
<b>Total Inventory</b>	<b>977,549</b>	<b>477.43</b>	<b>1,840,775</b>	<b>865.62</b>

During the year-ended June 30, 2001 the Company adjusted the year-end inventory for decreases in market value in accordance with Lower-of-Cost or Market rule. The inventory cost was adjusted approximately \$478,906 (Rs. 225.21 lacs). The above inventory amounts for 2001 are net of the inventory adjustments.



# Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

**Note 4 - Property, Plant and Equipment:**

At June 30, 2001 and 2002, property, plant and equipment consisted of the following:

	Balance June 30, 2001		Additions		Balance June 30, 2002	
	US \$	Rs. in lacs	US \$	Rs. in lacs	US \$	Rs. in lacs
Machinery and equipment*	6,800,787	3321.50	-	-	6,800,787	3321.50
Total Property and equipment	6,800,787	3321.50	-	-	6,800,787	3321.50
Less Accumulated Depreciation	(56,673)	(27.68)	(226,693)	(110.71)	(283,366)	(138.39)
Net Property and equipment	6,744,114	3393.82	(226,693)	(110.71)	6,517,421	3183.11

Depreciation expense was \$226,693 (Rs.110.72 lacs) and \$56,673 (Rs.26.65 lacs) for the year ended June 30, 2002 and 2001, respectively.

\*Estimated Useful Lives of Machinery and equipment is 30 Years

**Note 5 - Debt:**

At June 30, 2002 and 2001 debt consisted of borrowings on a credit agreement facility from a bank, debt owed to a related Company, and long term advances from U.S. Denro Steels, Inc. The Company's debt is further described below.

**Notes payable to a Bank**

The Company has a \$25 million (Rs. 12210 lacs) loan through Standard Chartered Bank of Bahrain. The Note is secured by the Company's equipment and the guarantee of SAW Pipes LTD, India. The Note has interest due quarterly at the LIBOR rate plus .25%. The Loan agreement has several financial covenants which the Company, as of June 30, 2001, was not in compliance. The Company has received a written waiver from the bank extending the terms. In October 2002, the Company refinanced \$15 million (Rs. 7326 lacs) with the Bank of India. The remaining \$10 million (Rs. 4884 lacs) will be refinanced by March 31, 2003.

The Company has used the note to finance asset purchases, including machinery and equipment and support for US Denro Steels, Inc. The note is secured by machinery and equipment and matures on various dates between March 2002 and April 2004.

The note payable as of June 30, 2002 and 2001 consisted of the following:

	2002		2001	
	US \$	Rs. In lacs	US \$	Rs. in lacs
Note payable to Standard Chartered Bank	25,000,000	12210.00	25,000,000	11756.25
Total Debt	25,000,000	12210.00	25,000,000	11756.25
Less - current portion	(16,000,000)	(7814.40)	(8,000,000)	(3762.00)
Long-term debt, net of current portion	9,000,000	4395.60	17,000,000	7994.25

**Notes Payable and Long-Term Advances due to Related Parties**

The Company borrowed \$5 million (Rs. 2442 lacs) from a related company. The note is currently classified as long term debt and does not have a due date. The interest was accumulated at 7 percent simple interest per annum and was changed to 2.5 percent starting January 1, 2002. The interest payable on this loan was \$533,750 (Rs. 260.68 lacs) and 367,500 (Rs. 172.82 lacs) as of June 30, 2002 and 2001 respectively. The Company has long-term advances from a related company of \$900,000 (Rs. 439.56 lacs) and a long-term advance from US Denro Steels, Inc. of \$2,185,676 (Rs. 1057.72 lacs).

# Notes to Financial Statements

The Notes Payable to Related Parties at June 30, 2002 and 2001 and comprised of the following:

	2002		2001	
	US \$	Rs. in lacs	US \$	Rs. in lacs
<b>Notes payable to related parties:</b>				
Notes payable to related party	5,000,000	2442.00	5,000,000	2351.25
Long term advances from related party	900,000	439.56	900,000	423.23
Long term advances from US Denro Steels Inc.	2,165,676	1057.72	2,165,676	1018.41
<b>Total Debt</b>	<b>8,065,676</b>	<b>3939.28</b>	<b>8,065,676</b>	<b>3792.89</b>
Less-current portion				
<b>Long-term debt, net of current portion</b>	<b>8,065,676</b>	<b>3939.28</b>	<b>8,065,676</b>	<b>3792.89</b>

## Future Payments on Debt

Future payments for debt outstanding at June 30, 2002, are due as follows:

Fiscal year ending June 30,	Debt			
	Standard Chartered		Others	
	US \$	Rs. in lacs	US \$	Rs. in lacs
2002	8,000,000	3907.20		
2003	8,000,000	3907.20		
2004	9,000,000	4395.60		
2005				
Thereafter			8,065,676	379.88
	<b>25,000,000</b>	<b>12210.00</b>	<b>8,065,676</b>	<b>379.88</b>

## Note 6 - Income Taxes:

The Company has elected to file as a Corporation for federal tax purposes. The Company's deferred tax liabilities, deferred tax assets and deferred tax asset valuation allowances at December 31, 2002 and 2001 is as follows

	2002		2001	
	US \$	Rs. in lacs	US \$	Rs. in lacs
<b>Deferred tax assets/benefits related:</b>				
Net operating loss carryforward	1,833,448	895.45	1,679,667	789.86
Interest not currently deductible	166,250	81.19	892,398	419.65
<b>Total Deferred Tax assets/benefits</b>	<b>1,833,448</b>	<b>895.45</b>	<b>1,679,667</b>	<b>789.86</b>
<b>Deferred tax liability related to:</b>				
Accelerated depreciation on asset	6,637	3.24	6,637	3.12
Sale of Stock	733,260	358.12		
<b>Total Deferred tax liability</b>	<b>739,897</b>	<b>361.36</b>	<b>6,637</b>	<b>3.12</b>
Less-Deferred tax valuation allowance	(1,093,551)	(534.09)	(1,686,304)	(792.98)
<b>Net Deferred assets/benefits (liability)</b>				

For financial reporting purposes, the deferred tax valuation allowance was established to fully reserve the Company's Net deferred tax assets due to its history of losses. No tax Provisions were made for current taxes for the fiscal year ended June 30, 2002 and 2001.

At June 30, 2002, the Company had net operating loss carryforwards of approximately \$8.4 million (Rs. 4102.56 lacs) for federal and state income tax purposes which expires in 2016. Current federal income tax regulations with respect to changes in ownership could limit the utilization of the Company's net operating loss carryforward. Utilization of the operating loss carryforward is dependent upon the Company making taxable income in future year.



# Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

## Note 7 - Related Party Transactions:

The Company has advances from US Denro Steels, Inc. of \$2,165,676 (Rs. 1057.72 lacs) included in notes payable to related parties, short-term advances to US Denro Steels (receivable) of \$412,734 (Rs. 201.57 lacs), which was paid in October 2001, and interest receivable from US Denro Steels, Inc. of \$314,400 (Rs. 153.55 lacs) and \$ 1,089,926 (Rs. 512.54 lacs) as of June 30, 2002 and 2001 respectively. The Company owes US Denro Steels, Inc. \$975,805 (Rs. 476.58 lacs) and \$1,564,069 (Rs. 735.50 lacs) for operating expenses and processing charges as of June 30, 2002 and 2001, respectively.

The Company has a loan from other related group Companies of \$808,725 (Rs. 394.98 lacs) and \$1,370,575 (Rs. 644.51 lacs) as of June 30, 2002 and 2001, respectively.

The Company has a notes receivable from its US Denro Steels, Inc. for \$20,861,880 (Rs. 10188.94 lacs) which has terms and is payable based on the note payable with Standard Chartered Bank.

The Company has a notes receivable, due June 30, 2007, from a related company for \$2.2 million (Rs. 1074.48 lacs) in consideration for the sale of US Denro Steels, Inc. stock during the year ended June 30, 2002. The Company also has a long-term advance from this related company for \$900,000 (Rs. 4395.60 lacs).

The Company also leases building space including utilities from US Denro Steels, Inc. Total rental expense was \$60,000 (Rs. 29.30 lacs) for the year ended June 30, 2002.

## Note -8 Agreements and Vendors and Formation of Southern Texas Steel

During the year, US Denro Steels, Inc. incurred substantial losses and had a deficiency in working capital. Due to this condition, US Denro Steels, Inc. was not able to pay its past due amounts for the slabs purchased from various steel trading companies. All of these were amounts for the slabs purchased from various steel trading companies. All of these were unsecured suppliers. To come out of this situation and with the objective of becoming more stable, US Denro Steels, Inc. negotiated with its largest slab supplier, Balli-Klockner, to whom US Denro Steels, Inc. owed nearly \$23 million (Rs. 11233.20 lacs). As per the arrangement, which commenced in July 2001, a new company named Southern Texas Steel LLC (STS) was formed as a single member LLC owned by Balli Klockner, STS would procure slabs and sell plates for US Denro Steels, Inc. until such time the debts owned by Balli-Klockner and other slab suppliers are settled upon which the ownership of STS would transfer to Jindal entities. STS will pay US Denro Steels, Inc. tolling fees for processing the plates as per the plate conversion agreement. The agreement assisted US Denro Steels, Inc. in settling its outstanding debt with a financial institution and assisted in providing operating funding for US Denro Steels, Inc. to continue operations.

US Denro Steels, Inc. had entered into a lawsuit with US Steel Inc., the Seller of the steel plate factory, based on the fact that the US Denro Steels, Inc. believed the Seller had breached the Exclusive Sales Agent Agreement between the two companies. The Seller counter sued US Denro Steels, Inc. In September 2001 the Seller and US Denro Steels, Inc. reached a settlement agreement in which the principle terms are as follows:

- The Seller terminated the Exclusive Sales Agent Agreement with US Denro Steels, Inc.,
- The Seller surrendered its claim for past and future commissions under the Exclusive Sales Agent Agreement and damages for US Denro Steels, Inc. alleged breach of the Exclusive Sales Agent Agreement and other agreements affecting the sale of the Baytown Plant to US Denro Steels, Inc.
- The Seller agreed that its director will resign from US Denro Steel Inc.'s board of Directors. However the Seller may have an observer at the Board meetings.
- US Denro Steels, Inc. payment obligations under the Asset Transfer Agreement will be restructured to defer all payments for two years, and payment of past preferred dividends until such time as US Denro Steels, Inc. deems it proper to declare those past dividends.
- The US Denro Steels, Inc. agreed that certain transactions require the Seller's approval, until US Denro Steels, Inc.'s payment obligations have been satisfied.
- US Denro Steels, Inc. and the Seller will dismiss their claims in the Texas and Delaware Actions.

## Note 9 - Subsequent Events

In October 2002, the Company borrowed \$15 million (Rs. 7326 lacs) from the Bank of India to pay on the Standard Chartered Bank loan. The Company is in the process of refinancing the remaining \$10 million (Rs. 4884 lacs) loan with Standard Chartered Bank.

Note: Indian Rupee equivalent of figures have been arrived at by applying the year end interbank exchange rates US\$1=Rs. 48.840 (Previous year US\$1=Rs. 47.025) and do not form part of the reports of Jindal Enterprise, LLC as made out in accordance with the laws of the country of incorporation.

# Auditors' Report

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SAW PIPES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SAW PIPES LIMITED AND ITS SUBSIDIARIES.

We have examined the attached consolidated Balance Sheet of SAW Pipes Limited and its subsidiaries as at 30<sup>th</sup> September, 2002 and the consolidated Profit and Loss Account for the period then ended.

1. These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respect, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiaries, whose financial statements reflected total assets of Rs. 23221.29 lacs as on 30<sup>th</sup> September, 2002 and total revenues of Rs.801.54 lacs for the period then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of SAW Pipes Ltd. and its subsidiaries included in the consolidated financial statements.
4. Attention is invited to the following notes of Schedule 22:-
  - (i) Note No. 1 (b) regarding non consolidation of operations and loss amounting to Rs. 238.87 lacs of a subsidiary's subsidiary up-till the cessation of the relationship. (ii) Note No 5 regarding non provision for diminution in value of investments (amount unascertained) (iii) Note No. 14 regarding debtors considered good by the management (iv) Note No.12 regarding non-provision of loans and advances amounting to Rs.310.58 lacs considered good by the management.

Subject to above, on the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of SAW Pipes Limited and its aforesaid subsidiaries, we are of the opinion that:

- a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of SAW Pipes Ltd., and its subsidiaries as at 30<sup>th</sup> September, 2002 and
- b) The consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of SAW Pipes Limited and its subsidiaries for the period then ended.

G.K. AGGARWAL  
Partner

For & on behalf of  
N.C. AGGARWAL & CO.  
Chartered Accountants

Place : New Delhi  
Dated : 14th November, 2002



CONSOLIDATED FINANCIAL STATEMENTS

*Balance Sheet*

AS AT 30TH SEPTEMBER, 2002

DESCRIPTION	SCHEDULE No.	As at 30.09.2002 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS FUNDS</b>		
Share Capital	1	4,648.15
Reserves and Surplus	2	19,640.39
Deferred Tax Liability (Net) (Note No 24 of Schedule '22')		24,288.54
		<u>4,528.41</u>
<b>2. LOAN FUNDS</b>		
Secured	3	30,572.83
Unsecured	4	15,634.73
		<u>46,207.56</u>
		<u>75,024.51</u>
<b>APPLICATION OF FUNDS</b>		
<b>1. FIXED ASSETS :</b>		
Gross Block	5	38,320.56
Less : Depreciation		10,768.64
<b>Net Block</b>		
Capital Work in Progress		27,551.92
Pre-operative Expenses		1,641.58
		<u>112.96</u>
		<u>29,306.46</u>
<b>2. INVESTMENTS</b>		
<b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>		
Inventories	6	10,871.28
Sundry Debtors	7	8,337.73
Cash and Bank Balances	8	13,382.39
Loans and Advances	9	4,161.97
	10	21,554.10
		<u>47,436.19</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>		
Current liabilities	11	11,551.04
Provisions	12	1,053.91
		<u>12,604.95</u>
<b>NET CURRENT ASSETS</b>		<u>34,831.24</u>
<b>4. MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
	13	15.53
		<u>75,024.51</u>
	22	

**NOTES TO THE ACCOUNTS**

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

**P.R. JINDAL**  
Chairman

**SMINU JINDAL**  
Managing Director

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**SUNIL JAIN**  
Company Secretary

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

Place : New Delhi  
Dated : 14th November, 2002

# Profit & Loss Account

FOR THE PERIOD ENDED  
30TH SEPTEMBER, 2002

DESCRIPTION	SCHEDULE No.		As at 30.09.2002 (Rs. In lacs)
<b>INCOME</b>			
Sales and Operational Income			
Less: Excise Duty	14	76,105.21	
<b>Net Turnover</b>		<u>736.45</u>	
Other Income			75,368.76
Increase/(Decrease) in Stock	15		427.51
	16		<u>(1,711.66)</u>
			<u>74,084.61</u>
<b>EXPENDITURE</b>			
Raw Material Consumed			45,832.20
Purchase for Re-Sale			2.40
Manufacturing Expenses			4,432.75
Personnel	17		2,069.18
Selling Expenses	18		6,939.03
Finance Expenses	19		6,585.93
Administrative & Other Expenses	20		1,687.15
Depreciation	21		
Less: Transfer to Revaluation Reserve		2,172.17	
		<u>253.50</u>	<u>1,918.67</u>
			<u>69,467.31</u>
Profit before Taxation and extra ordinary items			4,617.30
Extra Ordinary items			
Gain on sale of Shares			
Profit before Taxation			<u>1,049.40</u>
Less: Provision for Income Tax			5,666.70
- Current Tax			
- Withdrawn from Deferred Tax		663.53	
Provision for Wealth Tax		60.39	603.14
Profit After Taxation			<u>1.15</u>
Profit Brought Forward			5,062.41
Debenture Redemption Reserve Written Back			(4,438.26)
Translation Exchange Difference (net)			625.00
			<u>(72.44)</u>
<b>Disposable Profit</b>			<u>1,176.71</u>
<b>APPROPRIATIONS</b>			
Interim Dividend on Preference Shares Paid			137.04
Corporate Tax on Above			13.98
Proposed Dividend :			
- on Equity Shares			584.70
- on Preference Shares (Final)			58.25
General Reserve			500.00
Debenture Redemption Reserve			375.00
Capital Redemption Reserve			750.00
<b>Set off against General Reserve</b>			<u>(1,242.26)</u>
			<u>1,176.71</u>
Basic and Diluted Earning per Share (In Rs.) of Rs. 10/- each			12.45

## NOTES TO THE ACCOUNTS

22

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

**P.R. JINDAL**  
Chairman

**SMINU JINDAL**  
Managing Director

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**SUNIL JAIN**  
Company Secretary

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

Place : New Delhi  
Dated : 14th November, 2002



SAW Pipes Limited

# CONSOLIDATED FINANCIAL STATEMENTS

## Schedule

DESCRIPTION	As at 30.09.2002 (Rs. in lacs.)
<b>SCHEDULE "1"</b>	
<b>SHARE CAPITAL</b>	
<b>AUTHORISED</b>	
i) 5,00,00,000 Equity Shares of Rs. 10/- Each	5,000.00
ii) 25,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	2,500.00
	<u>7,500.00</u>
<b>ISSUED AND SUBSCRIBED</b>	
i) 3,89,81,808 Equity Shares of Rs. 10/- each	3,898.19
ii) 15,00,000- 13.5% Redeemable Cumulative Preference Shares of Rs.100/- each	1,500.00
	<u>3,898.04</u>
<b>PAID UP</b>	
i) 3,89,80,358 Equity Shares of Rs. 10/- each	3,898.11
Bonus Shares Held in Abeyance	0.07
	<u>3,898.15</u>
Add: Forfeited Capital	0.04
ii) * 7,50,000 - 13.5% Redeemable Cumulative Preference share of Rs.100/- each	750.00
	<u>4,648.15</u>
*13.5% Redeemable Cumulative Preference Shares are due for redemption on 05.03.2003	

**OF THE ABOVE**

1. 20,08,000 Equity Shares are allotted as Fully Paid-up pursuant to contract without payment being received in cash.
2. 19,70,936 Equity Shares are allotted as Fully Paid-up to the shareholders of Swastik Foils Ltd. As per Scheme Amalgamation Order dated 3rd August/ 11th September 1999 of the Hon'ble High Court of Delhi.
3. 48,43,000 Equity Shares are allotted as Fully Paid-up to the Share Holders of Swastik Udyog Ltd. as per Scheme of amalgamation order dated 17.8.93 and 27.8.93 of the Hon'ble High Courts of Punjab and Haryana and Delhi.
4. 2,57,97,872 Equity shares are allotted as fully paid-up bonus shares by capitalising General Reserves of Rs.630.70 lacs and Share Premium of Rs. 1949.09 lacs.
5. 650 Bonus shares of Rs.10/- each have been held in abeyance and not allotted as a result of necessary approval from attachment orders by Govt. authorities. lost share certificates and other disputes.
6. 800 Shares of Rs. 10/- ( Partly Paid Rs. 5/-) have been forfeited.

**SCHEDULE "2"**

**RESERVES AND SURPLUS**

(i) Capital Reserve	9.50
As per Last Account	<u>750.00</u>
(ii) Capital Redemption Reserve	19,243.94
Transferred from Profit and Loss Account	500.00
(iii) General Reserve	4,588.80
As per last Account	<u>(1,242.26)</u>
Add: Transferred during the year	13,912.88
Less: Transferred to Deferred Tax Liability A/c	1,350.00
(Note No. 24 of Schedule 22)	375.00
Less: Debit Balance in Profit and Loss Account	<u>625.00</u>
(iv) Debenture Redemption Reserve	1,100.00
As per last Account	558.91
Add: Transferred from Profit and Loss Account	3,562.60
Less: Written Back	253.50
(v) Share Premium Account :	<u>3,309.10</u>
As per last Account	19,640.39
(vi) Revaluation Reserve	
As per last account	
Less: Amount Written Off during the year	

# Schedule

DESCRIPTION	As at 30.09.2002 (Rs. in lacs.)
<b>SCHEDULE "3"</b>	
<b>SECURED LOANS</b>	
<b>A. Redeemable Non-Convertible Debentures</b>	5,250.00
<b>B. Term Loan</b>	
(i) Industrial Development Bank of India	1,633.40
(ii) ICICI Bank Ltd.	1,842.93
(iii) Export - Import Bank of India	1,814.06
(iv) Vehicle Loan from Banks	107.15
(v) Standard Chartered Bank	12,093.75
<b>C. Working Capital Loan from Banks</b>	7,698.75
<b>D. Deferred Sales Tax</b>	132.79
	<u>30,572.83</u>

## NOTES

- A. (i) Debentures referred to in A above are secured/to be secured by pari-passu charge by way of English mortgage on the company's immovable properties located in the states of Maharashtra and by way of equitable mortgage of company's immovable property.
- (ii) Debentures referred to in A above are privately placed & consists of 16 % Debentures of Rs. 100/- each, aggregating Rs. 1000.00 Lacs are redeemable in two equal instalments.
- B. (i) & (ii) Secured / to be secured by way of pari-passu charge by way of mortgage of Company's immovable properties and hypothecation of moveable assets (save and except book debts) both present and future, except those charged in favour of Company's bankers for securing Working Capital Facilities.
- (iii) To be secured by pari-passu charge by way of mortgage of entire immovable properties and hypothecation of movable fixed assets of the Company and personal guarantee of a Director.
- (iv) Secured by way of hypothecation of vehicle.
- C. Secured by hypothecation of finished goods, raw-material, work-in-progress stores and spares, book debts and second charge in respect of other movable and immovable assets of the Company. The loan is also guaranteed by Director. Further 172076 Equity Shares of Jindal Iron & Steel Co. Ltd. have been pledged to bank as collateral security for Working Capital Limits as well as non-fund based limits like Bank Guarantees and Letter of Credits. Besides above 10932 Equity Shares of Jindal Strips Ltd. and 7228 Equity Shares of Jindal Steel & Power Ltd. held by other companies have been pledged to Bank as Collateral Security.
- D. Secured by way of second pari passu charge of movable and immovable assets of the Company in respect of Kosi Kalan Units (in UP).

## SCHEDULE "4"

### UNSECURED LOANS

(i) Fixed Deposits	333.06
(ii) Inter-Corporate Loans-Long Term	11,161.77
(iii) Inter-Corporate Loans- Short Term	391.22
(iii) Deferred Sales Tax	490.48
(iv) Unsecured Loans from Banks-Short Term	3,000.00
(v) Interest Accrued & Due	258.20
	<u>15,634.73</u>



CONSOLIDATED FINANCIAL STATEMENTS

Schedule

SCHEDULE "5"

FIXED ASSETS

[ Rs. In Lacs ]

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at 01.07.01	Additions	Deduction/ Adjustment	As at 30.09.02	Upto 01.07.01	For the Period	Deduction/ Adjustment	Upto 30.09.02	As at 30.09.2002
Land									
Free Hold	182.98	-	-	182.98					182.98
Lease Hold	413.78	-	-	413.78	36.20	5.63	-	41.83	371.95
Buildings	4,281.45	318.03	-	4,599.48	765.15	158.37	-	923.52	3,675.96
Plant & Machinery	31,889.96	531.34	1.00	32,420.30	7,632.92	1,947.39	4.16	9,576.15	22,844.15
Vehicles	309.16	127.03	31.44	404.75	96.47	42.85	17.57	121.75	283.00
Furniture & Fixtures	253.66	50.13	4.52	299.27	89.35	17.93	1.89	105.39	193.88
<b>TOTAL</b>	<b>37,330.99</b>	<b>1,026.53</b>	<b>36.96</b>	<b>38,320.56</b>	<b>8,620.09</b>	<b>2,172.17</b>	<b>23.62</b>	<b>10,768.64</b>	<b>27,551.92</b>

NOTE -

A) Gross Block includes the following amount on account of revaluation of Pipe Division at A-1, Kosi Kalan at Net Current Residual Replacement Value.

(Rs. in lacs)

i) LAND -	
Freehold	7.38
Leasehold	143.59
ii) Building	548.34
iii) Plant and Machinery	3,927.71

DESCRIPTION

As at  
30.09.2002  
(Rs. in lacs.)

SCHEDULE "6"

INVESTMENTS

Quoted Shares	9,574.92
Unquoted Shares (Net of Provision Rs258.00 lacs)	1,099.71
Govt & Trust Securities	196.65
<b>Total</b>	<b>10,871.28</b>

Aggregate Market Value of Quoted Investments 4,775.12

# Schedule

## DESCRIPTION

As at  
30.09.2002  
(Rs. In lacs.)

### SCHEDULE "7"

#### INVENTORIES

(As taken valued and certified by the management )

i) Stores and Spares	1,331.91
ii) Loose Tools	11.50
iii) Finished goods	923.09
iv) Work in Progress	1,772.13
v) Raw Material *	4,227.94
vi) Scrap	71.16
	<u>8,337.73</u>

\* Includes Raw Material in Transit of Rs. 1620.37 lacs (Previous Year Rs. 5041.51 lacs)

### SCHEDULE "8"

#### SUNDRY DEBTORS

( Unsecured, considered good)

i) Exceeding six months	3,600.54
ii) Others	9,781.85
	<u>13,382.39</u>

### SCHEDULE "9"

#### CASH AND BANK BALANCES

i) Cash / Cheques in hand	10.24
ii) With Scheduled banks	
—Current Accounts	1,698.08
—Fixed Deposit Account	2,453.65
	<u>4,161.97</u>

### SCHEDULE "10"

#### LOANS AND ADVANCES

i) Advances recoverable in cash or in kind or for value to be received Considered Good	5,795.58
ii) Earnest money and Security deposits	1,066.42
iii) Deposit with Industrial Development Bank of India for surcharge on Income Tax U/S 32AB of Income Tax Act, 1961	0.66
iv) Balance with Excise, Customs and Port Authorities etc.	693.81
v) Inter Corporate Loans	12,742.21
vi) Prepaid Expenses	123.69
vii) Export Benefits Receivable	1,131.73
	<u>21,554.10</u>



# CONSOLIDATED FINANCIAL STATEMENTS

## *S*chedule

DESCRIPTION	As at 30.09.2002 (Rs. In lacs.)
<b>SCHEDULE "11"</b>	
<b>CURRENT LIABILITIES</b>	
i) Sundry Creditors - Raw Material	8,109.13
ii) Sundry Creditors - Others	2,359.90
iii) Advance from Customers	70.18
iv) Interest Accrued but not due	198.72
v) Other Liabilities	606.14
vi) Security Deposit	147.56
vii) Unpaid Dividend	59.41
	<u>11,551.04</u>
<b>SCHEDULE "12"</b>	
<b>PROVISIONS:</b>	
For Taxation (Net of Prepaid Taxes)	345.58
For Proposed Dividend	642.95
Others	65.38
	<u>1,053.91</u>
<b>SCHEDULE "13"</b>	
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off)	
i) Preliminary Expenses	3.39
ii) Deferred Revenue Expenses	12.14
	<u>15.53</u>
<b>SCHEDULE "14"</b>	
<b>SALES AND OPERATIONAL INCOME</b>	
i) Sales	70,667.20
ii) Job Charges	3,688.59
iii) Export / Deemed Export Benefits	1,749.42
	<u>76,105.21</u>
<b>SCHEDULE "15"</b>	
<b>OTHER INCOME</b>	
Dividend on Long Term Investment	161.52
Miscellaneous Receipts	141.82
Foreign Exchange Fluctuation(Net)	124.17
	<u>427.51</u>

# Schedule

DESCRIPTION	Period Ended 30.09.2002 (Rs. In lacs.)
<b>SCHEDULE "16"</b>	
<b>INCREASE / (DECREASE) IN STOCK</b>	
OPENING STOCK	
Finished Goods	3,319.60
Work-in-progress	1,048.13
Scrap	110.31
	<u>4,478.04</u>
CLOSING STOCK	
Finished Goods	923.09
Work-in-progress	1,772.13
Scrap	71.16
	<u>2,766.38</u>
Increase/(Decrease) in Stock	<u>(1,711.66)</u>
<b>SCHEDULE "17"</b>	
<b>MANUFACTURING EXPENSES</b>	
Stores and Spares	1,394.42
Power and Fuel	1,252.46
Other Manufacturing expenses	1,314.46
Repair and Maintenance:	
—Plant and Machinery	283.28
—Building & Others	188.13
	<u>4,432.75</u>
<b>SCHEDULE "18"</b>	
<b>PERSONNEL</b>	
Salary, Wages and other Benefits	1,787.11
Contribution to Provident and other funds	78.51
Workmen and Staff Welfare	203.56
	<u>2,069.18</u>
<b>SCHEDULE "19"</b>	
<b>SELLING EXPENSES</b>	
Commission on Sales	635.50
Advertisement	13.87
Forwarding charges (net of recoveries)	6,061.10
Other Selling Expenses	228.56
	<u>6,939.03</u>



CONSOLIDATED FINANCIAL STATEMENTS

*S*chedule

DESCRIPTION	Period Ended 30.09.2002 (Rs. in lacs.)
<b>SCHEDULE "20"</b>	
<b>FINANCE EXPENSES</b>	
Interest on Fixed Deposits	79.24
Interest on Debentures	989.91
Interest on Term Loans	2,778.64
Interest on Bank Borrowings	2,431.19
Bank and Finance charges	1,789.35
Interest to Others	341.18
	<u>8,409.51</u>
Less: Interest Received:	
Interest on Bonds and Debentures	38.34
Other Interest on Loans, Advances and Deposit	1,785.24
	<u>1,823.58</u>
	<u>6,585.93</u>
<b>SCHEDULE "21"</b>	
<b>ADMINISTRATIVE AND OTHER EXPENSES:</b>	
Rent	81.96
Rates & Taxes	16.14
Insurance	169.57
Postage, Telegrams & Telephones	132.91
Travelling & Conveyance	236.96
Vehicle upkeep & Maintenance	90.46
Director's Meeting Fees	1.45
Miscellaneous Expenses	327.12
Auditor's Remuneration	7.88
Preliminary / Deferred Revenue Expenses W/off	157.92
Bad Debts	142.92
Loss on Sale of Fixed Assets( Net)	8.34
Previous Year's Adjustment (Net)	55.52
Provision for Diminution in value of Investment	258.00
	<u>1,687.15</u>

# Schedule

## SCHEDULE - "22"

Notes to Consolidated Financial Statements of the Company and its Subsidiaries for the period ended 30<sup>th</sup> September 2002

### NOTES ON ACCOUNTS

#### 1. BASIS OF PREPARATION

- a) SAW Pipes Limited (SPL) has prepared consolidated financial statements by consolidating its accounts with those of its following subsidiaries in accordance with Accounting Standard-21 (Consolidated Financial Statements) issued by the Institute of Chartered Accountants of India.

Name of the Company	Country of Incorporation	% Shareholding / Voting power	Date of Financial Statements
Hexa Securities & Finance Company Ltd., (HSFCL)	India	100%	30.09.2002
Jindal Enterprises L.L.C (JELLC)	USA	100%	30.06.2002

- b) During the year Jindal Enterprises L.L.C (JELLC) has reduced its interest in US Denro Steels Inc. (USDSI) from 71% to 49% by selling equity to a related party. As a result JELLC is not required to consolidate USDSI's Financials with its Financials. As such share in the loss in USDSI upto the date of cessation of parent subsidiary relationship amounting to Rs. 238.87 lacs has not been considered in the Audited Financial Results of JELLC and Consolidated Financial Statements.

- c) The Consolidated Financial Statements are prepared according to uniform accounting policies in accordance with the generally accepted accounting principles. The effects of inter-group company transactions and resulting unrealized profits are eliminated in consolidation.

- d) Foreign Subsidiaries Conversion — Revenue items have been consolidated at the average rate prevailing during the year. Fixed Assets have been translated at the rates prevailing on the dates of their acquisition and depreciation provided accordingly. Other current assets and liabilities are converted at the rates prevailing at the end of the year. Exchange Gain/(Loss) arising on consolidation in respect of borrowing for fixed assets are adjusted to the cost of such fixed assets and other Exchange Gain/(Loss) are recognized in the profit and loss account.

- e) Both the aforesaid companies became subsidiaries since inception of business activities and there were no increase or decrease in investments. Hence there is no capital reserve or goodwill.

#### 2. CONTINGENT LIABILITIES

	Current Period (Rs in lacs)
a) Guarantee provided by Bank	
b) Letter of Credit Outstanding (Net of Liabilities provided in the books)	14951.52 5611.54
c) Claims against the Company not acknowledged as debt (being under dispute)	154.14
d) Guarantee given to Financial institutions/ body corporate against facility extended to other body corporate for foreign currency loan	2123.81
e) Liability in respect of Corporate Guarantee (for 100% EOU Unit at Mundra)	794.16
f) Bank Guarantee given to Custom Authority for export obligation for export under EPCG Scheme	399.73
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	213.20

4. The company has given an undertaking to financial institutions for loan taken by Jindal Vijaynagar Steel Ltd.(JVSL) not to dispose off the investment in JVSL till the repayment of loan by JVSL or the project undertaken by JVSL is completed, whichever is later.



# CONSOLIDATED FINANCIAL STATEMENTS

## Schedule

5. Although the market value of certain investments (as reflected in Schedule 6) and the fair value of certain unquoted investments (amount not ascertained) is lower than the cost, considering the strategic and long term nature of the investments, future prospects and asset base of the investee companies, such decline, in the opinion of the management, has been considered to be of temporary in nature and hence no provision for the same is considered necessary.
6. Sundry Debtors, Creditors and other advances are subject to confirmation. The effect of the same, if any, which are not likely to be material will be adjusted at the time of confirmation.
7. The Stores and Spares consumed and Salaries & Wages incurred for repairs and maintenance of Plant and Machinery and shed and Building have not been allocated to the respective repairs and maintenance accounts.
8. In the opinion of the Board, the realisable value of Current assets, loans & advances, in the ordinary course of business, would not be less than the amount at which they are stated.
9. Capital work in progress includes Advance against capital goods and inventories of capital nature.
10. The amount of foreign exchange fluctuation amounting to Rs.183.75 lacs (Credit) (Previous Year Rs.41.83 lacs -Debit) is not shown separately and the same is included under the relevant heads of expenditure and income.
11. Profit for the year includes Prior Period Adjustment of Rs 73.02.Lacs (Debit) and Rs.17.50 lacs (Credit) (Previous Year - Net debit Rs.15.64 Lacs).
12. Loans and advances include Rs.310.58 lacs (Previous year Rs. 603.08 lacs) due from Jindal Seamless Tubes Ltd. The project of Jindal Seamless Tubes Ltd. is on hold for time being. As a matter of prudence the interest on the same is not provided in the accounts.
13. Profit or Loss on sale of raw material, stores and spares is not ascertained or shown separately and sale proceeds have been credited to the respective consumption accounts.
14. An amount of Rs. 2318.46 lacs is referred to arbitration against customers for recovery of amount withheld, which as advised by the Company's legal experts and in the opinion of Management is good for recovery.
15. In JELLC, bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non-payment due to product claims by customers.
16. In JELLC, The Company has a \$25 million loan through Standard Chartered Bank of Bahrain. The Note is secured by the Company's equipment. The Note has interest due quarterly at the LIBOR rate plus .25%. The Loan agreement has several financial covenants which the Company, as of June 30, 2001, was not in compliance. The Company has received a written waiver from the bank extending the terms. In October 2002, the Company refinanced \$15 million with Bank of India, New York. The Company is in the process of refinancing the remaining \$10 million loan with Standard Chartered Bank.
17. In JELLC, the company has used the note to finance asset purchases, including machinery and equipment and support for US Denro Steels, Inc. The note is secured by machinery and equipment and matures on various dates between March 2002 and April 2004.
18. In JELLC, at June 30, 2002, the Company had a net operating loss carryforwards of approximately \$8.4 million for federal and state income tax purposes which expires in 2016. Current federal income tax regulations with respect to changes in ownership could limit the utilization of the Company's net operating loss carry-forward. Utilization of the net operating loss carry-forward is dependent upon the Company making taxable income in future years.
19. In JELLC, US Denro Steels, Inc. incurred substantial losses and had a deficiency in working capital. Due to this condition, US Denro Steels, Inc. was not able to pay its past due amounts for the slabs purchased from various steel trading companies. All of these were unsecured suppliers. To come out of this situation and with the objective of becoming more stable, US Denro Steels, Inc. negotiated with its largest slab supplier, Balli-Klockner, to whom US Denro Steels, Inc. owed nearly \$23 million. As per the arrangement, which commenced in July 2001, a new company named Southern Texas Steel LLC (STS) was formed as a single member LLC owned by Balli Klockner. STS would procure slabs and sell plates for US Denro Steels, Inc. until such time the debts owned by Balli-Klockner and other slabs suppliers are settled upon which the ownership of STS would transfer to Jindal entities. STS will pay US Denro Steels, Inc. tolling fees for processing the plates as per the plate conversion agreement. The agreement assisted US Denro Steels, Inc. in settling its outstanding debt with a financial institution and assisted in providing operating funding for US Denro Steels, Inc. to continue operations.
20. The Company has entered into certain derivative transactions including transactions involving foreign currencies. These derivative transactions, being considered as off-Balance-Sheet transactions the cash flows arising therefrom are recognized in the books of account as and when the settlements take place in accordance with the terms of the respective contracts.

21	Earning per Share (EPS ) <b>Basic and Diluted</b> computed in accordance with Accounting Standard 20 "Earning per Share"	
	<b>Description</b>	<b>(Rs. in Lacs)</b>
	Profit after tax	5062.41
	Less : Preference dividend including tax thereon	209.27
	Profit attributable to Equity Shareholders	4853.14
	No of shares issued and Diluted for the period	38981808
	Basic and Diluted EPS (in Rs.)	12.45

22 **Related Parties Transactions**

**A List of Related Parties & Relationship (As Identified by the Management)**

- a) **Joint Venture**  
Daelim E&C India Pvt. Ltd
- b) **Associates**  
US Denro Steels, Inc.  
Minerals & Metal FZE  
Southern Texas Steel LLC (STS)  
St. James Investments Ltd.,
- c) **Key Management Personnel**
- |   |                |                                     |
|---|----------------|-------------------------------------|
| 1 | Sminu Jindal   | Managing Director                   |
| 2 | H.S. Chaudhary | Whole Time Director                 |
| 3 | Indresh Batra  | President- Jindal Enterprises L.L.C |
| 4 | Neeraj Kumar   | Director -Finance                   |
| 5 | H.S. Bedi      | President -Works                    |
| 6 | O.P.Sharma     | Vice President -Marketing           |
| 7 | A.J. Vora      | President - Plant                   |

**B Transactions**

<b>Description</b>				<b>(Rs in Lacs)</b>
	<b>Associates Venture</b>	<b>Joint Personnel</b>	<b>Key Management</b>	<b>Total</b>
Sale of Fixed Assets	113.29	-	0.78	114.07
Interest Paid	-	-	0.15	0.15
Lease rent	28.62	-	-	28.62
Diminution in the value of Investment	-	258.00	-	258.00
Remuneration Paid	-	-	109.60	109.60
Outstanding Balance as on 30,09,2002	-	-	-	-
Loans & Advances given (including Interest)	11326.93	2.86	-	11329.78
Loans and advances taken	4765.04	-	-	4765.04
Interest payable	258.20	-	-	258.20
Others	-	-	0.50	0.50
<b>Note</b>				

In respect of above parties, there is no provision for doubtful debts as on 30.09.2002 and no amount is written off or written back during the year in respect of debt/loan & advances due from/to them.



CONSOLIDATED FINANCIAL STATEMENTS

Schedule

23 Segment Information:-

A) PRIMARY BUSINESS SEGMENT						(Rs. In Lacs)	
Particulars	Steel Pipe	Plate	Investment & Finance	Others	Unallocable	Total	
<b>1 Segment Revenue</b>							
-External Turnover	72745.41	692.01	-	2,667.79	-		76,105.21
Less: Excise Duty	736.45	-	-	-	-		736.45
<b>Net Turnover</b>	<b>72,008.96</b>	<b>692.01</b>	<b>-</b>	<b>2,667.79</b>	<b>-</b>		<b>75,368.76</b>
Other Income	60.17	35.37	74.16	6.06	251.75		427.51
<b>2 Segment Result Before Interest, Extra ordinary Items and Taxes</b>	<b>11916.97</b>	<b>(311.86)</b>	<b>72.24</b>	<b>457.59</b>	<b>(931.71)</b>		<b>11,203.23</b>
Less: Interest Expenses(Net)					6,585.93		6,585.93
Profit before Extra Ordinary Items and Taxes	11916.97	(311.86)	72.24	457.59	(7,517.64)		4,617.30
Extra Ordinary Items	-	1,049.40	-	-	-		1,049.40
Profit before Taxes	11916.97	737.54	72.24	457.59	(7,517.64)		5,666.70
Current Tax					663.53		663.53
Withdrawn from Deferred Tax					60.39		60.39
Wealth Tax					1.15		1.15
<b>Net Profit after Tax</b>	<b>11,916.97</b>	<b>737.54</b>	<b>72.24</b>	<b>457.59</b>	<b>(8,121.93)</b>		<b>5,062.41</b>
<b>3 Other Information</b>							
Segment Assets	49701.21	15,202.02	8,017.88	905.76	17,375.38		91,202.25
Segment Liabilities	9118.49	1,408.89	12.33	257.52	1,223.02		12,020.25
Capital Expenditure	1821.57	-	-	81.76	74.19		1,977.52
Depreciation	1816.82	177.67	-	61.12	40.73		1,918.67
Non Cash Expenses other than depreciation	-	-	0.99	-	414.93		415.92
<b>B) SECONDARY BUSINESS SEGMENT</b>						<b>(Rs. In Lacs)</b>	
Particulars	With in India		Outside India		Total		
<b>1 Gross Revenue</b>	13839.40		62265.81		76105.21		
Less: Excise Duty	736.45		-		736.45		
Net Revenue	13102.95		62265.81		75368.76		
<b>2 Segment Assets</b>	76000.23		15,202.02		91202.25		
<b>3 Segment Liabilities</b>	10611.36		1,408.89		12020.25		
<b>4 Capital Expenditure</b>	1977.52		-		1977.52		

NOTE:

- Segments have been identified in line with AS on Segment Reporting ( AS-17 ) taking into account the organisational Structure, nature of product and differential risk and returns of these segments. The operations of the parent company and its subsidiaries predominantly relate to manufacture of Steel Pipes, Steel Plate and Investment & Financing. Other Business segment comprises of mainly manufacture of Cold Rolled Strips.
- Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a Reasonable basis. The income and expenses, which not directly relatable to the business segment, are shown as Unallocated corporate cost. Segment Assets and Liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

# Schedule

**24. Deferred Tax Liability (Net)** **Deferred Tax Liability/  
Assets as at  
30.09.2002  
(Rs. In lacs)**

**PARTICULARS**

A) Deferred Tax Liability on account of Difference between book and tax depreciation <b>Total Deferred Tax Liability</b>	<u>4,590.07</u> <u>4,590.07</u>
B) Deferred Tax Assets on account of	
1 Disallowance under Income Tax Act	7.48
2 Provision for Diminution in Investments	<u>54.18</u>
<b>Total Deferred Tax Assets</b>	<u>61.66</u>
Deferred Tax Liability ( Net ) ( A-B)	<u>4,528.41</u>

Pursuant to Accounting Standard (AS) 22 " Accounting for taxes on Income" the Company has recorded a net cumulative Deferred Tax Liability of Rs 4588.80 lacs as on 1.07.2001 as reduction in General Reserve . Further the impact of Deferred Tax Liability of Rs 60.39 lacs for the year ended 30.09.2002 has been credited to the Profit and Loss Account.

**25. Detail of Pre operative expenses Pending allocation on completion of the Mundra project Is as under** **(Rs. In lacs)**

<b>Detail of Pre-operative Expenses</b>	<b>CURRENT PERIOD</b>
Raw Material Consumption	-
Power & Fuel	31.01
Store & Spares	-
Salary, Wages & Other Benefits	80.58
Contribution to PF & other funds	5.50
Workman & Staff Welfare	5.41
Rent, Rates & Taxes	-
Insurance Expenses	0.59
Travelling & Conveyance	0.91
Carriage Outward	0.08
Interest and bank charges	0.08
Miscellaneous Expenses	0.30
Depreciation	-
<b>Total</b>	<u>124.46</u>
Add: Preoperative expenses brought forward	<u>9.54</u>
	134.00
Less; Capitalised during the year	<u>21.04</u>
<b>Preoperative Expenses Carried Over</b>	<u>112.96</u>

26. Since certain subsidiaries are functioning in a different regulatory environment, certain policies such as in respect of depreciation etc. differ from parent entity. Wherever policies are not in conformity with policies of parent entity effect of the same has been calculated and incorporated in the Consolidated Financial Statement.

27. As this is the first year of reporting of consolidated financial statement, figures for the previous year are not given.

28. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Parent Company's financial statements.

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

**P.R. JINDAL**  
Chairman

**SMINU JINDAL**  
Managing Director

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**SUNIL JAIN**  
Company Secretary

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

Place : New Delhi  
Dated : 14th November, 2002



CONSOLIDATED FINANCIAL STATEMENTS

# Cash Flow Statement

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2002

DESCRIPTION	AMOUNT (Rs. In Lacs)
<b>A. CASH INFLOW(OUTFLOW) FROM THE OPERATING ACTIVITIES</b>	
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ACTIVITY	4,617.30
Adjustments for	
Add/(Less)	
Depreciation	1,918.67
Misc.expenses written off during the year	157.92
Other Income(Dividend)	(161.52)
Interest Paid	6,620.16
Loss on sale of fixed assets	8.34
Provision for dimunition in value of investment	258.00
Foreign Exchange Fluctuation	8.42
Interest Received	(1,823.58)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>11,603.71</b>
Adjustments for:-	
Inventories	4,818.96
Sundry debtors	(5,990.88)
Other current assets	(2,373.16)
Current liabilities	(2,771.31)
	<b>(6,316.39)</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>5,287.32</b>
Tax Paid	(286.52)
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	<b>5,000.80</b>
Extra Ordinary Items	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,000.80</b>
<b>B. CASH INFLOW/(OUTFLOW)FROM INVESTMENT ACTIVITIES</b>	
(Increase)/Decrease in Investment	892.40
Capital expenditure	(1,977.52)
Sale proceeds of fixed assets	5.00
Loans & Advances	(41.45)
Misc.expenditure	1,493.85
Interest Received	919.58
Dividend Received	34.01
<b>NET CASH INFLOW/(OUTFLOW)FROM INVESTING ACTIVITIES</b>	<b>1325.87</b>

# Cash Flow Statement

C. CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	
Dividend paid	(589.60)
Interest paid	(6,647.23)
Dividend Tax Paid	(60.42)
Working Capital loans from banks	1,505.81
Increase/(Decrease) in secured loan	(4,940.59)
Increase/(Decrease) in fixed deposits	(566.35)
Increase/(Decrease) in unsecured loan	3,305.85
Redemption of Preference Share	(750.00)
<b>NET CASH INFLOW/(OUTFLOW) USED IN FINANCING ACTIVITIES</b>	<b>(8,742.53)</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENT</b>	
Cash and cash equivalent as at 01.07-2001 (opening balance)	6577.83
Cash and cash equivalent as at 30.09.2002 (Closing balance)	4161.97

## NOTE:

1. Cash flow has been derived from the individual cash flow of the parent and its subsidiaries after making necessary adjustments.
2. Cash and cash Equivalent includes Cash and Bank Balances only.
3. Increase/Decrease in secured and unsecured loans are shown net of repayments.
4. Purchase of fixed assets includes movements of Capital Work-in-progress between the beginning and end of the Period.

## AUDITOR'S REPORT

We have verified the above Consolidated Cash Flow Statement of SAW Pipes Limited with reference to the audited Annual Accounts for the Period ended on 30th September, 2002 and we found the same in agreement there with.

As per our report of even date attached

**G.K. AGGARWAL**  
Partner

**P.R. JINDAL**  
Chairman

**SMINU JINDAL**  
Managing Director

**A.J.A. TAURO**  
**KULDIP BHARGAVA**  
**M.K. TANDON**  
**MOOSA RAZA**  
**PURSHOTTAM LAL**  
**T.M. SEN**  
Directors

For & on behalf of  
**N.C. AGGARWAL & CO.**  
Chartered Accountants

**SUNIL JAIN**  
Company Secretary

**NEERAJ KUMAR**  
Director (Finance)  
& CFO

Place : New Delhi  
Dated : 14th November, 2002



# Proxy Form



## SAW Pipes Limited

Registered Office : A-1, UPSIDC Indl. Area, Nandgaon Road,  
Kosi Kalan, Distt. Mathura (U.P.)-281403

I/we ..... of ..... in the  
District of ..... being a member/of .....  
the above named Company hereby appoint .....  
of ..... in the district of .....  
or failing him .....  
of ..... in the district of .....  
as my/our proxy to attend and vote for me/us behalf at the Annual General Meeting of the Company to be held on  
Saturday, the 21st day of December, 2002 at 11.30 A.M. at A-1, UPSIDC Indl. Area, Nandgaon Road, Kosi Kalan,  
Distt. Mathura (U.P.)-281403 and at any adjournment thereof.

Signed this ..... day of .....

Signature .....  
Address .....

.30 Paise  
Revenue  
Stamp

Folio No. ....  
D.P. ID\* .....  
Client ID\* .....

N.B.: (1) The Proxy need not be a member.

(2) The Proxy form duly signed and stamped should reach the Company's Regd. Office at least 48 hours  
before the time of meeting i.e. before 11.30 a.m. on 19th December, 2002.

### ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING HALL AND HAND IT OVER AT THE ENTERANCE

I/We hereby record my/our presence at the 18th Annual General Meeting of the Company at A-1 UpSIDC Indl. Area,  
Nandgaon Road, Kosi Kalan, Distt. Mathura (U.P.)-281403 on 21st December, 2002.

Name of the Shareholder .....

Name of the Proxy/Representative, if any .....

Signature of the Shareholders/Proxy .....

Representative .....

Folio No. ....  
D.P. ID\* .....  
Client ID\* .....

Note : Shareholders/Proxy holders are requested to bring their Attendance Slips with them and to hand over at the gate  
of the Meeting Hall after affixing their signature.

\*Applicable for investors holding shares in electronic form.

## SAW Pipes Limited

Registered Office : A-1, UPSIDC Indl. Area, Nandgaon Road,  
Kosi Kalan, Distt. Mathura (U.P.)-281403

**NO GIFTS WILL BE DISTRIBUTED AT THE A.G.M**

*Driven by the Elements*

S&W Fibres Limited

INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 1964

Fixed Assets	1,000,000
Current Assets	500,000
LIABILITIES	
Capital	1,000,000
Reserves	500,000
LIABILITIES	1,500,000

STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 1964

Revenue

Expenses

Profit

S&W Fibres Limited

INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA

NO GIFTS WILL BE DISTRIBUTED AT THE A.G.M.

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INCOM  
Gross  
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SAW Pipes Limited

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SAW Pipes Limited

NO COPIES WILL BE DISTRIBUTED AT THE A.G.M.

# Key Financial Indicators

(Rs. In Lacs except as otherwise stated)

	2001-02 15 Months	2000-01 12 Months	1999-00 12 Months	1998-99 12 Months	1997-98 12 Months
<b>INCOME STATEMENT</b>					
Gross Sales & Other Income	75731.18	40373.76	31338.10	36430.83	33411.22
Net Sales	74994.73	36793.16	29330.93	34548.25	32592.15
Operating Profit (PBIDT)	13183.85	10245.60	5816.74	8495.38	6028.55
Profit After Tax (PAT)	4233.73	2934.91	1182.09	2815.97	2068.66
Cash Profit	6398.00	4428.13	2563.02	4086.40	3430.46
<b>BALANCE SHEET</b>					
Gross Block	35122.49	34132.92	30698.68	30110.10	29256.36
Net Block	24575.94	25557.25	23628.94	24417.95	24913.73
Share Capital					
Preference	750.00	1500.00	1500.00	1500.00	1500.00
Equity	3898.15	3898.15	3898.15	3898.15	3898.15
Net Worth	30511.38	32506.99	30248.79	29729.01	27706.51
Borrowings	22562.62	23886.11	24311.75	28110.14	30080.88
<b>SIGNIFICANT RATIOS</b>					
Operating Profit to Net Sales	17.58	27.85	19.83	24.59	18.50
Debt Equity Ratio	0.74	0.73	0.80	0.95	1.09
Return on Capital Employed	18.82	13.83	8.43	11.75	8.17
Return on Net Worth	13.88	9.03	3.91	9.47	7.47
<b>PER EQUITY SHARE (In Rs.)</b>					
Book Value (Rs.)	76.35	79.54	73.60	72.42	67.23
EPS (Rs.)	10.32	6.91	2.44	6.65	5.12
Dividend Rate	15%	10%	10%	10%	10%

*Driven by the Elements*

# Key Financial Indicators

(Rs. In Lacs except as otherwise stated)

	2001-02 15 Months	2000-01 12 Months	1999-00 12 Months	1998-99 12 Months	1997-98 12 Months
<b>INCOME STATEMENT</b>					
Gross Sales & Other Income	75731.18	40373.76	31338.10	36430.83	33411.22
Net Sales	74994.73	36793.16	29330.93	34548.25	32592.15
Operating Profit (PBIDT)	13183.85	10245.60	5816.74	8495.38	6028.55
Profit After Tax (PAT)	4233.73	2934.91	1182.09	2815.97	2068.66
Cash Profit	6398.00	4428.13	2563.02	4086.40	3430.46
<b>BALANCE SHEET</b>					
Gross Block	35122.49	34132.92	30698.68	30110.10	29256.36
Net Block	24575.94	25557.25	23628.94	24417.95	24913.73
Share Capital					
Preference	750.00	1500.00	1500.00	1500.00	1500.00
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