

38th

A **NUAL**
REPORT
2005-2006

Anil Special Steel Industries Ltd.

Anil Special Steel Industries Ltd.

DIRECTORS

Shiv Shankar Sharma
Thakur Onkar Singh
V.B.L. Mathur
P.L. Bawa

CHAIRMAN & MANAGING DIRECTOR

Sudhir Khaitan

AUDIT COMMITTEE

Thakur Onkar Singh, Chairman
Shiv Shankar Sharma
V.B.L. Mathur

PRESIDENT

Nand Kumar Kadloor

DY. GENERAL MANAGER (ACCOUNTS)

Pankaj Mathur

COMPANY SECRETARY

C.P. Vaid

AUDITORS

M/s. G.P. Agrawal & Co., Kolkatta
M/s. S.S. Surana & Co., Jaipur

BANKERS

Allahabad Bank
Bank of Maharashtra
State Bank of Bikaner & Jaipur

REGISTRAR OFFICE

MCS Limited
Sri Venkatesh Bhavan
W-40, Okhla Industrial Area,
Phase II, New Delhi-110 020,

Anil Special Steel Industries Ltd.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 38th Annual Report of the Company together with the Audited Profit & Loss Account for year-ended 31.03.2006 and the Balance Sheet as on that date.

FINANCIAL RESULTS

	Year ending 31.03.2006	(Rs. in lacs) Year ending 31.03.2005
Turnover	9,199	7,885
Gross Profit before Interest and depreciation	920	917
Interest	390	478
Profit after Interest	530	439
Depreciation	315	333
Net Profit for the year	215	106

OPERATIONAL REVIEW

During the year under review, the Company achieved a turnover of Rs. 9,199 Lacs as Compared to Rs.7,885 Lacs achieved in previous year hence an increase in turnover by 17%. The net profit for the year was Rs. 215 Lacs as compared to net profit of Rs.106 Lacs earned in previous year hence an increase of 103%

FINANCIAL CONDITION AND RESULTS OF OPERATION

Management discussion and analysis of Financial Condition and Results of operation of the company for the year under review, as stipulated in clause 49 of the listing agreement with the Stock Exchange, is given as a separate statement in the Annual Report.

DE-REGISTRATION OF COMPANY FROM B.I.F.R.

The B.I.F.R. Vide their order dated 3.6.2005 declared that the net worth of the company has exceeded the accumulated losses and it does not remain to be a sick industrial company in terms of Section 3(1)(o) of the SICA Act.

DIVIDENDS

Due to accumulated losses, your Directors regret to recommend payment of any dividend on Equity Shares for the year under review.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956, with Companies (Disclosure of particulars in respect of Board of Directors) Rules, 1988 is given in Annexure-A to this report and forms part of this report.

PARTICULARS OF EMPLOYEES

As none of the employee of the Company falls within the purview of information required under section 217 (2A) of the Companies Act 1956 read with the companies (Particulars of Employees) Rules 1975 as amended, the same is not furnished.

STATUS OF RESTRUCTURING

The restructuring proposal submitted by the company has been appraised and approved by term lending Institution. As per the terms of the restructuring package the company has made the payments during the year.

PREFERENTIAL ISSUE OF SHARES

As per the approval given by Company's Shareholders in their meeting held on 30.06.2005 the company has issued 22,25,000 Equity Shares of Rs.10 each at a premium of Rs.18 each by way of preferential allotment of shares as per SEBI guidelines. Out of above mentioned shares 12,53,571 equity shares at Rs. 28/- per shares have been issued to Stressed Assets Stabilisation Fund (SASF) as per the terms of the Restructuring Package.

LISTING COMPLIANCES

Your Directors are pleased to inform you that during the year under review all compliances related to listing with

Anil Special Steel Industries Ltd.

the recognized stock exchange within India have been duly complied with by your company excluding 32,59,753 equity shares issued on preferential basis by way of conversion of loan into equity shares for which listing permission is pending from Bombay Stock Exchange Ltd.

The company's shares have been delisted from Delhi Stock Exchange Association., Delhi vide its letter ref. No. DSE/List/129 dated 11th October 2005. The company has also applied for delisting of its shares to Kolkata and Jaipur Stock Exchanges and the delisting permission is awaited.

DIRECTORS

Mr. Onkar Singh retire by Rotation from the Board pursuant to Section 255 of the Companies Act, 1956 read with Article 103 of Articles of Association of the Company and being eligible offers himself for re-appointment.

Mr. Purshotam Lal Bawa appointed as additional Director by the Board of Directors in their Meeting Held on 26.11.2005, Being additional director he retire on the conclusion of this annual general meeting. The company has received notice from the Members for re-appointment as director of the Company.

AUDITORS AND AUDITOR'S REPORT

M/s.G. P. Agarwal & Company, Chartered Accountants, Kolkata and M/s.S.S.Surana & Company, Chartered Accountants, Jaipur Joint Auditors of the Company retire at this Annual General Meeting. They are eligible for re-appointment.

DEMATERIALISATION

Your Company's Shares are now being traded in the dematerialized form and over 21,94,625 Nos. Equity shares of the company are in dematerialized form.

THE CORPORATE GOVERNANCE REPORT

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, form part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act.1956, your Directors State:

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected such accounting Policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and of the Profit or Loss of the Company for that year.
- (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (iv) That your Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation and express their sincere thanks to the concerned Government Authorities, Financial Institutions, Banks and Shareholders for their help, co-operation and support to the company. Your directors sincerely appreciate the commitment and dedication of employees at all levels and look forward for their continued support in the future as well.

For and on behalf of the Board of Directors

Sd/-

(Sudhir Khaitan)

Chairman & Managing Director

Anil Special Steel Industries Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW, INDUSTRY OUTLOOK & COMPANY'S OUTLOOK

During the year under review, Company's gross turnover increased by 17% over the previous year. The net profit for the year was Rs.215 Lacs as compared to net profit of Rs.106 Lacs earned in previous year. The increase in turnover and profitability was achieved with better-cost control and better product mix.

We are in the opinion that the demand for company's products would remain good in the current year in view of good industrial demand in both domestic and export market. Your company is pursuing cost cutting measures and focusing on increased productivity, better product mix and thrust on sales and better price realization.

OPPORTUNITIES, THREATS AND CHALLENGES

The turnover has shown a reasonable growth and the trend is expected to continue. The company has great opportunity to further strengthen its presence in both domestic and international market and achieve higher sales.

The increased competition in the global and domestic market is the main challenge to the company.

Company is quite competent to handle the competition successfully and gearing up itself to meet the challenge through continuous improvement in quality, reduction in costs, better marketing arrangements for higher value added products.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The company has adequate internal control system to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of laws and regulations. Your company is committed to maintain internal control systems and procedures designed to provide reasonable assurance for orderly and efficient conduct of business and security of its assets.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Training and development of human resources is of paramount importance. A competent, committed and experienced HRD team has made the workforce more efficient through well structured, training programmes.

Industrial relations remain cordial during the year.

CAUTIONARY STATEMENT

Statement in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, protections, estimates and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ materially from those either.

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ANNEXURE - A TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

Energy conservation is an ongoing process in our organization. Continuous monitoring planning development and modifications for energy conservation are done at the plants. The various measures have contributed to maintain energy cost within the desired levels.

	Current year	Previous year
1. Electricity		
(a) Purchased:		
Units (Kw)	12,241,590	12,722,250
Amount (Rs.)	54,110,243	5,50,59,175
Rate/Unit (Rs.)	4.42	4.33
(b) Own Generation:		
Through Diesel Generator:		
Units (Kwh)	5,09,070	4,47,400
Units produced per Ltr.		
Of Diesel Oil	2.78	3.34
Cost/Unit (Direct Cost) (Rs.)	8.15	7.01
2. Fuel in Oil Fired annealing Furnaces:		
Quantity (Ltrs.)	6,51,622	6,16,105
Total Cost (Rs.)	1,47,50,656	1,44,29,628
Rate/Unit (Rs./PMT)	1236.42	1,120.78

B. CONSUMPTION PER UNIT OF FLAT ROLLED PRODUCTION

- Electricity (Kwh / PMT)	1,050.66	1,012.91
- Fuel (Ltr / PMT)	68.02	59.39

Consumption figures are not strictly comparable as Company produces wide varieties of strips and consumption norms change according to thickness / width of strips as well as grade of material produced.

C. TECHNOLOGY ABSORPTION

a) Research and Development (R & D)

The company has no specific Research & Development Department. However it has quality assurance department to check the quality of different products manufactured.

The company has been continuously improving the quality of the existing products and also been able to reduce the cost of production.

Management is committed to strengthen quality assurance department, further to improve its competitiveness in times to come.

b) Expenditure on R & D

The company from time to time incurs expenditure, exposes itself to better technology and keeps abreast of technological improvements.

c) Technology Absorption, Adoption and Innovation

Modifications of process and products are carried out from time to time to suit market requirements and to improve operational efficiency.

The Company has no technical collaboration arrangement for manufacturing of flat Rolled Products and circular Saws.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs./Lacs)
Foreign Exchange earned	2397.56
Foreign Exchange used	523.59

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CORPORATE GOVERNANCE REPORT FOR THE YEAR 2005-2006

1. Company's Philosophy on Corporate Governance.

The Company's Philosophy on Corporate Governance is to ensure transparency in all dealings and maintain highest standards of professionalism, integrity, accountability social responsibility, fairness and business ethics. We consider ourselves as trustees of the shareholders and relentlessly attempt to maximize long term shareholder value.

Your Directors confirm the practice of good corporate Governance codes by the Company in true spirit and are pleased to present below the Report on Corporate Governance.

2. Board of Directors

The Present Strength of the Board is six, comprising of one Executive Chairman & Managing Director, and 5 Non-Executive Directors (out of which 4 are independent) During the year, 5 (Five) - Board Meetings were held on—07.05.2005, 28.07.2005, 26.10.2005, 08.12.2005, and 28.01.2006.

Composition of Directors and the attendance at the Board Meeting during the year and the last AGM as also other directorships and Committee Memberships are given below:-

Name of Director	Category of Directorship	No of Board meetings Attended	Whether attendance At last AGM	Other Boards		
				Director-ship	Chairman-ship	Committee
Mr.Sudhir Khaitan Chairman & Managing Director	Promoter, Executive	5	Yes	-	-	-
Mr Shiv S. Sharma	Non-Executive & Independent	4	No	2	-	-
Th. Onkar Singh	Non-Executive & Independent	2	Yes	2	-	-
Mr. Mihir Ganguly*	Non-Executive	-	No	-	-	-
Mr. V.B.L Mathur	Non-Executive & Independent	1	No	2	-	1
Mr. R.S. Ghaywate**	Nominee Director	1	No	3	-	-
Lt. Co. Purshottem Lal Bawa	Non Executive & Independent Director	1	No	-	-	-

* Resignation accepted on 29.4.2006

**Ceased to be Nominee Director of IDBI w.e.f. 5th July 2005.

- The Company Places before the Board, all the relevant and necessary information for seeking the necessary consents and suggestions on the operation and plans of the Company.
- The Information as required under Annexure 1 of Clause 49 of the Listing agreement is being made available to the Board.
- The details of pecuniary relationship / transactions with Non-executive Directors during the year is given in the Annual Report.

3. Board Committee's

Your Company's Board has three Committees

- Audit Committee
- Remuneration Committee
- Shares Transfer Cum-Investors Grievance Committee

A. Audit Committee:

The Board of the company has constituted an Audit Committee on 29th June 2002.

The Committee met on 7.5.2005, 26.10.2005 & 28.1.2006 during the year.

The constitution of the Audit Committee and the details of the attendance are as under.

Name of the Director	Category	No. of Meetings Held	No. of Meetings Attended	Whether Last AGM attended
Thakur Shri Onkar Singh	Non—Executive & Independent	3	3	Yes
Mr. Shiv. S. Sharma	-Do-	3	3	No
Mr. V.B.L. Mathur	-Do-	-	-	No

The Quorum is two Members present in person.

The secretary of the Company acts as the Secretary of the Committee.

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The Finance Head and the Chief Internal Auditor are permanent invitees.

Terms of Reference:

The role of the audit committee shall include the following:-

- a) Review of the Company's financial reporting process and the disclosure of adequate and accurate financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment of statutory auditor, fixation of audit fees and also approval for payment of any other services.
- c) Reviewing the annual financial statements in consultation with the management before submission to the board, focusing primarily on:
 - i. Matters required to be included in the Director's Responsibility Statement which forms a part of the Director's Report pursuant to Clause (2AA) of Section 217 of the Companies Act, 1956.
 - ii. Changes, if any, in accounting policies and practices and reasons for the same
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management
 - iv. Significant adjustments made in the financial statements arising out of audit findings
 - v. Compliance with listing and other legal requirements relating to financial statements
 - vi. Disclosure of any related party transactions
 - vii. Qualifications in the draft audit report
- d) Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal control systems.
- f) Discussion with internal auditors on any significant findings and follow up there on.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h) Discussion with external auditors before the audit commences. nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i) Reviewing the company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders, (in case of non payment of declared dividends) and creditors.

B. Remuneration Committee

The Remuneration Committee of the Company was constituted in accordance with Schedule XIII of the Companies Act, 1956 to carry out functions as envisaged under the said Schedule. The committee was constituted on 29th June 2002. The Company does not have any employees' stock option scheme.

Composition of the Committee

The Remuneration Committee consists of the following Directors

Name	Designation
(i) Shri Onkar Singh (Chairman)	non executive Directors
(ii) Shri V.B.L Mathur	-Do-
(iii) Shri Shiv S. Sharma	-Do-

During the year No meeting of the committee was held. - Nil

Details of remunerations paid to Directors for the year.

The salary perquisites and commission paid for the year ended 31.3.2006. to Managing Personal is as follows:

S. No	Name	Title	Salary	Perquisites*	Commission
1	Shri Sudhir Khaitan	Managing Director	4,71,000	2,16,551	

* Perquisites include housing allowance, medical reimbursement, LTA, Club Fees, Personal Accident Insurance, Gas and Electricity and contribution to gratuity and provident funds. No stock options were issued.

The Sitting Fees paid to the non-executive Directors during the year is as follows.

S.No.	Name of the Director	Amount Paid Rs.
1	Mr. Shiv S. Sharma	6,000
2	Thakur Shri Onkar Singh	17,000
3	Mr. V.B.L. Mathur	1,000
4	Mr. R.S. Ghaywate	1,000
5.	Lt. Col. Purshotam Lal Bawa	3,000

C) Share Transfer / Investors Grievances Committee

a) Composition of the Committee:-

The Company has formed a Shareholder/Investor Grievance Committee consisting of the following Directors:-

1. Shri Sudhir Khaitan
2. Thakur Shri Onkar Singh

As per SEBI Guidelines, the powers of processing of the share transfers both physical and demat mode have been delegated to M/s MCS LTD, New Delhi (Share Transfer Agents) in order to expedite the process of shares transfers, issue of duplicate certificates and certificates after splits/consolidation, renewal and rematerialisation.

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b) Terms of Reference:-

The terms of reference of the Investor Grievance Committee are as follows:-

- Ensure redressal of Shareholders and Investors complaints relating to transfer of shares.
 - Redressal of Investors complaints in respect of demat / remat and all other complaints whatever their nature.
- The company confirms that there were no shares transfers lying pending as on 31st March 2006 and all requests for de-materialisation and re-materialisation of shares as on that were confirmed/rejected into the NSDL/CDSL System.

4. Share Transfer System

As per the SEBI guidelines, the company's share transfers, both, physical and demat. mode has been carried by the share transfer agents i.e. MCS Ltd, Delhi. And all requests for Transfer / Demat are disposed of within the stipulated time.

(a) Shareholding Pattern as on 31.3.2006

Category	No. of Shares	% of shares
Promoter's Holding (including foreign promoters and persons acting in concert)	7,22,280	10.64
Non Promoter's Holding:		
a) Mutual Funds & UTI	5,310	0.08
b) Banks, FIs and Insurance Company	14,59,037	21.49
c) FIIs	Nil	Nil
Others		
a) Bodies Corporate	31,41,213	46.27
b) Individuals	14,46,394	21.30
c) NRIs / OCBs	14,944	0.22
TOTAL	67,89,178	100

(b) Distribution of Shareholding:

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of shares
Upto 500	5,857	94.01	7,07,664	10.42
501 to 1000	167	2.68	1,39,639	2.06
1001 to 2000	72	1.16	1,05,720	1.56
2001 to 3000	31	0.49	77,469	1.14
3001 to 4000	10	0.16	35,487	0.52
4001 to 5000	15	0.24	71,419	1.05
5001 to 10000	24	0.39	1,75,259	2.58
10001 and above	54	15.25	54,76,521	80.66
TOTAL	6,230	100%	67,89,178	100%

5. General Shareholder Information:

(a) Annual General Meeting

Forthcoming Annual General Meetings will be held on 9th July, 2006 at the Company's Registered Office at Kanakpura P.O. Meenawala, Jaipur.

(b) In this connection, Share Transfer books and register of members will be remain closed from 6th July, 2006 to 9th July, 2006.

(c) Financial Calendar(Tentative) (April 1st 2006 to 31st March 2007)

Audited Results for the year ending 31.03.2006

Mailing of Annual Reports 2005-2006

Financial Reporting for the quarter ending 30th June, 2006

Financial Reporting for the quarter ending 30th September 2006

Financial Reporting for the quarter ending 31st December 2006

Financial Reporting for the Quarter ending 31st March 2007

Secretarial Audit for the Quarter ending 30th June, 2006

Secretarial Audit for the Quarter ending 30th September, 2006

Secretarial Audit for the Quarter ending 31st December, 2006

Secretarial Audit for the Quarter ending 31st March, 2007

Half yearly compliance certificate regarding Transfer activities for the 1st half ended on 30th September,06

Half yearly compliance certificate regarding Transfer activities for the 2nd half ended on 31st March,07

Audit committee meetings

Share Transfer-cum-Investor's grievances committee meeting

To be Adopted and published on 29 April 2006.

End of May 2006

End of July 2006

End of October 2006

End of January 2007

End of April 2007

End of July 2006

End of October 2006

End of January 2007

End of April 2007

End of October 2006

End of April 2007

End of June, 2006, end of September, 2006,

December, 2006 & end of March, 2007

Monthly, between 20th to 25th of every month.

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d) Listing of Equity Shares on Stock Exchange:

The shares of the company are listed at Jaipur Kolkata and Mumbai. The Listing Fees for the year 2005-06 has already been paid to the respective Stock Exchange.

e) Stock Code:

Name of the Stock Exchange	Stock Code
The Jaipur Stock Exchange Ltd	24
JLN Marg, Malviya Nagar, Jaipur	
The Calcutta Stock Exchange Association Limited	-
7, Lyons Range, Calcutta - 700 001.	
Bombay Stock Exchange	504629
Dalal Street, Mumbai	

f) Market Price Data:

MONTH	HIGH AT B.S.E. (in Rs.)	LOW AT B.S.E. (In Rs.)
April, 05	34.75	23.00
May, 05	32.75	20.45
June, 05	35.50	25.50
July, 05	30.70	25.00
August, 05	42.00	22.25
September, 05	39.70	26.80
October, 05	28.50	20.00
November, 05	26.20	20.00
December, 05	27.50	20.25
January, 06	32.90	18.40
February, 06	27.00	22.75
March, 06	24.95	19.00

g) Dematerialisation of Shares:

Liquidity – Shares of the company are under the category of compulsory delivery of dematerialized mode by all categories of investors.

The company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited, as on March 31, 2006, over 21,94,625 Nos. of the share certificates of the company are already dematerialized.

The status as the dematerialized of the equity shares of the company is furnished below

Total No. of Equity Shares: 67,89,178*

Total No. of Share Holders: 6,230

Mode of Shareholding	No. of Shareholder	% to Equity Share	No. of Shareholder	% of N.T.
Physical	45,94,553	67.67	4092	65.68
Electronic	21,94,625	32.33	2138	34.32

h) Registrar and Share Transfer Agent (For physical and demat segment)

MCS Ltd.

Shri Venkatesh Bhavan

W-40 Okhla Indl. Area Ph-II,

New Delhi 110 020...

i) General Body Meetings:

The details of the last three General Meetings held are as under:

Financial Year	Date, Time and Venue
2004-05	30.06.2005 At 10.00 A.M. Kanakpura, P.O. Meenawala Jaipur
2003 – 04	1. 8.11.2004 AT 10.30 A.M. Kanakpura, P.O. Meenawala Jaipur

2. 25.03.2005 AT 11.00 A.M. (E.G.M.)

2002 – 03 30.09.2003 AT 12.00 Noon. –Do-

Postal Ballot: No special resolutions were required to be put through postal ballot last year.