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39th

ANNUAL REPORT 2006-2007

Anil Special Steel Industries Ltd.

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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

VICE PRESIDENT
Suresh Sharma

DGM (FINANCE) & COMPANY SECRETARY
C.P. Vaid

AUDITORS
M/s S.S. Surana & Co., Jaipur

BANKERS
Allahabad Bank
Bank of Maharashtra
State Bank of Bikaner & Jaipur
Indian Overseas Bank

REGISTERED OFFICE & WORKS
Kanakpura, P.O. Meenawala
Jaipur-302 012

REGISTRAR & SHARE TRANSFER AGENT
MCS Limited
Sri Venkatesh Bhavan
W-40, Okhla Industrial Area,
Phase II, New Delhi-110 020

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Anil Special Steel Industries Ltd.

NOTICE

NOTICE is hereby given that the 39th Annual General Meeting of the members of Anil Special Steel Industries Limited will be held at the Registered Office of the Company at Kanakpura, P.O. Meenawala, Jaipur-302 012 on Saturday the 29th day of September, 2007 at 10.30 AM to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account of the Company for the financial year ended 31st March, 2007 and the audited Balance Sheet of the Company as on that date together with the Auditors' Report thereon and the Directors' Report for the year ending 31st March, 2007.
2. To appoint a Director in place of Shri Shiv Shankar Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditor to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and to accept resignation of M/s. G.P. Agarwal & Co. vide their letter dated 31.03.2007 as Joint Statutory Auditor of the Company.

Jaipur 28th June, 2007
Regd. Office & Works
Kanakpura, P.O. Meenawala,
Jaipur-302 012

By order of the Board
Sd/-
C.P. VAID
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy, in order to be effective, should be duly stamped, filled and signed and must be deposited at the registered office of the Company not less than 48 hours before the meeting.
2. M/s MCS Limited is the Registrar and Share Transfer Agent (RTA) for physical shares and is also the depository interface of the Company with both CDSL and NSDL.
3. The Register of Members and Shares Transfer Book of the Company shall remain closed from 27th Sept., 2007 to 29th Sept., 2007 (both days inclusive) for the financial year 2006-07.
4. Shareholders and requested to immediately notify to the RTA or the Company any change in their address.
5. The shareholders, who have not converted their shares in demat form, are requested to do so.
6. Members seeking any further information on the accounts and operations of the Company at the Annual General Meeting are requested to send their queries to the Company at the Registered Office at least seven days before the date of meeting so as to enable the Management to keep the information ready at the meeting.
7. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during working hours between 10.00 A.M. 1.00 P.M. except on holidays.

Details of the Directors seeking re-appointment at the forth coming Annual General Meeting (Pursuant to clause 49 of the Listing Agreement)

Name of Director	Shri Shiv Shankar Sharma
Date of Birth	27.08.1933
Date of Appointment	28.05.1992
Expertise in Specific Functional Areas	Administration
Qualifications	IAS. Retd. D.G. (Doordarshan)
Directorship in other public limited companies	Creative Eye Limited
Other positions	Nil
Membership of Committees in other public Ltd. companies	Nil
Number of shares held in the company	210

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Anil Special Steel Industries Ltd.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 39th Annual Report of the Company together with the Audited Profit & Loss Account for the year ended 31.03.2007 and the Balance Sheet as on that date.

FINANCIAL RESULTS

	Year ending 31.03.2007	(Rs. in lacs) Year ending 31.03.2006
Turnover	**10189**	9212
Gross Profit before Finance Cost And Depreciation	**870**	899
Finance Cost	**208**	369
Profit after Finance Cost	**662**	530
Depreciation/Miscellaneous expenses Written off	**321**	315
Net Profit for the year	**545**	61

OPERATIONAL REVIEW

During the year under review, the Company achieved a turnover of Rs.10189 Lacs as compared to Rs. 9212 Lacs achieved in previous year hence an increase in turnover by 10.61%. The net profit for the year is Rs. 545 Lacs as compared to net profit of Rs.61 Lacs earned in previous year hence an increase of 793.00%

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.

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.

FINANCE

During the year, your Company has made one time settlement of its due to FII's and the settlement amount is financed by Indian Overseas Bank and Allahabad Bank jointly. Indian Overseas Bank has also been inducted as new member Bank in the Consortium of working Capital Finance.

OPEN OFFER OF SHARES

Mr Sudhir Khaitan Chairman and Managing Director along with the other PAC has offered Open Offer for acquiring 13,57,836 equity shares of the Company @ Rs. 23.41 per share aggregating Rs.3,17,86,940.76. The open offer was closed on 9th April,2007. Company has complied all statutory formalities regarding the open offer.

LISTING COMPLIANCES

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

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DIRECTORS

Mr. Shiv Shankar Sharma retires 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.

The company has received notice from the Members for re-appointment as Director of the Company.

AUDITORS

M/s.G. P. Agarwal & Company, Chartered Accountants, Kolkata has resigned from joint Statutory Auditors of the Compamy as on 31.03.2007, the Board of directors has accepted the resignation. Also as per terms, M/s.S.S.Surana & Company, Chartered Accountants, Jaipur, Auditors of the Company is getting retired at the conclusion of the ensuing Annual General Meeting. M/s. S.S. Surana & Company is eligible for reappointment.

AUDITORS REPORT

The observations made in the Auditors Report are self explanatory from the notes on accounts and therefore do not call for any special comments.

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 on 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

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW, INDUSTRY OUTLOOK & COMPANY'S OUTLOOK

During the year under review, Company's gross turnover increased by 10.61% over the previous year. The net profit for the year is Rs.545.00 Lacs as compared to net profit of Rs.61.00 Lacs earned in previous year. The increase in turnover and profitability was achieved with better-cost control, better product mix and waiver of interest by FII's on O.T.S.

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 remained 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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Anil Special Steel Industries Ltd.

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)	**12,327,528**	12,241,590
Amount (Rs.)	**53,967,237**	54,110,243
Rate/Unit (Rs.)	**4.38**	4.42
(b) Own Generation:		
Through Diesel Generator		
Units (kWh)	**1,033,880**	509,070
Units produced per Ltr.		
Of Diesel Oil	**3.04**	2.78
Cost/Unit (Direct Cost) (Rs.)	**10.11**	8.15
2. *Fuel in Oil Fired Annealing Furnaces:*		
Quantity (Ltrs.)	**623,512**	651,622
Total Cost (Rs.)	**17,643,495**	14,750,656
Rate/Unit (Rs./PMT)	**1,410.50**	1,236.42

B) CONSUMPTION PER UNIT OF FLAT ROLLED PRODUCTION

- Electricity (kWh / PMT)	**1,068.17**	1,050.66
- Fuel (Ltr / PMT)	**55.86**	68.02

Consumption figures are not strictly comparable as Company produces wide varities 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	2309.73
Foreign Exchange used	164.33

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Anil Special Steel Industries Ltd.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2006-2007

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 five, comprising of one Executive Chairman Cum Managing Director, and four Non-Executive Directors (all are independent).

During the year, five - Board Meetings were held on– 29.04.2006, 29.07.2006, 28.10.2006, 31.12.2006 and 27.01.2007.

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		
				Directorship	Chairmanship	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	3	Yes	2	-	-
Mr.V.B.L Mathur	Non-Executive & Independent	1	No	2	-	1
Lt. Co. Purshottem Lal Bawa	Non Executive & Independent	4	No	-	-	-

- 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 Committees

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 29.04.2006, 29.07.2006, 28.10.2006 and 27.01.2007 during the year.

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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	4	4	Yes
Mr. Shiv. S. Sharma	-Do-	4	4	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.
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 one meeting of the committee was held on 29.04.2006
Details of remunerations paid to Directors for the year.
The salary perquisites and commission paid for the year ended 31.3.2007 to Managing Personnel is as follows:

S. No	Name	Title	Salary	Perquisites*
1	Shri Sudhir Khaitan	Chairman & Managing Director	12,00,000	304900

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* 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	12,000
2	Thakur Shri Onkar Singh	46,000
3	Mr. V.B.L. Mathur	3,000
4	Lt. Col. Purshottem Lal Bawa	10,000

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 re-materialisation.

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 2007 and all requests for de-materialisation and re-materialisation of shares as on that date 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 off within the stipulated time.

(a) Shareholding Pattern as on 31.3.2007:

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	14,41,476	21.23
c) FIIs	Nil	Nil
Others		
a) Bodies Corporate	2900610	42.73
b) Individuals	1704238	25.10
c) NRIs / OCBs	15264	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	5,744	92.20	7,16,659	10.56
501 to 1000	223	3.58	1,89,743	2.79
1001 to 2000	100	1.60	1,53758	2.26
2001 to 3000	35	0.56	88,301	1.30
3001 to 4000	16	0.26	56,816	0.84
4001 to 5000	15	0.24	73,068	1.08
5001 to 10000	31	0.50	2,35,709	3.47
10001 and above	66	1.06	52,75,124	77.70
TOTAL	6,230	100%	67,89,178	100%

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