

40th

A **NNUAL**
REPORT
2007-2008

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
P.L. Bawa

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
Indian Overseas Bank
State Bank of Bikaner & Jaipur

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

Anil Special Steel Industries Ltd.

NOTICE

NOTICE is hereby given that the 40th 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-302012 on Saturday the 20th day of September, 2008 at 11.00 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, 2008 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, 2008.
2. To appoint a Director in place of Shri V.B.L. Mathur, who retires by rotation and being eligible, offers himself for re-appointment.
3. M/S S.S. Surana & Co., Chartered Accountant, Jaipur, the retiring Auditors of the Company to hold office from the conclusion of this Annual General meeting upto the conclusion of the next Annual General Meeting of the Company and to fix their remuneration, as may be mutually agreed upon between the Board of Directors and the Auditors.

Jaipur 28th June 2008
Regd. Office & Works:
Kanakpura, P.O. Meenawala,
Jaipur-302012

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 17th September 2008 to 20th September 2008. (both days inclusive) for the financial year 2007-08.
4. Shareholders are 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. to 1.00 P.M. except on holidays.
8. Member who hold shares in dematerialized form are requested to write their client ID and DP ID numbers on the attendance slip for easy identification of attendance at the meeting.

Details of the Director seeking re-appointment at the forthcoming Annual General Meeting (Pursuant to clause 49 of the Listing Agreement)

Name of Director	Shri V.B.L. Mathur
Date of Birth	24.01.1934
Date of Appointment	15.12.1993
Expertise in Specific Functional Areas	Administration & Finance
Qualifications	Ex-Chief Secretary (Govt. of Raj.) (Retd.)/ 30 years experience in Administration and Finance Matters
Directorship in other Public Limited Companies	Reliance Chemotex Industries Ltd. Indo Continental Hotels & Resorts Ltd. Jaipur Stock Exchange Ltd.
Other positions (Member)	M/s Potash Research, Institute of India
Membership of committees in other Public Ltd. Companies	M/s Reliance Chemotex Industries Ltd. Jaipur Stock Exchange Ltd.
Number of Shares held in the company.	200

Anil Special Steel Industries Ltd.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 40th Annual Report of the Company together with the Audited Profit & Loss Account for year-ended 31.03.2008 and the Balance Sheet as on that date.

FINANCIAL RESULTS

	(Rs. in lacs)	
	Year ending 31.03.2008	Year ending 31.03.2007
Turnover	10115	10189
Gross Profit before Finance Cost and depreciation	729	870
Finance Cost	250	208
Profit after Finance Cost	479	662
Depreciation/Miscellaneous expenses Written off	331	324
Net Profit for the year	132	545

OPERATIONAL REVIEW

During the year under review, inspite of appreciation of Rupee against US\$ the Company achieved a turnover of Rs.10115 Lacs as compared to Rs.10189 Lacs achieved in previous year. The net profit for the year is Rs. 132 Lacs as compared to net profit of Rs.545 Lacs (includes 395 lacs interest waiver by IDBI on account of OTS) earned in previous year.

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

To consolidate the long term resources for enhanced working capital and to maintain the growth in productivity, profitability and turnover, the Directors of your Company are constrained not to recommend any dividend 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 the working capital of the company has been enhanced by the consortium Banker and during the financial year the unsecured loans has been increased by Rs.353.00 Lacs. The term loan has been decreased by Rs. 425 Lacs.

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 19,45,300 equity shares issued on preferential basis by way of conversion of loan into equity shares for which In-principal approval for allotments of the above shares is pending from Bombay Stock Exchange Ltd.

The company's shares have been delisted from Jaipur Stock Exchange, Jaipur w.e.f.31.03.2008 vide its letter ref. No. JSEL/2008/437 dated 3rd April 2008. The company has also applied for delisting of its shares to Kolkata Stock Exchange Association Ltd., and the delisting permission is awaited.

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DIRECTORS

Mr. V.B.L. Mathur 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. The company has received notice from the Members for re-appointment as director of the Company.

AUDITORS

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 & Co. is eligible for re-appointment.

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.

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 decreased by 0.73% over the previous year. The net profit for the year is Rs.132.00 Lacs as compared to net profit of Rs.545.00 Lacs (includes 395 lacs interest waiver by IDBI on account of OTS) earned in previous year. The decrease in turnover and profitability due to appreciation of Rupees.

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 programme. 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.

	2007-08	2006-07
1 Electricity		
(a) Purchased:		
Unit (Kw)	11987820	12327528
Amount	53305097	53967237
Rate/Unit (Rs.)	4.45	4.38
(b) Own Generation:		
Through Diesel Generator:		
Unit (Kw)	50020	1033880
Unit produced per ltr of Diesel oil	2.29	3.04
Cost / Unit (Direct Cost) (Rs.)	13.29	10.11
2 Fuel in oil fired Annealing Furnaces		
Quantity (Ltrs)	504224	623512
Total Cost (Rs.)	10049530	17643495
Rate /unit (Rs. /PMT)	970.24	1410.5
B. Consumption per unit of Flat Rolled Production		
Electricity (kwh/ PMT)	1162.21	1068.17
Fuel (Ltr / PMT)	48.68	55.86

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	2638.29
Foreign Exchange used	75.64

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CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-2008

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 & Managing Director, and 4 Non-Executive Directors (All are independent). The strength of the independent director's is more than the 50% of the total Board members leading to an "independent" Board characteristic. None of the independent director is below the age of 21 years.

This disclosure is being made pursuant to the recent amendment to clause 49 of the listing agreement w.e.f. 8th April 2008.

During the year, four - Board Meetings were held on—28.06.2007, 30.07.2007, 31.10.2007, and 31.01.2008.

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	3	Yes	-	-	-
Mr. Shiv S. Sharma	Non-Executive & Independent	4	No	1	-	1
Th. Onkar Singh	Non-Executive & Independent	2	Yes	2	-	-
Mr. V.B.L Mathur	Non-Executive & Independent	3	No	3	-	2
Lt. Col. Purshotam Lal Bawa	Non Executive & Independent Director	3	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 Committee

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 28.06.2007, 29.09.2007, 29.12.2007 and 15.03.2008 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 Director	4	3	Yes
Mr. Shiv. S. Sharma	-Do-	4	2	No
Mr. V.B.L. Mathur	-Do-	4	3	No
Lt. Col. Purshotam Lal Bawa	-Do-	4	1	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: -

- 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.
- Recommending the appointment of statutory auditor, fixation of audit fees and also approval for payment of any other services.
- Reviewing the annual financial statements in consultation with the management before submission to the board, focusing primarily on:
 - 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.
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions
 - Qualifications in the draft audit report
- Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- Reviewing the adequacy of internal audit function, including the structure of the internal control systems.
- Discussion with internal auditors on any significant findings and follow up there on.
- 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.
- Discussion with external auditor before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- 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. of 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 31.3.2008 to Managing Personnel is as follows:

S. No	Name	Title	Salary	Perquisites*
1	Shri Sudhir Khaitan	Chairman & Managing Director	12,00,000/-	4,68,036/-

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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	18,000
2	Thakur Shri Onkar Singh	42,000
3	Mr. V.B.L. Mathur	15,000
4	Lt. Col. Purshottem Lal Bawa	15,000

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 de-mat 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 de-mat / re-mat and all other complaints whatever their nature. The company confirms that there were no shares transfers lying pending as on 31st March 2008 and all requests for de-materialisation and re-materialisation of shares as on that date were confirmed/rejected into the NSDL/ CDSL System.

4. Compliance Officer

Shri C.P. Vaid, Company Secretary is the Compliance Officer of the company for complying with the requirements of Listing Agreement entered into with the Stock Exchange as also of SEBI (Prohibition of Insider Trading) Regulation, 1992. The E-mail ID of Mr. Vaid is cpvaid@anilspecialsteel.com

5. Whistle Blower Policy

The company at present does not have Whistle Blower Policy

6. Secretarial Audit

The company has appointed a qualified Practicing Company Secretary to conduct quarterly secretarial audit of the company to reconcile the admitted capital with National Securities Depositories Limited (NSDL) and Central Depositories Services Limited (CDSL) and the total issue and the listed capital. The secretarial audit reports confirm that the total issued/paid up capital is in agreement with the total number of the shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

The quarterly reports of the secretarial audit are reviewed by the Audit Committee.

7. Share Transfer System

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

(a) Shareholding Pattern as on 31.03.2008

Category	No. of Shares	% of Shares
Promoter's Holding (including foreign promoters and persons acting in concert)	7,24,180	10.67
Non Promoter's Holding:		
a) Mutual Funds & UTI	5,310	0.08
b) Banks, FIs and Insurance Company	13,35,145	19.67
c) FIIs	NIL	NIL
Others		
a) Bodies Corporate	22,45,502	33.07
b) Individuals	24,61,777	36.26
c) NRIs / OCBs	17,264	0.25
TOTAL	67,89,178	100