

41st

A **NNUAL**
REPORT
2008-2009

Anil Special Steel Industries Ltd.

DIRECTORS

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

CHAIRMAN & MANAGING DIRECTOR

Sudhir Khaitan

AUDIT COMMITTEE

P.L. Bawa
Raja 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
Indian Overseas Bank
State Bank of Bikaner & Jaipur

REGISTERED OFFICE & WORKS

Kanakpura, P.O. Meenawala
Jaipur-302 012

REGISTRAR & SHARE TRANSFER AGENT

M/s. MCS Limited,
F-65, 1st Floor, Okhla Indl. Area, Phase-I,
NEW DELHI - 110 020

Anil Special Steel Industries Ltd.

NOTICE

NOTICE is hereby given that the 41st 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 29th September 2009 day of Tuesday 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, 2009 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, 2009.
2. To appoint a Director in place of Shri P.L. Bawa, 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.

Special Business

4. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of section 269, 309, 310, 311 read with Schedule XIII, and other applicable provisions of section, if any, of the Companies Act, 1956 and subject to the approval of the financial Institution (wherever required in terms of any agreement made with them) the company hereby approves the re-appointment with increase in salary and perquisites of Shri Sudhir Khaitan as Chairman & Managing Director of the company for a period of 3 years with effect from 1st January, 2010 upto 31st December, 2012, upon the terms and conditions as set out in the draft agreement submitted before this meeting (a copy where of initialed by the Chairman for the purpose of identification) with the liberty of the directors to alter and vary the terms and conditions of re-appointment and/agreement in such manner not being more advantageous to Shri Sudhir Khaitan."

"RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII of the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances etc. with in such prescribed limit or ceiling and the said agreement between the company and Shri Sudhir Khaitan be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the company in General meeting."

"RESOLVED FURTHER THAT the consent of the members be and is hereby accorded in terms of the applicable provisions of the Companies Act, 1956 for revision in terms of remuneration of Shri Sudhir Khaitan, with effect from 1st January 2010 as given in explanatory statement for said re-appointment."

Jaipur 10th June 2009

By order of the board

Regd. Office & Works :

Sd/-

Kanakpura, P.O.Meenawala

C.P.VAID

Jaipur-302 012

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, 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 26th September 2009 to 29th September 2009 (both days inclusive) for the financial year 2008-09.
4. Shareholders are requested to immediately notify to the RTA or the Company for any change in their address.
5. The shareholders, who have not converted their shares in demat form, are requested to do so.

Anil Special Steel Industries Ltd.

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.
9. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.

EXPLANATORY STATEMENT AS PER SECTION 173(2) OF COMPANIES ACT, 1956

ITEM NO. 4

Shri Sudhir Khaitan was elevated as Chairman & Managing Director of the Company w.e.f form 28.06.2003 and his tenure is ending on 31st December 2009, Shri Sudhir Khaitan is B.Com and he is promoter of the company. Keeping in view his vast, rich, and varied experience in the field of steel industries and during his tenure the company has made impressive growth in all the fields both in volume and value as indicated in the Financial Performance. The Remuneration Committee in their meeting held on 29th July 2009 approved the re-appointment as well as revision in the remuneration of Shri Sudhir Khaitan w.e.f. 1st January 2010 as Chairman & Managing Director subject to the approval of financial institutions (wherever it may require in terms of agreement made with them) and Shareholders in the General Meeting, on the following terms and conditions: -

1. Period of agreement : - 3 Years w.e.f. 1st January 2010
2. Remuneration
 - a) Basic Salary Rs. 1,50,000/-p.m. in the scale of 1,50,000-15,000-1,80,000 in addition, Shri Sudhir Khaitan shall also be entitled for ex-gratia @ 20% per annum of his basic salary.
 - b) Perquisites: - In addition to the aforesaid salary, he will be entitled
 - i) For furnished accommodation, reimbursement of expenses or allowance for utilities such as gas/ electricity/water and furnishings, medical reimbursement and leave travel concessions for self and his family, club fee, personal accident insurance etc. The monetary value of all such perquisites / allowances shall not exceed Rs. 12 Lacs per annum.
 - ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-Tax Rules, wherever applicable in the absence of any such Rules, perquisites and allowance shall not be evaluated at actual cost.
 - iii) He will be entitled to Company's Contribution towards P.F. up to the applicable limit prevailing at the time and such contributions shall not be included in the computation of limits for perquisites stated in paragraph (i) above to the extent it is not taxable under Income Tax Act, 1961.

The Chairman & Managing Director will be entitled for gratuity as per rules of the company but not exceeding half month's salary for each completed year of service, which amount however will not be included in the computation of remuneration under Section II of part II of Schedule XIII to the Act.

In the event of absence or inadequacy of profits, the remuneration by way of salary and perquisites as mentioned above shall be paid as minimum remuneration. This may be treated as abstract of the draft agreement between the company and Shri Sudhir Khaitan pursuant to Section 302 of the Companies Act, 1956. None of the Directors of the Company is interested in the passing of aforesaid Special Resolution except Shri Sudhir Khaitan himself.

The detail in compliance with the provisions of Schedule XIII is given herein below: -

1. GENERAL INFORMATION:

a) Nature of Industry

Engaged in manufacturing of cold rolled closed annealed and hardened & tempered steel strips.

b) Date of Incorporation : 04.05.1968

c) Financial performance

The Company has achieved turnover of Rs. 10590 lacs and Net Profit of Rs. 37 lacs. The corresponding figure for the previous year Rs. 10115 lacs and Rs. 132 lacs respectively.

d) Export performance

Years	2006-07	2007-08	2008-09
FOB Value of Export (Rs. In lacs)	2910	2638	2984

e) Foreign investment and collaboration if any : Nil

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2. INFORMATION ABOUT THE APPOINTEE :

- a) **Background detail**
B.COM from Kolkata university and having vast experience of around 25 years in various fields of steel industry.
- b) **Past Remuneration**
Basic Rs. 100000 P.M. + perks
- c) **Job profile and his suitability**
Around 25 years vast experience in steel industry.
- d) **Remuneration proposed**
Rs. 1,50,000 P.M. + perks
- e) **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**
Looking into the market scenario, industry standard, size of the company and Mr. Sudhir Khaitan being responsible for the overall affairs of the company and also efforts put in by him for the revival of the Company, the remuneration recommended by the Board of Directors are within the industry norms.
- f) **Pecuniary relationship directly or indirectly with the company**
Promoter Director
- g) **Number of Shares held in the company**
11,07,870 Equity Shares

3. OTHER INFORMATION :

- a) **Reason of loss on inadequate Profit**
Regarding inadequate profit in the current financial year due to over all recession in the economy and specially in the Automobile and Construction Industries, in which we are supplying 60% of total production, most of our major buyers has shut down their Plant temporarily and some of our Export buyers has been already canceled their order due to continuous decrease in the price of Steel Strip in the international market, our Export as well as domestic market has been effected very adversely. In spite of all above hurdles the Company have achieved net profit.
- b) **Steps taken or proposed to be taken for improvement**
Your company is pursuing cost cutting measures and focusing on increase productivity, better product mix and thrust on sales and better price realization. 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 markets.
- c) **Expected increase in productivity and profits in measurable terms**
The turnover has shown a reasonable growth and the trend is expected to continue. The company has great opportunity to further strength its presence in both domestic and international markets and achieve higher sales.

Details of the Directors seeking Re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of The Listing Agreement)

Name of Director	Shri P.L. BAWA
Date of Birth	24 th February 1938
Date of Appointment	26 th October 2005
Expertise in Specific Functional Areas	Ret. From Army
Qualifications	M. Sc. Military Services
Directorship in other Public Limited Companies	Nil
Other positions (Member)	Nil
Membership of committees in other Public Ltd. Companies	Nil.
Number of Shares held in the company.	200

Jaipur 10th June 2009
Regd. Office & Works:
Kanakpura, P.O.Meenawala,
Jaipur-302 012

By order of the board
S/d
C.P.VAID
Company Secretary

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 41st Annual Report of the Company together with the Audited accounts for the year ended on 31st March, 2009.

FINANCIAL RESULTS

	(Rs. in lacs) Year ending <u>31.03.2009</u>	(Rs. in lacs) Year ending <u>31.03.2008</u>
Turnover	10590	10115
Gross Profit before Finance Cost and depreciation	861	729
Finance Cost	465	250
Profit after Finance Cost	396	479
Depreciation/Miscellaneous expenses Written off	341	331
Net Profit for the year	37	132

OPERATIONAL REVIEW

During the year under review, in spite of overall recession in the economy the Company achieved a turnover of Rs.10590 Lacs as Compared to Rs.10115 Lacs achieved in previous year. The net profit for the year is Rs.37 Lacs as compared to net profit of Rs.132 Lacs in the 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 term loans and working capital of the company has been re-structured by the consortium Banker and Company has converted unsecured loans of Rs. 538.00 Lacs into Equity Shares by way of preferential allotment to promoters and others.

PREFERENTIAL ISSUE OF SHARES

The Board of directors of the company has allotted 53,80,000 Equity shares @ Rs. 10.00 per share aggregating Rs. 538.00 Lacs to promoters and others as per in principle approval for allotment received by the Company from Bombay Stock Exchange Limited Vide their letter no. DCS/PREF/SR/PRE/2194/08-09 dated 24.03.2009 and the Company has also received trading approval from BSE and the above Shares has been admitted by NSDL and CDSL.

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 and Company has received the listing and trading approval of 53,80,000 Equity Shares issued on preferential basis by way of conversion of unsecured loan into Equity Shares to promoters and others from Bombay Stock Exchange Ltd.

The company has further received trading approval of 32,69,753 Equity Shares allotted on preferential basis from Bombay Stock Exchange Ltd. The Shares of the Company have been de-listed from Jaipur Stock Exchange,

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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 de-listing of its shares to Kolkata Stock Exchange Association Ltd., and the de-listing permission is awaited.

DIRECTORS

Mr. P.L. Bawa 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 his 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. being eligible have offered themselves 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.

THE CORPORATE GOVERNANCE REPORT

A separate section on Corporate Governance and a certificate from the Auditors of the Company has been obtained 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 4.70% over the previous year. The net profit for the year is Rs.37.00 Lacs as compared to net profit of Rs.132.00 Lacs earned in previous year. The increase in turnover is the extra efforts of the employees of the company and decrease in the bottom line due to recession in the economy.

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 markets and achieve higher sales.

The increased competition in the global and overall recession in the global market as well as domestic market especially in automobile sector 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, safety and security and good relationship with 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, projections, estimates and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ materially from those either.

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.

	2008-09	2007-08
1. Electricity		
(a) Purchased:		
Unit (Kw)	10620210	11987820
Amount	46517615	53305097
Rate/Unit (Rs.)	4.38	4.45
(b) Own Generation :		
Through Diesel Generator :		
Unit (Kw)	90428	50020
Unit Produced per ltr of Diesel oil	2.65	2.29
Cost / Unit (Direct Cost) (Rs.)	11.97	13.29
2. Fuel in oil fired Annealing Furnaces :		
Quantity (Ltrs)	430517	504224
Total Cost (Rs.)	12161256	10049530
Rate /unit (Rs. /PMT)	1367.74	970.24

B Consumption per unit of Flat Rolled Production

Electricity (kwh/ PMT)	1204.59	1162.21
Fuel (Ltr / PMT)	48.42	48.68

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	2983.64
Foreign Exchange used	178.97

Anil Special Steel Industries Ltd.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008-2009

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 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.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees which is in compliance of clause 49(1)(d) of the Listing Agreement.

During the year, six - Board Meetings were held on—28.06.2008, 29.07.2008, 18.09.2008, 24.10.2009, 30.01.2009 and 25.03.2009.

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	3	No	1	-	1
Th.Onkar Singh	Non-Executive & Independent	3	Yes	2	-	-
Mr.V.B.L. Mathur	Non-Executive & Independent	2	No	3	-	2
Lt. Co. Purshotam Lal Bawa	Non Executive & Independent	5	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'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 28.06.2008, 29.07.2008, 24.11.2008 & 28.02.2009 during the year.