

22nd annual report

**FOR THE YEAR ENDED
31ST MARCH 2008**

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ASHIRWAD STEELS

& INDUSTRIES LIMITED

ASHIRWAD STEELS & INDUSTRIES LTD.

BOARD OF DIRECTORS	: Puranmal Agarwal, Chairman Dalbir Chhibbar, Managing Director Yudhbir Chhibbar, Director Suresh Kr. Agarwal, Director Ashok Kumar Jaiswal, Director Pravin Kumar Chhabra, Director Sushma Chhibbar, Director Dev Kumar Mishra
STATUTORY AUDITORS	: A Pradhan & Associates Chartered Accountants, 2D, Panditia Road, Kolkata-700 029
BANKERS	: CITIBANK, N.A., Kolkata HDFC Bank Ltd., Kolkata ING Vysya Bank, Kolkata Standard Chartered Bank, Kolkata (Formerly American Express Bank, Kolkata.) State Bank of India, Jamshedpur State Bank of India, Nalgonda, Andhra Pradesh. State Bank of India, Raigarh, Chhattisgarh Corporation Bank, Raigarh, Chhattisgarh.
REGISTERED & HEAD OFFICE	: 6, Waterloo Street, 5 th Floor, Suite No.506, Kolkata - 700 069, West Bengal Phone: 091-033-22430372/22101376 Fax : 091-033-22430376 E-mail: ashirwad@cal3.vsnl.net.in
WORKS	: SPONGE IRON PLANTS : <ol style="list-style-type: none"> Plot Nos.A1,A3,A5,A7, Phase-V, Adityapur Industrial Area, Ghamaria Jamshedpur-832108, Jharkhand, Phone : 091-0657-3292075 Fax : 091-0657-2386283. Peetam Palli Approach Road, Vill. & P.O. Veliminedu, Mandal-Chityal, Dist. Nalgonda, Pin-508114, Andhra Pradesh. Phone:091-08682-274690/ 274236, Fax: 091-08682-274691. LPG BOTTLING PLANTS : <ol style="list-style-type: none"> Uluberia Industrial Growth Centre, Uluberia, Howrah, West Bengal, Pin-711315. Phone : 091-033-26610714 Village : Kisanapur Near Urdana Check Post Raigarh - 496001, Chattisgarh. Ph. : 091-07762-232558
REGISTRARS & TRANSFER AGENTS	: Niche Technologies Pvt.Ltd., D-511, Bagree Market, 5 th Floor, 71, B.R.B.B. Road, Kolkata-700 001 Ph.No.091-033-2235 7270-71/2234-3576 Fax : 091-033-22156823 E-mail: nichetechpl@nichetechpl

ASHIRWAD STEELS & INDUSTRIES LTD.

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held at the Registered Office of the Company at 6, Waterloo Street, 5th Floor, Suite No.506, Kolkata-700 069 on Monday, the 22nd September, 2008 at 10.30 a.m. for the following purposes :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and the Audited Balance Sheet as at 31st March, 2008 and Profit & Loss A/c. for the year ended on that date with the Auditors' Report thereon.
2. To appoint Directors in place of Mr. Suresh Kumar Agarwal, Mr. Yudhbir Chhibbar and Mr. Pravin Chhabra who retire by rotation and being eligible offer themselves for re-appointment.
3. To appoint Statutory Auditors and to fix their remuneration.

Place : Kolkata

Dated : 30th June, 2008

Regd. Office : 6, Waterloo Street,
5th floor, Suite No.506,
Kolkata-700 069.

By Order of the Board
For Ashirwad Steels & Industries Ltd.,

Dalbir Chhibbar
Managing Director

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The instrument of proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. A proxy so appointed shall not have any right to speak at the meeting.
2. The Register of Members of the Company will remain closed from the 15th September, 2008 to 22nd September, 2008 (both days inclusive).
3. Shareholders/Proxy holders are requested to produce at the entrance the attached admission slip duly completed and signed, for admission to the meeting place.
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
5. Members are requested to notify immediately any change in their address to the Company or to its share transfer Agents/Registrars.
6. Pursuant to the newly enacted provisions of the Companies Act, 1956, members are informed that every holder of shares in a company may at any time nominate in the prescribed manner a person to whom his/her shares in the Company shall vest in the event of his/her death.
7. Members are requested to send in their queries at least a week in advance to the Company at the Registered Office of the Company to facilitate clarifications during the meeting.

Place : Kolkata

Dated : 30th June, 2008.

Regd. Office : 6, Waterloo Street,
5th floor, Suite No.506,
Kolkata-700 069.

By order of the Board

Dalbir Chhibbar
Managing Director

ASHIRWAD STEELS & INDUSTRIES LTD.**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their 22nd Annual Report and the Audited Statements of Accounts of your Company together with Auditors' Report for the year ended 31st March, 2008.

	Current year (31.03.2008) Rs.	Previous year [31.03.2007] Rs.
FINANCIAL RESULTS :		
Turnover/Income from Operations(gross)	66,44,86,227	52,44,24,036
Less: Excise duty	(-) 8,55,06,065	(-) 6,63,39,379
Operating Profit before interest, Depreciation and Taxation	5,50,15,968	50,95,961
Depreciation	1,01,48,775	97,02,313
Financial Charges	1,39,36,359	1,08,24,296
Profit/(Loss) before Taxation	3,09,30,834	(1,54,30,648)
Provision for Taxation :		
Current Income Tax	28,30,000	83,000
Deferred Income Tax	8,18,604	7,24,116
Fringe Benefit Tax	1,47,854	1,84,023
Profit/(Loss) after Taxation	2,71,34,376	(1,64,21,787)
Add: Profit brought forward from last A/c.	4,28,60,894	5,92,82,681
Profits available for appropriation	6,99,95,270	4,28,60,894
And carried to Balance sheet.		

OPERATIONS & FINANCIAL PERFORMANCE :

The financial performance of your Company during the financial year ended 31.3.08 has been satisfactory. The total income from operations/turnover stood at Rs 66.45 Crores (Previous year Rs.52.44 crores). During the year your Company produced 50581 M.T. of Sponge Iron (Previous year 50381 M.T.). The Company has during the year earned a net profit of Rs 2.71 Crores as against previous year's loss of Rs.1.64 crores. Your Directors are continuing their best efforts to further improve the financial performance of your Company in the current year.

DIVIDEND

To conserve resources your Directors do not recommend any dividend for the year under review.

STATUTORY AUDITORS :

M/s. A Pradhan & Associates, Chartered Accountants, were appointed as Statutory Auditors of your Company in the last Annual General Meeting and they being eligible have offered themselves for re-appointment at the ensuing Annual General Meeting.

DIRECTORS :

Mr. Suresh Kumar Agarwal, Mr. Yudhbir Chhibbar and Mr. Pravin Chhabra, the Directors retire by rotation from the Board and being eligible offer themselves for re-appointment.

ASHIRWAD STEELS & INDUSTRIES LTD.**FRESH ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS :**

During the year the Company had issued 39,33,600 equity shares of Rs. 10/-each (Face value) at a premium of Rs. 40/- per share on preferential allotment basis and thus raised the paid up capital of the Company from Rs.4.06 crores to Rs.8.00 crores. The aforesaid equity shares are listed on the Bombay Stock Exchange and the new shares rank pari passu in all respects with the existing equity shares of the Company.

FIXED DEPOSIT :

The Company has not during the year accepted any deposits from the Public under section 58A or 58AA of the Companies Act, 1956.

CORPORATE GOVERNANCE :

Corporate Governance Report along with the certificate of the Auditors confirming compliance of conditions of Corporate Governance as required under Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.

LISTING OF COMPANY'S SHARES & LISTING FEES :

The Company's shares are listed on Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai-400 023.

The Company has paid the listing fees for the financial year 2007-08 to the Stock Exchange on which Company's shares are listed. The Company has also paid custodial fees for the year 2007-08 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Security Identification Number (ISIN) allocated to the Company by NSDL and CDSL is 338C01012.

SHARE REGISTRARS & TRANSFER AGENTS :

Niche Technologies (P) Ltd., D-511, Bagree Market, 71, B.R.B.B. Road, 5th Floor, Kolkata - 700 001. Phone : (033) 2235-7270/71, 2234-3576, Fax: (033) 22156823, E-mail nichetechpl@nichetechpl

DEPOSITORY DETAILS :

1. Central Depository Services (India) Ltd., P.J.Towers (17th floor), Dalal Street, Mumbai-400023, Phone: (022) 22723333-3224, Fax : (022) 2272-2072/3199.
2. M/s. National Securities Depository Ltd., 4th floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai-400 013. Phone: (022) 2499-4200 Fax: (022) 24972993.

DEMATERIALISATION OF SHARES :

As per SEBI's direction, the Company has signed tripartite agreements with the above Depositories and Registrars and Transfer Agents in November, 2000. Dematerialisation facility is now available. According to SEBI's guidelines trading in Demat form has been made compulsory for all classes of investors. Therefore, it is in the interest of all the shareholders to convert their physical holdings into electronic holdings by dematerialisation of the equity shares.

PPERSONNEL :

No employee was in receipt of Salary exceeding the limits prescribed u/s 217(2A) of the Companies Act, 1956 and hence the Statement of particulars of employees as required under that section is not applicable to your Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.

As regards the information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, your Directors give the following particulars to the extent applicable to your Company.

(A) CONSERVATION OF ENERGY :

The Power requirement at Company's Gas Bottling Plant is negligible as only bottling of gases is being done. For Sponge Iron Plants, the Capacitor Panels of adequate size and number have been installed and are maintained to save and economise on power consumption.

ASHIRWAD STEELS & INDUSTRIES LTD.**(B) TECHNOLOGY ABSORPTION :**

The Company is using in-house technology and expertise for its LPG Bottling Plants. The technology to manufacture Sponge Iron was provided by an outside agency. The said technology is fully indigenous and is now well established and has been fully absorbed by the Company. The Company has not so far made use of any imported technology for its products/plants.

(C) FOREIGN EXCHANGE EARNINGS AND OUT – GO : NIL (Previous year : Nil)**DIRECTORS' RESPONSIBILITY STATEMENT :**

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a going concern basis.

ACKNOWLEDGEMENT :

Your Directors would like to convey their sincere appreciation for the assistance and co-operation received from the valued customers, suppliers and shareholders during the year under review. Your Directors also wish to place on record their appreciation for the contribution of the employees at all levels.

Place : Kolkata
Dated : 30th June, 2008

For and on behalf of the Board
Dalbir Chhibbar
Managing Director.

ASHIRWAD STEELS & INDUSTRIES LTD.**ANNEXURE TO DIRECTORS' REPORT****FORM – A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. POWER AND FUEL CONSUMPTION :**

		Current year 2007-08	Previous year 2006-07
1. Electricity :			
(a) Purchased			
Units		39,98,571	39,21,522
Total amount (Rupees)		1,63,26,901	1,60,45,526
Rate/Unit (Rupees)		4.08	4.09
(b) Own generation (D.G.Set)			
Units		2,95,694	3,93,690
Cost/Unit		10.54	9.99

Note :

The Company has not consumed or used Furnace Oil during the year under review. The Sponge Iron Plants have, however, consumed a large quantity of Coal and the related quantitative figures are reflected in the financial accounts elsewhere. The quantity details are not being given here as Coal acts as a raw material for Sponge Iron Manufacturing and not as a fuel.

B. CONSUMPTION OF ELECTRICITY PER UNIT OF PRODUCTION OF SPONGE IRON/ BOTTLING OF GAS.

(i)	Units consumed per Metric Ton of Hydrocarbon Gas/L.P.Gas bottle	28.71	22.92
(ii)	Units consumed per Metric Ton of Sponge Iron produced	78.95	77.69

FORM – B**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION :****1. RESEARCH AND DEVELOPMENT :**

The Company has not so far carried out any major Research & Development work. The Company has not incurred any expenditure on this account so far. The Company, however, has full fledged laboratories at its Sponge Iron Plants for testing the quality of raw materials and also of the finished products.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Since no technology has been absorbed from outside, the item is not applicable to us. The Company, however, continues the efforts for upgradation of technology in order to improve the quality and reduce cost to the extent possible.

Place : Kolkata
Dated : 30th June, 2008.

For and on behalf of the Board
Dalbir Chhibbar
Managing Director

ASHIRWAD STEELS & INDUSTRIES LTD.**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****(a) Industry Structure and Developments :**

The principal product of the Company is Sponge Iron which is manufactured at its Plants located at Jamshedpur and at District Nalgonda, Andhra Pradesh. Sponge Iron is used alongwith steel scraps by secondary steel producers for making steel billets/ingots which in turn are used by the re-rollers for making long products used in the housing and infra-structure. Increase in the cost of raw materials, overheads, manufacturing expenses and lower capacity utilization have been adversely affecting the company's profitability. The selling prices of Sponge Iron are market driven and the Company has no control over it. The principal components of cost of Sponge Iron are coal, iron ore and financial charges.

(b) Opportunities and Threats :**i. Opportunities :**

The Government has given top priority to the development of infra-structure in the country directly and through Private Sector Infrastructure Development Companies which is leading to higher demand of long steel products leading to continuous capacity enhancement in steel making. The higher demand of steel thereby supports the secondary steel sector which is the consumer of Sponge Iron. The opportunities of growth of Sponge Iron Industry are therefore good though shortage of raw materials pose a threat.

ii. Threats :

The cost of coal and iron ore are the two major input costs in production of Sponge Iron. The prices of both these raw materials are regularly increased by the suppliers which in turn adversely affects the finances of the Industry. Thus rising input costs are big threat to the survival of Sponge Iron Industry. It is difficult for most of the Sponge Iron Units under medium sector who are unable to go for backward or forward integration to survive, sustain and earn reasonable profits unless there is a corresponding hike in the selling prices of Sponge Iron.

(c) Segment-wise Product-wise performance :

Your Company has only two segments namely Sponge Iron and gas taking into account the nature of the product, uses and production system.

Segment-wise performance in detail has been given in Schedule 22 to the audited accounts of the Company which are available in this annual report.

(d) Outlook :

In view of what has been stated in paragraphs (a) and (b) above your Management perceives that the outlook of the Sponge iron Industry in the current financial year should be encouraging if there is rise in selling prices commensurate with the rise in the input costs.

(e) Risks & Concerns :

Risk is inherent in every business activity and Sponge Iron Industry is no exception. The steel industry displays strong commodity characteristics and is subject to cyclical price movements in business cycles. The Company is exposed to risks from overall market fluctuations, changes in government policy, laws of the land, taxation, interest rates, man made disaster, political risks and increase in cost of inputs like Iron ore, coal, power, diesel, etc. which affect the financial performance of the Company.

(f) Internal Control System and its Adequacy :

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised,

ASHIRWAD STEELS & INDUSTRIES LTD.

recorded and reported properly and applicable statutes are duly complied with. The Company has constituted an Audit Committee to monitor the adequacy and efficacy of internal control system.

The adequacy of these compliances and their effectiveness is subject to statutory audit and the same has been adequately reported by the Auditors in their report as required under the relevant provisions of the Companies Act, 1956.

(g) Discussions on financial performance with reference to operational performance:

During the year, the income from operations/turnover stood at Rs 66.45 crores as compared to Rs. Rs.52.44 crores in the previous year. The operating profit before interest, depreciation and taxation stands to Rs 5.50 crores when compared to 0.51 crores in the previous year. The Company has earned a net profit of Rs 2.71 crores as compared to a net loss of Rs.1.64 crores in the previous year. The Directors, however, are continuing their efforts for better and improved performance of your Company.

(h) Material Developments in HRD and industrial Relations Front :

Your Directors recognize the value of people as one of our most valuable assets and believe that your Company's employees are central to its sustainable success. Developing, motivating, rewarding and retaining talented employees at all levels is a priority and a key responsibility of your Company's management. It is this policy of ours that has enabled us to retain talented employees and maintain harmonious relations with them.

i) Cautionary Statements :

Statements in this management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be termed as forward looking statements within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied. The readers of this report are, therefore, advised to read the same with this caution.

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ASHIRWAD STEELS & INDUSTRIES LTD.**REPORT ON CORPORATE GOVERNANCE**(For the year ended 31st March, 2008)

The Report on compliance of the conditions of corporate governance in accordance with Clause 49 of the Listing Agreement with the Stock Exchange by your Company is given below :

1. Company's Philosophy

Your Company's philosophy continues to be to look after customers' welfare and satisfaction and to increase shareholders value, enforce quality control and improve the quality of life of the people around by practicing the principles of good corporate governance.

2. Board of Directors:**(a) Composition :**

As at 31st March, 2008 the Board of Directors consist of a non-executive Chairman, a Managing Director, 4 non-executive Directors and 2 independent Directors.

(b) Category, their Directorship and Committee Membership in other Companies :

The Board of your Company is comprised of the following Directors :

Name of Directors	Category	Member of Boards of other Public Companies (excluding Directorship in private Companies)	Total no. of Committee(s) Membership in other Public Ltd. Companies, Foreign Companies and Companies under Sec.25 of the Companies Act, 1956		No. of Equity Shares held in the Company
			As Chairman	As Member	
Puranmal Agarwal	Chairman Non-executive	7	Nil	Nil	4750
Dalbir Chhibbar	Managing Director(executive)	3	Nil	Nil	108625
Yudhbir Chhibbar	Non-executive	1	Nil	Nil	3000
Suresh Kr. Agarwal	-do-	3	Nil	Nil	4000
Sushma Chhibbar	-do-	1	Nil	Nil	53000
Dev Kumar Mishra	-do-	Nil	Nil	Nil	Nil
Ashok Kumar Jaiswal	-do-(Independent)	2	Nil	Nil	Nil
Pravin Kumar Chhabra	-do- [Independent]	Nil	Nil	Nil	Nil

(c) Board Meetings held during the year :

During the year the Board Meetings were held twelve times e.g. on 19th April, 2007, 11th June, 2007, 28th June, 2007, 30th July, 2007, 25th September, 2007, 31st October, 2007, 15th December, , 2007, 3rd January, 2008, 4th January, 2008, 31st January, 2008, 27th February, 2008 and 3rd March, 2008.