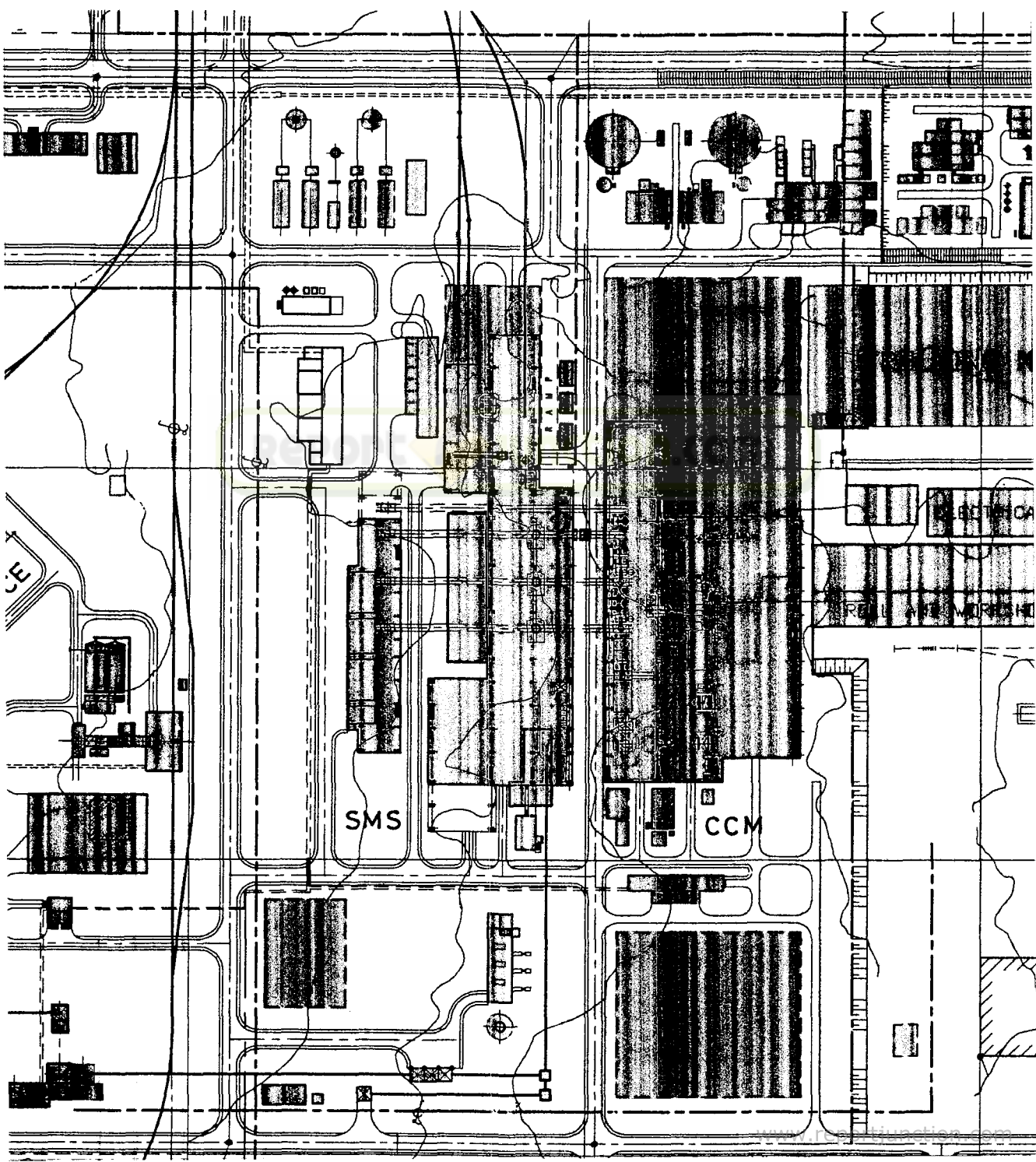


Bellary Steels and Alloys Limited

FOURTEENTH ANNUAL REPORT 1997-98





Blast Furnace Complex under erection and nearing completion.

BOARD OF DIRECTORS

Shri MOOSA RAZA	:	Chairman
Shri S MADHAVA	:	Managing Director
Dr. K KAMESWARA RAO	:	Nominee of IDBI
Shri S RAMASUBRAMANIAN	:	Nominee of ICICI
Shri P K GUPTA	:	Nominee of IFCI
Shri D N RAO	:	Technical Director (Technical & Operation)
Smt PARVATHI S MADHAVA	:	

EXECUTIVES

Shri J.V.K. Rao	:	Vice President (Engg.)
Shri V Ramasamy	:	Dy. General Manager (F&A)
Shri V Vaidhyathan	:	Company Secretary

AUDITORS

: M/s. D V Sarovar & Co.
Chartered Accountants
Car Street, Bellary - 583 101

BANKERS

: State Bank of India
Central Bank of India
ICICI Banking Corporation Ltd.
Punjab National Bank
Times Bank Limited
State Bank of Travancore
Bank of Maharashtra
The South Indian Bank Ltd.
The Dhanalakshmi Bank Ltd.
Indian Bank
Dena Bank
Development Credit Bank Ltd.
Bharath Overseas Bank Ltd.
State Bank of Mysore

MD	✓	BKC	✓
CS	✓	DPY	NA
RO	✓	DIV	✓
TRA	NA	AC	✓
AGM	✓	SH	✓
YE	✓		✓

REGISTERED OFFICE/ FACTORY

: S-10/11, Anantapur Road
Bellary - 583 101
Grams: "BESTEEL"
Telex: 0817-211 BSAL IN
Phone No.: 08392-78701 (4 lines), Fax: 08392-77133

CORPORATE OFFICE

: "Sri Lakshmi", # 4000, 100 Ft. Road
HAL II Stage, Indiranagar
Bangalore - 560 003
Phone: 080 - 5260423/424, Fax: 080 - 5261490

NAME OF THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED

: Bangalore Stock Exchange Limited
No.51, Stock Exchange Towers, J C Road
Bangalore - 560 027, Tel.No.: 2995234

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai - 400 001, Tel.No.: 2655581

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Bellary Steels and Alloys Limited



NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Shareholders of Bellary Steels & Alloys Limited will be held at its Registered Office of the Company at S-10/11, Anantapur Road, Bellary - 583 101 at 10.30 A.M. on Thursday, the 24th December 1998, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 1998 and the Profit & Loss Account for the period ended on that date together with the reports of Directors and Auditors thereon.
2. To declare Dividend (Subject to the consent of Financial Institutions/Banks).
3. To appoint a Director in the place of Shri Moosa Raza, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri S Madhava, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s. D V Sarovar & Co., Chartered Accountants, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.
"RESOLVED THAT Mr. D N Rao an Additional Director, who holds office upto the forthcoming Annual General Meeting, be and is hereby appointed a Director of the Company, liable to retire by rotation, whose name has been proposed by a member in accordance with section 257 of the Companies Act, 1956.
7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.
"RESOLVED THAT the approval of the shareholders be and is hereby accorded u/s 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for selling, mortgaging and/or charging, by the Board of Directors of the Company, of the movable and immovable properties of the Company, wherever situated, present or future and the whole of the undertaking of the Company with power to take over the management of the business and concern of the Company, in certain events, in favour of Indian or International or Foreign Financial Institutions or Banks or any other Lender, to secure the borrowings, convertible (fully/partly)/non-convertible debentures whether subscribed/ sanctioned by any or all of them on such terms and conditions that the Board may deem fit".
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.
"RESOLVED THAT in supercession to the Resolution passed at the Annual General Meeting of the Company held on 13th November 1995, consent of the Company be and is hereby accorded pursuant to section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money for the purposes of the Company upon such terms and conditions and with or without security as the Board of Directors may in its discretion think fit, notwithstanding that the money or monies to be borrowed by the Company (apart from the temporary loans obtained or to be obtained from time to time from the Company's Bankers in the ordinary course of business) together with the sums already borrowed may exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes, provided however that the sums so borrowed and remaining outstanding on account of principal shall not, at any time exceed Rs. 1500 crores (Rupees One thousand five hundred crores only)."
9. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.
"RESOLVED THAT in accordance with the provisions of section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company



are listed and subject to the approval of the Financial Institutions (FIs), Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities, if any, and to the extent necessary, and such other approvals, permissions and sanctions, as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions while may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board to issue/offer 18,00,00,000 equity shares of the face value of Rs.10/- each either at par or at premium of an aggregate amount not exceeding Rs.180 crores as the Board/Committee at its sole discretion may at any time or times hereafter decide to the Promoters, Members, Debentureholders, Employees, Financial Institutions, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Financial Institutions (FIs) Companies, other entities/authorities and/or to such other persons, whether through public issue, rights issue, private placement or on preferential basis as the Board/Committee may deem fit and/or by any one or more or a combination of the above modes/methods or otherwise and in one or more tranches, on such terms and conditions as the Board or Committee thereof may in its absolute discretion think fit, in consultation with the Lead Managers, Underwriters, Advisors and such other persons".

"RESOLVED FURTHER THAT such of these shares is to be issued, as are not subscribed may be disposed of by the Board/Committee thereof, to such persons and in such manner and on such terms as the Board or Committee in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds/Foreign Institutional Investors or such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds of issue of the securities and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, desirable or expedient as it may deem fit".

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded for reappointment of Shri S Madhava, Managing Director of the Company for a period of 5 years with effect from 6th July 1996 on the following salary and perquisites.

- [a] SALARY : Rs.30,000/- per month in the scale of Rs.30,000 - Rs.60,000 including dearness and all other allowances.
- [b] PERQUISITES : Perquisites will be in addition to the salary and will be subject to the condition that the monetary value shall be restricted to an amount equal to the annual salary and will include furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, for the purposes of which limit -
 - [i] perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost; and
 - [ii] Use of Company Car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;
- [c] Company's contribution to Provident Fund and Superannuation Fund as per the Rules of the Company together not exceeding 25% of the salary. Gratuity will be limited to half a month's salary for each completed year of service.

"RESOLVED FURTHER THAT where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable to Shri S Madhava, shall be governed by Part II of Schedule XIII of the Companies Act, 1956 or any statutory enactment thereof".

Bellary Steels and alloys Limited



"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary terms and conditions of the said appointment in accordance with the laws in force from time to time as may be agreed to between the Board of Directors and Shri S Madhava"

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, to give effect to this resolution".

11. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded for appointment of Shri D N Rao as Technical Director (Technical and Operation) of the Company for a period of 5 years with effect from 1st October 1998 on the following salary and perquisites:

- (a) SALARY : Rs.40,000/- per month in the scale of Rs.40,000 - Rs.60,000 including dearness and all other allowances.
- (b) PERQUISITES : Perquisites will be in addition to the salary and will be subject to the condition that the monetary value shall be restricted to an amount equal to the annual salary and will include furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, for the purposes of which limit -
 - (i) perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of such Rule, perquisites shall be evaluated at actual cost; and
 - (ii) Use of Company Car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;
- (c) Company's contribution to Provident Fund and Superannuation Fund as per the Rules of the Company together not exceeding 25% of the salary. Gratuity will be limited to half a month's salary for each completed year of service.

"RESOLVED FURTHER THAT where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable to Shri D N Rao, shall be governed by Part II of Schedule XI of the Companies Act, 1956 or any statutory enactment thereof".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary terms and conditions of the said appointment in accordance with the laws in force from time to time as may be agreed to between the Board of Directors and Shri D N Rao".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, to give effect to this resolution".

12. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution.

- a) RESOLVED THAT the authorised share capital of the Company be altered by converting 70,00,00,000 Redeemable Preference shares into equity shares in such a manner that the new authorised share capital shall comprise 15,00,00,000 equity shares of Rs. 10/- each aggregating Rs. 150,00,00,000 and 8,00,00,000 Redeemable Preference shares Cumulative and/or Non-Cumulative of Rs.10/- each aggregating Rs.80,00,00,000".
- b) "RESOLVED THAT Clause V of the Memorandum of Association of the Company be deleted and the following be substituted therefor :

"The Authorised Capital of the Company is Rs.230,00,00,000/- (Rupees Two hundred and thirty crores only) divided into 15,00,00,000 (Fifteen crores only) equity shares of Rs. 10/- (Rupees ten only) each and 8,00,00,000 (Eight crores only) Redeemable Preference Shares Cumulative and/or Non-cumulative of Rs.10/- (Rupees ten only) each with power to the Company to increase or reduce the said capital, from time to time in accordance with the Regulations of the Company and legislative provisions for the time being in force in this behalf".
- c) "RESOLVED THAT the existing Article 5 of the Articles of Association of the Company be deleted and the following Article be substituted therefor :

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"The Authorised Capital of the Company is Rs.230,00,00,000/- (Rupees Two hundred and thirty crores only) divided into 15,00,00,000 (Fifteen crores only) equity shares of Rs. 10/- (Rupees ten only) each and 8,00,00,000 (Eight crores only) Redeemable Preference Shares Cumulative and/or Non-cumulative of Rs. 10/- (Rupees ten only) each with power to the Company to increase or reduce the said capital, from time to time in accordance with the Regulations of the Company and legislative provisions for the time being in force in this behalf".

By order of the Board
for BELLARY STEELS AND ALLOYS LIMITED

PLACE : Bellary
DATE : 13 November, 1998

V. VAIDHYANATHAN
Company Secretary

NOTES:

1. Explanatory statement under section 173(2) of the Companies Act, 1956 is annexed herewith in respect of special business.
2. Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and the proxy need not be a member. The proxy form should, however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members of the Company will remain closed during the period from 14th December 1998 to 13th January 1999 (both days inclusive) for the purpose of dividend.
4. The dividend on the equity share capital recommended by the Board of Directors, if declared, the same will be paid to the shareholders, whose names appear on the Company's Register of members as on the date of Annual General Meeting i.e. 24th December, 1998.
5. Shareholders are requested to furnish their change in address, if any, immediately to the Company's Registrars, M/s.Karvy Consultants Ltd., PKN Complex, 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore 560 004.
6. Shareholders/Proxies, should bring the Attendance slip sent herewith duly filled in for attending the meeting and hand it over at the entrance of the hall.
7. Shareholders are hereby informed that the Company has transferred to the Central Government all unclaimed dividend relating to the accounting year 1993-94. Shareholders who have not collected dividends for accounting year 31.3.1994 are requested to make an application to Registrar of Companies, Karnataka, Kendriya Sadan, E Wing, II Floor, Koramangala, Bangalore - 560 034 for an order for payment of such uncollected dividends. Such application has to be made in the prescribed Form No.II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

Explanatory statement as required u/s 173(2) of the Companies Act, 1956 in respect of the Special Business.

Item No.6

Mr. D N Rao was appointed Additional Director by your Board of Directors at their meeting held on 13th November, 1998. Mr. D N Rao is a qualified Civil Engineer and is the Chief Executive of the Integrated Steel Plant and Mr.D.N.Rao shall hold office only upto the date of the forthcoming Annual General Meeting. Pursuant to Section 257 of the Companies Act, 1956, a notice has been received from a Shareholder signifying his intention to propose Mr.D.N.Rao as Director of the Company. Your approval is solicited to the appointment of Mr.D.N.Rao as Director of the Company whose office is liable to retirement by rotation.

None of the Directors except Mr.D N Rao is concerned or interested in the above item.

Item No.7

Pursuant to section 293(1)(a) of the Companies Act, 1956, the Board of Directors shall not except with the consent of the Company in General Meeting sell or otherwise dispose off wholly or substantially the whole of the undertaking of the Company. As security for the loans availed/to be availed, the Company has to create mortgage of all its properties, present and future. Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the Financial Institutions/Banks/Others can be considered to be disposal of the Company's Properties, the sanction of the Shareholders is being sought.

Your Directors commend the resolution for approval.

None of the Directors is concerned or interested in the said resolution.

Bellary Steels and Alloys Limited



Item No.8

Your Company is setting up the Integrated Steel Plant Project at Bellary at a cost of Rs.891 crores and the implementation of the project is under full swing. Due to certain changes in the scope of the project, the cost of the project is undergoing change which may entail additional borrowings. Therefore, it is proposed to increase the borrowing powers from the existing Rs. 1000 crores to Rs. 1500 crores (part from cash credit and temporary loans obtained from the Company's bankers in the ordinary course of its business). U/S 293(1)(d) of the Companies Act, 1956, approval of the Shareholders is required for increasing the Borrowing powers of the Company.

Your Directors commend the resolution for approval.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No.9

The Shareholders are aware that the Company is setting up an Integrated Steel Plant with a capacity of 0.5 million tons per annum for manufacture of long products. In order to part finance the project, it is proposed to offer 18,00,00,000 equity shares of the face value of Rs. 10/- each either at par or at premium aggregating to Rs. 180 crores to the Promoters, Members, Debentureholders, Employees, Financial Institutions, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Financial Institutions (FII) Companies, other entities and to such other persons through public issue, rights issue, private placement or on preferential allotment or by any one or more or a combination of the above modes/methods or otherwise and such time or times and in one or more tranches, as the Board/Committee of Directors may in its absolute discretion deem fit subject to statutory clearances.

As per Section 81 of the Companies Act, 1956, the issue of Securities in the manner set out in the resolution requires the approval of the Shareholders by a Special Resolution.

The Directors of the Company may be deemed to be concerned or interested to the extent of their shareholding.

Item No.10

Mr.S.Madhava was originally appointed as Managing Director on 6th July 1991 and subsequently reappointed with a remuneration of Rs.25000 p.m in the scale of Rs.25000-Rs.50000 at the Annual General Meeting held on 13th November 1995. In view of the increased activities of the Company, the Board of Directors have thought it fit to re-appoint Mr.S.Madhava as Managing Director for a further period of 5 years with effect from 6th July 1996 on the following terms -

- [a] SALARY : Rs.30,000/- per month in the scale of Rs.30,000 - Rs.60,000 including dearness and all other allowances.
- [b] PERQUISITES : Perquisites will be in addition to the salary and will be subject to the condition that the monetary value shall be restricted to an amount equal to the annual salary and will include furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, for the purposes of which limit -
 - [i] perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost; and
 - [ii] Use of Company Car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included ;
- [c] Company's contribution to Provident Fund and Superannuation Fund as per the Rules of the Company together not exceeding 25% of the salary. Gratuity will be limited to half a month's salary for each completed year of service.

The draft agreement proposed to be entered into with Mr.S.Madhava is available for inspection by any Member of the Company at the registered office of the Company on any working day between the hours of 11 a.m. and 1 p.m. This may also be treated as an abstract of the draft agreement between Mr.S.Madhava and the Company pursuant to section 302 of the Companies Act, 1956.

Your Directors commend the resolution for approval.

None of the Directors of the Company except Shri S Madhava and Smt. Parvathi S Madhava being related to him, is concerned or interested in the resolution.

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Item No.11

Shri D N Rao has been working as Chief Executive of Integrated Steel plant for over two years. He is a Civil Engineer having more than 30 years experience. He was inducted on the Board on 13th November, 1998 as Technical Director (Technical and Operation) of the Company for a period of 5 years with effect from 1st October, 1998 on the following terms

- [a] SALARY : Rs.40,000/- per month in the scale of Rs.40,000 - Rs.60,000 including dearness and all other allowances.
- [b] PERQUISITES : Perquisites will be in addition to the salary and will be subject to the condition that the monetary value shall be restricted to an amount equal to the annual salary and will include furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company, for the purposes of which limit -
 - [i] perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost; and
 - [ii] Use of Company Car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included ;
- [c] Company's contribution to Provident Fund and Superannuation Fund as per the Rules of the Company together not exceeding 25% of the salary. Gratuity will be limited to half a month's salary for each completed year of service.

The draft agreement proposed to be entered into with Mr.D.N.Rao is available for inspection by any Member of the Company at the registered office of the Company on any working day between the hours of 11 a m and 1 p m. This may also be treated as an abstract of the draft agreement between Mr.D.N.Rao and the Company pursuant to section 302 of the Companies Act, 1956.

Your Directors commend the resolution for your approval.

None of the Directors of the Company except Shri D.N.Rao is concerned or interested in the resolution.

Item No.12

The authorised capital of the Company is Rs.230 crores, comprising 8,00,00,000 equity shares of Rs.10/- each and 15,00,00,000 Redeemable preference shares of Rs.10/- each and the paid up equity capital of the Company is Rs.22.99 crores and Rs. 1.5 crores of preference shares. The Company has already received share application money to the extent Rs.105 crores towards the equity capital. It was originally envisaged that the Company would be making private placement of preference shares to the extent of Rs.150 crores and the same is expected to take sometime. In the meanwhile as the Company has received application money towards equity capital, therefore the authorised share capital of the Company is being altered by converting 70 crores Redeemable Preference shares into equity shares under section 94 of the Companies Act, 1956 so that the Company can proceed with the allotment of equity shares. Your Directors commend the said resolution for approval.

None of the Directors is concerned or interested in the resolution.