

17th
ANNUAL REPORT
2000 - 2002



BELLARY STEELS & ALLOYS LIMITED

BELLARY STEELS & ALLOYS LIMITED

| | |
|---|---|
| BOARD OF DIRECTORS: | Shri S. Madhava - Managing Director Shri H.S.G. Shetty - Nominee of IDBI Shri S. Dutt - Nominee of IIBI Smt Parvathi S. Madhava - Director |
| EXECUTIVES: | Shri S. Sivaram Prasad - President (Operations & Admin.) Shri O.N. Krishnan - Vice President (ISP) Shri V. R. Gundannavar - Financial Advisor Shri A. Mallikarjunappa - Assistant General Manager (F&A) |
| AUDITORS: | M/s. Moorthi & Kantharaj Chartered Accountants # 11/1, II Floor, Hospital Road BANGALORE - 560 053 |
| BANKERS: | State Bank of India Central Bank of India ICICI Bank HDFC Bank Ltd. Punjab National Bank 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 |
| REGISTERED OFFICE / FACTORY: | S-10/11, Anantapur Road BELLARY - 583 101 Grams : "BESTEEL" Telex : 0817-211 BSAL IN Phone : 0839 - 261201 (4 Lines), Fax : 0839-260113 |
| CORPORATE OFFICE: | "Sri Lakshmi", # 4000, 100 Ft. Road HAL II Stage, Indiranagar BANGALORE - 560 008 Phone : 080 - 5260423/424, Fax : 080 - 5261490 |
| NAME OF THE STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED: | Bangalore Stock Exchange Limited # 51, Stock Exchange Towers, J.C. Road BANGALORE - 560 027, Phone : 2995234 The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street MUMBAI - 400 001, Phone : 2655581 |



Bellary Steels and Alloys Limited

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of Bellary Steels and Alloys Limited will be held at its Registered Office at S-10/11 Anantapur Road, Bellary - 583 101 at 10.30 a.m. on Saturday, the 29th June, 2002.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2002 and Profit & Loss Account for the 18 months period ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. S Madhava, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Smt. Parvathi S Madhava, who retires by rotation and being eligible, offers herself for reappointment.
4. 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. Moorthi & Kantharaj, Chartered Accountants, Bangalore, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary 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 (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, as Managing Director of the Company for a period of 5 years with effect from 29th January 2002 on the following salary and perquisites subject to the approval of the IDBI and Other Financial Institutions:-

- [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".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the 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".

By order of the Board
for BELLARY STEELS AND ALLOYS LIMITED

Bangalore
31st May, 2002

S MADHAVA
Managing Director

NOTES

- (i) Explanatory statement under section 173(2) of the Companies Act, 1956 is annexed herewith in respect of special business.
- (ii) 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

17th Annual Report 2000 - 2002

Company not less than 48 hours before the commencement of the meeting.

- (iii) The register of Members of the Company will remain closed during the period from 25th June, 2002 to 29th June, 2002. (both days inclusive)
- (iv) Members/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.
- (v) This notice itself may kindly be treated as an abstract under section 302 of the Companies Act, 1956, as far as the agenda item No. 5 is concerned.

Explanatory statement as required u/s 173(2) of the Companies Act, 1956

ITEM NO. 5

Mr. S.Madhava has been the Managing Director of the Company almost since inception. It is proposed to re-appoint him as Managing Director for a further period of 5 years with effect from 29th January, 2002, subject to the approval of the IDBI and Other Financial Institutions, on the following terms as his continuation is in the best interest of the Company :

- [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 am and 1 pm. 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. There is no change in the salary and perquisites as compared to the previous five year period as the financials of the Company do not permit for any enhancement.

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.

By order of the Board
for **BELLARY STEELS AND ALLOYS LIMITED**

Bangalore
31st May, 2002

S. MADHAVA
Managing Director

Report Junction.com



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Seventeenth Annual Report of the Company with the Audited Financial Statements for the 18 months period ended on 31st March, 2002.

INDUSTRY SCENE

The Steel Industry continues to reel under recession globally with lower demand and falling prices. The domestic industry suffered the same fate. During the year the domestic Steel consuming activities, like infrastructure projects, power projects, fertilizer projects, auto sector and white goods sector have shown a slump in demand for steel and inventories of main producers have gone up. The prices of finished products have declined while input costs have gone up. However due to the initiatives taken by the Government of India in the Budget for 2002-03 the above sectors are expected to generate higher demand for steel products. This apart, prices of Steel in recent months have shown an upward trend.

FINANCIAL RESULTS

The current accounting period comprises of 18 months commencing from October, 2000 to March, 2002. The Sales for the period under review amounted to Rs.15,817 Lacs compared to Rs.26,384 Lacs for the previous year. During the period, the company has mainly produced Sponge Iron during first 14 months and thereafter on conversion basis. The company has incurred a loss of Rs.23,296 Lacs during the period under review compared to a loss of Rs 1,720 Lacs for the previous year.

The summarised financial results are as under:

| | Current period (18 months) Rs. in Lacs | Previous year (12 months) Rs. in Lacs |
|-------------------------------------|--|---|
| Total Income | 15,817 | 26,384 |
| Gross Profit | (15,880) | 1,919 |
| Less: Financial Charges | 1,013 | 2,938 |
| Profit before Depreciation & IT | (16,893) | (1,019) |
| Less: Depreciation | 1,037 | 686 |
| Net Profit / (Loss) before tax | (17,930) | (1,705) |
| Prior Period Expenditure | 5,358 | 0 |
| Less: Provision for taxation | 8 | 15 |
| Net Profit after tax (Loss) | (23,296) | (1,720) |
| Add: Balance from the previous year | 4,250 | 5,970 |
| Balance carried to balance sheet | (19,046) | 4,250 |

DIVIDEND

In view of the loss incurred by the Company and the liquidity problems during the period under review, your Directors have decided not to recommend dividend to the shareholders.

CAPITAL

During the period the promoters have brought in share application money of Rs.9,788 lacs towards implementation of the Integrated Steel Project. During the year preferential allotment of Equity Shares aggregating to Rs.500 lacs was made to KSIIIDC. The Company has also allotted Redeemable preference shares to Promoters aggregating to Rs.1124 lacs on preferential basis and Cumulative Redeemable Preference shares aggregating to Rs.8769 lacs to Financial Institutions by conversion of term loans in accordance with their restructuring package.

NEW PROJECT

The implementation of the Integrated Steel Plant Project is further delayed due to inability to attain financial closure. In view of the lukewarm response of the investors, both domestic and overseas, it has been decided to approach financial institutions to immediately disburse the amount required for completion of Power Project and Blast Furnace in the First Phase, without insisting for the additional equity to be brought by the promoters. Your Directors are hopeful that the company will be able to commission the Power Project and the Blast Furnace during the current year.

DIRECTORS

Shri.S.Madhava and Smt. Parvathi S.Madhava, Directors of your Company retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Shri. H.S.G. Shetty has been nominated by the Industrial Development Bank of India (IDBI) in place of Shri. B. Ravindranath with effect from 17.04.2002.

Shri. S. Dutt has been appointed as Nominee Director on the Board of your Company by Industrial Investment Bank of India with effect from 18-04-2002

Shri. R.C.Pandey was nominated by the IFCI Limited with effect from 04.6.2001 in place of Shri. D.Ray and has withdrawn his nomination with effect from 11th December, 2001.

The ICICI Limited has withdrawn their Nominee Director Shri. S. Ramasubramanian from the Board of your Company with effect from 07-12- 2001.

Dr. S.K. Gupta was appointed as an Additional Director and Non-executive Chairman on 29-09-2001, in accordance with the restructuring package of IDBI and has resigned on 26-12-2001.

17th Annual Report 2000 - 2002

Shri. T.M. Subramanian was appointed as Additional Director and a professional Managing Director of the Company on 29-09-2001, in accordance with the restructuring package of IDBI and has resigned on 29-01-2002.

Shri. J.P.N. Lal was appointed as Additional Director and a professional Jt. Managing Director of the Company on 29-09-2001, in accordance with the restructuring package of IDBI and has resigned on 29-01-2002.

Shr. S. Bhanu Prakash has been appointed as an Alternate Director to Smt. Parvathi S Madhava with effect from 29-09-2001

Your Company places on record, with appreciation, the invaluable services rendered by these outgoing directors.

AUDITORS

M/S. Moorthi & Kantharaj, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment. As required under section 224(1-B) of the Companies Act, 1956, the present auditors have furnished the necessary certificate.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public during the period under review.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.**Conservation of energy and Technology absorption:**

The information required to be furnished under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1968, is given in annexure-I forming part of this report.

Foreign Exchange Earnings and Outgo :

The foreign exchange earnings and outgo during the period are as under:

| | Amount (Rs. in lacs) |
|----------------------------|-------------------------|
| Earnings : | Nil |
| Outgo : | |
| 1. Imports (CIF Value) | Nil |
| 2. Foreign Travel Expenses | 40 |
| 3. Others | Nil |

PARTICULARS OF EMPLOYEES

Information in accordance with section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules 1975 as amended upto date forming part of this report is given in annexure-II

INFORMATION UNDER THE LISTING AGREEMENT

The statement containing details as required under Clause 49 of the Listing Agreement with the Stock Exchanges is appended hereto in Annexure - III and forms part of this report.

THE CORPORATE GOVERNANCE CODE

The Securities & Exchange Board of India has introduced a code of Corporate Governance for implementation by the listed companies by an amendment to the Listing Agreement. As per the amendment, this code is required to be implemented by your Company by 31st March 2002.

The report of Directors on the practices prevalent on Corporate Governance in the Company is produced as annexure - IV to this report.

The Company is obliged to employ a Company Secretary on wholetime basis. Effective steps have been initiated but of no avail. However your directors have secured a compliance certificate from Shri V.K.V. Sarma, Practicing Company Secretary to fulfill the legal obligation to some extent. The certificate of Shri. V.K.V. Sarma is annexed to this 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 period;
- (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;



Bellary Steel and Alloys Limited

- (iv) That your Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

Your Directors wish to place on record their appreciation of the unstinted support extended to the Company by Financial Institutions, Banks, Central/State and other Government Agencies. Your Directors are also grateful to the customers, suppliers and shareholders who reposed their confidence in your Company and hope to have their continued support in the future. The Board records its appreciation of the support from the employees at all levels.

For and on behalf of the Board of Directors

S.MADHAVA
Managing Director

PARVATHI S MADHAVA
Director.

Bangalore
31st May, 2002

ADDENDUM TO DIRECTORS' REPORT

1. Interest on working capital loans amounting to Rs. 5333 Lakhs was not accounted as the company has submitted to working capital bankers to waive the interest for the Nine quarters under CDR scheme, which is in active consideration. Due to the same reason the accrual system of accounting in this regard is not being adopted.
2. The company has allotted Cumulative Redeemable Preference Shares of Rs.8202 Lakhs to FI's who have sanctioned term loans and other facilities as per their restructuring package. In this regard the company has taken the approval of the shareholders in Extra Ordinary General Meeting held on 31.10.2001. The company is in the process of complying the remaining terms and conditions of the sanction letters.
3. Interest on delayed payments of lease rentals are not provided as the company is in the process of negotiation

for waiver of the interest in view of financial crisis being faced by the company. Already we have entered into MOU with some of the companies for full & final settlement to the extent of lease rentals due. Similar steps are proposed in respect of other leases also.

4. The company has conducted physical verification of Inventories during the year. The shortages on account of accumulated Atmosphere & Ground Losses, weighment difference, Transport Loss, sparking losses, cutting losses etc., over a period of years are written off to bring down to the level of actual physical stocks.
5. The company has not provided any bad debts in any of the earlier years. After reviewing realisability of the receivables, management has decided to write off as bad debts are unrecoverable in spite of legal actions.
6. Fixed assets register is being updated and will be completed in all respects shortly.
7. Due to funds constraint, the arrears of PF and ESI are not paid on due dates. However, ESI and Employees contribution to PF as on the date of Balance Sheet were remitted subsequently. Employers Contribution to PF will be remitted at the earliest.
8. The company has remitted partly IT-TDS after the date of Balance Sheet. The company will make arrangement for the remittance of the balance amount shortly.
9. Other comments are self-explanatory.

For and on behalf of the Board of Directors

S.MADHAVA
Managing Director

PARVATHI S MADHAVA
Director.

Bangalore
31st May, 2002

17th Annual Report 2000 - 2002**ANNEXURE - I TO THE DIRECTORS' REPORT****PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****POWER AND FUEL CONSUMPTION**

| | 2000-02 18 months | 1999-00 12 months |
|--|------------------------------|------------------------------|
| 1 Electricity: | | |
| Units Purchased (lacs) | Nil | 13 |
| Amount (Rs. in lacs) | Nil | 83 |
| Rate per Unit (Rs.) | Nil | 7 |
| Own Generation | | |
| Units (lacs) | 63 | 45 |
| Amount (Rs. in lacs) | 337 | 148 |
| Rate per Unit (Rs.) | 5 | 3 |
| 2 Furnace Oil/HSD/LDO: | | |
| Quantity KL | 22 | 1099 |
| Amount (Rs. in Lacs) | 337 | 154 |
| Average Rate per LTR (Rs.) | 15 | 14 |
| 3 Liquid Oxygen: | | |
| Purchase+Own Generation | | |
| Qty. 000' Cu. M. | Nil | 50 |
| Amount (Rs. in lacs) | Nil | 7 |
| Average Rate (Rs.) | Nil | 14 |
| 4 Coal: | | |
| Qty. Tons | 81727 | 50403 |
| Amount (Rs. in lacs) | 1886 | 1193 |
| Average Rate Rs./Ton | 2308 | 2367 |
| 5 Consumption per Unit of Production: | | |
| Electricity Purchased | | |
| Own generation (Units) | 83 | 120 |
| Liquid Oxygen (Cu.M) | 0 | 19 |
| Furnace Oil/HSD/LDO (Ltrs.) | 29 | 23 |
| Coal (MT.) | 2 | 1 |

**ANNEXURE-II TO THE DIRECTORS' REPORT**

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March 2002, employed for part of the financial year under review and was in receipt of remuneration aggregating not less than Rs. 100,000/- p.m.

| Name | Designation/ Nature of Duties | Remuneration Received | Qualification | Total Experience (Years) | Date of Commencement of Employment | Nature of Employment | Age Years | Particulars of Last employment | |
|-----------------|-------------------------------------|--------------------------|---|--------------------------------|--|-------------------------|--------------|--------------------------------|----------------------------------|
| | | | | | | | | Designation | Name of the Employer |
| T.M.Subramanian | Managing Director | Rs.3,97,155/- | B.Com., M.B.A., L.L.B. | 44 | 29.09.2001 | Contractual | 63 | CGM (Material Management) | Bharat Earth Movers Ltd. |
| J.P.N. Lal | Jt. Managing Director | Rs.3,88,329/- | B.Sc., Met. Engg. IT., BHU, AMIIM | 33 | 29.09.2001 | Contractual | 54 | VP (Steel Making & PPC) | Jindal Vijayanagar Steel Ltd. |

- NOTES:**
- 1) The above employees are not related to any Directors of the Company.
 - 2) Remuneration includes Salary, reimbursement of medical facilities, value of free accommodation and other allowances.
 - 3) Company contributes 12% of the basic salary to the Employees Provident Fund account.
 - 4) The employees are entitled to Gratuity as per Gratuity Act and Mediclaim, Group Personal Accident Insurance as per the Company's Rules.

17th Annual Report 2000 - 2002

ANNEXURE-III TO THE DIRECTORS' REPORT
INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

- a) **De-Listing :**
No application for de-listing the Company's securities has been made to any of the Stock-Exchanges.
- b) **Suspension in Trading:**
Trading in the Company's securities had not been suspended for any reason during the period under review.
- c) **Listing Fees:**
The listing fees payable for the year 2001-2002 has already been paid.

ANNEXURE-IV TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. BOARD OF DIRECTORS

1.1 Composition

The present Board of Directors comprises of five Directors. The composition is as under:-

| Name of the Director | Position |
|--|--|
| Mr. S. Madhava | Managing Director |
| Mr. H.S.G. Shetty (w.e.f. 17-04-2002) | Nominee Director of IDBI |
| Mr. S. Dutt (w.e.f. 18-04-2002) | Nominee Director of IIBI |
| Mrs. Parvathi S Madhava | Director |
| Mr. S. Bhanuprakash (w.e.f. 29-09-2001) | Alternate Director to Mrs. Parvathi S Madhava |

1.2 Meetings and attendance record of each Director

- (i) 8 Meetings of the Board of Directors were held during the 18 months period ended on 31-03-2002.

These were held on:-

- | | |
|-----------------------|-------------------------|
| 1. 30th October, 2000 | 5. 28th July, 2001 |
| 2. 6th January, 2001 | 6. 29th September, 2001 |
| 3. 30th March, 2001 | 7. 26th December, 2001 |
| 4. 30th April, 2001 | 8. 29th January, 2002 |