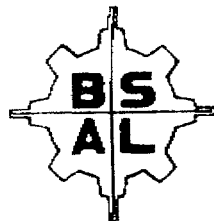


19th

ANNUAL REPORT

NOVEMBER 2003

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Bellary Steels and alloys Limited

BELLARY STEELS & ALLOYS LIMITED

BOARD OF DIRECTORS :

Shri S. Madhav - Managing Director
Shri H.S.G. Shetty - Nominee of IDBI
Shri. G.J. Prasad - Nominee of IFCI
Shri. Ram Nain Pandey - Director (Project)
Smt S. Parvathi - 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 : 08392 - 261201 (4 Lines), Fax : 08392-260113

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 : 22721234

**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Nineteenth 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 11 a.m. on Thursday, the 19th February, 2004.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 30th November, 2003 and profit & Loss Account for the 8 months period ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Shri. S Madhav, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Smt. S. Parvathi, 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.

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

"RESOLVED THAT where as not less than 25% of the subscribed share capital in the Company is held by the Public Financial Institutions together with State Financial Institutions, M/s. Moorthi & Kantharaj, Chartered Accountants Bangalore, the retiring auditors of the Company be and are hereby reappointed auditors of the company till the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors in consultation with the Auditors."

SPECIAL BUSINESS

5. 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(1)(a) 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 (hereinafter referred to as the "Committee") 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 -

- a) 16,00,00,000 equity shares of the face value of Rs.10/- each for cash aggregating to Rs.160 crores
- b) 16,00,00,000 redeemable preference (cumulative/non-cumulative) shares of Rs.10/- each for cash aggregating to Rs. 160 crores and
- c) 2,50,00,000 of Optionally Fully Convertible Debentures (OFCD) of Rs.100/- each for cash aggregating to Rs.250 crores to be converted into 15% Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each with an option to redeem such CRPS in three equal annual installments at the end of the 7th, 8th and 9th year from date of issue of OFCDs or convert such CRPS into equity shares of Rs.10/- each at par as the Board at its sole discretion may at any time or times hereafter decide to the Promoters, Members, Debenture holders, Employees, Financial Institutions/ Banks, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities/authorities and/or to such other persons.

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whether through public issue, rights issue, private placement or on preferential basis as the Board 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 securities to be issued, as are not subscribed may be disposed of by the Board/Committee thereof, to such persons and on such manner and on such terms as the Board/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/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".

By order of the Board
for BELLARY STEELS AND ALLOYS LIMITED

Bangalore
8th December, 2003

S MADHAV
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 Company not less than 48 hours before the commencement of the meeting.
- (iii) 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.

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

Item No. 4

M/s. Moorthi & Kantharaj, Chartered Accountants, Bangalore, were appointed as auditors in the last Annual General Meeting and to hold office until the conclusion of the next Annual General Meeting of the company. Accordingly they retire at this Annual General Meeting and eligible for reappointment.

The reappointment is required to be made by a special resolution as per section 224 (A) of the Companies Act, 1956, since not less than the 25% of the subscribed capital of the Company is held by Public Financial Institutions.

It is proposed to reappoint them to hold office until the conclusion of the next Annual General Meeting of the company at a remuneration as may be fixed by the Board of Directors in consultation with the Auditors.

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. 5

The Company is implementing an Integrated Steel Plant Project at Bellary. In view of the delay in implementation, the Company had approached Industrial Development Bank of India (IDBI) for revision in the project cost. Accordingly IDBI had re-appraised the project and the revised project cost is Rs. 1679 crores in July, 2001. The additional funds required for the project is as under:

	Rs.crores
Debt from Financial Institutions/Banks	962.00
Supplier's credit	219.00
Share Capital -	
OFCDs	160.00
Equity/Preference (FI's/Banks)	89.00
Equity/Preference (Others)	6.00
Promoters & Associates	226.00
	<hr/>
	481.00
Internal Accruals	17.00
	<hr/>
	1679.00
	<hr/>

In order to part finance the cost of the project as above, it is proposed to issue

- a) 16,00,00,000 equity shares of the face value of Rs.10/- each for cash aggregating to Rs.160 crores,

- b) 16,00,00,000 redeemable preference (cumulative/noncumulative) shares of Rs.10/- each for cash aggregating to Rs. 160 crores and
- c) 2,50,00,000 of Optionally Fully Convertible Debentures (OFCD) of Rs.100/- each for cash aggregating to Rs.250 crores to be converted into 15% Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each with an option to redeem such CRPS in three equal annual instalments at the end of the 7th, 8th and 9th year from date of issue of OFCDs or convert such CRPS into equity shares of Rs.10/- each at par to the promoters, friends and relatives, members, Financial Institutions, Banks, OCBs and/or to such other persons, through public issue, rights issue, private placement/preferential allotment or any one or more combination of the above method.

Issue of further shares in the above manner requires approval by way of special resolution under the provisions of section 81 of the Companies Act, 1956.

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

By order of the Board

for BELLARY STEELS AND ALLOYS LIMITED

Bangalore
8th December, 2003

S MADHAV
Managing Director

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Nineteenth Annual Report of the Company with the Audited Financial Statements for the 8 months period ended on 30th November, 2003.

INDUSTRY SCENE

During the year, Steel Industry has shown recovery from the recession witnessed globally in the earlier years. The domestic industry also witnessed higher demand and higher sale prices for their finished products. The initiatives taken by the Government of India have resulted in restructuring of some of the steel majors resulting in reduced cost of debt and improvement in their capital base. Most of the Steel Plants in India approached FI's/Banks for restructure by way of converting debt into equity, reduction of interest rate and rephasing of repayment schedule.

FINANCIAL RESULTS

Your Board of Directors have decided to close the accounting year as on 30th November, 2003 in order to review the position of drastic erosion in the net worth of the Company and to form the opinion as to whether the Company has become a sick industry and for making reference to Board for Industrial and Financial Reconstruction (BIFR) u/s 15 of the Sick Industrial Companies (Special provisions) Act, 1985 (SICA). Accordingly the current accounting period comprises of 8 months commencing from April, 2003 to November, 2003. The Sales including job work for the period under review amounts to Rs. 1092 lacs compared to Rs. 2012 lacs for the previous year comprising of 12 months. During the period under review, the company has mainly produced Sponge Iron on conversion basis. The company has incurred a loss of Rs. 6301 lacs during the period under review compared to a loss of Rs. 9921 lacs for the previous year. The accumulated loss upto the period ended 30.11.2003 is Rs. 25902 lacs. Thus the total net worth of the company has been fully eroded due to accumulated losses. In view of this the Board has decided to file the application of reference u/s 15 of the SICA before the BIFR.

The summarised financial results of the company are as under:

	Current Year (8 months) Rs. in Lacs	Previous year (12 months) Rs. in Lacs
Total Income	1092	2012
Gross Profit	275	672
Less: Financial charges	3840	4567

Profit before Depreciation and		
Income Tax (Loss)	(3565)	(3895)
Less: Depreciation	466	693
Net Profit before tax (Loss)	(4031)	(4588)
Prior Period Expenditure	2270	5333
Less: Provision for taxation	Nil	Nil
Net Profit after tax (Loss)	(6301)	(9921)
Add: Deferred Tax Asset	Nil	8550
Add: Balance from the previous year	(19601)	(19046)
Add: Transfer from General Reserve	Nil	816
Appropriations	Nil	-Nil
Balance carried to balance sheet	(25902)	(19601)

DIVIDEND

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

ISP PROJECT

The implementation of the Integrated Steel Plant Project is further delayed due to inability to attain financial closure. The company is trying to obtain foreign investment from overseas towards additional equity, so that the Power Project and Blast Furnace could be completed in the first phase. The promoters could not bring in additional equity as per the pre-condition of restructure sanctioned by IDBI in spite of their best efforts. However the promoters are still pursuing their efforts in bringing additional equity.

DIRECTORS

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

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.



Bellary Steels and Alloys Limited

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	7.00
3. Others	Nil

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration beyond the stipulated limit in accordance with section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules 1975 as amended upto date.

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 - II and forms part of this report.

THE CORPORATE GOVERNANCE CODE

The Company has already implemented the code of corporate Governance as required by the Listing Agreement introduced by Securities & Exchange Board of India.

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

The Company is required to employ a Company Secretary on whole-time basis. The company has been taking steps to appoint a company Secretary, however due to financial constraints the appointment could not be made so far.

A compliance certificate from Shri. V.K.V. Sarma, Practicing Company Secretary to fulfill the legal obligation to some extent has been obtained. 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 except treatment of interest on working capital 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;
- (iv) That your Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors are also grateful to the customers, suppliers and shareholders who have 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. MADHAV **S. PARVATHI**
Managing Director Director

Bangalore
8th December, 2003

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ADDENDUM TO DIRECTORS' REPORT

1. The additional deferred tax asset/liability has been reviewed in view of the present financial position of the Company, vis-a-vis future earnings. Based on the reassessment, the Company has not recognised the deferred tax asset due to uncertainty of sufficient future business income.
2. The company has allotted Cumulative Redeemable Preference Shares of Rs. 8202 lacs 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. Due to funds constraint, the arrears of PF, ESI & Sales Tax are not paid on due dates. Efforts are being taken to remit the outstanding dues at the earliest.
4. The company is making arrangement for the remittance of the outstanding IT/TDS amount shortly.
5. Other comments are self-explanatory.

For and on behalf of the Board of Directors

S. MADHAV
Managing Director

S. PARVATHI
Director

Bangalore
8th December, 2003

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**ANNEXURE - I TO THE DIRECTORS' REPORT****PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****POWER AND FUEL CONSUMPTION**

	2003 8 months	2002-03 12 months
1 Electricity:		
Units Purchased (lacs)	Nil	Nil
Amount (Rs. in lacs)	Nil	Nil
Rate per Unit (Rs.)	Nil	Nil
Own Generation		
Units (lacs)	31	50
Amount (Rs. in lacs)	188	252
Rate per Unit (Rs.)	6	5
2 Furnace Oil/HSD/LDO:		
Quantity KL	11	18
Amount (Rs. in Lacs)	188	252
Average Rate per LTR (Rs.)	18	14
3 Liquid Oxygen:		
Purchase+Own Generation Qty. 000' Cu. M.	Nil	Nil
Amount (Rs. in lacs)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
4 Coal:		
Qty. Tons	4136	10977
Amount (Rs. in lacs)	58	161
Average Rate Rs./Ton	1402	1468
5 Consumption per Unit of Production:		
Own generation (Units)	61	54
Furnace Oil/HSD/LDO (Ltrs.)	20	20
Coal (MT.)	1	1

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ANNEXURE-II 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 2002-2003 has already been paid.

These were held on :

1. 30th June, 2003
2. 12th July, 2003
3. 29th November, 2003

- (ii) The attendance record of the Directors at the Board Meetings during the period ended on 30th November, 2003 and the last Annual General Meeting (A.G.M) is as under:

Name of the Director	Attendance at Board Meetings	Attendance at Last AGM
Mr. S. Madhav	3	Yes
Mr. H.S.G. Shetty	3	No
Mr. G.J. Prasad	3	NA
Mr. S. Dutt (upto 22-07-03)	-	No
Mr. R.N. Pandey	3	NA
Mrs. S. Parvathi	3	No
Mr. S. Bhanuprakash (Alternate Director to Mrs.S.Parvathi)	-	NA

ANNEXURE-III 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 Seven Directors. The composition is as under:-

Name of the Director	Position
Mr. S. Madhav	Managing Director
Mr. H.S.G. Shetty	Nominee Director of IDBI
Mr. G.J. Prasad	Nominee Director of IFCI
Mr. S. Dutt (upto 22-07-2003)	Nominee Director of IBI
Mr. R.N. Pandey	Director (Project)
Mrs. S. Parvathi	Director
Mr. S. Bhanuprakash	Alternate Director to Mrs. Parvathi S Madhav

1.2 Meetings and attendance record of each Director

- (i) 3 Meetings of the Board of Directors were held during the 8 months period ended on 30-11-2003.

1.3 Other Directorship

The details of other Directorships and Committee Chairmanships and Memberships held by the Directors of the Company are given below:-

Name of the Director	No. of other Directorships	Board Chairman	Committee* Member
Mr. S. Madhav	5	-	-
Mr. H.S.G. Shetty	1	-	-
Mr. G.J. Prasad	4	-	-
Mr. R.N. Pandey	-	-	-
Mrs. S. Parvathi	2	-	-
Mr. S. Bhanuprakash (Alternate Director to Mrs. S. Parvathi)	4	-	-

- * Only two committees, namely, Audit Committee, and Investors Grievance Committee are considered.