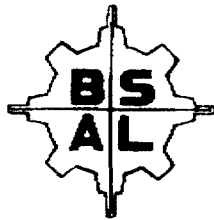


21st

ANNUAL REPORT

2004 - 2005

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Bellary Steels and Alloys Limited

BELLARY STEELS & ALLOYS LIMITED

BOARD OF DIRECTORS	: Shri S. Madhav - Managing Director Shri G.J. Prasad - Nominee of IFCI Shri. Ram Nain Pandey - Director (Project) Smt S. Parvathi - Director
EXECUTIVES	: Shri S. Sivarani Prasad - President (Operations & Admin.) Shri A. Mallikarjunappa - GM (F&A) Shri A. Raghuram - GM (Operations) Shri R.S. Bhat - GM (Projects)
AUDITORS	: M/s. Manohar Chowdhry & Associates Chartered Accountants BANGALORE
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" Phone : 08392 - 261201 (4 Lines), Fax : 08392-260113
CORPORATE OFFICE	: "Sri Nidhi", # 60, 1st Cross, 4th Main, Domlur II Stage, BANGALORE - 560 071 Phone : 080 - 2535 9741/42/43, , Fax : 080 - 2535 9740
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 : 22995234 Bombay Stock Exchange limited, Phiroze Jeejeebhoy Towers, Dalal Street MUMBAI - 400 001, Phone : 22721234



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty First 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 a.m. on Friday, the 30th September, 2005.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and profit & Loss Account for the year 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. Manohar Chowdhry & Associates, 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 whereas 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. Manohar Chowdhry & Associates, Chartered Accountants, Bangalore the retiring auditors of the Company be and are hereby reappointed as 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. 1. 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, 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

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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 utilization 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
31st August, 2005

S.MADHAV
Managing Director





Bellary Steels and Alloys Limited

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) The register of Members of the Company will remain closed during the period from 28th September, 2005 to 30th September, 2005 (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. 4

M/s. Manohar Chowdhry & Associates, Chartered Accountants, Bangalore, were appointed as auditors in the Extraordinary General Meeting held on 25th July 2005 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.

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-apprised

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
	481.00
Internal Accruals	17.00
	1679.00

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
31st August, 2005

S.MADHAV
Managing Director

21st Annual Report March 2005**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the Twenty First Annual Report of the Company along with the Audited Financial Statements for the year ended 31st March 2005

INDUSTRY SCENE

The positive trend in the steel industry continued this year also. However, the prices have stabilized over the year. The Sponge Iron industry has witnessed a mushrooming of small producers and there has been a huge capacity addition in respect of the same. Input costs have increased marginally. During the year the domestic steel producer witnessed buoyancy in steel demand and earned huge profits. On the whole the overall steel scenario remained bright.

FINANCIAL RESULTS

The Sales including job work for the period under review amounts to Rs. 2453 lacs compared to Rs. 572 lacs for the previous period of 4 months. During the period under review, the company has mainly produced Sponge Iron on conversion basis. The Company has switched over to own production of sponge iron since the last quarter of the accounting year. The company has incurred a loss of Rs. 7362 lacs after tax during the year under review compared to a loss of Rs. 2275 lacs for the previous period of 4 months. The accumulated loss upto the year ended 31.03.2005 is Rs. 35537 lacs. The application filed by the company on 08.12.2003 before BIFR upon total erosion of net worth has been registered by BIFR.

The summarised financial results of the company are as under:

	Current Year (12 months) Rs. in Lacs	Previous year 4 months) Rs. in Lacs
Total Income	2453	572
Gross Profit (Loss)	386	(7)
Less: Financial charges	6693	1992
Profit before Depreciation and		
Income Tax (Loss)	(6307)	(1999)
Less : Depreciation	695	233
Net Profit before Tax (Loss)	(7002)	(2232)
Prior Period Expenditure	360	12
Less : Income Tax for the previous years	0	31

	Current Year (12 months) Rs. in Lacs	Previous year (4 months) Rs. in Lacs
--	---	---

Net Profit after tax (Loss)	(7362)	(2275)
Add: Balance from the previous year	(28176)	(25901)
Balance carried to balance sheet	(35537)	(28176)

DIVIDEND

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

CAPITAL

During the year the promoters have mobilized and brought in share application money of Rs. 172 lacs towards implementation of 2.5 MW Power Plant and One 10 M.T. Induction Furnace.

ISP PROJECT

There has not been any improvement in the situation with regard to implementation of the Integrated Steel Plant Project, which has been further delayed due to inability to attain financial closure. The company is putting in full efforts to obtain foreign investment from overseas investors towards additional equity, so that the Power Project and Blast Furnace could be completed in the first phase. However, the promoters are still pursuing their efforts in bringing additional equity. The Directors are hopeful of an early solution to the situation.

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. Manohar Chowdhry & Associates, Chartered Accountants, Bangalore, 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.



Bellary Steels and Alloys Limited

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) (Deemed Imports - Coal Purchased on High Seas basis)	238.00
2. Foreign Travel Expenses	67.00
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. Even though the company has appointed a Company Secretary, who has resigned recently, the company has been taking steps to appoint a new Company Secretary. A compliance certificate from Shri. R. Krishna Hari, V.K.V.S & Co., Practicing Company Secretary to fulfill the legal obligation to some extent has been obtained. The certificate of Shri. R. Krishna Hari 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;
- (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 for the support from the employees at all levels.

for and on behalf of the Board of Directors

Bangalore
31st August, 2005

S.MADHAV
Managing Director

S.PARVATHI
Director

21st Annual Report March 2005**ADDENDUM TO DIRECTORS' REPORT**

1. The additional Deferred Tax Asset 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 recognized the deferred tax asset due to uncertainty of sufficient future business income. However, the Directors are having opinion of earning future income, in view of the improvement in the operations of the company to continue the Deferred Tax.
2. The company has remitted the entire outstanding amount as on 31.03.2005 in respect of TDS after the date of Balance Sheet.
3. Other comments are self-explanatory.

For and on behalf of the Board of Directors

Bangalore
31st August, 2005

S. MADHAV
Managing Director

S. PARVATHI
Director

ANNEXURE - I TO THE DIRECTORS' REPORT**PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY FROM 01.04.2004 TO 31.03.05**

POWER AND FUEL CONSUMPTION			POWER AND FUEL CONSUMPTION		
	2005	2004		2005	2003
	12 months	4 months		12 months	4 months
1 Electricity:			5 Coal:		
Units Purchased (lacs)	39	Nil	Qty. Tons	22865	2675
Amount (Rs. in lacs)	229	Nil	Amount (Rs. in lacs)	692	50
Rate per Unit (Rs.)	6	Nil	Average Rate Rs./Ton	3027	1863
2 Own Generation			6 Consumption per Unit of Production:		
Units (lacs)	9	17	Electricity Purchased (Units)	57	0
Amount (Rs. in lacs)	76	84	Own generation (Units)	14	61
Rate per Unit (Rs.)	8	5	Furnace Oil/HSD/LDO (Ltrs.)	6	19
3 Furnace Oil/HSD/LDO/ SUPER KEROSENE			Coal (MT.)	1	1
Quantity KL	4	5	PRODUCTION		
Amount (Rs. in Lacs)	76	84	Steel Products	0	0
Average Rate per LTR (Rs.)	19	17	Sponge Iron Own Production	17406	2501
4 Liquid Oxygen:			JVSL Conversion	50006	25384
Purchase+Own Generation			TOTAL	67412	27885
Qty. 000' Cu. M.	Nil	Nil			
Amount (Rs. in lacs)	Nil	Nil			
Average Rate (Rs.)	Nil	Nil			



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 2004-2005 has been paid.

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 Four Directors.
The composition is as under:-

Name of the Director	Position
Mr. S.Madhav	Managing Director
Mr. G.J Prasad	Nominee Director of IFCI
Mr. R.N. Pandey	Director (Project)
Mrs. S. Parvathi	Director

1.2 Meetings and attendance record of each Director

(i) 5 Meetings of the Board of Directors were held during the 12 months period ended on 31.03.2005.

1. 30 th June, 2004	4. 23 rd November, 2004
2. 31 st July, 2004	5. 31 st January, 2005
3. 3 rd September, 2004	

(ii) The attendance record of the Directors at the Board Meetings during the year ended on 31st March, 2005 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	5	No
Mr.G.J. Prasad (w.e.f 29.06.05)	-	NA
Mr. R.N. Pandey	4	YES
Mrs. S. Parvathi	2	No
Mr. H.S.G. Shetty (upto 02.06.05)	4	No
Mr. A.K.Gupta (upto 29.06.05)	5	No

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 Director ships	Board Committee* Chairman	Member
Mr. S. Madhav	5	-	-
Mr. G.J.Prasad	1	-	-
Mr. R.N. Pandey	-	-	-
Mrs. S. Parvathi	2	-	-

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

1.4 Remuneration of Directors

The details of remuneration paid to the wholtime Directors of the Company are given below:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Notice Period
Mr.S.Madhav	3,69,000	Nil	Nil
Mr.R.N.Pandey	5,08,956	2,28,664	Nil

Note : Salary includes Basic Salary, Allowances, contribution to Provident and Other Funds and perquisites (including monetary value of taxable Perquisites), etc.

21st Annual Report March 2005**1.5 Re-appointment of Directors**

The following Directors of the Company retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under:-

Name of the Director	Position
1. Mr. S.Madhav	Director
2. Mrs. S.Parvathi	Director

2. AUDIT COMMITTEE

- (i) Four Audit Committee meetings were held during the year ended 31st March, 2005.
- (ii) The role and powers of the Audit Committee are as laid down under the relevant clause of the Listing Agreement and Section 292 (A) of the Companies Act, 1956.

3. SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Company has appointed the Compliance Officer who at present is overseeing the investors' grievances. There were no complaints pending for reply as on 31st March, 2005. There were no share transfers pending for registration as on the said date.

4. GENERAL BODY MEETINGS

The details of Annual General Meetings held in last 3 years are as under:

Annual General Meeting	Day, Date & Time	Venue
Extraordinary General Meeting	Monday, 11th August, 2003	Registered Office
18th Annual General Meeting	Monday, 29th September, 2003	Registered Office
19th Annual General Meeting	Thursday, 19th February, 2004	Registered Office
20th Annual General Meeting	Thursday, 20th September, 2004	Registered Office
Extraordinary General Meeting	Saturday, 12th March, 2005	Registered Office
Extraordinary General Meeting	Monday, 25th July, 2005	Registered Office

5. DISCLOSURES

- (I) The details of related parties viz., Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with Company's interest are given in Note No. 33 of schedule 19 of the accounts.
- (II) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the period under review.

6. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after they were approved by the Board. These are widely published in national and regional newspapers.

7. GENERAL SHAREHOLDERS INFORMATION**7.1 Registered Office**

Bellary Steels and Alloys Limited,
S-10/11, Ananthapur Road, Bellary,
Karnataka - 583101

7.2 Address for Correspondence : Same as above.**7.3 Plant Locations**

1. Mini Steel Plant : S-10/11, Ananthapur Road
Bellary, Karnataka - 583101

2. Integrated Steel : P.B.36, Amarapura,
Plant (ISP) Bellary, Karnataka - 583103

7.4 Share Transfer Agents

M/s. Karvy Computershare Private Limited, No. 51/2, T.K.N. Complex, Vanivilas Road, Opp. National College, Bsavanagudi, Bangalore - 560004.

7.5 Annual General Meeting

Date : 30-09-2005
Time : 10 A.M
Venue : Regd. Office :
S-10/11, Ananthapur Road
Bellary, Karnataka - 583101

7.6 Book Closure

28-09-2005 to 30-09-2005

7.7 Listing of Securities**Name of the Stock Exchanges**

- (a) Bangalore Stock Exchange Limited
(b) Bombay Stock Exchange limited, Mumbai