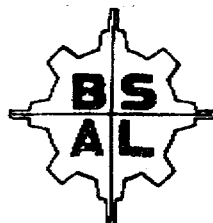


**24th
ANNUAL REPORT
2007 - 2008**

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Bellary Steel and alloys Limited



Bellary Steels and Alloys Limited

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**BELLARY STEELS & ALLOYS LIMITED**

BOARD OF DIRECTORS	:	Shri. S Madhav, Managing Director Shri. T.K. Ray, Nominee Director of IFCI Shri. Gopal KN Tatachar, Director Smt. S Parvathi, Director
COMPANY SECRETARY	:	Subodh Prasad Pankaj
EXECUTIVES	:	Shri S Sivaram Prasad, President (O&A) Shri A. Mallikarjunaappa- GM (F&A) Shri A. Raghuram – GM (Operations)
AUDITORS	:	M/s. Manohar Chowdhry & Associates Chartered Accountants. Bangalore
BANKERS	:	HDFC Bank Limited Central Bank of India The Dhanalakshmi Bank Ltd. Indian Bank
REGISTERED OFFICE/ FACTORY	:	S-10/11, Anantapur Road Bellary – 583 101. Grams: "BESTEEL" Web: www.bsai.in Email: bsalbly@sancharnet.in; bsalbly@bsai.in Ph : 08392-261201 (4 lines), Fax: 08392-260113
CORPORATE OFFICE	:	#201, 7th Cross, Off. C.M.H Road, Indiranagar, Ist Stage, Bangalore – 560 038 Email: bsal@vsnl.com; bsalbly@bsai.in Ph : 080-25210461(3 lines), Fax: 080-25210460
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, Ph : 22995234 Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai- 400 001, Ph: 22721234

24th Annual Report 2007 - 2008**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Shareholders of M/s. Bellary Steels & Alloys Limited will be held at its Registered Office of the Company at S-10/11, Anantapur Road, Bellary - 583 101 at 11.00 a.m. on Saturday, the 27th September, 2008 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 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 place of Mrs. S. Parvathi, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint Auditors and 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 an ordinary resolution:

"RESOLVED THAT in terms of section 224 and other applicable provisions, if any, of the Companies Act 1956, 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 the remuneration as may be fixed by the board of directors in consultation with the Auditors".

SPECIAL BUSINESS:

4. Appointment of Mr. Gopal KN Tatachar as a Director of the Company

To Consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Gopal KN Tatachar who was appointed by the Board of Directors as an Additional Director of the Company with effect from 22nd July, 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and hereby appointed as Director of the Company."

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

Bangalore
22nd August, 2008

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) The register of Members and transfer of books of the Company will remain closed from Thursday 25th September, 2008 to Saturday 27th September, 2008 (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.

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

ITEM NO. 4

Mr. Gopal KN Tatachar was appointed as Additional Director of the Company w.e.f. 22nd July, 2008 as per the provisions of Section 260 of the Company's Act, he can hold office upto the date of forthcoming Annual General Meeting of the Company, and are eligible for appointment as Directors. The Company has received notice U/s 257 of the Act, in respect of the candidate proposing this appointment as a Director of the Company, along with the requisite deposit.

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

Bangalore
22nd August, 2008

S.MADHAV
Managing Director

**DIRECTORS' REPORT****Dear Shareholders,**

Your Directors have great pleasure in presenting the Twenty Fourth Annual Report on the performance of your Company for the financial year ended 31st March, 2008 along with Audited Statements of Accounts.

INDUSTRY SCENE

Indian Steel Industry has been posting a healthy growth for last five years. However, the Company is not encashing the market opportunities. As you know your Company is under BIFR and due to financial crunch, Company is not achieved the target. However, the Company has achieved the total turnover by 39% compared to previous year.

FINANCIAL RESULTS

The Sales for the year under review amount to Rs.5044 Lacs compared to Rs.3620 lacs for the previous year. During the current year under review, the company has produced mainly Sponge Iron. The company has incurred a loss of Rs.11557 lacs after tax during the year under review compared to a loss of Rs.10,724 Lacs for the previous year. The interest on the working capital and term loan has been provided on accrual basis even though loan fund eroded over a period, therefore, the huge loss is accumulated every year. The accumulated loss upto the year ended 31.03.2008 is Rs.65,931 lacs.

The summarised financial results of the company are as under:

	Current year	Previous year
	Rs. In Lacs	Rs. In Lacs
	2007-08	2006-07
Total Income	5044	3620
Gross profit /(Loss)	1040	374
Less : Indirect Expenses	847	674
Less : Financial charges	11028	9665
Profit/(Loss) before Depreciation and Income Tax	(10835)	(9965)
Less : Depreciation	710	711
Net Profit /(Loss) before Tax	(11545)	(10675)
Prior period items (net)	7	44
Less : Fringe Benefit Tax	5	4
Less : Income Tax for the year	0	0
Net Profit/(Loss) after tax	(11557)	(10724)
Add : Balance from the Previous year	(54374)	(43650)
Balance carried to balance sheet	(65931)	(54374)

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.

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 continuing its full efforts to obtain foreign investment from overseas investors and the domestic investors towards additional equity/debt, so that the Power project and Blast Furnace could be completed in the first phase. The Company has submitted Draft Rehabilitation Scheme to IDBI – SASF and ARCIL which is under process. The Directors are hopeful of an early solution to the situation. After approval of Draft Rehabilitation Scheme (DRS) by BIFR, we are very much hopeful for success of ISP Project.

BIFR

Your Company has become a Sick Industrial Company within the meaning of clause (O) of section 3 of SICA, 1985 on 07.12.2006 with BIFR, New Delhi. IDBI has been appointed as Operating Agency (OA) by BIFR and the Operating Agency (OA) is in the advance stage to finalise the DRS.

DIRECTORS

Mrs. S. Parvathi, Director of your Company retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Mr. T.K. Ray has been appointed as Nominee Director of IFCI w.e.f. 31.10.2007 in place of Mr. G.J. Prasad, Nominee Director who has been withdrawn from IFCI. The Board of Directors wish to place on record the appreciation for the service rendered by him during his tenure.

Mr. Gopal KN Tatachar has been appointed as Director w.e.f. 22.07.2008.

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.

24th Annual Report 2007 - 2008**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 U/s 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	42.49
3. Consultancy	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 up to 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.

CORPORATE GOVERNANCE

The Company has 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 particulars prevalent on Corporate Governance has been annexed as III as part of the Annual 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 judgments 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 the 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 as a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management discussion and analysis of the financial condition and results and operations of the Company for the period under review as required under Clause 49 of the Listing Agreement

(i) FINANCIAL AND OPERATIONAL PERFORMANCE

The company financial operation has been already impacted due to non availability of working capital. However there is 39% growth in the turnover compare to previous year. The company has to provide the interest on the term loan and working capital on accrual basis as per the Accounting Standard. The net loss has arrived after charging interest on term loan and working capital. The company is expecting to get sufficient working capital during the year 2008-2009.

(ii) OUTLOOK

Economic and Financial health of the country is strong, which encourages infrastructure development. The steel is a main commodity to support all infrastructural developments. The company has taken up suitable steps to improve the production within limited source available and expecting to reach higher turnover and profitability. The company is also expecting the allotments of captive mines from Government of Karnataka to meet Ironore requirements to Sponge Iron unit. We look impressive revenue and profitability after approval of DRS by BIFR, New Delhi.

(iii) OPPORTUNITIES, THREATS AND RISKS

The continuous demand for Steel products to meet the industrial growth in and around Bellary as well as in Karnataka. Main threat is from the unorganised small sponge iron units and also volatility in commodity prices – raw materials prices - Iron ore and coal. However, this can be mitigated by getting captive iron ore mines.

**(iv) INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT**

Your company engaged the services of an independent agency to carry out internal audit of the company. The Audit Committee of the Board approves to Audit plan as per the Listing Agreement in consultation with the Internal Auditors, the Statutory Auditors and the operative management. The findings of the Internal Auditors are placed before the Audit Committee for review. The process not only seeks to ensure the reliability of control systems and compliance with laws and regulations but also covers resources; utilization and system efficacy.

Risk Management is an integral part of the business process. With the help of experts, the Company mapped the risks at the business processes and enterprise levels and evolved a risk management framework.

(v) HUMAN RESOURCE

Your company attached considerable importance to Human Resource Development (HRD) and harmonious industrial relations. The management is continuously working on the development of human capital, vital in an ever changing business environment towards achieving the goals and realizing the Vision of the Company. No. of Employees as on 31.03.2008 is 240.

ACKNOWLEDGEMENT

Your Company maintained cordial relationships with Financial Institutions and Banks, State, Central Governments and other Statutory Bodies, customers, suppliers, share holders during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement. Lastly, your Directors place on record their appreciation for the dedicated efforts put in by the employees during the year under review.

for and on behalf of the Board of Directors

Bangalore
22nd August, 2008

S.MADHAV
Managing Director

S.PARVATHI
Director

ADDENDUM TO DIRECTORS' REPORT

1. The additional Deferred Tax Asset has been reviewed in view of the present financial position of the Company, vis-à-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 of the opinion that the company would be in a position to earn adequate income in future, in view of the improvement in operations of the company to continue the Deferred Tax Asset.
2. In respect of determining the value of impairment of assets as on 31.03.2008, the Company will take suitable steps to comply with the Accounting Standard in the subsequent year after the approval of Draft Rehabilitation Scheme by the BIFR.
3. Other comments are self-explanatory.

for and on behalf of the Board of Directors

Bangalore
22nd August, 2008

S.MADHAV
Managing Director

S.PARVATHI
Director

24th Annual Report 2007 - 2008**ANNEXURE - I TO THE DIRECTORS' REPORT****PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY FROM 01.04.2007 TO 31.03.2008**

POWER AND FUEL CONSUMPTION		2008	2007
1 Electricity:			
Units Purchased (lacs)	36.00	31.00	
Amount (Rs. In lacs)	246.00	196.00	
Rate per Unit (Rs.)	7.00	7.00	
2 Own Generation :			
D G SET			
Units (lacs)	1.50	2.00	
Amount (Rs. in lacs)	38.00	41.00	
Rate per Unit (Rs.)	25.00	25.00	
3 Captive Power Plant :			
Unit in (Lacs)	29.00	25.00	
4 Furnace Oil / HSD/LDO/ :			
SUPER KEROSENE			
Quantity Ltrs in Lacs	132.00	136.00	
Amount (Rs. in Lacs)	38.00	40.00	
Average Rate per LTR (Rs.)	29.00	30.00	
5 Liquid Oxygen:			
Purchase+Own Generation			
Qty. 000' Cu. M.	Nil	Nil	
Amount (Rs. in lacs)	Nil	Nil	
Average Rate (Rs.)	Nil	Nil	
6 Coal:			
Qty. Tons	58231.00	4928.00	
Amount (Rs. in lacs)	2433.00	1719.00	
Average Rate Rs./Ton	4178.00	3449.00	
7 Consumption per Unit of Production:			
Electricity Purchased (Units)	108.00	87.00	
Own generation (Units)	92.00	76.00	
Furnace Oil/HSD/LDO (Ltrs.)	4.00	4.00	
Coal (MT.)	2.00	1.00	
PRODUCTION :			
Sponge Iron	33284	34669	
TOTAL	33284	34669	

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 2008-09 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.T.K. Ray	Nominee Director of IFCI
Mrs.S.Parvathi	Director
Mr.Gopal KN Tatachar	Director

1.2 Meetings and attendance record of each Director

(i) Four Meetings of the Board of Directors were held during the 12 months period ended on 31.03.2008.

- | | |
|-----------------------|-----------------------|
| 1. 28th April, 2007 | 2. 27th July, 2007 |
| 3. 31st October, 2007 | 4. 25th January, 2008 |

(ii) The attendance record of the Directors at the Board Meetings during the year ended on 31st March, 2008 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	4	Yes
Mr. G.J. Prasad	2	No
Mr. T.K. Ray	2	No
Mrs. S.Parvathi	4	Yes

**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	6	-	-
Mr. G.J.Prasad	2	2	2
Mr. T.K. Ray	2	1	1
Mrs. S.Parvathi	2	2	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

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

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. Mrs. S.Parvathi	Director
2. Mr. Gopal KN Tatachar	Director

2. AUDIT COMMITTEE

- (i) Three Audit Committee meetings were held during the year ended 31st March 2008
- (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, 2008. 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
21st Annual General Meeting	Friday, 30th September, 2005 11.00 a.m	Registered Office
22nd Annual General Meeting	Saturday, 30th September, 2006 11.00 a.m	Registered Office
23rd Annual General Meeting	Saturday, 29th September, 2007 11.00 a.m	Registered Office

24th Annual Report 2007 - 2008**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.23 of schedule 19 of the accounts.
- (ii) No penalties or strictures have been imposed on the Company by Stock Exchange 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- 583101
Karnataka

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

- 1. Mini Steel Plant : S-10/11, Ananthapur Road Bellary- 583101 Karnataka
- 2. Integrated Steel : P.B.36, Amarapura, Plant (ISP) Bellary- 583103 Karnataka

7.4 Share Transfer Agents

M/s. Karvy Computershare Private Limited, "Karvy House", # 46, Avenue 4, Street No.1; Banjara Hills, Hyderabad – 500 034. Andhra Pradesh.

7.5 Annual General Meeting

Date : 27th September, 2008
Time : 11 A.M
Venue : Regd. Office :
S-10/11, Ananthapur Road
Bellary - 583101
Karnataka

7.6 Book Closure

25-09-2008 to 27-09-2008

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

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