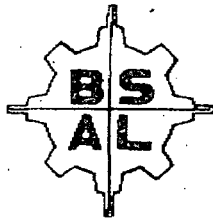


**25th
SILVER JUBILEE
ANNUAL REPORT
2008 - 2009**

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Bellary Steels and alloys Limited



Bellary Steels and Alloys Limited

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Bellary Steels and Alloys Limited

BELLARY STEELS & ALLOYS LIMITED

BOARD OF DIRECTORS

Shri. S Madhav, Managing Director
Shri. T.K. Ray, Nominee Director of IFCI
Smt. S Parvathi, Director
Shri. Gopal KN Tatachar, Director

COMPANY SECRETARY

Subodh Prasad Pankaj

EXECUTIVES

Shri S Sivaram Prasad, President (O&A)
Shri A. Mallikarjunaappa- GM (F&A)

AUDITORS

M/s. Manohar Chowdhry & Associates
Chartered Accountants, Bangalore

BANKERS

IDBI Bank
Central Bank of India
HDFC Bank Limited
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, 1st Stage, Bangalore – 560 038
Email: bsal@vsnl.com; bsalblr@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 : 080 - 22995234

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai - 400 001, Ph : 022 - 22721234

25th Annual Report 2008 - 2009**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Shareholders of Bellary Steels and Alloys Limited will be held at the Registered Office of the Company at S-10/11, Anantapur Road, Bellary - 583 101 at 11.00 A.M. on Wednesday, the 30th September, 2009 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 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 Shri S. Madhav, who retires by rotation and being eligible, offers himself 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".

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

Bangalore
31st August, 2009

S.MADHAV
Managing Director

NOTES

- (i) 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.
- (ii) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday 26th September, 2009 to Wednesday 30th September, 2009 (Both days inclusive)
- (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.
- (iv) Members who have multiple Ledger Folios in Identical names or joint names in same order are requested to intimate / send the concerned share certificates quoting their ledger folios of such accounts to enable the Registrar and Transfer Agent to consolidate all such shareholdings into one folio.
- (v) Members who have not converted the share certificates of Rs. 10/- in to Re. 1/- each are requested to send the Original Share Certificate to the Registrar for issuing the New Share Certificate of Re. 1/- each.

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

Bangalore
31st August, 2009

S.MADHAV
Managing Director



Bellary Steels and Alloys Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting the Twenty-Fifth Annual Report on the performance of your Company for the financial year ended 31st March, 2009 along with Audited Statements of Accounts. Your directors are also pleased to inform you that the Company has successfully completed 25 years and is celebrating its Silver Jubilee this year.

INDUSTRY SCENE

Indian Steel Industry has been posting a healthy growth for last five years. However, the Company has not been encashing on the market opportunities due its sick status. As you know your Company is under BIFR and because of the financial crunch, the Company is not achieving set targets. The turnover of the Company witnessed a decline by 20.83% as compared to the previous year.

FINANCIAL RESULTS

The Sales for the year under review amount to Rs. 4013 Lacs as compared to Rs. 5044 lacs for the previous year. The Company has incurred a loss of Rs. 14361 lacs after tax during the year under review as compared to a loss of Rs. 11557 Lacs for the previous year. Interest on the Working Capital and Term Loan has been provided on accrual basis even though the loan funds have eroded over a period. Therefore, huge loss is accumulated every year. The accumulated loss up to the year ended 31.03.2009 is Rs. 80292 lacs as compared to Rs. 65931 lacs for the previous year.

The summarised financial results of the company are as under:

	Current year Rs. In Lacs 2008-09	Previous year Rs. In Lacs 2007-08
Total Income	4013	5044
Gross profit/(Loss)	281	1040
Less : Indirect Expenses	950	847
Less : Financial charges	12686	11028
Profit/(Loss) before Depreciation and Income Tax	(13355)	(10835)
Less : Depreciation	713	710
Net Profit/(Loss) before Tax	(14068)	(11545)
Prior period items (net)	284	7
Less : Fringe Benefit Tax	9	5
Less : Income Tax for the year	0	0
Net Profit/(Loss) after tax	(14361)	(11557)
Add : Balance from the		
Previous year	(65931)	(54374)
Balance carried to balance sheet	(80292)	(65931)

DIVIDEND

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

ISP PROJECT

The Company is continuing its full efforts to obtain foreign investment from overseas investors and domestic investors towards additional equity/debt, so that the Blast Furnace Complex could be completed in the first phase. The Directors are hopeful of an early solution and implementation of the Integrated Steel Plant project which has been delayed due to financial crunch.

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.

DIRECTORS

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

Mr. C.N.B. Nair was appointed as Special Director of BIFR w.e.f. 20.08.2008 by the Hon'ble BIFR, New Delhi and resigned from the Board w.e.f. 30.04.2009. The Board of Directors wishes to place on record the appreciation for the service rendered by him during his tenure.

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.

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.

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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.	120.77
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 Annexure - 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, applicable accounting standards have been followed;
- (ii) That your Directors have selected such accounting policies and applied them consistently and made judgements 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's financial operation has been already impacted due to non availability of working capital. There is 20.83% negative growth in the turnover compared to the previous year. The Company has to provide interest on the term loans and working capital loans on accrual basis as per the Accounting Standard. The net loss has been arrived after charging interest on term loans and working capital loans.

(ii) OUTLOOK

Economic and Financial health of the country is strong in spite of global recession, which encourages infrastructure development. Special stress has been laid by the union Government on rural and semi rural infrastructure development. Steel is the major component required to support all infrastructure developments. The Company has taken up suitable steps to improve the production within the limited resources available and expects to reach higher turnover and profitability. The Company is also anticipating allotments of captive mines from Government of Karnataka to meet Iron ore requirements to Sponge Iron unit.

(iii) OPPORTUNITIES, THREATS AND RISKS

There is continuous demand for Steel and steel products to meet the industrial growth in and around Bellary as well as in Karnataka. Main threats are from the unorganised small sponge iron units as also volatility in commodity prices - raw materials prices - Iron ore and coal.

(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 the 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.



Bellary Steels and Alloys Limited

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.

HUMAN RESOURCE

Your company attaches 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. Number of Employees on the rolls of the Company as on 31.03.2009 is 224.

ACKNOWLEDGEMENT

The Board expresses its grateful appreciation of the assistance and co-operation received from Financial Institutions and Banks, State, and Central Governments and other Statutory Bodies, customers, suppliers, share holders. 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 **S.MADHAV** **S.PARVATHI**
31st August, 2009 Managing Director Director

ADDENDUM TO DIRECTORS' REPORT

- 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.
- In respect of determining the value of impairment of assets as on 31.03.2009, 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.
- Other comments are self-explanatory.

for and on behalf of the Board of Directors

Bangalore **S.MADHAV** **S.PARVATHI**
31st August, 2009 Managing Director Director

ANNEXURE - I TO THE DIRECTORS' REPORT

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY FROM 01.04.2008 TO 31.03.2009

POWER AND FUEL CONSUMPTION

	Financial Year 2008-09	Financial Year 2007-08
1 Electricity:		
Units Purchased (lacs)	26.23	36.00
Amount (Rs. in lacs)	177.48	246.00
Rate per Unit (Rs.)	6.77	7.00
2 Own Generation :		
D G SET		
Units (lacs)	2.02	1.50
Amount (Rs. in lacs)	44.19	38.00
Rate per Unit (Rs.)	22.00	25.00
3 Captive Power Plant		
Unit in (Lacs)	25.56	29.00
4 Furnace Oil / HSD/LDO/ SUPER. KEROSENE		
Quantity Ltrs in Lacs	1440.00	132.00
Amount (Rs. in Lacs)	44.19	38.00
Average Rate per LTR (Rs.)	32.59	29.00
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	38554.00	58231.00
Amount (Rs. in lacs)	1873.00	2433.00
Average Rate Rs./Ton	4859.00	4178.00
7. Consumption per Unit of Production:		
Electricity Purchased (Units)	128.39	108.00
Own generation (Units)	135.00	92.00
Furnace Oil/HSD/LDO (Ltrs.)	7.05	4.00
Coal (MT.)	2.00	2.00

PRODUCTION

Sponge Iron	20433	33284
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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 in any of the Stock-Exchanges.

b) Suspension in Trading :

Trading in the Company's securities had not been suspended for any reason whatsoever, during the period under review.

c) Listing Fees :

The listing fees payable for the year 2009-10 have 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 Board of Directors comprises of Five Directors as on March 31, 2009.

The composition is as under:

Name of the Director	Position
Mr. S. Madhav	Managing Director
Mr. T.K. Ray	Nominee Director of IFCI
Mr. C.N.B. Nair	Special Director of BIFR
Smt. S. Parvathi	Director
Mr. Gopal KN Tatachar	Director

1.2 Meetings and attendance record of each Director

(i) Five Meetings of the Board of Directors were held during the 12 months period ended on 31.03.09

- 25th April, 2008
- 22nd July, 2008
- 22nd August, 2008
- 24th October, 2008
- 30th January, 2009

(ii) The attendance record of the Directors at the Board Meetings during the year ended on 31st March, 2009 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. T.K. Ray	3	No
Smt. S. Parvathi	4	Yes
Mr. Gopal KN Tatachar	3	No
Mr. C.N.B. Nair	1	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 Directorships	Board Committee	
		Chairman	Member
Mr. S. Madhav	5	-	1
Mr. T.K. Ray	2	-	1
Smt. S. Parvathi	2	1	1
Mr. Gopal KN Tatachar	2	-	1
Mr. C.N.B. Nair	1	-	1

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

1.4 Remuneration of Directors

The details of remuneration paid to the whole time 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. Mr. S. Madhav	Director

2. AUDIT COMMITTEE

- Four Audit Committee meetings were held during the year ended 31st March 2009
- 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 constituted Shareholders / Investors Grievance Committee. There were no complaints pending for reply as on 31st March, 2009. There were no share transfers pending for registration as on the said date.



Bellary Steels and Alloys Limited

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
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 General Meeting	Saturday, 27th September, 2008, 11.00 a.m	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.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 market during the period under review except the SEBI restrained the Company and its Directors namely Mr. S. Madhav, Smt. S. Parvathi, Mr. Ram Nain Pandey from accessing the securities market and further prohibited from associating with securities market to buy, sell or deal in securities either directly or indirectly for a period of 5 years w.e.f. 01.02.2006.

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 Plant (ISP) : P.B.36, Amarapura Village, 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 : 30th September, 2009
Time : 11 A.M
Venue : Regd. Office : S-10/11, Ananthapur Road
Bellary - 583101
Karnataka
- 7.6 **Book Closure** : 26.09.2009 to 30.09.2009
- 7.7 **Listing of Securities** : Name of the Stock Exchanges
(a) Bangalore Stock Exchange Limited, Bangalore
(b) Bombay Stock Exchange Limited, Mumbai

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7.8 (a) Distribution of Shareholding:

Sl. No	Shareholding of Nominal value of Re. 1/-	No. of shareholders	Share Amount	Nominal value
			In Rs.	% to Total
1	Upto 5000	102751	144124032	19.70%
2	5001-10000	7543	62364026	8.53%
3	10001-20000	3244	50100319	6.85%
4	20001-30000	1153	29516934	4.04%
5	30001-40000	444	16087007	2.19%
6	40001-50000	415	19948919	2.73%
7	50001-100000	554	42657694	5.83%
8	100001 and above	375	366653069	50.13%
	Total	116479	731452000	100.00%

7.8 (b) Market Price Data:

Month 2008-2009	Quotation at Bangalore Stock Exchange		Quotation at Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2008	Nil	Nil	5.52	3.76
May, 2008	Nil	Nil	5.23	3.98
Jun, 2008	Nil	Nil	4.59	2.97
Jul, 2008	Nil	Nil	4.17	2.51
Aug, 2008	Nil	Nil	4.68	3.45
Sep, 2008	Nil	Nil	3.65	1.98
Oct, 2008	Nil	Nil	2.73	1.25
Nov, 2008	Nil	Nil	2.06	1.33
Dec, 2008	Nil	Nil	2.95	1.25
Jan, 2009	Nil	Nil	2.45	1.59
Feb, 2009	Nil	Nil	1.79	1.52
Mar, 2009	Nil	Nil	1.72	1.26

Note: Face value of the Shares split from Rs. 10 to Re. 1 each. W.e.f 09-12-2005.

7.9 Shareholding Pattern (as on 31.03.2009):

Category	No. of Holders	No. of Shares	% of Holding
PROMOTERS	3	445800900	60.95%
IFI	3	39000	0.01%
FII	4	3060600	0.42%
BANKS	2	7000	0.00%
MUTUAL FUNDS	15	321000	0.04%
BODIES CORPORATE	1100	72019524	9.85%
NRIs/OCBs	377	5190654	0.71%
INDIAN PUBLIC	114873	203339064	27.80%
ANY OTHER	102	1674258	0.23%
TOTAL	116479	731452000	100.00%