

Annual Report 2006-07.



Driving our growth into new dimensions

INTEGRATION



BHUSHAN STEEL LIMITED

(Formerly Bhushan Steel & Strips Limited)

Enhancing the world of steel

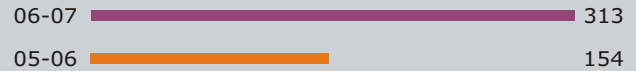
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Performance at a glance

Gross Sales



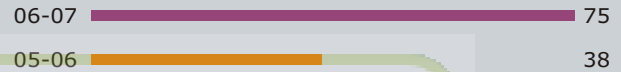
Net Profit



Exports



Earning per share (In Rs.)



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(Figures in Rs. Crores)



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A Decade of Moving from Strength to Strength

10 years Financial Summary

Year	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07
Gross Sales	513	752	957	1058	1139	1263	1745	2868	3070	4202
Exports	64	49	62	70	115	300	389	1051	1006	1527
PBDIT	78	127	163	177	183	202	277	410	408	659
Net Profit	40	41	45	46	46	61	96	153	154	313
Cash Accruals	52	64	88	105	108	133	203	317	312	580
Net Worth	369	406	447	481	528	573	664	805	960	1338
Gross Block	620	749	823	940	989	1302	1529	2044	3091	4586
EPS (Rs.)	12	12	14	14	14	15	22	38	38	75
Interest Coverage Ratio	4.85	2.19	2.31	2.70	2.71	3.04	4.18	5.08	4.75	8.50

(Figures in Rs. Crores)

Milestones in our journey

1988-89	New cold rolling mill 60,000 TPA Total Installed Capacity 1,20,000 TPA
1991-93	Continuous galvanising line 1,00,000 TPA Shift from full hard to drawn & deep drawn grade
1993-94	Skin pass mill, Cut to length, CR Slitter. Auxiliary equipment of GP Line
1994-97	Hitachi CR Mill (1700 mm) 3,50,000 TPA GP/GC Line 40,000 TPA Power Plant 12 MW
1998-2001	Continuous Galvanizing Line 85,000 TPA Replacement of CR Mill-50,000 TPA Power Plant 12 MW Kathabar & Annealing bases
2003-06	Khopoli (Mumbai) project commissioned 4,25,000 MTPA Colour Coated, HTSS, H&T Drawn Tubes installed apart from CR & GP Introduction of Galume - 1st time in the country Power Plant 24 MW
2006-07	Commissioning of Phase I of Orissa Plant (up to May 07) Sponge Iron 6,80,000 TPA Billets 3,00,000 TPA Power Plant 110 MW



From the visionary

Dear Shareholder,

By all accounts FY 06-07 was a landmark year in your Company's history. Following the commissioning of the first phase of the integrated steel & power plant at Orissa, Bhushan Steel has emerged as a 1 billion dollar company, registering a substantial growth of 37% in gross sales over the previous financial year. Besides, the Company has also achieved 1 million tonne production during the last year; another milestone in the journey of Bhushan Steel.

The year saw Bhushan Steel achieve a number of strategic goals (including a change of name from Bhushan Steel and Strips Ltd. to Bhushan Steel Ltd.), & make considerable progress towards the Company's vision of becoming a totally integrated steel conglomerate. Against the backdrop of a more challenging operating environment, the Company reported solid financials and acknowledged a number of important transactions into new markets including South Africa, United Kingdom, Latin America, Romania, Russia & the Ukraine, while sustaining strong hold on Ethiopian & Middle East markets.

Bhushan Steel's strategy to increase its self-sufficiency in raw materials was further enhanced through a number of initiatives undertaken during the year. The Company has signed Memorandums of Understanding with various states in the eastern region for an incessant supply of iron ore and coal, to set up Greenfield steel projects. The combination of these initiatives would suffice the annual raw material supply in the long-term.

In what was a challenging year for the industry, the strength of our financial performance also highlights our endeavour to offer a better product mix. Bhushan Steel reported sales of INR 4202.05 crores, export sales of INR 1526.61 crores and net profit of INR 313.26 crores. I am sure that our shareholders will appreciate this sound performance together with our endeavour to explore newer possibilities in foreign markets.

Keeping pace with contemporary innovation and technical quality and engaging with our customers to provide them with the desired quality and standards, has always been a priority at Bhushan Steel. The company has



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spent almost INR 3000 crores on the seamless integration of the Orissa project, so far, and has placed major machinery orders for HR Mill, Slab Caster and Conarc furnaces with SMS Demag, Germany; Blast furnace with Danieli Corus, Netherlands; Sinter plant with China Shougang; and Electric automation of HR plant with Siemens, Germany.

To conclude, I would like to extend my appreciation to all our board members, financial institutions, banks, Government authorities & shareholders for their whole-hearted support and sincere co-operation, and to all our employees for their continued hard work and commitment towards making



A Session with the MD

Mr. Neeraj Singal

1. How did Bhushan Steel perform in FY 2006-07?

The Company has shown a growth of 37% in gross sales during the financial year despite prevailing volatile steel prices, which reflects the positive effect that a better product mix and continuous value additions has brought to the company. On the back of the successful implementation of various CR and GP/GC projects, we have been able to establish a strong presence as the preferred supplier for automobile and white goods sector. Besides, we increased our footprints in the export market, which resulted in better realisation and expanding global clientele.

2. What changes, in your opinion, have happened in the global steel market over the past years?

The world steel industry has undergone some dramatic changes over the recent past. After experiencing a sharp downturn in demand starting in 1998, the world crude steel production peaked at 1.23 billion tons in 2006, marking an increase of 9.7% over the past year. This, along with other factors, is creating favours for steel producers that have advantages such as being in close proximity to raw material deposits & markets. Because of our captive raw material supply, Bhushan Steel would be a key beneficiary.



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Bhushan Steel, a totally integrated steel company.

Bhushan Steel's vision of total integration is a lot closer to realisation today. Through seamless backward integration, Bhushan Steel is consolidating its position on the entire steel value chain. From iron ore to specialised value added steel, the company is surging ahead.

B. B. Singal
Chairman

3. How Bhushan Steel plans to capitalise upon current market opportunities?

Bhushan Steel is poised to capitalise on the growing market opportunities with its technological advantage and integrated steel & power plant at Orissa. The 2.2 MTPA plant (expandable up to 4 MTPA) would meet the company's Hot Rolled steel requirements. Phase I of the project is already complete with 4 kilns, 110 MW power plant, Steel Melt shop and Raw material handling facilities. There are plans to enhance the capacity by another 6 million tonnes, after full commissioning of present capacity.

4. How do you see Bhushan Steel's performance after commissioning of the fully integrated Orissa project?

On completion, the Orissa plant will be one of the largest integrated HR steel and power projects of India. This backward integration will enable us with 1.9 MPTA of HR Steel, 300,000 TPA of billets and 110 MW captive power besides adding heavily to our bottomline and expanding our margins. With the full commissioning of the project, we shall be the pioneers in making auto grade HR coils in India.

5. Where do you see Bhushan Steel by FY 2012?

I see a very bright future for Bhushan Steel in the coming years. The major thrust is anticipated to come from infrastructure (ports, power, transportation and raw material supply), consumer items (automobile & white goods) and housing. Due to our self-reliant approach, mitigating impediments would not be a major concern. The existing Cold Rolling operations will continue to move up the value chain and target the high-end applications like auto and consumer durables. It's our vision to be a fully integrated (end-to-end) steel & power manufacturer that would play a pivotal role in the country's growth, and we are sure to achieve this well by 2012.

Integrating HR steel. Becoming self-sufficient.

Orissa witnessed the completion of Steel value chain.

- First phase of the Group's flagship integrated Steel & Power project got completed. Trial production of Sponge Iron and Billets have already started. Coal crushing line & Iron Ore crusher also got operative. With the completion of this 2.2 MTPA (expandable up to 4 MTPA) Orissa project, Bhushan Steel shall enter the primary steel segment with remarkable capacity.
- Development of the second phase of this project is on full swing and full commissioning shall happen as scheduled by 2009. As envisioned, this backward integration will enable Bhushan Steel with 1.9 MPTA of HR Steel, 300,000 TPA of billets and 110 MW captive power. This move will enable the company become a pioneer auto grade HR coil maker in India.

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The Hot Rolling Plant in the state of Orissa is a true reflector of Bhushan Steel's vision of total integration. Nestling on approx. 1600 acres of land, this state-of-the-art Steel and Power plant is going to be a decisive milestone in Bhushan Steel's onward journey.

The integrated steel plant instigates two streams of production independent of each other;

- Iron ore-DRI-IF-EAF-Billet for billet production and,
- Iron ore-DRI-BF-Conarc-HR Strip Mill for production of HR coils.



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The project advances the Group's vertical integration strategy, aimed at lifting levels of raw material self-sufficiency in the face of rising prices.





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Bhushan Steel has sourced cutting-edge technology from world's leading providers like SMS Demag, Siemens, Lurgi, Techint, Danieli Corus, BHEL, RITES, WAPCOS, Mecon and ABB for its Orissa project.

The manufacturing site is strategically located close to iron-ore reserves and to Paradip port, which leverages two way advantage towards raw material supply and logistics costs.

The allotment of coalmines at New Patrapara, translates another benefit to Bhushan Steel, due to the proximity of coal reserves. Bhushan Steel expects to meet its entire coal requirement for sponge iron and power production from this reserve.

The company has given contracts to SMS Demag AG, Germany, for the supply of a wide hot strip rolling mill to Orissa. In addition to the feedstock for the company's own cold rolling mills, the order is intended to produce a demanding product mix including HSLA (High-Strength Low - Alloy Steel), tube and special steel grades (up to 25.4 mm thickness) in the Hot Rolling mill.