



In the echelons of
steel leadership



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in the echelons of steel leadership



We have dominated the Indian secondary steel sector for well over a decade with premium value-added products. At the turn of the first decade of this century, we have some good news and some great news to share.

The good news is that we have just completed the fastest-built greenfield steel plant of India in the current year. Having commenced in 2005, five years is all we took – from the drawing board to the completion of the HR mill. The project brought a record greenfield capacity of 2.2 million tonne of primary steel and 410 MW of thermal power generation (including 300 MW from Bhushan Energy Limited) to our fold.

The great news is that we are fast progressing with the brownfield expansion at the same site in Orissa. And are geared up to cross the finishing line by 2012, adding another 3 MTPA to our primary steel capacity. In doing so, we would have added 5.2 MTPA of primary steel capacity in India, in less than 7 years' period – a rare feat that has never been achieved by an entrant ever before.

Having made our entry in the echelons of steel leadership, we are well on course to fortify our steel leadership.

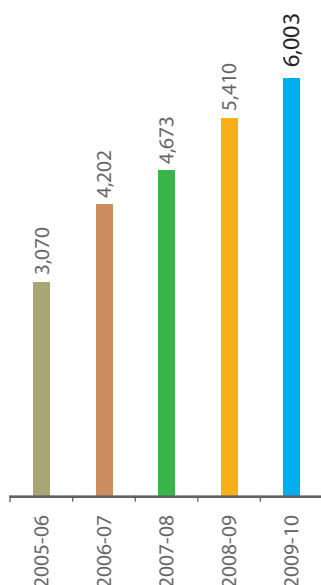
10 years' financial summary

(Rs. in crores except EPS)

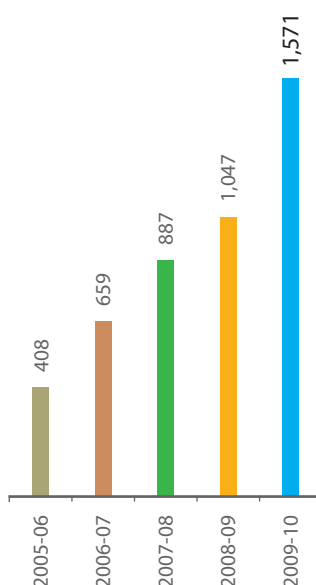
Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Gross Sales	1,058	1,139	1,263	1,745	2,868	3,070	4,202	4,673	5,410	6,003
EBITDA	177	183	202	277	410	408	659	887	1,047	1,571
Cash Profit	105	108	133	203	317	312	580	688	741	1,165
Net Profit	46	40	55	90	153	154	313	424	421	846
EPS (Rs)	14	14	15	22	38	38	75	100	99	199
Net Worth	481	528	573	663	805	960	1,338	2,022	2,781	4,421
Gross Block (Including CWIP)	940	989	1,302	1,529	2,044	3,091	4,586	7,495	10,682	14,795

Performance at a glance

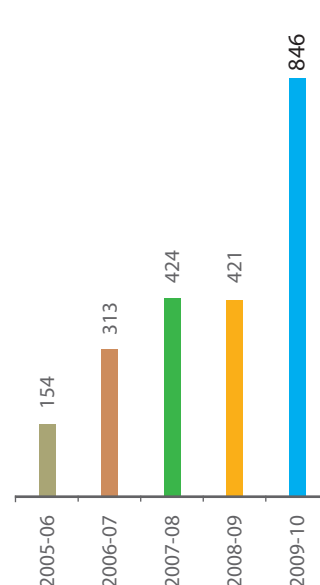
GROSS SALES (Rs. in crores)



EBITDA (Rs. in crores)



NET PROFIT (Rs. in crores)



Milestones in our Journey

1988-1997

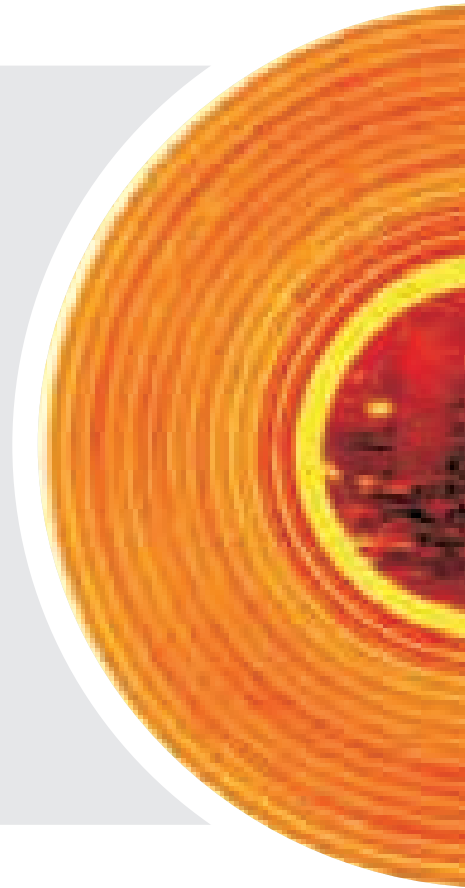
- New cold rolling mill 60,000 TPA
- Total Installed Capacity 120,000 TPA
- Continuous galvanising line 100,000 TPA
- Shift from full hard to drawn & deep drawn grade
- Skin pass mill, Cut to length, CR Slitter
- Hitachi CR Mill (1700 mm) 350,000 TPA for auto-grade steel
- GP/GC Line 40,000 TPA
- Power Plant 24 MW

1998-2006

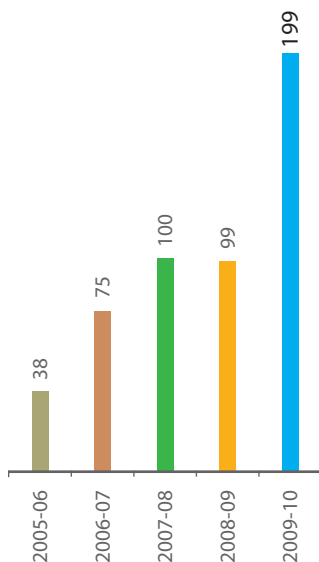
- Continuous Galvanising Line 85,000 TPA
- Replacement of CR Mill-50,000 TPA
- Khopoli (Mumbai) project commissioned 425,000 MTPA
- Colour Coated, HTSS, H&T
- Drawn Tubes installed apart from CR & GP
- Introduction of Galume - 1st time in the country
- Power Plant 24 MW

2007-2010

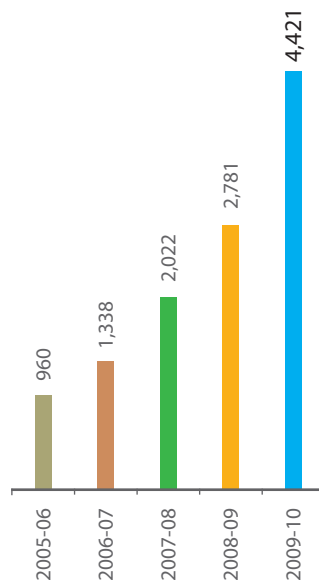
- Completion of Integrated Steel & Power Complex at Orissa
- Sponge Iron 1,360,000 TPA
- Billets 300,000 TPA
- Slabs 2 MTPA
- Hot Rolled Coil 1.90 MTPA
- Power Plant 110 MW



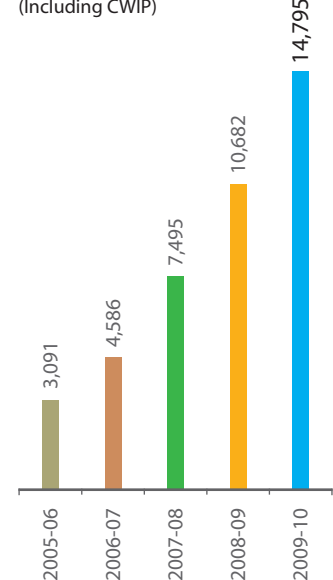
EPS (Rs.)



NET WORTH (Rs. in crores)



GROSS BLOCK (Rs. in crores)
(Including CWIP)



Message from the Chairman



Dear Shareholders,

Your company's story had been a story of pursuing leadership, ever since its inception. With absolute focus on delighting customers, the company has deployed best of global technologies and know-how and has scored many firsts in India in the process.

I am delighted to address you post a landmark fiscal year 2009-10, which will go as a truly transformational year in your company's pursuit of steel leadership. I congratulate you all on your company's successful foray into the primary steel domain with the completion of the state-of-the-art HR Coil mill at our integrated Steel & Power Complex in Orissa. Your company has completed the marathon 'mission integration' in a record time of just 60 months – from the drawing board to completion. I am glad that your Company kept its own track record, of completing expansions within the stipulated time and cost frames, intact with this project too.

Our long cherished dream of transforming into a truly integrated producer of quality steel in primary and secondary segment has become a reality. Bhushan Steel now is the youngest primary steel producer and the first one to produce autograde HR steel in India, coupled with the stature of being the oldest and largest manufacturer of autograde CR steel. Our dependence on external sources for primary steel is over. With the captive supply of quality steel from our Orissa plant, we will serve even improved quality to our valued customers. The integrated operations shall start improving our profitability from fiscal year 2010-11.

Moving forward has long been a way of life at Bhushan Steel. And will continue to drive our ensuing brownfield expansion at our Orissa plant. The teams are working relentlessly to complete the expansion by 2012. Once this expansion is complete, your company will emerge as an integrated Steel & Power major in India.

Your company has posted consistently improving internal accruals over the last decade and thereby strengthened its investment appetite towards its greenfield and brownfield expansions into steelmaking. Having completed the HR Mill, the company is confident of further strengthened cash flow going forward.

As the investment towards phase III (brownfield expansion) will also ease out over the coming 18-24 months, your company is exploring more projects in the states of West Bengal and Karnataka. In addition, the Company is undertaking capacity expansion of value-added steel at its existing plants at Khopoli and Sahibabad.

To summarise, your company has made its way into the echelons of Steel and Power leadership and is ready to contribute to the growth aspirations of India by making a significant impact in these two critical infrastructure input areas.

Such a wonderful journey would not have been possible without significant contributions from all our stakeholders. I would like to thank all you shareholders for your continued trust in our leadership abilities. I would like to reassure our lenders including banks and institutions from India and across the globe that the company remains committed to deliver value on their investments and thank them for their continued participation in our journey. I thank the Government of Orissa for their support in enabling us contribute 2.2 MTPA of steelmaking capacity to the nation. Last but not a bit least, I place on record my sincere appreciation to the Board of Directors, Executive Management and each and every member of 'team Bhushan' including our extended family of suppliers, advisors, partners and consultants for their valuable contributions made.

I am very confident of an exciting future of aggressive growth ahead and invite you all to continue participating in and partaking from our value creation and nation building in the future too.

Best regards,

B. B. Singal
Chairman

Session with the Vice Chairman & MD



How do you feel on completion of your long pursued 'Mission Integration'?

Elated, Content, Appreciative and Hungry! Elated for this was a long cherished dream as well as a strategic and logical business move. Content for the mission got completed in just 60 months (within stipulated timeframe) in spite of recessionary headwinds blowing for about 18 months in between. Appreciative for the project execution team together with the team of suppliers did a commendable job in completing and commencing this modern temple of Bhushan Steel's future growth with amazing precision. And Hungry for more as our stakeholders are accustomed of pursuing next level of growth at all times and rightfully deserve a bigger and profitable future, post this mammoth achievement.

Now that you have entered steelmaking successfully, what benefit does it bring to the company and its customers?

The company currently consumes about 1.2 MTPA of primary steel for its downstream businesses, which was bought till recently from external sources. Bhushan Steel's control over availability, quality and cost of input steel was very limited. With the completion of our own HR Mill, the company will have access to better quality HR Coils produced at our state-of-the-art facility on seamless and on-demand basis. The margin on the upstream product which external suppliers were earning till now will remain with the company and significantly impact its bottomline. With our present capacity of 2.2 MTPA, the surplus production will get sold to external buyers, generating topline as well as bottomline growth. As for the customers, the benefits will come in form of an even improved quality of steel that they will

Neeraj Singal
Vice Chairman & Managing Director

get. With the input requirements being met through captive source, Bhushan Steel will ensure more predictable supply timelines to its customers, notwithstanding any market vagary of any kind.

How do you view your Company's financial performance in the current year?

The recessionary trends of the previous year continued through the first half of fiscal year 2009-10 and it was only towards the second half when things started to improve somewhat. In the backdrop of such macro-economic conditions, the Company delivered exceptional results once again. Aided by significant increase in volumes sold, our Net Sales grew by 13.7% to reach Rs. 5,641 crore in the current year. Our EBITDA grew by 50% to reach Rs. 1,571 crore and PAT grew by 101% to reach Rs. 846 crore in the current year. EBITDA margin reflected the early trends of the benefits of our backward integration. This coupled with the lower average raw material cost helped our EBITDA margin grow to 27.85% in the current year from 21.12% in the previous year. The impact of backward integration shall get rightly reflected in the subsequent years.

How is the Phase III expansion progressing in Orissa?

Going by the current status of development, I am confident that we will keep our project completion track record of 'on or ahead of schedule' intact. Being brownfield expansion, the land was already available. The fund requirement for the entire project is in place. Leveling work has been completed. Civil and structural work is progressing in full swing. Orders for major equipments like Slab Casters, BOF, Blast Furnace and Sinter plant etc. have all been placed and delivery of these equipments will start in due course. We are confidently progressing to complete this game-changing expansion on or before the scheduled completion target of October 2012.

With the completion of our own HR Mill, the company will have access to better quality HR Coils produced at our state-of-the-art facility, on seamless and on-demand basis. The margin on the upstream product which external suppliers were earning till now will remain with the company and significantly impact its bottomline.

Thought leadership in steel



In order to manufacture our downstream products, we were depending on others to supply us primary steel. Despite market leadership in value-added steel for automobile and white goods segment, we were to live with constricted margins and unpredictable market vagaries. Our limitations prompted us on the marathon 'mission integration'.

