

ANNUAL REPORT 2001 - 2002

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BHUWALKA STEEL INDUSTRIES LIMITED

"Bhuwalka Centre", No. 71, III Cross, Residency Road, Bangalore - 560 025.


**BHUWALKA
STEEL INDUSTRIES LIMITED**

BOARD OF DIRECTORS	:	Shri Suresh Kumar Bhuwalka Chairman & Managing Director						
		Shri Sajan Kumar Bhuwalka Shri Sushil Kumar Bhuwalka Shri Kamal Kumar Bhuwalka Shri Kishan Kumar Bhuwalka Shri Satish Gandhi						
VICE PRESIDENT (FINANCE) & COMPANY SECRETARY	:	P.K. Chamaria						
AUDITORS	:	M/s. P.K. Rungta & Co. Chartered Accountants Bangalore						
BANKERS	:	Canara Bank in consortium with Karnataka Bank Limited						
REGD. OFFICE	:	No. 71, III Cross Residency Road Bangalore - 560 025						
FACTORIES	:	<table><tr><td>1) at 10th Mile Old Madras Road Bangalore - 560 049</td><td>4) at Sadarmangla Village Hoody-Whitefield Road Bangalore - 560 066.</td></tr><tr><td>2) at 23/B-2, II Stage Industrial Suburb Yeshwanthpur Bangalore - 560 022</td><td>5) at Melambi Village Kanchipuram Changalpattu District Tamilnadu - 631 501</td></tr><tr><td>3) at Plot Nos. 18 & 19 Tamaka Industrial Area Kolar - 563 101</td><td>6) 204, Mauji Khupri Taluka Wada District Thane Mumbai - 421 312</td></tr></table>	1) at 10th Mile Old Madras Road Bangalore - 560 049	4) at Sadarmangla Village Hoody-Whitefield Road Bangalore - 560 066.	2) at 23/B-2, II Stage Industrial Suburb Yeshwanthpur Bangalore - 560 022	5) at Melambi Village Kanchipuram Changalpattu District Tamilnadu - 631 501	3) at Plot Nos. 18 & 19 Tamaka Industrial Area Kolar - 563 101	6) 204, Mauji Khupri Taluka Wada District Thane Mumbai - 421 312
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SHARE TRANSFER AGENTS	:	Alpha Systems Private Limited No. 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003.						

Annual Report 2001-2002**NOTICE**

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Saturday, the 28th September, 2002, at 11.00 A.M. at Hotel Woodlands, No. 5, Raja Ram Mohan Roy Road, Bangalore- 560 025 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statements of Accounts of the Company for the year ended 31st march 2002, together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri. Sajan Kumar Bhuwarka, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Kamal Kumar Bhuwarka,, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the Ordinary Resolution passed by the shareholders at its Annual Genral Meeting held on 26th September, 2001, and pursuant to the Provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, and such other approvals as may be required, consent of the company be and is hereby accorded to the revision in terms of remuneration of Shri Suresh Kumar Bhuwarka, Chairman & Managing Director, for the balance tenure of his service as under:-

Basis Salary : Rs. 40,000 p.m.

Perquisites & Allowances:

- a. Company owned furnished accommodation with utilities (gas, electricity, water, repairs, security etc.) thereof.
- b. Fees of a maximum of two clubs. (This will not include life membership fees).
- c. Provision of a Company maintained car with chauffeur for official duties as well as personal use.

- d. Provident Fund, gratuity and encashment of leave at the end of the tenure of his office as per Company's rules.

Resolved further that where in any financial year, during the currency of tenure of the managing director, the Company has no profits or inadequate profits, it may pay above remuneration as minimum remuneration subject to Schedule XIII of the Companies Act, 1956.

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the Ordinary Resolution passed by the shareholders at its Annual General Meeting held on 12th September, 2000, and pursuant to the Provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, and such other approvals as may be required, consent of the company be and is hereby accorded to the revision in terms of remuneration of Shri Sushil Kumar Bhuwarka, Whole Time Director, for the balance tenure of his service as under:-

Basis Salary : Rs. 20,000 p.m.

Perquisites & Allowances:

- a. Company leased furnished accommodation with utilities (gas, electricity, water, repairs, security etc.) thereof.
- b. Fees of a maximum of two clubs. (This will not include life membership fees).
- c. Provision of a Company maintained car with chauffeur for official duties as well as personal use.
- d. Provident Fund, gratuity and encashment of leave at the end of the tenure of his office as per Company's rules.

Resolved further that where in any financial year, during the currency of tenure of the whole time director, the Company has no profits or inadequate profits, it may pay above remuneration as minimum remuneration subject to Schedule XIII of the Companies Act, 1956.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:



BHUWALKA STEEL INDUSTRIES LIMITED

"RESOLVED THAT in partial modification of the Ordinary Resolution passed by the shareholders at its Annual Genral Meeting held on 26th September, 2001, and pursuant to the Provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, and such other approvals as may be required, consent of the company be and is hereby accorded to the revision in terms of remuneration of Shri Kishan Kumar Bhuwalka, Whole Time Director, for the balance tenure of his service as under:-

Basis Salary : Rs. 20,000 p.m.

Perquisites & Allowances:

- a. Company owned / rented furnished accommodation with utilities (gas, electricity, water, repairs, security etc.) thereof.
- b. Fees of a maximum of two clubs. (This will not include life membership fees).
- c. Provision of a Company maintained car with chauffeur for official duties as well as personal use.
- d. Provident Fund, gratuity and encashment of leave at the end of the tenure of his office as per Company's rules.

Resolved further that where in any financial year, during the currency of tenure of the whole time director, the Company has no profits or inadequate profits, it may pay above remuneration as minimum remuneration subject to Schedule XIII of the Companies Act, 1956.

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification thereto or any re-enactment thereof for the time being in force) the Articles of Association of the Company be and is hereby amended and/or altered by insertion of the following Articles 4(bb) after the article 4(b) ; Articles 9A after 9 and Articles 28A after Article 28:

4 (bb) TRANSMISSION OF SHARES UNDER NOMINATION:

- (i) Any person who become a nominee by virtue of the provisions of the Section 109A of the Act, upon the production of such evidence as may be required by the Board and subject as provided in Section 109B of the Act, as hereinafter provided, elect, either:
 - (a) To be registered himself as holder of the Share or Debentures, of the Company as

the case may be ; or

- (b) To make such transfer of the Share or debenture, as the case may be as the deceased Shareholder or Debenture holder, as the case may be, could have made.
- (ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased Shareholder or Debenture holder as the case may be had transferred the Shares or Debentures, as the case may be, before his death.
- (iii) If the person being a nominee, so becoming entitled, elects to be registered as holder of the Shares or Debentures, himself/herself, as the case may be he/she, shall deliver deliver or send to the Company a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased Shareholder or Debenture holder, as the case may be.
- (iv) All the limitations, restrictions and provision of the act relating to the right to transfer and the registration of the transfer of Shares or Debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and notice or transfer signed by that Shareholder or Debenture holder.
- (v) A person, being a nominee, becoming entitled to a Share or Debenture by reason of the death of the holder shall be entitled to same dividends and other advantages to which he/she would be entitled if he/she were the registered holder of the Share or Debenture except that he/she shall not, before being registered a member in respect of his/her Share or Debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself/herself/themselves or to transfer the Share or Debenture, and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share or Debenture, until the requirements of the notice have been complied with.

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"9A : Notwithstanding anything contained in these Articles but subject to the provisions of the Act the company may purchase its own shares or other specified securities from out of its free reserves or out of its securities premium account or out of the proceeds of issue of any shares or other specified securities other than out of the proceeds of an earlier issue of the same kind of shares or same kind of other securities by passing a special resolution in the general meeting of the company subject to the provisions of sections 77A, 77AA and 77B of the Act".

"28A : Notwithstanding anything contained in the Articles of Association of the Company, the company do adopt the mode of passing a resolution by the members of the company relating to such business as may be prescribed by the Central Government by notification, declare to be conducted only by postal ballot instead of transacting the business in General Meeting of the Company. The company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard.

9. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"Resolved that pursuant to the Companies Act, 1956 (including any statutory modification thereto or any re-enactment thereof for the time being in force) Clause V of the the Memorandum of Association of the Company be and is hereby amended, altered and/or substituted as set out herein below:

- (vi). The Authorised Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twentyfive Crores only) divided into 1,50,00,000 (One crore fifty lacs) equity shares of Rs. 10/- (Rupees Ten only) each; 5,00,000 (Five Lakhs) Preference Shares of Rs. 100/- each and unclassified shares aggregating to Rs. 5,00,00,000 with power to increase or reduce the capital of the Company and to divide or consolidate the shares in the capital for the time being into several classes and to attach thereto respectively, such preferential, deferred, qualified or special rights(including voting/non-voting), privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary , modify, amalgamate or abrogate any

such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.

10. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"Resolved that pursuant to Section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications thereof) and subject to the regulations/guidelines issued by Securities and Exchange Board of India or any other authority and such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be required while granting such approvals or permissions and as may be agreed by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board to offer, issue and allot Redeemable Preference shares for an amount not exceeding Rs. 73 Lakhs to Industrial Development Bank of India and IFCI Ltd."

NOTE:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company.
2. Proxies, in order to be effective, should be deposited at the Registered Office of the Company not less than 48 hours before the time scheduled for commencement of the Meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed herewith.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2002 to 28th September, 2002 (both days inclusive).
5. Queries on Accounts and Operations of the Company, if any, may please be sent to the Company at least 7 days in advance of the Meeting.
6. Members are requested to bring their copies of Annual Report and Accounts to the Meeting.

Registered Office:

No.71, III Cross

Residency Road

Bangalore - 560 025

29.06.2002

By Order of the Board

SURESH KUMAR BHUWALKA

Chairman



BHUWALKA STEEL INDUSTRIES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

The shareholders at their annual general meeting held on 26th September, 2001 had re-appointed Sri Suresh Kumar Bhuwalka for a tenure of 5 years commencing from 01.04.2001 on a monthly remuneration of Rs. 40000/- and rent free furnished accommodation and such other benefits as per Company's Rules in accordance with Schedule XIII and other applicable provisions of the Companies Act, 1956. It is proposed to modify his remuneration as set out in the resolution. Amendments as set out in the relevant resolution may be treated as an abstract relating to such variation in the terms of remuneration pursuant to Section 302 of the Companies Act, 1956. The increase/modification in remuneration does not require the approval of Central Government as the same will be in accordance with Schedule XIII of the Act ; but is subject to consent of members in the general meeting.

The Board commends this resolution for your approval.

All the directors except Sri Satish Gandhi are concerned or interested in this resolution.

ITEM NO. 6

The shareholders at their annual general meeting held on 12th September, 2000 had re-appointed Sri Sushil Kumar Bhuwalka for a tenure of 5 years commencing from 01.10.2000 on a monthly remuneration of Rs. 20000/- and rent free furnished accommodation and such other benefits as per Company's Rules in accordance with Schedule XIII and other applicable provisions of the Companies Act, 1956. It is proposed to modify his remuneration as set out in the resolution. Amendments as set out in the relevant resolution may be treated as an abstract relating to such variation in the terms of remuneration pursuant to Section 302 of the Companies Act, 1956. The increase/modification in remuneration does not require the approval of Central Government as the same will be in accordance with Schedule XIII of the Act ; but is subject to consent of members in the general meeting.

The Board commends this resolution for your approval.

All the directors except Sri Satish Gandhi are concerned or interested in this resolution.

ITEM NO. 7

The shareholders at their annual general meeting held on 26th September, 2001 had re-appointed Sri Kishan Kumar Bhuwalka for a tenure of 5 years commencing from 01.04.2001 on a monthly remuneration of Rs. 20000/- and rent free furnished accommodation and such other benefits as per Company's Rules in accordance with Schedule XIII and other applicable provisions of the Companies Act, 1956. It is proposed to modify his remuneration as set out in the resolution. Amendments as set out in the relevant resolution may be treated as an abstract relating to such variation in the terms of remuneration

pursuant to Section 302 of the Companies Act, 1956. The increase/modification in remuneration does not require the approval of Central Government as the same will be in accordance with Schedule XIII of the Act ; but is subject to consent of members in the general meeting.

The Board commends this resolution for your approval.

All the directors except Sri Satish Gandhi are concerned or interested in this resolution.

ITEM NO. 8

Amendment in Articles:

The changes in the Articles are proposed in line with amendments by the Companies (Amendment) Act, 2000. These are enabling in nature.

Board commends the adoption of the resolution as a Special Resolution.

None of the Directors are concerned or interest in the above resolution except as a shareholder in the Company.

ITEM NO. 9

Company is proposing to issue Preference Shares to the institutions as part of re-structuring of loans.

Reclassification of share capital is proposed to enable the same.

Board commends the adoption of the resolution as a Special Resolution.

None of the Directors are concerned or interest in the above resolution except as a shareholder in the Company.

ITEM NO. 10

The Company had approached major participating institutions to restructure its debts by reschedulement at a lower rate of interest. As per terms of reschedulement, company is required to issue Redeemable Preference Shares to IDBI for Rs. 28 Lacs to be redeemed at par in two equal instalments on 01.07.2006 and 01.07.2007 and to IFCI Ltd. for Rs. 45 Lacs to be redeemed at par on 15.10.2008. SEBI Guidelines on Preferential Issue are not applicable in this case as the issue is in respect of Preference Shares and not equity or any instrument convertible into equity.

Consent of the shareholders is sought in terms of Section 81(1-A) of the Companies Act, 1956, for the issue of preference shares on preferential allotment basis. The Board shall have absolute authority to vary or modify the terms subject to applicable laws.

Board commends the adoption of the resolution as a Special Resolution.

None of the Directors are concerned or interest in the above resolution except as a shareholder in the Company.

Registered Office:
No.71, III Cross
Residency Road
Bangalore - 560 025
29.06.2002

By Order of the Board

SURESH KUMAR BHUWALKA
Chairman

Annual Report 2001-2002**DIRECTORS' REPORT****TO THE MEMBERS OF
BHUWALKA STEEL INDUSTRIES LIMITED:**

Your Directors have pleasure in presenting before you the Twentieth Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2002.

**1. FINANCIAL RESULTS:
AND APPROPRIATIONS:**

	(Rs.in lakhs)	
	2001-02	2000-01
Profit Before Interest, Depreciation and Taxation	1809.89	1171.24
Less:		
Interest	1496.20	1395.24
Depreciation	335.58	293.43
Net Loss for the year	(21.89)	(517.43)
Less:		
Income Tax for the year	—	—
Income tax for earlier years	16.42	1.13
Deferred Taxation	(5.06)	—
Add:		
Depreciation withdrawn for earlier years due to change in method	—	643.15
Balance of profit brought forward From last year	620.70	511.11
Appropriations:		
Transfer to Debenture Redemption Reserve	—	15.00
Transfer to General Reserve	300.00	—
Balance of Profit carried forward	287.45	620.70

2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 299.73 crores as compared to 255.66 crores in the previous year showing a year on year growth of 17.24%. Due to this quantum growth, Company curtailed the loss to Rs. 0.33 Crore as against a whopping amount of Rs. 5.18 Crores in the previous year. During the year, the profitability has improved due to various factors like higher capacity utilisation, through better margins and product mix and control of overheads at all levels.

Corporate debt of the Company has been restructured by participating institutions by rescheduling the loans with a reduction in rate of interest; thus enabling it to improve liquidity position. During the current year, prices for long products in the Steel industry has been ruling firm. Large integrated steel producers are mainly focussing on flat products due to better margins as international prices have gone up by about 20-25%. This scenario is *favourable to the operations of the Company.*

All the units of the Company are working at rated capacities. Modernisation and expansion at Wada Unit in the last year has enabled the Company to post a quantum growth in turnover. Unit of the Wholly owned subsidiary in Srilanka for manufacture of 25,000 TPA of Billets and Rolled Steel Products is also doing well and we hope to reap rich harvest in years to come. Company is focussing in improving its bottomline by reducing its debt burden and further consolidate its position in years to come.

3. DIVIDEND

Your Directors express their inability to recommend any dividend in view of loss at net level.

4. SUBSIDIARY COMPANY

As required under section 212 of the Companies Act, 1956, the Audited Statement of Accounts along with the report of the Board of Directors of M/s. Bhuwalka Steel Industries (Srilanka) Limited together with the Auditors' Report as at and for the year ended 31st March, 2002, are attached.

5. CONSERVATION OF ENERGY:

Total energy consumption and energy consumed per unit of production as per Form 'A' is annexed - forming part of this Report.

6. TECHNOLOGY ABSORPTION:

The Company is keeping abreast of the latest developments in product technology, manufacturing process and methods and using indigenous technology

7. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

Foreign Exchange Earnings and Expenditure are given under Note 11(F) and 11(G) of Schedule '19' forming part of the Accounts for the year ended 31st March 2002.

8. PERSONNEL:

Industrial Relations remained cordial throughout the year.

There are no employees of the categories specified under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Hence, this information is not given.



BHUWALKA STEEL INDUSTRIES LIMITED

9. DIRECTORS :

Sri. Sajan Kumar Bhuwalka and Sri Kamal Kumar Bhuwalka retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The Resolutions are being placed at this Annual General Meeting for the approval of the Shareholders as set out in the notice with explanatory notice thereof for the revision in the terms of appointment of Sri Suresh Kumar Bhuwalka, Chairman & Managing Director, Sri Sushil Kumar Bhuwalka and Sri Kishan Kumar Bhuwalka, Whole-time Directors of the Company.

10. AUDITORS:

The Auditors, M/s. P.K. Rungta & Company, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

11. AUDITORS' REPORT:

The Notes on accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments under section 217(3) of the Companies Act, 1956.

12. DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) :

Your Directors hereby confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with

proper explanation relating to material departures;

- b) that the directors had 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 year;
- c) that the directors had 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 the Company and for preventing and detecting fraud and other irregularities;
- d) that the directors had prepared the annual accounts on a going concern basis.

13. ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation for the continued support, encouragement and co-operation extended by all the stakeholders namely; Financial Institutions, Bankers, shareholders, customers and suppliers. Your Directors also place on record their appreciation for the contributions made by the employees of the Company at all levels.

FOR AND ON BEHALF OF THE BOARD

Bangalore
29th June, 2002

SURESH KUMAR BHUWALKA
Chairman & Managing Director

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Annual Report 2001-2002**AUDITORS' REPORT****THE MEMBERS OF
M/S. BHUWALKA STEEL INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of BHUWALKA STEEL INDUSTRIES LIMITED, as at 31st MARCH, 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board, in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks and verifications of the books of accounts as we considered necessary and to the best of our knowledge and according to the information and explanations given to us during the course of audit, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above,
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2002 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the Company's Accounting Policies, give the information required by the Companies Act 1956 in the manner so required and *subject to the Note No. 5 (xi)(c) regarding non-provisions of differential excise duty and Note No.6 (a) regarding non-provision of Power Charges* read with other notes in Schedule 19 give a true and fair view in conformity with the accounting principles generally accepted in India:

- 1) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 ; and
- 2) In the case of Profit and Loss Account, of the Loss of the company for the year ended on that date.

**For P.K.RUNGTA & CO.,
CHARTERED ACCOUNTANTS**

Bangalore
29th June, 2002

P.K. RUNGTA
Proprietor

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE
OUR REPORT OF EVEN DATE TO THE MEMBERS OF
M/S. BHUWALKA STEEL INDUSTRIES LIMITED,
BANGALORE, ON THE ACCOUNTS FOR THE YEAR
ENDED 31ST MARCH, 2002.**

1. The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Company has drawn up a programme of physical verification of fixed assets over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, Fixed Assets were physically verified by the Management during the year.
2. None of the Fixed Assets have been revalued during the year.
3. No physical verification of Stocks of Finished goods, raw materials and stores & spares was conducted by the management during the year.
4. On the basis of examination of stock records, we are of the opinion that valuation of Stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years.



BHUWALKA STEEL INDUSTRIES LIMITED

5. As per the information and explanations furnished by the Management, the company has not granted any loans to the companies and other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to the companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
6. As per information and explanations furnished by the management, the company has not taken any loan from the persons listed in the Register maintained under section 301 of the Companies Act, 1956 or from the Companies under the same management as defined under Sub-Section (1-B) of Section 370 of the Companies Act, 1956.
7. In respect of loans and advances in the nature of loans given by the Company, parties are repaying the principal amount as stipulated and have also been generally regular in payment of interest where applicable.
8. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to sale of goods and purchase of raw materials, trading Goods, stores, including components, plant and machineries, equipments and other assets.
9. In our opinion and according to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at price which are reasonable having regard to the prices at which transactions of similar goods and materials have been made with other parties or quoted by the other parties except where comparable quotations are not available having regard to the specialised nature of materials purchased by the company.
10. As explained to us, unserviceable or damaged stores have been determined by the management and where required, adequate provision has been made in the accounts for the loss arising on items so determined. There was no unserviceable or damaged raw materials and finished goods.
11. The company has not accepted deposits from the public and therefore, the provisions of Section 58A of the Companies Act 1956 and Rules thereunder are not applicable to the company.
12. As explained to us, the Company is maintaining reasonable records for the sale and disposal of realisable by products and scrap.
13. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
14. We have been informed by the management that the Central Government has not prescribed maintenance of Cost records for the year under review under Section 209 (1) (d) of the Companies Act, 1956.
15. According to the records of the company, Provident Fund and Employees State Insurance Fund dues have generally been regularly deposited during the year with the appropriate authorities. There were no arrears of Provident Fund and Employees State Insurance Fund as on 31st March, 2002.
16. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were outstanding as on 31st March, 2002 for a period of more than 6 months from the date they became payable.
17. Based on the test checks carried out by us and the information and explanations given to us, no personal expenses of the employees or the directors have been charged to the Profit and Loss Account except those payable under contractual obligations and/or in accordance with generally accepted business practice.
18. The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
19. In respect of service activities, the Company has reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of business along with a reasonable system for authorisation at proper level with necessary controls. The allocation of material and man hours consumed to relative jobs is not made by the management since it is insignificant but in our opinion control is exercised on total materials and labour consumed on job. The Company has a system of internal control commensurate with the size and nature of its business for service activities.
20. In respect of trading activities of the company, there were no damaged goods.

**For P.K.RUNGTA & CO.,
CHARTERED ACCOUNTANTS**

Bangalore
29th June, 2002

P.K. RUNGTA
Proprietor