

ANNUAL REPORT 2002 - 2003



BHUWALKA STEEL INDUSTRIES LIMITED

"Bhuwalka Centre ", No.7, 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
Shri N. Srinivasan
Shri M. Hariharan

**VICE PRESIDENT (FINANCE) :
& COMPANY SECRETARY** **P.K. Chamarla**

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 :

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

SHARE TRANSFER AGENTS : **Alpha Systems Private Limited**
No.30, Ramana Residency,
Ground Floor, 4th Cross,
Sampige Road, Malleshwaram,
Bangalore - 560 003.

Annual Report 2002 - 2003**NOTICE**

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Saturday, the 27th September, 2003, 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 2003, together with Directors' and Auditors' Report thereon.
2. To declare dividend on preference shares.
3. To appoint a Director in place of Shri. Sushil Kumar Bhuvalka, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. Kishan Kumar Bhuvalka, who retires by rotation and being eligible, offers himself for re-appointment.
5. To 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

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

RESOLVED that Mr. N. Srinivasan, who was appointed an additional director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed a Director of the Company.

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

RESOLVED that Mr. M. Hariharan, who was appointed an additional director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed a Director of the Company.

NOTES

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 20th September, 2003 to 27th September, 2003 (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 - 560025
30th June 2003

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

Mr N. Srinivasan was appointed as an additional director of the Company on 31.10.2002 by the Board of Directors. He will be an independent director on various committees of the Company in compliance with guidelines on corporate governance. He is a practicing chartered accountant of long standing and has wide experience in accounts and finance. His presence on the Board will add value to the organization. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as director upto the date of the ensuing annual general meeting. The Company has received from a member a Notice in writing in terms of Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Sri N. Srinivasan as a Director of the Company at the forthcoming annual general meeting.

Board commends the adoption of the resolution as an Ordinary Resolution.

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

ITEM NO. 6

Mr M. Hariharan was appointed as an additional director of the Company on 31.03.2003 by the Board of Directors. He will be an independent director on various committees of the Company in compliance with guidelines on corporate governance. He is a practicing chartered accountant of long standing and has wide experience in accounts and finance. His presence on the Board will add value to the organization. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as director upto the date of the ensuing annual general meeting. The Company has received from a member a Notice in writing in terms of Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Sri M. Hariharan as a Director of the Company at the forthcoming annual general meeting.

Board commends the adoption of the resolution as an Ordinary Resolution.

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

Registered Office: By Order of the Board
No.71, III Cross
Residency Road
Bangalore - 560025 (SURESH KUMAR BHUWALKA)
30th June 2003 Chairman

Details of Directors seeking appointment/reappointment at 21st Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)

Name of Director	Mr Sushil Kumar Bhuwalka	Mr Kishan Kumar Bhuwalka	Mr N. Srinivasan	Mr M. Hariharan
Date of Birth	02.10.1959	25.08.1964	04.11.1947	04.08.1950
Qualification	B.Com.,	B.Com.,	B.Sc., FCA, A.C.S	B.Sc., F.C.A.
Expertise in specific functional area	17 years as Industrialist in Manufacturing of Steel Re-rolling	15 years as Industrialist in Manufacturing of Steel Re-rolling	12 years in Practice as Chartered Accountant	19 years in Practice as Chartered Accountant
List of other Companies in which Directorship held	Deccan Alloys (P)Ltd. Bhuwalka Trade Links (P) Ltd. Bhuwalka Metal Industries (P) Ltd. Bhuwalka Ispat Ltd.	Deccan Alloys (P) Ltd. Nava Karnataka Steels (P) Ltd. Bhuwalka Trade Links (P) Ltd. Vishwakarma Refractories (P) Ltd. Bhuwalka Metal Industries (P) Ltd. Bhuwalka Ispat Ltd.	None	None
Chairman/ Member of the Committees of the Board of Directors of other Companies in which he is a director	None	None	None	None

Annual Report 2002 - 2003**DIRECTORS' REPORT****TO THE MEMBERS OF
BHUWALKA STEEL INDUSTRIES LIMITED**

Your Directors have pleasure in presenting before you the Twenty-first Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

	(Rs.in lakhs)	
	2002-03	2001-02
Profit Before Interest, Depreciation and Taxation	1618.23	1809.89
Less:		
Interest	1256.14	1496.20
Depreciation	335.07	335.58
Net Profit/(Loss) for the year	27.02	(21.89)
Add:		
Income -tax refunds	22.89	-
Less:		
Income tax for earlier years	0.08	16.42
Deferred Taxation	10.81	(5.06)
Add:		
Balance of profit brought forward From last year	287.45	620.70
Appropriations:		
Transfer to General Reserve	-	300.00
Proposed Dividend on Preference Shares with Dividend tax	0.65	-
Balance of Profit carried forward	325.82	287.45

**2. OPERATIONS REVIEW, MANAGEMENT
DISCUSSIONS AND OUTLOOK**

Total income from operations during the year under review was Rs. 294.29 crores as compared to Rs.299.73 crores in the previous year showing a year on year decline of 1.81%. However, on flat revenues, Company could post a profit before tax of Rs. 27.02 lacs as against a loss of Rs. 21.89 lacs in the last year. It could happen due to various factors like change in product mix, reduction in interest cost and control of overheads at all levels.

Company has reduced its debt burden by Rs. 581.31 lacs leading to reduction in interest cost. However, high price of furnace oil due to gulf crisis and higher power tariffs resulted in increase in power cost by Rs. 400.51 lacs adversely affecting bottomline of the Company. Company is not able to purchase hydro power from private producers at cheaper cost due to lower water levels. During the current year, steel

prices are ruling very firm and markets are not stable due to frequent price hike. Company is facing challenges for the short term in managing market and price risks. Company is targeting to contain its power cost by making suitable arrangements on long term basis.

However, all the units of the Company are satisfactorily working and any positive impact on long products market will enable the Company to substantially improve its top-line and bottom-line.

Unit of the Wholly owned subsidiary in Srilanka for manufacture of 25,000 TPA of Billets and Rolled Steel Products is also doing extremely well and we have received maiden dividend from the subsidiary.

Company is focussing on improving its bottomline by reducing its debt burden and further consolidate its position in years to come.

3. DIVIDEND

Your Directors have proposed a Dividend @ 12.5% on pro rata basis on the Cumulative Redeemable Preference Shares placed with IDBI on private placement basis as part of re-structuring of debts.

Your Directors express their inability to recommend any dividend on equity shares in view of insufficiency of profits.

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, 2003, 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 whilst using indigenous technology.



BHUWALKA STEEL INDUSTRIES LIMITED

7. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Foreign Exchange Earnings and Expenditure are given under Note 12(F) and 12(G) of Schedule '19' forming part of the Accounts for the year ended 31st March 2003.

8. PERSONNEL

Industrial Relations remained cordial through out 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 as amended. Hence, this information is not given.

9. DIRECTORS

Sri. Sushil Kumar Bhuwalka and Sri Kishan Kumar Bhuwalka retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Sri N. Srinivasan and Sri M. Hariharan were appointed Additional Directors during the year and who hold office till the ensuing annual general meeting. Notices in writing in terms of Section 257 of the Companies Act, 1956, have been received from a member signifying his intention to propose their appointment as a Director of the Company at the forthcoming annual general meeting.

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 and that there are no 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 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 the Companies Act, 1956, 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. REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is annexed to this report.

14. ACKNOWLEDGEMENT

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 contribution made by the employees of the Company at all levels.

FOR AND ON BEHALF OF THE BOARD

Bangalore
30th June 2003

(SURESH KUMAR BHUWALKA)
Chairman & Managing Director

Annual Report 2002 - 2003**CORPORATE GOVERNANCE**

1. The philosophy of the Company on corporate governance envisages the attainment of the highest level of transparency, accountability, trusteeship, integrity and equity in all areas of its operations. Company is committed to good corporate governance. The fundamental objective of the Company is enhancement of shareholder value, whilst taking into account the interest of all other stakeholders for wealth creation.

2. Board of Directors

The Board of Directors is comprised of 8 Directors of which four are executive and four are non-executive (of which two are independent).

Promoter Group:

Sri. Suresh Kumar Bhuwalka Chairman and Managing Director	- Executive
Sri. Sajjan Kumar Bhuwalka, Director	- Non Executive
Sri. Sushil Kumar Bhuwalka, Wholetime Director	- Executive
Sri. Kamal Kumar Bhuwalka, Director	- Non Executive
Sri. Kishan Kumar Bhuwalka Wholetime Director	- Executive
Sri. Satish Gandhi, Wholetime Director	- Executive
Sri. N. Srinivasan, Director (w.e.f. 31.10.2002)	- Non Executive Independent
Sri. M. Hariharan, Director (w.e.f. 31.03.2003)	- Non Executive Independent

3. Details of attendance at Board Meetings and last AGM and details of memberships in other Boards & Board Committees:

The Board met 6 times during the year on 29th June 2002, 31st July 2002, 5th September 2002, 31st October 2002, 31st January 2003 and 31st March 2003.

Name of the Directors	No. of Board Meetings attended	Whether attended last AGM	Director ship in other Boards	Committee	
				Membership	Chairmanship
Suresh Kumar Bhuwalka	6	Yes	6	-	-
Sajan Kumar Bhuwalka	6	Yes	6	-	-
Sushil Kumar Bhuwalka	6	Yes	4	-	-
Kamal Kumar Bhuwalka	5	Yes	3	-	-
Kishan Kumar Bhuwalka	6	No	6	-	-
N. Srinivasan*	2	No	-	-	-
M. Hariharan**	1	No	-	-	-
Satish Gandhi	-	No	-	-	-

* Appointed on 31.10.2002 ** Appointed on 31.03.2003

4. Audit Committee

The company had constituted an audit committee on 28.03.2001 under section 292A of the Companies Act, 1956. On 31.03.2003, the audit committee was reconstituted by appointing Sri M. Hariharan, a practicing chartered accountant, non-executive independent director on the Board, and as Chairman of the Audit Committee.

- a) Sri. M. Hariharan – Chairman
b) Sri. N. Srinivasan - Non-executive, independent director.



BHUWALKA STEEL INDUSTRIES LIMITED

- c) Sri Suresh Kumar Bhuwalka - Executive Chairman & Managing Director
- d) Sri. Sajan Kumar Bhuwalka - Non executive director
Secretary - P.K.Chamaria -V.P.(Finance) & Company Secretary

The reconstituted committee met on 30.06.2003. All the members attended this meeting. The statutory auditors were present as invitees in the meeting.

The scope of reference to the committee includes :

- Review of audit with Statutory Auditors and Internal Audit team.
- Limited Review of accounts with Statutory Auditors
- Review of annual Financial statements with Auditors and management before submission to the Board.

5. Share holders' / Investors' Grievance Committee

The Share holders / Investors Grievance Committee was constituted on 31.03.2003 and consists of

- a) Sri. N. Srinivasan – Chairman (Non-executive and independent Director)
- b) Sri. M. Hariharan - Non-executive and independent Director
- c) Sri Suresh Kumar Bhuwalka - Executive Chairman & Managing Director
- d) Sri. Sajan Kumar Bhuwalka - Non-executive Director
Secretary - P.K.Chamaria -V.P.(Finance) & Company Secretary

This committee facilitates prompt and effective redressal of shareholders' complaints and to look into their grievances . As on 31.03.2003 , there were no complaints remaining unsolved.

6. Remuneration to Directors

The Board is planning to constitute a remuneration committee to review and propose the remuneration for Whole time Directors and Managing Director.

The details of remuneration of the managerial personnel for the year 2002-03 are given in Note No.4 of Schedule 19 - Notes to Accounts.

Sitting fee is paid to non-executive directors' besides others for attending Board Meetings, Audit committee meetings and other committee meetings. No other remuneration is paid to Non-executive directors.

7. Share Transfer Committee

The Share transfer committee consists of

- a) Sri. Suresh Kumar Bhuwalka – Chairman & Managing Director
- b) Sri. Sajan Kumar Bhuwalka – Director
- c) Sri. P.K. Chamaria V.P.(Finance) & Company Secretary

Requests for dematerialization are generally confirmed on a weekly basis.

Share Holders

Particulars about Directors who are retiring and are eligible for re-appointment and for those who are proposed to be appointed have been given in the notice convening the Annual General Meeting and Explanatory Statement.

8. General Body Meetings

The last three Annual General Meetings:

YEAR	DATE	TIME	VENUE
1999-2000 18 th AGM	12.09.2000	11.00 A.M.	Hotel Woodlands No.5, Rajram Mohanroy Road Bangalore – 560 025
2000-2001 19 th AGM	26.09.2001	11.00 A.M.	Hotel Woodlands No.5, Rajram Mohanray Road Bangalore – 560 025
2001-2002 20 th AGM	28.09.2002	11.00 A.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025

There were no special resolutions passed through postal ballot, during the financial year 2002-03.

Annual Report 2002 - 2003

9. Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the company has adopted a code of conduct for prevention of insider trading and required disclosure practices.

10. Disclosures

Disclosure of related party transactions as per Accounting Standard 18 has been made in Schedule 19. The company had not made disclosure to the Stock Exchange under SEBI Takeover Regulations and opted for the SEBI Regularisation Scheme – 2002 and filed the returns in respect of earlier years.

11. Means of Communication

The quarterly results are published in the "Financial Express" and "Janavahini" (Kannada). During the year there were no presentations made to Financial Analysts / Institutional Investors.

12. General Shareholder's Information

- * **Annual General Meeting** : Saturday, 27th September, 2003 at 11.00 am
Woodlands Hotel
No.5 Rajaram Mohanroy Road
Bangalore – 560 025
- * **Financial Calendar of Board Meetings (tentative) for approval of**
 - i. Unaudited Results – I Qtr : on or before 31.07.2003
 - ii. Unaudited Results - II Qtr : on or before 31.10.2003
 - iii. Unaudited Results – III Qtr : on or before 31.01.2004
 - iv. Annual Accounts 2004 : on or before 30.06.2004
- * **Book Closure** : 20.09.2003 to 27.09.2003
- * **Listing on Stock Exchanges** : Bangalore , Mumbai
- * **Stock Code** : The Mumbai Stock Exchange 513333
Bangalore Stock Exchange BHUWALKSTL
- * **Listing Fee** : Annual Listing fee for 2003-04 has been paid to both the exchanges where the shares are listed.
- * **Share Price Data**
There has been no active trading both in Bangalore Stock Exchange and Mumbai Stock Exchange.
- * **Registrar & Transfer Agents**
The Share Transfer work is being done by M/s. Alpha Systems Private Limited, Regd. Office, 30, Ramana Residency 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003 for both Physical and Demat till date in accordance with the SEBI circular No. D&CC/FITTC/CIR – 15/2002 dated 17-12-02.
- * **Share Transfer System**
The power to approve transfer of shares had been delegated by the Board to the Share Transfer committee. Share transfers are processed within 15 days from the date of receipt.



BHUWALKA STEEL INDUSTRIES LIMITED

*** Distribution of Shareholdings as on 31st March, 2003.**

No. of Shares held	Folios		Shares	
	Number	%	Number	%
Upto – 500	6697	95.08	836053	16.12
501 – 1000	211	3.00	169191	3.26
1001 – 2000	60	0.85	94452	1.82
2001 – 3000	24	0.34	59965	1.16
3001 – 4000	5	0.07	17500	0.34
4000 – 5000	6	0.09	26500	0.51
5001 – 10000	18	0.26	129727	2.50
Above 10000	22	0.31	3853861	74.29
Total	7043	100.00	5187249	100.00

*** Pattern of Share Holding as on 31st March, 2003**

Sl. No.	Category	No. of Shares	% of Share Holding
1.	Promoters and promoters' group	3680200	70.95
2.	Mutual Funds	3400	0.07
3.	Private Bodies Corporate	184950	3.56
4.	Indian Public	1318699	25.42
5.	NRI's		
	Total	5187249	100.00

*** Dematerialization of Shares**

The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors.

As on date, more than 39% of share capital is in electronic form.

The demat ISIN Number allotted to the Company is ISIN INE069C01013

*** Plant Locations:** Given in the first page of the Annual report

*** Address for correspondence:**

All correspondence regarding shares should be addressed to R & T Agent or Company at:

To the Company
Mr. P.K. Chamaria
V.P. (Finance) & Company Secretary
Bhuwalka Steel Industries Ltd.
Bhuwalka Centre No.71, III Cross,
Residency Road, Bangalore –560 025

To the Registrar & Transfer Agent:-
Mr. Sridhar, Assistant Vice President
M/s. Alpha Systems Private Limited
No.30, Ramana Residency
4th Cross, Sampige Road
Malleswaram, Bangalore – 560 003