

ANNUAL REPORT 2006 - 2007

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BHUWALKA STEEL INDUSTRIES LIMITED

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

BOARD OF DIRETORS

: **Dr. S.K. Gupta**
Chairman
Shri. Suresh Kumar Bhuwalka
Managing Director
Shri. Ajay Kumar Bhuwalka
Shri. Sanjay Kumar Bhuwania
Shri. N. Srinivsan
Shri. K.C. Kondaiah
Advocate S.S. Naganand
Shri. Ankit Bhuwalka

**VICE PRESIDENT (FINANCE)
& COMPANY SECRETARY**

: **P.K Chamaria**

AUDITORS

: **M/s. P.K Rungta & Co.**
Chartered Accountants
Bangalore

BANKERS

: **Canara Bank**
Industrial Development Bank of India Ltd.

REGD. OFFICE

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

FACTORIES

- : 1) at 10th Mile
Old Madras Road,
Bangalore - 560 049.
- 2) 204, Mauji Khupri
Taluka Wada, District Thane
Mumbai - 421 312.
- 3) at Melambi Village
Kanchipuram
Changalapattu District
Tamilnadu - 631 501

SHARE TRANSFER AGENTS

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

Annual Report 2006 - 2007**NOTICE**

Notice is hereby given that the 25th Annual General Meeting of the Company will be held on Saturday, the 29th September, 2007, at 11.30 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 2007, and the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on preference shares
3. To declare dividend (including special silver jubilee) on equity shares .
4. To appoint a Director in place of Dr. S.K. Gupta, who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint a Director in place of Shri. Ajay Kumar Bhuwarka who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri. Sanjay Kumar Bhuwania who retires by rotation and being eligible, offers himself for re-appointment.
7. 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:

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

"Resolved that Sri. Ankit Bhuwarka, who was appointed an additional director of the company w.e.f. 31st October, 2006 by the Board of Directors and who holds such office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"RESOLVED that pursuant to provisions of Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the members of the Company be and is hereby accorded to the appointment of Sri. Suresh Kumar Bhuwarka, as Managing Director of the company for a period of 5 years w.e.f. 01.04.2007 on a monthly remuneration of Rs.1,00,000/- and such other benefits as per the company's rules wherever applicable.

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. The instrument appointing a Proxy, shall be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 24th September, 2007 to 29th September, 2007 (both days inclusive).
4. The dividend, if declared at the annual general meeting, shall be paid to those shareholders whose names are appearing in the Register of Members as on 29.09.2007 and in case of shares held in dematerialized form shall be paid to beneficial owners at the end of business hours on 24th September, 2007 as per details furnished by NSDL/ CDSL for this purpose.
5. The relative Explanatory statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under item Nos.6 & 7 as set out above are annexed hereto.
6. Members are requested to bring their copies of the Annual Report to the meeting.
7. Members/proxies should bring their attendance slip sent herewith duly filled in for recoding the attendance at the meeting.
8. A statement containing the details of directors seeking appointment/re-appointment at the forthcoming Annual General Meeting is attached.

Registered Office:

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

Date: 30th June, 2007

By Order of the Board

(SURESH KUMAR BHUWARKA)

Managing Director



**BHUWALKA
STEEL INDUSTRIES LIMITED**

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

Item No. 8 :

Sri. Ankit Bhuwalka who was appointed as additional director of the Company as per the Provisions of Section 260 of the Companies Act, 1956, vacates his office at ensuing Annual General Meeting.

Due notice under Section 257 of the Companies Act, 1956, has been received from a member of the company signifying his intention to propose the appointment of Sri. Ankit Bhuwalka for the office of the director at the forthcoming Annual General Meeting.

Your directors seek your approval to the above resolution.

None of the directors except Sri. Suresh Kumar Bhuwalka, Sri Ajay Kumar Bhuwalka and Sri Ankit Bhuwalka is concerned or interested in the above resolution.

Item No. 9:

Shareholders by resolution at the annual general meeting on 24.09.2005 had reappointed Sri Suresh Kumar Bhuwalka as Managing Director of the Company for a period of 5 years on a monthly remuneration of Rs. 40000/- , rent-free accommodation and such other benefits as per the company's rules wherever applicable. Directors are proposing to reappoint him as such for a period of 5 years w.e.f. 01.04.2007 at an increased remuneration of Rs. 1,00,000/- per month, rent -free accommodation and other benefits as per company's rules. He will also be eligible for Provident Fund, Gratuity and encashment of leave at the end of the tenure of his office as per Company's rules. He will also be provided company's maintained car with driver for official and personal use and telephone at residence.

Your directors seek your approval to the above resolution.

None of the directors except Sri. Suresh Kumar Bhuwalka, Sri Ajay Kumar Bhuwalka and Sri Ankit Bhuwalka is concerned or interested in the above resolution.

Registered Office:
No. 71, III Cross
Residency Road
Bangalore
Date : 30th June, 2007

BY ORDER OF THE BOARD

(SURESH KUMAR BHUWALKA)
Managing Director

Annual Report 2006 - 2007**Details of Directors seeking appointment/reappointment at 25th Annual General Meeting
(In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Dr. S.K. Gupta	Mr. Ajay Kumar Bhuwalka	Mr. Sanjay Kumar Bhuwania	Mr. Ankit Bhuwalka
Date of Birth	18.08.1938	08.02.1976	05.06.1961	02.09.1981
Qualification	B.Sc.(Engg.), Ph.D.(Tech.), D.Sc.(Tech.)	B. Com.	M.B.A.	B.Com.,
Expertise in specific functional area	More than 35 years experience in Various Manufacturing units in Senior positions.	About 9 years in steel industry	More than 17 years experience in steel	4 years experience in steel industry.
List of other Companies in which Directorship held.	JSW Steel Ltd. Jindal Saw Ltd. Jindal South West Holdings Ltd. Vesuvius India Ltd. Encore Software Ltd. Sobha Developers Ltd. HMT Ltd. Encore Software Ltd Ferro Green Technologies Pvt. Ltd. Surana Industries Ltd. IVRCL Infrastructures Ltd.	Navakarnataka Steels Pvt.Ltd. Bhuwalka Trade Links Pvt.Ltd., Bhuwalka Ispat Ltd. Benaka Sponge Iron Pvt. Ltd.	None	Navakarnataka Steels Pvt.Ltd. Bhuwalka Ispat Ltd. Bhuwalka Trade Links Pvt.Ltd.,
Chairman/ Member of the Committees of the Board of Directors of other companies in which he is a director	JSW Steel Ltd. - Audit Committee - Member Remuneration Committee - Chairman Investors Grievance Committee - Chairman Share Allotment Committee - Member Project Review Committee - Member Jindal South West Holdings Ltd. Audit Committee - Member Remuneration Committee - Member Investors Grievance Committee - Member Vesuvius India Ltd. Audit Committee - Chairman Remuneration Committee - Member Investors Grievance Committee - Member Sobha Developers Ltd. Investors Grievance Committee - Member Encore Software Ltd. Audit Committee - Chairman HMT Ltd. Audit Committee - Member	None	None	None


**BHUWALKA
STEEL INDUSTRIES LIMITED**
DIRECTORS' REPORT
TO THE MEMBERS OF
BHUWALKA STEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 25th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS:

	(Rs.in lakhs)	
	2006-07	2005-06
Profit Before Interest,		
Depreciation and Taxation	1552.39	1526.77
Less: Interest	1005.33	889.38
Depreciation/Amortization	303.13	402.08
Income Tax for the year (Including FBT and Deferred taxation)	37.59	9.94
Income tax for earlier years	0.37	9.64
Add: Profit on sale of undertakings (extra-ordinary items – net of tax)	518.79	–
Balance of profit brought forward from last year	551.21	478.19
Appropriations:		
Proposed Dividend with Dividend tax on		
Preference shares	2.56	3.99
on Equity shares (incl. special dividend)	151.72	88.72
Transfer - Capital Redemption Reserve	14.00	–
Transfer to General Reserve	100.00	50.00
Balance of Profit carried forward	1007.69	551.21

2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 482.13 crores as compared to Rs. 478.35 crores in the previous year and it is not comparable as Whitefield, Kolar and Yeshwanthpur Units of the Company were disposed off w.e.f. 27.09.2006. Profit Before Tax (PAT) from operations was flat at Rs. 2.44 Crores as against Rs. 2.35 Crores in the last year. Company is implementing expansion and modernization plan at its unit at Wada and Hoskote at a total project cost of Rs. 30.80 Crores with financial assistance from its bankers which will enable it to expand its base and improve the margins. Company has also set up full fledged engineering workshop at Hoskote for meeting requirements of re-rolling sector. Company had

extra-ordinary income(net of tax) of Rs. 5.19 Crores on account of sale of the undertakings.

Company's TMT bars under 'Bhuwalka Gold' Brand has been well received by the discerning customers. Due to thrust on Housing, Power, Telecom and Infrastructure sectors, Steel industry is expected to do well in the next 3 years and Bhuwalka is poised to realize the benefits of its strengths and market position for future business growth.

Company is planning to concentrate on business in domestic market and may opt out from its venture in UAE and consolidate its operations.

3. DIVIDEND

Your Directors have proposed a Dividend @ 12.5% on Cumulative Redeemable Preference Shares .

Your Directors have also proposed a Dividend @ 15% on Equity Shares of the Company and special dividend of 10% for silver jubilee year aggregating to 25%.

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 Bhuwalka Steel Industries (UAE) FZE together with the Auditors' Report as at and for the year ended 31st March, 2007, are appended.

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 2007.

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.

Annual Report 2006 - 2007**9. DIRECTORS:**

Dr. S.K. Gupta, Sri Ajay Kumar Bhuwarka and Sri. Sanjay Kumar Bhuwania retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Sri Ankit Bhuwarka was appointed as additional director during the year and he holds office till the date of forthcoming Annual General Meeting. The appointment of Sri Ankit Bhuwarka as a director requires the approval of the members at the forthcoming Annual General Meeting.

10. AUDITORS:

The Auditors, M/s. P.K. Rungta & Co., Chartered Accountants, Bangalore, retire at the conclusion of the forthcoming 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, to safeguard 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, the following form part of this Annual Report:

- a) Management Discussion and Analysis;

- b) Report on Corporate Governance;
- c) Auditors' Certificate regarding compliance of conditions of Corporate Governance

14. 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

Place : Bangalore (SURESH KUMAR BHUWARKA)
Date : 30.06.2007 Managing Director



BHUWALKA STEEL INDUSTRIES LIMITED

Management Discussion and Analysis

Industry Structure & Developments:

The Company's primary product, steel rolled product, is primarily cater to the demand of construction and engineering industries. There are large no. of re-rolling mills across the country who are largely local player.

During the year under review, the steel prices were very volatile. The price of rolled products is market driven and to sustain margins, Company continuously makes efforts for reduction in the cost of production and overheads. Company is also putting up efforts to have wider product range under one roof for meeting needs of discerning customers. In this direction, Company is implementing modernization and expansion plan for its facilities at Hoskote and Wada. At Wada Unit, heavier structurals shall be added to product fold under expansion plans.

OPPORTUNITIES, THREATS AND CONCERNS

There is good opportunity for growth as user industries like infrastructure, construction, power, telecom and engineering are doing exceedingly well.

Competition from un-organised sector is a threat to the Company. However, renowned builders and infrastructure companies are keen to source their requirement from organized company like ours. Any slowdown in economy may affect the operations. However, company is expanding its product portfolio and shall be up in the value chain to improve operating margin gradually.

Price volatility remain serious concern of the Company. However, Company has taken steps to mitigate this risk.

Segment-wise/product-wise performance:

Company operates in single segment, i.e., Steel Rolled Products.

Outlook:

The year ahead looks buoyant with infrastructure sector upbeat. Company is catering to requirements of Housing, Power, Telecommunication and Engineering Sectors. Large integrated plant are mainly focusing on flat products and long products are generally the domain of secondary steel makers like us. Though India is the world's 9th largest steel producer, its per capita steel consumption is about 32 Kg. p.a. as compared to the world average of 150 Kg and 350 Kg in the developed world. The estimated urban consumption per capita per annum is around 77 kg in the country and is expected to reach about 165 kg by 2019-20, implying a CAGR of 5%. The rural consumption of steel in India remains at around 2 kg per capita per annum and a target has been set for raising it to 4 kg per annum by 2019-20, implying a CAGR of 4.4%. A growth rate higher than the global industry average has been envisaged in the national steel policy. The long term goal of the country is to become self reliant and globally competitive in steel sector.

Risks and concerns

The cost of power and raw materials are the major costs. High power tariffs and volatility in steel prices may adversely affect the profitability of the Company. However, it is not significant considering the level of operations of the Company and normal correlation in the price of raw material and finished goods. Company is also exposed to financial risks like exchange fluctuation and interest rate variations. Management is identifying these risks and taking necessary steps to mitigate the risks. Company has taken insurance cover for all its fixed assets.

Internal control systems and their adequacy:

The Company's internal control systems and procedures are adequate and commensurate with the size and nature of Company's operations. Company has sufficient procedures that form part of internal control system which provide for check and balances.

Cautionary Statement:

This report contains forward-looking statements which are based on certain assumptions and future events. It cannot be guaranteed that these are accurate or realized in future. Company's actual results may materially differ from those projected in forward looking statements. The reader should bear this in mind. Further, Company undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Annual Report 2006 - 2007**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 Two are executive, Two Non Executive and Four are non-executive Independent

Dr. S .K. Gupta , Chairman	-	Non Executive Independent
Sri. Suresh Kumar Bhuwalka , Managing Director	-	Executive
Sri. Ajay Kumar Bhuwalka , Director	-	Non Executive
Sri. Sanjay Kumar Bhuwania , Whole-time Director	-	Executive
Sri. N. Srinivasan , Director	-	Non Executive Independent
Sri K.C. Kondaiah , Director	-	Non Executive Independent
Advocate S.S. Naganand , Director	-	Non Executive Independent
Sri. Ankit Bhuwalka , Additional Director*	-	Non Executive

* appointed 31.10.2006

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 30th May 2006, 29th June 2006, 28th July 2006 , 27th September 2006, 31st October 2006 and 31st January 2007.

Name of the Directors	No. of Board Meetings	Whether attended last AGM	Directorship in other Boards	Committee	
				Membership	Chairmanship
Dr. S.K. Gupta	6	Yes	11	10	4
Suresh Kumar Bhuwalka	6	Yes	6	-	-
Sajan Kumar Bhuwalka*	Nil	No	4	-	-
Sushil Kumar Bhuwalka*	Nil	No	3	-	-
Kamal Kumar Bhuwalka*	Nil	No	6	-	-
Kishan Kumar Bhuwalka*	3	No	-	-	-
N. Srinivasan	5	Yes	-	-	-
Ajay Kumar Bhuwalka	6	Yes	4	-	-
K.C. Kondaiah **	2	No	1	-	-
Sanjay Kumar Bhuwania	Nil	No	-	-	-
S.S. Naganand ***	5	No	2	-	-
Ankit Bhuwalka ****	3	No	3	-	-

* Resigned on 27.09.2006 ** appointed as director on 28.09.2006 *** appointed as director on 28.07.2006
**** appointed as additional director on 31.10.2006

4. Audit Committee :

- a) Sri. N. Srinivasan - Non-executive, independent director
 - b) Sri Suresh Kumar Bhuwalka – Executive
 - c) Dr.S.K.Gupta - Non-executive, independent director
- Secretary - P.K.Chamaria -V.P.(Finance) & Company Secretary

The Committee met on 29.06.2006, 28.07.2006, 31.10.2006 and 31.01.2007.

Name of the Members	Category	Meetings held during the tenure	Attended	% of total	Whether attended last AGM
Dr. S.K. Gupta	NEC & Ind	4	4	100	Yes
N.Srinivasan	NED & Ind	4	4	100	Yes
Suresh Kumar Bhuwalka	Executive	4	4	100	Yes

The statutory auditors were present as invitee in the meeting.



BHUWALKA STEEL INDUSTRIES LIMITED

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

- a) Dr. S.K. Gupta -- Chairman (Non-executive and independent)
- b) Sri.N.Srinivasan - Non-executive and independent
- c) Sri Suresh Kumar Bhuwalka - Executive Managing 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 31.03.2007, there were no complaints remaining unresolved.

6. Remuneration to Directors:

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

The details of remuneration of the managerial personnel for the year 2006-07 are given in Note No.4 of Schedule 19 - Notes to Accounts.

Sitting fee is paid to non-executive directors 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 consisting of

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

Requests for dematerialization are generally confirmed on a weekly basis.

8. Directors:

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.

9. General Body Meetings:

The last three Annual General Meetings:

YEAR	DATE	TIME	VENUE
2003-2004 22nd AGM	30.09.2004	11.30 A.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025
2004-2005 23rd AGM	24.09.2005	11.30 A.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025
2005-2006 24th AGM	28.09.2006	11.30 A.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025

10. 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.

11. Disclosures :

Disclosure of related party transactions as per Accounting Standard 18 has been made in Schedule 19.

12. Means of Communication

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