

ANNUAL REPORT 2007 - 2008

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BHUWALKA STEEL INDUSTRIES LIMITED

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

Annual Report 2007- 2008**BOARD OF DIRECTORS**

- : **Dr. S.K. Gupta**
Chairman
Shri. Suresh Kumar Bhuwarka
Managing Director
Shri. Ajay Kumar Bhuwarka
Shri. Ankit Bhuwarka
Shri. N. Srinivasan
Advocate S.S. Naganand
Shri. K.C. Kondaiah

**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.


**BHUWALKA
STEEL INDUSTRIES LIMITED**
NOTICE

Notice is hereby given that the 26th Annual General Meeting of the Company will be held on Saturday, the 20th September, 2008, at 12.30 P.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 2008, and the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on equity shares
3. To appoint a Director in place of Shri. N. Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Shri. K.C. Kondaiah who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. S.S. Naganand who retires by rotation and being eligible, offers himself for re-appointment.
6. To re-appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

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 15th September, 2008 to 20th September, 2008 (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 20.09.2008 and in case of shares held in dematerialized form shall be paid to beneficial owners at the end of business hours on 14th September, 2008 as per details furnished by NSDL/CDSL for this purpose.
5. Members are requested to bring their copies of the Annual Report to the meeting.
6. Members/proxies should bring their attendance slip sent herewith duly filled in for recoding the attendance at the meeting.
7. 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: 25th July, 2008

By Order of the Board

(SURESH KUMAR BHUWALKA)
Managing Director

Annual Report 2007- 2008**Details of Directors seeking appointment/reappointment at 26th Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Mr. N.Srinivasan	Mr.S.S. Naganand	Mr. K.C. Kondaiah
Date of Birth	04.11.1947	06.09.1957	10.07.1950
Qualification	B.Sc., B.L. FCA. ASC	B.Com., LLB, A.C.A, Dip in French	B.Com.,
Expertise in specific functional area	More than 37 years experience in Various Manufacturing units in Senior position and is in practice since 1991.	25 Years experience in practice as Advocate in Company Law, Taxation Arbitration, Constitutional Law.	More than 35 years in Industry and had been MLC
List of other Companies in which Directorship held	None	Sumana Developers & Investments (P) Ltd., Innova Securities & Investments Ltd.,	Navakarnataka Steels Pvt.Ltd.
Chairman/ Member of the Committees of the Board of Directors of other companies In which he is a Director	None	None	None


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

Your Directors have pleasure in presenting before you the 26th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS:

	(Rs.in lakhs)	
	2007-08	2006-07
Profit Before Interest,		
Depreciation and Taxation	2216.58	1552.39
Less: Interest	1284.65	1005.33
Depreciation/Amortization	360.16	303.13
Income Tax for the year(including		
FBT and Deferred taxation)	206.74	0.37
Income tax for earlier years	6.05	37.59
Add: Profit on sale of undertakings		
(extra-ordinary items – net of tax)	-	518.79
Add: Balance of profit brought		
forward From last year	1007.69	551.21
Appropriations:		
Proposed Dividend with		
Dividend taxon Preference shares	-	2.56
on Equity shares		
(incl special dividend)	121.38	151.72
Transfer- Capital		
Redemption Reserve	14.00	14.00
Transfer to General Reserve	200.00	100.00
Balance of Profit carried forward	1031.29	1007.69

2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 518.28 crores as compared to Rs. 482.13 crores in the previous year and it is not strictly comparable with the previous year as results for 2006-07 included operations of Whitefield, Kolar and Yeshwanthpur Units of the Company till 27.09.2006. Profit Before Tax (PBT) from operations has gone up from Rs. 2.44 Crores to Rs. 5.72 Crores during the same period.

Company is implementing expansion plan at its unit at Wada which will enable it to expand its base and improve bottomline.

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 has taken over 99.99% of the equity share capital of Benaka Sponge Iron Pvt Ltd having installed capacity of sponge iron of 200 TPD during the year. This will enable the company to step forward for integration.

Company has entered into Joint Venture Agreement with Soulspace Reality Ltd (a B.L. Kashyap Group Company) to develop its land at Old Madras Road, Bangalore for commercial purpose and received refundable advance of Rs. 800 Lacs.

3. DIVIDEND

Your Directors have proposed a Dividend @ 20% on Equity Shares of the Company.

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 and Benaka Sponge Iron Pvt Ltd. together with the Auditors' Report as at and for the year ended 31st March, 2008, 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 10(F) and 10(G) of Schedule '18' forming part of the Accounts for the year ended 31st March 2008.

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 2007- 2008**9. DIRECTORS :**

Sri N. Srinivasan, Sri K.C. Kondaiah and Sri S.S. Naganand retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

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
Date : 25.07.2008

(SURESH KUMAR BHUWALKA)
Managing Director

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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 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 necessary steps to mitigate this risk.

Outlook:

The year ahead looks buoyant with demand outstripping supply leading to higher steel price regime. Company is catering to requirements of Housing, Power, Telecommunication and Engineering Sectors. Large integrated plant mainly focus 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 input 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 2007- 2008**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 7 Directors of which one is 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 Managing Director
Sri. Ajay Kumar Bhuwalka, Director	- Non Executive
Sri. Ankit Bhuwalka, Director	- Non Executive
Sri. N. Srinivasan, Director	- Non Executive & Independent
Sri. S.S. Naganand, Director	- Non Executive & Independent
Sri K.C. Kondaiah, Director	- 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 7 times during the year on 30th June 2007, 30th July 2007, 30th October 2007, 18th January 2008, 25th January 2008, 25th February 2008 and 11th March 2008.

Name of the Directors	No. of Board Meetings	Whether attended	Directorship in other Boards last AGM	Committee	
				Membership	Chairmanship
Dr. S.K. Gupta	6	Yes	12	11	3
Suresh Kumar Bhuwalka	7	Yes	6	—	—
Ajay Kumar Bhuwalka	6	Yes	6	—	—
Ankit Bhuwalka	4	Yes	3	—	—
N. Srinivasan	5	Yes	Nil	—	—
K.C. Kondaiah	5	Yes	1	—	—
S.S. Naganand	4	No	2	—	—
Sanjay Kumar Bhuwania*	Nil	No	—	—	—

* Resigned on 08.09.2007

4. Audit Committee :

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

The Committee met on 30.06.2008, 30.07.2007, 30.10.2007, 25.01.2008

Name of the Members	Category	Meetings held during the tenure	Attended	% of total	Whether attended last AGM
Dr. S.K. Gupta	NEC & Ind	4	3	75	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.

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.



BHUWALKA STEEL INDUSTRIES LIMITED

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 31.03.2008, 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 Directors and Managing Director.

The details of remuneration of the managerial personnel for the year 2007-08 are given in Note No. 3 of Schedule 18 - 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
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
2006-2007 25th AGM	29.09.2007	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 18.

12. Means of Communication

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

Annual Report 2007- 2008**13. General Shareholder's Information:**

- * **Annual General Meeting** : Saturday, 20th September, 2008 at 12.30 pm
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 31.07.2008
 - ii. Unaudited Results - II Qtr : on or before 31.10.2008
 - iii. Unaudited Results – III Qtr : on or before 31.01.2009
 - iv. Annual Accounts 2008 : on or before 30.06.2009
- * **Book Closure** : 15.09.2008 to 20.09.2008
- * **Listing on Stock Exchanges** : Bangalore , Mumbai
- * **Stock Code** : The Mumbai Stock Exchange 513333
Bangalore Stock Exchange BHUWALKSTL
- * **Listing Fee** : Annual Listing fee for 2008-09 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 Data of Mumbai Stock Exchange is furnished below:-

Month	High (Rs.)	Low (Rs.)	Volume (nos)
April, 2007	34.75	30.40	30338
May, 2007	42.00	31.30	109177
June, 2007	43.00	33.10	51331
July, 2007	40.00	33.10	128313
August, 2007	50.00	34.05	317840
September, 2007	49.70	43.20	241610
October, 2007	54.00	38.15	160698
November, 2007	93.00	41.10	575102
December, 2007	117.80	79.00	572049
January, 2008	131.80	93.10	409568
February, 2008	109.00	81.00	86506
March, 2008	104.95	63.00	83579
			2766111

- * **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 Electronic Form till date in compliance with SEBI requirements.
- * **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 30 days from the date of receipt.
- * **Distribution of Shareholdings as on 31st March, 2008.**

No. Of Shares held	Folios		Shares	
	Number	%	Number	%
1 - 500	4954	93.44	596555	11.50
501 - 1000	174	3.28	139598	2.69
1001 - 2000	77	1.45	125235	2.41
2001 - 3000	40	0.75	102182	1.97
3001 - 4000	7	0.13	25660	0.49
4001 - 5000	14	0.26	64965	1.25
5001 - 10000	20	0.38	157708	3.04
10001 & ABOVE	16	0.30	3975346	76.64
Total	5302	100.00	5187249	100.00