

# **ANNUAL REPORT 2008 - 2009**



**BHUWALKA STEEL INDUSTRIES LIMITED**

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



**Annual Report 2008 - 2009**

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**BOARD OF DIRECTORS**

: **Dr. S.K. Gupta**  
*Chairman*  
**Shri. Suresh Kumar Bhuwalka**  
*Managing Director*  
**Shri. Ajay Kumar Bhuwalka**  
**Shri. Ankit Bhuwalka**  
**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.

**SHARE TRANSFER AGENTS**

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



### NOTICE

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the Company will be held on Saturday, the 26<sup>th</sup> September, 2009, 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:

Please read Annual General Meeting notice  
Wednesday the 30<sup>th</sup> September 2009, at 12.30

1. To receive, consider and adopt the Audited Statements of Accounts of the Company for the year ended 31<sup>st</sup> March 2009, and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Sri Suresh Kumar Bhuwalka, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Sri Ajay Kumar Bhuwalka who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. Ankit Kumar Bhuwalka who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

#### 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 24<sup>th</sup> September, 2009 to 30<sup>th</sup> September, 2009 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the meeting.
5. Members/proxies should bring their attendance slip sent herewith duly filled in for recoding the attendance at the meeting.
6. 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: 31<sup>st</sup> July, 2009

By Order of the Board

**(SURESH KUMAR BHUWALKA)**  
Managing Director

**Annual Report 2008 - 2009****Details of Directors seeking appointment/reappointment at 27<sup>th</sup> Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Mr. Suresh Kumar Bhuwalka	Mr. Ajay Kumar Bhuwalka	Mr. Ankit Bhuwalka
Date of Birth	01.11.1950	08.02.1976	02.09.1981
Qualification	B.Com.,	B.Com	B.Com.,
Expertise in specific functional area	More than 37 years experience as Industrialist in Manufacturing.	More than 14 years experience as Industrialist in Manufacturing.	6 Years experience in Steel Industry
List of other Companies in which Directorship held	Nava Karnataka Steels Pvt. Ltd., Bhuwalka Trade Links Pvt. Ltd., Benaka Sponge Iron Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Bhuwalka Ispat Limited Bhuwalka Metal Industries Ltd., Bhuwalka Steel Industries (UAE) FZE	Nava Karnataka Steels Pvt. Ltd., Bhuwalka Trade Links Pvt. Ltd., Benaka Sponge Iron Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Bhuwalka Ispat Limited Bhuwalka Metal Industries Ltd.,	Nava Karnataka Steels Pvt. Ltd., Bhuwalka Trade Links Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Bhuwalka Ispat Limited
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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## DIRECTORS' REPORT

### TO THE MEMBERS OF

### BHUWALKA STEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 27<sup>th</sup> Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2009.

#### 1. FINANCIAL RESULTS:

(Rs.in lakhs)

	2008-09	2007-08
<b>Profit Before Interest, Depreciation and Taxation</b>	<b>598.86</b>	<b>2216.58</b>
Less: Interest	1345.73	1284.65
Depreciation/Amortization	445.86	360.16
Income Tax for the year (including FBT and Deferred taxation)	- 382.78	206.74
Income tax for earlier years	10.92	6.05
Add: Excess Provision for Gratuity/leave withdrawn	15.25	-
Add: Balance of profit brought forward From last year	1031.29	1007.69
<b>Appropriations:</b>		
Proposed Dividend with Dividend tax on Equity shares (incl special dividend)	-	121.38
Transfer - Capital Redemption Reserve	-	14.00
Transfer to General Reserve	-	200.00
Balance of Profit carried forward	225.67	1031.29

#### 2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 492.86 crores as compared to Rs. 518.28 crores in the previous year signifying a fall by 4.90%. During the year under review, Company suffered a loss of Rs. 8.06 Crores as against Profit After Tax of Rs. 3.59 Crores in the previous accounting year. This was the result of global recession followed by crash in the metal prices by more than 35%.

Company has implemented expansion plan at its unit at Wada which is yet to be operative in full capacity due to lack of demand and working capital.

In order to improve financials, Company is seriously planning to raise long term resources by diluting its valuable assets and utilize the same for improving operations of the Company.

Company's products continues to be well accepted by the market. Company has participated in tenders floated by govt. undertakings and is poised to receive large orders to be executed during next 2-3 quarters. Due to renewed thrust on Infrastructure sector by the newly formed government at the centre, it is expected that the demand for steel may pick up in coming quarters.

#### 3. DIVIDEND

In view of loss, no dividend has been recommended by the directors.

#### 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 31<sup>st</sup> March, 2009, 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 2009.

#### 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 Suresh Kumar Bhuwalka, Sri Ajay Kumar Bhuwalka and Sri Ankit Bhuwalka retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

**Annual Report 2008 - 2009****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 judgments 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

**(SURESH KUMAR BHUWALKA)**

*Managing Director*

**(AJAY KUMAR BHUWALKA)**

*Director*

Place : Bangalore

Date : 31.07.2009



## Management Discussion and Analysis

### Industry Structure & Developments:

The Company's primary product, steel rolled product, is primarily cater to the demand of construction, infrastructure, power 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. In the 1<sup>st</sup> half of the year, prices touched historic high and in later part of the year crashed by about 35%.

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 has implemented modernization and expansion at its facilities at Wada.

### OPPORTUNITIES, THREATS AND CONCERNS:

Deep economic recession coupled with global meltdown has affected all the commodities market across the globe and steel was one of the worst affected commodity. Due to difficult condition for financial closure and fund raising program of projects of large magnitude, the demand scenario is not clear. However, for country like India, there will be good opportunity for growth though may be lower than earlier targets and renewed emphasis on infrastructure by the newly formed stable government may work as stimulus for the industries at large.

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. Moreover, company's better structured product portfolio will enable it to penetrate into new markets and met the requirements of existing customers.

Price volatility remain serious concern of the Company. Company has to initiate necessary steps to mitigate this risk.

### Outlook:

The year ahead looks uncertain as demand side is not very clear and new capacities are in the pipeline. 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. 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 (including fuel) and its availability is major concern. 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. High volatility in commodity prices remain serious concern. 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.



## 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, <i>Chairman</i>	- Non Executive Independent
Sri. Suresh Kumar Bhuwarka, <i>Managing Director</i>	- Executive
Sri. Ajay Kumar Bhuwarka	- Non Executive
Sri. Ankit Bhuwarka	- Non Executive
Sri. N. Srinivasan, <i>Director</i>	- Non Executive & Independent
Sri K.C. Kondaiah	- Non Executive & Independent
Sri. S.S. Naganand	- 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 4 times during the year on 25<sup>th</sup> June 2008, 25<sup>th</sup> July 2008, 27<sup>th</sup> October 2008, 31<sup>st</sup> January 2009**

Name of the Directors	No. of Board Meetings Attended	Whether attended last AGM	Directorship in other Boards	Committee	
				Membership	Chairmanship
Dr. S.K. Gupta	4	Yes	11	8	5
Suresh Kumar Bhuwarka	4	Yes	6	-	-
Ajay Kumar Bhuwarka	4	Yes	6	-	-
Ankit Bhuwarka	4	Yes	3	-	-
N. Srinivasan	4	Yes	Nil	-	-
K.C. Kondaiah	2	Yes	1	-	-
S.S. Naganand	3	No	2	-	-

**4. Audit Committee :**

- a) Sri. N. Srinivasan - Non-executive, independent Director  
b) Sri Suresh Kumar Bhuwarka – Executive  
c) Dr.S.K.Gupta - Non-executive, Independent Director

Secretary - P.K.Chamaria -V.P.(Finance) & Company Secretary

The Committee met on 25.06.2008, 25.07.2008, 27.10.2008, 31.01.2009

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 Bhuwarka	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 31.03.2009, there were no complaints remaining unresolved.

**6. Remuneration to Directors:**

The Board is yet 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 2008-09 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
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
2007 – 2008 26th AGM	20.09.2008	12.30 P.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 and "Hosadiganta" (Kannada). During the year, no presentations were made to Financial Analysts / Institutional Investors.