

# **ANNUAL REPORT 2009 - 2010**



**BHUWALKA STEEL INDUSTRIES LIMITED**

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

**BOARD OF DIRECTORS**

: **Shri. Suresh Kumar Bhuwalka**  
*Chairman and Managing Director*  
**Shri. Ajay Kumar Bhuwalka**  
**Shri. Ankit Bhuwalka**  
**Shri. N. Srinivasan**  
**Shri. K.C. Kondaiah**  
**Shri. Roop Sing Chawhan**

**COMPANY SECRETARY**

: **S. Ramakumar**

**AUDITORS**

: **M/s. Avinash Bhandari**  
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 28<sup>th</sup> Annual General Meeting of the Company will be held on Tuesday, the 28<sup>th</sup> September, 2010, 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 2010, and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri. N.Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. K.C. Kondaiah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. M. S. Dahiya & Co., Chartered Accountants, (in respect of whom notice in writing from a member of the Company signifying his intention to appoint them as Auditors of the Company has been received pursuant to Section 225(1) of the Companies Act, 1956) be and are hereby appointed as the Auditors of the Company in place of retiring Auditors M/s. Avinash Bhandari, Chartered Accountants, (who have not offered themselves for re-appointment as Auditors of the Company), to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company based on the recommendation of the Audit Committee, and reimbursement of out-of-pocket expenses incurred in connection with the audit of the accounts of the Company."

**SPECIAL BUSINESS:**

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

"RESOLVED THAT Shri. Roop Sing Chawhan, an Additional Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office until this Annual General Meeting, and for the appointment of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company whose period of office will be liable to retirement by rotation."

**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 22nd September, 2010 to 28<sup>th</sup> September, 2010 (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 recording 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.
7. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the special business to be transacted at the Annual General Meeting is annexed.

Registered Office:  
No.71, III Cross  
Residency Road  
Bangalore - 560 025  
Date: 11th August, 2010

By Order of the Board

**(SURESH KUMAR BHUWALKA)**  
Chairman and Managing Director



**An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956**

**Item No. 4**

During the year under review M/s. P.K. Rungta & Co., had expressed their inability to conduct the Statutory Audit of your company for the year 2009-10 due to illness of their Proprietor Mr. P.K. Rungta. The resulting Casual Vacancy caused was filled by the Board by appointing Mr. Avinash Bhandari, Chartered Accountants, Bangalore as the Statutory Auditors to hold office until the ensuing Annual General Meeting.

However M/s. Avinash Bhandari Chartered Accountants, has expressed their inability to conduct the Statutory Audit of your company for the year 2010-2011 in view of the peer review certificate requirement for statutory audits as per recent amendment in Clause 41 of the Listing Agreement with Stock Exchanges. The resulting Casual Vacancy caused was filled by the Board by appointing at its meeting held on 7th August 2010 M/s. Dahiya & Co., Chartered Accountants as its auditors, to hold office upto the conclusion of ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors recommend the said resolution for your approval.

None of the Directors are, in any way, concerned or interested in the said resolution.

**Item No. 5**

Shri. Roop Sing Chawhan was appointed as an Additional Director w.e.f. 1<sup>st</sup> June, 2010 and holds office only up to the conclusion of ensuing Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director.

Your Directors recommend the said resolution for your approval.

Shri. Roop Sing Chawhan is interested in the said resolution pertaining to his own appointment.

Registered Office:  
No.71, III Cross  
Residency Road  
Bangalore - 560 025  
Date: 11th August, 2010

By Order of the Board

**(SURESH KUMAR BHUWALKA)**  
Chairman and Managing Director

**Details of Directors seeking appointment/reappointment at 28<sup>th</sup> Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Shri. N.Srinivasan	Shri. K.C. Kondaiah	Shri. Roop Sing Chawhan
Date of Birth	04.11.1947	10.07.1950	10.08.1948
Qualification	B.Sc., B.L. FCA, ACS	B.Com	M.Com.
Expertise in specific functional area	More than 35 years experience in Various manufacturing units in Senior position and is in Practice since 1991	More than 40 years in industry and is an MLC in Karnataka	Served for more than 14 years as Executive Director of KSIIDC Limited
List of other Companies in which Directorship held	None	Nava Karnataka Steels Pvt. Ltd.,	Benaka Sponge Iron Pvt. Ltd.
Chairman/ Member of the Committees of the Board of Directors of other companies In which he is a Director	None	None	None

## DIRECTORS' REPORT

### TO THE MEMBERS OF

### BHUWALKA STEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 28<sup>th</sup> Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March 2010.

#### 1. FINANCIAL RESULTS:

(Rs.in lakhs)

	2009-10	2008-09
Total Income	449,28.75	494,49.56
Profit before Interest, Depreciation and Taxation	19,35.23	8,22.49
Less: Interest	13,19.35	15,69.37
Less: Depreciation/ Amortization	3,06.50	4,45.86
Profit Before Tax	3,09.38	(11,92.72)
Less: Income Tax for the year(including FBT and Deferred taxation)	1,00.74	(3,82.78)
Less: Income tax for earlier years	—	10.92
Less: Excess Prov. of Gratuity & Leave Withdrawn	—	15.25
Profit After Tax	2,08.64	(8,05.61)
Add: Balance of profit brought forward From last year	2,25.67	10,31.29
Balance of Profit carried forward	4,34.31	2,25.67

#### 2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 449.28 crores as compared to Rs. 494.49 crores in the previous year signifying a fall by 10.06% in top line. During the year under review, the Company has recovered from the effect of global recession and has made profit after tax of Rs.2.08 Crores as against a loss of Rs. 8.06 Crores in the previous accounting year.

Company has implemented expansion plan at its unit at Wada which is yet to be operative in full capacity due to inadequate working capital. However the same has been considered by working capital bankers and operations will be in full swing in FY 2010-11.

In order to improve financial performance and profitability, Company has taken up various action plan in current year which include raising long term funding resources through equity, concentrating in improving productivity, efforts for optimum capacity utilization of the Wada and Hoskote plants and an overall cost reduction exercise. As a long term strategic plan, management is exploring amalgamation of other group companies, integration of operations and captive power plant.

Company's products continue 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 existing government at the centre, it is expected that the demand for steel may pick up in coming quarters.

#### 3. DIVIDEND

The Management has decided to retain the profits for the current year for future plans.

#### 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 2010, are appended.

Company is in to discussion with various investors to seek additional investment for meeting capex and working capital requirement at Bhuwalka Steel Industries (UAE) FZE.

#### 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 8 (F) and 8 (G) of Schedule '18' forming part of the Accounts for the year ended 31st March 2010.

**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 :**

Shri. N.Srivasan and Shri K.C Kondaiah retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Dr. S.K Gupta resigned on 14.04.2010 and Shri S.S Naganand resigned on 31.05.2010 as Directors on the Board of the Company.

Shri. Roop Sing Chawhan was appointed as an Additional Director w.e.f. 1<sup>st</sup> June, 2010 and holds office only up to the conclusion of ensuing Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director.

**10. AUDITORS:**

During the year under review M/s. P.K. Rungta & Co., had expressed their inability to conduct the Statutory Audit of your company for the year 2009-10 due to illness of their Proprietor Mr. P.K. Rungta. The resulting Casual Vacancy caused was filled by the Board by appointing M/s. Avinash Bhandari, Chartered Accountants, Bangalore as the Statutory Auditors to hold office until the ensuing Annual General Meeting.

However Mr. Avinash Bhandari has expressed his inability to conduct the Statutory Audit of your company for the year 2010-2011 in view of the peer review certificate requirement for statutory audits as per recent amendment in Clause 41 of the Listing Agreement with Stock Exchanges. The resulting Casual Vacancy caused was filled by the Board by appointing at its meeting held on 7th August 2010 M/s. Dahiya & Co., Chartered Accountants as its auditors, to hold office upto the conclusion of 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 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)**

*Chairman and Managing Director*

**(AJAY KUMAR BHUWALKA)**

*Director*

Place : Bangalore  
Date : 11.08.2010



## **Management Discussion and Analysis**

### **INDUSTRY STRUCTURE & DEVELOPMENTS:**

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

During the year under review, the steel prices continued to be volatile and the price of rolled products were market driven. For improving margins, Company has taken serious steps for reduction in the cost of production and overheads. Company is concentrating to optimise its capacity utilization so as to achieve economies of scale. Further to create a wide product base to cater other growing industries such as telecom and engineering, Company has implemented modernization and expansion at its facilities at Wada. Modernization will also help company in improving productivity.

### **OPPORTUNITIES, THREATS AND CONCERNS:**

Deep economic recession coupled with global meltdown has affected all the commodities market across the globe in FY 2009-10 and steel was one of the worst affected commodity. There is surge in demand in current year, however the momentum is slow, in an emerging economy like India, there will be good opportunity for growth though may be lower than earlier targets and renewed emphasis on infrastructure by the existing government may work as stimulus for the industries at large.

In latest Global Investor Meet (GIM) held at Bangalore, State and Central Government have shown their willingness to support metal and infrastructure industry and a lot of investment is planned by investors in Karnataka itself, which is a promising opportunity for company's product.

Competition from un-organised sector is still a threat to the Company. However, renowned builders and infrastructure companies are keen to source their requirement from organized company like yours. Moreover, Company's better-structured product portfolio will enable it to penetrate into new markets and to meet the requirements of existing customers.

Price volatility and higher cost of borrowing remains serious concern of the Company. Company has already initiated necessary steps to mitigate this risk.

### **Outlook:**

The year ahead looks promising as there is growth envisaged in demand in various industries to whom company's products are catered to. Company is catering to requirements of Housing, Power, Telecommunication and Engineering Sectors. Large integrated plant mainly focuses on flat products and long products are generally the domains 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 has already identified these risks and taking necessary steps to mitigate the risks such as exploring the possibilities to having captive power plant to become self sufficient, linkage to coal and iron ore mines for uninterrupted production and to reduce cost of borrowing by various means.

### **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. In current year, Company has engaged industry and finance experts to further strengthen its internal control and audit system for reduction of various costs and overheads.

### **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

- 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 as on the date of this Report is comprised of 6 Directors of which One is executive, Two Non Executive and Three are non-executive Independent.

Shri. Suresh Kumar Bhuwalka, Chairman	- Executive (Managing Director)
Shri. Ajay Kumar Bhuwalka	- Non-Executive
Shri. Ankit Bhuwalka	- Non-Executive
Shri. N. Srinivasan	- Non Executive & Independent
Shri. K.C. Kondaiah	- Non Executive & Independent
Dr. S. K. Gupta (Resigned on 14.04.2010)	- Non Executive & Independent
Shri. S.S. Naganand (Resigned on 31.05.2010)	- Non Executive & Independent
Shri. Roop Sing Chawhan (Appointed on 01.06.2010)	- Non Executive & Independent

Note : Dr. S. K. Gupta was Chairman upto 13.04.2010 and has resigned from the Board on 14.04.2010. Shri. Suresh Kumar Bhuwalka was appointed as Chairman on 14.04.2010.

- 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 30<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 31<sup>st</sup> October 2009, and 30<sup>th</sup> January 2010.**

Name of the Directors	No. of Board Meetings Attended	Whether attended last AGM	Directorship in other Boards	Committee	
				Membership	Chairmanship
Shri.Suresh Kumar Bhuwalka	4	Yes	6	—	—
Shri.Ajay Kumar Bhuwalka	4	Yes	6	—	—
Shri.Ankit Bhuwalka	0	Yes	3	—	—
Shri.N. Srinivasan	3	Yes	Nil	—	—
Shri.K.C. Kondaiah	2	Yes	1	—	—
Dr. S.K. Gupta (Resigned on 31.05.10)	4	Yes	11	8	5
Shri.S.S. Naganand (Resigned on 31.05.10)	3	No	2	—	—

### 4. Audit Committee : (As on the date of this Report)

- Shri. N. Srinivasan - Non-executive, Independent Director
- Shri Suresh Kumar Bhuwalka - Executive
- Dr.S.K.Gupta (Resigned on 14.04.10) - Non-executive, Independent Director
- Shri. K.C. Kondaiah (included on 14.04.10) (excluded on 11.08.10) - Non Executive & Independent
- Shri. Roop Sing Chawhan (included on 11.08.10) - Non Executive & Independent

Secretary – S. Ramakumar, Company Secretary

The Committee met on 30.06.2009, 31.07.2009, 31.10.2009 and 30.01.2010

Name of the Members	Category	Meetings held during the tenure	Attended	% of total	Whether attended last AGM
Shri.N.Srinivasan	NED & Ind	4	4	100	Yes
Shri.Suresh Kumar Bhuwalka	Executive	4	4	100	Yes
Dr. S.K. Gupta (Resigned on 14.04.2010)	NEC & Ind	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.



**5. Share holders' / Investors' Grievance Committee:**

- a) Shri.N.Srinivasan – Non-executive and Independent
- b) Shri Suresh Kumar Bhuwalka – Chairman and Managing Director
- c) Dr. S.K. Gupta  
(Resigned on 14.04.2010) – Non-executive and Independent

Secretary – S. Ram Kumar, Company Secretary

Note: Dr. S .K. Gupta was Chairman upto 13.04.2010 and has resigned from the Board on 14.04.2010. Shri. Suresh Kumar Bhuwalka was appointed as Chairman on 14.04.2010.

This committee facilitates prompt and effective redressal of shareholders' complaints and to look into their grievances. As on 31.03.2010, 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 2009-10 are given in Note No. 2 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) Shri. Suresh Kumar Bhuwalka – Chairman
- b) Shri. Ajay Kumar Bhuwalka

Secretary – S. Ram Kumar, 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
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
2008 – 2009 27th AGM	30.09.2009	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.