

# **ANNUAL REPORT 2010 - 2011**



**BHUWALKA STEEL INDUSTRIES LIMITED**

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



<b>BOARD OF DIRECTORS</b>	: <b>Shri. Suresh Kumar Bhuwalka</b> <i>Chairman and Managing Director</i> <b>Shri. Ajay Kumar Bhuwalka</b> <b>Shri. Ankit Bhuwalka</b> <b>Shri. K.C. Kondaiah</b> <b>Shri. Roop Sing Chawhan</b> <b>Smt. Visalakshi Vasanthan</b> <i>Nominee Director - IDBI Bank Ltd.</i>
<b>COMPANY SECRETARY</b>	: <b>Naveen K. Shenoy</b>
<b>AUDITORS</b>	: <b>M/s. M.S. Dahiya &amp; Co.</b> Chartered Accountants Bangalore
<b>BANKERS</b>	: <b>Canara Bank</b> <b>IDBI Bank Ltd.</b>
<b>REGD. OFFICE</b>	: No.71, III Cross Residency Road Bangalore - 560 025
<b>FACTORIES</b>	: 1) at 10th Mile Old Madras Road, Bangalore - 560 049.  2) 204, Mauji Khupri Taluka Wada, District Thane Mumbai - 421 312.
<b>SHARE TRANSFER AGENTS</b>	: <b>Integrated Enterprises (India) Ltd.</b> No. 30, Ramana Residency Ground Floor, 4th Cross Sampige Road, Malleswaram Bangalore - 560 003.

### NOTICE

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the Company will be held on Monday, the 26<sup>th</sup> September, 2011, 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 2011, and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri. Suresh Kumar Bhuwalka, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Ajay Kumar Bhuwalka, 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. ASR Associates, 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.M.S.Dahiya & Co.,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 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.”

Registered Office:  
No.71, III Cross  
Residency Road  
Bangalore - 560 025  
Date: 12<sup>th</sup> August, 2011

By Order of the Board

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

#### 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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy should 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 Books of the Company will remain closed from 19<sup>th</sup> September, 2011 to 26<sup>th</sup> September, 2011 (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. Members are requested to notify the Registrars and Transfer Agents of the Company, Integrated Enterprises (India) Ltd., No.30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore 560003 or the Company at its Registered Office of any change in address quoting their Folio Number/s, in respect of shares held in electronic form, instructions regarding change in address be furnished to members' Depository Participant only.

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No.71, III Cross  
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Date: 12<sup>th</sup> August, 2011

By Order of the Board

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

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**Annual Report 2010- 2011**

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**Details of Directors seeking appointment / re-appointment at 29<sup>th</sup> Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Shri. Suresh Kumar Bhuwalka	Shri. Ajay Kumar Bhuwalka
Date of Birth	01.11.1950	08.02.1976
Qualification	B.Com	B.Com
Expertise in specific functional area	More than 39 years experience as Industrialist in Manufacturing.	More than 16 years experience as Industrialist in Manufacturing.
List of other Companies in which Directorship held	Nava Karnataka Steels Pvt. Ltd., Benaka Sponge Iron Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Bhuwalka Trade Links Pvt.Ltd. Bhuwalka Metal Industries Pvt. Ltd., Bhuwalka Ferrous Ltd. Lootah Bhuwalka Steel Industries FZC	Nava Karnataka Steels Pvt. Ltd., Benaka Sponge Iron Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Bhuwalka Metal Industries Pvt. Ltd., Bhuwalka Ferrous 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	None	None

## DIRECTORS' REPORT

### TO THE MEMBERS OF BHUWALKASTEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 29<sup>th</sup> Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2011.

#### 1. FINANCIAL RESULTS:

(Rs.in lakhs)

	2010 -11	2009 -10
Total Income	<b>52870.81</b>	45951.86
Profit before Interest, Depreciation and Taxation	<b>2697.80</b>	1935.23
Less: Interest	<b>1872.52</b>	1319.35
Less: Depreciation/ Amortization	<b>306.70</b>	306.50
Profit Before Tax	<b>518.57</b>	309.38
Less: Income Tax for the year(including FBT and Deferred taxation)	<b>187.37</b>	100.74
Less :Income tax for earlier years	<b>2.54</b>	—
Profit After Tax	<b>328.65</b>	208.64
Add : Balance of profit brought forward from last year	<b>434.31</b>	225.67
Appropriations:		
Proposed Dividend with Dividend tax on Equity shares	—	—
Transfer - Capital Redemption Reserve	—	—
Transfer to General Reserve	—	—
Balance of Profit carried forward	<b>762.96</b>	434.31

#### 2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs.52870.81 lakhs as compared to Rs. 45951.86 lakhs in the previous year signifying a rise by 15.06% in top line. During the year under review, the Company's profit after tax surged to Rs.328.65 lakhs against Rs. 208.64 lakhs in the previous accounting year.

Company has completed its expansion project of Unit 4 at Wada and commercial production after trial run in the last quarter 2010- 2011.

To achieve optimal production capacity, Company is planning to raise long term funding and exploring options for the same. This will support the Company to produce to its maximum capacities and improve its profitability.

Company has renewed its Joint Development agreement with Soul Space Realty Limited (a B.L. Kashyap Group Company) to speedily take up real estate development at its unit at Hoskote. Necessary approvals and sanctions are awaited to launch the project as soon as possible.

It will unlock real estate value for the Company and will support its long term funding needs.

#### 3. DIVIDEND:

The Management has decided to retain the profits for the year ended 31st March, 2011 for meeting Company's future expansion projects.

#### 4. ISSUE OF BONUS SHARES:

The company completed allotment of Bonus Shares to equity shareholders in the ratio of 1:1 on 23-07-2011 pursuant to shareholders' approval obtained through postal ballot on 12-07-2011.

#### 5. SUBSIDIARY COMPANY:

The Company's wholly owned Subsidiary, M/s. Bhuwarka Steel Industries (UAE) FZE, Sharjah became a Joint Venture Company in January, 2011 consequent to its entering into a Joint Venture Agreement with Mr. Hassan Ibrahim Lootah of M/s. Lootah Group of Companies, Dubai. The Joint Venture Company's name has been since changed to M/s. Lootah Bhuwarka Steel Industries FZC. The Company now holds 49% of the equity capital of the Joint Venture 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 Benaka Sponge Iron Pvt Ltd. together with the Auditors' Report as at and for the year ended 31<sup>st</sup> March 2011, are appended.

#### 6. CONSERVATION OF ENERGY:

Total energy consumption and energy consumed per unit of production as per Form 'A' is annexed - forming part of this Report.

#### 7. TECHNOLOGY ABSORPTION:

The Company is keeping abreast of the latest developments in product technology, manufacturing process and methods and using indigenous technology

**8. 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 2011.

**9. PERSONNEL:**

Industrial Relations remained cordial throughout 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.

**10. DIRECTORS:**

Sri Suresh Kumar Bhuwarka and Sri Ajay Kumar Bhuwarka retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri. N.Srinivasan resigned on 27.09.2010 as Director on the Board of the Company.

Smt. Visalakshi Vasanthan has been appointed on 28.09.2010 as Nominee Director of IDBI Bank.

**11. AUDITORS:**

The current Auditors, M/s. M.S.Dahiya & Co., Chartered Accountants, have not offered themselves for re-appointment as Auditors of the Company for the year 2011-12. M/s.ASR Associates, 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) are proposed to be appointed as the 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.

**12. 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.

**13. 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

**14. 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

**15. 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 : 30th May 2011

## **Management Discussion and Analysis**

### **Industry Structure & Developments:**

Though global crude steel production reached a new height during 2010 by 15% over 2009 and India's production also inched up by 6.4%, the Company could not reach the level of previous year's production in terms of quantity primarily due to increase in the prices of input raw materials during the period 2010-11. Further shortage in availability of raw material due to ban imposed in mining of iron ore in the State of Karnataka, from where major amount of iron ore is sourced by the Company, also added to lower production of its products.

However, the increase in cost of raw material and shortage of iron ore pushed the prices of finished products upwards resulting in higher turnover and profit for the year 2010-11.

The Company continues to optimize its capacity utilization to achieve economies in scale of its operations and also pursues its modernization plans at its manufacturing facilities at Wada to cater to diversified class of customers

### **Opportunities, Threats and Concerns:**

The Company caters to construction, infrastructure, power, telecom and engineering industries. Though there are large no. of re-rolling mills across the length and breadth of the country, they are by and large concentrated in local level. Due to its reputation as manufacturer of quality products, the Company has not only been able to retain its existing customers but is also adding new customers.

Though there is competition not only from local players but also from un-organised sector, the company is fully geared to meet these challenges and move towards achieving its set goals.

Three factors, however, will need to be watched carefully in order to ensure preparedness and to be able to take timely steps to manage risk are: a) Price Volatility b) Sourcing of key raw materials and c) cost of borrowing.

Nonetheless, the Board continues to believe that this year is yet another year of opportunity to focus on further growth and consolidation.

### **Outlook:**

The Indian Steel Industry plays a significant role in the country's economic growth. The industry continues to remain in growth mode. It continues to hold a strong hold in the traditional sectors such as infrastructure & constructions, automobile, transportation and industrial application. With the Government's pro-active incentive plans to boost economic growth by injecting funds in various industries such as construction, infrastructure, automobile and power will drive the steel industry in future. Steel consumption in India is expected to grow significantly in the coming years as per capita finished steel consumption is far less than its regional counterparts.

### **Risks and concerns:**

The cost of power (including fuel) and its availability continues to be a 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.

The economy continues to witness inflationary trends. The headline inflation has continued to be fuelled by high food inflation and rising prices of crude and commodities. The Reserve Bank of India's action to consistently raise interest rates and suck liquidity out of the system to tame inflation together with high commodity prices is likely to make new investment less attractive, contract demand and lead to slow down in the industry. This remain a serious concern. 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. Moreover, the Audit Committee of the Board of Directors regularly reviews the effectiveness and adequacy of the internal control systems to monitor due and proper implementation thereof and for due compliance with various applicable laws, rules and regulations, accounting standards and regulatory guidelines.

### **Cautionary Statement:**

This report describing the Company's objectives, projections, estimates, expectations may be forward-looking statements, which are based on certain assumptions and future events. Actual results could differ materially from those expressed or implied. Company's actual results may materially differ from those projected in forward looking statements based on economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors.



**FORM "A"**  
**ANNEXURE TO DIRECTOR'S REPORT**  
**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO**  
**CONSERVATION OF ENERGY**

**A. POWER AND FUEL CONSUMPTION:**

		ROLLED PRODUCTS	
		Current Year 2011	Previous Period 2010
1. ELECTRICITY:			
a) PURCHASED			
Units		1,56,90,212	1,49,31,469
Total Amount (Rs.)		9,16,15,058	8,00,08,126
Rate / Unit (Rs.)		5.84	5.36
b) OWN GENERATION:			
Units through Diesel Generator		NIL	NIL
Units per liter of Diesel Oil		NIL	NIL
Cost / Unit (Rs.)		NIL	NIL
2. FURNACE OIL:			
Quantity (Ltrs)		40,84,765	30,61,353
Total Amount (Rs.)		10,25,34,986	6,48,90,813
Average Rate (Rs.)		25.10	21.20
3. COAL & OTHERS:			
Quantity (Tonnage)		11,091	13,290
Total Amount (Rs.)		6,76,21,447	5,88,29,020
Rate / Unit (Rs.)		6,097	4,427
B. CONSUMPTION PER UNIT OF PRODUCTION:			
Products (with details)			
Production (MTs)		1,54,449	1,52,216
Electricity (Units)		101.59	98.09
Furnace Oil (Ltrs.)		26.45	20.11
Coal & Others (Kgs)		71.81	87.31

## 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 as on date of this Report is comprised of 6 Directors of which One is Executive, Two Non Executive, Two are non-executive Independent and One Nominee Director

Sri. Suresh Kumar Bhuwalka, Chairman	-	Executive (Managing Director)
Sri. Ajay Kumar Bhuwalka	-	Non-Executive
Sri. Ankit Bhuwalka	-	Non-Executive
Sri. K.C. Kondaiah	-	Non Executive & Independent
Sri. Roop Sing Chawhan (w.e.f. 01.06.2010)	-	Non Executive & Independent
Smt.Visalakshi Vasanthan ( w.e.f. 28.09.2010)	-	Nominee Director of IDBI Bank
Dr. S .K. Gupta (Resigned w.e.f. 14.04.2010)	-	Non Executive & Independent
Sri. S.S. Naganand (Resigned w.e.f. 31.05.2010)	-	Non Executive & Independent
Sri. N. Srinivasan ( Resigned w.e.f. 27.09.2010)	-	Non Executive & Independent

**Note:** Dr. S .K. Gupta was Chairman upto 14.04.2010 and has resigned from the Board w.e.f. 14.04.2010. Sri. Suresh Kumar Bhuwalka was appointed as Chairman w.e.f. 14.04.2010.

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

**The Board met 10 times during the year - on 14<sup>th</sup> April,2010, 31<sup>st</sup> May,2010, 7<sup>th</sup> August,2010, 11<sup>th</sup> August,2010, 28<sup>th</sup> August,2010, 27<sup>th</sup> September,2010, 7<sup>th</sup> October, 2010, 3<sup>rd</sup> November,2010, 13<sup>th</sup> January,2011 and 14<sup>th</sup> February,2011.**

Name of the Directors	No. of Board Meetings Attended	Whether attended last AGM	Directorship in other Boards	Committee	
				Membership	Chairmanship
Suresh Kumar Bhuwalka	9	Yes	7	—	—
Ajay Kumar Bhuwalka	9	Yes	6	—	—
Ankit Bhuwalka	Nil	No	4	—	—
K.C. Kondaiah	5	Yes	2	—	—
Roop Sing Chawhan (w.e.f. 01.06.2010)	7	Yes	4	2	—
Visalakshi Vasanthan (w.e.f. 28.09.2010)	2	No	Nil	—	—
Dr. S.K. Gupta*	Nil	No	11	8	5
S.S.Naganand **	Nil	No	2	—	—
N. Srinivasan ***	2	No	Nil	—	—

\* Resigned w.e.f. 14-04-2010 \*\* Resigned w.e.f. from 31-05-2010, \*\*\* Resigned from w.e.f. 27-09-2010

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

- a) Sri. Roop Sing Chawhan (included on 11.08.10) - Non Executive & Independent
- b) Sri. K.C. Kondaiah (included on 27.09.10)\* - Non Executive & Independent
- c) Sri Suresh Kumar Bhuwalka - Executive
- d) Sri. N. Srinivasan (Resigned w.e.f. 27.09.10) - Non-executive, independent Director
- e) Dr.S.K.Gupta (Resigned on 14.04.10) - Non-executive, Independent Director

Secretary – Naveen K Shenoy, Company Secretary

\* Inducted on 14-04-2010 and Resigned on 11-08-2010 and re-inducted on 27-09-2010

The Committee met on 31.05.2010, 11.08.2010, 13.11.2010, and 09.02.2011