

ANNUAL REPORT 2011 - 2012



BHUWALKA STEEL INDUSTRIES LIMITED

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

BOARD OF DIRECTORS	: Shri. Suresh Kumar Bhuwalka <i>Chairman and Managing Director</i> Shri. Ajay Kumar Bhuwalka Shri. Ankit Bhuwalka Shri. K.C. Kondaiah Shri. Roop Sing Chawhan Smt. Visalakshi Vasanthan <i>Nominee Director - IDBI Bank Ltd.</i>
COMPANY SECRETARY	: Ashish Kumar A. Parmar
AUDITORS	: M/s. ASR Associates Chartered Accountants Bellary
BANKERS	: Canara Bank IDBI Bank 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	: Integrated Enterprises (India) Ltd. No. 30, Ramana Residency Ground Floor, 4th Cross Sampige Road, Malleswaram Bangalore - 560 003.

NOTICE

Notice is hereby given that the 30th Annual General Meeting of the Company will be held on Wednesday, the 26th September, 2012, 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 2012, and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri. Ankit Bhuwarka, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Shri. Roop Sing Chawhan, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Special Business:

5. 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 sections 269,317, 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 reappointment of Sri. Suresh Kumar Bhuwarka, as Managing Director of the Company for a period of 5 years w.e.f 01.04.2012.

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 20th September, 2012 to 26th September, 2012 (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(2) of the Companies Act, 1956 relating to the special business to be transacted at the Annual General Meeting is annexed.
8. Members are requested to notify the Registrars and Transfer Agents of the Company, Integrated Enterprises (India) Ltd., No.30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bangalore 560 003 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.

Registered Office:
No.71, III Cross
Residency Road
Bangalore - 560 025
Date: 12th August, 2012

By Order of the Board

(SURESH KUMAR BHUWALKA)
Chairman and Managing Director

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

Item No.5:

Shareholders by resolution at the annual general meeting held on 29-09-2007 had reappointed Sri Suresh Kumar Bhuwalka as Managing Director of the Company for a period of 5 years wef 01-04-2007 on a remuneration of Rs.1,00,000/- per month and other benefits and perquisites as per company rules.

Now it is proposed to reappoint him as the Managing Director for next five years commencing from 01-04-2012 without any change in remuneration.

Hence the Resolution is proposed. 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 - 560 025
Date: 12th August, 2012

By Order of the Board

(SURESH KUMAR BHUWALKA)
Chairman and Managing Director

Annual Report 2011- 2012

Details of Directors seeking appointment / re-appointment at 30th Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)

Name of Director	Shri. Ankit Bhuwalka	Shri. Roop Sing Chawhan
Date of Birth	02.09.1981	10.08.1948
Qualification	B.Com	M.Com
Expertise in specific functional area	More than 10 years experience as Industrialist in Manufacturing.	Served for more than 14 years as Former Executive Director of KSIIDC Limited
List of other Companies in which Directorship held	Nava Karnataka Steels Pvt. Ltd., Benaka Sponge Iron Pvt. Ltd., Mahesh Sponge Iron & Power Ltd., Sri Durga Trade Links Pvt.Ltd. Bhuwalka Metal Industries Pvt. Ltd., Bhuwalka Jewellers 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

DIRECTORS' REPORT

TO THE MEMBERS OF BHUWALKA STEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 30th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March 2012.

1. FINANCIAL RESULTS:

(Rs.in Lakhs)

	2011 - 12	2010 - 11
Total Income	63,996.75	52,870.81
Profit before Interest, Depreciation and Taxation	2,654.73	2,697.80
Less: - Interest	2,403.42	1,872.52
Less:- Depreciation/Amortization	597.68	306.70
Profit Before Tax	(346.37)	518.57
Less:- Income Tax for the year(including FBT and Deferred taxation)	125.66	187.37
Less:- Income tax for earlier years	—	2.54
Profit After Tax	(220.73)	328.65
Add: Balance of profit brought forward From last year	762.96	434.31
Appropriations:		
Proposed Dividend with Dividend taxon Equity shares	—	—
Transfer- Capital Redemption Reserve	—	—
Transfer to General Reserve	—	—
Balance of Profit carried forward	542.23	762.96

2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 63,996.75 lakhs as compared to Rs. 52,870.81 lakhs in the previous year signifying a rise by 21% in top line. During the year under review, the Company has incurred losses after tax of 2.20 Crores as against a profit after tax of Rs.3.28 Crores in the previous accounting year. Main reason for losses are poor capacity utilization of production capacities due to inadequate working capital, steep rise in interest costs and high depreciation cost.

Company has implemented expansion plan at its unit at Wada which is yet to be operative in full capacity due to inadequate working capital. Company has applied for restructuring of its bank borrowings under CDR which is under progress with CDR cell and bank lenders viz. Canara Bank and IDBI Bank for their approval.

In order to improve financial performance and profitability, Company is endeavoring to raise long term funding resources through equity, concentrating in improving productivity, efforts for optimum capacity utilization of the Wada plant and an overall cost reduction exercise. Further company is also planning to sale its surplus assets at Hoskote, Kanchipuram and Bangalore in order to improve long term fund positions of the company. Post sale of these assets, company's main operations will be concentrated only at its WADA facilities at Maharashtra.

Company's products are continued to be well accepted by the market. Company has been regularly participating in tenders floated by govt. undertakings and has begged good orders as well during last quarter of FY 2011-12. Further there is good local demand of products in Maharashtra as well as Karnataka. Company is expecting to turnaround based on pending approval of required additional working capital under CDR and long terms funds from sale of its surplus assets.

3. DIVIDEND

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

4. SUBSIDIARY COMPANY

Company currently has only one wholly owned Subsidiary, M/s Benaka Sponge Iron Private Limited. Subsidiary Company is into manufacturing of Sponge Iron products from Iron ore and pellets. Due to ban of iron ore mining in Bellary, raw material availability became difficult to sponge iron units in Bellary. Owing to this fact, M/s Benaka Sponge Iron Private Limited has incurred losses during FY 2011-12 due to poor capacity utilization of the facility.

As required under section 212 of the Companies Act. 1956, the audited statements of accounts along with the report of the Board of Directors of M/s Benaka Sponge Iron Private Limited together with the Auditor's report as at and for the year 31st March 2012, are appended. While preparing consolidated financials of the company, Financials of M/s Benaka Sponge Iron Private Limited has been consolidated as per Accounting Standard- 21 of ICAI.

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 Point 8 (F) and 8 (G) of Note '23' forming part of the Accounts for the year ended 31st March 2012.

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 Ankit Bhuwalka and Sri. Roop Sing Chawhan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

10. AUDITORS:

The Auditors, M/s. ASR Associates, Chartered Accountants, Bellary, 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)
Chairman and Managing Director

(AJAY KUMAR BHUWALKA)
Director

Place : Bangalore
Date : 1st August, 2012

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 countries who are largely local players.

During the year under review, the steel prices continued to be volatile and the prices 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 optimize 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 during last 3 years 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-organized 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.

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 2012	Previous Period 2011
1. ELECTRICITY:			
a) PURCHASED			
Units	10,018,507	15,690,212	
Total Amount (Rs.)	65,947,063	91,615,058	
Rate / Unit (Rs.)	6.58	5.84	
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)	1,855,654	4,084,765	
Total Amount (Rs.)	63,862,422	102,534,986	
Average Rate (Rs.)	34.42	25.10	
3. COAL & OTHERS:			
Quantity (Tonnage)	10,269	11,091	
Total Amount (Rs.)	84,302,790	67,621,447	
Rate / Unit (Rs.)	8,209	6,097	
B. CONSUMPTION PER UNIT OF PRODUCTION:			
Products (with details)			
Production (MTs)	97,669	154,449	
Electricity (Units)	103	102	
Furnace Oil (Ltrs.)	19	26	
Coal & Others (Kgs)	105	72	

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 the 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 Bhuwarka, Chairman	- Executive (Managing Director)
Sri. Ajay Kumar Bhuwarka	- Non-Executive
Sri. Ankit Bhuwarka	- Non-Executive
Sri. K.C. Kondaiah	- Non Executive & Independent
Sri. Roop Sing Chawhan	- Non Executive & Independent
Smt. Visalakshi Vasanthan	- Nominee Director of IDBI Bank
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 2011, 23rd July 2011, 12th August 2011, 12th November 2011, 8th December 2011 and 14th February 2012.

Name of the Directors	No. of Board Meetings Attended	Whether attended last AGM	Directorship in other Boards	Committee	
				Membership	Chairmanship
Suresh Kumar Bhuwarka	3	Yes	6	–	–
Ajay Kumar Bhuwarka	6	Yes	6	–	–
Ankit Bhuwarka	Nil	Yes	5	–	–
K.C. Kondaiah	2	Yes	1	–	–
Roop Sing Chawhan	5	Yes	1	–	–
Visalakshi Vasanthan	3	No	Nil	–	–

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

- | | |
|------------------------------|-------------------------------|
| a) Sri. Roop Sing Chawhan | - Non Executive & Independent |
| b) Sri Suresh Kumar Bhuwarka | - Executive |
| c) Sri. K.C. Kondaiah | - Non Executive & Independent |

The Committee met 4 times during the year on 30.05.2011, 12.08.2011, 12.11.2011, and 14.02.2012

Name of the Members	Category	Attended	% of total	Whether attended last AGM
Roop Sing Chawhan	NED & Ind	4	100	Yes
Suresh Kumar Bhuwarka	Executive	3	75	Yes
K.C.Kondaiah	NEC & Ind	2	50	Yes

The Statutory and Internal 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) Sri Roop Sing Chawhan | - Non-executive and Independent |
| b) Sri Suresh Kumar Bhuwarka | - Chairman and Managing Director |
| c) Sri K.C.Kondaiah | - Non-executive and independent |