

# **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.

Registered Office:  
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**

**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 sancations 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. Bhuwalka 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 Bhuwalka 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 Bhuwalka and Sri Ajay Kumar Bhuwalka 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:**

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

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Name of the Members	Category	Meetings held during the tenure	Attended	% of total	Whether attended last AGM
K.C.Kondaiah ( included on 14.04.2010 and excluded on 11.08.2010) (included again on 27.09.2010)	NEC & Ind	4	1	25	Yes
Suresh Kumar Bhuwalka	Executive	4	4	100	Yes
Roop Sing Chawhan ( included on 11.08.2010)	NEC & Ind	3	3	100	Yes
Dr. S.K. Gupta (Resigned w.e.f. 14.04.2010)	NEC & Ind	Nil	N.A.	N.A.	No
N.Srinivasan ( Resigned w.e.f. 27.09.2010)	NED & Ind	2	1	50	No

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) Sri. Roop Sing Chawhan - Non-executive and Independent
- b) Sri. Suresh Kumar Bhuwalka - Chairman and Managing Director
- c) Sri. K.C.Kondaiah - Non-executive and independent
- d) Dr. S.K.Gupta ( Resigned on 14.04.2010) - Non-executive and independent
- e) Sri. N.Srinivasan ( Resigned on 27.09.2010 ) - Non-executive and independent

Secretary – Naveen K Shenoy, Company Secretary

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

This committee facilitates prompt and effective redressal of shareholders' complaints and to look into their grievances. As on 31.03.2011, 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 2010-11 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 consists of

1. Sri. Suresh Kumar Bhuwalka – Chairman
2. Sri. Ajay Kumar Bhuwalka

Secretary – Naveen K Shenoy, Company Secretary

Requests for dematerialization are generally confirmed on a weekly basis



## BHUWALKA STEEL INDUSTRIES LIMITED

### 8. Directors:

Particulars about Directors who are retiring and are eligible for re-appointment have been given in the notice convening the Annual General Meeting and Explanatory Statement.

### 9. General Body Meetings:

Location, Date and Time where last three Annual General Meetings (AGM) were held:

YEAR	DATE	TIME	VENUE
2007 – 2008 26 <sup>th</sup> AGM	20.09.2008	12.30 P.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025
2008-2009 27 <sup>th</sup> AGM	30.09.2009	12.30 P.M.	Hotel Woodlands No.5, Rajaram Mohanroy Road Bangalore – 560 025
2009-2010 28 <sup>th</sup> AGM	28.09.2010	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 "Sanje Vani" (Kannada). During the year, no presentations were made to Financial Analysts / Institutional Investors.

The details pursuant to clause 54 of the listing agreement with stock exchanges are available in the company's website [www.bhuwalkagroup.com](http://www.bhuwalkagroup.com)

### 13. General Shareholder's Information:

- \* **Annual General Meeting** : Monday, 26th September, 2011 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 14.08.2011
  - ii. Unaudited Results - II Qtr : on or before 14.11.2011
  - iii. Unaudited Results – III Qtr : on or before 14.02.2011
  - iv. Annual Accounts - 2012 : on or before 30.05.2012
- \* **Book Closure** : 19.09.2011 to 26.09.2011
- \* **Listing on Stock Exchanges** : The Bombay Stock Exchange Ltd.  
The Bangalore Stock Exchange Ltd.
- \* **Stock Code** : Bombay Stock Exchange 513333  
Bangalore Stock Exchange BHUWALKSTL
- \* **Listing Fee** : Annual Listing fees are being paid to each of the said stock exchanges as and when they fall due for payment.

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**\* Share Price Data:**

There has been no active trading in Bangalore Stock Exchange and Data of Mumbai Stock Exchange is furnished below:-

Month	High (Rs.)	Low (Rs.)	Volume (nos)
April, 2010	65.95	46.00	432024
May, 2010	64.00	52.05	96450
June, 2010	61.80	47.05	86813
July, 2010	63.45	49.20	62689
August, 2010	63.00	51.00	173461
September, 2010	77.00	53.15	448789
October, 2010	68.95	52.70	229908
November, 2010	65.00	38.00	174488
December, 2010	48.70	35.50	85318
January, 2011	47.50	39.55	42815
February, 2011	39.50	27.00	145908
March, 2011	38.00	28.20	120953

**\* Registrar & Transfer Agents :**

The Share Transfer work is being done by M/s. Integrated Enterprises (India) Ltd. ( formerly M/s. Alpha Systems Private Limited ), No. 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, 2011.**

No. of Shares held	Folios		Shares	
	Number	%	Number	%
1 - 500	4627	93.31	549144	10.59
501 – 1000	171	3.45	140244	2.70
1001 – 2000	83	1.67	129892	2.50
2001 – 3000	26	0.52	66927	1.29
3001 – 4000	6	0.12	21812	0.42
4001 – 5000	13	0.26	60132	1.16
5001 – 10000	19	0.38	137568	2.65
10001 & ABOVE	14	0.28	4081530	78.68
<b>Total</b>	<b>4959</b>	<b>100.00</b>	<b>5187249</b>	<b>100.00</b>

**\* Pattern of Share Holding as on 31st March, 2011**

Sl. No.	Category	No. of Shares	% of Share Holding
1.	Promoters and promoters' group	3680000	70.94
2.	Mutual Funds	2800	0.05
3.	Financial Institution/Banks	100	0.00
4.	Private Corporate Bodies	233183	4.50
5.	Indian Public	1259711	24.28
6.	NRI/Foreign Institutional Investors	11455	0.22
<b>Total</b>		<b>5187249</b>	<b>100.00</b>



**BHUWALKA  
STEEL INDUSTRIES LIMITED**

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\* **Dematerialization of Shares:**

The Company has entered into necessary agreements with NSDL & CDSL for dematerialization of shares held by investors.

As on date, more than 90% of share capital is in electronic form.

The ISIN Number allotted to the Company is ISIN INE069C01013

\* Plant Locations: **Given on the first page of the Annual report**

\* **Address for correspondence:**

All correspondence regarding shares should be addressed to R & T Agent or Company at:

**To the Company:**

Mr. Desmond Rozario  
Compliance Officer  
Bhuwalka Steel Industries Ltd.  
'Bhuwaka Centre' No.71, III Cross,  
Residency Road, Bangalore –560 025

**To the Registrar & Transfer Agent:**

Mr. S. Vijay Gopal,  
Assistant Vice President  
M/s.Integrated Enterprises (India) Ltd.  
4th Cross, Sampige Road  
Malleswaram, Bangalore – 560 003

\* **Non-mandatory Clauses:**

The Company has not adopted any of the non-mandatory requirements as mentioned in Clause 49 of the Listing Agreement.

For and on Behalf of the Board

Place: Bangalore  
Date : August 12, 2011

**(Suresh Kumar Bhuwalka)**  
*Chairman and Managing Director*

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**AUDITORS' CERTIFICATE**

**TO THE MEMBERS OF BHUWALKA STEEL INDUSTRIES LIMITED**

We have examined the compliance of conditions of corporate governance by Bhuwalka Steel Industries Limited, for the year ended on 31<sup>st</sup> March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investors' grievances received during the year ended March 31, 2011, no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M/s. M.S.Dahiya & Co.**  
*Chartered Accountants*

Place : Bangalore  
Date : 12th August, 2011

**(CA Harsh Firoda)**  
*Partner*  
Membership No.-409391  
FRN No. 013855C

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**AUDITOR'S REPORT**

**The Members of  
M/S. BHUWALKA STEEL INDUSTRIES LIMITED**

We have audited the attached balance sheet of M/S. BHUWALKA STEEL INDUSTRIES LIMITED as at 31<sup>st</sup> March 2011 and also the profit and loss account and cash flow statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks and verification of the books of account as we considered necessary and to the best of our knowledge and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above,
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report are in agreement with the books of account;

- d) In our opinion, the Balance Sheet, Profit & Loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, subject to point No. (f) mentioned below.
- e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31<sup>st</sup> March 2011 from being appointed as a director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the company's accounting policies, give the information required by the Companies Act, 1956, in the manner so required *except that the Current Liabilities (Acceptances) are stated lower in Schedule 11 by Rs.26,03,44,052/- and the same has been classified under Unsecured loans (refer note no.7(b) in Schedule 18), and further company has not provided for leave encashment, gratuity and bonus on accrual basis as per Accounting standard 15, the same has been accounted on cash basis read with other notes in Schedule 18* give a true and fair view in conformity with the accounting principles generally accepted in India,
  - i) In the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2011;
  - ii) In the case of the profit and loss account, of the profit of the company for the year ended on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flow of the company for the year ended on that date.

**For M.S. Dahiya & Co**  
*Chartered Accountants*

**(CA Harsh Firoda)**

*Partner*

Place : Bangalore

Date : 30th May 2011

Membership No.-409391

FRN No. 013855C

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITOR'S TO THE MEMBERS OF BHUWALKA STEEL INDUSTRIES LIMITED, BANGALORE, ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.**

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The Company has drawn up a programme of physical verification of fixed assets at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.  

During the year the company has not disposed off substantial part of the fixed assets.
2. The management has conducted physical verification of inventory at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) In our opinion and according to the information and explanation given to us the company has granted interest free and unsecured loan and advances to two companies covered in register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 1.80 lakhs and year end balance was Rs. 1.80 lakhs.  
(b) In our opinion and as per the information and explanation given to us the terms and conditions, on which loans have been granted, are prima facie not prejudicial to the interest of the company.  
(c) The loan was repayable on demand and no stipulation has been made for the repayment of loans taken by the company covered in the register maintained under section 301 of companies Act, 1956, we are unable to comment on regularity of the repayment of loan and interest thereon on loan taken by the company.  
(d) In our opinion and according to the explanation given to us Company has taken interest free unsecured loans and advances from four parties listed in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the year was Rs.1487.57 lakhs and the year end balance of such loans aggregated to Rs.1487.57 lakhs.  
(e) The loan was repayable on demand and no stipulation has been made for the repayment of loans taken by the company covered in the register maintained under section 301 of the Companies Act, 1956, we are unable to comment on regularity of repayment of loan and interest there on loan taken by the company.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls system.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the companies Act have been entered in the register required to be maintained under section 301. In respect of transactions made in pursuance of such contracts or arrangements, with parties with whom transactions exceeding value of Rupees five lakhs have been entered into during the financial year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the same.
9. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues including Provident Fund, Investor Education and



## **Annual Report 2010- 2011**

Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues, applicable to it, were outstanding at the year end for a period of more than six months from the date they became payable. Based on information and explanations given to us, such disputed statutory dues that have not been deposited on account of matters pending before appropriate appellate authorities are as under :-

<b>Sr. No.</b>	<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Forum where dispute is pending</b>	<b>Amount (Rs.in lakhs)</b>
1	Central Excise Act, 1944	Excise Duty and service tax	CESTAT  The Commissioner of Central Excise (Appeals)	683.67  225.56
2	Income Tax	Income Tax	Income Tax Appellate Tribunal	12.71

10. The Company has no accumulated losses at the end of the financial year.
11. As per information furnished by the management, the company has not defaulted in repayment of dues to banks, financial institutions and debenture holders except few delays in repayment of term loan installment. Company has since paid its overdue belonging to FY 2010-11.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi/mutual benefit fund/society and hence clause 4 (xiii) of Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. In our opinion, the Company is not a dealer or a trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the terms and conditions of the guarantee given by the company for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
16. The term loans raised by the company were applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment during the year.
18. During the year, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued debentures and therefore the question of creation of securities in respect of debentures does not arise.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For M/s. M.S.Dahiya & Co.**  
*Chartered Accountants*

**(CA Harsh Firoda)**  
*Partner*  
Membership No.-409391  
FRN No. 013855C

Place : Bangalore  
Date : 30th May 2011

**BALANCE SHEET AS AT 31 ST MARCH, 2011**

PARTICULARS	Schedule No.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS' FUNDS</b>			
a. Share Capital	1	63,880,527.50	63,880,527.50
b. Reserves & Surplus	2	198,039,056.21	165,174,003.43
c. Warrants		—	—
d. Forfeited Warrants		20,040,000.00	20,040,000.00
<b>SUB - TOTAL</b>		<b>281,959,583.71</b>	<b>249,094,530.93</b>
<b>2. LOAN FUNDS</b>			
a. Secured Loans	3	909,979,515.38	655,178,031.80
b. Unsecured Loans	4	661,431,538.32	583,777,009.87
<b>SUB - TOTAL</b>		<b>1,571,411,053.70</b>	<b>1,238,955,041.67</b>
<b>3. DEFERRED TAX LIABILITY</b>		<b>66,774,120.10</b>	<b>48,044,144.10</b>
<b>4. SALES TAX DEFERRMENT</b>		<b>3,412,108.00</b>	<b>4,463,280.00</b>
<b>TOTAL</b>		<b>1,923,556,865.51</b>	<b>1,540,556,996.70</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS:</b>			
Gross Block	5	1,139,208,796.65	757,232,340.98
Less: Depreciation		375,586,885.30	346,084,095.36
		763,621,911.35	411,148,245.62
Capital Work in Progress:		49,946,645.44	395,159,780.44
		813,568,556.79	806,308,026.06
<b>2. INVESTMENTS</b>	6	<b>138,199,244.00</b>	<b>138,199,244.00</b>
<b>3. CURRENT ASSETS, LOANS AND ADVANCES:</b>			
a. Inventories	7	1,016,545,661.06	777,316,334.54
b. Sundry Debtors	8	186,505,440.03	648,641,871.04
c. Cash and Bank Balances	9	12,515,677.56	9,097,568.69
d. Loans & Advances	10	337,178,696.78	141,244,214.83
<b>SUB - TOTAL</b>		<b>1,552,745,475.43</b>	<b>1,576,299,989.10</b>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>	11	<b>580,956,410.72</b>	<b>980,250,262.46</b>
<b>NET CURRENT ASSETS</b>		<b>971,789,064.71</b>	<b>596,049,726.64</b>
<b>TOTAL</b>		<b>1,923,556,865.50</b>	<b>1,540,556,996.70</b>
<b>NOTES ON ACCOUNTS</b>	18		

SCHEDULES 1 TO 18 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.

For and on behalf of the Board

As per Report of even date

(Suresh Kumar Bhuwalka)  
Chairman & Managing Director

(Ajay Kumar Bhuwalka)  
Director

for M.S. Dahiya & Co  
Chartered Accountants

(Naveen K. Shenoy)  
Company Secretary

(CA Harsh Firoda)  
Partner

Place : Bangalore  
Date : 30th May, 2011

Membership No.-409391  
FRN No. 013855C

**Annual Report 2010- 2011**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Schedule No.	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>INCOME:</b>			
Sales & Other operational Income	12	5,276,377,958.50	4,583,133,384.17
Other Income	13	10,703,248.00	12,052,956.66
Variation in Stocks	14	181,147,352.63	(58,427,880.90)
<b>TOTAL</b>		<b>5,468,228,559.13</b>	<b>4,536,758,459.93</b>
<b>EXPENDITURE :</b>			
Manufacturing Expenses	15	4,472,942,701.43	3,790,379,763.26
Administrative & Selling Expenses	16	139,634,025.67	103,275,397.42
Interest	17	187,252,672.28	131,935,062.35
Depreciation	5	30,670,442.86	30,650,957.66
Trading Purchases		573,620,416.12	430,634,720.81
Central Excise Duty on Closing Stock		12,251,658.98	18,944,267.69
<b>TOTAL</b>		<b>5,416,371,917.35</b>	<b>4,505,820,169.19</b>
Profit for the year before Tax		51,856,641.79	30,938,290.74
Income-tax for the year		-	(613,020.00)
Deferred Taxation for the year		(18,729,976.00)	(9,461,198.10)
Fringe Benefit Tax for the Earlier year		6,935.00	-
Income Tax for Earlier Years		254,678.00	-
Excess Provn.of Gratuity & Leave Withdrawn		-	-
Profit for the year after Tax		32,865,052.79	20,864,072.64
Balance brought forward		43,431,204.06	22,567,131.39
Profit available for appropriation		<b>76,296,256.84</b>	<b>43,431,204.06</b>
<b>APPROPRIATION :</b>			
Proposed Dividend on Equity Shares		-	-
Tax on Dividend		-	-
Transfer to Capital Redemption Reserve		-	-
Transfer to General Reserve		-	-
Balance Carried to Balance Sheet		76,296,256.84	43,431,204.06
<b>TOTAL</b>		<b>76,296,256.84</b>	<b>43,431,204.06</b>
Earning per share - Basic and Diluted			
- excluding extraordinary items		6.34	4.02
- including extraordinary items		6.39	4.02
(as per Equity Share of Rs. 10/- each)			
(Refer Note 3(xv) of Schedule 18)			

**NOTES ON ACCOUNTS** 18

SCHEDULES 1 TO 18 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.

For and on behalf of the Board		As per Report of even date
<b>(Suresh Kumar Bhuwalka)</b> <i>Chairman &amp; Managing Director</i>	<b>(Ajay Kumar Bhuwalka)</b> <i>Director</i>	<b>for M.S. Dahiya &amp; Co</b> <i>Chartered Accountants</i>
	<b>(Naveen K. Shenoy)</b> <i>Company Secretary</i>	<b>(CA Harsh Firoda)</b> <i>Partner</i>
Place : Bangalore		Membership No.-409391
Date : 30th May, 2011		FRN No. 013855C

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS AS AT 31st MARCH, 2011**

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>SCHEDULE – 01</b>		
SHARE CAPITAL :		
AUTHORISED :		
15,000,000 Equity Shares of Rs. 10/- each	<b>150,000,000.00</b>	150,000,000.00
5,00,000 Preference Shares of Rs. 100/- each	<b>50,000,000.00</b>	50,000,000.00
5,000,000 Unclassified Shares of Rs. 10/- each	<b>50,000,000.00</b>	50,000,000.00
<b>TOTAL</b>	<b><u>250,000,000.00</u></b>	<u>250,000,000.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP:</b>		
51,87,249 (51,87,249) Equity Shares of Rs.10/- each fully paid-up includes:	<b>51,872,490.00</b>	51,872,490.00
i) 3,20,000 Equity Shares of Rs. 10/- each fully paid-up, issued as Bonus Shares on Capitalisation of General Reserve.		
ii) 21,75,000 Equity Shares of Rs.10/- each allotted otherwise than on payment of cash to the Shareholders of erstwhile M/s. Tikmani Steel Co. Ltd & M/s. A.A. Alloys Ltd. as per the Scheme of Amalga- mation approved by the Karnataka High Court.		
<b>FORFEITED SHARES</b>		
As per Last Account	<b>12,008,037.50</b>	12,008,037.50
<b>TOTAL</b>	<b><u>63,880,527.50</u></b>	<u>63,880,527.50</u>
<b>SCHEDULE – 02</b>		
<b>CAPITAL RESERVE:</b>		
As per Last Account	<b>2,845,500.00</b>	2,845,500.00
<b>CAPITAL REDEMPTION RESERVE:</b>		
As per Last Account	<b>2,800,000.00</b>	
Set aside during the year	<u>                    –</u>	2,800,000.00
<b>SHARE PREMIUM</b>		
As per Last Account	<b>48,522,110.00</b>	48,522,110.00
<b>GENERAL RESERVE:</b>		
As per Last Account	<b>67,575,189.37</b>	
Add: Transfer during the Year	<u>                    –</u>	67,575,189.37
<b>SURPLUS as per Profit &amp; Loss Account</b>	<b><u>76,296,256.84</u></b>	<u>43,431,204.06</u>
<b>TOTAL</b>	<b><u>198,039,056.21</u></b>	<u>165,174,003.43</u>

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	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs..</b>
<b>SCHEDULE – 03</b>		
<b>SECURED LOANS :</b>		
<b>A. TERM LIABILITIES:</b>		
1. From Industrial Development Bank of India	<b>130,227,110.00</b>	205,499,110.00
2. From Canara Bank These loans are secured by way of first charge over all the Fixed assets of the Company except properties/ assets exclusively charged to other banks and institutions mentioned below.	<b>40,502,282.00</b>	43,163,124.00
3. Term Loan from Indian Overseas Bank Secured by exclusive charge by way of equitable mortgage of Corporate office	<b>24,250,199.00</b>	36,648,172.87
4. Tata Capitals Limited Secured by hypothecation of exclusive charge on Coal gassifier purchased under the said loan	<b>3,520,207.00</b>	9,556,580.00
5. Term Loan from ICICI Bank Ltd.,: Secured by an exclusive charge by way of hypothecation of Vehicle / Cranes purchased out of this loan.	–	753,557.00
6. Term Loan from Kotak Mahindra Primus Ltd., Secured by an exclusive charge by way of hypothecation of Vehicles purchased out of this loan.	<b>1,163,601.00</b>	1,845,010.00
7. Term Loan from HDFC Bank Ltd., Secured by an exclusive charge by way of hypothecation of Vehicle purchased out of this loan.	–	27,092.09
8. Term Loan from AXIS BANK Ltd., Secured by an exclusive charge by way of hypothecation of Vehicle purchased out of this loan.	<b>190,380.00</b>	395,102.00
9. Term Loan from KMP Limited Secured by an exclusive charge by way of hypothecation of Vehicle purchased out of this loan.	<b>431,134.00</b>	–
<b>SUB TOTAL 'A'</b>	<b>200,284,913.00</b>	297,887,747.96
<b>B. WORKING CAPITAL :</b>		
From Banks: Steels Division	<b>674,762,238.70</b>	362,983,558.34
From Banks: Jewellery Division Secured by hypothecation of Inventories and Book Debts and Second charge on all the fixed assets of the Company. These loans are also personally guaranteed by the promoter directors.	<b>109,815,817.68</b>	39,945,408.50
<b>Less: Margin Money Deposits</b>	<b>(74,883,454.00)</b>	(45,638,683.00)
<b>SUB TOTAL 'B'</b>	<b>709,694,602.38</b>	357,290,283.84
<b>TOTAL (A + B)</b>	<b>909,979,515.38</b>	655,178,031.80
<b>SCHEDULE – 04</b>		
<b>SHORT TERM LOANS &amp; ADVANCES</b>		
a) From Banks	<b>185,885,875.00</b>	146,886,853.00
b) From Companies	<b>317,249,162.43</b>	426,890,156.87
c) From Director & Associates	<b>158,296,500.89</b>	10,000,000.00
<b>TOTAL</b>	<b>661,431,538.32</b>	583,777,009.87

**SCHEDULE – 05**

**SCHEDULE OF FIXED ASSETS AS ON 31st MARCH 2011**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Sales/Adj./ Amortization during the Year	Total As at 31.03.2011	As at 01.04.2010	For the Year	Depreciation withdrawn	Total As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
LAND	25,695,709	-	-	25,695,709	-	-	-	-	25,695,709	25,695,709
BUILDINGS	151,091,387	58,655,765	-	209,747,152	45,166,838	3,854,046	-	49,020,884	60,726,268	105,924,549
PLANT & MACHINERIES	456,527,478	323,795,218	-	780,322,696	236,273,534	18,736,119	-	255,009,653	525,313,043	220,253,944
ELECTRICAL INSTALLATIONS	60,967,656	-	-	60,967,656	36,352,728	3,000,437	-	39,353,165	21,614,491	24,614,928
WEIGHING MACHINES	1,550,845	-	207,447	1,343,398	523,371	70,063	197,075	396,360	947,038	1,027,474
FURNITURE & FIXTURES	14,827,840	130,971	-	14,958,811	7,086,534	885,816	-	7,972,350	6,986,461	7,741,306
OFFICE EQUIPMENTS	18,363,110	666,411	21,533	19,007,988	10,335,568	1,481,689	17,804	11,799,453	7,208,535	8,027,542
VEHICLES	28,208,315	608,445	1,651,374	27,165,386	10,345,522	2,642,273	952,774	12,035,021	15,130,365	17,862,793
<b>TOTAL</b>	<b>757,232,341</b>	<b>383,856,810</b>	<b>1,880,354</b>	<b>1,139,208,797</b>	<b>346,084,095</b>	<b>30,670,443</b>	<b>1,167,653</b>	<b>375,586,885</b>	<b>763,621,911</b>	<b>411,148,246</b>
PREVIOUS YEAR	743,988,318	13,573,054	329,031	757,232,341	315,585,996	30,650,958	152,858	346,084,095	411,148,246	

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	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs..</b>
<b>SCHEDULE – 06</b>		
<b>INVESTMENTS</b>		
<b>LONG TERM:</b>		
<b>A. Unquoted-Non-Trade</b>		
In Government Securities (Deposited with Govt. Departments)	<b>20,000.00</b>	20,000.00
<b>B. Unquoted In Wholly owned Subsidiary:</b>		
(1) Benaka Sponge Iron Pvt. Ltd. - Equity of Rs.100/-Each 299900 nos - (299900)	<b>100,166,600.00</b>	100,166,600.00
(2) Lootah Bhuwarka Steel Industries FZC - Equity Shares in UAE Dirhams 1,03,50,000 (increased from 30,00,000 by issue of 73,50,000 Bonus Shares).	<b>38,012,644.00</b>	38,012,644.00
<b>TOTAL</b>	<b>138,199,244.00</b>	138,219,244.00

**SCHEDULE – 07**

**INVENTORIES**

(As Certified by the Management)

Stores & Spares including

Furnace Oil – At Lower of cost or net realisable value	<b>38,141,987.29</b>	46,296,389.57
Finished Goods – At Lower of Cost or net realisable value	<b>341,476,868.50</b>	190,112,511.55
Raw Materials – At Lower of cost or net realisable value	<b>468,572,103.23</b>	401,785,681.50
Misroll – At net realisable value	<b>13,028,592.76</b>	10,700,937.60
Scrap – At net realisable value	<b>10,006,067.30</b>	4,283,701.54
Work-in-progress – At Lower of cost or net realisable value	<b>1,834,927.00</b>	14,685,977.00
Goods In transit – At Lower of cost or net realisable value	–	467,870.00
	<b>873,060,546.09</b>	668,333,068.76
Stock of Jewellery – At Lower of cost or net realisable value	<b>143,485,114.97</b>	108,983,265.78
<b>TOTAL</b>	<b>1,016,545,661.06</b>	777,316,334.54

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>SCHEDULE – 08</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Over Six Months – Considered good	27,102,436.35	59,699,943.00
– Considered Doubtful	2,144,479.00	2,144,479.00
Others – Considered good	159,403,003.68	588,941,928.04
	<u>188,649,919.03</u>	<u>650,786,350.04</u>
Less : Provision for doubtful Debts: As per last account	<u>2,144,479.00</u>	<u>2,144,479.00</u>
<b>TOTAL</b>	<u>186,505,440.03</u>	<u>648,641,871.04</u>
<b>SCHEDULE – 09</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand including Silver Coins	10,528,307.17	7,184,705.08
<b>Bank Balances With Scheduled Banks:</b>		
Current Accounts	839,850.89	765,344.11
Fixed Deposits	65,778.00	65,778.00
Dividend Accounts	1,081,741.50	1,081,741.50
<b>TOTAL</b>	<u>12,515,677.56</u>	<u>9,097,568.69</u>
<b>SCHEDULE – 10</b>		
<b>LOANS &amp; ADVANCES:</b>		
(Unsecured)		
Advances recoverable in Cash or in Kind or for value to be received or adjusted		
– Considered Good	316,101,185.29	113,610,066.34
– Considered Doubtful	245,620.53	245,620.53
Deposits – Considered Good	15,994,685.49	13,736,979.49
– Considered Doubtful	289,533.20	289,533.20
Prepaid Expenses & Taxes	4,967,996.00	13,897,169.00
	<u>337,599,020.51</u>	<u>141,779,368.56</u>
Less: Provision for Doubtful Advances As per last Account	<u>420,323.73</u>	<u>535,153.73</u>
<b>TOTAL</b>	<u>337,178,696.78</u>	<u>141,244,214.83</u>



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	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>SCHEDULE – 11</b>		
<b>A. CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors – For Purchases	<b>385,156,994.79</b>	699,056,441.25
– For Others	<b>2,737,961.78</b>	156,174,663.90
	<b>387,894,956.57</b>	855,231,105.15
Outstanding Liabilities	<b>21,786,150.74</b>	14,935,624.00
Statutory Liabilities	<b>2,378,725.00</b>	1,903,941.00
Advance from Customers	<b>164,965,023.91</b>	101,940,234.81
Interest accrued but not due	–	306,897.00
Unclaimed Dividend	<b>1,081,741.50</b>	1,081,741.50
Suspense Account	–	–
<b>Sub - Total 'A'</b>	<b>578,106,597.72</b>	975,399,543.46
<b>B. PROVISIONS:</b>		
Provision for Gratuity and Leave Salary	<b>2,236,793.00</b>	3,487,699.00
Provision for FBT	<b>0.00</b>	750,000.00
Provision for Income Tax	<b>613,020.00</b>	613,020.00
<b>Sub - Total 'B'</b>	<b>2,849,813.00</b>	4,850,719.00
<b>TOTAL (A + B)</b>	<b>580,956,410.72</b>	980,250,262.46
 <b>SCHEDULE – 12</b>		
<b>SALES &amp; OTHER OPERATIONAL INCOME</b>		
Finished Goods	<b>4,880,142,095.63</b>	4,470,787,914.95
Misroll	<b>33,023,185.00</b>	31,543,458.00
M.S. Scrap	<b>107,228,922.00</b>	71,018,301.00
Jewellery	<b>383,028,874.00</b>	122,669,042.00
Other Sales/Receipts	<b>328,683,655.24</b>	162,615,444.00
Self Consumption	–	19,950,369.00
	<b>5,732,106,731.87</b>	4,878,584,528.95
Less: Central Excise Duty	<b>455,728,773.37</b>	295,451,144.78
<b>TOTAL</b>	<b>5,276,377,958.50</b>	4,583,133,384.17

	For the Year Ended 31.03.2011 Rs.	For the Year Ended 31.03.2010 Rs.
<b>SCHEDULE – 13</b>		
<b>OTHER INCOME</b>		
Sundry Balances Written-back	590,470.10	1,285,258.26
Interest Earned	3,472,463.00	4,658,907.40
Miscellaneous Receipts	5,366,460.27	2,021,971.00
Profit on Sale of Fixed Assets	114,627.63	2,886,341.00
Excess Provision no longer required written back	802,058.00	89,327.00
Sales Tax and Entry Tax Refund	–	905,197.00
Foreign Exchange Fluctuations	–	205,955.00
Profit on Sale of Import License	357,169.00	–
Rent Received	–	–
<b>TOTAL</b>	<b>10,703,248.00</b>	<b>12,052,956.66</b>
<b>SCHEDULE – 14</b>		
<b>VARIATION IN STOCK</b>		
<b>CLOSING STOCK</b>		
Finished Goods	484,961,983.47	299,095,777.33
Misroll	13,028,592.76	10,700,937.60
M.S. Scrap	10,088,242.78	4,283,701.54
Work - in - progress	1,834,927.00	14,685,977.00
<b>Sub-Total (A)</b>	<b>509,913,746.01</b>	<b>328,766,393.47</b>
<b>OPENING STOCK:</b>		
Finished Goods	299,095,777.34	375,030,910.96
Misroll	10,700,937.50	2,911,733.59
M.S. Scrap	4,283,701.54	5,671,974.82
Work - in - progress	14,685,977.00	3,579,655.00
<b>Sub-Total (B)</b>	<b>328,766,393.38</b>	<b>387,194,274.37</b>
Increase/(Decrease) in Stocks (A - B)	<b>181,147,352.63</b>	<b>(58,427,880.90)</b>
<b>SCHEDULE – 15</b>		
<b>MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	4,109,201,075.61	3,492,633,769.74
Stores & Spares Consumed	44,223,604.82	39,691,163.04
Conversion / Job Work Charges Paid	11,243,940.00	183,591.00
Packing Expenses	2,725.00	1,140.00
Power & Fuel	262,711,548.51	214,491,407.01
Contract Labour Charges	37,373,719.00	33,990,613.00
Repairs & Maintenance:		
– Buildings	561,611.00	786,371.00
– Machinery	2,713,820.00	1,174,476.20
– Others	4,910,657.49	7,427,232.27
<b>TOTAL</b>	<b>4,472,942,701.43</b>	<b>3,790,379,763.26</b>

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	<b>For the Year Ended 31.03.2011 Rs.</b>	<b>For the Year Ended 31.03.2010 Rs.</b>
<b>SCHEDULE – 16</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Salaries, Wages, Bonus etc.,	55,161,772.00	45,981,366.00
Contribution to P.F. & Other Funds	3,434,504.00	2,954,364.00
Employees' Welfare	2,778,973.46	2,152,710.00
Rates & Taxes	3,389,137.00	3,547,402.00
Rent including Lease Rent	3,674,375.00	3,565,706.00
Insurance Premium	689,764.15	887,942.04
Directors' Remuneration including sitting fees	570,000.00	595,000.00
Selling Expenses	2,993,338.77	5,269,251.59
Commission & Brokerage	10,330,646.00	5,266,101.00
Printing & Stationery	813,816.93	876,906.63
Carriage Outwards	14,508,975.34	3,747,960.40
Travelling & Conveyance	2,461,637.36	2,928,624.02
Postage, Telegram, Telephone and Telex	2,209,745.67	1,998,999.94
Legal & Professional Charges	5,301,253.32	3,803,849.00
Loss on Sale of Fixed Assets	246,353.03	129,641.76
Miscellaneous Expenses	10,638,109.18	9,395,003.67
Auditor's Remuneration : Audit Fees	250,000.00	203,401.00
Sundry Balances Written- off	54,537.13	533,978.03
Bank Charges	20,127,087.33	7,059,631.34
Purchase of License	–	2,377,559.00
<b>TOTAL</b>	<b>139,634,025.67</b>	<b>103,275,397.42</b>

**SCHEDULE – 17**

**INTEREST**

On Fixed Loans	34,750,573.00	79,741,651.11
On Other Loans	152,502,099.28	52,193,411.24
<b>TOTAL</b>	<b>187,252,672.28</b>	<b>131,935,062.35</b>

**SCHEDULE "18" ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011.**

	(Rupees in lakhs)	
01. Contingent Liabilities not provided for		
Particulars	FY 2010-11	FY 2009-10
I) Letter of Credits/ Bank Guarantees	2662.56	1975.68
II) Corporate Guarantees given to Banks and Financial Institutions on behalf of Group Companies (Liabilities as on 31.03.2011)	5054.00	1505.83
III) Other statutory liabilities disputed by the company :	921.94	1266.11
IV) Claims against the Company not Acknowledged as debt :	34.61	34.61



## **BHUWALKA STEEL INDUSTRIES LIMITED**

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02. Managerial Remuneration paid or payable to Whole time directors including Managing Director during the Year:

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Salary & Allowances	<b>4,80,000.00</b>	4,80,000.00
Contribution to Provident Fund and Other Funds	<b>9,360.00</b>	9,360.00
Value of Perquisites & benefits ( as per Income-Tax Rules)	<b>5,11,631.00</b>	4,43,338.00
<b>Total</b>	<b>10,00,991.00</b>	9,32,698.00

### **03. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES:**

i) **Principal Accounting Policies:**

The Financial statements have been prepared in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been consistently followed, are set out below. The Financial Statements have also been prepared in accordance with relevant presentational requirement of the Companies Act, 1956.

ii) **General:**

a) The accompanying financial statements have been prepared on the Historical Cost convention in accordance with the provisions of Companies Act, 1956 and generally accepted accounting principles prevailing in India.

b) The Accounts have been prepared on accrual basis and in accordance with the going concern concept.

iii) **Valuation of Inventories:**

Raw materials, Finished goods, Work-in-progress and Stores & Spares are valued at lower of cost or net realisable value except Mis rolls and M.S. Scrap which are valued at net realisable value, in accordance with Accounting Standard 2 – valuation of inventories. The cost formula used for this purpose is First in First out (FIFO) method and includes direct cost incurred in bringing the items of inventory to their present location and condition.

iv) **Cash Flow Statement:**

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements.

v) **Depreciation:**

Depreciation has been provided on straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets of the company. Depreciation on the additions made during the year has been provided proportionately for the period of use.

vi) **Revenue Recognition:**

The company recognises sale of goods as they are dispatched to customers and any significant uncertainty as to its ultimate realisation or collection does not exist. Sales comprise amounts invoiced for goods sold inclusive of excise duty but net of sales tax, returns and trade discounts.

vii) **Fixed Assets:**

Fixed Assets are stated at their historical cost of acquisition or construction less accumulated depreciation. Cost includes all cost incurred to bring the asset to their present location and condition.

During the year Company has incurred Rs. 171.87 Lacs (Previous year Rs.559.42 Lacs) on the expansion of the plant at WADA unit and the same has been shown as Capital Work in progress (CWIP). Total Capital work in progress as on 31-03-2011 is Rs. 499.47 Lacs (Previous Year Rs. 3951.60 Lacs). Company has capitalized amount of Rs. 3808.93 Lacs in FY 2010-11 related to Unit 4 at Wada from CWIP.

viii) **Foreign Currency Transactions:**

Foreign currency transactions are accounted for at the exchange rates prevailing at the transaction date. Monetary assets and liabilities outstanding at the year end denominated in Foreign Currency is translated at the year-end closing rates. Gains and/losses resulting from the settlement of such transactions

and from the translation of monetary assets and liabilities are recognized in the profit and loss account. Exchange differences attributable to the acquisition of the fixed assets, if any, are adjusted to the cost of the respective assets.

ix) **Investments :**

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments.

x) **Employee benefits:**

In accordance with Accounting Standard 15 (Revised) – “Employee Benefits”, the Company has:-

1. Accounted short term employee's benefits on accrual basis:
2. Accounted contribution to Employees' benefits contribution plan like Provident Fund and Pension Schemes in line with respective statutes and regulations in force on accrual basis and charged to Profit and Loss Account of the year.
3. Accounted for gratuity, bonus and leave encashment on cash basis instead of accrual basis as per AS 15. As no quantification of provision liability has been done by company from approved actuary/ valuer, impact of the same on P&L is not ascertained.

xi) **Borrowing cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets in accordance with Accounting Standard 16 on Borrowing Costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

During the year interest amounting to Rs. 142.25 Lacs (Previous year Rs. 206.99 Lacs) has been Capitalized for Wada Unit 4.

xii) **Segment Information:**

In terms of Accounting Standard 17, the Company has only one reportable segment viz. Steel. In case of geographical segment, although the company's assets are multi-located, the same are not exposed to risks and returns which are materially different from one another. Further, all of them operate in the same economic environment and subject to similar profitability margins. Hence geographical segment reporting is not applicable.

xiii) **Related Party Disclosure:**

Related party disclosures have been made in accordance with the accounting Standards on related party Disclosure (AS 18) issued by The Institute of Chartered Accountants of India.

**A) Following are the name of related parties with whom the transactions were carried out by the company:**

<b>Name of the Related Parties</b>	<b>Relationship</b>
Benaka Sponge Iron Pvt Ltd.	Subsidiary Company
Lootha Bhuwalka Steel Industries FZC	Parties where Control Exists
Balchand Suresh Kumar	Parties where Control Exists
Bhuwalka Ferrous Ltd.	Parties where Control Exists
Bhuwalka Metal Industries Pvt. Ltd.	Parties where Control Exists
Bhuwalka Trade Links Private Limited	Parties where Control Exists
Nava Karnataka Steels Private Ltd.	Parties where Control Exists
Sri Suresh Kumar Bhuwalka	Key Management Personnel - Managing Director
Ajay Bhuwalka	Key Management Personnel - Director
Ankit Bhuwalka	Key Management Personnel - Director

**B) Transactions carried out with related parties referred above in ordinary course of business during FY 2010-11**  
(Rs. Lakhs)

<b>Nature of Transactions</b>	<b>Subsidiary</b>	<b>Key Management Personnel</b>	<b>Other Related Parties</b>
Purchases	– (0.49)	– (–)	1459.49 (674.10)
Sales	9.31 (206.27)	– (–)	3489.63 (902.93)
Expenses	– (–)	10.01 (9.33)	– (–)
Income	– (NIL)	– (–)	– (–)
Outstanding – Debit	Nil (108.05)	– (–)	186.78 (505.69)
– Credit	Nil (Nil)	1140.00 (Nil)	271.99 (57.05)

**xiv) Accounting Standard 19 - Leases:**

Accounting Standard 19 is applicable only in the case of lease transactions entered into on or after 1<sup>st</sup> April; 2001. The Company has taken office & residential properties for its employees under cancelable operating lease agreement after 1<sup>st</sup> April, 2001. The company intends to renew the agreements in the normal course of its business. These properties cannot be sub leased to any other person.

Total lease rentals recognized in the Profit & Loss Account for the year with respect to the above is Rs. 36.74 Lacs (Previous Year Rs. 35.65 Lacs).

**xv) Accounting standard 20 - Earning Per Share:**

Basic earnings per share has been calculated by dividing profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the year. The basic earnings per share and diluted earnings per share are the same as there is no change in capital structure in the company.

Earnings per share has been computed as under :

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Profit after Taxation after considering extra ordinary items	<b>3,28,65,053</b>	2,08,64,073
Profit after Taxation before considering extra ordinary items	<b>3,31,26,666</b>	2,08,64,073
Profit attributable to Equity Shareholders after considering extra ordinary items	<b>3,28,65,053</b>	2,08,64,073
Profit attributable to Equity Shareholders before considering extra ordinary items	<b>3,31,26,666</b>	2,08,64,073
Weighted average number of shares	<b>51,87,249</b>	51,87,249
Earnings per share (Rs.per equity share of Rs.10/- each) basic and diluted ( including extra ordinary items)	<b>6.34</b>	4.02
Earnings per share (Rs.per equity share of Rs.10/- each) basic and diluted ( before extra ordinary items)	<b>6.39</b>	4.02

xvii) **TAXATION:**

No Provision for current tax has been made in current year as there are carry forward income tax losses in accordance with Income Tax Act, 1961.

The deferred tax liability is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one accounting period and are capable of reversal in one or more subsequent periods. The deferred tax is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date.

Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses only if there is virtual certainty that such deferred tax asset can be realised against future taxable profits.

The Company has provided incremental deferred tax liability amounting to Rs. 187.29 Lacs (Previous year deferred tax liability Rs. 94.61 Lacs.) on account of timing difference.

Components of deferred tax asset/ liability as on 31st March, 2011 are as follows :-

Particulars	31.03.2011	31.03.2010
<b>Deferred Tax liability</b> (Tax on Difference in Depreciation as per Companies Act & as per Income Tax Act)	<b>93,648,344</b>	74,918,368
<b>Deferred Tax Asset</b> Tax on Provision on account of doubtful debts/Gratuity/ Leave Salary	<b>(26,874,224)</b>	(26,874,224)
Net Deferred Tax Liability Less: Deferred Tax Liability as on 31.03.2010	<b>6,67,74,120</b> (4,80,44,144)	48,044,144 (38,582,946)
<b>Net deferred tax liability provided for the year</b>	<b>1,87,29,976</b>	9,461,198

xvii. **Accounting Standard 26 - Intangible Assets:**

"Accounting Standard 26 – Intangible assets" requires an enterprise to recognize an intangible asset if future economic benefits are expected to arise from it. It also requires that such an asset should be stated after providing depreciation / amortization over the useful life of the asset. Presently, the reporting enterprise does not own any intangible assets.

xviii. **Accounting Standard 28 - Impairment of Assets:**

The Company has identified that there is no material impairment of assets and as such no provision is required as per AS-28 issued by the ICAI.

xix. **Accounting standard 29 - Contingent Liabilities & Contingent assets:**

In the opinion of the management, no provision is required against contingent liabilities referred in Para 2 of Schedule '18'.

04. Sundry debtors includes Rs.1,84,98,035.34 (Rs.5,96,26,502/-) and loans and advances includes Rs.1,80,046/- (Previous year Rs.1,50,045.50/-) due from the companies under the same management within the meaning of sub-section (1-B) of section 370 of the Companies Act. The particulars of the same are furnished hereunder.

Sundry Debtors	Current Year	Previous Year
Lootah Bhuwalka Steel Industries FZC	<b>1,84,98,035.34</b>	90,57,341.65
Nava Karnataka Steels Pvt. Ltd.	<b>Nil</b>	50,569,160.64
<b>Loans &amp; advances given</b>		
Bhuwalka Ferrous Ltd.	<b>1,49,407.50</b>	1,19,407.50
Bhuwalka Metal Industries Pvt. Ltd.	<b>30,638.00</b>	30,638.00



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05. Sale of raw material has been regrouped under Sales and Other Operational Income in Current Financial year as well as for Previous year. Total sales of raw material is Rs. 28,55,91,792/- for FY 2010-11. (Previous Year Rs.10,23,09,656/-).
06. Sundry Creditors under Current Liabilities in Schedule '11' include Rs. Nil (Rs.Nil) due to Small Scale undertakings. This amount has been determined to the extent such parties have been identified from available information.
07. **Other Disclosures:**
- The Company has disclosed the Interest Charges as net of interest income.
  - Unsecured loans include Rs. 2603.44 Lacs (Rs. 1450.41 Lacs in Previous Year) payable against acceptances under letter of credits. Company has opened letter of credits against these bills and the same have been discounted by Banks/ Financial Institutions.
  - During March, 2008, Company has allotted 2,000,000 nos. Warrants attached with an option to acquire 1 equity share at the option of the Warrant-holder at a price of Rs. 100.20 per equity share by way of preferential issue as per SEBI Guidelines. The warrant-holders have paid 10% of the total issue price before the allotment in terms of SEBI Guidelines which is liable to be forfeited if option to apply for equity shares is not exercised on or before due date. The option attached with Warrant may be exercised within a period of 18 months from the date of allotment, i.e., 11<sup>th</sup> March, 2008. Since Warrant holders have not exercised the option, the Warrants have been forfeited during the Year.
08. Additional information pursuant to paragraph 3 and 4 of the Part II of Schedule VI of the Companies Act, 1956.

**A. Production, opening Stock and Closing Stock of Finished Goods:**

Particulars	Unit	Licenced Capacity	Installed Capacity	Actual Production	Opening Stock		Closing Stock	
					Quantity	Amount	Quantity	Amount
Mild Steel Rolled Products	MT	*246,000 (165,000)	*246,000 (165,000)	154449** (152216)	5098 (8173)	19,01,12,512 (26,22,24,920)	8398 (5068)	31,46,98,196 (19,01,12,512)

Note: - \* Installed capacity is as certified by the management.

\*\* It includes total 9,479.06 MT on conversion for others (PY 15252 MT)

**B. Raw Material Consumed**

Particulars	31.03.2011		31.03.2010	
	MT	Rs.	MT	Rs.
a) Mild steel billets/ingots/ blooms/Slabs/Misroll etc	1,66,846	410,92,01,076	1,62,997	339,03,24,114

Note: Raw material Consumed includes 9977.26 MT for Conversion for others. (16055 MT)

**C. Trade Purchase**

Particulars	31.03.2011		31.03.2010	
	MT	Rs.	MT	Rs.
Mild Steel Rolled Products	5881	19,04,40,743	11960	34,70,98,363
Other Items	-	38,31,79,673	-	8,35,36,358
M.S. Scrap	NIL	NIL	NIL	NIL



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**D. Sale of Finished Goods and Others:**

Particulars	31.03.2011		31.03.2010	
	MT	Rs.	MT	Rs.
Mild Steel Rolled Products	151150	4,68,59,69,497	1,67,281	4,43,18,37,043
Other Items	–	90,58,85,127	–	16,16,19,914
Mild Steel- Misroll	1490	3,30,23,185	1778	3,15,43,458
Mild Steel- Scrap	4494	10,72,28,922	3818	7,10,18,301

**E. Consumption:**

Particulars	31.03.2011		31.03.2010	
	%	Amount	%	Amount
i) Raw Materials				
a) Imported	–	–	12.78	43,32,75,806
b) Indigenous	100	410,92,01,076	87.22	295,70,48,308
c) Total	100	410,92,01,076	100	339,03,24,114
ii) Stores & Spares				
a) Imported	Nil	Nil	Nil	Nil
b) Indigenous	100	4,42,23,604	100	3,96,91,163
c) Total	100	4,42,23,604	100	3,96,91,163

**F. Earning in Foreign Currency:**

Particulars	31.03.2011	31.03.2010
Export - F.O.B. value of Exports	3,53,55,974	12,10,68,837

**G. Expenditure in Foreign Currency:**

Particulars	31.03.2011	31.03.2010
a) Traveling expense	INR 27,748/-	NIL
b) CIF value of Imports	NIL	29,69,78,257

9. The previous year's figures are re-grouped/re-arranged wherever found necessary.

**NOTE: PREVIOUS YEAR'S FIGURES ARE SHOWN IN THE BRACKETS**

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
Chainman & Managing Director

**(Ajay Kumar Bhuwalka)**  
Director

As per Report of even date

**for M.S.Dahiya & Company**  
Chartered Accountants

**(Naveen K. Shenoy)**  
Company Secretary

**(CA Harsh Firoda)**  
Partner

Place : Bangalore  
Date : 30th May, 2011

Membership No.-409391  
FRN No. 013855C



**BHUWALKA  
STEEL INDUSTRIES LIMITED**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS**

CIN No.  State Code

Balance Sheet Date 31 03 2011  
Date Month Year

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)**

Public Issue        Rights Issue

Bonus Issue        Private Placement

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand)**

Total Liabilities        Total Assets

**SOURCES OF FUNDS**

Paid-up Capital        Reserves & Surplus

Secured Loans        Unsecured Loans

Share forfeited money        Deferred Tax liability

**APPLICATION OF FUNDS**

Net Fixed Assets        Investments

Net Current Assets        Misc. Expenditure

Accumulated Losses

**IV. PERFORMANCE OF COMPANY (Amount in Rs.Thousand)**

Turnover        Total Expenditure

Profit before tax        Profit after tax

Earning Per Share in(Rs.)       Dividend rate %

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY**

(As per monetary terms)

Item Code No.

(ITC Code)

Product Description

7214

Bars

7216

Angles, Shapes and Sections

**(Suresh Kumar Bhuwalka)**  
Chairman & Managing Director

**(Ajay Kumar Bhuwalka)**  
Director

**for M.S. Dahiya & Co**  
Chartered Accountants

**(Naveen K. Shenoy)**  
Company Secretary

**(CA Harsh Firoda)**  
Partner

Place : Bangalore  
Date : 30th May, 2011

Membership No.-409391  
FRN No. 013855C

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	2010-11 Rs.	2009-10 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
A. Net Profit before tax and extraordinary items	51,856,642	30,938,291
Adjustments for:		
Depreciation	30,670,443	30,650,958
Profit/loss from sale of Fixed Assets	131,725	(2,756,699)
Profit on sale of Investment	-	-
Rent Received	-	-
Interest Charged to Profit & Loss A/c	183,780,209	127,276,155
Provision for Doubtful Debts/Advances Written back	-	-
Dividend Income	-	-
<b>Operating Cash Profit before working capital changes</b>	<b>266,439,019</b>	<b>186,108,704</b>
Adjustments for:		
Trade and Other Receivables	266,201,949	(242,357,673)
Inventories	(239,229,327)	(183,278,743)
Trade Payables and other Liabilities	(92,221,319)	264,848,780
<b>CASH FLOW FROM OPERATIONS</b>	<b>201,190,323</b>	<b>25,321,068</b>
Direct Taxes Paid/(refund)	261,613	613,020
Sales Tax Deferrment	1,051,172	1,404,516
<b>Net Cash from Operating Activities</b>	<b>199,877,538</b>	<b>23,303,532</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
B Increase in Fixed Assets(Net)	(38,062,699)	(66,882,619)
(Increase)/Decrease in Investments	-	20,000
Profit on sale of Investment	-	-
Rent Received	-	-
Dividend Income	-	-
Profit on Sale of Undertaking	-	-
<b>Net cash used in Investing Activities</b>	<b>(38,062,699)</b>	<b>(66,862,619)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
C. Increase/(Decrease) in Borrowings	54,935,147	173,479,425
Interest Paid	(184,087,106)	(132,355,486)
<b>Net cash used in Financing Activities</b>	<b>(129,151,959)</b>	<b>41,123,939</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>32,662,880</b>	<b>(2,435,148)</b>
<b>Opening Balance of Cash &amp; Cash Equivalents</b>	<b>54,736,252</b>	<b>57,171,400</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>87,399,132</b>	<b>54,736,252</b>

**Note:** Balance of cash and cash equivalents include Rs. 10,81,741/- (10,81,741/-) held as balance in bank account of Unpaid Dividend which are not available for operational activities of the Company.

(Suresh Kumar Bhuwalka)  
Chairman and Managing Director

(Ajay Kumar Bhuwalka)  
Director

for M.S.Dahiya & Company  
Chartered Accountants

Place : Bangalore  
Date : 30th May, 2011

(Naveen K. Shenoy)  
Company Secretary

(CA Harsh Firoda)  
Partner  
Membership No.-409391  
FRN No. 013855C

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of Bhuwalka Steel Industries Limited for the year ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the corresponding Profit & Loss account and Balance Sheet of the Company covered by our report.

**For M.S.Dahiya & Company**  
Chartered Accountants

Place : Bangalore  
Date : 30th May, 2011

**(CA Harsh Firoda)**  
Partner  
Membership No.-409391  
FRN No. 013855C

## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors  
Bhuwalka Steel Industries Limited

We have audited the attached consolidated Balance Sheet of BHUWALKA STEEL INDUSTRIES LIMITED and its subsidiary company Lootah Bhuwalka Steel Industries FZC and Benaka Sponge Iron Pvt Ltd as at 31<sup>st</sup> March 2011, and the consolidated Profit and Loss Account and Cash Flows for the year then ended. These financial statements are the responsibility of the Company's Management and have been prepared pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges in accordance with the group's accounting policies as described in note to the accompanying financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of the Company's subsidiaries as follows:

	Total Assets As at 31.03.2011	Total Net Turnover for the year ended 31.03.2011
Lootah Bhuwalka Steel Industries FZC	AED 45,462,405	AED 13,949,328
Benaka Sponge Iron Pvt Ltd	Rs. 637,450,391	Rs. 670,544,883

These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, so far as it relates to that company is based on the reports of other auditors.

We conducted our audit in accordance with the auditing standards generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with identified financial reporting framework and are free of material misstatements. An audit includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS)21, Consolidated Financial Statements and Accounting Standard 27, 'Financial Reporting of interest in Joint Venture', issued by the Institute of Chartered Accountants of India and on the basis of the individual financial statements of the Company and its subsidiary and Joint Venture Company included in the aforesaid consolidation.

On the basis of information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiary, we are of the opinion that;

- a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary and its Joint Venture as at 31<sup>st</sup> March 2011; and
- b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of the Company and its subsidiaries for the year then ended.
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries for the year ended on that date.

**For M.S.Dahiya & Company**  
*Chartered Accountants*

**(CA Harsh Firoda)**  
*Partner*

Membership No.-409391  
FRN No. 013855C

Place : Bangalore  
Date : 1st August, 2011

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**BHUWALKA STEEL INDUSTRIES LIMITED  
CONSOLIDATED BALANCE SHEET AS AT 31 ST MARCH, 2011**

PARTICULARS	Schedule NO.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>I. SOURCES OF FUNDS :</b>			
<b>1. SHARE HOLDERS' FUNDS :</b>			
a. Share Capital	1	63,880,528	63,880,528
b. Reserves & Surplus	2	386,514,704	254,288,828
c. Forfeited Warrants		20,040,000	20,040,000
<b>SUB - TOTAL</b>		<u>470,435,231</u>	<u>338,209,356</u>
<b>2. LOAN FUNDS :</b>			
a) Secured Loans	3	1,304,296,341	1,001,228,935
b) Unsecured Loans	4	714,243,742	649,390,546
<b>SUB - TOTAL</b>		<u>2,018,540,083</u>	<u>1,650,619,481</u>
<b>3. DEFERRED TAX LIABILITY</b>		92,092,422	64,792,864
<b>4. MINORITY INTEREST</b>		48,511	41,867
<b>TOTAL</b>		<u>2,581,116,247</u>	<u>2,053,663,568</u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS:</b>			
Gross Block	5	1,680,822,719	1,062,937,952
Less: Depreciation		474,894,710	430,579,348
		<u>1,205,928,009</u>	<u>632,358,604</u>
Capital work in Progress		50,976,651	585,613,976
		<u>1,256,904,661</u>	<u>1,217,972,580</u>
<b>2. GOODWILL (On Consolidation)</b>		-	12,852,613
<b>3. INVESTMENTS</b>	6	37,343	37,343
<b>4. CURRENT ASSETS, LOANS AND ADVANCES:</b>			
a. Inventories	7	1,254,766,846	953,116,594
b. Sundry Debtors	8	360,920,105	691,267,657
c. Cash and Bank Balances	9	19,519,466	12,228,139
d. Loans & Advances	10	386,862,958	211,136,974
<b>SUB - TOTAL</b>		<u>2,022,069,376</u>	<u>1,867,749,364</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>	11	<u>706,890,546</u>	<u>1,053,082,142</u>
<b>NET CURRENT ASSETS</b>		<u>1,315,178,829</u>	<u>814,667,222</u>
<b>5. MISCELLANEOUS EXPENDITURE</b>	12	86,400	115,200
Foreign Currency Translation Reserve		8,909,014	8,018,609
<b>TOTAL</b>		<u>2,581,116,247</u>	<u>2,053,663,568</u>
<b>NOTES ON ACCOUNTS</b>	19		

SCHEDULES 1 TO 19 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
*Chairman & Managing Director*

**(Ajay Kumar Bhuwalka)**  
*Director*

As per Report of even date

**for M.S. Dahiya & Co**  
*Chartered Accountants*

Place : Bangalore  
Date : 1st August, 2011

**(Naveen K. Shenoy)**  
*Company Secretary*

**(CA Harsh Firoda)**  
*Partner*

Membership No.-409391  
FRN No. 013855C

**BHUWALKA STEEL INDUSTRIES LIMITED  
CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Schedule No.	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>INCOME:</b>			
Sales & Other operational Income	13	6,007,650,398	5,087,308,290
Other Income	14	36,873,476	50,156,463
Variation in Stocks	15	251,112,555	(14,116,901)
<b>TOTAL</b>		<b>6,295,636,429</b>	<b>5,123,347,851</b>
<b>EXPENDITURE :</b>			
Manufacturing Expenses	16	5,094,656,849	4,234,434,626
Administrative & Selling Expenses	17	238,382,312	138,066,916
Interest	18	224,678,652	161,142,539
Depreciation	5	45,524,073	45,767,704
Deferred Revenue Expenses Written-off		28,800	28,800
Trading Purchases		573,620,416	430,634,721
Central Excise Duty on Closing Stock		12,251,659	18,944,268
<b>TOTAL</b>		<b>6,189,142,760</b>	<b>5,029,019,574</b>
Profit for the year before Tax		106,493,669	94,328,278
Income Tax for the year		(1,371,653)	(4,832,752)
Deferred Taxation for the year		(27,299,558)	(7,536,279)
Fringe Benefit Tax		(6,935)	-
Income tax for earlier years		(254,678)	-
Excess Provn of Gratuity & Leave withdrawn		-	-
Profit for the year after Tax		77,560,846	81,959,246
Share Pertaining to Minority Shareholder		6,644	16,138
Balance brought forward		129,546,029	47,602,920
Profit available for appropriation		<b>207,100,230</b>	<b>129,546,029</b>
<b>APPROPRIATION :</b>			
Proposed Dividend on Equity shares		-	-
Tax on Dividend		-	-
Transfer to General Reserve		-	-
Transfer to Capital Reserve		68,389,937	-
Transfer to Capital Redemption Reserve		-	-
Balance Carried to Balance Sheet		138,710,293	129,546,029
<b>TOTAL</b>		<b>207,100,230</b>	<b>129,546,029</b>
Earning per Share-Basic and Diluted		14.95	15.80
<b>NOTES ON ACCOUNTS</b>	<b>19</b>		

SCHEDULES 1 TO 19 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
*Chairman & Managing Director*

**(Ajay Kumar Bhuwalka)**  
*Director*

As per Report of even date

**for M.S. Dahiya & Co**  
*Chartered Accountants*

Place : Bangalore  
Date : 1st August, 2011

**(Naveen K. Shenoy)**  
*Company Secretary*

**(CA Harsh Firoda)**  
*Partner*  
Membership No.-409391  
FRN No. 013855C

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**BHUWALKA STEEL INDUSTRIES LIMITED**

SCHEDULES ANNEXED TO & FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>SCHEDULE – 01</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
15,000,000 Equity Shares of Rs. 10/- each	<b>150,000,000</b>	150,000,000
500,000 Preference Shares of Rs. 100/- each	<b>50,000,000</b>	50,000,000
5,000,000 (10,000,000)Unclassified Shares of Rs.10/-each	<b>50,000,000</b>	50,000,000
<b>TOTAL</b>	<b>250,000,000</b>	250,000,000
<b>ISSUED,SUBSCRIBED AND PAID-UP:</b>		
51,87,249 (51,87,249) Equity Shares of Rs.10/- each fully paid-up includes	<b>51,872,490</b>	51,872,490
i) 3,20,000 Equity Shares of Rs. 10/- each fully paid-up, issued as Bonus Shares on Capitalisation of General Reserve.		
ii) 21,75,000 Equity Shares of Rs.10/- each allotted otherwise than on payment of cash to the Shareholders of erstwhile M/s. Tikmani Steel Co. Ltd & M/s. A.A.Alloys Ltd. as per the Scheme of Amalgamation approved by the Karnataka High Court.		
<b>FORFEITED SHARES</b>		
As per Last account	<b>12,008,038</b>	12,008,038
<b>TOTAL</b>	<b>63,880,528</b>	63,880,528
<b>SCHEDULE – 02</b>		
<b>CAPITAL RESERVE</b>		
As per last account	<b>2,845,500</b>	2,845,500
Less : Goodwill On Consolidation	<b>(12,852,613)</b>	–
Add : During the Year	<b>68,389,937</b>	–
Add : Reserve on Consolidation of Lootha Bhuwalka Steel Industries FZC (Joint Venture)	<b>23,934,280</b>	–
<b>TOTAL</b>	<b>82,317,104</b>	2,845,500
<b>CAPITAL REDEMPTION RESERVE:</b>		
As per Last Account	<b>2,800,000</b>	2,800,000
Set aside during the year		
<b>SHARE PREMIUM</b>		
As per Last Account	<b>48,522,110</b>	48,522,110
<b>GENERAL RESERVE:</b>		
As per Last Account	<b>70,575,189</b>	70,575,189
Add: During the year	–	–
<b>REVALUATION RESERVE</b>		
	<b>43,590,007</b>	–
<b>SURPLUS as per Profit &amp; Loss Account</b>	<b>138,710,293</b>	129,546,029
<b>TOTAL</b>	<b>386,514,704</b>	254,288,828

**BHUWALKA STEEL INDUSTRIES LIMITED**

SCHEDULES ANNEXED TO &amp; FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs..</b>
<b>SCHEDULE – 03</b>		
<b>SECURED LOANS :</b>		
<b>TERM LOANS</b>		
From Financial Institutions & Banks	<b>402,862,066</b>	511,897,314
Working Capital borrowings from Banks	<b>979,846,123</b>	542,776,984
Less: Margin Money	<b>(78,411,848)</b>	(53,445,363)
	<b><u>1,304,296,341</u></b>	<u>1,001,228,935</u>

Note: The securities against these loans are set out in the respective financial statements of the Company and its subsidiary.

**SCHEDULE – 04**

<b>UNSECURED LOANS:</b>		
Sales Tax Deferment	<b>3,412,108</b>	4,463,280
From Companies	<b>185,885,875</b>	148,952,540
From Director & Others	<b>524,945,759</b>	495,974,726
<b>TOTAL</b>	<b><u>714,243,742</u></b>	<u>649,390,546</u>

**SCHEDULE – 05**
**FIXED ASSETS**

Amount in Indian Rupees

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at 01.04.2010	Additions Revaluation	Sales/Adj/ Amortization during the Year	Total As at 31.03.2011	As at 01.04.2010	For the Year	Depreciation withdrawn	Depreciation upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>LAND &amp; LAND &amp; LAND DEVELOPMENT BUILDINGS</b>	36,868,651 180,035,050	43,590,007 146,241,462	– –	80,458,658 326,276,513	– 49,034,733	– 5,194,641	– –	– 54,229,374	80,458,658 272,047,139	36,868,651 131,000,317
<b>PLANT &amp; MACHINERIES</b>	665,626,169	457,601,623	207,447	1,123,020,345	307,173,787	31,286,770	197,075	338,263,476	784,756,863	358,452,382
<b>ELECTRICAL INSTALLATIONS</b>	60,967,656	–	–	60,967,656	36,352,728	3,000,437	–	39,353,165	21,614,491	24,614,928
<b>FURNITURE &amp; FIXTURES</b>	16,265,241	453,746	–	16,718,987	7,348,508	986,775	–	8,335,283	8,383,704	8,916,733
<b>OFFICEEQUIPMENTS</b>	20,559,630	989,945	21,533	21,528,041	11,318,554	1,703,242	17,804	13,003,992	8,524,049	9,241,076
<b>VEHICLES</b>	52,202,906	1,300,987	1,651,374	51,852,519	17,265,324	5,396,869	952,774	21,709,419	30,143,099	34,937,582
<b>TOTAL</b>	<b>1,032,525,303</b>	<b>650,177,770</b>	<b>1,880,354</b>	<b>1,680,822,719</b>	<b>428,493,635</b>	<b>47,568,734</b>	<b>1,167,653</b>	<b>474,894,710</b>	<b>1,205,928,003</b>	<b>604,031,668</b>
PREVIOUS YEAR	1,036,746,976	28,113,083	1,922,108	1,062,937,952	385,642,741	45,767,705	831,098	4,305,793,480	632,358,603	651,104,235

Previous years figures have been re-grouped for Joint Venture as now holding stands to 49%.



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SCHEDULES ANNEXED TO & FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>SCHEDULE – 06.</b>		
<b>INVESTMENTS:</b>		
<b>Unquoted-Non-Trade</b>		
In Government Securities		
(Out of this, Certificate for Rs. 3000 deposited with Sales Tax Department)		
<b>TOTAL</b>	<b>37,343</b>	<b>37,343</b>
	<hr/> <b>37,343</b>	<hr/> <b>37,343</b>
 <b>SCHEDULE – 07</b>		
<b>INVENTORIES :</b>		
(As Certified by the Management)		
Stores & Spares including		
Furnace Oil – At Lower of cost or net realisable value	<b>50,907,304</b>	66,202,395
Finished Goods – At Lower of Cost or Market Value	<b>615,260,578</b>	361,918,888
Raw Materials – At Lower of cost or net realisable value	<b>561,967,846</b>	494,428,889
Misroll – At Estimated realisable Value	<b>13,028,593</b>	10,700,938
Scrap – At Estimated realisable Value	<b>11,767,599</b>	4,289,321
WIP – At Lower of Cost or Net Realisable Value	<b>1,834,927</b>	14,685,977
Goods in Transit – At Cost	–	890,187
<b>TOTAL</b>	<b>1,254,766,846</b>	<b>953,116,594</b>
	<hr/> <b>1,254,766,846</b>	<hr/> <b>953,116,594</b>
 <b>SCHEDULE – 08</b>		
<b>SUNDRY DEBTORS :</b>		
(Unsecured)		
Over Six Months – Considered good	<b>37,569,059</b>	50,471,643
– Considered Doubtful	<b>2,144,479</b>	2,144,479
Others – Considered good	<b>323,351,046</b>	640,796,013
	<b>363,064,584</b>	693,412,136
Less: Provision for doubtful Debts	<b>2,144,479</b>	2,144,479
<b>TOTAL</b>	<b>360,920,105</b>	<b>691,267,657</b>
	<hr/> <b>360,920,105</b>	<hr/> <b>691,267,657</b>
 <b>SCHEDULE – 09</b>		
<b>CASH &amp; BANK BALANCES :</b>		
Cash in Hand including Silver Coins.	<b>11,823,764</b>	7,295,982
<b>Bank Balances With Scheduled Banks:</b>		
Current Accounts	<b>2,086,696</b>	1,729,413
Fixed/Savings/Call Deposits	<b>4,527,265</b>	2,121,002
Dividend Accounts	<b>1,081,742</b>	1,081,742
<b>TOTAL</b>	<b>19,519,466</b>	<b>12,228,139</b>
	<hr/> <b>19,519,466</b>	<hr/> <b>12,228,139</b>

**BHUWALKA STEEL INDUSTRIES LIMITED**

SCHEDULES ANNEXED TO &amp; FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>SCHEDULE – 10</b>		
<b>LOANS &amp; ADVANCES:</b>		
(Unsecured)		
Advances recoverable in Cash or in Kind or for value to be received or adjusted		
– Considered Good	<b>357,964,498</b>	178,938,178
– Considered Doubtful	<b>245,621</b>	245,621
Deposits – Considered Good	<b>23,790,085</b>	18,301,627
– Considered Doubtful	<b>289,533</b>	289,533
Prepaid Expenses & Taxes	<b>4,993,545</b>	13,897,169
	<b>387,283,282</b>	211,672,128
Less: Provision for Doubtful Advances	<b>420,324</b>	535,154
<b>TOTAL</b>	<b>386,862,958</b>	211,136,974
<b>SCHEDULE – 11</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>		
<b>A. CURRENT LIABILITIES :</b>		
Sundry Creditors	<b>478,352,171</b>	912,559,620
Outstanding Liabilities	<b>29,188,619</b>	20,403,230
Statutory Liabilities	<b>12,024,657</b>	4,841,098
Advance from Customers	<b>181,557,673</b>	102,182,261
Interest accrued but not due	–	306,897
Unclaimed Dividend	<b>1,081,742</b>	1,081,742
Other Liabilities	–	6,856,576
<b>Sub - Total</b>	<b>702,204,861</b>	1,048,231,423
<b>B. PROVISIONS:</b>		
Provision for Gratuity, Bonus Leave Salary	<b>4,072,665</b>	3,487,699
Provision for Income Tax & Fringe benefit Tax (Net of Advances)	<b>613,020</b>	1,363,020
Provision for tax on Dividend	–	–
<b>Sub - Total</b>	<b>4,685,685</b>	4,850,719
<b>TOTAL</b>	<b>706,890,546</b>	1,053,082,142
<b>SCHEDULE – 12</b>		
<b>MISCELLANEOUS EXPENDITURE :</b>		
(To the extent not written-off or adjusted)		
Deferred Revenue Expenditure	<b>86,400</b>	115,200
<b>TOTAL</b>	<b>86,400</b>	115,200

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SCHEDULES ANNEXED TO & FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	For the year Ended 2011 Rs.	For the year Ended 2010 Rs.
<b>SCHEDULE – 13</b>		
<b>SALES &amp; OTHER OPERATIONAL INCOME :</b>		
Finished Goods	5,679,647,047	5,064,630,457
Misroll	33,023,185	31,543,458
M.S. Scrap	107,228,922	72,757,359
Trade Materials	383,028,874	122,929,755
Other Sales/Receipts	328,683,655	70,948,037
Self Consumption	–	19,950,369
	6,531,611,684	5,382,759,435
Less: Central Excise Duty	523,961,285	295,451,145
<b>TOTAL</b>	<b>6,007,650,398</b>	<b>5,087,308,290</b>
<b>SCHEDULE – 14</b>		
<b>OTHER INCOME :</b>		
Sundry Balances Written-back	590,470	1,285,258
Miscellaneous Receipts	31,530,325	40,125,477
Profit on Sale of Fixed Assets	114,628	2,886,341
Excess Provision no longer required	802,058	89,327
Sales Tax and Entry Tax Refund	–	905,197
Foreign Exchange Fluctuation	–	205,955
Interest Income	3,835,994	4,658,907
<b>TOTAL</b>	<b>36,873,476</b>	<b>50,156,463</b>
<b>SCHEDULE – 15</b>		
<b>VARIATION IN STOCK:</b>		
<b>CLOSING STOCK:</b>		
Finished Goods	615,260,578	360,153,506
Misroll	13,028,593	10,700,938
M.S. Scrap	11,849,775	4,283,702
WIP	1,834,927	14,685,977
<b>Sub-Total</b>	<b>641,973,872</b>	<b>389,824,123</b>
<b>OPENING STOCK:</b>		
Finished Goods	361,187,957	391,777,660
Misroll	10,700,938	2,911,734
M.S. Scrap	4,286,445	5,671,975
WIP	14,685,977	3,579,655
<b>Sub-Total</b>	<b>390,861,317</b>	<b>403,941,024</b>
Increase in Stocks	<b>251,112,555</b>	<b>(14,116,901)</b>

SCHEDULES ANNEXED TO & FORMING PART OF CONSOLIDATED ACCOUNTS AS AT 31st MARCH, 2011

	For the year Ended 2011 Rs.	For the year Ended 2010 Rs.
<b>SCHEDULE – 16</b>		
<b>MANUFACTURING EXPENSES :</b>		
Raw Materials Consumed	4,668,096,404	3,892,488,257
Stores & Spares Consumed	69,759,945	59,693,943
Conversion Charges Paid	27,926,549	183,591
Packing Expenses	2,725	1,140
Power & Fuel	276,501,149	235,503,825
Contract Labour Charges	40,780,143	35,002,902
Repairs & Maintenance:		
– Buildings	698,531	788,356
– Machinery	3,420,520	2,188,530
– Others	7,470,883	8,584,082
<b>TOTAL</b>	<b>5,094,656,849</b>	<b>4,234,434,626</b>
<b>SCHEDULE – 17</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES:</b>		
Salaries, Wages, Bonus etc.,	68,502,230	52,911,264
Contribution to P.F. & Other Funds	3,717,335	3,165,854
Employees' Welfare	3,412,033	2,689,098
Rates & Taxes	6,264,162	4,676,796
Rent including Lease Rent	5,173,225	4,648,356
Insurance Premium	1,343,426	1,297,205
Directors' Remuneration including Sitting Fees	1,270,000	1,595,000
Selling Expenses	74,824,453	7,140,140
Commission & Brokerage	10,330,646	13,330,364
Printing & Stationery	841,603	1,000,575
Carriage Outwards	14,706,954	4,546,286
Travelling & Conveyance	3,063,663	3,483,482
Postage, Telegram, Telephone and Telex	2,336,160	2,239,226
Legal & Professional Charges	7,197,964	4,322,969
Loss on Sale of Fixed Assets	246,353	353,479
Miscellaneous Expenses	14,124,890	18,090,118
Auditor's Remuneration : Audit Fees	400,000	417,966
Sundry Balances Written- off	54,537	537,839
Bank Charges	20,572,678	9,243,340
Purchase of License	–	2,377,559
<b>TOTAL</b>	<b>238,382,312</b>	<b>138,066,916</b>
<b>SCHEDULE – 18</b>		
<b>INTEREST :</b>		
On Fixed Loans	45,243,312	88,293,911
On Other Loans	179,435,339	72,848,628
<b>TOTAL</b>	<b>224,678,652</b>	<b>161,142,539</b>

**Schedule – 19 Notes to the Consolidated Financial Statements for the Year Ended 31<sup>st</sup> March, 2011.**

**1. a) The Company and description of business.**

Bhuwalka Steel Industries Limited was incorporated in 1981 and started commercial production in 1983. The Company has 3 manufacturing units for manufacture of Rolled Products including Angles, Structural, Flats etc. for domestic and export market out of which operations in one of the unit at Kanchipuram ( T.N) were suspended.

The Company has a subsidiary at Bellary, namely, Beneka Sponge Iron Pvt. Ltd., having sponge iron capacity of 200 TPD were 99.99% of the equity is held by the Company

The Company had set up an unit at Hamriyah Free zone in Sharjah (UAE) in September 2005 as a subsidiary which has been converted into a Joint Venture during the FY 2010 -11. Joint Venture is in to business of ferrous and non-ferrous metal and having a steel rolling plant. The name of erstwhile Bhuwalka Steel Industries (UAE) FZE is since changed to Lootha Bhuwalka Steel Industries FZC

Name of shareholders'	No. of shares	Value (AED)	%
1. Mr.Hassan Ibrahim Saeed Lootah, UAE National	10,800	10,800,000	51%
2. M/s Bhuwalka Steel Industries LTD. (Indian Company)	10,350	10,350,000	49%
Total	21,150	21,150,000	100%

**b) Consolidation.**

The accompanying financial statements include the financial statement of Beneka Sponge Iron Pvt. Ltd., and Lootha Bhuwalka Steel Industries FZC, being the Joint Control Entity of Bhuwalka Steel Industries Limited,. The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under AS 21, 'Consolidated Financials Statements', and AS 27, 'Financial Reporting of Interest in Joint Venture', issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of the Company and its subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. The financial statements of the joint ventures have been consolidated in accordance with the proportionate consolidation method prescribed in AS 27. Any excess of the cost to the parent company of its investment in a subsidiary or joint venture and the parent company's portion of equity of that entity at the date, at which such investment is made, is described as Capital Reserve and recognized separately. All significant inter-company transactions, related unrealised profits / losses, and balances between the entities included in the consolidated financial statements have been eliminated.

**c) Convenience Translation.**

The accounts of Lootha Bhuwalka Steel Industries FZC jointly Controlled Company have been prepared and presented in accordance with the UAE. Accounting Standards being the home currency of Joint Venture Company. For the purpose of convenience the balances of overseas Joint Venture Company are translated into Indian Currency, being the Reporting Currency of the parent Company, in accordance with the AS11 issued by the Institute of Chartered Accountants of India.

Rs. In Lakhs

**2. Contingent Liabilities not provided for**

Particulars	FY 2010-11	FY 2009-10
I) Letter of Credits/ Bank Guarantees	<b>2712.46</b>	2044.28
II) Corporate Guarantees given to Banks and Financial Institutions on behalf of Group Companies (Liabilities as on 31.03.2011):	<b>5054.00</b>	1505.83
III) Other statutory liabilities disputed by the company :	<b>921.94</b>	1266.11
IV) Claims against the Company not Acknowledged as debt :	<b>34.61</b>	34.61

**3. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES:**

- The consolidated financial statements have been prepared in accordance with the Accounting Standard 21 on "Consolidated Financial Statements and AS 27, 'Financial Reporting of Interest in Joint Venture' issued by the Institute of Chartered Accountants of India.
- Consolidated financial statements have been prepared using uniform accounting policies, in accordance with the generally accepted accounting policies.
- These are set out in the "Significant Accounting Policies and Notes on Accounts" of the Company and its subsidiaries.

**4. Profit and Loss Account:**

Profit & Loss on sale of raw material and excess/shortage on physical verification, if any, remain adjusted in the respective consumption accounts. Profit & Loss A/c has been consolidated on line to line basis for Subsidiary and its Joint venture (to the extent of equity holding in JV).

**5. Related Party Disclosure:**

Related party disclosures have been made in accordance with the accounting Standards on related party Disclosure (AS 18) issued by The Institute of Chartered Accountants of India.

- A)** Following are the name of related parties with whom transactions were carried out by the company:

Name of the Related Parties	Relationship
Benaka Sponge Iron Pvt Ltd.	Subsidiary Company
Lootha Bhuwalka Steel Industries FZC	Jointly Controlled Entity
Balchand Suresh Kumar	Parties where Control Exists
Bhuwalka Ferrous Ltd.	Parties where Control Exists
Bhuwalka Metal Industries Pvt. Ltd.	Parties where Control Exists
Bhuwalka Trade Links Private Limited	Parties where Control Exists
Nava Karnataka Steels Private Ltd.	Parties where Control Exists
Sri Suresh Kumar Bhuwalka	Key Management Personnel - Managing Director
Sri Ajay Bhuwalka	Key Management Personnel- Director
Sri Ankit Bhuwalka	Key Management Personnel- Director

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- B)** Transactions carried out with related parties referred above in ordinary course of business during FY 2010-11 :-

(Rs. in Lakhs)

<b>Nature of Transactions</b>	<b>Subsidiary</b>	<b>Key Management Personnel</b>	<b>Parties where Control Exists</b>
Purchases	– (0.49)	– (–)	1459.49 (674.10)
Sales	9.31 (206.27)	– (–)	3489.63 (902.93)
Expenses	– (–)	10.01 (9.33)	– (–)
Income	– (NIL)	– (–)	– (–)
Outstanding – Debit	– (108.05)	– (–)	186.78 (505.69)
Credit	NIL (NIL)	1140.00 (–)	271.99 (57.05)

Note: - Figures in bracket pertain to PY 2009-10.

6. The previous year's figures are re-grouped/re-arranged wherever found necessary.

**NOTE: PREVIOUS YEAR'S FIGURES ARE SHOWN IN BRACKETS**

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
*Chairman & Managing Director*

**(Ajay Kumar Bhuwalka)**  
*Director*

**(Naveen K. Shenoy)**  
*Company Secretary*

As per Report of even date

**for M.S. Dahiya & Co**  
*Chartered Accountants*

**(CA Harsh Firoda)**  
*Partner*

Place : Bangalore  
Date : 1st August, 2011

Membership No.-409391  
FRN No. 013855C

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	2010-11 Rs.	2009-10 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
A. Net Profit before tax and extraordinary items	106,493,669	94,328,278
Adjustments for:		
Depreciation	45,524,073	45,767,704
Profit/loss from sale of Fixed Assets	131,725	(2,886,341)
Profit on sale of Investment	-	-
Rent Received	-	-
Interest Charged to Profit & Loss A/c	224,678,652	161,142,539
Interest Income	(3,835,994)	(4,658,907)
Deffered Revenue Expenditure Written off	28,800	28,800
Capital Reserve on Consolidation of Joint Venture	23,934,280	-
Foreign Currency Translation Reserve	(890,405)	(8,018,609)
Dividend Income	-	-
<b>Operating Cash Profit before working capital changes</b>	<b>396,064,800</b>	<b>285,703,463</b>
Adjustments for:		
Trade and Other Receivables	154,621,568	(218,514,115)
Inventories	(301,650,252)	(223,600,511)
Trade Payables and other Liabilities	(90,877,543)	209,974,495
<b>CASH FLOW FROM OPERATIONS</b>	<b>339,913,659</b>	<b>53,563,333</b>
Direct Taxes Paid/(refund)	1,633,266	4,832,752
<b>Net Cash from Operating Activities</b>	<b>338,280,393</b>	<b>48,730,581</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
B Increase in Fixed Assets(Net)	(40,997,872)	(250,672,577)
(Increase)/Decrease in Investments	-	20,000
Profit on sale of Investment	-	-
Interest Received	3,835,994	4,658,907
Dividend Income	-	-
Profit on Sale of Undertaking	-	-
<b>Net cash used in Investing Activities</b>	<b>(37,161,877)</b>	<b>(245,993,670)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
C. Increase/(Decrease) in Borrowings	(44,488,949)	344,586,874
Interest Paid	(224,371,755)	(156,063,208)
<b>Net cash used in Financing Activities</b>	<b>(268,860,704)</b>	<b>188,523,666</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>32,257,812</b>	<b>(8,739,423)</b>
<b>Opening Balance of Cash &amp; Cash Equivalents</b>	<b>65,673,502</b>	<b>74,412,925</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>97,931,314</b>	<b>65,673,502</b>

**Note:** Balance of cash and cash equivalents include Rs. 10,81,741/- (10,81,741/-) held as balance in bank account of Unpaid Dividend which are not available for operational activities of the Company.

**(Suresh Kumar Bhuwalka)**  
*Chairman and Managing Director*

**(Ajay Kumar Bhuwalka)**  
*Director*

**for M.S.Dahiya & Company**  
*Chartered Accountants*

**(Naveen K. Shenoy)**  
*Company Secretary*

**(CA Harsh Firoda)**  
*Partner*

Place : Bangalore  
Date : 1st August, 2011

Membership No.-409391  
FRN No. 013855C

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of Bhuwalka Steel Industries Limited for the year ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the corresponding Profit & Loss account and Balance Sheet of the Company covered by our report.

**For M.S.Dahiya & Company**  
*Chartered Accountants*

**(CA Harsh Firoda)**  
*Partner*

Place : Bangalore  
Date : 1st August, 2011

Membership No.-409391  
FRN No. 013855C



**STATEMENT PURSUANT TO SECTION 212(3) OF THE COMPANIES ACT, 1956**

1. Name of the Subsidiary	Benaka Sponge Iron Private Limited
2. Financial year ended	31st March, 2011
3. Extent of interest of the Holding Company in the capital of the Subsidiary as on the above date	
a) No. of shares	2,99,900 nos of Rs. 100/- each
b) Extent of holding	99.97%
4. Net aggregate amount of Profit of the Subsidiary so far as it concerns the members of the Holding Company	
a) Not dealt within the Holding Company's Accounts:	
i) For the Financial year ended 31.03.2011	Rs. 1,99,26,866/-
ii) For the previous financial years of the subsidiary since it became Holding Company's subsidiary	Rs. 4,22,84,096/-
b) Dealt within the Holding Company's Accounts:	
i) For the Financial year ended 31.03.2011	Nil
ii) For the previous financial years of the subsidiary since it became the Holding Company's Subsidiary	Nil

**(SURESH KUMAR BHUWAKA)**  
*Chairman & Managing Director*

**(AJAY KUMAR BHUWALKA)**  
*Director*

**(Naveen K. Shenoy)**  
*Company Secretary*

Place : Bangalore  
Date : 1st August, 2011

**BENAKA SPONGE IRON PRIVATE LIMITED**

**A SUBSIDIARY COMPANY**

BOARD OF DIRECTORS	:	Shri. Suresh Kumar Bhuwalka Shri. Ajay Kumar Bhuwalka Shri. Roop Sing Chawhan Shri. Gajraj Singh Bansal
REGISTERED OFFICE	:	No.71, III Cross Residency Road Bangalore - 560 025
FACTORY	:	138A/1, 138A/2 Tumti Road, Belagal Village, Bellary.
AUDITORS	:	M/s.ASR Associates <i>Chartered Accountants</i>
PRINCIPAL BANKERS	:	IDBI Bank Ltd. Bangalore.

**DIRECTORS' REPORT**

**TO THE MEMBERS OF**

**BENAKA SPONGE IRON PRIVATE LIMITED:**

Your Directors have pleasure in presenting before you the 8<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)

	<b>2010 -11</b>	2009 -10
Turnover	<b>6712.08</b>	5584.55
<b>Profit before Depreciation, interest and tax</b>	<b>796.01</b>	619.29
Less: Interest	<b>350.41</b>	278.58
Depreciation/Amortization	<b>146.86</b>	134.21
Income Tax for the year (including FBT and Deferred taxation)	<b>-99.41</b>	-22.94
IT/GBT for earlier year	<b>0.00</b>	0.00
Profit After Taxation	<b>199.33</b>	183.54
Add: Balance of profit brought forward from last year	<b>927.16</b>	743.62
Balance of profit carried forward	<b>1126.49</b>	927.15

**2. OPERATIONS REVIEW:**

Total income from operations during the year under review was Rs. 6712.08 lakhs as compared to Rs. 5584.55 lakhs in the previous year signifying a rise by 20%. Profit After Tax (PAT) was higher at Rs.199.33 lakhs as compared to Rs.183.54 lakhs in the previous year registering a modest growth of 8.60%.

**3. CONSERVATION OF ENERGY:**

Total energy consumption and energy consumed per unit of production as per Form 'A' is given in Annexure A to this Report.

**4. TECHNOLOGY ABSORPTION:**

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

**5. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:**

Foreign Exchange Earnings and Expenditure are given under Note no. 6 (E) and 6 (F) of Schedule '19' forming part of the Accounts for the year ended 31<sup>st</sup> March, 2011.

**6. PERSONNEL:**

Industrial Relations remained cordial throughout the year.

There were 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 upto date.

**7. DIRECTORS :**

During the year under review Sri. Gajraj Singh Bansal was appointed as an Additional Director w.e.f. 7<sup>th</sup> October, 2010 and holds office only upto 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 liable to retire by rotation.

Sri. Ajay Kumar Bhuwalka, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**8. AUDITORS:**

The retiring 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.

**9. 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.

**10. DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) :**

Your Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- 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;
- 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 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a 'going concern' basis..

**11. ACKNOWLEDGEMENTS:**

Your Directors wish to place on record their appreciation for the continued support, encouragement and co-operation extended by all the stakeholders namely: Bankers, shareholders, customers and suppliers. Your Directors also place on record their appreciation for the contribution made by the employees of the company at all levels.

FOR AND ON BEHALF OF THE BOARD

Place : Bangalore  
Date : 27th May, 2011

**(Suresh Kumar Bhuwalka) (Ajay Kumar Bhuwalka)**  
*Director Director*

**AUDITORS' REPORT**

To,  
**The Members,  
M/s. Benaka Sponge Iron Pvt. Ltd.**

1. We have audited the attached Balance Sheet of M/s Benaka Sponge Iron Pvt., Ltd., as at 31<sup>st</sup> March 2011 and the Profit & Loss Account for the period ended as on that date, annexed there to. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our Audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) order 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appear from our examination of those books.
3. The Balance Sheet, Profit & Loss Account dealt with by this report are in agreement with the books of accounts,
4. In our opinion, the Balance Sheet, Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub section 3 (C ) of section 211 of the Companies Act 1956.
5. On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>st</sup> March 2011 from being appointed as a Directors in terms of clause (g) of sub section 274 of the Companies Act 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes in Schedule give the information required by the Companies Act 1956 (as amended) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011 and
  - b. In the case of Profit and Loss Account, of the profit for the period ended on that date

for **ASR ASSOCIATES**  
*Chartered Accountants*

**(CA. A.S. RAFIQ)**  
*Proprietor*

M.No. 204646

FRN No. : 008877S

Place: Bangalore  
Date : 27<sup>th</sup> May, 2011

**THE ANNEXURE REFERRED TO IN PARAGRAPH-3 OF OUR REPORT TO THE MEMBERS OF M/S BENAKA SPONGE IRON PVT LTD, BANGALORE FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2011.**

**WE REPORT THAT:**

**I FIXED ASSETS:**

- a) The Company has maintained proper records showing full particulars and situation of Fixed Assets.
  - b) The Company has carried out physical verification of Fixed Assets during the period. No material discrepancies were noticed on such verification.
  - c) During the period, the Company has not disposed off any Fixed Assets.
  - d) During the period the Company has revalued the land by an amount of Rs. 43,590,007/- to bring to the realisable value.
- II
- a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
  - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of the business.
  - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- III
- The Company has neither granted nor taken any loans, secured or unsecured to/ from companies, firms or other parties register maintained under section 301 of the Act.

## ***Annual Report 2010- 2011***

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- IV In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- V According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act 1956.
- VI The Company has not accepted any deposits from the public.
- VII In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- VIII We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained.
- IX According to the information and explanations given to us, there are no dues as at the last day of financial period of more than 6 months in respect of Sales Tax, Income Tax, Excise Duty, Cess, which are disputed, and a forum where the dispute is pending.
- X The Company does not have any accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- XI In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and banks.
- XII According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII In our opinion, the company is not a chit fund or a nidhi mutual benefit funds/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- XIV In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
- XV The Company has not given any guarantee for loans taken by others.
- XVI Based on the information and explanations given to us by the management the term loans have been applied for the purpose for which they were obtained.
- XVII On the basis of our overall examination of the Cash Flow Statements, the funds raised on short-term basis have not been used for long term investment.
- XVIII During the year under Audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- XIX According to the information and explanations given to us, during the period the company has not issued any debentures.
- XX The Company has not raised any money by way of Public Issue during the year.
- XXI Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud, on or by the Company has been noticed or reported during the year.

for **ASR ASSOCIATES**  
*Chartered Accountants*

Place: Bangalore  
Date : 27<sup>th</sup> May, 2011

**(CA. A.S. RAFIQ)**  
*Proprietor*  
M.No. 204646  
FRN : 008877S

**BALANCE SHEET AS AT 31ST MARCH, 2011**

(Amount in Indian Rupees)

PARTICULARS	Schedule NO.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>I. SOURCES OF FUNDS :</b>			
<b>1. SHARE HOLDERS' FUNDS :</b>			
a. Share Capital	1	30,000,000	30,000,000
b. Reserves & Surplus	2	159,238,741	95,715,887
<b>SUB - TOTAL</b>		<u>189,238,741</u>	<u>125,715,887</u>
<b>2. LOAN FUNDS :</b>			
a) Secured Loans	3	279,355,888	213,011,468
b) Unsecured Loans	4	46,425,771	56,566,631
<b>SUB - TOTAL</b>		<u>325,781,659</u>	<u>269,578,099</u>
<b>3. DEFERRED TAX LIABILITY TOTAL</b>		<u>25,318,302</u>	<u>16,748,720</u>
		<u>540,338,702</u>	<u>412,042,706</u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS:</b>			
Gross Block		316,681,678	246,346,386
Less: Depreciation		<u>95,109,870</u>	<u>80,424,370</u>
		221,571,808	165,922,016
Capital Work in Progress:		<u>1,030,006</u>	<u>22,909,562</u>
	5	<u>222,601,814</u>	<u>188,831,578</u>
<b>2. INVESTMENTS</b>	6	17,343	17,343
<b>3. CURRENT ASSETS, LOANS AND ADVANCES:</b>			
a. Inventories	7	213,304,811	170,439,606
b. Sundry Debtors	8	155,739,276	46,161,937
c. Cash and Bank Balances	9	2,519,495	1,028,190
d. Loans & Advances	10	43,181,252	67,386,421
<b>SUB - TOTAL</b>		<u>414,744,834</u>	<u>285,016,154</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>	11	97,111,689	61,937,569
<b>NET CURRENT ASSETS</b>		317,633,145	223,078,585
<b>4. MISCELLANEOUS EXPENDITURE TOTAL</b>	12	<u>86,400</u>	<u>115,200</u>
		<u>540,338,702</u>	<u>412,042,706</u>

NOTES ON ACCOUNTS  
SCHEDULES 1 TO 18 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.  
For and on behalf of the Board

(Suresh Kumar Bhuwalka)  
Director

(Ajay Kumar Bhuwalka)  
Director

As per report of even date  
For ASR Associates,  
Chartered Accountants

(CA. A.S. Rafiq)  
Proprietor  
M.No. 204646  
FRN : 008877S

Place: Bangalore  
Date : 27th May, 2011

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**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Schedule No.	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>INCOME</b>			
Sales & Other operational Income	13	738,777,395	604,114,733
Less : Excise Duty		<u>68,232,512</u>	<u>47,109,455</u>
Net Sales		670,544,883	557,005,278
Other Income	14	663,480	1,450,304
Stock Variation	15	<u>53,051,349</u>	<u>44,310,980</u>
<b>TOTAL</b>		<u>724,259,713</u>	<u>602,766,562</u>
<b>EXPENDITURE :</b>			
Manufacturing Expenses	16	605,958,120	511,295,290
Administrative & Selling Expenses	17	38,671,735	29,513,369
Interest	18	35,041,477	27,858,714
Depreciation		14,685,500	13,421,331
Deferred Revenue Expenses Written-off		<u>28,800</u>	<u>28,800</u>
<b>TOTAL</b>		<u>694,385,632</u>	<u>582,117,504</u>
Profit for the year before Tax		29,874,081	20,649,058
Income-tax for the year ( - )		<u>(1,371,653)</u>	<u>(4,219,732)</u>
Deferred Taxation for the year		<u>(8,569,582)</u>	<u>1,924,919</u>
Income Tax for Earlier Years		-	-
Profit for the year after Tax		19,932,846	18,354,245
<b>Balance brought forward</b>		<u>92,715,887</u>	<u>74,361,642</u>
Profit available for appropriation		112,648,733	92,715,887
<b>APPROPRIATION :</b>			
Balance Carried to Balance Sheet		<u>112,648,733</u>	<u>92,715,887</u>
<b>TOTAL</b>		<u>112,648,733</u>	<u>92,715,887</u>
Earning per share - Basic and Diluted (as per Equity Share of Rs. 100/- each)		66	61
<b>NOTES ON ACCOUNTS</b>	<b>19</b>		

NOTES ON ACCOUNTS

SCHEDULES 1 TO 18 FORM THE INTEGRAL PARTS OF THE ACCOUNTS.

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
Director

**(Ajay Kumar Bhuwalka)**  
Director

As per report of even date

**For ASR Associates,**  
Chartered Accountants

**(CA. A.S. Rafiq)**  
Proprietor

Place: Bangalore  
Date : 27th May, 2011

M.No. 204646  
FRN : 008877S

**SCHEDULES ANNEXED TO & FORMING PART OF AUDITED ACCOUNTS AS AT 31st MARCH, 2011**

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
<b>SCHEDULE: 01</b>		
<b>SHARE CAPITAL</b>		
<b>I) AUTHORISED</b>		
3,50,000 Equity Shares of Rs. 100/- each	35,000,000	35,000,000
<b>TOTAL</b>	<b>35,000,000</b>	<b>35,000,000</b>
<b>ii) ISSUED, SUBSCRIBED AND PAID-UP:</b>		
3,00,000 Equity Shares of Rs. 100/- each fully paid up	30,000,000	30,000,000
<b>TOTAL</b>	<b>30,000,000</b>	<b>30,000,000</b>
<b>SCHEDULE : 02</b>		
<b>GENERAL RESERVE</b>		
<b>As per Last Account</b>	<b>3,000,000</b>	3,000,000
Profit & Loss Account	112,648,733	92,715,887
<b>REVALUATION RESERVE:</b>		
As per Account	43,590,007	-
<b>TOTAL</b>	<b>159,238,740</b>	<b>95,715,887</b>
<b>SCHEDULE : 03</b>		
<b>SECURED LOANS</b>		
<b>A. TERM LIABILITIES</b>		
(a) From IDBI Bank Ltd	47,773,048	81,329,010
(b) From Others	2,950,076	6,139,369
(These loans are secured by hypothecation of Assets purchase out of these loans)		
From IDBI Banks Limited (Short Term Limit)	50,302,679	-
<b>SUB TOTAL 'A'</b>	<b>101,025,803</b>	<b>87,468,379</b>
<b>B. WORKING CAPITAL :</b>		
From IDBI Banks Limited	180,849,618	131,084,664
(Secured by hypothecation of inventories and book debts and pari pasu second charge on the movable assets of the company)		
<b>Less : Margin Money / Deposits</b>	<b>2,519,533</b>	5,541,575
<b>SUB TOTAL 'B'</b>	<b>178,330,085</b>	<b>125,543,089</b>
<b>TOTAL (A + B)</b>	<b>279,355,888</b>	<b>213,011,468</b>
<b>SCHEDULE: 04</b>		
<b>UNSECURED LOANS :</b>		
From Others	46,425,771	56,566,631
<b>TOTAL</b>	<b>46,425,771</b>	<b>56,566,631</b>

**SCHEDULE:05**

Amount in Indian Rupees

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at 01.04.2010	Additions Revaluation	Sales/Adj/ Amortization during the Year	Total As at 31.03.2011	As at 01.04.2010	For the Year	Depreciation withdrawn	Depreciation upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
LAND &										
Land	2,930,993	43,590,007	-	46,521,000	-	-	-	-	46,521,000	2,930,993
Building	19,750,330	-	-	19,750,330	3,149,201	659,661	-	3,808,862	15,941,468	16,601,129
Plant & Machinery	189,727,688	-	-	189,727,688	67,027,657	10,017,622	-	77,045,279	112,682,409	122,700,031
Pollutions Equipment	7,442,949	26,474,423	-	33,917,372	2,289,897	1,091,912	-	3,381,809	30,535,563	5,153,052
Vehicles	23,214,920	156,092	-	23,371,012	6,783,609	2,633,055	-	9,416,664	13,954,348	16,431,311
Furniture's & Fixtures	1,301,244	84,770	-	1,386,014	244,617	85,044	-	329,661	1,056,353	1,056,627
Office Equipment's-Computers	907,846	-	-	907,846	705,067	147,162	-	852,229	55,617	202,779
Office Equipment's	1,070,416	30,000	-	1,100,416	224,322	51,044	-	275,366	825,050	846,094
<b>TOTAL</b>	<b>246,346,386</b>	<b>70,335,292</b>	<b>-</b>	<b>316,681,678</b>	<b>80,424,370</b>	<b>14,685,500</b>	<b>-</b>	<b>95,109,870</b>	<b>221,571,808</b>	<b>165,922,016</b>
Previous Year	241,841,091	6,098,372	1,593,077	246,346,386	67,681,279	13,421,331	678,240	80,424,370	165,922,016	





**BENAKA SPONGE  
IRON PRIVATE LIMITED****SCHEDULE: 13****SALES & OTHER OPERATIONAL INCOME :**

Sales	<b>738,777,395</b>	604,114,733
<b>TOTAL</b>	<b>738,777,395</b>	604,114,733

**SCHEDULE: 14****OTHER INCOME**

Misc. Income	<b>299,949</b>	736,082
Interest Received (Gross),	<b>363,531</b>	714,222
<b>TOTAL</b>	<b>663,480</b>	1,450,304

**SCHEDULE: 15****VARIATION IN STOCK****CLOSING STOCK**

Finished Goods	<b>114,109,078</b>	61,057,729
<b>Sub-Total (A)</b>	<b>114,109,078</b>	61,057,729

**OPENING STOCK:**

Finished Goods	<b>61,057,729</b>	16,746,749
<b>Sub-Total (B)</b>	<b>61,057,729</b>	16,746,749

Increase/(Decrease) in Stocks (A - B)	<b>53,051,349</b>	44,310,980
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**SCHEDULE 16****MANUFACTURING EXPENSES**

Raw Materials Consumed	<b>548,454,427</b>	451,396,982
Stores & Spares Consumed	<b>25,536,340</b>	19,331,859
Production & Operation Charges	<b>16,682,609</b>	18,485,307
Power & Fuel	<b>13,789,600</b>	19,908,253

**Repairs & Maintenance:**

- Buildings	<b>136,920</b>	1,985
- Machinery	<b>706,700</b>	1,014,054
- Others	<b>651,524</b>	1,156,850

**TOTAL**

<b>605,958,120</b>	511,295,290
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**SCHEDULE: 17****ADMINISTRATIVE & SELLING EXPENSES**

Salaries, Wages, Bonus etc.,	<b>9,884,496</b>	4,340,635
Contribution to P.F. & Other Funds	<b>282,831</b>	211,490
Employees' Welfare	<b>633,060</b>	468,027
Rates & Taxes	<b>2,875,025</b>	1,129,394
Guest House Expenses	<b>643,529</b>	455,207
Insurance Premium	<b>653,662</b>	334,600
Directors remuneration	<b>700,000</b>	1,000,000
Selling Expenses	<b>1,679,777</b>	1,739,357
Discount on Sales	<b>13,151,337</b>	8,064,263
Printing & Stationery	<b>27,786</b>	68,272
Carriage Outwards	<b>197,979</b>	325,000
Travelling & Conveyance	<b>480,628</b>	300,782
Postage, Telegram, Telephone and Telex	<b>80,717</b>	144,063
Legal & Professional Charges	<b>1,872,999</b>	368,296
Vehicles maintenance	<b>1,908,702</b>	2,214,738
Miscellaneous Expenses	<b>1,447,297</b>	4,742,021
Auditor's Remuneration : Audit Fees	<b>150,000</b>	150,000
Bank Charges	<b>443,323</b>	1,971,663
Security charges	<b>1,558,587</b>	1,261,724
Loss & Sale of Vehicles	<b>=</b>	223,837
<b>TOTAL</b>	<b>38,671,735</b>	29,513,369

**SCHEDULE: 18****INTEREST**

On Fixed Loans	<b>9,139,312</b>	7,775,065
On Other Loans	<b>25,902,165</b>	20,083,649
<b>TOTAL</b>	<b>35,041,477</b>	27,858,714

**SCHEDULE “19” ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011**

1. Estimated amount of contracts remaining to be executed on capital accounts (Net of advances) not provided for Nil (Previous Year Nil)
2. Contingent Liabilities not provided for  
Bank Guarantees : Rs.49.90 Lakhs (Rs. 68.60 Lakhs)
3. Managerial Remuneration paid or payable to Whole time directors including Managing Director during the Year :-

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Salary & Allowances	<b>7,00,000</b>	10,00,000
Contribution to Provident Fund and Other Funds	<b>Nil</b>	Nil
	<b>7,00,000</b>	10,00,000

**4. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES:**

**i. Principal Accounting Policies**

The Financial statements have been prepared in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been consistently followed, are set out below. The Financial Statements have also been prepared in accordance with relevant presentational requirement of the Companies Act, 1956.

**ii. General**

- a) The accompanying statements have been prepared on the Historical Cost convention in accordance with the provisions of Companies Act, 1956 and generally accepted accounting principles prevailing in India.
- b) The Accounts have been prepared on accrual basis and in accordance with the going concern concept.

**iii. Valuation of Inventories:**

Raw Materials, Finished Goods and stores & spares are valued at lower of cost or net realizable value, in accordance with Accounting Standard 2 – valuation of inventories. The cost formula used for this purpose is First in First out (FIFO) method and includes direct cost incurred in bringing the items of inventory to their present location and condition.

**iv. Depreciation**

Depreciation has been provided on straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets of the company. Depreciation on the additions made during the year has been provided proportionately for the period of use.

**v. Revenue Recognition:**

The company recognizes sale of goods as they are dispatched to customers and any significant uncertainty as to its ultimate realization or collection does not exist. Sales comprise amounts invoiced for goods sold exclusive of excise duty and sales tax, returns, trade discounts and claims.

**vi. Fixed Assets :**

Fixed Assets are stated at their historical cost of acquisition or construction less accumulated depreciation except land. During the financial year Land has been revalued. Further Cost includes all cost incurred to bring the asset to their present location and condition.

**vii. Investments:**

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision of diminution is made to recognize a decline, other than temporary, in the value of long term investments.

**viii. Borrowing Cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets in accordance with Accounting Standard 16 on Borrowing Costs. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**ix. Books Debts & Advances:**

No write-off for bad and/or doubtful and irrecoverable book debts is made.

**x. Segment Information:**

The operations of the Company relate to only one segment viz. Sponge Iron. Hence, business segment reporting in terms of Accounting Standard 17 is considered not applicable.

**xi. Related Party Disclosure:**

Related Party Disclosures have been made in accordance with the accounting Standards on Related party Disclosure (AS 18) issued by The Institute of Chartered Accountants of India.

- A) Following are the name of related parties with whom the transactions were carried out by the company: Bhuwalka Steel Industries Ltd., (Holding Company) :
- B) Transactions carried out with related parties referred above in ordinary course of business

Rs. in Lakhs

Nature of Transactions	Related Party
Purchases	8.87
Sales	Nil

Balance outstanding from related party – Nil

**xii. Accounting Standard 19 - Leases:**

Accounting Standard 19 is applicable only in the case of lease transactions entered into on or after 1<sup>st</sup> April, 2001. The Company had taken Land on lease which has been registered in the name of the Company.

**xiii. Taxation:**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. The deferred tax liability is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one accounting period and are capable of reversal in one or more subsequent periods. The deferred tax is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date.

The company has provided deferred tax liability amounting to **Rs.85.70 Lacs [Reversed in previous year Rs. 19.25 Lacs]** on account of timing difference.

**xiv. Accounting Standard 26-Intangible Assets:**

“Accounting Standard 26 – Intangible Assets” requires an enterprises to recognize an intangible asset if future economic benefits are expected to arise from it. It also requires that such an asset should be stated after providing depreciation / amortization over the useful life of the asset.

Presently, the reporting enterprise does not own any intangible assets.

**xv. Accounting Standard 28 – Impairment of Assets:**

The Company has identified that there is no material impairment of assets and as such no provision is required as per AS-28 issued by the ICAI.

**xvi. Accounting Standard 29 – Contingent Liabilities & Contingent Assets:**

In the opinion of the management no provision is required against contingent Liabilities.

5. Sundry Creditors under Current Liabilities in Schedule '11' include Rs. Nil (Rs. Nil) due to Small Scale undertakings. This amount has been determined to the extent such parties have been identified from available information

**6. Additional information pursuant to paragraph 3 and 4 of the Part II of Schedule VI of the Companies Act, 1956:**
**A. Production, opening Stock and Closing Stock of Finished Goods.**

Particulars	Unit	Licenced Capacity	Installed Capacity	Actual Production	Opening Stock		Closing Stock	
					Quantity	Amount	Quantity	Amount
Sponge Iron	MT	N.A	60000* (60000)	42477.53 (45743)	3001 (1326)	44270281 (16746749)	1155 (3001)	18265681 (44270281)

\* as certified by the management.

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**B. Raw Material Consumed**

Particulars	31.03.2011		31.03.2010	
	MT	Rs.	MT	Rs.
a) Iron ore/ Pellets / Coal	152977.04	49,14,54,427	138559.26	45,13,96,982

**C. Sale of Finished Goods and Others**

Particulars	31.03.2011		31.03.2010	
	MT	Rs.	MT	Rs.
Sponge Iron	43954.66	65,58,86,568	44068.00	54,20,79,012
Miscellaneous		1,46,58,315		1,49,26,266

**D. Consumption**

Particulars	%	31.03.2011	%	31.03.2010
		Rs.		Rs.
i) Raw Materials				
a) Imported	0	0	0	0
b) Indigenous	100	49,14,54,427	100	45,13,96,982
c) Total (a + b)	100	49,14,54,427	100	45,13,96,982
ii) Stores & Spares				
a) Imported		Nil		Nil
b) Indigenous	100	2,55,36,340	100	1,93,31,859
c) Total ( a + b)	100	2,55,36,340	100	1,93,31,859

**E. Earning in Foreign Currency - Nil**

**F. Expenditure in Foreign Currency - Nil**

7. The previous year's figures have been re-grouped/re-arranged wherever found necessary.

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
Director

**(Ajay Kumar Bhuwalka)**  
Director

As per report of even date

**For ASR Associates,**  
Chartered Accountants

Place: Bangalore  
Date : 27th May, 2011

**(CA. A.S. Rafiq)**  
Proprietor  
M.No. 204646  
FRN : 008877S



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	2010-11 Rs.	2009-10 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>A. Net Profit before tax and extraordinary items</b>	<b>29,874,081</b>	20,649,059
Adjustments for:		
Deferred Revenue Expenses written off/adjusted	<b>28,800</b>	28,800
Depreciation	<b>14,685,500</b>	13,421,331
Profit on sale of Investment	-	-
Rent Received	-	-
Loss on Sale of Fixed Assets	-	223,837
Provision for Doubtful Debts/Advances Written back	-	-
Dividend Income	-	-
Operating Cash Profit before working capital changes	<b>44,588,381</b>	34,323,027
Adjustments for :		
Trade and Other Receivables	<b>(96,197,089)</b>	8,638,571
Inventories	<b>(42,865,205)</b>	(38,779,409)
Trade Payables and other Liabilities	<b>107,990,545</b>	(43,338,175)
<b>CASH FLOW FROM OPERATIONS</b>	<b>13,516,632</b>	(39,155,987)
Direct Taxes Paid/(refund)	<b>(40,781)</b>	(51,693)
<b>Net Cash from Operating Activities</b>	<b>13,475,851</b>	(39,207,680)
<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
<b>B. Increase in Fixed Assets(Net)</b>	<b>(4,865,729)</b>	(17,065,675)
(Increase)/Decrease in Investments	-	-
<b>Net cash used in Investing Activities</b>	<b>(4,865,729)</b>	(17,065,675)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase/(Decrease) in Deferred Borrowings	-	-
Increase/(Decrease) in Unsecured Loans	<b>(10,140,860)</b>	49,166,631
Preference Dividend & Tax on Dividend Paid	-	-
<b>Net cash from Financing Activities</b>	<b>(10,140,860)</b>	49,166,631
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(1,530,738)</b>	(7,106,724)
<b>Opening Balance of Cash &amp; Cash Equivalents</b>	<b>6,569,765</b>	13,676,489
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>5,039,027</b>	6,569,765

For and on behalf of the Board

**(Suresh Kumar Bhuwalka)**  
Director

**(Ajay Kumar Bhuwalka)**  
Director

As per report of even date

**For ASR Associates,**  
Chartered Accountants

**(CA. A.S. Rafiq)**  
Proprietor

Place: Bangalore  
Date : 27th May, 2011

M.No. 204646  
FRN : 008877S

# BHUWALKA STEEL INDUSTRIES LIMITED

Registered Office: No.71, III Cross, Residency Road, Bangalore: 560 025

## PROXY FORM

D.P ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member

Members of BHUWALKA STEEL INDUSTRIES LIMITED, hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us

on my/our behalf at the 29th ANNUAL GENERAL MEETING of the Company to be held on Monday, the 26th September, 2011 at 12.30 p.m. and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Affix  
Revenue  
Stamp

Signature \_\_\_\_\_

Note : This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

# BHUWALKA STEEL INDUSTRIES LIMITED

Registered Office No. 71, III Cross, Residency Road, Bangalore - 560 025

## ATTENDANCE SLIP

**29th ANNUAL GENERAL MEETING - 26TH SEPTEMBER, 2011**

D.P ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_ No. of Shares held \_\_\_\_\_

I Certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the 29th ANNUAL GENERAL MEETING of the Company, at the Hotel Woodlands, No.5, Raja Rammohan Roy Road, Bangalore- 560 0025 on Monday, the 26th September 2011.

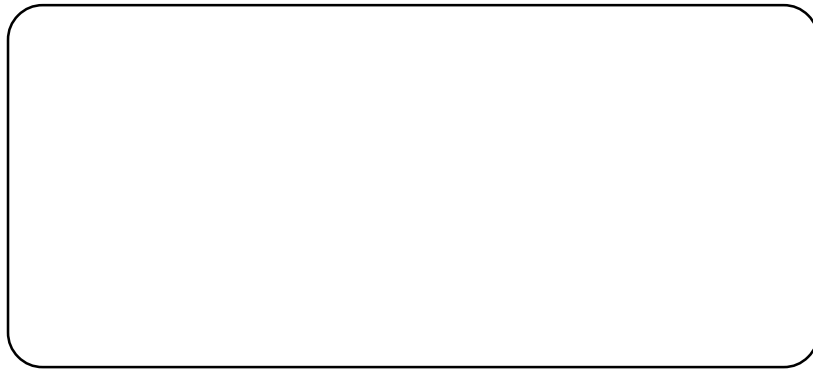
\_\_\_\_\_  
Member's/Proxy's name in  
BLOCK Letters

\_\_\_\_\_  
Signature of Member/Proxy

Note: Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL.  
MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING

**BOOK - POST**

To,



*If Undelivered Please Return to:*

**BHUWALKA STEEL INDUSTRIES LIMITED**  
"Bhuwalka Centre", No.71, III Cross  
Residency Road, Bangalore - 560 025