

# THINGS YOU MUST KNOW ABOUT HOW WE ARE COUNTERING THE SLOWDOWN

Adhunik Metaliks Limited | Annual Report, 2008-09



**Adhunik**

ADHUNIK METALIKS LIMITED

Lansdowne Towers

2/1A Sarat Bose Road, Kolkata 700 020

[www.adhunikgroup.com](http://www.adhunikgroup.com)



## Forward-looking statement

In this annual report, we have disclosed forward-looking information to help investors to comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions.

We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Financial section



Mr. Ghanshyamdas Agarwal,  
*Chairman*



Mr. Jugal Kishore Agarwal,  
*Director*



Mr. Nirmal Kumar Agarwal,  
*Director*



Mr. Mohanlal Agarwal,  
*Director*



Mr. Mahesh Kumar Agarwal,  
*Director*



Mr. Nihar Ranjan Hota,  
*Director*



Dr. Ram Gopal Agarwala,  
*Director*



Mr. Lalit Mohan Chatterjee,  
*Director*



Mr. Nandanandan Mishra,  
*Director*



Mr. Makhan Lal Majumdar,  
*Director*



Mr. Surendra Mohan Lakhota,  
*Director*



Mr. Manoj Kumar Agarwal,  
*Managing Director*

## CORPORATE INFORMATION

### Board of Directors

Mr. Ghanshyamdas Agarwal, Chairman  
Mr. Jugal Kishore Agarwal, Director  
Mr. Nirmal Kumar Agarwal, Director  
Mr. Mohanlal Agarwal, Director  
Mr. Mahesh Kumar Agarwal, Director  
Mr. Supriya Gupta, Director  
Mr. Nihar Ranjan Hota, Director  
Mr. Lalit Mohan Chatterjee, Director  
Mr. Manoj Kumar Agarwal, Managing Director

### Company Secretary

Mr. Anand Sharma

### Bankers

State Bank of India  
Punjab National Bank  
Indian Overseas Bank  
Allahabad Bank  
UCO Bank  
State Bank of Mysore  
IDBI  
HDFC Bank  
Standard Chartered Bank

### Auditor

S. R. Batliboi & Co.  
Chartered Accountant

### Registered office

14, N. S. Road  
Kolkata - 700001  
Tel - 033-2242 8551 / 8553  
Fax - 033 2242 8551

### Corporate office

Lansdowne Towers,  
2nd, 3rd & 5th floor,  
2/1A Sarat Bose Road, Kolkata-700020  
Tel - +91 33 3051 7100 (30 lines)  
Fax - +91 33 2289 0285



"Success is not measured by what you accomplish, but by the opposition you have encountered, and the courage with which you have maintained the struggle against overwhelming odds."

– Orison Swett Marden

We increased the proportion of engineering steel from 10% in 2007-08 to 40% in 2008-09; we enhanced average steel realisations from Rs. 25,341 per ton in 2007-08 to Rs. 29,782 in 2008-09.

Result: Enhanced value-addition

Increased capacity utilisation from 71% to 75%.

Result: Enhanced economies of scale

Initiated quality consistency measures.

Result: Delighted major automobile brands

Increased captive raw material cost coverage from 30% in 2007-08 to 60% in 2008-09.

Result: Lower raw material sensitivity

Increased merchant mining revenues from 2% of overall revenues in 2007-08 to 10% in 2008-09.

Result: growing proportion of profitable revenues

Developed a sustainable business model through the implementation of all the planned expansions of Phase II and Phase III (part) on schedule, placing ourself to repay debts comfortably



**IN A SHORT SPAN OF FOUR YEARS, WE HAVE GROWN ADHUNIK METALIKS INTO A DISTINCTIVELY DIFFERENT STEEL COMPANY.**

**FROM A FOCUS ON METALS TO A COVERAGE OF METALS, MINERALS AND ENERGY.**

**FROM A FOCUS ON ONE AREA TO A COVERAGE OF THREE DIFFERENT BUSINESSES.**

**A STEEL COMPANY. A MINERAL RESOURCES COMPANY. AND HOLDING COMPANY FOR A POWER COMPANY.**

**WITH A SINGULAR OBJECTIVE.**

**TO REMAIN LIQUID IN THE WORST OF MARKETS AND BE ATTRACTIVELY PROFITABLE IN THE BEST OF MARKETS.**



#### Origin

- Flagship company of the Adhunik Group of Industries
- Incorporated as Neepaz Metaliks Private Limited on November 20, 2001, under the Companies Act, 1956 and became a public limited company from March 25, 2004; renamed Adhunik Metaliks Limited on August 9, 2005
- Went public in March 2006 to finance a 0.45 million MT integrated steel plant

#### Presence

- Headquartered in Kolkata; plants and mines in Orissa and Jharkhand; marketing network across 11 Indian states; presence in five countries
- Promotes rural socio-economic development through NGO Nav Nirman Sanstha (registered under Societies Act)
- Shares listed on the National Stock Exchange and the Bombay Stock Exchange

#### Management

- A qualified and experienced team of executives, each with over 25 years of experience in operations, mining and project implementation.
- Headed by Mr. G.D. Agarwal (Chairman) and Mr. Manoj Kumar Agarwal (Managing Director)

#### Recognition

- Certified for ISO 9001:2000 and TS 16949
- Certified by the Bureau of Indian Standards and Research Designs and Standards Organisation (RDSO)
- More than 20 brand-enhancing institutional customers



## Our mineral sources

Mineral	Company	Reserves (MT)	Place	Purpose
Manganese ore	OMM	50	Patmunda, Orissa	Merchant sale
Iron ore	OMM	90	Ghatkuri, Jharkhand	Merchant sale
Iron ore	AML	25	Keonjhar, Orissa	Captive
Coal mines	AML	42	Talcher, Orissa	Captive
Coal mines	APNRL	69	Ganeshpur, Jharkhand	Captive power

## Our product basket

Billets/blooms/rounds for seamless pipe applications	Rolled products
Anode-Cathode bars	Ferro alloys
Pig iron	Sponge iron
Cold heading quality steel	Structural steel
TMT bars	Carbon steel
High alloy steel	Auto steel
Bearing steel	Free cutting steel
Stainless steel	Spring steel
Cathode collector bars	

## Our brand-enhancing customers

### Automobiles



### Construction



### Telecom and Power



### Forging and Engineering



### Railways



### Oil and Gas



## MILESTONES

### »» 2001-02

Incorporation

### »» 2002-03

Project start-up of the integrated steel plant (0.25 million tons)

### »» 2003-04

Signed MoU with the Government of Orissa

Commenced 2x100 TPD DRI kilns in May

### »» 2004-05

Invested Rs. 250 cr.

Completed project on schedule

Applied for coal block/ iron ore mines

Installed coal washery (125 MT/H) in May

Installed 2x100 TPD DRI kilns in September

### »» 2005-06

Installed 1x100 TPD DRI kiln

Commissioned MBF in June

Commenced steel production

through EAF-LRF-CCM route

Commenced operations at 40 TPD oxygen plant

Started supplies to auto ancillary and engineering industry

Embarked on forward and backward integration

Received iron ore and coal mines allotment

### »» 2006-07

Public issue in April 2006

### »» 2007-08

Commenced vacuum degassing

Commenced operations at ferro-alloy plant (9 MVA)

Commenced 17 MW CPP-phase 1

Commissioned rolling mill

Started the second caster (6/11m radius)

Commenced mining in merchant manganese ore mines of 100% subsidiary OMML

### »» 2008-09

Started second oxygen plant (100 TPD),

Started commercial production of sinter plant in October

Commissioned bloom caster and AOD

Commissioned Fe-Alloy F/c (9 MVA)-2

Started trial production of Fe-Alloy F/c (9 MVA)-3

Started lime kiln (1x90TPD)

Commenced operations at the induction furnace (20 T) and trial run at another induction furnace (20 T)

Commissioned railway siding

Started 17 MW CPP-2

Commenced mining operations in merchant iron ore mine at Ghatkuri in 100% subsidiary OMML.

### »» 2009-10

Commissioned coke oven in April



# HOW WE PERFORMED IN 2008-09

## Revenue (Rs. cr.)



## EBIDTA (Rs. cr.)



## PAT (Rs. cr.)



## Cash profit (Rs. cr.)



## Operations

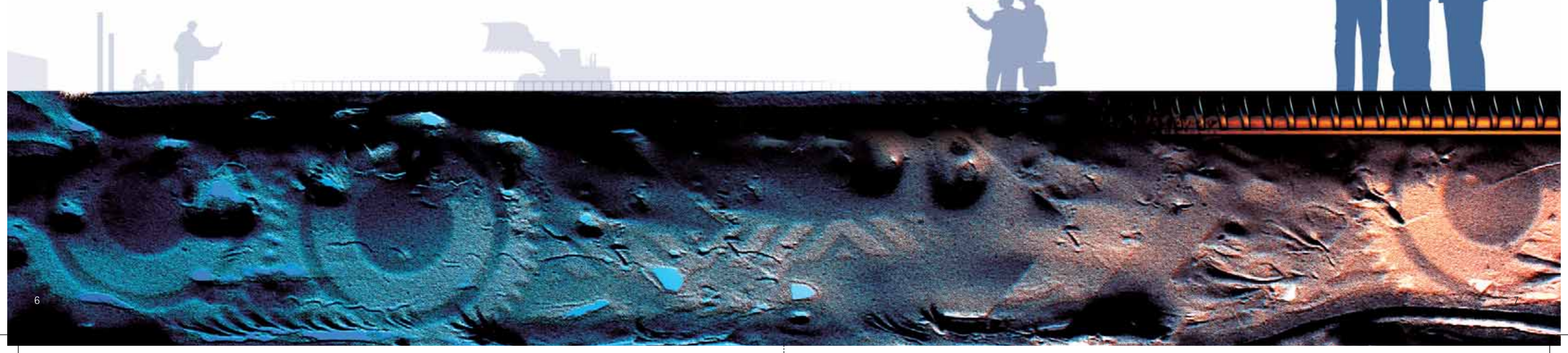
- Produced 2,48,811 MT (2,21,786 MT in 2007-08) of billets
- Produced 73,789 MT (83,476 MT in 2007-08) of rolled products
- Commenced sinter plant to utilise waste fines.
- Commenced operations at the second 17 MW captive power plant to utilise waste heat and waste char from the coal washery
- Increased captive power consumption to 40% (15% in 2007-08)
- Installed non-metallic refractory lining in the storing vessel for enhanced purity
- Installed electro-magnetic stirring and automatic mould level controller for enhanced macro structure and surface finish for billets and blooms
- Commenced operations at the second 9 MVA ferro alloy furnace
- Commenced railway sliding, reducing transportation cost by 15%
- Installed captive coke oven plant
- Commenced mining operation in Ghatkuri merchant iron ore mine of 100% subsidiary OMML in January 2009

## Marketing

- Achieved a product mix of 73: 27 (semis-rolled) (previous year 61: 39)
- Developed larger blooms and round blooms for use in heavy vehicles and seamless tubes (for the power and oil sector)
- Added stainless steel billets and stainless steel rolled products to the product mix
- Achieved Rs. 29,782 per MT average billet realisation (Rs. 25,341 per MT in 2007-08)
- Achieved Rs. 45,380 per MT rolled product realisation (Rs. 33,617 per MT in 2007-08)
- Achieved Rs. 3,230.72 per ton average realisation for manganese ore (merchant mining through OMML)
- Achieved Rs. 1,274.97 per ton average realisation for iron ore (merchant mining through OMML)

## Financial

- Achieved a turnover of Rs. 1,281.54 cr
- Achieved a post-tax profit of Rs. 30.14 cr
- Achieved earnings per share of Rs. 3.30
- Achieved a book value of Rs. 35.08





## THE MANAGING DIRECTOR ANSWERS

Manoj Agarwal, Managing Director, Adhunik Metaliks, answers questions that shareholders would like to ask



### What is the big picture at Adhunik?

To be able to appraise where we are going, it would be pertinent to understand where we come from. Five years ago, Adhunik was a Rs. 200 cr revenues company; in 2008-09, we reported consolidated revenues of Rs. 1,391.22 cr.; in five years, we expect to report consolidated revenues of nearly Rs. 10,000 cr. This should graduate us to one of India's fastest growing companies across all sectors and geographies.

### This sounds difficult. How will Adhunik achieve this?

Let me come back to what I indicated in the first paragraph. Adhunik grew its revenue seven-fold in the first five years of its existence. In business – as in other disciplines – it has been our experience that it is the first Rs. 1,000 cr that is usually the most difficult to achieve. Thereafter, the organisation rides its financial and intellectual capital to accelerate its momentum. From this perspective, our projected growth – however challenging it may seem today – is eminently achievable.

### Shareholders would be keen to know how this target will become a reality.

Adhunik is transforming itself: from a purely manufacturing company into a hybridised organisation (manufacturing and holding company), from a company in one vertical to an organisation in three verticals, from a company present in three states to an organisation spread across 12 states. The cumulative impact of these initiatives will enable it to emerge as one of the largest mid-sized steel and resources companies in India while retaining its position as one of the most profitable.

### You indicated a presence in three verticals. Does that mean that Adhunik's character as a steel company will evolve?

Absolutely. It is important for one to explain why this is necessary. There is a growing need for power, resources and engineered steel (as opposed to commodity). There is also a growing volatility in pricing. For companies to stay viable it is imperative to consolidate these businesses with the critical objective of captive use and merchant sale – while captive use makes it possible to reduce costs, merchant sale makes it possible for the business to enjoy attractive economies. Besides, the nature of incomes, when dovetailed, will provide diverse revenue types – large income but low margin, to mid income but high margin, to high revenue but assured margin. At Adhunik, we see this





We countered the impact of the slowdown by graduating from the mid-steel segments to the value-added engineered steel varieties.

mix as prudent and necessary to counter the challenges of a volatile external environment. It is with this in mind that Adhunik evolved from a purely steel company into a steel-cum-resources-cum-power organisation. In our opinion, this rapid business growth was not only advisable from a derisking perspective but also necessary to drive aggressive growth for the benefit of all our stakeholders.

### How much of the synergic extensions are already a reality?

We went into business as a steel manufacturer in 2003 but within five years are already present in two – steel and mining – and we have already embarked on the project to commission power capacity. So technically, all three businesses are either firmly on the ground or with their financial closures in place. To that extent, our projects are credible and predictable. Shareholders need to draw comfort from the following realities:

**Engineering steel:** Of the proposed 6,00,000 mtpa capacity, 4,50,000 mtpa has already been commissioned; the rest will come into play by 2012.

**Mining:** We commissioned our iron ore and manganese ore assets in 2008-09; we need to scale from a projected annual cumulative output of 0.5 million tons in 2008-09 to 7 million tons by 2012. We expect to commission our three coal mines by 2011.

**Power business:** Of the 2,000 MW that we intend to commission by 2015, we have

already embarked on the commissioning of the first phase of 1,000 MW (projected date 2013). We acquired the land and financially closed 270 MW while the rest is in process.

### How will Adhunik enhance shareholder value with this business mix?

In a number of ways. The recent slowdown has enhanced India's visibility in the global economy – for the manner in which the country managed the slowdown, the regulatory strength within, the robust infrastructure growth story and the advantage of a government that is no longer restrained by populist concerns. This reality may attract a fair amount of global capital to India, which could be used for nation building through effective collaboration and technology transfer.

At Adhunik, we see ourselves as the right company in the right country in the right sectors at the right time. The result is that we will not be a passive witness but an enthusiastic participant in India's growth story.

Each of our business segments is core to economic growth. There is an under-consumption in each of these sectors compared with peer countries; it is our understanding that this divergence will correct faster now than before (India's rapid rebound from the global economic slowdown is proof). In such an event, India will not merely need more engineered steel, more ore and simply more power (of which there is already a vast deficit), but will also

need it faster than at any time in our country's history. As a future-focused organisation, Adhunik invested proactively for this reality, which will enhance shareholder value.

There are some other features of our business model that shareholders must appreciate: we graduated from commodity steel to engineering steel, customising products for the specific applications of clients in the automobile, power, oil and gas, railway and construction sectors; much of the resources that we mine will be consumed in-house; a number of competencies we possess for diverse businesses will be captively used to enhance overall value; one business (mining for instance) will contribute an attractive year-on-year bottomline, the other (engineered steel) will contribute significant topline; the third (power) will represent a mix of both. This mix of businesses will provide us with adequate resources to reinvest at one level and also derisk us from a temporary or selective downturn in any one business. This combination – growth cum derisking – is ideal for commodity and cyclical businesses like ours. Consequently, the cumulative whole in this case will be larger than the sum of the constituents.

### Shareholders would want to know how much of this vision was already reflected in the Company's performance in 2008-09?

A number of our bottomline-focused shareholders might have missed an

important point: in 2008-09 that was decidedly a challenging year for all steel companies, Adhunik reported a hefty EBIDTA of Rs. 165.10 cr and an EBIDTA margin of 14.02%. This is indisputable evidence of what we have always maintained – that we are building a progressively derisked business in a relatively cyclical industry. There are two reasons why this significant EBIDTA could not be translated into the bottomline: one, we incurred a temporarily high interest charge for the debts taken to grow our steel and mining businesses; two, we were affected by the sharp decline in inventory prices and forex losses, both of which were outside our direct control. The fact that we remained viable notwithstanding must be seen as a vindication of our business and derisking strategies.

### How did Adhunik strengthen its business in 2008-09?

We came out of 2008-09 with the following achievements:

**One,** we commissioned six out of eight projects comprising our Phase III largely on schedule, highly creditable when you consider that the slowdown dried out all liquidity sources within the Indian and global economy.

**Two,** we countered the impact of the slowdown by graduating from the mid-steel segments to the value-added engineered steel varieties. So even as broad steel realisations declined during a challenging 2008-09, our average realisations

strengthened from Rs. 25,341 per ton in 2007-08 to Rs. 29,782 per ton in 2008-09.

**Three,** we achieved the financial closure for our 270 MW power project, which prepares the ground for our sustainable growth

**Four,** we invested in our people through selective recruitment and empowerment with the objective to enhance productivity. We engaged Ernst & Young to develop a comprehensive blueprint to catalyse our people excellence.

### A number of shareholders are slightly concerned about Adhunik's gearing.

I can understand their concern. However, it would be important to recognise why the debt was taken and how we expect to rationalise it. The debt was taken largely to capitalise on fleeting opportunities that will translate into enduring value (the mines, for instance) as well as project implementation.

Why we are not unduly concerned is for the following reasons: we fully commissioned Phase II and a majority of Phase III in 2008-09, the benefits of which have already begun to accrue and should translate into a 20% topline growth in 2009-10; we graduated from ordinary steel grades to engineered steel (20% of our revenues in 2008-09), which should raise us well above the industry average; we commissioned our merchant mining assets during the last quarter of 2008-09, which will translate into attractive and largely unencumbered cash flow from 2009-10 onwards; we do not have a significant capital outlay planned for

the current financial year, which should help us conserve our resources for rightsizing the balance sheet (correcting our gearing to below 1 in two years), reinforcing our credit rating and enabling us to re-negotiate our borrowing rates with banks. More importantly, we will organisationally consolidate our interests over the next couple of years with the objective to enhance value. As a result, I must inform shareholders that Adhunik has entered a virtuous cycle that will translate into enhanced shareholder value.

### After a depressed 2008-09, what can Adhunik expect in 2009-10?

A 20% topline growth, a significantly higher bottomline increase (arising out of enhanced asset utilisation, value-addition derived from a higher proportion of engineered steel and an increase in mining profits) and stronger gearing. In fact, I will go to the extent of stating that we will enhance our asset utilisation, translating into higher revenues and profits; wherever we need to invest in capacity, we will do so out of accruals and debt without compromising our understanding of what constitutes safe gearing. I am optimistic that as the investing audience begins to appreciate the robustness of our business model and corresponding profit increases, there will be an appreciable increase in the value of their holdings in our Company.



**"INDIA DEMONSTRATED GREATER RESILIENCE THAN PERHAPS ANY OTHER COUNTRY..."**

**...ADHUNIK IS NOW ATTRACTIVELY POSITIONED TO CAPITALISE ON ECONOMIC REBOUND."**







Due to the timely implementation of our various projects, we maintained our 2008-09 EBIDTA margins (excluding forex and inventory losses) at our 2007-08 level.

## What was the impact of the economic slowdown on the steel industry?

The financial meltdown affected the offtake of major steel consuming segments like automobile, shipbuilding, consumer durables and construction in 2008-09, which, in turn, translated into lower steel demand. However, two things need to be kept in mind: Asian steel production declined less than in the developed countries and Indian steel production declined less than in Asia; world production of crude steel at the end of January 2009 was 85.8 million tons (24% lower than the level in January 2008); Asian steel production stood at 57.3 million tons (7.8% lower than the level in January 2008); India's steel production was 4.6 million tons (4.8% lower than the level in January 2008). This more than visibly demonstrates that the rebound in India was much quicker than in China and the rest of the world. In fact, the production of finished steel in India increased 0.8% in the January to April 2009 period over the corresponding period of the previous year, which was more than what one could say of most countries.

## Post slowdown, what were the two industry highlights?

In the last quarter of 2008-09, even as there was a demand revival in almost every segment, the ones that witnessed the biggest rebound were construction steel, alloy steel and transmission tower steel. The size of some of these segments doubled in the few months following the slowdown. Besides, the decline in realisations was accompanied by a faster decline in raw material prices. Consequently, the working capital required to sustain the business declined significantly with correspondingly positive implications for our profitability. The result was that due to the timely implementation of our various projects, we maintained our 2008-09 EBIDTA margins (excluding forex and inventory losses) at our 2007-08 level.

## How did the Company counter the slowdown?

The principal message that we would like to send out is this: Adhunik did not go into a strategic rigor mortis during the slowdown; we were quick enough to re-strategise under the circumstances through the following responses:

- Evolved our product mix through the development of seamless tubes to address the

requirements of the oil, power and gas sectors, reducing our dependence on the auto-component sector

- Initiated the manufacture of micro-alloy TMT bars to meet the specialised requirements of large institutional buyers like the PowerGrid Corporation of India and BHEL
- Initiated cost-cutting in raw material, logistics and energy management
- Enhanced our focus on opportunities emerging out of the Railways and Defence sectors
- Created a foundation to address opportunities emerging from the country's two-wheeler segment, which is expected to keep growing, fuelled by India's demographic shift towards young earners and spenders.

## How will the Company benefit from these initiatives?

The Company will progressively diversify its focus from the automobile sector to others that started showing positive signs from the last quarter of 2008-09. The year 2009-10 will see the full impact of this shift as we expect to derive 60% of our revenues from the non-automobile sector, strengthening our overall profitability.

## At a glance

- Even as there was a demand revival in almost every segment, the ones that witnessed the biggest rebound were construction steel, alloy steel and transmission tower steel
- We evolved product mix through the development of seamless tubes to address the requirements of the oil, power and gas sectors, reducing our dependence on the auto-component sector
- We initiated the manufacture of specialised micro-alloy TMT bars for large institutional buyers like the PowerGrid Corporation of India and BHEL
- We enhanced our focus on opportunities emerging out of the Railways and Defence sectors

## Our strengths

**Integration:** Owns captive mines (manganese and iron ore), sinter plant, DRI plant, lime plant, coke oven and power generating plant. Around 60% production cost is captive to the Company (2008-09 cost estimate).

**Capacity:** Possesses 0.45 MT annual steel making capacity, a fair balance between economies of scale and value-addition

**Quality:** Possesses certifications like ISO 9001:2000, TS 16949, BIS and RDSO, enhancing customer confidence

**Mining:** Possesses merchant iron ore and manganese ore mines, a combination enjoyed by few global steel makers

**Proximity:** Sources over 90% of raw materials from within a 200 km radius

**Customer loyalty:** Enjoys repeat business from existing customers; the steel division derived 70% of income from longstanding customers



**" A NUMBER OF GLOBAL STEEL MILLS ARE CONTEMPLATING A SHUTDOWN..."**

**ADHUNIK IS CONTEMPLATING FRESH INVESTMENT FOR SUSTAINABLE GROWTH."**



**In what way was 2008-09 challenging from a cost perspective?**

The year 2008-09 was challenging for two reasons: the extent of the unprecedented rise in the first half of 2008-09 and the sharpness of the decline in the second. For instance, the three main costs in steel manufacture – raw materials, power and logistics – peaked in the first half of 2008-09, their respective input costs or demand rising far in excess of supply. This is how the trend played out: most steel manufacturers built large raw material stocks in anticipation of further price rises, so when the decline transpired, they sustained corresponding inventory losses. Steel manufacturers suffered less from a decline in end product demand than they suffered from inventory losses. At Adhunik, steel realisations and raw material prices declined 30% with the former declining first.

**How did the Company respond to this challenge?**

The Company rigorously implemented facilities and units under its control, cutting costs effectively: it commenced operations at the lime calcinations plant in August 2008, the sinter plant (converts waste fines into lumps) in October 2008, the 17-MW second captive power plant (uses waste char and waste heat generated in the DRI) in December 2008, the railway siding in November 2008, merchant iron ore mines of OMML in January 2009 and the coke oven plant in April 2009.

Consequently, even as the global economy and steel industry passed through a challenging 2008-09, Adhunik reduced its production cost by 15%. So even as steel realisations declined, Adhunik strengthened its business through the timely implementation of units and enhanced overall viability.

**What was the extent of the cost reduction?**

In 2008-09, while steel realisations declined, the Company rationalised its steel production cost by 15%, logistics cost by 15% and power cost by 20%, the benefits of which will be fully reflected in 2009-10. The integrated benefit will result in our production cost of alloy and special steel becoming one of the lowest among our kind of mid-sized steel plants. This will enhance our viability across all market cycles. We are particularly proud that this should have transpired at a time when a number of global steel companies were compelled to discontinue production as they could not reduce costs to remain competitive.

**Is the Company one of the most cost-effective in its genre?**

Following the complete commencement of its captive mines, the Company's operational cost will be at par with India's steel majors and its capital cost per ton about 30-40% lower than integrated manufacturers. The resulting advantage – opex and capex – will make Adhunik the most cost-effective among steel companies of its size in India today.

**At a glance**

- Even as the global economy and steel industry passed through a challenging 2008-09, Adhunik reduced its production cost by 15%
- Strengthened business through the timely implementation of units and enhanced overall viability
- The integrated benefit will result in the declined production cost of alloy and special steel, making the Company one of the lowest among its kind of mid-sized steel plants

**Our project implementation discipline**

- Commenced operations at the lime calcination plant in August 2008
- Commenced operations at the sinter plant (converts waste fines into lumps) in October 2008
- Commenced operations at the 17-MW second captive power plant in December 2008
- Commenced operating the railway siding in November 2008
- Commenced mining operations in the Ghatkuri merchant iron ore mine in 100% subsidiary OMML in January 2009
- Commenced the coke oven plant in April 2009.



**" IN AN ENVIRONMENT WHERE MEETING AUTO COMPONENT OEM STANDARDS IS A CHALLENGE...**

**...ADHUNIK DELIGHTED GLOBAL AUTOMOBILE BRANDS "**





### Why was it important for the Company to graduate to steel varieties that service the needs of auto component manufacturers?

- Firstly, the realisations derived from the manufacture of steel varieties that address the needs of auto component makers are generally 10-15% higher than the average industry realisations; their decline during a downtrend is also lower than the industry average.
- Secondly, the competition in these segments is relatively lower than the mass-consuming segments, resulting in longer customer relationships and better revenue sustainability.
- Thirdly, as customer needs become more sophisticated and markets less generic, there is a growing scope for enhancing product characteristics with corresponding margin implications.
- Fourthly, the more a steel manufacturer customises products for different industry segments (the auto component industry being one of them), the wider the derisking.
- Fifthly, entering the auto component sector enhances competencies that can be used across a larger breadth of customers across different vehicle formats servicing different consumer kinds across diverse geographic markets.
- Sixthly, there is a significant scope for vehicle ownership in an under-penetrated India and by that logic there is a growing market for the supply of specialised alloy steel for downstream users.

### What is Adhunik's expertise in the segment?

It is a credit to the Company's product customisation capabilities that it has established itself as a reliable vendor in the auto-component industry in just four years, competing with the best and the biggest (quantity and quality). This was achieved through an initial focus on manufacturing steel for use in spare parts, addressing the growing after market/replacement markets, climbing the learning curve and progressing towards metal development for OEMs. The result: 40% of the Company's product mix comprises engineering steel; the Company received sample/pilot orders from OEMs like Maruti, Tata Motors, Mahindra & Mahindra and Ashok Leyland; it established contacts with global giants like Honda, Sumitomo, Kawasaki and Thyssen.

### What are the critical attributes that leading automobile brands look for?

Quality first, quality last. Starting from an appraisal of vendor technology, capacity and raw material security to quality certifications, worker training and logistics competence. The stringent parameters restricted sectoral entrants in the last 25 years.

Adhunik has invested responsibly and relevantly: a vacuum de-gassing system that sucks unwanted gas out of the product leading to consistent quality; developed a refractory lining in the storing vessel to maintain liquid steel purity; installed electromagnetic stirring and automatic mould level controller for a sound macro structure and surface finish. Consequently, Adhunik emerged as an extension of its customers, sustaining revenues.

### How is the Company derisking itself from an excessive dependence on the automobile sector?

Today, of the Company's 4,50,000 MT of steel production, 60% was marketed to the auto-sector. To progressively reduce its dependence on this sector, the Company



To progressively reduce its dependence on the auto sector, the Company diversified into the manufacture of steel for the power, railway and construction sectors.

diversified into the manufacture of steel for the power, railway and construction sectors.

The Company is attractively positioned to capitalise on the growth coming out of these segments – the government intends to add 1,00,000 MW by 2012, the railway segment continues to grow above 15% and will benefit from the US\$ 80 billion Dedicated Freight Corridor programme. The result is that in three years, we expect to rationalise the proportion of our supplies to the auto sector from 60% in 2008-09 to around 40%.

### At a glance

- Enhanced product customisation capability to establish itself as a reliable vendor in the auto-component industry in just four years, competing with the best and the biggest (quantity and quality)
- Invested responsibly and relevantly towards quality consistency measures
- Received sample/pilot orders from OEMs like Maruti, Tata Motors, Mahindra & Mahindra and Ashok Leyland; it established contacts with global giants like Honda, Sumitomo, Kawasaki and Thyssen

### Our prominent auto component customers





**"IN A MARKET WHERE RAW MATERIAL VOLATILITY AFFECTS VIABILITY...**

**ADHUNIK'S INTEGRATION WILL RESULT IN A WIDER RAW MATERIAL COST COVERAGE."**



**Shareholders are going to see the large capex related to integration and fret.**

In a world where resource costs are becoming increasingly volatile, integration represents an insurance against probable profit declines. The year 2008-09 showcased the need for integration most effectively. A number of steel manufacturers suffered significant losses not as much on account of their steel making but on account of their raw material management. Only manufacturers with extensive integration could derisk effectively in the circumstances.

#### **Which areas did the Company address in integration?**

Over the last three years, the Company invested in integration (forward and backward) to strengthen its value chain. It announced three-phased expansion programmes comprising the installation of an oxygen plant, sinter plant, lime plant, sponge iron plant, coke oven plant, ferro alloy plant and captive power plant. The Company successfully commissioned all these facilities except the DRI Kiln of 350 TPD and captive power plant III of 17 MW, which will be commissioned in 2009-10. The Company also enjoys an access to coal, iron ore and manganese ore reserves. Adhunik Power and Natural Resources Limited, the Company's subsidiary, will generate power to service captive and merchant needs.

#### **What was the integration impact in 2008-09?**

In 2008-09, we completed our phase II expansion and commenced merchant mining, the benefits of which translated into margins at par with the previous year, the volatility notwithstanding. The full effect of integration will be visible in 2009-10 when the Company captures more than 75% of its production cost from captive sources, relatively insulating itself from external volatility.

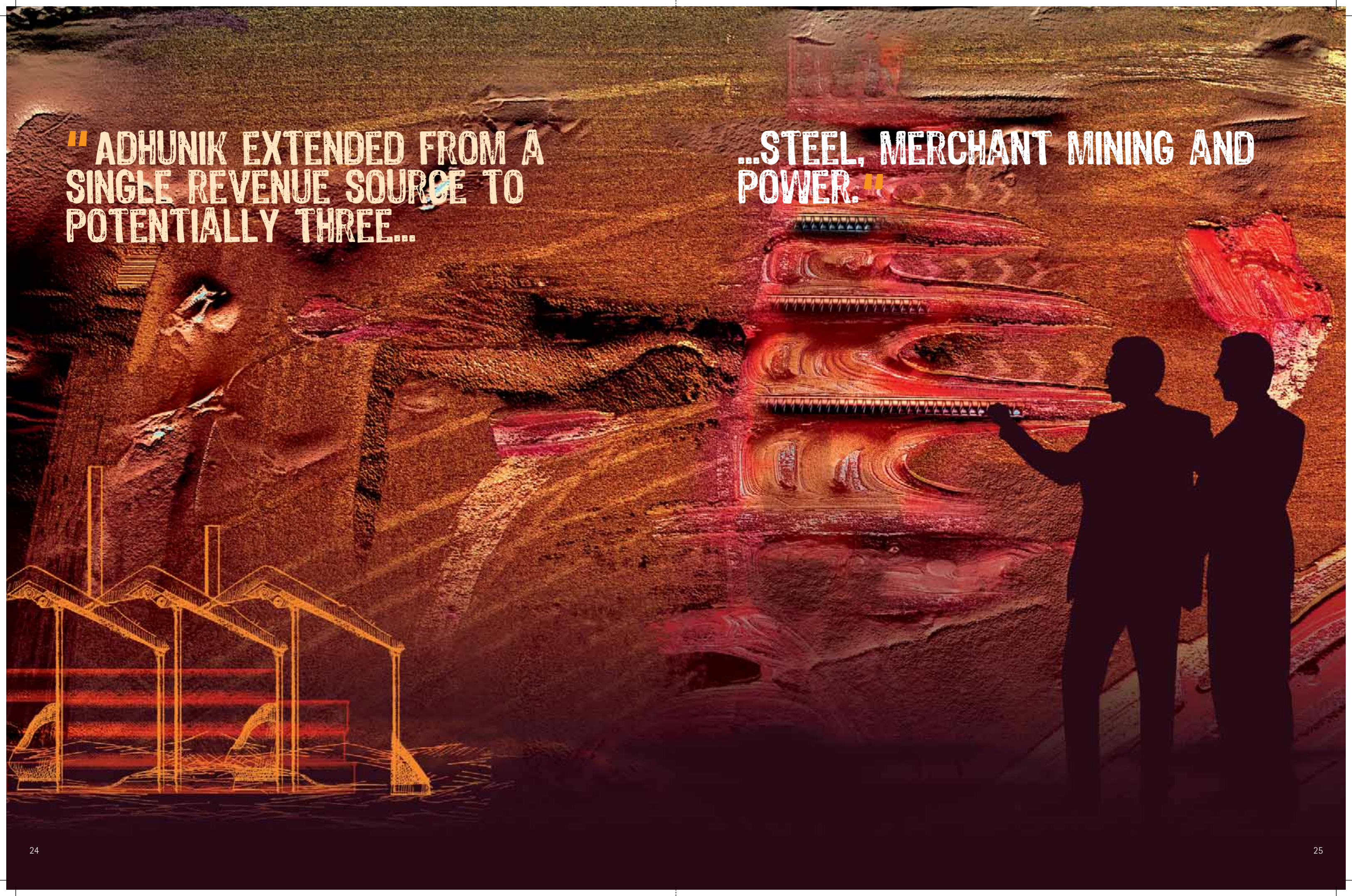
#### **At a glance**

- Successfully commissioned all the planned facilities except one DRI Kiln of 350 TPD and CPP III of 17 MW, which will be commissioned in 2009-10
- Met 60% of the production cost through captive sources
- Commenced merchant mining, the benefits of which translated into margins at par with the previous year, the volatility notwithstanding.



**"ADHUNIK EXTENDED FROM A SINGLE REVENUE SOURCE TO POTENTIALLY THREE...**

**...STEEL, MERCHANT MINING AND POWER."**







### There is generally a big risk associated with a dependence on the fortunes of a single product – steel in this case.

It is precisely with this perspective that the management widened its product base – from alloy steel to ore and power (through subsidiary company). The Company acquired Orissa Manganese and Minerals Limited (OMML) in April 2007 and Adhunik Power and Natural Resources Limited (APNRL) in December 2008. While OMML will engage in the merchant sale and captive consumption of ores (manganese and iron), APNRL will leverage the advantages arising out of the country's power sector.

### There is a perception that the best days of resource companies are over.

If this were true why would Sesa Goa – India's largest private iron ore exporter – acquire Dempo's mining assets for Rs. 1,750 cr? India's accelerated growth warrants an increasing demand for resources, which in turn augurs well for its mining sector. Metal companies with mining integration have been able to report profits, despite the slowdown. Besides, India is readying for an enabling environment reflected in its National Steel Policy that also aims to remove bottlenecks in coal and ore availability. The result is that India expects to enhance its iron ore capacity from 172 MT at present to 290 MT by 2019-20.

### How will mine ownership take the Company's prospects ahead?

The mines will take the Company's prospects ahead through the following advantages: completion of commercialisation, the facility of merchant sale (as opposed to captive consumption only), low overheads and high contribution. The result is that once the initial capex has been incurred – as it has now – the business will generate a sizable throughput at an attractive margin. Consequently, the business will provide a sizably consistent cash flow without a need to reinvest, making it possible for the net proceeds to liquidate corporate debt and rightsize the Company's balance sheet – a cash cow. We have no hesitation in stating that the take-off in the Company's mining business will graduate it into a higher league with deeply positive implications for its overall valuation and sustainability.

### What is unique about the Company's resource mix (manganese ore and iron ore)?

The Company's resource mix is unique in its huge high-quality reserve base of captive and



The Company's resource mix is unique in its huge high quality reserve base of captive and merchant iron ore, manganese ore and coal mines.

merchant iron ore, manganese ore and coal mines. AML possesses captive iron mines of 25 MT and captive coal mines of 42 MT. Its 100% subsidiary OMML possesses merchant iron ore and manganese ore mines of 90 MT and 50 MT, respectively. It is proximate to the steel manufacturing hub of eastern India and is among the few players in the country to possess a license for merchant mines. APNRL also possesses a 69 MT captive coal block.

### How are you going to benefit from the acquisition of APNRL?

The Company holds a majority stake in APNRL. It signed an MoU with the state Government to establish a 1,000-MW independent power plant at Jamshedpur supported by a coal mine linkage (69 million tons) owned jointly with Tata Steel. The first phase of the project, entailing 270 MW, will be completed by December 2011, fully contributing to the balance sheet from 2012-13 onwards. The Company acquired land, signed a water agreement with the Government, achieved financial closure and entered into a power purchase agreement with Tata Power for Phase I.

### At a glance

- India's iron ore capacity is expected to be enhanced from the current 172 MT to 290 MT by 2019-20.
- The mining and the power business will generate a sizable throughput at an attractive margin
- The Company's resource mix is unique in its huge high quality reserve base of captive and merchant iron ore, manganese ore and coal mines

### The strengths of our mining business

**Huge reserves:** The manganese mines are spread across 957.35 hectares with proven reserves of 50 million tons. The iron ore mines at Ghatkuri are spread across 257.5 hectares with estimated reserves of 90 million tons. The reserves of the iron ore and manganese ore mines are certified by Min Mec Consultancy Pvt Limited.

**Ore content:** The manganese content in the extracts varies from 22% to 52%, which

is widely accepted by steel manufacturers across the country. The Fe content in the iron ore is around 64%.

**Quality:** The Company invested in a testing laboratory with specialised equipment and competent professionals to facilitate ongoing chemical testing and consistent quality delivery. The Company also employs reputed third-party test laboratories to ascertain quality and provide certifications.

**Geographical advantage:** The Company's manganese ore mines are located in Orissa, containing dioxide grade ore with low phosphate impurities and facilitating high productivity for the end user. The iron ore mines in the mineral-rich Jharkhand, comprise high iron and low impurity content (silica, sulphur and phosphorus), facilitating smoother ore processing, superior downstream productivity and lower wastage.

**Proximity:** The manganese ore mines are proximate to highways (12 kms), railways (30 kms) and steel-making hubs in Orissa, Jharkhand, Chhattisgarh and West Bengal. The iron ore mines also enjoy the proximity advantage.

**Merchant facility:** The government permitted the manganese ore mine to market output in the open market.



**"MOST STEEL COMPANIES ARE DEBT-LADEN..."**

**ADHUNIK IS ATTRACTIVELY PLACED TO START REPAYING DEBT."**



**How is the Company attractively positioned from a financial perspective?**

The Company demonstrated a responsible combination of low-cost capacity commissioning, financial closure and accelerated project commissioning. Consider this: our steel making facility enjoys a capital cost advantage 20% lower than other integrated manufacturers; we completed our first phase of expansion in 16 months and the second phase in 12 months; we achieved a rated capacity utilisation of our assets within only eight months.

Now compare this with the prevailing trend. Most steel companies took large debts for their capacity addition but were unable to implement plans on account of the slowdown, leading to highly geared balance sheets. At Adhunik, we are attractively placed to leverage our capacity expansions, commence debt repayment and reduce our debt-equity ratio.

**Shareholders need clarity on how cash flows will fund repayment in 2009-10.**

The Company is expected to generate a healthy topline from its steel business, whereas the mining and power business will contribute to a significant bottomline. The combination of the two will be sufficient to fund our repayments, reduce debt-equity ratio to 1-1.5 and strengthen interest cover to above 2.5 in 2009-10.

**Shareholders need some clarity on corporate liquidity.**

Our sustainable cash flow will be derived through the following initiatives:

- We operated the steel plant at 75% capacity in 2008-09; we hope to achieve 85% capacity utilisation in 2009-10.
- We will derive the benefits of returns from both mines in 2009-10.
- We are diversifying our product mix from automobiles to the railways, gas and power sectors
- We reduced our dependence on the state power grid to the extent of only 60% of our power requirements
- Our capital expenditure graph is declining – from an outlay of Rs. 308 cr. in 2008-09 to an estimated outlay of Rs. 50 cr. in 2009-10 to an estimated Rs. 20 cr. in 2010-11.

**At a glance**

- Steel making facility enjoys a capital cost advantage that is 20% lower than other integrated manufacturers
- Completed first phase of expansion in 16 months and the second phase in 12 months
- Achieved rated capacity utilisation of our assets in only eight months
- Attractively placed to leverage the capacity expansion, commence debt repayment and reduce our debt-equity ratio



# MANAGEMENT DISCUSSION AND ANALYSIS



## Economic review

At the beginning of 2008, although signs of economic fragility in the U.S. and Europe were apparent, the crisis deepened October 2008 onwards. Consequently, consumer confidence declined, industrial customers reduced discretionary expenditure and decision cycles extended. In such an environment, an estimated 6.7% GDP growth in 2008-09 still made India the second fastest growing economy, driven by the sustained investment in its infrastructure sectors as well as the relatively low dependence on exports.



# Resource IRON ORE

## Introduction

Iron is the world's most commonly used metal and the key ingredient in steel production. Iron-rich rocks are common worldwide. The major constraint to economics for iron ore deposits is the position of the iron ore relative to market, the cost of transportation and the energy cost required to do so.

## Global scenario

The global resources of iron ore are estimated to exceed 800 billion tons of crude ore, containing more than 230 billion tons of iron. Although iron ore is mined in more than 50 countries, the bulk is derived from Brazil, China, Australia, India and Russia. Global raw ore production averages one billion metric tons, while global consumption grows at 10% annually, led by China, Japan, Korea, the United States and the European Union.

## Indian scenario

Hematite and magnetite are the most prominent iron ores found in India, generally located in Jharkhand, Orissa, Chhattisgarh, Karnataka and Goa. About 60% of India's Hematite ore deposits are found in eastern India; about 80% magnetite ore deposits are found in southern India (especially Karnataka). India is ranked among the top 10 countries for iron ore deposits at 25.2 billion tons (BT), which constitute 3% of the world's resources. India ranks third among iron ore exporting countries.

Regions	Hematite reserve (in million tons)	Haematite reserve (in percentage)
Jharkhand	4,036	28%
Orissa	4,761	33%
Chhattisgarh	2,731	19%
Karnataka	1,676	11%
Goa	713	5%
Maharashtra, MP, AP, Rajasthan, UP and Assam	Balance resources	4%

(Source: Comprehensive industry document on iron ore mining by Central Pollution Control Board)

Regions	Magnetite reserve (in million tons)	Magnetite reserve (in percentage)
Karnataka	7,812	74
Andhra Pradesh	1,464	14
Rajasthan	527	5
Tamil Nadu	482	5
Goa	214	2

(Source: Comprehensive industry document on iron ore mining by Central Pollution Control Board)



## World iron ore production

(in million tons)

	Mine production		Crude ore reserve		Iron ore content reserve	
	2007	2008	Reserves	Base	Reserves	Base
United States	52	54	6,900	15,000	2,100	4,600
Australia	299	330	16,000	45,000	10,000	28,000
Brazil	355	390	16,000	33,000	8,900	17,000
Canada	33	35	1,700	3,900	1,100	2,500
China	707	770	21,000	46,000	7,000	15,000
India	180	200	6,600	9,800	4,200	6,200
Iran	32	32	1,800	2,500	1,000	1,500
Kazakhstan	24	26	8,300	19,000	3,300	7,400
Mauritania	12	12	700	1,500	400	1,000
Mexico	12	12	700	1,500	400	1,900
Russia	105	110	25,000	56,000	14,000	31,000
South Africa	42	42	1,000	2,300	650	1,500
Sweden	25	27	3,500	7,800	2,200	5,000
Ukraine	78	80	30,000	68,000	9,000	20,000
Venezuela	23	20	4,000	6,000	2,400	3,600
Other countries	47	50	11,000	30,000	6,200	17,000
<b>World total (rounded)</b>	<b>2,000</b>	<b>2,200</b>	<b>1,50,000</b>	<b>3,50,000</b>	<b>73,000</b>	<b>1,60,000</b>

(Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2009)

The magnetite resources are estimated at 10,619 million tons, of which only 207 million tons constitute reserves located mainly in Karnataka and Goa. The balance 10,413 million tons constitute remaining resources. The most important magnetite deposits are located in the Babubadan, Kudremukh, Bellary, Anadurga and Bangarkal areas of Karnataka, Goa, the Ongole and Guntur districts

of Andhra Pradesh, among others.

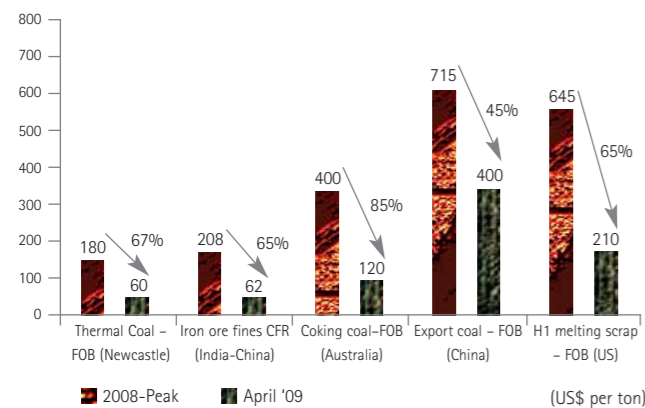
Currently, India produces more than 200 million tons of iron ore annually, of which 60% is exported to China, being a major market (Source: [thaindian.com](http://thaindian.com) & [knowindia.net](http://knowindia.net)). India's iron ore reserves are enough to produce 180 million tons of steel till 2020 if this captive resource is not exported.



# Resource MANGANESE ORE

## Price trends

Iron ore prices corrected 65% at extreme with an oversupply of about 70 million tons (a 50 million tons deficit in the previous year). Global iron ore exports are scheduled to increase 6.7% in 2009 and 30% by 2012 (Source: Citigroup report).



(Source: Bloomberg, ICICI Direct research)

## Exports

Global iron ore exports plunged 54% in March 2009 compared with the corresponding period in the previous year, while Indian iron ore exports grew 0.4% in fiscal 2008-09 to 105 million tons mainly owing to a moderate demand revival from Chinese steel producers. Around 80% of India's iron ore exports were billed to China. That

## Balance Life of Indian Iron Ore\*

		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Steel capacity	Mn tons per annum	100	100	200	200
Iron ore exports	Mn tons per annum	60	0	60	0
Balance life	Years	31	43	18	22

\*Assuming 6.9 billion ton of proven reserves (current level), with no accretion

(Source: projectsmonitor.com)

country's iron ore 'equilibrium' formula is likely to benefit Indian ore exporters more than Brazil and Australia.

## Outlook

India's mining industry is expected to touch over US \$30 billion (about Rs. 1,27,662 cr.), accounting for about 2.5% of the GDP in the next four years, provided India develops conducive regulatory framework and attracts significant exploration, mine development and infrastructure investments (source: Edelweiss).

India is likely to see an increase in steel-based sectors as it transitions towards industrialisation, catalysing the demand for steel-making raw materials (metallurgical coal and iron ore). The global demand for resources will also increase, enhancing trade between countries.

## Steel rush

Even if one considers steel plants with annual capacities of 1 million tons or more, the total fresh capacity in India over the next 10 years is estimated at over 100 million tons annually. Of this, over 40 million tons per annum is coming up in Orissa, 35 million tons per annum in Jharkhand and nearly 10 million tons per annum in Chhattisgarh. These states account for 70% of India's total iron reserves.

## Introduction

Manganese is little known other than to a small circle of metallurgists and chemists and yet remains the fourth most used metal in terms of tonnage. Manganese enjoys numerous applications as it improves alloy and compound properties. Manganese played a key role in the development of the steel making processes; its continuing importance is indicated by the fact that about 90% of all manganese consumed annually goes into steel as an alloying element. A satisfactory substitute for manganese in steel which combines its relatively low price with technical benefits has not yet been identified. After steel, the second most important market for manganese, in dioxide form, is that of portable dry batteries. The US, Japan, and Western Europe are all nearly deficient in economically mineable manganese. South Africa and Ukraine possess over 80% of the world's manganese reserves.

## Reserves

Manganese is the 12 most abundant element in the earth's crust. Among some 300 minerals containing manganese, only a dozen are of mining significance. Current estimates of world manganese reserves, including low grade ore, reach several billion tons. But if only high-grade ores (defined as having more than 44% Mn content) are considered, then reserves are in the range of 680 million tons of ore, with Australia, Brazil, Gabon and South Africa supplying over

90% to the international market. In India, manganese reserves are prominently found in Karnataka, Orissa, Madhya Pradesh, Maharashtra and Goa.

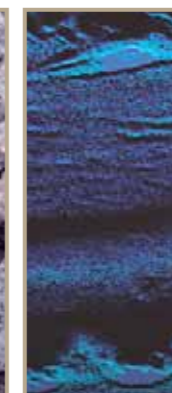
## World manganese ore resource

Country	Production
South Africa	77%
Ukraine	10%
Australia	3%
Brazil	1%
China	2%
Gabon	2%
India	3%
Others	2%

(Source: USGS 2009; Report by Asian Metal limited)

## Demand and supply

The global manganese demand is influenced by the steel industry. There are numerous grades of steel and each requires a different amount of manganese. Some manganese which is to be converted into steel is present in iron (hot metal) coming either from the iron ore charge or from the addition of manganese ore to the blast





End product

# ALLOY STEEL

furnace. This manganese is only a small part of the total requirement and is partly oxidised during the different processes that convert the hot metal into steel. Hence, most of the manganese addition is made in the steel melting shop. The majority of it is in the form of manganese ferro-alloys, but there are some cases when it can be added in the form of ore.

International manganese trade has long been closely linked with the demand of industrialised countries in Europe, North America, Japan and Southeast Asia. Today, the average unit consumption for industrialised countries is over 7.5 kg of manganese per ton of steel. Countries like Australia, Brazil, Gabon and South Africa account for over 85% of the world's supply. Changes in steel grade chemistry have had an effect on manganese requirements. For constant unit consumption, manganese demand follows the growth in steel production. Manganese requirements for other metallurgical applications or for non-metallurgical uses do not represent a quantity large enough to significantly affect the evolution of the

overall manganese demand as a direct function of steel production growth.

Today, most of the manganese requirements of industrialised countries are supplied in the form of alloys. Consequently, UK and Germany have almost completely abandoned manganese alloy production, while the US is only a minor producer.

### Application

Steel becomes harder when alloyed with manganese. It has similar applications when alloyed with aluminum and copper. Hardened steel is important in the manufacture of construction materials like I-beams (24% of manganese consumption), machinery (14% of manganese consumption) and transportation (13% of manganese consumption).

Manganese dioxide is used to manufacture ferro alloys, and dry cell batteries, decolorise glass, prepare chemicals (oxygen and chlorine) and manufacture dry black paints.

### Auto components industry

The Indian auto component industry is one of India's sunrise industries. From a low-key supplier providing components to the domestic market, the industry has emerged as one of the key auto component centres in Asia as a part of the global automotive supply chain.

As per an Automotive Component Manufacturers Association of India (ACMA) report, the turnover of the auto component industry is estimated to touch US\$ 40 billion by 2015-16. Investments in the auto component industry were estimated at US\$ 7.2 billion in 2007-08 and are likely to touch US\$ 20.9 billion by 2015-16. Exports are estimated to reach around US\$ 20 billion-US\$ 22 billion by 2015-16. In 2008-09, the automobile industry grew 2.96% to 11.17 million units but the components industry outpaced the vehicle manufacturers with a 6% growth (*Source: Business Line*).

### Destination India

The growth of the Indian economy and cost competitiveness attracted global auto majors in the face of stagnating developed markets. The Indian auto industry grew at 15-27% over five years and ranked 12 among the world's top 15 automakers (*Source: International Yearbook of Industrial Statistics 2008*).

'Frugal engineering' is the hallmark of the Indian automotive industry, with Indian OEMs leveraging the Indian lead in cost-

effectiveness and a highly-skilled human resource pool to rationalise product development costs. Additionally, competencies of their suppliers have also helped reduce costs and manufacturing time. Global OEMs are now looking to benefit from the Indian advantage by using India-based design and development centres.

According to the Investment Commission of India, global automobile manufacturers perceive India as an auto component manufacturing hub. They are increasing the value of components they source from India owing to India's cost competitiveness and quality standards.

Makers of luxury cars are increasingly looking at making India a sourcing hub for components, besides using more local components in cars. BMW is likely to sign the first direct sourcing deal with local vendors by the end of this year. Skoda Auto India is looking at increasing localisation for its small car Fabia to over 50% over the next two years. Mercedes-Benz India expects growth in sourcing from India to continue at 10%.

### Foreign investments

India enjoys a 30% manufacturing cost advantage in castings and forgings over western counterparts. Seeing the growing popularity of India in the automotive component sector, the Investment Commission has set a target of attracting foreign investment worth US\$ 5 billion in seven years to increase India's share in the global auto components market from 0.9% to 2.5% by 2015.

### Analysts and shareholders' visit







### Domestic investments

The sector not only has global players looking to invest and expand but leading domestic component companies are also pumping huge sums into expanding operations. Consider this: an auto park is coming up near Hyderabad with investments worth over US\$ 409.30 million from around 34 automotive ancillary units in addition to a US\$ 245.59 million greenfield project being established by MLR Motors near the park.

### Regulations

Automatic approval for foreign equity investment up to 100% of manufacture of automobiles and components is permitted. The automobile industry has been delicensed and there are no restrictions on the import of components.

The government has envisaged the Automotive Mission Plan 2016 to promote growth in the sector through the following targets:

- Emerging as the global favourite in the area of design and manufacture of automobiles and auto components.
- Taking the output to US\$ 145 billion, accounting for more than 10% of the GDP
- Offering additional employment to 25 million people by 2016

### Production

Automobile production in 2008-09 increased 3% over 2007-08.

### Automobile production trends

(Number of vehicles)

Category	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Passenger vehicles	7,23,030	9,89,560	12,09,876	13,09,300	15,45,223	17,77,583	18,38,697
Commercial vehicles	2,03,697	2,75,040	3,53,703	3,91,083	5,19,982	5,49,006	4,17,126
Three wheelers	2,76,719	3,56,223	3,74,445	4,34,423	5,56,126	5,00,660	5,01,030
Two wheelers	50,76,221	56,22,741	65,29,829	76,08,697	84,66,666	80,26,681	84,18,626
<b>Grand total</b>	<b>62,79,967</b>	<b>72,43,564</b>	<b>84,67,853</b>	<b>97,43,503</b>	<b>1,10,87,997</b>	<b>1,08,53,930</b>	<b>1,11,75,479</b>

(Source: SIAM)

### Exports

According to SIAM, Indian car exports recorded a substantial 57% year-on-year growth during 2008-09. A total of 331,539 cars were exported from India in 2008-09 compared with the export of 211,112 cars in 2007-08. The prime reason for the car exports from India was the launch of new models by car makers like Hyundai Motors, MSIL, TVS Motors and Bajaj Auto. Moreover, Indian cars were relatively inexpensive in the overseas market, which boosted exports.

### Emerging trends

Even though the auto industry witnessed a slowdown in more recent times, marketers are optimistic that Indian car makers will launch 50 new models in 2009 including Fiat's Linea sedan, BMW India's BMW 3 Series and BMW 7 series, Mercedes' S-Class sedan, Porsche's Panamera and Yeti.

The Invest India Incomes and Savings Survey 2007 by IIMS Dataworks and another study by CRISIL Research suggest that there is a large demand for entry level cars in India. The immediate potential demand base for a car of 1.6 million units, according to the former, is based on the respondents who do not own a car at present but aspire to own one in the next 12 months. Nearly all automotive giants are geared to enhance their exposure in this segment.

As per the Automotive Mission Plan (AMP) 2006-16, the estimated turnover of India is automotive industry is expected to be US\$ 122-

159 billion in 2016. It is expected that in real terms, India will continue to be the world's largest tractor and three-wheeler manufacturers and the second largest two-wheeler manufacturer. By 2016, India is expected to emerge as the world's seventh largest car producer (11th largest currently) and retain its fourth largest position in the global truck manufacturing sector. By 2016, the automotive sector is expected to double its contribution to the country's GDP to 10%.

### Looking ahead

With investments around US\$ 15 billion slated for the sector over the next few years, the prospects for India's auto industry are bright. Even though India's auto component industry has conventionally relied on exports for its profits, the domestic market itself is growing rapidly. Industry experts are hopeful that India will counter China's manufacturing advantage and achieve a targeted market value of US\$ 40 billion by 2014.

## India attracting global automotive manufacturers

**Nissan Motor Co.:** Identified India as one of the five low-cost countries to manufacture its new generation compact cars

**Hyundai:** Made India its global hub for manufacturing small cars

**Mercedes-Benz:** Will invest about US\$ 64.21 million in Chakan to manufacture trucks, buses and cars

**Renault:** Will manufacture cars with Nissan in Chennai

**Skoda:** Plans to make India its regional manufacturing hub

**Tata Motors:** Will produce 80,000 Nano vehicles in 2009-10; mother facility at Sanand (Gujarat) to be fully operational in 2010-11

## New car launches

**Maruti Suzuki:** 'Splash' and 'A Star'

**Hyundai:** 'i20'

**Fiat:** 'Grande Punto'

**General Motors:** New mini car; Cruz (sedan)

**Tata Motors:** Indica (new); Nano

**Honda:** 'Jazz'

**Volkswagen:** 'Polo compact' (Indianised version)

**BMW:** Hybrid car within two years of global launch

## Mr. K.R. Kamath, Hon'ble CMD, Allahabad Bank inaugurating Coke Oven plant at AML, Rourkela



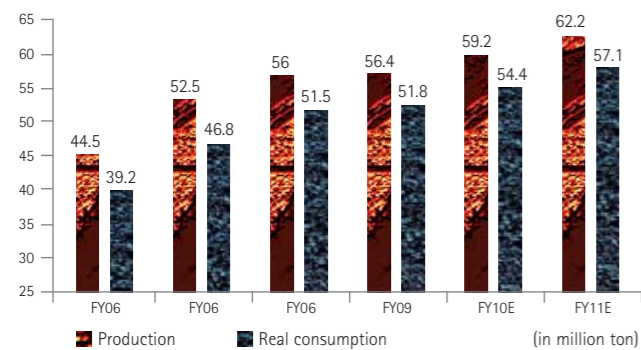


Product  
**STEEL**

Adhunik possesses an integrated steel plant with an annual capacity of 0.45 MT. It manufactures varieties of value-added steel products including auto steels, bearing steels, spring steels, carbon steels, cold heading steels, shape steels, free cutting steels and stainless steel.

**Production**

Steel production grew at 1.2% in the January-March quarter of 2008-09 over the corresponding period of the previous year with large steel companies like SAIL, Tata Steel, Essar and JSW operating at full capacity. Consequently, total steel production in 2008-09 ended at 56.4 million tons compared with 56 million tons in 2007-08. The Ministry of Steel has projected that India's steel capacity will touch 124.06 MT by 2011-12.



(Source: ICICI Direct research)

**Consumption**

India is the fifth-largest steel consumer in the world. Demand is likely to grow at around 12% against the global average of 5-6%. At a time when consumer confidence disappeared across the world, India's steel consumption grew at 3.8% in the January-March quarter of 2008-09 over the same period in the previous year.

A Credit Suisse Group study states that India's steel consumption will continue to grow by 16% annually till 2012, driven by construction projects worth US\$ 1 trillion. The scope for raising the total consumption of steel is huge, given that per capita steel consumption is only 38 kg, compared with a global average of 150 kg and China's corresponding figure of 250 kg.

Product  
**STAINLESS STEEL**

The Company manufactures stainless steel with two distinct grades of 200 series and 300 series, which find its application in utensils, tubes, pipes, refineries, petrochemicals, automobiles, railways and nuclear applications, among others.

Stainless steel (minimum 11% chromium) is an alloy derived from the melting of two or more elements with the objective of enhancing longevity, strength and corrosion resistance and enhancing applications in architecture, building, construction, transportation, equipment (kitchen and office) and pharmaceuticals, among others.

**Global overview**

Asia accounted for around 31% of the global stainless steel production, while China was the highest global stainless steel producer (27%) in 2006 and 2007. Owing to the global economic crisis in 2008, global stainless steel output declined to 25.9 million tons; in China, output declined to 6.94 million tons. Most of the mills across the world operated at 50% capacity utilisation or shut down to clear inventories.

**Global production**

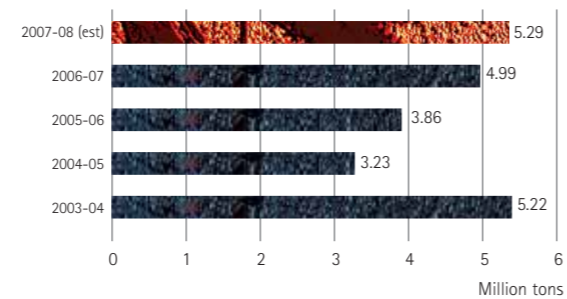
Year	2003	2004	2005	2006	2007	2008
Production (million metric tons)	22.84	24.57	24.32	28.36	27.67	25.9

(Source: ISSF forum)

The steel sector in India has been growing rapidly

While production of pig iron has been fluctuating over the years

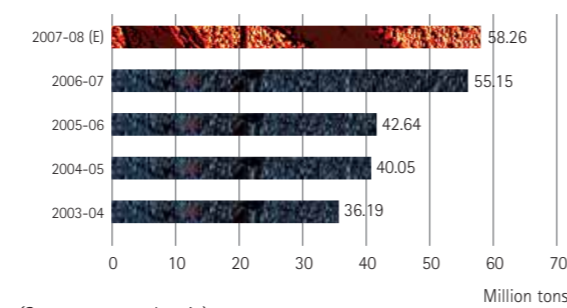
**Production of pig iron**



(Source: www.steelgov.in)

finished steel production has been growing steadily.

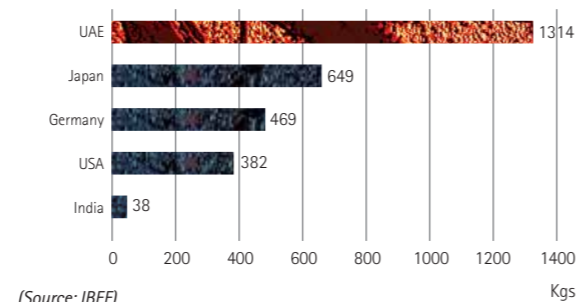
**Production of finished steel**



(Source: www.steelgov.in)

Growth in manufacturing and infrastructure is fuelling demand for steel products, driving growth in the sector

**Per capita consumption of steel**



(Source: IBEF)

Year	2006	2007	2008
China output (million tons)	5.36	7.53	6.94

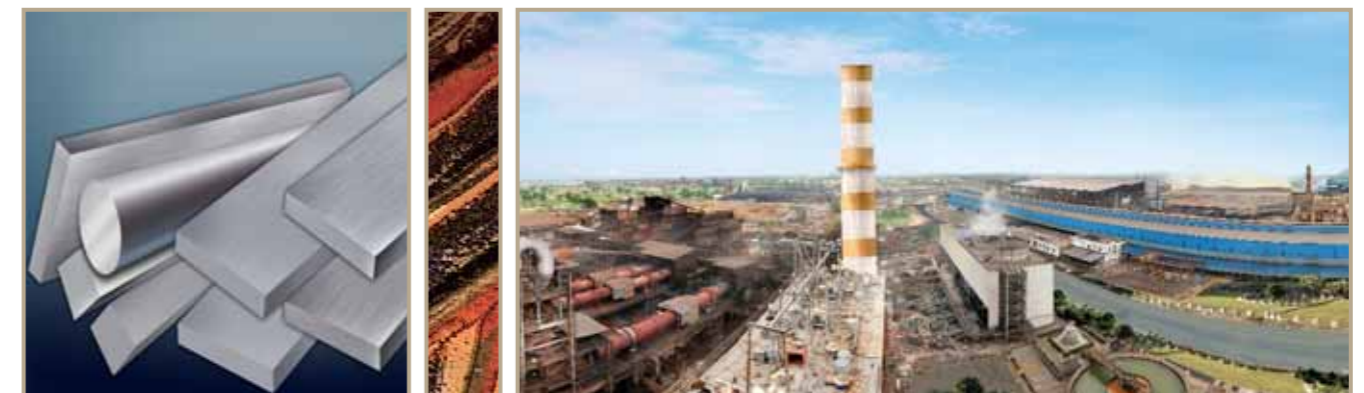
(Source: Asian Metals research)

**Indian overview**

The Indian stainless steel industry witnessed an annual CAGR of about 14% during the 15 years ending 2008, with a 7% share of the global production. India's stainless steel consumption grew at 13% across the last decade, 85% of the consumption being captured by flat stainless steel owing to growing applications. Optimism is derived from the fact that despite the recent growth, India's per capita steel consumption of 1.20 kg is far lower than China's 4.80 kg. India's consumption is expected to grow from 2 million tons in 2007-08 to around 4 million tons by the next decade (Source: ISSDA). According to a forecast made by the World Steel Association (WSA), India would be the only major economy that would see a growth in apparent usage of steel in 2009.

**Growth drivers**

- Per capita income increased from Rs. 11,799 in 2003-04 to Rs. 38,084 in 2008-09
- India's emergence as a leading small car manufacturing hub with an annual production of over 1.3 million passenger cars and seven million two-wheelers





- Commonwealth Games 2010 to be held in New Delhi
- Rs. 20,27,000-cr. infrastructure investment as per the Eleventh Plan (2007-08 to 2011-12)
- Indian Railways to use 2,00,000 tons of stainless steel annually
- Process industry equipment export grew at a 29% CAGR (2003-04 to 2007-08)

Country	Kg per capita
Taiwan	44.90
Italy	30.00
South Korea	24.60
Germany	21.00
Japan	16.90
Spain	12.50
Canada	9.10
France	8.30
USA	7.80
China	4.80
UK	4.70
Thailand	4.30
South Africa	3.70
Brazil	2.00
Mexico	1.50
India	1.20

(Source: Vale INCO, World Stainless Steel Statistics)

### Outlook

Much of the growth in stainless steel demand is expected to transpire in Asia (4.9%) with China leading at 8.5% in 2009. owing to strong reserves, relatively healthy banking sector and government financial stimulus (Source: IMF's Regional Economic Outlook for Asia and Pacific & CEIC Data Company; and IMF, WEO database).

### World of stainless steel

Major regions producing (thousand tons)

	2007	%	2020	%
Triad (US, Canada, Europe, Japan and South Korea)	15898	57.1%	18575	43.2%
BRIC (Brazil, Russia, India and China)	9549	34.3%	21670	50.5%
Rest of the world	2389	8.6%	2700	6.3%
<b>Total</b>	<b>27836</b>	<b>100%</b>	<b>42945</b>	<b>100%</b>



# BUSINESS REVIEW

Drivers of excellence

## PRODUCTION MANAGEMENT

Steel making capacity: 0.45 MT annually  
Capacity utilisation in 2008-09: 75% of installed capacity

The Company manufactures sponge iron, pig iron, billets and blooms through the following routes:







The Company uses the rotary kiln for iron ore reduction where the iron ore is dried at a temperature of around 1,000 degree Celsius, reducing iron oxide to metallic iron. The process is followed by discharging the reduced iron (along with coal ash and calcinated limestone) into the rotary cooler before screening and magnetic classification.

The Company entered into an agreement with Zion Steel for rolling its semis and correspondingly enhancing its rolling capacity by 1, 00,000 tons of rolled products. It increased its product offerings to wire rods, coils and straight bars ranging from 5.5 mm to 200 mm size.

### Process improvements

The Company brought about the following process improvements during the year to improve its end product:

- Introduced vacuum de-gassing to suck unwanted gases out, leading to product consistency and strength
- Introduced a non-metallic refractory lining in the storing vessel to enhance product purity

- Introduced the latest casting technology (electro-magnetic stirring and automatic mould level controller) for a superior macro structure and surface finish, leading to better rollability

### Expansion

The Company implemented the Phase II expansion during the year under review.

The sinter unit commissioning helped recycle waste fines and convert them into lumps, reducing waste by 15%. The Company also commenced lime plant operations during the year.

The Company commenced operations at its second 9 MVA ferro alloy furnace in 2008-09 while the trial run production of the third 9 MVA units is ongoing. This provided for the Company's ferro alloys needs.

It also commissioned a major part of the Phase III expansion, improving productivity. It expects to commission the entire expansion by the end of 2010.

### Phase III status

Facility	Installed capacity	Expected date of completion
Sinter	2,67,300 tons annually	Done
Calcination plant	56,100 tons annually	Done
Bloom caster	N.A.	Done
Private railway siding	N.A.	Done
DRI	1,65,000 tons annually	60,000 tons annually operational. Balance by December 2010
Third captive power plant	17 MW	December 2010
FAD -III	16,500	Done

### Quick transformation

As a result of excellent in-house infrastructure and better reduction ratio, the rolling capability increased from 63-125 mm in 2007-08 to 45-180 mm in 2008-09 while the number of grades widened from 25 in 2007-08 to 30 in 2008-09.

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## RAW MATERIAL MANAGEMENT

**Iron ore:** The Company started mining operations in the merchant iron ore mine of OMML at Ghatkuri in 2008-09 and started procuring iron ore from captive Kulum mines (Keonjhar district, Orissa). The Company's captive mines possess around 25 million tons of iron ore reserves, expected to last for another 25 years.

**Coal:** The Company enjoyed secure coal supply through linkages with Mahanadi Coalfields with Coal India Limited's permission. It also used e-auctions to meet urgent requirements. It was allotted Patrapara mines (Orissa), which is expected to start by 2011-12.

**Coke:** The Company sourced coke requirements from open spot markets, China and Australia. It sourced around 1,30,000 tons of coke in 2008-09 and completed the installation of a coke oven plant to reduce its dependence on external sources.

**Limestone and dolomite:** The Company sourced limestone and dolomite from Katni and Gomadi mines both locations known for their superior resources. The Company also sourced materials captively through partnership firm United Minerals (50% being company share).

**Manganese ore:** The Company acquired OMML, whose merchant manganese ore mines which can fulfill its manganese ore requirement. The 807-hectares Patmunda mines—one of the largest manganese ore mines amongst six manganese ore mines owned by OMML at Koira—is estimated to contain 50 million tons of rich minerals. The manganese content in the mines varies between 22% and 52%.

Drivers of excellence

## LOGISTICS MANAGEMENT

In a logistics-intensive industry like steel – four tons of raw materials are required to produce one ton of steel – competitiveness is partly derived from proximity to raw material sources. The Company's facilities are located in mineral-rich Orissa with the following logistical advantages:

- The facilities are well connected with major highways and roadways leading to major Indian cities
- Sources of iron ore, manganese ore, limestone, chromite, quartz, dolomite and coal mines are within 200 km from the manufacturing facility in Rourkela
- The railway siding has helped the Company reduce logistics cost by

20% and is now directly connected with the Howrah-Mumbai main line

- OMML's iron ore mines and manganese ore mines are also proximate to railway sidings at a distance of 5 km and 25 km. Moreover, the Company plans to build its own railway siding near its mines
- A 10 km long 132-KV line connects the production facility to the state electricity grid
- Water requirements are met through a 9 km pipeline to the Koel river



Drivers of excellence

## QUALITY MANAGEMENT

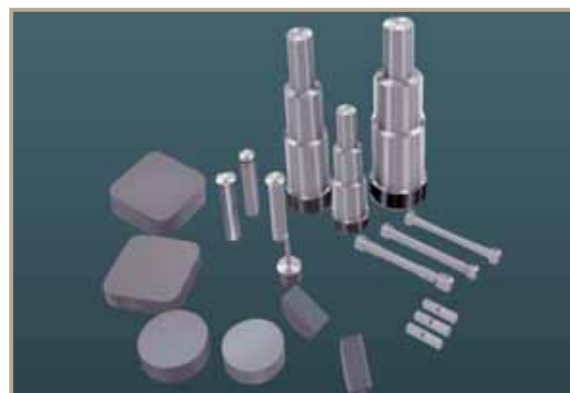
Adhunik's ongoing quality management ensures product consistency covering all processes from raw material procurement to finished goods manufacture. The products and process passed stringent quality tests benchmarked with global standards, certified by the Bureau of Indian Standards and Research Designs and Standards Organisation (RDSO), indicating its capability to meet extensive and demanding railway requirements. The Company also received certification from Power Grid Corporation of India Limited, making it the only company in the last 20 years to receive an approval for supplying steel to this entity.

The Company invested Rs. 750 million in quality check equipment comprising the following:

- Vacuum de-gassing plant
- Electromagnetic stirrer
- Bloom caster
- 30 channel-direct reading optical emission spectrometers
- Portable inovax-alpha alloy analyser
- LECO hydrogen, nitrogen and oxygen analyser

- Stereo Zoom microscope and Carl Zeiss microscope with image projection facilities
- Bench magnifier
- Metallographic polishing machine
- Universal tensile testing machine
- Impact testing machine
- Rockwell and Brinell hardness testing machine
- Jominy and quench equipment
- Electric muffle furnace for heat treatment
- Ultrasonic flaw detectors
- Wet analysis lab
- Satmagan to check Fe (M) in DRI

The quality improvement initiatives resulted in higher quality standards compared with prevailing benchmarks. Rejection rates of cast products declined from 2.25% in 2006-07 to less than 1% in 2008-09; rejection rate of rolled products declined from 1.5% in 2006-07 to less than 1% in 2008-09.



Drivers of excellence

## CAPTIVE AND MERCHANT POWER GENERATION

Number of captive power plants:	2
Capacity:	34 MW
PLF in 2008-09:	65%

In a quality sensitive sector, the Company needs to ensure an uninterrupted power supply to maintain consistent output and quality. Adhunik sources power from the state grid and captive power plant in the ratio of 60:40 (85:15 in 2007-08). The 17-MW captive power plant (second) commenced operations in 2008-09 using waste generated from the DRI plant as well as waste char (around 20% carbon). The initiative declined dependence on fossil fuels. The Company is also under the process of UNFCC approvals for the carbon credits.

The cost of sourcing power from the state grid was Rs. 3.39 per unit, whereas the cost of generating power through captive power plants

was Rs. 1.88 per unit. With the share from captive power increasing, the Company will reduce its power cost by 40% in the coming years.

The Company holds the majority stake in a power company that will establish a 1000-MW merchant thermal plant in two phases.

### Phase I

Capacity:	270 MW
Location:	Jamshedpur
Financial closure:	Yes
Expected start of operations:	FY 2012

### Phase II

Capacity:	270 MW
Location:	Jamshedpur and Orissa
Financial closure:	In operation
Expected start of operations:	FY 2013

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## MINING

The Company possesses a decade-long experience in the business of mechanised mining. It possesses adequate infrastructure and manpower to conduct large exploratory mining with an experience of having executed the following mechanised/semi-mechanised mining projects:

- Fully mechanised mining at Sekradih iron ore mines of Orissa Mining Corporation Limited, Barbil

- Large fully mechanised mining at Noamundi iron ore mines of Tata Steel.
- Six manganese mines of OMML spread across 957.35 hectares through the semi-mechanised method at Koira, Sundargarh district, Orissa.
- Mechanised mining at Ghatkuri iron ore mines of OMML



The Adhunik Group possesses the following mining leases:

Mineral	Company	Reserves (MT)	Place	Purpose
Manganese ore	OMM	50	Patmunda, Orissa	Merchant sale
Iron ore	OMM	90	Ghatkuri, Jharkhand	Merchant sale
Iron ore	AML	25	Keonjhar, Orissa	Captive steel
Coal mines	AML	42	Talchar, Orissa	Captive steel
Coal mines	APNRL	69	Ganeshpur, Jharkhand	Captive power

The Company invested in high-end mining machines like excavators, loaders, bulldozers, tippers, wagon drill and DTH driller and employs mining engineers, geologists, surveyors and skilled personnel.

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## MARKETING

Adhunik manufactures alloy steel, engineering quality steel, forging quality steel and special steel, which find application in auto components and ancillaries customised to respective customer needs. The Company developed three new products in 2008-09:

**Bigger size blooms:** The Company secured orders for thicker cross section rolled products used in heavy crank shafts in heavy vehicles, an area marked by low competition.

**Round blooms:** The product is used in seamless tubes that find applications in boiler, power and oil engineering sectors, bagging a prestigious order from BHEL for developing 10,000 tons of steel annually for boiler/seamless tubes.

**Fish plate metal liner and elastic rail clip:** The product finds application in railway tracks with a market of 9 cr. pieces, based on prevailing sectoral growth.

Adhunik commenced TMT manufacture through Adhunik Neo to cater to the demand from the infrastructure and real estate segments. The steel billets of AML will be converted into TMT bars through the rolling mill of Zion steel and re-rollers in the vicinity.

During 2008-09, the Company developed further four-five new grades, taking total grades being offered in the market to more than 200. It received enquiries from global majors like Honda, Kawasaki, Sumitomo and Thyssen and bagged Rs. 1,000 million orders from PGCIL, BHEL and NTPC. Following the development of value-added products, the Company achieved record realisations – Rs. 29,782 per MT for billets and Rs. 45,380 per MT for the rolled products. The ferro alloys division marketed 85% of its output in the open markets to users like SAIL, Bhushan Steel and Jindal Steel, fetching an average realisation of Rs. 63,556 per MT.

In the areas of merchant mining, the Company catered to the needs of leading steel manufacturers like Bhushan Steel, Lloyd, Ispat and Visa Steel. It marketed 3,24,470 million tons of manganese ore in 2008-09 majority of which was low-grade as it was the first year of operation with an average realisation of Rs. 3,230.72 per ton. The Company intends to focus on marketing of high grade ores in 2009-10.

Going ahead, the Company identified certain long-term buyers in key areas like the government, Defence, international OEMs, small cars and two-wheeler segments.

## New opportunities

Steel manufacturers addressed a US\$ 118 billion opportunity from the country's oil and gas transportation infrastructure segment. Indian steelmakers are set to make the most of booming global demand for steel pipes and tubes following the government withdrawing the 10% duty on exports.

Drivers of excellence

## HUMAN RESOURCES

The Company considers its employees as its principal competitive strength. The slowdown did not affect its recruitment process. It continued to recruit graduates from different technology and engineering institutes. The Company had a total of 1,387 people on its payroll at the end of the financial year 2008-09.

The Company further followed motivational activities through its reward-recognition-respect programme. With the implementation of SAP, the Company could monitor the performance of the employees very closely. It identified the best employee every month and rewarded him/her for individual competencies. The initiative made the work more interesting and challenging, motivating the employees to achieve stretched targets.

The Company prepared the annual calendar for training and

development. It initiated the process of conducting the training through internal resources, which will result in better productivity since the internal resource would guide his trainees through personal experience. The Company also emphasised on communication exercises to make people aware of their roles and responsibilities.

The Company also undertook the following activities during the year:

- Job description exercise
- Restructuring the grade and salary system
- Introduced performance management and reward mechanism system
- Strengthened the security and administrative system
- Monitored various IR and other statutory compliances





# FINANCIAL REVIEW



## Preparation of financial statements

The financial statements of the Company were prepared to comply in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements were prepared under the historical cost convention on an accrual basis. Except otherwise mentioned, the accounting policies were consistently applied by the Company and were consistent with those applied in the previous year.

## Highlights, 2008-09

- 16.08% increase in gross revenues from Rs. 1,104.05 cr. in 2007-08 to Rs. 1,281.54 cr. in 2008-09
- 17.21% increase in total income from Rs. 1,105.69 cr. in 2007-08 to Rs. 1,190.54 cr. in 2008-09
- 3.71% increase in EBIDTA from Rs. 171.33 cr. in 2007-08 to Rs. 177.70 cr. in 2008-09
- 62.53% decline in PAT from Rs. 80.46 cr. in 2007-08 to Rs. 30.14 cr. in 2008-09



## Revenues

The Company's total revenues (including other income) increased 17.21% in 2008-09. Net sales grew 15.85% from Rs. 1,004.60 cr. in 2007-08 to Rs. 1,163.79 cr. in 2008-09 for the following reasons:

- Enhanced average steel realisations from Rs. 25,341 per ton in 2007-08 to Rs. 29,782 in 2008-09
- Increased capacity utilisation from 71% to 75%
- Increasing billet production by 12%
- Diversified product mix (manufactured steel billets and stainless steel rolled products) with specialised applications

**Income by sources:** The Company derived revenues from its steel and iron ore business in the ratio of 90:10 (98:2 in 2007-08)

**Income by regions:** Despite being located in Eastern India, Adhunik enjoys a marketing presence across all regions.

Regions	% contribution
East	68
South	4
North	9
West	19

**Income by geography:** The Company's exports declined as a result of demand slowdown, and it focussed on the domestic market leading to higher realisations.

Revenue (Gross sales in Rs. cr)	2008-09	2007-08
Domestic	1,215.31	1023.57
Overseas	66.23	80.48

**Income by activity:** Non-business income was Rs. 11.10 cr. in 2007-08 to Rs. 26.75 cr. in 2008-09. The overall contribution of the non-business income was 2.25% of the total income, indicating that the Company generated a major part of its revenues through its core business.

## Margins

The Company reported an EBITDA margin and net profit margin of 15.31% and 2.56%, respectively. These were lower than the previous year for the following reasons:

- Inventory loss of Rs. 45 cr as a result of raw material price fluctuations
- Foreign exchange loss of Rs. 30.90 cr. as a result of unfavourable exchange rate movements
- Increase in interest as a result of funds accumulated for acquisition and expansion
- Increase in depreciation as a result of gross block additions resulting out of expansions

## Cost

The Company's total operating cost (excluding interest and depreciation) increased 19.95% from Rs. 844.36 cr. in 2007-08 to Rs. 1,012.84 cr. in 2008-09 on account of increased sales volume. Total operating cost comprised 85% of total revenues. The proportion of this cost is expected to decline in 2009-10 following the benefits of integration.

### Performance of key cost components (as a percentage of total expense) in 2008-09

Cost component (%)	2008-09	2007-08
Raw materials	44.79	43.85
Power and fuel	6.40	6.13
Trading cost	16.60	31.44
Manufacturing	16.65	17.25
Employee and administration cost	14.63	10.21

**Raw materials:** Total raw material cost increased by 22.53% over 2008-09 following an unprecedented price rise in the first half of 2008-09. This could have been even worse had the Company not commenced operations of its integrated facilities. As a result, the raw

materials cost as a proportion of total expenses increased by just 94 bps over 2007-08.

**Power and fuel:** Power and fuel cost increased 25.36% over the previous year on account of an increase in fuel prices. The Company capped much of this increase following the commencement of its 17-MW second captive power plant (utilises waste heat and char).

**Trading cost:** The Company is gradually reducing the trading activities and focusing more on manufacturing activities. As a result, total trading cost as a percentage of total operating expenses declined from 31.44% in 2007-08 to 16.60% in 2008-09 and by 36.66% in quantum terms.

**Manufacturing cost:** Manufacturing cost (operation and maintenance charges, conversion charges, stores and spares and other repairing charges among others) increased 15.82% over the previous year. The Company reduced conversion charges by 32%, which resulted in a 60 bps decline in manufacturing costs as a proportion of operating expenses over 2007-08.

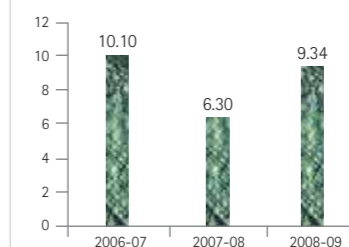
**Employee and administration cost:** Employee and administration costs (salary, bonuses, rent, rates, taxes and other miscellaneous expenses) increased 71.90% over the previous year, majorly on account of additional recruitment required for expanding business. Administrative expenses also increased in line with growing operations.

**Interest cost:** Interest charges increased largely on account of debt taken for acquisition and expansion combined with an increase in prime lending rate.

## Capital employed

The total capital employed increased 36.16% from Rs. 1,276.12 cr. in 2007-08 to Rs. 1,737.53 cr. in 2008-09 on account of fund deployment for expansion projects. These projects primarily comprises integration of various facilities, which will help the Company to improve margins and profitability in future years. The return on capital employed increased from 6.30% in 2007-08 to 9.34% in 2008-09.

## ROCE (%)



**Shareholder's funds:** The total paid-up capital as on March 31, 2009, consisted of 9,12,31,247 fully paid-up equity shares of Rs. 10 each. The Company's paid-up capital comprised 85,45,152 shares issued and allotted as fully paid-up bonus shares by capitalisation of securities premium and 4,000,000 shares issued pursuant to contracts for consideration other than cash.

**Reserves and surplus:** Reserves and surplus declined 8.26% over 2007-08. The Company utilised the securities premium account to meet a deferred tax liability of Rs. 35.86 cr (as per the accounting for taxes on income – AS -22, prescribed by the Institute of Chartered Accountants of India). The utilisation of the reserves fund, combined with lower profits, resulted in a decline in the return on average networth to 9.42%.

**External funds:** The Company's total debt (secured and non-secured) increased 48.52% from Rs. 889.61 cr. in 2007-08 to Rs. 1,321.21 cr. in 2008-09. It includes fully/compulsorily convertible debentures of Rs. 100 cr. which will be converted into equity in 2009-10. The loan portfolio comprised rupee-denominated long term bank loans acquired for expansion and acquisitions. Around 27% of the total loans comprised working capital loans.

## Gross block

Gross block increased 74.20% from Rs. 541.25 cr. in 2007-08 to Rs. 942.84 cr. in 2008-09, mainly on account of setting up of additional plant and machinery (ferro alloy plant, DRI kiln, captive power plants, furnace and oxygen plant among others), rolling stock and leasehold land. The Company strengthened its gross block over three years



without compromising productivity. As a result, accumulated depreciation as a percentage of gross block was 8.74%, indicating asset newness.

The Company adopted the straight line method of charging depreciation on its fixed assets as prescribed in the Schedule XIV of the Companies Act, 1956. Depreciation for the year increased by 58.89% on account of gross block additions.

**Investments:** The Company's investments increased 28.45% from Rs. 138.66 cr. in 2007-08 to Rs. 178.11 cr. in 2008-09, largely on account of the investment in Adhunik Power and Natural Resources Ltd (APNRL). The Company invested Rs. 46.53 cr. for subscribing 93,06,900 Equity shares of APNRL. Consequently, APNRL has become a subsidiary of the Company with effect from November 14, 2008.

### Working capital

Working capital constituted 25.38% of the total capital employed in 2008-09 (22.73% in 2007-08). Working capital outlay increased by 52.09% from Rs. 290.03 cr. in 2007-08 to Rs. 441.11 cr. in 2008-09 for funding growing operational requirements. However, the current ratio and quick ratio stood at 2.31 and 1.21 respectively.

#### Liquidity ratios

	2007-08	2008-09
Current ratio	1.85	2.31
Quick ratio	1.02	1.21

**Debtors:** The Company's debtors declined by 46.05% from Rs. 216.06 cr. in 2007-08 to Rs.116.55 cr. in 2008-09. The proportion of debts more than six months old declined from 17.80% in 2007-08 to 12.56% in 2008-09. Debtors constituted 15% of the total current assets. The average debtor days declined from 54 days of turnover equivalent in 2007-08 to 51 days in 2008-09, indicating the strength of the Company's products and receivables management in a challenging environment.

**Inventory:** Inventory constituted 47.78% of the total current assets and increased by 31.50% to Rs. 371.07 cr. in 2008-09. The increase was on account of an accumulation of inventory of raw materials, finished goods and traded goods. The average inventory cycle increased from 87 days of turnover equivalent in 2007-08 to 101 days in 2008-09.

**Cash-and-bank balance:** The Company's cash-and-bank balance increased significantly by 78.18% from Rs.47.98 cr. in 2007-08 to Rs. 85.50 cr. in 2008-09 on account of an increase in the current account balances as well as the margin money account.

**Loans and advances:** Loans and advances constituted 26.21% of the total current assets. It increased from Rs. 77.21 cr. in 2007-08 to Rs. 190.25 cr in 2008-09 owing to advances receivable from the subsidiary companies, increased loans to body corporates as well as the payment of advance income tax.

**Creditors:** The creditors declined 20.99% on account of enhanced payment to the creditors. The Company continued to maintain creditors' cycle at 64 days of turnover equivalent.

### Forex management

During the year under review, the Company imported basic raw material and components and spare parts worth Rs.86.57 cr. (CIF basis). The Company's exports declined 14.25% from Rs. 80.48 cr. in 2007-08 to Rs. 66.23 cr. in 2008-09. It suffered forex losses to the extent of Rs. 30.90 cr on account of unfavourable currency movements.

### Taxation

Total tax (including current tax, fringe benefit tax and provision for earlier year) declined by 62.11% as a result of a decline in current tax because of lower profits and higher depreciation. The taxation rate was 11.20% for 2008-09.

## RISK MANAGEMENT



ORGANISATIONAL RISK IS BEST DEFINED AS THE UNPREDICTABLE ADVERSITY THAT CAN AFFECT PROFITABILITY.

Risk management comprises a systematic approach to identify, analyse and control these unpredictables through risk planning, assessment, developing risk-handling options and monitoring.

At Adhunik, our risk management framework is designed with the following objectives:

- Identify possible risks and assess possible impact
- Look beyond mere mitigation and transform risks into opportunities
- Develop a culture where employees are enthused to respond to risks with appropriate actions
- Make the internal and external reporting structure more effective

### Industry risk 1

Any slowdown in the steel industry could hamper the Company's growth.

#### Mitigation

According to the World Steel Association, India's apparent steel use is forecasted to reach 58 million ton by 2009-10. Moreover, mismatch in production and consumption rates can lead to a spurt in various steel product prices, which is advantageous for the steel manufacturers.

### Segment risk 2

India's auto-component segment could be adversely impacted owing to weak vehicle demand.

#### Mitigation

- Developed products (seamless tubes and pipes) for the power and gas sector with a five-year demand potential of US\$ 118 billion
- Developed products (fish plate metal liner and elastic rail clip) for the Indian Railways with a demand potential of 9 cr. pieces annually and retrospective annual growth of 15%
- Catered to the steel requirements of Power Grid Corporation of India.

### Business portfolio risk 3

Dependency on a single business could hamper growth during a slowdown.

#### Mitigation

The Company's acquisition of OMML will enable it to generate income through merchant mining, whereas its acquisition of Adhunik Power and Natural Resources Limited will enable the Company's subsidiary to generate revenues through power generation. Consequently, when fully commissioned, the Company expects non-steel revenues to account for 40% of its total revenues.

### Quality risk 4

Any deviation in quality could affect client retention.

#### Mitigation

The Company received approvals from the Bureau of Indian Standards, Research Designs and Standards Organisation (RDSO) and major OEMs, indicating quality robustness. The Company also caters to the requirements of the public sector companies like BHEL, NTPC and PGCIL, following stringent customer audits. The Company invested in the following assets to enhance quality: vacuum de-gassing system for consistently high quality, refractory in the pouring vessel to maintain purity, electromagnetic stirring for enhanced macro structure and automatic mould level controller for

superior surface finish. Consequently, rejection rates declined to less than 1% of the product mix.

### Technology risk 5

Obsolete technology could warrant high-cost replacements.

#### Mitigation

- The major part of the Company's steel operations are automated, enabling it to reduce costs. Moreover, it also acquired technology from China for manufacturing TMT bars.
- The Company possesses state-of-the-art machinery for its mining operations as well, enabling optimal excavation.

The technologies are upgradeable. The Company invested Rs. [] cr. in three years towards upgradation.

### Funding risk 6

The unavailability of funds could hamper expansion.

#### Mitigation

- Achieved financial closure for all its expansion programmes
- Demonstrated the ability to accelerate project execution, enhancing the confidence of bankers
- Does not expect to borrow afresh in 2009-10

### Cost risk 7

The increasing cost of operations may squeeze margins.

#### Mitigation

The Company undertook various cost-cutting initiatives during the year which include activation of merchant iron ore mines of OMML, commencement of operations at the lime plant, sinter plant, 17-MW second captive power plant and railway siding and commissioning of

the coke oven plant which resulted in an overall cost reduction of 15% during the year. The initiatives would have full effect in 2009-10, which will further reduce costs by 25%.

### Raw material risk 8

Adhunik's profitability may be impacted by raw material price fluctuations.

#### Mitigation

- Activated merchant iron ore mines of OMML (a 100% subsidiary), enabling it to source raw materials in-house
- Entered into stable long-term arrangements for coal supply. It activated its coke oven operations in April 2009, which will eliminate dependence on imported coke

### Environment risk 9

Steel manufacture is potentially hazardous to the environment in the event of an absence of controls.

#### Mitigation

The Company recycles more than 95% of its waste. The sinter plant utilises the waste fines, increasing waste utilisation by 15%. The second captive power plant utilises waste heat of DRI with char waste, which contains more than 20% of carbon. Moreover, its rolling mill, coke oven and brick plant play a significant role in reducing waste. The Company applied for UNFCC registration, the benefits of which will be visible in 2009-10.



# CORPORATE SUSTAINABILITY

# CORPORATE SOCIAL RESPONSIBILITY

AT ADHUNIK, WE BELIEVE CORPORATE SOCIAL RESPONSIBILITY DOVETAILS BUSINESS GROWTH WITH SOCIAL AND ENVIRONMENTAL WELL-BEING.

## Environment, health and safety

The Company endeavours to maintain and even improve environmental well-being through various initiatives – air pollution control, waste management, drainage system establishment, road construction, landscaping and beautification, among others. Towards employee safety, Adhunik created a safety calendar, appointed safety officers and doctors and established dispensaries. Adhunik maintains environmental, health and safety standards by:

- Complying with national and international standards across all operational aspects
- Identifying and mitigating job-specific risks
- Spreading health and safety awareness through employee training
- Preparing for emergencies by appointing personnel, procedures and facilities

- Improving pollution control through advanced initiatives
- Using eco-friendly technologies to grow cleaner and greener

## Our green way ahead

### Zero-waste discharge

The Company is targeting a zero-discharge plant by integrating certain changes which include the following:

- Recycle and reuse accumulated dust particles from the electrostatic precipitator in the blast furnace at the sinter plant
- Generate power at the new captive power plant using rejects from coal washery, char from the DRI kilns and waste heat from the DRI plant

### Electrostatic precipitator (ESP)

The Company installed a full-fledged dust extraction mechanism known as the ESP in the DRI kilns. The ESP separates dust electrostatically from flue gases of the DRI kilns, emitting only pollution-free gas.

AS A RESPONSIBLE CORPORATE CITIZEN, ADHUNIK HAS SINCERELY PROMOTED SOCIAL WELL BEING, OVER THE YEARS, CONTRIBUTING TOWARDS HEALTHCARE, EDUCATION, DRINKING WATER, INFRASTRUCTURE AND ECONOMIC DEVELOPMENT.

The Company not only engages in large-scale functional projects, but also holds periodic programmes benefiting villagers. Its CSR activities, around the Rourkela and Jamshedpur plants and mines, benefit the local villagers. The Company actively enhances and creates environment awareness and contributes towards bio-diversity. It has spent nearly Rs. 1.5 cr. on CSR-related activities.

The Company's growth as a socially responsible organisation can be summarised through various initiatives which include:

- Establishing Nav Nirman Sanstha, (NNS, registered under Society Act), an NGO for community development of the peripheral areas around the Jharkhand and Rourkela plants and mines
- Using machinery like the electrostatic precipitator, bed filters and FES systems, among others, to control pollution
- Acquiring road-sweeping machines and truck-mounted industry vacuum cleaners for civic cleanliness
- Identifying six villages to provide enhanced electricity and clean drinking water facilities and develop schools
- Planting trees for a greener tomorrow
- Distributing free blankets
- Building roads and bridges; constructing playgrounds for children from neighbouring villages

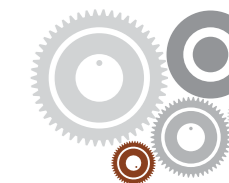
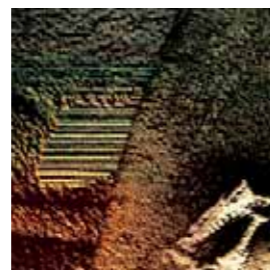
- Developing community halls
- Organising football and cricket matches twice a year to encourage sports. Also provides sponsorship to the players at the national level.
- Promoting education by developing schools, distributing free books and stationery to poor students and providing scholarships as well as sponsoring teachers
- Maintaining health centres; running an ambulance for emergency services; arranging free doctor visits (thrice weekly), to as many as 12 surrounding villages; operating mobile dispensaries in peripheral villages; organising blood donations camps and free weekly and fortnightly medical check-ups for the villagers; organising medical treatment for employees as well as underprivileged villagers; working towards the establishment of a 6 bed hospital at Rourkela
- Organising training programmes on stitching and embroidery for women and terracotta for the potter community, among others
- Initiating irrigation schemes targeting more than 300 acres of agricultural land, benefiting more than 700 families; this scheme would supply free irrigation water to local farmers, empowering the rural economy
- Develop a help-desk to address the problems of the community in the nearby villages
- Develop self-help group in peripheral villages

During the year ahead, the Company plans to construct a hospital, bus stands drinking water facilities and maintain sports grounds, among others, with a proposed investment of Rs. 2 cr.





# DIRECTORS' REPORT



*Dear Shareholders and friends,*

## Financial highlights

in Rs. lakhs

	2008-09	2007-08
Sales, services and job work	1,28,154	1,10,404
Less: Excise duty	11,775	9,945
	<b>1,16,379</b>	<b>1,00,459</b>
Profit before interest, depreciation and tax	18,038	17,134
Less: Interest	10,649	5,676
Depreciation	3,963	2,325
Profit before tax	3,426	9,133
Less: Provision for taxation		
Current tax	384	1,042
Excess provision for taxation written back	(12)	-
Deferred tax	-	-
Fringe benefit tax	40	45
Profit after taxation	3,014	8,046
Add: Balance brought forward from the previous year	16,611	10,650
Profit available for appropriation	19,625	18,696
Less: Proposed dividend	1,055	1,095
Dividend tax	179	186
Profit carried to balance sheet	18,391	17,415

### Deferred tax

In terms of accounting standard on 'Accounting for Taxes on Income' (AS-22) and in compliance with Hon'ble Calcutta High Court order dated: May 07, 2007, the securities premium account was utilised towards net deferred tax liability amounting to Rs. 3586.02 lakhs for the year under review.

### Dividend

The Board, for the year ended March 31, 2009 recommended a dividend of Re. 1 per share (Rs. 1.20 per share for the year ended March 31, 2008) subject to approval of the shareholders at the Annual General Meeting. The dividend will be paid on 10,55,05,814 ordinary shares of the Company (9,12,31,247 ordinary shares for the year ended March 31, 2008).

## Year in retrospect

### Operations

During the year, your Company witnessed a robust growth in sales and profit figures, coupled with wider geographic extension of customer base and extension of the product mix to growing sectors. The production of billets increased from 2,21,786 MT in the last year to 2,48,811 MT in year 2009. Your Company capitalised on higher realisations which are a complement to its service, product mix and customisation. Billet realisations strengthened from Rs. 25,341 to Rs. 29,782 per MT and rolled products from Rs. 33,617 to Rs. 45,380 per MT across the period. The Company during the year commissioned its sinter plant, AOD and bloom caster, railway siding, lime calcination plant and producer gas plant, oxygen plant, centralised raw material system, power distribution system and second ferro alloy plant. It achieved technical parameters of operation and stabilisation of production efficiency and commenced commercial production which culminated into reduction of production cost to a great extent and substantially benefits operations by insulating from internal volatility.

### Expansions

During the year 2009-10, the Company intends to complete the balance backward integration model by commissioning the DRI kiln of 350 TPD, clubbed with CPP of 17 MW, as well as to take all required steps to start the captive iron ore mines.

### Subsidiaries

During 2008-09, the Company invested in Adhunik Power & Natural Resources Ltd which will implement 270 X 2 thermal power project in the state of Jharkhand, respectively and the said company became a subsidiary of your Company with effect from November 14, 2008.

Your Company has made an application to Ministry of Corporate Affairs, Govt. of India to grant approval not to attach various documents in respect of subsidiary Companies, namely Orissa Manganese & Minerals Limited, Adhunik Power & Natural Resources Ltd, Neepaz V Forge (India) Limited and Unistar Galvanisers & Fabricators Pvt. Ltd. as set out in Sub-section(1) of Section 212 of

the Companies Act, 1956. As on the date of signing of this report the said approval is awaited. However, as required by the Ministry of Corporate Affairs while sanctioning last year's approval, the relevant details for the year under review is attached herewith. Accordingly, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary Company are not been attached with the Balance Sheet of the Company. Investors who wish to have a copy of annual accounts and detailed information on the subsidiaries may write to the Company. The annual accounts of the subsidiary Companies will also be kept open for inspection by any investor at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company includes financial results of its subsidiaries.

A statement, as required under Section 212 of the Companies Act, 1956, relating subsidiaries is disclosed in the Annual Report.

### Personnel

At Adhunik, values make for more than just a powerful tagline. We have a proven role model for creating wealth ethically and legally. We engage employees through a fair and rewarding work environment.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is given in the annexure, attached hereto and forms a part of this Report.

### Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Ghanshyamdas Agarwal, Mr. Mohan Lal Agarwal, Mr. L. M. Chatterjee and Mr. Nihar Ranjan Hota, Directors of your Company, retire from the Board by rotation and being eligible, offer themselves for reelection at the ensuing Annual General Meeting.

The Company received a notice from a member under the provisions of Section 257 of the Companies Act, 1956, nominating reappointment of Mr. Nandanandan Mishra in the Annual General Meeting (AGM). Mr. Mishra was appointed on the Board of the Company as an Additional Director on October 27, 2008 and holds his office till the ensuing Annual General Meeting.



The Company received a notice from a member under the provisions of Section 257 of the Companies Act, 1956, nominating reappointment of Mr. Makhan Lal Majumdar in the Annual General Meeting. Mr. Majumdar was appointed on the Board of the Company as an Additional Director on January 30, 2009 and will hold office till the ensuing Annual General Meeting.

The Company received a notice from a member under the provisions of Section 257 of the Companies Act, 1956, nominating reappointment of Mr. Surendra Mohan Lakhota in the Annual General Meeting. Mr. Lakhota was appointed on the Board of the Company as an Additional Director on May 28, 2009 and will hold office till the ensuing Annual General Meeting.

The Board places on record its deep appreciation for the valuable contributions made by Shri Supriya Gupta, an Independent Director, who passed away on February 07, 2009 during his tenure as the Chairman to the Audit Committee as well as the member of the Board of Directors of the Company.

**Directors' responsibility statement**

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors confirm and state that

- (i) In the preparation of the annual accounts for the financial year ended March 31, 2009, the applicable accounting standards had been followed and that there were no material departures
- (ii) 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 as at March 31, 2009 and of the profit of the Company for that period
- (iii) The Directors had taken proper and sufficient care for the maintenance adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (iv) The Directors had prepared the annual accounts on a going concern basis.

**Corporate Governance**

Your Company has been practicing good Corporate Governance over the years and lays strong emphasis on transparency, accountability and integrity. A separate section on Corporate Governance is given in the Annual Report and a certificate from Mr. B. P. Dhanuka, practicing Company Secretary, regarding compliance of conditions and provisions of the Corporate Governance is given as annexure to the Report along with a certificate from CEO/CFO in terms of sub-Clause (v) of Clause 49 of the Listing Agreement is annexed in the Corporate Governance Report.

**Code of Conduct**

The Board has laid down a Code of Conduct for all Board members and senior management of the Company.

Board members and senior management personnel have affirmed compliance with the Code for the financial year 2008-09. A certificate from the CEO is annexed in this regard.

**Statutory disclosures**

None of the Directors of the Company are disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

Mr. Anand Sharma joined as Company Secretary of the Company with effect from April 01, 2009 replacing Mr. Saugata Sengupta, who resigned from the services of the Company.

Information as required by Section 217(1)(e) of the Companies Act, 1956, read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is given in the annexure attached hereto and forms a part of this Report.

**Consolidated financial statements and cash flow statement**

As stipulated by Clause 32 of the Listing Agreement, the consolidated financial statements were prepared by your Company in accordance with the applicable accounting standards issued by The Institute of

Chartered Accountants of India and the same together with the Auditor's Report thereof form a part of the Annual Report. The consolidated net profit of the Company and its subsidiary amounted to Rs. 4,662.18 lakhs as compared to Rs. 3,014.72 lakhs for the Company on a standalone basis. The cash flow statement for the year under reference is annexed hereto.

**Auditors**

The Company received a requisite certificate pursuant to Section 224(1B) of the Companies Act, 1956 from M/s S. R. Batliboi & Co., Auditors of your Company regarding their eligibility for reappointment as Auditors, who retire at the ensuing Annual General Meeting and we recommend their reappointment.

The comments made by the auditors in their report are self explanatory and hence do not require any further explanation.

**Secretarial audit report**

As a measure of good corporate governance practice, the Board of

Directors of the Company appointed Mr. B. P. Dhanuka, practicing Company Secretary (former President of the Institute of Company Secretaries of India), to conduct independent secretarial audit of the Company. The secretarial compliance certificate for the financial year ended March 31, 2009, is provided in the Annual Report.

The secretarial compliance certificate confirms that the Company complied with all the applicable provisions of the Companies Act, 1956, Listing Agreements with the stock exchanges, Securities Contract (Regulation) Act, 1956 and all the regulations of SEBI as applicable to the Company, including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the SEBI (Prohibition of Insider Trading) Regulations, 1992.

In terms of requirements of Clause 5A of the Listing Agreement, with relation to shares issued to public issue or any other issue and remain unclaimed and lying in the suspense account, the details whereof, as provided by the Registrar and Transfer Agents, are as follows:

Year	Opening balance as on April 01, 2008		Cases disposed off during the financial year 2008-09		Closing balance as on March 31, 2009	
	Number of cases	Number of shares	Number of cases	Number of shares	Number of cases	Number of shares
2008-09	16	6,840	4	1,715	12	5,125

**Appreciation**

The Board takes this opportunity to express its sincere appreciation for the excellent support and cooperation received from the Company's customers, suppliers, government authorities, bankers, investors, financial institutions and shareholders for their consistent support to the Company. The Directors also sincerely acknowledge the outstanding support and services of the workers, staff and executives of the Company which together contributed towards the efficient operation and management of the Company.

Registered office  
14 Netaji Subhash Road, Kolkata - 700001  
Date: June 29, 2009

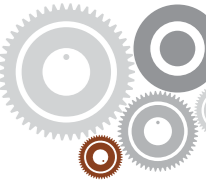
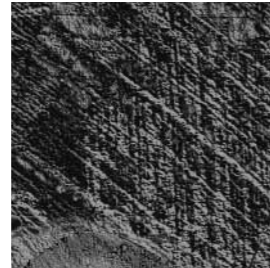
For and on behalf of the Board

*Ghanshyamdas Agarwal*  
Ghanshyamdas Agarwal  
Chairman

*Manoj Kumar Agarwal*  
Manoj Kumar Agarwal  
Managing Director



# ANNEXURE TO THE DIRECTORS' REPORT



Disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## Conservation of Energy

A number of energy conservation measures were taken, which apart from improving the energy consumption also helped in utilization of some of the waste products to facilitate conservation of energy.

The notable measures are the following:

- Commissioning of 150 Tons per hr. of CFBC boiler: This boiler utilizes the high ash middlings as well as coal fines which are internally generated from coal washery and were coal washery rejects not having any particular outlet so long.

- The sensible heat of stack gas from Blast Furnace Stoves is utilised for de-moisturisation of coke in the stock house of Blast Furnace.

- Oxygen enrichment of B.F. gas in re-heating furnace of rolling mills.

- Use of sinter in the Blast Furnace burden after commissioning of sinter plant, thereby reducing the coke rate in Blast Furnace appreciably.

The above measures have helped in reduction of energy consumption and also utilization of some of the waste products into energy.

Form for disclosure of particulars with respect to Conservation of Energy are as follows:

	2008-09	2007-08
<b>A Power &amp; Fuel Consumption</b>		
1. Electricity		
A) Purchased		
Unit (Lakhs - Kwh)	2,393.44	1,779.41
Total Amount (Rs. In Lakhs)	8,115.97	6,107.58
Cost per Unit (Rs. In Lakhs)	3.39	3.43
B) Own Generation		
I) Through Diesel Generation		
Unit (Lakhs - Kwh)	1.99	25.33
Unit Per Ltrs. Of High Speed Diesel (Kwh)	3.65	3.65
Cost per Unit (Rs. In Lakhs)	8.82	8.12
II) Through Steam Turbine / Generator		
Unit (Lakhs - Kwh)	630.12	392.87
Total Amount (Rs. In Lakhs)	1,182.03	601.09
Cost per Unit (Rs. In Lakhs)	1.88	1.53

	2008-09	2007-08
2. Coal		
Quantity (Tons)	484,314.00	281,757.38
Total Cost	826,394,000.00	467,217,334.00
Average Cost	1,706.32	1,658.23
3. Furnace Oil		
4. Light Diesel Oil		
Quantity (K. Ltrs)		
Total Amount (Rs. In Lakhs)		
Average Rate (Rs. per K.Ltrs)		
5. High Speed Diesel Oil		
Quantity (K. Ltrs)	53,719	693,398
Total Amount (Rs. In Lakhs)	17.52	250.73
Average Rate (Rs. per K.Ltrs)	32.61	36.16
<b>B Consumption (In Units) Per Tonne of Sponge Iron</b>		
Electricity	107.86	90.00
Coal		
Furnace Oil		
Others		
Light Diesel Oil (Litres)		
High Speed Diesel Oil (Litres)		
<b>Consumption (In Units) Per Tonne of Pig Iron</b>		
Electricity	162.05	125.00
Coal		
Furnace Oil		
Others		
Light Diesel Oil (Litres)		
High Speed Diesel Oil (Litres)		



	2008-09	2007-08
<b>Consumption (In Units) Per Tonne of Billet</b>		
Electricity	623.41	571.03
Coal		
Furnace Oil		
Others		
Light Diesel Oil (Litres)		
High Speed Diesel Oil (Litres)		
<b>Consumption (In Units) Per Tonne of Rolled Product</b>		
Electricity	144.63	200.00
Coal		
Furnace Oil		
Others		
Light Diesel Oil (Litres)		
High Speed Diesel Oil (Litres)		
<b>Consumption (In Units) Per Tonne of Silico Mang &amp; Ferro Mang. &amp; Ferro Chrome</b>		
Electricity	4,410.65	4,800.00
Coal		
Furnace Oil		
Others		
Light Diesel Oil (Litres)		
High Speed Diesel Oil (Litres)		

### Research & Development (R&D)

#### Specific Areas in which R&D carried out by the Company

R&D activities were carried out mainly for development of new grades of special steel, improvement in quality and reduction of cost. Stainless steel was produced for the first time by your Company through induction furnace -AOD route. After commissioning of the bloom caster, sections upto 180 dia and 160 RCS were successfully rolled from 300/320 blooms. Your Company has embarked upon

developing steel grades as well as rolled products of stringent specification for overseas auto manufacturers.

#### Benefits derived as a result of the above R&D

The samples of such products have already got the approval from some of the world famous auto makers.

#### Future plan of action

Crank shaft quality steel, which has already found its market, is being further pursued for its acceptance from OEMs. Approval of

creep resistance steel is in the process.

#### Expenditure on R&D

R&D is carried on by your Company as a part of ongoing development activity and the expenditure thereof is considered as part of operating / project expenditure.

#### Technology Absorption, Adaptation and Innovation

Your Company is now becoming a truly integrated special steel plant through forward and backward integration. While the coke oven is commissioned as a part of backward integration, rolling of bars and rods of alloy steel grade is on anvil as a part of forward integration.

The culture of continuous learning has been established in your Company. Creativity and innovation are given the priority through small groups and large groups' interactive sessions as well as sharing of knowledge in different technology fora.

#### Foreign Exchange Earnings and Outgo

Rs. in Lakhs

Particulars	2008-09	2007-08
Foreign Exchange Earning	6623.26	8047.83
Foreign Exchange Outgo	8656.98	15658.42

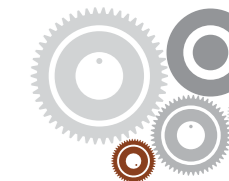
### STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name and qualification	Age in years	Designation & Qualification	Nature of duties	Date of employment	Gross remuneration (Rs.)	Experience No. of years	Last employment
Mr. Manoj Agarwal	39	Managing Director B.E. (Engg.)	Management and overall incharge	16.03.2004	10,046,908	17	Nil
Mr. Nilotpal Roy	61	JMD & CEO B.E. (Chemical), M.Tech. (Chemical)	Management	11.02.2008	6,000,000	38	IISCO (SAIL)
Ashutosh Agarwal *	44	ED - Finance - Metal & Mining B.Com., ACA, AICWA	Incharge of finance	16.10.2008	2,590,797	21 Ltd.	Electrosteel Castings
S.P. Lalwani *	48	VP (Ferro Alloys- Marketing) B.Com, Diploma in Marketing Management	Incharge of marketing (FAD)	05.12.2008	891,413	25	Raipur Alloys & Steel Limited

\* Employed for a part of the year



# REPORT ON CORPORATE GOVERNANCE



Your Company has been practicing the principles of good Corporate Governance, which comprise all activities that result in the control of the Company in a regulated manner, aiming to achieve transparent, accountable and fair management.

The details of the Corporate Governance compliance by the Company as per Clause 49 of the listing agreement with Stock Exchanges are as under

## Company's philosophy on Corporate Governance

The basic philosophy of Corporate Governance of the Company is to achieve business excellence and to dedicate itself for increasing long-term shareholders' value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealings and places high emphasis on business ethics.

The key elements of good Corporate Governance include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and a commitment to the organisation. The Corporate Governance framework of the Company ensures that a timely and accurate disclosure is made on all material matters regarding the Company, including the financial statements,

performance, ownership and governance of the Company. The Board believes good Corporate Governance is voluntary and self-disciplining. The Board supports principles of good governance and lays appropriate emphasis on regulatory compliance, integrity and accountability.

## Board of Directors

In terms of the Company's Corporate Governance policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the shareholders. The Board of the Company comprises an adequate blend of professional, Executive and Independent Directors.

### Composition

During 2008-09, the Board had optimum composition of 12 (twelve) Directors including 6 (six) Independent Directors. During 2008-09, the Board met six times on June 02, 2008, June 30, 2008, July 29, 2008, October 27, 2008, January 30, 2009 and February 28, 2009.

The constitution of the Board during the year ended March 31, 2009 and their attendance at the Board meetings, last Annual General Meeting and the Directorship/ Chairmanship/Membership of Committee of each Director in other companies are as under:

Sl. no.	Name of Director	Attendance		Category of Directors	Other Directorship	Other committee membership	Other committee chairmanship
		Board	Last AGM				
1	Shri Ghanshyamdas Agarwal	05	No	Non-Executive Chairman	13	X	X
2	Shri Jugal Kishore Agarwal	06	Yes	Non-Executive Director	12	X	X
3	Shri Nirmal Kumar Agarwal	03	Yes	Non-Executive Director	14	X	X
4	Shri Mohanlal Agarwal	04	No	Non-Executive Director	15	X	X
5	Shri Mahesh Kumar Agarwal	03	Yes	Non-Executive Director	14	X	X
6	Shri Supriya Gupta	03	Yes	Independent Director	12	04	05
7	Shri Nihar Ranjan Hota	06	Yes	Independent Director	Nil	X	X

Sl. no.	Name of Director	Attendance		Category of Directors	Other Directorship	Other committee membership	Other committee chairmanship
		Board	Last AGM				
8	Shri Lalit Mohan Chatterjee	05	Yes	Independent Director	Nil	01	X
9	Dr. Ram Gopal Agarwala	05	Yes	Independent Director	01	X	X
10	Shri Makhan Lal Majumdar	02	N.A.	Independent Director	03	X	X
11	Shri Nandanandan Mishra	02	N.A.	Independent Director	03	X	X
12	Shri Manoj Kumar Agarwal	05	Yes	Managing Director	12	X	X

### Notes:

- Shri Nandanandan Mishra was appointed on Board as Additional Director with effect from October 27, 2008.
- Shri Makhan Lal Majumdar was appointed on Board with effect from January 30, 2009 as Additional Director.
- Shri Supriya Gupta ceased to be Director due to his demise on February 07, 2009.  
Mr. Surendra Mohan Lakhota was appointed with effect from May 28, 2009 as Independent Additional Director and Chairman of Audit Committee.
- Directors (serial nos. 1 to 5 and 12) are related to each other.
- Committee includes Audit Committee, Compensation Committee and Shareholders'/Investors' Grievance Committee only.
- Other directorship includes directorship in public companies only.
- All Directors certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956, were not applicable to them.
- None of the Directors is a member in more than 10 committees or act as a Chairman of more than five committees across all companies in which he is a Director and the same is in compliance with Clause 49(c)(iv) of the Listing Agreement
- No other fees/compensation except sitting fee is paid to Non-Executive Directors.

### Board business

The normal business of the Board includes:

- Strategies for shaping of portfolio and direction of the Company and priorities, in corporate resource allocation
- Corporate annual plan and operating framework
- Quarterly business performance reports
- Convening a meeting of shareholders of the Company, setting the agenda thereof, and ensuring that a satisfactory dialogue with shareholders takes place
- Declaration / recommendation of dividend
- Review functioning of the Board and its Committees
- Review functioning of the subsidiary companies
- Annual review of accounts for adoption by shareholders
- Quarterly and annual results announcements
- Merger, acquisition, joint venture or disposal, if any
- Recruitment and remuneration of senior management
- Materially important show cause, demand, prosecution and penalty notices
- Significant development in the human resources and industrial relations fronts
- Risk evaluation and control
- Compliance with all relevant legislations and regulations



**Board support**

The Management and the conduct of the affairs of the Company lie with the Managing Director, who heads the management team. He is collectively entrusted with the task of ensuring that all management functions are executed professionally, and are accountable to the Board for their actions and results.

The Company Secretary of the Company attends all the meetings of Board and advises/assures the Board on compliance and governance principles.

**Board independence**

Our definition of independence of Directors is derived from Clause 49 of the Listing Agreement with stock exchanges. Based on the confirmation/disclosures from the Directors and on evaluation of relationships disclosed, the Company had an optimum mix of Independent Directors on the Board of the Company which is in conformity with Clause 49 of the Listing Agreement.

The Independent Directors have the requisite qualifications and experience in their respective fields which is of great use to the Company. They contribute in significant measure to Board Committees. Their independent role vis-à-vis the Company means that they have a special contribution to make in situations where they add a broader perspective by ensuring that the interests of all stakeholders are kept in acceptable balance and in providing an objective view in any instances where a (potential) conflict of interest may arise between stakeholders.

**Board meetings**

**Scheduling and selection of agenda items for Board meetings**

- i) The Company holds minimum of four Board meetings in each year, which are pre-scheduled after the end of each quarter. Apart from the four pre-scheduled Board meetings, additional Board meetings are convened by giving appropriate notice at any time to address the specific needs of the Company.
- ii) All departments in the Company are encouraged to plan their functions well in advance, particularly with regard to matters

requiring discussion / approval in the Board Committee meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the agenda for the Board meetings.

- iii) The Board is given presentations covering finance, the major business segments and operations of the Company, before taking on record the results of the Company for the preceding financial quarter at each of the pre-scheduled Board meeting.

The Chairman of the Board and the Company Secretary in consultation with the other concerned persons in senior management finalise the agenda papers for the Board meeting. Directors have access to the Company Secretary's support and all information of the Company and are free to suggest inclusion of any matter in the Agenda.

**Board material distributed in advance**

Agenda papers are circulated to the Directors, in advance. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any documents to the agenda, the same are placed on the table at the meeting.

**Recording minutes of proceedings at Board/Committee meetings**

The Company Secretary records the minutes of the proceedings of each Board meeting. Draft minutes are circulated to all the members of the Board for their comments. The minutes of proceedings of a meeting are generally entered in the minutes book within 30 days from the conclusion of the meeting.

**Committees of the Board**

The Board committees play a crucial role in the governance structure of the Company and are being set out to deal with specific areas/activities which concern the Company and need a closer review. The Board committees are set up under the formal approval of the Board, to carry out the clearly defined role which is considered to be performed by members of the Board as a part of good governance practice. The Board supervises the execution of its

responsibilities by the Committees and is responsible for their action. The minutes of the meetings of all the Committees are placed before the Board for review.

To enable better and focused attention on the affairs of the Company, the Board constituted the following committees

**Audit Committee**

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the stock exchange(s). The Company also complies with provisions of section 292A of the Companies Act, 1956, pertaining to the Audit Committee and its functioning.

The Audit Committee comprises three Independent Directors and the Managing Director is also a member. The terms of reference of this Committee encompass the whole of that content in the SEBI code as well as section 292A of the Companies Act 1956. The Committee comprises Shri Supriya Gupta (till February 07, 2009) as the Chairman of the Committee along with Shri N. R. Hota, Shri L. M. Chatterjee and Shri Manoj Kumar Agarwal as its members and is mandated to meet at least four times in a year. Mr. Surendra Mohan Lakhota was made the Chairman of the Audit Committee w.e.f. May 28, 2009.

Statutory auditors, internal auditors and the Chief Financial Officer of the Company are permanent invitees to Audit Committee meetings.

The Company Secretary acts as the Secretary to the Committee.

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal control and financial reporting process and inter alia performs the following functions:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible
- Recommending the appointment and removal of external auditors,

fixation of audit fee and approval for payment of any other services

- Reviewing with management the annual financial statements before submission to the Board
- Reviewing with the management the annual financial statements of the subsidiary companies
- Reviewing with the management and external and internal auditors, the adequacy of internal control systems
- Reviewing the adequacy of internal audit function
- Discussing with internal auditors any significant findings and follow up on such issues
- Discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain area of concern, if any and
- Reviewing the Company's financial and risk management policies

Six meetings were held during the financial year on June 02, 2008, June 30, 2008, July 29, 2008, October 27, 2008, January 30, 2009 and February 28, 2009.

**Attendance record of Audit Committee members**

Name of the Director	No. of Meetings	Meetings attended
Shri Supriya Gupta	5	03
Shri Nihar Ranjan Hota	6	05
Shri Lalit Mohan Chatterjee	6	05
Shri Manoj Kumar Agarwal	6	05

**Compensation Committee**

This Committee comprises Independent Directors of the Company namely Shri Supriya Gupta (as Chairman of Compensation Committee), Shri L. M. Chatterjee, Shri N. R. Hota and Shri M. L. Majumdar (was introduced and became a member of the Committee w.e.f. January 30, 2009). The Compensation Committee was set up to review the overall compensation structure and related policies of the



Company with a view to attract, motivate and retain employees. The Committee determines the Company's policies on remuneration packages payable to Managing Director and also reviews the compensation levels vis-à-vis other companies and the industry in general. The Company Secretary acts as the Secretary to the Committee.

Two Meetings were held during the financial year on June 02, 2008 and February 28, 2009.

**Attendance record of Compensation Committee**

Name of the Director	No. of Meetings	Meetings attended
Shri Supriya Gupta	1	1
Shri Nihar Ranjan Hota	2	2
Shri Lalit Mohan Chatterjee	2	2
Shri Makhan Lal Majumdar	2	1

The Directors are paid a sitting fee of Rs. 20,000 for attending Board meeting and Rs. 10,000 for Audit and Compensation Committee meeting.

**Details of remuneration paid to the Directors during 2008-09**

(Figures in Rs.)

Name of Director	Basic + benefit	Board meeting sitting fees	Committee meeting fees	Total
Shri. Ghanshyamdas Agarwal	Nil	75,000	Nil	75,000
Shri Jugal Kishore Agarwal	Nil	80,000	Nil	80,000
Shri Nirmal Kumar Agarwal	Nil	60,000	Nil	60,000
Shri Mohan Lal Agarwal	Nil	50,000	Nil	50,000
Shri Mahesh Kumar Agarwal	Nil	50,000	Nil	50,000
Shri Supriya Gupta	Nil	35,000	17,500	52,500
Shri Nihar Ranjan Hota	Nil	75,000	50,000	1,25,000
Shri Lalit Mohan Chatterjee	Nil	70,000	47,500	1,17,500
Dr. Ramgopal Agarwala	Nil	75,000	Nil	75,000
Shri Nandanandan Mishra	Nil	60,000	Nil	60,000
Shri Makhan Lal Majumdar	Nil	40,000	10,000	50,000
Shri Manoj Kumar Agarwal	1,00,46,908	Nil	Nil	1,00,46,908

The Company revised the remuneration payable to the Managing Director by entering into a supplementary agreement dated June 02, 2008 and the Managing Director was reappointed for another term of five years subject to approval of shareholders by entering into an agreement dated February 28, 2009.

**Shareholders/Investors' Grievances Committee**

This Committee comprises Shri L. M. Chatterjee (Independent Director), Shri Ghanshyamdas Agarwal (Chairman) and Shri Mahesh Kumar Agarwal (Director). The Committee was constituted to address investor grievances and complaints in matters such as transfer of equity shares, non-receipt of annual reports and non-receipt of declared dividends, among others, and ensure an expeditious resolution to the matter. The Committee also evaluates performance and service standards of Registrar and Transfer Agent and provides continuous guidance to improve the service levels for investors.

The Company Secretary was appointed as the Compliance Officer under relevant regulations and was delegated authority to attend to share transfer formalities.

Two Meetings were held during the financial year on April 02, 2008 and February 28, 2009.

**Attendance record of Shareholders/Investors' Grievances Committee**

Name of the Director	No. of Meetings	Meetings attended
Shri Ghanshyamdas Agarwal	2	02
Shri Mahesh Kumar Agarwal	2	02
Shri Lalit Mohan Chatterjee	2	02

**Details of queries and grievances received and disposed off during 2008-09 (As per R&TA records)**

Sl. No.	Nature of query/ complaint	Received	Disposed off
1	Non-receipt of refund	09	09
2	Non-receipt of dividend	30	30
3	Correction of refund orders	0	0
4	Duplicate refund order	12	12
5	SEBI/stock exchange complaints	02	02
6	Duplicate dividend warrant	48	48
<b>Total</b>		<b>101</b>	<b>101</b>

No complaints were pending as on March 31, 2009.

**Subsidiary companies**

In the year 2006, Unistar Galvanisers Et Fabricators Private Limited became a subsidiary of the Company from July 17, 2006. In 2007, Orissa Manganese Et Minerals Private Limited and Nepaaz VForge (India) Limited became subsidiaries of the Company from April 05, 2007 and October 04, 2007, respectively. In the year 2008, Adhunik Power Et Natural Resources Ltd became subsidiary of the Company from November 14, 2008.

**Disclosures**

There was no materially significant related party transaction entered into by the Company with the promoter Directors or their relatives or with subsidiaries during the period that may have potential conflict with interest of the Company at large. Transactions with related parties are disclosed in Note No. 30(b) of Schedule 25 to the accounts in the Annual Report.

There was no non-compliance penalties/strictures imposed on the Company by stock exchange(s) or the SEBI or any other statutory authorities, on any matter related to capital markets during the last three years

There were no inter-se or pecuniary relationships or transactions with the Non-Executive Directors.

Management Discussion and Analysis Report is a part of the Annual Report.

**Shareholding of Directors in the Company as on March 31, 2009.**

Name of Directors	Number of equity shares
Shri Ghanshyamdas Agarwal	7,22,888
Shri Jugal Kishore Agarwal	11,51,000
Shri Nirmal Kumar Agarwal	13,10,500
Shri Mohan Lal Agarwal	12,18,388
Shri Mahesh Kumar Agarwal	9,72,410



Name of Directors	Number of equity shares
Shri Supriya Gupta	Nil
Shri Nihar Ranjan Hota	Nil
Shri Lalit Mohan Chatterjee	1,000
Dr. Ramgopal Agarwala	Nil
Shri Nandanandan Mishra	Nil
Shri Makhan Lal Majumdar	Nil

Name of Directors	Number of equity shares
Shri Manoj Kumar Agarwal	10,10,366

**Details of previous Annual General Meeting and postal ballots**  
The last three Annual General Meetings of the Company were held as per details given below:

Year	Date	Time	Venue	Number of special resolutions passed
2007-08	September 09, 2008	11.30 am	Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017	1. Increase in remuneration of Managing Director 2. Alteration of AOA for increase in number of Directors to 14
2006-07	September 14, 2007	11.30 am	Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017	Nil
2005-06	August 05, 2006	11.30 am	Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017	Nil

During the financial year, no resolution was put through postal ballot

### Code of Conduct

The Code of Conduct, as adopted by the Board, is applicable to Directors, senior management and employees of the Company. The Code is designed from three interlinked fundamental principles viz. good corporate governance, good citizenship and exemplary personal conduct. The Code covers commitment to sustainable development concern for occupational health, safety and environment, a gender-friendly workplace, transparency and auditability, legal compliance and the philosophy of leading by persona example. The Code is available on Company's website.

### Disclosures as required under clause 49 of Listing Agreement

All the members of the Board and senior management personnel of

the Company affirmed due observance of the Code of Conduct, framed pursuant to Clause 49 of the Listing Agreement with stock exchanges, in so far as it was applicable to them and there was no non compliance thereof during the year ended March 31, 2009.

Place: Kolkata  
Date: June 29, 2009

**Manoj Kumar Agarwal**  
Managing Director

### Code for prevention of insider trading practices

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, a comprehensive code for prevention of insider trading is in place. The objective of the code is to prevent purchase and /or sale of shares of the Company by insider on the basis of unpublished price sensitive information.

### CEO/CFO certification

The CEO and CFO certification of the financial statements for the year is annexed hereto.

### Compliance certificate

The compliance certificate from Shri B. P. Dhanuka, practicing Company Secretary, affirms that the Company complied with the conditions of corporate governance as were applicable as on March 31, 2009 and stipulated in Clause 49 of the Listing Agreement with the stock exchange(s) is annexed hereto.

### General shareholders' information

#### AGM details

Day and date	Friday, September 11, 2009
Venue	"Kalakunj" 48 Shakespeare Sarani, Kolkata - 700017
Time	11.00 A.M.

#### Book closure dates

August 31, 2009 to September 11, 2009 (both days inclusive)

#### Dividend payment date

September 16, 2009

#### Registrar & Share Transfer Agents

M/s Karvy Computershare Private Limited.  
Karvy House 46, Avenue 4  
Street no. 1, Banjara Hills, Hyderabad - 500034  
Tel no. 91-40-23312454/23320751  
Fax no. 91-40-23311968  
Email: mailmanager@karvy.com

#### Share transfer system

The Registrars and Share Transfer Agent, M/s Karvy Computershare Private Limited, register the share transfer after the shares are lodged for transfer, within a period ranging from 10 to 15 days provided the documents lodged with the Registrars/Company are in order.

### Dematerialisation of shares and liquidity

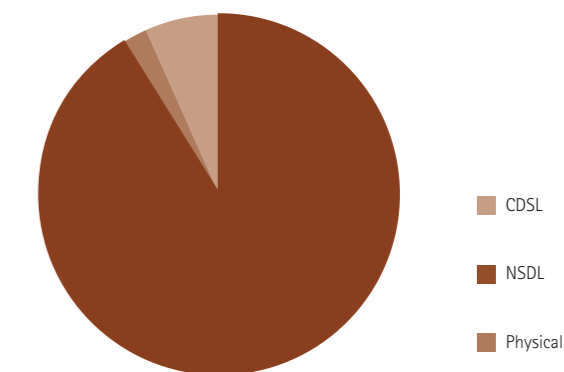
As per the SEBI requirement, the Company enlisted its shares with NSDL and CDSL and the shares of the Company are available for trading under both the depository systems in India. The International Securities Identification Number (ISIN) allotted to the Company's shares under the depository system is INE400H01019. The annual custody fee for the financial year 2009-10 has been paid to NSDL and CDSL, the depositories.

As on March 31, 2009, 8,92,34,914 shares of the Company constituting 97.82% of the issued and subscribed share capital stood dematerialised.

#### Details of demat and physical shares as on March 31, 2009

Description	Number of holders	Number of shares	% to equity
CDSL	6,846	5,95,31,661	6.53
NSDL	16,499	8,32,81,753	91.29
Physical	41	19,96,333	2.18
<b>Total</b>	<b>23,886</b>	<b>9,12,31,247</b>	<b>100.00</b>

#### Shares held in physical and dematerialised form as on March 31, 2009





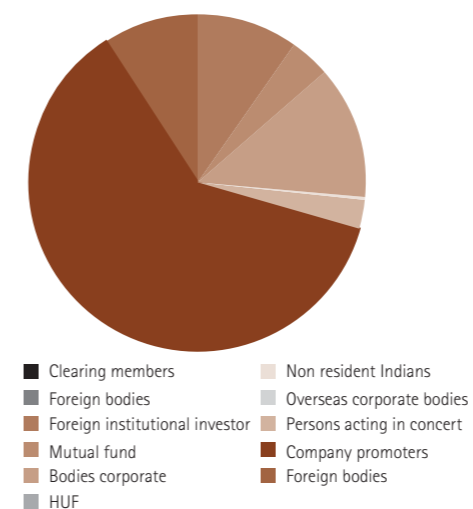
Distribution of shareholding as on March 31, 2009

Share holding of nominal value Rs.	Shareholders		Share Amount	
	Number	% to total	Rs.	% to total
Upto 5000	20402	87.24	27667830	3.03
5001-10000	1478	6.32	12070750	1.32
10001-20000	719	3.07	11044910	1.21
20001-30000	248	1.06	6442580	0.72
30001-40000	100	0.43	3,648,040	0.39
40001-50000	100	0.42	47,80,590	0.53
50001-100000	155	0.67	1,12,62,160	1.23
100001 and above	184	0.79	83,53,95,610	91.57
<b>Total</b>	<b>23,386</b>	<b>100</b>	<b>91,23,12,470</b>	<b>100.00</b>

Categories of shareholders as on March 31, 2009

Sl. No.	Category	Numbers of holders	Number of shares	% to equity
1	Clearing members	111	2,39,364	0.26%
2	Foreign bodies	0	0	0
3	Foreign institutional investor	15	88,00,701	9.65%
4	Mutual fund	11	35,14,980	3.85%
5	Bodies corporate	738	1,16,50,687	12.77%
6	HUF	0	0	0
7	Non resident Indians	374	305,661	0.34%
8	Overseas corporate bodies	01	1,000	0
9	Persons acting in concert	03	24,43,492	2.68%
10	Company promoters	16	5,59,65,920	61.34%
11	Resident individuals	22,117	83,09,442	9.11%
	<b>Total</b>	<b>23,386</b>	<b>9,12,31,247</b>	<b>100.00</b>

Shareholding pattern as on March 31, 2009



Global depository receipts

During 2008-09, the Company did not issue any GDR or ADR or warrants or any convertible bonds.

Listing of shares on stock exchanges with stock code

Stock exchange	Stock code
National Stock Exchange of India Ltd Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai - 400051 Telephone nos : 022-2659 8100/14 Facsimile no. : 022-2659 8120 Website : www.nseindia.com	ADHUNIK
Bombay Stock Exchange Ltd Phiroz Jeejeebhoy Towers Dalal Steel, Mumbai - 400001 Telephone nos: 022-2272 1233/34 Facsimile no. : 022-2272-1919 Website : www.bseindia.com	5372727

Listing fee for the year 2009-10 has been paid to both the above stock exchanges

Monthly high and low quotes and volume of shares traded on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE)

Stock data	BSE		NSE	
	High	Low	High	Low
2008				
April	182.00	125.00	181.95	127.25
May	184.45	145.25	183.50	145.00
June	184.80	112.00	184.95	112.00
July	133.80	94.65	131.50	94.25
August	126.80	107.00	129.50	101.30
September	111.45	48.70	112.50	48.65
October	69.95	33.35	69.90	33.20
November	53.30	23.60	53.85	23.55
December	38.00	20.85	37.90	22.35
2009				
January	39.15	27.00	39.25	27.50
February	32.95	26.05	32.75	26.00
March	30.80	23.05	31.35	23.10

Dividend history

Financial year	Dividend per share (Rs.)	Total dividend (Rs. in lakhs)
2008-09	1.00*	1234
2007-08	1.20	1281
2006-07	1.00	1067
2005-06	0.50	519

\* subject to approval of members



**Financial calendar**

Financial year 2009-10

1 First quarter results	July, 2009
2 Second quarter and half-year results	October, 2009
3 Third quarter results	January, 2010
4 Fourth quarter and annual results	June, 2010

**Postal ballot**

No special resolution requiring a postal ballot was proposed during 2008-09. No special resolution requiring a postal ballot is being proposed for the ensuing Annual General Meeting.

**Dedicated e-mail id**

To enable its members to register their grievance, the Company has designated an exclusive e-mail id, viz. [investorsrelation@adhunikgroup.co.in](mailto:investorsrelation@adhunikgroup.co.in).

**Plant location**

VIII. – Chadriharipur, P.O. Kuarmunda  
District Sundergarh, Orissa, India

**Investors correspondence**

All queries of investors regarding the Company's shares or other matters may be sent at the following addresses


The Company Secretary  
Adhunik Metaliks Limited  
Lansdowne Towers, 2/1A, Sarat Bose Road, Kolkata – 700020  
Tel no. 91-33-30517100 • Fax no. 91-33-22890285

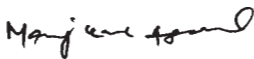
OR

M/s Karvy Computershare Private Limited.  
Karvy House 46, Avenue 4, Street No. 1  
Banjara Hills, Hyderabad - 500034  
Tel no. 91-40-23312454/23320751 • Fax no. 91-40-23311968

Registered office  
14 Netaji Subhash Road, Kolkata – 700001  
Date: June 29, 2009

For and on behalf of the Board

  
**Ghanshyamdas Agarwal**  
Chairman

  
**Manoj Kumar Agarwal**  
Managing Director

# COMPANY SECRETARY CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of  
M/S. Adhunik Metaliks Limited  
Kolkata

I have examined the compliance of conditions of Corporate Governance by ADHUNIK METALIKS LIMITED for the year ended on March 31, 2009 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. My 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 my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' / Investors' Grievances Committee.

I 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.

Place : Kolkata  
Date : June 29, 2009

**B.P. Dhanuka**  
Practicing Company Secretary  
C.P. No. 6041  
FCS – 615



# SECRETARIAL COMPLIANCE CERTIFICATE

To,  
The Members  
Adhunik Metaliks Limited  
Kolkata

I have examined the relevant secretarial records and compliance of various provisions of the Companies Act, 1956, (the Act) the guidelines and the instructions issued by the Securities and Exchange Board of India (SEBI) and the relevant clauses of the Listing Agreement with the Stock Exchanges where the shares of Adhunik Metaliks Limited (the Company) are listed for the year ended March 31, 2009 and I report that:

1. The Company is having statutory records and registers as required to be maintained under various provisions of the Companies Act, 1956 and the Rules made there under.
2. The Company has filed Statutory Returns online with the Ministry of Corporate Affairs and has furnished the required documents / intimations to the Stock Exchanges and other authorities as required under various clauses of the Listing Agreement.
3. The Company has submitted shareholding pattern, corporate governance Report and financial results to Stock Exchanges in compliance with Clause 35, 49 and 41 of the Listing Agreement respectively.
4. The Company has submitted Quarterly Secretarial audit Report and certificate from a Company secretary in practice under clause 47C of the listing agreement to the Stock Exchanges.
5. No amount was due to be deposited in Investor Education &

Protection Fund under Section 205C of the Act.

6. The Company had issued 81,54,000 Unsecured Non-transferable Compulsorily Convertible Debentures to an Institutional Investor of an aggregate value of Rs. 101 cr. on December 10, 2007 after complying with the statutory requirements which have been converted into the Equity shares on May 28, 2009.
7. The Company had issued 1,11,10,249 Zero Coupon Convertible Warrants on December 10, 2007 to Promoters / Promoters Group on preferential basis at a price of Rs. 118/- per warrant after complying with the statutory requirements out of which only 61,20,567 warrants have been converted into Equity Shares and balance 4,89,682 warrants have been forfeited on May 28, 2009.
8. The Company has not bought back any shares during the financial year.
9. The Company had not issued any GDR / ADR during the year under report, which may have an impact on equity Capital Structure of the Company.
10. The Scheme of Amalgamation of Vedvyas Ispat Limited and Sri M.P. Ispat & Power Private Limited with the Company, has been duly approved by the Shareholders of the respective Companies, and is awaiting the High Court approval.
11. The Company has generally called, convened and conducted the Board Meetings and General Meetings as per the Secretarial Standards 1 and 2 respectively issued by the Institute of Company Secretaries of India.
12. The Company has complied with the requirements of Section

217 of the Act.

13. The Directors have disclosed their interest in other companies where they are on the Board of Directors, pursuant to Section 299 of the Act and rules made thereunder.
14. The total borrowings of the Company were within the limits of Section 293(1) (d) of the Act.
15. Loans to and investments made in other bodies corporate during the financial year, were within the limits of Section 372A of the Act.
16. The Company did not accept any Public Deposits under Companies (Acceptance of Deposits) Rules, 1975, during the year.
17. The Company has paid dividend by due date after its declaration and, wherever necessary, has kept in abeyance rights to dividend, pending registration of transfer of shares in compliance with the provisions of the Act.
18. The Company has generally complied with the requirements of the Secretarial Standard 3 regarding dividend, issued by the Institute of Company Secretaries of India.
19. The Company has generally complied with the requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

20. The Company's RTA M/S Karvy Computershare Pvt. Limited processed the valid dematerialization / rematerialisation requests of shares within 21 days from the date of receipt of physical documents from the DPs.
21. The Company has introduced a system to obtain a certificate of compliance of different statutes, governing the affairs of the Company.
22. So far the information provided to me, the Company and all its officers as defined in SEBI (prohibition of Insider Trading) Regulations, 1992, have generally complied with the restrictions imposed by the said Regulation.
23. So far the information provided to me, the Company has not received any show cause notice for alleged offence / violation under the Listing agreements or SEBI guidelines and no fine, penalty or other punishment has been imposed on the Company in this regard during the year under review, except, Show cause Notices issued by the Registrar of Companies, West Bengal regarding Accounting disclosures etc. which were suitably replied and later on compounded by the Company Law Board.

Place: Kolkata  
Date: June 29, 2009

**B.P. Dhanuka**  
*Practicing Company Secretary*  
C.P.No.6041/ FCS-615



# CEO AND CFO CERTIFICATION

We, Manoj Kumar Agarwal, Managing Director and Pawan Kumar Rathi, Head of Finance and Accounts, responsible for the finance function certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2009 and confirm that to the best of our knowledge and belief :
  - (i) these statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the Company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee :
  - (i) significant changes in internal control during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Kolkata  
June 29, 2009

**Manoj Kumar Agarwal**  
Managing Director

**Pawan Kumar Rathi**  
Head of Finance & Accounts

## AUDITORS' REPORT

To  
The Members of  
Adhunik Metaliks Limited


1. We have audited the attached Balance Sheet of Adhunik Metaliks Limited ('the Company') as at March 31, 2009 and also the Profit and Loss account and the Cash Flow statement 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.
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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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 paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) 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;
  - ii) 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 such books;
  - iii) The Balance Sheet, Profit & Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account as submitted to us;
  - iv) In our opinion, the Balance Sheet, Profit and 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;
  - v) On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on

March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- vi) Without qualifying our opinion, we observe as under :
  - a) Utilisation of Securities Premium Account towards meeting the net deferred tax liability arising during the year, pursuant to the order of the Hon'ble High Court of Kolkata vide its Dictated Order dated May 7, 2007 (Refer Note 7(b) on Schedule 25).
  - b) Attention is drawn to Note 23 on Schedule 25 relating to certain payments made / received to / from a related party, at the behest of an unrelated party for which the Company holds a legal opinion to the effect that such payments are not covered under Section 295 of the Companies Act, 1956.
  - c) Reference is drawn to Note 24 on Schedule 25 regarding non-obtainment of prior approval as required from Central Government of India under Section 297 of the Companies Act, 1956 for entering into transactions of purchase of goods with Private Limited Companies in which directors of the Company are interested.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
  - b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

  
For S. R. Batliboi & Co.  
Chartered Accountants

22 Camac Street  
Block 'C', 3rd Floor  
Kolkata-700 016.  
Date : June 29, 2009

  
Per Rahul Roy  
a Partner  
Membership No. 53956



## ■ ANNEXURE TO AUDITORS' REPORT

(Referred to in our report of even date to the members of ADHUNIK METALIKS LIMITED as at and for the year ended March 31, 2009)

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification during the year.
- c) There was no substantial disposal of fixed assets during the year.
- ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year. As regards material lying with outside parties, confirmation certificates have been obtained in most of the cases.
- b) 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.
- c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii) The Company has not given any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- As informed to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is an 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company does not provide any service hence reporting under this clause is not applicable to the extent of service.
- v) a) 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 Act that need to be entered into the register maintained under section 301 have been so entered *except contracts related to the purchase of goods aggregating to Rs.1614.67 lakhs from Private Limited Companies (Refer Note 24 on Schedule 25) in which the directors of the Company are interested.*
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public.
- vii) The Company's internal audit is conducted by an external firm of Chartered Accountants. The coverage of the Internal Audit is commensurate with the size and nature of the Company's business.
- viii) We have broadly reviewed the books of account 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have been deposited with the appropriate authorities *though in general there have been delays.* As explained, there is no amount due for deposit to Investor Education & Protection Fund.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable *except withholding tax amounting to Rs. 4.04 lakhs u/s 195 of the Income Tax Act, 1961 which is remaining unpaid since August 2008.* As explained, there is no amount due for deposit to Investor Education & Protection Fund


- c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute *except as mentioned below* :

Name of the statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Orissa Entry Tax Act	Entry tax on machinery & spares & Capital Goods	5.46	2002-04	Orissa Sales Tax Tribunal, Cuttack
Central Sales Tax (Orissa) Rules 57	Demand against transfer of stock to branches and consignment agents.	123.40	2003-04	Orissa Sales Tax Tribunal, Cuttack
Central Sales Tax	Disallowance of sale against Form-H	68.39	2004-07	Orissa Sales Tax Tribunal, Cuttack, Deputy Commissioner of Sales Tax, Rourkela
Orissa Value Added Tax	Dispute on account of disallowance of Input Tax credit	137.56	2005-07	Orissa Sales Tax Tribunal & High Court, Orissa, Cuttack
Orissa Sales Tax	Dispute on gross turnover vis-à-vis taxable turnover	12.22	2003-04	Orissa Sales Tax Tribunal, Cuttack, Deputy Commissioner of Sales Tax, Rourkela
Central Excise Act	Dispute on account of classification, excise duty on job work, transaction value for stock transfer, short production booking	36.35	2003-05	CESTAT (Kolkata), Additional Commissioner (Adjudication) Bhubaneswar, Commissioner (Appeal), Bhubaneswar
Income Tax Act	Interest Charged under Section 234B and 234C of the Act because of demand raised due to retrospective amendment in MAT provisions	55.57	2005-06	Commissioner of Income Tax (Appeals) Kolkata

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management the Company has not defaulted in repayment of dues to banks and debenture holders *other than the devolvement of a Letter of Credit amounting to Rs. 4746 lakhs and period of default for the same was 64 days.* There are no dues to the financial institutions.
- xii) According to the information and explanations given to us and based on the documents and records produced 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 fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) 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 (as amended) are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
- xix) The Company has 81,54,000 non-transferable fully convertible unsecured debentures of Rs. 10 each issued in the year 2007-08 at a premium of Rs. 112.64 each outstanding during the year on which no security or charge is required to be created.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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 S. R. Batliboi & Co.  
Chartered Accountants

22 Camac Street  
Block 'C', 3rd Floor  
Kolkata-700 016.  
Date : June 29, 2009

  
Per Rahul Roy  
a Partner  
Membership No. 53956



**BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	Schedule	31.03.2009	31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>A. Shareholders' Funds</b>			
Share Capital	1	9,123.12	9,123.12
Share Warrant (Refer Note No. 25 (a) on Schedule 25)		2,512.01	1,311.01
Reserves and Surplus	2	20,055.87	21,861.54
		31,691.00	32,295.67
<b>B. Loan Funds</b>			
Secured Loans	3	92,288.02	66,631.50
Unsecured Loans	4	39,832.83	22,329.20
		132,120.85	88,960.70
<b>C. Deferred Tax Liabilities (Net)</b>	5	9,941.19	6,355.17
		173,753.04	127,611.54
<b>APPLICATION OF FUNDS</b>			
<b>A. Fixed Assets</b>			
a) Gross Block	6	94,284.28	54,124.73
b) Less : Accumulated Depreciation/Amortisation		8,242.58	4,548.72
c) Net Block		86,041.70	49,576.01
d) Capital Work-in-Progress including Capital Advances	7	19,276.29	29,978.02
e) Capital Expenditure on New Projects Et Trial Run Expenses	8	6,513.13	5,188.70
		111,831.12	84,742.73
<b>B. Investments</b>	9	17,811.00	13,865.80
<b>C. Current Assets, Loans Et Advances</b>			
a) Inventories	10	37,107.28	28,218.00
b) Sundry Debtors	11	11,655.35	21,605.60
c) Cash Et Bank Balances	12	8,550.11	4,798.48
d) Loans Et Advances	13	19,024.78	7,720.82
e) Other Current Assets	14	1,329.44	624.87
		77,666.96	62,967.77
<b>D. Less : Current Liabilities and Provisions</b>	15		
a) Current Liabilities		32,143.14	32,613.42
b) Provisions		1,412.90	1,351.34
		33,556.04	33,964.76
<b>Net Current Assets</b>		44,110.92	29,003.01
<b>E. Miscellaneous Expenditure (To the extent not written off or adjusted)</b>	16	-	-
		173,753.04	127,611.54
Accounting Policies and Notes on Accounts	25		

Schedules 1 to 16 and 25 referred to above form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

As Approved  
For and on behalf of the Board of Directors

Per Rahul Roy  
a Partner  
Membership No. 53956

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary

Place: Kolkata  
Date: June 29, 2009

**PROFIT AND LOSS ACCOUNT** For the year ended March 31, 2009

(Rs. in Lakhs)

	Schedule	2008-09	2007-08
<b>INCOME</b>			
Sales	17	128,154.03	110,404.49
Less : Excise Duty		11,774.79	9,945.47
		116,379.24	100,459.02
Other Income	18	2,674.55	1,110.27
<b>Total Income</b>		119,053.79	101,569.29
<b>EXPENDITURE</b>			
Decrease/(Increase) in Stocks	19	1,003.27	(7,897.56)
Excise Duty on Stocks (Refer Note no. 20 on Schedule 25)		(127.07)	400.43
Raw Materials Consumed	20	45,367.93	37,025.57
Purchase of Trading Goods		16,814.93	26,547.79
Manufacturing Expenses	21	23,357.19	19,740.51
Personnel Expenses	22	3,042.68	2,037.42
Selling Et Administrative Expenses	23	11,772.50	6,580.98
Interest	24	10,648.97	5,675.72
Preliminary Expenditure Written Off		-	3.69
Share of (Profit) in Partnership Firm		(0.26)	(0.04)
Depreciation/ Amortisation		3,693.86	2,324.72
Prior Period Expenses (Net) (Refer Note no. 27 on Schedule 25)		53.08	(3.00)
<b>Total Expenditure</b>		115,627.08	92,436.23
<b>Profit Before Taxation</b>		3,426.71	9,133.06
<b>Provision for Taxation -</b>			
Current Tax		383.73	1,042.22
Excess Provision for Taxation Written Back		(11.57)	-
Fringe Benefit Tax		39.83	45.16
<b>Profit after Taxation</b>		3,014.72	8,045.68
Add : Balance brought forward from previous year		16,610.88	10,650.60
<b>Profit available for appropriation</b>		19,625.60	18,696.28
Less : Transfer to General Reserve		-	804.57
Proposed Dividend		1,055.06	1,094.77
Dividend Tax		179.31	186.06
<b>Profit Carried to Balance Sheet</b>		18,391.23	16,610.88
<b>Earning Per Share:</b>			
Basic Earning per Share (Rs.)		3.30	8.82
Diluted Earning per Share (Rs.) (Refer Note No. 13 on Schedule 25)		2.90	8.34
Nominal Value Per Share (Rs.)		10.00	10.00
Accounting Policies and Notes on Accounts	25		

Schedules 17 to 25 referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

As Approved  
For and on behalf of the Board of Directors

Per Rahul Roy  
a Partner  
Membership No. 53956

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary

Place: Kolkata  
Date: June 29, 2009



**CASH FLOW STATEMENT** For the year ended March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax	3,426.71	9,133.06
Adjustments for :		
Depreciation	3,693.86	2,324.72
Gratuity Et Leave Provision	108.02	14.72
Interest Expenses	10,648.97	5,675.72
Preliminary Expenses W/off	-	3.69
Forex Fluctuation (unrealised)	68.83	0.82
Surplus on Fixed Assets Sold	(44.64)	-
Interest Income	(949.58)	7,604.06
Operating Profit Before Working Capital Changes	16,952.17	16,737.12
Adjustments for:		
(Increase)/Decrease in Trade and other Receivables	1,471.31	(15,349.57)
(Increase)/Decrease in Inventories	(8,889.29)	(8,006.86)
Increase/(Decrease) in Trade Payables and Other Payables	(3,240.99)	16,187.70
Cash Generated From Operations	6,293.20	9,568.39
Income Tax (Paid)/Refund	(1,087.96)	(1,337.69)
<b>Net Cash Generated from Operating Activities ..... (A)</b>	<b>5,205.24</b>	<b>8,230.70</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Acquisition of Fixed Assets (including interest amounting to Rs. 3878.49 Lakhs (Rs.3146.98 lakhs)	(28,228.17)	(31,065.13)
Loan to Body Corporate (Net)	(1,857.08)	671.23
Margin Money	(4,557.90)	(960.07)
Sale of fixed assets	85.92	-
Investment made in subsidiaries incl. share application money	(3,945.21)	(10,961.73)
Investment made in others incl. share application money	-	(2,097.72)
Interest Received	(46.99)	226.74
<b>Net Cash from/(used in) Investing Activities ..... (B)</b>	<b>(38,549.43)</b>	<b>(44,186.69)</b>

**CASH FLOW STATEMENT** For the year ended March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Receipt of Share Application Money	1,201.00	1,311.01
Borrowings (net)	43,160.14	42,852.79
Dividend Paid	(1,280.83)	(1,067.36)
Interest Paid	(10,542.40)	(5,676.79)
<b>Net Cash from Financing Activities..... (C)</b>	<b>32,537.91</b>	<b>37,419.65</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(806.28)</b>	<b>1,463.66</b>
Cash and Cash Equivalents at the beginning of the year	2,640.65	1,176.99
Cash and Cash Equivalents at the end of the year	1,834.37	2,640.65

Notes:

- Cash Et Cash Equivalents:
 

Cash, Cheques / Drafts in hand	76.04	230.45
Balance with Scheduled Banks:		
In Current Account	739.81	186.56
In unclaimed dividend and unclaimed application money account*	10.21	3.45
In Fixed Deposits	1,008.31	2,220.19
* The same is having restrictive use	1,834.37	2,640.65

2. Previous year's figures have been regrouped wherever necessary to confirm this year's classification.

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

Per Rahul Roy  
a Partner  
Membership No. 53956

 Place: Kolkata  
Date: June 29, 2009

 As Approved  
For and on behalf of the Board of Directors

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary



**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
12,50,00,000 (12,50,00,000) Equity Shares of Rs. 10 each	12,500.00	12,500.00
<b>Issued, Subscribed and Paid Up</b>		
91,231,247 (Previous Year - 91,231,247) Equity Shares of Rs. 10 each fully paid up	9,123.12	9,123.12
<b>Note:</b>		
Issued, Subscribed and Paid-up Capital includes 8,545,152 shares (8,545,152 shares) issued & allotted as fully paid up Bonus shares by capitalisation of Securities Premium and 4,000,000 shares (4,000,000 shares) issued pursuant to contracts for consideration other than cash.		
	9,123.12	9,123.12
<b>Schedule - 2 RESERVES AND SURPLUS</b>		
<b>Securities Premium</b>		
As Per Last Account	4,366.22	6,452.52
Less: Deferred Tax Liability (Refer Note no. 7 (b) on Schedule 25)	3,586.02	2,086.30
	780.20	4,366.22
<b>General Reserve</b>		
As Per Last account	884.44	79.87
Add: Trf. from Profit & Loss Account	-	804.57
	884.44	884.44
<b>Profit &amp; Loss Account Balance</b>	18,391.23	16,610.88
	20,055.87	21,861.54
<b>Schedule - 3 SECURED LOANS*</b>		
(Refer Note No. 5 of Schedule 25)		
Rupee Term Loan From Banks	55,371.90	50,224.52
Working Capital Finance From Banks		
- In Rupees	30,507.08	11,087.60
- In FCNRB	4,635.15	3,813.21
Finance Against Equipments/Vehicles	1,773.89	1,506.17
*Including Interest Accrued & Due Rs. 516.25 Lakhs (Rs. 113.83 Lakhs)		
	92,288.02	66,631.50
<b>Schedule - 4 UNSECURED LOANS</b>		
<b>Debentures</b>		
8,154,000 (8,154,000) Unsecured, Non Transferable Full Convertible Debenture @ Rs. 122.64 per debenture (conversion date: May 28, 2009)	10,000.07	10,000.07
<b>Short Term Loan -</b>		
- From Bodies Corporate	47.00	-
- From Banks *(Refer Note No. 5(f) on Schedule 25)	29,719.58	12,329.13
- From Others	66.18	-
* Including Interest Accrued & Due Rs. 147.97 lakhs (Rs. 58.71 lakhs)		
	39,832.83	22,329.20
<b>Schedule - 5 DEFERRED TAX LIABILITIES (NET)</b>		
(Refer Note No. 7 (c) on Schedule 25)		
As Per Last account	6,355.17	4,268.87
Add: Deferred Tax Liability for the year	3,586.02	2,086.30
	9,941.19	6,355.17

**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK		
	As at 01.04.2008	Additions/ Adjustments (a)	Sales/ Adjustments	As at 31.03.2009	As at 01.04.2008	For the Year (b)	Sales/ Adjustments	As at 31.03.2009	As at 31.03.2008
<b>Tangible Assets</b>									
Freehold Land & Site									
Development Expenses	259.69	4.24	45.60	218.33	-	-	-	218.33	259.69
Leasehold Land	107.98	345.77	-	453.75	0.99	1.44	-	451.32	106.99
Buildings	3,043.23	546.24	-	3,589.47	221.64	122.88	-	344.52	2,821.59
Plant & Machinery	47,981.94	33,991.69	-	81,973.63	3,781.36	3,084.51	-	6,865.87	75,107.76
Vehicles	878.12	95.57	-	973.69	276.70	96.70	-	373.40	600.29
Computers	225.70	15.34	-	241.04	54.29	38.16	-	92.45	148.59
Furniture & Fixtures	170.74	18.92	-	189.66	62.00	17.89	-	79.89	109.77
Office Equipments	150.19	43.82	-	194.01	30.21	10.81	-	41.02	152.99
Rolling Stock	1,233.91	1,253.73	-	2,487.64	98.71	226.78	-	325.49	2,162.15
Railway Siding	-	3,655.87	-	3,655.87	-	62.38	-	62.38	3,593.49
<b>Intangible Assets</b>									
Net Present Value for									
Forest Restoration	-	210.63	-	210.63	-	2.55	-	2.55	208.08
Computer Software	73.23	23.33	-	96.56	22.82	29.76	-	52.58	43.98
<b>Total</b>	<b>54,124.73</b>	<b>40,205.15</b>	<b>45.60</b>	<b>94,284.28</b>	<b>4,548.72</b>	<b>3,693.86</b>	<b>-</b>	<b>8,242.58</b>	<b>86,041.70</b>
Previous Year's Total	37,867.05	16,257.68	-	54,124.73	2,207.42	2,341.30	-	4,548.72	49,576.01

Note:-

- a) Includes Rs. 3531.31Lacs (Rs. 1234.98 Lakhs) Borrowing Cost capitalized during the year as per Accounting Standard-16 "Borrowing Cost" as pursuant to Accounting Standard Rules, 2006 (as amended).
- b) Includes Rs. Nil (Rs. 16.58 Lakhs) transferred to Pre-operative & Trial Run Expenses.

	31.03.2009	31.03.2008
<b>Schedule - 7 CAPITAL WORK-IN-PROGRESS (AT COST)</b>		
Land & Site Development Expenses	-	493.75
Civil Construction and Structural Works	11,807.18	13,676.26
Plant & Machinery and other assets* [Refer Note No. 17(b) on Schedule 25]	31,653.81	26,473.18
Capital Goods in Stock **	445.21	344.65
Materials with Contractors / Fabricators	-	928.25
Assets constructed under Lease	-	194.61
	43,906.20	42,110.70
Less: Transfer to Fixed Assets	24,629.91	12,132.68
*Includes advances against capital goods Rs. 4382.13 lakhs (Rs. 2003.71 lakhs)		
** Includes Trial Run Stock of finished goods Rs.103.08 lakhs (Rs. Nil), work-in-progress Rs. Nil (Rs. 290 lakhs), and by-product Rs. 24.87 lakhs (Rs. Nil).		
	19,276.29	29,978.02



**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 8 CAPITAL EXPENDITURE ON NEW PROJECTS &amp; TRIAL RUN EXPENSES</b>		
Opening Balance Brought Forward	5,188.70	1,317.79
Personnel Cost		
Salaries & Bonus etc.	474.43	414.14
Staff Welfare	-	7.87
	474.43	422.01
Raw Material Consumed		
Material Consumed	9,918.13	5,587.01
	9,918.13	5,587.01
Manufacturing and Administration Expenses		
Professional & Con. Charges	45.97	81.76
Power & Fuel	2,122.38	1,140.41
Labour Charges	455.07	201.06
Consumption of Stores & Consumable	236.06	431.81
Administrative Expenses	188.43	39.16
Depreciation	-	172.19
Travelling & Conveyance	3.75	0.50
Selling & Distribution Expenses	25.51	163.69
Miscellaneous Expenses	153.60	265.92
	3,230.77	2,496.50
Interest & Finance Charges		
To Bank on Term Loans	3,800.00	2,268.77
To Bank & Others	78.49	878.21
	3,878.49	3,146.98
Sub-Total (A)	22,690.52	12,970.30
Sales (Including Freight & Forwarding)	2,280.30	2,746.73
Less : Excise Duty	228.04	388.62
	2,052.26	2,358.11
Increase / (Decrease) in Stock		
Closing Stock		
Finished Goods	1,175.58	2,966.55
By - Product	48.29	253.83
Work in Progress	-	290.00
	1,223.87	3,510.38
Opening Stock*		
Finished Goods	-	-
By - Product	-	-
Work in Progress	290.00	-
	290.00	-
Less : Excise Duty	-	455.63
	933.87	3,054.75
Sub-Total (B)	2,986.13	5,412.86
Total (A-B)	19,704.39	7,557.43
Less: Transfer to:		
Fixed Assets	8,041.03	711.08
Fixed Assets-Pre Operative Expenses Capitalised	5,150.23	1,657.65
* Excluding Rs. 3220.38 lakhs transferred to operation as on March 31, 2008.		
	6,513.13	5,188.70

**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	Number of Shares	Face value per Share (Fully paid) (Rs.)	As at 31.03.2009	As at 31.03.2008
<b>Schedule - 9 INVESTMENT (AT COST)</b>				
Long Term, Unquoted (Other than Trade)				
Company under the same management				
- Adhunik Meghalaya Steels Pvt. Limited	76,500 (76,500)	10	7.65	7.65
Subsidiary Companies -				
- Unistar Galvanisers & Fabricators Pvt. Ltd.	27,28,350 (27,28,350)	10	961.58	961.58
- Neepaz V Forge (India) Limited	36,90,000 (36,90,000)	10	2,352.86	2,352.86
- Orissa Manganese & Minerals Limited	20,00,000 (20,00,000)	10	6,309.60	6,309.60
- Adhunik Power & Natural Resources Ltd.	93,36,900 (30,000)	10	4,732.62	79.17
Share Application Money				
- Adhunik Power & Natural Resources Ltd.			545.00	2,018.50
- Neepaz V Forge (India) Limited			2,892.10	2,127.10
Investment in Capital of Partnership Firm				
United Minerals, where the Company is a partner (Refer to Note No. 28 on Schedule 25)			9.59	9.34
			17,811.00	13,865.80
<b>Schedule - 10 INVENTORIES*</b>				
At Lower of Cost and Net Realisable Value				
- Raw Materials			15,261.23	5,928.10
- Finished Goods			9,484.86	7,289.66
- Work in Progress			7,060.20	10,188.02
- Stores & Spares, Consumables and Packing Material			1,631.36	2,167.86
- Trading Goods			76.32	20.75
At Net Realisable Value				
- By-Products			3,593.31	2,623.61
* Including materials in transit of Rs. 1726.02 lakhs (Rs. 647.38 lakhs), with Consignment Agents Rs. 22.33 lakhs (Rs. 46.59 lakhs), Conversion Agents Rs. 283.42 lakhs (Rs. 1283.56 lakhs).				
			37,107.28	28,218.00
<b>Schedule - 11 SUNDRY DEBTORS</b>				
(Unsecured, considered good except otherwise stated)				
Debts Outstanding for More Than Six Months*			1,479.57	3,873.78
Other Debts**			10,291.45	17,878.44
			11,771.02	21,752.22
Less : Provision for Doubtful Debts			115.67	146.62
* Includes considered doubtful Rs. 115.67 lakhs (Rs. 146.62 lakhs).				
** Includes due from Adhunik Ispat Limited Rs. 608.65 Lakhs (Rs.480.14 Lakhs), Neepaz V Forge (India) Ltd. Rs. 99.07 Lakhs (Rs. 24.28 Lakhs), Adhunik Corporation Ltd. Rs. 23.24 lakhs (Rs. Nil), Adhunik Alloys & Power Ltd. Rs. 149.59 Lakhs (Rs. Nil), Sri M.P. Ispat & Power Pvt. Ltd. Rs. 0.39 Lakhs (Rs. Nil), Unistar Galvanisers & Fabricators Pvt Ltd. Rs. 0.84 Lakhs (Rs. Nil) and Zion Steels Ltd. Rs. 427.87 Lakhs (Rs. Nil), the companies are under the same management.				
			11,655.35	21,605.60



**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 12 CASH AND BANK BALANCES</b>		
Cash on Hand [Including Cheques / Drafts in hand Rs. 51.09 Lakhs (Rs. 150.02 Lakhs)]	76.04	230.44
Balance with Scheduled Banks on:		
a) Current Accounts	739.81	185.36
b) Fixed Deposit Accounts *	1,008.31	2,220.20
c) Margin Money Account	6,715.74	2,157.83
d) Cash Credit Account	-	1.20
e) Unclaimed Application Money Account**	3.61	0.20
f) Unclaimed Dividend Account**	6.60	3.25
* includes Rs. 8.31 Lakhs (Rs. 7.00 Lakhs) and Rs. 0.06 Lakhs (Rs. 0.06 Lakhs) pledged with Deputy Director of Mines, Orissa and Sales Tax Authority, Orissa respectively.		
** The same is having restrictive use.		
	<b>8,550.11</b>	<b>4,798.48</b>

**Schedule - 13 LOANS AND ADVANCES**

(Unsecured, considered good, except otherwise stated)

Advances recoverable in cash or in kind for value to be received or pending adjustments* (Refer note no. 17(a) on Schedule 25)	14,186.49	3,971.44
Less: Provision for Doubtful Advance	118.36	159.72
	14,068.13	3,811.72
Loans to Bodies Corporate	1,065.01	71.72
Security Deposit	1,684.47	1,486.57
Advance Income Tax (Net of Provisions)	759.61	83.65
Balance with Excise, Custom & Other Government Departments (Including payments under appeal)	934.66	1,739.72
Sales Tax / VAT and Other refunds receivable (Including payments under appeal)	512.90	527.44
* Includes considered doubtful Rs. 118.36 Lakhs (Rs. 159.72 Lakhs), Rs. 5.46 Lakhs (Rs. Nil) due from the Directors. Maximum amount due from the Directors at any time during the year Rs. 26.74 Lakhs (Rs. 17.63 Lakhs)		
	<b>19,024.78</b>	<b>7,720.82</b>

**Schedule - 14 OTHER CURRENT ASSETS**

(Unsecured, considered good, except otherwise stated)

Interest Receivable (refer note no. 17(a) on Schedule 25)	1,322.39	325.82
Export Benefits Receivable	1.44	299.05
Insurance & Other Claims Receivable	5.61	-
	<b>1,329.44</b>	<b>624.87</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 15 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Acceptances	15,786.90	11,901.70
Sundry Creditors for goods, services, expenses etc.		
- Due to Micro & Small Enterprises *	183.27	7.93
- Due to Others	14,076.48	18,039.94
Advances against Sales / Orders	509.24	1,319.44
Debenture Interest accrued but not due	158.00	51.33
Interest accrued but not due on Loans	0.11	0.21
Book Overdraft from Banks	206.71	90.28
Security Deposit From Selling Agent	210.00	10.00
Other Liabilities	1,002.22	1,189.14
Investor Education & Protection Fund**		
- Unpaid Dividend Account	6.44	3.25
- Unpaid Share application Money	3.77	0.20
* Refer Note No. 21 on Schedule 25		
** Amount not yet due for deposit.		
	<b>32,143.14</b>	<b>32,613.42</b>
<b>B. Provisions</b>		
For Gratuity & Leave Liability	178.53	70.51
For Proposed Dividend & Tax	1,234.37	1,280.83
	<b>1,412.90</b>	<b>1,351.34</b>
	<b>33,556.04</b>	<b>33,964.76</b>

**Schedule - 16 MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

<b>Preliminary Expenses:</b>		
Opening Balance Brought Forward	-	3.69
Less: Written Off during the year	-	3.69
	<b>-</b>	<b>-</b>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT** For the year ended March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 17 SALES</b>		
Finished Goods & By-Product	109,652.73	80,862.42
Trading Goods	18,501.30	29,542.07
[Includes Sales to Subsidiary Companies Rs. 1426.73 Lakhs (Rs. 144.90 Lakhs)]		
	<b>128,154.03</b>	<b>110,404.49</b>
<b>Schedule - 18 OTHER INCOME</b>		
Interest on deposits, advances etc., [Tax at source Rs. 337.79 Lakhs (Rs. 96.25 Lakhs)]	949.58	415.61
Unspent liabilities and provisions no longer required written back	435.63	126.05
Foreign Exchange Fluctuation (Net)	-	25.75
Surplus on Fixed Assets Sold	44.64	-
Insurance & Other Claims	21.28	32.67
Export Benefit	1.44	355.60
Rent & Hire Charges [Tax at source Rs. 103.60 lakhs (Rs. 25.60 lakhs)]	448.70	114.29
Miscellaneous Income [Tax at source Rs. 58.82 Lakhs (Rs. 26.49 Lakhs)]	773.28	40.30
	<b>2,674.55</b>	<b>1,110.27</b>
<b>Schedule - 19 DECREASE/(INCREASE) IN STOCK</b>		
<b>Closing Stock</b>		
Finished Goods	9,484.86	7,289.66
Work in Progress	7,060.20	10,188.02
Trading Goods	76.32	20.75
By Products	3,593.31	2,623.61
	<b>20,214.69</b>	<b>20,122.04</b>
<b>Less: Opening Stock</b>		
Finished Goods	7,289.66	5,345.07
Work in Progress	10,188.02	2,972.70
Trading Goods	20.75	34.46
By Products	2,623.61	1,107.50
	<b>20,122.04</b>	<b>9,459.73</b>
<b>Add : Stock Transferred on Commercial Production</b>		
Finished Goods	1,072.50	2,510.92
By Products	23.42	253.83
	<b>21,217.96</b>	<b>12,224.48</b>
	<b>1,003.27</b>	<b>(7,897.56)</b>
<b>Schedule - 20 RAW MATERIALS CONSUMED</b>		
Opening Stock	5,928.10	8,952.69
Add: Purchases including Rebate & Claims & Procurement Expenses	54,891.28	38,132.64
	<b>60,819.38</b>	<b>47,085.33</b>
Less : Closing Stock	15,261.23	5,928.10
Less : Sales	190.22	4,131.66
	<b>45,367.93</b>	<b>37,025.57</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT** For the year ended March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 21 MANUFACTURING EXPENSES</b>		
Power and Fuel	6,485.34	5,172.89
Stores and Spares Consumed	10,647.11	8,742.84
Packing Expenses	67.15	60.45
Machinery Repairs	1,017.96	538.50
Building Repairs	60.07	159.23
Other Repairs	43.96	105.67
Conversion Charges	1,354.00	2,015.15
Operation & Maintenance Charges	3,681.60	2,945.78
	<b>23,357.19</b>	<b>19,740.51</b>
<b>Schedule - 22 PERSONNEL EXPENSES</b>		
Salaries, Bonus, Gratuity	2,764.93	1,912.56
Contribution to Provident Fund (Refer Note No. 12 on Schedule 25)	93.85	26.97
Workmen & Staff Welfare Expenses	83.43	61.89
Managing Directors' Remuneration (Refer Note No. 11 on Schedule 25)	100.47	36.00
	<b>3,042.68</b>	<b>2,037.42</b>
<b>Schedule - 23 SELLING &amp; ADMINISTRATIVE EXPENSES</b>		
Rent (Inclgd. Land Lease Rent Rs. 0.29 lakhs (Rs. 0.29 lakhs) to Directors)	167.62	93.74
Rates & Taxes	54.19	98.66
Insurance	113.10	83.71
Postage & Communication Expenses	132.58	121.91
Freight & Forwarding Expenses (Net)	4,118.30	4,237.02
Commission to other than Sole Selling Agents	48.59	12.88
Selling Expenses	1,498.75	290.13
Motor Vehicle Expenses	280.49	221.48
Security Charges	101.31	84.44
Travelling & Conveyance Expenses	167.52	160.29
Directors' Travelling & Conveyance Expenses	37.02	18.24
Auditors' Remuneration		
- Audit Fees	23.00	18.00
- Limited Review Fee	15.00	13.50
- Other Services	7.12	4.00
- Reimbursement of Travelling & Other Expenses	2.78	1.68
Bad debts written off	Rs. 405.83 Lakhs	
Less : Adjusted against provision	Rs. 1.36 Lakhs	
Provision for Doubtful Debts & Advance	-	110.84
Foreign Exchange Loss (Net)	3,089.68	-
Bank Charges	966.54	486.00
Miscellaneous Expenses	544.44	524.46
	<b>11,772.50</b>	<b>6,580.98</b>
<b>Schedule - 24 INTEREST</b>		
To Banks on Term Loans	3,845.14	2,366.24
On Debentures	213.33	66.37
To Bank & Others (Refer note no 26 on Schedule 25)	6,590.50	3,243.11
	<b>10,648.97</b>	<b>5,675.72</b>



## ■ SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- 1 **Nature of Operations :**  
Adhunik Metaliks Ltd. having manufacturing facility at Sundargarh District, Rourkela, Orissa is primarily engaged in the manufacture and sale of steel both alloy & non alloy.
- 2 **Statements Of Significant Accounting Policies :**
- I) **Basis of Preparation :**  
The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.
- II) **Use of Estimates**  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.
- III) **Revenue Recognition:**
- Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
  - Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers. Excise duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year.
  - Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.
  - Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- IV) **Fixed Assets :**
- Fixed assets are stated at cost of acquisition less accumulated depreciation/ amortisation and impairment if any. Cost comprises the purchase price inclusive of duties (net of Cenvat & VAT), taxes, incidental expenses, erection/commissioning expenses, interest, if eligible etc. upto the date the asset is ready to put to use
  - Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
  - Expenditure on New Projects and Substantial Expansion:  
Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction activity or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit & Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.  
All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.
- V) **Intangibles:**
- Acquired computer software and license are capitalised on the basis of costs incurred to bring the specific intangibles to its intended use. These cost are amortised on a straight line basis over their estimated useful life of three years.
  - Net Present Value paid to the various State Governments for restoration of forest as a pre-condition of granting license for mining in non-broken forest area are capitalised and amortized on a straight line basis over the lease period of the said mines prospectively.
- VI) **Foreign Currency Transactions :**
- Initial Recognition:**  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
  - Conversion:**  
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

## ■ SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- Exchange differences:**  
Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
  - Forward Exchange Contracts not intended for trading or speculation purposes :**  
The premium or discount arising at the inception of forward exchange contract is amortised as expenses or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which exchange rate change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
- VII) **Depreciation :**
- The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
  - Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 except for some immaterial items in which case higher rates have been used on the basis of estimated useful life.
  - Depreciation includes the amount written off in respect of leasehold land over the respective lease period.
  - Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
  - Discarded Fixed Assets awaiting disposal are valued at estimated realisable value and disclosed separately.
  - Depreciation on Insurance Spares / standby equipments is provided over the useful lives of the respective mother assets.
- VIII) **Fixed Assets acquired under leases:**
- Finance Lease:**
    - Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments after discounting them at an interest rate implicit in the lease at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to Expenses account.
    - Leased assets capitalised, if any, are depreciated over the shorter of the estimated useful life of the asset or the lease term.
  - Operating Lease:**  
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term
- IX) **Investments :**  
Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.
- X) **Inventories :**
- Raw Materials, Stores & Spares, Packing Materials and Trading Goods are valued at lower of cost computed on moving /annual weighted average basis and net realisable value.
  - Work in Progress and Finished Goods are valued at lower of cost computed on annual weighted average basis and net realisable value. Cost of finished goods include direct materials, labour and proportion of manufacturing overheads based on normal operating capacity.
  - By-products are valued at net realisable value.
  - The closing stock of materials inter-transferred from one unit to another unit is valued at cost of the transferor unit or net realisable value, whichever is lower.
  - Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.
- XI) **Cash and Cash Equivalents:**  
Cash and cash equivalents in the Cash Flow Statement comprise cash at bank and in hand (including cheques / drafts in hand), balance lying with banks in current account and fixed deposit with banks and post office with an original maturity of three months or less.
- XII) **Excise Duty & Custom Duty:**  
Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date, Similarly, Custom Duty on Imported Materials in transit / lying in



## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Bonded Warehouse is accounted for at the time of import / bonding of materials.

#### XIII) Employees Benefits :

- Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due. The Company has no obligations other than the contributions payable to the Fund / Statutory Authority.
- Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on Projected Unit Credit method made at the end of each financial year.
- Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per Projected Unit Credit method
- Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

#### XIV) Borrowing Costs :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

#### XV) Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

#### XVI) Taxation :

- Tax expenses comprise of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.
- The deferred tax is accounted for using the tax rates and laws that have been substantially enacted as of the balance sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.  
At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

#### XVII) Derivative Instrument :

As per ICAI announcement, accounting for derivative contracts, other than those cover under AS-11 are market to market on a portfolio basis and the net loss after considering the offsetting effects on the underlying hedge item is charged to the income statement. Net gains are ignored.

#### XVIII) Segment Reporting :

The Company has identified Iron & Steel products as its sole operating segment and the same has been treated as primary segment. The Company's secondary geographical segments have been identified based on the location of customer's and the demarcated in to Indian and overseas revenue earnings.

#### XIX) Contingencies :

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

#### XX) Earning per share :

Earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity

## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### XXI) Impairment of Assets :

- The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(Rs. in Lakhs)

	31.03.2009	31.03.2008
3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	6,336.78	5,966.07
4 Contingent Liabilities not provided for in respect of:		
a) Claims & Government demands against the Company not acknowledged as debt		
Excise	38.71	34.70
Sales Tax	511.24	412.00
Income Tax	61.95	44.05
The Company does not expect any major impact to arise out of the above claims/demands		
Against the above claims/demand, payments have been made under protest to the extent of Rs.172.98 lakhs		
b) Outstanding Bank Guarantees	1,280.83	1,332.05
c) Corporate guarantee issued to Bank on behalf of Adhunik Infotech Ltd., a Company under the same management	-	200.00

- Regional PF Commissioner, Rourkela has initiated proceedings u/s 7 of Employees' Provident Fund & Miscellaneous Provisions Act, 1952, against the management of the Company for determination and recovery of PF contribution from the employer in respect of contractors establishment since F.Y 2003-04 to February 2008. An amount of Rs. 29.57 Lakhs was demanded by the PF authorities on PF dues, Mar'03 to Feb'08 in respect of 24 Contractors which has been paid by the Company in May 2009 and adjusted against the retention money of the respective Contractors. As no demand has been raised by the PF authorities for penalty and/or charges for damage u/s 7(q) and 14 (b) of PF Act which remains not quantified hence no provision has been made in the books. Further, management intends to recover from the contractors any demand made by the PF authorities in this regard in future.
- The Rupee Term Loans from banks are secured by way of equitable mortgage by deposit of title deeds of the Company's immovable properties both owned and leasehold and building at Chadriharipur Kuarmunda, Sundargarh, Orissa and a first charge by way of hypothecation of the Company's moveable assets (save and except book debts) including machinery, machinery spares, tools and accessories, present and future subject to prior charges created and/or to be created in favour of the Company's bankers for securing working capital facilities.
  - The working capital facility from banks are secured by first charge by way of hypothecation of consumable stores, raw materials, finished goods, process stock, book debts (both present and future).  
The charge referred to in 5(a) & (b) above rank pari passu amongst various banks.
  - Both Rupee Term Loan and working capital facility from banks (as specified in 5 (a) & (b) above) are further secured by personal guarantee of the promoter directors of the Company.
  - Finance against equipments/vehicles are secured by hypothecation of the respective equipments/vehicles.
  - Term loan & Equipment/Vehicle Finance loan aggregating to Rs. 9006.76 lakhs (Rs. 8708.22 lakhs) are payable within one year.
  - Short term loan from Banks are secured by personal guarantees of the promoter Directors of the Company.
- The Sinter Plant, AOD & Bloom Caster, Railway Siding, Lime Calination Plant & Producer Gas Plant, Oxygen Plant, Centralised Raw Material Handling System, Power Distribution System and Ferro Alloy Plant, having achieved the technical parameters of operation and stabilization of production efficiency, have commenced commercial operations. Accordingly, assets of Rs. 37821.17 lakhs (including proportionate allocation of preoperative and trial run expenditure of Rs.13191.26 lakhs) have been capitalised during the year.
  - In terms of Section 115JB of the Income Tax Act, 1961, Minimum Alternate Tax (MAT) amounting to Rs.383.73 lakhs for the year ended 31st March, 2009 have been provided in the accounts. Further, in terms of accounting policy 2(XVI)(c) above and because of the fact that the Company is not likely to have taxable income in the relevant period, MAT credit of Rs. 646.03 lakhs (Rs. 262.30 lakhs) has not been recognised in the books of accounts.
  - The Hon'ble Kolkata High Court vide its Dictated Order dated May 7, 2007 has allowed the Company to utilise the Securities Premium Account shown under the head 'Reserve and Surplus' towards meeting the Net Deferred Tax liability computed as per the Accounting Standard on 'Accounting for Taxes on Income' (AS-22) prescribed by the Institute of Chartered Accountants of India. Accordingly, the Securities Premium Account has been utilized towards



## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

meeting the net deferred tax liability arising during the year amounting to Rs.3586.02 lakhs (Rs. 2086.30 lakhs). Had the accounting treatment prescribed in Accounting Standard been followed, the profit for the year would have been lower by and Security Premium account would have been higher by Rs.3586.02 lakhs (Rs. 2086.30 lakhs)

c) The break up of Deferred Tax Liability as on March 31, 2009 is as follows:

	(Rs. in Lakhs)	
	31.03.2009	31.03.2008
i) Timing Difference in Depreciable Assets	10081.42	6483.26
ii) Timing Difference due to non payment of gratuity and leave encashment	(60.68)	(23.97)
iii) Timing Difference due to Disallowance of provision for doubtful debts & advance	(79.55)	(104.12)
	9941.19	6355.17

8 Derivative Instruments and Unhedged Foreign Currency Exposure as on the Balance Sheet date are as under :

a) Forward Contract

USD 1,25,00,000 (USD 1,56,00,000) has been used for hedging exposure to interest outflow on loans.

b) Unhedged foreign Currency Exposure:

Sundry creditors amounting to Rs. 57.12 lakhs (Rs. 11033.80 lakhs).

9 Raw Materials and Stores consumption is after adjustment of Profit / Loss on sales thereof.

10 Based on breakup value as per the audited accounts for the year March 31, 2009 there is a shortfall of Rs. 97.72 lakhs (Rs.108.76 Lakhs) in the value of unquoted investment in the subsidiary Neepaz V Forge (India) Limited as on the balance sheet date, which having regard to the long term investment of the Company and being temporary in nature has not been provided for.

11 a) Directors' Remuneration:

	(Rs. in Lakhs)	
	2008-09	2007-08
<b>Paid to Managing Director:</b>		
Salary, Allowances etc.	100.38	28.04
Contributions to Provident Fund	0.09	0.09
Others	-	7.87
	100.47	36.00
Directors' Fees	7.95	3.43
	108.42	39.43

Note:

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to Directors' is not ascertainable and , therefore, not included above.

b) Computation of Profit for the purpose of Managerial Remunerations

	(Rs. in Lakhs)	
	2008-09	2007-08
Profit before tax as per profit & loss account	3,426.71	9,133.06
Add:		
Depreciation (As per Accounts)	3,693.86	2,324.72
Managing Director's Remuneration	100.47	36.00
Directors' Fees	7.95	3.43
	7,228.99	11,497.21
Less:		
Surplus on Sale of Fixed Asset	44.64	-
Depreciation (u/s 350 of the Companies Act, 1956)	3,693.86	2,324.72
Directors' Fees	7.95	3.43
	3,746.45	2,328.15
Net profit under section 349 of the Companies Act, 1956	3,482.54	9,169.06
Profit for the year	3,426.71	9,133.06

## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

12 Disclosure Under Accounting Standard-15 (Revised) on 'Employee Benefits'

a) Defined Contribution Plan

	(Rs. in Lakhs)	
	2008-09	2007-08
Contribution to Provident Fund	93.85	26.97

b) Defined Benefit Plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme are unfunded and as such there are no plan assets. The following table summarises (to the extent applicable) the components of net benefits / expenses recognised in Profit & Loss account and amount recognised in the balance sheet.

	(Rs. in Lakhs)	
	2008-09	2007-08
<b>Gratuity</b>		
<b>I Net Employee Expense/(benefit)</b>		
1) Current Service Cost	50.00	32.88
2) Interest cost on benefit obligation	6.84	2.42
3) Expected Return on plan assets	-	-
4) Net Actuarial (gain) / loss recognised in the year	14.65	(13.32)
5) Total employee expenses recognised in Profit & Loss Account	71.49	21.98
<b>II Actual return on plan assets</b>	-	-
<b>III Benefit Asset/(Liability)</b>		
1) Defined benefit obligation	120.73	50.30
2) Fair Value of Plan Assets	-	-
3) Benefit Asset/(Liability)	(120.73)	(50.30)
<b>IV Movement in benefit liability</b>		
1) Opening defined benefit obligation	50.30	28.69
2) Interest cost	6.84	2.42
3) Current Service Cost	50.00	32.88
4) Benefits paid	(1.06)	(0.37)
5) Actuarial ( gains) / losses on obligation	14.65	(13.32)
6) Closing benefit obligation	120.73	50.30

V The Principal actuarial assumptions are as follows

	2008-09	2007-08
1) Discount Rate	7.50%	8.50%
2) Salary increase	5.00%	6.00%
3) Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.	
4) Expected rate of return on Plan assets	-	-

	(Rs. in Lakhs)		
	2008-09	2007-08	2006-07
<b>VI Amounts for the current and previous year are as follows.</b>			
1) Defined benefit obligation	120.73	50.30	26.89
2) Plan Assets	-	-	-
3) Surplus/(Deficit)	(120.73)	(50.30)	(26.89)
4) Experience adjustments on Plan Assets	Not Applicable	Not Applicable	Not Applicable
5) Experience adjustments on Plan Liabilities.	14.65	-	-

Note:

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market
- The information in respect of defined benefit obligation prior to 2006-07 (the year in which the Company had early adopted AS-15 (Revised)) is not available and hence not furnished



## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 13 Earnings per Share (EPS)

In terms of Accounting Standard 20, the calculation of EPS is given below :-

	2008-09	2007-08
Profit after taxation as per Accounts (Rs. in lakhs) used for Basic EPS	3014.71	8045.68
Debiture Interest net of tax	189.16	58.85
Profit after taxation as per Accounts but before Debentures Interest net of tax (Rs. in lakhs) used for Diluted EPS	3203.87	8104.53
Weighted average No. of Equity Shares outstanding for Basic EPS	91231247	91231247
Weighted average No. of equivalent Equity Shares on account of Fully Convertible Debentures for Diluted EPS	8154000	2517492
Weighted average No. of equivalent Equity Shares on account of Share Warrants for Diluted EPS	11110249	3430213
Weighted average number of equity shares for Diluted EPS	110495496	97178952.29
Nominal value of Shares (Rs.)	10.00	10.00
Basic EPS (Rs.)	3.30	8.82
Diluted EPS (Rs.)	2.90	8.34

#### 14 Expenditure in foreign currency to the extent charged to Profit & loss Account

(Rs. in Lakhs)

Particulars	2008-09	2007-08
Professional and Consultancy Fees	64.76	-
Interest	109.62	289.85
Other Matters	13.87	18.24
Total	188.25	308.09

#### 15 Earnings in foreign exchange (to the extent credited to Profit & Loss Account):

(Rs. in Lakhs)

Particulars	2008-09	2007-08
FOB Value of Exports	6623.26	8047.83

#### 16 Operating Lease

The Company has obtained Liquid Oxygen Plant on operating lease. The lease rent payable per annum is Rs. 312 Lakhs (Rs. Nil Lakhs). The lease term is for a period of 10 years and the initial term may be extended for such further period and on such terms and conditions as the parties may mutually agree to. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub leases.

(Rs. in Lakhs)

Particulars	2008-09	2007-08
Lease payment for the year	260.00	-
Minimum Lease payment :		
Not later than one year	312.00	-
Later than one year but not later than five years	1248.00	-
Later than five years	1300.00	-

## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 17 a) Advances recoverable in cash or kind for value to be received or pending adjustments and interest receivable includes the following amount due from the companies under the same management, subsidiary companies and partnership firm.

(Rs. in Lakhs)

	Maximum Amount due during the year 2008-09	Maximum Amount due during the year 2007-08	As at 31.03.2009	As at 31.03.2008
Adhunik Corporation Ltd.	1,158.15	512.17	102.41	7.40
Adhunik Alloys & Power Ltd.	1,192.89	322.18	367.39	83.38
Adhunik Infotech Limited	414.19	43.09	-	22.70
Adhunik Ispat Pvt. Ltd.	608.65	480.14	395.59	480.14
Adhunik Meghalaya Steels Pvt. Ltd.	450.44	-	6.00	-
Adhunik Steels Ltd.	1,580.64	1.40	-	1.40
Futuristic Steel Pvt. Ltd.	442.00	-	450.22	-
Neepaz V Forge (India) Ltd. (Subsidiary Company)	-	1,319.78	115.08	40.36
Orissa Manganese Et Minerals Ltd. (Subsidiary Company)	14,308.38	1,451.44	10,779.05	1,124.53
Sri M. P. Ispat Et Powers Pvt. Ltd.	-	145.68	-	21.79
United Minerals - Partnership Firm	70.35	3.62	21.03	3.62
Vedvyas Ispat Ltd.	1,590.20	-	1,590.20	-
Vasundhra Recourses Limited	10.00	-	10.00	-
Zion Steel Ltd.	2,184.79	3.50	609.17	3.50

#### b) Capital work-in-progress including capital advances includes the following amount due from the subsidiary company

(Rs. in Lakhs)

	31.03.2009	31.03.2008
Unistar Galvanisers Et Fabricators Pvt. Ltd. (Subsidiary Company)	999.70	12.25

#### 18 CIF Value of imports (including through canalised agency) during the year:

(Rs. in Lakhs)

	2008-09	2007-08
i) Raw Materials	8059.31	12363.91
ii) Components Et Spare Parts	597.67	979.20
iii) Capital Goods	-	2315.31

#### 19 a) Store Et Spares amounting to Rs.802.40 lakhs (Rs. 772.60 lakhs) are included under other heads in the Profit & Loss Account.

b) Salaries Et Wages relating to repairs have not been segregated but are charged to the relevant account heads.

#### 20 Excise duty on sales amounting to Rs. 11774.79 Lakhs (Rs. 9945.47) Lakhs has been reduced from sales in Profit and Loss Account and excise duty on stocks amounting to Rs. -127.07 Lakhs (Rs. 400.43 Lakhs) represents differential excise duty on opening Et closing stock of finished goods.

#### 21 Based on the information / documents available with the Company, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

(Rs. in Lakhs)

	2008-09	2007-08
i) Principal amount remaining unpaid to any supplier at the end of accounting year.	154.71	7.93
ii) Interest due on above	3.64	0.19
Total of (i) Et (ii)	158.35	8.12
iii) Amount of interest paid by the Company to the suppliers	NIL	NIL
iv) Amounts paid to the suppliers beyond the respective due date	804.50	347.68
v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	NIL	NIL
vi) Amount of interest accrued and remaining unpaid at the end of accounting year.	24.92	8.58
vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of this act.	NIL	NIL

#### 22 As per the shareholders' approved Scheme of Amalgamation of the Company, Vedvyas Ispat Limited and Sri M.P. Ispat Et Power Private Limited will be amalgamated to Adhunik Metaliks Limited with effect from the appointed date i.e April 1, 2008. The said draft Scheme for Amalgamation is subject to and conditional upon the sanction of the Hon'ble High Courts of Orissa and West Bengal pursuant to Section 391 Et 394 of the Companies Act, 1956 and the scheme though operative from the appointed date shall come into effect on the effective date being the date or last of the dates on which certified copies of the orders sanctioning the scheme are filed by the Company with the Registrar of Companies. Pending approval of the scheme by the High Courts the



## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

amalgamation has not been given effect into the books of accounts.

- 23 The Company has during the year made/received payments (Rs. 9717.56 lakhs paid and Rs. 8652.55 lakhs received back) to /from a party with common directors on behalf of and as per the direction of non-related party. The Company holds a legal opinion to the effect that the aforesaid payments/receipts being at the behest/instance of an unrelated third party and for the benefit of such party, are not to be construed as a payment to a body corporate covered under Section 295 of the Companies Act, 1956.
- 24 During the year the Company has entered into transaction of purchase of goods aggregating to Rs. 2268.19 Lakhs with Private Limited Companies [(Rs. 1537.55 lakhs with Sri M.P. Ispat & Power Private Limited, scheme of amalgamation pending approval of High Court), (Rs. 653.52 lakhs with Orissa Manganese & Minerals Limited, a 100% subsidiary) (Rs. 77.12 lakhs with Unistar Galvanisers & Fabricators Private Limited, a subsidiary Company)] in which directors of the Company are interested as directors. The Company has not obtained prior approval as required from Central Government of India under section 297 of the Companies Act, 1956, for entering into such transactions.
- 25 a) During the year, the Company has received Rs.1201 lakhs (Rs. 1311.01 lakhs) against preferential allotment of 11110249 nos. of Zero Coupon Convertible Warrants (to be converted into shares at par within a period of 18 months) issued and allotted in the year 2007-08 at Rs. 118/- each to parties and companies covered under the Register maintained u/s 301 of the Companies Act, 1956.

- b) The money so received has been utilized on overall basis as set out below: -

	Rs. in Lakhs
Investment in Adhunik Power & Natural Resources Ltd.	843.35
General Business Purpose	357.65
<b>Total</b>	<b>1201.00</b>

- 26 Interest expense to bank and others amounting to Rs. 6590.50 lakhs (Rs. 3243.11 Lakhs) appearing in Profit and Loss Account is after netting off Interest income from Orissa Manganese & Minerals Ltd (a 100% subsidiary) amounting to Rs. 803.03 lakhs (Rs. Nil)

- 27 Prior Period Adjustments comprises of : (Rs. in Lakhs)

	2008-09	2007-08
Raw Material	-	3.03
Selling & Distribution Expenses	3.00	1.91
Others	50.08	(7.94)
<b>Total</b>	<b>53.08</b>	<b>(3.00)</b>

- 28 Interest in Partnership Firm

The Company has entered into a Partnership Agreement with United Minerals (jointly controlled entity), a firm registered under The Indian Partnership Act, 1932, which is engaged in mining of limestone and dolomite.

	Rs. in Lakhs
Total Capital of the Partnership firm as on 31.03.2009	19.19

The Profit & loss sharing ratio between the Partners under aforesaid Partnership firm are as under :

	Percentage
Adhunik Metaliks Limited	50%
Adhunik Alloys & Power Limited	50%

The Company's share of the assets, liabilities, income and expenses of the Partnership firm (jointly controlled entity) as per the audited accounts as at and for the year ended 31st March are as follows :

	2008-09	2007-08
Assets	30.59	29.28
Liabilities	17.55	19.94
Revenue	25.71	10.21
Depreciation	0.94	1.12
Others Expenses	24.30	9.05
Profit / (Loss) after tax	0.26	0.04
Capital Commitment	-	-
Contingent Liability	-	-

## SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- 29 Segment Information

- a) The Company's business activity primarily falls within a single business segment i.e Iron & steel business and hence there are no additional disclosures to be made under Accounting Standard-17, other than those already provided in the financial statements.

- b) Geographical Segments

	2008-09	2007-08
<b>Revenue (Gross Sale)</b>		
Domestic	121530.77	102356.66
Overseas	6623.26	8047.83

The Company has not incurred any cost to acquire any assets for its overseas operations.

- 30 Related Party Disclosures :

- a) Name of the related parties :

Subsidiary Companies	Unistar Galvanisers & Fabricators Pvt. Ltd. Neepaz V Forge (India) Ltd. Orissa Manganese & Minerals Ltd. Adhunik Power & Natural Resources Ltd. (w.e.f 14th, Nov, 2008) United Minerals
Partnership Firm (Joint Venture)	United Minerals
Key Management Personnel	Mr. Ghanshyam Das Agarwal Mr. Manoj Kumar Agarwal Mr. Jugal Kishore Agarwal Mr. Nirmal Kumar Agarwal
Relatives of Key Management personnel	Mr. Mohan Lal Agarwal (Brother of Mr Manoj Kumar Agarwal) Mr. Mahesh Kumar Agarwal (Brother of Mr Manoj Kumar Agarwal) Mrs. Sonika Agarwal (Wife of Mr. Manoj Kumar Agarwal) Mrs. Pramila Agarwal (Wife of Mr. Jugal Kishore Agarwal) Mrs. Anita Agarwal (Wife of Mr. Nirmal Kumar Agarwal) Mrs Meena Agarwal (Wife of Mr. G. D. Agarwal) Mrs Rita Agarwal (Wife of Mr. Mohan Lal Agarwal) Mrs Ekta Agarwal (Wife of Mr. Naveen Agarwal) Mrs Chandrakanta Agarwal (Wife of Mr. Mahesh Agarwal) Mr. Naveen Agarwal (Son of Mr. Jugal Kishore Agarwal) Mr. Sachin Agarwal (Son of Mr. Jugal Kishore Agarwal)
Enterprises over which Key Management Personnel / Relatives have significant influence	Adhunik Corporation Ltd. Adhunik Alloys & Power Ltd. Adhunik Cement Ltd. Adhunik Ferro Alloys Ltd. Adhunik Infotech Ltd. Adhunik Ispat Ltd. Adhunik Meghalaya Steels (Private) Ltd. Adhunik Metcoke Pvt Ltd Adhunik Shristi Ltd Adhunik Steels Ltd. Balaji Enterprises Bhagwati Resources Ltd. Futuristic Steels (Private) Ltd. Gajeshwar Ispat Pvt. Ltd. Ganesh Enterprises Ganges Enterprises Ghanshyam Das Agarwal (HUF) Mahadeo Prasad Agarwal (HUF) Mahananda Suppliers Ltd. Neepaz Power Ltd. Northern Dhadu Mining Company Pvt Ltd Northern Udyog Performance Marketing Limited Pragati Ispat Udyog Salasar Enterprises Shivalik Transport Co. Sri MP Ispat & Power (Private) Ltd. Sungrowth Shares & Stock Limited Swarnarekha Steel Industries Vasundhra Resources Limited Ved Vyas Ispat Ltd. Zion Steel Ltd.



**SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS																
30 (b) Aggregated Related Party Disclosures for the period ended 31st March 2009																
Name of the Related Party	Advance against Sale	Advance for Purchase	Purchase of goods	Sales of goods	Conversion Charges, Hire charges, Accounting & Maintenance charges and Rent	Hire charges received	Finance equity contributions	Purchase of Fixed Assets	Purchase of Investment	Warrants	Sale of Investment	Sale of Land	Remuneration to Managing Director	Guarantee Taken	Balance outstanding as at the end of period - Debit	Balance outstanding as at the end of period - Credit
<b>Subsidiary Companies</b>																
Adhunik Power & Natural Resources Ltd.	-	-	-	-	-	-	-	-	3,179.95	-	-	-	-	-	-	-
Unistar Galvanisers & Fabricators Pvt. Ltd.	-	999.70	205.30	0.99	0.15	-	-	(2,097.67)	-	-	-	-	-	-	999.70	-
Orissa Manganese & Minerals Ltd.	-	(270.19)	(215.31)	(0.13)	-	-	-	(200.00)	-	-	-	954.78	-	-	(112.11)	-
Neepez V Forge (India) Ltd.	-	11,403.67	5,002.24	-	-	621.07	-	(6,309.60)	-	-	-	-	-	-	10,779.05	-
Partnership Firm (Joint Venture)	-	(1,209.03)	(1,091.93)	-	-	-	-	(4,452.13)	-	-	-	-	-	-	(1,124.53)	-
United Minerals	-	69.01	-	1,426.52	-	-	-	-	-	-	-	-	-	-	115.08	-
Key Management Personnel																
Manoj Kumar Agarwal	-	(64.64)	-	(138.83)	-	-	-	-	-	-	-	-	100.47	-	(3.62)	-
Jugal Kishore Agarwal	-	21.03	26.09	-	-	-	-	-	-	53.10	-	-	(86.00)	-	5.46	-
Nirmal Kumar Agarwal	-	-	-	-	0.05	-	-	-	-	(5.90)	(10.55)	-	-	-	-	0.05
Ghanshyamdas Agarwal	-	(0.27)	-	-	(0.06)	-	-	-	-	53.10	(10.55)	-	-	-	-	-
Relatives of Key Management Personnel																
Mohan Lal Agarwal	-	-	-	-	(0.12)	-	-	-	-	(5.90)	(10.55)	-	-	-	-	(0.12)
Mahesh Kumar Agarwal	-	-	-	-	0.12	-	-	-	-	(5.90)	(10.55)	-	-	-	-	-
Anita Agarwal	-	-	-	-	0.24	-	-	-	-	53.10	-	-	-	-	-	-
Sonika Agarwal	-	-	-	-	-	-	-	-	-	53.10	-	-	-	-	-	-
Meena Agarwal	-	-	-	-	-	-	-	-	-	50.10	-	-	-	-	-	-
Chandrakanta Agarwal	-	-	-	-	-	-	-	-	-	53.10	-	-	-	-	-	-
Rita Agarwal	-	-	-	-	-	-	-	-	-	48.50	-	-	-	-	-	-
Naveen Kumar Agarwal	-	-	-	-	-	-	-	-	-	26.55	-	-	-	-	-	-
Sachin Kumar Agarwal	-	-	-	-	-	-	-	-	-	26.55	-	-	-	-	-	-

**SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS																
30 (b) Aggregated Related Party Disclosures for the period ended 31st March 2009 (Contd...)																
Name of the Related Party	Advance against Sale	Advance for Purchase	Purchase of goods	Sales of goods	Conversion Charges, Hire charges, Accounting & Maintenance charges and Rent	Hire charges received	Finance equity contributions	Purchase of Fixed Assets	Purchase of Investment	Warrants	Sale of Investment	Sale of Land	Remuneration to Managing Director	Guarantee Taken	Balance outstanding as at the end of period - Debit	Balance outstanding as at the end of period - Credit
<b>Enterprise over which key management personnel / relatives have significant influence</b>																
Adhunik Corporation Ltd	(13.15)	19.00	0.57	1,705.10	-	58.81	-	-	-	-	-	-	-	-	102.41	-
Adhunik Steels Ltd	-	7,458.96	(0.76)	(718.92)	23.89	(34.69)	-	-	-	-	-	-	-	-	(7.40)	23.53
Adhunik Alloys & Power Ltd	(3,072.39)	(215.99)	261.58	172.49	12.44	392.68	-	-	-	-	-	-	-	-	367.39	-
Adhunik Meghalaya Steels Pvt. Ltd.	(435.00)	20.35	(4.93)	-	-	(79.60)	-	-	-	-	-	-	-	-	(83.38)	-
Futuristic Steels (P) Ltd	(112.97)	588.18	-	-	-	8.22	-	-	-	-	-	-	-	-	6.00	(19.68)
Adhunik Infotech Limited	-	400.00	-	-	109.25	-	-	-	-	-	-	-	-	-	450.22	-
Adhunik Ispat Ltd	(0.99)	444.00	308.11	1,355.59	(51.00)	2.85	-	-	-	-	-	-	-	(200)	(22.70)	4.43
Swarrekha Steel Industries	-	-	133.93	(1,109.68)	-	-	-	-	-	-	-	-	-	-	395.59	-
Sri M P Ispat & Power Pvt Ltd	-	(21.79)	1,537.55	-	-	0.39	-	-	-	-	-	-	-	-	(480.14)	5.31
Ganges Enterprises	-	6.50	-	-	-	-	-	-	-	-	-	-	-	-	(21.79)	0.01
Ved Vyas Ispat Ltd.	-	1,590.20	1,966.68	-	(828.44)	-	-	-	-	-	-	-	-	-	1,590.20	-
Zon Steel Ltd.	-	181.30	75.10	3,207.73	-	-	-	-	-	-	-	-	-	-	609.17	(83.23)
Sungrowth Shares & Stock Ltd.	-	-	-	-	-	-	-	-	-	281.90	-	-	-	-	(3.50)	-
Vasundhra Resources Limited	-	10.00	-	-	-	-	-	-	-	(620.10)	-	-	-	-	10.00	-
Mahananda Suppliers Ltd.	-	-	-	-	-	-	-	-	-	289.50	-	-	-	-	-	-
<b>Grand Total</b>	<b>(3,634.50)</b>	<b>23,171.90</b>	<b>9,518.16</b>	<b>7,868.41</b>	<b>146.13</b>	<b>1,084.02</b>	-	-	<b>3,944.95</b>	<b>1,201.00</b>	<b>(63.30)</b>	<b>954.78</b>	<b>100.47</b>	<b>(200.00)</b>	<b>15,441.29</b>	<b>33.33</b>
			<b>(1,327.39)</b>	<b>(1,967.56)</b>	<b>(880.22)</b>	<b>(114.29)</b>			<b>(1,3059.40)</b>	<b>(1,275.60)</b>			<b>(96.00)</b>		<b>(1,923.81)</b>	<b>(190.40)</b>

Note:

- The above is excluding personal guarantee given by promoter directors towards availing secured loans by the Company.
- Advance for purchases paid to Orissa Manganese & Minerals Ltd is net of refund of Rs. 14626.09 lakhs.



**SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

## Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

## 31 Details of Raw Materials Consumed:

(Rs. in Lakhs)

	Unit	2008-09		2007-08	
		Quantity	Amount	Quantity	Amount
Iron Ore	M/T	589265	15,911.43	629517	17,154.28
Coal	M/T	484314	8,263.94	281853	4,577.96
Coke	M/T	104139	17,588.32	157274	15,421.47
Scrap	M/T	16136	3,477.32	12321	2,894.59
Sponge Iron	M/T	7209	1,146.69	8408	893.97
Manganese Ore	M/T	249103	7,891.53	12923	923.45
Others			1,006.83		746.86
			55,286.06		42,612.59

**Note:**

Others contains items which are individually less than 10% of the total consumption.

The above figures are after adjusting transit losses / shortages and excludes the value of materials acquired during the process of manufacturing and consumed departmentally however value of such inter unit transfer is eliminated for the purpose of consolidation.

## 32 Value of Raw Materials and Components, Stores and Spares consumed during the Period (including trial run items shown under other heads of expenses, unserviceable and/or damaged items written down and/or written off) :

(Rs. in Lakhs)

	Raw Materials and Components				Stores and Spares			
	2008-09		2007-08		2008-09		2007-08	
	Amount	%	Amount	%	Amount	%	Amount	%
Indigenous	47,766.41	86	29,682.41	70	11,245.82	96	9,267.49	93
Imported	7,519.65	14	12,930.17	30	439.75	4	679.76	7
	55,286.06	100	42,612.58	100	11,685.57	100	9,947.25	100

**Note:**

The above figures are inclusive of transit losses and shortages.

## 33 Quantitative Information:

Installed Capacity, Production, Stocks &amp; Sales of Goods Produced / Traded during the period

(Rs. in Lakhs)

Sl.	Class of Goods	Unit	Licensed Capacity	Production/ Purchases (In MT)	Opening Stock		Closing Stock(b), (f), (i)		Sales (a), (g)	
					Quantity (In MT)	Amount	Quantity (In MT)	Amount	Quantity (In MT)	Amount
1	Sponge Iron	Tonnes	150000 d (150000)	124,969 (113,092)	2,347 (4,365)	277.53 (402.78)	2,086 (2,347)	283.10 (277.53)	125,230 c (133,090)	- (635.04)
2a.	Pig Iron	Tonnes	178160 d	53,284 (57,376)	1,862 (2,353)	328.68 (381.97)	4,541 (1,862)	801.55 (328.68)	50,605 c (57,867)	11,497.20 (11,077.91)
2b.	Hot Metal	Tonnes	(178160)	92,209 (75,917)	- -	- -	- -	- -	92,209 c (75,917)	- -
3	Billets	Tonnes	400000 d (400000)	248,811 (221,786)	16,639 (13,455)	4,155.04 (3,136.51)	11,152 (16,639)	3,199.58 (4,155.04)	254,298 c & g (218,602)	59,351.12 (37,917.37)
4	Rolled Product	Tonnes	220000 (220000)	73,789 h (83,476)	6,059 (4,671)	2,066.91 (1,412.56)	9,885 (6,059)	3,462.21 (2,066.91)	69,963 c (82,089)	33,370.22 (30,292.57)
5	Silco Manganese	Tonnes	46880 d (16880)	12,208 (6,402)	670 (29)	367.07 (11.25)	1,487 (670)	525.34 (367.07)	11,391 c & g (5,761)	5,386.56 (1,794.71)
6	Ferro Manganese	Tonnes		1,223 (464)	172 -	94.42 -	585 (172)	267.06 (94.42)	811 c & g (292)	75.47 (82.48)
7	Ferro Chrome	Tonnes		1,472	-	-	849	374.90 (-)	623 c & g -	- -
8	Oxygen Gas	M. Cu.	9792000 d (9792000)	18,273,986 (10,163,237)	- (3,400)	- (3,400)	107,318 (3,400)	- (10,163,237)	18,166,668 c (10,163,237)	179.81 -
9	Sinter	Tonnes	267300 d (-)	152,115 (-)	8,477 (-)	- (-)	23,352 (-)	674.20 (-)	138,092 c (-)	- -
10	By -Product: Nitrogen Gas	M. Cu.		3,077,240 (2,451,910)	- (120)	- -	160 (120)	- (2,451,910)	3,077,080 c (2,451,910)	- -

**SCHEDULES FORMING PART OF THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

## Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(Rs. in Lakhs)

Sl.	Class of Goods	Unit	Licensed Capacity	Production/ Purchases (In MT)	Opening Stock		Closing Stock(b), (f), (i)		Sales (a), (g)	
					Quantity (In MT)	Amount	Quantity (In MT)	Amount	Quantity (In MT)	Amount
11	By- Product: Iron Ore Fines	Tonnes		196,537 (103,411)	33,140 (56,992)	430.82 (242.22)	39,608 (33,140)	534.73 (430.82)	190,069 e (127,263)	67.14 (712.67)
12	By- Product: Coal Fines	Tonnes		68,246 (33,993)	48,811 (25,114)	634.54 (125.57)	67,243 (48,811)	403.46 (634.54)	49,813 e (10,294)	314.77 (95.06)
13	By- Product: Coal Middling	Tonnes		90,783 (67,444)	25,407 (3,102)	127.04 (7.75)	100,649 (25,407)	301.95 (127.04)	15,541 e (47,661)	55.30 (15.55)
14	By-Product: Coke Fines	Tonnes		9,090 (18,657)	13,042 (3,275)	665.10 (114.61)	2,547 (13,042)	152.85 (665.10)	19,585 c (8,890)	0.31 (9.46)
15	By-Product: Runner & Skull / Scrap	Tonnes		12,560 (8,756)	1,605 (2,916)	305.30 (408.52)	5,513 (1,605)	826.96 (305.30)	8,652 c (10,068)	376.87 (163.29)
16	By Product: End Cutting & Internal Scrap	Tonnes		9,177 (6,814)	1,288 (1,220)	454.55 (207.54)	4,231 (1,288)	865.11 (454.55)	6,046 c (6,746)	359.74 (620.64)
17	By Product: Granulated Slag	Tonnes		65,209 (55,108)	5,213 (914)	6.26 (1.28)	17,046 (5,213)	20.46 (6.26)	53,376 (50,809)	86.09 (73.99)
18	Trading Goods	Tonnes		110,239 (94,195)	56 (110)	20.75 (34.46)	277 (56)	76.32 (20.75)	110,018 (94,249)	18,501.31 (29,542.07)
19	Miscellaneous	Rupees		-	-	-	-	512.68	-	812.42 (118.41)
	<b>Total</b>					9,934.03 (6,487.03)		13,282.44 (9,934.03)		130,434.34 (113,151.22)

**Notes:**

- Includes excise duty
- After adjusting shortages.
- Includes Captive consumed Sponge Iron-125230 MT, Pig Iron-7832 MT, Hot Metal-92270 MT, Oxygen-15046763 M.Cu, Nitrogen-3077200 M.Cu, Billet-77824 MT, Rolled-5457, Scrap 12218 MT, Coal Middling 242 MT, Nut Coke 16787 MT, Iron Ore Fines 173322 MT, Silco - 3942 MT, Ferro Manganese-734 MT, Ferro Chrome- 623 MT.
- Installed Capacity is as certified by the Management and relied upon by the Auditors.
- Excluding own consumption / transferred to Raw Material after rescreening
- Includes Billet 1185 MT (1129 MT), Rolled Products 319 MT (526 MT), Scrap Nil (50.39 MT) in Transit and Billet Nil (33.92 MT) Rolled Product 55.245 (105.594 MT) lying with consignment agent
- Include Trial Run Billet 4621.25 MT (2569.66 MT) of Rs 1054.43 Lakhs (Rs 651.56 Lakhs) & Ferro Alloy 2054.91 MT (Nil) of Rs 1225.87 Lakhs (Nil)
- Include Production 18397 MT from Conversion Agent
- Include Trial Run Stock of Silco Manganese 160.20 MT (Nil) of Rs 52.70 Lakhs (Nil) & Billets 249.19 MT (Nil) of Rs 50.38 Lakhs (Nil) and By Product 130.90 MT of Rs. 24.87 Lakhs (Nil)

## 34 Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

Signatories to Schedules 1 to 25

For S. R. Batliboi & Company  
Chartered Accountants

Per Rahul Roy  
a Partner  
Membership No. 53956

Place: Kolkata  
Date: June 29, 2009

As Approved  
For and on behalf of the Board of Directors

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary



## BALANCE SHEET ABSTRACT

Information pursuant to Part IV of Schedule VI to the Companies Act, 1956

### I. Registration Details

Registration No.  State Code

Balance Sheet Date     
Date Month Year

### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue  Rights Issue

Bonus Issue  Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities  Total Assets

#### Sources of Funds

Paid-up Capital  Reserves Et Surplus

Share Warrant  Unsecured Loans

Secured Loans  Deferred Tax Liability (Net)

#### Application of Funds

Net Fixed Assets  Capital Work in Progress including Capital Expenditure on New Projects Et Trial run

Investments  Net Current Assets

Accumulated Losses  Misc. Expenditure

### IV. Performance of the Company (Amount in Rs. Thousands)

Turnover  Total Expenditure

Profit/Loss before Tax  Profit/Loss after Tax

Earning per share in Rs.  Dividend Rate (%)

### V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Product Description	ITC Code No. (ITC Code)	Product Description	ITC Code No. (ITC Code)
Sponge Iron	7203 10 00	Granulated Slag (By Product)	2618 00 00
Pig Iron	7201 10 00	Rolled Product (Non Alloy)	7213 10 90
Billet (Non Alloy)	7224 90 91	Rolled Product (Alloy)	7227 90 90
Billet (Alloy)	7227 19 20	Ferro Silico Manganese	7202 30 00

As Approved

For and on behalf of the Board of Directors

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Place: Kolkata  
Date: June 29, 2009

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of

Adhunik Metaliks Limited on the Consolidated Financial Statements of Adhunik Metaliks Limited, its Subsidiaries and Joint Venture

- We have audited the attached consolidated balance sheet of Adhunik Metaliks Limited, its subsidiaries and joint venture as at March 31, 2009, the consolidated profit and loss account and the consolidated cash flow statement for year ended on that date. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of the certain subsidiaries, whose financials statement reflects total assets of Rs. 39000.64 lakhs as at 31st March 2009, the total revenue of Rs. 3911.67 lakhs and cash flow amounting to Rs. 2362.10 lakhs for the year then ended. We also did not audit the financial statements of joint venture partnership firm as jointly controlled entity of the Company whose financial statements reflect total assets of Rs. 26.07 lakhs as at March 31, 2009, the total revenues of Rs. 51.17 lakhs and cash flows amounting to Rs. -2.17 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
- We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', and Accounting Standard (AS) 27 'Financial Reporting of Interests in Joint Ventures' notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
- Without qualifying our opinion, we observe as under:
  - Utilisation of Securities Premium Account towards meeting the net

deferred tax liability arising during the year, pursuant to the order of the Hon'ble High Court of Kolkata vide its Dictated Order dated May 7, 2007 (Refer Note 8(b) on Schedule 25)

- Attention is drawn to Note 23 on Schedule 25 relating to certain payments made / received to / from a related party, at the behest of an unrelated party for which the Company holds a legal opinion to the effect that such payments are not covered under Section 295 of the Companies Act, 1956
- Reference is drawn to Note 24 on Schedule 25 regarding non-obtainment of prior approval as required from Central Government of India under Section 297 of the Companies Act, 1956 for entering into transactions of purchase of goods with Private Limited Companies in which directors of the Company are interested.

- Based on our audit and on consideration of reports of other auditors on separate financial statements and on other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of consolidated balance sheet, of the consolidated state of affairs of Adhunik Metaliks Limited, its subsidiaries and joint venture as at March 31, 2009;
  - in the case of consolidated profit and loss account, of the profit for the year ended on that date; and
  - in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.  
Chartered Accountants

22 Camac Street  
Block 'C', 3rd Floor  
Kolkata-700 016.  
Date : June 29, 2009

Per Rahul Roy  
a Partner

Membership No. 53956



**■ CONSOLIDATED BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	Schedule	31.03.2009	31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>A. Shareholders' Funds</b>			
Share Capital	1	9,123.12	9,123.12
Share Warrants (Refer Note No. 25(a) on Schedule 25)		2,512.01	1,311.01
Reserves and Surplus	2	25,962.02	22,444.92
		37,597.15	32,879.05
<b>B. Minority Interests</b>		9,244.19	3,609.04
<b>C. Loan Funds</b>			
Secured Loans	3	113,537.13	76,213.27
Unsecured Loans	4	40,034.52	22,579.39
		153,571.65	98,792.66
<b>D. Deferred Tax Liabilities (Net)</b>	5	10,510.53	6,606.31
		210,923.52	141,887.06
<b>APPLICATION OF FUNDS</b>			
<b>A. Fixed Assets</b>			
a) Gross Block	6	115,591.19	66,239.96
b) Less : Accumulated Depreciation / Amortisation		9,012.51	5,120.39
c) Net Block		106,578.68	61,119.57
d) Capital Work-in-Progress including Capital Advances	7	43,139.11	39,624.81
e) Capital Expenditure on New Projects Et Trial Run Expenses	8	13,390.88	7,899.17
f) Proportionate Share in Joint Venture Partnership Firm		12.06	12.72
		163,120.73	108,656.27
<b>B. Investments</b>	9	2,008.65	4,115.09
<b>C. Current Assets, Loans Et Advances</b>			
a) Inventories	10	38,338.19	29,841.16
b) Sundry Debtors	11	15,755.94	22,663.53
c) Cash Et Bank Balances	12	13,733.07	5,340.62
d) Loans Et Advances	13	17,289.84	8,768.09
e) Other Current Assets	14	1,834.20	624.86
		86,951.24	67,238.26
<b>D. Less : Current Liabilities and Provisions</b>	15		
a) Current Liabilities		39,461.69	36,737.31
b) Provisions		1,709.21	1,385.25
		41,170.90	38,122.56
<b>Net Current Assets</b>		45,780.34	29,115.70
<b>E. Miscellaneous Expenditure (To the extent not written off or adjusted)</b>	16	13.80	-
		210,923.52	141,887.06
Accounting Policies and Notes on Accounts	25		

Schedules 1 to 16 and 25 referred to above form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

As Approved  
For and on behalf of the Board of Directors

Per Rahul Roy  
a Partner  
Membership No. 53956

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary

Place: Kolkata  
Date: June 29, 2009

**■ CONSOLIDATED PROFIT AND LOSS ACCOUNT** For the year ended March 31, 2009

(Rs. in Lakhs)

	Schedule	2008-09	2007-08
<b>INCOME</b>			
Sales, Services and Job Work	17	139,122.29	113,789.94
Less: Excise Duty		12,097.02	10,324.01
		127,025.27	103,465.93
Other Income	18	2,816.25	1,234.58
<b>Total Income</b>		129,841.52	104,700.51
<b>EXPENDITURE</b>			
(Increase)/Decrease in Stocks	19	1,339.39	(8,588.16)
Excise Duty on Stocks (Refer Note no.19 on Schedule 25 )		(156.51)	459.91
Raw Materials Consumed	20	44,097.20	38,209.34
Purchase of Trading Goods		16,504.61	26,547.79
Manufacturing Expenses	21	26,843.66	20,654.52
Personnel Expenses	22	3,954.23	2,438.12
Selling Et Administrative Expenses	23	13,933.96	6,971.36
Interest	24	12,007.51	5,826.81
Preliminary Expenditure Written Off		-	3.69
Depreciation/ Amortisation		4,020.55	2,450.66
Prior Period Expenses (Net) [Refer Note No. 28 on Schedule 25]		69.93	17.69
<b>Total Expenditure</b>		122,614.53	94,991.73
	Continuing Operation	Dis-continuing Operation	
		Operating Activities	Sale of Assets
Profit Before Taxation	7,658.22	(701.86)	270.63
Current Tax	2,300.60	(79.52)	30.78
Excess Provision for Taxation Written Back	(14.34)	(2.32)	-
Deferred Tax	318.20	-	-
Fringe Benefit Tax	73.83	0.85	-
<b>Net Profit after tax but before minority interest</b>		4,598.91	8,207.78
Minority Interest		(6.94)	6.55
<b>Profit after Taxation and Minority Interest</b>		4,605.87	8,201.23
Add: Balance brought forward from previous year		16,833.85	10,718.02
<b>Profit available for appropriation</b>		21,439.72	18,919.25
Less : Transferred to General Reserve		-	804.57
Proposed Dividend		1,055.06	1,094.77
Dividend Tax		179.31	186.06
<b>Profit Carried to Reserves Et Surplus</b>		20,205.35	16,833.85
<b>Earning Per Share:</b>			
Basic Earning per Share (Rs.)		5.05	8.99
Diluted Earning per Share (Rs.)		4.17	8.50
(Refer Note no. 15 on Schedule 25)			
Nominal Value Per Share (Rs.)		10.00	10.00
Accounting Policies and Notes on Accounts	25		

Schedules 17 to 25 referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

As Approved  
For and on behalf of the Board of Directors

Per Rahul Roy  
a Partner  
Membership No. 53956

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Place: Kolkata  
Date: June 29, 2009

Anand Sharma  
Company Secretary



**■ CONSOLIDATED CASH FLOW STATEMENT** For the year ended March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Taxation	7,226.99	9,708.78
Adjustments for :		
Depreciation Et Amortisation	4,020.55	2,450.66
Gratuity Et Leave Provision	134.11	30.16
Interest Expenses	12,007.51	5,826.81
Preliminary Expenses W/off	-	3.69
Forex Fluctuation	98.37	0.82
(Surplus)/Loss on Sale of fixed assets from Continuing Operation	2.78	6.55
(Surplus)/Loss on Sale of fixed assets from Dis-continuing Operation	(271.63)	
Prior Period Income	(63.27)	
Investment written off	8.75	
Share of Minority Interest in Profit	6.94	(6.55)
Interest Income	(1,619.86)	14,324.25
		(431.48)
Operating Profit Before Working Capital Changes	21,551.24	17,589.44
Adjustments for Movement in Working Capitals:		
(Increase)/Decrease in Sundry Debtors and Loans Et Advances	(277.64)	(16,447.53)
(Increase)/Decrease in Inventories	(8,497.03)	(9,249.73)
Increase/(Decrease) in Current Liabilities Et Provisions	(1,749.09)	19,475.01
	(10,523.76)	(6,222.25)
Cash Generated From Operations	11,027.48	11,367.19
Income Tax (Paid)/Refund	(2,105.96)	(1,620.81)
Net Cash from Operating Activities .....(A)	8,921.52	9,746.38
(Refer note no 7 (b) on Schedule 25)		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Acquisition of Fixed Assets [including interest Rs.6343.02 lakhs (Rs. 4169.20 lakhs) and Goodwill Rs. 4042.75 lakhs (Rs. 8042.05 lakhs)]	(54,685.87)	(53,019.39)
Loan to Bodies Corporate	(1,048.04)	325.16
Sale of fixed assets from Continuing Operation	70.39	2.67
Sale of fixed assets from Dis-continuing Operation	847.31	-
Investment in Others	2,106.44	(4,079.58)
Margin Money	(4,604.12)	(1,095.91)
Interest Received	122.04	242.60
Net Cash from Investing Activities ..... (B)	(57,191.85)	(57,624.45)
(Refer note no 7 (b) on Schedule 25)		

**■ CONSOLIDATED CASH FLOW STATEMENT** For the year ended March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Receipt of Share Warrant Money	1,201.00	1,311.01
Receipt of Share Application Money and issue of shares in subsidiary	5,577.95	3,331.66
Receipt of Securities Premium.	3,731.62	-
Borrowings	54,778.99	51,849.18
Dividend Paid including Dividend Tax	(1,280.48)	(1,067.36)
Share of Minority Interest	57.19	110.96
Interest Paid	(12,007.61)	(5,827.88)
Net Cash from Financing Activities.....( C)	52,058.66	49,707.57
(Refer note no 7 (b) on Schedule 25)		
Net Increase in Cash and Cash Equivalents (A+B+C)	3,788.33	1,829.50
Cash and Cash Equivalents at the beginning of the year	3,038.90	1,209.40
Cash and Cash Equivalents at the end of the year	6,827.23	3,038.90
Notes:		
1. Cash Et Cash Equivalents:		
Cash, Cheques / Drafts in hand	168.65	334.65
Balance with Scheduled Banks:		
In Current Account	3,845.25	310.06
In Unclaimed Application Money Et Dividend Account*	10.21	3.45
In Fixed Deposits	2,803.12	2,390.74
* The same is having restrictive use	6,827.23	3,038.90

2. Previous year's figures have been regrouped wherever necessary to confirm this year's classification

As per our report of even date

For S. R. Batliboi Et Company  
Chartered Accountants

Per Rahul Roy  
a Partner  
Membership No. 53956

 Place: Kolkata  
Date: June 29, 2009

 As Approved  
For and on behalf of the Board of Directors

Manoj Kumar Agarwal  
Managing Director

Ghanshyam Das Agarwal  
Chairman

Anand Sharma  
Company Secretary



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
125,000,000 (125,000,000) Equity Shares of Rs. 10 each	12,500.00	12,500.00
Issued, Subscribed and Paid Up	-	-
91,231,247 (91,231,247) Equity Shares of Rs. 10 each fully paid up	9,123.12	9,123.12
<b>Note:</b>		
Issued, Subscribed and Paid-up Capital includes 8,545,152 (8,545,152) shares issued & allotted as fully paid up Bonus shares by capitalisation of Securities Premium and 4,000,000 (4,000,000) shares issued for consideration other than cash.		
	9,123.12	9,123.12
<b>Schedule - 2 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per Last Account	53.75	3.44
Add: Received during the year	-	50.31
	53.75	53.75
<b>Securities Premium</b>		
As Per Last Account	4,713.30	6,799.60
Add: Received during the year (on acquisition of subsidiary)	3,731.62	-
	8,444.92	6,799.60
Less: Deferred Tax Liability (Refer Note no. 8 (b) on Schedule 25)	3,586.02	2,086.30
	4,858.90	4,713.30
<b>General Reserve</b>		
As Per Last account	844.02	89.76
Add: Transferred from Profit & Loss Account	-	804.57
Less : Transfer to Capital Reserve on acquisition of fresh shares of subsidiary	-	50.31
	844.02	844.02
<b>Profit &amp; Loss Account Balance</b>	20,205.35	16,833.85
	25,962.02	22,444.92
<b>Schedule - 3 SECURED LOANS*</b>		
(Refer Note no. 4 on Schedule 25 )		
Rupee Term Loan From Banks	72,724.59	57,528.38
Working Capital Finance From Bank		
- Rupee	33,592.75	13,327.68
- FCNRB	4,839.07	3,813.21
Finance Against Equipments/Vehicles	2,380.72	1,544.00
*Including Interest Accrued & Due Rs. 2111.18 Lakhs (Rs. 113.83 Lakhs)		
	113,537.13	76,213.27
<b>Schedule - 4 UNSECURED LOANS</b>		
Debentures	10,000.07	10,000.07
8,154,000 (8,154,000) Unsecured, Non Transferable Fully Convertible Debenture paid up value @ Rs. 122.64 per debenture (Conversion Date: May 28, 2009)		
Short Term Loan -		
From Bodies Corporate	47.00	-
From Bank* (Refer Note no. 4 (g) on Schedule 25)	29,719.58	12,329.13
From Others	267.87	250.19
* Including Interest Accrued & Due Rs. 147.97 lakhs (Rs. 58.71 lakhs)		
	40,034.52	22,579.39
<b>Schedule - 5 DEFERRED TAX LIABILITIES (NET)</b>		
(Refer Note no. 8(c) on Schedule 25)		
As Per Last account	6,606.31	4,347.92
On acquisition of Neepaz V Forge (India) Ltd.	-	57.14
Add: Deferred Tax Liability for the year	3,904.22	2,201.25
	10,510.53	6,606.31

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

Schedule - 6	FIXED ASSETS				DEPRECIATION/AMORTISATION			NET BLOCK	
	As at 01.04.2008	Additions/ Adjustments (c)	Sales/ Adjustments	As at 31.03.2009	As at 01.04.2008 (a)	For the Year (b)	Sales/ Adjustments	As at 31.03.2009	As at 31.03.2008
<b>Tangible Assets</b>									
Freehold Land & Site									
Development Expenses	466.85	930.89	57.38	1,340.36	-	-	-	-	1,340.36
Leasehold Land	117.03	594.38	-	711.41	0.98	7.58	-	8.56	702.85
Factory Building (office bunk house, shed etc.)	9.18	61.64	-	70.82	0.12	3.88	-	4.00	66.82
Buildings	3,796.94	755.38	49.84	4,502.48	300.06	149.48	15.92	433.62	4,068.86
Plant & Machinery	50,499.90	34,600.72	554.55	84,546.07	4,087.86	3,251.58	36.55	7,302.89	77,243.18
Vehicles	1,019.54	493.63	98.95	1,414.22	377.00	127.19	90.05	414.14	1,000.08
Computers	280.84	97.00	6.98	370.86	77.89	57.31	3.82	131.38	239.48
Furniture & Fixtures	241.11	268.56	33.77	475.90	69.14	39.73	7.43	101.44	374.46
Office Equipments	170.03	121.07	6.17	284.93	36.23	22.35	5.33	53.25	231.68
Rolling Stock	1,233.91	1,253.73	-	2,487.64	98.71	226.78	-	325.49	2,162.15
Railway Siding	-	3,655.87	-	3,655.87	-	62.38	-	62.38	3,593.49
<b>Intangible Assets</b>									
Net Present Value of									
Forest Restoration	-	3,259.92	-	3,259.92	-	57.96	-	57.96	3,201.96
Goodwill	8,303.74	4,042.75 *	-	12,346.49	46.53	-	-	46.53	12,299.96
Computer Software	100.89	23.74	0.41	124.22	28.31	42.66	0.10	70.87	53.35
	66,239.96	50,159.28	808.05	115,591.19	5,122.83	4,048.88	159.20	9,012.51	106,578.68
Add: Proportionate Share in Joint Venture Partnership Firm	-	-	-	-	-	0.93	-	-	-
<b>Total</b>	66,239.96	50,159.28	808.05	115,591.19	5,122.83	4,049.81	159.20	9,012.51	106,578.68
Previous year	39,370.75	27,026.17	156.96	66,239.96	2,757.64	2,494.13	130.26	5,120.39	61,119.57
<b>Schedule - 7 CAPITAL WORK-IN-PROGRESS (AT COST)</b>									
Land & Site Development Expenses								661.84	539.57
Civil Construction and Structural Works								22,125.54	14,930.36
Plant & Machinery and other assets*								43,959.82	34,867.17
Capital Goods in Stock **								1,162.67	1,257.04
Professional, Engineering & Consultancy Work								-	105.52
Materials with Contractors / Fabricators								-	928.25
Assets constructed under Lease								-	194.61
								67,909.87	52,822.52
Less: Transfer to Fixed Assets								24,770.76	13,098.43
Less: Sold during the year								-	99.28
*Includes advances against capital goods Rs. 10665.37 lakhs (Rs. 2978.29 lakhs)									
** Includes Trial Run Stock of raw material Rs.302.80 lakhs (Rs.137.07 lakhs), die consumables of Rs. 277.72 lakhs (Rs. 193.67 lakhs), work in progress of Rs. 697.93 lakhs (Rs. 168.87 lakhs), by product of Rs. 7.40 lakhs (Rs. 4.08 lakhs) and finished goods of Rs. 460.30 lakhs (Rs. 408.72 lakhs) of the subsidiary, Neepaz V Forge (India) Ltd. and trial run stock of finished goods 103.08 lakhs (Rs. Nil), by-product Rs. 24.87 lakhs (Rs. Nil), and work-in-progress of Rs. Nil (Rs. 290.00 lakhs)									
								43,139.11	39,624.81



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	31.03.2009	31.03.2008
<b>Schedule - 8 CAPITAL EXPENDITURE ON NEW PROJECTS &amp; TRIAL RUN EXPENSES</b>		
Opening Balance Brought Forward	7,899.17	1,346.21
On acquisition of Neepaz V Forge (India) Ltd.	-	1,520.78
On acquisition of Adhunik Power & Natural Resources Ltd	534.38	-
Personnel Cost		
Salaries, Bonus, Gratuity etc.	1,203.45	562.54
Staff Welfare	3.44	8.53
	1,206.89	571.07
Raw Material Consumed	10,796.50	6,120.98
Manufacturing and Administration Expenses		
Power & Fuel	2,319.48	1,269.55
Labour Charges	544.17	273.05
Die Steel Purchase	19.64	0.28
Consumption of Stores & Consumables	440.98	528.54
Repair & Maintenance	10.64	6.65
Rent & Hire Charges	80.78	8.74
Rates & Taxes	0.63	0.01
Insurance	6.52	14.88
Bank Commission & Charges	54.99	30.88
Professional Consultancy Fees & Expenses	646.96	14.21
Application Fees & Stamp Duty charges	21.76	-
Administrative Exp	294.20	39.16
Motor Vehicle Expenses	24.56	4.36
Depreciation	29.26	172.19
Foreign Exchange Fluctuation	(23.74)	0.54
Travelling & Conveyance	124.53	186.40
Selling Expenses	25.51	352.93
Miscellaneous Expenses	224.28	62.68
	4,845.15	2,965.05
Interest & Finance Charges		
To Bank on Term Loans	4,667.86	3,194.75
To Bank & Others	1,675.16	974.45
	6,343.02	4,169.20
Provision For Tax (Including Fringe Benefit Tax)	6.54	-
<b>TOTAL (A)</b>	<b>31,631.65</b>	<b>16,693.29</b>
Sales (Incl. Freight & Forwarding)	3,620.99	3,172.51
Conversion Charges [Tax at source Rs. NIL lakhs (Rs. 0.35 lakhs)]	-	12.04
Less : Excise Duty	228.04	388.62
	3,392.95	2,795.93
Other Income [Tax at source Rs. 2.58 lakhs (Rs.2.17 lakhs)]	46.40	27.49
Increase / (Decrease) in Stock		
Closing Stock :		
Finished Goods	1,635.89	3,375.26
By Product	55.69	257.92
Work-in-progress	697.93	458.87
	2,389.51	4,092.05
Opening Stock *		
Finished Goods	408.72	15.18
By Product	4.08	-
Work-in-progress	458.87	-
	871.67	15.18
Less: Excise Duty	(11.26)	502.07
	1,529.10	3,574.80
Sub-Total (B)	4,968.45	6,398.22
Total (A-B)	26,663.20	10,295.07
Less : Transfer to:		
Fixed Assets	8,041.03	711.09
Fixed Assets - Preoperative Expenses Capitalised	5,150.23	-
Capital Work In Progress	-	1,684.81
Charged to profit and loss account	81.06	-
	13,390.88	7,899.17

\* Excludes Rs. 3220.38 lakhs transferred to operation as on March 31, 2008.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

(Rs. in Lakhs)

	Number of Shares	Face value per Share (Rs.)	As at 31.03.2009	As at 31.03.2008
<b>Schedule - 9 INVESTMENT (AT COST)</b>				
Long Term, (Other than Trade) (Fully Paid)				
Quoted				
- Equity Shares of Himatsingka Seide Ltd	- (12,600)	10	-	4.09
- Equity Shares of Nagarjuna Fertilizers Ltd	- (6,800)	10	-	2.99
- Equity Shares of Vysya Bank Ltd	- (600)	10	-	0.09
Unquoted				
- Adhunik Meghalaya Steels Pvt. Limited	76,500 (76,500)	10	7.65	7.65
- Adhunik Power & Natural Resources Ltd.	- (30,000)	10	-	79.17
- Adhunik Alloy & Power Ltd.	400,000	10	2,000.00	-
- Deferred Shares of Indian Nallable Castings Ltd	- (1,500)	10	-	0.03
- Mehar Pharma Ltd	- (3,000)	10	-	0.78
- R.K. Shahana & Sons Pvt Ltd.	- (3)	10	-	0.21
- Ordinary Shares of Ashok Minerals Ltd.	- (2,200)	10	-	0.01
- Ordinary Shares of Calcutta Stock Exchange	- (2)	10	-	0.16
- Ordinary Shares of Himachal Mines & Minerals Ltd.	- (2,200)	10	-	0.22
- Ordinary Shares of Indian Mallable Castings Ltd.	- (410)	10	-	0.01
- Ordinary Shares of Reliance Fire Bricks & Pottery	- (50)	10	-	0.01
- Ordinary Shares of Sonepur Coalfield Ltd.	- (2,500)	10	-	0.08
- Preferential Shares of New Churulia Coal Ltd.	- (400)	10	-	0.01
- Preferential Shares of Sonepur Coalfield Ltd.	- (2,300)	10	-	0.08
- Equity Shares of Cosmos Bank	1,000 (1,000)	10	1.00	1.00
Share Application Money				
- Adhunik Power & Natural Resources Ltd.				2,018.50
- Adhunik Alloys & Power Ltd.				2,000.00
			2,008.65	4,115.09
<b>AGGREGATE VALUE OF INVESTMENTS :</b>				
	As at March 31, 2009		As at March 31, 2008	
	Cost	Market value	Cost	Market value
Quoted	-	-	7.17	12.16
Unquoted	2,008.65	-	89.42	-
Share Application Money	-	-	4,018.50	-
	2,008.65	-	4,115.09	12.16



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

*(Rs. in Lakhs)*

	31.03.2009	31.03.2008
<b>Schedule - 10 INVENTORIES*</b>		
At Lower of Cost and Net Realisable Value		
Raw Materials	15,763.63	6,442.04
Stores & Spares Consumables and Packing Material	1,747.39	2,328.49
Finished Goods	10,079.49	8,039.71
Work-in-Progress	7,071.06	10,381.86
Trading Goods	76.32	20.75
At Net Realisable Value		
By-Product	3,600.30	2,628.31
* Including materials in transit Rs. 1763.13 lakhs (Rs. 647.38 lakhs), with Consignment Agents Rs. 22.33 lakhs (Rs. 46.59 lakhs), with Conversion Agents Rs. 283.42 lakhs (Rs. 1283.56 lakhs).		
	<b>38,338.19</b>	<b>29,841.16</b>
<b>Schedule - 11 SUNDRY DEBTORS</b>		
(Unsecured, considered good except otherwise stated)		
Debts Outstanding for More Than Six Months*	1,654.36	3,894.10
Other Debts**	14,217.25	18,916.05
	15,871.61	22,810.15
Less : Provision for Doubtful Debts	115.67	146.62
* Includes considered doubtful Rs. 115.67 lakhs (Rs. 146.62 lakhs).		
** Includes due from Adhunik Ispat Limited Rs. 608.65 Lakhs (Rs. 480.14 Lakhs), Adhunik Corporation Limited Rs. 1.63 Lakhs (Rs. Nil), Adhunik Alloy & Power Limited Rs. 160.60 Lakhs (Rs. Nil), Zion Steels Limited Rs. 427.87 Lakhs (Rs. Nil), Sri M.P.Ispat & Power Private Limited Rs.1260.53 Lakhs (Rs. Nil), Swarnarekha Steel Industries Rs. 1058.81 Lakhs (Rs. Nil), and Vedvyas Ispat Limited Rs. 506.02 Lakhs (Rs. Nil), the companies under the same management.		
	15,755.94	22,663.53
<b>Schedule - 12 CASH AND BANK BALANCES</b>		
Cash on Hand [Including Cheques / Drafts in hand Rs. 51.09 lakhs (Rs.150.02 lakhs)]	168.65	334.65
Balance with Scheduled Banks on:		
a) Current Accounts	3,845.25	308.86
b) Fixed Deposit Accounts (Including interest accrued thereon)*	2,803.12	2,390.74
c) Margin Money Account	6,905.84	2,301.72
d) Cash Credit Account	-	1.20
e) Unclaimed Share Application Money Account **	3.61	0.20
f) Unclaimed Dividend Account**	6.60	3.25
* includes Rs. 8.31 lakhs (Rs. 7.00 lakhs) and Rs. 0.06 lakhs (Rs. 0.06 lakhs) pledged with Deputy Director of Mines, Orissa and Sales Tax Authority, Orissa respectively.		
** The same is having restrictive use		
	13,733.07	5,340.62
<b>Schedule - 13 LOANS AND ADVANCES</b>		
(Unsecured, considered good, except otherwise stated)		
Advances recoverable in cash or in kind for value to be received or pending adjustments*	11,046.08	3,806.32
(Refer note no 17 on Schedule 25)		
Less: Provision for Doubtful Advances	128.25	159.72
	10,917.83	3,646.60
Loans to Bodies Corporate	1,465.81	417.77
Security Deposit	2,559.93	1,561.67
Balance with Excise, Custom & Other Government Departments (Including payments under appeal)	1,773.49	2,472.57
Sales Tax / VAT and Other refunds receivable (Including payments under appeal)	572.78	669.48
* Includes considered doubtful Rs.128.25 lakhs (Rs. 159.72 lakhs), Rs.5.46 lakhs (Rs. 4.81 lakhs) due from the Directors. Maximum amount due from the Directors and Officers at any time during the year Rs.26.74 lakhs (Rs.17.63 lakhs) and Rs. 21.82 (Rs. Nil) respectively.		
	17,289.84	8,768.09

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET** As at March 31, 2009

*(Rs. in Lakhs)*

	31.03.2009	31.03.2008
<b>Schedule - 14 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good, except otherwise stated)		
Interest Receivable	1,823.63	325.81
Export Benefits Receivable	4.96	299.05
Insurance & Other Claims Receivable	5.61	-
	1,834.20	624.86
<b>Schedule - 15 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Acceptances	16,719.06	12,641.46
Sundry Creditors for goods, services, expenses etc.		
- Due to Micro & Small Enterprises *	183.27	7.93
- Due to Others	19,269.99	19,536.20
Advances against Sales / Orders	1,216.48	2,938.47
Debenture Interest Payable	158.00	51.33
Interest accrued but not due on Loans	0.11	0.21
Book Overdraft from Banks	319.73	337.29
Security Deposit From Selling Agents	210.00	10.00
Other liabilities	1,374.84	1,209.22
<b>Investor Education &amp; Protection Fund**</b>		
Unpaid Dividend Account	6.44	3.25
Unpaid Share application Money	3.77	0.20
* Refer Note No. 20 on Schedule 25		
** Amount not yet due for deposit.		
	39,461.69	36,735.56
<b>B. Provisions</b>		
For Mine Restoration Charges	15.75	1.75
For Gratuity & Leave Liability	224.06	89.95
For Taxation (Net of advance payment and tax at source )	235.38	14.82
For Proposed Dividend & Tax	1,234.02	1,280.48
	1,709.21	1,387.00
	41,170.90	38,122.56
<b>Schedule - 16 MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses:		
Opening Balance Brought Forward	-	3.69
Add: On Account of Acquisition of subsidiary	13.80	-
Less: Written Off During the year	-	3.69
	13.80	-



**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT** For the year March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>Schedule - 17 SALES, SERVICES &amp; JOB WORK</b>		
Finished Goods & By-Product	120,547.29	84,054.08
Trading Goods	18,501.30	29,542.07
Conversion Charges [Tax at source Rs. 2.87 lakhs (Rs.3.06 lakhs)]	73.70	193.79
	<b>139,122.29</b>	<b>113,789.94</b>

**Schedule - 18 OTHER INCOME**

Interest on deposits, advances etc., [Tax at source Rs.485.63 lakhs (Rs.99.06 lakhs)]	1,619.86	431.48
Commission Received [Tax at sources Rs Nil (Rs. 5.96 Lakhs)]	-	52.61
Unspent liabilities and provisions no longer required written back	454.07	156.91
Foreign Exchange Fluctuation (Net)	-	25.75
Surplus on Fixed Assets Sold	268.85	0.73
Insurance & Other Claims	21.28	32.67
Export Benefit	1.44	-
Rent & Hire Charges [Tax at source Rs. 103.60 Lakhs (Rs. 25.60 lakhs)]	448.70	114.29
Miscellaneous Income [Tax at source Rs. Nil (Rs.0.89 Lakhs)]	2.05	420.14
	<b>2,816.25</b>	<b>1,234.58</b>

**Schedule - 19 DECREASE/(INCREASE) IN STOCK**

<b>Closing Stock</b>		
Finished Goods	10,079.49	8,039.71
Work-in-Progress	7,071.06	10,381.86
Trading Goods	76.32	20.75
By Products	3,600.30	2,628.31
	<b>20,827.17</b>	<b>21,070.63</b>
<b>Less: Opening Stock</b>		
Finished Goods	8,039.71	5,370.98
Work-in-Progress	10,381.86	2,988.00
Trading Goods	20.75	34.46
By Products	2,628.31	1,114.03
	<b>21,070.63</b>	<b>9,507.47</b>
<b>Add : Stock transferred on Commercial Production :</b>		
Finished Goods	1,072.51	2,510.92
By Products	23.42	253.83
<b>Add : Stock transferred on acquisition of Orissa Manganese &amp; Minerals Ltd. :</b>		
Finished Goods	-	210.25
	<b>22,166.56</b>	<b>12,482.47</b>
	<b>1,339.39</b>	<b>(8,588.16)</b>

**Schedule - 20 RAW MATERIALS CONSUMED**

Opening Stock	6,442.04	9,432.40
Add: Purchases including Rebate & Claims & Procurement Expenses	53,609.01	39,350.64
	<b>60,051.05</b>	<b>48,783.04</b>
Less: Closing Stock	15,763.63	6,442.04
Less: Sales	190.22	4,131.66
	<b>44,097.20</b>	<b>38,209.34</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT** For the year ended March 31, 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>Schedule - 21 MANUFACTURING EXPENSES</b>		
Cost of Raising, Excavation & Drilling Expenses	2,423.57	479.86
Royalty	466.30	15.01
Power and Fuel	6,542.37	5,221.69
Stores and Spares Consumed	10,816.12	8,873.56
Packing Expenses	67.15	60.45
Machinery Repairs	1,022.30	595.28
Building Repairs	60.54	158.39
Other Repairs	59.25	110.18
Conversion Charges	1,354.00	2,015.15
Operation & Maintenance Charges	4,032.06	3,124.95
	<b>26,843.66</b>	<b>20,654.52</b>

**Schedule - 22 PERSONNEL EXPENSES**

Salaries, Bonus, Gratuity	3,624.61	2,270.64
Contribution to Provident Fund (Refer note no 14 on schedule 25)	114.01	54.53
Workmen & Staff Welfare Expenses	115.14	68.95
Directors' Remuneration	100.47	44.00
	<b>3,954.23</b>	<b>2,438.12</b>

**Schedule - 23 SELLING & ADMINISTRATIVE EXPENSES**

Rent (Including Land Lease Rent Rs. 0.29 lakhs (Rs. 0.29 lakhs) to Directors)	275.70	99.70
Rates & Taxes	91.62	127.92
Insurance	116.47	87.26
Postage & Communication Expenses	161.69	128.62
Freight & Forwarding Expenses (Net)	4,338.58	4,245.81
Commission to other than Sole Selling Agents	69.02	18.90
Selling Expenses	1,576.68	304.35
Motor Vehicle Expenses	445.25	248.18
Security Charges	234.39	122.90
Travelling & Conveyance Expenses	384.72	260.54
Directors' Travelling & Conveyance Expenses	67.21	18.24
Auditors' Remuneration		
- Audit Fees	32.25	20.29
- Limited Review	20.62	17.50
- Other certification	7.12	-
- Out of Pocket Expenses	3.02	1.68
Bad debts written off	Rs. 526.09 Lakhs	
Less : Adjusted against provision	Rs. 1.36 Lakhs	
Provision for Doubtful Debts & Advances	9.89	110.84
Loss on sale of Fixed Assets	-	7.28
Foreign Exchange Fluctuation	3,118.42	-
Bank Charges	1,018.68	500.40
Mine Restoration Charges	14.00	-
Investment written off	8.75	-
Miscellaneous Expenses (Includes Director Fees of Rs. 12.15 lakhs (Rs. 3.43 lakhs))	1,415.15	650.95
	<b>13,933.96</b>	<b>6,971.36</b>

**Schedule - 24 INTEREST**

To Banks on Term Loans	3,938.98	2,366.24
On Debentures	213.33	66.37
To Bank & Others	7,855.20	3,394.20
	<b>12,007.51</b>	<b>5,826.81</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1 Accounting Policies

##### I) Basis of Accounting:

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies have been consistently applied by the Company, its subsidiaries and joint venture and are consistent with those used in the previous year except for method of depreciation in one of the subsidiary which is disclosed under note no. 11 on Schedule 25.

##### II) Principles of Consolidation:

The Consolidated Financial Statements which relate to Adhunik Metaliks Limited (Company), its Subsidiaries and Joint Venture, have been prepared on the following basis:

- In terms of Accounting Standard 21 – 'Consolidated Financial Statements' as notified pursuant to the Companies (Accounting Standards) Rules 2006, (as amended) the financial statements of the Company and its Subsidiaries are combined on a line-by-line basis by adding together the book values of like items of asset, liabilities, income and expenditure, after fully eliminating intra-group balances, intra-group transactions and any unrealized profit/loss included therein.
- The difference of the cost to the Company of its investment in Subsidiaries over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.
- The Subsidiary companies considered in the consolidated financial statements are as follows :

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest as on 31st March 2009
Unistar Galvanisers & Fabricators Pvt Ltd.	India	87.42%
Orissa Manganese & Minerals Ltd.	India	100%
Adhunik Power & Natural Resources Ltd.	India	98.6% *
Neepaz V Forge India Ltd.	India	73.80%

\* Includes Share of Orissa Manganese & Minerals Ltd of 1.6%

- Minorities' interest in net profit/loss of consolidated Subsidiaries for the year has been identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets has been identified and presented in the Consolidated Balance Sheet separately.
- In terms of Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' as notified pursuant to the Companies (Accounting Standards) Rules 2006, (as amended) the Company has prepared these Consolidated Financial Statements by including the Company's proportionate interest in the Joint Venture's assets, liabilities, income, expenses etc in the consolidated financial statements. Intra group balances, transactions and unrealized profits/losses have been eliminated to the extent of Company's proportionate share.
- The Joint Venture partnership firm considered in the consolidated financial statements as jointly controlled entity is as follows:

Name of the Firm	Country of Incorporation	Proportion of ownership Interest
United Minerals	India	50%

- The consolidated financial statements have been prepared using uniform accounting policies, except stated otherwise, for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.
- The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended 31st March 2009.

##### III) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### IV) Revenue Recognition:

- Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, its Subsidiaries and Joint Venture and the revenue can be reliably measured.
- Revenue from sale of goods and services rendered is recognised upon passage of title and rendering of services, to the customers. Excise duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds whose recovery cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

- Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

##### V) Fixed Assets :

- Fixed assets are stated at cost of acquisition less accumulated depreciation/ amortization and impairment if any. Cost comprises the purchase price inclusive of duties (net of Cenvat & VAT), taxes, incidental expenses, erection/commissioning expenses, interest, if eligible etc. upto the date the asset is ready to put to use.
- Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.
- Expenditure on New Projects and Substantial Expansion:  
Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction activity or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit & Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

##### VI) Goodwill

Goodwill represents the difference between the group's share in the net worth of the investee Company and the cost of acquisition at each point of time of making the investment and goodwill arising on amalgamation. For this purpose, the group's share of net worth of the investee Company is determined on the basis of the latest financial statements of that Company available at the date of acquisition, after making necessary adjustments for the material events between the date of such financial statements and the date of respective acquisition.

##### VII) Intangibles

- Acquired computer software and licenses are capitalised on the basis of costs incurred to bring the specific intangibles to its intended use. These cost are amortised on a straight line basis over their estimated useful life of three years except for gross value of Rs. 0.37 lakhs of a subsidiary which has been amortised on estimated useful life of four years.
- Net Present Value paid to the various State Governments for restoration of forest as a pre-condition of granting license for mining in non-broken forest areas are capitalized and amortized on a straight line basis over the lease period of the said mines prospectively.
- Goodwill on amalgamation is amortised over a period of five years in terms of AS-14 on "Accounting for Amalgamations" as notified by the Companies (Accounting Standards) Rules 2006 (as amended) and goodwill on consolidation is subject to impairment in terms of AS-26 on "Intangible Assets" as notified by the Companies (Accounting Standards) Rules 2006 (as amended).

##### VIII) Foreign Currency Transactions :

- Initial Recognition:**  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- Conversion:**  
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- Exchange differences:**  
Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- Forward Exchange Contracts not intended for trading or speculation purpose :**  
The premium or discount arising at the inception of forward exchange contract is amortised as expense or income over the life of respective contracts. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which exchange rate change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

##### IX) Depreciation :

- The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon



## ■ SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

is provided accordingly.

- b) Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for gross assets of Rs 428.27 lakhs at Ganganagar unit of a Subsidiary, on which depreciation has been provided on Written Down Value Method at the rates and in the manner as specified in Schedule XIV of the Companies Act, 1956 and for some immaterial items in which case higher rates have been used on the basis of estimated useful life. Further, depreciation on assets aggregating to Rs 13.01 lakhs (WDV) relating to Joint Venture (a partnership firm) has been provided at the rates specified as per Income Tax Act, 1961. It is not practicable to realign/recompute the depreciation policies in the different entities for ensuring uniform policy.
  - c) Depreciation includes the amount written off in respect of leasehold land over the respective lease period.
  - d) Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the month of addition / disposal.
  - e) Discarded Fixed Assets awaiting disposal are valued at estimated realisable value and disclosed separately.
  - f) Depreciation on insurance spares / standby equipments is provided over the useful lives of the respective mother assets.
- X) **Fixed Assets acquired under leases**
- a) **Finance Lease:**
    - i) Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the lower of the fair value and present value of the minimum lease payments after discounting them at an interest rate implicit in the lease at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to expense account.
    - ii) Leased assets capitalised, if any, are depreciated over the shorter of the estimated useful life of the asset or the lease term.
  - b) **Operating Lease:**  
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.
- XI) **Investments :**  
Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.
- XII) **Inventories :**
- a) Raw Materials, Stores & Spares, Packing Materials and Trading Goods are valued at lower of cost computed on moving /annual weighted average basis and net realisable value.
  - b) Work-in-Progress and Finished Goods are valued at lower of cost computed on annual weighted average basis and net realisable value. Cost of finished goods include direct materials, labour and proportion of manufacturing overheads based on normal operating capacity.
  - c) By-products are valued at net realisable value.
  - d) The closing stock of materials inter-transferred from one unit to another unit is valued at cost of the transferor unit or net realisable value, whichever is lower.
  - e) Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.
- XIII) **Cash and Cash Equivalents :**  
Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand (including cheques/drafts in hand), balance lying with banks in current account and fixed deposit with banks and post office with an original maturity of three months or less.
- XIV) **Excise Duty & Custom Duty:**  
Excise Duty on Finished Goods stock lying at the factories is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factories as on the Balance Sheet date. Similarly, Custom Duty on Imported Materials in transit / lying in Bonded Warehouse is accounted for at the time of import / bonding of materials.
- XV) **Employees Benefits :**
- a) Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due.
  - b) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on Projected Unit Credit method made at the end of each financial year.

## ■ SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per Projected Unit Credit method
- d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

XVI) **Borrowing Costs :**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

XVII) **Provisions :**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the management estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

XVIII) **Taxation :**

a) Tax expenses comprise of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income for the year and reversal of timing differences of earlier years.

b) The deferred tax is accounted for using the tax rates and laws that have been substantially enacted as of the balance sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

c) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

XIX) **Derivative Instrument :**

As per ICAI announcement, accounting for derivative contracts, other than those cover under AS-11 are market to market on a portfolio basis and the net loss after considering the offsetting effects on the underlying hedge item is charged to the income statement. Net gains are ignored.

XX) **Segment Reporting :**

a) **Identification of Segment**

The group has identified Iron & Steel products and Mining & Minerals as its operating segments and the same has been treated as primary segments. The group's secondary geographical segments have been identified based on the location of customer's and the demarcated in to Indian and overseas revenue earnings. The accounting policy adopted for segment reporting is in line with those of the Company.

b) **Inter Segment transfer**

The Company generally accounts for inter segment sales and transfers as if the sales or transfers were to the third parties at current market prices.

XXI) **Contingencies :**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

XXII) **Earning per share :**

Earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### XXIII) Impairment of Assets :

- The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### XXIV) Miscellaneous Expenditure

Deferred revenue expenditure are written off in such equal installment that expenditure so deferred, are not carried forward to accounting period commencing on or after 1st April, 2010.

(Rs. in Lakhs)

	31.03.2009	31.03.2008
2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	16,823.53	6,384.46
3 Contingent Liabilities not provided for in respect of:		
a) Claims & Government demands against the Company not acknowledged as debt		
Excise	38.71	34.70
Sales Tax	511.24	442.00
Provident Fund		6.76
Income Tax	61.95	44.05
The Company does not expect any major impact to arise out of the above claims/demands		
Against the above claims/demand, payments have been made under protest to the extent of Rs.172.98 lakhs		
b) Outstanding Bank Guarantees	1,824.36	5,232.48
c) Corporate guarantee issued to Bank:		
i) On behalf of Adhunik Infotech Limited, a Company under the same management	-	200.00
ii) On behalf of the Company by the Subsidiary	-	10,700.00

- Regional PF Commissioner, Rourkela has initiated proceedings u/s 7 of Employees' Provident Fund & Miscellaneous Provisions Act, 1952, against the management of the Company for determination and recovery of PF contribution from the employer in respect of contractors establishment since F.Y 2003-04 to February 2008. An amount of Rs. 29.57 Lakhs was demanded by the PF authorities on PF dues, Mar'03 to Feb'08 in respect of 24 Contractors which has been paid by the Company in May 2009 and adjusted against the retention money of the respective Contractors. As no demand has been raised by the PF authorities for penalty and/or charges for damage u/s 7(q) and 14 (b) of PF Act which remains not quantified hence no provision has been made in the books. Further, management intends to recover from the contractors any demand made by the PF authorities in this regard in future.
- In case of the Company, Rupee Term Loans from banks are secured by way of equitable mortgage by deposit of title deeds of the Company's immovable properties both owned and leasehold and building at Chadriharipur Kuarmunda, Sundargarh, Orissa and a first charge by way of hypothecation of the Company's moveable assets (save and except book debts) including machinery, machinery spares, tools and accessories, present and future subject to prior charges created and/or to be created in favor of the Company's bankers for securing working capital facilities.
    - In case of one of the subsidiary, Unistar Galvanisers and Fabricators Pvt. Ltd. Term Loans from the Banks together with interest and other charges thereon, are secured by a mortgage of a part of the subsidiary's land with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the subsidiary.
    - In case of another subsidiary, Adhunik Power & Natural Resources Ltd, Rupee Term Loan from banks are secured by way of first pari passu charge on all movable and immovable assets, both present and future, first charge on book debts and cash flows, assignment of all projects related documents, contracts, rights, interest, insurance contracts and all benefits incidental to project activities.
    - In case of another subsidiary, Orissa Manganese & Minerals Ltd Secured Loan from banks are secured by mortgage of current assets of the subsidiary both present and future and by the personal guarantee of a director of the subsidiary.
    - In case of another subsidiary, Neepaz V Forge (India) Ltd. Term Loans from the Banks together with interest and other charges thereon, are secured by way of equitable mortgage by deposit of title deed of the subsidiary's immovable properties both owned and leasehold at Aurangabad, Maharashtra and a first charge on pari passu basis by way of hypothecation of fixed asset (existing and proposed) equipment, furniture and other movable assets and a second charge on pari passu basis on the subsidiary's stock and receivables in favor of subsidiary's bankers.
  - In case of Company, working capital finance from banks are secured by first charge by way of hypothecation of consumable stores, raw materials, finished goods, process stock, book debts (both present and future)
    - In case of one of the subsidiary, Unistar Galvaniser & Fabricators Pvt. Ltd. working capital finance from the Banks together with interest and other charges thereon, are secured by a mortgage of a part of the subsidiary's land together with other immovable assets thereon, both present and future and by way of a hypothecation charge over all the movable assets including book debts of the subsidiary.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

The charge referred to in 4(a)(i) & (ii) & (b)(i) & (ii) above rank pari passu amongst various banks.

- In case of another subsidiary, Neepaz V Forge (India) Ltd. Cash Credit facility from bank together with interest and other charges thereon are secured by the hypothecation of the Company's current assets, namely stock of raw materials, semi-finished and finished goods, stores and spares not relating to plant and machinery (consumable stores and spares), bills receivables and book debts and all other movables of the subsidiary, both present and future excluding such movable as may be permitted by the Banks from time to time and as also by way of second charge on the fixed assets of the subsidiary, existing and proposed units at Aurangabad and Pune, consumable stores, raw materials, finished good, process stock book debts of the subsidiary at Aurangabad and Pune (both present and future).
  - Both Rupee Term Loan and working capital facility from banks (as specified in 4(a)(i) & (ii) and 4(b)(i) & (ii)) are further secured by personal guarantee of the promoter directors of the Company and the subsidiary respectively.
  - Finance against equipments/vehicles are secured by hypothecation of the respective equipments/vehicles.
  - Term loan & Equipment/Vehicle Finance loan aggregating to Rs. 11660.45 lakhs (Rs. 10008.74 lakhs) are payable within one year.
  - Short term loan from Banks are secured by personal guarantees of the promoter Directors of the Company.
- The Sinter Plant, AOD & Bloom Caster, Railway Siding, Lime Calination Plant & Producer Gas Plant, Oxygen Plant, Centralised Raw Material Handling System, Power Distribution System and Ferro Alloy Plant, having achieved the technical parameters of operation and stabilization of production efficiency, have commenced commercial operation. Accordingly, assets of Rs. 37821.17 lakhs (including proportionate allocation of preoperative and trial run expenditure of Rs.13191.26 lakhs) have been capitalised during the year.
  - The activities of one of the subsidiary involve mining of land taken under lease. In terms of the provisions of relevant statutes and lease deeds, the mining areas would require restoration at the end of the mining lease. The future restoration expenses are affected by a number of uncertainties, such as, technology, timing etc. As per the requirement of Accounting Standard - 29 as notified by the Companies (Accounting Standards) Rules, 2006 (as amended) the subsidiary's management has estimated such future expenses on best judgments basis and the provision thereof has been made in the accounts.

Particulars	Balance as on 01.04.2008	Addition during the year	Amount used during the year	Balance as on 31.03.2009
Mines Restoration Expenses (Rs. in lakhs)	1.75	14.00 (1.75)	- -	15.75 (1.75)

#### 7 Discontinuing Operation

- During the Current Financial Year, on October 20, 2008, the subsidiary (Unistar Galvanisers & Fabricators Pvt. Ltd.) had entered into a binding sale agreement to dispose of one of its manufacturing units operating in Iron & Steel segment at Gangasagar, Katakhal, 24 Parganas (North) Kolkata-700 132. The agreement was to dispose off substantially of all the assets (other than Current Assets) attributable to the above unit by a single transaction. Eventually the completion of discontinuance took place on 31st December 2008. Hence as per the terms of the Accounting Standards-24, on "Discontinuing Operation" as notified by the Companies (Accounting Standards) Rules 2006, (as amended). Initial Disclosure Event of the above operation took place on October 20, 2008 and the nature of the above discontinuing operation was disposing of the above unit by a single transaction. Further all the liabilities (both short term and long term pertaining to the above mentioned discontinuing operation or unit) remained with the subsidiary.

The following statement shows the revenue and expenditure of continuing and discontinuing operations:-

(Rs. in Lakhs)

	Continuing Operation Jamshedpur Unit		Dis-Continuing Operation Gangasagar Unit		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Turnover (Net)	2926.7	1340.08	661.7	1323.99	3588.4	2664.07
Operation Expenses	-2120.50	-1129.59	-953.8	-1151.95	-3074.2	-2281.54
Pre-tax profit from Operating Activities	806.22	210.49	-292.1	172.04	514.2	382.53
Interest Expenses	-313.36	-80.75	-119.01	-56.31	-432.37	-137.06
Profit (Loss) before tax	492.86	129.74	-411.11	115.73	81.75	245.47
Income Tax Expenses	-90.61	-11.78	47.89	-23.21	-42.72	-34.99
Profit (Loss) from operating activities after tax	402.25	117.96	-363.22	92.52	39.03	210.48



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- b) The net cash flows attributable to the Iron & Steel unit are as follows (Rs. in Lakhs)
- | Particulars               | 2008-09  |
|---------------------------|----------|
| Operating Activities      | 417.49   |
| Investing Activities      | 423.22   |
| Financing Activities      | (853.73) |
| Net cash inflow/(outflow) | (13.01)  |
- 8 a) In terms of Section 115JB of the Income Tax Act, 1961, Minimum Alternate Tax (MAT) amounting to Rs.424.91 lakhs for the year ended March 31, 2009 have been provided in the accounts. Further, in terms of accounting policy 1(XVIII)(c) above and because of the fact that the Company and its one of its subsidiary are not likely to have taxable income in the relevant period, MAT credit of Rs. 666.01 lakhs (Rs. 262.30 lakhs) has not been recognised in the books of accounts.
- b) The Hon'ble Kolkata High Court vide its Dictated Order dated May 7, 2007 has allowed the Company to utilise the Securities Premium Account shown under the head 'Reserve and Surplus' towards meeting the Net Deferred Tax liability computed as per the Accounting Standard on 'Accounting for Taxes on Income' (AS-22) prescribed by the Institute of Chartered Accountants of India. Accordingly, the Securities Premium Account has been utilized towards meeting the net deferred tax liability arising during the year amounting to Rs.3586.02 lakhs (Rs. 2086.30 lakhs). Had the accounting treatment prescribed in Accounting Standard been followed, the profit for the year would have been lower by and Security Premium account would have been higher by Rs.3586.02 lakhs (Rs. 2086.30 lakhs)
- c) The break up of Deferred Tax Liability as on March 31, 2009 is as follows: (Rs. in Lakhs)
- |  | 31.03.2009 | 31.03.2008 |
|--|------------|------------|
| i) Timing Difference in Depreciable Assets | 10672.88   | 6736.18    |
| ii) Other Timing Difference                | (162.35)   | (129.87)   |
|  | 10510.53   | 6606.31    |
- 9 Reconciliation between cash & Cash Equivalents as shown in the cash flow statement and Cash & Bank Balance as appearing in Schedule 12. (Rs. in Lakhs)
- |   | 31.03.2009 | 31.03.2008 |
|---|------------|------------|
| Cash & Cash Equivalent as shown in the cash flow statement              | 6827.23    | 3038.90    |
| Add: Margin Money Account having a maturity period of more than 90 days | 6905.84    | 2301.72    |
| Cash & Bank Balance as appearing in Schedule 12                         | 13733.07   | 5340.62    |
- 10 Derivative Instruments and Unhedged Foreign Currency Exposure as on the Balance Sheet date are as under :
- a) Forward Contract  
USD 1,25,00,000 (USD 1,56,00,000) has been hedged against exposure to interest outflow on loans and creditors.
- b) Unhedged foreign Currency Exposure:  
Loans and Sundry creditors amounting to Rs. 261.04 lakhs (Rs. 11033.80 lakhs).
- 11 During the year, one of the subsidiary, Orissa Manganese and Mineral Limited has changed its method of depreciation from Written Down Value to Straight Line Method. As a result of such change in policy, the profit as shown in the Profit & Loss Account is higher by Rs. 111.58 lakhs. Similarly had this change been made in the previous year, the profit for the previous year would have been higher by Rs. 4.01 lakhs.
- 12 In case of one of the subsidiary, Orissa Manganese & Minerals Limited:
- i) The Mining Leases pertaining to the mining unit of the subsidiary have already expired and the subsidiary's applications for renewal thereof are pending with the concerned authorities. The subsidiary has filed application for renewal of leases 12 months before the expiry of the respective lease period. However, as per the provisions under MCR (Mineral Concession Rules), 1960, Rule 24A(1) & Rule 24A(5) the period of said lease are deemed to have been extended by a further period till the State Government passes an order thereon. As such the management is hopeful of the renewal of the leases. Keeping view of the above, the accounts of the subsidiary have been prepared on a going concern basis.
- ii) During the extraction of manganese ore incidentally, high-grade iron ore of 17684 Mt extracted from the Patmunda & Orahuri Manganese Mines, however in the absence of the requisite extraction license for iron ore, the said ore has not been considered for valuation purposes. Hence, the entire cost of mining has been apportioned over the remaining stock. The Subsidiary has already applied to the state government for inclusion of iron ore in the mining leases.
- iii) It has not recognised manganese ore stock amounting to 23557 Mt owing to inferior quality of such stock. As a result of which the entire cost of mining has been apportioned over the remaining good stock.
- iv) a) It has entered into a 10 years agreement for raising of manganese ore with Adhunik Steels Limited (ASL) and M/s BK Coal fields Pvt. Ltd. (BKCP) on May 14, 2003 and March 6, 2006 respectively. The aforesaid agreements were terminated by the subsidiary on November 11, 2003 and June 22, 2007

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- respectively stating that these agreements were in violation of Rule 37 of Mineral Concession Rules, 1960. The agreement with BKCP contained a clause that the agreement would come into force only on mutual abandonment of their contract with ASL. ASL had filed an arbitration petition under Section 9 of Arbitration & Conciliation Act 1996 against the subsidiary for the pre-mature termination of the Contract. Finally, the Hon'ble Supreme Court of India appointed a sole arbitrator who passed an award against the subsidiary on August 1, 2008 upholding the raising contract dated May 14, 2003. Based on the aforesaid judgment the subsidiary continued the contract with ASL. BKCP filed a Section 9 application under Arbitration & Conciliation Act 1996 before District Judge Khurda which was dismissed. Arbitration proceeding are currently going on between the parties. The subsidiary is of opinion that agreement with BKCP is null and void based on the aforesaid fact.
- b) It has entered into a 10 years agreement for sale of manganese ore with Futuristic Steels Pvt. Ltd. (FSPL) and M/s Monnet Ispat & Energy Limited (MIEL) on May 14, 2003 and March 6, 2006 respectively. The aforesaid agreements were terminated by the subsidiary on November 11, 2003 and June 22, 2007 respectively stating that these agreements were in violation of Rule 37 of Mineral Concession Rules, 1960. The agreement with MIEL contained a clause that the agreement would come into force only on mutual abandonment of their contract with FSPL. Both the parties aggrieved by the termination of the aforesaid agreements filed arbitration against the subsidiary which is pending before the arbitrator. Based on the legal opinion obtained, the subsidiary is of the opinion that the matter will be decided in its favor and no provision is required.
- c) It has entered into a 10 years agreement in respect of raising of iron ore with ASL, Synergy Ispat Pvt. Ltd. (SIPL) & BKCP and selling of iron ore with FSPL, Metsil Energy Pvt. Ltd. (MEPL) & MIEL on May 14, 2003, February 27, 2005 and March 6, 2006 respectively. The aforesaid agreements were terminated by the subsidiary on November 11, 2003, June 22, 2007 and June 22, 2007 respectively stating that these agreements were in violation of Rule 37 of Mineral Concession Rules, 1960. The agreement with BKCP & MIEL contained a clause that the agreement would come into force on mutual abandonment with ASL & FSPL. Neither BKCP, SIPL, MEPL or MIEL have moved any proceeding for enforcement of their contract. The arbitration petition of ASL & FSPL have both been dismissed on the ground that these contract are violative of Rule 37 of Mineral Concession Rule 1960. Based on this arbitration award the subsidiary is of the opinion that all such contract are null and void in law and hence no provision is required.
- 13 Raw Materials and Stores consumption is after adjustment of Profit / Loss on sales thereof.
- 14 Disclosure Under Accounting Standard-15 (Revised) on 'Employee Benefits'
- a) Defined Contribution Plan (Rs. in Lakhs)
- |                                | 2008-09 | 2007-08 |
|--------------------------------|---------|---------|
| Contribution to Provident Fund | 114.01  | 54.53   |
- b) Defined Benefit Plan  
The Company and its subsidiaries have a defined benefit gratuity plan. Every employee who has completed five years or more of service gets Gratuity on terms not lower than the amount payable under the Payment of Gratuity Act, 1972. The aforesaid scheme are unfunded and as such there are no plan assets. The following table summarises (to the extent applicable) the components of net benefits / expenses recognised in Profit & Loss account and amount recognised in the balance sheet.
- Gratuity (Rs. in Lakhs)
- |  | 2008-09  | 2007-08 |
|--|----------|---------|
| <b>I Net Employee Expense/(benefit)</b>                        |          |         |
| 1) Current Service Cost  | 77.06    | 41.11   |
| 2) Interest cost on benefit obligation                         | 8.57     | 2.42    |
| 3) Expected Return on plan assets                              | -        | -       |
| 4) Net Actuarial (gain) / loss recognised in the year          | 1.62     | (3.54)  |
| 5) Total employee expenses recognised in Profit & Loss Account | 87.25    | 39.99   |
| <b>II Actual return on plan assets</b>                         | -        | -       |
| <b>III Benefit Asset/(Liability)</b>                           |          |         |
| 1) Defined benefit obligation                                  | 148.70   | 68.31   |
| 2) Fair Value of Plan Assets                                   | -        | -       |
| 3) Benefit Asset/(Liability)                                   | (148.70) | (68.31) |
| <b>IV Movement in benefit liability</b>                        |          |         |
| 1) Opening defined benefit obligation                          | 68.31    | 28.69   |
| 2) Interest cost   | 8.57     | 2.42    |
| 3) Current Service Cost  | 77.06    | 41.11   |
| 4) Benefits paid   | (1.06)   | (0.37)  |
| 5) Actuarial ( gains) / losses on obligation                   | 1.62     | (3.54)  |
| 6) Closing benefit obligation                                  | 154.50   | 68.31   |



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	2008-09	2007-08
V The Principal actuarial assumptions are as follows		
1) Discount Rate	7.50%	8.50%
2) Salary increase	5.00%	6.00%
3) Withdrawal Rate	Varying between 2% & 1% per annum depending upon duration and age of the employees.	
4) Expected rate of return on Plan assets	-	-

(Rs. in Lakhs)

	2008-09	2007-08	2006-07
VI Amounts for the current and previous year are as follows.			
1) Defined benefit obligation	154.50	68.31	28.69
2) Plan Assets	-	-	-
3) Surplus/(Deficit)	(154.50)	(68.31)	(28.69)
4) Experience adjustments on Plan Assets	Not Applicable	Not Applicable	Not Applicable
5) Experience adjustments on Plan Liabilities.	14.65	-	-

#### Note:

- The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market
- Defined benefit obligation for subsidiaries prior to 2007-08 not available and hence not furnished.

### 15 Earnings per Share (EPS)

In terms of Accounting Standard 20, the calculation of EPS is given below :-

	2008-09	2007-08
Profit after taxation as per Accounts (Rs. in lakhs) used for Basic EPS	4605.87	8201.23
Debt Interest net of tax	189.16	58.85
Profit after taxation as per Accounts but before Debentures Interest net of tax (Rs. in lakhs) used for Diluted EPS	4858.30	8260.08
Weighted average No. of Equity Shares outstanding in calculating Basic EPS	91231247	91231247
Weighted average No. of equivalent Equity Shares on account of Fully Convertible Debentures for Diluted EPS	8154000	2517492
Weighted average No. of equivalent Equity Shares on account of Share Warrants in calculating Diluted EPS	11110249	3430213
Weighted average number of equity shares in calculating Diluted EPS	110495496	97178952
Nominal value of Shares (Rs.)	10.00	10.00
Basic EPS (Rs.)	5.05	8.99
Diluted EPS (Rs.)	4.17	8.50

### 16 Operating Lease

The Company has obtained Liquid Oxygen Plant on operating lease. The lease rent payable per annum is Rs. 312 Lakhs (Rs. Nil Lakhs). The lease term is for a period of 10 years and the initial term may be extended for such further period and on such terms and conditions as the parties may mutually agree to. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub leases.

(Rs. in Lakhs)

Particulars	2008-09	2007-08
Lease payment for the year	260.00	-
Minimum Lease payment :		
Not later than one year	312.00	-
Later than one year but not later than five years	1248.00	-
Later than five years	1300.00	-

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- 17 Advances recoverable in cash or kind for value to be received or pending adjustments includes the following amount due from the companies under the same management. (Rs. in Lakhs)

	Maximum Amount due during the year ended 31.03.2009	Maximum Amount due during the year ended 31.03.2008	As at 31.03.2009	As at 31.03.2008
Adhunik Corporation Ltd.	1158.15	512.79	106.43	14.49
Adhunik Alloys & Power Ltd.	1405.22	424.83	1405.22	88.88
Adhunik Infotech Limited	471.97	43.09	471.97	22.70
Adhunik Ispat Ltd.	608.65	-	433.51	518.07
Adhunik Meghalaya Steels Pvt. Ltd.	450.44	-	6.00	-
Adhunik Steels Ltd.	1781.99	270.15	1781.99	270.15
Futuristic Steel Pvt. Ltd.	442.00	-	220.22	-
Gajeshwar Ispat Ltd	-	34.24	-	31.24
Pragati Ispat Udyog	1.60	1.60	1.60	1.60
Manohar Management Ltd.	-	33.37	-	33.37
Neepaz Infrastructure & Developers Ltd	1052.32	-	1052.32	-
Sri M. P. Ispat & Powers Pvt. Ltd.	14308.38	145.68	1262.22	21.79
Swarnrekha Steel Industries	1195.37	130.12	1195.37	125.12
United Ukraine Technology (P) Ltd.	-	58.80	-	58.08
Vasundhra Resources Ltd	10.00	-	10.00	-
Ved Vyas Ispat Ltd	2096.22	-	2096.22	-
Zion Steel Ltd.	2184.79	3.50	611.33	3.50

- Store & Spares amounting to Rs.802.40 lakhs (Rs. 772.60 lakhs) are included under other heads in the Profit & Loss Account.
- Salaries & Wages relating to repairs have not been segregated but are charged to the relevant account heads.

- 19 Excise duty on sales amounting to Rs. 12097.02 Lakhs (Rs. 10324.01 Lakhs) has been reduced from sales in Profit and Loss Account and excise duty on stocks amounting to Rs. -156.51 Lakhs (Rs. 459.91 Lakhs) represents differential excise duty on opening and closing stock of finished goods.

- 20 Based on the information /documents available with the Company , information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

(Rs. in Lakhs)

	2008-09	2007-08
i) Principal amount remaining unpaid to any supplier at the end of accounting year.	154.71	7.93
ii) Interest due on above	3.64	0.19
Total of (i) & (ii)	158.35	8.12
(iii) Amount of interest paid by the Company to the suppliers	NIL	NIL
(iv) Amounts paid to the suppliers beyond the respective due date	804.50	347.68
(v) Amount of interest due and payable for the period of delay in payments but without adding the interest specified under the Act	NIL	NIL
(vi) Amount of interest accrued and remaining unpaid at the end of accounting year.	24.92	8.58
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of this act.	NIL	NIL

- 21 As per the shareholders' approved Scheme of Amalgamation of the Company and Vedvyas Ispat Limited and Sri M.P.Ispat & Power Private Limited, Vedvyas Ispat Limited and Sri M.P.Ispat & Power Private Limited will be amalgamated to Adhunik Metaliks Limited with effect from the appointed date i.e. April 1, 2008. The said draft Scheme for Amalgamation is subject to and conditional upon the sanction of the Hon'ble High Courts of Orissa and West Bengal pursuant to Section 391 & 394 of the Companies Act 1956 and the scheme though operative from the appointed date shall come into effect on the effective date being the date or last of the dates on which certified copies of the orders sanctioning the scheme are filed by the Company with the Registrar of Companies. Pending approval of the scheme by the High Courts the amalgamation has not been given effect into the books of accounts.

- Pursuant to the Scheme of Amalgamation as approved by Hon'ble High Court of Kolkata vide its order dated 16-01-2009, the business along with related assets and liabilities of Kesar Oil Co. Pvt. Ltd. and Kesar Tea Co. Pvt. Ltd. (erstwhile wholly owned subsidiaries of Adhunik Power & Natural Resources Limited, a subsidiary of the Company) has been transferred to and vested with the subsidiary with effect from April 1, 2008. All transactions during the year 2008-09 relating to erstwhile Kesar Oil Co. Pvt. Ltd and Kesar Tea Co. Pvt. Ltd. has been incorporated in the Books of Accounts of the subsidiary. In



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terms of aforesaid scheme, excess amount of Rs. 183.82 Lakhs over the net book value of assets has been debited to Goodwill Account.

(Rs. in Lakhs)

	Kesar Oil Co. Pvt. Ltd.		Kesar Tea Co. Pvt. Ltd.	
	Amount	Amount	Amount	Amount
Carrying value of investment		91.06		123.80
Less:- Net Asset Over Liabilities				
Fixed Assets	12.13		19.29	
Current Asset	11.34		8.16	
	23.47		27.45	
Less:- Liabilities	1.77	21.7	2.66	24.79
Add:- Profit and Loss Account		9.02		6.43
Goodwill		78.38		105.44

- b) The amalgamation has been accounted for under "Purchase/acquisition method" of accounting as prescribed by Accounting Standard-14 " Accounting for Amalgamation" as notified pursuant to the Companies (Accounting Standards) Rules 2006, (as amended) .
- c) Kesar Oil Co. Pvt. Ltd and Kesar Tea Co. Pvt. Ltd. were engaged in the business of rendering commercial services.
- d) On 06.02.2009 the certified copy of the order sanctioning the Scheme of Amalgamation is filed with the registrar of Companies, West Bengal by Adhunik Power Et Natural Resources Ltd, Kesar Oil Co. Pvt. Ltd and Kesar Tea Co. Pvt. Ltd.
- e) Goodwill arising on amalgamation shall be amortized over a period of 5 years starting from next year.

23 The Company has during the year made/received payments (Rs. 9717.56 lakhs paid and Rs. 8652.55 lakhs received back) to /from a party with common directors on behalf of and as per the direction of non-related party. The Company holds a legal opinion to the effect that the aforesaid payments/receipts being at the behest/instance of an unrelated third party and for the benefit of such party, are not to be construed as a payment to a body corporate covered under Section 295 of the Companies Act, 1956.

24 During the year the Company has entered into transactions of purchase of goods aggregating to Rs. 2268.19 Lakhs with Private Limited Companies [(Rs. 1537.55 lakhs with Sri M P Ispat Et Power Private Limited), (Rs. 653.52 lakhs with Orissa Manganese Et Minerals Limited) (Rs. 77.12 lakhs with Unistar Galvanisers Et Fabricators Private Limited,)] in which directors of the Company are interested as directors. The Company has not obtained prior approval as required from Central Government of India under section 297 of the Companies Act, 1956 for entering into such transactions.

25 a) During the year, the Company has received Rs.1201 lakhs (Rs. 1311.01 lakhs) against preferential allotment of 11110249 nos. of Zero Coupon Convertible Warrants (to be converted into shares at par within a period of 18 months), issued and allotted in the year 2007-08 at Rs. 118/- each to parties and companies covered under the Register maintained u/s 301 of the Companies Act, 1956.

b) The money so received has been utilized as given below -

	Rs. in Lakhs
Investment in Adhunik Power Et Natural Resources Ltd.	843.35
General Business Purpose	357.65
<b>Total</b>	<b>1201.00</b>

26 In accordance with the provision of Section 81 (1A) read with Unlisted Public Companies (Preferential Allotment) Rules 2003, one of the subsidiary company, Adhunik Power Et Natural Resources Limited has allotted 1,47,10,000 nos. of Non Cumulative Convertible Preference Shares (to be converted into equity shares at par within a period of 36 months) at Rs. 10 each on preferential basis to promoter directors, their relatives and groups. In terms of such allotment, the subsidiary has received Rs. 735.50 lakhs, being 50% of the total consideration receivable. The subsidiary has raised fund for the sole purpose of implementing the Power Project in the State of Jharkhand.

**27 Interest in Partnership Firm**

The Company's share of the assets, liabilities, income and expenses of United Minerals, a Partnership firm (jointly controlled entity) as per the audited accounts as at and for the year ended March 31, 2009 are as follows :

(Rs. in Lakhs)

Particulars	2008-09	2007-08
Assets	30.59	29.28
Liabilities	17.55	19.94
Revenue	25.71	10.21
Depreciation	0.94	1.12
Others Expenses	24.30	9.05
Profit / (Loss) after tax	0.26	0.04
Capital Commitment	-	-
Contingent Liability	-	-

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT**
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28 Prior Period Adjustments comprise of :

(Rs. in Lakhs)

	2008-09	2007-08
Raw Material	-	3.03
Selling Et Distribution Expenses	3.00	1.91
Others	66.93	12.75
<b>Total</b>	<b>69.93</b>	<b>17.69</b>

29. The Company's segmental information as at and for the year ended March 31, 2009 are as below :

(Rs. in Lakhs)

	2008-09				2007-08		
	Iron Et Steel	Mining	Others	Total	Iron Et Steel	Mining	Total
<b>A. Revenue *</b>							
External sales	118,939.06	8,086.21	-	127,025.27	102,908.62	542.30	103,450.92
Inter Segment Sales				4,738.35			1,032.57
<b>Total Revenue</b>				<b>131,763.62</b>			<b>104,483.49</b>
<b>B. Results</b>							
Segment Results	13,162.40	6,072.11	-	19,234.51	15,115.43	420.16	15,535.59
Unallocated Income / (Expenses) (Net of unallocated expenses / income)							
Operating Profit				19,234.51			15,535.59
Interest Expenses				12,007.51			5,826.81
Provision for Taxation				2,251.85			1,332.21
Excess Provision written back				(16.65)			-
Fringe benefit Tax				74.68			53.84
Deferred tax				318.20			114.95
<b>Net Profit</b>				<b>4,598.92</b>			<b>8,207.78</b>
<b>Other Information</b>							
<b>A. Total Assets</b>							
Segment Assets	211,622.65	22,363.70	18,108.12	252,094.48	176,071.80	3,937.85	180,009.65
Unallocated Corporate / other assets							
				<b>252,094.48</b>			<b>180,009.65</b>
<b>B. Total Liabilities</b>							
Segment Liabilities	40,271.31	4,173.64	798.48	45,243.43	(11,583.29)	49,681.03	38,097.74
Unallocated Corporate / other liabilities				164,170.21			105,423.81
				<b>209,413.64</b>			<b>143,521.55</b>
<b>C. Capital Expenditure**</b>	32,450.27	7,739.23	14,378.40	54,567.90	52,763.38	231.10	52,994.48
<b>D. Depreciation / Amortisation</b>	3,857.34	163.20	-	4,020.55	2,435.29	15.37	2,450.66
<b>E. Geographical Segment</b>							
i) Revenue *							
India				120,345.69			95,372.18
Overseas				6,679.58			8,078.74
				<b>127,025.27</b>			<b>103,450.92</b>
ii) Segment Assets							
India				252,094.48			180,009.65
Overseas				-			-
				<b>252,094.48</b>			<b>180,009.65</b>
iii) Capital Expenditure							
India				54,567.90			52,994.48
Overseas				-			-
				<b>54,567.90</b>			<b>52,994.48</b>

\* Net of Excise Duty and Sales Tax

\*\* Excludes Rs. 4042.75 lakhs (Rs. 8042.05 lakhs) related to goodwill arised on consolidation.

**Notes :**

- i) Business Segment : The Group's business activities primarily falls within two business segments i.e. Iron Et Steel and Mining Et Minerals. The assets and liabilities of the subsidiary, Adhunik Power Et Natural Resources Ltd. (which is under pre-operative stage) do not constitute reportable business segment as per Accounting Standard-17 on "Segment Reporting" as notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and hence disclosed under head "Others"
- (ii) Geographical Segment : The group primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and Overseas Operations.



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**Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**
**30 Related Party Disclosures :**
**a) Name of the related parties :**

Key Management Personnel	Mr. Ghanshyam Das Agarwal Mr. Manoj Kumar Agarwal Mr. Jugal Kishore Agarwal Mr. Nirmal Kumar Agarwal Mr. Vilas V Valunj Mr. Asfaqu Motiwala
Relatives of Key Management personnel	Mr. Mahesh Kumar Agarwal (Brother of Mr Manoj Kumar Agarwal) Mr. Mohan Lal Agarwal (Brother of Mr Manoj Kumar Agarwal) Mr. Naveen Agarwal (Son of Mr. Jugal Kishore Agarwal) Mr. Sachin Agarwal (Son of Mr. Jugal Kishore Agarwal) Mrs Chandrakanta Agarwal (Wife of Mr. Mahesh Agarwal) Mrs Ekta Agarwal (Wife of Mr. Naveen Agarwal) Mrs Meena Agarwal (Wife of Mr. Ghanshyam Das Agarwal) Mrs Rita Agarwal (Wife of Mr. Mohan Lal Agarwal) Mrs. Anita Agarwal (Wife of Mr. Nirmal Kumar Agarwal) Mrs. Pramila Agarwal (Wife of Mr. Jugal Kishore Agarwal) Mrs. Smita D. Mohire (Sister of Mr.Vilas V Valunj) Mrs. Sonika Agarwal (Wife of Mr. Manoj Kumar Agarwal) Mrs. Vaisali Valunj (Wife of Mr.Vilas V Valunj)
Enterprises over which Key Management Personnel / Relatives have significant influence	Adhunik Corporation Ltd. Adhunik Alloys & Power Ltd. Adhunik Cement Ltd. Adhunik Ferro Alloys Ltd. Adhunik Infotech Ltd. Adhunik Ispat Ltd. Adhunik Meghalaya Steels (Private) Ltd. Adhunik Metcoke Pvt Ltd Adhunik Shristi Ltd Adhunik Steels Ltd. Akshardham Mercantile pvt. Ltd. Balaji Enterprises Bhagwati Resources Ltd. Futuristic Steels (Private) Ltd. Gajeshwar Ispat Pvt. Ltd. Ganesh Enterprises Ganges Enterprises Ghanshyam Das Agarwal (HUF) Mahadeo Prasad Agarwal (HUF) Mahananda Suppliers Ltd. Mansingh Trading Pvt. Ltd. Neepaz Infrastructure & Developers Ltd Neepaz Power Ltd. Northern Dhadhu Mining Company Pvt Ltd Northern Udyog Performance Marketing Ltd Pragati Ispat Udyog Salasar Enterprises Shivalik Transport Co. Sri MP Ispat & Power (Private) Ltd. Sungrowth Shares & Stock Limited Swarnarekha Steel Industries United Ukarine Technology Pvt. Ltd. Vasundhra Resources Ltd Ved Vyas Ispat Ltd. Zion Steel Ltd.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

Name of the Related Party	Advance against Sale	Advance for Purchase	Purchase of goods	Sales of goods	Internet (Payable)/ Receivables	Conversion Charges, Hire Accounting & Maintenance charges and Rent	Hire charges received	Unsecured Loan	Finance equity contributions	Purchase of Fixed Assets	Purchase of Investment	Warrants	Sale of Investment	Guarantee Given	Remuneration to Managing Director	Sale of Fixed Assets	Balance outstanding as at the end of period - Debit	Balance outstanding as at the end of period - Credit
Key Management Personnel																		
Manoj Kumar Agarwal	-	-	-	-	-	-	-	-	-	-	-	53.10 (5.90)	-	-	100.47 (36.00)	-	5.46	-
Jugal Kishore Agarwal	-	-	-	-	-	0.05 (0.05)	-	-	-	-	-	53.10 (5.90)	(10.55)	-	-	-	-	0.05
Nirmal Kumar Agarwal	-	-	-	-	-	(0.06)	-	-	-	-	-	53.10 (5.90)	(10.55)	-	-	-	-	-
Ghanshyamdas Agarwal	-	-	-	-	-	(0.07)	-	-	-	-	-	53.10 (5.90)	(10.55)	-	-	-	(0.07)	380.00 (533.64)
Mr. Vilas V Valunj	-	(11.16)	-	-	-	-	-	(2.00)	-	-	-	-	-	-	-	-	-	(90.00)
Mr.J.B. Singh	-	-	-	-	-	-	-	(15.00)	-	-	-	-	-	-	-	-	-	33.50 (45.84)
Mr. Attique Motiwala	-	-	-	-	-	-	-	-	(90.00)	-	-	-	-	-	-	-	-	(110.07)
Mr. Ariff Tikki	-	-	-	-	-	-	-	(38.50)	(10.00)	-	-	-	-	-	-	-	-	(5.00)
Mr. Asfaqu Motiwala	-	-	-	-	-	-	-	(9.35)	(65.00)	-	-	-	-	-	-	-	-	(14.98)
Mr. Rukmesh Jakhotiya	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Siddique Motiwala	-	-	-	-	-	-	-	(33.67)	-	-	-	-	-	-	-	-	-	-
Relatives of Key Management Personnel																		
Mohan Lal Agarwal	-	-	-	-	-	(0.12)	-	-	-	-	-	53.10 (5.90)	(10.55)	-	-	-	-	(0.12)
Mahesh Kr. Agarwal	-	-	-	-	-	0.12 (0.48)	-	-	-	-	-	53.10 (5.90)	(10.55)	-	-	-	-	-
Mr. D.B.Mohire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25.10)
Mrs. Vaisali Valunj	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.20 (1.20)
Mrs. Smita D. Mohire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24.33 (25.10)
Mr. Manjiv Singh	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Rajendra Mohire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.00)	(7.86)
Anita Agarwal	-	-	-	-	-	0.24	-	-	-	-	-	53.10	-	-	-	-	-	-
Sonika Agarwal	-	-	-	-	-	-	-	-	-	-	-	53.10	-	-	-	-	-	-
Meena Agarwal	-	-	-	-	-	-	-	-	-	-	-	50.10	-	-	-	-	-	-



**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS																		
30 (b) Aggregated Related Party Disclosures for the period ended March 31, 2009																		
Name of the Related Party	Advance against Sale	Advance for Purchase	Purchase of goods	Sales of goods	Internet (Payable)/ Receivables	Conversion Charges, Hire Accounting & Maintenance charges and Rent	Hire charges received	Unsecured Loan	Finance equity contributions	Purchase of Fixed Assets	Purchase of Investment	Warrants	Sale of Investment	Guarantee Given	Remuneration to Managing Director	Sale of Fixed Assets	Balance outstanding as at the end of period - Debit	Balance outstanding as at the end of period - Credit
Relatives of Key Management Personnel																		
Chandralakta Agarwal	-	-	-	-	-	-	-	-	-	-	-	53.10	-	-	-	-	-	-
Rita Agarwal	-	-	-	-	-	-	-	-	-	-	-	48.50	-	-	-	-	-	-
Naveen K. Agarwal	-	-	-	-	-	-	-	-	-	-	-	26.55	-	-	-	-	-	-
Sachin K. Agarwal	-	-	-	-	-	-	-	-	-	-	-	26.55	-	-	-	-	-	-
Others	-	-	-	-	-	(0.24)	-	-	-	-	-	(35.40)	-	-	-	-	-	-
Enterprise over which key management personnel / relatives have significant influence																		
Adhunik Corp. Ltd	(13.15)	19.00	0.57 (0.76)	1720.70 (728.95)	-	1.81	58.81 (34.69)	-	-	-	-	-	-	-	-	-	106.43 (14.48)	9.30
Adhunik Cement Ltd	45.83	-	-	36.53	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adhunik Steels Ltd	(79.60)	13,512.88	1508.24	-	-	23.89	-	-	32,882.20 (23000.00)	(348.35)	-	-	-	-	-	-	1,781.99 (270.15)	-
Adhunik Alloys & Power Ltd	1069.95 (3088.62)	5,331.27	261.58 (215.99)	1219.14	145.62	12.44	386.79 (79.60)	-	-	2,000.00 (20.36)	-	-	-	-	-	-	1,405.22 (88.88)	-
Adhunik Meghalaya Steels Pvt. Ltd.	(435.00)	20.35	(4.93)	-	-	-	-	-	-	-	-	-	-	-	-	-	6.00	(19.68)
Pragati Ispat Udyog	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.60 (1.60)	-
Futuristic Steels (P) Ltd	528.00 (869.58)	558.18	-	-	-	-	8.22	-	-	-	-	-	-	-	-	-	220.22	(343.91)
Adhunik Infotech Limited	-	650.00	-	-	-	166.65 (51.00)	-	-	-	-	-	-	-	(200.00)	-	-	471.97 (22.70)	9.57
Adhunik Ispat Ltd	(0.99)	444.00	309.11 (1109.68)	1355.59	-	-	2.85	-	-	(37.93)	-	-	-	-	-	-	433.51 (518.07)	-
Swarnrekha Steel Industries	(61.10)	-	133.93	1206.81	-	-	-	-	10.25	(186.22)	-	-	-	-	-	-	1,195.37 (125.12)	-
Gajshwar Ispat Ltd	-	(34.24)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31.24)	-
Sungrowth Shares & Stock Ltd.	-	(33.37)	-	-	-	-	-	-	-	-	-	281.90 (620.10)	-	-	-	-	(33.37)	-
Sri M P Ispat & Power Ltd	173.24	-	1,537.55	2007.20	-	-	0.39	-	-	-	-	-	-	-	-	-	1,262.22 (217.9)	-

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS																		
30 (b) Aggregated Related Party Disclosures for the period ended March 31, 2009																		
Name of the Related Party	Advance against Sale	Advance for Purchase	Purchase of goods	Sales of goods	Internet (Payable)/ Receivables	Conversion Charges, Hire Accounting & Maintenance charges and Rent	Hire charges received	Unsecured Loan	Finance equity contributions	Purchase of Fixed Assets	Purchase of Investment	Warrants	Sale of Investment	Guarantee Given	Remuneration to Managing Director	Sale of Fixed Assets	Balance outstanding as at the end of period - Debit	Balance outstanding as at the end of period - Credit
Enterprise over which key management personnel / relatives have significant influence																		
Ved Vyas Ispat Ltd.	-	1,590.20	1,966.68	506.02	-	(828.44)	-	-	-	-	-	-	-	-	-	-	2,096.22	(83.23)
Ganges Enterprises	-	6.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zion Steel	-	455.30	75.10	3,207.73	2.16	-	-	-	-	-	-	-	-	-	-	-	611.33 (3.50)	-
Neepaz Infrastructure & Developers Ltd	-	105.00	-	-	2.32	-	-	-	1,050.00	-	-	-	-	-	-	-	1052.32	-
Vasundhara Resources Ltd	-	10.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.00	-
Mahananda Suppliers Ltd.	-	-	-	-	-	-	-	-	-	-	289.50 (620.10)	-	-	-	-	-	-	-
Manohar Management Ltd.	-	(33.37)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33.37)	235.05 (235.00)
Akshardham Mercantile Pvt. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(150.00)
Mansing Trading Pvt. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United Ukraine Technology (P) Ltd.	-	-	-	-	-	-	-	-	-	(880.18)	-	-	-	-	-	-	(58.08)	-
Others	(0.37)	-	(4.34)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3.66)	(19.29)
Grand Total	1817.02 (4483.41)	22635.07 (133.93)	5792.76 (230.95)	11259.72 (1839.63)	150.10	205.20 (880.92)	457.06 (114.29)	(81.52)	(4349.45) (2482.00)	(1273.04)	2000.00 (1311.00)	1201.00	(63.30)	(200.00)	100.47 (36.00)	-	10659.86 (1231.02)	693.00 (1729.77)

Note

1: The above is excluding personal guarantee given by promoter directors of the Company and its subsidiary towards availing secured loans.




## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule - 25 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

31 Previous year's figures (including those which are in brackets) have been regrouped / rearranged wherever necessary.

Signatories to Schedules 1 to 25

As per our report of even date

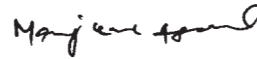
  
For S. R. Batliboi & Company  
Chartered Accountants


  
Per Rahul Roy  
a Partner  
Membership No. 53956

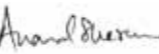
Place: Kolkata

Date: June 29, 2009

As Approved  
For and on behalf of the Board of Directors

  
Manoj Kumar Agarwal  
Managing Director

  
Ghanshyam Das Agarwal  
Chairman

  
Anand Sharma  
Company Secretary

## SECTION 212

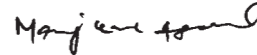
Statement pursuant to Section 212 of the Companies Act, 1956


Name of the subsidiary	Financial Year ending of the subsidiary.	Number of equity share held	Extent of holding	For financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in Col. 6).	Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company.	Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in Col. 8).	Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Orissa Manganese & Minerals Ltd	31.03.2009	20,00,000	100%	3,650.77	-	467.69	-
Unistar Galvanisers Et Fabricators Pvt. Ltd.	31.03.2009	27,28,350	87.42%	192.82	-	146.64	-
Neepaz V Forge (India) Limited	31.03.2009	36,90,000	73.80%	(97.72)	-	(54.34)	-
Adhunik Power Et Natural Resources Ltd.	31.03.2009	94,86,900	98.60%	-	-	-	-

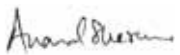
Details as per MCA direction under section 212 of the Companies Act, 1956 as on 31.03.2009

Particulars	Orissa Manganese Et Minerals Ltd.	Unistar Galvanisers Et Fabricators Pvt. Ltd.	Neepaz V Forge (India) Ltd.	Adhunik Power and Natural Resources Ltd.
Authorised Capital	35,000,000	35,000,000	250,000,000	302,000,000
Paid up Capital	20,000,000	31,210,000	50,000,000	169,719,000
Reserves	418,149,754	142,057,612	(30,752,402)	378,276,000
Total Assets	2,025,811,318	614,729,630	1,935,787,472	1,811,041,124
Total Liabilities	1,792,316,455	441,462,015	1,215,587,862	806,096,124
Investment	207,500,000	-	100,000	-
Turnover	1,282,456,317	358,839,894	32,326,610	-
Profit Before Taxation	569,470,437	36,347,863	(10,338,435)	-
Provision for Taxation	204,393,384	14,291,420	2,902,779	-
Profit after Taxation	365,077,053	22,056,443	(13,241,214)	-
Proposed Dividend	-	-	-	-

As Approved  
For and on behalf of the Board of Directors

  
Manoj Kumar Agarwal  
Managing Director

  
Ghanshyam Das Agarwal  
Chairman

  
Anand Sharma  
Company Secretary

Place: Kolkata  
Date: June 29, 2009



