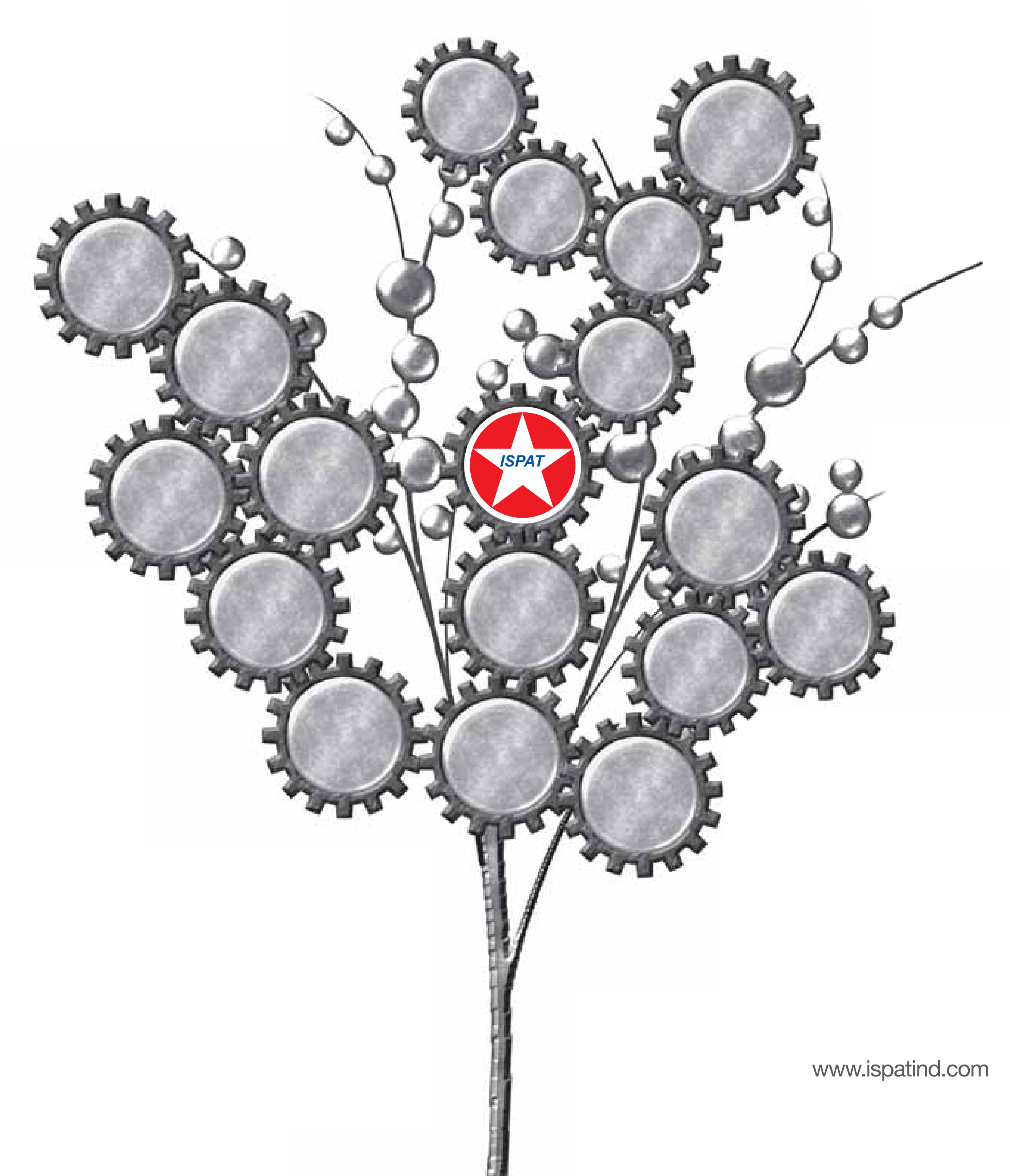
ISPAT INDUSTRIES LIMITED | Annual Report 2009-10



www.ispatind.com

CHAIRMAN EMERITUS	**Mohan Lal Mittal**
BOARD OF DIRECTORS	Pramod Mittal *Chairman* Vinod Mittal *Vice Chairman & Managing Director* U Mahesh Rao Dr A Besant C Raj Dr Basudeb Sen Vinod Kothari S N Baheti *(Nominee – IDBI Bank Ltd.)* Mayank Agrawal *(Nominee – ICICI Bank Ltd.)* Manju Jain *(Nominee – IFCI Ltd.)* M Sankaranarayanan *(Nominee – UTI)* Vinod Garg *Executive Director (Commercial)* Anil Sureka *Executive Director (Finance)* B K Singh *Executive Director (Steel Plant)*
PRESIDENT & COMPANY SECRETARY	T P Subramanian
REGISTERED OFFICE	"Park Plaza" 71, Park Street, Kolkata - 700 016 Tel. Nos. : 91-33-30265000 Fax Nos : 91-33-22291956 Website : www.ispatind.com
AUDITORS	M/s. S R Batliboi & Co. Chartered Accountants
BANKERS	State Bank of India Punjab National Bank Bank of India Indian Overseas Bank The Honkong and Shanghai Banking Corporation Ltd. ICICI Bank Ltd. UCO Bank
REGISTRAR & SHARE TRANSFER AGENTS	M/s. Link Intime India Private Limited (Formerly known as M/s. Intime Spectrum Registry Ltd.) C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West) Mumbai - 400 078. Tel. Nos. : 91-22-25946970-78 Fax Nos : 91-22-25946969 Website : www.linkintime.co.in

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NOTICE

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of the Members of **ISPAT INDUSTRIES LIMITED** will be held at 'Kala Kunj', 48, Shakespeare Sarani, Kolkata-700 017 on Tuesday, the 21st December**,** 2010 at 10.30 A.M. to transact the following business:-

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2010 and Profit and Loss Account of the Company for the year (fifteen month period) ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Pramod Mittal, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. K. Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Basudeb Sen, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s S R Batliboi & Co., Chartered Accountants, as the Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and authorise Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT Mr Vinod Kothari, who was appointed by the Board of Directors as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:-

   "RESOLVED THAT, in partial modification of the resolution passed by the members of the Company at the twenty-fourth Annual General Meeting held on 23rd September, 2009, under Section 81 (1A) of the Companies Act, 1956, according consent to the Board of Directors of the Company to create, offer, issue and allot, from time to time, in one or more lots, Equity Shares, at par and/or premium not exceeding the aggregate value of Rs.665,00,00,000/- (Rupees Six hundred sixty five crores only), on preferential basis, to the Company's lenders, that is, Financial Institutions, Banks and Insurance Companies, whether or not they are members of the Company, upon exercise of their right to convert, in whole or in part, outstandings of term loan(s) sanctioned to the Company pursuant to approval accorded by the Corporate Debt Restructuring Empowered Group (CDREG), the "Relevant Date", for determination of the price of Equity Shares to be issued and allotted to Financial Institutions, Banks and Insurance Companies, be considered and read as 14th May, 2009, being the date of meeting of CDREG in which the sanction of term loan(s) was considered and approved, in place and stead of 28th May, 2009, being the date of communication of such sanction."

   RESOLVED FURTHER THAT any reference to the date, i.e., 28th May, 2009, wherever appearing in the aforementioned resolution passed at the Annual General Meeting held on 23rd September, 2009, be considered and read as 14th May, 2009.

   RESOLVED FURTHER THAT save and except the modification mentioned hereinabove, the aforementioned resolution passed at the Annual General Meeting held on 23rd September, 2009, shall remain unaltered, unchanged, effective and in full force.

   RESOLVED FURTHER THAT this resolution be considered and treated as an integral part of the aforementioned resolution passed at the Annual General Meeting held on 23rd September, 2009 and be always read alongwith and in conjunction therewith.

By Order of the Board

Mumbai,
the 12th day of November, 2010

T P Subramanian
President & Company Secretary

NOTICE *(Contd.)*

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respct of business at item Nos. 6 and 7 above is annexed hereto.

3. The Register of Members and Share Transfer Register of the Company will remain closed from Wednesday, the 15th day of December, 2010 to Monday, 20th day of December, 2010 (both days inclusive).

4. Members who are holding Equity Shares in identical order of names in more than one folio are requested to write to the Registrar and Transfer Agent of the Company to enable the Company to consolidate their holdings in one folio.

5. All requests for transfer of Equity Shares and allied matters should preferably be sent directly to the Company's Registrar and Transfer Agent along with the relevant transfer deeds and share certificates. Those Members who are holding their DP Account with a Depository may send their requests for transfer and allied matters to the Depository through their DP. Trading in Equity Shares of the Company is permitted only in dematerialized form and the members may lodge their request for dematerialization of their shares through their DP.

6. Members are requested to intimate to the Company queries, if any, regarding these accounts/reports at least ten days before the Annual General Meeting to enable the Company to keep the information ready at the Meeting.

7. Members whose call money is in arrear are requested to make the payment immediately otherwise it may be subjected to forfeiture at the discretion of the Board of Directors. Reminders for payment of call-money in arrear have also been sent to all such members.

8. The unclaimed dividends for the financial year ended 30th June, 1994 and earlier years have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, West Bengal at the address given below: -

   NIZAM PALACE, IInd MSO Building, 234/4, A.J.C. Bose Road, Kolkata 700 020.

   In terms of Section 205C introduced by the Companies (Amendment) Act, 1999 read with Section 205A of the Companies Act, 1956, as amended, the amount of unpaid dividend, matured deposits and debentures and other application money remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made by the Fund in respect of any such claims. The unclaimed dividends for the financial years ended 31st March, 1995, 31st March, 1996 and 31st March, 1997 have been transferred to the Fund.

9. Section 109A of the Companies Act, 1956 has introduced provisions for nomination by the holders of shares and debentures. The prescribed nomination form can be obtained from the Company's Registrar and Transfer Agent. The members may take advantage of this facility, if desired.

10. At the ensuing Annual General Meeting, Mr Pramod Mittal, Mr B K Singh and Dr Basudeb Sen retire by rotation and, being eligible, offer themselves for re-appointment. At the ensuing Annual General Meeting, Mr.Vinod Kothari is proposed to be appointed as Director of the Company. Pursuant to Clause 49 of the Listing Agreement(s), the details of these Directors are attached to the Notice convening the ensuing Annual General Meeting.

ANNEXURE TO NOTICE

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

Item No.6

The Board of Directors of the Company (the Board) appointed Mr Vinod Kothari as an Additional Director of the Company with effect from 12th November, 2010, pursuant to Section 260 of Companies Act, 1956, read with Article 142 of the Articles of Association of the Company (the Articles). Mr Vinod Kothari will hold office as Additional Director upto the date of the Annual General Meeting. The Company has received notice in writing from a member, under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr Vinod Kothari for appointment as Director of the Company. Consent in writing has also been received from Mr Vinod Kothari to act as the Director of the Company, if appointed.

Mr Vinod Kothari is a qualified Chartered Accountant and a Company Secretary. He is internationally recognized as an author, trainer and consultant on specialized financial subjects, namely, securitization, credit derivatives, accounting for financial instruments etc. He has authored various books on Lease Financing and Hire Purchase, Securitization, Credit Derivatives and Structured Credit Trading, Asset Reconstruction and Enforcement of Security Interests, etc. He is a regular speaker at professional institutes and is a visiting faculty member at Indian Institute of Management, Calcutta. He has been a member of the consulting team of Asian Development Bank to advise Government of India on security interest laws etc.

He is a Director of Association of Leasing and Financial Services Companies, Executive Director of the Asian Securitisation Forum and former Chairman of the Institute of Company Secretaries of India. He is also on the Board of several listed public companies as an independent director.

The Board is of the view that, having regard to his experience and knowledge, it will be in the interest of the Company to appoint Mr Vinod Kothari as a Director of the Company.

Mr. Vinod Kothari is not related to any of the Directors of the Company. Mr Vinod Kothari does not hold any share in the Company.

Your Directors recommend the resolution for your approval.

Except Mr Vinod Kothari, none of the other Directors of the Company is, in any way, concerned or interested in the resolution.

Item No.7

At the twenty-fourth Annual General Meeting held on 23rd September, 2009, members have, subject to requisite approvals, consents, permissions and/ or sanctions that may be required, accorded their consent to the Board of Directors of the Company to create, offer, issue and allot, from time to time, in one or more lots, Equity Shares, at par and/or premium, not exceeding the aggregate value of Rs. 665,00,00,000/- (Rupees Six hundred sixty five crores only), on preferential basis, to the Company's Lenders, that is, Financial Institutions, Banks and Insurance Companies, upon exercise of their right to convert, in whole or in part, outstandings of terms loan(s) sanctioned to the Company pursuant to the approval accorded by the Corporate Debt Restructuring Empowered Group (CDREG) and in accordance with the then prevailing Guidelines for Preferential Issue under Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

In terms of the said Guidelines for Preferential Issues, in the case of Preferential Issue of shares, pursuant to a scheme approved under the Corporate Debt Restructuring Framework of Reserve Bank of India, the date of approval of the Corporate Debt Restructuring package shall be the "Relevant Date".

ANNEXURE TO NOTICE *(Contd.)*

Accordingly, the “Relevant Date”, for the purpose mentioned hereinabove, was reckoned as 28th May, 2009, being the date of communication of sanction of the aforesaid term loan(s) to the Company.

Members may note that the lenders have subsequently informed the Company that, in their view, since the aforementioned loan(s), sanctioned to the Company under Corporate Debt Restructuring Framework, were actually considered and approved at the meeting of the CDR Empowered Group held on 14th May, 2009, the said date i.e. 14th May, 2009, should be the “Relevant Date” for determining the price of equity shares, in terms of the Guidelines for Preferential Issues, and not 28th May, 2009, being the date of communication of sanction of term loans to the Company.

In view of the above, approval of the shareholders is being sought for partial modification of the resolution passed at the twenty-fourth Annual General Meeting held on 23rd September, 2009, to the extent that the “Relevant Date”, for determining the price of equity shares, be considered as 14th May, 2009 instead of 28th May, 2009.

The “Relevant Price”, in terms of SEBI’s Preferential Issue Guidelines, considering the “Relevant Date” as 14th May, 2009, shall be Rs.14.74 per equity share.

Members may note that the “Relevant Price”, considering the “Relevant Date” as 28th May, 2009, was Rs.19.38 per equity share.

Save and except the modification mentioned above, the resolution passed at the Annual General Meeting held on 23rd September, 2009, as well as all other facts and disclosures made in connection therewith, shall remain unchanged, unaltered, effective and in full force.

The Auditors’ Certificate, as required under the Preferential Issue Guidelines, will be available for inspection at the Registered Office of the Company.

Your Directors recommended adoption of the Resolution.

By Order of the Board

Mumbai,
the 12th day of November, 2010

T P Subramanian
President & Company Secretary

ANNEXURE TO NOTICE *(Contd.)*

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Pramod Mittal	Mr. B. K. Singh	Dr. Basudeb Sen	Mr. Vinod Kothari
Date of Birth	08.06.1956	02.02.1944	16.06.1948	01.09.1961
Date of Appointment	23.05.1984	01.05.2008	30.06.2008	12.11.2010
Qualifications	B.Com., DBM	B. E. (Mechanical)	M.A. (Economics), Ph.D.	ACA, ACS
Expertise in specific functional areas	Strategic Planning, managing and implementation of projects and overseeing business operations	Planning, Operations, Project implementation, Quality assurance etc.	Strategic Planning, Risk Management Systems, Investment Portfolio Management, Fund Marketing, Credit/Project appraisal etc.	Finance and Secretarial. Specialised in financial subjects, namely, securitization, credit derivatives, accounting for financial instruments, etc.
List of other companies in which Directorship held *	Gontermann-Peipers (India) Ltd. Balasore Alloys Ltd. Ispat Energy Limited	NIL	ITC Ltd. SREI Ventura Capital Ltd. Gujarat NRE Coke Ltd. Mahanagar Gas Ltd. Sumedha Fiscal Services Ltd. South Asian Petrochem Ltd. (now known as Dhunseri Petrochem & Tea Ltd.)	Rupa & Company Ltd. Gontermann-Peipers (India) Ltd. Greenply Industries Ltd. Vinod Kothari Consultants Pvt. Ltd. Wise Men's Consultancy Co. Pvt. Ltd. Academy of Financial Services Pvt. Ltd. Association of Leasing & Financial Services.
Chairman / Member of the Committees of the Board of the other Companies on which he is a Director #	NIL	NIL	**Audit Committee** <u>Chairman</u> Mahanagar Gas Ltd. <u>Member</u> Gujarat NRE Coke Ltd. South Asian Petrochem Ltd. **Shareholders Grievance Committee/ Investor Services Committee** <u>Member</u> ITC Ltd. South Asian Petrochem Ltd.	**Audit Committee** <u>Member</u> Gontermann-Peipers (India) Ltd. Rupa & Company Ltd. Greenply Industries Ltd. **Share Transfer & Investor Grievance Committee** <u>Member</u> Gontermann-Peipers (India) Ltd.
No. of Equity Shares held in the Company	674558	NIL	NIL	NIL

* Directorship in other Companies excludes foreign companies.

Chairmanship/Membership in only two Committees, namely, Audit Committee and Shareholders/Investors Grievance Committee, have been considered above.

DIRECTORS' REPORT

Your Directors present their Twentyfifth Annual Report on the operations of your Company alongwith the standalone and consolidated financial results for the fifteen-month period ended 30th June, 2010.

FINANCIAL RESULTS

The highlights of the financial results (standalone) for the fifteen-month period are as under:-

(Rs. in crores)

		15 month period ended 30th June, 2010	Year ended 31st March, 2009
1	Sales / Income from operations	**10983.14**	9063.44
	Less : Excise Duty	**850.41**	931.46
		10132.73	8131.98
2	Other Income	**445.96**	405.86
3	Total Income	**10578.69**	8537.84
4	Total Expenditure	**8855.75**	7107.11
5	Profit before Interest & Finance Charges and Depreciation	**1722.94**	1430.73
6	Less : Interest & Finance Charges	**1285.45**	1159.30
7	Profit before Depreciation	**437.49**	271.43
8	Less : Depreciation	**773.95**	646.62
9	Profit/(Loss) before Tax and Exceptional Items	**(336.46)**	(375.19)
10	Add : Exceptional Items	**—**	648.70
11	Profit/(Loss) before tax	**(336.46)**	(1023.89)
12	Provision for Taxation (Net)		
	– Current Tax	**0.03**	0.03
	– Fringe Benefit Tax	**—**	3.00
	Deferred Tax Charge / (Credit)	**(14.15)**	(338.81)
13	Net Profit/(Loss)	**(322.34)**	(688.11)
	Add : Debenture Redemption Reserve written back	**20.26**	27.71
	Add:		
	a) Balance brought forward from previous year	**(1832.15)**	(1046.00)
	b) Adjustment towards Exchange Differences of 2007-08	**—**	(125.75)
14	Amount carried to next year	**(2134.23)**	(1832.15)

Income from operations during the fifteen-month period under review was Rs.10983.14 crores and profit before interest, finance charges and depreciation was Rs.1722.94 crores.

After providing for interest and finance charges of Rs.1285.45 crores, profit before depreciation was Rs.437.49 crores. After providing for depreciation of Rs.773.95 crores, loss before tax provisions was Rs.336.46 crores for the period under review.

After considering deferred tax credit of Rs.14.15 crores and providing for wealth tax Rs.0.03 crores, net loss during the period under review was Rs.322.34 crores. Considering Debenture Redemption Reserve written back Rs.20.26 crores

DIRECTORS' REPORT *(Contd.)*

and accumulated losses of Rs.1832.15 crores brought forward from the previous year, the accumulated losses as at 30th June, 2010 was Rs.2134.23 crores. The losses are proposed to be carried to next year's accounts.

FINANCIAL YEAR

The financial year of the Company has been extended by a period of 3 (three) months upto 30th June, 2010. Accordingly, the Company's financial year 2009-10 is for a period of 15 (fifteen) months, 1st April, 2009 to 30th June, 2010.

DIVIDEND

In view of the accumulated losses, the Board of Directors does not recommend any dividend on the Equity Shares. The Board of Directors does not declare dividend on Cumulative Redeemable Preference Shares.

OPERATIONS

The deep economic recession had resulted in a negative global GDP during the year 2009. World economy has since regained certain stability and modest growth rates are being witnessed in the economies of developed countries. On the other hand, countries in the developing world have, however, registered relatively high levels of economic growth and robust domestic markets.

Global steel industry had witnessed an unprecedented dip in demand and sharp decline in prices during the period of economic meltdown. Global steel production had declined by 8% during 2009 and consumption was lower by 6%, notwithstanding the visible rebound during second half of 2009. Backed by fiscal stimulus-led global economic recovery, steel industry has since demonstrated visible signs of demand pick-up and price stabilization during the last quarter of year 2009. The current year, so far, has seen a marked increase in domestic steel demand led by impressive growth in vital end-user segments, such as, automobile and consumer goods.

While developed economies had faced slow economic recovery, China and India registered impressive GDP growth. Steel production in India grew by 4% and consumption had risen by 8%. The growth in consumption led to higher import of steel products into India. High level of cheap imports has since led to an inevitable fall in domestic prices of steel products, with consequential impact on financials of major steel makers.

During the period under review, the Company sought to consolidate its efforts towards optimizing productivity and innovating its product basket.

Production of Hot Rolled Coils at 3.31 Million MTs was higher by 24% compared to the previous financial year, on an annualized basis. Capacity utilization was over 80% of the enhanced annual capacity of 3.3 Million MTs.

Production of Direct Reduced Iron (Sponge Iron) at 1.68 Million MTs was higher by 23% over the previous financial year, on an annualized basis. Efforts undertaken by the Company towards securing additional supplies of Natural Gas had resulted in improved production of Direct Reduced Iron during the year.

Production of Hot Metal was higher at 2.13 Million MTs. Upgradation of Blast Furnace during 2009 has resulted in significant improvement in process efficiencies and new benchmarks are being set on all production parameters.

Production of Cold Rolled Steel Coils/Sheets and Galvanized Coils/Sheets had registered increase at 0.31 Million MTs and 0.20 Million MTs, respectively. In its endeavour to continually offer superior products, the Company has added Galvalume, a premium metallic-coated steel product, to its product-basket. Galvaume finds extensive application in corrosion and temperature resistance. Production of Galvalume Coils/Sheets has been streamlined during the period. Production of Tubes and Pipes had also stabilized during the period under review. Production of PVC coated sheets during the period was at 101% of installed capacity.

Sales of Hot Rolled Coils at 2.88 Million MTs was higher by 19%, compared to previous year, on an annualized basis. Sales of Cold Rolled Steel Coils/Sheets was higher by 11%, whereas sales of Galvanized Coils/Sheets was lower by 7%,

DIRECTORS' REPORT *(Contd.)*

compared to previous year, on an annualized basis. Sales of Tubes and Pipes was commensurate with production achieved during the period.

During the period under review, prices of basic inputs, namely, iron ore, coke and pellets had increased substantially. Simultaneously, prices of utilities, such as, natural gas and energy, had also gone up. This had resulted in lower margins with consequential impact on the Company's financial results.

EXPORTS

Export earnings during the period under review was Rs.433.44 Crores.

Exports were lower during the period due to slack demand conditions in the US, European Union and Latin American zones. Sharp fall in export realizations, owing to depressed demand conditions, had impacted the Company's export earnings.

PROJECTS

The coke oven project of the annual capacity of 1 Million MTs, undertaken in joint venture, has been appraised at a cost of Rs.1124 Crores. Debt component of the project is expected to be tied-up shortly. The project is expected to be commissioned within a period of 24 months from achievement of financial closure.

Initial development activities have already commenced in the proposed iron ore pellet project of 2 Million MTs. The Company has, simultaneously, entered into long-term supply contract with a major producer of iron ore pellets, so as to effectively secure its input requirements.

The Company has obtained a prospective license for mining of iron ore in Damkodwadvi area of Bhamragarh in the state of Maharashtra. Prospecting activities have since been completed and it is estimated that the mines would have reserves of 101 Million Tons of high-quality iron ore. Various Government approvals are being obtained. The prospecting report has already been filed with the Mining Department of Government of Maharashtra for conversion of the license into a regular mining lease. Project activities had slowed due to certain anti-national insurgent activities in the area. However, efforts are being made for development of the mine by end-2011.

Initial activities have also been undertaken by the respective Wholly-Owned Subsidiaries in the proposed iron ore and coal mining projects overseas.

The Company had entered into separate Memoranda of Understanding (MOU) with the respective Governments of Jharkhand and Chattisgarh for setting-up an integral steel plant (annual capacity of 2.8 Million MTs) and coal-based thermal power plant (annual combined capacity of 1200 MW).

Site selection activities are in the progress for the integrated steel plant proposed in the state of Jharkhand. The state government has been approached to allocate alternate iron ore mines, commensurate with the size of the project.

Progress in implementation of the coal-based thermal power plant in the state of Chattisgarh has slowed down due to delays in grant of coal linkage by the government.

CAPTIVE POWER PLANT OF ISPAT ENERGY LIMITED

Due to certain unforeseen delays in achieving financial closure, the schedule for implementation of the 110 MW Power Plant by Ispat Energy Limited, the Company's wholly-owned subsidiary, has been further delayed. The project, proposed to be implemented in two separate phases of 55 MW each, is now scheduled to be commissioned during early 2012. The cost of the project is estimated at Rs.491 Crores. Financial closure of the project is expected to be achieved shortly.

ISSUE OF EQUITY SHARE WARRANTS

The Company had received an aggregate amount of Rs.51.98 Crores, during the previous financial year, from certain promoters towards allotment of equity warrants. The amount was utilized by the Company for the identified purposes.

DIRECTORS' REPORT *(Contd.)*

The promoters had, however, not exercised their right to apply for equity shares within the stipulated period of eighteen months from the date of allotment of equity warrants. Consequently, in accordance with applicable SEBI Regulations, the aggregate amount of Rs.51.98 crores received from the promoters, towards equity warrants, has been forfeited by the Company.

During the current financial year, the Company has received an amount of Rs.18 Crores from certain promoters, towards part of the allotment money payable for a fresh issue of equity warrants. The issue of such equity warrants to the promoters, on preferential basis, was approved by the members at their Extra Ordinary General Meeting held on 15th May, 2010. "In-principle" approval of the Stock Exchanges is yet to be received for want of certain clearance to be accorded by the Company's lenders.

REDEMPTION OF 12% Cumulative Redeemable Preference Shares (CRPS)

In accordance with the terms governing issue of 12% CRPS, the Company has further redeemed 6% of the face value (Rs.100/- each) of the 12% CRPS. Upon redemption, the adjusted face value of the 12% CRPS is Rs.84/- each.

DIRECTORS

Mr. Pramod Mittal, Mr. B K Singh and Dr. Basudeb Sen retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. Brief profiles of the retiring Directors, including area of their expertise and other details, are attached to the Notice convening the ensuing Annual General Meeting.

The nomination of Mr. K M Jaya Rao was withdrawn by ICICI Bank Ltd. with effect from 20th April, 2009. Mr. Mayank Agrawal was nominated as Director by ICICI Bank Ltd., in place of Mr. K M Jaya Rao, with effect from 30th April, 2009.

The nomination of Mr. B P Singh was withdrawn by IDBI Bank Ltd. with effect from 20th February, 2010. Mr. S N Baheti was nominated as Director by IDBI Bank Ltd., in place of Mr. B P Singh, with effect from 5th April, 2010.

The nomination of Mr. R P Singh was withdrawn by IFCI Ltd. with effect from 28th August, 2010. Ms. Manju Jain has been nominated as Director by IFCI Ltd., in place of Mr. R P Singh, with effect from that date.

The Board of Directors wish to place on record its appreciation for the services rendered by Mr. K M Jaya Rao, Mr. B P Singh and Mr. R P Singh during their tenure as Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that :-

(i) in the preparation of the annual accounts for the financial year ended 30th June, 2010, the applicable accounting standards have been followed and there have been no material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of 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; and

(iv) the Directors have prepared the annual accounts for the financial year ended 30th June, 2010 on a going concern basis.

DIRECTORS' REPORT *(Contd.)*

SUBSIDIARY COMPANIES

Ispat Energy Limited is setting up a 110 MW gas-based power plant at the Dolvi Steel Complex. The plant is expected to be commissioned, in two separate phases, of 55 MW each, during early 2012.

Ispat Jharkhand Steels Limited, a Special Purpose Vehicle (SPV) Company, proposes to set-up an integrated steel plant (annual capacity of 2.8 Million MTs) in the State of Jharkhand, pursuant to the Memorandum of Understanding entered into by the Company with Government of Jharkhand.

Rewa Infrastructures Private Limited, a Special Purpose Vehicle (SPV) Company, proposes to set-up a multi-product SEZ in the State of Maharashtra. Due to economic down-turn coupled with various other factors, including land-acquisition difficulties being encountered, in general, by SEZ units, the project implementation activities have largely slowed down.

The wholly-owned subsidiaries, namely, Erebus Limited and Arima Holdings Limited, have commenced initial activities in the proposed iron ore and coal mining projects in Brazil and Columbia, respectively. Activities are yet to be undertaken by Lakeland Securities Limited in the proposed coal mining project.

The Company is seeking exemption under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary Companies to the Balance Sheet of the Company. The Company shall make available these documents/details upon request made by any member of the Company or its Subsidiary Companies. The Annual Accounts of the Subsidiary Companies will also be kept open at the Registered Office of the Company and that of the Subsidiary Companies, for inspection by any member.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiaries, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

AUDITORS

The Auditors, M/s S R Batliboi & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have expressed their willingness to be re-appointed.

The Company has obtained a letter from the Auditors to the effect that the re-appointment, if made, will be in conformity with the limits specified in Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors in their report have, while drawing attention to Note. 12 (a) of Schedule 23 of the Accounts for the financial year ended 30th June, 2010 commented on their inability to express any opinion on the future profitability projections made by the Company and their consequential impact, if any, on Deferred Tax Asset recognized in the said Accounts.

The Auditors in their report have also drawn attention to Note No.15 of Schedule 23 of the Accounts for the financial year ended 30th June, 2010, with regard to payment of remuneration to Managing and other Whole-time Directors in excess of approvals received by the Company from the Ministry of Corporate Affairs during the period.

The Auditors, in their statement under Companies (Auditor's Report) Order 2003 annexed to the aforesaid Report, have observed the following:-

a) Physical verification not conducted in respect of transit stock of materials, for which confirmations have been furnished for the major amount thereof;

b) Delays in few cases in depositing undisputed statutory dues;

c) Accumulated losses as at end of the financial year exceeding fifty percent of the Company's net worth;

DIRECTORS' REPORT*(Contd.)*

d) Certain delays in repayment of dues to domestic financial institutions, banks and debenture holders during the year and the arrears of such dues as on the Balance Sheet date; and

e) Use by the Company of funds raised on short-term basis for repayment of long-term loans and financing of operating losses.

In the opinion of the Board of Directors, based on the Company's business plans, strategies and profitability estimates, techno-economic study carried out by an expert appointed by the lenders, Debt Restructuring sanctioned by lenders under CDR mechanism, steady increase in steel demand, current trend of prices of finished steel products, up-gradation and modernization of Blast Furnace as well as process improvements carried out for enhancing steel-making capacity as well as operating efficiency and reversal of deferred tax credit during the respective quarters ended December, 2009, March, 2010 and June, 2010, the Company is virtually certain that there would be sufficient taxable income in the future, to claim the tax credit.

Since certain anomalies have been observed in the approvals received from Ministry of Corporate Affairs in relation to payment of remuneration to Managing and Whole-time Directors, the Company has made its representation to the Ministry of Corporate Affairs for reconsideration and rectification of such anomalies. The matter is under consideration of Ministry of Corporate Affairs and, hence, no recovery of such excess remuneration has been made by the Company.

Further, the Board of Directors inform that:-

a) Physical verification of materials in transit has not been carried out. However, necessary certificate/confirmation has been furnished in respect of the major amount thereof

b) Delays in few cases in depositing undisputed statutory dues have been due to mis-matches in cash flows, which were subsequently rectified.

c) Due compliance of the provisions contained in Section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 shall be ensured.

d) Delays in making payments were mainly due to mis-matches in cash-flows, which are rectified, from time to time.

e) Due to mis-matches in cashflows, certain repayment of long-term loans and financing of operating losses have been made out of funds raised on short-term basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis and Corporate Governance Report together with the Certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance form part of this Report.

SECRETARIAL COMPLIANCE REPORT

The Company had engaged M/s Robert Pavrey & Associates, Practising Company Secretaries, to review Secretarial Compliance for the financial year ended 30th June, 2010. The Secretarial Compliance Certificate addressed to the Board of Directors of the Company is attached to the Annual Report. The Secretarial Compliance Certificate confirms that the Company has complied with the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with Stock Exchanges and all the Regulations of SEBI as applicable to the Company including SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Though not mandatory, the Secretarial Compliance Certificate is also obtained, on a quarterly basis, from the aforementioned Practising Company Secretaries, and reviewed by the Board.

DIRECTORS' REPORT *(Contd.)*

CODE OF CONDUCT

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the Company's website.

Board Members and Senior Management personnel have affirmed compliance with the Code for the financial year 2009-10. A separate declaration to this effect is annexed to the Corporate Governance Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are annexed and form part of this Report. (Annexure "A").

PERSONNEL

Employee relations continued to be harmonious during the year.

The Company's Performance Management System is robust and bench-marked with prevailing best practices. The Company seeks to continuously enhance competitiveness, skills and productivity of its employees. A healthy work environment is ensured and employee-recognition is prompt and rewarding. The Company's retention strategy is aimed at creating challenging assignments for its employees and also develop their career ambitions.

The Board wishes to place on record its appreciation for the efforts of all its employees.

Information in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report. (Annexure "B").

APPRECIATION

Your Directors wish to place on record their appreciation for the support extended to the Company by its lenders, the Central and State Governments as well as its business partners. Your Directors also thank the members for their continued support.

For and on behalf of the Board

Mumbai,	ANIL SUREKA	VINOD MITTAL
the 28th August, 2010.	*Executive Director (Finance)*	*Vice Chairman & Managing Director*

ANNEXURE (A) TO THE DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

A) CONSERVATION OF ENERGY

a. Steel Complex at Dolvi

1. Hot Strip Mill

➢ Existing fuels used in Hot Strip Mill (HSM) has been replaced by RLNG in the following areas :-

- Tunnel Furnace A and B were converted from Oil (LDO) fired Furnace to Dual fuel (RLNG/LDO) fired furnace.
- RLNG being used as fuel in 10 numbers Ladle Preheaters in Ladle Furnace area in place of LDO.
- RLNG being used in Tundish Preheater and SEN heating in place of Propane.
- RLNG being used in Co-jet firing system in SMS in place of Propane.
- RLNG/LDO/FO being used in Boiler in HSM in place of LDO/FO (Dual fuel system).
- Conversion of the same leads to better surface quality and homogenised microstructure.

➢ 8 nos. impellers in pumps at HSM utility area has been replaced to reduce power consumption.

2. Blast Furnace :

RLNG conversion projects have been implemented in the following areas of Blast Furnace :-

- RLNG is being used in Coal Injection plant as supporting fuel in place of Propane.
- RLNG is being used for heating of Cast House Runner in place of Propane.
- RLNG is being used along with BF Gas in BF Stoves in place of Propane as pilot fuel.
- RLNG and BF Gas are being used in 16 TPH Boiler as fuel in place of FO.

3. Sinter Plant :

- RLNG is being used in Ignition Furnace as main fuel in place of Propane for ignition. RLNG is being charged in the same network which was used for Propane.

4. Lime Calcination Plant:

- RLNG being used in LCP-1 in place of 80% LDO + 20% FO. Consumption of LDO/FO was 89.50 litres per ton of lime production. On switching to RLNG, specific consumption of RLNG is found to be 80 SCM/ton of lime production.

b. Cold Rolling Mill, Galvanising and Colour Coating Complex at Kalmeshwar

- CGL1 - Installation and commissioning of Digital DC drive for Bridle-1A and Heart Rolls and VFD for Jet Cooling Device to save power.

ANNEXURE (A) TO THE DIRECTORS' REPORT *(Contd.)*

- Galvalume - Spence Blower installed to save power from 200 KW to 55 KW.
- CRS4 - DC motor blower power auto off automation done for power saving.
- ARP - PLC up-gradation done due to obsolete technology and V-30 Blower drive installed for energy saving.
- CTL3 - PLC panel assembling, erection, wiring, cabling and termination done in-house to replace old contactor logic.
- ECL - Up-gradation of PLC and drives due to obsolete technology to increase equipment reliability.
- Narrow Slitter - New digital ABB Drives commissioning done in-house and line speed increased from 20 MPM to 60 MPM.
- Mill Bay Transparent Roofing Sheets provided to avoid switching-on of Bay Light during day time/dim day light.
- Interlock provided for Auto Switching-Off of Pay-Off Reel Drive at 6 Hi Mill.
- 60 MT Crane not used while running one mill to reduce power consumption with respect to use of 25 MT Mill Bay Crane.

c. Proposals for Reduction of Energy Consumption

- Installation of variable frequency drive for 1700KW main fan at Sponge Iron Plant to reduce power consumption.
- Installation of variable frequency drive for 700 KW ID fan of Coal Injection plant to reduce power consumption.
- Up-gradation of existing Vapor Absorption Machine and further utilization of chilled water in ACs to reduce power consumption.
- Natural gas injection at Blast Furnace to reduce coke consumption as well as cost reduction.
- Energy audit being conducted for entire Dolvi complex (HSM, BF, Sinter, LCP, SIP, Oxygen plants etc) to identify further potential areas of thermal and electrical energy conservation opportunities.
- Carbon foot print measurement study being conducted to further Carbon reduction opportunities and identification of CDM projects and develop carbon reduction strategy and set emission reduction targets.
- Installation of Magna drive/ coupling.
- Installation of solar panels in building roof tops.

d. The above steps initiated by the Company have enabled savings in energy consumption as well as savings in costs. The Company constantly undertakes energy saving measures at its plant locations.

ANNEXURE (A) TO THE DIRECTORS' REPORT *(Contd.)*

The required data with regard to Conservation of Energy, as applicable to our Industry, is furnished below:

Sl. No.	Particulars	For 15 month period ended 30th June, 2010	For the year ended 31st March, 2009
I)	**POWER AND FUEL CONSUMPTION**		
1	**Electricity**		
	a) Purchased (Units in '000)	**2231972**	1637039
	Total Amount (Rs. in Crores)	**1142.90**	740.50
	Rate/Unit (in Rs.)	**5.12**	4.52
	b) Own generation		
	Units	**84656731**	67668788
	Unit/Ltrs of Furnace oil	**4.15**	4.27
	Cost/Unit (in Rs.)	**4.94**	5.65
2	**Coal**		
	Quantity (MT)	**12197**	7079
	Total Cost (Rs. in Crores)	**2.84**	1.46
	Avg. Rate/Unit (in Rs.)	**2328**	2062
3	**Furnace Oil & LDO**		
	Quantity (Ltrs in '000)	**26668**	36298
	Total amount (Rs. In Crores)	**79.02**	107.07
	Avg. Rate/Unit (in Rs.)	**29.63**	29.50
4	**LPG/Propane**		
	Quantity (in MT)	**16268**	39653
	Total Amount (Rs. in Crores)	**52.06**	157.24
	Avg. Rate/Unit (in Rs.)	**32004**	39654
5	**RLNG**		
	Quantity (SCM in '000)	**37150**	-
	Total Amount (Rs. in Crores)	**35.50**	-
	Avg. Rate/Unit (in Rs.)	**9.55**	-
6	**Oxygen**		
	Quantity (in MT)	**24687**	18385
	Total Amount (Rs. in Crores)	**21.30**	10.64
	Avg. Rate/Unit (Rs.)	**8629**	5790
7	**Nitrogen**		
	Quantity (in MT)	**5798**	4702
	Total Amount (Rs. in Crores)	**4.05**	3.72
	Avg. Rate/Unit (Rs.)	**6984**	7902

Annexure (A) To The Directors' Report *(Contd.)*

Sl. No.	Particulars	For 15 month period ended 30th June, 2010	For the year ended 31st March, 2009
8	**Others**		
	Quantity (in Ltrs)	**1023154**	705532
	Total Amount (Rs. in Crores)	**3.63**	2.54
	Avg. Rate/Unit (in Rs.)	**35.52**	36.00
II.	**CONSUMPTION PER MT OF PRODUCTION**		
1	**Galvanised Sheets**		
	Electricity (in Units)	**101**	116
	Furnace Oil (Ltrs.)	**0.21**	0.23
	LPG/Propane (in Kgs.)	**18.78**	20.98
2	**Cold Rolled Steel Sheets**		
	Electricity (in Units)	**132**	132
	Furnace Oil (Ltrs.)	**3.31**	3.75
	Coal (in Kgs.)	**36.88**	34.13
	L.P.G. (in Kgs.)	**1.89**	2.28
3	**Colour Coated Sheets**		
	Electricity (in Units)	**81**	86
	Furnace Oil (Ltrs.)	**0.01**	0.05
	Propane (in Kgs.)	**22.60**	24.15
4	**Tube Mill**		
	Electricity (in Units)	**86**	-
	Furnace Oil (Ltrs.)	**0.34**	-
5	**Pipe Mill**		
	Electricity (in Units)	**42**	-
6	**Galvalume**		
	Electricity (in Units)	**311**	-
	Furnace Oil (Ltrs.)	**0.06**	-
	L.P.G (in Kgs.)	**21.00**	-
7	**Sponge Iron**		
	Electricity (in Units)	**92.71**	98.64
	L.P.G. (in Kgs.)	**-**	22.08
	Gas (M3)	**303.34**	253.29
8	**Hot Strip Mill**		
	Electricity (in Units)	**513.95**	620.09
	Furnace Oil (Ltrs.)	**7.27**	15.17
	Propane (in MT)	**1.90**	4.43
	Gas (in MT)	**9.20**	10.81

ANNEXURE (A) TO THE DIRECTORS' REPORT *(Contd.)*

Sl. No.	Particulars	For 15 month period ended 30th June, 2010	For the year ended 31st March, 2009
9	**Blast Furnace**		
	Electricity (in Units)	**173.35**	207.39
	L.P.G./Propane (in Kgs.)	**1.46**	1.05
	Oxygen (in MT)	**-**	0.00

B) RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

As a result of continuous research undertaken by the Company, plant level modification and developments have been carried out so as to achieve cost-savings, increased efficiency and enhanced productivity as well as to serve customers, both in India and abroad.

a) Steel Complex at Dolvi

- All re-heating furnaces have been converted into natural gas with in-house design leading to reduction in pollution as well as cost saving.
- Increase of yield in CONARC furnace by re-designing the furnace lining and process.
- Increase of Blast Furnace output by increasing the working volume and augmenting coal injection plus oxygen enrichment.
- Process innovation carried-out to increase power generation in GET in Blast Furnace.
- Enhancement of DRI productivity by increasing system pressure.
- Increase of energy efficiency and sinter productivity by recycling fuel gas on sinter bed.
- Increase of EAF Shell Door height by 300 mm for yield improvement.
- Increase in Caster sequence length by reverse SEN ramping.
- Extension of Caster # 1 metallurgical length for increasing Caster speed.
- Electrical Steel development upto 1.5 % Si for semi and full processed niche market.
- Automotive wheel segment – Ultra fine grained high tensile steel for high end passenger car sector.
- Ferritic and Martensitic steel development through LF – VOD route (SS409, SS 409M, SS412/413).

b) Cold Rolling Mill, Galvanising and Colour Coating Complex at Kalmeshwar

i) Cold Rolling Mill

- Development of ST52 Grade tubes from MC2052 HR Coils.
- Development of High Tensile grade TR 55.

Product Developed

- Development of CRFH 0.20 for Refrigerator Back Panel.
- Development of 43F45 & 46F40 for Auto components.
- Development of C 30 grade material for Chain Sprocket / Strapping
- Development of MC 12 grade of material for Auto/Cycle chain, hair clip.
- Development of Medium Carbon Steel in HRSP Segment.

Annexure (A) To The Directors' Report *(Contd.)*

ii) Continuous Galvanizing Line

Product Developed

- Development of High Tensile GP (Gr 50) upto 450 GSM zinc coating.
- Development of thicker gauge corrugated for roofing.
- Development of GP/GPSP with guard film for electrical panels.
- Development of New Grade HSLA - 410.

iii) Galvalume Line

- Commissioning of Galvalume line with on-line electrolytic cleaning and modern S-wrap coater for bare Galvalume production.
- Development of a vendor as India's first "Pre Mix Alloy producer" for Galvalume as an import substitution.
- Development of on-line scrapper of sink roll with low cost automation and 1.5 t mould charging hook for Galvalume PM Pot.
- Commissioning of on-line skinpass mill at CGL1 to supply material to CCL and OEM along with flexibility of producing trade GC with pre-managed campaign.
- Upgradation of emission spectometer (which was installed in 1988) by replacing solid state source by new one for analysis of bath chemistry.
- Procurement of protaspec equipment for analysis of chrome load in acrylic coating and chromating.

iv) Colour Coating Line

- Development of new shades in surf mist, toba blue, sky blue, pale ecy, shadow grey, cottage green, torres blue, castle red, nuva blue, bright green, Asian white, wine red, Nippon blue, and ral 7036 to meet customers requirement.
- Development of new shades in PVDF as daffodil yellow, sandstone beige.

v) Tube & Pipe Mill

- Development of square pipe.
- Development of rectangular pipe.

c. Future plans for technology absorption, research etc.

- Development of additional new facilities for high end value added product (Normalizing facility, Ultrafast cooling system in mill etc.)
- Green or energy efficient Steel, wider range particularly Martensitic stainless steel etc, Product Re-engineering and Brand development.
- In-house adaptation of ultra fast cooling at beginning of Lamellar cooling to produce acicular ferrite, high work hardenable steels for Auto Sector.

Future plans also include :-

Hot Strip Mill

- Installation of 165 MVA Transformer(Shell 1/2 & 3/4)
- Installation of 2 nos. dedicated top lance for each Shell

ANNEXURE (A) TO THE DIRECTORS' REPORT *(Contd.)*

- Installation of EOT crane 300 T for EF- Bay
- Installation of Hydraulic Oscillator for Caster # 1
- Reinforcement of F1 Stand
- Increase of Tunnel Furnace Swivel Speed

Sponge Iron Plant

- Capacity enhancement of the Plant up to 240 MTPH production rate.
- Conversion of existing Shaft furnace for production of hot DRI for transferring to HSM.
- Plant operation with DRI Metallization > 95 % with higher load operation.

Blast Furnace

- Natural Gas (NG) injection in Blast Furnace along with Coal to optimize the fuel cost and to reduce carbon foot print
- Installation of Expert system to improve the process control

Sinter Plant

- Improve mixing and nodulizing efficiency for mixers
- Emission reduction of sintering process

d. Expenditure on Quality Assurance & R & D

a)	Capital	: Nil
b)	Recurring	: Expenses incurred are charged to separate heads and not allocated separately.
c)	Total	: Not determinable
d)	Total R&D expenditure	: Not determinable

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		(Rs. in crores)
-	Foreign Exchange Earnings	
a)	Exports (FOB Value)	433.44
b)	Compensation for non fulfillment of contracts	6.33
-	Foreign Exchange Outgo	
a)	CIF value of Imports	
	Raw Materials, Components, Spare Parts & Production Consumables	3336.07
	Capital Goods	73.79
b)	Other Expenditure	176.39

For and on behalf of the Board

Mumbai,
the 28th August, 2010.

ANIL SUREKA
Executive Director (Finance)

VINOD MITTAL
Vice Chairman & Managing Director

ANNEXURE (B) TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES FOR THE FIFTEEN MONTH PERIOD ENDED 30TH JUNE, 2010 PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT,1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF THE DIRECTORS' REPORT.

Sl. No.	Name	Designation	Qualification	Age (Yrs.)	Experience (Yrs.)	Date of Joining	Total Income-(Rs.)	Last Employment	Designation in Last Employment
1	Agarwal J.P.	Director - Corporate Finance	BCom, Company Secretary.	53	25	1/7/1998	12005515	Mudra Ispat Limited.	Managing Director
2	* * Bharadwaj Ashok Venkatram	Director - Marketing	MBA.	51	26	20/7/2009	3480722	Mercedes Benz	Head - Business Sales
3	* * Biyani B.L.	President - Business Development	BCom, ICWA.	51	32	2/5/1990	8801139	Birla Yamaha Ltd.	Sr. Manager-Accounts
4	Chandra Alok	President - Iron Making	BE.	44	22	14/3/2000	5550806	Steel Authority of India Ltd, (Bhilai)	Manager
5	Chapatwala Kailas	President - HR	PHD.Org Behavior, MBA (HR & Personnel Mgt).	44	21	1/12/2008	6464622	J K Tyres and Industry Ltd.	Vice President
6	Chatterjee Amitav	VP - Strategy	BE, MBA(Finance).	41	16	1/10/2007	4946991	Philips India Ltd.	Business Analyst
7	Chaudhuri Abhijit	Director - Supply Chain Management	B(Tech)-Mechanical.	56	34	24/10/2007	6535042	Blue Star Ltd.	Sr. General Manager
8	* * Choudhary U K	VP - E&A	BSC Engg (Elect),	63	39	16/2/2005	1063165	Steel Authority of India Ltd, (Bokaro)	General Manager
9	* * Darade S. B.	DGM - Drawings	Diploma (Mechanical)	58	40	14/2/1995	678509	Llyods Steel Ltd	Chief Draughtsmen
10	Das B K	Sr VP- Projects	H.S.C., L.M.E.	55	36	16/10/1992	4533479	Essar Projects Ltd.	Dy Construction Supervisor
11	Das Sanjoy	President- HSM	B(Tech),PGDM.	53	31	16/3/2004	6545513	Bilad,Oman	Chief Executive Officer
12	* * Dattani Nilesh C.	President- SCM - Raw Material	BE (Mech), BE (Marine), MBA.	45	21	2/6/2010	214004	Llyods Agency	Business Head
13	Deshpande Tushar	VP- Marketing	BCom (Hons), MBA(Fin).	51	28	2/2/2005	3239037	KEC International Ltd.	Chief Manager International Division
14	Dewangan B. K.	VP - SMS	BE (Mettalurgy)	57	34	10/4/1995	3252560	Boiser Tarapur	Production Superintendent
15	* * Donde Rajiv Shashikant	Sr VP- Business Excellence	M.F.M, B Pharma.	55	30	8/9/1994	2506675	Neon Laboratories	Manager
16	* * Dwivedi Lalji	Head-Domestic Marketing	B (Tech).	58	36	7/3/2001	3889101	Essar Steel Ltd.	General Manager
17	Garg Sunil Kumar	VP -Accounts	BCom , MCom.	47	26	19/5/1995	3084511	Shalimar Paints Limited.	Executive - Accounts.
18	Garg Vinod	Executive Director - Commercial	BCom, FCA.	54	35	1/8/1984	17821804	Ispat Projects Limited.	Executive
19	* * Ghosh Susanta	President - HSM	BE (Metallurgy)	42	20	12/3/2010	923480	AKG Bangladesh	CEO
20	* * Himalian B. S.	Director - Projects	MSc., MMS, M (Tech)-Civil	63	42	21/1/2008	2209766	NMSEZ & MSEZ	Head-Construction
21	Jain Vijendra Kumar	Director- (Metals & Minerals)	BSC-Mining Engg	62	38	1/9/2008	5454357	National Mineral Development Corporation Ltd.	Director- Production
22	Kanjilal Jayanta	President - (Raw Met M.)	BE (Met).	61	38	12/12/2007	4547736	Steel Authority of India Ltd. (Bhilai)	Ex-Director
23	* * Kulkarni Rahul	VP - Marketing	BE, MBA.	37	15	10/4/2006	505249	Stainless Steel Ltd.	Chief Respondent - General Manager
24	* * Kulkarni Santosh	Manager - Mechanical	BE (Mech).	33	11	13/10/1999	250760	—	—
25	Kumar Atul	President-Automation	MS., M(Tech), BE.	54	37	5/11/2003	5560611	Gati Limited	Sr Vice President & Chief IT Officer
26	Kumar Hemant	President - Legal	BSC, LLB.	53	24	14/4/2004	6936107	Steel Authority of India Ltd.	Joint Principal Law Officer
27	Malhotra Rajiv	VP - Procurement	BE (Mech).	46	28	6/11/2003	3643211	Tata International Limited, Delhi	Divisional Manager
28	* * Misra Dilip Kumar	VP - Central Maintenance	BSC (Mech).	58	33	7/10/2003	1675296	Steel Authority of India Ltd.	Asst General Manager
29	Mittal Vinod	Vice Chairman & Managing Director	BSC, DBM.	53	29	28/6/1997	33322046	—	—
30	Mohite Krishnarao Nivritti	VP - Procurment	AIME, GDMM	47	24	5/5/2003	3110410	Jindal Iron & Steel	Asst. General Manager
31	* * Nand Guna	DGM - IT	PGD in Computers, PGD in Business Management	41	20	3/3/2003	266431	Cresco Technology	Project Manager
32	* * Nath Balendra Kumar	Sr VP - Gas Projects	BE (Mech).	51	25	5/4/2010	716706	Great Eastern Energy Corporation Ltd.	General Manager- Projects

Sl. No.	Name	Designation	Qualification	Age (Yrs.)	Experience (Yrs.)	Date of Joining	Total Income-(Rs.)	Last Employment	Designation in Last Employment
33	Pande Pradeep	President - HR	BSC,LLB,MLS, DIPT in T & D.	57	28	18/4/2005	9130874	Lupin Ltd.	President
34	Patil V.N.	Sr VP - Oprns (BF)	BE, M.Tech (Met).	56	31	1/3/2004	3192696	Kudremukh Iron & Steel Ltd, Mangalore	General Manager
35	Patra Pradip Kumar	Sr VP -Product Development	BE Metallurgy, M.Tech.	50	28	15/10/2001	3296820	Jindal Strips Limited, Hissar	Additional General Manager
36	Prakash Om	VP -Corporate Strategy	MBA (Strategy)	44	18	10/9/2008	3841837	Yamaha Motors Pvt. Ltd.	Divisional Head
37	Prakash Satya	VP - E & A	B(Tech).	44	20	16/3/2005	3579313	Steel Authority of India Ltd. (Bokaro)	Sr. Manager
38	Prasad Nathuni	President - Coal Development	MBA (Ind Env), M.Tech in Mining, B.SC in Mining.	62	36	2/2/2008	4046370	Visa Power	Sr. Vice President
39	Sahai Yadavendra	Director & SBU Head - Down Stream Products	B(Tech) (Metallurgical), PGDM.	50	26	1/5/2009	5348037	Raychem RPG Ltd.	Business Head - International Business Division
40	Sahoo Subrat Kumar	GM -Raw Material Procurement	M.Tech (Mining), MBA (Finance)	41	19	19/9/2007	3040021	Stemcore UK India Pvt. Ltd.	DGM-SCM.
41	Seth Aditeshwer Dayal	Sr VP - Corporate Strategy	MBA (Marketing & Finance)	35	9	16/3/2009	3815010	Lodha Group	Strategy Leader
42	Sharma Anil	Director - Corporate Affairs.	BA.	56	34	15/6/2006	10771773	Bharti Tele Ventures Ltd.	Vice President - Corporate Affairs
43	Sharda Rajendra	Sr VP - Accounts	BCom , FCA.	53	27	2/8/1988	4823227	Patel Machinery Pvt. Ltd.	Manager-Finance
44	Sharma N.K.	President-Maintenance	BSC, BE.	64	42	20/5/2004	4819059	Steel Authority of India Ltd.	General Manager-Maint & Utility
45	Sharma Shashikant	Sr VP - Logistics	BCom, Dip in Busi. Admn.	51	32	28/5/2004	4338416	Essar Steel Ltd.	General Manager - Jt(Materials)
46	** Shende Shamkumar N	Sr. Manager - Quality Control	BSC , D.I.R.M.	58	32	8/12/1993	450315	Electrolytic Manganese Co.	Chemist
47	** Shettar M. B.	DGM - Operations	BE (Mech).	41	20	1/2/1993	2470402	Ispat Profiles Ltd	Asst. Manager
48	Singh B.K.	Executive Director - Steel Plant	BE (Mech).	66	43	11/3/2004	17201763	Steel Authority of India Ltd.(Bhillai)	Managing Director
49	Singh R. B.	VP - Marketing	Dip in Marketing Mgt, BSC.	48	25	1/1/2007	3367847	Essar Steel Ltd.	Jr. General Manager - Marketing
50	** Singh R.N.	Director - Mining	MSC (Min.)	66	33	2/7/2004	4095003	National Mineral Development Corporation Ltd.	Director (Comm)
51	** Singh Vijay Kumar	Chief Representative	B (Tech)-Chemical.	44	22	30/5/1989	1792884	Asian Paints Ltd.	Asst.Manager - R & D.
52	Somani K.C.	Sr VP - Finance	BCom, ACA.	54	26	19/8/1986	4277784	Shri Hanuman Sugar Ind Ltd.	Manager-Accounts
53	** Srinivasan S.	VP- HSM Costing	BE , MMS.	45	22	1/4/2005	348428	Mineral Pulveraising Mills Pvt. Ltd.	Head
54	Subramanian T.P.	President & Company Secretary	BCom, CS , LLB, CAIIBI	55	36	1/5/1996	8420342	Ispat Profiles India Ltd.	General Manager
55	Sureka Anil	Executive Director - Finance	BSC (Hons), ACS.	54	37	1/5/1998	17075863	Ispat Finance Ltd.	President
56	Sureka Raj Kumar	President - Taxation	BCom., FCA, AICWA.	51	34	1/2/1997	5714311	Balasore Alloys Limited	General Manager-Commercial
57	** Swaminathan S	VP - Ship Chartering	BA ,MA (Economics), MA (History), PGDIT.	45	22	18/3/2004	3069655	Reliance Industries Ltd.	General Manager-Shipping
58	** Syam Debasis	VP- Strategy Business Development	BE (Comp Tech) , MS , MBA.	34	11	3/5/2010	432928	Tata Steel Ltd.	Head - Strategy
59	** Thakur R.A.	VP - Electrical	BSC (Engg) , PGDBA.	57	32	10/4/1997	2840690	Uptron India Ltd.	Dy.Resident Manager
60	** Varma Shree Krishna	Sr VP - Procurement & Stores	BE, PGDBM.	59	36	5/7/2001	1879713	TISCO	Divisional Manager
61	Yadav Tapan S.	VP - Marketing	MBA (Marketing)	43	15	24/2/2009	3307651	Unitech Ltd.	General Manager

** Employed for the part of the year.

Notes (A) Remuneration as shown above comprises Salary,Commission,Dearness Allowance, House Rent Allowance, Company's Contribution to Provident Fund, Superannuation Fund, Leave Travel Allowance, Medical expenses reimbursed and Value of other perquisites evaluated as per the Income Tax Rules,1962.

(B) All appointments are non-contractual except that of Mr.Vinod Mittal, Mr.Vinod Garg, Mr. Anil Sureka and Mr B K Singh.

(C) None of the above employees are related to any Director of the Company except Mr Vinod Mittal, Vice Chairman & Managing Director, who is related to Mr Pramod Mittal.

(D) There was no employee who holds by himself or along with his spouse and dependent children two percent or above of the equity share capital of the Company and has received remuneration in excess of that drawn by the Managing / Whole - Time Director .

For and on behalf of the Board

Anil Sureka
Executive Director (Finance)

Vinod Mittal
Vice Chairman & Managing Director

Management Discussion And Analysis

INDUSTRY STRUCTURE AND DEVELOPMENTS

Global Steel Industry

After two years of deep economic recession, signs of economic stability are now visible in the developed world. Though growth rates in the economies of developed world are still moderate, countries in the developing region, in contrast, have been registering high GDP growth.

IMF estimates a positive economic trend in 2010 and the global economy to register a sharp 4% growth. The WTO also projects world trade to expand by 9%, with the developed regions growing by nearly 8% and the emerging regions by over 11%.

Following the world-wide economic crisis, the steel industry had demonstrated visible signs of demand pick-up and price stabilization during the last quarter of 2009. However, as a result of the deep recession through most of the year, global crude steel production had dipped by 8% during 2009 in comparison to the previous year. Major steel producing countries, such as, USA, Germany, Russia, Japan and South Korea had witnessed drop in production ranging from 25% to 36%. In contrast, however, crude steel production in China and India had grown by around 13% and 3% respectively. The global downturn of 2009 and the subsequent recovery have accentuated the importance of China and India to the world steel industry.

Due to the widespread economic recession, global steel consumption had declined by nearly 7% during 2009, in comparison to the previous year. Finished steel consumption during 2009 was 1121 Million Tons. Steel consumption in China and India grew by around 24% and 8% respectively, while other major steel producing nations had registered significantly lower consumption.

Since May, 2010, however, global steel-demand has stagnated and prices are under heavy pressure. The slow recovery of US and European economies had a dampening impact on overall steel consumption.

Indian Steel Scenario

Latest projections of steel consumption by World Steel Association peg finished steel consumption in India to reach 71 Million Tons by 2011. Several major world steel companies are planning tie-up with Indian counterparts to produce value-added steel products in India. The first six months of 2010 has seen a marked increase in steel demand due to strong growth in key user sectors, such as, automobile, infrastructure, consumer goods etc.

Owing to the glut in overseas steel demand, there has been a significant increase in dumping of cheap steel into India, much to the detriment of the domestic steel industry. Imports of both flat products as well as long products has increased substantially.

Various brownfield and greenfield expansion programmes have been announced, keeping in mind the current consumption pattern as well as the projected demand growth. Domestic steel demand is expected to be robust and grow by 12% annually. Capacity additions continue to be undertaken by Indian steel majors and it is estimated that steel-making capacity would increase by 20% during 2010-11. However, no large greenfield steel project has been able to take-off, due to a stringent regulatory environment in terms of land acquisition, forest clearances, grant of mining leases etc. Poor infrastructure facilities also tend to increase overall costs, with an avoidable impact on the finances of the steel industry.

OPPORTUNITIES AND THREATS

Opportunities

The projected GDP growth, strong prevailing trends in the Index of Industrial Production (IIP) and increased governmental spending on core infrastructure projects are expected to drive domestic steel consumption. Indian steel demand is likely to reach 100 Million Tons in the next few years, offering a tremendous scope to Indian steel producers to tap the huge potential. Sustained growth in infrastructure, automotive and manufacturing sectors would ensure a steady demand accretion for all steel products. With a perceptible improvement in demand from semi-urban and even rural segments, hitherto unexplored markets are being looked-into, thrust is accorded on retail penetration and service centres are being set-up to reach the major consumption points.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

On the global front, demand in European Union countries is now expected to be better balanced, in the long-run, in the wake of sovereign fiscal interventions. With the US economy expected to register a modest growth of 3%, steel demand in the region is expected to register a growth trend and reverse the free-fall of 2009. Steel demand in ASEAN countries has picked-up in the second half of 2009 and is widely anticipated to remain stable during the year. Chinese steel demand and production are expected to maintain positive growth trends. China's dominance of world steel markets continues unabated and it continues to leverage its cost competitiveness against peer nations. China's new steel policy is expected to incentivise exports of value-added products, eliminate obsolete capacities and increase comprehensive domestic use of steel. China's policy measures and export initiatives would continue to determine the world steel trade scenario.

Threats

The world-wide economic crisis and financial turbulence had resulted in a sharp dip in global steel consumption during 2009. After several months of deep recession, based on the backing of a fiscal stimulus-led global economic recovery, the steel industry demonstrated signs of demand pick-up and price stabilization during the last quarter of 2009.

Though the fortune of Indian steel industry appears bright, the road ahead may not be very smooth and is likely to be topsy-turvy on several counts. Some of the threats looming large over the Indian steel sector are:-

- Sharp increase in prices of raw materials, such as, iron ore, coke and coking coal.
- Increase in power tariff.
- Frequent interruption in iron ore supplies.
- Continuing exports of iron ore and consequent impact on domestic prices.
- Inadequate infrastructure support leading to high logistic costs.
- Delays in regulatory approvals for raw material linkages.
- Various hurdles in acquiring land for green-field steel projects.
- Dumping of cheap steel products into India and the consequent pressure on domestic prices.

Company's strategies

The Company's strategies, in the current scenario, are aimed at ensuing security of critical raw materials and innovating its product portfolio. The Company is committed to ensuring early implementation of its planned projects, so as to achieve valuable savings in input costs. Process efficiencies shall continue to be improved, on a consistent basis and across the entire production cycle.

The Company's strategies are:-

- Expedite commissioning of coke-oven project of the annual capacity of 1 Million MTs, in joint venture.
- Commission the proposed pellet project of the annual capacity of 2 Million MTs.
- Commence iron-ore mining in Damkodwadvi, Maharashtra.
- Commence iron-ore mining operations in Brazil and coal mining operations in Columbia through wholly owned subsidiaries, in joint venture.
- Expedite commissioning of the power plant project of Ispat Energy Limited.
- Enhance production of value-added steel products.
- Penetrate the retail segment and explore new segments in domestic markets.

PRODUCT / SEGMENT PERFORMANCE

Production of Hot Rolled Coils at 3.31 Million MTs was higher by 24% compared to the previous financial year, on an annualized basis. Capacity utilization was over 80% of the enhanced annual capacity of 3.3 Million MTs.

Production of Direct Reduced Iron (Sponge Iron) at 1.68 Million MTs was higher by 23% over the previous financial year, on an annualized basis. Securing additional supplies of Natural Gas had resulted in improved production of Direct Reduced Iron during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

Production of Hot Metal was higher at 2.13 Million MTs. The upgradation of Blast Furnace during 2009 had resulted in significant improvement in process efficiencies.

Production of Cold Rolled Steel Coils/Sheets and Galvanized Coils/Sheets had registered increase at 0.31 Million MTs and 0.20 Million MTs, respectively. In its endeavour to continually offer superior products, the Company has added Galvalume, a premium metallic-coated steel product, to its product-basket. Galvaume finds extensive application in corrosion and temperature resistance. Production of Galvalume Coils/Sheets has been streamlined during the period. Production of Tubes and Pipes had also stabilized during the period under review. Production of PVC coated sheets during the period was at 101% of installed capacity.

Sales of Hot Rolled Coils at 2.88 Million MTs was higher by 19%, compared to previous year, on an annualized basis. Sales of Cold Rolled Steel Coils/Sheets was higher by 11%, whereas sales of Galvanized Coils/Sheets was lower by 7%, compared to previous year, on an annualized basis. Sales of Tubes and Pipes was commensurate with production achieved during the period.

EXPORTS

Export earnings during the period under review was Rs.433.44 Crores.

Exports were lower during the period due to slack demand conditions prevailing in world markets. Export realizations were significantly low leading to fall in the Company's export earnings.

FINANCIAL PERFORMANCE (STANDALONE) IN RELATION TO OPERATIONAL PERFORMANCE

(Rs. in crores)

		15 month period ended 30th June, 2010
1	Sales / Income from operations	**10983.14**
	Less : Excise Duty	**850.41**
		10132.73
2	Other Income	**445.96**
3	Total Income	**10578.69**
4	Total Expenditure	**8855.75**
5	Profit before Interest & Finance Charges and Depreciation	**1722.94**
6	Less : Interest & Finance Charges	**1285.45**
7	Profit before Depreciation	**437.49**
8	Less : Depreciation	**773.95**
9	Profit/(Loss) before tax	**(336.46)**
10	Provision for Taxation (Net)	
	– Current Tax	**0.03**
	Deferred Tax Charge / (Credit)	**(14.15)**
11	Net Profit/(Loss)	**(322.34)**
	Add : Debenture Redemption Reserve written back	**20.26**
	Add: Balance brought forward from previous year.	**(1832.15)**
12	Amount carried to next year	**(2134.23)**

Income from operations during the fifteen-month period under review was Rs.10983.14 crores and profit before interest, finance charges and depreciation was Rs.1722.94 crores.

Management Discussion And Analysis *(Contd.)*

After providing for interest and finance charges of Rs.1285.45 crores, profit before depreciation was Rs.437.49 crores. After providing for depreciation of Rs.773.95 crores, loss before tax provisions was Rs.336.46 crores for the period under review.

After considering deferred tax credit of Rs.14.15 crores and providing for wealth tax Rs.0.03 crores, net loss during the period under review was Rs.322.34 crores. Considering Debenture Redemption Reserve written back Rs.20.26 crores and accumulated losses of Rs.1832.15 crores brought forward from the previous year, the accumulated losses as at 30th June, 2010 was Rs.2134.23 crores.

MANAGEMENT OF RISKS AND CONCERNS

The Company's Risk Management process ensures a pro-active approach to all its business risks. Identification of risks and drawing-up mitigation plans is a continuous process and closely linked to the Company's Business Plans. The risk mitigation plans are subjected to continuous monitoring.

As a part of Enterprise Risk Management (ERM) process, a comprehensive Risk Management Policy has been framed and activated. The Risk Management Process envisages :-

- Setting risk management objectives
- Identifying, prioritizing and reporting risk events
- Identifying risk mitigation strategies, and
- Risk monitoring and reporting.

While framing its Risk Management Policy the Company seeks to go beyond regulatory requirement and ensure exemplary Corporate Governance practices. The Company follows a bottoms up approach for identifying and managing risks.

The Risk Management Committee of the Board reviews, periodically, all risk management and mitigation procedures and adequacy of mitigation plans. External consultants review and suggest probable risks, effectiveness of mitigation plans, deployment of technology solutions etc. Internally constituted Risk Management Committees periodically review identified risks, their root causes, mitigation plans and risk-closure status. The Company has a well structured internal Risk Management Organisation with clearly defined roles and responsibilities of all functionaries. Periodic meetings of the internal Committees are held to review the status of risk mitigation plans. High risk issues are deliberated in the internal Committee meetings and are subsequently reported to the Risk Management Committee of Board of Directors. Annual activity plans are drawn well in advance and submitted to Risk Management Committee. A Risk Manager Tool, for monitoring risk management process/status, has been implemented. External Audit Review of risk mitigation plans and control procedures are being undertaken by experts.

The Company Business Plans as well as the profitability estimates are subject to regular review by the Committee of Directors as well as the Board of Directors. Projects under implementation are also subject to review by the Committee of Directors and the Board of Directors.

The Company continuously monitors its Foreign Exchange positions and exposure to current and capital account transaction risks. A comprehensive Forex Risk Management Policy has been developed. A Shipping Freight Risk Management Policy and Commodity Risk Management Policy have also been adopted by the Board of Directors. An internally constituted Forex Risk Management Committee periodically reviews all forex operations, authorization levels etc. Status of operations under all the policies are periodically reviewed by the Committee of Directors/Board of Directors.

The Company has an exhaustive on-line Legal Compliance Management System, across all divisions of the Company, to track and ensure compliance with applicable statutes. The system, developed and implemented by external experts, ensures appropriate reporting of compliances and exceptions.

Confirmation of compliance with applicable statutory requirements are obtained from the respective units/divisions and subjected to an elaborate verification process. Quarterly Reports on Statutory Compliances, duly certified, are submitted

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

to the Audit Committee as well as the Board of Directors for review. Compliance(s) with exception(s), if any, are duly reported to the Audit Committee and the Board of Directors. Status of Demands/Notices on the Company, under various Acts and Rules, as well as status of litigations are reported to the Board of Directors, every quarter.

In the process of undertaking reviews of financial projections, statutory litigations etc., the Board of Directors and the Audit Committee are entitled to independent expert opinions, wherever felt appropriate. Revenue-related litigations are subject to detailed risk-evaluation by independent experts, each quarter, and their reports are furnished to the Board of Directors.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control systems and procedures are commensurate with its size and nature of business. Standard Operating Procedures (SOPs) have been clearly defined for various areas of operations. Similarly, well-defined Charts of Authority (COAs) have been implemented. Standard Operating Procedures and Charts of Authority are reviewed regularly and modified to meet process requirements.

Reports of Concurrent Auditors, appointed by the Lenders, as well as Reports of the Company's Internal Audit Department, termed as Business Process Solutions Department, and management responses on audit observations, are subject to regular review by the Audit Committee of Board of Directors. The Audit Committee also reviews reports of Management Auditors as well as Branch Auditors. The adequacy of internal control systems is also reviewed by the Audit Committee. Corrective actions suggested by the Audit Committee are duly implemented and reported to the Audit Committee.

The annual Audit Plan of the Business Process Solutions Department is reviewed and approved by the Audit Committee. The Audit plan covers various operational areas and also ensures that all material financial and management issues are properly addressed. The Audit Committee also undertakes review of status of completion of previous Audit Plans to identify gaps, if any, in implementation.

The Company has an elaborate financial reporting process which ensures timely review of all financial information. The financial reporting process is also reviewed by the Audit Committee of Board of Directors.

Internal Control Systems are strengthened by appropriate IT applications which cover all areas of operation. The advanced MySAP Business Process solution ensures coverage of multiple operational areas.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company's Human Resources Policy is fully aligned with its Business Plans. Corporate values are cascaded in fostering a culture of belongingness, respect and mutual trust. The Human Resource Policy seeks to ensure a high level of motivation among employees so that they play a significant role in achieving the Company's Business Plans.

The Company has a robust in-built system of reviewing people-related issues. The performance management system adopted by the Company is sought to be continuously strengthened with a view to ensure that employee appraisals are robust, transparent and aligned to the corporate goals. The Company's Human Resource Committee, comprising senior officials, regularly review all employees related issues with a view to ensure immediate redressal so as to effectively implement its HR plans. The Company's Balance Score Card and Performance Management System (PMS) ensure alignment of individual responsibility with organisational goals. The Company undertakes Employee Satisfaction Survey to introspect on the Employee Engagement Index, so as to make timely changes in its policies and procedures.

The Company's Competency Assessment Centre seeks to support the efforts of the employees and encourage such efforts. The Company has introduced a structured succession planning process to encourage employees take up larger responsibilities.

The "Employee of the Month" scheme adopted by the Company ensures that performing team members are appropriately recognized and also encourages others for enhancing their performance. The Company has introduced a well-structured succession planning process to encourage employees for taking up larger responsibilities. The Company's Employee Suggestion Scheme has been strengthened by introduction of "Star Ideas Scheme" to reward and encourage employee performance.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

Employees are encouraged to undergo advanced Management Programmes (E-MBA) in Institutes of repute.

The Company has constituted various in-house training programmes for employees' skill advancement. Employees are also deputed to various external training programmes and seminars for enhancing their competencies. The Company has also made significant changes in its training processes to address issues of skill advancement. Company has also initiated a competition on "Department practicing Best HR activities" so that culture of best HR practices percolate down the line.

Special emphasis is given to Defect Based Analysis of Training, Succession Planning, Talent Management and Study and Approach for Manpower Rationalisation. In order to keep pace with the changing times, various cost cutting initiatives also have been introduced and implemented.

In an attempt to develop Top Management Leadership, an exhaustive Leadership Development Programme – organizational excellence through personal effectiveness – Team Building and Training Programme on Toyota Production System was organized so as to build leadership qualities across second and third line employees.

The Company attempts to augment the skill matrix index of grass root level employees in order to address issues of skill advancement, so as to align with technological up-gradation and stringent customer expectations.

The Company has put in place exhaustive Total Productivity Management (TPM) and Gemba Kaizen approaches to improve process efficiencies, across all operational areas, by leveraging the Company's resources and aligning individuals to business goals. The interventions range from Process Automation, Defect Reduction, Work-area Improvement etc., to Human Resources Initiatives and Profitability Enhancement. Business Intelligence tools, such as Cognos and Minitab, are implemented to enable process-owners to extract corporate data and employ the same to effective use.

The Company fully recognizes its responsibility towards ensuring safety and protection of health of its employees and all those who are associated with the Company. The Company believes that safety and health are essential and form an integral part of every activity performed in the Company.

Various employee welfare schemes have been formulated, such as,

- Family Help Groups, run by spouses of employees
- Recreational Centers
- Departmental get-togethers
- Felicitation of meritorious children of employees
- Mediclaim/hospitalization schemes etc.

Various facilities are provided for monitoring health-related issues of employees. The Company has a full-fledged Medical Centre at its Dolvi Complex for providing round-the-clock medical assistance to its employees. Specialist Doctors visit the Medical Centre, every fortnight, for rendering medical help. Health check-up is carried out, periodically, for all employees.

The Company had 2626 employees on its roll at various locations.

Industrial relations continued to be harmonious in all units of the Company.

AWARDS AND ACCOLADES

The Company has been conferred with the following prestigious awards during the year :-

- Fe-EVI Green Business Leadership Award 2009-10 initiated by Financial Express and Emergent Ventures Limited
- Dr R J Rathi Award 2010 for Environment and Pollution Control
- India Manufacturing Award – Gold Certificate 2009
- Golden Peacock Award for Corporate Social Responsibility-2010
- Special Commendation for Golden Peacock Award for Excellence in Corporate Governance 2009.

Management Discussion And Analysis *(Contd.)*

MANAGEMENT OF ENVIRONMENT

The Company has always striven to be responsible and sensitive to ecological and environmental matters. This is ensured by protecting, conserving and restoring all natural resources, often far beyond what is mandated by government and other institutional policies.

The Company is committed to complying in full measure with all regulations relating to the preservation of the environment around its operations. By constantly upgrading technologies and by applying the best of sustainable processes and practices, the Company endeavors to provide environmental issues the priority they deserve.

The Company is dedicated to constantly improving its performance on prevention of pollution, proper use of natural resources and minimization of any hazardous impact stemming from production, development, use and disposal of any of its products and services.

The Company seeks to :-

- Ensure that its vision and mission statement, which explicitly states its policy on environmental management, is observed and complied.
- Communicate environmental policy to all employees, suppliers, contractors, customers, stakeholders and the community.
- Set up environmental management systems and programmes at the organisational level and annually budget for environmental improvement.
- Train employees and create awareness among suppliers, contractors, customers, stakeholders and the community at large through a process of participatory dialogue and collaboration.
- Train workforce on environmental issues and assign management representatives and facilitators to the task of monitoring environmental systems.
- Regularly scrutinize resource consumption and the quality of air, water and land.
- Set quantitative objectives and targets for continuous improvement (preferably beyond legal compliance).
- Review environmental performance at different levels in the management hierarchy.

This is followed by lifecycle assessments for product stewardship throughout the supply chain.

With a view to create environmental awareness amongst Company's associates, the following steps are taken :-

- All purchase orders, letterheads, envelopes etc., used for external/internal communications bear printed environmental slogans.
- Sub contractors have been advised to use environmental friendly technology for recycling of wastes like scrap, used oil etc.
- Preference is given to environment friendly/proactive suppliers while purchasing raw material and consumables.
- All inter-office memos, approvals, etc., are being processed through electronic media with a view to reduce paper consumption.

Green Ispat week is celebrated every year to create awareness on Green Concept among employees. Celebrations include Poster, Essay and Slogan Competition, Tree Plantation Programme etc.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

World Environment week is also celebrated each year. The major focus of World Environment Week celebrations is to create awareness and sensitize employees on caring for the environment. Number of activities are undertaken during the week long programme, such as :

- Mass Tree plantation,
- Inauguration of system for utilizing waste water for irrigation purpose,
- Lectures on Rain Water harvesting, Waste Recycling in steel Industries etc.

At Dolvi Steel Complex

Pollution control systems for air and water are in-built with production facilities.

With a view to control dust emissions in the ambient air and work zone during transportation of raw materials, dust suppression systems have been installed at transfer points. Transportation of raw materials from the Company's Jetty to the steel complex is through a closed conveyor system.

Various air pollution control systems have been installed at the integrated facilities in the steel complex. The control systems include, inter-alia :-

- Dust suppression system for Junction Houses.
- Furnace Dust Collection System.
- Product Screen Dust Collection System.
- Product Silo Dust Collection System.
- Fuel Bag Dedusting System with Bag Filter.
- ESP Systems for Flux handling operations, Sinter Machine, Proportioning House etc.
- Fume Extraction System.
- Lime Stone Dedusting System.
- Waste gas cleaning system
- Gas cleaning plants.

Extensive water pollution control systems are put in place. The need for optimum utilization of water resources through proper planning and conservation is fully realized. Risk of water pollution and soil pollution is minimized. The importance of water as a finite, though a renewable resource, has also been clearly recognized. Land and water use are considered together. The Company has adequate resource planning and management, which is an essential tool for safe-guarding environment. Methods adopted to minimize effluents are :-

- Reduce the effluent generation at the source.
- Recycle of waste water
- Adopt efficient methods for treatment and utilization.
- Reduce the incoming water at source.
- Conduct regular water audits.

The Company views sustainability as a prerequisite to succeeding in markets that are emerging as a result of globalization. The Company realizes its business values through its sustainability approach, driven by a goal of zero waste and emission.

The Company has implemented several measures to reduce CO2 emissions from its integrated steel plant for prevention of pollution and improve environmental performance.

Management Discussion And Analysis *(Contd.)*

The Company has taken adequate steps for Green House gas mitigation by adopting clean technology through renewable energy sources like waste heat recovery and energy saving projects and elimination of reheating processes.

Various Regasified Liquified Natural Gas (RLNG) conversion projects have been implemented to reduce cost as well as energy consumption. Several projects have been undertaken for achieving CO2 reduction.

With a view to avoid adverse impact of products and services on environment, the following measures have been taken:-

- Full-fledged Effluent treatment Plant is provided to treat and reuse waste water generated in process.
- Adequate air pollution control systems are provided. All pollution control equipments are designed for outlet emission as per statutory norms.
- All solid waste generated in the process are recycled in sinter plant
- Waste gas generated in process is used for power generation and recycled for heating purpose.

The Company has adopted and established cleaner operating and maintenance practices, inventory management, rescheduling processes, better material handling system, segregation of waste streams, education and training, through active involvement of its employees.

By using state-of-art technology, pollution prevention control is emphasized at source, which has resulted in optimum use of material, energy conservation, water and other natural resources. The Company believes that clean technology means less waste generation and less use of resources. The Company gives less emphasis on end of the pipe treatment as it consumes more resources and gives fewer benefits.

The Company's Annual Business Plan addresses Environment, Health and Safety needs, resources required, action plan and implementation frame work. The resources required for Environment, Health and Safety issues are prioritized at the strategic planning stage.

To avoid potential long term ecological and socio-economic impact of its projects, the Company has carried out Environmental Impact Assessment (EIA) to gauge possible adverse or beneficial effects and the report has showed overall positive impact.

Significant improvement in environmental issues have resulted due to:

- Selection and use of cleaner production technology, consumption of natural resources and provision of pollution control facility at source.
- Better management of resources and continuous efforts for conservation of natural resources.
- Implementation of ISO 14001: 2004.
- Recycling of maximum solid wastes by operation of Sinter Plant and Cold Briquetting Plant.
- Maintaining pollution discharge level below national and international norms.

The Company has a dedicated Environment Department, well-equipped with sophisticated laboratory equipments and manned with qualified and trained personnel to handle environmental issues, carrying out analysis of water, air, stack emissions and noise monitoring throughout its integrated Steel Mill complex. The Environment Department ensures compliance of company's activities with relevant Environmental Laws/Regulations, conditions stipulated by Maharashtra Pollution Control Board, Ministry of Environment and Forests. The Company also arranges regular training programmes for its employees to create a strong awareness.

The environment monitoring reports are regularly submitted to the statutory authorities viz. Maharashtra Pollution Control Board (MPCB), Central Pollution Control Board (CPCB) and Ministry of Environment and Forests (MoEF) to demonstrate the Company's commitment towards ensuring compliance of all applicable norms/guidelines.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

The Company has planted large number of trees in the plant premises, as per the guidelines of MPCB. The Company is maintaining a full-fledged nursery, managed by qualified horticulture officers, to develop plants for its in-house requirements.

The Company's plantation drive has resulted in :-

➢ Number of Big Trees : 163671

  Main plants are Acacia Mangium, Eucalyptus, Rain Tree, Gulmohar, Subabbul, Ficus benjamina, Coconut, Awala, Mango, Kokum etc.

➢ Number of Shrubs/Ground Covers (Small Trees) : 345751

  Main plants are Philodendron Ceylon, Rhoeo Compacta, Syngonium, Asparagus, Rose, Pulmeria Obtusa etc.

➢ Lawn Development - 988457 Sq. Ft.

➢ Green House Development - 4 Nos.

The Company's office buildings have been beautified with well laid out lush green lawns and varieties of flower plants.

<u>At Kalmeshwar Complex</u>

The Company complies with all environmental parameters prescribed under applicable statutes and guidelines of Ministry of Environment and Forests, Central Pollution Control Board and Maharashtra Pollution Control Board. The complex is also well within the environmental norms prescribed under World Bank Policies and guidelines. The complex is ISO 14001 certified.

Pollution control and environment management efforts undertaken during the year include:-

➢ Successful completion of recertification audit in June 2009, covering three-year period.

➢ Complete revamping of Acid Recovery Plant to improve recovery and production of Acid at ARP from Pickling Line wastewater.

➢ Disposal of ETP sludge into common Hazardous Waste Treatment, Storage and Disposal facility, as a regular practice.

➢ Installation of eco-ventilators in Colour Coating Line for improvement in work place environment.

➢ Replacement of bag house of CRM Boiler to ensure that dust emissions are well below the prescribed MPCB norms.

➢ Cooling tower of Continuous Galvanising Line – 4 not being operated and the electrical lad shared with Cooling Tower 6 to reduce energy consumption.

➢ Rain water collection in a soil pond within the plant to :

  - Increase ground water level to maintain greenery during summer months.
  - Create pleasant environmental ambience as per environment protection plan.
  - Use treated water in nearby forest for growth of trees.

➢ Development of Green Cover (Lawn) on an additional area of 6877 Sq. Mtr. in plant (cumulative 98696 Sq. Mtr. in plant and colony). Plantation of approximately 2137 plants completed within the plant and colony.

ENVIRONMENTAL RECOGNITIONS:

The Company has received the following environmental recognitions :-

➢ 1997 : One of the top ten Green Companies in India for the year 1997 (5th place) - Certified by "Business Barons".

➢ 1999 : Bagged ISO 14001 for the plant from UL Ltd., USA.

Management Discussion And Analysis *(Contd.)*

- 2006 : 'Ispat Industries Ltd, Sponge Iron Plant, Raigad' was declared as the winner of "Golden Peacock Environment Management Award" for the year 2006 by a jury headed by Justice P N Bhagwati, Former Chief Justice of India.
- 2010: Received Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA) – Dr. R.J. Rathi Award 2010 for Environmental Pollution Control in Industries in Maharashtra.
- Fe-EVI Green Business Leadership Award 2009 -10 initiated by Financial Express and Emergent Ventures Limited.
- India Manufacturing Award – Gold Certificate 2009.

CORPORATE SOCIAL RESPONSIBILITY

The Company is fully committed to serving the local community in which it operates. Social development activities occupy a prime place in the Company's scheme of things. Environment protection and ecology development are core to the Company's Business Plans.

Community welfare projects undertaken are, briefly :

At Dolvi Steel Complex

The Company's Dolvi complex is surrounded by four villages. The Company believes that it affects and is affected by the stakeholders, including the society that co-exists in the vicinity of its plant. Hence, the Company considers that it has a major stake in the development of the area and the people who reside therein. Accordingly, it has volunteered its resources to the extent that it can reasonably afford to sustain and improve a healthy and prosperous environment and to improve the quality of life of the people in the areas in which it operates. The Company has engaged itself in numerous activities that are built around the motto, *"Adding a bit of steel to human lives",* and is involved in producing quality steel by controlling wastes and environment polluting elements.

The Company's executives visit these villages on regular basis and interact with concerned authorities in district administration e.g. District Magistrate, Tehsildar and various Grampanchayats and active NGOs in the area. They take feedback about the Company's on-going activities, look for their need in the future and assess ways in which the Company can improve upon them. The Company is in constant touch with NGOs for identifying the needs of the local community.

Health Promotion

- Health status of villagers in nearly 19 villages has been captured for preparation of comprehensive family health cards.
- Full year medical camps are conducted for skin care, cataract detection, pediatrics, ENT, etc.
- Family planning, AIDS awareness and health awareness camps are regularly conducted.

Socio Economic Development

- 22% of Company's employees are from local surroundings. Perceptible change brought about in living standards.
- Company has adopted ten ITIs in Ratnagiri and Raigad Districts of Maharashtra.
- Company is involved in developing infrastructure, course curriculum and teaching facilities at all the ten ITIs. Students are given on-the-job training at the Company's plant.

Women Empowerment

- Company has assisted in formation of over fifty Self Help Groups and supports them in their endeavour towards self-reliance.
- Vocational training organized, in association with MITCON, for imparting skills in making ready-made garments.
- Women empowerment programme implemented in four Group Grampanchayats. Seminar organized on Women's Reservation Bill alongwith health camp.

MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

- Awareness programme conducted for Self Help Groups to hone their expertise in obtaining licences etc., for businesses. Benefits of registration with District Industrial Centres and Food and Drug Administration as well as information on Prime Minister's Employment Guarantee Programme have been provided.
- Workshop organized for Self Help Groups to train on record-keeping, account management, bank transactions, drafting loan proposals etc.

Tribal Development

- Medical Plants Nursing Development Training Programme organized for below-poverty-line tribal women, in association with Social Forestry Department, Government of Maharashtra.
- Wild honey bee keeping Training Programme organized for tribal youths. Kits for honey collection distributed to participants.
- De-addiction awareness/counseling workshop held for tribal community members.
- Workshop held on life style education for community members to promote sanitation, hygiene and health-awareness.

Educational Development

- Programme organised for training teachers from Government Primary Schools on "Effective Teaching". Members from NGO provided training on teaching techniques.
- School uniforms and note books distributed to nearly 8300 students studying in private schools in 73 Grampanchayats in the vicinity.
- Snake bite and first-aid awareness programme held.

Youth Development

- Ten "Youth Clubs" have been organized and registered by the Company. The Company provides information to the "Youth Clubs" for availing various benefits from the Government. Training workshops are arranged.
- Company participants in "Youth Employment Meet" organized by District Employment Office, Raigad. Job opportunities provided for candidates, after being interviewed.
- Capacity building training programme organized for members of the "Youth Clubs" to encourage them suggest social interventions.

Agriculture Development

- Programme organized for imparting training in vermi composting and agriculture development. Officers from District Agriculture Office provided information on organic farming, handling compost fertilizer etc.
- Training programme on Kitchen Garden development was organized for tribal and below-poverty-line women.

Some of the other CSR initiatives are :

- Villages around the community are provided with treated drinking water through pipeline laid by the Company. Clean potable water is being supplied, free of cost, to households in over 20 villages covering about 52,350 villagers.
- Roads have been repaired in the local villages.
- Doctor in-charge of Company's Medical Center guided truck drivers on the causes of HIV/AIDS, symptoms, preventive measures and available treatment as well as support and care after HIV infection.
- Rendered assistance for Youth Empowerment on self-employment schemes.
- Ten days residential training on "Karate", a self defence skill, was imparted to about 100 school girls.
- Sponsored thirty girls from four Group Grampanchayats for training in skills like yoga and aerobics.

Management Discussion And Analysis *(Contd.)*

- Ispat Marathon is a mega-event held annually at Alibaug with an aim to nurture an interest in sports among the youth. The Marathon is handled by officials of the district sports office. Over 7000 participants joined in Ispat Marathon during the year.
- Providing aid to the poor students studying in the adjoining schools, on the recommendations of the Principal/Head Master.
- Literacy campaigns have been undertaken in the nearby villages viz. Dolvi, Karavi, Wadhkhal and Gadab.
- Two computers and twenty-six sewing machines were donated to conduct vocational training classes for women in village Kolad.

At Kalmeshwar Complex

Education and Training

The Company's English Medium School at Kalmeshwar covers upto 10th Standard. There are 694 Students studying in the school.

Some of the society promotion initiatives undertaken by the Company are :-

- Inauguration of MBA Session 2009-11 at Central Institute of Business Management Research & Development for knowledge and experience sharing with MBA students to inspire, motivate and guide them as "Future Managers".
- HR Round Table Conference for budding HR Managers organized by Datta Meghe Institute, Nagpur.
- Senior Citizens Forum Meet was organized. Around 120 Senior Citizens participated in the event. The event has provided the senior citizens a proper forum to share their experience and knowledge.

Land protection and Forestation

- Plantation of Saplings was arranged on the occasion of "World Environment Day".
- Kitchen Waste generated at the Canteen is being given to Nagar Parishad, Kalmeshwar for their Bio-Gas Project. Prevention of pollution is a major advantage behind the project.

Philanthropic / Community Initiatives

- Pyau at Kalmeshwar was set-up during the period April-June, 2009
- Support was extended to the procession of Ram Rath Yatra at Kalmeshwar.
- Workers Day was celebrated on 1st May with all enthusiasm, to acknowledge contributions of the workers in nation building.
- Supplied CR Sheets to Police Department for fitting onto their ambushing vehicles to lessen the impact of the landmine blasts in Naxalite areas.
- Participated in Nagpur Marathon.
- Organized free Health Check-up Camp and advise for senior citizens at Kalmeshwar.
- Co-sponsorship in the district level Marathon Run organised by Satpuda Krida & Sanskritik Mandal and Sankalpvedh Programme.

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company firmly believes that Corporate Governance is very closely linked to its core values and is associated with best practices, a fine blend of law, regulation and voluntary practices with the overall objective of protecting the interests of its stakeholders. The Company continues to focus on best practices in the area of Corporate Governance with specific emphasis on ensuring accountability and transparency.

The Company believes in Corporate Governance that is dynamic and continuously evolving with passage of time. Accordingly, the Company has sought to institutionalize best governance practices to effectively fulfill its corporate responsibilities. The Company is committed to a high level of transparency, accountability, integrity, ethical conduct and fairness and contributing towards the social and environmental growth of the surroundings in which it operates.

2. GOVERNANCE PRACTICES

The Company's Corporate Governance practices are driven by the ideology of transparency, integrity, ethical conduct, openness and fair reporting. The Company has adopted various best practices with a view to ensure that its corporate responsibilities are fully met.

The following policies and codes have been formulated :

a. Code of Conduct

The Company's Code of Conduct, which is required to be followed by the Board members and members of Senior Management (upto level of General Managers), is based on the principle that business should be conducted ethically, honestly and with integrity, to the exclusion of personal gains. The document also requires conduct of business in a professional manner directed towards maintaining and enhancing the reputation of the Company.

b. Code of Business Ethics

The Company's Code of Business Ethics, which applies to all its employees, encompasses responsibilities and obligations to customers, ensuring free competition, adopting fair methods in transactions with customers, vendors etc. and responsibilities to the society and country at large.

c. Business Policies

The Company's Business Policies ensure transparency of operations and accountability to its stakeholders. The policies encourage and support professional development of employees, fair market practices and high level of integrity in financial reporting. The policies also seek to promote health, safety and quality of environment.

d. Prohibition of Insider Trading

The Company's Code of Conduct for prevention of Insider Trading, which applies to the Board Members and all officers and employees, seeks to prohibit trading in the securities of the Company based on insider or privileged information.

e. Risk Management

As a part of Enterprise Risk Management (ERM) process, a comprehensive Risk Management Policy has been framed and activated. The Risk Management Process involving setting risk management objectives, identifying, prioritizing and reporting risk events, identifying risk mitigation strategies and risk monitoring and reporting. The

CORPORATE GOVERNANCE REPORT *(Contd.)*

Company has formulated a comprehensive risk identification, assessment and minimization plan. The risk management procedures are clearly defined and subjected to periodic review by an Internal Risk Management Committee. The Risk Management Committee also reviews implementation of mitigation plans, identification of new risk areas etc. The risk management procedures are also reviewed by the Board of Directors. External consultants review and suggest probable risks, effectiveness of mitigation plan, deployment of technology solutions etc.

f. Safety, Health and Environment Policy

The Company firmly believes that health and safety is one of its prime concerns. The Company's Safety, Health and Environment Policy is aimed towards ensuring safety and health of its employees, customers, contractors and other stakeholders, by continuously enhancing safety and health standards in its activities, products and services. The Policy also seeks to achieve continuous improvement of environment by strengthening pollution prevention and control measures. With a view to fulfill its commitment to environmental protection, the Company periodically reviews challenging objectives and targets.

g. Equal employment opportunity

The Company is committed to a policy of equal employment opportunity and ensures no discrimination on grounds of race, colour, religion, sex, age or marital status.

h. Policy against sexual harassment

The Company is committed to provide a work environment in which every employee is treated with dignity, free from discrimination on grounds of sex. A comprehensive Policy against sexual harassment has been formulated to deter sexually determined behavior. The Policy seeks all employees to reinforce maintenance of a work environment, free of sexual harassment.

i. Quality Policy

The Company is committed to achieving total customer satisfaction through the supply of quality products and services on time, as per mutually agreed specifications and terms. The Company achieves this goal through the team effort of its committed employees and by continuously elevating quality consciousness and concern for environment in all spheres of activity, in its prevailing responsive working atmosphere.

j. Human Resource Development Policy

The Company's Human Resource Development Policy seek to enhance competitiveness and skills of employees, with a view to harness full potential of human capital. The policy also seeks to foster a culture of continuous learning and knowledge enhancement of employees at all levels through training, competency mapping and career development planning. The policy also seeks to ensure healthy work environment for all employees.

3. BOARD OF DIRECTORS

The composition of the Board of Directors is in total conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Board presently comprises twelve Directors. Out of them, seven are Independent Non-Executive Directors. The Chairman of the Board is a Non-Executive Promoter Director.

CORPORATE GOVERNANCE REPORT *(Contd.)*

During the fifteen month period ended 30th June 2010 (financial year 2009-10), eleven Board meetings were held on the following dates:

22nd April, 2009, 11th May, 2009, 30th June, 2009, 25th July, 2009, 23rd September, 2009, 27th October, 2009, 20th November, 2009, 22nd January, 2010, 31st March, 2010, 27th April, 2010 and 15th May, 2010.

The composition of the Board of Directors as at 30th June, 2010, attendance of Directors at the Board Meetings and at the last Annual General Meeting and the number of Directorships and Committee Memberships held by the Directors in other companies are given below: -

Name of Director	**Category**	**No. of Board Meetings Attended**	**Attendance at the last AGM held on 23.09.2009**	**No. of Directorship in other Companies @**		**No. of Membership in Committee of Directors in other Companies #**	
				Chairman	Director	Chairman	Member
Mr Pramod Mittal (Chairman)	Promoter Non-Executive	6	Yes	3	Nil	Nil	Nil
Mr Vinod Mittal (Vice Chairman & Managing Director)	Promoter Executive	10	Yes	Nil	2	Nil	Nil
Mr U Mahesh Rao	Independent Non-Executive	11	Yes	Nil	2	Nil	3
Dr A Besant C Raj	Independent Non-Executive	10	Yes	1	2	3	Nil
Dr Basudeb Sen	Independent Non-Executive	5	Yes	Nil	5	1	2
Mr M Sankaranaryanan (UTI Nominee)	Independent Non-Executive	7	No	Nil	Nil	Nil	Nil
Mr Mayank Agrawal (ICICI Nominee) (effective 30.04.2009)	Independent Non-Executive	6	No	Nil	Nil	Nil	Nil
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	9	No	Nil	6	Nil	1
Mr S N Baheti (IDBI Nominee) (effective 05.04.2010)	Independent Non-Executive	2	NA	Nil	Nil	Nil	Nil
Mr B K Singh Executive Director (Steel Plant)	Executive	9	Yes	Nil	Nil	Nil	Nil
Mr Vinod Garg Executive Director (Commercial)	Executive	11	Yes	Nil	Nil	Nil	Nil
Mr Anil Sureka Executive Director (Finance)	Executive	11	Yes	Nil	5	Nil	1

@ Excludes Foreign Companies and Private Limited Companies.

Only Audit Committee and Investor / Shareholders' Grievance Committee have been considered.

CORPORATE GOVERNANCE REPORT *(Contd.)*

Attendance of Directors, who had ceased to hold office during the period under review, at Board Meetings held during the year and at the Annual General Meeting:

Name of Director	Category	Date of Cessation	No. of Board Meetings attended	Attendance at the last AGM held on 23.09.2009
Mr K M Jaya Rao (ICICI Nominee)	Independent Non-Executive	20.04.2009	NA	NA
Mr B P Singh (IDBI Nominee)	Independent Non-Executive	20.02.2010	8	No

Changes in composition of Board of Directors subsequent to 30th June, 2010 are as under:-

Name of Director	Designation	Category	Particulars of Change
Mr R P Singh	Nominee Director – IFCI Ltd.	Independent Non-Executive	Nomination withdrawn with effect from 28th August, 2010
Ms Manju Jain	Nominee Director – IFCI Ltd.	Independent Non-Executive	Nominated with effect from 28th August, 2010.

None of the Directors on the Board is a Member on more than ten Committees and Chairman of more than five Committees, as specified in the Clause 49 of the Listing Agreement, across all the Companies in which he is a Director.

During the financial year 2009-10, the Company did not have any material pecuniary relationship or transactions with its Non-Executive Directors apart from paying fees for attending meetings of the Board and/or its Committee(s). None of the Independent Non-Executive Directors:

a) are related to the promoters or persons occupying management positions at Board level or at one level below the Board;

b) has been an executive of the Company in the immediately preceding three financial years;

c) is a partner or an executive or was a partner or an executive during the preceding three years of the statutory auditors or internal auditors or legal/consulting firms having a material association with the Company;

d) is a material supplier, service provider or customer or lessor or lessee of the Company;

e) is a substantial shareholder of the Company i.e., owning 2% or more of the block of voting shares in the Company.

None of the Non-Executive Directors is holding any share in the Company, except Mr Pramod Mittal, Non-Executive Promoter, who is holding 674558 Equity Shares (0.06%) and 279672 – 0.01% Cumulative Redeemable Preference Shares (0.06%) and Mr U Mahesh Rao who is holding 1000 Equity Shares (Nil%).

None of the Directors of the Company are related to each other, except Mr Pramod Mittal and Mr Vinod Mittal, who are related to each other.

4. BOARD PROCEDURE

The Board of Directors decides management policies, approves strategies, oversees performances and good Corporate Governance. The Board seeks to ensure that the corporate goals are met and seeks accountability with a view to ensure that the corporate mission is accomplished.

The Board reviews the Company's Business Plans, annual capital and operating budgets, strategies, performance of operations, schedule for implementation of capital projects, purchase/disposal of assets, risk assessment procedures

CORPORATE GOVERNANCE REPORT *(Contd.)*

and minimization plans, compliance of applicable statutory/regulatory requirements, major legal issues, significant labour matters, quarterly/annual financial results, reports and observations of Auditors, financial results of subsidiaries, significant transactions/ arrangements entered into by subsidiaries, as well as minutes of deliberations at the respective Committees of the Board. Minutes of the meetings of Board of Directors of the unlisted Indian Subsidiary Companies are also reviewed by the Board. Information as required under Annexure-IA to Clause 49 of the Listing Agreement is made available to the Board, every quarter. Secretarial Audit and Compliance Reports are also reviewed by the Board on a quarterly basis.

While reviewing compliance reports of applicable laws, the Board also takes suitable steps to rectify non-compliance, if any.

The agenda for Board meetings are sent in advance to all the Directors, accompanied by comprehensive notes and copies of related documents. Presentations are periodically made on global economic conditions, steel scenario/outlook, operational performance, financial results, status of projects under implementation, risk management procedures, Corporate Governance mandates etc.

The Company has an effective post-meetings follow-up mechanism in place. Action Taken Report on decisions taken at previous meetings of the Board/Committees are reviewed at the succeeding meetings of the Board/Committees.

5. AUDIT COMMITTEE

The Company has an independent Audit Committee constituted in terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are, broadly, as under:-

i) Review of accounting policies, financial reporting processes and disclosure of financial information.

ii) Recommend to the Board appointment/re-appointment of Statutory Auditors, fixation of audit fees as well as fees for other services being rendered by them.

iii) Review quarterly/annual financial results and recommend the same to the Board.

iv) Review reports of internal auditors, concurrent auditors, special/branch auditors and management response thereto.

v) Review adequacy of internal control systems of the Company.

vi) Review annual plans of internal audit department, performance of statutory and internal auditors and adequacy of internal audit function, including structure of internal audit department etc.

vii) Review statutory compliances.

The Audit Committee also undertakes review of such other matters as may be delegated by the Board from time to time.

Besides having access to all the required information from within the Company, the Committee can obtain external legal or professional advice, wherever required. The Committee can investigate any activity within its reference terms, seek information from any employee and also seek attendance of outsiders with relevant experience, if it so considers necessary. The Committee is empowered to review the appointment/re-appointment of Internal Auditors as well as remuneration payable to them and recommend the same to the Board.

The reports of Business Process Solutions Department, which carries out internal audit functions, Concurrent Auditors, Branch Auditors, Management Auditors and Special Auditors, appointed for specific assignments, are reviewed by the Audit Committee. The Committee reviews adequacy of internal control systems with the Auditors as well as the Company. The Committee reviews with the Statutory Auditors their observations on accounts and accounting policies. The Committee engages in post-audit discussions with Statutory Auditors to ascertain areas of concern, if any.

CORPORATE GOVERNANCE REPORT *(Contd.)*

The Committee also undertakes review of:-

i) Adequacy of internal audit functions including structure of Business Process Solutions Department.

ii) Annual Audit Plans as well as comparison of actual performance with approved plans.

iii) Performance of Statutory Auditors as well as Business Process Solutions Department.

iv) Significant findings, if any, of Statutory Auditors, Concurrent Auditors, Business Process Solutions Department, Management Auditors as well as Special Auditors, appointed for specific assignments.

v) Related party transactions, if any;

vi) Changes in accounting policies, if any;

vii) Major accounting entries involving estimates based on exercise of judgement by the management as well as significant adjustments, if any, made in financial statements arising out of audit findings.

viii) Audit Reports and Limited Review Reports of Statutory Auditors.

ix) Management discussion and analysis of financial condition and results of operation;

x) Reasons for substantial defaults, if any, in payments to debenture-holders and lenders.

The Audit Committee reviews the quarterly and annual financial statements with the management before submission to the Board. The minutes of the Audit Committee Meetings are circulated to the Board, discussed and taken note of. Follow-up actions taken by the Company on the directions of the Audit Committee are also subject to subsequent review.

The Audit Committee presently comprises six members, all of whom are Independent Non-Executive Directors. The members of the Audit Committee posses relevant expertise in accounting/financial management. Chairman of the meetings of the Audit Committee is an Independent Director.

The President and Company Secretary acts as the Secretary to the Committee.

Nine meetings of the Audit Committee were held during the financial year 2009-10. The dates of the meetings are:

22nd April, 2009, 29th June, 2009, 30th June, 2009, 25th July, 2009, 27th October, 2009, 21st January, 2010, 22nd January, 2010, 1st April, 2010 and 27th April, 2010.

The composition of the Audit Committee as at 30th June, 2010 and the meetings attended by the members are as under:-

Name of Director	Category	No. of Meetings attended
Mr U Mahesh Rao	Independent Non-Executive	9
Dr A Besant C Raj	Independent Non-Executive	7
Mr M Sankaranarayanan (UTI Nominee)	Independent Non-Executive	9
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	6
Mr Mayank Agrawal (ICICI Nominee) (effective 11.05.2009)	Independent Non-Executive	3
Mr S N Baheti (IDBI Nominee) (effective 27.04.2010)	Independent Non-Executive	NA
Mr K M Jaya Rao (ICICI Nominee) (ceased effective 20.04.2009)	Independent Non-Executive	NA
Mr B P Singh (IDBI Nominee) (ceased effective 20.02.2010)	Independent Non-Executive	7

CORPORATE GOVERNANCE REPORT *(Contd.)*

Changes in composition of Committee subsequent to 30th June, 2010 are as under:-

Name of Director	Category	Particulars of Change
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	Ceased with effect from 28.08.2010.
Ms Manju Jain (IFCI Nominee)	Independent Non-Executive	Appointed with effect from 28.08.2010.

6. SHARE TRANSFER AND INVESTORS GRIEVANCE COMMITTEE

The Share Transfer and Investors Grievance Committee approve transfer of shares, consolidation/sub-division of shares, issue of duplicate shares and other allied matters. The Committee also looks into the investors' grievances pertaining to share transfers, dematerialization of shares, issue of duplicate shares and all other matters concerning shareholders/ investors and gives direction from time to time for effective settlement of investors' grievances.

Eleven meetings of the Committee were held during the financial year 2009-2010. The dates of the meetings are:

22nd April, 2009, 29th June, 2009, 25th July, 2009, 23rd September, 2009, 27th October, 2009, 11th December, 2009, 21st January, 2010, 24th February, 2010, 1st April, 2010, 27th April, 2010 and 22nd May, 2010.

The composition of the Committee and the meetings attended by the members are as under:-

Name of Director	Category	No. of Meetings attended
Mr U Mahesh Rao (Chairman of the Committee)	Independent Non-Executive	11
Dr A Besant C Raj (effective 22.04.2009)	Independent Non-Executive	9
Mr Anil Sureka	Executive	11

The Chairman of the Committee is an Independent Non-Executive Director. The Chairman of the Committee was present at the Annual General Meeting held on 23rd September, 2009.

Name and Designation of Compliance Officer:

Mr T P Subramanian, President & Company Secretary is the Compliance Officer.

The minutes of the Share Transfer and Investors Grievance Committee Meetings are circulated to the Board, discussed and taken note of. During the year under review, 518 complaints were received from shareholders. All complaints were appropriately replied/resolved and there was no complaint pending to be resolved as at 30th June, 2010. No request for transfer of Equity Shares and 0.01% Cumulative Redeemable Preference Shares was pending as on 30th June, 2010. No request for dematerialization of Equity Shares and 0.01% Cumulative Redeemable Preference Shares was pending as on 30th June, 2010.

7. REMUNERATION COMMITTEE

The broad terms of reference of the Remuneration Committee are as under:

i) Review of Remuneration Policy in relation to Whole-time Directors.

ii) Recommend to the Board remuneration including salary, perquisites and commission to be paid to Whole-time Directors.

CORPORATE GOVERNANCE REPORT *(Contd.)*

While reviewing the remuneration policy, periodically, the Committee takes into consideration the prevailing trend of executive compensation, across all sectors, Company's business activities and plans, background of concerned managerial personnel etc.

The Committee comprises three members all of whom are Independent Non-Executive Directors.

No meeting of the Remuneration Committee was held during the financial year 2009-2010.

The composition of the Committee as at 30th June, 2010 is as under:-

Name of Director	Category
Mr U Mahesh Rao (Chairman of the Committee)	Independent Non-Executive
Dr A Besant C Raj	Independent Non-Executive
Mr M Sankaranarayanan (UTI Nominee)	Independent Non-Executive

The Chairman of the Remuneration Committee was present at the Annual General Meeting held on 23rd September, 2009.

8. REMUNERATION POLICY

Non-Executive Directors of the Company are paid sitting fees of Rs.20,000/- for attending each meeting of Board of Directors and Audit Committee of Directors and Rs.12,000/- for attending each meeting of other Committees of Directors. Besides sitting fees, the Non-Executive Directors are not paid any other remuneration or commission.

The Company pays remuneration to its Whole-time Directors in the form of a fixed component, comprising of salary, perquisites and allowances. No other benefits, bonuses or performance linked incentives are being paid to Whole-time Directors.

Payment of salary to Whole-time Directors is within the range approved by the Shareholders of the Company. Perquisites and allowances are paid as a percentage of salary, within the ceiling approved by the Shareholders. Commission (variable component), as calculated with reference to net profits of the Company in any financial year, is determined by the Board of Directors, based on the recommendation of the Remuneration Committee, subject to overall ceilings prescribed under Sections 198 and 309 of the Companies Act, 1956. Payment of commission is also subject to the overall limits as may be approved by the Shareholders.

Increase in salary is considered and approved by the Board, based on the recommendation of the Remuneration Committee. Approval of appropriate authorities, wherever required, is obtained.

While deciding the remuneration package of the Whole-time Directors, the following factors are considered:

a) Employment scenario, in general.

b) Company's business activities and expansion plans.

c) Size of Company's operations and its overall ranking in terms of assets employed, sales turnover, exports undertaken etc.

d) Prevailing trend of executive compensation across all sectors.

e) Background, experience etc., of the concerned managerial personnel.

CORPORATE GOVERNANCE REPORT *(Contd.)*

The details of the remuneration paid to the Whole-time Directors, during financial year 2009-2010, are as under:-

Name of Directors	Salary & Perks (Rs. in Crores)	Commission (Rs. in Crores)	Total (Rs. in Crores)	Service Contract Years	Service Contract Period
Mr Vinod Mittal (Vice Chairman & Managing Director)	4.47	Nil	4.47	5	(28.06.2007-27.06.2012)
Mr Vinod Garg Executive Director (Commercial)	1.78	Nil	1.78	5	(21.04.2008 - 20.04.2013)
Mr Anil Sureka Executive Director (Finance)	1.71	Nil	1.71	5	(01.02.2006 - 31.01.2011)
Mr B K Singh Executive Director (Steel Plant)	1.71	Nil	1.71	5	(01.05.2008 - 30.04.2013)

Notice Period — The service contract with the Vice Chairman & Managing Director and Whole-time Directors may be terminated by either party giving three months' notice in writing to the other party, or the Company paying three months' salary in lieu thereof.

Severance Fee — No Severance Fee is payable to any of the aforementioned Managing/Whole-time Directors.

Stock Option — NIL

9. OTHER COMMITTEES

In addition to the Committees mentioned hereinabove, the Board has constituted the following Committees:-

a) Project Management Committee

b) Committee of Directors

c) Corporate Governance Committee

d) Risk Management Committee

e) Securities Issue Committee

a) Project Management Committee

The broad terms of reference of the Project Management Committee are as under:-

i) Overview implementation of various capital projects, including status of progress, critical areas affecting project implementation schedules etc.

ii) Overview financing of projects, capital expenditure budgets, project costs incurred etc.

Apart from the Committee Members, the meetings of Project Management Committee are also attended by Heads of respective projects, representatives of key contractors, project consultants etc.

Since the major projects, identified earlier, were completed, no meeting of the Project Management Committee was held during the financial year 2009-2010.

CORPORATE GOVERNANCE REPORT *(Contd.)*

The composition of the Project Management Committee as at 30th June, 2010 is as under:-

Name of Director	Category
Mr U Mahesh Rao	Independent Non-Executive
Dr A Besant C Raj	Independent Non-Executive
Mr Vinod Garg, Executive Director (Commercial)	Executive
Mr Anil Sureka, Executive Director (Finance)	Executive
Mr Mayank Agrawal (ICICI Nominee) (effective 11.05.2009)	Independent Non-Executive
Mr R P Singh (IFCI Nominee)	Independent Non-Executive
Mr S N Baheti (IDBI Nominee) (effective 27.04.2010)	Independent Non-Executive
Mr K M Jaya Rao (ICICI Nominee) (ceased effective 20.04.2009)	Independent Non-Executive
Mr B P Singh (IDBI Nominee) (ceased effective 20.02.2010)	Independent Non-Executive

Changes in composition of Committee subsequent to 30th June, 2010 are as under:-

Name of Director	Category	Particulars of Change
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	Ceased with effect from 28.08.2010.
Ms Manju Jain (IFCI Nominee)	Independent Non-Executive	Appointed with effect from 28.08.2010.

b) Committee of Directors

The broad terms of reference of the Committee of Directors are as under: -

i) Review, periodically the Business Plan and Financial Projections of the Company and modifications, if any, therein;

ii) Review, periodically, actual performance/achievement against Business Plan and Financial Projections.

iii) Report to the Board of Directors of its findings/observations in respect of (i) and (ii) above;

iv) Consider sale of any Fixed Asset, requiring approval of Board of Directors, subject to the condition that the book-value of the item of sale does not exceed Rs. 500 Lacs in value.

v) Appointing attorneys/representatives to represent the Company before various authorities;

vi) Fixing Record Date(s)/Book Closure Date(s).

vii) Accepting working capital facilities that may be sanctioned by Banks/Lenders upto such amount as may be authorized by the Board.

viii) Opening/closure of Bank Accounts and changes in authorizations.

ix) Opening of Depots, Offices, Warehouses etc.

Four meetings of the Committee of Directors were held during the financial year 2009-2010. The dates of the meetings are:-

25th July, 2009, 6th October, 2009, 24th December, 2009 and 31st March, 2010.

CORPORATE GOVERNANCE REPORT *(Contd.)*

The composition of the Committee and the meetings attended by the members are as under:-

Name of Director	Category	No. of Meetings attended
Mr Pramod Mittal, Chairman (effective 23.09.2009)	Promoter Executive	1
Mr Vinod Mittal, Vice Chairman & Managing Director	Promoter Executive	4
Mr Vinod Garg, Executive Director (Commercial)	Executive	4
Mr Anil Sureka, Executive Director (Finance)	Executive	4
Mr B K Singh, Executive Director (Steel Plant) (effective 11.05.2009)	Executive	4
Mr U Mahesh Rao (effective 11.05.2009)	Independent Non-Executive	4
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	2
Mr Mayank Agrawal (ICICI Nominee) (effective 30.06.2009)	Independent Non-Executive	4
Mr S N Baheti (IDBI Nominee) (effective 27.04.2010)	Independent Non-Executive	NA
Mr B P Singh (IDBI Nominee) (effective 30.06.2009) (ceased effective 20.02.2010)	Independent Non-Executive	3

Changes in composition of Committee subsequent to 30th June, 2010 are as under:-

Name of Director	Category	Particulars of Change
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	Ceased with effect from 28.08.2010.
Ms Manju Jain (IFCI Nominee)	Independent Non-Executive	Appointed with effect from 28.08.2010.

c) Corporate Governance Committee

The Broad terms of reference of the Corporate Governance Committee are as under:-

a) Review, periodically, the Corporate Governance policy of the Company.

b) Review, periodically, the status of compliance with Clause 49 of the Listing Agreement with Stock Exchanges, as well as all other applicable Codes/Guidelines/Regulations.

c) Monitor Corporate Governance practices adopted by the Company.

d) Decide upon implementation of various non-mandatory practices/recommendations.

e) Any other matter as may be referred to by the Board of Directors, from time to time.

CORPORATE GOVERNANCE REPORT *(Contd.)*

Three meetings of the Corporate Governance Committee were held during the financial year 2009-2010. The dates of the meetings are:-

29th June, 2009, 3rd October, 2009 and 1st April, 2010.

The composition of the Committee and the meetings attended by the members are as under:-

Name of Director	Category	No. of Meetings attended
Dr A Besant C Raj	Independent Non-Executive	2
Mr U Mahesh Rao	Independent Non-Executive	3
Dr Basudeb Sen	Independent Non-Executive	2

d) Risk Management Committee

The broad terms of reference of the Risk Management Committee are as under:-

i) Review, periodically, all risk management and mitigation procedures adopted by the Company.

ii) Review, periodically:
   - Adequacy of risk mitigation plans.
   - Identification of root causes.
   - Adequacy of coverage of risk indicators in mitigation plans.
   - Status of risk mitigation plans.

iii) Consider such other related matters as may be referred to by the Board.

Three meetings of the Risk Management Committee were held during the year. The dates of the meetings are:

29th June, 2009, 24th December, 2009 and 1st April, 2010.

The composition of the Committee and the meetings attended by the members are as under:-

Name of Director	Category	No. of Meetings attended
Mr U Mahesh Rao (Chairman of the Committee)	Independent Non-Executive	3
Dr A Besant C Raj (effective 22.04.2009)	Independent Non-Executive	1
Mr B K Singh, Executive Director (Steel Plant)	Executive	2
Mr Vinod Garg, Executive Director (Commercial)	Executive	3
Mr Anil Sureka, Executive Director (Finance)	Executive	3
Mr Mayank Agrawal (ICICI Nominee) (effective 11.05.2009)	Independent Non-Executive	1

e) Securities Issue Committee

A Securities Issue Committee was constituted on 27th April, 2010. The broad terms of reference of the Securities Issue Committee are as under:-

i) Decide on matters relating to the Company's proposed issue of:
   - Share Warrants to eligible Promoters, on preferential basis, and
   - Securities to Qualified Institutional Buyers, by way of Qualified Institutions Placement.

ii) Pricing, timing and terms and conditions of the proposed issue.

iii) Amendments or modifications to such terms and conditions.

iv) Issue/allotment of said Share Warrants/ Securities from time to time.

v) Such other matters in connection with or incidental to the said issue of Share Warrants/Securities as may be deemed fit by the Committee.

CORPORATE GOVERNANCE REPORT *(Contd.)*

No meeting of Securities Issue Committee has been held during the financial year 2009-10.

The composition of the Securities Issue Committee is as under:-

Name of Director	Category
Mr Vinod Garg, Executive Director (Commercial)	Executive
Mr Anil Sureka, Executive Director (Finance)	Executive
Mr U Mahesh Rao	Independent Non-Executive
Mr S N Baheti (IDBI Nominee)	Independent Non-Executive
Mr Mayank Agrawal (ICICI Nominee)	Independent Non-Executive
Mr R P Singh (IFCI Nominee)	Independent Non-Executive

Changes in composition of Committee subsequent to 30th June, 2010 are as under:-

Name of Director	Category	Particulars of Change
Mr R P Singh (IFCI Nominee)	Independent Non-Executive	Ceased with effect from 28.08.2010.
Ms Manju Jain (IFCI Nominee)	Independent Non-Executive	Appointed with effect from 28.08.2010.

10. GENERAL BODY MEETINGS

10.1 Location and time, where last three Annual General Meetings (AGMs) held:

For the Year ended	Location	Date	Time
31.03.2007	Kala Mandir Main Hall, 48, Shakespeare Sarani Kolkata – 700 017	25.07.2007	10.30 A.M.
31.03.2008	Kala Mandir Main Hall, 48, Shakespeare Sarani Kolkata – 700 017	28.08.2008	10.30 A.M.
31.03.2009	Kala Mandir Main Hall, 48, Shakespeare Sarani Kolkata – 700 017	23.09.2009	10.30 A.M.

10.2 Whether any special resolution passed in the previous 3 AGMs : Yes

10.3 Whether special resolutions:

a) (i) Were put through postal ballot last year : No

(ii) Details of voting pattern : N.A.

(iii) Person who conducted the postal ballot exercise : N.A.

b) (i) Are votes proposed to be conducted through Postal ballot this year : No

(ii) Procedure for Postal ballot : N.A.

CORPORATE GOVERNANCE REPORT *(Contd.)*

11. EXTRA-ORDINARY GENERAL MEETING

An Extra-ordinary General Meeting of the members of the Company was held on 15th May, 2010. At the Extra-ordinary General meeting, the members accorded their consent under Section 81(1A) of the Companies Act, 1956, for:

(i) Issue of Securities to Qualified Institutional Buyers, by way of Qualified Institutions Placement, in accordance with the regulations contained in Chapter VIII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; and

(ii) Issue of Equity Share Warrants to eligible promoters of the Company, on preferential basis, entitling them to apply for and be allotted equity shares in the Company, in accordance with the regulations contained in Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

12. Issue of Equity Warrants on Preferential basis

Pursuant to the approval of the shareholders and other concerned authorities, the Company had allotted on 18th April 2008, equity warrants to certain promoters, on preferential basis, upon receiving allotment money of an aggregate amount of Rs.51.98 crores. Since the promoters did not exercise their right to apply for equity shares within the stipulated period of eighteen months from the date of allotment of equity warrants, the said amount has been forfeited by the Company in accordance with the applicable SEBI Regulations.

During the current financial year, the Company has received an amount of Rs. 18 crores from certain promoters, towards part of the allotment money payable for a fresh issue of equity warrants, on preferential basis, pursuant to the approval of the members of the Company at the abovementioned Extra-ordinary General meeting held on 15th May, 2010. “In-principle” approval of the Stock Exchanges is yet to be received for want of certain clearance to be accorded by the Company’s lenders.

13. DISCLOSURES

a. The particulars of transactions between the Company and its related parties, as defined in terms of Accounting Standard 18, are set out in Page Nos. 93 to 97 of the Annual Report. However, these transactions are not likely to have any potential conflict with the Company’s interest.

b. The Company has complied with the requirements of the Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matters relating to Capital Markets during the last three years.

   No penalties/strictures have been imposed on the Company by Stock Exchanges or Securities and Exchange Board of India (SEBI) or any statutory authority on any matter related to capital market during the last three years except for the following:

   An order was passed on 31st March, 2004 and issued on 5th April, 2004, by SEBI, whereby the Company was instructed to be more careful in future and ensure compliance with the SEBI Act, Rules and Regulations framed there under and more specifically with the Code of Corporate Disclosures, while disclosing any information which may be construed to be price sensitive in nature. However, subsequently, an order was issued by Adjudicating Officer, SEBI on 1st December, 2005, levying a penalty of Rs.1 lac on the Company in the same matter.

   The Company preferred an appeal against the said Order to Securities Appellate Tribunal (SAT) which was admitted and recovery of penalty was stayed during the pendency of appeal. At the hearing held on 12th September, 2007, SAT allowed the Company’s appeal and the impugned Order of SEBI dated 1st December, 2005 was set aside.

   Against the SAT order, SEBI has filed Special Leave Petition in Honorable Supreme Court. The Company has entered into appearance and the Special Leave Petition is yet to be admitted.

CORPORATE GOVERNANCE REPORT *(Contd.)*

c. A certificate from the Vice Chairman & Managing Director and Executive Director (Finance) with regard to the Annual Audited Accounts for the financial year (fifteen month period) ended 30th June, 2010 was submitted to the Board, in compliance with Clause 49 of the Listing Agreement. The Certificate is annexed to this Report.

d. The Company has adopted and complied with all mandatory requirements under Clause 49 of the Listing Agreement.

e. The Company has adopted non-mandatory requirement under Clause 49 of the Listing Agreement to the extent relating to setting-up of Remuneration Committee. Please refer details provided under Section "Remuneration Committee" of this Report.

14. MEANS OF COMMUNICATION

Half yearly report sent to each household of shareholders	Since the unaudited quarterly/half-yearly results are published in the newspapers and displayed on the Company's website, the same were not sent to each household of shareholders.
Quarterly results - which Newspapers normally published in?	Financial Express and Business Standard (in English) Sangbad Pratidin (Bengali version)
Web sites where quarterly results are displayed.	www.ispatind.com
Whether it also displays official news releases and presentation made to institutional investors or to the analysts?	Press releases and presentation to analysts have been displayed on the Company's website.
Whether Management Discussion & Analysis is part of Annual Report?	Yes

15. COMPANY'S CORPORATE WEBSITE

The Company's website is a comprehensive reference on Ispat's management, vision, mission, policies, processes, social responsibility initiatives, investor relations, updates and news.

16. GENERAL SHAREHOLDERS' INFORMATION

16.1 Annual General Meeting

Day, Date and Time	Tuesday, 21st December, 2010 at 10.30 A.M.
Venue	'Kala Kunj', 48, Shakespeare Sarani, Kolkata - 700 017

16.2 Book Closure Date — 15th December, 2010 to 20th December, 2010 (both days inclusive)

16.3 Dividend Payment Date — Not Applicable since dividend not recommended/declared.

16.4 Financial Calendar:

Year Ending	June 30
Annual General Meeting	November/December
Board Meeting for considering Un-audited Quarterly Results for first three-quarters of the financial year ending 30th June, 2011.	Within 45 days from the end of each quarter.
Board Meeting for considering Audited Results of the Company for the Financial Year ending 30th June, 2011.	Within two months from the end of the financial year

CORPORATE GOVERNANCE REPORT *(Contd.)*

16.5 Listing on Stock Exchanges

Equity Shares	**Global Depository Receipts (GDRs)**
The Calcutta Stock Exchange Association Limited 7 Lyons Range, Kolkata 700 001.	The Luxembourg Stock Exchange Societe de la Bourse de Luxembourg, 11, Avenue De La Porte Neuve, L - 2227, Luxembourg
National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.	
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.	
0.01% Cumulative Redeemable Preference Shares	**10% Cumulative Redeemable Preference Shares**
The Calcutta Stock Exchange Association Limited 7 Lyons Range, Kolkata 700 001.	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.
National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers,Dalal Street, Mumbai 400 023.
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.	
12% Cumulative Redeemable Preference Shares	
National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.	
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.	

Note: Annual Listing Fees for the year 2010-2011 have been duly paid to all the above Stock Exchanges. Annual Custody fees for the year 2010-2011 have been duly paid to National Securities Depository Ltd. and Central Depository Services (India) Ltd.

16.6 Redemption of 12% Cumulative Redeemable Preference Shares (CRPS)

In accordance with the terms governing issue of 12% CRPS, the Company has redeemed part of the face value (Rs.100/- each) of the 12% CRPS. Upon redemption, the adjusted face value of the 12% CRPS is Rs.84/- each.

16.7 Stock Market information

(i) Stock Code:

> **National Stock Exchange of India Ltd.**

Equity Shares of Rs.10/- each	: ISPATIND (Series EQ)
0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	: ISPATIND (Series P1)
10% Cumulative Redeemable Preference Shares of Rs.10/- each	: ISPATIND (Series P2)
12% Cumulative Redeemable Preference Shares of Rs.100/- each (adjusted face value Rs.84/- each)	: ISPATIND (Series P3)

CORPORATE GOVERNANCE REPORT *(Contd.)*

> **Bombay Stock Exchange Ltd.**

Equity Shares of Rs.10/- each	: 500305
0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	: 700109
10% Cumulative Redeemable Preference Shares of Rs.10/- each	: 700112
12% Cumulative Redeemable Preference Shares of Rs.100/- each (adjusted face value Rs.84/- each)	: 700113

> **The Calcutta Stock Exchange Association Ltd.**

Equity Shares of Rs.10/- each	: 10019278
0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	: 10019279

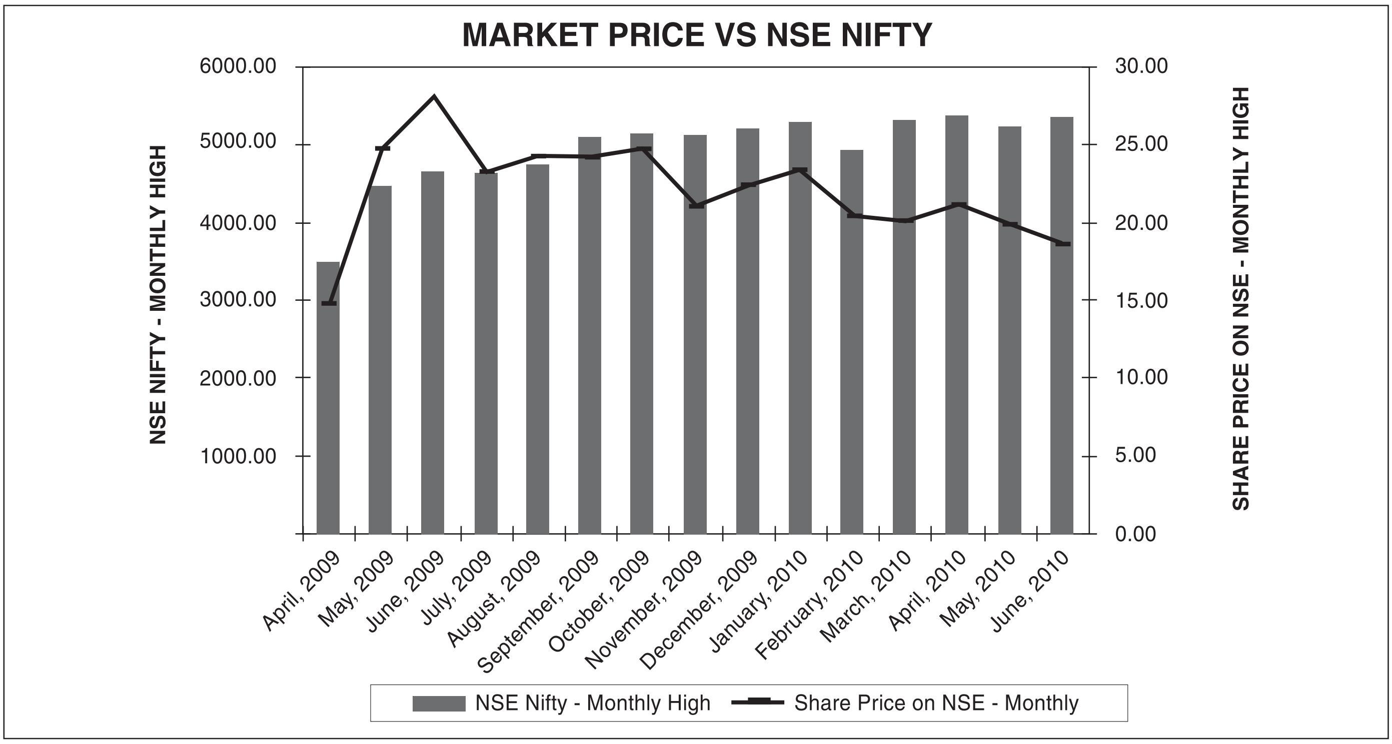
(ii) ISIN Nos. of Dematerialised Shares

> Equity Shares of Rs.10/- each	: INE 136A01022
> 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	: INE 136A04034
> 10% Cumulative Redeemable Preference Shares of Rs.10/- each	: INE 136A04018
> 12% Cumulative Redeemable Preference Shares of Rs.100/- each (adjusted face value Rs.84/- each)	: INE136A04026

(iii) Market Price

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2009	14.80	11.24	14.80	11.20
May, 2009	24.72	13.76	24.75	13.75
June, 2009	28.00	20.40	28.05	20.35
July, 2009	23.20	16.60	23.20	16.60
August, 2009	24.20	21.25	24.20	21.25
September, 2009	24.20	22.30	24.20	22.30
October, 2009	24.70	18.80	24.70	18.85
November, 2009	21.05	18.05	21.00	18.05
December, 2009	22.35	19.40	22.35	19.40
January, 2010	23.30	19.15	23.30	19.15
February, 2010	20.35	18.15	20.35	18.15
March, 2010	20.10	18.90	20.10	18.90
April, 2010	21.15	19.70	21.15	19.70
May, 2010	19.85	17.00	19.85	17.00
June, 2010	18.55	16.60	18.60	16.55

CORPORATE GOVERNANCE REPORT *(Contd.)*



16.8 Registrars & Transfer Agents : M/s Link Intime India Private Limited
(Formerly known as Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai-400 078 .
Ph. Nos. 91-22-25946970-78
Fax Nos. 91-22-25946969
E-mail: rnt.helpdesk@linkintime.co.in
(Registered with SEBI as Share Transfer Agent - Category I)

16.9 Share Transfer System

The Company's Equity Shares, 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each (0.01% CRPS), 10% Cumulative Redeemable Preference Shares of Rs.10/- each (10% CRPS) and 12% Cumulative Redeemable Preference Shares of Rs.100/- each (adjusted face value Rs. 84/- each) (12% CRPS) are admitted for dealings with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), under the Depositories Act, 1996. As such, facilities for dematerialization of the Company's Equity Shares, 0.01% CRPS, 10% CRPS and 12% CRPS are available vide ISIN No. INE136A01022, INE136A04034, INE136A04018 and INE136A04026 respectively, at both the depositories.

To expedite the process of transfer, the Company has authorized M/s. Link Intime India Private Limited, Registrar & Share Transfer Agents, to effect the transfer, who attend to share transfer formalities at least once in a fortnight. In terms of the Rules and Regulation prescribed by SEBI and provisions of the Listing Agreement entered into with the Stock Exchanges, Share transfers in physical form are carried out and returned to the shareholders within 20 days from the date of receipt, subject to the transfer documents being valid and complete in all respects. Those who are desirous of holding their shares in the Company in electronic form have to approach their Depository Participant for dematerialization of their shares.

CORPORATE GOVERNANCE REPORT *(Contd.)*

The Share Transfer and Investors Grievance Committee looks into issues relating to share transfers and investor grievances. This Committee generally meets on regular basis. The total number of such meetings held during the year under review was eleven (previous year - nine). Total number of Equity Shares physically transferred during the year were 1,20,063 (Previous Year – 1,59,959) and total number of 0.01% CRPS physically transferred during the year were 67,728 (Previous Year – 84,906). No transfer request was received during the year in respect of 10% Cumulative Redeemable Preference Shares and 12% Cumulative Redeemable Preference Shares.

16.10 Investor Grievance Redressal System

M/s Link Intime India Private Limited, Registrars and Share Transfer Agents, in consultation with the Secretarial Department of the Company, handle all Investors' grievances. The Registrars have adequate skilled staff with professional qualifications and advanced computer systems for speedy redressal of investors' grievances. It is ensured that the total process of settlement of a complaint right from its receipt to disposal does not exceed 15 days.

Periodical Review meetings are held, at least once in a fortnight, between the officials of the Registrars & Share Transfer Agents and the Company to discuss the various issues relating to share transfer and other allied matters, dematerialization of shares, investors complaints, etc.

The following e-mail ID of the Compliance Officer has been designated exclusively for registering complaints of the investors:

investorgrievance_cell@ispatind.com

The investors may send their grievance to the said e-mail address. The investors may also send their grievance to the e-mail address of the Company's Registrars and Share Transfer Agents, M/s Link Intime India Private Ltd., as under :-

rnt.helpdesk@linkintime.co.in

16.11 (a) Distribution of Equity Shareholding as on 30th June, 2010

No. of Equity Shares held	No. of Shareholders	% of Shares held	No. of Shares held	% of Shares held
001 to 5000	659349	80.91	113221776	9.26
5001 to 10000	87196	10.70	70784575	5.79
10001 to 50000	59996	7.36	127586281	10.44
50001 to 100000	5112	0.63	37951156	3.10
100001 and above	3214	0.39	872898430	71.41
Total	**814867**	**100.00**	**1222442218**	**100.00**

(b) Categories of Equity Shareholders as on 30th June, 2010

Particulars	No. of Shares held	Percentage to Total Shareholding
Promoter Group	502874171	41.14
Financial Institutions / Banks/ Insurance Companies / Mutual Funds	103597288	8.48
NRIs / OCBs / Other Foreign Shareholders/ (Other than Promoter Group)	82923002	6.78
Public & Others	533047757	43.60
TOTAL	**1222442218**	**100.00**

CORPORATE GOVERNANCE REPORT *(Contd.)*

16.12 Dematerialization of Shares and liquidity : Approximately 97.97% of the Equity Shares has been dematerialized up to 30th June, 2010.
Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 08.05.2000 as per notification issued by the Securities and Exchange Board of India.

16.13 Outstanding Global Depository Receipts (GDRs) : 10691 GDRs representing 106912 Equity Shares of Rs.10/- each.

16.14 Plant Locations :
1) Cold Rolling Mill & Coating Complex:
A-10/1 MIDC Industrial Area,
Kalmeshwar 441501
Dist. Nagpur, Maharashtra
2) Sponge Iron Plant:
Geetapuram, Dolvi 402 107
Taluka Pen, Dist. Raigad, Maharashtra
3) Hot Strip Mill Plant:
Geetapuram, Dolvi 402 107
Taluka Pen, Dist. Raigad, Maharashtra
4) Blast Furnace Plant:
Geetapuram, Dolvi 402 107
Taluka Pen, Dist. Raigad, Maharashtra

16.15 Address for Correspondence by Investors

Ispat Industries Limited
"Park Plaza"
71 Park Street,
Kolkata 700 016
Ph.Nos: 91-33-30265000
Fax No.: 91-33-22291956
E-mail: investorgrievance_cell@ispatind.com

Unit-in-Charge
Unit: Ispat Industries Limited
Link Intime India Private Limited
(formerly known as Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400 078.
Ph. Nos. 91-22-25946970-78
Fax Nos. 91-22-25946969
E-mail: rnt.helpdesk@linkintime.co.in

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

DECLARATION IN TERMS OF CLAUSE 49 (1) (D) (ii) OF LISTING AGREEMENT

It is hereby confirmed that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct, laid down by the Board of Directors, for the financial year (fifteen month period) ended 30th June, 2010.

VINOD MITTAL
Vice Chairman & Managing Director

28th day of August, 2010

CEO / CFO CERTIFICATION IN TERMS OF CLAUSE 49 OF LISTING AGREEMENTS

August 28, 2010.

The Board of Directors
Ispat Industries Limited

Dear Sirs,

Re: CEO / CFO Certification in terms of Clause 49 of Listing Agreements with Stock Exchanges.

In pursuance to the Clause 49 of the Listing Agreements with Stock Exchanges, we wish to certify as under with regard to the Annual Audited Accounts of the Company for the financial year ended 30th June, 2010, including the Schedules and Notes forming part thereof, as well as the Cash Flow Statement for the financial year ended on that date:

a. We have reviewed the Annual Accounts, including the Schedules and Notes forming part thereof, and Cash Flow Statement for the financial year ended 30th June, 2010 and that to the best of our knowledge and belief :
   i. these statements do not contain any materially untrue statement 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 as per the Companies Act, 1956, and are in compliance with existing Indian accounting standards, all applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year which are fraudulent, illegal or violative of the Company's Code of Conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and authorizing respective process owners to maintain such internal controls. The internal control systems are subject to continuous evaluation and deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.

d. There were no significant changes in the internal control systems over financial reporting during the financial year, which were to be indicated to the Auditors and the Audit Committee.

e. There were no significant changes in accounting policies during the financial year, which were to be indicated to the Auditors and Audit Committee.

f. There have been no instances of significant fraud during the financial year, of which we have become aware of and the involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Anil Sureka
Executive Director (Finance)

Vinod Mittal
Vice Chairman & Managing Director

AUDITORS' CERTIFICATE TO THE MEMBERS OF ISPAT INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Ispat Industries Limited for fifteen months period ended on 30th June, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

For S. R. BATLIBOI & CO.
Firm Registration Number: 301003E
Chartered Accountants

Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street,
Block 'C', 3rd Floor
Kolkata - 700 016.
Camp : Mumbai
Date : 28th August, 2010

SECRETARIAL COMPLIANCE CERTIFICATE

To,
The Board of Directors,
Ispat Industries Limited

We have examined the registers, records, books and papers of Ispat Industries Limited ("the Company") as required to be maintained under the Companies Act, 1956, ("the Act") and/or SEBI Act/Listing Agreement and the Rules made thereunder and also the provisions for the financial period of 15 months ended on 30th June, 2010 ("the year"). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we hereby report and certify that:

1. The Company has kept and maintained all registers and other records required as per the provisions of the Act and the rules made there under, either in physical or electronic mode, as applicable, and all entries therein have been duly recorded.

2. The Company has duly filed the requisite forms, returns and documents required under the Act and rules made there under with the Registrar of Companies and other authorities.

3. The Company being a public limited Company has the minimum prescribed paid-up capital.

4. The Board of Directors and its Committees duly met as per the requirement of the Act and the proceedings were properly recorded in the Minutes Book maintained for the purpose.

5. The Company has held the Annual General Meeting during the year in accordance with the provisions of the Act. The Company had closed its Register of Members for the purpose of said Annual General Meeting, in accordance with the Listing Agreement. Due notices were given to the members of the Company for holding Annual General Meeting and for Book closure. The resolutions passed at the Annual General Meeting were duly recorded in Minutes Book maintained for the purpose.

6. An Extraordinary General Meeting was held on 15th May, 2010, for seeking approval of the shareholders under Section 81(1A) of the Companies Act, 1956 for : -

   (i) Issue of Securities to Qualified Institutional Buyers, by way of Qualified Institutions Placement, in accordance with Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [SEBI (ICDR) Regulations, 2009].

   (ii) Issue of Equity Warrants, on preferential basis, to eligible promoters of the Company in accordance with Chapter VII of the SEBI (ICDR) Regulations, 2009

   Requisite approvals of the shareholders have been obtained at the aforementioned Extraordinary General Meeting. Applications for 'in-principle' approval have been made to the respective Stock Exchanges for issue of Equity Warrants, on preferential basis, to the eligible promoters. The Company is in the process of submitting certain additional documents required by the Stock Exchanges for granting 'in-principle' approval. Allotment of Equity Share Warrants would be made upon receiving 'in-principle' approval from the Stock Exchanges.

7. The Company has neither advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act, nor has entered into contracts falling within the meaning of Section 297 of the Act.

8. The Company has issued Duplicate Share Certificates during the year.

SECRETARIAL COMPLIANCE CERTIFICATE *(Contd.)*

9. The Company :

   (i) Has delivered all the certificates in respect of the transfer and/or transmission of shares made during the said period in accordance with the provisions of the Act.

   (ii) Was not required to deposit any amount in a separate bank account, as no dividend was declared during the said year.

   (iii) Was not required to post any warrants to any member of the Company as no dividend was declared during the year.

   (iv) Has transferred the amount required to be transferred to the Investor Education and Protection Fund Account under Section 205C of the Act.

   (v) Has complied with the requirements of Depositories Act, 1996 in respect of dematerialization/rematerialisation of shares.

10. The Board of Directors of the Company is duly constituted. Approvals of the Central Government for appointment/re-appointment of Managing Director/Whole-time Directors have been obtained.

11. The Company has complied with all the requirements in respect of appointment/cessation of the Directors during the year.

12. Approvals of the Central Government for payment of remuneration to Managing Director/Whole-time Directors have been obtained. Representations to the Central Government have been made for rectification of certain anomalies in the approvals received.

13. The Company has made applications to the Central Government, pursuant to Section 314(1B) of the Companies Act, 1956, for approval for payment of remuneration exceeding Rs.50,000/- per month to the relatives of Director in the Company, with effect from 1st July, 2009. Approvals are awaited. Approval of the shareholders has already been obtained for the purpose.

14. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under, wherever applicable.

15. The Company has neither issued any shares or debentures nor has the Company bought back any shares. The shares of the Company held in physical and dematerialized forms, in the capital of the Company during the year, were duly reconciled. The total issued capital, listed capital and capital held by depositories in demat form are duly reconciled.

    The Company has paid an amount of Rs.47.52 crores towards partial redemption of outstanding 12% Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each in accordance with issue terms, during the year. The adjusted face value upon redemption is Rs.84/- per CRPS.

16. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act.

17. The borrowings made by the Company as at the end of the financial year are within the limits as authorized by the members of the Company in terms of Section 293(1) (d) of the Act. The Company has filed necessary charges/modification of charges during the year.

SECRETARIAL COMPLIANCE CERTIFICATE *(Contd.)*

18. The Company has complied with the provisions of Section 372A in respect of loans/investments/guarantees/securities provided to other bodies Corporate during the year. The Company has, wherever required, obtained necessary approvals of the Board, Committee thereof, shareholders, the Central Government or any other authority(ies) as per the requirement of the Act and made entries, wherever required, in the register kept for the purpose.

19. The Company has neither altered the provisions of the Memorandum of Association nor Articles of Association during the year.

20. SEBI has filed Special Leave Petition in Hon'ble Supreme Court against the order passed by the Securities Appellate Tribunal (SAT) on 12th September, 2007 setting aside SEBI's order dated 1st December, 2005 levying penalty of Rs.1 lac on the Company in respect of alleged violation of Clause 36 of the Listing Agreement and Regulation 12(2) of the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Company has entered into appearance and the Special Leave Petition is yet to be admitted.

    Apart from the above, we have been informed that there was no prosecution initiated against or show cause notices received by the Company and no fines and penalties or any other punishment imposed on the Company, during the year, for offences under the Companies Act, SEBI Act or Listing Agreement.

21. The Company being a listed Company has complied with the requirement of minimum public holding as per the SEBI Act/Listing Agreement.

22. The Company has duly filed the information/reports with the Stock Exchanges/SEBI as required under the various provisions of Listing Agreement/SEBI Act for the year.

23. The Company has complied with the relevant clauses of the Listing Agreements with the Stock Exchanges pertaining to submission of statements, documents, disclosure requirements, publication in newspapers, press releases, Corporate Governance standards as prescribed in Clause 49, EDIFAR requirements in Clause 51, within the time limit specified in the Listing Agreement.

24. The Company has also complied with the relevant provisions of the SEBI Act and the Rules made thereunder, including SEBI (Substantial Acquisition of Shares and Take overs) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

25. The Company has Code of Conduct for Directors and other senior executives as required under Clause 49 of the Listing Agreement.

For ROBERT PAVREY & ASSOCIATES

ROBERT PAVREY
Proprietor
C. P. No. : 1848

Place : Mumbai
Dated : July 30, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Ispat Industries Limited ('the Company') as at 30th June 2010 and also the Profit and Loss account and the cash flow statement for the fifteen months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches/sales depots not visited by us.
3. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
4. 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, *subject to our comment in Para 7(a) below.*
5. On the basis of the written representations received from the directors, as on 30th June 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. Without qualifying our opinion, attention is drawn to the following Notes on Schedule 23 :-
   a) The accumulated losses of the Company as per the books of accounts stand at Rs. 2134.23 crores as on 30th June 2010. However, after considering the impact of the qualifications mentioned in Para 7 below, the accumulated losses would stand at Rs. 3082.99 crores as on 30th June 2010, which is in excess of the Shareholders' Fund of Rs. 2748.98 crores (excluding revaluation reserve of Rs. 965.94 crores) as on that date. As stated in Note No. 24, the management has a strategic plan for the revival of the Company and it is hopeful of improvement in the financial health of the Company in the near future. Accordingly, the financial statements for the period have been drawn up by the management as per the going concern assumption.
   b) Note No. 13 regarding Sundry Debtors of Rs. 255.61 crores (Rs. 247.73 crores) receivable from Peddar Realty Pvt. Ltd. towards sale consideration of landed property along with interest thereon, which has been considered good of recovery by the management.
   c) Note No. 23 regarding non-reconciliation of credit balances of Rs. 1137.17 crores (Rs. 1001.40 crores) relating to certain major parties towards raw material supplies. The management does not expect any material impact on the financial statements on account of such reconciliation.

AUDITORS' REPORT TO THE MEMBERS *(Contd.)*

7. *Attention is drawn to the following Notes on Schedule 23:*

   a) *Note No. 12(a) regarding recognition of net deferred tax asset (DTA) of Rs. 964.28 crores (including Rs. 14.15 crores for the period) in the accounts upto 30th June 2010, based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequential impact, if any, on the recognition of such DTA. This had also caused us to qualify our audit opinion on the financial statements relating to the preceding year.*

   b) *Note No. 15 regarding remuneration of Rs 15.52 crores (including Rs. 10.84 crores for earlier years) paid to the managing and other whole time directors, which is in excess of the approvals received from the Ministry of Corporate Affairs during the period. However, no adjustment towards the above excess managerial remuneration recoverable from these directors, has been made in the accounts, pending disposal of the representation made by the Company to the Ministry of Corporate Affairs for reconsideration of the above approvals.*

   Had the impact of above items been considered, there would be a loss of Rs. 1271.10 crores (including DTA of Rs. 950.13 crores recognized upto 31st March 2009) as against the reported loss of Rs. 322.34 crores for the period and the Profit and Loss account debit balance would have been Rs. 3082.99 crores as against the reported figure of Rs. 2134.23 crores as on the balance sheet date.

8. *Subject to the effect of the matters referred to in paragraph 7 above* , 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 balance sheet, of the state of affairs of the Company as at 30th June 2010;

   b) in the case of profit and loss account, of the loss for the period ended on that date; and

   c) in the case of cash flow statement, of the cash flows for the period ended on that date.

For S. R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata – 700 016.
Camp: Mumbai
Dated: 28th August, 2010.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date to the members of Ispat Industries Limited as at and for the fifteen months period ended 30th June 2010)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the period but there is a regular programme of verification in a phased manner to cover all the items of fixed assets over a period of three years 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 of fixed assets during the period.

(c) There was no substantial disposal of fixed assets during the period.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period *except for transit stock of materials for which confirmations have been furnished to us for the major amount thereof*.

(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. As informed, no material discrepancies were noticed on physical verification of inventories during the period.

(iii) (a) As informed, the Company has not granted any loans, 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 4(iii)(b) to (d) of the Order are not applicable.

(b) As informed, the Company has not taken any loans, 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 4(iii)(f) and (g) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items purchased are of a special nature and alternative sources do not exist for obtaining quotations thereof, it appears that 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 and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas and we have not observed any continuing failure to correct major weakness in internal control system of the company.

(v) According to the information and explanations provided by the management, there have been no transactions during the period that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

(vi) As informed, the Company has not accepted any deposit from the public.

(vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its 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 in respect of the company's products 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 maintained.

(ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it, with the appropriate authorities though *there have*

ANNEXURE TO THE AUDITORS' REPORT *(Contd.)*

been delays in a few cases. The provisions relating to employees' state insurance are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other undisputed statutory dues were outstanding, as on the Balance Sheet date for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues in respect of income tax, sales tax, wealth-tax, service tax, custom duty, excise duty and cess etc. on account of any dispute are as follows :

Name of the Statute	Nature of the Dues	Amount (Rs in crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Dispute of Cenvat credit on Inputs & Capital Goods and allied matters (Net of Rs 2.43 crores deposited under protest)	56.70	1994-95 1997-99 2000-04 2004-09	Commissioner (Appeal), Central Excise & Service Tax Appellate Tribunal, High Court, Supreme Court
	Duty on valuation of Hot Metal	14.89	2000-04	
	Duty on Freight	5.39	1996-2003	
	Various matters (Net of Rs 0.54 crore deposited under protest)	2.06	1998-2005	
	Transfer of Cenvat Balance from one location to other	2.01	2005-06	
The Custom Act, 1962	Demand of Custom duty on barge and stevedoring charges	6.29	1994-2005	Commissioner (Appeal)
The Finance Act, 1994	Tax on services rendered by foreign consultants (Net of Rs 0.05 crore deposited under protest)	0.27	1998-2003	Central Excise & Service Tax Appellate Tribunal
Bombay Sales Tax Act	Tax on Classification of CR/GC as manufacturing process(Net of Rs 0.33 crore deposited under protest)	26.43	1998-2001 2002-04	Jt. Commissioner, High Court
	Purchase Tax on Zinc	0.36	1998-91 1995-96	Sales Tax Appellate Tribunal
Central Sales Tax Act	'C' and 'F' Form related matters	1.62	2003-04 2005-06	W.B. Commercial Tax & Revision Board, Sr. Joint Commissioner
West Bengal Value Added Tax Act, 2003	Purchase Tax Matters	0.01	2005-06	Sr. Joint Commissioner
Income Tax Act	Minimum Alternate Tax	3.38	1989-91 2000-01	High Court
Wealth Tax Act	Demand on valuation	0.27	2001-02	CIT (Appeal)

ANNEXURE TO THE AUDITORS' REPORT *(Contd.)*

(x) *The Company's accumulated losses at the period-end are more than fifty percent of its net worth.* The Company has not incurred cash loss in the current period *but had incurred cash loss in the immediately preceding financial year*.

(xi) *Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to domestic financial institutions, banks [excluding Rs.12.38 Crores, the repayment of which has been re-scheduled as indicated in Note No. 11 on Schedule 23] and debenture holders during the period to the extent of Rs. 2942.24 crores, which includes Rs.1937.40 crores towards working capital facilities (the delay in such repayments for more than 60 days being Rs. 553.23 crores). Further Rs. 377.37 crores of such dues were in arrears as on the balance sheet date (the delay for more than 60 days being Rs.80.22 crores).*

(xii) According to the information and explanations given to us and based on the documents and records produced, 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 and therefore, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) According to the information and explanations given to us, the Company has given corporate guarantees of Rs. 130 crores and has also pledged investments of Rs. 110 crores in its wholly owned subsidiary "Ispat Energy Limited", for loans to be taken by the above investee Company from banks and financial institutions, the terms and conditions whereof, in our opinion, based on the management representation are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these 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 *the Company has used funds to the extent of Rs 882.65 crores approximately, raised on short-term basis for re-payment of long term loans and financing of operating losses.*

(xviii) The Company has not made any preferential allotment of shares during the period to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures as on the Balance Sheet date.

(xx) The Company has not raised any money through a public issue during the period.

(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.
Firm registration number: 301003E
Chartered Accountants

Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata – 700 016.
Camp: Mumbai
Dated: 28th August, 2010.

BALANCE SHEET AS AT 30TH JUNE, 2010

(Rs.in crores)

	Schedule	As at 30th June, 2010	As at 31st March, 2009
SOURCES OF FUNDS			
1. Shareholders' Fund			
Share Capital	1	**2225.09**	2272.51
Application Money towards Equity Warrants (Refer Note No. 8 on Schedule 23)		**18.00**	51.98
Reserves and Surplus	2	**1471.83**	1544.48
		3714.92	3868.97
2. Loan Funds			
Secured Loans	3	**7156.90**	7151.28
Unsecured Loans	4	**24.85**	200.24
		7181.75	7351.52
TOTAL		**10896.67**	11220.49
APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	5	**13456.02**	13557.39
Less : Depreciation		**5528.67**	4669.58
Net Block		**7927.35**	8887.81
Capital Work-in-Progress	6	**63.73**	98.52
Pre-operative and Trial Run Expenses (Pending Allocation)	7	-	4.19
		7991.08	8990.52
2. Investments	8	**229.37**	232.89
3. Deferred Tax Asset (Net)	9	**964.28**	950.13
4. Foreign Currency Monetary Items Translation Difference Account (Refer Note No. 10 on Schedule 23)		**2.08**	4.94
5. Current Assets, Loans and Advances			
Inventories	10	**1934.17**	1382.93
Sundry Debtors	11	**758.97**	564.18
Cash and Bank Balances	12	**203.06**	79.39
Loans, Advances and Deposits	13	**796.87**	927.33
		3693.07	2953.83
Less: **Current Liabilities and Provisions**			
Current Liabilities	14	**4080.93**	3708.97
Provisions	15	**36.51**	35.00
		4117.44	3743.97
Net Current Assets		**(424.37)**	(790.14)
6. Profit and Loss Account Debit balance		**2134.23**	1832.15
TOTAL		**10896.67**	11220.49
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedules referred to above form an integral part of the Balance Sheet.

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

PROFIT & LOSS ACCOUNT FOR THE 15 MONTHS PERIOD FROM 1ST APRIL 2009 TO 30TH JUNE, 2010

	Schedule	April'09-June'10 (15 Months)	(Rs.in crores) 2008-2009 (12 Months)
INCOME			
Sales (Gross)	16	**10983.14**	9063.44
Less : Excise Duty		**850.41**	931.46
Sales (Net)		**10132.73**	8131.98
Other Income	17	**445.96**	405.86
TOTAL (A)		**10578.69**	8537.84
EXPENDITURE			
Decrease/(Increase) in stocks	18	**(269.53)**	105.05
Excise Duty & Cess on stocks (Refer Note No. 6 on Schedule 23)		**29.54**	(18.93)
Raw Materials Consumed		**5895.25**	4650.84
Personnel Cost	19	**273.36**	207.60
Manufacturing, Selling & Distribution and Administrative Expenses [Including Prior Period expenses Rs. 3.56 crore (Rs. 10.97 crores)]	20	**2927.13**	2162.55
Interest	21	**1285.45**	1159.30
Depreciation		**876.28**	728.10
Less: Transfer from Revaluation Reserve		**102.33**	81.48
		773.95	646.62
TOTAL (B)		**10915.15**	8913.03
Profit/(Loss) before Tax and Exceptional Items (A-B)		**(336.46)**	(375.19)
Add : Exceptional Items		-	648.70
Profit/(Loss) before Tax		**(336.46)**	(1023.89)
Less:			
Provision for Wealth Tax		**0.03**	0.03
Deferred Tax Charge/(Credit) (Refer Note No. 12 on Schedule 23)		**(14.15)**	(338.81)
Fringe Benefit Tax		-	3.00
Profit/(Loss) after Tax		**(322.34)**	(688.11)
Less : Debenture Redemption Reserve written back		**20.26**	27.71
Add : Loss brought forward from Previous Year		**(1832.15)**	(1046.00)
Add : Adjustments			
(a) Towards Exchange Differences of 2007-08 transferred to Fixed Assets (Net of Depreciation Rs. 6.44 crores and deferred tax credit of Rs. 63.23 crores)		**-**	(122.81)
(b) Towards Exchange Differences of 2007-08 transferred to Foreign Currency Monetary Item Translation Difference Account (Net of amortisation Rs. 1.48 crores and deferred tax credit of Rs. 1.52 crores)		**-**	(2.94)
Loss carried to Balance Sheet		**(2134.23)**	(1832.15)
Basic and Diluted Earning per Share (Rs.) [Nominal value of shares Rs. 10 each] (Refer Note No. 28 on Schedule 23)		**(3.37)**	(6.25)
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedules referred to above form an integral part of the Profit & Loss Account.

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

CASH FLOW STATEMENT FOR THE 15 MONTHS PERIOD FROM 1ST APRIL 2009 TO 30TH JUNE, 2010

(Rs.in crores)

	April'09-June'10 (15 Months)	2008-2009 (12 Months)
A: Cash Flow from Operating Activities :		
Profit / (Loss) before Tax	**(336.46)**	(1,023.89)
Adjustments for :		
Depreciation	**773.95**	646.62
Loss on Fixed Assets Sold / Discarded (net)	**6.01**	17.67
Net Loss/(Gain) on Exchange Rates/Forward Exchange Contracts	**(124.53)**	321.50
Loss on Exchange Fluctuation on Term Loans	**-**	97.65
Gain on Prepayment of Deferred Sales Tax	**(244.96)**	(285.87)
Advances/Debts/Deposits/Claims Provided For / Written Off	**13.82**	3.34
Interest Income	**(23.15)**	(36.13)
Interest	**1,285.45**	1,061.65
Liabilities no Longer Required Written Back	**(14.08)**	(34.95)
Gain on Sale of Trade Investments (Long term)	**(2.17)**	-
Provision for Diminution in Value of Investments Written Back	**-**	0.42
Amortisation of Foreign Currency Monetary Item Translation Difference (net)	**3.47**	2.47
Dividend Received	**-**	(0.02)
Operating Profit Before Working Capital Changes	**1,337.35**	770.46
Adjustments for :		
(Increase) / Decrease in Trade & Other Receivables	**(179.98)**	19.59
(Increase) / Decrease in Loans and Advances including Deposits	**149.77**	(86.76)
(Increase) / Decrease in Inventories	**(551.12)**	(17.01)
Increase / (Decrease) in Trade & Other Payables	**490.17**	749.63
Cash Generated from Operations	**1,246.19**	1,435.91
Income Tax Paid	**(0.35)**	(3.11)
Net Cash Generated From Operating Activities (A)	**1,245.84**	1,432.80
B: Cash Flow from Investing Activities :		
Acquisition of Fixed Assets	**(143.81)**	(112.86)
Project Development Expenses Paid to Subsidiary Company	**(2.84)**	(8.00)
Project Promotional Recoverable Dues	**(23.50)**	(5.81)
Purchase of Investments in Subsidiaries	**-**	(115.27)
Proceeds from Sale of Investments	**5.69**	-
Proceeds from Sale of Fixed Assets	**1.57**	9.30
Fixed Deposits (Receipts Pledged with various banks as security)	**(103.90)**	13.33
Interest Received	**10.74**	36.66
Dividend Received	**-**	0.02
Net Cash used in Investing Activities (B)	**(256.05)**	(182.63)

CASH FLOW STATEMENT FOR THE 15 MONTHS PERIOD FROM 1ST APRIL 2009 TO 30TH JUNE, 2010

(Rs.in crores)

	April'09-June'10 (15 Months)	2008-2009 (12 Months)
C: Cash Flow from Financing Activities :		
Receipt of Calls in Arrear and Share Premium	**0.23**	0.17
Application Money towards Equity Warrants	**18.00**	51.98
Redepmtion of Cumulative Redemable Preference Shares	**(47.52)**	(21.60)
Collection of VAT / Sale Tax under deferral Scheme	**300.66**	267.97
Repayment of VAT / Sales Tax under deferral Scheme	**(54.60)**	(69.48)
Repayment of Unsecured Loans	**(223.48)**	(81.00)
Receipt of Unsecured Loans	**47.00**	83.62
Long Term Borrowings Repaid	**(192.09)**	(495.50)
Long Term Borrowings Received	**455.55**	-
Working Captial Finance (Repaid) / Received (Net)	**(181.47)**	9.86
Interest Paid	**(1,092.30)**	(995.99)
Net Cash used in Financing Activities (C)	**(970.02)**	(1,249.97)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	**19.77**	0.20
Cash & Cash Equivalents as on 1st April, 2009 (Opening Balance)	**3.50**	3.30
Cash & Cash Equivalents as on 30th June, 2010 (Closing Balance)	**23.27**	3.50
Notes :-		
Components of Cash and Cash Equivalents		
Cash on hand [Including Stamps, Cheques/Drafts on hand]	**20.77**	2.55
Balances with Scheduled Banks in :		
- Current & Collection Accounts	**2.50**	0.76
Fixed Deposit Account (Receipts pledged with variuos Banks as Security)	**179.79**	75.89
Balance with Non Scheduled Banks	**-**	0.19
Cash & Bank Balances as per Schedule 12	**203.06**	79.39
Less: Fixed Deposit not considered as cash and cash equivalent	**179.79**	75.89
Cash & Cash Equivalents in Cash Flow Statement	**23.27**	3.50

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rs.in crores)

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
4,00,00,00,000 Equity Shares of Rs. 10 each	**4000.00**	4000.00
10,00,00,000 Preference Shares of Rs. 100 each	**1000.00**	1000.00
1,00,00,00,000 Preference Shares of Rs. 10 each	**1000.00**	1000.00
	6000.00	6000.00
ISSUED, SUBSCRIBED & PAID UP		
1,22,24,42,218 Equity Shares of Rs. 10 each fully paid-up	**1222.44**	1222.44
Less : Allotment & Call Money in Arrears (Due from other than Directors)	**0.73**	0.79
(A)	**1221.71**	1221.65
4,31,99,500 12% Cumulative Redeemable Preference Shares (CRPS) of Rs. 100 each fully paid-up (Redeemable at par in balance Ten annual instalments by 31st March 2020)	**431.99**	431.99
Less : Redeemed	**69.12**	21.60
	362.87	410.39
15,51,12,156 10% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each fully paid-up (Redeemable at par in Eight quarterly installments commencing from 15th June 2018)	**155.11**	155.11
48,59,08,844 0.01% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each fully paid-up (Redeemable at par in Eight quarterly installments commencing from 15th June 2018)	**485.91**	485.91
	1003.89	1051.41
Less : Allotment & Call Money in Arrears (Due from other than Directors)	**0.51**	0.55
(B)	**1003.38**	1050.86
(A+B)	**2225.09**	2272.51

Note: Out of above 18,31,09,080 equity shares of Rs. 10 each, 1,36,00,000 12 % CRPS of Rs. 100 each and 12,20,72,720 0.01% CRPS of Rs. 10 each, fully paid up, were issued for consideration other than cash.

		As at 30th June, 2010		As at 31st March, 2009
SCHEDULE - 2				
RESERVES AND SURPLUS				
Capital Reserves				
(i) Investment Subsidy		**0.20**		0.20
(ii) Amount arisen on Forfeiture of Equity Warrants during the period (Refer Note No. 7 on Schedule 23)		**51.98**		-
(iii) Revaluation Reserve				
As per last Account	**1070.44**		1151.92	
Less : Adjustments in respect of Fixed Assets Sold/Discarded	**2.17**		-	
	1068.27		1151.92	
Less : Transferred to Profit & Loss Account	**102.33**	**965.94**	81.48	1070.44
Share Premium *		**453.71**		453.58
Debenture Redemption Reserve				
As per last Account	**20.26**		47.97	
Less : Transferred to Profit & Loss Account	**20.26**	-	27.71	20.26
		1471.83		1544.48

* Net of Rs. 1.82 crores (Rs.1.95 crores) due on Allotment & Call Money in Arrears.

(Rs.in crores)

SCHEDULE - 3

SECURED LOANS

		As at 30th June, 2010		As at 31st March, 2009
A) Debentures:				
Secured Redeemable Non-Convertible Privately Placed Debentures of Rs. 100 each				
Nos. Coupon Rate				
4,27,78,174 8%	**427.78**		427.78	
Add: Settled Interest Amount	**238.93**		238.93	
Less: Payments Made	**(666.71)**		(585.68)	
Interest Accrued and Due	**-**	-	3.91	84.94
B) Term Loans				
I) Rupee Loans				
1) From Financial Institutions				
(i) Term Loans	**1811.81**		1587.20	
(ii) Zero Coupon Loans	**53.78**	**1865.59**	53.78	1640.98
2) From Banks				
(i) Term Loans	**2438.88**		1917.00	
(ii) Zero Coupon Loans	**122.23**	**2561.11**	122.23	2039.23
II) Foreign Currency Loans				
(i) Financial Institutions	**277.15**		343.87	
(ii) Banks	**2071.55**	**2348.70**	2446.82	2790.69
III) Interest Accrued and Due		**143.00**		175.47
C) Working Capital Finance				
From Banks		**238.50**		419.97
		7156.90		7151.28

SCHEDULE – 3 *(Contd.)*

NOTES

A. During the period, the Company has fully redeemed the remaining portion of Rs 81.03 crores with respect to 8% Non-Convertible Debentures of the face value of Rs. 427.78 crores, which were secured by a first legal mortgage/equitable mortgage on the Company's immovable properties and pari-passu first charge by way of hypothecation of all the moveable properties of the Company (save and except book debts) including moveable machinery, machinery spares, tools and accessories both present and future, subject to prior charges created in favour of the Company's bankers on the stock of raw materials, finished goods, work in process, consumable stores and book debts for securing borrowings for working capital requirements.

The trustees for debenture holders have released the above securities on redemption of debentures.

B. (i) The Rupee and Foreign Currency Term Loans from Financial Institutions and Banks, are secured by way of equitable mortgage by deposit of title deeds of the Company's immovable properties at Geetapuram (Dolvi) and by mortgage of leasing rights in the immovable properties at Kalmeshwar (Nagpur) both in the State of Maharashtra and a first charge by way of hypothecation of the Company's movables (save and except book debts) including movable machinery, machinery spares, tools and accessories, (both present and future), subject to prior charges created in favour of the Company's bankers on the stock of raw materials, finished goods, process stock, consumable stores and book debts for securing working capital facilities.

(ii) The above Term Loans are also secured by way of english mortgage of the title in the Landed property at Mumbai, which was sold by the Company to Peddar Realty Pvt Ltd (PRPL) in an earlier year. The Company's title is subject to the rights and interest of PRPL. The indenture of mortgage has been jointly signed by the Company and PRPL. These term loans are further secured by the corporate guarantee and pledge of entire shareholdings of PRPL.

(iii) All the mortgages and charges created in favour of the Financial Institutions and Banks rank pari-passu inter se, except where specifically stipulated otherwise.

(iv) A second charge on the fixed and current assets has been created in favour of the working capital lenders and term loan lenders respectively.

(v) Term Loans are also secured by the pledge of a part of the shareholding of the promoters as well as by the personal guarantees of Mr. Pramod Mittal and Mr. Vinod Mittal, directors of the Company. Term loans aggregating to Rs. 143 crores (Rs. 143 crores) are also secured by personal guarantee of Mr. M. L. Mittal, a former director of the Company.

(vi) Term Loans of Rs. 143.68 crores (Rs 143.68 crores) are further secured by the Corporate Guarantee of Navoday Consultants Ltd.

C. Cash Credit and other working capital facilities from Banks are secured by the hypothecation of raw materials, finished goods, process stock, consumable stores, book debts, etc. (both present and future), and second charge over the entire fixed assets of the Company. The working capital facilities from banks, are also secured by personal guarantees of Mr. Pramod Mittal and Mr. Vinod Mittal, directors of the Company. A part of the cash credit and other facilities from Punjab National Bank and Bank of India are also secured by personal guarantee of Mr. M. L. Mittal, a former director of the Company.

D. Term Loans aggregating to Rs. 869.68 crores (Rs. 118.99 crores) are repayable within one year.

SCHEDULE - 4

UNSECURED LOANS

(Rs.in crores)

	As at 30th June, 2010	As at 31st March, 2009
Sales Tax Loan from Government of Maharashtra	**14.35**	15.93
Deferred Sales Tax/ Value Added Tax	**10.50**	7.83
From Others (partly bearing interest)	-	176.48
	* **24.85**	200.24

* Includes amount falling due for payment within one year Rs. 1.46 crores (Rs. 178.05 crores)

SCHEDULE - 5

FIXED ASSETS

(Rs. in crores)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31 March, 2009	Additions/ Adjustments	Sales/ Adjustments	**As at 30th June, 2010**	Up to 31st March, 2009	For the Period	On Sales/ Adjustments	**Up to 30th June, 2010**	**As at 30th June, 2010**	As at 31st March, 2009
Land										
Leasehold	7.70	-	-	**7.70**	0.43	0.14	-	**0.57**	**7.13**	7.27
Freehold	125.25	5.79	-	**131.04(A)**	-	-	-	**-**	**131.04**	125.25
	132.95	5.79	-	**138.74**	0.43	0.14	-	**0.57**	**138.17**	132.52
Buildings	531.50	7.89	-	**539.38(B)**	111.78	18.90	-	**130.68**	**408.71**	419.73
Railway Sidings & Locomotives	59.39	-	-	**59.39**	13.28	3.62	-	**16.90**	**42.49**	46.11
Plant & Machinery	12097.55	140.87	249.34**(D)**	**11989.08**	4228.17	809.39	3.77	**5033.79**	**6955.29**	7869.38
Vessels	19.08	-	5.25	**13.83**	3.25	1.92	2.41	**2.76**	**11.07**	15.83
Electrical Installations	621.22	8.25	2.47	**627.00**	257.27	34.34	1.70	**289.91**	**337.09**	363.95
Vehicles	11.96	0.75	0.63	**12.08**	5.89	1.11	0.41	**6.59**	**5.49**	6.06
Computers	41.20	1.35	3.27	**39.28**	30.17	3.71	3.10	**30.78**	**8.50**	11.03
Furniture & Fixtures and Office Equipments	42.54	1.92	7.23	**37.23**	19.34	3.15	5.80	**16.69**	**20.54**	23.20
Total	13557.39**(C)**	166.82	268.19	**13456.01**	4669.58	876.28	17.19	**5528.67**	**7927.34**	8887.81
Previous Year's Total	13167.93	620.44 **(D)**	230.98	13557.39	3961.92	728.10	20.44	4669.58	8887.81	

Notes :-

A) Includes Rs. 5.13 crores (Rs 5.05 crores) being the cost of 90.60 acres (111.65 acres) land, which is yet to be registered in the Company's name.

B) Includes Rs.0.12 crore (Rs.0.12 crore) being cost of shares in Cooperative Housing Society and Rs.0.04 crore (Rs.0.04 crore) being the cost of certain properties, which are pending registration in the Company's name

C) Land,Buildings, Railway Sidings, Plant & Machinery and Electrical Installations were revalued by approved valuers on 31st March 2006 on Replacement Cost basis and the net increase of Rs.1018.38 crores was transferred to Revaluation Reserve.

D) Includes foreign exchange differences on long term foreign currency monetary items relating to depreciable fixed assets de-capitalised Rs.241.12 crores (net) (Rs. 519.14 crores (net) capitalised)

(Rs.in crores)

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE - 6		
CAPITAL WORK-IN-PROGRESS (AT COST)		
Land & Site Development Expenses	**6.65**	6.96
Buildings	**10.56**	18.23
Plant & Machinery	**152.47**	128.89
Capital Goods in Stock & in Transit	**20.93**	16.91
Materials with Contractors / Fabricators	**0.75**	1.15
	191.36	172.14
Less: Transfer to Fixed Assets	**127.63**	73.62
	# **63.73**	98.52

Includes advances against capital goods Rs.13.00 crores (Rs.18.95 crores) net of doubtful advances fully provided for Rs. 9.36 crores (Rs.0.40 crore)

			As at 30th June, 2010		As at 31st March, 2009
SCHEDULE - 7					
PREOPERATIVE AND TRIAL RUN EXPENSES (PENDING ALLOCATION)					
OPENING BALANCE BROUGHT FORWARD			**4.19**		-
Payments to & Provisions for Employees					
Salaries, Bonus, Incentives etc		**0.32**		0.42	
Contribution to Provident & Superannuation Funds		**0.02**		0.09	
Staff Welfare		**0.05**	**0.39**	0.01	0.52
Raw Material Consumption			**12.69**		6.68
Excise Duty			**1.15**		0.36
Manufacturing, Selling & Distribution and Administrative Expenses					
Power & Fuel			**1.20**		1.63
Consumption of Stores & Production Consumables			**0.16**		0.15
Packing Charges (Full Figure Rs. 46203/-)			**0.00**		-
Repairs & Maintenance					
- Plant & Machinery		**0.08**		0.07	
- Others (Full Figure Rs. 9376/-)		**0.00**		-	
Freight & Forwarding Charges(Net)		**0.13**			
Insurance		**0.01**		-	
Rates & Taxes		**-**		0.01	
Miscellaneous Expenses		**0.01**	**0.23**	0.13	0.21
	(A)		**20.01**		9.55
Sales of Finished Goods			**7.65**		2.37
Sale of Scrap & By-Product			**0.47**		-
	(B)		**8.12**		2.37
Increase/(Decrease) in Stocks					
Opening Stock					
Finished Goods			**2.28**		-
Work in Process			**0.70**		-
Saleable Scrap (Full Figure Rs. 14048/-)			**0.00**		-
By-Product			**0.01**		-
			2.99		-
Closing Stock (Transferred to Schedule - 18)					
Finished Goods			**7.96**		2.28
Work in Process			**0.69**		0.70
Saleable Scrap			**0.05**		-
By-Product			**0.03**		0.01
			8.73		2.99
	(C)		**5.74**		2.99
TOTAL (A - B - C)			**6.15**		4.19
LESS: Transfer to Fixed Assets			**6.15**		-
TOTAL			**-**		4.19

SCHEDULE - 8
INVESTMENTS (At Cost)

(Rs.in crores)

	No. of Shares	Face value per Share (Rs.)	As at 30th June, 2010	As at 31st March, 2009
Long Term (Trade)				
(i) In Equity Shares - Unquoted				
SICOM Ltd.	- (437,500)	10	**-**	3.52
Steelscape Consultancy Pvt. Ltd.	50,000	10	**0.05**	0.05
Kalyani Mukand Ltd. @	480,000	10	**-**	-
(ii) In Equity Shares - Quoted				
Ispat Profiles India Ltd. @	1,500,000	10	**-**	-
(iii) Equity Shares in Subsidiary Companies - Unquoted				
Ispat Energy Limited (110,000,000 shares have been pledged with IDBI Trusteeship Ltd. towards loan to be disbursed to Ispat Energy Limited)	110,001,260	10	**110.00**	110.00
Ispat Jharkhand Steels Ltd.	30,000	10	**0.03**	0.03
Rewa Infrastructures Private Limited	5,000	100	**0.05**	0.05
Arima Holdings Ltd. *	50,000	US$ 100	**22.32**	22.32
Erebus Ltd. *	215,000	US$ 100	**96.92**	96.92
Lakeland Securities Ltd. (Full Amount Rs. 3998) *	1	US$ 100	**0.00**	0.00
Nippon Ispat Singapore (Pte) Ltd. (Includes 2 Shares held in the name of the nominees) *	784,502	S'pore $1	**1.57**	1.57
TOTAL			**230.94**	234.46
Less : Provision for diminution in value of Investments			**1.57**	1.57
TOTAL			**229.37**	232.89

		As at 30th June 2010		As at 31st March, 2009
	Cost	**Market Value**	Cost	Market Value
Aggregate Amount of Investments - Quoted	**-@**	**-#**	-@	-#
- Unquoted	**230.94**	-	234.46	-
Total	**230.94**	-	234.46	-

* Valued at the exchange rate prevailing on the date of allotment/transaction.
@ Value written off in earlier years.
\# Quotation not available

(Rs. in crores)

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE- 9		
DEFERRED TAX ASSET (Net)		
As per Last account	**950.13**	546.57
Add : Amount arisen on adjustment of foreign exchange differences as on 1st April, 2008	**-**	64.75
Add : For the period	**14.15**	338.81
	* **964.28**	950.13

* Refer Note No. 12 on Schedule 23

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE - 10		
INVENTORIES		
At Lower of Cost and Net Realisable Value		
Stores, Spare Parts, Chemicals etc. #	**131.64**	128.96
Production consumables	**68.90**	44.23
Raw Materials	**1369.27**	1118.32
Work-in Process	**12.11**	6.47
Finished Goods	**335.48**	74.35
Saleable Scrap	**1.90**	1.46
By-products	**14.87**	9.14
	* **1934.17**	1382.93

Including discarded fixed assets Rs. 0.37 crore (Rs.0.25 crore)

* Including in Transit / Bonded Warehouses, Materials on Loan / with third parties, etc.

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE - 11		
SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts outstanding for more than six months		
[Net of Doubtful Debts fully provided for Rs.1.94 crores (Rs.1.39 crores)]	**326.98**	284.39
Other Debts	**431.99**	279.79
	* **758.97**	564.18

* Refer Note No. 13 on Schedule 23

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE -12		
CASH AND BANK BALANCES		
Cash on hand		
[Including Stamps, Cheques/Drafts on hand Rs. 20.47 crores (Rs.2.36 crores)]	**20.77**	2.55
Balances with Scheduled Banks in :		
- Current & Collection Accounts	**2.50**	0.76
Fixed Deposit Account (Receipts Pledged with various Banks as Security)	**179.79**	75.89
Balance with Non-scheduled Banks		
with China Merchant's Bank, Beijing in Current Account		
[Maximum Balance outstanding during the period Rs. 0.19 crore (Rs. 0.26 crore)]	-	0.19
	203.06	79.39

	As at 30th June, 2010	As at 31st March, 2009
		(Rs. in crores)
SCHEDULE - 13		
LOANS, ADVANCES AND DEPOSITS		
(Unsecured, Considered Good)		
Amount recoverable from Ispat Energy Limited, a Subsidiary Company		
a) Towards Project Development	**312.34**	309.50
b) Unsecured Loans (not bearing interest)	**28.00**	28.00
Advances recoverable in cash or in kind or for value to be received or pending adjustments	#**282.87**	324.90
[including loans to employees Rs. 1.38 crore (Rs. 0.73 crore)]		
(Refer Note No. 17 on Schedule 23)		
Sundry Deposits [Including deposit with Government/Semi Government Authorities Rs. 2.95 crores (Rs. 11.64 crores)]	**59.82**	70.59
Balances with Excise, Port Trust & Custom Authorities	**3.27**	88.49
Advance Income Tax/Tax Deducted at source (net of provisions)	**0.99**	0.75
Export Incentives Receivable	**11.74**	31.47
Sales Tax, VAT, Excise, Custom Duty, Octroi, etc. Recoverable [Including under appeal]	**93.43**	66.27
Interest Receivable on Fixed Deposits	**4.41**	7.36
	*@ **796.87**	927.33

includes Rs. 0.38 crore (Rs NIL) due from an Officer of the Company
[Maximum amount outstanding during the period Rs. 0.38 crore (Rs. NIL)]

* Net of Doubtful Advances, Deposits etc. fully provided for Rs. 1.88 crores (Rs. 0.01 crore)

@ Refer Note No. 26 on Schedule 23

SCHEDULE - 14		
CURRENT LIABILITIES		
Acceptances	**1800.43**	1399.12
Sundry Creditors		
a) Total outstanding dues of Micro and Small Enterprises (Refer Note No. 20 on Schedule 23)	**10.41**	12.49
b) Total outstanding dues of creditors other than Micro and Small Enterprises	**1818.56**	1822.40
Trade and other deposits	**13.28**	14.80
Advance from Customers (partly bearing interest)	**296.05**	417.76
Other liabilities	**121.88**	20.23
Interest Accrued but not due on Loans	**20.32**	22.17
	4080.93	3708.97

SCHEDULE - 15		
PROVISIONS		
Gratuity	**24.76**	22.81
Leave Salary	**11.71**	12.07
Wealth Tax/ Fringe Benefit Tax	**0.04**	0.12
	36.51	35.00

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs.in crores)

		April'09-June'10 (15 Months)		2008-2009 (12 Months)
SCHEDULE - 16				
SALES (GROSS)				
Finished Goods		**10893.06**		9090.60
Less: Claims, Trade Discounts etc.		**96.26**		117.85
		10796.80		8972.75
Saleable Scrap & By products		**172.74**		85.92
Export Benefits		**13.60**		4.77
		10983.14		9063.44
SCHEDULE - 17				
OTHER INCOME				
Insurance Claims		**12.15**		4.10
Liabilities no longer required written back		**14.08**		34.95
Gain on Sale of Trade Investments (Long term)		**2.17**		-
Miscellaneous Receipts		**24.92**		43.37
Rent received	**-**		3.21	
Less: Rent paid	**-**	**-**	1.79	1.42
Net Gain on Exchange Rates / Forward Exchange Contract		**124.53**		-
Gain on prepayment of deferred Value Added/Sales Tax		**244.96**		285.87
(Refer Note No. 16 on Schedule 23)				
Interest Income (Gross)				
[Tax deducted at source Rs. 0.04 crore (Rs.0.02 crore)]				
- On Bank Deposits	**7.49**		8.64	
- On Receivables	**0.30**		0.70	
- From Customers and Others	**15.36**	**23.15**	26.79	36.13
Dividend on long term unquoted investments (Trade)		**-**		0.02
		445.96		405.86

(Rs.in crores)

		April'09-June'10 (15 Months)	2008-2009 (12 Months)
SCHEDULE - 18			
DECREASE/(INCREASE) IN STOCKS			
OPENING STOCKS			
Finished Goods		**73.53**	183.25
[Including Saleable Scrap Rs.1.46 crores (Rs. 6.33 crores)]			
Work - in - process		**5.77**	8.92
By Products		**9.13**	2.94
		88.43	195.11
Add : Trial run Stock transferred as on 25.06.2009 (Refer Schedule - 7)			
Finished Goods [Including Saleable Scrap Rs.0.05 crore]	**8.01**		
Work - in - process	**0.69**		
By Products	**0.03**	**8.73**	-
		97.16	195.11
LESS: CLOSING STOCKS			
Finished Goods			
[Including Saleable Scrap Rs. 1.90 crores (Rs. 1.46 crores)]		**337.38**	73.53
Work - in - process		**12.11**	5.77
By Products		**14.87**	9.13
		364.36	88.43
		(267.20)	106.68
Transferred to Fixed Assets		**2.33**	1.63
		(269.53)	105.05

	April'09-June'10 (15 Months)	2008-2009 (12 Months)
SCHEDULE - 19		
PERSONNEL COST		
Salaries, Bonus and Allowances	**213.56**	150.03
Contribution to Provident & Superannuation Funds	**12.33**	15.51
Gratuity Expenses	**4.59**	3.62
Staff Welfare	**33.21**	27.49
Managerial Remuneration	**9.67**	10.95
	273.36	207.60

(Rs.in crores)

		April'09-June'10 (15 Months)		2008-2009 (12 Months)
SCHEDULE - 20				
MANUFACTURING, SELLING & DISTRIBUTION AND ADMINISTRATIVE EXPENSES				
Power Charges (Refer Note No. 18 on Schedule 23)		**1184.71**		792.05
Fuel Charges		**639.02**		497.76
Consumption of Stores, Spare Parts, Chemicals etc.		**485.46**		351.70
Slitting, Packing and other Expenses		**30.91**		19.47
Repairs & Maintenance :				
– Plant & Machinery	**172.01**		149.20	
– Buildings	**15.82**		10.91	
– Others	**3.92**	**191.75**	11.06	171.17
Freight & Forwarding Charges [Net of recovery of Rs 177.69 crores (Rs. 82.57 crores)]		**115.38**		86.69
Commission on Sales		**1.79**		1.22
Advertisement (Including Sales promotion Expenses)		**2.14**		2.79
Insurance		**19.88**		20.20
Rent & Hire		**31.34**		23.28
Rates & Taxes		**8.16**		7.84
Bank Commission & Charges		**84.53**		68.09
Charity & Donation		**0.01**		0.22
Auditors' Remuneration :				
As Auditor				
– Audit Fee	**1.50**		1.30	
– Tax Audit Fee	**0.15**		0.27	
– Limited Review Fees	**0.60**		0.54	
In Other Manner - For certifications	**0.77**		0.99	
Travelling & Out of Pocket Expenses	**0.18**	**3.20**	0.18	3.28
Items pertaining to Previous Years				
– At Debit	**6.27**		11.30	
– Less: At Credit	**2.71**	**3.56**	0.33	10.97
Legal Expenses		**10.50**		3.02
Professional Charges		**20.56**		22.02
Postage & Communication expenses		**8.74**		6.79
Miscellaneous Expenses		**61.94**		49.89
Directors' Fees		**0.25**		0.20
Loss on Fixed Assets sold/Discarded (Net)		**6.01**		17.67
Irrecoverable Advances/Debts/Claims written off	**2.44**		5.82	
Less: Adjusted against provisions	**-**		3.04	
	2.44		2.78	
Add:Provision for Doubtful debts/Advances/Deposits and Claims	**11.38**	**13.82**	0.56	3.34
Amortisation of Foreign Currency Monetary Item Translation Difference		**3.47**		2.47
Provision for diminution in value of Investments/ (written back) {Net}		**-**		0.42
		2927.13		2162.55
SCHEDULE - 21				
INTEREST				
Interest :				
– On Term Loans #		**834.55**		779.20
– On Cash Credit and Others		**446.69**		367.56
– On Debentures		**4.21**		12.54
		1285.45		1159.30

Including Exchange Fluctuation loss Rs. NIL (Rs. 97.65 crores) relating to term loans treated as Interest in terms of Accounting Standard 16.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

1) **BASIS OF PREPARATION OF ACCOUNTS:**

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified 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 in respect of fixed assets for which revaluation is carried out. Further, insurance & other claims, on the ground of prudence or uncertainty in realisation, are accounted for as and when accepted / received. The accounting policies applied by the Company are consistent with those used in the previous year.

2) **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 as at the balance sheet date and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3) **FIXED ASSETS :**

a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of CENVAT / VAT), taxes, incidental expenses, erection/ commissioning expenses and interest etc. up to the date the asset is ready to be put to use. In case of revaluation of fixed assets, the cost as assessed by the valuer is considered in the accounts and the differential amount is transferred to revaluation reserve.

   Exchange differences, in respect of accounting periods commencing from 1st April 2007, on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset except for that part of exchange difference which is regarded as an adjustment to interest costs and are depreciated over the balance life of the respective asset.

b) Machinery spares which can be used only in connection with a particular item of fixed assets and whose use, as per the technical assessment, is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

c) The carrying amount of assets is reviewed at each balance sheet date to determine if there is any indication of impairment thereof based on external / internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their 'value in use'. The estimated future cash flows are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

4) **DEPRECIATION :**

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 or at rates determined based on the useful life of the assets estimated by the management, whichever is higher. In case of ocean going vessel, higher depreciation is provided to write it off over a period of seven years being the estimated useful life of the vessel.

c) Depreciation on value adjustments made to the fixed assets due to change in foreign exchange rates prevailing at the end of the period, is provided prospectively over the balance life of the respective assets.

d) Depreciation on revalued assets is provided at the rates specified in Section 205 (2) (b) of the Companies Act, 1956. However, in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rates, to ensure the amortisation of these assets over their useful life.

e) Leasehold Land is amortised over the period of lease.

f) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

5) FOREIGN CURRENCY TRANSACTIONS :

a) **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.

b) **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 the 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.

c) **Exchange Differences**

Exchange differences, in respect of accounting periods commencing from 1st April 2007, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset (except for that part of exchange difference which is regarded as an adjustment to interest costs) and are depreciated over the balance life of the asset, and in other cases, such exchange differences are accumulated in a “Foreign Currency Monetary Items Translation Difference Account” and amortised over the balance period of such long-term asset/ liability but not beyond 31st March, 2011.

Exchange differences arising on the settlement or reporting of monetary items, not covered above, at rates different from those at which they were initially recorded, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

d) **Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period. However, exchange difference in respect of accounting period commencing from 1st April 2007 arising on the forward exchange contract undertaken to hedge the long term foreign currency monetary item, in so far as they relate to the acquisition of depreciable capital asset, are added to or deducted from the cost of asset and in other cases, are accumulated in “Foreign Currency Monetary Items Translation Difference Account” and amortised over the balance period of such long term asset / liability but not beyond 31st March, 2011.

e) **Derivative Instruments**

In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under AS-11) is done based on the “marked to market” principle on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedged item is charged to the Profit & Loss Account. Net gains are ignored as a matter of prudence.

6) 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.

7) INVENTORIES :

Inventories are valued as follows:

Raw materials, components, stores and spares:

At the lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

Work-in-process and finished goods: At the lower of cost and net realisable value. Cost includes direct materials and labour and a part of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

By-Products and Saleable Scraps are measured at its net realisable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and sale thereof.

8) BORROWING COSTS :

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized 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 including exchange differences to the extent they are regarded as an adjustment to interest costs, are charged to revenue.

9) EXCISE DUTY & CUSTOM DUTY :

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

10) EARNING PER SHARE :

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

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

11) 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.

Sale of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery. Sales are net of returns, claims, trade discounts, Sales Tax and VAT etc.

Interest

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

12) RETIREMENT AND OTHER EMPLOYEE BENEFITS :

a) Retirement benefits in the form of Provident and Superannuation Funds are defined contribution schemes and these contributions are charged to Profit and Loss Account in the period when these become due to the respective funds.

b) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation, as per projected unit credit method made at the balance sheet date.

c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d) Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

13) TAXATION :

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being differences between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

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.

14) SEGMENT REPORTING :

Identification of Segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which customers of the Company are located.

Unallocable items

The unallocable items consist of general corporate incomes and expenses which are not allocable to any business segment.

15) LEASES :

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

16) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as indicated in the Cash flow statement comprise of cash at bank and in hand and short-term investments with an original maturity of three months or less.

17) PROVISION :

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

SCHEDULE 23
NOTES ON ACCOUNTS

(Rs in crores)

		As at 30th June, 2010	As at 31st March, 2009
1.	Contingent liabilities not provided for in respect of:		
	a) Claims against the Company not acknowledged as debts	**15.97**	25.65
	b) Excise and Custom Demands under dispute/ appeal	**9.03**	1.48
	c) Income Tax demands under appeal	**3.38**	3.66
	d) Sales Tax matters (under dispute/appeal)	**1.63**	1.68
	e) Letters of Credit, Bills discounted and Bank Guarantees outstanding	**250.66**	216.17
	f) Corporate Guarantees issued to Financial Institutions and others on behalf of various bodies corporate	**290.44**	370.44
	g) Custom Duty on import of equipments and spare parts under EPCG-scheme (including Rs 38.22 crores (Rs 38.22 crores) relating to Ispat Energy Ltd., a subsidiary company)	**213.94**	229.05
2.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs 13.00 crores (Rs 18.95 crores)]	**79.36**	85.12
3.	Arrear Dividend (including tax) on Cumulative Redeemable Preference Shares for the period from 1999-2000 to the balance sheet date	**748.32**	658.48

4. a) In respect of cancellable operating leases, the significant leasing arrangements relate to premises (residential, office, etc.) and oxygen plant, which are renewable by mutual consent and lease rentals payable are accordingly charged as 'Rent & Hire' under Schedule 20.

   b) The Company has taken certain plant and equipments on non-cancellable operating leases for a period of 3 to 15 years, which are renewable on expiry of the lease period at mutually acceptable terms. Lease payments recognized in the profit & loss account under 'Rent & Hire' amounts to Rs 20.50 crores (Rs 16.40 crores) for the period and the particulars of future lease payments are as under:

(Rs in crores)

Up to 1 year	Later than 1 year and not later than 5 years	More than 5 years
20.73	**50.46**	**32.35**
(23.32)	(62.13)	(47.24)

5. The Company has given undertakings to financial institutions not to dispose off its shareholding in Ispat Profiles India Ltd. till its loan is repaid in full.

6. Excise Duty & Cess on Stocks represents differential excise duty & cess on opening and closing stock of finished goods, saleable scrap and by-products.

7. Certain promoters of the Company were allotted 11,32,44,580 equity warrants, on preferential basis, on 18th April 2008, pursuant to the then applicable SEBI (Disclosure and Investor Protection) Guidelines, 2000. The said promoters have not exercised the right to apply for equity shares within the stipulated period of 18 months from the date of allotment of Equity Warrants. Consequently, in accordance with the said SEBI Guidelines, the entitlement of the warrant holders to apply for equity shares has expired on 17th October 2009 and the aggregate amount of Rs 51.98 crores received towards the issue of equity warrants has been forfeited and credited to capital reserve account.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

8. In terms of the special resolution passed at the Extra Ordinary General meeting of the members of the company on 15th May, 2010, the Company is authorized to issue 11,33,06,895 Equity Warrants to the eligible promoters, on preferential basis within a period of 15 days from the date of passing of the Resolution or within a period of 15 days from the date of obtaining requisite approvals, if any, whichever is later. The Company has made application to the Stock Exchanges for "in-principle" approval, which is awaited as on date. Each equity warrants can be converted into one equity shares of Rs 10/- each of the Company within a period of eighteen months from the date of allotment, at the option of warrant holders. In accordance with the applicable guidelines of SEBI, the price of each equity shares of Rs 10/- each, arising upon conversion of the equity warrant, has been determined at Rs 20.58. The Company has received cheque for Rs 18 crores towards part of the subscription amount payable in respect of such equity warrants, upto 30th June 2010 which have since been encashed.

9. During the period, the company has redeemed 12% Cumulative Redeemable Preference Shares amounting to Rs. 17.14 crores which is in excess of the proceeds of fresh issue of equity warrants made for the purpose of redemption. There is also no credit balance in the Profit & Loss Account which can otherwise be available for distribution of dividends. Thus, the above redemption of preference shares, neither being out of fresh issue of shares nor out of Profit & Loss Account credit balance, is not in line with Section 80 of the Companies Act, 1956.

10. The Company has adjusted net foreign exchange gain of Rs 241.12 crores arisen during the period (loss of Rs 519.14 crores), on long term foreign currency monetary items relating to acquisition of depreciable capital assets, to the carrying amount of the respective assets and loss of Rs 0.61 crore (loss of Rs 11.87 crores) relating to other cases to Foreign Currency Monetary Item Translation Difference Account.

    The break-up of unamortised balance of Rs 2.08 crores (Rs 4.94 crores) in Foreign Currency Monetary Items Translation Difference Account as on 30th June 2010 is as follows:

(Rs in crores)

	April'09-June'10 (15 Months)	2008-09 (12 Months)
Opening balance	**4.94**	(4.46)
Add: Exchange differences for the period	**0.61**	11.87
Less: Amortisation during the period	**(3.47)**	(2.47)
Closing balance	**2.08**	4.94

11. During the period, certain lenders have funded interest of Rs. 235.72 crores on long term borrowings falling due for one year from January 2009 onwards, while certain other lenders have extended new long term credit facilities of Rs. 403.17 crores to the company. These loans are repayable in 48 equal monthly instalments commencing from April, 2013.

    The new credit arrangements are divided into two parts namely Series-I aggregating to Rs. 371.98 crores, under which lenders have a right to convert outstanding loans into equity as per applicable laws at any time during the currency of the loan and Series-II aggregating to Rs. 266.91 crores under which lenders have a right to convert outstanding loans into equity as per applicable laws on occurrence of certain specified events of default, which during the period has already occurred due to non-achievement of financial closure for certain projects (power and coke oven), non-payment of loans and interest thereon to the extent of Rs 74.61 crores as on the balance sheet date to term loan lenders within 60 days of the relevant due dates etc.

    In terms of the above, the lenders have a right to convert loans aggregating to Rs 638.89 crores into equity as on the Balance Sheet date.

12. (a) In terms of Accounting Standard - 22, net deferred tax assets (DTA) of Rs 14.15 crores (Rs 338.81 crores) has been recognised during the period and consequently DTA as on June 30, 2010 stands at Rs 964.28 crores (Rs 950.13 crores). There is carried forward unabsorbed depreciation and business losses as at the Balance Sheet date. However, based on the future profitability projections, the Company is virtually certain that there would be sufficient taxable income in future, to claim the above tax credit.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

The break-up of DTA of Rs 964.28 crores (Rs 950.13 crores) is as follows:

(Rs in crores)

Particulars		**As at 30th June, 2010**	As at 31st March, 2009
a.	Unabsorbed Depreciation	**1550.30**	1588.01
b.	Unabsorbed Business Losses	**329.09**	411.89
c.	Timing Difference in Depreciable Assets	**(1200.44)**	(1257.81)
d.	Other Timing Differences	**285.33**	208.04
Deferred Tax Asset (Net)		**964.28**	950.13

(b) The unabsorbed business losses of Rs.199.86 crores pertaining to assessment year 2002-03 being due for more than eight assessment years cannot be further carried forward for set off and hence, deferred tax credit to the extent of Rs. 66.39 crores pertaining to the aforesaid year, has been adjusted with DTA arisen during the period and the net DTA of Rs 14.15 crores for the period, has been considered in the Profit & Loss Account.

13. Sundry Debtors include Rs 255.61 crores (Rs 247.73 crores) recoverable from Peddar Realty (P) Ltd. towards sale consideration of landed property along with interest upto June 30, 2009 thereon. The management is certain about the realization of the total outstanding amount based on the current value of above property as per the valuation carried out by a reputed independent valuer as on 29th March, 2010.

14. Raw materials inventory includes Rs 104.83 crores being the value of materials procured through State Trading Corporation against letters of credit and lying in transit, overseas with a Stevedoring Agent since March, 2010. The management expects these materials to be received by 30th November, 2010.

15. Directors' remuneration aggregating to Rs.4.68 crores (Rs.9.71 crores) for the period and Rs.10.84 crores (Rs.4.57 crores) paid in earlier years to the Managing and Other Whole Time Directors, is in excess of the limit specified under Section 198 of the Companies Act, 1956 as well as the approvals received from the Ministry of Corporate Affairs during the period, vide its various letters dated 27th April, 2010, 30th April, 2010, 3rd May, 2010 and 4th May, 2010. Thus, the above excess remuneration is liable to be recovered from the Managing/Whole time directors. However, no accounting adjustment has been made in the accounts for the above amount recoverable from the Managing/Whole time Directors, as the company has made a representation to the Ministry of Corporate Affairs for reconsideration of its approvals, which is pending as on date.

16. Other Income in Schedule 17 includes Rs 244.96 crores (Rs 285.87 crores), being the gain arising on pre-payment of deferred Value Added / Sales Tax liability, in terms of Section 94(2) of Maharashtra Value Added Tax Act 2002 read with Rule 84 of Maharashtra Value Added Tax Rules 2005. Based on the computation made as per the said Scheme, the Company has paid Rs 53.02 crores (Rs. 67.89 crores), equivalent to the net present value of the deferred Value Added / Sales Tax liability of Rs 297.98 crores (Rs 353.76 crores) payable in future years and the balance amount of Rs 244.96 crores (Rs 285.87 crores) has been taken to profit & loss account, being the gain accrued on such pre-payment.

17. Advances recoverable in Schedule 13 include Regulatory Liability Charges (RLC) amounting to Rs 117.63 crores (Rs 170.33 crores) due from Maharashtra State Electricity Distribution Company Limited (MSEDCL) as on the balance sheet date. In terms of Tariff Orders issued by Maharashtra Electricity Regulatory Commission (MERC) from time to time, a sum of Rs 52.70 crores (Rs 31.24 crores) has, however, been received against such RLC dues, during the period.

18. Power charges are net of Rs 73.94 crores (Rs Nil) being the refund received/receivable from Maharashtra State Electricity Distribution Company Ltd (MSEDCL) against additional supply charges collected by MSEDCL during the period from October 2006 to May 2008, in terms of the order dated 9th November, 2009 from Maharashtra Electricity Regulatory Commission (MERC).

19. A Captive Power Plant is being installed by Ispat Energy Ltd (IEL), a wholly owned subsidiary Company. The Company has given advances of Rs 340.34 crores (Rs 337.50 crores) as on the balance sheet date, which includes unsecured loan of Rs 28 crores (Rs 28 crores). The management is certain about the realisation of the above amount in due course, after the plant is commissioned.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

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 follows:

(Rs in crores)

	Particulars	**As at 30th June, 2010**	As at 31st March, 2009
a)	Principal Amount	**9.12**	11.55
	Interest due on above	**1.29**	0.94
b)	Amount of interest paid in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006	**-**	-
c)	Amount of interest due and payable for the period of delay	**0.35**	0.90
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	**0.35**	0.90
e)	Amount of further interest remaining due and payable in the succeeding year	**1.29**	0.94

21. During the period, the Company has entered into a Joint Venture Agreement to set up a Coke Oven Project of the annual capacity of 1.0 Million Tons at its Dolvi steel complex. The Company will have a 26% interest in the assets, liabilities, revenue and expenses of Amba River Coke Limited (JV Company), which has been incorporated in India.

22. In terms of Accounting Standard 28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out the impairment test during the period. The carrying value of each cash generating unit (CGU) is lower than their respective recoverable value, arrived at based on their 'value in use' and hence, no impairment charge has been recognised in the books of accounts. The 'value in use' is computed based on the management's latest operational and profitability projections, which have been extrapolated till the remaining useful life of the respective assets. The cash flows have been discounted at an appropriate rate representing the weighted average cost of capital of the Company.

23. The management is in the process of reconciling outstanding balance of Rs 1137.17 crores (Rs 1001.40 crores) appearing as on the balance sheet date with respect to certain major suppliers of raw materials. The management does not expect any material impact on the financial statements on account of such reconciliation.

24. As at the Balance sheet date, the accumulated losses of the Company stand at Rs 2134.23 crores (Rs 1832.15 crores) and the Shareholders' fund amounts to Rs 2748.98 crores (Rs 2798.53 crores) [excluding revaluation reserve of Rs 965.94 crores (Rs 1070.44 crores)].

    The business plan and profitability estimates have been noted by the Board of Directors at its meeting held on 11th May, 2009. These projections reflect that the Company would be in a position to generate positive cash flows and operational surplus in the near future. Further, the net worth of the company as at 30th June, 2010 is positive.

    Considering the strategic plans and the future profitability projections, these financial statements have been drawn up as per the going concern assumption, which is appropriate in the opinion of the management.

    Board for Industrial and Financial Reconstruction (BIFR) vide its Order dated 31st December 2009 has communicated to the Company that the accumulated losses of the Company as on 31st March 2009 exceeds 50% of its peak net-worth of last 4 years and hence, the Company is potentially sick under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. However, the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) vide its Order dated 25th March 2010 has subsequently granted an interim stay with respect to the above BIFR order which has been further extended and is presently in force.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

25. Details of the Equity Shares pledged by the promoter or persons forming part of the promoter group ('Promoter Group') of the Company as on the balance sheet date:

Particulars	As at 30th June, 2010	As at 31st March, 2009
Total Number of Equity shares held by the promoter group	**502,874,171**	502,874,171
Total Number of Equity shares pledged by the promoter group	**477,730,463**	366,515,073
Percentage of total shares pledged to total shareholding of the promoter group	**95.00 %**	72.88%
Percentage of total shares pledged to total outstanding shares of the Company	**39.08 %**	29.98%

26. Loans & Advances include the following interest free advances due from Subsidiary Companies :

(Rs in crores)

Name of the Company	As at 30th June, 2010	Maximum amount due at any time during the period 2009-2010	As at 31st March, 2009	Maximum amount due at any time during the year 2008-2009
Ispat Energy Limited [Including unsecured loans of Rs 28 crores (Rs 28 crores)]	**340.34**	**340.34**	337.50	342.87
Nippon Ispat Singapore (Pte) Ltd.	**3.00**	**3.20**	3.15	3.15
Rewa Infrastructures (P) Ltd. (Towards Project Development)	**0.75**	**0.75**	-	-
Ispat Jharkhand Steels Ltd.(Towards Share Application Money)	**0.05**	**0.05**	-	-

27. Managerial Remuneration :

(Rs in crores)

Particulars	April'09-June'10 (15 months)	2008-2009 (12 Months)
(a) Vice Chairman & Managing Director		
Salary	**1.80**	2.16
Contribution to Provident & Superannuation Funds	**0.49**	0.58
Perquisites	**2.18**	2.40
Total	**4.47**	5.14
(b) Other Whole-time Directors		
Salary	**2.03**	2.35
Contribution to Provident & Superannuation Funds	**0.55**	0.64
Perquisites	**2.62**	2.82
Total	**5.20**	5.81
Grand Total	**9.67**	10.95

Note: As the liability for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included in the above figures.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

28. Basis for calculation of basic and diluted earnings per share is as under:

Sr. No.	Particulars		April'09-June'10 (15 months)	2008-2009 (12 Months)
A	Loss after Tax [After considering notional dividend on cumulative redeemable preference shares Rs 89.84 crores (Rs 75.90 crores)]	Rs in crores	**412.18**	764.01
B	Present weighted average number of equity shares	Nos.	**1,222,442,218**	1,222,442,218
C	Equity shares to be allotted on conversion of equity warrants	Nos.	**191,806**	11,342,007
D	Potential weighted average number of equity shares (B+C)	Nos.	**1,222,634,024**	1,233,784,225
E	Nominal Value of equity shares	Rs.	**10**	10
F	Basic and Diluted Earnings per Share	Rs.	**(3.37)**	(6.25)

The Company has been sanctioned certain borrowing facilities during the period wherein the lenders have the right to convert the loan into equity. On conversion, the likely impact on EPS is anti dilutive and hence, not considered above for computation of diluted EPS.

29. (a) The quantum of mark to market losses on all outstanding derivatives contracts amounts to Rs 22.68 crores (Rs 18.89 crores) as at the balance sheet date, which has been duly provided for in the accounts in line with principle of prudence.

(b) Derivative instruments outstanding at the period-end represent the following:

i. For minimizing the risk of currency exposure, the Forward Cover Contracts of US$ 5,750,000 (US$ 5,000,000) are on trade receivables, US$ 76,897,418 (US$ 28,873,214) on trade payables and US$ 38,499,500 (US$ 45,692,000) on long term loan from a bank.

ii. Outstanding Principal only Swap (POS) contracts for INR / ¥ (Japanese Yen) for ¥ 1,868,631,051 at various strike price [INR / ¥ (Japanese Yen) for ¥ 1,868,631,051] together with a right to receive differential interest on the notional principal amount.

(c) The Company has following un-hedged exposures in various foreign currencies as at the period-end:

(Rs in crores)

Sr. No.	Particulars	As at 30th June, 2010	As at 31st March, 2009
(i)	Trade Receivables	**0.50**	3.05
(ii)	Advances (including balance with banks)	**14.91**	26.20
(iii)	Trade Payables (including customer advances)	**722.63**	1217.88
(iv)	Borrowings (including interest)	**2169.89**	2570.21
(v)	Investment in Subsidiary Companies [excluding provision of Rs 1.57 crores (Rs 1.57 crores)]	**120.81**	120.81

30. Gratuity and other post-employment benefit plans :

The Company provides for gratuity and leave liabilities on the basis of actuarial valuation. The Company does not have any fund for Gratuity liability and the same is accounted for as provision.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

The following tables summarise the components of net benefit/expense recognised in the profit and loss account and balance sheet for the respective plans.

(a) Expenses recognized in the Profit and Loss Account for the period ended 30th June 2010:

(Rs in crores)

	Gratuity		Leave	
	April'09-June'10 (15 months)	2008-09 (12 months)	**April'09-June'10 (15 months)**	2008-09 (12 months)
Current service cost	**2.97**	2.35	**1.68**	1.41
Interest cost	**1.96**	1.60	**0.99**	0.87
Actuarial (gains) / losses	**(0.34)**	(0.31)	**(0.69)**	(0.16)
Past service cost	**-**	-	**-**	-
Net expense	**4.59**	3.64	**1.98**	2.12

(b) Net Asset / (Liability) recognized in the Balance Sheet as at 30th June 2010:

(Rs in crores)

	Gratuity		Leave	
	As at 30th June, 2010	As at 31st March, 2009	**As at 30th June, 2010**	As at 31st March, 2009
Defined benefit obligation	**24.76**	22.81	**11.71**	12.07
Fair value of plan assets	**-**	-	**-**	-
Less: Unrecognised past service cost	**-**	-	**-**	-
Net Asset / (Liability)	**(24.76)**	(22.81)	**(11.71)**	(12.07)

(c) Changes in the present value of the defined benefit obligation are as follows:

(Rs in crores)

	Gratuity		Leave	
	April'09-June'10 (15 months)	2008-09 (12 months)	**April'09-June'10 (15 months)**	2008-09 (12 months)
Opening defined benefit obligation	**22.81**	21.30	**12.07**	11.95
Current service cost	**2.97**	2.35	**1.68**	1.41
Interest cost	**1.96**	1.60	**0.99**	0.87
Benefits paid	**(2.64)**	(2.13)	**(2.34)**	(2.00)
Actuarial (gains) / losses	**(0.34)**	(0.31)	**(0.69)**	(0.16)
Closing defined benefit obligation	**24.76**	22.81	**11.71**	12.07

(d) The Principal Actuarial Assumptions used in determining gratuity and leave liability are as follows:

	2009-10	2008-09
Discount rate	**7.70%**	7.30%
Mortality table	**LIC(1994-1996) ultimate**	LIC(1994-1996) ultimate
Employee turnover	**9.00%**	9.00%

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(e) Amounts for the current and previous periods are as follows: *****

(Rs in crores)

	Gratuity				Leave			
	As at 30th June, 2010	As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2007	**As at 30th June, 2010**	As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2007
Defined benefit obligation	**24.76**	22.81	21.30	17.12	**11.71**	12.07	11.95	11.40
Plan Assets	-	-	-	-	**-**	-	-	-
Surplus/ (deficit)	**(24.76)**	(22.81)	(21.30)	(17.12)	**(11.71)**	(12.07)	(11.95)	(11.40)
Experience adjustments on plan liabilities (gains)/losses	**0.22**	2.79	2.11	-	**(0.44)**	1.43	(0.59)	-
Experience adjustments on plan assets	-	-	-	-	**-**	-	-	-

***** AS 15 (revised) on Employee Benefits was adopted by the Company from 1st April 2006 and hence, the above disclosures have been made accordingly.

(f) Amounts provided for the defined contribution plans are as follows:

(Rs in crores)

Defined Contribution to:	**April'09-June'10 (15 months)**	2008-09 (12 months)
Provident Fund*	**9.98**	8.31
Superannuation Fund	**3.41**	8.51

* Includes Rs 0.02 crore (Rs 0.09 crore) taken to pre-operative and trial run expenses.

The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

31. Related Party Disclosures:

(a) Name of the related parties:

Subsidiary Companies	Nippon Ispat Singapore (Pte) Ltd. Ispat Energy Ltd. Erebus Ltd. Arima Holdings Ltd. Lakeland Securities Ltd. Rewa Infrastructures Pvt. Ltd. Ispat Jharkhand Steels Ltd.
Associate Companies	Kalyani Mukand Ltd. Drum International Inc Minandes S.A.
Joint Venture Company	Amba River Coke Ltd. (w.e.f. 8th May 2009)
Key Management Personnel and their Relatives	Mr. M L Mittal (Father of Mr. Pramod Mittal and Mr. Vinod Mittal) Mr. Pramod Mittal Mr. Vinod Mittal Mr. Vinod Garg Mr. Anil Sureka Mr. B K Singh Mr. Yadvendra Sahai Mrs. Natasha Mittal Saraf (Daughter of Mr. Vinod Mittal) Mr. Atulya Mittal (Son of Mr. Vinod Mittal)
Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Navoday Exim (P) Ltd. (formerly Ispat Holdings (P) Ltd.) Navoday Management Services Ltd. (formerly Ispat Finance Ltd.) Navoday Consultants Ltd. (formerly Mudra Ispat Ltd.) Denro Holding (P) Ltd. Mita Holdings (P) Ltd. Goldline Tracom (P) Ltd. Gontermann Peipers India Ltd. Kartik Credit (P) Ltd. Ushaditya Trading (P) Ltd. (formerly Ushaditya Investments (P) Ltd.) Navdisha Real Estate (P) Ltd. (formerly Kanoria Plastokem (P) Ltd.) Elephanta Gases Ltd. Geetapuram Port Services Ltd. (upto 19th July 2009) Peddar Realty (P) Ltd. Chattisgarh Energy Ltd. Radiant Stars International Ltd. Shinning Stars Ltd. Chancellor Build Estate (P) Ltd. E-Star Exchange (P) Ltd. North East Natural Resources (P) Ltd. (w.e.f 31st July 2009)

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(b) Related party disclosures:

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Sales of raw materials, intermediaries and finished goods					
Amba River Coke Ltd.		26.04 (-)		0.56 (3.93)	26.60 (3.93)
Gontermann Peipers India Ltd.				0.05 (1.36)	0.05 (1.36)
Purchases of raw materials, intermediaries and finished goods					
Gontermann Peipers India Ltd.				22.41 (18.43)	22.41 (18.43)
Purchase of Fixed Assets					
Rewa Infrastructures Pvt. Ltd.	0.80 (-)				0.80 (-)
Interest Income					
Peddar Realty (P) Ltd.				8.21 (26.79)	8.21 (26.79)
Services received					
Geetapuram Port Services Ltd.				1.14 (1.63)	1.14 (1.63)
Elephanta Gases Ltd.				4.50 (0.45)	4.50 (0.45)
E-Star Exchange (P) Ltd.				3.77 (0.29)	3.77 (0.29)
Others				0.19 (0.13)	0.19 (0.13)
Services given					
Geetapuram Port Services Ltd.				2.05 (0.47)	2.05 (0.47)
Salary/Managerial Remuneration					
Mr. Vinod Mittal			4.47 (5.14)		4.47 (5.14)

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Mr. Anil Sureka			1.71 (2.00)		1.71 (2.00)
Mr. Vinod Garg			1.78 (1.99)		1.78 (1.99)
Mr. B. K. Singh			1.71 (1.95)		1.71 (1.95)
Others			0.68 (0.45)		0.68 (0.45)
Rent Expense (including Lease Rent)					
Chancellor Build Estate (P) Ltd.				1.50 (0.10)	1.50 (0.10)
Goldline Tracom (P) Ltd.				0.97 (0.03)	0.97 (0.03)
Denro Holding (P) Ltd.				0.70 (0.02)	0.70 (0.02)
Kartik Credit (P) Ltd.				0.60 (0.02)	0.60 (0.02)
Navoday Exim (P) Ltd. (formerly Ispat Holdings (P) Ltd.)				0.56 (0.02)	0.56 (0.02)
Others				1.24 (0.51)	1.24 (0.51)
Guarantees obtained					
Mr. M. L. Mittal			552.73 (552.73)		552.73 (552.73)
Mr. Pramod Mittal			9,132.20 (8,465.29)		9,132.20 (8,465.29)
Mr. Vinod Mittal			9,132.20 (8,465.29)		9,132.20 (8,465.29)

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Navoday Consultants Ltd. (formerly Mudra Ispat Ltd.)				143.68 (143.68)	143.68 (143.68)
Guarantees given on behalf of					
Ispat Energy Ltd.	264.44 (344.44)				264.44 (344.44)
Others				26.00 (26.00)	26.00 (26.00)
Provision for Diminution in Value of Investments					
Nippon Ispat Singapore (Pte) Ltd.	- (1.57)				- (1.57)
Investment in Equity Shares					
Arima Holdings Ltd.	- (22.32)				- (22.32)
Erebus Ltd.	- (92.87)				- (92.87)
Others	- (0.08)				- (0.08)
Application Money towards Equity Warrants					
Mita Holdings (P) Ltd.				10.00 (-)	10.00 (-)
Ushaditya Trading (P) Ltd. (formerly Ushaditya Investments (P) Ltd.)				8.00 (-)	8.00 (-)
Issue of Equity Warrants					
Radiant Stars International Ltd.				- (20.34)	- (20.34)
Shining Stars Ltd.				- (31.64)	- (31.64)

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Forfeiture of Equity Warrants					
Radiant Stars International Ltd.				20.34 (-)	20.34 (-)
Shining Stars Ltd.				31.64 (-)	31.64 (-)
Balance outstanding as at the period end – Debit					
Ispat Energy Ltd.	340.34 (337.50)				340.34 (337.50)
Peddar Realty (P) Ltd.				255.61 (247.73)	255.61 (247.73)
Others	4.26 (3.24)	33.95 (-)		33.48 (40.47)	71.69 (43.71)
Balance outstanding as at the period end – Credit					
Gontermann Peipers India Ltd.				10.88 (4.23)	10.88 (4.23)
E-Star Exchange (P) Ltd.				1.84 (0.69)	1.84 (0.69)
Others			0.57 (-)	0.02 (0.43)	0.59 (0.43)

32. Segment Information:

i) **Business Segment:** The Company is primarily engaged in the business of manufacture and sale of Iron and Steel products.

ii) **Geographical Segment:** The Company primarily operates in India and therefore the analysis of geographical segment is based on the areas in which customers of the Company are located.

Information for Secondary Geographical Segments:

(Rs in crores)

Particulars	**April'09-June'10 (15 months)**	2008-09 (12 months)
Domestic Revenues (Net of Excise Duty)	**9666.07**	7364.16
Export Revenues (Including Export Benefits)	**466.66**	767.82
Total	**10132.73**	8131.98

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Particulars	**As at 30th June, 2010**	As at 31st March, 2009
Domestic Debtors	**758.47**	561.19
Export Debtors	**0.50**	2.99
Total	**758.97**	564.18

iii) Since the Company has common fixed assets for producing goods for domestic and overseas markets, separate figures for fixed assets / additions to fixed assets for these two segments are not furnished.

33. Quantitative information of goods manufactured / traded

	April'09-June'10		2008-2009	
	Installed Capacity (b) (15 months) MT	**Production (15 months) MT**	Installed (Capacity (b) (12 months) MT	Production (12 months) MT
(a) Installed Capacity and Production				
Direct Reduced Iron	**20,00,000**	**1,683,919**	1,600,000	1,095,782
Hot Rolled Coils	**41,25,000**	**3,314,677**	3,300,000	2,135,519
Cold Rolled Steel Coils/Sheets	**412,500**	**303,649**	330,000	207,430
Galvanised Coils/Sheets #	**281,250**	**202,686**	325,000	161,114
Galvalume Colis/Sheets #	**125,000**	**32,039**	-	-
PVC Coated Sheets	**75,000**	**75,840**	60,000	46,984
Tubes & Pipes	**70,000**	**28,891**	56,000	6,044
Pig Iron/Hot Metal	**2,500,000**	**2,131,184**	2,000,000	957,760

Notes:
(a) Licensed Capacity is not applicable as the industry is delicensed.
(b) Certified by the Company's Technical Experts.
\# During the period, 100,000 MT installed capacity of Galvanising unit has been converted into Galvalume line, which has started its commercial production w.e.f. 25th June 2009

	April'09-June'10 (15 months)		2008-2009 (12 months)	
(b) Sales*	**Quantity (MT)**	**Value (Rs. in crores)**	Quantity (MT)	Value (Rs. in crores)
Direct Reduced Iron	**54,854**	**78.76**	4,029	5.17
Hot Rolled Coils/skelp	**2,897,823**	**9231.79**	1,939,434	7876.80
Cold Rolled Steel Coils/Sheets	**57,433**	**210.51**	41,178	193.99
Galvanised Coils/Sheets	**137,411**	**586.62**	118,051	590.88
Galvalume	**12,808**	**55.97**	-	-
PVC Coated Sheets	**74,160**	**382.14**	46,501	281.72
Tubes & Pipes	**28,138**	**108.04**	5,326	19.90
Pig Iron	**67,164**	**142.97**	2,211	4.29
		10796.80		8972.75

* Excludes transfer for further processing

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

(c) Stocks of Finished Goods (After adjustment of shortages / excess)	As at 30th June, 2010 Quantity (MT)	As at 30th June, 2010 Value (Rs. in crores)	As at 31st March, 2009 Quantity (MT)	As at 31st March, 2009 Value (Rs. in crores)
Opening Stock				
Direct Reduced Iron	**8,602**	**7.58**	4,855	3.63
Hot Rolled Coils	**7,134**	**19.78**	31,134	93.92
Cold Rolled Steel coils/ sheets	**3,524**	**10.57**	5,509	18.61
Galvanised coils / Sheets	**5,935**	**20.57**	10,259	41.09
PVC Coated Sheets	**2,741**	**11.53**	3,616	16.86
Tubes & Pipes	**690**	**2.04**	-	-
Pig Iron / Hot Metal	**-**	**-**	1,767	2.81
		72.07		176.92
Closing Stock*				
Direct Reduced Iron	**4,066**	**5.99**	8,602	7.58
Hot Rolled Coils	**75,696**	**224.03**	7,134	19.78
Cold Rolled Steel coils/ sheets	**6,101**	**20.85**	3,524	10.57
Galvanised coils / Sheets	**8,516**	**33.50**	5,935	20.57
Galvalume	**1,778**	**7.44**	-	-
PVC Coated Sheets	**3,036**	**14.39**	2,741	11.53
Tubes & Pipes	**1,408**	**4.98**	690	2.04
Pig Iron / Hot Metal	**11,300**	**24.30**	-	-
		335.48		72.07

* Excludes stock of Saleable Scrap Rs 1.90 crores (Rs 1.46 crores), By-Products Rs 14.87 crores (Rs 9.14 crores) and Galvalum (Trial run product) Rs Nil (Rs 2.28 crores).

34. Raw Materials Consumption

(After adjustment of shortage / excesses)	April'09-June'10 (15 months) Quantity (MT)	April'09-June'10 (15 months) Value (Rs. in crores)	2008-2009 (12 months) Quantity (MT)	2008-2009 (12 months) Value (Rs. in crores)
Iron Ore Pellets $	**1,781,007**	**1273.34**	597,054	606.60
Calibrated Lump Iron Ore $	**1,619,714**	**913.93**	1,395,760	899.38
Iron Ore Fines	**2,125,272**	**743.44**	883,873	363.78
Sinter *	**2,767,726**	**1223.89**	1,291,139	613.41
Coke (including fines)	**1,076,900**	**1798.64**	558,324	1348.28
Coal	**319,386**	**222.17**	103,601	102.53
Direct Reduced Iron *	**1,641,385**	**2187.56**	1,126,067	1709.64
Hot Metal *	**2,030,058**	**3831.12**	938,670	2501.74
Hot Briquette Iron	**18,003**	**20.70**	65,389	117.38
Melting scrap	**171,671**	**291.63**	327,685	709.32
Pig Iron & Pcm Jam *	**22,179**	**38.44**	19,062	53.43
HR Coils *	**348,721**	**1034.14**	216,815	796.69
CR Coils *	**239,558**	**781.31**	165,086	660.57
GP Coils *	**61,275**	**227.55**	46,913	210.97
Galvalume *	**20,370**	**84.48**	-	-
Zinc & Zinc Alum. Alloy	**6,956**	**70.86**	4,885	40.66
Ferro Alloys		**256.90**		241.89
Others		**332.20**		176.65
Total		**15332.30**		11152.92
Less: Inter Unit transfer of own produced materials		**9437.05**		6502.08
Net consumption of raw materials	**#**	**5895.25**	#	4650.84

$ Excluding fines generation of 393,991 MT (324,032 MT)

Excluding materials charged to preoperative & trial run expenses as follows:

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

	April'09-June'10 (15 months)		2008-2009 (12 months)	
	Quantity (MT)	**Value (Rs. in crores)**	Quantity (MT)	Value (Rs. in crores)
CR Coil	**3624**	**10.14**	1303	3.62
Zinc and Aluminum Alloys	**181**	**2.55**	135	3.06
Net consumption of raw materials for preoperative and trial run		**12.69**		6.68

* Includes consumption of own produced materials [after change in stocks Rs 46.12 crores (Rs 56.36 crores)] transferred for further processing, as detailed below:

	April'09-June'10 (15 months)		2008-2009 (12 months)	
	Quantity (MT)	**Value (Rs. in crores)**	Quantity (MT)	Value (Rs. in crores)
Direct Reduced Iron	**1,629,927**	**2170.00**	1,088,396	1609.28
Hot Metal	**2,030,058**	**3831.12**	938,670	2501.74
Sinter	**2,767,726**	**1223.89**	1,291,139	613.41
HR Coils	**348,721**	**1034.14**	216,815	796.69
CR Coils	**239,558**	**781.31**	165,086	660.57
GP Coils	**61,275**	**227.55**	46,913	210.97
Galvalume	**20,370**	**84.48**	-	-
Pig Iron & Pcm J\am	**22,179**	**38.44**	18,838	53.06

35. Value of consumption of Imported & Indigenous raw materials and stores, spare Parts, chemicals etc.

	Raw Materials #		**Stores, Spare Parts, Chemicals etc.#$**	
	Value (Rs. in crores)	**% of total consumption**	**Value (Rs. in crores)**	**% of total consumption**
Imported	**3056.75**	**51.85**	**278.53**	**45.89**
	(2237.04)	(48.10)	(162.68)	(35.54)
Indigenous	**2838.50**	**48.15**	**328.42**	**54.11**
	(2413.80)	(51.90)	(295.09)	(64.46)

excluding Inter Unit transfers and charge to preoperative & trial run expenses

$ Includes Rs 121.37 crores (Rs 106.07 crores) charged to other account heads

36. Value of Imports on C.I.F. basis (including through canalizing agencies):

(Rs in crores)

	April'09-June'10 (15 months)	2008-2009 (12 months)
Raw materials	**3046.47**	2566.92
Components, Spare Parts & Production Consumables	**289.60**	184.36
Capital Goods	**73.79**	10.24

SCHEDULE 23

NOTES ON ACCOUNTS *(Contd.)*

37. Expenditure in foreign currency:
(On cash basis and including for projects)

(Rs in crores)

	April'09-June'10 (15 months)	2008-2009 (12 months)
Technical Know-how fees & expenses	**4.42**	2.83
Travelling & Others	**8.25**	13.88
Freight & Demurrage	**159.60**	157.29
Rebate/Discount & Commission on Sales	**1.27**	0.99
Research & Development	**0.12**	-
Professional Charges	**2.73**	4.52

38. Earnings in foreign currency (accrual basis):

	April'09-June'10 (15 months)	2008-2009 (12 months)
FOB Value of Exports	**433.44**	719.85
Vessel Rentals	**-**	2.41
Compensation for non fulfilment of contracts included in miscellaneous receipts in Schedule 17	**6.33**	-

39 Amount remitted in foreign currency on account of dividends:

			April'09-June'10 (15 months)	2008-2009 (12 months)
i)	No. of non-resident shareholders	Equity	**5,521**	5,605
		Preference	**3,552**	3,645
ii)	No. of Shares held	Equity	**361,565,559**	305,879,719
		Preference	**240,205,434**	240,277,922
iii)	Amount remitted as dividend (Rs.)		**Nil**	Nil

40. The Company has extended its accounting year from 31st March 2010 to 30th June 2010. Accordingly, the current year's figure being for fifteen months period ended 30th June 2010, are not comparable with those of the previous year.

41. Previous year's figures including those in brackets, have been rearranged / regrouped wherever considered necessary.

Signatories to Schedules 1 to 23

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

I. Registration Details

Registration No.	37519	State Code	21
Balance Sheet Date	30.06.2010		

II. Capital Raised during the year (Amount in Rs.'000):

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.'000):

Total Liabilities	108966768	Total Assets	108966768
Sources of Funds		Application of Funds	
Paid up – Capital	22250921	Net Fixed Assets	79910813
Application-Equity Warrants	180000	Investments	2293721
Reserves and Surplus	14718288	Net Current Assets	(4243614)
Secured Loans	71569043	Deferred Tax Asset/(Liability)	9642797
Unsecured Loans	248516	Foreign Currency Monetary item translation difference	20770
		Accumulated Loss	21342281

IV. Performance of the Company (Amount in Rs.'000)

Turnover	105786941
Total Expenditure	109151549
Extra ordinary items	-
Profit/(Loss) before Tax	(3364608)
Profit/(Loss) after Tax	(3223482)
Earnings per share in Rs. (Basic)	(3.37)
Earnings per share in Rs. (Diluted)	(3.37)
Dividend Rate	Nil

V. Generic names of Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
720310 00	Direct Reduced Iron
720826 00	Hot Rolled Coil
720927 00	Cold Rolled Sheets
721030 00	Galvanised Sheets
720110 00	Pig Iron/Hot Metal

For and on behalf of the Board

Mumbai, Date : 28th August, 2010	T P Subramanian *President* *& Company Secretary*	Anil Sureka *Executive Director (Finance)*	Vinod Mittal *Vice Chairman* *& Managing Director*

Statement Pursuant To Section 212 Of The Companies Act, 1956, Relating To The Subsidiary Company

1	**Name of the Subsidiary**	**: ISPAT ENERGY LIMITED**	**ISPAT JHARKHAND STEELS LTD.**	**REWA INFRASTRUCTURES PRIVATE LTD.**	**NIPPON ISPAT SINGAPORE (PTE) LTD.**	**ARIMA HOLDINGS LIMITED**	**EREBUS LIMITED**	**LAKELAND SECURITIES LTD.**
2	The financial year of the Subsidiary Company ended on	: 31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010
3	(a) Number of Shares held by Ispat Industries Ltd. with its nominees in the subsidiary at the end of the financial year of the subsidiary company.	: 11,00,01,260 Shares of Rs.10 each fully paid up - Rs. 110,00,12,600/-	30,000 Shares of Rs.10 each fully paid up - Rs. 3,00,000/-	5,000 Shares of Rs.100 each fully paid up - Rs. 5,00,000/-	7,84,502 Shares of Singapore $1 each fully paid up - Rs.1,57,04,400/-	50,000 Shares of US $100 each fully paid up - Rs.22,31,85,408/-	2,15,000 Shares of US$ 100 each fully paid up - Rs. 96,92,18,904/-	1 Share of US$ 100 each fully paid up - Rs. 3,998/-
	(b) Extent of interest of holding Company at the end of the financial year of subsidiary company.	: 100%	60%	83%	100%	100%	100%	100%
4	The net aggregate amount of the subsidiary company profit/(loss) so far as it concerns the members of the holding company							
	a) Not dealt with in the holding accounts							
	i) For the period ended 31st March, 2010	: The project is under construction, hence Profit & Loss account is not prepared.	* Loss of Rs.1,85,707/-	* Loss of Rs.1,85,432/-	Loss of Singapore $ 50124 (equivalent to Rs. 16,55,081/-)	* Loss of US $ 7,093 (equivalent to Rs. 3,41,741/-)	Loss of US $ 7,774(equivalent to Rs.3,74,551/-)	* Loss of US $ 5,800 (equivalent to Rs 2,79,444/-)
	ii) For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	: The project is under construction, hence Profit & Loss account is not prepared.	* Loss of Rs.1,73,622/-	* Loss of Rs.3,43,264/-	Loss of Singapore $ 6,63,515 (equivalent to Rs. 2,02,76,669/-)	* Loss of US $ 8,312 (equivalent to Rs. 4,27,652/-)	Loss of US $ 16,644 (equivalent to Rs.7,41,352/-)	* Loss of US $ 7,000 (equivalent to Rs.3,60,150/-)
	b) Dealt with in the holding Company's accounts							
	i) For the period ended 31st March, 2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	ii) For the previous financial year of the subsidiary Company since it became the holding Company's subsidiary.	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Amount of losses incurred after the date of subsidiary.

For and on behalf of the Board

T P Subramanian
President & Company Secretary

Anil Sureka
Executive Director (Finance)

Vinod Mittal
Vice Chairman & Managing Director

Summary of Financial Information of Subsidiary Companies

	Name of the Subsidiary	ISPAT ENERGY LIMITED	ISPAT JHARKHAND STEELS LTD.	REWA INFRASTRUCTURES PRIVATE LTD.	NIPPON ISPAT SINGAPORE (PTE) LTD.	ARIMA HOLDINGS LIMITED	EREBUS LIMITED	LAKELAND SECURITIES LTD.
a)	Reporting Currency	INR	INR	INR	Singapore Dollar	US Dollar	US Dollar	US Dollar
b)	Exchange Rate	1	1	1	32.08	44.91	44.91	44.91
c)	Capital-Issued to Ispat Industries Ltd.	1,10,00,12,600	3,00,000	5,00,000	Singapore $ 7,84,502(equivalent to Rs. 1,57,04,400/-)	US $ 50,00,000 (equivalent to Rs.22,31,85,408/-)	US $ 2,15,00,000 (equivalent to Rs.96,92,18,904/-)	US $100 (equivalent to Rs.3,998/-)
	Issued to Others	Nil	2,00,000	1,00,000	Nil	Nil	Nil	Nil
	Application money towards equity shares	27,60,00,000	5,00,000	13,97,00,000	Nil	Nil	Nil	Nil
d)	Reserves	Nil	(7,66,454)	(14,28,284)	Negative Singapore $ 7,13,639 (Equivalent to Rs. 1,20,88,422/-)	Negative US $ 15,405 (Equivalent to positive Rs. 6,72,753/-)	Negative US $ 24,418 (Equivalent to Rs. 47,50,516/-)	Negative US $ 12,800 (Equivalent to Rs. 5,74,355/-)
e)	Total Assets	4,77,64,31,726	3,43,846	17,42,24,775	Singapore $ 10,22,430 (Equivalent to Rs.3,27,97,517/-)	US $ 44,91,060 (Equivalent to Rs.20,16,93,505/-)	US $ 2,04,95,182 (Equivalent to Rs.92,04,38,624/-)	US $ 100 (Equivalent to Rs.4,491/-)
f)	Total Liabilities	3,40,04,19,126	1,10,300	3,53,53,059	Singapore $ 9,51,567 (Equivalent to Rs.2,91,81,539/-)	US $ 3,06,465 (Equivalent to Rs1,37,63,343/-)	US $ 18,000 (Equivalent to Rs. 8,08,380/-)	Singapore $ 12,800 (Equivalent to Rs.5,74,848/-)
g)	Investment other than investment in subsidiaries	Nil	Nil	Nil	Nil	US $ 8,00,000 (Equivalent to Rs.3,59,28,000/-)	US $ 9,98,400 (Equivalent to Rs.4,48,38,144/-)	Nil
h)	Turnover includes other income	The Company's project is under construction, hence Profit & Loss account is not prepared.	Nil	Nil	Other income of Singapore $ 1,800 (Equivalent to Rs.59,436/-)	Other income of US $ 2 (Equivalent to Rs. 96/-)	Other income of US $ 1 (Equivalent to Rs. 48/-)	Nil
i)	Profit Before Taxation	The Company's project is under construction, hence Profit & Loss account is not prepared.	(3,09,512)	(1,69,518)	Loss of Singapore $ 50,124 (Equivalent to Rs.16,55,081/-)	Loss of US $ 7,093 (Equivalent to Rs.3,41,741/-)	Loss of US $ 7,744(Equivalent to Rs.3,74,551/-)	Loss of US $ 5,800(Equivalent to Rs.2,79,444/-)
j)	Provision for Taxation	The Company's project is under construction, hence Profit & Loss account is not prepared.	Nil	53,000	Nil	Nil	Nil	Nil
k)	Profit After Taxation	The Company's project is under construction, hence Profit & Loss account is not prepared.	(3,09,512)	(2,22,518)	Loss of Singapore $ 50124 (Equivalent to Rs.16,55,081/-)	Loss of US $ 7,093(Equivalent to Rs.3,41,741/-)	Loss of US $ 7,774(Equivalent to Rs.3,74,551/-)	Loss of US $ 5,800(Equivalent to Rs.2,79,444/-)
l)	Proposed Dividend	The Company's project is under construction, hence Profit & Loss account is not prepared.	Nil	Nil	Nil	Nil	Nil	Nil

Note: Adjustments and disclosures for the effects of significant transactions or other events occured between 1st April, 2010 to 30th June, 2010; if any, have been made in the consolidated financial statement.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ISPAT INDUSTRIES LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of Ispat Industries Limited and its subsidiaries (the 'Group') as at 30th June 2010 and also the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the fifteen months period then ended, annexed thereto. These consolidated financial statements are the responsibility of Ispat Industries Limited'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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. These 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 621.54 crores as at 31st March 2010 (refer note no 1(b) on Schedule 22) and total loss of Rs. 0.29 crore and cash flows amounting to Rs. 0.02 crore (net cash inflows) 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, so far as it relates to the subsidiaries, is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by Ispat Industries Limited's management in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements' and AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

5. Without qualifying our opinion, attention is drawn to the following Notes on Schedule 23 :-

   a. The accumulated losses of the Group as per the books of accounts stand at Rs. 2141.85 crores as on 30th June 2010. However, after considering the impact of the qualifications mentioned in Para 6 below, the accumulated losses would stand at Rs. 3090.27 crores as on 30th June 2010, which is in excess of the Shareholders' Fund of Rs. 2795.43 crores (excluding revaluation reserve of Rs. 967.76 crores) as on that date. As stated in Note No. 22, the management has a strategic plan for the revival of the Group and it is hopeful of improvement in the financial health of the Group in the near future. Accordingly, the consolidated financial statements for the period have been drawn up by the management as per the going concern assumption.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ISPAT INDUSTRIES LIMITED AND ITS SUBSIDIARIES *(Contd.)*

b. Note No. 13 regarding Sundry Debtors of Rs. 255.61 crores (Rs. 247.73 crores) receivable from Peddar Realty Pvt. Ltd. towards sale consideration of landed property along with interest thereon, which has been considered good of recovery by the management.

c. Note No. 21 regarding non-reconciliation of credit balances of Rs. 1137.17 crores (Rs. 1001.40 crores) relating to certain major parties towards raw material supplies. The management does not expect any material impact on the consolidated financial statements on account of such reconciliation.

d. As indicated in Note No. 32, the financial statements of certain Associate Companies namely Drum International Inc and Minandes S.A. for the period ended 30th June 2010 are not available with the Group for accounting under equity method. The management does not expect any material impact of above, on the consolidated financial statements.

6. *Attention is drawn to the following Notes on Schedule 23 :*

a. *Note No. 12(a) regarding recognition of net deferred tax asset (DTA) of Rs. 964.28 crores (including Rs. 14.15 crores for the period) in the accounts upto 30th June 2010, based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequential impact, if any, on the recognition of such DTA. This had also caused us to qualify our audit opinion on the consolidated financial statements relating to the preceding year.*

b. *Note No. 15 regarding remuneration of Rs 15.86 crores (including Rs. 11.02 crores for earlier years) paid to the managing and/or other whole time directors, which is in excess of the approval received from the Ministry of Corporate Affairs during the period. However, no adjustment towards the above excess managerial remuneration recoverable from these directors, has been made in the accounts, pending disposal of the representation made by the Company to the Ministry of Corporate Affairs for reconsideration of the above approvals.*

Had the impact of above items been considered, there would be a loss of Rs. 1271.09 crores (including DTA of Rs. 950.13 crores recognized upto 31st March 2009) as against the reported loss of Rs. 322.67 crores for the period and the Profit and Loss account debit balance would have been Rs. 3090.27 crores as against the reported figure of Rs. 2141.85 crores as on the balance sheet date.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ISPAT INDUSTRIES LIMITED AND ITS SUBSIDIARIES *(Contd.)*

7. *Subject to the effect of the matters referred to in paragraph 6 above,* based on our audit and on consideration of the reports of other auditors on separate financial statements and on the 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 :-

   a. In the case of Consolidated Balance Sheet, of the state of affairs of the Group as at 30th June 2010;

   b. In the case of Consolidated Profit and Loss Account, of the loss for the period ended on that date and

   c. In the case of Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

For S. R. BATLIBOI & CO.
Firm Registration Number : 301003E
Chartered Accountants

Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata – 700 016.
Camp : Mumbai.
Dated : 28th August, 2010.

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2010

(Rs.in crores)

	Schedule	As at 30th June, 2010	As at 31st March, 2009
SOURCES OF FUNDS			
1. Shareholders' Fund			
Share Capital	1	**2225.09**	2272.51
Application Money towards Equity Warrants (Refer Note No. 8 on Schedule 23)		**18.00**	51.98
Application Money towards Equity Shares		**41.57**	44.60
Reserves and Surplus	2	**1478.53**	1564.19
		3763.19	3933.28
2. Minority Interest {Full Amount Rs. Nil (Rs.17,223)}		-	0.00
3. Loan Funds			
Secured Loans	3	**7156.90**	7151.28
Unsecured Loans	4	**28.99**	204.53
		7185.89	7355.81
TOTAL		**10949.08**	11289.09
APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	5	**13465.71**	13567.08
Less : Depreciation		**5528.71**	4669.62
Net Block		**7937.00**	8897.46
Capital Work-in-Progress	6	**374.64**	411.46
Pre-operative and Trial Run Expenses (Pending Allocation)	7	**169.37**	170.09
		8481.01	9479.01
2. Investments	8	**8.40**	12.82
3. Deferred Tax Asset (Net)	9	**964.28**	950.13
4. Foreign Currency Monetary Items Translation Difference Account (Refer Note No. 10 on Schedule 23)		**2.08**	4.94
5. Current Assets, Loans and Advances			
Inventories	10	**1934.17**	1382.93
Sundry Debtors	11	**758.97**	566.14
Cash and Bank Balances	12	**204.10**	82.38
Loans, Advances and Deposits	13	**572.94**	718.08
		3470.18	2749.53
Less: Current Liabilities and Provisions			
Current Liabilities	14	**4082.09**	3711.69
Provisions	15	**36.63**	35.09
		4118.72	3746.78
Net Current Assets		**(648.54)**	(997.25)
6. Profit and Loss Account Debit balance		**2141.85**	1839.44
TOTAL		**10949.08**	11289.09
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedules referred to above form an integral part of the Balance Sheet.

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date: 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE 15 MONTHS PERIOD FROM 1ST APRIL 2009 TO 30TH JUNE 2010

(Rs.in crores)

	Schedule	April'09-June'10 (15 months)	2008-2009 (12 months)
INCOME			
Sales (Gross)	16	**10983.14**	9063.44
Less : Excise Duty		**850.41**	931.46
Sales (Net)		**10132.73**	8131.98
Other Income	17	**445.96**	407.01
TOTAL (A)		**10578.69**	8538.99
EXPENDITURE			
Decrease/(Increase) in stocks	18	**(269.53)**	105.05
Excise Duty & Cess on stocks (Refer Note No. 6 on Schedule 23)		**29.54**	(18.93)
Raw Materials Consumed		**5895.25**	4650.84
Personnel Cost	19	**273.48**	208.11
Manufacturing, Selling & Distribution and Administrative Expenses [Including Prior Period expenses Rs. 3.56 crores (Rs. 10.97 crores)]	20	**2927.33**	2164.83
Interest	21	**1285.45**	1159.30
Depreciation		**876.28**	728.10
Less: Transfer from Revaluation Reserve		**102.33**	81.48
		773.95	646.62
TOTAL (B)		**10915.47**	8915.82
Profit/(Loss) before Tax and Exceptional Items (A-B)		**(336.78)**	(376.83)
Less : Exceptional Items		-	648.70
Profit/(Loss) before Tax		**(336.78)**	(1025.53)
Less:			
Provision for Wealth Tax		**0.03**	0.03
Provision for Income Tax		**0.01**	0.01
Deferred Tax Charge/(Credit) (Refer Note No. 12 on Schedule 23)		**(14.15)**	(338.81)
Fringe Benefit Tax		-	3.05
Profit/(Loss) after Tax and before Minority Interest		**(322.67)**	(689.81)
Less: Share of loss of Minority Interest (Full amount Rs. 17,223)		**0.00**	0.01
Profit/(Loss) after Tax and Minority Interest		**(322.67)**	(689.80)
Less : Debenture Redemption Reserve written back		**20.26**	27.71
Add : Loss brought forward from Previous Year		**(1839.44)**	(1051.60)
Add : Adjustments			
(a) Towards Exchange Differences of 2007-08 transferred to Fixed Assets (Net of Depreciation Rs. 6.44 crores and deferred tax credit of Rs. 63.23 crores)		**-**	(122.81)
(b) Towards Exchange Differences of 2007-08 transferred to Foreign Currency Monetary Item Translation Difference Account (Net of amortisation Rs. 1.48 crores and deferred tax credit of Rs. 1.52 crores)		**-**	(2.94)
Loss carried to Balance Sheet		**(2141.85)**	(1839.44)
Basic and Diluted Earning per Share (Rs.) [Nominal value of shares Rs. 10 each] (Refer Note No. 24 on Schedule 23)		**(3.37)**	(6.26)
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedules referred to above form an integral part of the Profit & Loss Account

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE 15 MONTHS PERIOD FROM 1ST APRIL 2009 TO 30TH JUNE 2010

(Rs.in crores)

	April'09-June'10 (15 Months)	2008-2009 (12 Months)
A: Cash Flow from Operating Activities :		
Profit / (Loss) before Tax	**(336.78)**	(1,025.53)
Adjustments for :		
Depreciation	**773.95**	646.62
Loss on Fixed Assets Sold / Discarded (net)	**6.01**	17.67
Net Loss/(Gain) on Exchange Rates/Forward Exchange Contracts	**(124.53)**	321.50
Loss on Exchange Fluctuation on Term Loans	**-**	97.65
Gain on Prepayment of Deferred Sales Tax	**(244.96)**	(285.87)
Advances/Debts/Deposits/Claims Provided For / Written Off	**13.82**	4.93
Interest Income	**(23.15)**	(36.13)
Interest	**1,285.45**	1,061.65
Liabilities no Longer Required Written Back	**(14.08)**	(34.95)
Gain on Sale of Trade Investments (Long term)	**(2.17)**	-
Share Issue Expenditure written off	**-**	0.49
Amortisation of Foreign Currency Monetary Items Translation Difference (net)	**3.47**	2.47
Dividend Received	**-**	(0.02)
Operating Profit Before Working Capital Changes	**1,337.03**	770.48
Adjustments for :		
(Increase) / Decrease in Trade & Other Receivables	**(178.03)**	17.63
(Increase) / Decrease in Loans and Advances including Deposits	**160.75**	(208.60)
(Increase) / Decrease in Inventories	**(551.12)**	(17.01)
Increase / (Decrease) in Trade & Other Payables	**488.64**	740.14
Cash Generated from Operations	**1,257.27**	1,302.64
Income Tax Paid	**(0.33)**	(3.21)
Net Cash Generated from Operating Activities (A)	**1,256.94**	1,299.43
B: Cash Flow from Investing Activities :		
Acquisition of Fixed Assets	**(145.25)**	(153.32)
Project Promotional Recoverable Dues	**(22.71)**	(7.32)
Purchase of Investments	**-**	(10.40)
Proceeds from Sale of Investments	**5.69**	-
Proceeds from Sale of Fixed Assets	**1.57**	9.34
Fixed Deposits (Receipts Pledged with various banks as security)	**(101.93)**	10.79
Interest Received	**10.79**	36.61
Dividend Received	**-**	0.02
Net Cash Used in Investing Activities (B)	**(251.84)**	(114.28)

CONSOLIDATED CASH FLOW STATEMENT FOR THE 15 MONTHS PERIOD FROM 1st APRIL 2009 TO 30th JUNE, 2010

(Rs.in crores)

	April'09-June'10 (15 Months)	2008-2009 (12 Months)
C: Cash Flow from Financing Activities :		
Receipt of Calls in Arrear and Share Premium	**0.23**	0.17
Application Money towards Equity Warrants	**18.00**	51.98
Application Money towards Equity Shares	**-**	44.60
Refund of Money towards Equity Shares	**(3.03)**	-
Redepmtion of Cumulative Redemable Preference Shares	**(47.52)**	(21.60)
Collection of VAT / Sale Tax under deferral Scheme	**300.66**	267.97
Repayment of VAT / Sales Tax under deferral Scheme	**(54.60)**	(69.48)
Repayment of Unsecured Loans	**(223.48)**	(81.00)
Receipt of Unsecured Loans	**47.00**	87.92
Long Term Borrowings Repaid	**(192.09)**	(495.50)
Long Term Borrowings Received	**455.55**	-
Working Captial Finance (Repaid) / Received (Net)	**(181.47)**	9.86
Interest Paid	**(1,092.30)**	(995.99)
Share Issue Expenditure written off	**-**	(0.49)
Net Cash used in Financing Activities (C)	**(973.05)**	(1,201.56)
Exchange differences on translation of foreign subsidiaries (D)	**(12.26)**	17.02
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C+D)	**19.79**	0.61
Cash & Cash Equivalents as on 1st April, 2009 (Opening Balance)	**3.95**	3.34
Cash & Cash Equivalents as on 30th June, 2010 (Closing Balance)	**23.74**	3.95

Notes :-

Components of Cash and Cash Equivalents		
Cash on hand [Including Stamps, Cheques/Drafts on hand]	**21.08**	2.55
Balances with Scheduled Banks in :		
- Current & Collection Accounts	**2.66**	1.21
Fixed Deposit Account (Receipts pledged with variuos Banks as Security)	**180.36**	78.43
Balance with Non Scheduled Banks	**-**	0.19
Cash & Bank Balances as per Schedule 12	**204.10**	82.38
Less: Fixed Deposit not considered as cash and cash equivalent	**180.36**	78.43
Cash & Cash Equivalents in Cash Flow Statement	**23.74**	3.95

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rs.in crores)

SCHEDULE - 1 **SHARE CAPITAL**		**As at 30th June, 2010**	As at 31st March, 2009
AUTHORISED			
4,00,00,00,000 Equity Shares of Rs. 10 each		**4000.00**	4000.00
10,00,00,000 Preference Shares of Rs. 100 each		**1000.00**	1000.00
1,00,00,00,000 Preference Shares of Rs. 10 each		**1000.00**	1000.00
		6000.00	6000.00
ISSUED, SUBSCRIBED & PAID UP			
1,22,24,42,218 Equity Shares of Rs. 10 each fully paid up		**1222.44**	1222.44
Less :Allotment & Call Money in Arrears		**0.73**	0.79
(Due from other than Directors)	**(A)**	**1221.71**	1221.65
4,31,99,500 12% Cumulative Redeemable Preference Shares (CRPS) of Rs. 100 each fully paid-up (Redeemable at par in balance ten annual instalments by 31st March 2020)		**431.99**	431.99
Less : Redeemed		**69.12**	21.60
		362.87	410.39
15,51,12,156 10% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each fully paid-up (Redeemable at par in Eight quarterly installments commencing from 15th June 2018)		**155.11**	155.11
48,59,08,844 0.01% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each fully paid-up (Redeemable at par in Eight quarterly installments commencing from 15th June 2018)		**485.91**	485.91
		1003.89	1051.41
Less : Allotment & Call Money in Arrears		**0.51**	0.55
(Due from other than Directors)	**(B)**	**1003.38**	1050.86
	(A+B)	**2225.09**	2272.51

Note: Out of above 18,31,09,080 equity shares of Rs. 10 each, 1,36,00,000 12 % CRPS of Rs. 100 each and 12,20,72,720 0.01% CRPS of Rs. 10 each, fully paid up, were issued for consideration other than cash.

SCHEDULE - 2 **RESERVES AND SURPLUS**				
Capital Reserves				
(i) Investment Subsidy		**0.20**		0.20
(ii) Amount arisen on Forfeiture of Equity Warrants during the period (Refer Note No. 7 on Schedule 23)		**51.98**		-
(iii) Revaluation Reserve				
As per last Account	**1072.26**		1153.74	
Less : Adjustments in respect of Fixed Assets Sold/Discarded	**2.17**		-	
	1070.09		1153.74	
Less : Transferred to Profit & Loss Account	**102.33**	**967.76**	81.48	1072.26
Share Premium *		**453.71**		453.58
Debenture Redemption Reserve				
As per last Account	**20.26**		47.97	
Less : Transferred to Profit & Loss Account	**20.26**	-	27.71	20.26
Foreign Currency Translation Reserve (Arising on Consolidation)				
As per last Account	**17.89**		0.87	
Add / (Less) : For the period	**(13.01)**	**4.88**	17.02	17.89
		1478.53		1564.19

* Net of Rs. 1.82 crores (Rs.1.95 crores) due on Allotment & Call Money in Arrears.

(Rs.in crores)

		As at 30th June, 2010		As at 31st March, 2009
SCHEDULE - 3				
SECURED LOANS				
A) Debentures:				
Secured Redeemable Non-Convertible Privately Placed Debentures of Rs. 100 each				
Nos. Coupon Rate				
4,27,78,174 8%	**427.78**		427.78	
Add: Settled Interest Amount	**238.93**		238.93	
Less: Payments Made	**(666.71)**		(585.68)	
Interest Accrued and Due	**-**	**-**	3.91	84.94
B) Term Loans				
I) Rupee Loans				
1) From Financial Institutions				
(i) Term Loans	**1811.81**		1587.20	
(ii) Zero Coupon Loans	**53.78**	**1865.59**	53.78	1640.98
2) From Banks				
(i) Term Loans	**2438.88**		1917.00	
(ii) Zero Coupon Loans	**122.23**	**2561.11**	122.23	2039.23
II) Foreign Currency Loans				
(i) Financial Institutions	**277.15**		343.87	
(ii) Banks	**2071.55**	**2348.70**	2446.82	2790.69
III) Interest Accrued and Due		**143.00**		175.47
C) Working Capital Finance				
From Banks		**238.50**		419.97
		7156.90		7151.28

SCHEDULE - 3 *(Contd.)*

NOTES

A. During the period, the Company has fully redeemed the remaining portion of Rs 81.03 crores with respect to 8% Non-Convertible Debentures of the face value of Rs. 427.78 crores, which were secured by a first legal mortgage/equitable mortgage on the Company's immovable properties and pari-passu first charge by way of hypothecation of all the moveable properties of the Company (save and except book debts) including moveable machinery, machinery spares, tools and accessories both present and future, subject to prior charges created in favour of the Company's bankers on the stock of raw materials, finished goods, work in process, consumable stores and book debts for securing borrowings for working capital requirements.

The trustees for debenture holders have released the above securities on redemption of debentures.

B. (i) The Rupee and Foreign Currency Term Loans from Financial Institutions and Banks, are secured by way of equitable mortgage by deposit of title deeds of the Company's immovable properties at Geetapuram (Dolvi) and by mortgage of leasing rights in the immovable properties at Kalmeshwar (Nagpur) both in the State of Maharashtra and a first charge by way of hypothecation of the Company's movables (save and except book debts) including movable machinery, machinery spares, tools and accessories, (both present and future), subject to prior charges created in favour of the Company's bankers on the stock of raw materials, finished goods, process stock, consumable stores and book debts for securing working capital facilities.

(ii) The above Term Loans are also secured by way of english mortgage of the title in the Landed property at Mumbai, which was sold by the Company to Peddar Realty Pvt Ltd (PRPL) in an earlier year. The Company's title is subject to the rights and interest of PRPL. The indenture of mortgage has been jointly signed by the Company and PRPL. These term loans are further secured by the corporate guarantee and pledge of entire shareholdings of PRPL.

(iii) All the mortgages and charges created in favour of the Financial Institutions and Banks rank pari-passu inter se, except where specifically stipulated otherwise.

(iv) A second charge on the fixed and current assets has been created in favour of the working capital lenders and term loan lenders respectively.

(v) Term Loans are also secured by the pledge of a part of the shareholding of the promoters as well as by the personal guarantees of Mr. Pramod Mittal and Mr. Vinod Mittal, directors of the Company. Term loans aggregating to Rs. 143 crores (Rs. 143 crores) are also secured by personal guarantee of Mr. M. L. Mittal, a former director of the Company.

(vi) Term Loans of Rs. 143.68 crores (Rs 143.68 crores) are further secured by the Corporate Guarantee of Navoday Consultants Ltd.

C. Cash Credit and other working capital facilities from Banks are secured by the hypothecation of raw materials, finished goods, process stock, consumable stores, book debts, etc. (both present and future), and second charge over the entire fixed assets of the Company. The working capital facilities from banks, are also secured by personal guarantees of Mr. Pramod Mittal and Mr. Vinod Mittal, directors of the Company. A part of the cash credit and other facilities from Punjab National Bank and Bank of India are also secured by personal guarantee of Mr. M. L. Mittal, a former director of the Company.

D. Term Loans aggregating to Rs. 869.68 crores (Rs. 118.99 crores) are repayable within one year.

SCHEDULE - 4

UNSECURED LOANS

		(Rs.in crores)
	As at 30th June, 2010	As at 31st March, 2009
Sales Tax Loan from Government of Maharashtra	**14.35**	15.93
Deferred Sales Tax/ Value Added Tax	**10.50**	7.83
From Others (Partly bearing Interest)	**4.14**	180.77
	* **28.99**	204.53

***** Includes amount falling due for payment within one year Rs. 1.46 crores (Rs. 178.05 crores)

SCHEDULE - 5

FIXED ASSETS

(Rs. in crores)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31 March, 2009	Additions/ Adjustments	Sales/ Adjustments	**As at 30th June, 2010**	Up to 31st March, 2009	For the Year	On Sales/ Adjustments	**Up to 30th June, 2010**	**As at 30th June, 2010**	As at 31st March, 2009
Land										
Leasehold	7.70	-	-	**7.70**	0.43	0.14	-	**0.57**	**7.13**	7.27
Freehold	134.84	5.79	-	**140.63 (A)**	-	-	-	**-**	**140.63**	134.84
	142.54	5.79	-	**148.33**	0.43	0.14	-	**0.57**	**147.76**	142.11
Buildings	531.50	7.89	-	**539.39 (B)**	111.78	18.90	-	**130.68**	**408.71**	419.72
Railway Sidings & Locomotives	59.39	-	-	**59.39**	13.28	3.62	-	**16.90**	**42.49**	46.11
Plant & Machinery	12097.55	140.87	249.34 **(D)**	**11989.08**	4228.16	809.39	3.77	**5033.78**	**6955.30**	7869.39
Vessels	19.08	-	5.25	**13.83**	3.25	1.92	2.41	**2.76**	**11.07**	15.83
Electrical Installations	621.22	8.25	2.47	**627.00**	257.27	34.34	1.70	**289.91**	**337.09**	363.95
Vehicles	11.96	0.75	0.63	**12.08**	5.89	1.11	0.41	**6.59**	**5.49**	6.07
Computers	41.23	1.35	3.27	**39.31**	30.20	3.71	3.10	**30.81**	**8.50**	11.03
Furniture & Fixtures & Office Equipments	42.61	1.92	7.23	**37.30**	19.36	3.15	5.80	**16.71**	**20.59**	23.25
Total	13567.08 (C)	66.82	268.19	**13465.71**	4669.62	876.28	17.19	**5528.71**	**7937.00**	8897.46
Previous Year's Total	13177.60	620.50 **(D)**	231.02	13567.08	3961.94	728.12	20.44	4669.62	8897.46	

Notes :-

A) Includes Rs. 5.13 crores (Rs 5.05 crores) being the cost of 90.60 acres (111.65 acres) land, which is yet to be registered in the Company's name.

B) Includes Rs.0.12 crore (Rs.0.12 crore) being cost of shares in Cooperative Housing Society and Rs.0.04 crore (Rs.0.04 crore) being the cost of certain properties, which are pending registration in the Company's name.

C) Land,Buildings, Railway Sidings, Plant & Machinery and Electrical Installations were revalued by approved valuers on 31st March 2006 on Replacement Cost basis and the net increase of Rs. 1018.38 crores was transferred to Revaluation Reserve.

D) Includes foreign exchange differences on long term foreign currency monetary items relating to depreciable fixed assets de-capitalised Rs. 241.12 crores (net) (Rs. 519.14 crores (net) capitalised)

(Rs.in crores)

		As at 30th June, 2010		As at 31st March, 2009
SCHEDULE - 6				
CAPITAL WORK-IN-PROGRESS (AT COST)				
Land & Site Development Expenses		**22.43**		23.19
Buildings		**29.87**		37.54
Plant & Machinery		**401.55**		366.50
Capital Goods in Stock & in Transit		**44.39**		50.40
Materials in Stock & with Contractors / Fabricators		**4.03**		7.45
		502.27		485.08
Less: Transfer to Fixed Assets		**127.63**		73.62
		# **374.64**		411.46

Includes advances against capital goods Rs. 37.41 crores (Rs.46.42 crores) net of doubtful advances fully provided for Rs. 9.36 crore (Rs.0.40 crore)

SCHEDULE - 7				
PREOPERATIVE AND TRIAL RUN EXPENSES (PENDING ALLOCATION)				
OPENING BALANCE BROUGHT FORWARD		**170.09**		160.92
Payments to & Provisions for Employees				
Salaries, Bonus,Incentives,etc	**1.42**		1.69	
[Including Gratuity Rs.0.01 crores (Rs. 0.04 crores)]				
Contribution to Provident & Superannuation Funds	**0.06**		0.17	
Shifting Expenses (Full amount Rs 1,619)	**0.00**		0.01	
Directors' Remuneration & Sitting Fee	**0.90**		0.80	
Staff Welfare	**0.13**	**2.51**	0.14	2.81
Raw Material Consumption		**12.69**		6.68
Excise Duty		**1.15**		0.36
Manufacturing, Selling & Distribution and Administrative Expenses				
Power & Fuel	**1.30**		1.83	
Consumption of Stores & Production Consumables	**0.17**		0.16	
Repairs & Maintenance				
- Plant & Machinery	**0.08**		0.07	
- Buildings (Full amount Rs 5,641)	**0.00**		-	
- Others (Full amount Rs 3,735)	**0.00**		-	
Insurance	**0.32**		0.24	
Rent	**0.01**		0.03	
Rates & Taxes	**0.04**		0.22	
Travelling Expenses	**0.22**		0.43	
Audit Fees	**0.04**		0.02	
Professional Charges	**0.19**		0.44	
Exchange Difference (net)	**0.01**		(0.01)	
Bank Commission & Charges	**0.01**		0.04	
Printing & Stationery	**0.01**		0.02	
Telephone Expenses	**0.01**		0.01	
Loss on Assets Discarded (Full amount Rs 9,678)	**0.00**		0.02	
Miscellaneous Expenses	**0.37**		0.62	
Technical Consultancy Fees & Expenses	**0.19**	**2.97**	-	4.14

(Rs.in crores)

SCHEDULE - 7 *(Contd.)*

			As at 30th June, 2010		As at 31st March, 2009
Interest & Finance Charges					
To Banks & Others (Net) (Full amount Rs 5,400)		**0.00**		0.69	
Finance Charges		**0.05**	**0.05**	0.14	0.83
Depreciation			**0.01**		0.02
	(A)		**189.47**		175.76
LESS :					
Sales of Finished Goods			**7.65**		2.37
Sale of Scrap & By-Product			**0.47**		-
	(B)		**8.12**		2.37
Liabilities no longer required written back					
(Full amount Rs 34,158)		**0.00**		0.03	
Interest received from Banks on deposits					
{TDS Full amount Rs.73,097/- (Rs.4,24,401/-)}		**0.06**		0.27	
Miscellaneous Income	**(C)**	**0.03**	**0.09**	0.01	0.31
Increase/(Decrease) in Stocks					
Opening Stock					
Finished Goods			**2.28**		-
Work in Process			**0.70**		-
Saleable Scrap (Full amount Rs 14,048)			**0.00**		-
By-Product			**0.01**		-
			2.99		-
Closing Stock (Transferred to Schedule - 18)					
Finished Goods			**7.96**		2.28
Work in Process			**0.69**		0.70
Saleable Scrap [Full amount Rs. 487,317 (Rs 14,048)]			**0.05**		0.00
By-Product			**0.03**		0.01
			8.73		2.99
	(D)		**5.74**		2.99
TOTAL	**(A - B - C - D)**		**175.52**		170.09
LESS: Transfer to Fixed Assets			**6.15**		-
TOTAL			**169.37**		170.09

(Rs.in crores)

SCHEDULE - 8 **INVESTMENTS (At Cost)**	**No. of Shares**	**Face value per Share (Rs.)**	**As at 30th June, 2010**	As at 31st March, 2009
Long Term (Trade)				
(i) In Equity Shares - Unquoted				
SICOM Ltd.	- (437,500)	10	**-**	3.52
Steelscape Consultancy Pvt. Ltd.	50,000	10	**0.05**	0.05
Kalyani Mukand Ltd. @	480,000	10	**-**	-
Drum International Inc	20,000	US$ 50	**4.64**	5.14
Minandes SA	20,000	US$ 40	**3.72**	4.12
Interactive TV (I) P. Ltd. [Full amount Rs. 45,000 (Rs. 45,000)]	4,500	10	**0.00**	0.00
(ii) In Equity Shares - Quoted				
Ispat Profiles India Ltd. @	1,500,000	10	**-**	-
TOTAL			**8.41**	12.83
Less: Provision for diminution in value of Investments [Full amount Rs. 45,000 (Rs. 45,000)]			**0.00**	0.00
TOTAL			**8.40**	12.82

		Cost	**As at 30th June 2010 Market Value**	Cost	As at 31st March, 2009 Market Value
Aggregate Amount of Investments	- Quoted	-@	**-#**	-@	**-#**
	- Unquoted	**8.41**	**-**	12.83	-
	Total	**8.41**	**-**	12.83	-

Notes :

@ Value written off in earlier years.

Quotation not available

(Rs. in crores)

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE- 9		
DEFERRED TAX ASSET (NET)		
As per Last account	**950.13**	546.57
Add : Amount arisen on adjustment of foreign exchange differences as on 1st April, 2008	**-**	64.75
Add : For the period	**14.15**	338.81
	* **964.28**	950.13

* Refer Note No. 12 on Schedule 23

(Rs. in crores)

	As at 30th June, 2010	As at 31st March, 2009
SCHEDULE - 10		
INVENTORIES		
At Lower of Cost and Net Realisable Value		
Stores, Spare Parts, Chemicals etc. #	**131.64**	128.96
Production consumables	**68.90**	44.23
Raw Materials	**1369.27**	1118.32
Work-in Process	**12.11**	6.47
Finished Goods	**335.48**	74.35
Saleable Scrap	**1.90**	1.46
By-products	**14.87**	9.14
	* **1934.17**	1382.93

Including discarded fixed assets Rs. 0.37 crore (Rs.0.25 crore)

* Including in Transit / Bonded Warehouses, Materials on Loan / with third parties, etc.

SCHEDULE - 11		
SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts outstanding for more than six months		
[Net of Doubtful Debts fully provided for Rs.1.94 crores (Rs.1.39 crores)]	**326.98**	286.35
Other Debts	**431.99**	279.79
	* **758.97**	566.14

* Refer Note No. 13 on Schedule 23

SCHEDULE -12		
CASH AND BANK BALANCES		
Cash on hand		
[Including Stamps, Cheques/Drafts on hand Rs. 20.47 crores (Rs.2.36 crores)]	**21.08**	2.55
Balances with Scheduled Banks in :		
- Current & Collection Accounts	**2.66**	1.21
Fixed Deposit Account (Receipts pledged with variuos Banks as Security)	**180.36**	78.43
Balance with Non-scheduled Banks		
with China Merchant's Bank, Beijing in Current Account		
[Maximum Balance outstanding during the period Rs. 0.19 crore (Rs. 0.26 crore)]	-	0.19
	204.10	82.38

	As at 30th June, 2010	As at 31st March, 2009
		(Rs. in crores)
SCHEDULE - 13		
LOANS, ADVANCES AND DEPOSITS		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments @	**399.16**	452.33
[including loans to employees Rs. 1.40 crores (Rs. 0.73 crore)]		
(Refer Note No. 17 on Schedule 23)		
Sundry Deposits [Including deposit with Government/Semi Government Authorities Rs. 2.95 crores (Rs. 12.14 crores)]	**59.88**	71.13
Balances with Excise, Port Trust & Custom Authorities	**3.27**	100.44
Advance Income Tax/Tax Deducted at source (net of provisions)	**1.04**	0.82
Export Incentives Receivable	**11.74**	31.47
Sales Tax, VAT, Excise, Custom Duty, Octroi, etc. Recoverable	**93.44**	54.48
[Including under appeal]		
Interest Receivable on Fixed Deposits and others	**4.41**	7.41
	***572.94**	718.08

@ Includes Rs. 0.38 crore (Rs. Nil) due from an Officer of the Company [Maximum amount outstanding during the period Rs. 0.38 crores (Rs. Nil)]

* Net of Doubtful Advances, Deposits etc. fully provided for Rs. 3.45 crores (Rs. 1.58 crores)

SCHEDULE - 14		
CURRENT LIABILITIES		
Acceptances	**1800.43**	1399.12
Sundry Creditors		
a) Total outstanding dues of Micro and Small Enterprises	**10.41**	12.49
(Refer Note No. 28 on Schedule 23)		
b) Total outstanding dues of creditors other than Micro and Small Enterprises	**1819.40**	1829.81
Trade and other deposits	**13.28**	14.80
Advances from Customers (partly bearing interest)	**296.05**	417.84
Other liabilities	**122.20**	15.46
Interest Accrued but not due on Loans	**20.32**	22.17
	4082.09	3711.69

SCHEDULE - 15		
PROVISIONS		
Gratuity	**24.83**	22.87
Leave Salary	**11.75**	12.10
Wealth Tax/Fringe Benefit Tax	**0.05**	0.12
	36.63	35.09

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rs.in crores)

		April'09-June'10 (15 Months)		2008-2009 (12 Months)
SCHEDULE - 16				
SALES (GROSS)				
Finished Goods		**10893.06**		9090.60
Less: Claims, Trade Discounts etc.		**96.26**		117.85
		10796.80		8972.75
Saleable Scrap & By products		**172.74**		85.92
Export Benefits		**13.60**		4.77
		10983.14		9063.44
SCHEDULE - 17				
OTHER INCOME				
Insurance Claims		**12.15**		4.10
Liabilities no longer required written back		**14.08**		34.95
Miscellaneous Receipts		**24.92**		43.37
Gain on Sale of Trade Investments (Long Term)		**2.17**		-
Provision for diminution in value of Investments Written back		-		1.15
Rent received	-		3.21	
Less: Rent paid	-	**-**	1.79	1.42
Net Gain on Exchange Rates / Forward Exchange Contract		**124.53**		-
Gain on prepayment of deferred Value Added/Sales Tax (Refer Note No. 16 on Schedule 23)		**244.96**		285.87
Interest Income (Gross)				
[Tax deducted at source Rs. 0.04 crore (Rs.0.02 crore)]				
– On Bank Deposits	**7.49**		8.64	
– On Receivables	**0.30**		0.70	
– From Customers and Others	**15.36**	**23.15**	26.79	36.13
Dividend received on long term unquoted investments (Trade)		-		0.02
		445.96		407.01
SCHEDULE - 18				
DECREASE/(INCREASE) IN STOCKS				
OPENING STOCKS				
Finished Goods		**73.53**		183.25
[Including Saleable Scrap Rs.1.46 crores (Rs. 6.33 crores)]				
Work - in - process		**5.77**		8.92
By Products		**9.13**		2.94
		88.43		195.11
Add : Trial run Stock transferred as on 25.06.2009 (Refer Schedule - 7)				
Finished Goods [Including Saleable Scrap Rs.0.05 crore]	**8.01**			
Work in progress	**0.69**			
By Products	**0.03**	**8.73**		-
		97.16		195.11
Less: Closing Stocks				
Finished Goods				
[Including Saleable Scrap Rs. 1.90 crores (Rs. 1.46 crores)]		**337.38**		73.53
Work - in - process		**12.11**		5.77
By Products		**14.87**		9.13
		364.36		88.43
		(267.20)		106.68
Transferred to Fixed Assets		**2.33**		1.63
		(269.53)		105.05
SCHEDULE - 19				
PERSONNEL COST				
Salaries, Bonus and Allowances		**213.67**		150.43
Contribution to Provident & Superannuation Funds		**12.34**		15.53
Gratuity Expenses		**4.59**		3.62
Staff Welfare		**33.21**		27.58
Managerial Remuneration		**9.67**		10.95
		273.48		208.11

SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT *(Contd.)*

				(Rs.in crores)
		April'09-June'10 (15 Months)		2008-2009 (12 Months)
SCHEDULE - 20				
MANUFACTURING, SELLING & DISTRIBUTION AND ADMINISTRATIVE EXPENSES				
Power Charges (Refer Note No. 18 on Schedule 23)		**1184.71**		792.05
Fuel Charges		**639.02**		497.76
Consumption of Stores, Spare Parts, Chemicals etc.		**485.46**		351.70
Slitting, Packing and other Expenses		**30.91**		19.47
Repairs & Maintenance :				
– Plant & Machinery	**172.01**		149.20	
– Buildings	**15.82**		10.91	
– Others	**3.92**	**191.75**	11.06	171.17
Freight & Forwarding Charges				
[Net of recovery of Rs 177.69 crores (Rs.82.57 crores)]		**115.38**		86.69
Commission on Sales		**1.79**		1.22
Advertisement (including sales promotion expenses)		**2.14**		2.79
Insurance		**19.88**		20.20
Rent & Hire		**31.36**		23.34
Rates & Taxes		**8.16**		7.84
Charity & Donation		**0.01**		0.22
Auditors' Remuneration :				
As Auditor				
– Audit Fee	**1.56**		1.35	
– Tax Audit Fee	**0.15**		0.27	
– Limited Review Fees	**0.60**		0.54	
In Other Manner - For certifications	**0.77**		0.99	
Travelling & Out of Pocket Expenses	**0.18**	**3.26**	0.18	3.33
Items pertaining to Previous Years				
– At Debit	**6.27**		11.30	
– Less: At Credit	**2.71**	**3.56**	0.33	10.97
Legal Expenses		**10.51**		3.03
Professional Charges		**20.58**		22.06
Postage & Communication expenses		**8.75**		6.88
Bank Commission & Charges		**84.54**		68.10
Miscellaneous Expenses		**62.01**		50.25
Directors' Fees		**0.25**		0.20
Loss on Fixed Assets sold/Discarded (Net)		**6.01**		17.67
Irrecoverable Advances/Debts/Claims written off	**2.44**		5.83	
Less: Adjusted against provisions	-		3.04	
	2.44		2.79	
Add:Provision for Doubtful debts/Advances/Deposits and Claims	**11.38**	**13.82**	2.14	4.93
Amortisation of Foreign Currency Monetary Items Translation Difference		**3.47**		2.47
Share Issue Expenditure written off		**-**		0.49
		2927.33		2164.83
SCHEDULE - 21				
INTEREST				
Interest :				
– On Term Loans *		**834.55**		779.20
– On Cash Credit and Others		**446.69**		367.56
– On Debentures		**4.21**		12.54
		1285.45		1159.30

* Including exchange fluctuation loss relating to term loans Rs. Nil (Rs. 97.65 crores) treated as interest in terms of Accounting Standard-16

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

1) PRINCIPLES OF CONSOLIDATION:

a) The Consolidated Financial Statements present the consolidated Accounts of Ispat Industries Ltd (“the Company”) and its following Subsidiaries (collectively the “Group”):

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership/Interest	
		30th June, 2010	31st March, 2009
Ispat Energy Limited (IEL)	India	**100**	100
Nippon Ispat Singapore (PTE) Limited (NISL)	Singapore	**100**	100
Erebus Limited (EL)	Mauritius	**100**	100
Arima Holdings Ltd. (AHL)	Mauritius	**100**	100
Lakeland Securities Ltd. (LSL)	Mauritius	**100**	100
Ispat Jharkhand Steels Ltd. (IJSL)	India	**60**	60
Rewa Infrastructures Private Limited (RIPL)	India	**83**	83

In terms of Accounting Standard 21, minority interest has been computed in respect of IJSL and RIPL, Non-wholly owned subsidiaries, which have not yet commenced commercial operations.

b) The financial statements of all the subsidiaries have been prepared for the year ended 31st March 2010 and used for the purpose of consolidation. All the adjustments and disclosures for the effects of significant transactions or other events occurred between 1st April 2010 to 30th June 2010, if any, have been made in the consolidated financial statement.

c) The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and any unrealized profits.

d) In terms of Accounting Standard 23 “Accounting for investment in Associates in Consolidated Financial Statements”, Kalyani Mukand Ltd (KML), incorporated in India, in which the Company holds 24% shares, is an associate company. However, since the entire value of Investments in KML aggregating to Rs 6.69 crores has been charged off to revenue in earlier years, the proportionate share of KML’s profitability has not been considered in these accounts.

e) The financial statements of NISL have been prepared in accordance with Singapore Financial Reporting Standard (SFRS) and financial statements of EL, AHL and LSL have been prepared in accordance with Mauritius Accounting Standards (MAS).

f) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviation in accounting policies, if any and to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company’s separate financial statements.

g) In translating the financial statements of the non-integral foreign Subsidiaries for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rate, while income and expense items are translated at average exchange rate and all resulting exchange differences are accumulated in foreign currency translation reserve.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

2) **BASIS OF PREPARATION OF ACCOUNTS :**

The financial statements have been prepared to comply in all material aspects with the Accounting Standards notified 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 in respect of fixed assets for which revaluation is carried out. Further, insurance & other claims, on the ground of prudence or uncertainty in realisation, are accounted for as and when accepted / received. The accounting policies applied by the Group, are consistent with those used in the previous year.

3) **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 as at the balance sheet date and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

4) **FIXED ASSETS :**

a) Fixed Assets are stated at cost of acquisition inclusive of duties (net of CENVAT / VAT), taxes, incidental expenses, erection/ commissioning expenses and interest etc. up to the date the asset is ready to be put to use. In case of revaluation of fixed assets, the cost as assessed by the valuer is considered in the accounts and the differential amount is transferred to revaluation reserve.

Exchange differences, in respect of accounting periods commencing from 1st April 2007, on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset except for that part of exchange difference which is regarded as an adjustment to interest costs and are depreciated over the balance life of the respective asset.

b) Machinery spares which can be used only in connection with a particular item of fixed assets and whose use, as per the technical assessment, is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

c) The carrying amount of assets is reviewed at each balance sheet date to determine if there is any indication of impairment thereof based on external / internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their 'value in use'. The estimated future cash flows are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

5) **DEPRECIATION :**

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 or at rates determined based on the useful life of the assets estimated by the management, whichever

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

is higher. In case of ocean going vessel, higher depreciation is provided to write it off over a period of seven years being the estimated useful life of the vessel.

c) Depreciation on value adjustments made to the fixed assets due to change in foreign exchange rates prevailing at the end of the period, is provided prospectively over the balance life of the respective assets.

d) Depreciation on revalued assets is provided at the rates specified in Section 205 (2) (b) of the Companies Act, 1956. However, in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rates, to ensure the amortisation of these assets over their useful life.

e) Leasehold Land is amortised over the period of lease.

f) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

6) FOREIGN CURRENCY TRANSACTIONS :

a) **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.

b) **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 the 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.

c) **Exchange Differences**

Exchange differences, in respect of accounting periods commencing from 1st April 2007, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset (except for that part of exchange difference which is regarded as an adjustment to interest costs) and are depreciated over the balance life of the asset, and in other cases, such exchange differences are accumulated in a “Foreign Currency Monetary Items Translation Difference Account” and amortised over the balance period of such long-term asset/ liability but not beyond 31st March, 2011.

Exchange differences arising on the settlement or reporting of monetary items, not covered above, at rates different from those at which they were initially recorded, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

d) **Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

income or as expense for the period. However, exchange difference in respect of accounting period commencing from 1st April 2007 arising on the forward exchange contract undertaken to hedge the long term foreign currency monetary items, in so far as they relate to the acquisition of depreciable capital asset, are added to or deducted from the cost of asset and in other cases, are accumulated in "Foreign Currency Monetary Items Translation Difference Account" and amortised over the balance period of such long term asset / liability but not beyond 31st March, 2011.

e) **Derivative Instruments**

In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under AS-11) is done based on the "marked to market" principle on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedged item is charged to the Profit & Loss Account. Net gains are ignored as a matter of prudence.

7) 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.

8) INVENTORIES :

Inventories are valued as follows:

Raw materials, components, stores and spares:

At the lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

Work-in-process and finished goods:

At the lower of cost and net realisable value. Cost includes direct materials and labour and a part of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

By-Products and Saleable Scraps are measured at its net realisable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and sale thereof.

9) BORROWING COSTS :

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized 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 including exchange differences to the extent they are regarded as an adjustment to interest costs, are charged to revenue.

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

10) EXCISE DUTY & CUSTOM DUTY :

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

11) EARNING PER SHARE :

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

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

12) REVENUE RECOGNITION :

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery. Sales are net of returns, claims, trade discounts, Sales Tax and VAT etc.

Interest

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

13) RETIREMENT AND OTHER EMPLOYEE BENEFITS :

Retirement benefits in the form of Provident and Superannuation Funds are defined contribution schemes and these contributions are charged to Profit and Loss Account in the period when these become due to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation, as per the projected unit credit method made at the balance sheet date.
Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per the projected unit credit method.

Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

14) TAXATION :

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being differences between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Group has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date, the Group 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.

15) SEGMENT REPORTING :

Identification of Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which customers of the Group are located.

Unallocable items

The unallocable items consist of general corporate incomes and expenses which are not allocable to any business segment.

16) LEASES :

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

17) CASH AND CASH EQUIVALENTS :

Cash and cash equivalents as indicated in the Cash flow statement comprise of cash at bank and in hand and short-term investments with an original maturity of three months or less.

18) PROVISION :

A provision is recognized when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

SCHEDULE - 23

NOTES ON ACCOUNTS

(Rs in crores)

			As at 30th June, 2010	As at 31st March, 2009
1.	Contingent liabilities not provided for in respect of:			
	a)	Claims against the Group not acknowledged as debts	**15.97**	25.65
	b)	Excise and Custom Demands under dispute/ appeal	**9.03**	1.48
	c)	Income Tax demands under appeal	**3.38**	3.66
	d)	Sales Tax matters (under dispute/appeal)	**1.63**	1.68
	e)	Letters of Credit, Bills discounted and Bank Guarantees outstanding	**250.66**	216.17
	f)	Corporate Guarantees issued to Financial Institutions and others on behalf of various bodies corporate	**290.44**	370.44
	g)	Custom Duty on import of equipments and spare parts under EPCG-scheme	**213.94**	229.05
2.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs. 37.41 crores (Rs. 46.42 crores)]		**267.02**	277.07
3.	Arrear Dividend (including tax) on Cumulative Redeemable Preference Shares for the period from 1999-2000 to the balance sheet date.		**748.32**	658.48

4. a) In respect of cancellable operating leases, the significant leasing arrangements relate to premises (residential, office, etc.) and oxygen plant, which are renewable by mutual consent and lease rentals payable are accordingly charged as 'Rent & Hire' under Schedule 20.

   b) The Company has taken certain plant and equipments on non-cancellable operating leases for a period of 3 to 15 years, which are renewable on expiry of the lease period at mutually acceptable terms. Lease payments recognized in the profit & loss account under 'Rent & Hire' amounts to Rs. 20.50 crores (Rs. 16.40 crores) for the period and the particulars of future lease payments are as under:

(Rs in crores)

Up to 1 year	Later than 1 year and not later than 5 years	More than 5 years
20.73	**50.46**	**32.35**
(23.32)	(62.13)	(47.24)

5. The Company has given undertakings to financial institutions not to dispose off its shareholding in Ispat Profiles India Ltd. till its loan is repaid in full.

6. Excise Duty & Cess on Stocks represents differential excise duty & cess on opening and closing stock of finished goods, saleable scrap and by-products.

7. Certain promoters of the Company were allotted 11,32,44,580 equity warrants, on preferential basis, on 18th April 2008, pursuant to the then applicable SEBI (Disclosure and Investor Protection) Guidelines, 2000. The said promoters have not exercised the right to apply for equity shares within the stipulated period of 18 months from the date of allotment of Equity Warrants. Consequently, in accordance with the said SEBI Guidelines, the entitlement of the warrant holders to apply for equity shares has expired on 17th October 2009 and the aggregate amount of Rs.51.98 crores received towards the issue of equity warrants has been forfeited and credited to capital reserve account.

8. In terms of the special resolution passed at the Extra Ordinary General meeting of the members of the Company on 15th May, 2010, the Company is authorized to issue 11,33,06,895 Equity Warrants to the eligible promoters, on preferential basis within a period of

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

15 days from the date of passing of the Resolution or within a period of 15 days from the date of obtaining requisite approvals, if any, whichever is later. The Company has made application to the Stock Exchanges for “in-principle”approval, which is awaited as on date. Each equity warrants can be converted into one equity shares of Rs 10/- each of the Company within a period of eighteen months from the date of allotment, at the option of warrant holders. In accordance with the applicable guidelines of SEBI, the price of each equity shares of Rs 10/- each, arising upon conversion of the equity warrant, has been determined at Rs 20.58. The Company has received an amount Rs 18 crores towards part of the subscription amount payable in respect of such equity warrants, upto 30th June 2010, which have since been encased.

9. During the period, the Company has redeemed 12% Cumulative Redeemable Preference Shares amounting to Rs. 17.14 crores which is in excess of the proceeds of fresh issue of equity warrants made for the purpose of redemption. There is also no credit balance in the Profit & Loss Account which can otherwise be available for distribution of dividends. Thus, the above redemption of preference shares, neither being out of fresh issue of shares nor out of Profit & Loss Account credit balance, is not in line with Section 80 of the Companies Act, 1956.

10. The Company has adjusted net foreign exchange gain of Rs. 241.12 crores arisen during the period (loss of Rs 519.14 crores), on long term foreign currency monetary items relating to acquisition of depreciable capital assets, to the carrying amount of the respective assets and loss of Rs. 0.61 crore (loss of Rs 11.87 crores) relating to other cases to Foreign Currency Monetary Items Translation Difference Account.

    The break-up of unamortised balance of Rs 2.08 crores (Rs 4.94 crores) in Foreign Currency Monetary Items Translation Difference Account as on 30th June 2010 is as follows:

(Rs in crores)

	April’09-June’10 (15 Months)	2008-09 (12 Months)
Opening balance	**4.94**	(4.46)
Add: Exchange differences for the period	**0.61**	11.87
Less: Amortisation during the period	**(3.47)**	(2.47)
Closing balance	**2.08**	4.94

11. During the period, certain lenders have funded one year’s interest of Rs. 235.72 crores on long term borrowings falling due from one year from January 2009 onwards, while certain other lenders have extended new long term credit facilities of Rs. 403.17 crores to the Company. These loans are repayable in 48 equal monthly instalments commencing from April, 2013.

    The new credit arrangements are divided into two parts namely Series-I aggregating to Rs. 371.98 crores, under which lenders have a right to convert outstanding loans into equity as per applicable laws at any time during the currency of the loan and Series-II aggregating to Rs. 266.91 crores under which lenders have a right to convert outstanding loans into equity as per applicable laws on occurrence of certain specified events of default, which during the period has already occurred due to non-achievement of financial closure for certain projects (power and coke oven), non-payment of loans and interest thereon to the extent of Rs. 80.22 crores as on the balance sheet date to term loan lenders within 60 days of the relevant due dates etc.

    In terms of the above, the lenders have a right to convert loans aggregating to Rs 638.89 crores into equity as on the Balance Sheet date.

12. (a) In terms of Accounting Standard - 22, net deferred tax assets (DTA) of Rs 14.15 crores (Rs 338.81 crores) has been recognised during the period and consequently DTA as on June 30, 2010 stands at Rs 964.28 crores (Rs 950.13 crores). There is carried forward unabsorbed depreciation and business losses as at the Balance Sheet date. However, based on the future profitability projections, the Company is virtually certain that there would be sufficient taxable income in future, to claim the above tax credit.

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

The break-up of DTA of Rs. 964.28 crores (Rs. 950.13 crores) is as follows:

(Rs in crores)

Particulars		As at 30th June, 2010	As at 31st March, 2009
a.	Unabsorbed Depreciation	**1550.30**	1588.01
b.	Unabsorbed Business Losses	**329.09**	411.89
c.	Timing Difference in Depreciable Assets	**(1200.44)**	(1257.81)
d.	Other Timing Differences	**285.33**	208.04
	Deferred Tax Asset (Net)	**964.28**	950.13

(b) The unabsorbed business losses of Rs.199.86 crores pertaining to assessment year 2002-03 being due for more than eight assessment years cannot be further carried forward for set off and hence, deferred tax credit to the extent of Rs. 66.39 crores pertaining to the aforesaid year, has been adjusted with DTA arisen during the period and the net DTA of Rs. 14.15 crores for the period, has been considered in the Profit & Loss Account.

13. Sundry Debtors include Rs 255.61 crores (Rs 247.73 crores) recoverable from Peddar Realty (P) Ltd. towards sale consideration of landed property along with interest upto June 30, 2009 thereon. The management is certain about the realization of the total outstanding amount based on the current value of above property as per the valuation carried out by a reputed independent valuer as on 29th March 2010.

14. Raw materials inventory includes Rs 104.83 crores being the value of materials procured through State Trading Corporation against letters of credit and lying in transit, overseas with a Stevedoring Agent since March 2010. The management expects these materials to be received by 30th November 2010.

15. Directors' remuneration aggregating to Rs. 4.84 crores (Rs. 9.71 crores) for the period and Rs. 11.02 crores (Rs. 4.57 crores) paid in earlier years to the Managing and Other Whole Time Directors, is in excess of the limit specified under Section 198 of the Companies Act, 1956 as well as the approvals received from the Ministry of Corporate Affairs during the period, vide its various letters dated 27th April, 2010, 30th April, 2010, 3rd May, 2010 and 4th May, 2010. Thus, the above excess remuneration is liable to be recovered from the Managing/Whole time Directors. However, no accounting adjustment has been made in the accounts for the above amount recoverable from the Managing/Whole time Directors, as the company has made a representation to the Ministry of Corporate Affairs for reconsideration of its approvals, which is pending as on date.

16. Other Income in Schedule 17 includes Rs. 244.96 crores (Rs. 285.87 crores), being the gain arising on pre-payment of deferred Value Added / Sales Tax liability, in terms of Section 94(2) of Maharashtra Value Added Tax Act 2002 read with Rule 84 of Maharashtra Value Added Tax Rules 2005. Based on the computation made as per the said Scheme, the Company has paid Rs. 53.02 crores (Rs. 67.89 crores), equivalent to the net present value of the deferred Value Added / Sales Tax liability of Rs 297.98 crores (Rs. 353.76 crores) payable in future years and the balance amount of Rs. 244.96 crores (Rs. 285.87 crores) has been taken to profit & loss account, being the gain accrued on such pre-payment.

17. Advances recoverable in Schedule 13 include Regulatory Liability Charges (RLC) amounting to Rs 117.63 crores (Rs 170.33 crores) due from Maharashtra State Electricity Distribution Company Limited (MSEDCL) as on the balance sheet date. In terms of Tariff Orders issued by Maharashtra Electricity Regulatory Commission (MERC) from time to time, a sum of Rs 52.70 crores (Rs 31.24 crores) has, however, been received against such RLC dues during the period.

18. Power charges are net of Rs. 73.94 crores (Rs Nil) being the refund received/receivable from Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) against additional supply charges collected by MSEDCL during the period from October 2006 to May 2008 in terms of the order dated 9th November 2009 from Maharashtra Electricity Regulatory Commission (MERC).

19. During the period, the Company has entered into a Joint Venture Agreement to set up a Coke Oven Project of the annual capacity of 1.0 million Tons at its Dolvi steel complex. The Company will have a 26% interest in the assets, liabilities, revenue and expenses of Amba River Coke Limited (JV Company), which has been incorporated in India.

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

20. In terms of Accounting Standard 28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company has carried out the impairment test during the period. The carrying value of each cash generating unit (CGU) is lower than their respective recoverable value, arrived at based on their 'value in use' and hence, no impairment charge has been recognised in the books of accounts. The 'value in use' is computed based on the management's latest operational and profitability projections, which have been extrapolated till the remaining useful life of the respective assets. The cash flows have been discounted at an appropriate rate representing the weighted average cost of capital of the Company.

21. The management is in the process of reconciling outstanding balance of Rs. 1137.17 crores (Rs 1001.40 crores) appearing as on the balance sheet date with respect to certain major suppliers of raw materials. The management does not expect any material impact on the financial statements on account of such reconciliation.

22. As at the Balance sheet date, the accumulated losses of the Group stand at Rs. 2141.85 crores (Rs. 1839.44 crores) and the Shareholders' fund amounts to Rs. 2795.43 crores (Rs. 2861.02 crores) [excluding revaluation reserve of Rs 967.76 crores (Rs. 1072.26 crores)].

    The business plan and profitability estimates have been noted by the Board of Directors at its meeting held on 11th May 2009. These projections reflect that the Company would be in a position to generate positive cash flows and operational surplus in the near future. Further, the net worth of the Company as at 30th June, 2010 is positive.

    Considering the strategic plans and the future profitability projections, these financial statements have been drawn up as per the going concern assumption, which is appropriate in the opinion of the management.

    Board for Industrial and Financial Reconstruction (BIFR) vide its Order dated 31st December 2009 has communicated to the Company that the accumulated losses of the Company as on 31st March 2009 exceeds 50% of its peak net-worth of last 4 years and hence, the Company is potentially sick under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. However, the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) vide its Order dated 25th March 2010 has subsequently granted an interim stay with respect to the above BIFR order, which has been further extended and is presently in force.

23. Managerial Remuneration :

(Rs in crores)

Particulars		April'09-June'10 (15 months)	2008-2009 (12 Months)
(a)	Vice Chairman & Managing Director		
	Salary	**1.80**	2.16
	Contribution to Provident & Superannuation Funds	**0.49**	0.58
	Perquisites	**2.18**	2.40
	Total	**4.47**	5.14
(b)	Other Whole-time Directors		
	Salary	**2.82**	3.00
	Contribution to Provident & Superannuation Funds	**0.58**	0.71
	Perquisites	**2.70**	2.90
	Total *	**6.10**	6.61
	Grand Total	**10.57**	11.75

* Includes Rs. 0.90 crore (Rs. 0.80 crore) taken to preoperative and trial run expenses.

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Group as a whole, the amount pertaining to the directors are not included in the above figures.

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

24. Basis for calculation of basic and diluted earnings per share is as under:

Sr. No.	Particulars		April'09-June'10 (15 months)	2008-2009 (12 Months)
A	Loss after Tax[After considering notional dividend on cumulative redeemable preference shares Rs. 89.84 crores (Rs. 75.90 crores)]	Rs in crores	**412.51**	765.70
B	Present weighted average number of equity shares	Nos.	**1,222,442,218**	1,222,442,218
C	Equity shares to be allotted on conversion of equity warrants	Nos.	**191,806**	11,342,007
D	Potential weighted average number of equity shares (B+C)	Nos.	**1,222,634,024**	1,233,784,225
E	Nominal Value of Equity Shares	Rs.	**10**	10
F	Basic and Diluted Earnings per Share	Rs.	**(3.37)**	(6.26)

The Company has been sanctioned certain borrowing facilities during the period wherein the lenders have the right to convert the loan into equity. On conversion, the likely impact on EPS is anti dilutive and hence, not considered above for computation of diluted EPS.

25. (a) The quantum of mark to market losses on all outstanding derivatives contracts amounts to Rs 22.68 crores (Rs 18.89 crores) as at the balance sheet date which has been duly provided for in the accounts in line with principle of prudence.

(b) Derivative instruments outstanding at the period-end represent the following:

i. For minimizing the risk of currency exposure, forward Cover Contracts of US$ 5,750,000 (US$ 5,000,000) are on trade receivables, US$ 76,897,418 (US$ 28,873,214) on trade payables and US$ 38,499,500 (US$ 45,692,000) on long term loan from a bank.

ii. Outstanding Principal only Swap (POS) contracts for INR / ¥ (Japanese Yen) for ¥ 1,868,631,051 at various strike price [INR / ¥ (Japanese Yen) for ¥ 1,868,631,051 at various strike price] together with a right to receive differential interest on the notional principal amount.

(c) The Group has following un-hedged exposures in various foreign currencies as at the period-end:

(Rs in crores)

Sr. No.	Particulars	As at 30th June, 2010	As at 31st March, 2009
(i)	Trade Receivables	**0.50**	3.05
(ii)	Advances (including balance with banks)	**16.17**	27.67
(iii)	Trade Payables (including customer advances)	**722.63**	1217.88
(iv)	Borrowings (including interest)	**2169.89**	2570.21

26. Gratuity and other post-employment benefit plans :

The Group provides for gratuity and leave liabilities on the basis of actuarial valuation. The Group does not have any fund for Gratuity liability and the same is accounted for as provision.

The following tables summarise the components of net benefit/expense recognised in the profit and loss account and balance sheet for the respective plans.

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(a) Expenses recognized in the Profit and Loss Account for the period ended 30th June 2010:

(Rs in crores)

	Gratuity		Leave	
	April'09-June'10 (15 months)	2008-09 (12 months)	**April'09-June'10 (15 months)**	2008-09 (12 months)
Current service cost	**2.99**	2.37	**1.69**	1.42
Interest cost	**1.97**	1.60	**0.99**	0.87
Actuarial (gains) / losses	**(0.36)**	(0.31)	**(0.69)**	(0.16)
Past service cost	**-**	-	**-**	-
Net expense	**4.60**	3.66	**1.99**	2.13

(b) Net Asset / (Liability) recognized in the Balance Sheet as at 30th June, 2010:

(Rs in crores)

	Gratuity		Leave	
	As at 30th June, 2010	As at 31st March, 2009	**As at 30th June, 2010**	As at 31st March, 2009
Defined benefit obligation	**24.83**	22.87	**11.75**	12.10
Fair value of plan assets	**-**	-	**-**	-
Less: Unrecognised past service cost	**-**	-	**-**	-
Net Asset / (Liability)	**(24.83)**	(22.87)	**(11.75)**	(12.10)

(c) Changes in the present value of the defined benefit obligation are as follows:

(Rs in crores)

	Gratuity		Leave	
	April'09-June'10 (15 months)	2008-09 (12 months)	**April'09-June'10 (15 months)**	2008-09 (12 months)
Opening defined benefit obligation	**22.87**	21.36	**12.10**	11.99
Current service cost	**2.99**	2.37	**1.69**	1.42
Interest cost	**1.97**	1.60	**0.99**	0.87
Benefits paid	**(2.64)**	(2.15)	**(2.34)**	(2.02)
Actuarial (gains) / losses	**(0.36)**	(0.31)	**(0.69)**	(0.16)
Closing defined benefit obligation	**24.83**	22.87	**11.75**	12.10

(d) The Principal Actuarial Assumptions used in determining gratuity and leave liability are as follows:

	2009-10	2008-09
Discount rate	**7.70%**	7.30%
Mortality table	**LIC(1994-1996) ultimate**	LIC(1994-1996) ultimate
Employee turnover	**9.00%**	9.00%

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(e) Amounts for the current and previous periods are as follows: *

(Rs in crores)

	Gratuity				Leave			
	As at 30th June, 2010	As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2007	**As at 30th June, 2010**	As at 31st March, 2009	As at 31st March, 2008	As at 31st March, 2007
Defined benef it obligation	**24.83**	22.87	21.36	17.16	**11.75**	12.10	11.99	11.43
Plan Assets	-	-	-	-	**-**	-	-	-
Surplus/ (deficit)	**(24.83)**	(22.87)	(21.36)	(17.16)	**(11.75)**	(12.10)	(11.99)	(11.43)
Experience adjustments on plan liabilities (gains)/losses	**0.22**	2.79	2.13	-	**(0.44)**	1.43	(0.60)	-
Experience adjustments on plan assets	-	-	-	-	**-**	-	-	-

* AS 15 (revised) on Employee Benefits was adopted by the Group from 1st April 2006 and hence, the above disclosures have been made accordingly.

(f) Amounts provided for the defined contribution plans are as follows:

(Rs in crores)

Defined Contribution to:	**April'09-June'10 (15 months)**	2008-09 (12 months)
Provident Fund*	**10.05**	8.39
Superannuation Fund*	**3.42**	8.60

* Includes Rs. 0.06 crore (Rs. 0.17 crore) taken to preoperative and trial run expenses.
The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

27. Related Party Disclosures:

(a) Name of the related parties:

Associate Companies	Kalyani Mukand Limited Drum International Inc Minandes S.A.
Key Management Personnel and their Relatives	Mr. M L Mittal (Father of Mr. Pramod Mittal and Mr. Vinod Mittal Mr. Pramod Mittal Mr. Vinod Mittal

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

	Mr. Vinod Garg Mr. Anil Sureka Mr. B K Singh Mr. Yadvendra Sahai Mrs. Natasha Mittal Saraf (Daughter of Mr. Vinod Mittal) Mr. Atulya Mittal (Son of Mr. Vinod Mittal) Mr. Basant Himalian Mr. Kuldiiep Daryani Mr. Shishir Tamotia
Joint Venture Company	Amba River Coke Limited (w.e.f. 8th May 2009)
Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Global Steel Holdings Ltd. Navoday Exim (P) Ltd. (formerly Ispat Holdings (P) Ltd.) Navoday Management Services Ltd. (formerly Ispat Finance Ltd.) Navoday Consultants Ltd. (formerly Mudra Ispat Ltd.) Denro Holding (P) Ltd. Mita Holdings (P) Ltd. Goldline Tracom (P) Ltd. Gontermann Peipers India Ltd. Kartik Credit (P) Ltd. Ushaditya Trading (P) Ltd. (formerly Ushaditya Investments (P) Ltd.) Navdisha Real Estate (P) Ltd. (formerly Kanoria Plastokem (P) Ltd.) Elephanta Gases Ltd. Geetapuram Port Services Ltd. (upto 19th July 2009) Peddar Realty (P) Ltd. Chattisgarh Energy Limited Radiant Stars International Ltd. Shinning Stars Ltd. Chancellor Build Estate (P) Ltd. E-Star Exchange (P) Ltd. North East Natural Resources (P) Ltd. (w.e.f 31st July 2009)

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(b) Related party disclosures:

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Sales of raw materials, intermediaries and finished goods					
Amba River Coke Ltd.		26.04 (-)		0.56 (3.93)	26.60 (3.93)
Gontermann Peipers India Ltd.				0.05 (1.36)	0.05 (1.36)
Purchases of raw materials, intermediaries and finished goods					
Gontermann Peipers India Ltd.				22.41 (18.43)	22.41 (18.43)
Interest Income					
Peddar Realty Pvt. Ltd.				8.21 (26.79)	8.21 (26.79)
Services received					
E-Star Exchange (P) Ltd				3.77 (0.29)	3.77 (0.29)
Geetapuram Port Services Ltd.				1.14 (1.63)	1.14 (1.63)
Elephanta Gases Ltd.				4.50 (0.45)	4.50 (0.45)
Others				0.19 (0.13)	0.19 (0.13)
Services given					
Geetapuram Port Services Ltd.				2.05 (0.47)	2.05 (0.47)
Salary/Managerial Remuneration					
Mr. Vinod Mittal			4.47 (5.14)		4.47 (5.14)
Mr. Anil Sureka			1.71 (2.00)		1.71 (2.00)
Mr. Vinod Garg			1.78 (1.99)		1.78 (1.99)

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Mr. B. K. Singh			1.71 (1.95)		1.71 (1.95)
Mr. Shishir Tamotia			0.76 (0.80)		0.76 (0.80)
Others			0.82 (0.45)		0.82 (0.45)
Guarantees given on behalf of					
Kartik Credit (P) Ltd.				6.50 (6.50)	6.50 (6.50)
Denro Holding (P) Ltd.				6.50 (6.50)	6.50 (6.50)
Mita Holdings (P) Ltd.				6.50 (6.50)	6.50 (6.50)
Navoday Exim (P) Ltd.				6.50 (6.50)	6.50 (6.50)
Rent Expense (including Lease Rent)					
Chancellor Build Estate (P) Ltd.				1.50 (0.10)	1.50 (0.10)
Goldline Tracom (P) Ltd.				0.97 (0.03)	0.97 (0.03)
Denro Holding (P) Ltd.				0.70 (0.02)	0.70 (0.02)
Kartik Credit (P) Ltd.				0.60 (0.02)	0.60 (0.02)
Navoday Exim (P) Ltd (formerly Ispat Holdings (P) Ltd)				0.56 (0.02)	0.56 (0.02)
Others				1.24 (0.51)	1.24 (0.51)

THE NEW GENERATION STEEL

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Guarantees obtained					
Mr. M. L. Mittal			552.73 (552.73)		552.73 (552.73)
Mr. Pramod Mittal			9,132.20 (8,465.29)		9,132.20 (8,465.29)
Mr. Vinod Mittal			9,132.20 (8,465.29)		9,132.20 (8,465.29)
Navoday Consultants Ltd. (formerly Mudra Ispat Ltd.)				143.68 (143.68)	143.68 (143.68)
Issue of Equity Warrants					
Radiant Stars International Ltd.				- (20.34)	- (20.34)
Shining Stars Ltd.				- (31.64)	- (31.64)
Forfeiture of Equity Warrants					
Radiant Stars International Ltd.				20.34 (-)	20.34 (-)
Shining Stars Ltd.				31.64 (-)	31.64 (-)
Application Money towards Equity Warrants					
Mita Holdings (P) Ltd.				10.00 (-)	10.00 (-)
Ushaditya Trading (P) Ltd. (formerly Ushaditya Investments (P) Ltd.)				8.00 (-)	8.00 (-)
Balance outstanding as at the period end – Debit					
Peddar Realty Pvt Ltd.				255.61 (247.73)	255.61 (247.73)
Amba River Coke Ltd.		33.95 (-)			33.95 (-)

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

(Rs in crores)

Nature of Transactions	Subsidiary Companies	Joint Venture Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Minandes S.A.	20.86 (23.10)				20.86 (23.10)
Others				36.87 (40.47)	36.87 (40.47)
Balance outstanding as at the period end – Credit					
Gontermann Peipers India Ltd				10.88 (4.23)	10.88 (4.23)
E-Star Exchange (P) Ltd.				1.84 (0.69)	1.84 (0.69)
Others			0.57 (-)	0.02 (0.43)	0.59 (0.43)
Loan repayable as at the period end					
Minandes S.A.	1.39 (1.54)				1.39 (1.54)

28. Based on the information / documents available with the Group, information as per the requirement of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 are as follows:

(Rs in crores)

	Particulars	**As at 30th June, 2010**	As at 31st March, 2009
a)	Principal Amount	**9.12**	11.55
	Interest Due on Above	**1.29**	0.94
b)	Amount of interest paid in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006	**-**	-
c)	Amount of interest due and payable for the period of delay	**0.35**	0.90
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	**0.35**	0.90
e)	Amount of further interest remaining due and payable in the succeeding year	**1.29**	0.94

29. Segment Information:

    i) **Business Segment:** The Group is primarily engaged in the business of manufacture and sale of Iron and Steel products.

    ii) **Geographical Segment:** The Group primarily operates in India and therefore the analysis of geographical segment is based on the areas in which customers of the Company are located.

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

Information for Secondary Geographical Segments:

(Rs in crores)

Particulars	April'09-June'10 (15 months)	2008-09 (12 months)
Domestic Revenues (Net of Excise Duty)	**9666.07**	7364.16
Overseas Revenues (Including Export Benefits)	**466.66**	767.82
Total	**10132.73**	**8131.98**

(Rs in crores)

Particulars	As at 30th June, 2010	As at 31st March, 2009
Domestic Debtors	**758.47**	563.15
Overseas Debtors	**0.50**	2.99
Total	**758.97**	**566.14**

iii) Since the Company has common fixed assets for producing goods for domestic and overseas markets, separate figures for fixed assets / additions to fixed assets for these two segments are not furnished.

30. RIPL, a subsidiary company, has got an in-principle approval for setting up of a Special Economic Zone (SEZ) in Alibag district of Maharashtra, India and it has already started the process of acquiring land for setting up the SEZ. Accordingly, the cost of land together with direct / indirect expenses incurred in relation thereto, is reflected under the head “capital work in progress” which includes Rs. 9.11 crores (Rs. 9.36 crores) towards the cost of acquisition of 124.79 acres (129.52 acres) of land whose final conveyance in RIPL's favour is yet to be executed.

    Further, Capital Work in Progress/ Advances includes a sum of Rs. 0.39 crore (Rs. 0.18 crore) being the cost of 7.23 acres (7.73 acres) of land whose acquisition is under litigation.

31. In case of Ispat Energy Limited:

    a. No profit and loss account has been prepared as the Power Plant is in implementation stage. Based on the projected cash flows for the power Project, the management is of the view that no impairment charge is warranted in Capital Work in Progress.

    b. Advances made to certain parties and materials / equipments lying with the contractors are subject to confirmation. However, according to the management, advances given will be adjusted and material/ equipments held by the contractors will be adjusted/ received in due course.

    c. Remuneration aggregating to Rs 0.34 crores (including Rs. 0.18 crores for earlier years) paid to a Whole time director, is in excess of the limit specified under Section 198 of the Companies Act, 1956. The applications for such excess remuneration are pending for approval with the Central Government.

32. The audited/ unaudited financial statements for the 15 months period ended 30th June 2010, of certain Associate Companies namely Drum International Inc (incorporated in British Virgin Islands) and Minandes S.A. (incorporated in Columbia) in both of which the Group holds 40% equity shares, are not available with the Group. Consequently, the proportionate share of profit/ loss accruing to the Group under Equity method being not ascertainable, could not be incorporated in the accounts. As on the balance sheet date, the investments in Drum International Inc is Rs 4.64 crores (USD 1 million) and in Minandes S.A. Rs 3.72 crores (USD 0.8 million), which

SCHEDULE - 23

NOTES ON ACCOUNTS *(Contd.)*

is not significant as compared to the Group's consolidated assets. Hence, the management does not expect any material impact on the consolidated financial statements due to non-incorporation of the proportionate share of profits / losses of these Associate Companies.

33. The Group has extended its accounting year from 31st March 2010 to 30th June 2010. Accordingly, the current year's figure being for the fifteen months period ended 30th June 2010, are not comparable with those of the previous year.

34. Previous year's figures including those in brackets, have been rearranged / regrouped wherever considered necessary.

Signatories to Schedules 1 to 23

As per our Attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

Per R.K. Agrawal
Partner
Membership No. 16667

22, Camac Street,
Kolkata - 700 016
Camp : Mumbai
Date : 28th August, 2010

For and on behalf of the Board

T P Subramanian
President
& Company Secretary

Anil Sureka
Executive Director
(Finance)

Vinod Mittal
Vice Chairman
& Managing Director

ATTENDANCE SLIP

ISPAT INDUSTRIES LIMITED

Registered Office: "Park Plaza", 71 Park Street, Kolkata 700 016

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

D.P. Id*	
Client Id*	

Master Folio No.	

NAME AND ADDRESS OF THE SHAREHOLDER:

No. of Share(s) held :

I/We hereby record my/our presence at the **TWENTY FIFTH ANNUAL GENERAL MEETING** of the Company held on Tuesday, the 21st day of December, 2010 at 10.30 A.M. at "Kala Kunj", 48, Shakespeare Sarani, Kolkata - 700 017.

Signature of the shareholder or proxy

*Applicable for investors holding shares in electronic form.

PROXY FORM

ISPAT INDUSTRIES LIMITED

Registered Office: "Park Plaza", 71 Park Street, Kolkata 700 016

D.P. Id*	
Client Id*	

Master Folio No.	

I/We ……………………………………………………………………………………of……………………………………………… ……………………………………………………………………….. being a member/members of Ispat Industries Limited hereby appoint ……………………………………………………………of ………………………………………… …………………………………………………..or failing him ……………………………………………………………………… of …………………………………………………………or failing him………………………………………………………of ……………………………………………………………………as my/our proxy to vote for me/us and on my/our behalf at the Twentyfifth Annual General Meeting to be held on Tuesday, the 21st day of December, 2010 at 10.30 A.M. or at any adjournment thereof.

Affix a Revenue Stamp

* Applicable for investors holding shares in electronic form.

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

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