

**ANNUAL  
REPORT  
2009-2010**



**ORISSA SPONGE IRON & STEEL LIMITED**

# Orissa Sponge Iron & Steel Limited

## Board of Directors

Mr. C. J. Venugopal, IAS  
Dr. P. K. Mohanty  
Mr. P. K. Paul

Mr. L. D. Sahoo  
Mr. B. K. Sarkar  
Mr. S. K. Khetan  
Mr. M. A. Khan  
Mr. M. Mohanty

Chairman, Non Executive Director, IPICOL Nominee  
Vice Chairman & Managing Director  
Independent Director  
(went for heavenly abode on 09.11.2010)  
Non Executive Director, IPICOL Nominee  
Independent Director  
Independent Director  
Director (Project & Engineering)  
Wholetime Director

## General Manager (F & A) & Company Secretary

Mr. S. Ramakrishnan

## Auditors

M/s. L. N. More & Co.  
Chartered Accountants  
Professor Para  
Cuttack

## Bankers

State Bank of India  
Bank of India  
State Bank of Bikaner & Jaipur

## Registrar & Share Transfer Agent

Link Intime India Private Limited  
59C, Chowringhee Road  
3rd Floor, Kolkata - 700 020

## Registered Office

OSIL House  
Gangadhar Meher Marg  
Bhubaneswar - 751 024

## Corporate Office

CIC Building, 11th Floor  
33A, Jawaharlal Nehru Road  
Kolkata - 700 071

---

## Contents

|                                     |    |
|-------------------------------------|----|
| Notice & Annexure                   | 1  |
| Directors' Report & Annexure        | 6  |
| Management Discussion & Analysis    | 10 |
| Corporate Governance                | 11 |
| Certificate on Corporate Governance | 17 |
| Auditors' Report                    | 17 |
| Balance Sheet                       | 20 |
| Profit & Loss Account               | 21 |
| Cash Flow Statement                 | 22 |
| Schedules & Notes on Accounts       | 23 |
| Statement Pursuant to Sec. 212      | 38 |
| Accounts of Subsidiary Company      | 38 |

# Orissa Sponge Iron & Steel Limited

## NOTICE

Notice is hereby given that the 30th Annual General Meeting of the Members of the Company will be held on Tuesday, the 21st December, 2010 at Hotel Swosti, Bhubaneswar at 3.30 p.m. to transact the following business:

### AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date together with the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. L. D. Sahoo, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. K. Khetan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration and to pass the following resolution with or without any modification(s), as Ordinary Resolution:

**"RESOLVED THAT** pursuant to Section 224 and other relevant provisions of the Companies Act, 1956, M/s. L. N. More & Co, Chartered Accountants, Cuttack, who retire at this Meeting and being eligible offer themselves for re-appointment, be and is hereby re-appointed as the Statutory Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors of the Company."

### AS SPECIAL BUSINESS

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

**"RESOLVED THAT** Mr. B. K. Sarkar who was appointed as an Additional Director in the Meeting of the Board of Directors of the Company held on 10th May, 2010 and who holds office upto the conclusion of this Annual General Meeting and in respect of whom notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. B. K. Sarkar, as Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

**"RESOLVED THAT** Mr. C. J. Venugopal, IAS who was appointed as an Additional Director in the Meeting of the Board of Directors of the Company w.e.f. 9th July, 2010 and who holds office upto the conclusion of this Annual General Meeting and in respect of whom notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. C. J. Venugopal, as Director, be and is hereby appointed as a Director of the Company, not liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 311, 317 and other applicable provisions, if any, of the Companies Act 1956 read with Schedule XIII of the Act (including any amendment or modification thereof) and subject to approval of the Central Government or any such other approvals, if any, consent be and is hereby accorded to the re-appointment of Dr. P. K. Mohanty as Vice Chairman and Managing Director of the Company not liable to retire by rotation for a period of 3 (three) years with effect from 23rd June, 2010 on the terms & conditions including remuneration as set out in the explanatory statement annexed to the notice convening this meeting.

**"RESOLVED FURTHER THAT** the Board of Directors, on the recommendations of the Remuneration Committee, be and are hereby authorized to revise, amend, alter and vary the terms and conditions relating to the remuneration payable to the Managing Director in such manner as may be permissible in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and any modification thereto and as may be agreed to by Board of Directors and Dr. P.K. Mohanty or any modification as made by Central Government.

**"RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to take all actions and steps expedient or desirable to give effect to this resolution."

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act (including any amendment or modification thereof) and subject to approval of the Central Government or any such other approvals, if any, consent be and is hereby accorded to the appointment of Mr. M. A. Khan as Whole Time Director of the Company not liable to retire by rotation for a period of 1 (one) year with effect from 1st November, 2009 and extension thereof for a further period of (one) year w.e.f. 1st November, 2010 on the terms & conditions including remuneration as set out in the explanatory statement annexed to the notice convening this meeting."

"RESOLVED FURTHER THAT the Board of Directors, on the recommendations of the Remuneration Committee, be and are hereby authorized to revise, amend, alter and vary the terms and conditions relating to the remuneration payable to the Whole Time Director in such manner as may be permissible in accordance with the provisions of the Companies Act, 1956 read with Schedule XIII and any modification thereto and as may be agreed to by Board of Directors and Mr. M. A. Khan or any modification as made by Central Government."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all actions and steps expedient or desirable to give effect to this resolution."

## Registered Office

OSIL House  
Gangadhar Meher Marg  
Bhubaneswar - 751 024

Dated: 10th November, 2010

By Order of the Board

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

## ANNEXURE TO THE NOTICE

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

#### Item No. 5 & 6

The Board of Directors of the Company (the Board) at its meeting held on 10th May, 2010 had pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 105 of the Articles of Association of the Company appointed Mr. B. K. Sarkar as an Additional Director of the Company being an Independent Director.

The Board also at its meeting held on 30th July, 2010 had pursuant to the provisions of Section 260 of the Act and Article 105 of the Articles of Association of the Company appointed Mr. C. J. Venugopal, IAS as an Additional Director of the Company upon receipt of nomination from Industrial Promotion & Investment Corporation of Orissa Limited (IPICOL) w.e.f 9th July, 2010.

In terms of the provisions of Section 260 of the Act, Mr. B. K. Sarkar and Mr. C. J. Venugopal, IAS will hold the office up to the conclusion of this Annual General Meeting.

The Company has received notices in writing from some members of the Company proposing the candidature of Mr. B. K. Sarkar, as Director liable to retire by rotation and Mr. C. J. Venugopal, IAS as Director not liable to retire by rotation under provisions of Section 257 of the Act. Brief resume of these Directors are provided in notes below and the Board recommends the Ordinary Resolution set out at item no.5 & 6 of the accompanying notice for the approval of the members.

None of the other Directors of the Company except Mr. B. K. Sarkar and Mr. C. J. Venugopal, who are interested in their respective appointment, are in any way, concerned or interested in the said resolution.

#### Item No. 7

The Board of Directors, on the recommendation of the Remuneration Committee re-appointed Dr. P. K. Mohanty as Vice Chairman & Managing Director w.e.f. 23rd June, 2010 not liable to retire by rotation for a period of 3 (three) years subject to the approval of the Central Government and shareholders at the ensuing Annual General Meeting. The terms and conditions including remuneration payable to him are set out in the Agreement dated 10th May, 2010 entered into by the Company with Dr. P. K. Mohanty, which inter-alia, contains the following terms and conditions:

Salary: ₹ 1 per month.

Perquisites:

- Medical Reimbursement: Actual Medical expenses incurred for the Vice-Chairman and Managing Director and the family. Over and above, hospitalization expenses will be paid/reimbursed in full.
- Leave Travel Concession: For the Vice-Chairman and Managing Director and his family once in every two years an amount limited to ₹ 2,00,000 (Rupees two lacs) only.
- Personal Accident Insurance: Premium not to exceed ₹ 15,000 per annum.

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Vice-Chairman and Managing Director.

Commission:

Remuneration by way of commission @ 2% (Two Percent) of the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 will also be allowed in addition to salary and perquisites. The amount of the Commission based on the net profits of the Company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and Section 309 of the Companies Act, 1956.

## Orissa Sponge Iron & Steel Limited

Notwithstanding anything contained herein, where, in any financial year, during the currency of tenure of the Vice-Chairman and Managing Director, if the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of salary and perquisites specified above.

Brief resume of Dr. P. K. Mohanty is provided in notes below. The Agreement entered into by the Company with Dr. P. K. Mohanty dated 10th May, 2010 is available for inspection of the Members at the Registered Office of the Company on all its working days during working hours.

None of the Directors except Dr. P. K. Mohanty and Mr. Munir Mohanty is concerned or interested in the Resolution.

The Board recommends the Resolution for the approval of the members.

### Item No. 8:

The Board of Directors, on the recommendation of the Remuneration Committee appointed Mr. M. A. Khan as Whole Time Director of the Company not liable to retire by rotation for a period of 1 (one) year with effect from 1st November, 2009 subject to the approval of the Central Government and shareholders at the ensuing Annual General Meeting.

As the Company has taken extension of time for holding the Annual General Meeting for 3 months from Registrar of Companies u/s 166(1) of the Companies Act, 1956 due to unavoidable circumstances, the Company could not take the approval of the shareholders during the tenure of the appointment of the said Director and as a consequence, the term of the Director expired on 31st October 2010. The Board of Directors extended his term for a further period of 1 (one) year as whole time Director w.e.f. 1st November 2010 on the same terms and conditions, subject to the approval of the Central Government and Shareholders at the ensuing Annual General Meeting.

The terms and conditions including remuneration payable to him are set out in the Agreement dated 6th February, 2010 and a further Supplementary Agreement dated 10th November, 2010 entered into by the Company with Mr. M. A. Khan, which inter-alia, contains the following terms and conditions:

Basic Salary: ₹ 57,500 per month

Personal Allowance: ₹ 22,000 per month

Education Allowance: ₹ 10,000 per month

Perquisites:

This will comprise house rent allowance, medical reimbursement, leave travel concession, and personal accident insurance. These will be provided for as follows:

- a) Housing I: The expenditure by the Company on hiring furnished accommodation for the Whole-time Director will be subject to the following ceiling:  
Fifty percent of the Salary, over and above ten percent payable by the Whole-time Director.
- b) Housing II: In case the accommodation is owned by the Company, ten percent of the Salary of the Whole-time Director shall be deducted by the Company.
- c) Housing III: In case no accommodation is provided by the Company, Whole-time Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

Medical Reimbursement: Expenses incurred for the Whole-time Director and the family subject to a limit of ₹ 57,500 (Rupees fifty seven thousand five hundred) only for the year.

Leave Travel Concession: For the Whole-time Director and his family limited to ₹ 57,500 (Rupees fifty seven thousand five hundred) only for the year.

Leave: Entitled to 30 days leave for the year.

Personal Accident Insurance: Premium not to exceed ₹ 10,000 (Rupees ten thousand) only per annum.

1. There will be no Provident Fund, Superannuation Fund and Annuity Fund benefit. No Gratuity benefit is also payable.

2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Whole-time Director.

Notwithstanding anything contained herein, where, in any financial year, during the currency of tenure of the Whole-time Director the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of salary and perquisites specified above.

Thus the Board recommends the appointment from 01.11.2009 to 31.10.2010 and extension thereof for the approval of the shareholders.

Brief resume of Mr. M. A. Khan is provided in notes below. The Agreement entered into by the Company with Mr. M. A. Khan dated 06.02.2010 and 10.11.2010 is available for inspection of the Members at the Registered Office of the Company on all its working days during working hours.

None of the other Directors of the Company except Mr. M. A. Khan and Dr. P. K. Mohanty being the trustee of Torsteel Research Foundation in India are in any way, concerned or interested in the said resolution.

### Registered Office

OSIL House  
Gangadhar Meher Marg  
Bhubaneswar - 751 024

Dated: 10th November, 2010

By Order of the Board

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

## Orissa Sponge Iron & Steel Limited

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. The instrument appointing proxy in order to be effective should be duly stamped, completed and signed and should be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.
3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **Friday, the 10th December, 2010 to Tuesday the 21st December, 2010 (both days inclusive)**.
5. All documents referred to in the accompanying Notice and the Explanatory Statement is open for inspection at the Registered Office of the Company during the office hours on all working days except Saturday between 11.00 a.m. to 4.00 p.m.
6. Members are requested to intimate the change of their address if any, immediately to the Register & Transfer Agent of the Company.
7. Members who are holding the shares in physical form are requested to open a Depository Account with any of the Depository participants attached to any of the two depositories (NSDL or CDSL) registered under the Depositories Act, so that a member may hold share on paperless de-materialized form, and enjoy better liquidity and other advantages.
8. For all matters relating to shares, members are requested to contact the Company at the following address:

Link Intime India Pvt. Ltd., 59C, Chowringhee Road, 3rd Floor, Kolkata - 700020. Phone No: 033-2289 0540 Fax No: 033-2289 0539  
E-mail: [kolkata@linkintime.com.in](mailto:kolkata@linkintime.com.in)

### OR

Orissa Sponge Iron & Steel Limited, Share Department, Chatterjee International Centre, 11th Floor, 33A, Jawaharlal Nehru Road, Kolkata - 700071, Phone - 2226 6442, 2226 3114, 2226 2636, Fax - 033-2226 7470, E-mail - [calosil@cal.vsnl.net.in](mailto:calosil@cal.vsnl.net.in)

9. Members, who have multiple accounts in identical names or joint names in same order are requested to intimate M/s. Link Intime India Pvt. Ltd., the ledger folio of such accounts to enable the Company to consolidate all such holdings into one account.
10. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders holding share certificate in physical form and willing to avail this facility may make nomination in form 2B, which may be sent on request. However, in case of demat holdings, the shareholders should approach to their respective depository participants for making nominations.
11. Pursuant to provisions of Section 205C of the Companies Act, 1956 the Company has transferred unpaid / unclaimed dividend for the financial year 2001-03 to the Investor Education and Protection Fund.



## Orissa Sponge Iron & Steel Limited

Details of Directors seeking appointment / re-appointment in 30th Annual General Meeting in pursuance of Clause 49 of Listing Agreement.

| Name of the Director   | Mr. L. D. Sahoo  | Mr. S. K. Khetan   | Mr. B. K. Sarkar  | Mr. C. J. Venugopal, IAS   | Dr. P. K. Mohanty   | Mr. M. A. Khan   |
|--|--|--|---|--|---|--|
| Date of Birth  | 25.02.1953   | 01.07.1959   | 18.10.1947  | 27.11.1964   | 06.01.1935  | 23.08.1948   |
| Qualification  | LLB, FCS, FICWA  | B.Com(H), FCA  | Bachelor of Engineering (Chemical)  | IAS  | Phd. (Eng)  | B.Sc.(Eng)   |
| Date of Appointment  | 28.02.1993   | 06.06.2009   | 10.05.2010  | 09.07.2010   | 09.04.1979  | 30.07.2004   |
| Expertise in Specific Functional areas   | General Manager and Company Secretary of IPICOL, a govt. of Orissa Undertaking | A practising Chartered Accountant with 24 years of experience and 7 years of experience as Promoters and Developers in Real Estate. Also an expert analyst and consultant in the financial and share market. | A reputed engineer with finance background having specialisation in corporate finance, project management, financial restructuring acquisition and appraisal of new projects. | A senior IAS Officer having profound experience for working at different Government Departments.                               | A significant contributor for growth of Iron & Steel industry. Also the Promoter of Tarsteel Research Foundation in India, responsible for developing the production and scientific utilization of high strength reinforcing steel in India and making TOR steel a household name. OSIL was promoted by him as the first commercial sponge iron plant and under his leadership the Sponge Iron manufacturing process i.e. OSIL Process was established. | Eng (Electrical) having rich experience of more than 25 years in implementing various projects of the Company. |
| List of other Companies in which directorship is held (excluding in foreign Companies, private limited companies and section 25 company) | Kalinga Steels (India) Ltd.  | i) Saket Promoters Ltd.,<br>ii) Umra Securities Ltd.,<br>iii) Shri Aryavrat Trading (Co.) Ltd.   | Nil   | i) Industrial Promotion & Investment Corp. of Orissa Ltd.<br>ii) Neelachal Ispat Nigam Ltd.<br>ii) Kalinga Steels (India) Ltd. | i) Bamra Iron & Steel Co. (India) Ltd.<br>ii) Bamra Sponge Iron & Steel Ltd.<br>iii) Torsteel Ltd.<br>iv) Tor Comm Ltd.<br>v) Keonjhar Infrastructure Development Co. Ltd<br>vi) Unitech Ltd.<br>vii) Contisteel Ltd.<br>viii) East Cost Steel Ltd.<br>ix) Banspani Iron Ltd.   | i) Bamra Iron & Steel Co. (India) Ltd.<br>ii) Bamra Sponge Iron & Steel Ltd.                                   |
| Chairman/Member of the Committee of the Board of Directors of other Companies in which he is a Director (excluding in Foreign Companies) | Nil  | Nil  | Nil   | Nil  | Nil   | Nil  |
| Details of Shareholding (both own or held by/ for other persons on a beneficial basis), if any, in the Company                           | 12   | Nil  | Nil   | Nil  | 1,15,555  | Nil  |

# Orissa Sponge Iron & Steel Limited

## DIRECTORS' REPORT

Your Directors submit the following report on Financial Results during the year ended 31st March, 2010:

| Financial Results:                                    | For the year<br>ended<br>31st March 2010<br>(₹ in lacs) | For the year<br>ended<br>31st March 2009<br>(₹ in lacs) |
|---|---|---|
| Turnover  | 18,962.01   | 20,901.83   |
| Profit / (Loss) before depreciation                   | (2,393.37)  | (2,002.95)  |
| Depreciation (net of revaluation adjustment)          | 1,163.21  | 958.17  |
| Prior period items                                    | -   | (352.17)  |
| Profit / (Loss) before tax                            | (3,556.58)  | (3,313.29)  |
| Provision for Deferred tax - Assets                   | 1,220.08  | 632.75  |
| Fringe Benefit tax                                    | -   | 39.66   |
| Profit / (Loss) after tax                             | (2,336.50)  | (2,720.20)  |
| Surplus /(Deficit) brought forward from previous year | (4,610.80)  | (1,890.60)  |
| Surplus (Deficit) carried forward to P&L A/c          | (6,947.30)  | (4,610.80)  |

Your Company suffered substantial losses during the year due to mismatch of cost of production and sale price of finished products. Your Company has started selling surplus power to the Grid. Adequate raw materials could not be procured at a remunerative prices and capacity utilization suffered. The Company could only produce 1,29,385 MT of sponge iron and 19,408 MT of steel billets during this year. Open offer formalities which was advertised on 25th February 2009 is pending before the Statutory Authority i.e. SEBI.

However sustained efforts are made to reduce cost of production and with stabilisation of market and with access to coal and iron ore from the Company's allocated coal block and own iron ore mines, the Company will become profitable.

### Dividend

Your Directors regret that in view of losses they are unable to recommend any Dividend.

### Exports

The Company exported 18,412.971 MT of Sponge Iron, 2,992.660 MT of Steel Billets to Bangladesh, Nepal and Bhutan.

### Project & Engineering Division

Project and Engineering Division of OSIL is presently providing technology and engineering services to Super Smelters Ltd. for their first and second module of 100,000 TPA Sponge Iron Plant. An LOI from M/s. IPISTEEL Ltd. for the preparation of feasibility report, engineering and consultancy services for their upcoming steel plant has been received. A MOU has been signed with M/s. Shriram EPC Ltd. for further sales of Technology/Turnkey projects. P & E Division is also carrying out the technical audit of OSIL plant operations where the plant health, process health, quality, safety etc. are continuously monitored and assessed.

### Community Development

In line with your Company's philosophy, your Company continues to pursue a comprehensive program of Community Development covering education, immunization, agricultural & horticultural extension, dairy development, micro-credit societies, watershed development, mother & child care etc. directly and also through OSIL TRFI Community Services and OSIL TRFI Community Services Trust.

### Quality

Your Company continues to follow the Quality Management System for production and supply of Sponge Iron and Steel Billets as well as captive power generation and possesses Certificate of Registration of ISO 9001:2000 and is ISO 9001:2000 from NQAQSR. Your Company is proud of maintaining the clean Environment in the vicinity of the Plant and your Company's Environment Management System covering Sponge Iron production, Captive Power generation and Steel Billet production has been certified under ISO 14001:2004 by NQAQSR. Occupational Health and Safety Management System of your Company has also been certified by NQAQSR and your Company complies with the requirements of OHSAS 18001:1999 as well as OHSAS 18001:2007.

### Award

Ministry of Labour & Employment, Government of India, has presented NATIONAL SAFETY AWARD, to the Company in September 2010 for outstanding performance in Industrial Safety as runner-up for the performance year 2008 based on Lowest Average Frequency Rate.

### Listing Fees

The annual listing fees have been paid to the Stock Exchanges where the Company's shares are listed. Your Company's application to National Stock Exchange (NSE) for listing and Calcutta Stock Exchange for de-listing is pending before the respective Exchanges.

### Secretarial Audit

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a Practising Company Secretary. The findings of the Secretarial Audit were entirely satisfactory.



# Orissa Sponge Iron & Steel Limited

## Directors

IPICOL had nominated Mr. S. C. Patnaik, IAS, Chairman-cum-Managing Director, IPICOL, as Chairman to the Board in place of Mr. Hemant Sharma, IAS with effect from 1st October 2009 and again Mr. C. J. Venugopal, IAS, Chairman-cum-Managing Director, IPICOL as Chairman to the Board in place of Mr. S. C. Patnaik, IAS, with effect from 9th July 2010. Notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. C. J. Venugopal, as Director in the ensuing Annual General Meeting. Mr. B. K. Sarkar was appointed as an Additional Director in the Board as an independent Director with effect from 10th May, 2010. Notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. Sarkar, as Director in the ensuing Annual General Meeting.

Mr. L. D. Sahoo and Mr. S. K. Khetan will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## Conservation of energy, technology absorption, foreign exchange earning and outgo

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988 as amended are set out in Annexure, which forms part of this Report.

## Particulars of Employees

There were no employees getting a salary of ₹ 24,00,000 per annum or ₹ 2,00,000 per month when employed for a part of the year.

## Directors' Responsibility Statement

In accordance with the provisions of sub-section 2AA of Section 217 of the Companies Act, 1956, your Directors state that:

- In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- Accounting policies selected are applied consistently. Judgments and estimates that are reasonable and prudent are made, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the Profit/ Loss of the Company for the year ended on that date.
- Proper and sufficient care has been taken 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.
- The Accounts for the financial year ended 31.03.2010 have been prepared on a 'going concern' basis.

## Auditors' Report

Regarding Auditors' observation in the Auditors' Report in para 3(i) and 3 (ii), your Directors' replies and comments are given in Annexure-I of the Directors' Report.

## Auditors

The Auditors, M/s L. N. More & Co., Chartered Accountants, Cuttack, will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Audit Committee and the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval. The Company has received confirmation that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

## Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis and a Report on Corporate Governance together with a Certificate on compliance thereon from M/s. A. K. Labh & Co., Company Secretaries, are separately attached along with the Annual Report.

## Acknowledgement and Appreciation

The Directors acknowledge with gratitude the co-operation extended by IREDA, Financial Institutions, Banks, State Government, Suppliers, Customers, Shareholders and solicit their continued support. The Directors also wish to place on record their sincere appreciation of the dedicated services put in by the Company's workers, staff and executives under difficult conditions.

For and on behalf of the Board

L. D. Sahoo, Director  
S. K. Khetan, Director  
Munir Mohanty, Director  
Dr. P. K. Mohanty, Vice Chairman  
& Managing Director

Place: Kolkata

Dated: 10th November, 2010

# Orissa Sponge Iron & Steel Limited

## DIRECTORS' REPORT (ANNEXURE-I)

Management replies and comments on Auditors' observations in the Auditors' Report in para No. 3 (i) and 3 (ii).

|  | Auditors' observations   | Management replies & comments   |                                       |   |   |          |                          |   |   |         |  |   |   |           |
|--|--|---|---------------------------------------|---|---|----------|--------------------------|---|---|---------|--|---|---|-----------|
| Para 3(i)  | No provision has been made for diminution in value of long term investments in a listed Company Bilati (Orissa) Ltd. amounting to ₹ 142 lacs. (refer schedule 6B(i))   | On Nilachal Ispat Nigam Ltd.:<br>₹ 274 lacs is due from Nilachal Ispat Nigam Ltd. (NINL) for certain claims. As per legal advice obtained from eminent Advocates, the claim is payable by NINL. The Management is pursuing the recovery and confident of realizing the amount.  |                                       |   |   |          |                          |   |   |         |  |   |   |           |
| Para 3(ii)   | According to us, advances recoverable from Nilachal Ispat Nigam Ltd. amounting to ₹ 274 lacs (₹ 274 lacs) and from Bilati (Orissa) Ltd. amounting to ₹ 1789 lacs (including advance of ₹ 89 lacs for the year (Previous year - ₹ 1700 lacs), are doubtful of recovery against which provision has not been made. (Refer Schedule No. 14B [5 & 6]). | On Bilati (Orissa) Ltd. :<br>Bilati (Orissa) Ltd. (BOL), was promoted by the Company along with Torsteel Research Foundation in India (TRFI) and Orissa Agro Industries Corporation Ltd. for setting up a food processing and horticulture unit in Keonjhar for socio-economic development of the region. A State-of-Art Fruits and Vegetables processing plant of stainless steel imported from Italy with a large processing capacity was set up. Production could not be achieved at the sustainable level due to non-availability of adequate working capital. Consequently, BOL became a sick company. Management considered that BOL as a debt-free company is a viable unit and could meet the objective for which project was contemplated.<br>The company has the following investments and advances:<br><table style="margin-left: 20px;"> <tr> <td>1. Investment in equity share capital</td> <td>:</td> <td>₹</td> <td>142 lacs</td> </tr> <tr> <td>2. Advance against share</td> <td>:</td> <td>₹</td> <td>48 lacs</td> </tr> <tr> <td>3. Advances (including payment of one time settlement of the long term loans of SBI/BOI amounting to ₹ 653 lacs)</td> <td>:</td> <td>₹</td> <td>1741 lacs</td> </tr> </table> BOL has commissioned IL & FS Cluster Development Initiative Ltd. for formulating a comprehensive proposal for restarting commercial operations at the earliest. It is expected that in the long run BOL will be viable and advance can be recovered.<br>Hence, Management considered that investment made in and advances | 1. Investment in equity share capital | : | ₹ | 142 lacs | 2. Advance against share | : | ₹ | 48 lacs | 3. Advances (including payment of one time settlement of the long term loans of SBI/BOI amounting to ₹ 653 lacs) | : | ₹ | 1741 lacs |
| 1. Investment in equity share capital  | :  | ₹   | 142 lacs                              |   |   |          |                          |   |   |         |  |   |   |           |
| 2. Advance against share   | :  | ₹   | 48 lacs                               |   |   |          |                          |   |   |         |  |   |   |           |
| 3. Advances (including payment of one time settlement of the long term loans of SBI/BOI amounting to ₹ 653 lacs) | :  | ₹   | 1741 lacs                             |   |   |          |                          |   |   |         |  |   |   |           |

## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 Read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988

### A. Conservation of energy

- (a) Energy conservation measures taken:  
Power is generated by utilizing the off-gas of the Sponge Iron Plants.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:  
There are plans to improve the utilization of waste coal fines and coal char in the Boilers, to generate steam and thereafter electric power.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
  - (i) The Company is not purchasing any power from the Grid, for normal operations.
  - (ii) Improved utilization of waste heat and waste coal fines and coal char for power generation will improve the total power availability for production as well as generate surplus for sale.
  - (iii) Reduction in cost of production of Sponge Iron & Billet.
  - (iv) Increase generation of waste gas based power will increase carbon credit generation.
- (d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto.

Total energy consumption per unit of Production in Form A:

Power & Fuel Consumption:

| (1) Electricity           | 2009-10 | 2008-09 |
|---------------------------|---------|---------|
| (a) Purchased unit (KWH): |         |         |
| For Sponge Iron           | NIL     | NIL     |
| For Steel Billets         | NIL     | NIL     |
| Total Amounts (₹)         |         |         |
| For Sponge Iron           | NIL     | NIL     |
| For Steel Billets         | NIL     | NIL     |
| Rate / Unit (₹)           |         |         |
| For Sponge Iron           | NIL     | NIL     |
| For Steel Billets         | NIL     | NIL     |

# Orissa Sponge Iron & Steel Limited

|   | 2009-10      | 2008-09  |
|---|--------------|--|
| (b) Own Generation  |              |  |
| (i) Through diesel generator:   |              |  |
| Units (KWH)   | 99,685       | 766,953  |
| Units per ltr. of Diesel  | 2,048        | 2,622  |
| Cost / unit (₹)   | 17.18        | 14.06  |
| (ii) Through steam Turbine:<br>(Waste Heat Power Plant)   |              |  |
| Units (KWH)   | 77,902,731   | 49,552,719   |
| Cost / unit (₹)   | 1.98         | 1.75   |
| (2) Coal  |              |  |
| For Sponge Iron   |              |  |
| Quantity (MT)   | 211,808      | 157,949  |
| Total Cost (₹)  | 64,84,64,099 | 49,26,28,637                                       |
| Average Rate (₹ per MT)   | 3,062        | 3,119  |
| For Waste Heat Power  |              |  |
| Quantity (MT)   | 24,722       | 17,990   |
| Total Cost (₹)  | 1,97,77,600  | 1,43,92,000  |
| Average Rate (₹ per MT)   | 800          | 800  |
| (3) Furnace Oil   |              |  |
| Quantity (k. ltrs.)   | NIL          | NIL  |
| Total Amount (₹)  | NIL          | NIL  |
| Average rate  | NIL          | NIL  |
| (4) Other / Internal Generation   |              |  |
| Consumption per unit of Production  |              |  |
| Products:   |              |  |
| Sponge Iron (MT)  | 129,385      | 105,284  |
| Steel Billets (MT)  | 19,408       | 25,332   |
| Electricity (KWH)   |              |  |
| For Sponge Iron   | 146          | 135  |
| For Steel Billets   | 998          | 987  |
| Steam Coal (MT)   |              |  |
| For Sponge Iron   | 1,637        | 1,500  |
| <b>B. Technology Absorption:</b>  |              |  |
| (e) Efforts made in technology absorption as per Form B of the Annexure:<br>Disclosure of particulars with respect to absorption in Form B<br><b>Research and Development (R &amp; D)</b>   |              |  |
| 1. Specify areas in which R & D carried out by the Company.<br>Activities has been suspended because of losses.   |              | : Not quantified                                   |
| 2. Benefit derived as a result of the above R & D   |              | : Under formulation                                |
| 3. Future plan of action :  |              | : Negligible                                       |
| 4. Expenditure on R & D:  |              |  |
| (a) Capital   |              | : "  |
| (b) Recurring   |              | : "  |
| (c) Total   |              | : "  |
| (d) Total R & D expenditure as a percentage of total turnover   |              | : "  |
| <b>Technology Absorption, Adaptation &amp; Innovation</b>   |              |  |
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation: Process know-how developed by the Company for Direct Reduction has been successfully adopted by Usha Martin Ltd., M/s. Patnaik Steels and Alloys Pvt. Ltd. and M/s. Rathi Steel and Power Ltd. in their DR Plants. Super Smelters is adopting OSIL Process for the their DR Plant. |              |  |
| 2. Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution etc.  |              | : Income is generated in the form of other income. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:   |              | : Not applicable                                   |
| (a) Technology imported   |              |  |
| (b) Year of import  |              |  |
| (c) Has technology been fully absorbed?   |              |  |
| (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action   |              |  |
| <b>C. Foreign Exchange Earnings and outgo</b>   |              |  |
| (f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:<br>The Company has exported Sponge iron and Billets to Bangladesh, Nepal and Bhutan.  |              |  |
| (g) Total foreign exchange used and earned.   |              | (₹ in lacs)  |
|   | 2009-10      | 2008-09  |
| (1) Foreign Exchange earnings for Export of Goods - (FOB Basis) & sale of Carbon Credit   | 665.63       | 2147.57  |
| (2) Foreign Exchange outgo  | 6.15         | 48.74  |

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### A. Industry structure and developments:

Economic slow down has also affected sponge iron industry and growth of the sponge iron industry remains stagnant during this year. Quality and quantity of raw materials i.e. iron ore and coal charged into kiln plays a vital role in the capacity utilization of the rotary kiln which is used for sponge iron making. Transportation of adequate quantity of raw materials required for capacity utilization also plays a vital role in some areas.

The capacity utilization in the Company suffered due to both the above reasons although two kilns were in operation.

Waste heat gases emitted by the sponge iron plants release lots of energy which is used for generation of power. Two power plants of the Company, based on waste heat from kilns as well as by utilizing of coal fines and coal char, are generating power and the surplus power has been sold.

Usage of inferior quality coal available in India with high ash content restricts capacity utilization. However, after washing average quality improves and it is essential to analyze various inputs and its costs closely to cope with the ups and down in the commodity market.

### B. Opportunities, Threats and Risks:

#### i) Opportunities:

Per capita consumption of steel in India is still very low and opening up of economy and governmental efforts on infrastructure development is expected to generate demand which will eventually lead to setting up of integrated steel plants in India. The Company's vision in steel making will become cost effective as soon as benefits of iron ore mine and coal mine are available to the Company.

#### ii) Threats and risks:

Increase in the cost of iron ore and coal i.e. the basic raw materials of the Company has its direct effect on the profitability and the Company suffered to a great extent due to mismatch of cost of production and selling price of sponge iron. Benefit of iron ore mining and coal block is not yet available to the Company and disruption in coal linkage during the year forced the Company to procure more coal from the market.

Inadequate infrastructure in the vicinity of the Company's plant does not allow the Company to accumulate adequate stocks of raw materials i.e. iron ore and coal leading to production disruptions.

Price of sponge iron is sensitive to demand-supply position of steel scrap as well as long products' selling prices prevailing in the market, which has remained low. The rise in the cost of iron ore and coal combined with low steel prices has squeezed margin.

### C. Internal Control System and its adequacy:

The Company has an adequate system of Internal Control commensurate with its size and nature of operations. It provides reasonable controls that all assets are safeguarded, transactions are authorized, recorded and reported properly. Internal Auditors, a firm of Chartered Accountants, conduct audit on various activities of the Company and reports to the Audit Committee constituted by the Board. Audit Committee meets regularly during the year and reviews audit issues and follows up implementation of corrective actions.

### D. Material Development in Human Resources and the Industrial Relation Front:

Industrial relation remains cordial during the year. A number of training programmes were conducted to develop human resources. Safety standards are maintained at every stage of manufacturing, production and maintenance.

### E. Outlook:

Company's target is to achieve a growth of one million tonne of steel making by utilizing captive iron ore and coal from its own mines, leases for which have already been allocated by the Government. The operationalising of the mines are now dependent on the receipt of forest clearances from Union Ministry of Forest and Environment. This will create wealth for the shareholders.

### F. Cautionary Statement:

The Management Discussions and Analysis describing Industry Structure, Developments, Opportunities, Threats etc. aims at a forward looking approach based on present applicable Laws & Regulations. Actual Results may differ from such expectations, projections etc. whether expressed or implied. Important factors that can influence and can make a difference in Company's operations include effect of demand and supply leading to price differentials in both domestic and international markets, changes in the regulations, tax laws and other statutes and other factors like infrastructure facilities, natural calamities etc. over which the Company do not have a direct control:

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on Code of Corporate Governance:

The Company's philosophy on Corporate Governance is disclosure, transparency, openness and to enhance shareholders'/stakeholders' value with best practices of Corporate Governance.

### 2. Board of Directors:

The Company has a Non-Executive Chairman. The number of independent Directors is one-third of the total number of Directors whereas the number of Non-Executive Directors is more than half of the total number of Directors on the Board.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors. Dr. P. K. Mohanty and Mr. Munir Mohanty are related with each other. All the Directors are above 21 years of age.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other Companies are given below:

(A) Composition & Category of Directors are as follows:

| Name of Directors                              | Composition of the Board            | Board Meeting held during the period | Attendance in Board Meeting | Directorship in other Public Limited Companies# | No. of Membership / Chairmanship of the Committees held in other Public Limited Companies# |
|--|-------------------------------------|--------------------------------------|-----------------------------|---|--|
| 1. Mr. A. K. K. Meena, IAS* (IPICOL Nominee)   | Non Executive & Chairman            | 2                                    | 2                           | 6   | 2  |
| 2. Mr. L. D. Sahoo (IPICOL Nominee)            | Non Executive                       | 7                                    | 7                           | 1   | -  |
| 3. Mr. R. P. Panda (IPICOL Nominee)            | Non Executive                       | 7                                    | 4                           | 1   | -  |
| 4. Mr. P. K. Paul                              | Non Executive (Independent)         | 7                                    | 7                           | 3   | 1  |
| 5. Mr. S. K. Khetan**                          | Non Executive (Independent)         | 6                                    | 3                           | 3   | -  |
| 6. Dr. P. K. Mohanty                           | Vice Chairman and Managing Director | 7                                    | 7                           | 9   | -  |
| 7. Mr. H. Sharma, IAS*** (IPICOL Nominee)      | Non Executive & Chairman            | 2                                    | 2                           | 6   | 3  |
| 8. Mr. S. C. Patnaik, IAS**** (IPICOL Nominee) | Non Executive & Chairman            | 3                                    | 3                           | 3   | -  |
| 9. Mr. M. A. Khan                              | Director (Project & Engineering)    | 7                                    | 5                           | 2   | -  |
| 10. Mr. M. Mohanty                             | Executive Director                  | 7                                    | 6                           | 3   | -  |

\* Nomination withdrawn w.e.f. 30.07.2009.

\*\* Appointed w.e.f. 06.06.2009.

\*\*\* Noninated w.e.f. 30.07.2009 in place of Mr. A. K. K. Meena, IAS and nomination withdrawn w.e.f. 01.10.2009.

\*\*\*\* Nominated w.e.f. 01.10.2009 in place of Mr. H. Sharma, IAS.

# Number of Directorship/Membership held in other companies excludes Directorship/Membership in private limited companies, foreign companies, membership of various committees of various chambers/bodies and Companies under Section 25 of the Companies Act, 1956 and Alternate Directorship whereas the Membership or Chairmanship of any committee includes Audit Committee and Shareholders'/Investors' Grievance Committees only.

Mr. P. K. Paul, Mr. L. D. Sahoo, Dr. P. K. Mohanty and Mr. Munir Mohanty, attended the last Annual General Meeting held on 22nd September, 2009.



## Orissa Sponge Iron & Steel Limited

(B) Details of Board Meeting held during the financial year 2009-10 :

| Sl. No. | Date       | Board Strength | No. of Directors present |
|---------|------------|----------------|--------------------------|
| 1.      | 06.06.2009 | 7              | 7                        |
| 2.      | 27.06.2009 | 8              | 7                        |
| 3.      | 30.07.2009 | 8              | 6                        |
| 4.      | 22.08.2009 | 8              | 7                        |
| 5.      | 30.10.2009 | 8              | 7                        |
| 6.      | 30.01.2010 | 8              | 5                        |
| 7.      | 06.02.2010 | 8              | 6                        |

The time gap between any two meetings did not exceed maximum time gap of four months.

Brief resumes of the Directors proposed to be appointed/re-appointed have been detailed in the Annexure to the Notice.

### 3. Audit Committee:

The Audit Committee consists of three non-executive & independent Directors viz. Mr. P. K. Paul, Chairman, Mr. S. K. Khetan and Mr. L. D. Sahoo. Majority of them are Independent Directors.

The terms of reference stipulated by the Board to the Audit Committee covers areas mentioned under Clause 49 of the Listing Agreement and meets the requirements under Section 292A of the Companies Act, 1956 besides other terms as referred by the Board of Directors which includes review of Financial Results, Audit Reports, Internal Control System & Procedures, reviewing with Internal Auditor and Statutory Auditors. During the Financial Year 2009-10, five meetings of the Audit Committee were held on 26.06.2009, 29.07.2009, 22.08.2009, 29.10.2009 and 06.01.2010.

Attendance of each member at the Audit Committee meetings:

| Name of the Director | No. of Audit Committee Meeting held | No. of Audit Committee Meeting Attended |
|----------------------|-------------------------------------|---|
| Mr. P. K. Paul       | 5                                   | 5                                       |
| Mr. S. K. Khetan     | 5                                   | 3                                       |
| Mr. L. D. Sahoo      | 5                                   | 5                                       |

### 4. Shareholders'/Investors' Grievance Committee:

Shareholders'/Investors' Grievance Committee looks after the redressal of investors' complaints as well as share transfers. Mr. P. K. Paul, a non-executive and independent Director is the Chairman and Dr. P. K. Mohanty, Vice-Chairman and Managing Director is the other member. This Committee meets at least once in a month. Miss Shikha Ruia is the Secretary to the Committee.

Shareholders'/Investors' Grievance Committee held twelve meetings on the following days during the financial year 2009-10:

01.04.2009, 04.05.2009, 01.06.2009, 01.07.2009, 01.08.2009, 01.09.2009, 01.10.2009, 03.11.2009, 01.12.2009, 01.01.2010, 01.02.2010 and 01.03.2010.

During the financial year 2009-10, 3 complaints were received from the shareholders of the Company and the same were resolved. Some issues connected to investors are sub judice in Courts.

The Board has appointed Miss Shikha Ruia as the Compliance Officer, under the Securities and Exchange Board of India (SEBI) notifications in their Meeting held on 30th January 2010 and thereafter Mr. S. Ramakrishnan, General Manager (F & A) was appointed as Company Secretary & Compliance Officer w.e.f. 10th November 2010.

Compliance Officer

Address : CIC Building, 11th Floor, 33A Jawaharlal Nehru Road, Kolkata - 700 071

Phone No. : 033-2226 3114, 2226 2636, 2226 6442, 2288 7336

Fax No. : 033-2226 7470

E-mail : calosil@cal.vsnl.net.in

Pursuant to new clause 47(f) of the listing agreement the company's e-mail ID for grievance redressal purpose is calosil@cal.vsnl.net.in where complaints can be lodged by the investors.

### 5. Share Transfer System:

Share Transfer requests valid and complete in all respects are normally, processed within twenty one days and option letters dispatched in the next seven days. All efforts are made by the Company and the Registrar and Share Transfer Agents for expediting share transfers. Valid requests for demat of shares are completed within 15 days.

The Company received 56 cases of Share Transfer comprising of 6,031 shares. Number of Transmission cases received during the year was 4 comprising of 302 shares and 10 cases of sub-division / duplicate / consolidation / replacement of shares comprising of 1,616 shares was received during the year.



# Orissa Sponge Iron & Steel Limited

## 6. Shares held by Non-Executive Directors as on 31.03.2010:

| Name of the Director   | Shares held |
|------------------------|-------------|
| Mr. S. C. Patnaik, IAS | Nil         |
| Mr. L. D. Sahoo        | 12          |
| Mr. R. P. Panda        | Nil         |
| Mr. P. K. Paul         | 330         |
| Mr. S. K. Khetan       | Nil         |
| Dr. P. K. Mohanty      | 1,15,555    |
| Mr. M. A. Khan         | Nil         |
| Mr. M. Mohanty         | Nil         |

## 7. Payment to Directors:

| Name of the Director     | Executive / Non- Executive | Remuneration / Sitting Fees ( ₹ ) |
|--------------------------|----------------------------|-----------------------------------|
| Mr. A. K. K. Meena, IAS* | Non Executive              | 20,000                            |
| Mr. L. D. Sahoo*         | Non Executive              | 1,13,000                          |
| Mr. R. P. Panda*         | Non Executive              | 40,000                            |
| Mr. S. C. Patnaik, IAS*  | Non Executive              | 30,000                            |
| Mr. H. Sharma, IAS*      | Non Executive              | 20,000                            |
| Mr. P. K. Paul           | Non Executive              | 1,59,000                          |
| Mr. S. K. Khetan         | Non Executive              | 60,000                            |
| Dr. P. K. Mohanty        | Executive                  | 37,095                            |
| Mr. M. A. Khan           | Executive                  | 14,26,841                         |
| Mr. M. Mohanty           | Executive                  | 13,58,294                         |

\* Being IPICOL Nominees, sitting fees are paid to IPICOL.

## 8. Other non-Mandatory Committees:

The Company has a Remuneration Committee and an Ethics Committee consisting of three non-executive & independent Directors viz. Mr. P. K. Paul, Chairman, Mr. L. D. Sahoo and Mr. S. K. Khetan. The Meeting of the Remuneration Committee was held on 6th February 2010.

Attendance of each member at the Remuneration Committee meetings:

| Name of the Director | No. of Remuneration Committee Meeting held | No. of Remuneration Committee Meeting Attended |
|----------------------|--|--|
| Mr. P. K. Paul       | 1  | 1  |
| Mr. S. K. Khetan     | 1  | -  |
| Mr. L. D. Sahoo      | 1  | 1  |

## 9. Subsidiary Company:

Company has only one subsidiary Company namely, 'Bamra Iron & Steel Company (India) Ltd.' which has not yet started any substantial activity.

## 10. General Body Meetings:

Location and the time where last three AGM / EGM of the Company were held:

| Year    | Type                   | Location    | Date       | Time      | No. of Special Resolutions |
|---------|------------------------|-------------|------------|-----------|----------------------------|
| 2007-08 | 27th AGM               | Bhubaneswar | 15.10.2007 | 3.30 p.m. | 3                          |
|         | EGM (by postal ballot) | - do -      | 08.11.2007 | 4.00 p.m. | 3                          |
| 2008-09 | EGM (by postal ballot) | - do -      | 19.09.2008 | 6.30 p.m. | 1                          |
|         | 28th AGM               | - do -      | 26.09.2008 | 3.30 p.m. | 1                          |
| 2009-10 | EGM                    | - do -      | 27.07.2009 | 3.30 p.m. | 1                          |
|         | 29th AGM               | - do -      | 22.09.2009 | 3.30 p.m. | -                          |

# Orissa Sponge Iron & Steel Limited

Special Resolution passed in previous three AGM / EGM:

- (a) At the AGM held on 15th October, 2007, Special Resolutions were passed for issuance of preference share, issuance of equity shares on preferential basis and issuance of warrants convertible into equivalent no. of shares on preferential basis.
- (b) At the EGM held on 8th November, 2007, Special Resolutions were passed for issuance of equity shares on preferential basis, issuance of warrants convertible into equivalent no. of shares on preferential basis and issuance of further securities to the persons other than existing shareholders.
- (c) At the EGM held on 19th September, 2008, Special Resolution was passed for issuance of warrants, convertible into equivalent number of equity shares of the Company on preferential basis.
- (d) At the AGM held on 26th September, 2008, Special Resolution was passed for delisting the shares of the Company from Calcutta Stock Exchange.
- (e) At the EGM held on 27th July 2009 the Special Resolution for conversion of 35 lacs warrants into shares in favour of Bhushan Energy Limited was not approved by the shareholders.

**Resolutions passed by Postal Ballot:**

During the financial year 2009-10, no resolution was passed by way of Postal Ballot:

## 11 Disclosures:

(a) Related party disclosure:

The particulars of transactions between the Company and related parties as per the Accounting Standards are mentioned separately in Schedule No.14 of the Annual Report. However these transactions are not likely to have any conflict with the Company's business interest.

(b) Matters relating to Capital Market:

No strictures or penalties have been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India (SEBI) or any other regulatory body on any matter relating to capital markets in the last three years.

(c) Disclosure of Accounting Treatment:

The applicable Accounting Standards as issued by the Institute of Chartered Accountants of India have been followed in preparation of the financial statements of the Company as far as practicable.

(d) Risk Management:

The Company has laid down procedures to inform Board Members about the risk assessment and minimization procedures, which are periodically reviewed.

## 12. Means of Communication:

(a) The Company has published its quarterly results in Business Standard (Kolkata & Mumbai Edition) in English and in Utkal Mail in Oriya.

(b) Management Discussion and Analysis forms part of the Annual Report which is posted to the shareholders of the Company.

## 13. General Shareholder information:

- (a) 30th Annual General Meeting:
- |       |   |                           |
|-------|---|---------------------------|
| Day   | : | Tuesday                   |
| Date  | : | 21.12.2010                |
| Time  | : | 3.30 p.m.                 |
| Venue | : | Hotel Swosti, Bhubaneswar |
- (b) Financial Calendar (Tentative)
- |  |   |            |
|--|---|------------|
| Board Meeting for approval of the Accounts for the year ended 31st March, 2010 | - | 10.11.2010 |
| Results for first quarter ending 30th June, 2010                               | - | 30.07.2010 |
| Annual General Meeting   | - | 21.12.2010 |
| Results for second quarter ending 30th September, 2010                         | - | 10.11.2010 |
| Results for third quarter ending 31st December, 2010                           | - | 31.01.2011 |
| Results for fourth quarter ending 31st March, 2011                             | - | 30.04.2011 |
| Annual Accounts 2010-2011  | - | July, 2011 |
- (c) Date of Book Closure: Friday, the 10th December, 2010 to Tuesday, the 21st December, 2010 (both days inclusive)
- (d) Listing on Stock Exchange
- (i) Bhubaneswar Stock Exchange
  - (ii) Calcutta Stock Exchange (applied for de-listing)
  - (iii) Bombay Stock Exchange
  - (iv) National Stock Exchange (applied for listing)
- (e) Stock Code
- Bhubaneswar Stock Exchange-OSI  
Calcutta Stock Exchange-10025083  
Bombay Stock Exchange-504864
- (f) Demat ISIN Number in NSDL & CDSL for Equity Shares: INE 228D01013

## Orissa Sponge Iron & Steel Limited

### (g) Stock Market Data

| Bombay Stock Exchange |          |         |
|-----------------------|----------|---------|
| Month                 | High (₹) | Low (₹) |
| April'09              | 350.75   | 301.00  |
| May'09                | 355.00   | 313.00  |
| June'09               | 367.85   | 334.00  |
| July'09               | 362.45   | 350.35  |
| August'09             | 363.00   | 320.20  |
| September'09          | 360.00   | 340.00  |
| October'09            | 352.00   | 271.10  |
| November'09           | 355.75   | 300.00  |
| December'09           | 359.90   | 325.00  |
| January'10            | 358.90   | 330.35  |
| February'10           | 353.75   | 333.20  |
| March'10              | 365.80   | 310.00  |

- (h) Registrar and Transfer Agents: The share management work, both physical and demat, is being handled by the Registrar and Share Transfer Agent of the Company whose name and address is given below:

Link Intime India Private Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata - 700020, Phone No: 033-2289-0540, Fax No: 033-2289-0539  
E-mail: kolkata@linkintime.com.in.

All communication regarding share transactions, change of address, bank mandate, nominations etc. should be addressed to the Registrar and Share Transfer Agents at the above address.

- (i) Distribution of share holdings (31.03.2010)

| No. of Share Holding | Share Holders |            | Total Share |            |
|----------------------|---------------|------------|-------------|------------|
|                      | Number        | % to total | Number      | % to total |
| 1 to 100             | 3938          | 57.90      | 157920      | 0.58       |
| 101 to 500           | 2345          | 34.48      | 467443      | 1.73       |
| 501 to 1000          | 279           | 4.10       | 207413      | 0.77       |
| 1001 to 2000         | 115           | 1.69       | 163100      | 0.60       |
| 2001 to 3000         | 36            | 0.53       | 89818       | 0.33       |
| 3001 to 4000         | 15            | 0.22       | 51521       | 0.19       |
| 4001 to 5000         | 9             | 0.13       | 41301       | 0.15       |
| 5001 to 10000        | 18            | 0.26       | 131428      | 0.49       |
| 10001 & above        | 46            | 0.68       | 25690056    | 95.15      |
| TOTAL                | 6801          | 100.00     | 27000000    | 100.00     |

- (j) Dematerialization of Shares

As per SEBI's direction, the Company has signed tripartite agreements with both NSDL & CDSL and R&T Agent. Accordingly, dematerialization facility for the shares of the Company is available and it is in the interest of all the shareholders to convert their physical holdings into the electronic holdings by dematerialization.

During the year the Company received 233 cases for dematerialization comprising of 38,120 shares. As on 31st March, 2010, 2,34,41,627 shares were held in dematerialized form which constitute 86.82% of total number of subscribed shares.

- (k) Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity: NIL
- (l) Shareholding pattern as on 31.03.2010

|  | No. of Shares | Holding % |
|--|---------------|-----------|
| TRFI Group   | 1,18,07,934*  | 43.73     |
| IPICOL   | 14,55,999     | 5.39      |
| Public   |               |           |
| Financial Institutions (Indian & Foreign) & Mutual Funds | 18,367        | 0.07      |
| Non Institutions   | 1,37,17,700   | 50.81     |
| Total:   | 2,70,00,000   | 100.00    |

\* Out of the above, rights relating to 30,00,000 equity shares are sub judice.

## Orissa Sponge Iron & Steel Limited

### 14. Secretarial Audit:

A qualified practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held in electronic mode with NSDL and CDSL.

### 15. Compliance:

The Company Secretary while preparing the Agenda, Notes on Agenda, Minutes etc. of the Meeting(s), is responsible for and is required to ensure adherence to all the applicable law and regulations including the Companies Act, 1956 read with the Rules issued thereunder and to the extent feasible and the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

### 16. Contact person for any query on Annual Report:

Ms. Shikha Ruia, Orissa Sponge Iron & Steel Limited, CIC Building, 11th Floor, 33A, Jawahar Lal Nehru Road, Kolkata - 700071, Phone: 033-22263114, 22262636, 22266442, 22887336, 22883910-16. Fax : 033-22267470. E-mail: calosil@cal.vsnl.net.in

### 17. Key Locations of the Company with the activities carried on:

#### Registered Office and Project and Engineering Office

OSIL House, Gangadhar Meher Marg, Bhubaneswar 751 024. Phone: 0674-3016500 to 503 Fax: 0674-3016505/535. E-mail: orisponge@gmail.com. This office is the centre for Project and Engineering and is headed by Director (Project & Engineering).

#### Plant

P.O.: Palaspanga, District - Keonjhar, Pin: 758031, Orissa, Phone No. 06766 - 235223 / 225 / 227 / 229, Fax No. 06766 - 235205, E-mail: osilsite@rediffmail.com

The manufacturing facility is situated here and is headed by the Chief Executive Officer.

#### Corporate Office

CIC Building, 11th Floor, 33A, Jawaharlal Nehru Road, Kolkata - 700071, Phone: 033- 22263114, 22262636, 22266442, 22887336, 2288-3910 to 2288-3915 Fax : 033-22267470. E-mail: calosil@cal.vsnl.net.in

This office is centre of Corporate activities having the offices of Vice Chairman and Managing Director, Director, Chief Executive (Corporate Affairs), Sr. General Manager (Finance & Accounts) and General Manager (F & A) and Company Secretary.

#### Delhi Office

H-1A, 2nd Floor, Hauz Khas, New Delhi - 110016, Telefax: 011-26968924 / 26864548, E-mail: osildelhi@gmail.com

This office assists in sales in this area as well as offers technical and application engineering services to the customers and liaison work and is headed by a General Manager.

### 18. CEO/CFO Certificate:

A Certificate duly signed by the Managing Director and Chief Executive (Corporate Affairs) relating to financial statements and Internal Control Systems for financial reporting as per the format provided in amended Clause 49 of the Listing Agreement was placed before the Board, who took the same on record.

### 19. Code of Conduct:

Company has always encouraged and supported compliance to ethical business practices in personal and corporate behavior by its employees. Company in order to further strengthen corporate governance practices has framed a specific code of conduct, for the members of the Board of Directors and senior Management personnel of the Company, who have affirmed compliance thereof. A declaration to this effect signed by Vice-Chairman & Managing Director of the Company is annexed with this report.

### 20. Cautionary Statement:

Details given above relating to various activities and future plans may be 'forward looking statements' within the meaning of applicable laws and regulations. The actual performance may differ from those expressed or implied.

### 21. Certificate:

The Company has obtained the Certificate from M/s A. K. Labh & Co., Company Secretaries, regarding compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

All material requirements with respect to Corporate Governance as stipulated in the Listing Agreement have been complied with.

### Certificate of Compliance of the Code of Conduct of the Company

To  
The Members of  
Orissa Sponge Iron & Steel Limited

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange relating to Corporate Governance, I confirm that, on the basis of confirmations/declarations received, all the Directors and Senior Management Personnel of the Company have complied with the Code of Conduct framed by the Company.

Place: Kolkata

Dated: 10th November, 2010

Dr. P. K. Mohanty  
Vice Chairman & Managing Director

**Certificate on Compliance with the conditions of  
Corporate Governance under clause 49 of the Listing Agreement (s)**

To

The members of Orissa Sponge Iron & Steel Limited

We have examined the compliance of conditions of Corporate Governance by Orissa Sponge Iron & Steel Limited for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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 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 have been explained that no investor grievances are pending for a period exceeding one month as at 31st March, 2010 against the Company.

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

Place: Kolkata

Dated: 10th November, 2010

For A. K. Labh & Company  
Company Secretaries

A. K. Labh  
Proprietor  
C.P. 3238

**AUDITORS' REPORT**

**TO THE MEMBERS OF ORISSA SPONGE IRON & STEEL LIMITED**

We have audited the attached Balance Sheet of Orissa Sponge Iron & Steel Limited as at March 31, 2010, and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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.

1. As required by the Companies (Auditor's Report) Order, 2003, ("the Order") 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) On the basis of written representations received from the directors of the Company, as on March 31, 2010, and taken on the records by the Board of Directors, we report that none of the director of the Company is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
3. We report that,
  - (i) No Provision has been made for diminution in value of long term investments in a listed Company (Bilati (Orissa) Ltd.) amounting to ₹ 142 lacs. (refer schedule 6 B [i])
  - (ii) According to us, advances recoverable from Nilachal Ispat Nigam Ltd. amounting to ₹ 274 lacs (₹ 274 lacs) and from Bilati (Orissa) Ltd. amounting to ₹ 1,789 lacs (including advance of ₹ 89 lacs for the year) (Previous year ₹ 1700 lacs) are doubtful of recovery against which provision has not been made. (Refer Schedule No. 14B [5 & 6]).



## Orissa Sponge Iron & Steel Limited

Had the provision been made in respect of (i) and (ii) the net assets of the company would have decreased by ₹ 2205 lacs and the accumulated losses would have increased by the same amount and loss for the year would have increased by ₹ 89 lacs.

- i. Subject to 3 above, in our opinion and to the best of our information and according to the explanations given to us :
- a) The Balance Sheet and 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 Act to the extent applicable.
  - b) The said accounts together with the Notes thereon 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.
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010.
    - (ii) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Kolkata  
Date: 10th November, 2010

For L. N. More & Company  
Chartered Accountants  
FRN 307042E

L. N. More  
Partner  
Membership No. 011485

### ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Orissa Sponge Iron & Steel Limited ("the Company") in the financial statements for the year ended 31st March, 2010 we report that:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. In our opinion this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, certain fixed assets have been physically verified by the management during the current year and no material discrepancies were noticed upon such verification.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- (a) The inventory of the Company has been physically verified by the management during the year. In our opinion, the frequency of such physical verification is reasonable.
- (b) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noted on physical verification between the physical stocks and the book records were not material.

According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to/from Companies, Firms or other parties listed in the register pursuant to the Section 301 of the Companies Act, 1956.

In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchases of inventory and fixed assets and with regard to sale of goods and services.

- (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under the section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs.5 lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

The Company has not accepted any deposits under the provisions of Section 58(A) and 58(AA) of the Act, and the Rules framed there under.

In our opinion the Company has an Internal Audit System commensurate with the size and nature of the business.

We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However we have not made a detailed examination of such records.

- (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues are generally deposited during the year by the Company with the appropriate authorities. As explained to us, the Company does not have any dues on account of investor education and protection fund.



## Orissa Sponge Iron & Steel Limited

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears, as at 31st March, 2010, for a period of more than six months from the date they became payable **except the following:**

| Nature of Dues               | Amount<br>(₹ In Lacs) |
|------------------------------|-----------------------|
| Central Sales Tax            | 1.37                  |
| Orissa Sales Tax             | 0.58                  |
| Sales Tax Contractors        | 0.03                  |
| Provident Fund (Contractors) | 53.58                 |

- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited with the appropriate authorities on account of dispute other than those mentioned as follows.

| Name of the statute         | Nature of dues  | Amount (₹ in lacs) | Forum where Dispute is pending          |
|-----------------------------|---|--------------------|---|
| Income Tax Act, 1961        | Tax Demand under appeal For Assessment Year 2006-2007 | 85.22              | CIT (Appeal), Bhubaneswar               |
| Central Sales Tax Act, 1956 | Non-collection of declaration forms                   | 2,473.00           | Sales Tax Appellate Authorities         |
| Orissa Sales Tax Act, 1947  | Enhanced Assessment & Penalty                         | 500.63             | -do-                                    |
| Central Excise Act, 1944    | Disputed Central Excise demand                        | 44.76              | Commissioner of Appeals, Central Excise |

10. The Company has accumulated losses at the end of the financial year which are less than fifty percent of its net worth. It has incurred cash losses in the current financial year and the year immediately preceding financial year.
11. The Company has defaulted in repayment of dues to its bankers and financial institutions as on 31st March, 2010 as detailed below :-

| Bank / Financial Institution      | Amount of Default         | Default since | Remarks    |
|-----------------------------------|---------------------------|---------------|------------|
| a) State Bank of India A/c - I    | ₹ 2,43,345 (Interest)     | 31.03.2010    | Since paid |
| b) State Bank of India A/c - II   | ₹ 4,00,00,000 (Principal) | 28.02.2010    | Since paid |
|                                   | ₹ 66,93,592 (Interest)    | 31.03.2010    | Since paid |
| c) Punjab National Bank           | ₹ 63,22,000 (Principal)   | 01.01.2010    | Since paid |
|                                   | ₹ 26,97,847 (Interest)    | 28.02.2010    | Since paid |
| d) State Bank of Bikaner & Jaipur | ₹ 76,00,000 (Principal)   | 28.02.2010    | Since paid |
|                                   | ₹ 47,74,674 (Interest)    | 28.02.2010    | Since paid |

Amount payable to IREDA has been rescheduled subsequent to close of the year.

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us the Company is not a chit fund/nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the provisions of clause 4(xv) of the order are not applicable to the Company.
16. According to the information and explanations given to us, no term loans have been taken by the Company during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised during the year on short term basis have not been used for long term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to Parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not raised any money by issue of shares during the year.
20. According to the information and explanations given to us, the Company has not issued debentures during the year.
21. According to the information and explanations given to us and to the best of our knowledge, no fraud on or by the Company was noticed and reported during the year.

Place: Kolkata  
Date: 10th November, 2010

For L. N. More & Company  
Chartered Accountants  
FRN 307042E

L. N. More  
Partner  
Membership No. 011485

# Orissa Sponge Iron & Steel Limited

## BALANCE SHEET AS AT 31ST MARCH, 2010

|   | Schedule<br>No. | ₹/ lacs   | 31st Mar, 2010<br>₹/ lacs | 31st Mar, 2009<br>₹ / lacs |
|---|-----------------|-----------|---------------------------|----------------------------|
| <b>SOURCES OF FUNDS</b>                   |                 |           |                           |                            |
| <b>Shareholders' Funds</b>                |                 |           |                           |                            |
| Share Capital                             | 1               | 2,700.00  |                           | 2,700.00                   |
| Equity Share Warrants                     |                 | 601.50    |                           | 601.50                     |
| Reserves & Surplus                        | 2               | 23,194.58 |                           | 23,305.01                  |
|   |                 |           | 26,496.08                 | 26,606.51                  |
| <b>Loan Funds</b>                         |                 |           |                           |                            |
| Secured Loans                             | 3               | 20,137.62 |                           | 20,719.58                  |
| Unsecured Loans                           | 4               | 40.00     |                           | 25.00                      |
|   |                 |           | 20,177.62                 | 20,744.58                  |
| <b>TOTAL</b>                              |                 |           | <b>46,673.70</b>          | <b>47,351.09</b>           |
| <b>APPLICATION OF FUNDS</b>               |                 |           |                           |                            |
| <b>Fixed Assets</b>                       |                 |           |                           |                            |
| Gross Block                               | 5               | 39,523.07 |                           | 30,394.39                  |
| Less: Depreciation                        |                 | 15,262.11 |                           | 13,993.10                  |
| Net Block                                 |                 | 24,260.96 |                           | 16,401.29                  |
| Capital Work-in-Progress                  |                 | 3,827.72  |                           | 12,260.18                  |
|   |                 |           | 28,088.68                 | 28,661.47                  |
| <b>Investments</b>                        | 6               |           | 639.46                    | 232.09                     |
| <b>Current Assets, Loans and Advances</b> |                 |           |                           |                            |
| Inventories                               | 7               | 5,435.63  |                           | 4,891.01                   |
| Sundry Debtors                            |                 | 1,267.47  |                           | 670.65                     |
| Cash and Bank Balances                    |                 | 4,661.26  |                           | 10,234.70                  |
| Loans and Advances                        |                 | 4,913.70  |                           | 4,686.89                   |
|   |                 | 16,278.06 |                           | 20,483.25                  |
| Less:                                     |                 |           |                           |                            |
| Current Liabilities and Provisions        | 8               | 5,264.93  |                           | 5,401.57                   |
| <b>Net Current Assets</b>                 |                 |           | 11,013.13                 | 15,081.68                  |
| <b>Deferred Taxation</b>                  |                 |           | 1,657.36                  | 437.28                     |
| <b>Profit and Loss Account</b>            |                 | 6,947.30  |                           | 4,610.80                   |
| Less: General Reserve                     |                 | 1,672.23  | 5,275.07                  | 1,672.23                   |
| <b>TOTAL</b>                              |                 |           | <b>46,673.70</b>          | <b>47,351.09</b>           |
| Significant Accounting Policies           | 14A             |           |                           |                            |
| Notes on Accounts                         | 14B             |           |                           |                            |

Schedules referred to above form an integral part of the Financial Statements.

In terms of our annexed report of even date.

For **L. N. MORE & CO.**  
Chartered Accountants  
FRN 307042E

**L. N. MORE**  
Partner  
Membership No. 011485  
Place: Kolkata  
Dated: 10th November, 2010

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

**L. D. Sahoo**, Director  
**S. K. Khetan**, Director  
**Munir Mohanty**, Director  
**Dr. P. K. Mohanty**, Vice Chairman  
& Managing Director

# Orissa Sponge Iron & Steel Limited

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

|   | Schedule<br>No. | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |
|---|-----------------|---------------------|---------------------|
| <b>INCOME</b>   |                 |                     |                     |
| Sale of Products  |                 | 18,150.40           | 20,901.83           |
| Sale of Power   |                 | 811.61              |                     |
|   |                 | <u>18,962.01</u>    | <u>20,901.83</u>    |
| Less: Excise Duty   |                 | 1,384.81            | 2,018.67            |
|   |                 | <u>17,577.20</u>    | <u>18,883.16</u>    |
| Other Income  | 9               | 570.30              | 76.81               |
|   |                 | <u>18,147.50</u>    | <u>18,959.97</u>    |
| <b>EXPENDITURE</b>  |                 |                     |                     |
| Materials Expenses  | 10              | 13,029.76           | 14,349.91           |
| Manufacturing and Other Expenses                                | 11              | 5,011.94            | 4,114.66            |
| Interest and Other Financial Charges                            | 12              | 2,345.29            | 2,484.45            |
| Depreciation  | 13              | 1,163.21            | 958.17              |
| (Appreciation) / diminution in value of<br>long term investment |                 | (7.37)              | 13.90               |
|   |                 | <u>21,542.83</u>    | <u>21,921.09</u>    |
| (Loss) before taxation  |                 | (3,395.33)          | (2,961.12)          |
| Prior Period items (Refer note 12 in schedule 14B)              |                 | (161.25)            | (352.17)            |
| (Loss) for the year before taxation                             |                 | <u>(3,556.58)</u>   | <u>(3,313.29)</u>   |
| Provision for Taxation:   |                 |                     |                     |
| Current Tax   |                 | -                   | -                   |
| Deferred Tax - Assets   |                 | 1,220.08            | 632.75              |
| Fringe Benefit Tax  |                 | -                   | 39.66               |
| (Loss) after tax  |                 | <u>(2,336.50)</u>   | <u>(2,720.20)</u>   |
| (Loss) brought forward  |                 | <u>(4,610.80)</u>   | <u>(1,890.60)</u>   |
| <b>LOSS CARRIED TO BALANCE SHEET</b>                            |                 | <u>(6,947.30)</u>   | <u>(4,610.80)</u>   |
| Basic & Diluted Earning per share (₹)                           |                 | (8.65)              | (13.22)             |
| Significant Accounting Policies                                 | 14A             |                     |                     |
| Notes on Accounts   | 14B             |                     |                     |

Schedules referred to above form an integral part of the Financial Statements.

In terms of our annexed report of even date.

For **L. N. MORE & CO.**  
Chartered Accountants  
FRN 307042E

**L. N. MORE**  
Partner  
Membership No. 011485  
Place: Kolkata  
Dated: 10th November, 2010

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

**L. D. Sahoo**, Director  
**S. K. Khetan**, Director  
**Munir Mohanty**, Director  
**Dr. P. K. Mohanty**, Vice Chairman  
& Managing Director

# Orissa Sponge Iron & Steel Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

|  | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |
|--|---------------------|---------------------|
| <b>A. Cash Flow from Operating Activities</b>              |                     |                     |
| a) Profit/(Loss) before taxation                           | (3,556.58)          | (3,313.29)          |
| Adjustments for Depreciation                               | 1,163.21            | 958.17              |
| Loss on Sale of Fixed Assets                               | (0.37)              | 0.95                |
| Bad debts/advances written off                             | 188.45              | 23.15               |
| Provision for doubtful debts                               | 58.04               | 30.88               |
| Interest & Other Financial charges                         | <u>2,345.29</u>     | <u>2,484.45</u>     |
| b) Operating Profit before Working Capital changes         | 198.04              | 184.31              |
| Adjustment for   |                     |                     |
| Trade & Other Receivables                                  | (927.08)            | 1,875.26            |
| Inventories  | (544.62)            | 1,599.44            |
| Trade payable and other Liabilities                        | <u>(132.09)</u>     | <u>(119.90)</u>     |
| c) Cash Generated from Operation                           | (1,405.75)          | 3,539.11            |
| Interest Paid  | (1,752.83)          | (2,795.29)          |
| Tax Paid   | <u>(143.04)</u>     | <u>(125.84)</u>     |
|  | <u>(3,301.62)</u>   | 617.98              |
| d) Extra-ordinary items                                    |                     |                     |
| Provision for diminution in value of Long Term Investments | <u>(7.37)</u>       | 13.90               |
| Net Cash Flow from Operating Activities                    | (3,308.99)          | 631.88              |
| <b>B. Cash Flow from Investing Activities</b>              |                     |                     |
| Purchase of Fixed Assets                                   | (700.85)            | (293.89)            |
| Sale of Fixed Assets                                       | 0.37                | 0.70                |
| Purchase of Investment                                     | <u>(400.00)</u>     | -                   |
| Net Cash Flow from Investing Activities                    | (1,100.48)          | (293.19)            |
| <b>C. Cash Flow from Financing Activities</b>              |                     |                     |
| Proceeds from issue of share capital/share warrants        | -                   | 10,827.00           |
| Proceeds from long term borrowings                         | -                   | 1,000.51            |
| Repayment of long term borrowings                          | (677.85)            | (4,753.79)          |
| Repayment of short term borrowings                         | <u>(486.12)</u>     | <u>1,849.95</u>     |
| Net Cash used in Financial Activities                      | (1,163.97)          | 8,923.67            |
| <b>D. Net (Decrease)/Increase in</b>                       |                     |                     |
| Cash and cash equivalent                                   | (5,573.44)          | 9,262.36            |
| Cash and cash equivalent at the beginning of the year      | 10,234.70           | 972.34              |
| Cash and cash equivalent at the end of the year            | <u>4,661.26</u>     | <u>10,234.70</u>    |
| <b>Components of cash and cash equivalents:</b>            |                     |                     |
| Cash in hand   | 2.98                | 3.42                |
| Balance with Banks   |                     |                     |
| - on Current Accounts                                      | 61.80               | 2,948.37            |
| - on Fixed Deposit Accounts                                | 4,414.55            | 7,189.00            |
| - on Unpaid dividend accounts                              | <u>11.40</u>        | <u>11.82</u>        |
| <b>Total Cash and Cash equivalents</b>                     | 4,490.73            | 10,152.61           |
| Margin money deposits not considered as cash equivalents   | <u>170.53</u>       | <u>82.09</u>        |
| Cash & Bank balances as per Schedule - 7                   | 4,661.26            | 10,234.70           |

In terms of our annexed report of even date.

For **L. N. MORE & CO.**  
Chartered Accountants  
FRN 307042E

**L. N. MORE**  
Partner  
Membership No. 011485  
Place: Kolkata  
Dated: 10th November, 2010

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

**L. D. Sahoo, Director**  
**S. K. Khetan, Director**  
**Munir Mohanty, Director**  
**Dr. P. K. Mohanty, Vice Chairman**  
& Managing Director

# Orissa Sponge Iron & Steel Limited

## SCHEDULE - 1

|   | ₹/ lacs | 2010<br>₹/ lacs | 2009<br>₹/ lacs |
|---|---------|-----------------|-----------------|
| <b>SHARE CAPITAL</b>  |         |                 |                 |
| <b>Authorised</b>   |         |                 |                 |
| 60,000,000 Equity Shares of ₹ 10 each   |         | 6,000.00        | 6,000.00        |
| 20,000,000 Preference Shares of ₹ 10 each   |         | 2,000.00        | 2,000.00        |
|   |         | <u>8,000.00</u> | <u>8,000.00</u> |
| <b>Issued, Subscribed and Paid up</b>   |         |                 |                 |
| 27,000,000 ( 27,000,000 ) Equity Shares of ₹ 10 each  |         |                 |                 |
| <b>Notes:</b>   |         |                 |                 |
| Of the above equity shares:   |         | 2,700.00        | 2,700.00        |
| (i) 1,080,122 ( 1,080,122 ) were allotted as fully paid up bonus shares by capitalisation of share premium. |         |                 |                 |
| (ii) 9,598,916 ( 9,598,916 ) were issued on conversion of share warrants.                                   |         |                 |                 |
| (iii) 5,500,000 ( 5,500,000 ) were allotted on preferential basis.  |         |                 |                 |
|   |         | <u>2,700.00</u> | <u>2,700.00</u> |

## SCHEDULE - 2

|  |                   |                  |                   |
|--|-------------------|------------------|-------------------|
| <b>RESERVES AND SURPLUS</b>                  |                   |                  |                   |
| <b>Revaluation Reserve</b>                   |                   |                  |                   |
| (Arising out of Revaluation of Fixed Assets) |                   |                  |                   |
| As per last Account                          | 675.21            |                  | 781.82            |
| Less: Withdrawn                              | <u>110.43</u>     |                  | <u>106.61</u>     |
|  |                   | 564.78           | 675.21            |
| <b>Share Premium Account</b>                 |                   |                  |                   |
| As per last Account                          | 22,629.34         |                  | 11,299.34         |
| Add: During the year                         | <u>-</u>          |                  | <u>11,330.00</u>  |
|  |                   | 22,629.34        | 22,629.34         |
| <b>Capital Reserve</b>                       |                   |                  |                   |
| <b>General Reserve</b>                       |                   |                  |                   |
| As per last Account                          | 1,672.23          |                  | 1,672.23          |
| Less: Profit & Loss Account (Debit Balance)  | <u>(1,672.23)</u> |                  | <u>(1,672.23)</u> |
|  |                   | -                | -                 |
|  |                   | <u>23,194.58</u> | <u>23,305.01</u>  |

# Orissa Sponge Iron & Steel Limited

## SCHEDULE - 3

|   | ₹ / lacs | 2010<br>₹ / lacs | 2009<br>₹ / lacs |
|---|----------|------------------|------------------|
| <b>SECURED LOANS</b>                                  |          |                  |                  |
| <b>Term Loans:</b>                                    |          |                  |                  |
| a) Financial Institutions & Banks:                    |          |                  |                  |
| Industrial Development Bank of India                  | -        |                  | 370.81           |
| State Bank of India                                   | 5,400.00 |                  | 5,623.67         |
| State Bank of Bikaner & Jaipur                        | 1,855.00 |                  | 1,855.00         |
| Punjab National Bank                                  | 1,201.18 |                  | 1,201.18         |
| Bank of India   | -        |                  | 83.37            |
|   | 8,456.18 |                  | 9,134.03         |
| Interest Accrued & Due                                | 117.12   |                  | 227.28           |
|   |          | 9,361.30         | 9,361.31         |
| b) Indian Renewable Energy Development Agency Limited | 4,706.81 |                  | 4,706.81         |
| Funded Interest on Term Loan                          | 917.14   |                  | 917.14           |
| Interest Accrued & Due                                | 858.05   |                  | 150.88           |
|   |          | 6,482.00         | 5,774.83         |
| Total (a + b)   |          | 15,055.30        | 15,136.14        |

(Secured / to be secured by Joint equitable mortgage by deposit of title deeds of immovable properties and hypothecation of all moveable assets of the Company both present and future (save and except book debts) ranking pari-passu subject to prior charges created and / or to be created in favour of the Company's bankers for securing working capital finance on stock of raw material, finished goods etc. and also by second charges on current assets)

### Cash Credit from Banks:

|                                |          |          |          |
|--------------------------------|----------|----------|----------|
| Bank of India                  | 502.91   |          | 457.53   |
| State Bank of India            | 4,378.80 |          | 4,925.94 |
| State Bank of Bikaner & Jaipur | 200.61   |          | 199.97   |
|                                |          | 5,082.32 | 5,583.44 |

(Secured on a consortium basis by hypothecation of raw materials, finished goods, stores and spares, book debts etc and also by pari-passu second charge on the immovable properties and also by second charges on fixed assets)

|           |           |
|-----------|-----------|
| 20,137.62 | 20,719.58 |
|-----------|-----------|

## SCHEDULE - 4

### UNSECURED LOANS

|                         |       |       |
|-------------------------|-------|-------|
| Inter Corporate Deposit | 40.00 | 25.00 |
|                         | 40.00 | 25.00 |



**SCHEDULE - 5**

| FIXED ASSETS                            | GROSS BLOCK  |                                       | DEPRECIATION                           |  |                              | NET BLOCK                |  |                              |                             |
|---|--|---------------------------------------|--|--|------------------------------|--------------------------|--|------------------------------|-----------------------------|
|   | At cost / revaluation as on 01-04-2009<br>₹ / lacs | Additions during the year<br>₹ / lacs | Deductions during the year<br>₹ / lacs | At cost / revaluation as on 31-03-2010<br>₹ / lacs | Up to 31-03-2009<br>₹ / lacs | For the year<br>₹ / lacs | Deductions during the year<br>₹ / lacs | Up to 31-03-2010<br>₹ / lacs | As at 31-3-2009<br>₹ / lacs |
| LEASE-HOLD LAND                         | 18.88  | -                                     | -                                      | 18.88  | -                            | -                        | -                                      | -                            | 18.88                       |
| FREE-HOLD LAND                          | 86.15  | -                                     | -                                      | 86.15  | -                            | -                        | -                                      | -                            | 86.15                       |
| BUILDING                                | 5,944.05   | 740.21                                | -                                      | 6,684.26   | 1,481.64                     | 195.15                   | -                                      | 1,676.79                     | 5,007.47                    |
| PLANT & MACHINERY                       | 23,709.40  | 8,340.30                              | -                                      | 32,049.70  | 12,140.30                    | 1,032.33                 | -                                      | 13,172.63                    | 18,877.07                   |
| FURNITURES, FIXTURES & OFFICE EQUIPMENT | 311.11   | 20.52                                 | -                                      | 331.63   | 222.31                       | 16.06                    | -                                      | 238.37                       | 93.26                       |
| VEHICLES                                | 324.80   | 32.28                                 | 4.63                                   | 352.45   | 148.85                       | 30.10                    | 4.63                                   | 174.32                       | 175.95                      |
| <b>TOTAL :</b>                          | 30,394.39  | 9,133.31                              | 4.63                                   | 39,523.07  | 13,993.10                    | 1,273.64                 | 4.63                                   | 15,262.11                    | 24,260.96                   |
| <b>PREVIOUS YEAR</b>                    | 29,860.18  | 538.39                                | 4.18                                   | 30,394.39  | 12,930.84                    | 1,064.78                 | 2.52                                   | 13,993.10                    | 16,401.29                   |
| <b>CAPITAL WORK-IN-PROGRESS</b>         |  |                                       |  |  |                              |                          |  |                              |                             |
| <b>3,827.72</b>                         |  |                                       |  |  |                              |                          |  |                              |                             |
| <b>12,260.18</b>                        |  |                                       |  |  |                              |                          |  |                              |                             |

Note

1. Cost or revaluation includes increase in valuation of ₹ 1,042.01 lacs and ₹ 5,091.98 lacs in Buildings and Plant & Machinery respectively on Revaluation of assets as at 31st March, 1993.
2. Depreciation includes of ₹ 655.39 lacs (₹ 623.37 lacs) and ₹ 4,913.81 lacs (₹ 4,835.40 lacs) in Building and Plant & Machinery respectively on increased value of assets due to revaluation.
3. Fixed Assets include vehicles acquired under finance lease with a Gross Block of ₹ 85.46 lacs (₹ 85.46 lacs), Accumulated Depreciation of ₹ 16.97 lacs (₹ 7.30 lacs) and Net Block of ₹ 68.49 lacs (₹ 78.16 lacs).

# Orissa Sponge Iron & Steel Limited

## SCHEDULE - 6

|   | ₹ / lacs | 2010<br>₹ / lacs | 2009<br>₹ / lacs |
|---|----------|------------------|------------------|
| <b>INVESTMENTS</b>  |          |                  |                  |
| ( At cost less provision for diminution in value )  |          |                  |                  |
| <b>A. Trade Investments - Current</b>   |          |                  |                  |
| Quoted  |          |                  |                  |
| 14,240 ( 14,240 ) Equity Shares of ₹ 10 each of Industrial Development Bank of India ( includes 5,340 Bonus Shares ) ( Market value ₹ 8.40 lacs, Previous Year ₹ 6.46 lacs) |          | 11.57            | 11.57            |
| 63,524 ( 63,524 ) Equity Shares of ₹ 50 each of Rathi Steel and Power Limited (Market value ₹ 11.85 lacs, Previous Year ₹ 6.42 lacs)  |          | 31.76            | 31.76            |
| <b>B. Other Investments - Long Term Investments</b>   |          |                  |                  |
| (i) Investment in Associated Companies  |          |                  |                  |
| Quoted  |          |                  |                  |
| 1,419,930 ( 1,419,930 ) Equity Shares of ₹ 10 each of Bilati (Orissa) Limited ( Market value - Non traded )   |          | 142.00           | 142.00           |
| (ii) Investment in Subsidiary Company   |          |                  |                  |
| Un-quoted   |          |                  |                  |
| 749,930 ( 749,930 ) Equity Shares of ₹ 10 each of Bamra Iron and Steel (India) Limited  |          | 74.99            | 74.99            |
| (iii) Others  |          |                  |                  |
| Un-quoted   |          |                  |                  |
| 500 ( 500 ) B-Class Shares of ₹ 200 each of Orissa Sponge Iron Employees' Consumer Co-operative Society Ltd.  |          | 1.00             | 1.00             |
| 5,000 ( 5,000 ) Equity Shares of ₹ 10 each of OSIL-TRFI Community Services  |          | 0.50             | 0.50             |
| 7,200 ( 7,200 ) Equity Shares of ₹ 10 each of Keonjhar Infrastructure Development Company Ltd.  |          | 0.72             | 0.72             |
| 40,00,000 (NIL) 6 % Preference Equity Shares of 10 each of Keonjhar Infrastructure Development Company Ltd.   |          | 400.00           | -                |
|   |          | <u>662.54</u>    | <u>262.54</u>    |
| Add / (Less): Provision for diminution in value of long term investments  |          | <u>(23.08)</u>   | <u>(30.45)</u>   |
|   |          | <u>639.46</u>    | <u>232.09</u>    |

## SCHEDULE - 7

### A. CURRENT ASSETS

#### Inventories

|   |               |                 |
|---|---------------|-----------------|
| Finished Goods ( at lower of cost and net realisable value )  | 3,131.71      | 2,939.86        |
| Raw Materials ( at cost )                                     | 1,316.04      | 907.15          |
| Stores and Spares ( at cost less provision for obsolescence ) | 550.78        | 544.33          |
| CER Stock (at realisable value)                               | <u>437.10</u> | <u>499.67</u>   |
|   |               | 5,435.63        |
|   |               | <u>4,891.01</u> |

#### Sundry Debtors

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Over six months                    |               |               |
| Unsecured - Considered good        | 517.65        | 225.60        |
| - Considered doubtful              | <u>58.04</u>  | <u>30.88</u>  |
|                                    | 575.69        | 256.48        |
| Less: Provision for Doubtful debts | <u>58.04</u>  | <u>30.88</u>  |
|                                    | 517.65        | 225.60        |
| Other Debts                        |               |               |
| Secured - Considered good          | 116.29        | -             |
| Unsecured - Considered good        | <u>633.53</u> | <u>445.05</u> |
|                                    |               | 1,267.47      |
|                                    |               | <u>670.65</u> |

#### Cash and Bank Balances

|  |                 |                  |
|--|-----------------|------------------|
| Cash in hand                                   | 2.98            | 3.42             |
| Balance with Banks                             |                 |                  |
| In Current Accounts with scheduled Banks       | 73.20           | 2,960.19         |
| Margin Money Deposit                           | 170.53          | 82.09            |
| In Fixed Deposit Accounts with scheduled Banks | <u>4,414.55</u> | <u>7,189.00</u>  |
|  |                 | 4,661.26         |
|  |                 | <u>10,234.70</u> |

# Orissa Sponge Iron & Steel Limited

## SCHEDULE - 7 (contd...)

|   | ₹ / lacs | 2010<br>₹ / lacs | 2009<br>₹ / lacs |
|---|----------|------------------|------------------|
| <b>B. LOANS AND ADVANCES</b>  |          |                  |                  |
| (Unsecured-considered good)   |          |                  |                  |
| Advances recoverable in cash or in kind or for value to be received                 | 4,386.79 |                  | 4,233.18         |
| Advance against Purchase of Shares  | 48.00    |                  | 48.00            |
| Deposits  | 114.09   |                  | 193.51           |
| Prepaid Expenses  | 43.54    |                  | 33.96            |
| Income tax and tax deducted at source   | 321.28   |                  | 178.24           |
| ( Net of income tax liability )   |          | 4,913.70         | 4,686.89         |
|   |          | <u>16,278.06</u> | <u>20,483.25</u> |
| Due from the Companies under the same management:                                   |          |                  |                  |
| i) Dues from Bilati (Orissa) Ltd ₹ 1,789.41 lacs ( ₹ 1,748.58 lacs)                 |          |                  |                  |
| ii) Dues from Bamra Iron & Steel Company (India) Ltd. ₹ 83.29 lacs ( ₹ 83.06 lacs). |          |                  |                  |

## SCHEDULE - 8

### CURRENT LIABILITIES AND PROVISIONS

| <b>Liabilities</b>   |          |                 |                 |
|--|----------|-----------------|-----------------|
| Sundry creditors   | 3,001.18 |                 | 3,260.72        |
| Advance against order  | 287.05   |                 | 277.10          |
| Other liabilities  | 1,389.53 |                 | 1,325.63        |
| Interest Accrued but not due on Term Loan  | -        |                 | 4.55            |
| Liability towards Investors Education and Protection Fund under section 205 C of the Companies Act, 1956 in respect of unclaimed dividend, not due | 11.40    |                 | 11.53           |
|  |          | 4,689.16        | 4,879.53        |
| <b>Provisions</b>  |          |                 |                 |
| Gratuity (Refer Note 27 in schedule 14 B)  |          | 410.46          | 380.58          |
| Leave Encashment (Refer Note 27 in schedule 14 B)  |          | 165.31          | 141.46          |
|  |          | <u>5,264.93</u> | <u>5,401.57</u> |

## SCHEDULE - 9

### OTHER INCOME

| Engineering and Technical Services                              | 89.84   |               | 170.08       |
|---|---------|---------------|--------------|
| Other sales   | 130.59  |               | 41.39        |
| Export Incentive  | 25.58   |               | 10.60        |
| Interest (Gross)  | 345.23  |               | 25.16        |
| Dividend (from Trade Investments)                               | 0.36    |               | 0.28         |
| Miscellaneous Income  | 41.26   |               | 61.66        |
| Sale of CER   | -       |               | 335.95       |
| (Decrease) / Increase in opening & closing balance of CER stock | (62.56) |               | (568.31)     |
|   |         | 570.30        |              |
|   |         | <u>570.30</u> | <u>76.81</u> |

# Drissa Sponge Iron & Steel Limited

## SCHEDULE - 10

|  | ₹ / lacs         | 2010<br>₹ / lacs | 2009<br>₹ / lacs |
|--|------------------|------------------|------------------|
| <b>MATERIAL EXPENSES</b>                   |                  |                  |                  |
| Raw Materials Consumed                     |                  |                  |                  |
| Opening Stock                              | 907.15           |                  | 1,502.62         |
| Add : Purchases                            | 13,733.18        |                  | 13,715.77        |
|  | <u>14,640.33</u> |                  | <u>15,218.39</u> |
| Less: Recoveries from Waste Disposal (Net) | 102.68           |                  | 380.49           |
|  | <u>14,537.65</u> |                  | <u>14,837.90</u> |
| Less: Closing Stock                        | 1,316.04         |                  | 907.15           |
|  |                  | 13,221.61        | 13,930.75        |
| (Accretion)/Decretion of Stock             |                  |                  |                  |
| Opening Stock                              |                  |                  |                  |
| Finished Goods                             | 2,939.86         |                  | 3,359.02         |
| Less: Closing Stock                        |                  |                  |                  |
| Finished Goods                             | <u>3,131.71</u>  |                  | <u>2,939.86</u>  |
|  |                  | (191.85)         | 419.16           |
|  |                  | <u>13,029.76</u> | <u>14,349.91</u> |

## SCHEDULE - 11

| <b>MANUFACTURING AND OTHER EXPENSES</b>            |               |                 |                 |
|--|---------------|-----------------|-----------------|
| <b>1. Payments to and Provisions for Employees</b> |               |                 |                 |
| Salaries, Wages and Bonus                          | 1,925.00      |                 | 1,717.80        |
| Contribution to Provident and Other Funds          | 204.99        |                 | 266.33          |
| Workmen and Staff Welfare Expenses                 | <u>286.54</u> |                 | <u>296.43</u>   |
|  |               | 2,416.53        | 2,280.56        |
| <b>2. Operation and Other Expenses</b>             |               |                 |                 |
| Consumption of Stores & Spares                     | 277.59        |                 | 210.73          |
| Power & Fuel                                       | 206.53        |                 | 202.27          |
| Repairs to Building                                | 66.18         |                 | 22.01           |
| Repairs to Machinery                               | 478.33        |                 | 518.78          |
| Rent   | 14.01         |                 | 20.96           |
| Rates & Taxes                                      | 21.17         |                 | 15.33           |
| Insurance  | 30.95         |                 | 22.42           |
| Travelling & Conveyance                            | 93.56         |                 | 139.03          |
| Postage, Telephone & Telex                         | 21.75         |                 | 27.72           |
| Printing & Stationary                              | 13.02         |                 | 18.73           |
| Upkeep maintenance                                 | 61.82         |                 | 76.17           |
| Freight on sales                                   | 158.73        |                 | 23.95           |
| General Repairs                                    | 46.01         |                 | 50.81           |
| Selling Commission                                 | 140.38        |                 | -               |
| Bad Debt / advances written off                    | 219.33        |                 | 23.15           |
| Less : Adjusted with Provision for Doubtful Debts  | <u>30.88</u>  |                 | -               |
| Provision for doubtful debts                       | 58.04         |                 | 30.88           |
| Packing & Forwarding                               | 257.06        |                 | 148.01          |
| Legal & Professional Expenses                      | 312.90        |                 | 70.71           |
| Miscellaneous Expenses                             | <u>148.93</u> |                 | <u>212.44</u>   |
|  |               | 2,595.41        | 1,834.10        |
|  |               | <u>5,011.94</u> | <u>4,114.66</u> |

## SCHEDULE - 12

| <b>INTEREST</b>    |  |               |               |
|--------------------|--|---------------|---------------|
| On Term Loan       |  | 1,304.26      | 1,230.56      |
| On Working Capital |  | 830.06        | 829.18        |
| Others             |  | <u>210.97</u> | <u>424.71</u> |
|                    |  | 2,345.29      | 2,484.45      |

## SCHEDULE - 13

| <b>DEPRECIATION</b>                      |  |               |               |
|--|--|---------------|---------------|
| For the year                             |  | 1,273.64      | 1,064.78      |
| Less: Withdrawn from Revaluation Reserve |  | <u>110.43</u> | <u>106.61</u> |
|  |  | 1,163.21      | 958.17        |

## SCHEDULE - 14

### A. SIGNIFICANT ACCOUNTING POLICIES

#### I. Basis of preparation of financial statements

The financial statements are prepared on accrual basis under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAPP). Financial statements comply with the applicable Accounting Standards (AS) specified in Companies (Accounting Standard) Rules, 2006 and presentational requirement of the Companies Act, 1956.

#### II. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the result of operations during the year. Differences between actual results and estimates are recognized in the year in which the results are known or materialized. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### III. Fixed Assets / Depreciation

Fixed assets are stated at cost or at revalued amounts less accumulated depreciation. Cost of fixed assets includes all incidental expenses and interest costs on borrowings, attributable to the acquisition of the assets, upto the date of commissioning of the assets. Depreciation for the year is computed on the straight line method, as per the rates prescribed in Schedule XIV to the Companies Act, 1956. Additional charge of depreciation on amount added on revaluation is adjusted against revaluation reserve.

Fixed assets are reviewed for impairment on each Balance Sheet date, in accordance with AS 28 "Impairment of Assets".

#### IV. Revenue Recognition

Revenue from sale of products is recognized when the products are despatched against orders from customers in accordance with the contract terms, which coincides with the transfer of risks and rewards. Revenue from services are recognized when services have been rendered in accordance with the contract terms.

Revenue from the sale of power is recognized based on monthly bill raised as per month-end meter reading.

Sales are stated inclusive of excise duty and net of rebates, trade discounts and sales tax.

Dividend income is recognized when the Company's right to receive dividend is established. Interest income is recognized on accrual basis on implicit interest rates.

#### V. Carbon Credit

Waste Heat Power Project commissioned in 2001 is a registered CDM (Clean Development Mechanism) project and eligible for allotment of Certified Emission Reduction (CER) credits for a period of ten years upto 30th June, 2011. CER credits are accounted for on an accrual basis as estimated / certified by the Accredited Agencies. Year end unsold CER CREDITS is valued at net realizable value.

#### VI. Investments

Long term investments are stated at cost less provision for permanent diminution, if any, in the value of such investments. Current investments are carried lower of cost and fair value.

#### VII. Inventories

Finished goods and saleable products are valued at lower of costs, computed on weighted average basis, and net realizable value. Cost includes on appropriate portion of manufacturing and other overheads. Excise duty on finished goods is included in the value of finished goods.

Raw materials are carried at cost computed on a weighted average basis, after providing for obsolescence. In case there is a decline in replacement cost of such material and the net realizable value of finished product in which they will be used is expected to be below cost, the value is appropriately written down.

Stores and Spare parts are valued at cost and are computed on a weighted average basis.

#### VIII. Retirement Benefits and Employee Benefits Schemes

##### a) Provident Fund:

Retirement benefit in the form of Provident Fund is a defined benefit obligation of the Company and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. Shortfall in the funds, if any, is adequately provided by the Company.

##### b) Superannuation Fund:

Superannuation Fund (for certain class of employees) is a defined contribution scheme liability and contribution in respect of Superannuation Fund of the concerned employees is accounted for as per Company's scheme and paid to the Life Insurance Corporation of India (LICI) every year. The contributions to the fund are charged in the Profit & Loss Account of the year. The Company does not have any other obligations to the Fund other than the contribution payable to LICI.

# Orissa Sponge Iron & Steel Limited

c) **Gratuity Fund:**

Gratuity Fund is a defined benefit obligation and is provided on the basis of actuarial valuation on project unit credit method at the end of each financial year. The Company has taken a policy with LIC to cover the gratuity liabilities of the employees and contribution paid to LIC is charged to Profit & Loss Account. The difference between the actuarial valuation of gratuity of the employees at the year end and the balance of fund with LIC is recognized as Liability in the Books of Accounts.

d) **Leave Encashment:**

Short term compensated absence are provided on the basis of actuarial valuation at the year end. The actuarial valuation is as per project unit credit method.

Actuarial gains/losses are recognized immediately in the Profit & Loss Account and are not deferred.

## IX. Research and Development

Revenue expenditure on research and development is charged to Profit and Loss Account. Capital expenditure on tangible assets for research and development is shown as additions to Fixed Assets.

## X. Foreign Currency Transaction

Transactions in foreign currency are recorded initially at the exchange rate prevailing at the date of transaction. Monetary assets or liability in currencies other than the reporting currency and foreign exchange transactions remaining unsettled at the balance sheet date are valued at the year end exchange rate.

Exchange difference arising on the settlement of monetary items and on the re-settlement of the monetary items are recognized as income or expense in the Profit and Loss Account.

## XI. Relining Expenses

Expenditure on relining of kiln and cooler is charged to Profit and Loss Account in the year in which it is incurred.

## XII. Taxation

a) **Current Taxes:**

Provision for current taxes is determined on the basis of taxable income and tax credits as per provision of the Income Tax Act 1961.

b) **Deferred Taxes:**

Deferred tax assets are recognized 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 realized.

The deferred tax charge or credit and the corresponding deferred tax liability and assets are recognized using the tax rates that have been enacted or substantially enacted on the Balance Sheet date.

Deferred tax assets arising from unabsorbed depreciation or carry forward losses are recognized only if there is virtual certainty of realization of such amounts.

## XIII. Lease

Where the Company is a lessee, financial leases, effectively transferred to the Company substantially, of the risk and benefits incidental to the ownership of the lease item, are capitalized at the lower of the fair value and present value of the minimum lease payment at the inception of the lease starts. Lease payments are apportioned between the finance charge and deduction of the lease liability based on the implicit rate of return. Finance charges are expensed.

## XIV. Borrowing Cost

Borrowing Costs that are attributable to the acquisitions, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## XV. Provisions and Contingent Liabilities

A provision is recognized when it is more likely that an obligation will result in an outflow of resources. Provisions are not discounted at their present value and are determined based on the management's estimation of the obligation required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimates.

A disclosure for a contingent liability is made where it is more likely than a present obligation or possible obligation would not result in or involve an outflow of resources.

## XVI. Earning per share

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

For the purpose of calculating diluted earnings per share, 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 effect of all dilutive potential equity shares.



# Orissa Sponge Iron & Steel Limited

## B. NOTES ON ACCOUNTS

- 1) Considering commercial viability and better realization from the sale of surplus power generated from waste heat power project, the company has suspended the production of billet temporarily towards the end of the year.
- 2) As per sale agreement entered between GRIDCO Ltd., Bhubaneswar and the Company for sale of power dated 16th day of September 2009, the Company has been evacuating surplus power for sale to GRIDCO after meeting the captive requirement, generated from Waste Heat Power Plant.
- 3) The capacity of waste heat power project has been expended in January, 2009. The certification of the expanded capacity, as a valid project for entitlement of allotment of CER, is pending. Pending certification, carbon credit accrued and estimated by Accredited Agencies, from the certified project upto 31st December, 2008 has been considered for estimating the accrued CER. The CER accrued from the expanded project will be considered after obtaining approval of CDM registration.

During the year there is no sale of CER. The difference between valuation in opening and closing accrued CER units are shown as (decrease) / increase in other income (Schedule - 9).

- 4) Equity share warrants amounting to ₹ 601.50 lacs represents 10 % consideration received from a party against share warrants issued on preferential basis during the year 2007-08. The conversion of share warrants to equity is sub-judice and pending before High Court of Orissa, Cuttack.
- 5) ₹ 274 lacs is due from Neelachal Ispat Nigam Ltd. (NINL) for certain claims. As per legal advice obtained from eminent Advocates, the claim is payable by NINL. The Management is pursuing the recovery and confident of realizing the amount.
- 6) Bilati (Orissa) Ltd. (BOL)

Bilati (Orissa) Ltd. (BOL), was promoted by the Company along with Torsteel Research Foundation in India (TRFI) and Orissa Agro Industries Corporation Ltd. for setting up a food processing and horticulture unit in Keonjhar for socio-economic development of the region. A State-of-Art Fruits and Vegetables processing plant of stainless steel imported from Italy with a large processing capacity was set up. Production could not be achieved at the sustainable level due to non-availability of adequate working capital. Consequently, BOL became a sick company. Management considered that BOL as a debt-free company is a viable unit and could meet the objective for which project was contemplated.

The company has the following investments and advances :

|  |   |              |
|--|---|--------------|
| 1. Investment in equity share capital  | : | ₹ 142 lacs   |
| 2. Advance against share   | : | ₹ 48 lacs    |
| 3. Advances (including payment of one time settlement of the long term loans of SBI/BOI amounting to ₹ 653 lacs) | : | ₹ 1,741 lacs |

BOL has commissioned IL & FS Cluster Development Initiative Ltd. for formulating a comprehensive proposal for restarting commercial operations at the earliest. It is expected that in the long run BOL will be viable and advance can be recovered.

Hence, Management considered that investment made in and advances given to BOL are good and recoverable.

- 7) Bamra Iron & Steel Company (India) Limited (Bamra)

The Company's initiative for expansion and obtaining iron ore mining lease was based on creating production facilities of one million tonne of steel production. Bamra Iron & Steel Company (India) Limited was floated as a wholly owned subsidiary Company for implementing expansion programme of the Company.

Investments in Bamra as on 31st March 2010 is as follows :

|                                       |   |                              |
|---------------------------------------|---|------------------------------|
| 1. Investment in equity share capital | : | ₹ 75.00 lacs ( ₹ 75.00 lacs) |
| 2. Advances                           | : | ₹ 83.29 lacs ( ₹ 83.06 lacs) |

Advances are given and investments in shares are made for making advance payment for Land allotted by Govt. of Orissa and for project development.

The project implementation at present is on hold as there are delays in getting iron ore mining lease due to technical reasons. The project will be implemented on clearance of iron ore mining lease.

- 8) The advances recoverable include payment of ₹ 273.69 lacs to Noth-Eastern Electricity Supply Company Ltd. (NESCO) for enhanced tariff as per notification for the period May 1996 to 31st March 1997. Honourable High Court, Cuttack, Orissa has set aside the said notification as "Not sustainable". NESCO has filed an appeal in the Honourable Supreme Court of India and decision is still pending. In view of the Honourable High Court decision, the aforesaid amount has been considered as good and recoverable.
- 9) The management has reviewed the impairment of Fixed Assets during the year and there are no such impairment of assets.

## Jrissa Sponge Iron & Steel Limited

- 10) Based on and to the extent of information obtained from suppliers regarding their status as Micro, Small or Medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, there are no amounts due to them as at the end of the year.
- 11) Estimated amount of contracts (Net of advance) remaining to be executed on Capital Account and not provided for amounts to ₹ 129.67 lacs (₹ 235.20 lacs).
- 12) Prior period items include ₹ 151.45 lacs paid to NESCO for settling claim of delayed payment surcharges in respect of earlier years.
- 13) Lease

Fixed Assets acquired under Finance Leases:

The Company has acquired vehicles under finance lease. The year wise breakup of outstanding lease obligations are as under:

| Period  | 2009-10 | 2008-09 |
|---|---------|---------|
| Within one year                                   | 21.09   | 21.09   |
| Later than one year and not later than five years | 7.25    | 28.34   |
| Later than five years                             | -       | -       |

The original period of the lease term ranges from 3 to 5 years. Lease rentals are charged on the basis of agreed terms.

- 14) Directors' Remuneration

Vice Chairman & Managing Director and Whole-time Director:

|  | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |
|--|---------------------|---------------------|
| Salary                                       | 25.02               | 17.03               |
| Contribution to Provident Fund & Other Funds | 1.63                | 2.66                |
| Perquisites                                  | 1.57                | 5.46                |
| Total  | 28.22               | 25.15               |

- 15) Raw material stock includes coal char stock of ₹ 209.06 lacs (previous year ₹ 177.99 lacs) which will be consumed for power generation through coal fired boiler.  
Coal char is a waste generated from the process and valued at net realizable value.

- 16) Miscellaneous expenses include payments to Auditors towards:

|                              |   |      |      |
|------------------------------|---|------|------|
| a) Statutory Audit           | : | 5.00 | 5.00 |
| b) Tax Audit                 | : | 1.00 | 1.00 |
| c) Others                    | : | 1.12 | 2.25 |
| d) Reimbursement of Expenses | : | 0.70 | 0.82 |

The above does not include service tax.

- 17) Contingent liabilities not provided for:

|  |          |          |
|--|----------|----------|
| i) For Letters of Credit and for Counter Guarantees to the Banks for guarantees given by them.   | 1,357.24 | 735.17   |
| ii) Disputed Sales Tax (under appeal)<br>(Includes ₹ 1,175.80 lacs towards disallowance of branch transfer and consignment transfer of finished goods and ₹ 940.67 lacs is for non-submission of declaration forms, out of which ₹ 887.39 lacs have since been collected / submitted). | 2,973.63 | 2,973.63 |
| iii) Disputed Central Excise (under appeal)  | 44.76    | 44.76    |
| iv) Income Tax Demand (under appeal)   | 85.22    | 210.01   |
| v) Interest on TDS for different years (under appeal)  | -        | 1.39     |
| vi) Minimum Demand charges (Electricity)   | -        | 153.85   |
| vii) Interest for delayed payment of Sales Tax & Excise Duty loan  | 145.04   | -        |

# Orissa Sponge Iron & Steel Limited

|  |        | 2009-10  | 2008-09  |
|--|--------|----------|----------|
| 18) Particulars of goods manufactured: |        |          |          |
| a) Installed Capacity:                 |        |          |          |
| Sponge Iron                            | (M.T.) | 2,50,000 | 2,50,000 |
| Steel Billet                           | (M.T.) | 1,00,000 | 1,00,000 |
| Power                                  | (MW)   | 24 *     | 12       |

(\*12 MW Power plant commenced power generation from 28.10.2009)

|                |        |            |            |
|----------------|--------|------------|------------|
| b) Production: |        |            |            |
| Sponge Iron    | (M.T.) | 129,385    | 105,284    |
| Steel Billet   | (M.T.) | 19,408     | 25,332     |
| Power          | (KWH)  | 77,902,731 | 49,552,719 |

19) Turnover:

|                  | 2009-10    |                     | 2008-09  |                     |
|------------------|------------|---------------------|----------|---------------------|
|                  | Quantity   | Value<br>(₹ / lacs) | Quantity | Value<br>(₹ / lacs) |
| Sponge Iron (MT) | 99,379     | 14,134.53           | 75,353   | 14,174.78           |
| Steel Billet MT) | 19,616     | 4,015.88            | 25,197   | 6,727.05            |
| Power (KWH)      | 25,043,548 | 811.60              | -        | -                   |
|                  |            | <u>18,962.01</u>    |          | <u>20,901.83</u>    |

Note: Company is using its own sponge iron as raw materials in the Billet unit along with scrap. The quantity consumed internally is not shown in the turnover.

20) Closing Stock:

|                | 2009-10          |                     | 2008-09          |                     |
|----------------|------------------|---------------------|------------------|---------------------|
|                | Quantity<br>(MT) | Value<br>(₹ / lacs) | Quantity<br>(MT) | Value<br>(₹ / lacs) |
| Sponge Iron *  | 32,327           | 3,074.50            | 24,286           | 2,805.14            |
| Steel Billet   | 204              | 43.03               | 440              | 114.06              |
| Rolled Product | 86               | 20.66               | 86               | 20.66               |

\* After adjustments of physical shortage of Nil MT (1,069 MT)

21) a) Raw-materials Consumed:

|                                   | 2009-10          |                     | 2008-09          |                     |
|-----------------------------------|------------------|---------------------|------------------|---------------------|
|                                   | Quantity<br>(MT) | Value<br>(₹ / lacs) | Quantity<br>(MT) | Value<br>(₹ / lacs) |
| Iron Ore                          | 2,31,703         | 5,903.54            | 1,69,891         | 7,978.46            |
| Coal (Sponge production)          | 2,11,808         | 6,484.64            | 1,57,949         | 4,926.29            |
| Coal (Power production)           | 24,722           | 197.78              | 17,990           | 143.92              |
| Limestone & Dolomite              | 7,870            | 120.30              | 5,917            | 86.02               |
| Steel Scrap                       | 1,515            | 226.69              | 862              | 148.54              |
| Ferro Alloys                      | 343              | 137.23              | 436              | 264.72              |
| Sponge Iron (Internal Consump.)   | 21,965           | -                   | 29,558           | -                   |
| Coke                              | 328              | 51.62               | 639              | 130.97              |
| End Cutting of Steel Billet       | 28               | -                   | 65               | -                   |
| Other Raw Materials (consumables) | -                | 99.81               | -                | 251.83              |
|                                   |                  | <u>13,221.61</u>    |                  | <u>13,930.75</u>    |

# Orissa Sponge Iron & Steel Limited

|   | 2009-10             |                     | 2008-09             |               |
|---|---------------------|---------------------|---------------------|---------------|
|   | Value<br>(₹ / lacs) | %                   | Value<br>(₹ / lacs) | %             |
| Analysis  |                     |                     |                     |               |
| Imported  | 4.06                | 0.03                | 50.31               | 0.36          |
| Indigenous  | 13,217.55           | 99.97               | 13,880.44           | 99.64         |
|   | <u>13,221.61</u>    | <u>100.00</u>       | <u>13,930.75</u>    | <u>100.00</u> |
| b) Consumption of stores & spare parts:   |                     |                     |                     |               |
|   | 2009-10             |                     | 2008-09             |               |
|   | Value<br>(₹ / lacs) | %                   | Value<br>(₹ / lacs) | %             |
| Stores & Spares consumed:   |                     |                     |                     |               |
| Imported  | 0.00                | 0.00                | 3.45                | 1.64          |
| Indigenous  | 277.59              | 100.00              | 207.28              | 98.36         |
|   | <u>277.59</u>       | <u>100.00</u>       | <u>210.73</u>       | <u>100.00</u> |
| c) Captive Consumption of Power (KWH):  |                     |                     |                     |               |
|   | 2009-10             | 2008-09             |                     |               |
| Steel Billet  | 19,366,556          | 25,005,840          |                     |               |
| Sponge Iron   | 18,880,243          | 14,218,587          |                     |               |
| Captive Power Plant & others  | 14,612,384          | 10,328,292          |                     |               |
| 22) Expenditure in Foreign Currency:  |                     |                     |                     |               |
|   | (₹ / lacs)          | (₹ / lacs)          |                     |               |
| i) Value of imports (C & F Basis) : Raw Material and Consumables  | 4.89                | 43.35               |                     |               |
| Travelling  | 1.26                | 5.39                |                     |               |
| 23) Earnings in foreign exchange:   |                     |                     |                     |               |
|   | (₹ / lacs)          | (₹ / lacs)          |                     |               |
| Export of goods calculated on F.O.B. basis  | 665.63              | 1,399.41            |                     |               |
| Sale of Carbon Credit   | Nil                 | 748.16              |                     |               |
| 24) Earnings per share:   |                     |                     |                     |               |
| Profit for the year after taxation, as per profit and loss account (₹/ lacs)  | (2,336.50)          | (2,720.20)          |                     |               |
| No. of Equity Shares (weighted)   | 27,000,000          | 20,580,822          |                     |               |
| Basic & diluted Earning per share<br>(face value - ₹ 10 per share)  | (8.65)              | (13.22)             |                     |               |
| In computing diluted earning per share equity share warrants (10% consideration of 35,00,000 equity shares) allotted on preferential basis has been excluded as the conversion of warrants in to equity shares in under sub-judice. |                     |                     |                     |               |
| 25) The major components of the Deferred Tax Assets/Liabilities, based on tax effect of the timing differences, as at 31st March 2010, are as under:  |                     |                     |                     |               |
|   | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |                     |               |
| <b>Deferred Tax Liability</b>   |                     |                     |                     |               |
| Depreciation  | 3,271.06            | 2,047.29            |                     |               |
| <b>Deferred Tax Assets</b>  |                     |                     |                     |               |
| Carried forward Loss  | (4,523.04)          | (1,680.20)          |                     |               |
| Disallowance under section 43B  | (405.38)            | (804.37)            |                     |               |
| <b>Deferred Tax Liability / (Assets) (Net)</b>  | <b>(1,657.36)</b>   | <b>(437.28)</b>     |                     |               |
| 26) As the Company's business activity falls within a single primary business segment, viz. "Iron & Steel" the disclosure requirement of Accounting Standard 17 - Segment reporting issued by ICAI are not applicable.              |                     |                     |                     |               |

# Orissa Sponge Iron & Steel Limited

## 27) DISCLOSURES IN ACCORDANCE WITH REVISED AS-15 ON "EMPLOYEES BENEFITS"

### a) Compensated Absences:

Liability for Compensated Absences is provided on the basis of valuation as at the Balance Sheet date, carried out by an Independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Unit Credit method. Under this method, the Defined Benefit Obligation is calculated taking into account pattern of availment of leave while in service and qualifying salary on the date of availment of leave. In respect of encashment of leave, the Defined Benefit obligation is calculated taking into account in qualifying salary projected up to the assumed date of encashment.

### b) Defined Contribution Plans:

The Company has recognized the following amounts in the Profit and Loss Account for the year:

| Particulars  | ₹ / lacs      |               |
|--|---------------|---------------|
|  | 2009-10       | 2008-09       |
| Employers' Contribution to Provident Fund                  | 75.51         | 67.18         |
| Employers' Contribution to Superannuation Fund             | 28.35         | 30.03         |
| Employers' Contribution to Employees' Pension Scheme, 1995 | 40.25         | 46.85         |
| <b>Total</b>   | <b>144.11</b> | <b>144.06</b> |

### c) Defined Benefit Plans:

The only Defined Benefit Plan of the Company is the Gratuity Plan and the following figures as per the actuarial valuation as at Balance Sheet date carried out by an independent actuary spells out the status of the gratuity plan required under AS - 15 (revised):

| Particulars   | ₹ / lacs                  |                           |
|---|---------------------------|---------------------------|
|   | As at<br>31st March, 2010 | As at<br>31st March, 2009 |
| <b>Obligation at the beginning of the year</b>  | <b>632.66</b>             | <b>538.79</b>             |
| Service cost  | 30.92                     | 31.97                     |
| Interest cost   | 21.81                     | 23.04                     |
| Benefits settled  | (59.65)                   | (43.83)                   |
| Actuarial (Gain) / Loss   | 10.13                     | 82.69                     |
| <b>Obligation at the end of the year</b>  | <b>635.87</b>             | <b>632.66</b>             |
| <b>Change in plan Assets</b>  |                           |                           |
| Plan Assets at the beginning of the year, at fair value   | 252.08                    | 272.27                    |
| Expected return on plan assets  | 21.81                     | 23.04                     |
| Actuarial (Gain)/Loss   | (3.33)                    | (3.40)                    |
| Contributions   | 14.50                     | 4.00                      |
| Benefits settled  | (59.65)                   | (43.83)                   |
| Plan Assets at the end of the year, at fair value   | 225.41                    | 252.08                    |
| <b>Reconciliation of present value of the obligation and the fair value of the planned assets</b> |                           |                           |
| Fair value of the Plan Assets at the end of the year  | 225.41                    | 252.08                    |
| Present value of the defined benefit obligation at the end of the year                            | 635.87                    | 632.66                    |
| Assets / (liability) recognised in the balance sheet  | (410.46)                  | (380.58)                  |
| <b>Gratuity cost for the year</b>   |                           |                           |
| Service cost  | 30.92                     | 31.97                     |
| Interest cost   | 21.81                     | 23.04                     |
| Expected return on plan assets  | (21.81)                   | (23.04)                   |
| Actuarial (Gain) / Loss   | 13.46                     | 86.09                     |
| Net Gratuity cost   | 44.38                     | 118.06                    |
| <b>Assumptions</b>  |                           |                           |
| Interest rate   | 9.30%                     | 9.30%                     |
| Expected rate of return on plan assets  | 9.30%                     | 9.30%                     |
| Expected rate of salary increase  | 3%                        | 4%                        |
| Retirement age  | 58                        | 58                        |

## Orissa Sponge Iron & Steel Limited

28) The Company has not prepared the Consolidated Financial Statement as required under Accounting Standard - 21 (AS-21), since the subsidiary of the Company has not started project implementation during the year and transactions done by the Company is not material. However separate financial statements of the Subsidiary is presented.

29) Related Party disclosures under Accounting Standard -18

A. Name of related party and relationship :

|   |   |   |
|---|---|---|
| I. Subsidiary   | : | Bamra Iron and Steel Company (India) Ltd.   |
| II. Associates  | : | Torsteel Research Foundation in India<br>TRFI Investment Pvt. Ltd.<br>OSIL-TRFI Community Services<br>Bilati (Orissa) Ltd.<br>Torsteel Services Pvt. Ltd. |
| III. Key Management Personnel   | : | Dr. P. K. Mohanty<br>Mr. Munir Mohanty<br>Mr. M. A. Khan  |
| IV. Enterprises over which Key Management Personnel exercise significant interest | : | Torsteel Research Foundation in India<br>TRFI Investment Pvt. Ltd.<br>OSIL-TRFI Community Services<br>Bilati (Orissa) Ltd.<br>Torsteel Services Pvt. Ltd. |

B. Transaction with related parties referred to in - (A):

|   |   | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |
|---|---|---------------------|---------------------|
| I. Transaction with Subsidiary:   |   |                     |                     |
| Receivable / (Payable) as at 31.03.10   | : | 83.29               | 83.06               |
| II. Transactions with key managerial personnel:   |   |                     |                     |
| Remuneration - {Refer No.14}  | : | 26.41               | 25.15               |
| III. Transactions with Associate Companies:   |   |                     |                     |
| OSIL - TRFI Community Services  |   |                     |                     |
| Contribution towards community services   | : | 17.71               | 19.65               |
| Torsteel Research Foundation in India   | : |                     |                     |
| Services availed:   |   |                     |                     |
| Laboratory analysis charges   | : | 44.63               | 40.73               |
| Expenses reimbursed   | : | 10.58               | 16.68               |
| Receivable / (Payable) as at 31.03.10   | : | (49.03)             | (46.86)             |
| Torsteel Services (P) Ltd.  |   |                     |                     |
| Interest received   | : | Nil                 | 212.83              |
| Receivable / (Payable) as at 31.03.10   | : | (47.21)             | (48.31)             |
| IV. Transactions with enterprises over which relative of key management personnel exercise significant influence: |   |                     |                     |
| Bilati (Orissa) Ltd.  |   |                     |                     |
| Advances given during the year  | : | 88.83               | 256.88              |
| Balance Receivable as at 31.03.10   | : | 1,789.41            | 1,700.58            |

30) All the amounts in Rupees have been rounded off to lacs with thousands in decimals.

31) Previous years figures have been regrouped and reclassified wherever necessary.

Signature to Schedule 1 to 14 as per our Annexed Report of even date.

In terms of our annexed report of even date.

For **L. N. MORE & CO.**  
Chartered Accountants  
FRN 307042E

**L. N. MORE**  
Partner  
Membership No. 011485  
Place: Kolkata  
Dated: 10th November, 2010

**S. Ramakrishnan**  
General Manager (F & A) &  
Company Secretary

**L. D. Sahoo**, Director  
**S. K. Khetan**, Director  
**Munir Mohanty**, Director  
**Dr. P. K. Mohanty**, Vice Chairman  
& Managing Director

# Orissa Sponge Iron & Steel Limited

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

### I. Registration Details

Registration No. 8 1 9 O F 1 9 7 9 - 8 0

State Code 1 5

Balance Sheet Date 3 1 0 3 2 0 1 0

### II. Capital Raised during the year (₹ / lacs)

Public Issue  
N I L

Rights Issue  
N I L

Bonus Issue  
N I L

Private Placement  
N I L

Conversion of Equity Warrants  
N I L

### III. Position of Mobilisation and Deployment of Funds (₹ / lacs)

Total Liabilities  
4 6 6 7 3 . 7 0

Total Assets  
4 6 6 7 3 . 7 0

### IV. Sources of Funds

Paid-up Capital  
2 7 0 0 . 0 0

Equity Share Warrant  
6 0 1 . 5 0

Secured Loans  
2 0 1 3 7 . 6 2

Reserves & Surplus  
2 3 1 9 4 . 5 8

Unsecured Loans  
4 0 . 0 0

### V. Application of Funds

Net Fixed Assets  
2 8 0 8 8 . 6 8

Investments  
6 3 9 . 4 6

Net Current Assets  
1 1 0 1 3 . 1 3

Misc. Expenditure  
N I L

Accumulated Losses  
5 2 7 5 . 0 7

Deferred Taxation  
1 6 5 7 . 3 6

### VI. Performance of the Company

Turn Over \*  
1 8 1 4 7 . 5 0

Total Expenditure  
2 1 7 0 4 . 0 8

Profit & Loss Before Tax (+/-)  
(-) 3 5 5 6 . 5 8

Profit & Loss After Tax (+/-)  
(-) 2 3 3 6 . 5 0

Earning per share in ₹  
(-) 8 . 6 5

Dividend %  
N I L

\* Includes other income.

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

Item Code No. (ITC Code) 7 2 0 3 1 0

Item Code No. (ITC Code) 7 2 0 6 9 0

Product Description S P O N G E I R O N

Product Description M . S . B I L L E T S

Place: Kolkata

Dated: 10th November, 2010

S. Ramakrishnan  
General Manager (F & A) &  
Company Secretary

L. D. Sahoo, Director  
S. K. Khetan, Director  
Munir Mohanty, Director  
Dr. P. K. Mohanty, Vice Chairman  
& Managing Director



# Orissa Sponge Iron & Steel Limited

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANY

- |  |   |  |
|--|---|--|
| 1. Name of the Subsidiary  | : | BAMRA IRON & STEEL COMPANY (INDIA) LTD.                          |
| 2. The Financial Year of the Subsidiary Company ended on   | : | 31st March 2010  |
| 3. a) No. of shares held by Orissa Sponge Iron Ltd.  | : | 7,49,930 Equity Shares of Rs.10 each                             |
| b) Extent of holding at the end of<br>Financial Year of Subsidiary Company   | : | 99.99%   |
| 4. The net aggregate amount of the Subsidiary Company<br>profit/(loss) so far as it concerns the members of the<br>holding Company : |   |  |
| a) Not dealt with in the holding accounts :  |   |  |
| i) For the financial year ended 31st March 2010  | : | The Company has been formed for setting up Iron & Steel Project. |
| ii) For the previous financial years<br>of the Subsidiary Company since<br>it became the holding Company's subsidiary                | : | Not Applicable   |
| b) Dealt with in the holding Company's accounts :  |   |  |
| i) For the financial year ended 31st March 2010  | : | NIL  |
| ii) For the previous financial years<br>of the Subsidiary Company since<br>it became the holding Company's subsidiary                | : | Not Applicable   |

Place: Kolkata  
Dated: 10th November, 2010

S. Ramakrishnan  
General Manager (F & A) &  
Company Secretary

L. D. Sahoo, Director  
S. K. Khetan, Director  
Munir Mohanty, Director  
Dr. P. K. Mohanty, Vice Chairman  
& Managing Director

### BAMRA IRON & STEEL COMPANY (INDIA) LIMITED

#### DIRECTORS' REPORT

Your Directors are pleased to submit the Director's Report for the year ended 31st March, 2010.

#### STATE OF COMPANY'S AFFAIRS:

##### Financial Results

During the period from 1st April, 2009 to 31st March, 2010 the Company incurred an expenditure of ₹ 23,111 (Rupees Twenty Three Thousand One Hundred Eleven only) which has been carried to the Balance Sheet as pre-operative expenses.

##### Directorate

Dr. P. K. Mohanty retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

##### Conservation of energy, technology absorption, foreign exchange earning and outgo

There was no energy conservation, technology absorption, foreign exchange earning and outgo during the year.

##### Particulars of Employees:

There was no employee getting a salary of ₹ 24,00,000 per annum or ₹ 2,00,000 per month when employed for a part of the year.

##### Director's Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Director's state that:

- In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- Such accounting policies are selected and applied consistently and such judgements and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the Profit & Loss Account for the year ended on that date.
- Proper and sufficient care has been taken 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 preparation and detecting fraud and other irregularities.
- The Accounts for the financial year ended 31.03.2010 have been prepared on a going concern basis.

##### Auditors

The Auditors M/s. L N More & Co. Chartered Accountants, retires at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

##### Acknowledgement and Appreciation

Your Directors acknowledge with gratitude the co-operation extended by the stakeholders during the year and solicit their continued support.

Regd. Office  
OSIL House  
Gangadhar Meher Marg  
Bhubaneswar - 751 024

For and on behalf of the Board  
Bamra Iron & Steel Co. (India) Limited

Place : Bhubaneswar  
Date : 1st September, 2010

Dr. P. K. Mohanty  
Chairman

# Orissa Sponge Iron & Steel Limited

## BAMRA IRON & STEEL COMPANY (INDIA) LIMITED

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Messrs. **BAMRA IRON & STEEL COMPANY (INDIA) LIMITED, Bhubaneswar** as on 31st March, 2010 and the Profit & Loss Account for the year ended on that date annexed hereto. The financial statements are the responsibility of the Company's Management. Our responsibility is to express our opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, ("the order") 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) In our opinion, and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the case of the Balance Sheet, of the true and fair view of the state of affairs of the Company as at 31st March, 2010 and the Profit & Loss Account gives a true and fair view of the expenditure incurred during construction period relating to year ended on the date and transferred to Pre-operative expenses account.
  - d) The Balance Sheet and Profit & Loss Account dealt with by this Report are in agreement with the Books of Accounts produced before us and comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.

For **L. N. More & Co.**  
Chartered Accountants  
FRN 307042E

**L. N. More**  
Partner

Membership No.011485

Place: Cuttack

Dated: 1st September, 2010

### ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of **Bamra Iron & Steel Company (India) Limited** ("the Company") on the financial statements for the year ended 31st March 2010, we report that

- (i) The Company has not acquired any assets so far.
- (ii) The Company has not acquired any inventory so far.
- (iii) (a) According to the information & explanation given to us, the Company has not taken loan during the year from any body corporate and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 on such terms which are prejudicial to the interest of the Company.  
(b) According to the information & explanation given to us, the Company has not granted any loan, secured or unsecured to any companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 during the year. There are no companies under the same management within the meaning of Section 370 (I-B) of the Companies Act, 1956.
- (iv) There are no transactions for purchase of goods and materials and sale of goods, materials and services made by the Company in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the period to ₹ 5,00,000 or more during the period in respect of each party.
- (v) The Company has not accepted deposits from the public under Section 58A and 58AA of the Companies Act, 1956, and the rules framed there under.
- (vi) The Company is not a Sick Industrial Company within the meaning of Section 3(1)(0) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (vii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- (viii) The provisions of clauses iv, vii, viii, ix, x, xi, xii, xiv, xv, xvi, xvii, xviii, xix and xx of paragraphs 4 and 5 of the Companies (Auditors' Report) Order, 2003 are not applicable for the current year.

For **L. N. More & Co.**  
Chartered Accountants  
FRN 307042E

**L. N. More**  
Partner

Membership No.011485

Place: Cuttack

Dated: 1st September, 2010

# Orissa Sponge Iron & Steel Limited

## BAMRA IRON & STEEL COMPANY (INDIA) LIMITED OSIL HOUSE, GANGADHAR MEHER MARG, BHUBANESWAR - 751024

| BALANCE SHEET AS AT 31ST MARCH 2010  |              |   |                     | PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010 |  |                     |                     |
|--|--------------|---|---------------------|--|--|---------------------|---------------------|
|  | Schedule No. | ₹ | 31st March '10<br>₹ | 31st March '09<br>₹                                      |  | 31st March '10<br>₹ | 31st March '09<br>₹ |
| <b>SOURCES OF FUNDS</b>  |              |   |                     | <b>Expenditure :</b>                                     |  |                     |                     |
| Shareholders' Funds  |              |   |                     |  | Bank Charges                                       | 66                  | 60                  |
| Share Capital  | A            |   | 7,500,000           | 7,500,000  | Filing Fees  | 2,500               | 2,501               |
| Unsecured Loan   | B            |   | 8,328,657           | 8,305,612  | Legal & Professional Charges                       | 9,011               | 13,750              |
|  |              |   | <u>15,828,657</u>   | <u>15,805,612</u>  | Licenses Fees                                      | 2,100               | 1,900               |
| <b>APPLICATION OF FUNDS</b>  |              |   |                     |  |  |                     |                     |
| <b>Fixed Assets</b>  | C            |   |                     |  | Printing & Stationery                              | 610                 | -                   |
| Project & Preoperative expenses (pending capitalisation)   |              |   | 15,630,832          | 15,607,721   | Travelling Expenses                                | -                   | 5,404               |
| <b>Current Assets</b>  |              |   |                     |  | Audit Fees   | 8,824               | 8,824               |
| Advance recoverable  |              |   | 222                 | 222  |  | <u>23,111</u>       | <u>32,439</u>       |
| Cash & Bank Balances   | D            |   | 54,337              | 57,712   | <b>Less: Transferred to Pre-operative Expenses</b> | <u>23,111</u>       | <u>32,439</u>       |
| Short Term Advance   | D            |   | 4,670               | 1,361  |  |                     |                     |
| <b>Total Current Assets</b>  |              |   | <u>59,229</u>       | <u>59,295</u>  |  |                     |                     |
| Less: Current Liabilities  | E            |   | <u>48,824</u>       | <u>48,824</u>  |  |                     |                     |
| <b>Net Current Asset</b>   |              |   | <u>10,405</u>       | <u>10,471</u>  |  |                     |                     |
| Miscellaneous Expenditure (Preliminary Expenses)   |              |   | 187,420             | 187,420  |  |                     |                     |
|  |              |   | <u>15,828,657</u>   | <u>15,805,612</u>  |  |                     |                     |
| Schedules A, B, C, D & E and Notes on Accounts in Schedule F form an integral part of this Balance Sheet |              |   |                     | In terms of our annexed report of even date              |  |                     |                     |
| In terms of our annexed report of even date  |              |   |                     |  |  |                     |                     |

For L. N. More & Co.  
Chartered Accountants  
L. N. More  
Partner  
Membership No. 011485  
Place : Cuttack  
Dated: 1st September, 2010

Dr. P. K. Mohanty  
M. A. Khan  
S. Sen  
DIRECTORS

### BAMRA IRON & STEEL COMPANY (INDIA) LIMITED

|  | ₹      | 31st March, 2010<br>₹ | 31st March, 2009<br>₹ |
|--|--------|-----------------------|-----------------------|
| <b>Schedule - A - Share Capital</b>                                  |        |                       |                       |
| <b>Authorised:</b>   |        |                       |                       |
| 1,000,000 Equity Shares of ₹ 10 each                                 |        | 10,000,000            | 10,000,000            |
| <b>Issued, Subscribed &amp; Paid up:</b>                             |        |                       |                       |
| 750,000 Equity Shares of ₹ 10 each fully paid up                     |        | 7,500,000             | 7,500,000             |
| <b>Schedule - B - Unsecured Loan</b>                                 |        |                       |                       |
| Orissa Sponge Iron & Steel Ltd.                                      |        | 8,328,657             | 8,305,612             |
| <b>Schedule - C - Fixed Assets</b>                                   |        |                       |                       |
| <b>Pre-Operative &amp; Project Expenses (Pending Capitalization)</b> |        |                       |                       |
| Pre-operative Expenses   |        | 216,542               | 193,431               |
| Project Expenses   |        | 15,414,290            | 15,414,290            |
|  |        | <u>15,630,832</u>     | <u>15,607,721</u>     |
| <b>Schedule - D - Current Assets</b>                                 |        |                       |                       |
| Cash in Hand   |        | -                     | -                     |
| Bank Balance:  |        |                       |                       |
| HDFC Bank  | 40,000 |                       |                       |
| Bank of Maharashtra  | 14,337 | 54,337                | 57,712                |
|  |        | <u>54,337</u>         | <u>57,712</u>         |
| Short Term Advances:   |        |                       |                       |
| Bamra Sponge Iron & Steel Ltd.                                       |        | 4,670                 | 1,361                 |
| <b>Schedule-E - Current Liabilities and Provisions</b>               |        |                       |                       |
| Outstanding Expenses   |        | 8,824                 | 8,824                 |
| TRFI Investment Pvt. Ltd.  |        | 40,000                | 40,000                |
|  |        | <u>48,824</u>         | <u>48,824</u>         |

#### Schedule-F - Accounting Policy and Notes on Accounts

- The Accounts are prepared on accrual basis under historical cost convention.
- No depreciation on assets has been provided since the Company has not acquired any assets so far.
- Preliminary expenses has not been written off since the Company has neither commenced production nor any business activities till the end of this year.
- Project and Pre-operative Expenses include ₹ 10,136,194 towards Advance for land & land acquisition.
- Figure in the Profit & Loss Account and Balance Sheet has been rounded up to the nearest rupee.
- Previous year's figures have been regrouped and rearranged where ever necessary to make them comparable with those of the current year.

Signatures to Schedule A to F as per our annexed report of even date.

For L. N. More & Co.  
Chartered Accountants  
L. N. More  
Partner  
Membership No. 011485  
Place: Cuttack  
Dated: 1st September, 2010

Dr. P. K. Mohanty  
M. A. Khan  
S. Sen  
DIRECTORS

**BOOK - POST**

*If undelivered, please return to :*

**ORISSA SPONGE IRON & STEEL LIMITED**

Chatterjee International Centre, 11th Floor

33A, Jawahar Lal Nehru Road

Kolkata - 700 071

**ORISSA SPONGE IRON & STEEL LIMITED**  
**Annual Report 2009-2010**  
**CORRIGENDUM**

1. Page No. 8 Para 3(ii) the last para under the Column: Management replies & comments should be substituted and read as follows:  
Hence, Management considered that investment made in and advances given are good and recoverable.
2. Notes on Accounts: Page No. 36, Para 29) B II should be substituted and read as follows:

|   | 2009-10<br>₹ / lacs | 2008-09<br>₹ / lacs |
|---|---------------------|---------------------|
| II Transactions with key managerial personnel:<br>Remuneration - (refer No. 14) | 28.22               | 25.15               |

3. Notes on Accounts: Page No 36, Para 29) B III:

III Transactions with Associate Companies:

Instead of

|   |       |       |
|---|-------|-------|
| OSIL-TRFI Community Services<br>Contribution towards community services | 17.71 | 19.65 |
|---|-------|-------|

The following shall be substituted

|   |       |       |
|---|-------|-------|
| OSIL-TRFI Community Services<br>Contribution towards community services       | 0.27  | 7.50  |
| OSIL-TRFI Community Services Trust<br>Contribution towards community services | 17.44 | 12.15 |