

**ANNUAL
REPORT
2010-2011**



ORISSA SPONGE IRON & STEEL LIMITED

Orissa Sponge Iron & Steel Limited

Board of Directors

Mr. C. J. Venugopal, IAS	Chairman
Dr. P. K. Mohanty	Vice Chairman & Managing Director
Mr. S. N. Nayak	Director
Mr. B. K. Sarkar	Director
Mr. S. K. Khetan	Director
Mr. M. A. Khan	Director
Mr. M. Mohanty	Wholetime Director

General Manager (F & A) & Company Secretary

Mr. S. Ramakrishnan

Auditors

M/s. L. N. More & Co.
Chartered Accountants
Professor Para
Cuttack - 753 003

Registered Office & Project & Engineering Office

OSIL House
Gangadhar Meher Marg
Bhubaneswar - 751 024

PLANT

P.O. Palaspanga
Dist. Keonjhar - 758 031
Odisha

Registrar & Share Transfer Agent

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

Corporate Office

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

Bankers

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

Contents

Notice	1-3
Directors' Report & Annexure	4-7
Management Discussion & Analysis	8
Corporate Governance	9-15
Auditors' Report	15-17
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules & Notes on Accounts	21-34
Balance Sheet Abstract	35
Statement Pursuant to Section 212	36
Accounts of Subsidiary Company	36-38

Orissa Sponge Iron & Steel Limited

NOTICE

Notice is hereby given that the 31st Annual General Meeting of the Members of the Company will be held on Friday, the 23rd December, 2011 at Hotel Swosti, Bhubaneswar at 10.00 a.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, 2011 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. S. K. Khetan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. K. Sarkar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

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. S. N. Nayak who was appointed as an Additional Director by the Board of Directors w.e.f. 26th February, 2011 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. S. N. Nayak, 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. M. A. Khan, who was appointed as an Additional Director in the Meeting of the Board of Directors w.e.f. 1st November, 2011 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. M. A. Khan, as Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office

OSIL House
Gangadhar Meher Marg
Bhubaneswar - 751 024

Dated: 19th November, 2011

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) 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. S. N. Nayak as an Additional Director of the Company upon receipt of nomination from Industrial Promotion & Investment Corporation of Orissa Limited (IPICOL), w.e.f. 26th February, 2011.

The Board also had pursuant to the provisions of Section 260 of the Act and Article 105 of the Articles of Association of the Company appointed Mr. M. A. Khan, as an Additional Director of the Company w.e.f. 1st November, 2011.

In terms of the provisions of Section 260 of the Act, Mr. S. N. Nayak and Mr. M. A. Khan 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. S. N. Nayak and Mr. M. A. Khan, as Director liable to retire by rotation under provisions of Section 257 of the Act.

Brief resume of Mr. S. N. Nayak and Mr. M. A. Khan is provided 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. S. N. Nayak and Mr. M. A. Khan in their personal capacity, are in any way, concerned or interested in the said resolution.

Registered Office

OSIL House
Gangadhar Meher Marg
Bhubaneswar - 751 024

Dated: 19th November, 2011

By Order of the Board

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

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 16th December, 2011 to Friday the 23rd December, 2011 (both days inclusive)**.
5. All documents referred to in the accompanying Notice and the Explanatory Statement are 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 Registrar & 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

OR

Orissa Sponge Iron & Steel Limited, Share Department, Chatterjee International Centre, 11th Floor, 33A, Jawaharlal Nehru Road, Kolkata - 700 071, Phone - 033-2289-3910 to 16, Fax - 033-2226 7470, E-mail - 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 2003-04 to the Investor Education and Protection Fund.
12. Particulars of Directors seeking appointment / re-appointment at the 31st Annual General Meeting in pursuance of clause 49 of Listing Agreement is given in Annexure A.

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members.

To support this green initiative of the Government in full measure,

Members who are holding shares in **demat** mode are requested to register their e-mail id with their Depository Participant immediately, if not registered already.

Members who are holding shares in **physical form** should send their request by e-mail to green@orissasponge.com with their name, folio no.

OR

Such members holding shares in physical form can also write to the Company at Orissa Sponge Iron & Steel Limited (Share Department) Chatterjee International Centre, 11th Floor, 33A, Jawaharlal Nehru Road, Kolkata 700 071 and inform their e-mail id quoting their name, folio no.

Annexure - A

Particulars of Directors seeking appointment / re-appointment at the 31st Annual General Meeting in pursuance of Clause 49 of Listing Agreement.

Name of the Director	Mr. S. N. Nayak	Mr. S. K. Khetan	Mr. B. K. Sarkar	Mr. M. A. Khan
Date of Birth	15.04.1955	01.07.1959	18.10.1947	23.08.1948
Qualification	B.Com	B.Com(H), FCA	Bachelor of Engineering (Chemical)	B.Sc.(Eng)
Date of Appointment	26.02.2011	06.06.2009	10.05.2010	30.07.2004
Expertise in Specific Functional areas	Manager of Industrial Promotion & Investment Corporation of Orissa Limited (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.	An Engineer (Chemical) with finance background having specialisation in corporate finance, project management, financial restructuring, acquisition and appraisal of new projects.	An Engineer (Electrical) having rich experience of more than 25 years in implementing various projects.
List of other Companies in which directorship is held (excluding in foreign Companies, private limited companies and section 25 company)	Nil	i) Saket Promoters Ltd. ii) Umra Securities Ltd. iii) Shri Aryavarat Trading (Co.) Ltd. iv) Excello Plantation Ltd. v) Poorvanchal Fertilizers Ltd.	Nil	i) Bamma Iron & Steel Co. (India) Ltd. ii) Bamma 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
Details of Shareholding (both own or held by/ for other persons on a beneficial basis), if any, in the Company	Nil	Nil	Nil	Nil

DIRECTORS' REPORT

Your Directors submit the following report on Financial Results for the year ended 31st March, 2011:

Financial Results:	For the year ended 31st March 2011 (₹ in lacs)	For the year ended 31st March 2010 (₹ in lacs)
Turnover	15,957.48	18,962.01
Profit / (Loss) before depreciation	(6,866.96)	(2,232.12)
Depreciation (net of revaluation adjustment)	1,436.63	1,163.21
Prior period items	-	(161.25)
Profit / (Loss) before tax	(8,303.59)	(3,556.58)
Provision for Deferred Tax - Assets	3,017.23	1,220.08
Profit / (Loss) after tax	(5,286.36)	(2,336.50)
Surplus / (Deficit) brought forward from previous year	(6,947.30)	(4,610.80)
Surplus (Deficit) carried forward to Profit & Loss A/c	(12,233.66)	(6,947.30)

Performance

Your Company incurred substantial losses for this year also due to insufficient availability of required grade and quantity of raw materials as well as higher price together with un-remunerative selling price of finished products. The Company could only produce 78,973 MT of sponge iron and 2,995 MT of steel billets during the year. Production will improve with the improvement in the availability of required grade of Iron Ore on resumption of mining operation by several local mines which are currently closed. The margin will however continue to suffer until the cost of ore and coal reduces and product selling price improves.

Future Outlook

Your Company's hope for a better future will materialize on receipt of forest clearance and permission to mine from the Iron Ore Mine allotted to the Company. It is reasonably expected that the required approvals will be received during the year 2011-12 and actual mining may commence in 2012-13. Availability of iron ore and coal from captive mines will vastly improve both production and profitability.

Open offer formalities as advertised on 25th February, 2009 is still pending for approval by SEBI.

Subsidiary Company

Bamra Iron & Steel Company (India) Ltd. is a wholly owned subsidiary of the Company. As the Company has not started operations and project is under implementation, consolidated financial statement (AS-21) has not been prepared.

Dividend

Your Directors regret their inability to recommend any dividend for the year in view of losses.

Project & Engineering Division

Project and Engineering Division of the Company is providing technology and engineering services for 100,000 TPA Sponge Iron Plant of Crackers India (Alloys) Ltd. as well as related engineering services for utilities like power, water etc. and for 18 MW Power Plant and 80,000 TPA Steel Billet Plant. Project & Engineering Division is also giving consultancy and supervisory services for revamping, upgradation and recommissioning the mini Steel Plant of Dinabandu Steel & Power Ltd., Kalinganagar, Odisha.

Project & Engineering Division is also carrying out technical audit of Company's plant relating to plant health, process health, quality, safety, energy efficiency, and environment protection, on a regular basis and recommending corrective measures.

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, mother & child care etc. directly and also through 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 9001:2008 from British Certification Inc. Your Company is proud of maintaining the clean environment in the vicinity of the Plant and your Company's Environmental Management System applicable to manufacture/production and sale of Sponge Iron, Power and Steel Billets has been certified under ISO 14001:2004 by British Certification Inc. also. Occupational Health and Safety Management System of your Company has also been certified by the same Agency and your Company complies with the requirements of OHSAS 18001:2007.

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.

Orissa Sponge Iron & Steel Limited

Reconciliation of Share Capital

As directed by Securities and Exchange Board of India (SEBI), Reconciliation of Share Capital is being carried out quarterly by a Practising Company Secretary. The findings of the reconciliation of Share Capital were satisfactory.

Directors

Mr. S. N. Nayak, Manager, Industrial Promotion & Investment Corporation of Orissa Ltd (IPICOL) was nominated by IPICOL, as Director in the Board in place of Mr. L. D. Sahoo, with effect from 26th February 2011 and will vacate his office at the ensuing Annual General Meeting. Mr. M. A. Khan, whose term as Whole Time Director expired on 31st October 2011, was appointed as Additional Director with effect from 1st November 2011 by the Board of Directors as a nominee of Torsteel Research Foundation in India and will also vacate his office at the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. S. N. Nayak and Mr. M. A. Khan as Directors in the ensuing Annual General Meeting.

Mr. S. K. Khetan and Mr. B. K. Sarkar 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) Rules, 1988 as amended are set out in Annexure, which forms part of this Report.

Particulars of Employees

There were no employees drawing the requisite remuneration whose names are required to be disclosed as required under sub-section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended from time to time.

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, 2011 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 31.03.2011 have been prepared on a 'going concern' basis.

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.

Auditors' Report

There are no qualifications or adverse remarks in the Auditor's Report which require any clarification/explanation. The Notes on Accounts forming part of the financial statements are self explanatory and needs no further explanation.

Cost Auditors

Pursuant to the provision of Section 233B of the Companies Act, 1956 and The Companies (Cost Accounting Records) Rules, 2011, M/s. B. Ray & Associates, Cost Accountants, Kolkata has been appointed as Cost Auditor of the Company for the year 2011-12 to conduct audit of cost records maintained by the Company.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the following form part of the Annual Report:

- Management Discussion and Analysis
- Report on Corporate Governance along with Certificate for compliance of conditions of Corporate Governance.
- Managing Director's declaration regarding compliance of Code of Conduct by Board Members and Senior Management personnel.

Mr. P. K. Paul, an Independent Director has left for heavenly abode on 9th November, 2010 and your Company has taken necessary steps for filling up the vacancy.

Acknowledgement and Appreciation

The Directors acknowledge with gratitude the co-operation extended by Indian Renewable Energy Development Agency Ltd. (IREDA), Banks, State Government, Suppliers, Customers and 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

Place: Kolkata
Dated: 19th November, 2011

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

ANNEXURE TO DIRECTORS' REPORT

Information pursuant 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.
- (d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure of Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 in respect of industries specified in the Schedule thereto.

Total energy consumption per unit of Production in Form A:

A. Power & Fuel Consumption:

	2010-11	2009-10
(1) Electricity		
(a) Purchased unit (KWH):	NIL	NIL
Total Amounts (₹)	NIL	NIL
Rate / Unit (₹)	NIL	NIL
(b) Own Generation		
(i) Through diesel generator:		
Units (KWH)	24,075	99,685
Units per ltr. of Diesel Oil	2,029	2,048
Cost / unit (₹)	18.42	17.18
(ii) Through steam Turbine/generator:		
(Power Plant)		
Units (KWH)	73,864,862	77,902,731
Units per ltr. of Diesel Oil	NA	NA
Cost / unit (₹)	3.28	1.98
(2) Coal		
For Sponge Iron		
Quantity (MT)	135,647	211,808
Total Cost (₹)	5,15,021,780	6,48,464,099
Average Rate (₹ per MT)	3,797	3,062
For Power Plant		
Quantity (MT)	49,164	24,722
Total Cost (₹)	39,331,200	19,777,600
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		
Quantity	NIL	NIL
Total Cost (₹)	NIL	NIL
Rate / unit (₹)	NIL	NIL
B. Consumption per unit of Production		
Products:		
Sponge Iron (MT)	78,973	129,385
Steel Billets (MT)	2,995	19,408
Electricity (KWH)		
For Sponge Iron	164	146
For Steel Billets	1,210	998
Steam Coal (MT)		
For Sponge Iron	1.718	1.637

Orissa Sponge Iron & Steel Limited

B. Technology Absorption:

- (e) Efforts made in technology absorption as per Form B of the Annexure of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

Disclosure of particulars with respect to absorption in Form B

Research and Development (R & D)

- | | | |
|---|---|-----------------|
| 1. Specify areas in which R & D carried out by the Company | : | Nil |
| 2. Benefit derived as a result of the above R & D | : | N.A. |
| 3. Future plan of action : | : | Not yet decided |
| 4. Expenditure on R & D: | | |
| (a) Capital | : | Nil |
| (b) Recurring | : | Nil |
| (c) Total | : | Nil |
| (d) Total R & D expenditure as a percentage of total turnover | : | Nil |

Technology absorption, adaptation & innovation

- Efforts, in brief, made towards technology absorption, adaptation and innovation:
The Company has adopted and absorbed its own patented technology for producing coal based sponge iron known as "OSIL PROCESS". This process has also been adopted by many Companies such as Usha Martin Ltd., M/s. Patnaik Steels and Alloys Pvt. Ltd., M/s. Rathi Steel and Power Ltd. etc. and many other Companies are in the process of adopting the technology.
- Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, cost reduction, product development, import substitution etc.
The Companies who have adopted the technology are producing quality sponge iron accepted by the user industry as a premium product. The technology uses high ash indigenous coal thereby saving outgo of foreign exchange by avoiding import of high quality coal.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

(a) Technology imported	:	NIL
(b) Year of import	:	N.A.
(c) Has technology been fully absorbed?	:	N.A.
(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	:	N.A.

C. Foreign Exchange Earnings and outgo:

- | | | | |
|-----|---|---|-----------------|
| (f) | (a) Activities relating to exports | : | NIL |
| | (b) Initiatives taken to increase exports | : | NIL |
| | (c) Development of new export market for product and services | : | NIL |
| | (d) Export plans | : | Not yet decided |

- (g) Total foreign exchange used and earned.

	2010-11 (₹ in lacs)	2009-10 (₹ in lacs)
(1) Foreign Exchange earnings	NIL	665.63
(2) Foreign Exchange outgo	NIL	6.15

MANAGEMENT DISCUSSIONS AND ANALYSIS

i) Industry structure and developments:

OSIL operates coal based Sponge Iron Plant (250,000 TPY), Waste Energy Recovery based Power Plants (36 MW) and Billet making Plant (100,000 TPY). During the year, growth in this sector of the industry has slowed down in comparison to previous years. Sponge Iron is one of the source of metallic used for steel making. For capacity utilization and for desired quality of Sponge Iron it is important to use the right quality of raw materials i.e. iron ore and coal. Performance of Waste Energy Recovery based Power Plant depends on capacity utilization of the Sponge Iron Plants. Surplus power is sold generating revenue. Availability and procurement of right quality of Iron Ore and Coal affects capacity utilization.

ii) Opportunities, Threats:

Opportunities:

Domestic steel consumption in India has recorded a strong 10.9 percent growth during April-January 2010-11 due to robust economic growth of 8.2 per cent (GDP) in the first three quarters of 2010-11. This is leading towards growth 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, allowing the Company to expand capacity to one million tonnes of steel making per year.

Threats:

Cost of iron ore and coal i.e. the basic raw material has a direct impact on the profitability. Iron Ore prices has increased substantially and availability of the required grade has suffered to a great extent due to various restrictions imposed by the authorities. Coal India's New Coal Distribution Policy and consequent Fuel Supply Agreement has disrupted coal linkages forcing producers to procure more e-auction coal. Coal India has also increased the price of coal substantially.

iii) Segment-wise or product-wise performance:

The Company's business activities falls within a single primary business segment viz. "Iron & Steel" in accordance with the Accounting Standard 17. During the year the Company produced 78,973 MT of Sponge Iron, 2,995 MT of Steel Billet and 73,864,862 KWH Power compared to 129,385 MT of Sponge Iron, 19,408 MT of Billet and 77,902,731 KWH of Power respectively in the previous year. The Company generated a total revenue of ₹ 15,197 lacs compared to ₹ 18,250 lacs in the previous year.

iv) Outlook:

Company's goal is to produce one million tonne of steel by utilizing iron ore and coal from its own mines which have already been allocated by the Government. Efforts are made to obtain various clearances and utilize the resources. This will create wealth for the shareholders.

v) Risks and concern:

Sponge Iron industry is compelled to operate where basic raw material prices i.e. iron ore and coal are dictated. This totally shatters the cost effectiveness and the industry operates under a razor thin margin or with no margin. Various statutory clearances are delaying the operation of iron ore mines and coal mines. Price of sponge iron is sensitive to demand supply position of steel scrap and selling prices of long products. Contingent liabilities have been disclosed under Note No.13 of Notes on Accounts under Schedule-14B.

vi) 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 which Committee meets regularly and reviews audit issues and follows up implementation of corrective actions. A Cost Auditor has been appointed for reviewing cost records.

vii) Discussions on financial performance with respect to operational performance:

Financial performance of the Company suffered to a great extent due to insufficient availability of the required grade and quantity of raw materials i.e. iron ore and coal and also because of un-remunerative selling prices of the finished products, which led to poor capacity utilization viz. Sponge Iron 31.59% (51.75%), Steel Billet 3% (19.41%). Consequently total income was reduced from ₹ 18,249.58 lacs in 2009-10 to ₹ 15,197.09 lacs in this year operation & other expenses of the Company increased to ₹ 4,368.07 lacs in 2010-11 (₹ 2,595.41 lacs in 2009-10) mainly because of provision of ₹ 2,184.24 lacs made for doubtful advances. Loss after tax also increased this year to ₹ 5,286.36 lacs from ₹ 2,336.50 lacs in 2009-10. Out of 73,864,862 KWH of power produced by the Company (77,902,731 KWH in 2009-10) the Company could sell 40,379,800 KWH of Power (25,043,548 KWH in 2009-10) generating a revenue of ₹ 1,259.54 lacs (₹ 811.61 lacs in 2009-10). Deferred Tax Assets of ₹ 3,017.23 lacs has been considered in the Annual Accounts (₹ 1,220.08 lacs in 2009-10) as sufficient taxable profit in future years is envisaged.

viii) Material developments in Human Resources / Industrial Relations front including number of people employed:

The Company had 678 employees as on 31.03.2011 as compared to 696 as on 31.03.2010. A number of training programme were conducted to develop human resources. Safety standards are maintained at every stage of manufacturing, production and maintenance. Industrial relation remains cordial during the year.

ix) 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 and an Executive Vice Chairman & Managing Director. 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.

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	Category	Board Meeting held during the period	Attendance in Board Meeting	Whether attended the last AGM held on 21st Dec 2010	Directorship in other Public Limited Companies#	No. of Membership / Chairmanship of the Committees held in other Public Limited Companies#
1. Mr. S. C. Patnaik, IAS*	Non Executive & Chairman (IPICOL nominee)	1	1	No	2	-
2. Mr. C. J. Venugopal, IAS*	Non Executive & Chairman (IPICOL nominee)	3	2	No	4	2
3. Dr. P. K. Mohanty	Vice Chairman and Managing Director	4	4	No	8	-
4. Mr. P. K. Paul**	Non Executive (Independent)	3	2	No	3	1
5. Mr. L. D. Sahoo***	Non Executive (IPICOL nominee)	4	4	Yes	1	-
6. Mr. S. N. Nayak***	Non Executive (IPICOL nominee)	-	-	No	-	-
7. Mr. R. P. Panda****	Non Executive (IPICOL nominee)	1	1	No	-	-
8. Mr. B. K. Sarkar*****	Non Executive (Independent)	3	3	No	-	-
9. Mr. S. K. Khetan	Non Executive (Independent)	4	1	No	5	-
10. Mr. M. A. Khan	Director (Project & Engineering)	4	3	Yes	2	-
11. Mr. M. Mohanty	Executive Director	4	4	Yes	3	-

* Nominated w.e.f. 09.07.2010 in place of Mr. S. C. Patnaik

** Went for heavenly abode on 09.11.2010

*** Nominated w.e.f. 26.02.2011 in place of Mr. L. D. Sahoo

**** Nomination withdrawn since 23.06.2010

***** Appointed w.e.f. 10.05.2010

Number of Directorships/Memberships 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.

Orissa Sponge Iron & Steel Limited

- Dr. P. K. Mohanty and Mr. Munir Mohanty are related to each other.
- All the Directors are above 21 years of age.
- The information as desired under Annexure IA to Clause 49 is being made available periodically to the Board.
- Details of Directors seeking appointment / re-appointment in 31st Annual General Meeting are given with the Notice to the Annual General Meeting.

(B) Details of Board Meeting held during the financial year 2010-11 :

Sl. No.	Date	Board Strength	No. of Directors present
1.	10.05.2010	8	7
2.	30.07.2010	8	6
3.	10.11.2010	7	6
4.	11.02.2011	7	6

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

3. Audit Committee:

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other relevant statutory / regulatory provisions 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 2010-11, four meetings of the Audit Committee were held on 09.05.2010, 29.07.2010, 09.11.2010, 10.02.2011.

The composition of the Audit Committee and the attendance of each committee member are as under :

Name of the Director	Category	No. of Audit Committee Meeting held	No. of Audit Committee Meeting Attended
Mr. P. K. Paul	Non Executive & Independent	3	2
Mr. S. K. Khetan	Non Executive & Independent	4	3
Mr. L. D. Sahoo	Non Executive & Independent	4	4

4. Shareholders' / Investors' Grievance Committee:

Shareholders' / Investors' Grievance Committee looks after the redressal of investors' complaints as well as share transfers. Shareholder' / Investors' Grievance Committee held seven meetings on the following days during the financial year 2010-11.

01.04.2010, 03.05.2010, 01.06.2010, 01.07.2010, 02.08.2010, 01.09.2010, 01.10.2010.

The composition of the Shareholders' / Investors' Grievance Committee and the attendance of each committee member are as under:

Name of the Director	Category	No. of Committee Meeting held	No. of Committee Meeting Attended
Mr. P. K. Paul	Chairman, Non Executive & Independent	7	7
Dr. P. K. Mohanty	Member, Vice Chairman & Managing Director	7	7

Compliance Officer

The Board of Directors of the Company in their Meeting held on 10th of November, 2010 has appointed Mr. S. Ramakrishnan, General Manager (F & A) as Company Secretary and Compliance Officer with immediate effect.

Name : Mr. S. Ramakrishnan
 Address : CIC Building, 11th Floor, 33A Jawaharlal Nehru Road, Kolkata - 700 071
 Phone No. : 033-22883910-16
 Fax No. : 033-2226 7470
 E-mail : calosil@cal.vsnl.net.in

During the Financial Year 2010-11, no complaints were received from the shareholders of the Company. Pursuant to 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.

Orissa Sponge Iron & Steel Limited

Shares held by Non-Executive Directors:

Name of the Director	Shares held
Mr. S. C. Patnaik, IAS	Nil
Mr. C. J. Venugopal, IAS	Nil
Mr. P. K. Paul	330
Mr. L. D. Sahoo	12
Mr. R. P. Panda	Nil
Mr. S. N. Nayak	Nil
Mr. B. K. Sarkar	Nil
Mr. S. K. Khetan	Nil

Other Non-Mandatory Committees:

The Company has a Remuneration Committee and an Ethics Committee. The broad terms of reference of the Remuneration Committee are to recommend to the Board appointment / reappointment of Managing / Whole-time Directors and salary, perquisites and commission to be paid to them etc along with evaluation of the remuneration policy of the Company.

During the financial year 2010-2011, two Meetings of the Remuneration Committee was held on 10.05.2010 and 09.11.2010. The composition of the Remuneration Committee and the attendance of each committee member is as under:

Name of the Director	Category	No. of Remuneration Committee Meeting held	No. of Remuneration Committee Meeting Attended
Mr. P. K. Paul	Non Executive & Independent	2	1
Mr. S. K. Khetan	Non Executive & Independent	2	1
Mr. L. D. Sahoo	Non Executive	2	2

Payment to Directors:

The Directors of the Company excluding Whole-time Directors have been paid sitting fees for attending meetings of the Board of Directors and Committee of Directors. The details of payment made to the Directors during the financial year 2010-2011 are as follows:

Name of the Director	Executive / Non- Executive	Sitting Fees (₹)	Remuneration (₹)
Mr. C. J. Venugopal, IAS*	Non Executive	20,000	-
Mr. S. C. Patnaik, IAS*	Non Executive	10,000	-
Mr. P. K. Paul	Non Executive	64,000	-
Mr. L. D. Sahoo*	Non Executive	86,000	-
Mr. S. N. Nayak*	Non Executive	-	-
Mr. R. P. Panda*	Non Executive	10,000	-
Mr. B. K. Sarkar	Non Executive	30,000	-
Mr. S. K. Khetan	Non Executive	43,000	-
Dr. P. K. Mohanty	Executive	-	81,069
Mr. M. A. Khan	Executive	-	7,43,676
Mr. M. Mohanty	Executive	-	13,37,560

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

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
2008-09	Postal Ballot	Bhubaneswar	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.	-
2010-11	30th AGM	- do -	21.12.2010	3.30 p.m.	-

Orissa Sponge Iron & Steel Limited

Special Resolution passed in previous three AGM / EGM:

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; At the AGM held on 26th September, 2008, Special Resolution was passed for delisting the shares of the Company from Calcutta Stock Exchange; At the EGM held on 27th July, 2009, the Special Resolution for conversion of 35 lacs warrants into shares was not approved by the shareholders.

No postal ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by postal ballot.

3. Subsidiary Company:

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

10. 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.14B 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 except in the year 2010-2011, where Company has paid penalty for violation of the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992.

(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.

(e) Proceeds from public issues, right issues, preferential issues etc.:

The Company has not made any capital issues during the year.

(f) Management Discussion and Analysis:

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

11. Means of Communication:

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

12. General Shareholder information:

(a) 31st Annual General Meeting:	Day : Friday Date : 23.12.2011 Time : 10.00 a.m. Venue : Hotel Swosti, Bhubaneswar
(b) Financial Calendar for 2011-12 (Tentative)	Board Meeting for unaudited financial results for the quarter ending 30th June, 2011 – 12th August, 2011 Board Meeting for unaudited financial results for the quarter ending 30th September, 2011 – 1st Week of November, 2011 Board Meeting for unaudited financial results for the quarter ending 31st December, 2011 – 1st Week of February, 2012 Board Meeting for unaudited financial results for the quarter ending 31st March, 2012 – 1st Week of May, 2012
(c) Annual Accounts 2011-2012	July, 2012
(d) Date of Book Closure	16.12.2011 to 23.12.2011 (both days inclusive)
(e) Listing on Stock Exchange	(i) Bombay Stock Exchange (ii) Bhubaneswar Stock Exchange (iii) Calcutta Stock Exchange (applied for de-listing) (iv) National Stock Exchange (applied for listing)
(f) Stock Code	Bombay Stock Exchange-S04864 Bhubaneswar Stock Exchange-OSI Calcutta Stock Exchange-10025083
(g) Demat ISIN Number in NSDL & CDSL for Equity Shares	INE 228D01013
(h) Website	The Company has a website www.orissasponge.com . Steps have been initiated by the Company to update the website and incorporate therein the details as required by Clause 54 of the Listing Agreement with the Stock Exchange.

Orissa Sponge Iron & Steel Limited

(i) Stock Market Data:

Bombay Stock Exchange		
Month	High (₹)	Low (₹)
April'10	360.00	312.10
May'10	354.80	335.00
June'10	358.00	321.15
July'10	358.00	312.00
August'10	340.00	307.30
September'10	346.00	305.15
October'10	340.00	302.05
November'10	406.65	290.00
December'10	369.90	275.05
January'11	368.50	310.00
February'11	344.90	315.00
March'11	365.00	300.00

(j) 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.

(k) Share Transfer System:

Share Transfer requests valid and complete in all respects are normally processed within thirty 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 42 cases of Share Transfer comprising of 6,687 shares. Number of transmission cases received during the year was 5 comprising of 680 shares and 4 cases of sub-division/duplicate/consolidation/replacement of shares comprising of 350 shares was received during the year.

(k) Distribution of share holdings as on 31.03.2011:

No. of Shareholding	Shareholders		Total Share	
	Number	% to total	Number	% to total
1 to 100	3663	59.46	145272	0.54
101 to 500	2083	33.81	407983	1.51
501 to 1000	223	3.62	165440	0.61
1001 to 2000	99	1.61	136599	0.51
2001 to 3000	27	0.44	68037	0.25
3001 to 4000	11	0.18	38490	0.14
4001 to 5000	5	0.08	22617	0.08
5001 to 10000	11	0.18	75350	0.28
10001 & above	38	0.62	25940212	96.07
TOTAL	6160	100.00	27000000	100.00

(l) Dematerialization of Shares:

As per SEBI's direction, the Company has signed tripartite agreements with both NSDL & CDSL and Registrar & Transfer 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 277 cases for dematerialization comprising of 77,389 shares. As on 31st March, 2011, 2,35,14,859 shares were held in dematerialized form which constitute 87.09 % of total number of subscribed shares.

(m) Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity:

NIL

(n) Shareholding pattern as on 31.03.2011

	No. of Shares	Holding %
Promoter & Promoter Group	1,32,62,933*	49.12
Public		
– Financial Institutions (Indian & Foreign) & Mutual Funds	44,351	0.16
– Non Institutions	1,36,92,716	50.72
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

13. Reconciliation of Share Capital Audit:

A qualified practicing Company Secretary carried out Reconciliation of Share Capital 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.

14. 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.

15. Contact person for any query on Annual Report:

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

16. 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 headed by Director (Project & Engineering).

Plant:

P.O.: Palaspanga, District - Keonjhar 758 031, Orissa, Phone: 06766-235223/225/227/229, Fax: 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 2288-3916 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; a Whole time Director; Chief Executive (Corporate Affairs); Sr. General Manager (Finance & Accounts); General Manager (F & A) & Company Secretary.

Delhi Office:

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

This office offers technical and application engineering services to the customers and liaison work.

17. CEO/CFO Certificate:

A Certificate duly signed by the Managing Director and CFO relating to financial statements and Internal Control Systems for financial reporting as per Clause 49 of the Listing Agreement was placed before the Board, who took the same on record.

At the Audit Committee Meeting of the Company held on 11.08.2011, Mr. S. Ramakrishnan, General Manager (F & A) & Company Secretary has been authorized to sign the above mentioned certificate as CFO.

18. 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 to this report.

19. 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.

20. Certificate:

The Company has obtained the Certificate from M/s A. K. Labh & Co., Company Secretaries, 40, Weston Street, 3rd Floor, Kolkata - 700013 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: 19th November, 2011

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, 2011 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, except to and to the extent of the following:

- (a) that the composition of the Board of Directors and Committee thereof during the year under report were not in accordance with compliance of clause 49 of the Listing Agreement from 10th November, 2010;
- (b) that the Company has appointed Company Secretary in terms of Section 383A of the Companies Act, 1956 on 10.11.2010 only.

We have been explained that no investor grievances are pending for a period exceeding one month as at 31st March, 2011 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.

For A. K. Labh & Company
Company Secretaries

A. K. Labh
Proprietor
C.P. 3238

Place: Kolkata

Dated: 19th November, 2011

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, 2011, 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, 2011, 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, 2011 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

Orissa Sponge Iron & Steel Limited

3. In our opinion and to the best of our information and according to the explanations given to us:
- 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.
 - 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.
 - In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011.
 - In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

L. N. More
Partner

Membership No. 011485

Place: Kolkata
Dated: 12th August, 2011

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") on the financial statements for the year ended 31st March, 2011 we report that:

- The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - 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.
 - Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- 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.
 - 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.
 - 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.
- 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.
 - 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.
- 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

- (b) According to the information and explanations given to us, details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Cess which have not been deposited as at 31st March, 2011 on account of any dispute are given below :

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	3.27	Petition u/s 154 before Assessment Authority
Central Sales Tax Act, 1956	Non-collection of declaration forms and enhanced assessment & penalty	1,909.40	Sales Tax Appellate Authorities
Orissa Sales Tax Act, 1947	Enhanced Assessment & Penalty	1,506.60	-do-
Central Excise Act, 1944	Disputed Central Excise demand	49.17	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, 2011 as detailed below :-

Bank / Financial Institution	Amount of Default	Default since	Remarks
a) State Bank of India A/c - I	₹ 30,00,000 (Principal)	31.01.2011	₹ 15,00,000 paid on 16.04.2011
	₹ 2,10,874 (Interest)	31.01.2011	₹ 91,392 paid on 16.04.2011
b) State Bank of India A/c - II	₹ 4,00,00,000 (Principal)	28.02.2011	
	₹ 1,37,45,977 (Interest)	31.01.2011	
d) State Bank of Bikaner & Jaipur	₹ 38,00,000 (Principal)	31.03.2011	₹ 38,00,000 paid on 19.04.2011
	₹ 17,62,718 (Interest)	31.03.2011	₹ 17,62,718 paid on 19.04.2011

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 given guarantee for loans taken by associated companies from banks or financial institutions, terms and conditions whereof are not prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanation given to us, the term loan taken by the Company during the year have been applied for the purpose for which it was raised.
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 during the year.
9. The Company has not raised any money by issue of shares during the year.
10. According to the information and explanations given to us, the Company has not issued debentures during the year.
11. 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.

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

Place: Kolkata
Dated: 12th August, 2011

L. N. More
Partner
Membership No. 011485

Orissa Sponge Iron & Steel Limited

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule No.	₹/ lacs	31st Mar, 2011 ₹/ lacs	31st Mar, 2010 ₹ / lacs
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	2,700.00		2,700.00
Equity Share Warrants (Ref-Note 1 of 14B)		601.50		601.50
Reserves & Surplus	2	<u>23,108.87</u>		<u>23,194.58</u>
			26,410.37	26,496.08
Loan Funds				
Secured Loans	3	21,617.36		20,137.62
Unsecured Loans	4	<u>-</u>		<u>40.00</u>
			21,617.36	20,177.62
TOTAL			<u>48,027.73</u>	<u>46,673.70</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	39,587.08		39,523.07
Less: Depreciation		<u>16,730.90</u>		<u>15,262.11</u>
Net Block		<u>22,856.18</u>		<u>24,260.96</u>
Capital Work-in-Progress		<u>4,130.23</u>		<u>3,546.50</u>
			26,986.41	27,807.46
Investments	6		496.39	639.46
Deferred Taxation			4,674.59	1,657.36
Current Assets, Loans and Advances				
Inventories		5,863.35		5,435.63
Sundry Debtors		789.93		1,267.47
Cash and Bank Balances		1,424.48		4,661.26
Loans and Advances		<u>3,086.69</u>		<u>5,194.92</u>
		11,164.45		16,559.28
Less:				
Current Liabilities and Provisions	8	<u>5,855.54</u>		<u>5,264.93</u>
Net Current Assets			5,308.91	11,294.35
Profit and Loss Account		12,233.66		6,947.30
Less: General Reserve		<u>1,672.23</u>		<u>1,672.23</u>
			10,561.43	1,672.23
TOTAL			<u>48,027.73</u>	<u>46,673.70</u>
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: 12th August, 2011

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

C. J. Venugopal, IAS, Chairman
B. K. Sarkar, Director
M. A. Khan, 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, 2011

	Schedule No.	2010-11 ₹ / lacs	2009-10 ₹ / lacs
INCOME			
Sale of Products		14,697.94	18,150.40
Sale of Power		1,259.54	811.61
		<u>15,957.48</u>	<u>18,962.01</u>
Less: Excise Duty		1,396.81	1,384.81
		<u>14,560.67</u>	<u>17,577.20</u>
Other Income	9	636.42	672.38
		<u>15,197.09</u>	<u>18,249.58</u>
EXPENDITURE			
Materials Expenses	10	11,898.92	13,029.76
Manufacturing and Other Expenses	11	6,920.84	5,011.94
Interest and Other Financial Charges	12	3,101.23	2,447.37
Depreciation	13	1,436.63	1,163.21
(Appreciation) / diminution in value of long term investment		143.06	(7.37)
		<u>23,500.68</u>	<u>21,644.91</u>
(Loss) for the year before taxation		(8,303.59)	(3,395.33)
Prior Period Items		-	(161.25)
(Loss) for the year before taxation		<u>(8,303.59)</u>	<u>(3,556.58)</u>
Provision for Taxation:			
Deferred Tax - Assets		3,017.23	1,220.08
(Loss) after tax		<u>(5,286.36)</u>	<u>(2,336.50)</u>
(Loss) brought forward		<u>(6,947.30)</u>	<u>(4,610.80)</u>
LOSS CARRIED TO BALANCE SHEET		<u><u>(12,233.66)</u></u>	<u><u>(6,947.30)</u></u>
Basic & Diluted Earning per share (₹)		(19.58)	(8.65)
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: 12th August, 2011

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

C. J. Venugopal, IAS, Chairman
B. K. Sarkar, Director
M. A. Khan, 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, 2011

	2010-11 ₹ / lacs	2009-10 ₹ / lacs
A. Cash Flow from Operating Activities		
a) Profit/(Loss) before tax	(8,303.59)	(3,556.58)
Adjustments for Depreciation	1,436.63	1,163.21
Profit on Sale of Fixed Assets	(0.41)	(0.37)
Loss on Sale of Fixed Assets	3.07	-
Bad debts/advances written off	17.23	188.45
Provision for doubtful debts	73.92	58.04
Provision for doubtful advances	2,184.24	-
Interest & Other Financial charges	3,101.23	2,345.29
b) Operating Profit before Working Capital changes	(1,487.68)	198.04
Adjustment for		
Trade & Other Receivables	322.18	(927.08)
Inventories	(427.72)	(544.62)
Trade payable and other Liabilities	590.61	(132.09)
c) Cash Generated from Operation	(1,002.62)	(1,405.75)
Interest Paid	(3,919.19)	(1,752.83)
Tax Paid	(11.80)	(143.04)
	(4,933.61)	(3,301.62)
d) Extra-ordinary items		
Provision for diminution in value of Long Term Investments	143.06	(7.37)
Net Cash Flow from Operating Activities	(4,790.55)	(3,308.99)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(709.66)	(700.85)
Sale of Fixed Assets	5.73	0.37
Purchase of Investment	-	(400.00)
Net Cash Flow from Investing Activities	(703.93)	(1,100.48)
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	1,061.37	-
Repayment of long term borrowings	(2,137.26)	(677.85)
Proceeds from short term borrowings	3,333.59	(486.12)
Net Cash used in Financial Activities	2,257.70	(1,163.97)
D. Net (Decrease)/Increase in		
Cash and cash equivalent	(3,236.78)	(5,573.44)
Cash and cash equivalent at the beginning of the year	4,661.26	10,234.70
Cash and cash equivalent at the end of the year	1,424.48	4,661.26
Components of cash and cash equivalents:		
Cash in hand	1.67	2.98
Balance with Banks		
- on Current Accounts	483.16	61.80
- on Fixed Deposit Accounts	797.14	4,414.55
- on Unpaid dividend accounts	7.70	11.40
Total Cash and Cash equivalents	1,289.67	4,490.73
Margin money deposits not considered as cash equivalents	134.81	170.53
Cash & Bank balances as per Schedule - 7	1,424.48	4,661.26

in terms of our annexed report of even date.

for L. N. MORE & CO.
Chartered Accountants
RN 307042E

L. N. MORE
Partner
Membership No. 011485
Office: Kolkata
Dated: 12th August, 2011

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

C. J. Venugopal, IAS, Chairman
B. K. Sarkar, Director
M. A. Khan, Director
Munir Mohanty, Director
Dr. P. K. Mohanty, Vice Chairman
& Managing Director

SCHEDULE - 1

	₹/ lacs	2011 ₹/ lacs	2010 ₹/ lacs
SHARE CAPITAL			
Authorised			
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>
Issued, Subscribed and Paid up			
27,000,000 (27,000,000) Equity Shares of ₹ 10 each			
Notes:			
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

RESERVES AND SURPLUS

Revaluation Reserve

(Arising out of Revaluation of Fixed Assets)

As per last Account	564.78		675.21
Less: Withdrawn	<u>85.71</u>		<u>110.43</u>

479.07

564.78

Share Premium Account

As per last Account

22,629.34

22,629.34

Capital Reserve

0.46

0.46

General Reserve

As per last Account

1,672.23

1,672.23

Less: Profit & Loss Account (Debit Balance)

1,672.231,672.23

-

-

23,108.8723,194.58

Orissa Sponge Iron & Steel Limited

SCHEDULE - 3

	₹ / lacs	2011 ₹ / lacs	2010 ₹ / lacs
SECURED LOANS			
Term Loans:			
a) Banks:			
State Bank of India	3,665.00		5,400.00
State Bank of Bikaner & Jaipur	1,361.00		1,855.00
Punjab National Bank	1,706.88		1,201.18
	<u>6,732.88</u>		<u>8,456.18</u>
Interest Accrued & Due	157.20		117.12
		6,890.08	8,573.30
b) Indian Renewable Energy Development Agency Limited	5,106.81		4,706.81
Funded Interest on Term Loan	1,164.55		917.14
Interest Accrued & Due	-		858.05
		6,271.36	6,482.00
Total (a + b)		13,161.44	15,055.30

(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	637.52		502.91
State Bank of India	7,074.76		4,378.80
State Bank of Bikaner & Jaipur	743.64		200.61
		8,455.92	5,082.32

(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)

21,617.36 20,137.62

SCHEDULE - 4

UNSECURED LOANS

Inter Corporate Deposit		-	40.00
		-	40.00

SCHEDULE - 5

FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	At cost / revaluation as on 01-04-2010	Additions during the year	Deductions during the year	At cost / revaluation as on 31-03-2011	Up to 31-03-2010	For the year	Deductions during the year	Up to 31-03-2011	As at 31-03-2011	As at 31-03-2010
	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs	₹ / lacs
LEASE-HOLD LAND	18.88	-	-	18.88	-	-	-	-	18.88	18.88
FREE-HOLD LAND	86.15	-	-	86.15	-	-	-	-	86.15	86.15
BUILDING	6,684.26	50.88	-	6,735.14	1,676.79	220.47	-	1,897.26	4,837.88	4,462.41
PLANT & MACHINERY	32,049.70	48.17	-	32,097.87	13,172.62	1,257.40	-	14,430.02	17,667.85	11,569.10
FURNITURES, FIXTURES & OFFICE EQUIPMENT	331.64	1.77	-	333.41	238.36	13.35	-	251.71	81.70	88.80
VEHICLES	352.45	25.10	61.92	315.63	174.32	31.12	53.53	151.91	163.72	175.95
TOTAL :	39,523.08	125.92	61.92	39,587.08	15,262.09	1,522.34	53.53	16,730.90	22,856.18	-
PREVIOUS YEAR	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	-
CAPITAL WORK-IN-PROGRESS										
4,130.23										
3,546.50										

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 ₹ 687.41 lacs (₹ 655.39 lacs) and ₹ 4,967.49 lacs (₹ 4,913.81 lacs) in Building and Plant & Machinery respectively on increased of value of assets due to revaluation.
3. Fixed Assets include vehicles acquired under finance lease with a Gross Block of ₹ 98.83 lacs (₹ 85.46 lacs), Accumulated Depreciation of ₹ 27.13 lacs (₹ 16.97 lacs) and Net Block of ₹ 71.70 lacs (₹ 68.49 lacs)

Orissa Sponge Iron & Steel Limited

SCHEDULE - 6

	₹ / lacs	2011 ₹ / lacs	2010 ₹ / lacs
INVESTMENTS			
(At cost less provision for diminution in value)			
A. Trade Investments - Current			
Quoted			
14,240 (14,240) Equity Shares of ₹ 10 each of Industrial Development Bank of India (includes 5,340 Bonus Shares) (Market value ₹ 20.28 lacs, Previous Year ₹ 8.40 lacs)		11.57	11.57
63,524 (63,524) Equity Shares of ₹ 50 each of Rathi Steel and Power Limited (Market value ₹ 10.76 lacs, Previous Year ₹ 11.85 lacs)		31.76	31.76
B. Other Investments - Long Term Investments			
(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) (See note 3 of 14B)		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., Palaspanga		0.72	0.72
4,000,000 (4,000,000) 6% Preference Shares of 10 each of Keonjhar Infrastructure Development Company Ltd., Palaspanga		400.00	400.00
		<u>662.54</u>	<u>662.54</u>
Add / (Less): Provision for diminution in value of long term investments		(166.15)	(23.08)
		<u>496.39</u>	<u>639.46</u>

SCHEDULE - 7

A. CURRENT ASSETS

Inventories			
Finished Goods (at lower of cost and net realisable value)	3,296.62		3,131.71
Raw Materials (at cost)	1,401.77		1,316.04
Stores and Spares (at cost less provision for obsolescence)	634.05		550.78
CER Stock (net realisable value)	<u>530.91</u>		<u>437.10</u>
		5,863.35	5,435.63
Sundry Debtors			
Over six months			
Unsecured - Considered good	366.15		517.65
- Considered doubtful	<u>73.92</u>		<u>58.04</u>
	440.07		575.69
Less: Provision for Doubtful debts	<u>73.92</u>		<u>58.04</u>
	366.15		517.65
Other Debts			
Secured - Considered good	-		116.29
Unsecured - Considered good	<u>423.78</u>		<u>633.53</u>
		789.93	1,267.47
Cash and Bank Balances			
Cash in hand	1.67		2.98
Balance with Banks			
In Current Accounts with scheduled Banks	490.86		73.20
Margin Money Deposit	134.81		170.53
In Fixed Deposit Accounts with scheduled Banks	<u>797.14</u>		<u>4,414.55</u>
		1,424.48	4,661.26

Orissa Sponge Iron & Steel Limited

SCHEDULE - 7 (contd...)

	₹ / lacs	2011 ₹ / lacs	2010 ₹ / lacs
B. LOANS AND ADVANCES			
Advances recoverable in cash or in kind or for value to be received			
Unsecured - Considered good	2,604.68		4,716.01
Unsecured - Considered doubtful	<u>2,184.24</u>		<u>-</u>
	4,788.92		4,716.01
Less : Provision for doubtful advances	<u>2,184.24</u>		<u>-</u>
	2,604.68		4,716.01
Deposits	98.27		114.09
Prepaid Expenses	50.66		43.54
Income tax and tax deducted at source	<u>333.08</u>		<u>321.28</u>
(Net of income tax liability)		<u>3,086.69</u>	<u>5,194.92</u>
		<u>11,164.45</u>	<u>16,559.28</u>
Due from the Companies under the same management:			
i) Unsecured - Considered good - Dues from Bamra Iron & Steel Company (India) Ltd. ₹ 83.54 lacs (₹ 83.29 lacs).			
ii) Unsecured - Considered doubtful - Dues from Bilati (Orissa) Ltd. ₹ 1,855.75 lacs (₹ 1,789.41 lacs)			

SCHEDULE - 8

CURRENT LIABILITIES AND PROVISIONS

Liabilities

Sundry creditors	3,143.49	3,001.18
Advance against order	424.20	287.05
Other liabilities	1,487.76	1,389.53
Liability towards Investors Education and Protection Fund under section 205 C of the Companies Act, 1956 in respect of unclaimed dividend, not due	<u>7.70</u>	<u>11.40</u>
		5,063.15

Provisions

For Gratuity (Refer Note 23 in schedule 14 B)	609.90	410.46
Leave Encashment (Refer Note 23 in schedule 14 B)	169.85	165.31
Other provisions	<u>12.64</u>	<u>-</u>
	<u>5,855.54</u>	<u>5,264.93</u>

SCHEDULE - 9

OTHER INCOME

Engineering and Technical Services	30.45	89.84
Equipment sales (Net of Excise Duty of ₹ 8.34 lacs) (previous year nil)	144.49	130.59
Export Incentive	-	25.58
Interest (Gross)	255.93	447.31
Dividend (from Trade Investments)	0.43	0.36
Miscellaneous Income	111.31	41.26
Change in the valuation of CER Stock	<u>93.81</u>	<u>(62.56)</u>
	636.42	672.38
	<u>636.42</u>	<u>672.38</u>

Orissa Sponge Iron & Steel Limited

	SCHEDULE - 10		
	₹ / lacs	2011 ₹ / lacs	2010 ₹ / lacs
MATERIAL EXPENSES			
Raw Materials Consumed			
Opening Stock	1,316.04		907.15
Add : Purchases	12,344.16		13,733.18
	<u>13,660.20</u>		<u>14,640.33</u>
Less: Recoveries from Waste Disposal (Net)	194.60		102.68
	<u>13,465.60</u>		<u>14,537.65</u>
Less: Closing Stock	1,401.77		1,316.04
		<u>12,063.83</u>	<u>13,221.61</u>
(Accretion)/Decretion of Stock			
Opening Stock			
Finished Goods	3,131.71		2,939.86
Less: Closing Stock			
Finished Goods	<u>3,296.62</u>		<u>3,131.71</u>
		<u>(164.91)</u>	<u>(191.85)</u>
		<u>11,898.92</u>	<u>13,029.76</u>
SCHEDULE - 11			
MANUFACTURING AND OTHER EXPENSES			
1. Payments to and Provisions for Employees			
Salaries, Wages and Bonus	1,888.12		1,925.00
Contribution to Provident and Other Funds	413.10		204.99
Workmen and Staff Welfare Expenses	251.55		286.54
		<u>2,552.77</u>	<u>2,416.53</u>
2. Operation and Other Expenses			
Consumption of Stores & Spares	396.09		277.59
Power & Fuel	364.67		206.53
Repairs to Building	21.66		66.18
Repairs to Machinery	271.68		478.33
Rent	15.73		14.01
Rates & Taxes	20.01		21.17
Insurance	29.03		30.95
Travelling & Conveyance	75.26		93.56
Postage, Telephone & Telex	16.31		21.75
Printing & Stationary	7.70		13.02
Upkeep maintenance	56.08		61.82
Freight on sales	220.18		158.73
General Repairs	41.24		46.01
Selling Commission	176.35		140.38
Bad Debt / advances written off	75.27		219.33
Less : Adjusted with Provision for Doubtful Debts	<u>58.04</u>	17.23	(30.88)
Provision for doubtful debts		73.92	58.04
Provision for doubtful advances		2,184.24	-
Packing & Forwarding	44.37		257.06
Legal & Professional Expenses	180.02		312.90
Miscellaneous Expenses	<u>156.30</u>		<u>148.93</u>
		<u>4,368.07</u>	<u>2,595.41</u>
		<u>6,920.84</u>	<u>5,011.94</u>
SCHEDULE - 12			
INTEREST			
On Term Loan		1,645.50	1,304.26
On Working Capital		941.14	830.06
Others		<u>514.59</u>	<u>313.05</u>
		<u>3,101.23</u>	<u>2,447.37</u>
SCHEDULE - 13			
DEPRECIATION			
For the year		1,522.34	1,273.64
Less: Withdrawn from Revaluation Reserve		<u>85.71</u>	<u>110.43</u>
		<u>1,436.63</u>	<u>1,163.21</u>

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

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

Investments held by the company which are long term in nature are stated at cost unless there is any permanent diminution in value, where provision for diminution is made on individual investment basis. Current investments are carried lower of cost and fair value. Earnings on investment are accounted for on accrual basis.

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, 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) 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.

2) Provision for doubtful advance includes:

Bilati (Orissa) Limited (BOL)	:	₹ 1,855.75 lacs
Neelachal Ispal Nigam Limited (NINL)	:	₹ 273.61 lacs

In spite of best effort, the prospect of reviving BOL appears to be uncertain, hence provision has been made.

Provision has been made for claims receivable from NINL, though the management is pursuing the recovery.

3) Provision for diminution in the value of investment in shares of Bilati (Orissa) Ltd. (BOL) has been made and the investment has been valued at ₹ 1,000.

4) 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. The project implementation at present is on hold as there are delays in obtaining iron ore mining lease due to certain technical reasons.

Investments in Bamra as on 31st March 2011 is as follows :

1. Investment in equity share capital	:	₹ 75.00 lacs (₹ 75.00 lacs)
2. Advances mainly for land	:	₹ 83.56 lacs (₹ 83.29 lacs)

5) The management has reviewed the impairment of Fixed Assets during the year and there are no such impairment of assets.

6) Investment in equity share of Keonjhar Infrastructure Development Company Ltd. (KIDCO) amounting to ₹ 0.72 Lacs (₹ 0.72 Lacs in 2009-10) has been pledged with State Bank of India (SBI) as security for loan granted to KIDCO by SBI.

7) 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.

8) Estimated amount of contracts (Net of advance) remaining to be executed on Capital Account and not provided for amounts to ₹ 443.72 lacs (₹ 129.67 lacs).

9) 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	₹ / lacs	₹ / lacs
	2010-11	2009-10
Within one year	7.77	21.09
Later than one year and not later than five years	6.34	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.

10) Directors' Remuneration (included in Payments to and Provisions for Employees)

Vice Chairman & Managing Director and Whole-time Director:

	2010-11	2009-10
	₹ / lacs	₹ / lacs
Salary	18.27	25.02
Contribution to Provident Fund & Other Funds	1.37	1.63
Perquisites	1.98	1.57
Total	21.62	28.22

11) Raw material stock includes coal char stock of ₹ 228.52 lacs (previous year ₹ 209.06 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.

Orissa Sponge Iron & Steel Limited

		2010-11 ₹ / lacs	2009-10 ₹ / lacs
12) Miscellaneous expenses include payments to Auditors towards:			
a) Statutory Audit		5.00	5.00
b) Tax Audit		1.00	1.00
c) Others		2.17	1.12
d) Reimbursement of Expenses		0.65	0.70
The above does not include service tax.			
13) Contingent liabilities not provided for:			
i) For Letters of Credit and for Counter Guarantees to the Banks for guarantees given by them.		811.28	1,357.24
ii) Disputed Sales Tax (under appeal) (Includes ₹ 1,175.80 lacs towards disallowance of branch transfer and consignment transfer of finished goods).		3,403.36	2,973.63
iii) Disputed Central Excise and Service Tax (under appeal)		49.17	44.76
iv) Income Tax Demand (under appeal)		393.49	85.22
v) Interest for delayed payment of Sales Tax & Excise Duty loan		-	145.04
vi) For guarantee given to Keonjhar Central Co-Operative Bank Ltd. for cash credit facilities obtained by Bilati (Orissa) Ltd.		126.93	140.12
vii) Joint Undertaking given for "over-run/shortfall and Guarantee-cum-Undertaking", in debt service account and debt repayment, in the event of default, in connection with term loan of Rs. 58 crores, granted by State Bank of India to Keonjhar Infrastructure Development Company Ltd. (KIDCO). KIDCO has been floated by mine owners and industries of the localities including Orissa Sponge Iron & Steel Limited for development of Palaspanga-Bamebari Road under BOT arrangement.		Not Ascertainable	Not Ascertainable
14) Particulars of goods manufactured:		2010-11	2009-10
a) Installed Capacity:			
Sponge Iron (MT)		2,50,000	2,50,000
Steel Billet (MT)		1,00,000	1,00,000
Power (MW)		24	24*
(* 12 MW power plant commenced power generation from 28.10.2009)			
b) Production:			
Sponge Iron (MT)		78,973	129,385
Steel Billet (MT)		2,995	19,408
Power (KWH)		73,864,862	77,902,731
15) Turnover:			
		2010-11	2009-10
		Quantity	Quantity
		Value	Value
		(₹ / lacs)	(₹ / lacs)
Sponge Iron (MT)	78,399	14,147.27	99,379
Steel Billet (MT)	1,886	550.67	19,616
Power (KWH)	40,379,800	1,259.54	25,043,548
		15,957.48	18,962.01
16) Closing Stock:			
		2010-11	2009-10
		Quantity	Quantity
		Value	Value
		(₹ / lacs)	(₹ / lacs)
Sponge Iron *	29,382	2,970.54	32,327
Steel Billet	1,117	326.08	204
Rolled Product	-	-	86
			20.66

* After adjustments of physical shortage Sponge Iron 9 MT (Nil MT), Billet 196 MT (Nil MT) and Rolled product 86 MT (Nil MT).

Orissa Sponge Iron & Steel Limited

17) a) Raw-materials Consumed:

	2010-11		2009-10	
	Quantity (MT)	Value (₹ / lacs)	Quantity (MT)	Value (₹ / lacs)
Iron Ore	1,44,702	6,360.33	2,31,703	5,903.54
Coal (Sponge production)	1,35,647	5,150.22	2,11,808	6,484.64
Coal (Power production)	49,164	393.31	24,722	197.78
Limestone & Dolomite	4,227	67.97	7,870	120.30
Steel Scrap	89	17.34	1,515	226.69
Ferro Alloys	60	37.32	343	137.23
Sponge Iron (Internal Consumption)*	3,510	-	21,965	-
Coke	52	17.12	328	51.62
End Cutting of Steel Billet	-	-	28	-
Other Raw Materials (consumables)	-	20.22	-	99.81
		<u>12,063.83</u>		<u>13,221.61</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.

Analysis	2010-11		2009-10	
	Value (₹ / lacs)	%	Value (₹ / lacs)	%
Imported	1.38	0.01	4.06	0.03
Indigenous	12,062.45	99.99	13,217.55	99.97
	<u>12,063.83</u>	<u>100.00</u>	<u>13,221.61</u>	<u>100.00</u>

b) Consumption of stores & spare parts:

Stores & Spares consumed:	2010-11		2009-10	
	Value (₹ / lacs)	%	Value (₹ / lacs)	%
Imported	0.00	0.00	0.00	0.00
Indigenous	396.09	100.00	277.59	100.00
	<u>396.09</u>	<u>100.00</u>	<u>277.59</u>	<u>100.00</u>

c) Captive Consumption of Power (KWH):

	2010-11	2009-10
Steel Billet	3,623,831	19,366,556
Sponge Iron	12,945,884	18,880,243
Captive Power Plant & others	16,915,347	14,612,384

18) Expenditure in Foreign Currency:

	2010-11 (₹ / lacs)	2009-10 (₹ / lacs)
i) Value of imports (C & F Basis) : Raw Material and Consumables	Nil	4.89
Travelling	Nil	1.26

19) Earnings in foreign exchange:

	2010-11 (₹ / lacs)	2009-10 (₹ / lacs)
Export of goods calculated on F.O.B. basis	Nil	665.63

Orissa Sponge Iron & Steel Limited

	2010-11 ₹ / lacs	2009-10 ₹ / lacs
20) Earnings per share:		
Profit for the year after taxation, as per profit and loss account (₹/ lacs)	(5,286.36)	(2,336.50)
No. of Equity Shares (weighted)	27,000,000	27,000,000
Basic & diluted Earning per share (face value - ₹ 10 per share)	(19.58)	(8.65)

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 into equity shares is under sub-judice.

21) The major components of the Deferred Tax Assets/Liabilities, based on tax effect of the timing differences, as at 31st March 2011, are as under:

Deferred Tax Liability

Depreciation	4,488.34	3,271.06
--------------	----------	----------

Deferred Tax Assets

Carried forward Loss	(9,022.20)	(4,523.04)
Disallowance under section 43B	(140.73)	(405.38)

Deferred Tax Liability / (Assets) (Net)

	(4,674.59)	(1,657.36)
--	------------	------------

In view of the prospects of getting the forest clearance for enabling the Company for commencing iron ore mining operation within the financial year 2012-13, the management is confident in earning sufficient taxable profit in future year for off-setting the Deferred Tax Assets.

22) 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.

23) 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 avallment of leave while in service and qualifying salary on the date of avallment of leave. In respect of encashment of leave, the Defined Benefit obligation is calculated taking into account 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:

	₹ / lacs	
Particulars	2010-11	2009-10
Employers' Contribution to Provident Fund	88.46	75.51
Employers' Contribution to Superannuation Fund	27.85	28.35
Employers' Contribution to Employees' Pension Scheme, 1995	43.64	40.25
Total	159.95	144.11

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):

	₹ / lacs	
Particulars	As at 31st March, 2011	As at 31st March, 2010
Obligation at the beginning of the year	635.87	632.66
Service cost	42.37	30.92
Interest cost	20.18	21.81
Benefits settled	(53.80)	(59.65)
Actuarial (Gain) / Loss	200.17	10.13
Obligation at the end of the year	844.79	635.87

Orissa Sponge Iron & Steel Limited

₹ / lacs

Particulars	As at 31st March, 2011	As at 31st March, 2010
Change in plan Assets		
Plan Assets at the beginning of the year, at fair value	225.41	252.08
Expected return on plan assets	20.18	21.81
Actuarial (Gain)/Loss	(3.91)	(3.33)
Contributions	47.00	14.50
Benefits settled	(53.79)	(59.65)
Plan Assets at the end of the year, at fair value	234.89	225.41
Reconciliation of present value of the obligation and the fair value of the planned assets		
Fair value of the Plan Assets at the end of the year	234.88	225.41
Present value of the defined benefit obligation at the end of the year	844.79	635.87
Assets / (liability) recognised in the balance sheet	(609.91)	(410.46)
Gratuity cost for the year		
Service cost	42.37	30.92
Interest cost	20.18	21.81
Expected return on plan assets	(20.18)	(21.81)
Actuarial (Gain) / Loss	204.07	13.46
Net Gratuity cost	246.44	44.38
Assumptions		
Interest rate	9.30%	9.30%
Expected rate of return on plan assets	9.30%	9.30%
Expected rate of salary increase	4%	3%
Retirement age	58	58

24) Bamra Iron & Steel (India) Ltd. is a wholly owned subsidiary of the Company. As the Company has not started operations, consolidated financial statement (AS-21) has not been prepared.

25) Disclosure as required under AS 29

Provision for Sales tax and Entry tax have been recognized in the financial statements considering the following :

- The company has a present obligation as a result of past event.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Particulars	Entry Tax	Sales Tax
Carrying amount as at 01.04.2010	₹ 7.41 lacs	₹ 5.23 Lacs
Provision made during the year	Nil	Nil
Amount used during the year	Nil	Nil
Unused amount reversed during the year	Nil	Nil
Carrying amount as at 31.03.2011	₹ 7.41 lacs	₹ 5.23 Lacs
Nature of obligation	Demand of Entry tax stores	Demand for Sales Tax
Expected timing of resultant outflow	On decision by the competent adjudicating authorities	On decision by the competent adjudicating authorities
Indication of uncertainty about those outflow	The above matters are under dispute with the authorities	The above matters are under dispute with the authorities
Major assumptions concerning future events	The matter is with higher authorities for adjudication. On the grounds of prudence provision is made.	The matter is with higher authorities for adjudication. On the grounds of prudence provision is made.
Amount of any expected reimbursement, i.e., amount of any asset that has been recognized for that expected reimbursement.	Nil	Nil

Orissa Sponge Iron & Steel Limited

26) 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 TRFI Investment Pvt. Ltd. OSIL-TRFI Community Services Bilati (Orissa) Ltd. Torsteel Services Pvt. Ltd.
III. Key Management Personnel	:	Dr. P. K. Mohanty Mr. Munir Mohanty Mr. M. A. Khan
IV. Enterprises over which Key Management Personnel exercise significant interest	:	Torsteel Research Foundation in India TRFI Investment Pvt. Ltd. OSIL-TRFI Community Services Bilati (Orissa) Ltd. Torsteel Services Pvt. Ltd.

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

		2010-11 ₹ / lacs	2009-10 ₹ / lacs
I. Transaction with Subsidiary:			
Advances given during the year	:	0.25	0.23
Receivable / (Payable) as at 31.03.11	:	83.54	83.29
II. Transactions with key managerial personnel:			
Remuneration - (Refer Note 10 of 14B)	:	21.62	28.22
III. Transactions with Associate Companies:			
OSIL - TRFI Community Services			
Contribution towards community services	:	0.11	0.27
OSIL - TRFI Community Services Trust			
Contribution towards community services	:	26.42	17.44
Torsteel Research Foundation in India			
Services availed:			
Laboratory analysis charges	:	Nil	44.63
Advance received / paid	:	(30.46)	10.58
Receivable / (Payable) as at 31.03.11	:	(79.49)	(49.03)
Torsteel Services (P) Ltd.			
Advances given during the year	:	0.19	Nil
Receivable / (Payable) as at 31.03.11	:	(47.02)	(47.21)
TRFI Investment Pvt. Ltd.			
Receivable / (Payable) as at 31.03.11	:	38.48	Nil
IV. Transactions with enterprises over which relative of key management personnel exercise significant influence :			
Bilati (Orissa) Ltd.			
Advances given during the year	:	66.34	88.83
Balance Receivable as at 31.03.11	:	1,855.75	1,789.41

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

28) Previous year 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: 12th August, 2011

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

C. J. Venugopal, IAS, Chairman
B. K. Sarkar, Director
M. A. Khan, Director
Munir Mohanty, Director
Dr. P. K. Mohanty, Vice Chairman
& Managing Director

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

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

State Code 1 5

Balance Sheet Date 3 1 0 3 2 0 1 1

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

Public Issue
N I L

Bonus Issue
N I L

Conversion of Equity Warrants
N I L

Rights Issue
N I L

Private Placement
N I L

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

Total Liabilities
4 8 0 2 7 . 7 3

Total Assets
4 8 0 2 7 . 7 3

IV. Sources of Funds (₹ / lacs)

Paid-up Capital
2 7 0 0 . 0 0

Secured Loans
2 1 6 1 7 . 3 6

Unsecured Loans
N I L

Equity Share Warrant
6 0 1 . 5 0

Reserves & Surplus
2 3 1 0 8 . 8 7

V. Application of Funds (₹ / lacs)

Net Fixed Assets
2 6 9 8 6 . 4 1

Net Current Assets
5 3 0 8 . 9 1

Accumulated Losses
1 0 5 6 1 . 4 3

Investments
4 9 6 . 3 9

Misc. Expenditure
N I L

Deferred Taxation
4 6 7 4 . 5 9

VI. Performance of the Company

Turn Over * (₹ / lacs)
1 5 1 9 7 . 0 9

Profit & Loss Before Tax (+/-) (₹ / lacs)
(-) 8 3 0 3 . 5 9

Earning per share In ₹
(-) 1 9 . 5 8

Total Expenditure
2 3 5 0 0 . 6 8

Profit & Loss After Tax (+/-)
(-) 5 2 8 6 . 3 6

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: 12th August, 2011

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

C. J. Venugopal, IAS, Chairman
B. K. Sarkar, Director
M. A. Khan, 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 2011
3. a) No. of shares held by Orissa Sponge Iron & Steel Ltd.	:	7,49,930 Equity Shares of Rs.10 each
b) Extent of holding at the end of Financial Year of Subsidiary Company	:	99.99%
4. The net aggregate amount of the Subsidiary Company profit/(loss) so far as it concerns the members of the holding Company :		
a) Not dealt with in the holding accounts :		
i) For the financial year ended 31st March 2011	:	The Company has been formed for setting up Iron & Steel Project.
ii) For the previous financial years of the Subsidiary Company since 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 2011	:	NIL
ii) For the previous financial years of the Subsidiary Company since it became the holding Company's subsidiary	:	Not Applicable

BAMRA IRON & STEEL COMPANY (INDIA) LIMITED

DIRECTORS' REPORT

Your Directors are pleased to submit the Director's Report for the year ended 31st March, 2011.

STATE OF COMPANY'S AFFAIRS:

Financial Results

During the period from 1st April, 2010 to 31st March, 2011 the Company incurred an expenditure of ₹ 30,170 (Rupees Thirty Thousand One Hundred Seventy only) which has been carried to the Balance Sheet as pre-operative expenses.

Directorate

Mr. M. A. Khan 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 were no employees drawing the requisite remuneration whose names are required to be disclosed as required under Sub Section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended from time to time.

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, 2011 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 31.03.2011 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 : Kolkata
Date: 12th August, 2011

Dr. P. K. Mohanty
Chairman

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, 2011 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

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, 2011 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

Office: Kolkata

Dated: 12th August 2011

ANNEXURE TO THE AUDITORS' REPORT

In 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 2011, 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 & Company**
Chartered Accountants
FRN 307042E

L. N. More
Partner

Membership No. 011485

Office: Kolkata

Dated: 12th August, 2011

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

BALANCE SHEET AS AT 31ST MARCH 2011				PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011			
	Schedule No.	₹	31st March '11 ₹	31st March '10 ₹		31st March '11 ₹	31st March '10 ₹
SOURCES OF FUNDS				Expenditure :			
Shareholders' Funds					Bank Charges	55	66
Share Capital	A		7,500,000	7,500,000	Filing Expenses	4,943	2,500
Unsecured Loan	B		8,356,453	8,328,657	Legal & Professional Charges	14,226	9,011
			<u>15,856,453</u>	<u>15,828,657</u>	Licenses Fees	1,900	2,100
APPLICATION OF FUNDS							
Fixed Assets	C				Printing & Stationery	-	610
Project & Pre-operative expenses (pending capitalisation)			15,661,002	15,630,832	Advances written off	222	-
Current Assets	D				Audit Fees	8,824	8,824
Cash & Bank Balances		16,855		54,337		<u>30,170</u>	<u>23,111</u>
Short Term Advance		-		4,670	Less: Transferred to Pre-operative Expenses	<u>30,170</u>	<u>23,111</u>
Advance Recoverable		-		222			
Total Current Assets		16,855		59,229			
Less: Current Liabilities	E	8,824		48,824			
Net Current Asset			8,031	10,405			
Miscellaneous Expenditure (Preliminary Expenses)			187,420	187,420			
			<u>15,856,453</u>	<u>15,828,657</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

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

L. N. More
Partner
Membership No. 011485
Place : Kolkata
Dated: 12th August, 2011

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

	₹	31st March, 2011 ₹	31st March, 2010 ₹
Schedule - A - Share Capital			
Authorised:			
1,000,000 Equity Shares of ₹ 10 each		10,000,000	10,000,000
Issued, Subscribed & Paid up:			
750,000 Equity Shares of ₹ 10 each fully paid up		7,500,000	7,500,000
Schedule - B - Unsecured Loan			
Orissa Sponge Iron & Steel Ltd.		8,356,453	8,328,657
Schedule - C - Fixed Assets			
Project & Pre-Operative Expenses (Pending Capitalization)			
Pre-operative Expenses		246,712	216,542
Project Expenses		15,414,290	15,414,290
		<u>15,661,002</u>	<u>15,630,832</u>
Schedule - D - Current Assets			
Cash in Hand		-	-
Balance with Bank:			
HDFC Bank	16,855		
Bank of Maharashtra	-	16,855	54,337
Short Term Advances:			
Bamra Sponge Iron & Steel Ltd.		-	4,670
Advance Recoverable		-	222
		<u>16,855</u>	<u>59,229</u>
Schedule - E - Current Liabilities and Provisions			
Outstanding Expenses		8,824	8,824
TRFI Investment Pvt. Ltd.		-	40,000
		<u>8,824</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 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
FRN 307042E

L. N. More
Partner
Membership No. 011485
Place: Kolkata
Dated: 12th August, 2011

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

ORISSA SPONGE IRON & STEEL LIMITED

OSIL HOUSE, GANGADHAR MEHER MARG
BHUBANESWAR - 751 024

PROXY

I/We
L/F No./Client ID No.* of in
the District of
being a member/members of the above named Company hereby appoint
Sri/Smt
of in the district
of or failing
himself/herself Sri/Smt of
..... in the district of
..... as my / our proxy to vote for
me/us on my/our behalf at the Annual General Meeting of the Company to be
held on Friday, the 23rd December, 2011 and at any adjournment thereof.

Signed day
of 2011



Note : An instrument appointing a proxy shall be deposited at the
Registered Office of the Company not less than fortyeight hours
before the time of holding the meeting.

* Applicable for members holding shares in electronic form.

ORISSA SPONGE IRON & STEEL LIMITED

OSIL HOUSE, GANGADHAR MEHER MARG
BHUBANESWAR - 751 024

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND
IT OVER AT THE ENTRANCE OF THE HALL

Full Name of the Shareholder in Block Letters :

I hereby record my presence at the 31st Annual General Meeting
of the Company to be held at Hotel Swosti, Bhubaneswar on Friday, the
23rd December, 2011 at 10.00 a.m.

Signature of
the Shareholder

No. of Shares held

L/F No. / Client ID No.*

* Applicable for members holding shares in electronic form.