



ELECTROSTEEL
STEELS LIMITED

3rd Annual Report

2009-10



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CORPORATE INFORMATION

CHAIRMAN	Mr Anil Kumar Sinha																														
DIRECTORS	Mr Umang Kejriwal Mr Naresh Pachisia Mr Sanjoy Kumar Tekriwal Mr Sunil V Diwakar (Nominee Director of Tara India Holdings A Limited) Mr Lawrence M Roy (Alternate Director to Mr Sunil V Diwakar)																														
WHOLETIME DIRECTORS	Mr Nigam Chander Bahl Mr Vilas Vishnu Jamnis																														
COMPANY SECRETARY	Mr Vikram Saraogi																														
STATUTORY AUDITOR	M/s. B Chhawchharia & Co., Chartered Accountants																														
SOLICITORS	Khaitan & Co.																														
BANKERS	State Bank of India (Facility Agent)																														
	<table> <tr> <td>Allahabad Bank</td> <td>Punjab & Sind Bank</td> </tr> <tr> <td>Andhra Bank</td> <td>Punjab National Bank</td> </tr> <tr> <td>Bank of Baroda</td> <td>State Bank of Hyderabad</td> </tr> <tr> <td>Bank of India</td> <td>State Bank of India</td> </tr> <tr> <td>Bank of Maharashtra</td> <td>State Bank of Indore</td> </tr> <tr> <td>Canara Bank</td> <td>State Bank of Mysore</td> </tr> <tr> <td>Central Bank of India</td> <td>State Bank of Patiala</td> </tr> <tr> <td>Corporation Bank</td> <td>State Bank of Travancore</td> </tr> <tr> <td>Dena Bank</td> <td>Syndicate Bank</td> </tr> <tr> <td>HUDCO</td> <td>The Bank of Rajasthan Ltd</td> </tr> <tr> <td>IL & FS Financial Services Ltd</td> <td>The J & K Bank Ltd</td> </tr> <tr> <td>Indian Bank</td> <td>UCO Bank</td> </tr> <tr> <td>Indian Overseas Bank</td> <td>Union Bank of India</td> </tr> <tr> <td>LIC of India</td> <td>United Bank of India</td> </tr> <tr> <td>Oriental Bank of Commerce</td> <td>Vijaya Bank</td> </tr> </table>	Allahabad Bank	Punjab & Sind Bank	Andhra Bank	Punjab National Bank	Bank of Baroda	State Bank of Hyderabad	Bank of India	State Bank of India	Bank of Maharashtra	State Bank of Indore	Canara Bank	State Bank of Mysore	Central Bank of India	State Bank of Patiala	Corporation Bank	State Bank of Travancore	Dena Bank	Syndicate Bank	HUDCO	The Bank of Rajasthan Ltd	IL & FS Financial Services Ltd	The J & K Bank Ltd	Indian Bank	UCO Bank	Indian Overseas Bank	Union Bank of India	LIC of India	United Bank of India	Oriental Bank of Commerce	Vijaya Bank
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LIC of India	United Bank of India																														
Oriental Bank of Commerce	Vijaya Bank																														
REGISTERED OFFICE	801, Uma Shanti Apartments, Kanke Road, Ranchi - 834 008 Jharkhand.																														
PROJECT SITE	Village - Siyaljori, PO - Jogidih, PS - Chandankyari, Dist - Bokaro, Pin - 828 303, Jharkhand.																														
HEAD OFFICE	G K Tower, 19, Camac Street, Kolkata - 700 017																														

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Third Annual Report and the Audited Accounts of your Company for the year ended March 31, 2010.

OPERATIONS - IMPLEMENTATION OF THE PROJECT

As you are aware that earlier your Company was setting up 1.3 MTPA integrated steel project including D.I. Pipes in the state of Jharkhand. However, subsequently your Company has decided to enhance the capacity of the project from 1.3 MTPA to 2.2 MTPA at the same location which is located about 22 kms away from Bokaro city. The technical feasibility report of the enhanced capacity has been vetted by M/s M. N. Dastur & Company, one of the renowned technical consultants. The State Bank of India, the lead banker of the Company has also appraised and approved the proposal for enhanced capacity of the Project.

The project will be based on the same process of the blast furnace, basic oxygen furnace, billet caster and hot rolling route to produce 1.2 MTPA of long steel products (mainly wire rods and rebars) and 0.67 MTPA commercial billets and pig iron. It is also proposed to set up a 0.33 MTPA ductile iron pipe production facility in the same complex.

The Company had engaged reputed international companies for the supply of equipments and construction of the Project. Significant milestones like land acquisition, land levelling, basic engineering, placement of orders for equipments and constructions completed. The Company has also put in place an excellent project team comprising of professionals from respective areas with an extensive project management and execution skills. Long term agreements for the supply of iron ore and coking coal have also been entered into with Electrosteel Castings Limited ("ECL").

The target completion date of the project has been extended by few months. The main reason for the delay is due to sudden decrease in availability of Chinese manpower. The reduction in numbers is due to guidelines issued by the Central Government of India on Visa Policy, which was beyond the management control. Subsequently, the Central Government of India has allowed work permits to the Chinese. A good number of Chinese are working at the site round the clock and your Company is confident in achieving the revised completion target.

In addition to the above, your Company has also made the following alternative plans to mitigate the said situation:

- Appointment of local Sub-contractors under the supervision of Chinese Contractors.
- Reducing the scope of Chinese Contractors and offload the same to Indian Contractors.

Your Company has not yet commenced revenue operations and hence no Profit and Loss Account has been prepared.

FINANCIAL CLOSURE

Your Company had received overwhelming response from various Banks/Financial Institutions, who had sanctioned the required Term Loans for the Project. Amended and Restated Common Loan Agreement with the lenders has been executed on 20th August 2009 for the same.

The total Equity requirement for the Project is Rs 1,815 crores. The Company has already received Rs 1665 crores towards equity contribution from various investors, which is more than 90% of the total requirement.

CHANGE OF NAME

The name of your Company has been changed from "ELECTROSTEEL INTEGRATED LIMITED" to "ELECTROSTEEL STEELS LIMITED" pursuant to the special resolution passed in the shareholders meeting held on 25th March, 2010. The new name was notified by the Registrar of Companies, Bihar & Jharkhand.

The Directors of the Company believe that it will enjoy a better market reputation and customers' reliance upon change of name which is consequential to the modification / alteration in the name of the Company.

INITIAL PUBLIC OFFER (IPO)

Your Directors' immense pleasure to announce that the Company had filed 'Draft Red Herring Prospectus' (DRHP) with Securities and Exchange Board of India (SEBI), National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on 25th March, 2010 for the proposed Initial Public Offering of Equity Shares of your Company.

The Company is coming out with the Initial Public Offer with an objective to raise fund to fill the gap of Equity requirement and also to raise some additional equity to take care of any unforeseen requirement of the project.

Your Company has also appointed internationally reputed Merchant Bankers, Legal Counsel and Registrar to provide support and execute the Public Issue process.

DIRECTORS

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anil Kumar Sinha was appointed as Additional Director with effect from July 25, 2009 and will hold office upto the date of the next Annual General Meeting.

Mr Sunil V. Diwakar was appointed as the Nominee Director of Tara India Holdings A Limited (equity investor), with effect from August 31, 2009.

Pursuant to the provisions of Sections 198, 268 and 269 of the Companies Act, 1956 and the Articles of Association of the Company, Mr Vilas Vishnu Jamnis and Mr Nigam Chander Bahl were appointed as the Wholetime Directors of the Company on 25th July 2009 & 19th August 2009 respectively for a period of 3 years subject to approval of the Shareholders. The same has also been approved by the Shareholders of the Company in their Meeting held on 6th October, 2009. The remuneration for the both the aforesaid Wholetime Directors are subject to the approval of the Central Government.

Pursuant to the provisions of Sections 255 & 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Nigam Chander Bahl and Mr. Naresh Pachisia, Directors of the Company retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Mayank Kejriwal, Director of the Company, has resigned from the Board of your Company with effect from 11th January, 2010. The Board places on record its deep appreciation for the guidance and the invaluable services rendered by him during the tenure of his office as Director of the Company.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm :

- a) that in the preparation of annual accounts, containing financial statements for the year ended March 31, 2010 the applicable accounting standards have been followed along with proper explanation wherever required.

- b) that the board had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view, of the state of affairs of the Company for that period.
- c) that the Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, form a part of this report. However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company, excluding the aforesaid information. Members desirous of obtaining such particulars may write to the Company at its registered office.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT 1956

- a) Since the Project is under implementation, the Company has no activity relating to conservation of energy or technology absorption. However, conscious efforts are being made during the design, engineering and construction stage itself to ensure that the technology is understood and measures to minimize energy consumption are incorporated in the Project.

- b) Foreign Exchange Earnings and Outgo:

	Amount (Rs)
Foreign Exchange Earnings	3,345/-
Foreign Exchange Outgo	6,17,93,59,211/- *

AUDITORS

The Statutory Auditor M/s. B Chhawchharia & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been obtained to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Notes to Accounts forming part of the financial statements are self explanatory and needs no further explanation.

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation.

ACKNOWLEDGMENT

Your Directors take this opportunity to thank the Financial Institutions, Bankers, Government Authorities, Vendors, Shareholders, Employees, etc. for their continued assistance, cooperation and support to the Company.

For and on behalf of the Board of Directors	
V V Jamnis	N C Bahl
Wholetime Director	Wholetime Director

Place : Kolkata
Dated : May 06, 2010

AUDITORS' REPORT

To the Members of
ELECTROSTEEL STEELS LIMITED (Formerly ELECTROSTEEL INTEGRATED LIMITED)

1. We have audited the attached Balance Sheet of ELECTROSTEEL STEELS LIMITED (Formerly ELECTROSTEEL INTEGRATED LIMITED) as at March 31, 2010 and also the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of the representative office at China. 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. No Profit and Loss Account has been prepared since the Company has yet to commence its revenue operations and the necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed in Note 1 in Schedule 8B as "Project Development Expenditure".
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments above and also in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the representative office;
 - (iii) The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding, as at 31st March, 2010 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period less than five years and hence the provisions of Clause 4(x) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion, that the Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) 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.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the period under audit.
- (xvi) According to the information and explanations given to us, in our opinion, the term loans raised were, prima facie, either utilized for the purposes for which they were obtained or pending utilization, been temporarily invested in Mutual Funds and Term Deposits with Banks.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, there are no funds raised on short term basis during the period under audit.
- (xviii) The Company has made preferential allotment of shares to a company covered in the register maintained under section 301 of the Companies Act, 1956 and in our opinion and as per the information and explanations given to us, the price at which such shares have been issued is, prima facie, not prejudicial to the interest of the Company.
- (xix) The Company has not issued any debentures during the period under audit.
- (xx) The Company has not raised any money by public issue during the period under audit.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period under audit.

B Chhawchharia & Co
Firm Registration No.: 305123E
Chartered Accountants

Kolkata
May 06, 2010

Vikram Dhanania
Partner
Membership No. 060568

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As at 31 st March, 2010	As at 31 st March, 2009
		Rs.	Rs.
Sources of Funds			
Shareholders' Funds			
Share Capital	1	16,657,630,230	3,385,733,600
Share Application Money (pending allotment)		46	3,106,936,935
		<u>16,657,630,276</u>	<u>6,492,670,535</u>
Loan Funds			
Secured Loans	2	24,693,559,341	17,285,322,212
		<u>41,351,189,617</u>	<u>23,777,992,747</u>
Application of Funds			
Fixed Assets			
Gross Block	3	2,031,604,058	1,277,147,257
Less : Depreciation		15,277,078	3,142,519
Net Block		<u>2,016,326,980</u>	<u>1,274,004,738</u>
Capital Work-in-Progress		36,856,002,335	19,951,064,050
		<u>38,872,329,315</u>	<u>21,225,068,788</u>
Investments			
	4	1,606,036,477	1,764,247,767
Current Assets, Loans and Advances			
Cash and Bank Balances	5	943,206,171	556,140,307
Loans and Advances	6	793,008,322	411,649,439
		<u>1,736,214,493</u>	<u>967,789,746</u>
Less:			
Current Liabilities and Provisions			
Current Liabilities	7	845,302,967	172,148,260
Provisions		18,265,120	7,142,713
		<u>863,568,087</u>	<u>179,290,973</u>
Net Current Assets		872,646,406	788,498,773
Miscellaneous Expenditure (to the extent not written off or adjusted)		177,419	177,419
		<u>41,351,189,617</u>	<u>23,777,992,747</u>
Significant Accounting Policies and Notes on Accounts			
	8		

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

As per our Report of even date
For B. Chhawchharia & Co.
Firm Registration No. 305123E
 Chartered Accountants

Vikram Dhanania
 Partner
 M. No. 060568

Kolkata
 May 06, 2010

For and on behalf of the Board

V V Jamnis Wholetime Director

N C Bahl Wholetime Director

Vikram Saraogi Company Secretary

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

	Rs.	2009-10 Rs.	Rs.	2008-09 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(754,537,032)		(802,119,790)	
Additions to Capital				
Work-in-Progress	(14,138,643,026)		(16,864,820,346)	
Fixed Assets sold/discarded	-		655,681	
Advance Recoverable				
in Cash or in Kind	(328,483,616)		(195,381,384)	
(Purchase)/Sale of Investments (net)	158,211,290		(1,764,247,767)	
Interest Received	45,411,760		65,759,059	
Dividend Received	83,685,791		32,729,863	
Taxes Paid	<u>(52,875,267)</u>		<u>(51,847,726)</u>	
		<u>(14,987,230,100)</u>		<u>(19,579,272,410)</u>
Net Cash Flow from Investing Activities		<u>(14,987,230,100)</u>		<u>(19,579,272,410)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES				
Net proceeds from issue of Equity Shares including Share Application Money	10,164,959,741		3,392,170,535	
Secured Term Loans	7,408,237,129		15,954,722,212	
Interest Paid	<u>(2,198,900,906)</u>		<u>(871,814,152)</u>	
		<u>15,374,295,964</u>		<u>18,475,078,595</u>
Net Cash Flow from Financing Activities		<u>15,374,295,964</u>		<u>18,475,078,595</u>
Net Increase/ (Decrease) in Cash & Cash equivalents (A+B+C)		387,065,864		(1,104,193,815)
Cash & Cash equivalents as at 1st April		556,140,307		1,660,334,122
Cash & Cash equivalents as at 31st March		943,206,171		556,140,307

Note : Cash & Cash equivalents represents cash and stamp papers in hand and deposits / balances with Banks

As per our Report of even date
For B. Chhawchharia & Co.
Firm Registration No. 305123E
 Chartered Accountants

Vikram Dhanania
 Partner
 M. No. 060568

Kolkata
 May 06, 2010

For and on behalf of the Board

V V Jamnis Wholetime Director

N C Bahl Wholetime Director

Vikram Saraogi Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 1

	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
SHARE CAPITAL		
Authorised:		
2,300,000,000 Equity Shares of Rs. 10/- each. (Previous year - 340,000,000 Equity Shares of Rs. 10/- each.)	23,000,000,000	3,400,000,000
Issued, Subscribed and Paid Up:		
1,665,763,023 Equity Shares of Rs. 10/- each. (Previous year - 338,573,360 Equity Shares of Rs. 10/- each.)	16,657,630,230	3,385,733,600
	16,657,630,230	3,385,733,600

SCHEDULE 2

SECURED LOANS

Rupee Term Loans		
Senior Debts		
Banks	17,742,054,000	12,001,800,000
Others	1,019,000,000	465,100,000
Subordinate Debts		
Banks	2,157,983,349	1,668,367,549
Others	21,151,163	-
Buyer's Credits	3,753,370,829	3,150,054,663
	24,693,559,341	17,285,322,212

- 1) The Senior Debts are secured by:
 - (a) First ranking pari passu mortgage and charge on all immovable and movable properties including fixed assets, plant and machinery (both tangible & intangible), present and future, on all bank accounts in relation to the Project and assignment of project agreements, subject to the charges to be created in favour of working capital lenders on the current assets for securing Working Capital Facilities.
 - (b) Pledge of 500,000,000 Equity Shares of the Company held by Electrosteel Castings Limited.
- 2) The Subordinate Debts are secured by a second charge, which shall be subject to and subservient to the first charge created / to be created as above in favour of the Senior Lenders.
- 3) Buyer's Credits are secured by letter of credit issued by the lenders.



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 3

FIXED ASSETS

Description	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	As at 31st March, 2009	Additions	Sales / Adjustments	As at 31st March, 2010	Upto 31st March, 2009	For the Period	Sales / Adjustments	Upto 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009		
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Land (Freehold) & Land Development	1,211,098,292	650,152,090	-	1,861,250,382	-	-	-	-	1,861,250,382	1,211,098,292		
Plant & Machinery	53,787,719	93,557,313	80,231	147,264,801	2,199,078	7,924,530	4,368	10,119,240	137,145,562	51,588,641		
Furniture & Fittings	3,271,045	5,509,012	-	8,780,057	221,464	3,197,445	-	3,418,909	5,361,148	3,049,581		
Vehicles	8,990,201	5,318,616	-	14,308,817	721,977	1,016,952	-	1,738,929	12,569,889	8,268,224		
Total	1,277,147,257	754,537,032	80,231	2,031,604,058	3,142,519	12,138,927	4,368	15,277,078	2,016,326,980	1,274,004,738		
Capital Work-in-Progress	19,951,064,050	16,904,938,285	-	36,856,002,335	-	-	-	-	36,856,002,335	19,951,064,050		
Previous Year Figures	475,683,148	802,119,790	655,681	1,277,147,257	470,292	2,761,651	89,424	3,142,519	1,274,004,738	-		

Notes:

Capital Work-in-Progress includes:

- i) Rs. 9,948,951,836 (Rs. 13,190,663,635) on account of advance against project contracts.
- ii) Rs. 4,744,888,431 (Rs. 1,872,957,467) on account of Project Development Expenditure Account (Refer Note B1 in Schedule 8 to the Balance Sheet).
- iii) Rs. 22,162,162,068 (Rs. 4,887,442,948) on account of construction materials at site.

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 4

	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
INVESTMENTS		
Long Term Investments (Unquoted) Equity Shares Biswa Microfinance Private Limited (Face value of Rs. 10/- each) 550,000 (PY 250,000) equity shares @ Rs 10/- each	5,500,000	2,500,000
Current Investments		
Mutual Fund		
SBI-SHF-Ultra Short Term Fund – Institutional Plan (Dividend) 69,424,933 (PY 176,086,733) units of Rs.10/- each	694,665,884	1,761,747,767
SBI-SHDF-Short Term – Institutional Plan (Dividend) 89,677,586 (PY Nil) units of Rs.10/- each	905,870,593	-
	1,606,036,477	1,764,247,767

SCHEDULE 5

CASH AND BANK BALANCES

Cash Balance	398,204	201,199
Stamp Papers in Hand	3,364,785	4,349,440
Bank Balances		
With Scheduled Banks		
Current Accounts	236,091,686	317,174,242
Deposit Accounts* (including interest accrued thereon)	702,686,728	232,322,824
With Non - Scheduled Banks		
Current Account - China Merchants Bank (Maximum balance during the period Rs. 2,900,653)	664,768	2,092,602
* Rs. 588,620,255 (PY Rs 148,341,525) Pledged against bank guarantees issued		
	943,206,171	556,140,307

SCHEDULE 6

LOANS AND ADVANCES

(Unsecured and Considered Good)		
Advances recoverable in cash or in kind or for value to be received	35,389,364	4,356,569
Balances with Government Authorities (Net of Provisions)	754,898,653	404,731,096
Other Deposits	2,720,305	2,561,774
	793,008,322	411,649,439

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 7

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry Creditors

Micro, Small and Medium Enterprises

Others (including over issued cheques in the current account) 845,302,967 172,148,260

PROVISIONS

For Fringe Benefit Tax (Net of Advance Tax)

For Employee Benefits 18,265,120 458,888 6,683,825

863,568,087 179,290,973

SCHEDULE 8

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies:

1. Basis of Preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act, 1956. Accounting policies not referred to otherwise are consistent and are in consonance with the generally accepted accounting principles in India.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

3. Fixed Assets

i. Fixed assets are stated at cost of acquisition and subsequent improvements thereto; net of CENVAT / Value Added Tax, rebates, less accumulated depreciation, amortisation and impairment loss, if any.

ii. All costs, including financing costs and net charge on foreign exchange contracts till commencement of commercial production, are capitalised. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of fixed asset.

SCHEDULES FORMING PART OF THE BALANCE SHEET

iii. Expenses incurred relating to the Project prior to commencement of commercial production are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during the project development stage).

4. Depreciation

i. Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

ii. Assets costing Rs. 5,000 or less are being fully depreciated in the year of acquisition.

5. Impairment of Assets

The carrying amounts of the assets are reviewed at each balance sheet date. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged when the asset is identified as impaired.

6. Government Grants

Grants received/to be received against specified fixed asset is/will be adjusted to the cost of the asset and in case where it is not against any specific fixed asset, the same is/will be taken as Capital Reserve. Further, the revenue grants are/will be recognised in the Profit and Loss Account in accordance with the related scheme and in the period in which it is/will be admitted.

7. Foreign Currency Transactions

i. Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of the transaction. All transactions of integral foreign operations are recorded by applying to the foreign currency amounts on average exchange rate between the reporting currency and the foreign currency.

ii. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid/received on forward contracts is recognised over the life of the contract.

iii. Non-monetary foreign currency items are carried at cost.

iv. Any income or expense on account of exchange difference either on settlement or on translation is recognised as revenue.

8. Investments

Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in nature in the opinion of the management. Current Investments are carried at lower of cost and market price.

SCHEDULES FORMING PART OF THE BALANCE SHEET

9. Borrowing Costs

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

10. Employee Retirement Benefits

i. Short term employee benefits are charged off at the undiscounted amount in the period in which the related service is rendered.

ii. Post employment and other long term employee benefits are charged off in the period in which the employee has rendered services. The amount charged off is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to Profit and Loss Account/Project Development Expenditure Account.

11. Taxes on Income

Provision for Income Tax is made on the basis of estimated taxable income for the period at current rates. Tax expense comprises both Current Tax and Deferred Tax at the applicable enacted or substantively enacted rates. Current Tax represents the amount of Income Tax payable/ recoverable in respect of taxable income/ loss for the reporting period. Deferred Tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originates in one year and are capable of reversal in one or more subsequent years.

12. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

B. Notes on Accounts:

1. The Company is presently setting up a 2.2 MTPA Integrated Steel Plant in the state of Jharkhand, India. No Profit and Loss Account has been prepared since the Company has not commenced revenue operations. The expenditure incurred during the construction period are classified as 'Project Development Expenditure' pending capitalisation and will be apportioned to the assets on the completion of the project. Necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed below:

SCHEDULES FORMING PART OF THE BALANCE SHEET

Project Development Expenditure Account (Included under Capital Work-in-Progress)

	For the year 2009-10 Rs.	For the year 2008-09 Rs.
Opening Balance	1,872,957,467	525,794,650
Add:		
(i) Payments to and Provisions for Employees (including personnel on deputation)		
- Salaries, Wages and Bonus	197,587,294	98,679,597
- Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Pension Scheme, etc.	17,779,701	6,041,566
- Employee welfare and other amenities	35,476,468	15,034,336
(ii) Consultancy, Professional and Legal Fees	280,595,647	160,523,259
(iii) Power & Fuel	39,990,231	1,082,451
(iv) Machine hire charges	58,583,180	-
(v) Security expenses	38,328,002	2,050,858
(vi) Insurance	64,470,650	65,309,819
(vii) Rent	37,670,472	18,790,405
(viii) Rates & Taxes	13,607,366	53,939,410
(ix) Stores & Spares consumption	2,940,188	-
(x) Repairs & Maintenance – Others	6,775,355	274,075
(xi) Labour and Machinery Hire Charges	6,449,896	700,258
(xii) Travelling and Conveyance Expenses	150,538,402	47,019,902
(xiii) Payment to Auditors	509,162	307,630
(xiv) IPO expenses	10,109,859	-
(xv) General and Administrative Expenses	41,022,599	59,239,900
(xvi) Depreciation	12,136,336	2,761,650
(xvii) Letter of Credit/Bank Charges (incl. Bank Guarantee charges)/ Commitment Charges	137,042,135	73,121,894
(xviii) Interest and Finance Charges	2,198,900,906	871,814,152
	3,350,513,849	1,476,691,162
Less:		
(i) Interest income (includes Tax deducted at source Rs 4,954,658; ₹ Rs 14,882,200)	45,411,760	65,759,059
(ii) Dividend income from Current Investments	83,685,791	32,729,864
(iii) Profit on sale of fixed assets	-	35,587
(iv) Profit on sale of Investments	188,681	-
(v) Gain/(loss) on forward contracts	(97,537,667)	14,538,742
(vi) Foreign Currency Exchange Fluctuation	446,920,032	478,668,597
	2,871,845,252	1,321,938,492
Add:		
Provision for Tax		
- Income Tax	85,712	22,347,550
- Fringe Benefit Tax	-	2,876,775
	85,712	25,224,325
Closing Balance	4,744,888,431	1,872,957,467

SCHEDULES FORMING PART OF THE BALANCE SHEET

2. The name of the Company has been changed from 'Electrosteel Integrated Limited' to 'Electrosteel Steels Limited' vide resolution passed in the general meeting held on March 25, 2010. The Company is to receive its altered fresh 'Certificate of Incorporation' from the Registrar of Companies, Bihar & Jharkhand.

3. Additional Information (to the extent applicable) :

	As at 31st March 2010	As at 31st March 2009
a. <u>Capital Commitments:</u>		
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	24,476,448,087	34,383,935,202
b. <u>Contingent Liabilities</u>		
Bank Guarantees	558,620,255	148,341,525
Show cause notice from Central Excise Authorities alleging wrong availment of Cenvat credit	158,631,131	Nil
Civil and criminal proceedings pending against the Company, the financial liability thereof, if any, is unascertainable.		
	For the year 2009-10	For the year 2008-09
4. Value of Imports on CIF basis in respect of:		
Capital Goods	10,437,991,374	7,356,261,242
5. Payment to Auditors':		
a. Audit Fees	400,000	225,000
b. Tax Audit Fees	50,000	50,000
c. Other Services (certifications etc.)	47,900	30,880
d. Out of pocket expenses	11,262	1,750
	<u>509,162</u>	<u>307,630</u>
6. Expenditure in Foreign Currency:		
a. Consultancy and Professional Fees	24,510,020	297,458,702
b. Travelling Expenses	66,751,824	16,629,967
c. Salaries, Wages & Bonus	4,333,369	8,837,097
d. Rent	3,419,329	3,401,596
e. Books & Periodicals	1,113,026	Nil
f. Others	5,198,496	15,296,274
	<u>105,326,064</u>	<u>341,623,636</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

7. Financial and Derivative Instruments:

Outstanding forward contracts entered for hedging as on 31st March 2010 are as follows:

Forward Contracts	3,076,889,133	695,705,959
Derivative Contracts	112,225,000	Nil

8. Investments purchased/sold during the year:

Name of the Share/Mutual Fund	Face Value	Qty. purchased	Cost Price (Rs)	Qty. sold	Sale Price (Rs)
<u>Shares</u>					
Biswa Microfinance Pvt. Ltd.	10	300,000	3,000,000	Nil	Nil
<u>Mutual Funds</u>					
SBI Magnum Insta Cash Fund (Dividend)	10	531,680,131	8,905,801,704	531,680,131	8,905,801,704
SBI-SHDF-Short Term-Institutional Plan (Dividend)	10	89,677,586	905,870,593	Nil	Nil
SBI-SHF-Ultra Short Term Fund Institutional Plan (Dividend) **	10	865,793,417	8,662,729,437	972,455,217	9,730,000,000

9. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

	2010	2009
a. Principal amount remaining unpaid as on 31 st March	Nil	Nil
b. Interest due thereon as on 31 st March	Nil	Nil
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payments made to the suppliers beyond the appointed day during the period.	Nil	Nil
d. Interest due and payable for the period of delay in making payments (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
e. Interest accrued and remaining unpaid as at 31 st March	Nil	Nil
f. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

SCHEDULES FORMING PART OF THE BALANCE SHEET

10. The disclosures required under Accounting Standard 15 "Employee Benefits" issued by the Institute of Chartered Accountants of India ('ICAI'), are as below:

Defined Contribution Plans

Contributions to Defined Contribution Plans, recognized are charged off for the period as under:

	2009-10	2008-09
Employer's Contribution to Provident Fund	7,528,702	3,279,546
Employer's Contribution to Superannuation Fund	683,910	572,501
Employer's Contribution to Pension Scheme	1,528,679	523,951

Defined Benefit Plan

The present value of obligation for Employee's Gratuity Scheme is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as Gratuity.

	Gratuity (unfunded)	Leave encashment (unfunded)
a. Reconciliation of opening and closing balances of Defined Benefit obligation		
Defined Benefit obligation at beginning of the year	2,026,653	3,307,277
Current Service Cost	4,270,215	3,522,406
Interest Cost	162,132	475,285
Actuarial (gain)/loss	2,727,005	2,670,147
Benefits paid	(752,133)	(1,400,278)
Defined Benefit obligation at year end	8,433,872	8,574,837
	Gratuity (unfunded)	Leave encashment (unfunded)
b. Reconciliation of opening and closing balances of fair value of plan assets		
Fair value of plan assets at beginning of the year	Nil	Nil
Expected return on plan assets	Nil	Nil
Actuarial (gain)/loss	Nil	Nil
Employer contribution	Nil	1,400,278
Benefits paid	Nil	Nil
Fair value of plan assets at year end	Nil	Nil
Actual return on plan assets		

SCHEDULES FORMING PART OF THE BALANCE SHEET

c. Reconciliation of fair value of assets and obligations

Fair value of plan assets as at 31 st March 2010	Nil	Nil
Present value of obligations as at 31 st March 2010	8,433,872	8,574,837
Amount recognized in the Balance Sheet	8,433,872	8,574,837

d. Expenses recognized during the year (Included under the head "Payments to and Provisions for Employees" – refer Note B1 above)

Current Service Cost	4,270,215	3,522,406
Interest Cost	162,132	475,285
Expected return on plan assets	Nil	Nil
Actuarial (gain)/loss	2,727,005	2,670,147
Net Cost	7,159,352	6,667,838

e. Investment Details

Nil Nil

f. Actuarial Assumptions

Mortality Table (L.I.C.)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	0.00%	0.00%
Rate of escalation in salary (per annum)	5.00%	5.00%

11. The Company's activities during the period were for the setting up of the project (refer Note B1 above). Considering the nature of the Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting', issued by ICAI.
12. As per Accounting Standard 18 'Related Party Disclosures' issued by ICAI, the disclosure of transactions with related parties as defined in AS 18 are given below :

- i. List of related parties where control exists :

Names of the related parties and description of relationship

1. Key Management Personnel (KMP) and their relatives

Mr. Umang Kejriwal	- Director
Mr. Nigam Chander Bahl	- Whole Time Director
Mr. Vilas Vishnu Jamnis	- Whole Time Director
Mr. Sunil V Diwakar	- Director
Mr. Mayank Kejriwal	- Relative of Director
Mr. Uddhav Kejriwal	- Relative of Director
Mrs. Vaishali Vilas Jamnis	- Wife of Mr. Vilas Vishnu Jamnis, Wholetime Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

2. Enterprises where KMP/ relatives of KMP have significant influence or control

Acharya Multicon Pvt. Ltd.	Kamal Kunj Commodities Pvt. Ltd.
Akshara Manor Pvt. Ltd.	Malay Commercial Enterprises Ltd.
Axis Steels Ltd.	Murari Investment & Trading Co. Ltd.
Badrinath Industries Ltd.	New City Enclave Pvt. Ltd.
Bose Estates Pvt. Ltd.	Nilmoni Developers Pvt. Ltd.
Calcutta Diagnostics Centre Pvt. Ltd.	Nimpith Developers Pvt. Ltd.
Cellour Vyapaar Ltd.	Nutshel Holdings Pvt. Ltd.
Cubbon Marketing Pvt. Ltd.	Paramount Tracom Pvt. Ltd.
Electrocast Sales India Ltd.	Pashupati Synthetics Pvt. Ltd.
Electrosteel Thermal Coal Ltd.:-	Ramoli Vincom Pvt. Ltd.
Escal Finance Services Ltd.	Roloc Properties Pvt. Ltd.
Flora Constuctions Pvt. Ltd.	Royal Multicon Pvt. Ltd.
Gagan Vintrade Pvt. Ltd.	RSP Capital Markets Pvt. Ltd.
Gajmala Texcon Pvt. Ltd.	Samar Properties Pvt. Ltd.
G. K. Investments Ltd.	Saptarshi Vinimay Pvt. Ltd.
G. K. & Sons Pvt. Ltd.	Stewart Agencies Pvt. Ltd.
Global Exports Ltd.	Tulip Fabicon Pvt. Ltd.
Greenchip Trexim Pvt. Ltd.	Tulsi Highrise Pvt. Ltd.
Green Field Techno Services Pvt. Ltd.	Utkal Investments Ltd.
Highrise Multicon Pvt. Ltd.	Uttam Commercial Co. Ltd.
Hillson Merchandise Pvt. Ltd.	Vexcon Properties Ltd.
Kabir Projects Pvt. Ltd.	Wilcox Merchants Pvt. Ltd.

3. Other related parties

Electrosteel Castings Ltd.	Electrosteel USA LLC
Electrosteel Europe SA	Waterfab LLC
Electrosteel Algeria SPA	Stemcor Cast Iron Investments Ltd.
Electrosteel Castings (UK) Ltd.	Lanco Industries Ltd.
Singardo International PTE Ltd.	Electrosteel Thermal Power Ltd.

ii. Transactions during the period with related parties (excluding taxes):

Sl. No.	Name of the related party/ nature of transactions	2009-10 Rs.	2008-09 Rs.
1.	Electrosteel Castings Limited		
	<u>Transactions:</u>		
	Proceeds from issue of equity shares	2,600,000,000	1,300,000,000
	Purchase of Assets	42,111	150,276
	Purchase of DI Pipe & Other materials	193,912,030	72,181,117
	Payment for Land development, Civil Works etc.	3,306,892	335,616,000
	Consultancy charges	-	2,560,000
	DEPB Purchase	2,419,375	9,607,252
	Reimbursement of expenses	918,223	857,286
	Payment of rent	7,688,160	7,688,160
	<u>Closing Balance:</u>		
	Share application money (pending allotment)	-	2,751,750,000
	Sundry Creditors	898,132	40,807,618
	Advance against supplies/services	43,379,152	-

SCHEDULES FORMING PART OF THE BALANCE SHEET

2. Singardo International PTE Ltd.		
<u>Transactions:</u>		
Technical service charges	3,175,400	1,325,890
Reimbursement of travel expenses	806,836	1,381,456
3. Stencor Cast Iron Investments Ltd.		
<u>Transactions:</u>		
Proceeds from issue of equity shares	2,692,021,842	244,085,398
4. Lanco Industries Ltd.		
<u>Transactions:</u>		
Cement Purchase	10,262,288	-
5. Akshara Manor Pvt. Ltd.		
<u>Transactions:</u>		
Payment of rent	450,000	510,000
6. Mr. Umang Kejriwal		
<u>Transactions:</u>		
Sitting fees	60,000	-
7. Mr. Mayank Kejriwal		
<u>Transactions:</u>		
Sitting fees	20,000	-
8. Mr. Nigam Chander Bahl		
<u>Transactions:</u>		
Payment of remuneration	8,052,399	-
9. Mr. Vilas Vishnu Jamnis		
<u>Transactions:</u>		
Payment of remuneration	12,203,947	11,251,423
10. Mrs. Vaishali Vilas Jamnis		
<u>Transactions:</u>		
Payment of rent	840,000	1,260,000
13. Since the Company's activities during the period were for the setting up of the project, no provision for deferred tax assets has been made under Accounting Standard 22, "Accounting for Taxes on Income" issued by ICAI, in accordance with the transitional provisions.		
14. Previous year figures have been reclassified wherever appropriate to confirm to current years' presentation.		

As per our Report of even date
For B. Chhawchharia & Co.
Firm Registration No. 305123E
 Chartered Accountants

Vikram Dhanania
 Partner
 M. No. 060568

Kolkata
 May 06, 2010

For and on behalf of the Board

V V Jamnis Wholetime Director

N C Bahl Wholetime Director

Vikram Saraogi Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

I. Registration No.	U 2 7 3 1 0 J H 2 0 0 6 P L C 0 1 2 6 6 3																		
Balance Sheet Date :	3 1 - 0 3 - 2 0 1 0									State Code	0 3								
II. Capital raise during the year : (Amount in Rs. Thousands)																			
Public Issue :	N I L									Rights Issue :	N I L								
Bonus Issue :	N I L									Private Placement :	1 0 1 6 4 9 6 0								
Share Application Money :	N I L																		
III. Position of mobilisation and deployment of funds : (Amount in Rs. Thousands)																			
Total Liabilities :	4 1 3 5 1 1 9 0									Total Assets :	4 1 3 5 1 1 9 0								
Sources of Funds :										Application of Funds :									
Paid up Capital :										Net Fixed Assets :									
Share Application Money :	N I L									Investments :	1 6 0 6 0 3 7								
Reserves and Surplus :	N I L									Net Current Assets :	8 7 2 6 4 6								
Secured Loans :	2 4 6 9 3 5 6 0									Miscellaneous Exp. :	1 7 8								
Unsecured Loans :	N I L									Profit and Loss A/c :	N I L								
IV. Performance of the Company : (Amount in Rs. Thousands)																			
Net Turnover :	N A									Total Expenditure :	N A								
Profit/(-) Loss before Tax :	N A									Profit/(-) Loss after Tax :	N A								
Earning per Share in Rs.:																			
- Basic	N A									Dividend Rate :	N A								
- Diluted	N A																		
V. Generic Names of principal products of the Company :																			
Item Code number	3 3 0 1																		
Product Description	I R O N & S T E E L I N P R I M A R Y / S E M I F I N I S H E D F O R M S																		
Item Code Number	3 1 8 0																		
Product Description	C O K E O V E N P R O D U C T S																		
Item Code number	3 3 2 0																		
Product Description	F E R R O - A L L O Y S																		

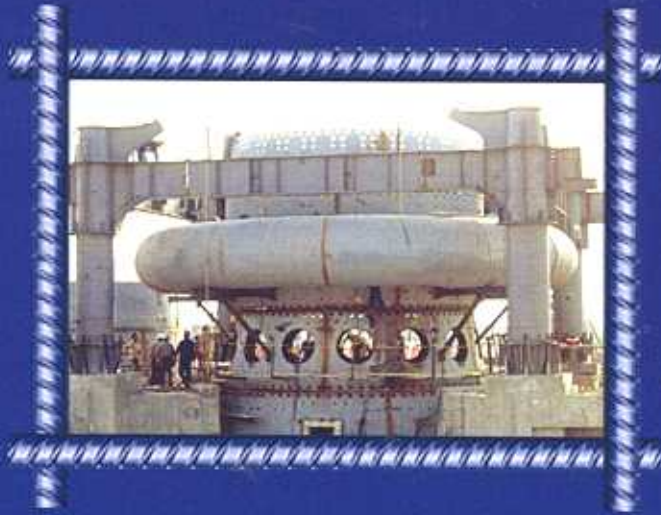
As per our Report of even date
For B. Chhawchharia & Co.
 Firm Registration No. 305123E
 Chartered Accountants

Vikram Dhanania
 Partner
 M. No. 060568

Kolkata
 May 06, 2010

For and on behalf of the Board

V V Jamnis Wholetime Director
N C Bahl Wholetime Director
Vikram Saraogi Company Secretary





**ELECTROSTEEL
STEELS LIMITED**

Regd. Office : 801, Uma Shanti Apartments, Kanke Road
Ranchi, Pin - 834 008, Jharkhand, Tel : 0651-2231636