

NOTICE

Notice is hereby given that 28th Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Wednesday, 29th day of September, 2010 at 10:00 A.M. at the Registered Office of the Company at Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan – 832401, Jharkhand to transact the following businesses:-

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. K. Jain, who retires from office by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Wolfgang Janke, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration. M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, [Firm Registration No. 000038N] the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution:-

“RESOLVED THAT Mr. Jayesh Modi who was appointed as an additional director by the Board of Directors on June 18th, 2010 and whose term of office pursuant to the provisions of Section 260 of the Companies Act, 1956 expires at this Annual General Meeting and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature as a Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT Mr. B.K.Luthra, who was appointed as an additional director by the Board of Directors on June 18th, 2010 and whose term of office pursuant to the provisions of Section 260 of the Companies Act, 1956 expires at this Annual General Meeting and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature as a Director of the Company be and is hereby appointed as Director of the Company.”

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

“RESOLVED THAT pursuant to Section 198, 269 and 309 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. B.K.Luthra as Whole Time Director designated as Executive Director (Works) of the Company for a period of one year with effect from 18th June, 2010 on the terms, conditions and remuneration mentioned herein below.

- 1) Basic Salary : Rs. 122,000/- per month
- 2) Perquisites & Allowances:
 - a) Housing : Company Lease Accommodation (lease rent not to exceed 60% of the Basic Salary.
 - b) Conveyance :
 - i) Company's car, with actual petrol and repair & maintenance.
 - ii) Driver's salary Rs. 7000/- per month to a maximum.
 - c) Telephone : One telephone at residence (Rs. 5000/-per month to a maximum)
 - d) Medical Reimbursement : Expenses incurred for him and his family subject to a maximum of five percent of the basic salary per month.
 - e) Leave Travel Allowance : One month basic salary per annum.
 - f) Bonus/Ex-gratia : One month basic salary per Annum.
 - g) Contribution to Provident Fund, Superannuation Fund or Annuity Fund : As per the rules of the Company which shall not be computed for the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
 - h) Gratuity : Gratuity payable shall not exceed half month's salary for each completed year of service.

- i) Sitting Fee : Mr. B.K.Luthra will not be entitled for sitting fees for attending the meetings of the Board or Committees thereof
- j) Minimum Remuneration : In the event of inadequacy or absence of profit in any financial year during his tenure, Mr. B.K.Luthra will be entitled to remuneration along with the perquisites/benefits mentioned above by way of minimum remuneration in terms of Para 1 (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

Explanation : Provision of car for use of Company's business and telephone at residence will not be considered in computing the value of perquisites.

Note : All the perquisites will be interchangeable i.e. any excess in a particular perquisite may be permissible by a corresponding reduction in one or more of the other perquisite(s)

- 3) Other Terms
 - i. Leave: As per the rules of the Company.
 - ii. Reimbursement of entertainment expenses: Mr. B.K. Luthra will be entitled to reimbursement of entertainment and other expenses incurred in the course of legitimate business purpose of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

BY ORDER OF THE BOARD

Place New Delhi
Dated: 13th, August, 2010

[MANOJ KUMAR]
COMPANY SECRETARY

NOTES:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member. Such proxies duly completed should reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
2. All documents referred to in Notice are open for inspection at the Registered Office of the Company between 11.00 A.M to 1.00 P.M on any working day prior to the date of Meeting and also at the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain close from Wednesday, 22nd day of September, 2010 to Wednesday, 29th day of September, 2010 (both days inclusive).
4. Non- Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
5. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to INDIVIDUALS holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Shares Department of the Company.
6. Members are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.
7. Members desiring any information as regards to accounts are requested to address their questions to the Secretary of the Company at least 7 days before the date of the Meeting so that the required information is made available at the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 5**

The Board of Directors at their meeting held on June 18th, 2010 appointed Mr. Jayesh Modi as an additional director of the Company. As per the provisions of Section 260 of the Companies Act, 1956. Mr. Jayesh Modi holds the office of director only up to the date of this Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500, proposing the candidature of Mr. Jayesh Modi as a Director of the Company liable to retire by rotation.

Mr. Jayesh Modi has recently returned to India after completing his studies in U K. He has imbibed entrepreneurship skills from family business and has experience in the area of administration, business planning & development. He is also director of SBEC Bioenergy Ltd, SBEC Sugar Ltd and Morgardshammar India Ltd. The Board recommends this resolution to be passed as an ordinary resolution.

b) Particulars in respect of Opening Stock, Sales and Closing Stock of goods dealt with by the Company.

	This Year		Previous Year	
	Qty. M/Ton	Value Rs. thousands	Qty. M/Ton	Value Rs. thousands
SPONGE IRON				
Opening Stock	25,280	33,79,15	25,124	35,68,57
Sales / Stock Adjustment	1,44,430	1,95,55,62	1,36,216	2,43,69,22
Closing Stock	22,115	27,73,79	25,280	33,79,15

c. Details of Raw Material and Stores & Spares consumed:**i) Raw Material Consumed**

Coal*	2,18,280	50,43,90	2,12,760	44,85,26
Iron Ore	3,02,884	70,46,17	3,25,987	1,11,24,73
Others		1,29,73		1,53,97

ii) Stores and Spares Consumed

	—	5,24,24	—	6,32,66
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(Includes Plant repair and maintenance)

* Excludes consumption of coal/coal fine for Captive Power Plant 26,746 MT Value Rs. 5,23,45 Thousand (Previous Year 20,595 MT Rs. 3,37,26 Thousands)

d) Value of imported and indigenous raw materials and components consumed and percentage of each to total consumptions:

	This Year		Previous Year	
	Value Rs. thousands	%	Value Rs. thousands	%
i) Raw Material				
Indigenous	1,22,19,80	100.00	1,57,63,96	100.00
	1,22,19,80	100.00	1,57,63,96	100.00
ii) Stores & Spares				
Indigenous*	5,09,56	97.20	6,16,72	97.48
Imported	14,68	2.80	15,94	2.52
	5,24,24	100.00	6,32,66	100.00

* Includes consumption for repair and maintenance

e) Earnings in Foreign Currency (Cash Basis)

Exports of goods on F.O.B. Value	—	—
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f) Expenditure in Foreign Currency (Cash Basis)

(i) Interest	20,78	84,87
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g) Value of Import on CIF basis

Stores and Spare Parts	—	1,60
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21. Previous year figures have been requested / rearranged wherever necessary.

22. Schedule 1 to 18 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

As per our Report of even date

for **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRNo. 000038N

Umesh K. Modi
**(Chairman &
Managing Director)**

B.K. Luthra
(Executive Director-Works)

Directors
Abhishek Modi
K.K. Jain
G.C. Jain
B.N. Nayak
J.N. Khurana
Vijay K. Modi

M.P. Thakur
(Partner)
Membership no. 52473

Manoj Kumar
(Company Secretary)

A.K. Sinha
Sr. Manager (Accounts)

Place : New Delhi
Date : 13th August, 2010

15. The management is of the opinion that except the assets written off during the year and the assets retired from active use, there is no further impairment of assets as at 31-3-2010 as contemplated in the accounting standard 28.

17. Remuneration to Directors :

		Rs.thousands	
(a) Chairman cum Managing Director	This year	Previous year	
(i) Salary	24,00	11,35	
(ii) Company's contribution to Provident Fund	2,88	1,36	
(iii) Perquisites	16,83	8,45	
Sub Total	43,71	21,16	
(b) Non-Executive Directors			
Director Sitting Fee	76	1,09	
Total	44,47	22,25	

Chairman cum Managing Director has been paid minimum remuneration in absence of adequacy of profit in terms of para 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

18. Operating Leases

The Company's leasing arrangements are in respect of premises (for office, godown and accommodation of company's officers & directors). These arrangements are both cancelable and non-cancellable in nature and ranging between one to three years as at 31st March, 2010.

Disclosure related to operating lease as lessee as per the Accounting Standard-19 are as under :

		(Rs. Thousands)	
Particulars	As at 31.03.2010	As at 31.03.2009	
A. Total of future minimum Lease payments under non-cancellable operating leases for each of the following periods			
— Not Later than one year	30,00	30,00	
— Later than one year and not later than five years	57,50	60,00	
— Later than five years	—	—	
B. Lease rent recognized as expenses in P&L A/c	1,19,35	1,37,91	

19. Legal and professional charges in Schedule No. 12 includes remuneration to auditors as under:

	This Year	Previous Year	
Audit Fee	4,50	4,50	
Company law and certification	2,33	2,35	
Expenses reimbursed	49	70	
Expenses reimbursed	40	40	
	<u>7,72</u>	<u>7,95</u>	

20. Additional information pursuant to the provision of Schedule VI of the Companies Act, 1956.

a) Details of Licensed, Installed Capacity & Production

	This Year Qty /M.Ton	Previous Year Qty./M. Ton	
Licensed Capacity*			
Installed Capacity**	2,10,000	2,10,000	
Production	1,41,265	1,36,372	

* No Longer required

** As certified by the Management, being technical matter

Transactions with related Parties (As identified by the Management)

Rs. In thousand

Nature of Transactions	By virtue of control		Enterprises where influence exist		Key Managerial Personnel	
	Current year	Previous Year	Current year	Previous Year	Current year	Previous Year
I Sale of Fixed Assets	—	—	9,35	27	—	—
II Purchase of Fixed Assets	—	—	—	8,02	—	—
III Sales of finished goods	—	—	—	27,70	—	—
Rent Recovered	—	—	5,36	60	—	—
IV Rent Paid	30,00	17,15	—	—	—	—
Misc Expenses Recovered	—	—	6,70	85	—	—
V Purchase of Stores/ Misc. Exp.Reimbursed/Paid	—	—	45,65	1,01,29	—	—
VI Interest and Financial charges	36,02	36,63	—	—	—	—
VII Loan taken	14,16,54	1,50,00	—	—	—	—
VIII Loan repaid	2,91,00	36,03,00	—	—	—	—
IX Equity Share Capital	—	11,79,33	—	—	—	—
IX Securities Premium	—	23,63,38	—	—	—	—
X Remuneration to Managing Director	—	—	—	—	43,71	21,16
XI Outstanding balances as on	31.3.10	31.3.09	31.3.10	31.3.10	—	—
— Receivable	—	—	14,36	2,70	—	—
— Payable	—	—	84	—	—	—
— Unsecured Loan	12,16,08	85,00	—	—	—	—
Intt accrued but not due (CR)	—	5,54	—	—	—	—

13. Earnings Per Share (EPS)

EPS has been computed in accordance with Accounting Standard AS -20.

(Rs - Thousand)

		Unit	Current Year	Previous Year
1 Profit / (Loss) after tax for the year as per accounts attributable to equity shareholders.	(A)	Rs. Thousands	(7,75,24)	(11,44,68)
2 Weighted Average number of equity shares of Rs. 10/- each fully paid outstanding during the period used in computing the basic earnings per equity share.	(B)	Nos.	9,02,05,403	8,89,77,601
3 Basic Earnings Per share (A)/(B)	(C)	Rs.	(0.86)	(1.29)
4 Adjustment for interest on potential equity shares	(D)	Rs. Thousands	10,67	10,67
5 Adjusted Profit / (Loss) for the year	(E)	Rs. Thousands	(7,64,57)	(11,34,01)
6 No of potential equity shares	(F)	Nos.	11,86,000	11,86,000
7 Weighted average number of equity shares of Rs. 10 each used in computing diluted earnings per equity.	(G)	Nos.	9,13,91,403	9,01,63,601
8 Diluted Earnings per equity share (E)/(G)*	(H)	Rs.	(0.86)	(1.26)

*Since diluted earning per share is increased while taking convertible loan in account from Re.0.86 (negative) to Re.0.84 (negative) which is antidilutive and hence ignored. So diluted earning is Re. 0.86 (negative).

14. Deferred Tax

Deferred Tax Assets are Rs.47,98,43 thousands as on 31.03.2010 (Previous year Rs.45,24,60 thousands) constituting mainly of carried forward business losses, unabsorbed depreciation and provision for doubtful debts / advances, provision disallowed. Deferred Tax Liabilities is Rs.8,58,05 thousands as on 31.03.2010 (Previous year Rs.8,27,19 thousands) on account of higher depreciation claimed in Income Tax. On conservative basis as required by the Accounting Standard 22 the Deferred Tax Assets and Deferred Tax Liabilities have not been recognised. However, the possible Deferred Tax Assets and Liabilities details are given as under:

Rs. Thousands

	As on 31.03.2009	For the Year 2009-10	As on 31.03.2010
Deferred Tax Assets:			
(i) Unabsorbed Depreciation	40,67,50	2,11,11	42,78,61
(ii) Assessed Business loss	1,52,95	89,02	2,41,97
(iii) Provision Disallowed Under Income Tax Act	1,10,18	(4)	1,10,14
(iv) Disallowed U/S 43B (other than interest)	1,93,97	(26,26)	1,67,71
Total	4,52,60	2,73,83	47,98,43
Deferred Tax Liability:			
Difference between book and tax depreciation	8,27,19	30,86	8,58,05
Net Deferred Tax Assets	36,97,41	2,42,97	39,40,38

Deferred tax liability has been calculated in accordance with the return of income (filed) / assessment made.

(d) Reconciliation of Opening and Closing Balances of Defined Benefit Obligations and plan assets.

Rs. Thousands

	Gratuity	Leave Encashment
Benefit obligation at beginning of the year includes Rs.14,73 thousands on unapproved plan assets with Metlife India Insurance Co. Ltd., which has since been withdrawn.	3,38,87	58,44
Current service cost	18,40	7,31
Interest Cost	25,42	4,38
Benefits paid	(1,07,95)	(27,47)
Curtailement and Settlement cost	Nil	Nil
Actuarial (gain)/ loss	24,29	9,02
Benefit obligation at year end	(2,99,03)	(51,68)
B. Plan Assets :		
Fair value of Plan assets at beginning of year	—	—
Expected return on Plan assets	—	—
Actuarial gain / (loss)	—	—
Employer contribution	—	—
Settlement cost	—	—
Benefit paid	—	—
Fair value of plan assets at year end	—	—
Net Funded status of the plan as on 31.3.2010	(2,99,03)	(51,68)
Net amount recognized in the balance sheet as at 31.3.2010	(2,99,03)	(51,68)

Estimated amounts of defined benefits payable for the gratuity plan within next year is Rs. 39,82 thousands.

8. Balances from some of the Debtors, Creditors / Suppliers and Lenders are subject to confirmation as at 31.03.2010.
9. In the opinion of the management, Current Assets, Loans and Advances have a realizable value equivalent to the amount at which they are stated in the Balance Sheet and the provision for all known liabilities have been made except to the extent as appearing in other notes.
10. a) Repairs & Maintenance to Plant include stores and spare parts consumed as under:

Rs. (in thousands)

Particulars	Current year	Previous year
Plant & Machinery	4,49,74	5,63,57
Railway Siding	6,48	5,36
Others	6,68	5,73

11. Segmental Reporting

The company is a single location single product company and hence the requirements of AS - 17 on Segment Reporting are not relevant.

12. Related Party Transactions - AS 18

As per AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties transactions with them are disclosed below:

- (a) By virtue of control
Moderate Leasing & Capital Services Ltd.
Longwell Investments Private Ltd.
- (b) Key Management Personnel and their relatives
Mr. U K Modi being Chairman and Managing Director is the Key Management Personnel and Mr. Abhishek Modi, Director is related to him being son.
There has been no transaction with the key management personnel except payment of remuneration.
- (c) Enterprises over which (b) above have significant influence and with whom transactions have taken place.
- (i) SBEC Sugar Ltd.
(ii) SBEC Bioenergy Ltd.
(iii) Modi Industries Limited
(iv) Modi Mundipharma Pvt. Ltd.
(v) Modi Revlon Pvt. Ltd.
(vi) Modiline Travel Services Pvt. Ltd.
(vii) Win Medicare Pvt. Ltd.
(viii) Modi Motors Pvt. Ltd.
(ix) Modi Senator (India) Pvt. Ltd
(x) Morgardshammar India Ltd.
(xi) M.G. Mobiles India Pvt. Ltd.
(xii) H.M. Tube & Containers Pvt. Ltd.
(xiii) Chandil Power Ltd.

In the review hearing held on 3rd September, 2007, the BIFR, by exercising powers under Section 18 (5) and 18 (9) of the SICA, clarified / directed that the Company would make payment of the due instalments to its foreign currency lenders in 'Euro' as per the amount reflected in Euro in the statement annexed to the sanctioned scheme alongwith the applicable interest i.e. LIBOR plus 1% per annum. (LIBOR + 3% in case of delay/ default in payment of instalments)

The Company has filed appeal with AAIFR challenging the said order of BIFR which is pending.

4. The demand of water charges Rs. 12,49,06 thousands (inclusive of interest on arrear of water bills of Rs.1,23,66 thousands) as on 31.03.2010 (Rs.10,86,31 thousands as on 31.3.2009) raised by Chief Engineer, Subarnarekha Multipurpose Project, Chandil has been disputed by the company under a Writ Petition with Jharkhand High Court, Ranchi. However, pending disposal of Writ Petition, the company based on its own estimate of liability has made total provision for Rs.1,01,32 thousands upto 31st March, 2010, (Rs.93,84 thousands as on 31.3.2009).
5. The amount of borrowing cost capitalized in accordance with requirement of AS-16, amounts to Rs.4,01 Thousand (Previous year Rs.3,95 Thousand).
6. **DUES TO MICRO Small and Medium Enterprises:**
The disclosure of dues to enterprises covered under Micro, Small and Medium Enterprises Development Act 2006 who have filed a memorandum with the appropriate authority, to the extent the information are available with the Company, are as under :

		Rs. Thousands	
		As at 31.3.2010	As at 31.3.2009
a)	(i) Principal amount remaining unpaid to any supplier as at the year end.	30	2,38
	(ii) Interest due thereon.	5	4
b)	(i) Amount of interest paid beyond the due date in terms of Sec.16 of MSMED Act, 2006 during the financial year.	Nil	Nil
	Amount of interest not claimed & written back.	10	2,86
	(ii) Amount of principal paid beyond the due date during the year.	17	3,38
c)	Amount of interest due and payable for delay period (where principal has already been paid after due date)	2	6
d)	Amount of interest accrued and remaining unpaid as at the year end.	7	10
e)	Amount of interest payable or paid in accordance with the provision of MSMED Act, 2006 disallowable as deductible expenditure for the purpose of computation of income tax as per the provision of Section 23 of MSMED Act, 2006.	7	10

7. Employee Benefits.

The disclosure of 'Employee Benefits' as defined in Accounting Standard 15 (revised) are as under:

		Rs. Thousands	
		Year ended	
		March 31,2010	
i) Defined Contribution Plan			
	Contribution to Provident Fund		94,76

Has been recognized in the Profit & Loss Account Schedule 15.

ii) Defined Benefits Plans

The 'Employee's Gratuity' and 'Leave Encashment' are the Defined Benefit Plans and are unfunded.

The present value of obligation is determined based on the actuarial valuation using Projected Unit Credit Method (PUC) as defined in AS-15.

(Rs. Thousands)

Expenses recognized during the year are as under :		Gratuity	Leave Encashment
	Current service cost	18,40	7,31
	Interest cost	25,42	4,38
	Expected Return on Plan Assets	—	—
	Actuarial (gain)/loss	24,29	9,02
	Past Service cost	—	—
	Curtailement and Settlement Cost/(credit)	—	—
	Net Cost	68,11	20,71

(a) Actuarial Assumptions :

		Gratuity	Leave Encashment
	Mortality Table (L.I.C.)	1994-96	1994-96
	Discount Rate	7.50%	7.50%
	Expected Rate of increase in Salary	5.00%	5.00%
	Expected Rate of Return on Plan Assets	NA	NA
	Expected Average remaining working lives of employees (in years)	17.23	19.51

the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, deaths incapacitation or termination of employment. Liabilities with regards to the Gratuity Plan are determined by actuarial valuation as of balance sheet date and are expensed in the Profit and Loss account.

(iii) The actuarial valuation takes note of Actuarial gains and losses.

14. Contingent Liabilities

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debt, are disclosed by way of a note.

15. Earning Per Share

The earnings considered in accounting the Company's Earning Per Share (EPS) comprise the net profit after tax and includes the post tax effect of any extra ordinary items. The number of shares used in computing basic & diluted EPS is the weighted average number of shares outstanding during the periods and adjusted for all events.

The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive shares.

16. Taxation

- Provision for current tax is made on the basis of applicable Income Tax Act, 1961.
- Deferred tax assets and liabilities are accounted for in accordance with AS-22 issued by the Institute of Chartered Accountants of India.

B. NOTES FORMING PART OF ACCOUNTS

1. Contingent Liabilities:

(a) Claims not acknowledged as debts are as under: -

		(Rs. Thousands)	
		As at 31.03.10	As at 31.03.09
(i)	Custom Duty on Plant & Machinery	1,06,92	1,06,92
(ii)	Custom duty and interest on Imported Stores & Spares	1,54,59	1,54,59
(iii)	(a) JVAT demand under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the asstt. Year 2006-07.(excludes amount Rs.23,07 thousand paid by the company but not considered as credit by deptt.)	23,97	-
	(b) Central Sales Tax demand (including interest) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the asstt. Year 2006-07.	3,11	-
(iv)	Demand for Water Charges and interest thereon.	11,47,75	9,92,47
(v)	Disputed liability on account of currency fluctuation on foreign currency loans and interest thereon, pending before the Hon'ble AAIFR / Hon'ble High Court Delhi.	17,09,65	37,52,60
(vi)	Liability for price difference / other claims net of counter claims, if any, arising on account of procurement of raw materials under a contract (since terminated) pending before an Arbitrator / Orissa High Court.	Not ascertained	Not ascertained
(vii)	(a) The company has received a show cause notice to explain as to why the production of Sponge Iron was low in comparison to iron ore consumed. The company has furnished its reply, justifying consumption of iron ore viz a viz iron ore consumption. The matter is still pending.	Not ascertained	Not ascertained
	(b) The Company has received a Show Cause Notice from Assistant Commissioner, Central Excise Division IV, JSR for recovery of irregular Cenvat Credit availed by the company of service tax and education cess thereon input services availed by the company. The Company has furnished its reply stating that it has claimed cenvat credit on input services as per the provision of the CCR 2004. The matter is pending for disposal.	1,23	-
(viii)	Liability on account of Bank Guarantee	2,81,00	2,81,00

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 46,43 thousand (Previous Year Rs. 44,20 thousand).

3. Rehabilitation Scheme:

The company was declared a Sick Industrial Company within the meaning of clause (0) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985 by the Hon'ble BIFR vide its order dated 19.12.1996. The Hon'ble BIFR vide its order dated 29th July, 2004 had sanctioned the Rehabilitation Scheme. The said scheme envisaged a total payment of Rs. 135 crores, Rs.65 crores was to be paid as upfront payment and the balance Rs. 70 crores was to be paid in 30 quarterly installments effective from 15th July, 2004. The Rehabilitation Scheme is under implementation.

SCHEDULE 18: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**A. Accounting Policies****1. Basis of preparation of Financial Statements**

The financial statements have been prepared on the historical cost convention basis (except for revaluation of certain fixed assets and providing for depreciation on revalued amounts) on accrual basis of accounting. The generally accepted accounting principles and the Accounting Standards referred under section 211(3C) of the Companies Act, 1956 have been adopted by the company and the disclosures made in accordance with the requirements of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards.

2. Inventory valuation

- a) Stocks of raw materials and stores and spares are valued at weighted average cost or net realisable value whichever is lower. The cost being exclusive of leviable excise duty and set offs of VAT, if any.
- b) The material in transit is valued at invoice cost.
- c) Closing stock of finished goods is valued at lower of cost or estimated realisable value. For this purpose, cost includes depreciation and direct expenses to the point of stocking and excise duty but excludes interest, administrative and selling expenses.
- d) Work-in-progress is valued at lower of cost or net realisable value; for this purpose cost does not include excise duty.

3. Fixed Assets:

- a) Fixed Assets are stated at cost or revalued cost; cost includes taxes, duties (net of CENVAT and set off) and expenditure during construction and installation where applicable. Indirect expenses are not capitalised along with fixed assets.
- b) Gross block of Fixed Assets, which are revalued, are stated at the amounts revalued; base for revaluation being the replacement cost method at the time of revaluation of the depreciated value of assets as at the end of the year.
- c) An impairment loss is recognized wherever the carrying value of assets exceeds its net selling price or value in use, whichever is higher.
- d) The cost of stores and materials at the time of issue is debited to CWIP.

4. Expenditure during Construction:

In respect of new projects, all expenses including interest incurred upto the date of commencement of commercial production are capitalised.

In respect of substantial expansion of business, at existing locations, only direct costs are capitalised together with interest on the funds relating to them upto the date of commercial production.

5. Depreciation:

- a) Depreciation is provided on straight line method on all fixed assets at the rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the lease period.
- b) Depreciation on realignment of value of assets as a result of foreign exchange variations is amortised over the unexpired life of the assets.
- c) The value added on revaluation of assets is depreciated over the remaining useful life of the assets. The additional depreciation thereon for the year is withdrawn from the revaluation reserve and credited to the Profit & Loss Account.
- d) Intangible assets are being amortised over their useful life of 6 years.

6. Foreign Currency Translation:

- a) Transactions in Foreign Currencies are recorded at the exchange rate prevailing on the date of transactions.
- b) Foreign Currency Loans and other Liabilities are stated at the exchange rate prevailing as on date of the Balance sheet.
- c) Exchange variation arising as a result of the translation of foreign currency loans are Capitalised / decapitalised to relating plant & machinery / assets.
- d) Exchange variations arising as a result of translation of interest on Foreign currency loans accrued but not due are treated as income on exchange.

7. Revenue Recognition:

- a) Sales are accounted for based on despatch of finished goods to the customers from various stocking points, and includes excise duty but exclusive of VAT / CST and is net of trade discounts.
- b) Other miscellaneous revenues are recognized when the amount and the collectability are certain. Accordingly insurance claims are accounted for on settlement.

8. Raw Material consumption is accounted for after ascertaining the year end closing stock of the raw materials by an independent Surveyor from the total of the opening stocks and purchases.**9. Salaries and wages on repairs and maintenance of plant & machinery, where carried out internally, are charged to salaries and wages account.****10. Extra Ordinary Items:**

Extra ordinary items of income & expenditure as covered by AS-5, are disclosed separately.

11. Borrowing cost

Borrowing cost attributable to the acquisition or construction of a qualifying assets are capitalized as part of cost of that asset. Other borrowing costs are recognized as expense in the period to which they relate.

12. Leases

Lease rental paid to Lessors is recognized as expenses on accrual basis.

13. Employee Benefits

Retirement benefits have been recognized in accordance with Revised Accounting Standard 15 issued by the ICAI Accordingly :-

- (a) Short Term Employee Benefits
Short Term employee benefits are recognized in the period during which the services have been rendered.
- (b) Long Term Employee Benefits
(i) Defined Contribution Plan

Provident Fund

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both Employee and employer make monthly contribution to the plan at a predetermined rate of employee's basic salary. Contribution to Provident Fund are administered and managed by a separate fund. Contributions to Provident Fund are expensed in the Profit and Loss account.

(ii) Defined benefits plan**(a) Leave encashment**

The liability on account of unavailed earned leave at the year end is fully provided for on actuarial valuation basis.

(b) Gratuity

The Company provides for gratuity, a defined benefit plan (the 'Gratuity Plan') covering all eligible employees. In accordance with

SCHEDULE - 15: PERSONNEL EXPENSES

	THIS YEAR Rs.thousands	PREVIOUS YEAR Rs.thousands'
Payment to and Provisions for Employees:		
Salaries, Wages and Allowances	13,09,57	12,98,54
Gratuity	68,11	1,24,85
Leave encashment	20,71	33,23
Contribution to Provident Fund	94,76	92,51
Inspection charges Provident Fund	1,50	1,45
Workmen & Staff Welfare Expenses	92,13	99,37
	<u>15,86,78</u>	<u>16,49,95</u>

SCHEDULE - 16 : ADMINISTRATION, SELLING & DISTRIBUTION EXPENSES**Administration Expenses :**

Rent	54,32	62,42
Lease Hire Charges	63	3,12
Rates & Taxes	2,24	2,74
Insurance	30,41	39,61
Director's Sitting Fee	76	1,09
Printing & Stationery	14,08	20,13
Telephone, Telex and Postage	35,38	43,59
Vehicle Running & Maintenance	1,01,15	1,04,48
Travelling & Conveyance	56,18	1,39,88
Legal & Professional	66,74	1,34,69
Repair & Maintenance	29,83	29,61
Social Development Expenses	31,15	29,59
Miscellaneous Expenses	43,89	41,10
Previous year expenses (Net)	9,10	-
Loss on sale of Fixed Assets (Net)	10,86	10,40
	<u>4,86,72</u>	<u>6,62,45</u>

Selling & Distribution Expenses :

Advertisement and Sales Promotion	1,164	15,25
Packing, Freight & Forwarding	94,727	14,71,64
Commission on Sales	2,898	1,07,72
Sales Tax Expenses	14,81	3,24
Bad Debts Written Off	3,00	-
	<u>10,05,70</u>	<u>15,97,85</u>
	<u>14,92,42</u>	<u>22,60,30</u>

SCHEDULE - 17: INTEREST AND FINANCE CHARGES

Interest on Fixed Loans	5,24,38	5,46,07
Interest on Other Loans	63,13	94,52
Bank & Other Charges	6,10	23,06
	<u>5,93,61</u>	<u>6,63,65</u>

	AS AT MARCH 31, 2010 Rs.thousands	AS AT MARCH 31, 2009 Rs.thousands
SCHEDULE-10: CURRENT LIABILITIES		
Sundry Creditors		
— Due to MSMED*	30	2,38
— Due to Others	12,88,28	17,73,61
— Due to Raw Materials	17,28,80	27,01,36
Advances from customers	6,70,45	1,71,09
Security Deposit	14,03	2,26,16
Other Liabilities	61,68	1,29,15
Excise duty	9,07,23	6,82,76
Book overdraft	39,00	11,15
Interest accrued but not due on Loans	1,68,97	1,70,24
	<u>48,78,74</u>	<u>61,05,85</u>
* Refer note no. 6 of schedule 18		
SCHEDULE-11: PROVISIONS		
Gratuity	2,99,03	3,24,14
Leave encashment	51,68	58,44
Wealth tax	33	64
	<u>3,51,04</u>	<u>3,83,22</u>
SCHEDULE - 12: OTHER INCOME		
	THIS YEAR Rs.thousands	PREVIOUS YEAR Rs.thousands
Interest on Fixed deposits and Others*	31,96	32,02
Sundry balances written off (net)	1,14,42	-
Previous year expenses (net)	-	21
Provision for doubtful debtors written back	2,47	-
Interest Written back	-	8,41
Miscellaneous Income*	47,14	79,70
	<u>1,95,99</u>	<u>1,20,34</u>
*Includes Tax deducted at source Rs. 3,84 Thousands, (P.Y. Rs. 5,91 Thousands)		
SCHEDULE - 13: MATERIAL MANUFACTURING AND OTHERS EXPENSES		
Raw Materials Consumed	1,22,19,80	1,57,63,96
Handling & Hire charges	3,46,21	3,72,78
Stores & Spares consumed	61,34	58,00
Power & Fuel	6,94,72	5,88,15
Water Charges	7,48	8,28
Repair & Maintenance		
-Buildings	7,33	2,31
-Plant & Machinery	6,25,59	7,72,37
-Railway Sidings	21,75	14,80
-Others	24,78	21,49
	<u>6,79,45</u>	<u>8,10,97</u>
	<u>1,40,09,00</u>	<u>1,76,02,14</u>
SCHEDULE - 14: DECREASE/(INCREASE) IN STOCKS		
Decrease/(Increase) in Stocks:		
Opening Stock		
- Finished Goods	33,79,15	35,68,57
- Work-in-Progress	17,22	23,14
	<u>33,96,37</u>	<u>35,91,71</u>
Closing Stocks		
-Finished Stock	27,73,79	33,79,15
- Work-in-Progress	18,04	17,22
	<u>27,91,83</u>	<u>33,96,37</u>
Decrease/(Increase) In Stocks	<u>6,04,54</u>	<u>1,95,34</u>

SCHEDULE 5: FIXED ASSETS

Rs. thousands

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		REVALUATION RESERVE*	
	As at April 1, 2009	Additions/Adjustment	Sale/Adjustment	As at March 31, 2010	As at April 1, 2009	During the Year	Adjustment during the year	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010
LAND - (Lease Hold)	3,88,83	—	—	3,88,83	38,78	4,96	—	43,74	3,45,09	3,50,05	3,29,59
- (Free Hold)	31,00	—	—	31,00**	—	—	—	—	31,00	31,00	24,15
Buildings	36,39,44	—	—	36,39,44	12,67,58	93,66	—	13,61,24	22,78,20	23,71,86	12,62,31
Plant & Machinery	2,53,01,56	67,52	—	2,53,69,08	1,74,70,08	6,28,83	—	1,80,98,91	72,70,17	78,31,48	29,67,72
Railway Sidings	16,43,35	—	—	16,43,35	9,86,22	67,20	—	10,53,42	5,89,93	6,57,13	5,16,66
Furniture, Fixtures and Office Equipments	2,01,42	5,32	19,87	1,86,87	1,12,19	11,55	7,29	1,16,45	70,42	89,23	—
Vehicles	1,85,34	—	30,33	1,55,01***	85,21	13,80	15,94	83,07	71,94	1,00,13	—
Intangible Assets											
EDP Softwares	15,27	—	—	15,27	21	2,47	—	2,68	12,59	15,06	—
Total	3,14,06,21	72,84	50,20	3,14,28,85	1,99,60,27	8,22,47	23,23	2,07,59,51	1,06,69,34	1,14,45,94	51,00,43
Previous Year	3,13,82,10	66,66	42,55	3,14,06,21	1,90,87,66	8,97,88	25,27	1,99,60,27			53,47,25
Capital Work in Progress ****									1,43,16****	1,74,12	
									1,08,12,50	1,16,20,06	

* Revaluation was done on March 31, 2003.

** Free hold land includes at Rs. 5,63 thousands (Previous year Rs. 5,93 thousands) for which registration in favour of the company is pending for want of mutation from the competent authorities.

*** Vehicles includes Rs. 9,81 thousands (Previous Year Rs. 9,81 Thousand) Which are yet to be transferred in the name of the company and Rs. Nil (Previous Year Rs. 42,68 Thousand) acquired on Hire Purchase basis.

**** Includes Fixed Assets worth Rs.7,59 Thousand (Previous Year Rs. 18,84 Thousands) of expenses capitalised during the year.

***** Includes capital advances Rs. 9,42 Thousand (Previous Year Rs.9,42 Thousands).

CURRENT ASSETS, LOANS AND ADVANCES

	AS AT MARCH 31, 2010 Rs.thousands	AS AT MARCH 31, 2009 Rs.thousands
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SCHEDULE - 6: INVENTORIES :

(As taken/certified by the Management and valued as per Accounting Policy No. 2)

Stores and Spare parts (Including in transit)	7,63,12	7,54,32
Raw Material (Including in transit)	6,73,12	11,96,38
Finished Goods	27,73,79	33,79,15
Work-in-Progress	18,04	17,22
	42,28,07	53,47,07

SCHEDULE - 7: SUNDRY DEBTORS :

(Unsecured Considered good for recovery by management unless otherwise stated)

i) Debts over six months		
— Considered good	-	5,85
— Considered doubtful	-	2,47
Less : Provision for doubtful	-	(2,47)
ii) Other Debts	3,08,21	4,04,91
	3,08,21	4,10,76

SCHEDULE - 8: CASH AND BANK BALANCES :

Cash in hand	34,74	27,99
Cheques / Draft in hand and in transit	1,79,15	3,90
Balances with Scheduled Banks:		
Current Account	39,03	55,17
Fixed Deposits*	7,14,07	3,33,01
Interest accrued on FDRs	30,99	23,00
	9,97,98	4,43,07

* Includes margin money of Rs. 4,30,57 Thousands (P.Y. Rs. 3,30,51 Thousands) pledged against bank guarantee and Lcs issued in favour of Coal India, Railways and Rs. 2,50 Thousands (P.Y. Rs. 2,50 Thousands) pledged with Sales Tax Authorities. Further the above FDRs include Rs. 2,81,00 Thousand held in the Name of third party which has been pledged with Ministry of Coal.

SCHEDULE - 9: LOANS AND ADVANCES :

(Unsecured Considered good for recovery by the management unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received	2,98,46	2,48,68
Advances against Raw Materials	6,03,33	2,52,99
Claims Recoverable	6,76	10,42
Excise / Cenvat and Service Tax recoverable	17,57	42,63
FBT Recoverable	4,82	4,48
Income Tax Recoverable	9,29	6,66
Advance Income Tax including TDS	6,55	5,91
	9,46,78	5,71,77

Schedules forming part of Balance Sheet as at March 31, 2010

SCHEDULE - 1 : SHARE CAPITAL

PARTICULARS	AS AT MARCH 31, 2010 Rs. thousands	AS AT MARCH 31, 2009 Rs. thousands
Authorised		
100,000,000 Equity Shares of Rs. 10 each Issued, Subscribed and Paid Up	<u>1,00,00,00</u>	<u>1,00,00,00</u>
90,205,403 Equity Shares (Previous Year 90,205,403) of Rs.10/- each fully paid up in cash	<u>90,20,54</u>	<u>90,20,54</u>
Add: Forefeited Shares (amount originally paid)	<u>4,77</u>	<u>4,77</u>
	<u>90,25,31</u>	<u>90,25,31</u>

SCHEDULE - 2 : RESERVES AND SURPLUS

Capital Reserve		
As per last account	15,00	15,00
Securities Premium Account	23,63,38	23,63,38
Revaluation Reserve (Fixed Assets)		
As per last account	53,47,25	55,94,07
Less: Transferred to Profit & Loss Account	<u>(2,46,82)</u>	<u>(2,46,82)</u>
	<u>51,00,43</u>	<u>53,47,25</u>
	<u>74,78,81</u>	<u>77,25,63</u>

SCHEDULE - 3 : SECURED LOANS

TERM LOANS - RUPEE		
From Financial Institutions and Banks	7,81,43	12,27,93
TERM LOANS-FOREIGN CURRENCY		
From DEG-German Investment and Development Company	1,41,83	2,22,88
From International Finance Corporation, Washington	7,10,12	11,15,90
LOAN FROM GOVT. OF JHARKAND	32,50,00	32,50,00
(Under Rehabilitation Scheme - 2003)		
Interest accrued & due on above	13,81,83	10,38,73
WORKING CAPITAL LOANS FROM BANKS	27,11	27,11
LOANS AGAINST HIRE PURCHASES		
From Banks	-	3,70
From body corporates	-	2,01
	<u>62,92,32</u>	<u>68,88,26</u>

NOTES:

- The Term Loans (Rupee and Foreign Currency) from Indian and Foreign Financial Institutions and Banks are secured by a first mortgage of all the Company's immovable properties, both present and future and a first charge by hypothecation of all the movable assets of the Company, save and except book debts, but including movable machinery, machinery spares, tools and accessories, both present and future, subject to the prior charges created / to be created in favour of the Company's Bankers on the Company's stocks of raw materials, semi-finished and finished goods, consumable stores, book debts and such other movables as may be agreed by the Financial Institutions and Commercial Banks for securing borrowings for working capital requirements in the ordinary course of business of the Company ranking pari-passu inter se.
- Term Loan - Rupee include Rs. 79,83 thousand as on 31-3-2010 (Rs. 1,25,44 Thousand as on 31-3-2009) amount borrowed as working capital Loans originally from Banks, has been merged in term loan as per BIFR Scheme dated 29-7-2004 since the same is repayable in 30 quarterly installments like Term Loan. This amount is secured by a first charge on book debts and other current assets charged to the Banks.
- Working Capital Loans from Banks are secured by first charge by way of Hypothecation of all the stocks of the raw materials, semi finished and finished goods, consumable stores, spares, book debts etc. ranking pari-passu.
- Soft Loan (including interest thereon) under Jharkhand Industries Rehabilitation Scheme, 2003 from the State Government of Jharkhand are secured by
 - a mortgage of all immovable properties both present and future; and
 - a charge by way of hypothecation in favour of the lender of all the movable, including movable machinery, machinery spares, tools and accessories, present and future, stock of raw materials, semi-finished goods, consumable stores and such other movables as may be agreed upon.
 - Additionally secured by way of pledge of equity share capital of Rs.32,50,00 thousands allotted to the private promoters.
 The mortgage and charge referred to in (a) and (b) sanctioned above; shall be in terms of the Rehabilitation Scheme 2004 Sanctioned by the BIFR and be subject and subservient to the mortgages and charges created and / or to be created in favour of the secured creditors.
- The Indian Financial Institutions have the option to convert at par their rupee loan into equity shares to the extent of Rs.1,18,60 thousands (previous year Rs.1,18,60 thousands) out of Rs.1,38,36 thousands (Previous year Rs.2,17,43 thousands) during currency of loan agreement.
- Term Loans/Soft Loan & Working Capital Loans in terms of loan agreement due for payment within one year Rs.50,23,65 thousands (Previous year Rs.41,39,05 thousands). However, as per BIFR Order dt. 29.07.2004 Soft loan and funded interest thereon would be repayable only after 30.09.2011.
- Loans against hire purchase from banks and body corporates are secured by hypothecation of respective assets (vehicles) purchased on hire purchase basis. Amount due for repayment within one year is Nil (Previous year Rs.5,71 thousands).

SCHEDULE - 4 : UNSECURED LOANS

From a body corporate		
Promoters	12,16,08	85,00
Others	<u>4,09,07</u>	<u>-</u>
	<u>16,25,15</u>	<u>85,00</u>

Note:-

Amount payable within one year to Body corporates Rs. 4,09,07 thousands (Previous year Rs. Nil thousand)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	AS AT MARCH 31, 2010 Rs. thousands	AS AT MARCH 31, 2009 Rs. thousands
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax	(7,73,89)	(11,25,87)
Adjustments for :		
Depreciation	5,75,65	6,51,06
Interest(net)	5,61,65	6,31,63
(Profit)/Loss on sales of fixed assets	10,86	10,40
	<u>11,48,16</u>	<u>12,93,09</u>
Operating profit before working capital changes	3,74,27	1,67,22
Adjustments for :		
Trade and other Receivables	(2,69,06)	3,71,73
Inventories	11,19,00	(1,46,44)
Trade Payable and Provisions	(10,19,89)	7,10,71
	<u>(1,69,95)</u>	<u>9,36,00</u>
Cash (used) in / Generated from operations	2,04,32	11,03,22
Income Tax paid	493	21,47
Net Cash (used) in / generation from operating activities	1,99,39	10,81,75
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	31,96	32,02
Purchase of fixed assets	(41,88)	(11,86,16)
Sales of fixed assets	16,11	6,88
Net Cash (used) in/flow from investing activities	<u>6,19</u>	<u>(1,47,26)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital/Securities Premium	—	4,71
Proceeds from Long/Short term borrowings	18,25,61	1,50,00
Interest paid	(2,46,24)	(3,38,15)
Repayment of long term borrowings	(9,33,33)	(7,49,59)
Repayment of Short term borrowings	(2,96,71)	(96,08)
Working Capital Loans (Net)	—	(8,41)
NET CASH FLOWS FROM /(USED) IN FINANCING ACTIVITIES	<u>3,49,33</u>	<u>(10,37,52)</u>
Net increase/(decrease) in cash and cash Equivalents (A+B+C)	5,54,91	(1,03,03)
Cash and Cash equivalents at beginning of period	4,43,07	5,46,10
Cash and Cash equivalents at end of the period	9,97,98	4,43,07

Notes:-

- The above Cash Flow Statement has been prepared pursuant to clause-32 of listing agreement with stock Exchange and under the indirect method set out in AS-3 issued by ICAI.
- Figures in bracket indicate cash outflow.

Umesh K. Modi
**(Chairman &
Managing Director)**

Manoj Kumar
(Company Secretary)

B.K. Luthra
(Executive Director-Works)

A.K. Sinha
Sr. Manager (Accounts)

Directors
Abhishek Modi
K.K. Jain
G.C. Jain
B.N. Nayak
J.N. Khurana
Vijay K. Modi

Auditor's Certificate

We have certified the above consolidated Cash Flow Statement of M/s Bihar Sponge Iron Limited, Registered Office, Umesh Nagar, Chandil, Distt Saraikela Kharsawan, Jharkhand, Derived from the audited Statement for the year ended 31st March, 2010 and other records and found the same to be drawn in accordance there with and also with the requirements of Clause 32 of the Listing Agreements with the Stock Exchanges.

for **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRNo. 000038N

Place : New Delhi
Date : 13th August, 2010

M.P. Thakur
(Partner)
Membership no. 52473

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

PARTICULARS	SCHEDULE NUMBER	THIS YEAR Rs. thousands	PREVIOUS YEAR Rs. thousands
INCOME			
Gross Sales		1,95,55,62	2,43,69,22
Less:Excise Duty		15,60,73	<u>29,65,94</u>
Net Sales		1,79,94,89	2,14,03,28
Other Income	12	1,95,99	<u>1,20,34</u>
		1,81,90,88	<u>2,15,23,62</u>
EXPENDITURE			
Materials, Manufacturing & Others	13	1,40,09,00	1,76,02,14
Decrease/(Increase) in Stocks	14	6,04,54	1,95,34
Excise Duty on Increase /(Decrease) in Stocks		1,02,77	(3,72,95)
Personnel Expenses	15	15,86,78	16,49,95
Administration,Selling and Distribution	16	14,92,42	<u>22,60,30</u>
		1,77,95,51	<u>2,13,34,77</u>
Profit before Interest and Depreciation		3,95,37	1,88,85
Interest & Finance Charges	17	5,93,61	6,63,65
Depreciation		8,22,47	8,97,88
Less:Transferred from Revaluation Reserve		(2,46,82)	<u>(2,46,82)</u>
		5,75,65	6,51,06
Profit/(Loss) before Taxation		(7,73,89)	(11,25,87)
Provision for Current tax			
– F.B.T.		-	22,05
– Wealth tax		33	64
– Provision for tax (F.B.T.) for earlier year		1,02	(3,88)
Profit/(Loss) carried to Balance Sheet		(7,75,24)	<u>(11,44,68)</u>
Earning in Rs. Per Share (Refer Note No. 13 Schedule 18)			
– Basic EPS		(0.86)	(1.29)
– Diluted EPS		(0.86)	(1.29)

Accounting Policies and Notes to Accounts 18

Schedule 12 to 17 and 18 form an integral part of the Profit & Loss account.

As per our Report of even date

for **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRNo. 000038NUmesh K. Modi
**(Chairman &
Managing Director)**B.K. Luthra
(Executive Director-Works)**Directors**
Abhishek Modi
K.K. Jain
G.C. JainM.P. Thakur
(Partner)
Membership no. 52473Manoj Kumar
(Company Secretary)A.K. Sinha
Sr. Manager (Accounts)B.N. Nayak
J.N. Khurana
Vijay K. Modi

Place : New Delhi

Date : 13th August, 2010

BALANCE SHEET AS AT MARCH 31, 2010

PARTICULARS	SCHEDULE NUMBER	AS AT MARCH 31, 2010 Rs. thousands	AS AT MARCH 31, 2009 Rs. thousands
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	90,25,31	90,25,31
(b) Reserves and Surplus	2	74,78,81	77,25,63
		<u>1,65,04,12</u>	<u>1,67,50,94</u>
2. Loan Funds			
(a) Secured	3	62,92,32	68,88,26
(b) Unsecured	4	16,25,15	85,00
		<u>79,17,47</u>	<u>69,73,26</u>
		<u>2,44,21,59</u>	<u>2,34,86,26</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	5	3,14,28,85	3,14,06,21
Less: Depreciation		2,07,59,51	1,99,60,27
Net block		<u>1,06,69,34</u>	<u>1,14,45,94</u>
Capital Works in progress		1,43,16	1,74,12
		<u>1,08,12,50</u>	<u>1,16,20,06</u>
2. Current Assets, Loans and Advances			
(a) Inventories	6	42,28,07	53,47,07
(b) Sundry Debtors	7	3,08,21	4,10,76
(c) Cash & Bank Balances	8	9,97,98	4,43,07
(d) Loans and Advances	9	9,46,78	5,71,77
		<u>64,81,04</u>	<u>67,72,67</u>
Less : Current Liabilities and Provisions			
Current Liabilities	10	48,78,74	61,05,85
Provisions	11	3,51,04	3,83,22
		<u>52,29,79</u>	<u>64,89,07</u>
Net Current Assets		12,51,25	2,83,60
3. Profit & Loss Account			
Loss as per last accounts		1,15,82,60	1,04,37,92
Add Loss /(Profit) for the year as per Annexed P & L Account		7,75,24	11,44,68
		<u>1,23,57,84</u>	<u>1,15,82,60</u>
		<u>2,44,21,59</u>	<u>2,34,86,26</u>
Accounting Policies and Notes to Accounts	18		

Schedule 1 to 11 and 18 form an integral part of the Balance Sheet.

As per our Report of even date

for **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRNo. 000038N

Umesh K. Modi
(Chairman & Managing Director)

B.K. Luthra
(Executive Director-Works)

Directors
Abhishek Modi
K.K. Jain
G.C. Jain

M.P. Thakur
(Partner)
Membership no. 52473

Manoj Kumar
(Company Secretary)

A.K. Sinha
Sr. Manager (Accounts)

B.N. Nayak
J.N. Khurana
Vijay K. Modi

Place : New Delhi
Date : 13th August, 2010

CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO)

13th August, 2010

The Board of Directors,
Bihar Sponge Iron Limited
Umesh Nagar,
Chandil, District Saraikela Kharsawan, Jharkhand

I, Umesh K. Modi, Managing Director (CEO) of Bihar Sponge Iron Limited certify to the Board that I have reviewed the financial statement and the cash flow statement of the Company for the year ended 31st March, 2010.

To the best of my knowledge, I certify that:

1. The Statements do not contain materially untrue and misleading statements; that the statements present a true and fair view of the Company's affairs; that they are made in accordance with the accounting standards and applicable laws and regulations.
2. There are no fraudulent or illegal transactions.
3. For the purpose of financial reporting, I accept the responsibility for establishing and maintaining internal controls which are monitored by the Company's Concurrent Auditors and have evaluated based on feedbacks received from them, the effectiveness of the internal controls and have reported to the Auditors and Audit Committee, the deficiencies, if any, in the internal controls.
4. I have indicated to the Auditors and Audit Committee significant changes in the internal controls; accounting policies. There are no instances of fraud, of which we are aware during the period:

Umesh K Modi

Chairman & Managing Director

iv) (a) & (b) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.

v) Internal Control

In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets, sale of goods and services. *However, the internal control systems need to be strengthened for obtaining of confirmation of balances from suppliers and other parties.*

There are no continuing failures to correct matters in respect of lack of adequacy of internal controls brought to the notice.

vi) Fixed Deposits

The Company has not accepted any deposits from the public which are covered under the directives issued by the Reserve Bank of India and the provision of sections 58A and section 58AA or any other relevant provisions of the Act and the rules framed there under.

vii) Internal Audit System

The Company has an adequate internal audit system commensurate with its size and nature of its business.

viii) Cost Records

We are informed that the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.

ix) Statutory Dues

a) According to the records, the Company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, wealth tax, service tax, sales tax, VAT, Entry tax, excise duty, cess and other applicable statutory dues *except that there has been delay in payment of excise duty/service tax and in some cases for payment VAT/Sales Tax liabilities.*

b) The details of dues of sales tax, custom duty, excise duty, trade tax and cess etc. which have not been deposited on account of dispute are given hereunder:

Name of the Statute	Forum where Dispute pending	Nature of dues	Period of Dispute	Amount Rs./lacs
1. The Central Excise Act, 1944	Jharkhand High Court, Ranchi	Excise Duty on Freight on Freight on Goods Transportation	16.12.97 to 31.03.98	373.06
2. The Customs Act, 1962	CESTAT, Kolkatta	Custom Duty on rate diff. on account of classification of items on imported plant & Machinery	1987-89	106.92
3. The Customs Act, 1962	CESTAT, Kolkatta	Custom Duty & Demurrage Charges and interest on imported Stores & spare parts	1991-92 1994-95	104.27 50.32
4. JVAT Act, 1962	Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur	Tax on Non-Submission of JVAT Forms	2006-07	23.97
5. The Central Sales Tax Act, 1956	Jt. Commissioner of Commercial Taxes (Appeals)	Tax on Non-Submission of 'C' Forms	2006-07	3.11
Grand Total				661.65

x) The company has accumulated losses at the end of the financial year that are not less than fifty per cent of its net worth and the company has incurred cash loss during the current financial year and in the immediately preceding financial year.

xi) There are no continued defaults in repayments of dues to Financial Institutions or Banks *but for certain delays in repayments of Principal & Interest due thereon on which compound interest has been paid.*

xii) 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, nidhi or mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) (a) to (d) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.

xiv) The Company has not dealt or traded in shares, securities, debentures, and other investments during the year.

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 year.

xvi) The term loans taken by the Company have been applied for the purpose for which they were obtained, however there has been no term loans obtained during the year under audit.

xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company as at the end of the year, funds raised on short term basis has not been used for long term investment.

xviii) 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.

xix) The Company has not issued debentures hence the question of pending creation of security does not arise.

xx) The company has not raised any money by public issue during the year and hence disclosure for end use does not arise.

xxi) Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the year under audit.

For **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
[FRN 000038N]

Place : New Delhi
Dated : 13th August, 2010

[**M.P. Thakur**]
Partner
Membership No. : 052473

AUDITOR'S REPORT

To

The Members of BIHAR SPONGE IRON LTD.

We have audited the attached Balance Sheet of BIHAR SPONGE IRON LTD as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company 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 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 mis-statement. 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.

1. As required by the Companies (Auditor's Report) Order, 2003 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 said annexure referred in Paragraph 1 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 accounts as required by Law have been kept by the Company so far as appear from our examination of the books;
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with this reports comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the Director (except one Director who is in the service of the Government of Bihar and is the nominee of the BSIDC and on the board of the company) other than Government Nominee Director, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub - section (1) of Section 274 of the Companies Act, 1956. The said director of BSIDC, in the opinion of the Board is stated to be covered by the exemption granted for the Directors u/s 274 (1) (g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to explanations given to us, the said accounts and read with significant Accounting Policies and Notes thereon as referred to in Schedule – 18, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India.
 - i.) in the case of Balance Sheet of the State of affairs of the Company as at 31st March, 2010;
 - ii.) in the case of the Profit & Loss Account of the Loss for the year ended on that date; and
 - iii.) in the case of the Cash Flow Statement of the Cash flow for the year ended on that date.

For **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRN 000038N

Place : New Delhi
Dated : 13th August, 2010

[M.P. Thakur]
Partner
Membership No. : 052473

The Annexure referred to in the main Auditor's Report of Bihar Sponge Iron Limited of even date:

- i) **Fixed Assets**
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - b) The Company has a programme of verifying all of the fixed assets over a period of three years, which in our opinion is reasonable, having regard to the size of the Company and nature of assets. Discrepancies noticed on physical verification of the fixed assets conducted during the year are not material and have been properly dealt with in the books of account.
 - c) The Company has not disposed off any substantial part of its fixed assets during the year, which may have any impact on the going concern nature of the Company.
- ii) **Inventories**
 - a) The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during the year.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) The company has maintained proper records of inventory showing full details regarding quantity of receipts, issues, balances and dates of transactions. The discrepancies, noticed on the aforesaid verification, between the physical stocks and stocks as per the books have been properly dealt with in the books of accounts.
- iii) **Transactions with parties u/s 301 of the Companies Act, 1956**
 - a) The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b),c) & d) In view of (a) above, Para (b), (c) & (d) of clause 4 (iii) are not applicable.
- e) The company has not taken any loan secured or unsecured from companies, firm or other parties except from a body corporate covered in the register maintained under section 301 of the Act.
- f) The rate of interest and other terms and conditions of such loans taken by the company are not prima facie prejudicial to the interest of the company.
- g) The payment of interest of such loan are regular, however the terms of repayment of principal has not been specified.

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

1. The Company produces sponge iron from three kilns with an installed capacity of 2,10,000 MT per annum. The Company's primary product, sponge iron, is a high quality pre-reduced ferrous material and, therefore is preferred to most other materials in place of steel scrap by secondary steel producers operating induction and electric arc furnaces for producing long products for meeting the demand of the construction and infrastructure sectors.

Since the price of sponge iron is purely market driven in the present economy, the Company continuously makes efforts for reducing the cost of production to sustain its margins. The principal cost components of sponge iron consist of coal, iron ore and capital service charges. With the continuous and successful operation of its captive 5.0 MW power plant, the power cost of the Company has reduced significantly.

OPPORTUNITIES AND THREATS -

2. Coal and iron ore are the two major raw-materials for producing sponge iron. The price of both iron ore and coal are quite volatile and on most of the times increased by the suppliers, which adversely affects Company margins. Therefore, the Company has been exploring various avenues for the ownership of mines to lower its raw- materials cost on this account.

Iron Ore :

The Company has been allotted iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Distt. Singhbhum, Jharkhand. The drilling job in the said mine started on 27th February, 2009. The same has been completed and report is under preparation and expected to be completed by 3rd week of August, 2010. The Mining Plan/EMP/EMI and Forest Clearance Plan will be prepared and will be submitted to the respective Ministries.

Coal:

The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the State of Jharkhand. The Company has obtained the Geological report from Central Mine Planning & Design Institute Limited (CMPDIL), a unit of Govt. of India, for developing of Mine Plan and Environmental Plan. The Company has applied to Govt. of Jharkhand for mining lease of the aforesaid coal block. The application is still pending before the District Mining Officer, Latehar. The Company has awarded the contract for developing Mining Plan, EMP/EMI and Project Report to CMPDIL and expects the reports by January/February 2011.

Once the said iron ore & coal mines become operational, the Company will be in a position to meet internally its total requirement of iron ore and coal. This will result in substantial savings in cost of raw material, optimizing overheads with capacity operation and will contribute to the profitability of the Company.

The unprecedented rise in the cost of iron ore and the inadequate availability of requisite/good quality coal and competition from mini sponge iron plants have been the main threats to the Company.

SEGMENT-WISE/PRODUCT-WISE PERFORMANCE

3. During the year, the Company was engaged mainly in the segment of manufacturing and selling of sponge iron.

OUTLOOK

4. The Government is going ahead with the economic reforms process albeit at slower pace. The main thrust is on developing rural economy and agriculture. Flowing of funds through budget and plan towards the vast rural area will increase the income levels of the country's huge rural population and spurt demand. The increase in disposable income of the rural economy will be utilized in housing construction which is the biggest user of mild steel. Sponge Iron is basic raw material used by induction furnaces to produce mild steel. Thus there will be a huge demand for Sponge Iron.

RISKS AND CONCERNS

5. The Management periodically carries out risk assessment exercises. Risk factors are also discussed in Audit Committee Meetings. Wherever possible and necessary, insurance cover is taken for risk mitigation. However, an economic slowdown can adversely affect the demand-supply equation in the sponge iron industry. The price of sponge iron is sensitive to the demand-supply position of steel scrap in the country and also to the selling prices of long products. On the financial front, the Company's debt has been restructured pursuant to the rehabilitation scheme sanctioned by Hon'ble BIFR, the benefit of which has started yielding results. Further, the Company operates on a credit policy which varies depending upon the profile of the customer. The Management does not perceive any major technological, environmental and/or financial risks for the Company in the near future.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

6. The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes and Corporate policies are duly complied with.

The Company has appointed M/s. Thakur & Co; Chartered Accountants as Concurrent Auditors, who conduct audit of various departments and areas. In line with international trend, planning and conduct is oriented towards a review of controls in the management of risks and opportunities in the Company's activities. The annual audit programme is developed by the Concurrent Auditors and approved by the Audit Committee of the Board. The Concurrent Auditors' Report is placed before the Audit Committee which met five times during the year to review the audit observations and to follow up implementation of corrective actions. The Committee also consults the company's statutory auditors to ascertain their views on the adequacy of the internal control systems in the Company. The Audit Committee has majority of independent directors to maintain the objectivity.

FINANCIAL PERFORMANCE

7. Turnover (Net of Excise Duty) for the year under review amounted to (Rs. 1,79,94.89 lacs against Rs. 2,14,03.28 lacs for the previous year, registering a decrease by 15.92.% to previous year. The net loss for the year under review is Rs. 7,75.24 lacs as compared to previous year loss of Rs. 11,44.68 lacs. The decrease in loss has been due to cost saving measures taken by the Company during the year under review.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

8. The Company, at the year ended 13th March, 2010, had 613 employees as compared to 662 in the previous year and industrial relations remained cordial during the year.

CAUTIONARY STATEMENT

9. The above Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include external economic conditions affecting demand/supply influencing price conditions in the market in which the Company operates, changes in Government regulations, statutes, tax laws and other incidental factors.

Shareholding pattern as on 31st March, 2010:

Particulars	No. of Shares Held	%age of Shares Held
1. Promoters	6,25,52,579	69.34
2. Mutual Funds & UTI	65,450	0.07
3. Banks, Financial Institution & Insurance Companies	1,15,820	0.13
4. Foreign Financial Investors	14,98,494	1.66
5. Private Corporate Bodies	42,80,976	4.75
6. Indian Public	2,09,24,167	23.27
7. NRI/OCBs	6,64,145	0.74
8. Any Other (Clearing Members& Trust)	36,893	0.04
Total	9,02,05,403	100.00

Dematerialization of shares:

The equity shares of the Company are available for dematerialization. The Securities Identification Number (ISIN) of the Company is INE 819C01011. The equity shares are now tradable only in dematerialized mode.

Share held in physical and dematerialized form:

As on 31st March, 2010, 40.09 % of Equity Shares were held in dematerialized form and the rest were in physical form.

Outstanding GDRs /ADRs /Warrants or any convertible instruments, conversion date and likely impact on equity:

The Company has no GDRs/ADRs or any convertible instrument.

Plant location of the Company:

Umesh Nagar, Chandil, District Saraikela-Kharsawan-832401, (Jharkhand)

Address for correspondence:

All the queries of investors regarding the Company's shares may be sent at the following address:

BIHAR SPONGE IRON LIMITED

Umesh Nagar, Chandil,
District Saraikela Kharsawan 832401 (Jharkhand)
Website: www.bsil.org
Email: companysecretary@bsil.org

Nomination Facility:

Shareholders desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company in prescribed Form 2B for this purpose.

AUDITOR'S CERTIFICATE**The Members of BIHAR SPONGE IRON LTD.**

We have examined the compliance of conditions of Corporate Governance of Bihar Sponge Iron Limited for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange *except for the fact that the management has represented that the Board is in the course of appointing a Chief Finance Officer and hence the Financial Statements and Cash Flow Statement could not be signed by him.*

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

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

We state that no investor grievances are pending for the period exceeding one month against the Company as per records maintained by the Shareholders/Investors' Grievance Committee.

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

For **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
[FRN. 000038N]

Place : New Delhi
Dated : 13th August, 2010

[**M.P. Thakur**]
Partner
Membership No. : 052473

Dividend payment date:

In view of losses incurred by the Company, no dividend has been recommended by the Board of Directors for the year ended 31st March, 2010.

Listing on Stock Exchanges:

Your Company is listed at Bombay Stock Exchange Limited, the address of which is given below:

Stock Exchange	Stock Code
Bombay Stock Exchanges Limited, Phiroz Jeejeebhoy Towers, 25 th Floor, Dalal Street, Fort, Mumbai-400001	500058

On 21st March, 1998, the Company after complying with the conditions of Circular No. 6/9/SE/78 dated 28th June, 1979 issued by Ministry of Finance, Department of Economic Affairs, Stock Exchange Division, applied to Ahmedabad, Calcutta, Delhi and Madras Stock Exchanges for de-listing of Equity Shares. The Company has received the letter of confirmation of de-listing from Madras Stock Exchange Association Limited only, matter is pending with others stock exchanges. The Company vides its letter dated 25th September, 2007 applied for voluntary de-listing of Shares from Magadh Stock Exchange; the matter is pending with the Exchange.

The Company has paid listing fee for the financial year 2010-2011 to Bombay Stock Exchange Limited only.

Market price data:

High/Low of market price of the Company's shares traded on Bombay Stock Exchange Limited during the financial year 2009-2010 is furnished below:

Month	High (Rs)	Low (Rs.)	Volume
April – 2009	8.35	5.16	7,58,698
May – 2009	13.25	6.72	9,64,686
June – 2009	13.85	9.70	7,92,888
July – 2009	10.92	8.38	3,22,681
August – 2009	10.50	7.77	6,71,409
September – 2009	14.30	8.65	33,58,135
October – 2009	12.73	9.00	4,23,320
November – 2009	11.00	8.90	3,79,669
December – 2009	11.91	9.50	6,31,664
January – 2010	14.30	9.86	18,94,964
February – 2010	11.56	9.60	4,64,780
March – 2010	11.00	9.05	5,75,789

Registrar and Transfer Agents:

M/S Beetal Financial & Computer Services Pvt. Limited is the Registrar and Share Transfer Agent of the Company .

The physical transfer of equity shares and electronic connectivity for the depository mode for both NSDL and CDSL is being provided by M/S Beetal Financial & Computer Services Pvt. Limited whose address is given below:

M/S Beetal Financial & Computer Services Pvt. Limited,
99, Madangir, Behind Local Shopping Centre, New Delhi - 110062
Telephone no(s) 011-29961281, 282, 283, Fax: 011-29961284
E-mail : beetal@beetalfinancial.com

Share Transfer System:

The Company, in compliance of SEBI circular no. 15/2002 dated 27th December, 2002, has appointed M/S Beetal Financial & Computer Services Pvt. Limited, (Category-I SEBI registered Registrar & Share Transfer Agents) as Share Transfer Agent who follows the Share Transfer System as prescribed by the Securities & Exchange Board of India (SEBI). The share transfer requests in physical form sent by shareholders are manually checked. If the transfer deed and the enclosures are valid, the shares are transferred within a month, otherwise objection memo is sent to the Transferor with necessary advice to take the required steps. The Share Transfer Committee generally approves once in a fortnight the applications received from members.

Distribution of Share holding as on 31st March, 2010:

No. of Shares	No. of Shareholders	No. of Shares	% age to Total Shares
Up to 500	57,330	87,88,874	9.74
501 to 1,000	3,457	28,05,544	3.11
1,001 to 2,000	1,368	21,33,639	2.37
2,001 to 3,000	348	9,05,129	1.00
3,001 to 4,000	186	6,72,899	0.75
4,001 to 5,000	191	9,22,399	1.02
5,001 to 10,000	232	17,75,561	1.97
10,001 and above	195	7,22,01,358	80.04
Total	63,307	9,02,05,403	100.00

REMUNERATION COMMITTEE:

The Remuneration Committee was constituted by the Board in March, 2006. The Committee comprises of three members, Mr. G.C. Jain Chairman, Mr. B.N. Nayak and Mr. Rishabh Jain. Due to withdrawal of nomination of Mr. Rishabh Jain by Board for Industrial and Financial Reconstruction (BIFR), the Remuneration Committee has been reconstituted on 2nd June, 2009. After the reconstitution, the following persons are the Members of the Committee:

- i). Mr. G.C. Jain, Chairman, ii). Mr. K.K. Jain, iii) Mr. B. N. Nayak

The Company Secretary of the Company acts as a Secretary to the Committee.

No meeting of Remuneration Committee was held during the year ended 31st March, 2010.

Details of Remuneration paid to Directors for the year ended 31st March, 2010.

The non-executive Directors (NEDs) are paid remuneration by way of Sitting Fee of Rs. 1,000/- per meeting for attending the meetings of Board and/or Committees thereof.

The details of Remuneration paid to the Directors during the year ended 31st March, 2010 are as under:-

S. NO.	NAME	SALARY	PERQUISITES AND OTHER BENEFITS	SITTING FEES (Rs.)	TOTAL (Rs.)
1	Mr. U. K. Modi	24,00,0000	19,73,000	—	43,73,000
2	Mr. Ashok Kumar Basu	—	—	1,000	1,000
3	Mr. K.K. Jain	—	—	28,000	28,000
4	Mr. G.C. Jain	—	—	13,000	13,000
5	Mr. B.N. Nayak	—	—	20,000	20,000
6	Mr. Rishabh Jain	—	—	6,000	6,000
7	Mr. Vijay K Modi	—	—	2,000	2,000
8	Mr. J.N. Khurana	—	—	4,000	4,000
9	Mr. Meghendra Kumar	—	—	2,000	2,000

ANNUAL GENERAL MEETING:

Location and time for the last three Annual General Meetings:

Year	Date	Venue	Time
2009	26.09.2009	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.
2008	23.09.2008	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.
2007	22.08.2007	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.

POSTAL BALLOT:

No resolution requiring a postal ballot was proposed at the last Annual General Meeting of the Members.

No resolution which requires approval of Members by postal ballot is being proposed at the ensuing Annual General Meeting.

DISCLOSURE:

During the year under review, the Company had no materially significant related party transactions as is envisaged under the Corporate Governance code that may have potential conflict with the interest of the Company at large. However, related party transactions during the year are mentioned in Note no 12 of Schedule 18, "Notes to Accounts".

There has not been any non compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets during the last three years.

MEANS OF COMMUNICATIONS:**Half yearly Report to each household of shareholders:**

The Company has not yet started sending the half yearly report to each household of shareholders but if any shareholder seeks any information then the same is provided by the Company.

QUARTERLY RESULTS:

Wide publicity is accorded to publication of Quarterly Results which are published in widely circulated English daily and a Hindi daily as is required under the Listing Agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the Company is listed and also displayed on the website of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS IS REPORTED IN THIS ANNUAL REPORT SEPARATELY.**CEO/CFO CERTIFICATION ON THE FINANCIAL STATEMENT:**

Pursuant to Clause 49 of the Listing Agreement, the Chief Executive Officer have submitted the desired certificate to the Board of Directors and the same has been taken on record by the Board of Directors in their meeting held on 13th August, 2010.

GENERAL SHAREHOLDER INFORMATION:

Twenty Eighth Annual General Meeting is scheduled to be held on Wednesday, 29th September, 2010 at Registered Office of the Company at Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand) as per notice enclosed with the Annual Report.

Financial Calendar

Particulars	Date
1. Quarter ended 30.06.2010:	First fortnight of August, 2010
2. Quarter ended 30.09.2010:	First fortnight of November, 2010
3. Quarter ended 31.12.2010:	First fortnight of February, 2011
4. Quarter ended 31.03.2011:	First fortnight of May, 2011

Book Closure:

Wednesday, 22nd September, 2010 to Wednesday, 29th September, 2010 (both days inclusive)

Five meetings of Audit Committee were held during the year on 24th April, 2009, 31st July, 2009, 30th October, 2009, 16th January, 2010 and 25th February, 2010
Attendance at meetings during the year:

Director	No. of meetings attended
Mr. G.C. Jain - Chairman	5
Mr. K.K. Jain	4
Mr. B.N. Nayak	5
Mr. G.W. Elsenheimer	Nil
Mr. Rishabh Jain (up to 30th April, 2009)	1

The terms of reference of the Audit Committee are in conformity with the revised requirements of Clause 49 of the Listing Agreement read in conjunction with section 292A of the Companies Act, 1956.

The functions of the Audit Committee broadly covers the following:

- to investigate any activity within its terms of reference;
- to seek information from any employee;
- to obtain outside legal or professional advice;
- to secure attendance of outsiders with relevant expertise, if it considers it so necessary;
- to oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- to recommend the appointment and removal of the external auditor, fixation of audit fees and also approval for payment of any other services;
- reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgement by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions, i.e transactions of the Company of material nature with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large;
- reviewing with the management, external and internal auditors, the adequacy of internal control system;
- reviewing with the management the quarterly financial statements before submission to the Board;
- reviewing the adequacy of internal audit function, reporting coverage and frequency of internal audit;
- discussion with internal auditors on any significant findings and follow up thereon;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern;
- reviewing the company's financial and risk management policies;
- to look into the reasons for substantial defaults, if any, in the payment to creditors etc.

The Audit Committee shall also mandatory review the following:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee) submitted by management;
- Management letters/letters of internal control weakness issued by the statutory auditors;
- Internal audit report relating to internal control weakness;
- The appointment, removal and terms of remuneration of the Chief Internal Auditor.

INVESTORS' GRIEVANCE REDRESSAL COMMITTEE:

The Investors' Grievance Redressal Committee was first constituted on 11th September, 2001. The committee comprised of three members, Mr. K.K. Jain, Mr. G.C. Jain and Mr. Rishabh Jain. Due to withdrawal of nomination of Mr. Rishabh Jain by Board for Industrial and Financial Reconstruction (BIFR), the Investors' Grievance Committee has been reconstituted on 2nd June, 2009. After the reconstitution, the Investors' Grievance Redressal Committee has following Independent Directors :

- Mr. K.K. Jain
- Mr. G.C. Jain
- Mr. B.N. Nayak.

The Company Secretary of the Company acts as a Secretary to the Committee.

BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, re-materialization, complaints of shareholders etc. During the year under review, the Committee met four times on 24th April, 2009, 31st July, 2009, 30th October, 2009 and 16th January, 2010.

Details of complaints received and addressed during the year under review are given below:

	Number of complaints received					Number of total complaints (Share Transfers/ Annual Reports etc.)
	Direct	Stock Exchanges	Investor Associations	SEBI	Deptt. of Company Affairs	
2009-2010						
1. Received	19	Nil	Nil	Nil	Nil	19
2. Replied	19	Nil	Nil	Nil	Nil	19
3. Pending	Nil	Nil	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Bihar Sponge Iron Limited, Corporate Governance is an integral part of the Company's values, ethics, business practices and norms. Towards this, the Company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the Corporate Governance.

BOARD OF DIRECTORS:

The Company has a Executive Chairman and the number of Independent Directors is more than half of the total number of Directors.

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), 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 the Board Meetings during the year and at the Last Annual General Meeting and also the number of Directorships and Committee Memberships held by them in other companies are given below:

Name of the Directors	Executive/Independent/ Non-Executive	No. of meetings attended(+)	Attendance at previous AGM on 26th Sept., 2009	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee	
					Chairman	Membership
Mr. Umesh K. Modi	Chairman & Managing Director (Appointed Chairman w.e.f. 23 rd December, 2009)	4	Not Present	6	Nil	Nil
Mr. Vijay Prakash, IAS (**)	Chairman & Non Executive Director (upto 3 rd August, , 2009)	Nil	Not Present	4	Nil	Nil
Ms. Ansuhi Arya , IAS	Non Executive Director (w.e.f. 10 th December, 2009. Was also Chairman during 3 rd August, 2009 to 10 th December, 2010)	1	Not Present	4	Nil	Nil
Mr. Ashok K Basu, IAS	Nominee Director	1	Not Present	3	Nil	Nil
Mr. Abhishek Modi	Non Executive Director	1	Not Present	5	Nil	Nil
Mr. K.K. Jain	Independent Director	3	Not Present	1	Nil	1
Mr. G.C. Jain	Independent Director	4	Present	5	3	Nil
Mr. B.N. Nayak	Nominee Director	4	Not Present	Nil	Nil	Nil
Mr. Meghendra Kumar (**)	Nominee Director (up to 27 th January, 2010)	2	Not Present	1	Nil	Nil
Mr. Rishabh Jain(**)	Nominee Director (up to 30 th April, 2009)	Nil	NA	3	Nil	Nil
Dr. Wolfgang Janke	Independent Director	1	Not Present	Nil	Nil	Nil
Mr. G.W. Elsenheimer	Independent Director	Nil	Not Present	Nil	Nil	Nil
Mr. Vijay K Modi	Alternate to Dr. Wolfgang Janke	2	Not Present	2	1	Nil
Mr. J.N. Khurana	Alternate to Mr. G. W. Elsenheimer	4	Not Present	2	Nil	Nil

(+) Attendance at Board Meetings relevant to the period remained as Director of the Company.

(*) Directorship in companies registered under the Companies Act, 1956, excluding Directorships in private limited companies, companies under Section 25 of the Companies Act and Alternate Directorships.

(@) Mr. Umesh K. Modi and Mr. Abhishek Modi are related as Father and Son.

(**) No. of outside Directorships held, is as per the records of the previous year.

Four Board Meetings were held during the year on 2nd June, 2009, 24th August, 2009, 23rd December, 2009 and 26th February, 2010.

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

The Company has adopted the Code of Conduct for the Directors and Senior Management of the Company. The Company has received confirmations from both the Directors as well as Senior Management regarding compliance of the Code of Conduct for the year ended 31st March, 2010. The Code is posted on the website of the Company i.e. www.bsil.org.

INFORMATION REGARDING RE-APPOINTMENT OF DIRECTORS:

Mr. K. K. Jain, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. K. K. Jain is a Non-Executive and Independent Director. He is a Fellow Member of the Institute of Chartered Accountants of India and Law Graduate and has more than 40 years of experience in Accounts, Audit, Taxation and Company Law matters. He is also a Director in Modi Industries Limited

Dr. Wolfgang Janke, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Dr. Wolfgang Janke is a Non-Executive and Independent Director. He is a Metallurgic Engineer having more than 39 years experience in the field of coal and gas based Sponge Iron Units. He is Ex-President and Technical Head, Lurgi Chemic, Germany. He is not a Director in any other company.

AUDIT COMMITTEE:

Composition of Audit Committee is in accordance with the revised requirements prescribed by the Code of Corporate Governance. The Committee consists of the following Directors:

- i). Mr. G.C. Jain, Chairman
- ii). Mr. K.K. Jain
- iii). Mr. B.N. Nayak
- iv). Mr. G.W. Elsenheimer
- v). Mr. Rishabh Jain (up to 30th April, 2009)

All the Members of the Audit Committee are non-executive & Independent Directors and also financially literate.

The Company Secretary of the Company acts as a Secretary to the Committee. Chief Executive Officer, a representative of Thakur, Vaidyanath Aiyer & Co; the Statutory Auditors and a representative of Thakur & Co; Concurrent Auditors are permanent invitees to the Audit Committee meetings.

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

Information pursuant to 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, (as amended) a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is annexed hereto as Annexure-B and form part of this report.

ACKNOWLEDGEMENT:

Your Directors take this opportunity to place on record their sincere thanks to all stakeholders, various departments of Central Government, the Government of Bihar and Jharkhand, Financial Institutions and Banks for their valuable assistance. Your Directors equally acknowledge the trust reposed by you in the Company. The Directors also wish to place on record their appreciation for the all round support and co-operation received from the employees at all levels.

For & on behalf of the Board

Place: New Delhi
Date : 13th August, 2010

Umesh Kumar Modi
(Chairman & Managing Director)

ANNEXURES TO THE DIRECTORS' REPORT**ANNEXURE - A****Statement Pursuant to Section 217 (2A) of the Companies Act, 1956.**

S.N	Name	Designation	Age	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment before Joining the Company
Employed throughout the Year								
1	Mr. Umesh Kumar Modi	Chairman & Managing Director	59	4,372,829	B. E. (Engg.) Chemicals	37	01-03-2006	Managing Director, Modi Industries Limited
Employed for part of the Year								
1	Mr. B. K.Luthra	Executive Director (Works)	61	890,130	B.Sc. (Engg.) Chemicals	30	01-12-2009	Director (Operations), Modi Revelon Ltd.

Note : (i) Remuneration includes salary, allowances, perquisite, PF contribution and superannuation fund.

(ii) Mr. Umesh Kumar Modi is related to Mr. Abhishek Modi and Mr. Jayesh Modi the Directors of the Company as father and son.

(iii) The term of employment of the above are non-contractual and they have adequate experience to discharge their duties and responsibilities.

ANNEXURE - B**Statement pursuant to 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.****CONSERVATION OF ENERGY :**

	Current Year (2009-10)	Previous Year (2008-09)
--	---------------------------	----------------------------

A. POWER AND FUEL CONSUMPTION**1. ELECTRICITY****A) PURCHASED**

Unit	Nil	Nil
Amount(Rs.)	Nil	Nil
Rate/Unit (Rs.)	Nil	Nil

B) OWN GENERATION**1. Through Diesel Generator**

Unit	5,82,383	11,85,480
Unit per liter of HSD	3.05	2.91
Cost/Unit (Rs.)	9.96	11.13

2. Through steam turbine

Unit	2,80,81,800	2,54,48,300
Unit per M.T of fuel	1,050	1,236
Cost/Unit (Rs.)	1.86	1.33

2. COAL

Quantity (M.T)	2,18,280	2,12,760
Cost (Rs.)	50,43,89,512	44,85,26,128
Average Rate (Rs./M.T)	2,310.75	2,108.13

B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)

1. Electricity (Unit)	203	195
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	1.55	1.56
4. Others – HSD (Liter)	1.35	2.99

TECHNOLOGY ABSORPTION:**(A) Research and Development**

- Specific areas in which R & D is carried out by the Company : Nil
- Benefits derived as a result of the above R & D : Does not arise
- Future plan of action : Not yet decided

- Expenditure on R & D : Nil
- Technology absorption, adaptation & innovation
 - Efforts in brief made towards technology absorption, adaptation & innovation :
 - Technology transfer is complete
 - Benefits derived as a result of above efforts :
 - The company achieves the metallization acceptable to the user industry.
 - Sponge Iron produced by the Company has helped the country in saving outgo of scarce foreign exchange resources by way of import substitution.

TECHNOLOGY IMPORTED

- Lurgi SL/RN process for the direct reduction of Iron Ore in a rotary kiln.
- Year of import 1986-89 (plant construction period)
- Has the technology been fully absorbed? Yes
- If not fully absorbed, areas where this has not been taken place, reasons thereof, and future plans of action N.A

FOREIGN EXCHANGE EARNINGS & OUTGO:

	(Rs. in thousand)	
	2009-2010	2008-2009
1 EARNING		
Export of Goods on F.O.B	—	—
2 OUTGO		
a) Interest	20.78	84.87
b) Import on CIF Basis		
Stores & Spares	—	1.60

For & on behalf of the Board

Place: New Delhi
Date : 13th August, 2010

Umesh Kumar Modi
(Chairman & Managing Director)

DIRECTORS' REPORT

To the Members

The Directors have pleasure in presenting the 28th Annual Report of the Company along with audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS : Rs. In lacs

	2009-10	2008-09
Sales (Net of Excise Duty)	1,79,94.89	2,14,03.28
Other Income	1,95.99	1,20.34
Profit / (Loss) before Interest, Depreciation & Income Tax	3,95.37	1,88.85
Interest & Finance Charges	5,93.61	6,63.65
Depreciation	5,75.65	6,51.06
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	(7,73.89)	(11,25.87)
Provision for Tax		
— Fringe Benefit Tax (Net)	1.02	18.17
— Wealth Tax	0.33	0.64
Profit / (Loss) for the year carried to Balance Sheet	(7,75.24)	(11,44.68)

OPERATIONS :

During the year under review, production was 1,41,265 MT of sponge iron as against 1,36,372 MT of sponge iron in the previous year. The Company could not achieve higher production due to political instability in the state of Jharkhand, frequent "bandh" called by MCC/ Naxals, unprecedented low availability of iron ore and insufficient supply of coal racks by Central Coal Field Limited.

The Company has been allotted iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Dist. Singhbhum, Jharkhand. The drilling job in the said mine started on 27th February, 2009. The same has been completed and report is under preparation and expected to be completed by 3rd week of August, 2010. The Mining Plan/EMP/EMI and Forest Clearance Plan will be prepared and will be submitted to the respective ministries.

The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the state of Jharkhand. The Company has obtained the Geological Report from Central Mine Planning & Design Institute Limited (CMPDIL), a unit of Govt. of India, for developing of Mine Plan and Environmental Plan. The Company has applied to Govt. of Jharkhand for mining lease of the aforesaid coal block. The application is still pending before the District Mining Officer, Latehar. The Company has awarded the contract for developing Mining Plan, EMP/EMI and Project Report to CMPDIL and expect the reports by January/February 2011.

Once the said iron ore & coal mines become operational, the Company will be in a position to meet internally its total requirement of iron ore and coal. This will result in substantial savings in cost of raw-materials, optimizing overheads with capacity operation and will contribute to the profitability of the Company.

Your Company has entered into an agreement with Chandil Power Limited, for the sale of hot gases generated by it during production of sponge iron, which at present is a waste and is being discharged into air. The sale price of hot gases will be based on its calorific value. The hot gases will be used by Chandil Power Limited for generating power, in its proposed 20 MW WHRSG Based Power Plant. Chandil Power Ltd. has entered into an agreement with Tata Power Limited for the sale of power. It has applied for various Government approvals necessary for putting up the plant. Arrangement of funds is at final stage of approval.

At present the Company is passing through a difficult phase but the future of the Company is encouraging, once the iron ore mine, coal mine and power plant becomes operational. Not only your Company will turn profitable, it will take future expansion of capacity to 1 million tones.

FIXED DEPOSITS:

The Company has neither invited nor accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956, during the year under review.

BOARD OF DIRECTORS:

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors:

Mr. Jayesh Modi was appointed as an Additional Director of the Company with effect from 18th June, 2010.

Mr. B.K. Luthra was appointed as an Additional Director of the Company w.e.f. 18th June, 2010. He was also appointed as the Whole Time Director, designated as Executive Director (Works) of the Company with effect from that date for a period of one year, subject to your approval.

Notices in writing alongwith requisite deposits under Section 257 of the Companies Act 1956, have been received from the members of the Company proposing Mr. Jayesh Modi and Mr. B. K. Luthra as candidates for the office of Directors.

Mr. Vijay Kumar Modi alternate Director to Dr. W. Janke ceased to hold office on 26th February, 2010, on arrival of Dr. W. Janke to attend the meeting of Board of Directors. Mr. Vijay Kumar Modi has again been appointed as an Alternate Director to Dr. W. Janke with effect from 18th June, 2010.

LIC has withdrawn nomination of Mr. Meghender Kumar from 27th January, 2010. The Board places on record its deep sense of appreciation for the wise counsel, valuable guidance and Co-operation extended by Mr. Maghendar Kumar during his tenure of the Directorship.

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 128 of the Articles of Association of the Company, Mr. K. K. Jain and Dr. W. Janke retire by rotation and are eligible for re-appointment.

AUDITORS:

M/s. Thakur, Vaidyanath Aiyar and Co., Chartered Accountants (Firm Registration No.000038N), Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made would be within the prescribed limits under Section 224 (1B) of the Company Act, 1956.

ACCOUNTS AND AUDIT REPORT:

The Notes to Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

However, in respect of delays in payment of Statutory Dues and Secured Loans (principle installments and interest) the Board of Directors wish to explain as under:-

Due to increase in raw material prices and non availability of working capital facility from Banks, the said dues could not be paid on due dates. However, all the said dues have been paid to respective accounts of Government & Secured Creditors along with the interest for the delayed period at the contractual rates.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company declare as under:

- That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- That the Company has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditors' Certificate confirming compliance of conditions of Corporate Governance is included in the said Corporate Governance Report.

PARTICULARS OF EMPLOYEES

The particulars of employees required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are annexed to this report as Annexure - A and form part of this report.

Mr. Jayesh Modi is concerned and interested to the extent of his appointment. Mr. U.K.Modi, Chairman & Managing Director and Mr. Abhishek Modi Director of the Company are deemed to be concerned or interested as father and brother respectively in his appointment..

ITEM NO. 6

The Board of Directors at their meeting held on June 18th, 2010 appointed Mr. B.K.Luthra as an additional director of the Company. As per the provisions of Section 260 of the Companies Act, 1956. Mr. B.K.Luthra holds the office of director only up to the date of this Annual General Meeting. Mr. B. K. Luthra is an Engineering Graduate from BHU and has experience of more than 30 years and has worked at various levels of management. His experiences are in area of administration, operations and technical aspects of Company's business.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500, proposing the candidature of Mr. B. K. Luthra as Director of the Company. The Board recommends this resolution to be passed as an ordinary resolution.

None of the Directors are interested or concerned in the resolution except Mr. B.K. Luthra.

ITEM NO. 7

Mr. B. K. Luthra is an Engineering Graduate from BHU and has experience of more than 30 years and has worked at various levels of management. His experiences are in area of administration, operations and technical aspects of Company's business.

Considering the above facts, other relevant factors and the comparative remuneration in the industry, the Remuneration Committee, pursuant to Schedule XIII of the Companies Act, 1956 approved and recommended to the Board for payment of such remuneration as mentioned in Item No. 7 of this notice, to Mr. B. K. Luthra for a period of one year w.e.f. 18th June, 2010. The Board in their meeting held on 18th June, 2010 had approved the appointment of Mr. B. K. Luthra as the Whole Time Director to be designated as Executive Director (Works) and payment of remuneration to him subject to your approval.

The information as required under Schedule XIII to the Companies Act, 1956 is given hereunder:

I. GENERAL INFORMATION:

- | | |
|---|---|
| (1) Nature of Industry : | Sponge Iron |
| (2) Date or expected date of commencement of commercial production : | The Company commenced commercial production on 1 st July, 1989 |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : | Not Applicable |
| (4) Financial performance based on given indicators: | |

(Rs. in lakhs)

Financial Parameters	Year Ended 2010
Sales (Net of Excise Duty)	1,79,94.89
Other Income	1,95.99
Profit / (Loss) before Interest, Depreciation & Income Tax	3,95.37
Interest & Finance Charges	5,93.61
Depreciation	5,75.65
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	(7,73.89)
Provision for Tax	
— Fringe Benefit Tax	1.02
— Wealth Tax	0.33
Profit/(Loss) for the year carried to Balance Sheet	(7,75.24)

- | | |
|---|------|
| (5) Export performance and net foreign exchange collaborations: | None |
| (6) Foreign investments or collaborators, if any: | None |

II. INFORMATION ABOUT THE APPOINTEE :

- (1) Background details :
Mr. B. K. Luthra is an Engineering Graduate from BHU. He has been associated with the industry for more than 30 years and has worked at various level of management.
- (2) Past remuneration :
He was drawing a salary of Rs. 122000 per month and perquisites from the Company.
- (3) Recognition or awards : None
- (4) Job profile and his suitability :
He joined as the Chief Executive Officer of the Company and is working as Executive Director (Works) of the Company. He has vast experience in the area of administration, operations and technical aspects of Company's business.
- (5) Remuneration proposed :
Details of proposed remuneration is given in Item No. 7 of this Notice.
- (6) Comparative remuneration profile with respect to industry size of the company, profile of the position and person :
In the similar sized sponge iron units, remuneration is ranging between Rs. 25 lakhs to Rs. 40 lakhs per annum.
- (7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any :
He does not have pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel except drawing salary from the Company.

III. OTHER INFORMATION:

- (1) Reasons of loss or inadequate profits:
The profitability has suffered due to increase in raw materials cost and unavailability of good quality iron ore.
- (2) Steps taken or proposed to be taken for improvement:
The Company has been allotted for captive use an iron ore mine having an area of 406.40 hectares in Ghatkuri Forest Reserve, District Singbhum, Jharkhand. The drilling job is complete. Necessary reports and plans are under preparation and will be submitted to the respective ministries.
The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the State of Jharkhand. The Company has applied to Govt. of Jharkhand for mining lease and is pending before the District Mining Officer, Latehar.
Once the said iron ore & coal mines become operational, the Company will be in a position to meet internally its total requirement of iron ore and coal .
This will result in substantial savings in cost of raw material, optimizing overheads with capacity operation and will contribute to the profitability of the Company.
- (3) Expected increase in productivity and profits in measurable terms :
The Company expects to achieve production of 1,36,965 MT of sponge iron and operating profit of approximately Rs. 8.97 Crores for the year 2010-2011. The projections are as per the future outlook considered by the Board for the year 2010-11.

Since payment of remuneration to the Whole Time Director requires approval of the shareholders by way of a special resolution in terms of the provisions of Schedule XIII of the Companies Act, 1956, therefore, the Board recommends this resolution to be passed as a special resolution.

The terms of appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of Mr. B.K.Luthra as Whole Time Director, under Section 302 of the Companies Act, 1956.

None of the Directors are interested or concerned in the resolution except Mr. B.K. Luthra.

BY ORDER OF THE BOARD

Place New Delhi
Dated: 13th, August, 2010

[MANOJ KUMAR]
COMPANY SECRETARY

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

		State Code	03
Registration No.	1633		
Balance Sheet Date	31.03.2010		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	2,44,21,59	Total Assets	2,44,21,59
Sources of Funds			
Paid up Capital Including Share Application Money	90,25,31	Reserves & Surplus	74,78,81
Secured Loans	62,92,32	Unsecured Loans	16,25,15
Application of Funds			
Net Fixed Assets	1,08,12,50	Net Current Assets	12,51,25
Accumulated Losses	1,23,57,84		

IV. Performance of Company (Amount in Rs Thousands)

Turnover/Other Income	1,81,90,88	Total Expenditure	1,89,64,77
Profit/(Loss) Before Tax	(7,73,89)	Profit/(Loss) After Tax	(7,75,24)
Extraordinary items (Income)	-	Profit/(Loss) After extraordinary items	(7,75,24)
Earning Per Share in Rs.(Basic)	(0.86)	Dividend rate %	Nil

V. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

Product Description	Direct Reduced Iron
Item Code No. (ITC Code)	72031000

As per our Report of even date

for **Thakur, Vaidyanath Aiyar & Co.**
Chartered Accountants
FRNo. 000038N

Umesh K. Modi
**(Chairman &
Managing Director)**

B.K. Luthra
(Executive Director-Works)

Directors
Abhishek Modi
K.K. Jain
G.C. Jain

M.P. Thakur
(Partner)
Membership no. 52473

Manoj Kumar
(Company Secretary)

A.K. Sinha
Sr. Manager (Accounts)

B.N. Nayak
J.N. Khurana
Vijay K. Modi

Place : New Delhi
Date : 13th August, 2010