

NOTICE

Notice is hereby given that 29th Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Friday, 30th day of September, 2011 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, 2011 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. G.C.Jain, who retires from office by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G.W. Elsenheimer, 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 Mrs. Kum Kum Modi who was appointed as an additional director by the Board of Directors on June 4th 2011 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 her 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.D.Garg, who was appointed as an additional director by the Board of Directors on June 4th 2011 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, and subject to the approval of the Financial Institutions, Central Government and such other approvals as may be necessary, the Company hereby approves the appointment of Mr. Bindu Kumar Luthra as Whole Time Director designated as Executive Director (Works) of the Company for a period of one year with effect from 18th June, 2011.

RESOLVED FURTHER THAT in accordance with the provisions of Section 198, 309 and 310 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956, Mr. Bindu Kumar Luthra Executive Director (Works) be paid the following remuneration for a period of one years with effect from 18th June, 2011.

- 1) **Basic Salary:** Rs. 1,34,200/- 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. 8000/- 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. Bindu Kumar 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. Bindu Kumar 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. Bindu Kumar 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.”

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

“RESOLVED THAT in accordance with the provisions of 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 and subject to the approval of the Financial Institutions, Central Government and such other approvals as may be necessary, Mr. Umesh K. Modi, Chairman & Managing Director be paid the following remuneration for a period of two years with effect from 1st March, 2012:

1. **Basic Salary** Rs. 2,00,000/- per month

2. **Perquisites & Allowance:**

- a) **Housing:**

– 60% of the Salary, if no accommodation is provided by the Company; or
– In case, the accommodation is provided by the Company, the Company will pay the hiring charges of unfurnished accommodation subject to maximum of 60% of the Salary; or

– In case, the accommodation is owned by Mr. Umesh K. Modi, the expenses incurred by him on repair, maintenance and upkeep of the house shall be reimbursed subject to maximum of 60% of the salary.

- b) **Medical Reimbursement:** Expenses incurred for him and the family subject to maximum of five percent of basic salary in a year.

- c) **Leave Travel Concession:** For himself and family once in a year in accordance with rules of the Company.

- d) **Personal Accident Insurance:** The annual premium not to exceed Rs.7,500/

- e) **Club Membership:** Payment of Annual Membership of 2 Clubs not to exceed Rs. 39,000/-

- f) **Gas, Electricity & Water charges:** Gas, Electricity & Water charges not to exceed Rs.1,93,500/- on annual basis.

- g) **Contribution to Provident Fund, Superannuation Fund or Annuity Fund:** 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 will not be included in the computation of the ceiling on perquisites.

- i) **Encashment of Leave:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

- j) **Conveyance:** One Company Car with driver use on actual basis.

- k) **Telephone:** One Telephone at residence on actual basis. However, long distance personal calls will be billed on actual basis.

- l) **Sitting Fees:** Mr. Umesh K. Modi will not be entitled for sitting fees for attending the Meetings of the Board or Committee thereof.

- m) **Minimum Remuneration:** In the event of inadequacy or absence of profit in any financial year during his tenure, Mr. Umesh K Modi 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 and other expenses** :Mr. Umesh K. Modi 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: 25th August, 2011


[MANOJ KUMAR]
COMPANY SECRETARY

NOTES:

- 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.**
- 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.
- The Register of Members and Share Transfer Books of the Company will remain close from **Friday, 23rd day of September, 2011 to Friday, 30th day of September, 2011** (both days inclusive).
- Non- Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
- 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.
- Members are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.
- 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 4th, 2011 appointed Mrs. Kum Kum Modi as an additional director of the Company. As per the provisions of Section 260 of the Companies Act, 1956. Mrs. Kum Kum 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 Mrs. Kum Kum Modi as a Director of the Company liable to retire by rotation. Mrs. Kum Kum Modi holds masters degree in Arts from University of Delhi and has varied experience of the industry of more than 22 years in the area of general management and corporate advisory services. She is also director in other group companies. The Company will be benefited if she continues to be the director of the Company. The Board recommends this resolution to be passed as an ordinary resolution. Mrs. Kum Kum Modi is concerned and interested to the extent of her appointment. Mr. U.K.Modi, Chairman & Managing Director and Mr. Abhishek Modi & Mr. Jayesh Modi Directors of the Company are deemed to be concerned or interested as Husband and sons respectively in her appointment.

ITEM NO. 6

The Board of Directors at their meeting held on June 4th, 2011 appointed Mr. B.D.Garg as an additional director of the Company. As per the provisions of Section 260 of the Companies Act, 1956. Mr. B.D. Garg holds the office of director only up to the date of this Annual General Meeting. Mr. B.D.Garg is an Engineering Graduate (Electronics) from BHU and has experience of more than 30 years and has worked at various levels of management. His experience is in the 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. D. Garg 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.D.Garg.

ITEM NO. 7

Mr. Bindu Kumar Luthra is an Engineering Graduate from BHU and has experience of more than 31 years and has worked at various levels of management. His experience is 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. Bindu Kumar Luthra for a period of one year w.e.f. 18th June, 2011. The Board in their meeting held on June 4th 2011 had approved the appointment of Mr. Bindu Kumar 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 herein under:

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 31.03.2011
Sales (Net of Excise Duty) & Other Income	1,68,67.40
Profit / (Loss) before Interest, Depreciation & Income Tax	(11,32.11)
Interest & Finance Charges	7,47.14
Depreciation	5,07.91
Profit/(Loss) for the year before Tax	(23,87.16)
Provision for Tax	
— Fringe Benefit Tax for earlier year	0.22
— Wealth Tax	0.21
Profit/(Loss) for the year carried to balance sheet	(23,87.59)

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

II. INFORMATION ABOUT THE APPOINTEE:

- Background details :**
Mr. Bindu Kumar Luthra is an Engineering Graduate from BHU. He has been associated with the industry for more than 31 years and has worked at various level of management.
- Past remuneration :**
At the Annual General Meeting held on 29th September, 2010, the shareholders approved basic salary of Rs. 1,22,000/- per month plus perquisites to Mr. Bindu Kumar Luthra for a period of one years w.e.f. 18th June, 2010.
- Recognition or awards :** None
- Job profile and his suitability :**
He joined as the Chief Executive Officer of the Company and was appointed as Whole Time Director designated as Executive Director (Works) of the Company w.e.f 18th June, 2010 for a period of one year. He continues to be Executive Director (Works) of the Company w.e.f 18th June, 2011 post his reappointment for one year in the Board Meeting held on June, 4th 2011. He has vast experience in the area of administration, operations and technical aspects of Company's business.
- Remuneration proposed :**
Details of proposed remuneration is given in Item No. 7 of the Notice convening the 29th Annual General Meeting.
- 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.
- 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 iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Dist. Singhbhum, Jharkhand. The geological survey was conducted by the Geological Department, Government of Jharkhand, the report is under preparation. The contract for the preparation of Mining Plan/EMP/EMI, Forest Clearance Plan has been awarded to MECON Engineers Ltd. The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the state of Jharkhand. Mining plan has already been submitted with the Ministry of Coal, Govt. of India for their approval. Form -I and Proposed Terms of Reference for EIA/EMP of Macherkunda Underground Mines has also been submitted with Ministry of Environment, Govt. of Jharkhand. 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.
- (3) Expected increase in measurable terms :
The Company expects to achieve Operating Profit of approx. Rs. 8.26 crores for the year 2011-2012.
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 re-appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Whole Time Director u/s 302 of the Companies Act, 1956.
None of the Directors are interested or concerned in the resolution except Mr. Bindu Kumar Luthra.

ITEM NO. 8

Mr. Umesh K. Modi is an Engineering Graduate with Gold Medal from BHU. The Company, under the stewardship of Mr. Umesh K. Modi, has besides expanded its installed capacity of Sponge Iron to 2,10,000 MT per annum and installation of Captive Power Generation Plant of 5 MW, also procured Iron Ore Mine having an area of 406.40 hectares in Ghatkuri Forest Reserve, District Singhbhum and Coal Block in Macherkunda Coal Block, Jharkhand.

The shareholders in their Annual General Meeting held on 28th September, 2008 had approved payment of Salary of Rs. 2,00,000/- per month together with perquisites for a period of 3 years with effect from 1st March, 2009 to Mr. Umesh K. Modi, Chairman & Managing Director of the Company, which expires on 29th February, 2012. Further his tenure as Managing Director of the Company is due to expire on 27th March, 2014.

Considering the above facts and efforts made by Mr. Umesh K. Modi to enhance the manufacturing capacity, substantial improvement in the performance of the Company and keeping in view the inflationary pressure, cost of living, his qualifications and also the comparative remuneration in the industry, the Remuneration Committee approved and recommended to the Board for payment of basic salary of Rs. 2,00,000/- per month plus perquisites to Mr. Umesh K. Modi for a period of two years w.e.f. 1st March, 2012. Accordingly, the Board had approved the payment of said remuneration, subject to approval of members of the Company, Central Government and such other approvals as may be required.

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 31.03.2011
Sales (Net of Excise Duty) and Other Income	1,68,67.40
Profit / (Loss) before Interest, Depreciation & Income Tax	(11,32.11)
Interest & Finance Charges	7,47.14
Depreciation	5,07.91
Profit/(Loss) for the year before Tax	(23,87.16)
Provision for Tax	
- Fringe Benefit Tax for earlier year	0.22
- Wealth Tax	0.21
Profit/(Loss) for the year carried to Balance Sheet	(23,87.59)

- (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. Umesh K. Modi is an Engineering Graduate with Gold Medal from BHU. He is on the Board of various other companies carrying business of sugar, steel products, pharmaceuticals and engineering etc.
- (2) Past remuneration :
At the Annual General Meeting held on 28th September, 2008, the shareholders approved basic salary of Rs. 200000/- per month plus perquisites to Mr. Umesh K Modi for a period of three years w.e.f. 1st March, 2009.
- (3) Recognition or awards : None
- (4) Job profile and his suitability :
He is working as Managing Director of the Company. He has given his valuable contribution towards continuous growth of the Company over the years. He is also Managing Director of Modi Industries Limited
- (5) Remuneration proposed :
Details of proposed remuneration is given in Item No. 8 of the Notice convening the 29th Annual General Meeting.
- (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. 50 lakhs to Rs. 100 lakhs per annum.
- (7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.
He is related to Mr. Abhishek Modi, Mr. Jayesh Modi and Mrs Kum Kum Modi Director, as their father and her husband respectively.

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 iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Dist. Singhbhum, Jharkhand. The geological survey was conducted by the Geological Department, Government of Jharkhand, the report is under preparation. The contract for the preparation of Mining Plan/EMP/EMI, Forest Clearance Plan has been awarded to MECON Engineers Ltd. The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the state of Jharkhand. Mining plan has already been submitted with the Ministry of Coal, Govt. of India for their approval. Form -I and Proposed Terms of Reference for EIA/EMP of Macherkunda Underground Mines has also been submitted with Ministry of Environment, Govt. of Jharkhand. 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.
- (3) Expected increase in measurable terms :
The Company expects to achieve Operating Profit of approx. Rs. 8.26 crores for the year 2011-2012.
Since payment of remuneration to the Managing 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. Payment of remuneration to Mr. Umesh K. Modi is subject to approval of Central Government and such other approvals as may be required.
The terms given in the said resolution may be treated as an abstract of the terms and conditions u/s 302 of the Companies Act, 1956.
None of the Directors except Mr. Umesh K. Modi and Mr. Abhishek Modi, Mr. Jayesh Modi and Mrs Kum Kum Modi being relative of Mr. Umesh K. Modi are interested or concerned in the resolution.

BY ORDER OF THE BOARD


Place New Delhi
Dated: 25th August, 2011

[MANOJ KUMAR]
COMPANY SECRETARY

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 29th Annual Report of the Company along with audited accounts for the year ended 31st March, 2011.

	Rs. In lacs	
	2010-11	2009-10
Sales (Net of Excise Duty)	1,67,31.82	1,79,94.89
Other Income	1,35.58	1,95.99
Profit / (Loss) before Interest, Depreciation & Income Tax	(11,32.11)	3,95.37
Interest & Finance Charges	7,47.14	5,93.61
Depreciation	5,07.91	5,75.65
Profit/(Loss) for the year before Tax	(23,87.16)	(7,73.89)
Provision for Tax :		
— Fringe Benefit Tax for earlier year	0.22	1.02
— Wealth Tax	0.21	0.33
Profit / (Loss) for the year carried to Balance Sheet	(23,87.59)	(7,75.24)

OPERATIONS :

During the year under review, production was 1,07,217 MT of sponge iron as against 1,41,265 MT of sponge iron in the previous year. The Company could not achieve higher production due to unprecedented low availability of iron ore and due to non-availability of empty racks on time. Under the circumstances the Company was forced to procure iron ore by road. Further the Government of Orissa had started drive to curb down illegal mining and enforce adherence to environmental norms for mining, as a result more than 60 % of the mines were closed due to want of pollution clearance & submission of proper mining documents, adversely affecting supply of iron ore. Due to short supply of iron ore, Kilns were taken on hold for several times during the year and hence production during the year suffered.

The Company has been allotted iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Dist. Singhbhum, Jharkhand. The geological survey was conducted by the Geological Department, Government of Jharkhand, the report is under preparation. The contract for the preparation of Mining Plan/EMP/EMI, Forest Clearance Plan has been awarded to MECON Engineers Ltd.

The Company has also been allotted for captive use, a coal block in the Macherkunda Coal Block, in the state of Jharkhand. Mining plan has already been submitted with the Ministry of Coal, Govt. of India for their approval. Form -I and Proposed Terms of Reference for EIA/EMP of Macherkunda Underground Mines has also been submitted with Ministry of Environment, Govt. of Jharkhand.

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. IREDA has sanctioned Rs. 69 Crores of term loans to Chandil Power Ltd. for the project. The Company has applied to the Government of Jharkhand, seeking permission to sub-leasing 22.36 acres of land to Chandil Power Limited required for putting up the said power plant.

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 being setup by Chandil Power Ltd. becomes operational, your Company will turn profitable.

FIXED DEPOSITS:

The Company has neither invited nor accepted any 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:

Mrs. Kum Kum Modi and Mr. B.D.Garg were appointed as Additional Directors on the Board with effect from 4th June, 2011. Mr. B.K. Luthra was re-appointed as the Whole Time Director, designated as Executive Director (Works) of the Company with effect from 18th June, 2011 for a period of one year, subject to your approval.

Notices in writing along with requisite deposits under Section 257 of the Companies Act 1956, have been received from the members of the Company proposing Mrs. Kum Kum Modi & Mr. B.D.Garg as candidates for the office of Directors.

Mr. Vijay Kumar Modi alternate Director to Dr. W. Janke ceased to hold office on 21st February, 2011, 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 4th June, 2011.

Mr. J.N.Khurana alternate Director to Mr. G.W.Elsenheimer ceased to hold office on 21st February, 2011, on arrival of Mr. G.W.Elsenheimer to attend the meeting of Board of Directors. Mr. J.N.Khurana has again been appointed as an Alternate Director to Mr. G.W.Elsenheimer with effect from 4th June, 2011.

Bihar State Industrial Development Corporation (BSIDC) had withdrawn the nomination of Mrs. Anshuli Arya w.e.f. 10th December, 2010 and nominated Mr. S. Shiva Kumar in her place. Later Mrs. Anshuli Arya was again nominated in place of Mr. S. Shiva Kumar on the Board by BSIDC w.e.f 21st February, 2011.

Since Mr. Ashok Kumar Basu nominee director of Govt. of Jharkhand (GoJ), retired from the services of the GoJ, GoJ had vide its Letter No. 2573/Ranchi, dated 19th November, 2010, communicated their decision, not to nominate any director on the Board of the Company. The Board places on record its deep sense of appreciation for the wise counsel, valuable guidance and Co-operation extended by Mr. Ashok Kumar Basu 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. G.C. Jain and Mr. G.W.Elsenheimer 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.
- M/s M.K. Singhal & Co., Cost Accountants has been appointed by the Board of Directors of the Company on the recommendation of the Audit Committee, as Cost Auditors of the Company for the Financial Year 2011-12. The Company has received a letter from them to the effect that their appointment, if made would be within the prescribed limits under Section 224 (1B) of the Company Act, 1956, Certificate of independence and arms length relationship with the Company and are not disqualified for such appointment within the meaning of Section 226/233-B(5) of the Companies 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 low production 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:

- (i) That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- (ii) That the Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
- (iii) 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.
- (iv) 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 :

Non of the employees of the Company fall under the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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-A** 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
Dated: 25th August, 2011

Umesh K. Modi
(Chairman & Managing Director)

Annexure - A

ANNEXURE TO THE DIRECTORS' REPORT 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 (2010-11)	Previous Year (2009-10)
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	8,93,441	5,82,383
Unit per liter of HSD	2.90	3.05
Cost/Unit (Rs.)	12.21	9.96
2. Through steam turbine		
Unit	2,59,38,520	2,80,81,800
Unit per M.T of fuel	983	1,050
Cost/Unit (Rs.)	1.79	1.86
2. COAL		
Quantity (M.T)	1,68,529	2,18,280
Cost (Rs.)	35,01,12,646	50,43,89,512
Average Rate (Rs./M.T)	2,077.46	2,310.75

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

1. Electricity (Unit)	250	203
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	1.57	1.55
4. Others – HSD (Liter)	2.87	1.35

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

1. Specific areas in which R & D is carried out by the Company : Nil
2. Benefits derived as a result of the above R & D : Does not arise
3. Future plan of action : Not yet decided
4. Expenditure on R & D : Nil

(B) Technology absorption, adaptation & innovation.

1. Efforts in brief made towards technology absorption, adaptation & innovation :
 - Technology transfer is complete.
2. 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

- (a) Lurgi SL/RN process for the direct reduction of Iron Ore in a rotary kiln.
- (b) Year of import : 1986-89 (plant construction period)
- (c) Has the technology been fully absorbed? Yes
- (d) 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. Thousand)	
	2010-2011	2009-2010
1 EARNING		
Export of Goods on F.O.B	—	—
2 OUTGO		
a) Interest	10.35	20.78
b) Import on CIF Basis		
Stores & Spares	0.32	—

For & on behalf of the Board

Place: New Delhi
Date : 25th August, 2011

Umesh K. Modi
(Chairman & Managing Director)

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 an Executive Chairman and the number of Independent Directors are 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	4	Not Present	7	Nil	Nil
Ms. Ansuli Arya , IAS [nomination withdrawn w.e.f. 10-12-2010 & re-nominated w.e.f.21-02-2011]	Nominee Director	Nil	Not Present	7	Nil	Nil
Mr. Ashok K Basu, IAS (**) ceased to hold office w.e.f.10-12-2010]	Nominee Director	Nil	Not Present	3	Nil	Nil
Mr. Abhishek Modi	Non Executive Director	1	Not Present	5	Nil	Nil
Mr. K.K. Jain	Independent Director	4	Not Present	1	Nil	2
Mr. G.C. Jain	Independent Director	4	Present	6	4	Nil
Mr. B.N. Nayak	Nominee Director	4	Not Present	Nil	Nil	Nil
Mr. B.K.Luthra	Whole Time Director	3	Present	3	Nil	Nil
Mr. Jayesh Modi	Non-executive Director	Nil	Not Present	4	Nil	Nil
Dr. Wolfgang Janke	Independent Director	1	Not Present	Nil	Nil	Nil
Mr. G.W. Elsenheimer	Independent Director	1	Not Present	Nil	Nil	Nil
Mr. Vijay K Modi [ceased to hold office w.e.f. 21-02-2011]	Alternate to Dr. Wolfgang Janke	2	Not Present	2	1	Nil
Mr.J.N. Khurana [ceased to hold office w.e.f. 21-02-2011]	Alternate to Mr. G. W. Elsenheimer	3	Not Present	2	Nil	Nil
Mr. S. Shiva Kumar, IAS [nominated w.e.f. 10-12-2010 & nomination withdrawn w.e.f. 21-02-2011]	Nominee Director	Nil	Not Present	Nil	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. Abhishek Modi and Mr. Jayesh Modi are related to Mr. Umesh K. Modi as sons and father.

(**) No. of outside directorships held, is as per the records of the previous period.

Four Board Meetings were held during the year on 18th June, 2010, 13th August, 2010, 10th December, 2010 and 21st February, 2011.

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, 2011. The Code is posted on the website of the Company i.e. www.bsil.org.

INFORMATION REGARDING RE-APPOINTMENT OF DIRECTORS:

Mr. G. C. Jain, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. G. C. Jain is a Non-Executive and Independent Director. He is a fellow member of the Institute of Chartered Accountants of India and Law Graduate from Rajasthan University and has more than 35 years of experience in Accounts, Audit, Taxation and Company Law matters. He is also a Director in SBEC Sugar Limited, SBEC Systems (India) Limited, SBEC Bioenergy Limited, Own Investment (India) Limited and Modi Gourmet Limited.

Mr. G.W. Elsenheimer, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. G.W. Elsenheimer is a Non-Executive and Independent Director. He is a Metallurgical Engineer having more than 40 years experience in the field of coal and gas based Sponge Iron Units. He had held different positions in Lurgi Chemic, Germany in Plant Engineering and Process Engineering Division. 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. Mr. G.W. Elsenheimer resigned as the member of the Committee w.e.f. 21st February, 2011. The committee was reconstituted on 21st February, 2011. After the reconstitution, the Audit Committee has following directors:

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

All the Members except Mr. B.K.Luthra 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. 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.

Four meetings of Audit Committee were held during the year on 14th May, 2010, 13th August, 2010, 11th November, 2010 and 9th February, 2011. Attendance at meetings during the year:

Director	No. of meetings attended
Mr. G.C. Jain	4
Mr. K.K. Jain	4
Mr. B.N. Nayak	4
Mr. G.W. Elsenheimer	Nil

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 cover the following:

- a) to investigate any activity within its terms of reference;
- b) to seek information from any employee;
- c) to obtain outside legal or professional advice;
- d) to secure attendance of outsiders with relevant expertise, if it considers it so necessary;
- e) 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;
- f) to recommend the appointment and removal of the external auditor, fixation of audit fees and also approval for payment of any other services;
- g) 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 judgment 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;
- h) reviewing with the management, external and internal auditors, the adequacy of internal control system;
- i) reviewing with the management the quarterly financial statements before submission to the Board;
- j) reviewing the adequacy of internal audit function, reporting coverage and frequency of internal audit;
- k) discussion with internal auditors on any significant findings and follow up thereon;
- l) 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;
- m) 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;
- n) reviewing the company's financial and risk management policies;
- o) 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:

- a) Management discussion and analysis of financial condition and results of operations;
- b) Statement of significant related party transactions (as defined by the audit committee) submitted by management;
- c) Management letters/letters of internal control weakness issued by the statutory auditors;
- d) Internal audit report relating to internal control weakness;
- e) 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 has been reconstituted on 2nd June, 2009. After the reconstitution, the Investors' Grievance Committee has following independent directors:

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

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

COMPLIANCE OFFICE:

Mr. Manoj Kumar, Company Secretary of the Company is the Compliance Officer of the Company.

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 4 times on 14th May, 2010, 13th August, 2010, 11th November, 2010 and 9th February, 2011.

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

	Number of complaints received					
	Direct	Stock Exchanges	Investor Associations	SEBI	Deptt. of Company Affairs	Number of total complaints (Share Transfers/ Annual Reports etc.)
1. Received	15	Nil	Nil	Nil	Nil	15
2. Replied	15	Nil	Nil	Nil	Nil	15
3. Pending	Nil	Nil	Nil	Nil	Nil	Nil

REMUNERATION COMMITTEE:

The Remuneration Committee was constituted by the Board in March, 2006. The 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.

One meeting of Remuneration Committee was held during the year on 18th June, 2010 and all the members of the Committee were present at the meeting.

Details of Remuneration paid to Directors for the year ended on 31st March, 2011.

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, 2011 are as under:-

S. NO.	NAME	SALARY	PERQUISITES AND OTHER BENEFITS	SITTING FEES (Rs.)	TOTAL (Rs.)
Executive Directors:					
1	Mr. U. K. Modi	24,00,000	20,17,626	—	44,17,626
2	Mr. B.K.Luthra	11,50,867	8,84,418	—	20,35,285
Non-Executive Directors:					
3	Mr. K.K. Jain	—	—	38,000	38,000
4	Mr. G.C. Jain	—	—	13,000	13,000
5	Mr. B.N. Nayak	—	—	20,000	20,000
	Mr. Vijay K Modi	—	—	2,000	2,000
7	Mr. J.N. Khurana	—	—	3,000	3,000

ANNUAL GENERAL MEETING:

Location and time for the last three Annual General Meetings:

Year	Date	Venue	Time	Special Resolution Passed (Yes / No)
2010	29.09.2010	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes
2009	26.09.2009	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	No
2008	23.09.2008	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes

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 Forming Part 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/Chief Financial Officer have submitted the desired certificate to the Board of Directors and the same have been taken on record by the Board of Directors in their meeting held on 25th August, 2011.

GENERAL SHAREHOLDER INFORMATION:

Twenty Ninth Annual General Meeting is scheduled to be held on Friday, 30th September, 2011 at 10 : 00 AM 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 30.06.2011:	First fortnight of August, 2011
2. Quarter ended 30.09.2011:	First fortnight of November, 2011
3. Quarter ended 31.12.2011:	First fortnight of February, 2012
4. Quarter ended 31.03.2012:	First fortnight of May, 2012

Book Closure:

Friday 23rd September, 2011 to Friday 30th September, 2011 (both days inclusive)

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, 2011.

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 vide 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 2011-2012 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 2010-2011 is furnished below:

Month	High (Rs)	Low (Rs.)	Volume
April – 2010	13.44	10.21	14,80,811
May – 2010	12.09	9.15	6,96,184
June – 2010	11.18	9.35	6,85,483
July – 2010	11.00	9.41	9,15,147
August – 2010	10.65	8.55	8,68,854
September – 2010	14.80	9.00	25,55,089
October – 2010	14.63	11.25	15,71,448
November – 2010	13.59	8.70	6,43,024
December – 2010	11.00	9.00	3,65,200
January – 2011	11.75	8.85	6,48,590
February – 2011	13.99	8.73	18,83,995
March – 2011	10.34	9.17	3,69,649

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, 2011:

No. of Shares	No. of Shareholders	No. of Shares	% age to total shares
Up to 5000	55,685	85,16,400	9.4411
5001 to 10000	3,371	27,46,440	3.0447
10001 to 20000	1,336	20,95,577	2.3231
20001 to 30000	367	9,51,562	1.0549
30001 to 40000	173	6,30,097	0.6985
40001 to 50000	203	9,81,240	1.0878
50001 to 100000	242	18,59,266	2.0611
100001 and above	201	7,24,24,821	80.2888
Total	61,578	9,02,05,403	100.00

Shareholding pattern as on 31st March, 2011:

Particulars	No. of Shares Held	% age of shares held
1. Promoters	6,25,52,579	69.34
2. Mutual Funds & UTI	64,550	00.07
3. Banks, Financial Institution & Insurance Companies	1,15,820	00.13
4. Foreign Financial Investors	16,84,868	1.87
5. Private Corporate Bodies	30,56,983	3.39
6. Indian Public	2,14,46,515	23.77
7. NRI/OCBs	6,57,232	00.73
8. Any Other (Clearing Members & Trust)	6,26,856	00.7
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 from:

As on 31st March, 2011, 40.30 % 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, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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
[FRNo. 000038N]

Place : New Delhi
Dated : 25th August, 2011

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

MANAGEMENT DISCUSSION & ANALYSIS**1. INDUSTRY STRUCTURE AND DEVELOPMENTS**

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.

2. OPPORTUNITIES AND THREATS

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. Further Government of Orissa had started drive to curb down illegal mining and enforce adherence to environmental norms for mining, as a result more than 60 % of the mines has been closed due to want of pollution clearance & submission of proper mining documents. The Company procure substantial portion of iron ore requirement from the state of Orissa. Thus availability of iron ore has become a matter of concern for the Company. Therefore, the Company has been exploring various avenues for procuring good quality iron ore.

Iron Ore :

The Company has been allotted iron ore mine of 406.40 hectares, at Ghatkuri Forest Reserve, Dist. Singhbhum, Jharkhand. The geological survey was conducted by the Geological Department, Government of Jharkhand, the report is under preparation. The contract for the preparation of Mining Plan/EMP/EMI, Forest Clearance Plan has been awarded to MECON Engineers Ltd.

Coal:

The Company has also been allotted for captive use a coal block in the Macherkunda Coal Block, in the state of Jharkhand. Mining plan has already been submitted with the Ministry of Coal, Govt. of India for their approval on 13th June, 2011. Form -I and Proposed Terms of Reference for EIA/EMP of Macherkunda Underground Mines has also been submitted with Ministry of Environment, Govt. of Jharkhand on 29th July, 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.

3. SEGMENT-WISE/PRODUCT-WISE PERFORMANCE

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

4. OUTLOOK

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 spur 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.

5. RISKS AND CONCERNS

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.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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 program 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 four 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.

7. FINANCIAL PERFORMANCE

Turnover (Net of Excise Duty) for the year under review amounted to Rs1,67,31.82 lacs against Rs. 1,79,94.89 lacs for the previous year, registering a decrease by 7.02 % to previous year. The net loss for the year under review is Rs. 23,87.59 lacs as compared to previous year loss of Rs. 7,75.24 lacs. The increase in loss has been due to low production as a result of non-availability of sufficient quantity of iron ore and coal.

8. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company, at the year ended 31st March, 2011 had 617 employees as compared to 613 in the previous year and industrial relations remained cordial during the year.

9. CAUTIONARY STATEMENT

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.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

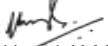
25th August, 2011

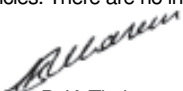
The Board of Directors,
Bihar Sponge Iron Limited
Umesh Nagar,
Chandil, District Saraikela Kharsawan, Jharkhand

We, Umesh K. Modi, Chairman & Managing Director (CEO) and B.K.Thakur, Chief Financial Officer (CFO) of Bihar Sponge Iron Limited both certify to the Board that we have reviewed the financial statement and the cash flow statement of the company for the year ended 31st March, 2011.

To the best of our knowledge, we 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, we 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. We 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
(CEO)


B. K. Thakur
Chief Financial Officer

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, 2011 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 appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches;
 - (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 by 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, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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, 2011;
 - 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
[FRNo. 000038N]

Place : New Delhi
Dated : 25th August, 2011

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

The Annexure referred to in the main Auditor's Report of Bihar Sponge Iron Limited for the Financial Year 2010-2011 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 accounts.
 - 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 principal amount and interest of such loan are regular.
- 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. 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**
- 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 some delay in payment of excise duty/service tax/ VAT/Sales Tax.*
 - 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 Goods Transportation	16.12.97 to 31.03.98	373.06
2.	The Customs Act, 1962	CESTAT, Kolkata	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, Kolkata	Custom Duty & Demurrage Charges and interest on imported Stores & spare parts	1991-92 1994-95	104.27 50.32
4.	JVAT Act, 2005	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
6.	Finance Act, 1994	The Commissioner of Appeals Central Excise & Service Tax, Ranchi	Recovery of Irregular Cenvat Credit, Cess availed and Penalty thereon	2009-10	247.00
7.	Income Tax Act, 1961	The Commissioner of Income Tax (Appeals), JSR	Short Deduction Collection of Tax at Source with Interest and Penalty	2004-05 to 2008-09	83.34
Grand Total					991.99

- 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 repayment of dues to Financial Institutions or Banks *but for certain delays in repayment of principal and interest due thereon on which Compound Interest has been paid, however a sum of Rs. 124.10 lacs of Principal and Interest due on 15.01.2011 to Foreign Lenders was paid on 11.04.2011.*
- 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 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
[FRNo.000038N]

Place : New Delhi
Dated : 25th August, 2011

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

BALANCE SHEET AS AT MARCH 31, 2011

PARTICULARS	SCHEDULE NUMBER	AS AT MARCH 31, 2011 Rs. Thousands	AS AT MARCH 31, 2010 Rs. Thousands
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	90,25,31	90,25,31
(b) Reserves and Surplus	2	72,32,00	74,78,81
		<u>1,62,57,31</u>	<u>1,65,04,12</u>
2. Loan Funds			
(a) Secured	3	58,53,62	62,92,32
(b) Unsecured	4	41,67,59	16,25,15
		<u>1,00,21,21</u>	<u>79,17,47</u>
		<u>2,62,78,52</u>	<u>2,44,21,59</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	5	3,14,09,52	3,14,28,85
Less: Depreciation		2,15,04,03	2,07,59,51
Net block		99,05,49	1,06,69,34
Capital Works in progress		1,72,62	1,43,16
		<u>1,00,78,11</u>	<u>1,08,12,50</u>
2. Current Assets, Loans and Advances			
(a) Inventories	6	38,90,93	42,28,07
(b) Sundry Debtors	7	1,74,39	3,08,21
(c) Cash & Bank Balances	8	9,00,75	9,97,98
(d) Loans and Advances	9	8,16,91	9,46,78
		<u>57,82,98</u>	<u>64,81,04</u>
Less : Current Liabilities and Provisions			
Current Liabilities	10	39,27,89	48,78,75
Provisions	11	4,00,11	3,51,04
		<u>43,28,00</u>	<u>52,29,79</u>
Net Current Assets		14,54,98	12,51,25
3. Profit & Loss Account			
Loss as per last accounts		1,23,57,84	1,15,82,60
Add Loss /(Profit) for the year as per Annexed P & L Account		23,87,59	7,75,24
		<u>1,47,45,43</u>	<u>1,23,57,84</u>
		<u>2,62,78,52</u>	<u>2,44,21,59</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
B.D. Garg
K.K. Jain

M.P. Thakur
(Partner)
Membership no. 052473

Manoj Kumar
(Company Secretary)

B.K. Thakur
Chief Financial Officer

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

Place : New Delhi
Date : 25th August, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

PARTICULARS	SCHEDULE NUMBER	CURRENT YEAR Rs. Thousands	PREVIOUS YEAR Rs. Thousands
INCOME			
Gross Sales		1,84,76,72	1,95,55,62
Less:Excise Duty		17,44,90	15,60,73
Net Sales		1,67,31,82	1,79,94,89
Other Income	12	1,35,58	1,95,99
		1,68,67,40	1,81,90,88
EXPENDITURE			
Materials, Manufacturing & Others	13	1,44,58,85	1,40,09,00
Decrease/(Increase) in Stocks	14	8,41,43	6,04,54
Excise Duty on Increase /(Decrease) in Stocks		(1,12,06)	1,02,77
Personnel Expenses	15	15,56,83	15,86,78
Administration,Selling and Distribution	16	12,54,46	14,92,42
		1,79,99,51	1,77,95,51
Profit before Interest and Depreciation		(11,32,11)	3,95,37
Interest & Finance Charges	17	7,47,14	5,93,61
Depreciation		7,54,73	8,22,47
Less:Transferred from Revaluation Reserve		(2,46,82)	(2,46,82)
		5,07,91	5,75,65
Profit/(Loss) before Taxation		(23,87,16)	(7,73,89)
Provision for Current tax			
– Wealth tax		21	33
– Provision for tax (F.B.T.) for earlier year		22	102
Profit/(Loss) carried to Balance Sheet		(23,87,59)	(7,75,24)
Earning in Rs. Per Share (Refer Note No. 13 Schedule 18)			
– Basic & Diluted EPS		(2.65)	(0.86)
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. 000038N]

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

B.K. Luthra
(Executive Director-Works)

Directors
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M.P. Thakur
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B.K. Thakur
Chief Financial Officer

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

Place : New Delhi
Date : 25th August, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	AS AT MARCH 31, 2011 Rs. Thousands	AS AT MARCH 31, 2010 Rs. Thousands
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax	(23,87,16)	(7,73,89)
Adjustments for :		
Depreciation	5,07,91	5,75,65
Interest Expense	7,47,14	5,93,61
Interest Income	(35,22)	(31,96)
(Profit)/Loss on sales of fixed assets	1,30	10,86
	<u>12,21,13</u>	<u>11,48,16</u>
Operating profit / (loss) before working capital changes	(11,66,03)	3,74,27
Adjustments for :		
Trade and other Receivables	2,54,95	(2,69,06)
Inventories	3,37,14	11,19,00
Trade Payable and Provisions	(9,23,64)	(10,19,89)
	<u>(3,31,55)</u>	<u>(1,69,95)</u>
Cash (used) in / Generated from operations	(14,97,58)	2,04,32
Income Tax paid / (refund)	(8,20)	4,93
Net Cash (used) in / generation from operating activities	(14,89,38)	1,99,39
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	35,22	31,96
Purchase of fixed assets	(31,20)	(41,88)
Proceeds from Sales of Fixed Assets	9,55	16,11
Net Cash (used) in/flow from investing activities	<u>13,57</u>	<u>6,19</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long/Short term borrowings	39,36,56	18,25,61
Interest paid	(3,52,23)	(2,46,24)
Repayment of long term borrowings	(8,11,63)	(9,33,33)
Repayment of Short term borrowings	(13,94,12)	(2,96,71)
NET CASH FLOWS FROM /(USED) IN FINANCING ACTIVITIES	<u>13,78,58</u>	<u>3,49,33</u>
Net increase/(decrease) in cash and cash Equivalents (A+B+C)	(97,23)	5,54,91
Cash and Cash equivalents at beginning of period	9,97,98	4,43,07
Cash and Cash equivalents at end of the period	9,00,75	9,97,98

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)

B.K. Thakur
(Chief Financial Officer)

Directors

Abhishek Modi
B.D. Garg
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, 2011 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 : 25th August, 2011

M.P. Thakur
(Partner)
Membership no. 052473

Schedules forming part of Balance Sheet as at March 31, 2011

SCHEDULE - 1 : SHARE CAPITAL

PARTICULARS	AS AT MARCH 31, 2011 Rs. Thousands	AS AT MARCH 31, 2010 Rs. Thousands
Authorised		
100,000,000 Equity Shares of Rs. 10 each	1,00,00,00	1,00,00,00
Issued, Subscribed and Paid Up		
90,205,403 Equity Shares (Previous Year 90,205,403)	90,20,54	90,20,54
of Rs.10/- each fully paid up in cash		
Add: Forefeited Shares (amount originally paid)	4,77	4,77
	<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	51,00,43	53,47,25
Less: Transferred to Profit & Loss Account	(2,46,82)	(2,46,82)
	<u>48,53,62</u>	<u>51,00,43</u>
	<u>72,32,00</u>	<u>74,78,81</u>

SCHEDULE - 3 : SECURED LOANS

TERM LOANS - RUPEE		
From Financial Institutions and Banks	3,34,92	7,81,43
TERM LOANS-FOREIGN CURRENCY		
From DEG-German Investment and Development Company	81,05	1,41,83
From International Finance Corporation, Washington	4,05,78	7,10,12
Interest Accrued & Due	2,39	-
LOAN FROM GOVT. OF JHARKHAND	32,50,00	32,50,00
(Under Rehabilitation Scheme - 2003)		
Interest accrued & due on above	17,52,37	13,81,83
WORKING CAPITAL LOANS FROM BANKS	27,11	27,11
	<u>58,53,62</u>	<u>62,92,32</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. 34,21 thousand as on 31-3-2011 (Rs. 79.83 Thousand as on 31-3-2010) 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 new 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.
- Term Loans/Soft Loan & Working Capital Loans due for payment within one year Rs.58,53,62 thousands (Previous year Rs.50,23,65 thousands). However, as per BIFR Order dt. 29.07.2004 soft loan and funded interest thereon would be repayable only after 30.09.2011.

SCHEDULE - 4 : UNSECURED LOANS

From a body corporate		
Promoters	41,67,59	12,16,08
Others	-	4,09,07
	<u>41,67,59</u>	<u>16,25,15</u>

Note:-

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

SCHEDULE 5: FIXED ASSETS

Rs. Thousands

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		REVALUATION RESERVE*	
	As at April 1, 2010	Additions/ Adjustment	Sale/Adjustment	As at March 31, 2011	As at April 1, 2010	During the Year	Adjustment during the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011
LAND - (Lease Hold)	3,88,83	—	—	3,88,83	43,74	4,96	—	48,70	3,40,13	3,45,09	3,24,73
- (Free Hold)	31,00	—	—	31,00**	—	—	—	—	31,00	31,00	24,15
Buildings	36,39,44	—	—	36,39,44	13,61,24	93,66	—	14,54,90	21,84,54	22,78,20	12,18,79
Plant & Machinery	2,53,69,08	37	—	2,53,69,45	1,80,98,91	5,76,35	—	1,86,75,26	66,94,19	72,70,17	27,96,49
Railway Sidings	16,43,35	—	—	16,43,35	10,53,42	57,19	—	11,10,61	5,32,74	5,89,93	4,89,46
Furniture, Fixtures and Office Equipments	1,86,87	1,37	—	1,88,24	1,16,46	9,90	—	1,26,36	61,88	70,42	—
Vehicles	1,55,01	—	21,07	1,33,94***	83,07	10,20	10,22	83,05	50,89	71,94	—
Intangible Assets											
EDP Softwares	15,27	—	—	15,27	2,68	2,47	—	5,15	10,12	12,59	—
Total	3,14,28,85	1,74	21,07	3,14,09,52	2,07,59,52	7,54,73	10,22	2,15,04,03	99,05,49	1,06,69,34	48,53,62
Previous Year	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			5,10,43
Capital Work in Progress****									1,72,62	1,43,16	
									<u>1,00,78,11</u>	<u>1,08,12,50</u>	

* Revaluation was done on March 31, 2003.

** Free hold land includes at Rs. 5,93 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.

**** Includes capital advances Rs. 17,92 Thousand.

CURRENT ASSETS, LOANS AND ADVANCESAS AT MARCH
31, 2011
Rs.ThousandsAS AT MARCH
31, 2010
Rs.Thousands**SCHEDULE - 6: INVENTORIES :**

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

Stores & Spare parts (Including in transit)	8,74,65	7,63,12
Raw Material (Including in transit)	10,65,88	6,73,12
Finished Goods	19,22,33	27,73,79
Work-in-Progress	28,07	18,04
	<u>38,90,93</u>	<u>42,28,07</u>

SCHEDULE - 7: SUNDRY DEBTORS :

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

i) Debts over six months	—	—
ii) Other Debts	1,74,39	3,08,21
	<u>1,74,39</u>	<u>3,08,21</u>

SCHEDULE - 8: CASH AND BANK BALANCES :

Cash in hand	21,16	34,74
Cheques / Draft in hand and in transit	6,59	1,79,15
Balances with Scheduled Banks:		
Current Account	72,33	39,03
Fixed Deposits*	7,49,28	7,14,07
Interest accrued on FDRs	51,39	30,99
	<u>9,00,75</u>	<u>9,97,98</u>

* Includes margin money of Rs. 4,65,78 Thousands (P.Y. Rs. 4,30,57 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	2,79,35	2,98,46
Advances against Raw Materials	4,88,69	6,03,33
Claims Recoverable	3,55	6,76
Excise / Cenvat and Service Tax recoverable	33,40	17,57
FBT Recoverable	2,49	4,82
Tax Deducted at Source	5,59	9,29
Income Tax Recoverable	3,84	6,55
	<u>8,16,91</u>	<u>9,46,78</u>

	AS AT MARCH 31, 2011 Rs.Thousands	AS AT MARCH 31, 2010 Rs.Thousands
SCHEDULE-10: CURRENT LIABILITIES		
Sundry Creditors		
— Due to MSMED*	9,71	30
— Due to Others	14,19,44	12,88,28
— Due to Raw Materials	8,13,82	17,28,80
Advances from customers	4,50,56	6,70,45
Security Deposit	14,33	14,03
Other Liabilities	77,53	61,68
Excise duty	9,17,90	9,07,23
Book overdraft	33,65	39,00
Interest accrued but not due on Loans and others	1,90,95	1,68,98
	<u>39,27,89</u>	<u>48,78,75</u>
* Refer note no. 6 of schedule 18		
SCHEDULE-11: PROVISIONS		
Gratuity	3,39,88	2,99,03
Leave encashment	60,02	51,68
Wealth tax	21	33
	<u>4,00,11</u>	<u>3,51,04</u>
	CURRENT YEAR	PREVIOUS YEAR
	Rs.Thousands	Rs.Thousands
SCHEDULE - 12: OTHER INCOME		
Interest on Fixed deposits and Others*	35,22	31,96
Sundry balances written off (net)	15,50	1,14,42
Provision for Doubtful debts written back	-	2,47
Miscellaneous Income*	84,86	47,14
	<u>1,35,58</u>	<u>1,95,99</u>
*Includes Tax deducted at source Rs. 5,59 Thousands, (P.Y. Rs. 3,84 Thousands)		
SCHEDULE - 13: MATERIAL MANUFACTURING AND OTHER EXPENSES		
Raw Materials Consumed	1,30,66,97	1,22,19,80
Handling & Hire charges	2,35,81	3,46,21
Stores & Spares consumed	46,22	61,34
Power & Fuel	6,38,30	6,94,72
Water Charges	7,41	7,48
Repair & Maintenance		
-Buildings	10,06	7,33
-Plant & Machinery	4,14,36	6,25,59
-Railway Sidings	20,72	21,75
-Others	19,00	24,78
	<u>4,64,14</u>	<u>6,79,45</u>
	<u>1,44,58,85</u>	<u>1,40,09,00</u>
SCHEDULE - 14: DECREASE/(INCREASE) IN STOCKS		
Opening Stock		
- Finished Goods	27,73,79	33,79,15
- Work-in-Progress	18,04	17,22
	<u>27,91,83</u>	<u>33,96,37</u>
Closing Stock		
- Finished Goods	19,22,33	27,73,79
- Work-in-Progress	28,07	18,04
	<u>19,50,40</u>	<u>27,91,83</u>
Decrease/(Increase) in Stocks	<u>8,41,43</u>	<u>6,04,54</u>

SCHEDULE - 15: PERSONNEL EXPENSES

	CURRENT YEAR Rs.Thousands	PREVIOUS YEAR Rs.Thousands'
Payment to and Provisions for Employees:		
Salaries, Wages and Allowances	12,67,81	13,09,57
Gratuity	85,76	68,11
Leave encashment	15,99	20,71
Contribution to Provident Fund	96,82	94,76
Inspection charges Provident Fund	1,56	1,50
Workmen & Staff Welfare Expenses	88,89	92,13
	<u>15,56,83</u>	<u>15,86,78</u>

SCHEDULE - 16 : ADMINISTRATION, SELLING & DISTRIBUTION EXPENSES

Rent	30,32	54,32
Lease Hire Charges	-	63
Rates & Taxes	4,95	2,24
Insurance	25,83	30,41
Director's Sitting Fee	76	76
Printing & Stationery	11,73	14,08
Telephone, Telex and Postage	27,10	35,38
Vehicle Running & Maintenance	99,60	1,01,15
Travelling & Conveyance	44,97	56,18
Legal & Professional	1,19,57	66,74
Repair & Maintenance	29,35	29,83
Social Development Expenses	34,59	31,15
Miscellaneous Expenses	31,58	43,89
Previous year expenses (Net)	2,44	9,10
Loss on sale/discarded Fixed Assets (Net)	1,30	10,86
Advertisement and Sales Promotion	5,11	11,64
Packing, Freight & Forwarding	7,70,94	9,47,27
Commission on Sales	13,95	28,98
Sales Tax Expenses	37	14,81
Bad Debts Written Off	-	3,00
	<u>12,54,46</u>	<u>14,92,42</u>

SCHEDULE - 17: INTEREST AND FINANCE CHARGES

Interest on Fixed Loans	6,53,26	5,24,38
Interest on Other Loans	89,85	63,13
Bank & Other Charges	4,03	6,10
	<u>7,47,14</u>	<u>5,93,61</u>

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

- 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.
- The material in transit is valued at invoice cost.
- 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.
- 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:

- 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.
- 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.
- An impairment loss is recognized wherever the carrying value of assets exceeds its net selling price or value in use, whichever is higher.
- 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 up to 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 up to the date of commercial production.

5. Depreciation:

- 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.
- Depreciation on re-alignment of value of assets as a result of foreign exchange variations is amortised over the unexpired life of the assets.
- 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.
- Intangible assets are being amortised over their useful life of 6 years.

6. Foreign Currency Translation:

- Transactions in Foreign Currencies are recorded at the exchange rate prevailing on the date of transactions.
- Foreign Currency Loans and other Liabilities are stated at the exchange rate prevailing as on date of the Balance sheet.
- Exchange variation arising as a result of the translation of foreign currency loans are Capitalised / de-capitalised to relating plant & machinery / assets.
- 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:

- 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.
- 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 un-availed 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 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:**

Claims not acknowledged as debts are as under: -

(Rs. Thousands)

	As at 31.03.11	As at 31.03.10
(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 Asst. Year 2006-07. (excludes amount Rs.23,07 thousand paid by the company but not considered as credit by deptt.)	23,97	23,97
(b) Central Sales Tax demand (including interest) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Financial Year 2006-07	3,11	3,11
(c) Disputed demand for JVAT for the F.Y. 2010-11 u/s 70(5)(b) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals), Jsr.	58,79	—
(iv) Demand for water charges and interest thereon disputed by the company under writ petition before Jharkhand High Court, Ranchi	13,23,19	11,47,75
(v) (a) Disputed liability on account of currency fluctuation on foreign currency loans and interest thereon, pending before the Hon'ble AAIFR.	18,88,28	17,09,65
(b) Liability on account of currency fluctuation on upfront payment of foreign currency loan and additional 2% interest rate in lieu of guarantee of Govt. of Jharkhand matter pending before the Hon'ble Supreme Court, Delhi	18,19,36	—
(vi) Disputed Income Tax demand for short deduction/collection or Tax at source based on NSDL report for the F.Y. 2004-05 to 2008-09 u/s 156 raised by DCIT, JSR under appeal before the CIT (Appeal), JSR under section 246A (1) of the Income Tax Act, 1961 (with interest & penalty)	83,34	—
(vii) 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 / High Court.	Not ascertained	Not ascertained
(viii) (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) Demand for recovery of irregular Cenvat Credit for Service Tax and education cess thereon related to F.Y. 2009-10 (including penalty of Rs.1,23 thousand) under the provision of Rule 15(4) of CCR 2004 read with section 78 of the Finance Act 1994 under appeal before The Commissioner of Appeals Central Excise & Service Tax, Ranchi	2,47	—
(c) The Company has received a show cause notice from Assistant Commissioner, Central Excise Division IV, JSR for recovery of irregular Cenvat Credit on service tax and Education cess thereon for the F.Y. 2010-11 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.	1,99	1,23
(ix) 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. 48,56 thousands (Previous Year Rs. 46,43 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.

In the review hearings held on 3rd September, 2007 & 22nd September, 2010 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 installments 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 installments) The Company has filed appeals with AAIFR challenging the above said orders of BIFR which are pending.

4. The demand of water charges Rs. 14,25,26 thousands (inclusive of interest on arrear of water bills of Rs.1,32,91 thousands) as on 31.03.2011 (P.Y. Rs.12,49,06 thousands inclusive of interest of Rs.1,23,66 thousands as on 31.03.2010) raised by Chief Engineer, Subernarekha 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. 1,02,08 thousands up to 31st March, 2011, (Rs.1,01,32 thousands as on 31.03.2010.)

5. The amount of borrowing cost capitalized in accordance with requirement of AS-16, amounts to Rs. Nil Thousand during the year (Previous year Rs.4,01 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 :

	As at 31.3.2011	As at 31.3.2010
a) (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year.	9,71	30
(ii) Interest due thereon.	87	5
b) (i) The amount of interest paid in terms of Sec.16 of MSMED Act, 2006 beyond the respective due date during the year.	Nil	Nil
The amount of interest not claimed & written back.	7	10
(ii) The amount of principal paid beyond the due date during the year.	Nil	17
c) The amount of interest due and payable for delay period (where principal has already been paid after due date)	Nil	2
d) The amount of interest accrued and remaining unpaid as at the end of the accounting year.	87	7
e) The amount of further interest remaining due and payable even in the succeeding years for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED Act, 2006.	87	7

7. Employee Benefits.

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

	Rs. Thousands	
	Current Year	Previous Year
i) Defined Contribution Plan		
Employer's Contribution to Provident Fund (included in Schedule 14)	96,82	94,76

ii) Defined Benefits Plans

	(Rs. Thousands)			
	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Current service cost	21,93	18,40	8,70	7,31
Interest cost	23,92	25,42	4,13	4,38
Expected Return on Plan Assets	—	—	—	—
Actuarial (gain)/loss	39,91	24,29	2,92	9,02
Past Service cost	—	—	—	—
Curtailement and Settlement Cost/(credit)	—	—	24	—
Net Cost	85,76	68,11	15,99	20,71

(a) The assumptions used to determine the benefit obligations:

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
Mortality Table (L.I.C.)	1994-96	1994-96	1994-96	1994-96
Discount Rate	8.00%	7.50%	8.00%	7.50%
Expected Rate of increase in Compensation Levels	5.50%	5.00%	5.50%	5.00%
Expected Rate of Return on Plan Assets	NA	NA	NA	NA
Expected Average remaining working lives of employees (years)	17.58 years	17.23 years	19.57 years	19.51 years

(b) Reconciliation of opening and closing balances of benefit obligations :

	Gratuity Unfunded		Leave Encashment Unfunded	
Benefit Obligation	Current Year	Previous Year	Current Year	Previous Year
Benefit obligation at beginning of the year	2,99,03	3,38,87	51,68	58,44
Current service cost	21,93	18,40	8,70	7,31
Interest Cost	23,92	25,42	4,13	4,38
Benefits paid	(44,90)	(1,07,95)	(7,42)	(27,47)
Curtailement and Settlement cost	-	-	-	-
Contribution by plan participants	-	-	-	-
Past service cost	-	-	-	-
Actuarial (gain)/ loss	39,91	24,29	2,93	9,02
Projected benefit obligation at end of the year	(3,39,88)	(2,99,03)	(60,02)	(51,68)
Net amount recognized in the balance sheet as at 31.3.2011	(3,39,88)	(2,99,03)	(60,02)	(51,68)

(c) There is no plan assets at the beginning and at the closing the year.

(d) Estimated amounts of defined benefits payable for the gratuity plan within next year is Rs. 48,90 thousands (Previous Year 39,82 Thousands).

8. Credit/Debit balances of some of the Creditors, Lenders and Debtors are subject to confirmation at the year end.

9. In the opinion of the management, Current Assets, Loans and Advances have a realisable 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. Repairs & Maintenance to Plant include stores and spare parts consumed as under:

	Rs. (in Thousands)	
Particulars	Current year	Previous year
Plant & Machinery	2,74,77	4,49,74
Railway Siding	8,18	6,48
Others	5,60	6,68

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
Shri U K Modi being Chairman and Managing Director and Shri B.K. Luthra, Executive Director (Works) is the Key Management Personnel.
Shri Abhishek Modi, Director and Shri Jayesh Modi, Director are related to Shri U.K. Modi being his sons.
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 Bio-Energy Ltd.
(iii) Modi Industries Limited
(iv) Modi Mundipharma Pvt. Ltd.
(v) Modi Revlon Pvt. Ltd.
(vi) Modi Line 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.

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
Sale of Fixed Assets	-	-	7,62	9,35	-	-
Rent Recovered -	-	-	19,75	5,36	-	-
Rent Paid	30,00	30,00	-	-	-	-
Misc Exp. Recovered	-	-	6,68	6,70	-	-
Misc. Exp. Reimbursed/ Paid	-	-	28,97	45,65	-	-
Interest and Financial charges Paid	2,18,19	36,02	-	-	-	-
Loan taken	39,36,55	14,16,54	-	-	-	-
Loan repaid	9,85,04	2,91,00	-	-	-	-
Remuneration to Managerial personnel	-	-	-	-	64,53	43,71
Outstanding balances at on	31.3.11	31.3.10	31.3.11	31.3.10	31.3.11	31.03.10
— Receivable	-	-	32,90	14,36	-	-
— Payable	18,29	-	2,82	84	-	-
— Unsecured Loan	41,67,59	12,16,08	-	-	-	-

13. Earnings Per Share (EPS)

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

		Unit	Current Year	Previous Year
1	Profit / (Loss) after tax for the year as per accounts attributable to equity shareholders.	(A) Rs. Thousands	(23,87,59)	(7,75,24)
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	90,20,54,03
3	Basic & Diluted Earnings Per share (A)/(B)	(C) Rs.	(2.65)	(0.86)

14. Deferred Tax

Deferred Tax Assets are Rs.55,95,62 thousands as on 31.03.2011 (Previous year Rs. 47,98,43 thousands) constituting mainly of carried forward business losses, unabsorbed depreciation and provision for doubtful debts / advances, provision disallowed. Deferred Tax Liabilities is Rs.8,49,01 thousands as on 31.03.2011 (Previous year Rs.8,58,05 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 31.03.2010	For the Year 2010-11	As on 31.03.2011
Deferred Tax Assets:			
(i) Unabsorbed Depreciation	42,78,61	1,54,13	44,32,74
(ii) Assessed Business loss	2,41,97	6,23,49	8,65,46
(iii) Provision Disallowed Under Income Tax Act	1,10,14	16,18	1,26,32
(iv) Disallowed U/S 43B (other than interest)	1,67,71	3,39	1,71,10
Total	47,98,43	7,97,19	55,95,62
Deferred Tax Liability:			
Difference between book and tax depreciation	8,58,05	(9,04)	8,49,01
Net Deferred Tax Assets	39,40,38	8,06,23	47,46,61

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

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 31-3-2011 as contemplated in the accounting standard 28.

16. **Remuneration to Directors:**

	Rs. Thousands	
	Current Year	Previous Year*
(a) Remuneration to Chairman & Managing Director / Whole Time Director		
(i) Salary	35,51	24,00
(ii) Company's contribution to Provident Fund	4,26	2,88
(iii) Perquisites	24,76	16,86
Sub-Total	64,53	43,71
(b) Non-Executive Director		
Director Sitting Fee	76	76
Total	65,29	44,47

* Represents only for the Chairman & Managing Director.

As there is a global contribution to gratuity fund, the amount applicable to an individual employee is not ascertainable and accordingly contribution to gratuity fund in respect of directors has not been considered in the above computation.

The remuneration of Managerial Personnel has been paid / provided based on the 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.

17. **Operating Leases**

The company's leasing arrangements are in respect of premises (for office, godown and accommodation of company's officer & directors). These arrangements are both cancelable and non-cancelable in nature and ranging between one to three years as at 31st March, 2011.

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

	Rs. Thousand	
Particulars	As at 31.03.2011	As at 31.03.2010
A Total of future minimum lease payments under non-cancelable 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	27,50	57,50
- Later than five years	-	-
B Lease rent recognized as expenses in P&L A/c	66,98	1,19,35

18. **Legal and professional charges in Schedule No. 16 includes remuneration to auditors as under:**

	Rs. Thousand	
	Current Year	Previous Year
Audit Fee	5,00	4,50
Company law and certification	2,35	2,33
Expenses reimbursed	79	49
Tax Audit Fee	40	40
	<u>8,54</u>	<u>7,72</u>

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

a) **Details of Licensed, Installed Capacity & Production**

	Current Year Qty /M.Ton	Previous Year Qty./M. Ton
Licensed Capacity*		
Installed Capacity**	2,10,000	2,10,000
Production	1,07,217	1,41,265

* No Longer required

** As certified by the Management, being technical matter

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

	Current Year		Previous Year	
	Qty. M/Ton	Value Rs. Thousands	Qty. M/Ton	Value Rs. Thousands
SPONGE IRON				
Opening Stock	22,115	27,73,79	25,280	33,79,15
Sales / Stock Adjustment	1,14,875	1,84,76,72	1,44,430	1,95,55,62
Closing Stock	14,457	19,22,33	22,115	27,73,79

c. Details of Raw Material and Stores & Spares consumed:

i) Raw Material Consumed				
Coal*	1,68,529	35,01,13	2,18,280	50,43,90
Iron Ore	2,30,342	95,04,62	3,02,884	70,46,17
Others	—	61,22	—	1,29,73
ii) Stores and Spares Consumed (Includes Plant repair and maintenance)	—	3,34,77	—	5,24,24

* Excludes consumption of coal/coal fine for Captive Power Plant 2,63,98 MT Value Rs. 4,63,75 Thousands (Previous Year 26,746 MT Rs. 5,23,45 Thousands)

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

	Current Year		Previous Year	
	Value Rs. Thousands	%	Value Rs. Thousands	%
i) Raw Material Indigenous	1,30,66,97	100.00	1,22,19,80	100.00
ii) Stores & Spares Indigenous*	3,34,77	100.00	5,09,56	97.20
Imported	—	0.00	14,68	2.80
	3,34,77	100.00	5,24,24	100.00

* Includes consumption for repair and maintenance

e) Earnings in Foreign Currency (Cash Basis)

Exports of goods on F.O.B. Value — —

f) Expenditure in Foreign Currency (Cash Basis)

(i) Interest 10,35 20,78

g) Value of Import on CIF basis

Stores and Spare Parts 32 —

20. Previous year figures have been regrouped / rearranged wherever necessary.

21. 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]

M.P. Thakur
(Partner)

Membership no. 052473

Umesh K. Modi
(Chairman &
Managing Director)

Manoj Kumar
(Company Secretary)

B.K. Luthra
(Executive Director-Works)

B.K. Thakur
Chief Financial Officer

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

Place : New Delhi

Date : 25th August, 2011

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	1633	State Code	03
Balance Sheet Date	31.03.2011		

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	2,62,78,52	Total Assets	2,62,78,52
Sources of Funds			
Paid up Capital Including Share Application Money	90,25,31	Reserves & Surplus	72,32,00
Secured Loans	58,53,62	Unsecured Loans	41,67,59
Application of Funds			
Net Fixed Assets Includ. CWIP	1,00,78,11	Net Current Assets	14,54,98
Accumulated Losses	1,47,45,43		

IV. Performance of Company (Amount in Rs Thousands)

Turnover/Other Income	1,68,67,40	Total Expenditure	1,92,54,56
Profit/(Loss) Before Tax	(23,87,16)	Profit/(Loss) After Tax	(23,87,59)
Extraordinary items (Income)	-	Profit/(Loss) After extraordinary items	(23,87,59)
Earning Per Share in Rs.(Basic)	(2.65)	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]

M.P. Thakur
(Partner)
Membership no. 052473

Umesh K. Modi
(Chairman & Managing Director)

Manoj Kumar
(Company Secretary)

B.K. Luthra
(Executive Director-Works)

B.K. Thakur
Chief Financial Officer

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

Place : New Delhi
Date : 25th August, 2011

GREEN INITIATIVE

FOR THE KIND ATTENTION OF MEMBERS

As a responsible corporate citizen, your Company welcomes and supports the '**Green Initiative**' taken by the Ministry of Corporate Affairs (**MCA**), Government of India, vide its Circular No. 17/2011 dated 21st April 2011 and 18/2011 dated 29th April 2011.

The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of Annual Reports and other documents of your Company.

In terms of enabling provisions of these Circulars, the Company will henceforth effect electronic delivery of documents including Annual Report, Notice of Meeting/ Postal Ballot, other shareholder communications, etc. to the members at their e-mail addresses available / registered with the Company.

For supporting this green initiative, if you hold the shares in:

- a. **Electronic form**, please intimate your e-mail address to your Depository Participant (DP). The same will be deemed to be your registered e-mail address for serving notices/ documents including those covered under Section 219 of the Companies Act, 1956.
- b. **Physical form**, please send a duly signed letter quoting the name of First / sole holder and Registered Folio addressed to the Company Secretary of the Company or the Registrar & Share Transfer Agent at :

<p>Company Secretary Bihar Sponge Iron Ltd. Umesh Nagar, Chandil Distt. Saraikela Kharsawan - 832401 Jharkhand.</p>	<p>M/s Beetal Financial & Computer Services Ltd. Beetal House, 3rd Floor, Behind Local Shopping Complex 99, Madangir, New Delhi-110062</p>
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Kindly note that if you desire, a physical copy of the Annual Report and other communication/ documents will be sent to you free of cost, as per the current practices. Such documents will also be displayed on the Company's website : www.bsil.org

We strongly urge you to support this '**Green Initiative**' by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.

In case, your shares are in physical form, we urge you to have your shares dematerialized by approaching Depository Participant (DP) of your choice.