

BIHAR SPONGE IRON LIMITED.

REGISTERED OFFICE & PLANT : UMESH NAGAR, CHANDIL-832401, DISTT. SARAIKELA - KHARSAWAN, JHARKHAND
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E-mail : bsilchandil@gmail.com / Web : bsil.org.in

FORM B

1. Name of the company BIHAR SPONGE IRON LIMITED.
2. Annual financial statements for the year ended 31st March 2013
3. Type of Audit qualification Qualified
4. Frequency of qualification The above sited qualification has appeared for the first time.

Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:

Note No. 3(a) appearing in Annexure I to the financial statements regarding non recognition of liability on account of currency fluctuations on foreign currency loan and interest thereon (as required under Accounting Standard – 11, Revised) amounting to Rs. 2251.93 lacs as provided in the BIFR Scheme dt. 29.07.2004 and also confirmed by AAIFR/ Single Bench of Jharkhand High Court, Ranchi since the Company against the order of Single Bench of High court, has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi. Accordingly the net loss for the year and liabilities at the year end would have been increased and the shareholder's funds have been further reduced by Rs. 2251.93 lacs.

Management Response:

Since the matter is disputed and pending before the Divisional Bench of the Hon'able Jharkhand High Court, recognition of liability on account of currency fluctuations on foreign currency loan and interest thereon has not been recognized as expenses and liability as at 31-03-2013 and the same will be treated as per the decision of the said court. It is explained under Note 3 (a) and under the heading of Long Term Borrowing and Annexure -I, Part -III, Clause 3 (a), in the Notes to the Financial Statement, which is self explanatory.

Comment of the Audit Committee Chairman:

The Board/ Audit Committee suggested that since the matter is disputed and pending before the Divisional Bench of the Hon'able Jharkhand High Court, recognition of liability on account of currency fluctuations on foreign currency loan and interest thereon has not been accounted as liability and the same will be treated as per the decision of the said court.

Additional comments from the board/audit committee chair:

The Board and Audit Committee is not in agreement till the matter is finally disposed off and hence the amount has not been recognized as expenses and liability as at 31-03-2013. However the amount has been shown in Note -3 [Long Term Borrowing] and Annexure - I Part -III, Clause 3 (a) in Other Notes required under Part -I & II of the Schedule - VI.

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FOR BIHAR SPONGE IRON LTD.


MANOJ KUMAR
Company Secretary

Audit observation

Type of Audit observation

Matter of Emphasis

Note no. 7 of Annexure I, Part III of to the Financial Statements regarding managerial remuneration aggregating to Rs. 4.81 lakhs paid to a Whole-time Director of the Company during the year in respect of which special resolution at the general meeting and Central Government approval are yet to be obtained in accordance with the requirements of Schedule XIII and other applicable provisions of the Companies Act, 1956. The opinion is not qualified in respect of this matter.

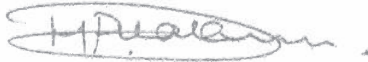
Management Comment:

As per the provisions of the Companies Act, 1956, the Audit Committee and the Board of Directors of the Company have at their meeting held on 20th December, 2012 approved payment of remuneration to Mr. B. K. Thakur, Director - Finance (Whole - Time Director). Further the Board has in its meeting held on 28th May, 2013 approved the Notice calling 31st Annual General Meeting (AGM) containing Special Resolution in relation to payment of remuneration to Mr. B. K. Thakur, to be approve in the said AGM scheduled to be held on 2nd August, 2013. After the shareholders approval, application to Central Government will be made for obtaining necessary approvals

Frequency of observation

The above cited emphasis has appeared for the first time.

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



(M.P. THAKUR)
Partner
M. No.: 052473

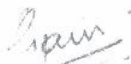
Dated: 8/7/2013
Place: New Delhi.



U. K. MODI
[Chairman & Managing Director]
[CEO]




B. K. THAKUR
[Director - Finance]
[CFO]



G. C. JAIN
[Audit Committee Chairman]

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For BIHAR SPONGE IRON LTD.


MANOJ KUMAR
Company Secretary