



ELECTROSTEEL
STEELS LIMITED



4th Annual Report 2010-2011



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CORPORATE INFORMATION

CHAIRMAN	Mr. Binod Khaitan																														
DIRECTORS	Mr. Umang Kejriwal Mr. Naresh Pachisia Mr. Sanjoy Tekriwal Mr. Sunil V Dwakar (Nominee Director) Mr. Lawrence M Roy (Alternate Director to Mr. Sunil V Dwakar)																														
WHOLETIME DIRECTOR	Mr. Nigam Chander Bahl																														
COMPANY SECRETARY	Mr. Vikram Saraogi																														
STATUTORY AUDITORS	M/s. B Chhawchharia & Co., Chartered Accountants																														
BANKERS	<table border="0"> <tr> <td>State Bank of India (Facility Agent)</td> <td>LIC of India</td> </tr> <tr> <td>Allahabad Bank</td> <td>Oriental Bank of Commerce</td> </tr> <tr> <td>Andhra Bank</td> <td>Punjab & Sind Bank</td> </tr> <tr> <td>Bank of Baroda</td> <td>Punjab National Bank</td> </tr> <tr> <td>Bank of India</td> <td>State Bank of Hyderabad</td> </tr> <tr> <td>Bank of Maharashtra</td> <td>State Bank of Mysore</td> </tr> <tr> <td>Canara Bank</td> <td>State Bank of Patiala</td> </tr> <tr> <td>Central Bank of India</td> <td>State Bank of Travancore</td> </tr> <tr> <td>Corporation Bank</td> <td>Syndicate Bank</td> </tr> <tr> <td>Dena Bank</td> <td>The J&K Bank Ltd</td> </tr> <tr> <td>HUDCO</td> <td>UCO Bank</td> </tr> <tr> <td>ICICI Bank Ltd</td> <td>Union Bank of India</td> </tr> <tr> <td>IL&FS Financial Services Ltd</td> <td>United Bank of India</td> </tr> <tr> <td>Indian Bank</td> <td>Vijaya Bank</td> </tr> <tr> <td>Indian Overseas Bank</td> <td></td> </tr> </table>	State Bank of India (Facility Agent)	LIC of India	Allahabad Bank	Oriental Bank of Commerce	Andhra Bank	Punjab & Sind Bank	Bank of Baroda	Punjab National Bank	Bank of India	State Bank of Hyderabad	Bank of Maharashtra	State Bank of Mysore	Canara Bank	State Bank of Patiala	Central Bank of India	State Bank of Travancore	Corporation Bank	Syndicate Bank	Dena Bank	The J&K Bank Ltd	HUDCO	UCO Bank	ICICI Bank Ltd	Union Bank of India	IL&FS Financial Services Ltd	United Bank of India	Indian Bank	Vijaya Bank	Indian Overseas Bank	
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Indian Overseas Bank																															
REGISTERED OFFICE	801, Uma Shanti Apartments, Kanke Road, Ranchi - 834 008 Jharkhand.																														
PROJECT SITE	Village Siyaljori, P.O - Jogdih, P.S - Chandankyari, Dist - Bokaro, Pin - 828 303, Jharkhand.																														
HEAD OFFICE	G K Tower, 19, Camac Street, Kolkata - 700 017																														



Notice

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held on Friday, the 15th Day of July, 2011 at 11:30 A.M. at Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi-834001 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Umang Kejriwal who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr Sanjoy Tekriwal who retires by rotation and is eligible for re-appointment.
4. To appoint the Statutory Auditors and to fix their remuneration.

Special Business:

Item No. 5

To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof for the time being in force and the Articles of Association of the Company, Mr. Binod Khaitan, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Non Executive Independent Chairman of the Company liable to retire by rotation."

Item no. 6

To Consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to alter the Authorised Share Capital of the Company from Rs. 2300,00,00,000 (Rupees Two Thousand Three Hundred Crores Only) divided into 230,00,00,000 (Two Hundred and Thirty Crores only) Equity Shares of Rs.10/- each to Rs. 3000,00,00,000 (Rupees Three Thousand Crores Only) divided into 300,00,00,000 (Three Hundred Crores only) Equity Shares of Rs.10/- each."

Item no. 7

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT the consent of the members of the Company be and is hereby accorded for substituting the existing Clause V of the Memorandum of Association of the Company by the following:

"V. The Authorised Share Capital of the Company is Rs. 3000,00,00,000 (Rupees Three Thousand Crores Only) divided into 300,00,00,000 (Three Hundred Crores only) Equity Shares of Rs.10/- each with power to increase and reduce the capital of the company and to divide or subdivide the shares in capital for the time being into several classes and to attach thereto respectively such preferential qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of the Company for the time being and to modify or abrogate of any such rights privileges or conditions in such manner as may be permitted by Act, or provided by the Articles of the Company for the time being."

Item no. 8

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sum of moneys from time to time together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount so borrowed shall not exceed Rs. 8,500 Crores (Rupees Eight Thousand Five Hundred Crores Only)."



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2. To appoint a Director in place of Mr Umang Kejriwal who retires by rotation and is eligible for re-appointment.
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"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

Notes:

- (a) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- (b) The relevant details in respect of item no. 2&3 as above, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- (c) Every shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a shareholder. The proxy forms should, however, be deposited at the Registered Office / Head Office of the Company not later than 48 hours before the commencement of the meeting.
- (d) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (e) Members / Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in for attending the meeting.
- (f) The Register of Share Transfer of the Company will remain closed for accepting share transfer applications from July 9, 2011 to July 15, 2011.
- (g) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office / Head office so as to reach us at least 7 days before the date of the meeting so that the required information can be made available at the meeting.
- (h) Equity shares of the Company fall under category of compulsory demat trading by all investors. Considering the advantages of scripless trading, shareholders are therefore requested to consider dematerialization of their shareholding so as to avoid any inconvenience.
- (i) Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

By Order of the Board of Directors
For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

(Annexure as referred to in the notes on notice)

Item No. 5

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors of the Company (the Board) at its meeting held on April 22, 2011, appointed Mr. Binod Khaitan as an Additional Independent Director (Non Executive) cum Chairman of the Company.

The Company had received a notice in writing from a member along with a deposit of Rs 500 proposing the candidature of Mr. Binod Khaitan for the office of Director of the Company.

Mr. Binod Khaitan is not disqualified from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Director's Identification Number in terms of Section 266A of the said Act.

The Board recommends the resolution for the appointment of Mr Binod Khaitan as a Non Executive Independent Director and further the Chairman of the Company.

Mr Khaitan does not hold any Equity shares of the Company in his own name and save and except Mr. Khaitan, none of the Directors of the Company are, in any way, concerned or interested in this resolution.

Item No. 6 & 7

The authorised share capital of the Company presently stands at Rs. 2300.00 crores divided into 230,00,00,000 equity shares of Rs. 10/- each. With the growing expansion of the Company's business it is desirable to bring the authorised share capital of the Company in proper correlation with the magnitude of the Company's resources and size of its undertaking. It is, therefore, considered advisable to increase the authorised share capital of the Company from Rs. 2300.00 crores to Rs. 3000.00 crores by creation of further 70,00,00,000 equity shares of Rs. 10/- each, which will rank pari passu in all respects with the existing equity shares of the Company. The proposed increase of the authorised share capital of the Company requires the approval of the members in general meeting. Consequent upon the increase in authorised share capital of the Company, its memorandum of association will require alteration so as to reflect the increase in share capital.

The Board recommends that the same be passed.

Item No.8

Pursuant to the authority given by the members of the Company under section 293(1)(d) of the Companies Act, 1956, at the General Meeting held on 23rd April 2009, to the Board of Directors to borrow within a limit of Rs 6,500crs, the Board of Directors recommends to enhance the aforesaid borrowing limit upto Rs. 8,500crs as set out in Item No.8 of the accompanying Notice for the approval of the Members.

As per the terms of the provisions of Sections 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up share capital and its free reserves, that is to say reserves not set apart for any specific purpose.

Keeping in view the Company's business plan for Integrated Steel and DI Pipe Plants in the state of Jharkhand and its other growth plans, it is considered desirable to increase the said borrowing limits by way of equitable mortgage by deposit of the title deeds already made available with the bankers.

None of the Directors of the Company are, in any way, concerned or interested in the said resolution.

The Board recommends that the same be passed.

By Order of the Board of Directors

For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

Annexure as referred to in the notes on Notice

(Information pursuant to Clause 49 of the Listing Agreement regarding appointment of new Director or re-appointment of a Director)

a) Mr. Umang Kejriwal

Mr. Umang Kejriwal, aged 58 yrs, is a Non Executive - Non Independent Director of your Company. He has been a member of your Board since incorporation. He is a commerce graduate from Calcutta University. Mr. Kejriwal has 38 years of experience in steel & pipe manufacturing industry. From 1972 to 1975, he was actively engaged in the sale of products of Electrosteel Castings Limited (ECL) through his role as the executive director of the company. He was appointed as an executive director of ECL in 1972 and was subsequently promoted to deputy managing director in 1979. In 1981, he was promoted to managing director of ECL and continues till date.

Mr. Kejriwal is also the Director of several Companies as per details given below:

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Electrosteel Castings Limited	Director	Audit Committee - Member
2	Electrocast Sales India Limited	Director	Nil
3	Uskal Investments Limited	Director	Nil
4	Uttam Commercial Co. Limited	Director	Nil
5	G.K. Investments Limited	Director	Nil
6	Electrosteel Thermal Power Limited	Director	Nil
7	Electrosteel Thermal Coal Limited	Director	Nil
8	Wilcox Merchants Private Limited	Director	N.A.
9	Bose Estates Private Limited	Director	Nil
10	Cubbon Marketing Private Limited	Director	N.A.
11	Escal Finance services Ltd	Director	Nil
12	G K & Sons Pvt Ltd	Director	N.A.

Mr. Kejriwal holds 517,000 Equity shares of the Company.

None of the Directors are interested in the above re-appointment. Hence, your Board of Directors recommends the above re-appointment.

b) Mr Sanjoy Tekriwal

Mr Sanjoy Tekriwal, aged 50 years, has completed his B.Com (Hons.) from Calcutta University and is also a member of the Institute of Chartered Accountants of India. He has worked in Usha Martin Industries Limited for 13 years and was General Manager (Marketing) when he left in 1994. Post 1994, he has been involved in his own business.

He currently holds directorships in several Companies as per details given below:

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Karuna Management Services Private Limited	Director	N.A.
2	UMV Teletalk Private Limited	Director	N.A.
3	Karuna Software Private Limited	Director	N.A.
4	Karuna Financial Services Private Limited	Director	N.A.
5	S.H.S. Merchants Private Limited	Director	N.A.
6	Samrat Vyspaar Private Limited	Director	N.A.
7	Karuna Retails Private Limited	Director	N.A.



Mr Tekriwal holds 1,721 Equity shares of the Company.

None of the Directors are interested in the above re-appointment. Hence, your Board of Directors recommends the above re-appointment.

c) Mr Binod Khaitan

Mr Binod Khaitan, aged 67 years, is a qualified B.Com (Hons.) and has also completed his Master in Business Administration (MBA) from Geneva. He is a retired businessman with wide experience in industries such as plywood, tea, jute, tyre tubes, soft drinks etc. Mr Khaitan started his business career in 1960. Initially he was given the charge of Plywood unit of Andaman Timber Industry, Calcutta, and later on was in charge of the Company's 'Unit & Expansion at Bamboo Flat' in Andaman & Nicobar islands. He was appointed as the Director of one of the biggest plywood manufacturing units in India, Andaman Timber Industries Ltd. In 1970 Mr Khaitan was the Chief Executive of Williamson Magor & Co. Ltd. one of the largest tea manufactures and exporters in India.

In 1975, he was elected as the Director of the Jute Companies of Macnelli & Magor Group, Nudua Mills Company Ltd and Gourepore Mills Company Ltd. Later on, in the year 1984 he took the responsibility of Chairman and Managing Director for Art Plywood Industries. Presently, Mr Khaitan is a retired industrialist and actively associated with various charitable and social organisations and also acting as one of the independent Directors of Electrosteel Castings Limited.

Mr Khaitan currently holds directorships of the Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Electrosteel Castings Limited	Director	Audit Committee - Chairman
2	The Phosphate Co. Limited	Director	Nil
3	Art Finance & Trade Pvt. Ltd	Director	N.A

Mr Khaitan holds Nil Equity shares of the Company.

None of the Directors are interested in the above appointment. Hence, your Board of Directors recommends the above appointment.

By Order of the Board of Directors
For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Fourth Annual Report and the Audited Accounts of your Company for the year ended March 31, 2011.

FINANCIAL RESULTS

Particulars	Amount (Rs/Lakhs) FY 2010-11
i. Gross Turnover	814.81
ii. Net Turnover	739.72
iii. Other Income	26.47
iv. Total Revenue	765.19
v. Earnings Before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	(352.67)
vi. Interest	156.36
vii. Depreciation	104.32
viii. Profit before Taxation (PBT)	(613.35)
ix. Tax including Deferred Tax	—
x. Profit after Taxation (PAT)	(613.35)
xi. Profit brought forward from previous year	—
xii. Amount available for appropriation	(613.35)
xiii. Transfer to general reserve	—
xiv. Total	—
xv. Surplus/ (Deficit) carried to Balance Sheet	(613.35)

* Since this is the first year of operation, the corresponding figures for the year 2009-10 are not given.

OPERATIONS

As you are aware, the Company is setting up a 2.2 MTPA integrated steel & DI Pipe project, at Siyaljori village, in Bokaro District, in the state of Jharkhand, which is about 22 kms from Bokaro city, a well developed industrial town of Jharkhand.

The plant is based on Blast Furnace (BF) - Basic Oxygen Furnace (BOF) - Billet Caster & Hot Rolling Route and will produce 1.2 MTPA of long steel products, comprising 0.5 MTPA of wire rods and 0.7 MTPA of reinforcement bars in straight lengths. The plant will have a 0.33 MTPA DI pipe production facilities in the same complex. The plant will also have production facilities for 0.27 MTPA of Commercial Billets and 0.40 MTPA of Pig Iron.

The Company had engaged reputed international companies for the supply of equipments and construction of the Project. Significant milestones like land acquisition, land leveling, basic engineering, detailed engineering, placement of orders for equipments and major civil constructions have already been achieved. The Company has put in place an excellent project team comprising of professionals from respective areas with an extensive project management and execution skills. To ensure continued & uninterrupted supply of major raw materials, long term agreements for the supply of iron ore and coking coal have been entered into with Electrosteel Castings Limited.

We are pleased to inform that, one of the Blast Furnaces (350 M3) out of the three, has commenced operation of pig iron in September, 2010. The Company has taken shut down of the above Blast Furnace for synchronization with other facilities and the same has been restarted in March 2011.

The target completion date of the balance facilities have been extended by few months. The main reason for the delay is sudden decrease in availability of Chinese manpower, due to guidelines issued by the Central Government of India on Visa Policy restricting the Chinese manpower with work visa. This was beyond the control of Company's management. However, the Company made significant efforts to mitigate the effect of this Force Majeure situation with the following alternative plans:



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

Subsequently, the Central Government of India has allowed work permits to a specified number of Chinese manpower, since then the work at the site is going on in full swing. Your Company is confident in achieving the revised completion target in the current financial year.

INITIAL PUBLIC OFFER (IPO)

Your Company had raised funds by issuing equity in the month of September 2010 through the Initial Public Offer (IPO) of 25,93.44 lacs equity shares (including Green Shoe Option "GSO" of 3,38.27 lacs equity shares) of Rs. 10/- each at a premium of Rs 1/- per share aggregating to Rs 28,527.80 lacs.

Your Company had received appx 94,000 applications in total from all categories of investors, which was subscribed by appx 8.23 times of the total issue size. Your Company has completed all the necessary formalities of IPO.

Your Directors take immense pleasure to announce that the Company got listed for trading in the equity shares of the Company from 8th October, 2010 with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

Out of the net funds of Rs 24,828.78 lacs received through IPO, a sum of approx. Rs 23,001.89 lacs is being utilized for the Project after netting of IPO related expenses of Rs 1,826.89 lacs.

The net gain of Rs 5,077,536/- on account of equity shares purchased from the market for the purpose of stabilization of post-listing price of the equity shares of the Company, was remitted by the stabilising agent to the investor protection fund maintained by BSE in compliance with the Securities and Exchange Board of India (Issue of capital and disclosure requirements) Regulations 2009.

DIVIDEND

You will appreciate that since the project is under implementation and only one Blast Furnace had commenced operation, there is not much earnings as of now, hence your Directors are not recommending any dividend on Equity Shares for the year ended 31st March 2011.

CORPORATE GOVERNANCE

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.

A Report on Corporate Governance Practices and the Auditors Certificate on compliance of mandatory requirements thereof is given as annexure to this report.

MANAGEMENT DISCUSSIONS AND ANALYSIS

A report on Management discussion and analysis is given as annexure to this report.

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that:

- a) in the preparation of annual accounts, containing financial statements for the year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanations, wherever required.
- b) the board had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for that period.
- c) the Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting any fraud and other irregularities.
- d) the annual accounts have been prepared on a going concern basis.

PERSONNEL

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended is forming a part of this report.



However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company, excluding the aforesaid information. Those members desirous of obtaining such particulars may write to the Company at its registered office.

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

Information as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968 related to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' attached hereto and forming part of this Report.

FINANCIAL STATEMENTS

Pursuant to Clause 41 of the Listing Agreement entered into with the stock exchanges, the Board of Directors has pleasure in attaching the Financial Statement prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

Since your Company does not have any subsidiary, preparation of the Consolidated Financial Statement is not required.

DIRECTORS

Pursuant to the provisions of section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Mr Binod Khaitan was appointed as the Additional Independent Director (Non Executive) cum Chairman of the Company with effect from April 22, 2011 and will hold office upto the date of the next Annual General Meeting of the Company.

Mr. Vilas Vishnu Jamnis, Wholetime Director and Mr Anil Kumar Sinha, Director and Chairman of the Company, have resigned from the Board of your Company with effect from 10th August, 2010 and 15th November, 2010 respectively. The Board places on record its deep appreciation for the guidance and the invaluable services rendered by them during the tenure of their office as Directors of the Company.

Mr Umang Kejriwal and Mr Sanjoy Tekriwal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

None of the Directors of the Company are disqualified as per section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures as required under various provisions of the Act and Clause 49 of the Listing Agreement.

AUDITORS

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

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

SECRETARIAL AUDIT/ COMPLIANCE REPORT

The Secretarial Compliance Certificate confirms that the Company had complied with all the applicable provisions of the Companies Act, 1956, Listing Agreements with the Stock Exchanges, Securities Contract (Regulation) Act, 1956, and all the other Regulations of SEBI as applicable to the Company, including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the SEBI (Prohibition of Insider Trading) Regulations, 1992.

APPRECIATION

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

For and on behalf of the Board of Directors

Place : Kolkata
Dated : April 22, 2011

N G Bahl
Director

Sanjoy Tekriwal
Director

**ANNEXURE 'A' to Directors' Report**

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2011.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Since the Project is under implementation, conscious efforts are being made during the design, engineering and construction stage itself to ensure that the technology is understood and necessary measures to minimize energy consumption are incorporated in the Project.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo:

	2010-11 Amount (Rs)	2009-10 Amount (Rs)
a) Foreign Exchange Earnings	2,717/-	3345/-
b) Foreign Exchange Outgo	10,440,429,089/-	6,179,359,211/-

FORM A**2010 - 11****A POWER & FUEL CONSUMPTION****Electricity****a. Purchased:**

Units (KWH) —

Total amounts (Rs) —

Rate / Units (Rs / KWH) —

b. Own Generation:**Through Diesel Generator**

Units (KWH) 434375

Units / Ltr. of Diesel oil 4.09

Cost / Unit (Rs / KWH) Rs.9.58

Coal

Quantity (Tonnes) —

Total Cost —

Average Rate —

B CONSUMPTION PER UNIT OF PRODUCTION (MT)

Pig Iron 125 (KW)

D. i. Pipe —



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Company is promoted by Electrosteel Castings Limited (ECL) to setup a 2.2 MTPA Integrated Steel & Ductile Iron (DI) Pipes project in the district of Bokaro, Jharkhand. Pursuant to group's strategy of focusing on identification of opportunities for backward integration, new DI pipe capacity as well as investment in the steel sector, ECL has been allotted mining blocks of iron ore and coking coal in the state of Jharkhand and has promoted this Company for implementing the integrated steel & DI pipe plant.

ECL, the Promoter of your Company, is a premier manufacturer of Cast Iron pipes for over four decades and DI Pipes since last 15 years. For the fiscal year 2009-10, ECL recorded consolidated net sales of Rs. 158,077.52 lakhs. ECL has four manufacturing facilities, two located at Khardah and Haldia, both in the State of West Bengal, one at Elavur in the State of Tamil Nadu and one Coal washery plant at Parbatipur in the State of Jharkhand.

Your Company is setting up the proposed plant at Sijaljori village in Bokaro District of Jharkhand. The proposed plant will be based on Blast Furnace (BF) - Basic Oxygen Furnace (BOF) - Billet Caster and Hot Rolling Route and will produce 1.2 MTPA of long steel products, comprising 0.5 MTPA wire rods and 0.7 MTPA of reinforcement bars in straight lengths, bundles and plain rounds. The plant will have a 0.33 MTPA DI pipe production facility in the same complex and will be provided with hot metal from the Blast Furnaces. The plant will also have production facilities for 0.27 MTPA of Commercial Billets and 0.40 MTPA of Pig Iron.

The Company will be manufacturing basically the long steels which will be used as construction steel along with intermediary products like commercial billets and pig iron. The Company will also produce DI Pipes.

Your Company has acquired approximately 1,986 acres of land for the proposed plant, taking into account the scope for future expansion.

INDUSTRY STRUCTURE

The Indian steel industry is broadly classified into two groups: Primary steel producers & Secondary steel producers.

Primary steel producers has backward integration & normally has a higher capacity over 1.0 MTPA. The manufacturing process starts with steel making from iron ore. The investment needed is also much higher as compared to secondary producers.

Secondary producers essentially have mini steel plants with capacities below 1.0 MTPA. This category mainly employs Electric Arc Furnace (EAF) or Induction Furnace (IF) route, which use scrap and sponge iron or a mix of both as raw materials to produce steel. This group also consists of processors and re-rollers of steel products. Secondary producers primarily manufacture long products and the route adopted by them is highly energy intensive for which they have to depend upon the purchased power.

Although, there are over 3,500 varieties of regular and special steel available, steel products can be broadly classified into two basic types according to their shape viz. flats and longs. All finished steel products are made from semi-finished steel that comes in the form of slabs, billets and blooms.

GLOBAL STEEL INDUSTRY

The world's crude steel production has reached a level of 1414 MTPA in the CY 2010. The crude steel production in India has reached 66.8 MTPA & India has moved to 5th position in the list of steel producing countries in the world. The steel production has increased by 6.4% as compared to the CY 2009. China has maintained its leadership position with the production of 627 MTPA followed by Japan with 109.6 MTPA. India's steel production has registered a growth of 6.4% in CY 2010 as compared to previous CY while china has shown growth of 9.3% & Japan has shown a growth of 25.2% for a similar period. Asian countries have a lion's share of 61% of total world's steel production. This is also visible from the economic growth of these countries as compared to western countries.

India's steel industry is likely to grow at similar rate in the next few years. The steel production is increasing in line with the projection made in National steel policy -2005. The targeted steel production in India by 2019-2020 is over 100 MTPA. The steel production in India is likely to grow at a CAGR of 7% per annum.



GLOBAL STEEL DEMAND AND PRICES

Your Company had planned to derive revenues primarily from the sale of finished steel products. The market for steel is substantially driven by changes in supply and demand in the global steel market, which are significantly affected by the state of the global economy and competition and consolidation within the steel industry. Your sales revenues will be affected by price fluctuation of steel in international markets. The global prices of steel, in turn, depends upon a combination of factors, including the availability and cost of raw material inputs, worldwide production and capacity, fluctuations in the volume of steel imports, transportation costs and protective trade measures. Historically, domestic steel prices have closely followed international steel price trends.

INDIAN STEEL INDUSTRY

India has moved to 5th position among the top steel producing nations in the world. Considering the substantial increase in outlay for construction sector, the demand for steel is going to be strong. Per capita consumption of steel in India is low at 49.8 kg as compared to 422.1 Kg for China & world average of 193.3 kg. As India is on a growth path, steel which is the basic ingredient will be needed for achieving the desired growth in GDP.

DUCTILE IRON (DI) PIPES

The DI pipes have been recognized as the industry standard for modern water and sewage transportation systems. DI pipes are preferred over Cast Iron (CI) pipes on account of being lighter, stronger, more durable and cost efficient, these being corrosion resistant, ductile, etc. The DI pipes also have higher water carrying capacity. The DI pipes can also be laid out much faster and are virtually maintenance free.

Internationally, DI pipes have increasingly replaced CI pipes and Mild Steel pipes in most applications; including water and sewage transportation and management. This is primarily due to the qualitative and structural benefits provided by DI pipes in comparison to CI pipes and mild steel pipes such as superior tensile strength, yield strength, greater impact resistance, corrosion resistance and ductility. In addition, DI pipes require less support and provide greater flow area as compared to pipes made from other materials. DI pipes have a lower life cycle cost. In difficult terrain, these can be a better choice than Polyvinyl chloride concrete, polyethylene and steel pipes.

The following factors would drive the demand for DI pipes:

1. Thrust of the government to provide drinking water and sanitation to 100% of the population and make funds available to achieve it.
2. The need to conserve water and reduce leakage. The need to focus on life cycle cost rather than initial cost; and to consider inconvenience to public in replacement of pipes.
3. The over reliance on ground water for rural water supply has resulted in twin problem of sustainability and water quality and suggested a shift to surface water source for tackling this issue. This will result in substantial increase in requirement of pipes.
4. Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is making a large investment in water sector but has limited coverage of only 63 cities with a population of over one lakh

COMPETITION

Going forward, your company may face stiff competition from both Indian & overseas steel mills and DI Pipes manufacturers. To establish & remain competitive we will have to design an efficient distribution network & robust marketing set up and will also have to continuously strive to reduce the cost of production and increase other operating efficiencies in addition to capture new markets. We will have to formulate efficient sales process & improve service levels to win customers confidence & have positive referrals.

OPPORTUNITIES AND THREATS

India is a fast developing economy endowed with rich mineral resources and has a vast market potential with ever increasing middle income class. The ongoing slowdown has resulted in consolidation of industry and due to economies of small scale units have either shut down or are merging with large units. The industry is devising innovative measures for reducing overall costs for staying competitive. This slowdown has also necessitated a rethinking on phasing out expansion plans or delaying increase in capacity additions. To achieve the status of a developed nation by 2020, India needs to put robust infrastructure in place. The urbanization will increase and all these will need a huge quantity of steel. In the emerging scenario of higher demand and stiff competition, the need of cost effectiveness and higher customer orientation can only guarantee success.



Your Company has undertaken comprehensive exercise on reducing costs and is keeping a watch on pressures on demand and price of steel products. The Company has sufficient experience in setting up of projects and possesses experienced technical and managerial workforce to implement projects and is in a position to make necessary adjustments if circumstances so demand.

Your promoter Company Electrosteel Castings Limited has agreed to supply iron ore and 30% of coking coal requirement on a cost plus basis for a period of 20 years from the date of commencement of commercial production. It has been continuous endeavor of your Directors to acquire additional iron ore and coal mines to ensure uninterrupted supply of these raw materials and reduce dependence on outside supplies.

The global meltdown is now behind us and India has emerged as a country with robust financial process. The impressive growth rates in the recent difficult situation, India has shown the way to many other nations. The higher outlays in infrastructure segment and the projected growth rates in GDP of around 9% in coming years will open up new opportunities for steel sector.

INTERNAL CONTROL SYSTEMS

There are well established and documented internal control systems and procedures in line with the size of operations and business. The Company has engaged a firm of Chartered Accountants for conducting internal audit of site and Head Office who are providing internal audit reports on quarterly basis. Audit Committee reviews these reports and monitors effectiveness and operational efficiency of internal control systems.

Audit Committee is giving valuable recommendations and suggestions from time to time for improving the business processes, systems and internal controls. Annual internal audit plans are prepared by internal auditors in consultation with Audit Committee and audit is conducted in accordance with this plan. Separate department headed by a senior officer looks after internal control systems and assists internal auditors and the Audit Committee and provides desired inputs to them.

SAP system has been introduced and installed at all the works and offices of the Company which has resulted in better flow of information, control and transparency.

FINANCIAL PERFORMANCES

Since the project is under implementation and only one Blast Furnace had commenced its operation, and started to produce pig iron, there is not much earnings as of now. The Company had only recorded the net turnover of Rs 738.72 lakhs in the year 2011. After the adjustment of other expenditures, the earnings before interest, depreciation, taxation and amortization is Rs (352.67) lakhs. The Profit after Tax for the year 2011 is Rs (613.35) Lakhs.

FIXED ASSETS (including capital work in progress)

As of March 31, 2011, we had Rs. 610,814.71 lakhs of fixed assets, comprising of Rs. 543,924.71 lakhs of capital work in progress and a Net Block of Rs 66,890.00 lakhs. Capital work in progress was primarily on account of expenditure including advances towards plant & machinery and construction & erection thereof. The expenditure incurred during the construction period is classified as 'Project Development Expenditure' pending capitalization to be allocated to the asset on the completion thereof. Necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed in the notes to accounts forming part of the Annual Accounts for the year 2011.

INDEBTEDNESS

The total secured outstanding indebtedness as on March 31, 2011 is Rs. 410,975.36 lakhs which includes part of undrawn INR Term Loan converted into ECB Loan for reduction of interest cost.

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

The business of steel production is capital expenditure intensive. Our plans for the setting up of your Project will require substantial capital expenditures, which we expect to fund through the Net Proceeds of the Initial Public Offer, Debt and Equity financing. We believe that going forward the availability of sources of cost effective funding for our working capital requirement will be crucial and the non-availability of such funding at favourable terms could affect our business, financial condition and results of operations. As explained, the Company has no operating cash flows since inception. Going forward, the Company expects to experience cash flows from operating activities as the plant starts operation fully.

INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Electrosteel Group recognises people as the primary source of its competitiveness and continues to focus on people's development by leveraging technology and developing a continuous learning human resource base to unleash their potential and fulfil their aspirations.

Your company is developing fast and has entered into diverse business interests requiring talent from various fields of business. The speed and quality of growth of the Company depends on the quality of human resources available with it. The Company firmly believes in it and accordingly gives top most priority to its human resource assets which act as the prime mover in attainment of its goals. The Company continuously strives for inculcating a culture of learning by building the capabilities and competencies of its workforce. Human Resource Department has appropriately been upgraded and strengthened to meet the challenging manpower requirements of business units.

Last year we witnessed many HR initiatives which are directed towards building a knowledge sharing and performance enhancing organizational culture. The salient HR measures undertaken are mentioned below:

- a) Leadership development and Career planning
- b) Sourcing of young and fresh talents for meeting the current and future needs of the Company.
- c) As a part of competency building and performance enhancement interventions, assessment exercises were conducted in the Company covering employees at Manager and above levels. The output of the intervention is being used for various developmental activities.
- d) The performance management system has been extended to all employees' upto level of executive. It has also been aligned further to meet the performance expectations of the Company and employees' aspirations.
- e) The employee benefit policies have also been revamped/ revisited based on the feedbacks received from cross section of employees including restructuring of remuneration structure.

SAP HR module with employee self service has also taken off so as to be quick in service delivery and have fully integrated network.

Safety at project site, medical care requirements of workers and on the job training is being provided at all the manufacturing facilities to avoid mishaps and ensure high level of security and confidence among employees. During the year, Company has maintained cordial relations with the employees.

CAUTIONARY STATEMENT

This report contains projections, estimates and expectations etc. which are just "forward-looking statements". Actual results could differ from those expressed or implied in this report. Important factors that may have impact on Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets, changes in the Government regulations / policies, tax laws and other statutes and other incidental factors. The Company assumes no responsibility to publicly modify or revise any forward looking statements on the basis of any future events or new information. Actual results may differ from those mentioned in the report.



RISK MANAGEMENT

The Company is fully committed to strengthen its risk management capabilities on a continuous basis in order to protect and enhance shareholders' value. Further, the risk management framework ensures compliances with the requirements of amended clause 49 of the Listing Agreement. The framework establishes risk management process across all businesses and functions of the Company. These processes are periodically reviewed to ensure that the Management control risks through properly defined framework.

The Company has already undertaken, extensive risk management efforts that include introduction of Risk Management Manual, compiling a comprehensive profile of the key risks to the Company, identifying the key gaps in managing those risks and developing preliminary action plans to address those risks. This effort accomplishes the following goals:

- Responds to the Board's need for enhanced risk information and improved mitigation plan.
- Provides the ability to prioritize, manage, and monitor the risks in the business and
- Formalizes the explicit requirements for assessing risks on an ongoing basis, including an effective internal control and management reporting system.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk, including changes in interest rates, foreign exchange rates and commodity prices, in the ordinary course of business. Suitable processes are being worked out by the Company in designing the new organization set up to tackle such issues.

CONSTRUCTION RISK

Since the major part of the Project is still in the construction phase and currently we do not have any revenue generating operations or any significant operating history from which one can evaluate our business, future prospects and viability. One should not evaluate our prospects and project viability based on the performance of our promoter or other affiliates. Our financial condition, results of operations and liquidity would be materially and adversely affected if our project costs or construction costs materially exceed such budgeted amounts.

The construction and operation of our project have faced opposition from various parties such as local communities and from special interest groups, government policies, who may oppose the possible negative impact of the project on the communities and the environment in the area where our project is located.

Our Company has already acquired approximately 1986 acres of land for the proposed plant, taking into account the scope for future expansion.

COST/ TIME OVER RUN RISK

Steel and DI Pipe plants typically have long gestation period. The scheduled completion target for our Project is an estimate and is subject to delays as a result of, among other things, contractor performance shortfalls, unforeseen engineering problems, dispute with workers, force majeure events, unavailability of finance, unanticipated cost increase or changes in scope and inability in obtaining certain property rights, fuel supply and government approvals, any of which could give rise to cost overruns or the delay in our implementation schedule. Failure to complete the project according to its specifications or schedule, if at all, may give rise to potential liabilities. As a result, our returns on investments may be lower than originally expected, which may have a material adverse impact on the business operations of your Company.

We intend to deploy Rs. 14,549.3 lakhs for General Corporate Purposes, including but not restricted to, additional margin money towards bank guarantees, meeting working capital requirements, fund project cost overruns (if any), strategic initiatives, partnerships, joint ventures and acquisitions, meeting exigencies, investments, advances and deposits, which your Company in the ordinary course of business may face, or for any other purposes as approved by our Board

TECHNOLOGY RISK

A key challenge for the Company is to ensure that its plants are equipped with updated technologies in order to serve clients, secure cost competitiveness and maintain R&D leadership. Even through the financial crisis, the

Company did not out back on investment in quality equipments, so that it could continue to develop technologies that could advance the project cost competitive position, while also reducing CO₂ emissions from ore based steelmaking. R&D efforts are also being made to advance the Company's proprietary knowledge in order to produce new generation high strength steel, advanced and photovoltaic coating systems etc.

For upgrading plant and equipment, funds are being made available to ensure that the Group remains technologically updated in order to meet the increasingly demanding requirements from customers across all its sectors particularly in the fast growing automotive sector in India.

In light of the fact that the equipments are being procured by us from China, the Chinese contractors are also appointed so that there are no problems in integration of the equipments used in the Project. A good number of Chinese manpower, are working at site in full swing and your Company is also working on launching the suitable high end product in market to take care of the competition from existing players.

FOREIGN EXCHANGE RATE RISK

We currently have incurred and expect to incur expenditure on account of import of equipment etc. Any depreciation of the rupee against the currencies in which we have an exposure will increase the rupee costs of servicing and repaying our expenditure. We have a policy to undertake forward cover to mitigate the foreign exchange rate risk.

COMMODITY PRICE RISK

Our revenue would be exposed to the market risk of price fluctuations related to the sale of our steel and other products. Market forces generally determine prices for the steel and other products that we will sell both inside and outside of India. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and Indian economic conditions and growth. Adverse changes in any of these factors may reduce the revenue that we earn from the sale of our products. In particular, our costs are exposed to fluctuations in prices of iron ore, coal, coking coal, ferro alloys and other raw material inputs. We use various spread risk management tools to hedge this risk.

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to our long-term floating rate debt obligations. All our outstanding long-term debt bears interest at floating rate and thus are exposed to market risk as a result of changes in interest rates. Upward fluctuations in interest rates increase the cost of both existing and new debts. It is likely that in the current fiscal year and in future periods our borrowings will rise substantially given our growth plans. We do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness or our deposits so as to manage interest rate risk. The Company had converted a part of undrawn INR Term Loan into ECB Loan to save the higher interest cost.

COMPETITOR RISK

The Company is exposed to the risk of competition, as the market is highly competitive with the elimination of physical barriers and entry of new players. The Company continues to focus on increasing its market share and taking marketing initiatives that will help customers in taking better informed decisions. The demand of steel is also increasing due to Government of India's focus on infrastructure development. Further with the thrust given by Government on water and water related projects and with the estimated growth in water requirements, the demand of DI Pipes is expected to grow substantially and the Company is confident in retaining its market share.

ROAD AHEAD

We believe that the assured availability of iron ore and coking coal from mines allocated to ECL will ensure that we will be able to reduce our operating costs and ensure a steady supply of coal and iron ore, at a lower cost. The major capital equipment for the plant is based on Chinese technology which provides higher productivity with lower costs. We believe that these factors will result in strong project economics and help us to become one of the lowest cost producers of steel. Besides this, our locational advantage also enables us to enjoy lower costs.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-11

(as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. Company's philosophy on Corporate Governance

The philosophy of the Company in relation to Corporate Governance is to ensure fairness, transparency, integrity, equity, honesty and accountability in its dealings with its customers, dealers, employees, lenders, Government and other stakeholders including shareholders. The Company is committed to achieve and maintain the highest standards of Corporate Governance.

2. Board of Directors

Composition as on March 31, 2011

The Board of Directors of Company consists of Six members which comprises of:

- One Executive Director,
- Two Non Executive - Independent Directors,
- Two Non Executive - Non Independent Directors,
- One Alternate Director.

The composition of the Board as on March 31, 2011 was in conformity with clause 49 of the Listing Agreement entered into with the stock exchanges.

Sl No	Name of the Directors	Category	No. of other Directorship(s) in Public Limited Companies Incorporated in India	No. of membership(s) on other Board Committees	No. of Chairmanship(s) in other Board Committees
1	Mr. Umang Kejriwal	Non Executive - Non Independent Director	8	1	Nil
2	Mr. Nigam Chander Bahl	Executive Director	Nil	Nil	Nil
3	Mr. Naresh Pachisia	Non Executive - Independent Director	6	7	1
4	Mr. Sanjoy Tekriwal	Non Executive - Independent Director	Nil	Nil	Nil
5	Mr. Sunil V Diwaker	Non Executive - Non Independent Director	7	7	Nil
6	Mr. Lawrence Mohan Roy	Alternate Director	2	Nil	Nil

Attendance of Directors at the Board Meetings during the financial year ended March 31, 2011 and the last Annual General Meeting (AGM)

During the financial year ended March 31, 2011, 7 (seven) Board meetings were held on the following dates:

April 26, 2010; May 06, 2010; August 10, 2010; September 11, 2010; September 29, 2010; November 15, 2010 and February 11, 2011. The gap between any two consecutive meetings did not exceed four months. The attendance details of each Director at the Board meetings and at the last Annual General Meeting (AGM) is given below:

Sl No.	Name of the Director	No. of Board meetings attended	Attendance at the last AGM held on June 29, 2010
1	Mr. Umang Kejriwal	7	No
2	Mr. Nigam Chander Bahl	7	No
3	Mr. Vilas Vishnu Jamnis*	2	No
4	Mr. Anil Kumar Sinha**	2	Yes
5	Mr. Naresh Pachisia	7	No
6	Mr. Sanjoy Tekriwal	6	No
7	Mr. Sunil V Diwaker	2	No

*resigned as Director w.e.f. 10.08.2010

**resigned as Director w.e.f. 15.11.2010



Code of Conduct

Pursuant to Clause 49 of the Listing Agreement, a 'Code of Conduct' has been laid down for all Board Members and Senior Management Executives of the company who have affirmed compliance with the same. A declaration signed by the Chairman of the Meeting to this effect is enclosed at the end of this report. The Code is also posted on the Company's website : <http://www.electrosteel.com/asi/introduction.asp>

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 (as amended), the Board has approved the 'Code of Conduct for prevention of Insider Trading' and authorised the audit committee to implement and monitor the various requirements as set out in the code.

3. Committees of Board

The Board Committees focus on certain specific areas and make informed decisions within the delegated authority. Each Committee of the Board function according to its charter that defines its composition, scope, power and role in accordance with the Companies Act 1956 and the Listing Agreement. The Board is responsible for constituting, assigning and co-opting the members of the Committee. Presently the Board has the following five Committees.

a) Audit Committee

The Audit Committee was constituted on July 25, 2009 and reconstituted on November 15, 2010, with powers and role specifically laid out to comply with the requirements of Clause 49 of the Listing Agreements with the Stock Exchanges in India and the spirit of Corporate Governance. The Audit Committee also oversees compliance with Section 292A of the Companies Act, 1956.

Composition of the Committee

The Audit Committee comprises of two non-executive independent Directors and one executive Director, all having financial management and accounting knowledge. As on March 31, 2011, the members of the Audit Committee were;

Mr. Sanjoy Tekriwal	Non executive Independent Director	Chairman
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. N C Bahl	Executive Director	Member

The Company's statutory auditors and the internal auditors are permanent invitees at the committee meetings. Mr. Vikram Sarangi, Company Secretary, acts as the Secretary to the Audit Committee.

Terms of reference

The terms of reference / scope and function of the Audit Committee are in accordance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement and are as follows:

- (i) Overseeing your Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (iii) Approving payments to statutory auditors for any other services rendered by the statutory auditors.
- (iv) Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
 - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - ii. Changes, if any, in accounting policies and practices and reasons for the same;
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management
 - iv. Significant adjustments to financial statements arising out of audit findings;
 - v. Compliance with listing and other legal requirements relating to financial statements;
 - vi. Disclosure of any related party transactions; and
 - vii. Qualifications in the draft audit report.



- (v) Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
- (vi) Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- (vii) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (viii) Carrying discussions with internal auditors on any significant findings and follow up there on.
- (ix) 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.
- (x) Carrying discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (xi) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (xii) To monitor the use of proceeds received in the initial public offering.

The Audit Committee also reviews such matters as considered appropriate by it or referred to it by the Board.

Meetings and Attendance

During the financial year ended March 31, 2011, five audit committee meetings were held on; April 26, 2010; May 06, 2010; August 10, 2010; November 09, 2010 and February 11, 2011. The gap between any two consecutive meetings did not exceed four months. The attendance details of each member at the Audit Committee meetings is given below:

Name of the Member	No. of meetings Attended
Mr. Sanjoy Tekriwal	5
Mr. Naresh Pachisia	5
Mr. Anil Kumar Sinha*	0
Mr. N C Bahl**	1

*resigned as member w.e.f. 15.11.2010

** joined as member w.e.f 15.11.2010

b) Share Transfer & Shareholders' / Investors' Grievances Committee

The company constituted a Share Transfer & Shareholders' / Investors Grievances Committee on August 31, 2009 and was reconstituted on November 15, 2010.

Composition of the Committee

The Committee comprises of two non-executive independent Directors and one executive Director. As on March 31, 2011 the members of the Share Transfer & Shareholders' / Investors Grievances Committee are;

Mr. Sanjoy Tekriwal	Non executive independent Director	Chairman
Mr. Naresh Pachisia	Non executive independent Director	Member
Mr. N C Bahl	Executive Director	Member

Mr. Vikram Saraogi, Company Secretary, acts as the Secretary to the Share Transfer & Shareholders' / Investors' Grievances Committee.

Terms of reference

The broad terms of reference includes the following as the performance of the functions as recommended in the Listing Agreement;

- (i) To oversee the redressal of grievances of shareholders and investors on issues like share transfer, non-receipt of annual report, declared dividends, issue of duplicate share certificates, among others.
- (ii) Monitoring the transfers, transmissions, dematerialization, splitting and consolidation of shares.
- (iii) Any such other acts, deeds, matters and things as the Board may consider think fit and as may be required for effective and efficient redressal of shareholders and/ or investor grievances.

In accordance with Clause 49 of the Listing Agreement of the stock exchanges, the Board has delegated powers of share transfers to Registrar & Share Transfer Agent M/s. Karvy Computershare Private Limited (Karvy), Plot no 17-24 Vithalrao Nagar, Madhapur, Hyderabad - 500 081. Karvy reviews the share transfers every fortnight.

Meetings and Attendance

For the financial year ended March 31, 2011, meetings of the Share Transfer and shareholders'/Investors' Grievances Committee were held on; August 31, 2010 and March 31, 2011.

Name of the Member	No. of meetings Attended
Mr. Sanjoy Taktwal	1
Mr. Naresh Pachisia	2
Mr. N C Bahl	1

Compliance Officer

Mr. Vikram Saraogi, Company Secretary of the Company was appointed as the Compliance Officer on behalf of the Company and is responsible for monitoring the Share Transfer process and report to the Shareholders'/Investors' Grievances Committee.

Shareholders' Complaints

Number of shareholders/ investors complaints received and resolved/replied during the year under review for the Initial Public offer of the Company and their breakup are as under;

Nature of complaints	Received	Resolved/ Replied	Pending
Status of applications lodged for public issue	388	388	Nil
Change/ correction of bank mandate on refund orders	103	103	Nil
Receipt of Indemnity Bond for issue of duplicate refund order	37	37	Nil
Non-receipt of refund order	1,901	1,901	Nil
Non-receipt of securities	4	4	Nil
Total	2,431	2,431	Nil

Pending Share Transfers

No shares were pending for transfer as on March 31, 2011.

c) Remuneration Committee

The Remuneration Committee was constituted on July 25, 2009 and reconstituted on November 15, 2010. The remuneration of the Executive Directors is paid as per terms of appointment as approved by the Committee. Necessary approval had also been obtained from the shareholders and the Government of India, Ministry of Corporate Affairs. The total remuneration paid to the Executive Directors is within the overall limit of the Companies Act, 1956.

**Composition of the Committee**

As on March 31, 2011, the members of the Committee were:

Mr. Sanjoy Tekriwal	Non executive Independent Director	Chairman
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. N C Bahl	Executive Director	Member

Mr. Vikram Sarangi, Company Secretary, acts as the Secretary to the Remuneration Committee.

Presently, the Non Executive Directors do not receive any remuneration from the Company except by way of sitting fees for attending the meetings of the Board and its Committees.

Terms of reference

The terms of reference of the Remuneration Committee includes the following:

- (i) To assist the Board in formulating and implementing the remuneration policy of your Company vis-a-vis the Executive Directors; and
- (ii) To recommend to the Board, the terms of compensation of whole time Executive Directors.

Details of remuneration paid to the Directors in 2010-11

Sl No.	Name of the Director	Salary & Benefits (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
1	Mr. Umang Kejriwal	Nil	Nil	45000	45000
2	Mr. Nigam Chander Bahl	10,677,084	Nil	Nil	10,677,084
3	Mr. Vilas Vishnu Jamnis *	3,887,920	Nil	Nil	3,887,920
4	Mr Anil Kumar Sinha **	Nil	Nil	Nil	Nil
5	Mr. Naresh Pachisia	Nil	Nil	95000	95000
6	Mr. Sanjoy Tekriwal	Nil	Nil	80000	80000
7	Mr. Sunil V Diwaker	Nil	Nil	Nil	Nil

* resigned as Director w.e.f. 10.08.2010

** resigned as Director w.e.f. 15.11.2010

The above remuneration is within the limits prescribed under the provisions of the Companies Act, 1956.

The details of equity shares / convertible instruments held by the Non-Executive Directors of the Company as on March 31, 2011 are as follows:

Name	No. of Equity shares held	No. of convertible Instruments held
Mr. Umang Kejriwal	517,000	Nil
Mr. Naresh Pachisia	50,000	Nil
Mr. Sanjoy Tekriwal	1,721	Nil
Mr. Sunil V Diwaker	Nil	Nil

d). Committee for Allotment of Shares

The Committee was constituted on August 31, 2009.

**Composition of the Committee**

As on March 31, 2011, the members of the Committee for Allotment of shares are:

Mr. N C Bahl	Executive Director	Chairman
Mr. Umang Kajriwal	Non executive Non Independent Director	Member
Mr. Sanjiv Tekriwal	Non executive Independent Director	Member
Mr. Naresh Pachisia	Non executive Independent Director	Member

Mr. Vikram Sarangi, Company Secretary, acts as the Secretary to the Committee for Allotment of Shares.

Terms of reference

The terms of reference / scope and function of the Committee includes allotment and listing of shares and debentures in reference to statutory and regulatory authorities.

Meetings of the Committee

For the financial year ended March 31, 2011, meetings of the Committee were held on; August 25, 2010; September 01, 2010; October 05, 2010 and November 11, 2010.

4. General Body Meetings**A. Location and time for last three Annual General Meetings:**

Financial Year	Date of AGM	Venue	Time	Number of special resolutions passed
2007 - 2008	June 19, 2008	801 Uma Shanti Apartments, Kanke Road, Ranchi 834 008, Jharkhand	11.00 a.m.	Nil
2008 - 2009	June 22, 2009	801 Uma Shanti Apartments, Kanke Road, Ranchi 834 008, Jharkhand	11.00 a.m.	<ol style="list-style-type: none"> To execute the Share Subscription and Shareholders Agreement with 'L&FS Financial Services Ltd' and 'L&FS Investment Managers Ltd'. To raise funds through offer, issue, & allotment of equity shares u/s 81(1A) of the Companies Act, 1956. To increase the authorized share capital of the Company u/s 94 of the Companies Act, 1956 and necessary modification in the Memorandum & Articles of Association of the Company thereon.
2009 - 2010	June 29, 2010	801 Uma Shanti Apartments, Kanke Road, Ranchi 834 008, Jharkhand	11.30 a.m.	Nil

B. No Special Resolutions were passed through postal ballot during the year 2010-11 and none of the business is proposed to be transacted in the ensuing Annual General Meeting which requires passing of a special resolution through postal ballot.

C. Information about Directors proposed to be appointed and re-appointed as required under Clause 49 IV (3) (i) of the Listing Agreement with the stock exchanges forms part of the explanatory statement of the notice for Annual General Meeting annexed to the Annual Report.

5. Disclosures

None of the transactions with any of the related parties were in conflict with the interests of the Company. However, the details of related party relationships and transactions are disclosed in Note 17 of Schedule 18B to the Annual Accounts. The Company complied with regulatory requirements on capital markets. No penalties / strictures have ever been imposed against it.

All mandatory requirements of Clause 49 of the Listing Agreement have been complied with and the disclosures on adoption of non-mandatory requirements are dealt with at the end of the report.

**6. Means of Communication**

The Company's quarterly/ annual financial results and notices as required under clause 41 of the Listing agreement are published in widely circulated national English daily like 'The Business Standard' (all editions) and in a local newspaper 'Prabhat Khabar' (Ranchi edition). These financial results were not sent individually to all the shareholders. The Company's results and official news releases were displayed on the Company's web site : <http://www.electrosteel.com/es/Introduction.asp> A comprehensive Management Discussion and Analysis report forms a part of this annual report.

7. General Shareholder Information

Date, time and venue of the Annual General Meeting	15th July 2011, at 11:30 A.M Topaz Banquet Hall, Hotel Landmark, Jain Chandra Road, Lalpur, Ranchi-834001, Jharkhand.
Financial Year	1st April to 31st March
Book Closure Period (for share transfer & AGM)	09-07-2011 to 15-07-2011 (both days inclusive)
Interim Dividend Payment Date	Not Applicable
Outstanding ADRs / GDRs / warrants of any convertible instruments, conversion date and likely impact on equity.	Not Applicable
Listing Details: Equity Shares	a) Bombay Stock Exchange Ltd P. J. Towers, Dalal Street, Mumbai 400 001 b) National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Bandra Kurla Complex, Bandra (East) Mumbai 400 051
Stock Code at Stock Exchanges	Equity Shares BSE - 533264 NSE - ESL
Demat ISIN number for NSDL & CDSL for Equity Shares	INE481 K01013
Corporate Identification Number (CIN)	U27310JH2006PLC012863
Annual Listing Fees	Annual Listing fees for the financial year have been paid to NSE and BSE.
Share transfer system	75.41% of the equity shares of the Company are in electronic mode. Transfer of these shares is done through the depositories. Share transfers are registered and returned within the period of 30 days from the date of lodgment if the documents are completed in all respects. As per directives issued by the SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form. The Company offers the facility of transfer cum dematerialization to its shareholders.
Registrar & Share Transfer Agent for physical & dematerialised shares	Karvy Computershare Private Limited, Plot no 17-24 Vithalrao Nagar, Madhapur, Hyderabad - 500 081 Phone : 040-44655000/23420815-825 Fax : 040 23420814 E-mail : elward.nis@karvy.com

**Dematerialization of equity shares and liquidity**

The Company's shares are compulsorily tradable in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL).

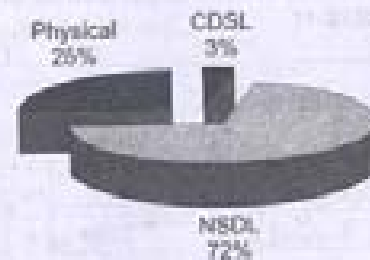
The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is INE481K01013.

As on March 31, 2011 the equity shares stand dematerialized/Physical;

CDSL - 6,66,89,736 equity shares (3.28%)

Physical - 50,04,31,400 equity shares (24.59%)

NSDL - 146,76,13,867 equity shares (72.13%)



The Company's equity shares are regularly traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. As per the agreement between the Company and the depositories NSDL & CDSL, the investors have an option to dematerialize their ordinary equity shares with either of the depositories.

Site locations

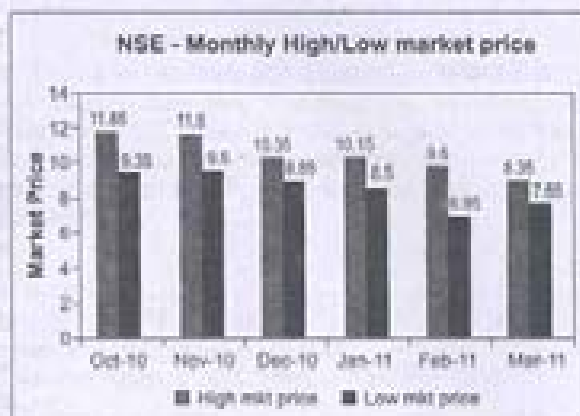
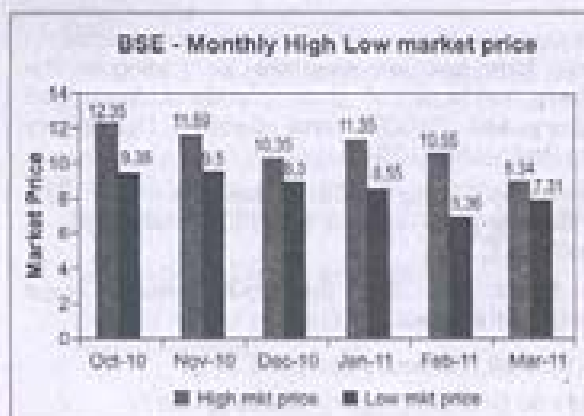
Village Siyaljori, P.O Jogidih,
P.S. Chandankyari, Dist - Bokaro,
Pin 828303, Jharkhand.

Address for Communication

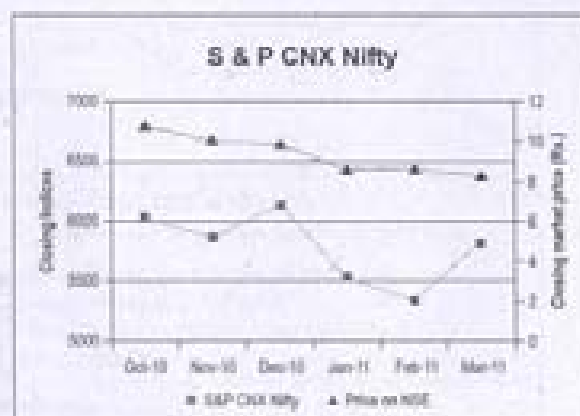
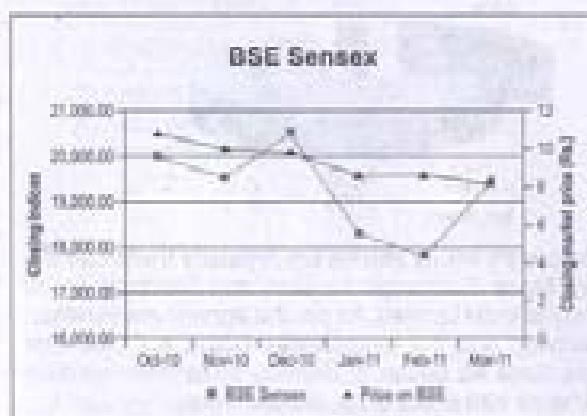
Mr. Vikram Saraogi
Company Secretary & Compliance Officer
Electrosteel Steels Limited
G.K. Tower, 19, Camac Street, Kolkata-700 017
Phone: (033) 2283 9990
Fax : (033) 2290 2882
Email: ei.investors@electrosteel.com

Stock Market Price for the financial year 2010-11

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	Month's High Price	Month's Low Price	Volume	Month's High Price	Month's Low Price	Volume
Oct - 2010	12.35	9.35	17,96,97,007	11.85	9.35	29,04,98,810
Nov - 2010	11.59	9.50	3,80,78,808	11.60	9.50	7,56,07,003
Dec - 2010	10.35	8.90	36,80,418	10.35	8.85	1,73,61,719
Jan - 2011	11.35	8.55	95,60,247	10.15	8.50	66,59,409
Feb - 2011	10.55	6.96	1,17,14,643	9.60	6.95	1,22,81,576
Mar - 2011	8.94	7.91	98,51,969	8.95	7.65	1,07,25,236

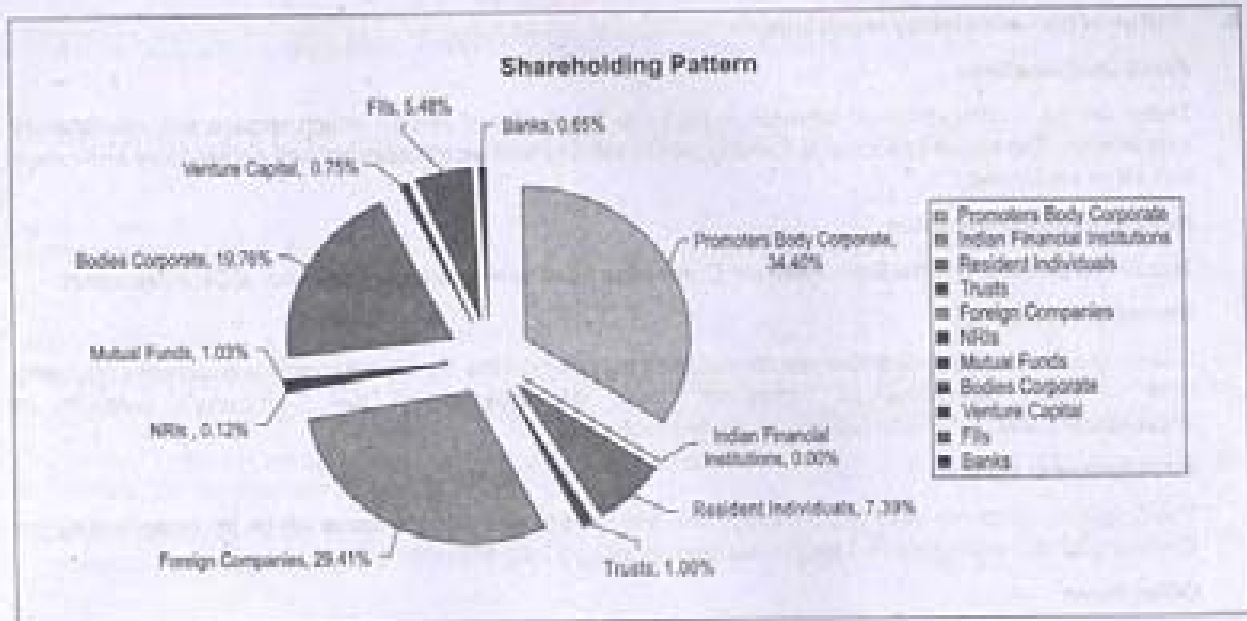


Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty for the Financial Year 2010-11



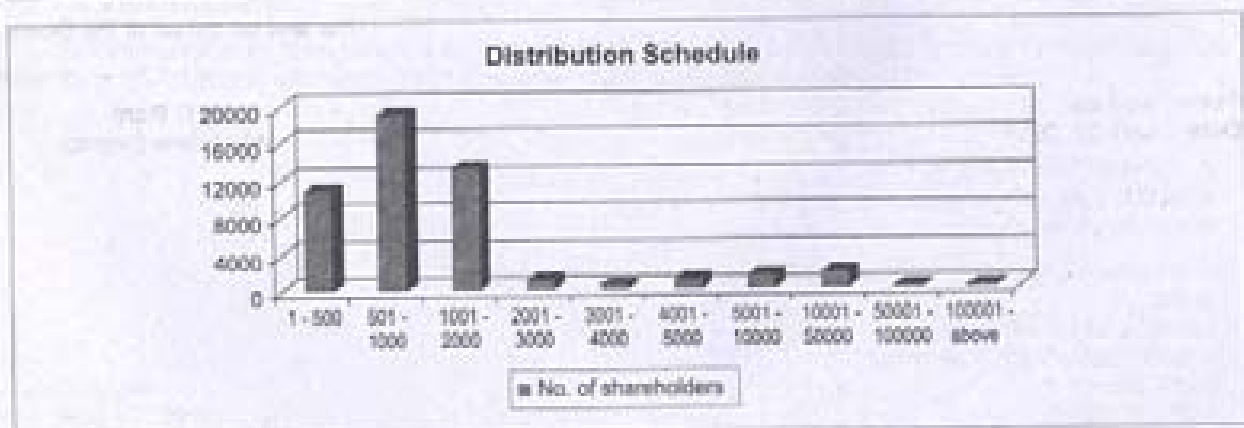
Shareholding pattern as on March 31, 2011

S.No	Category	No. of Cases	Shareholders %	Total Shares	% To Equity
1	Promoters Body Corporate	2	0.004%	70,00,00,000	34.403%
2	Indian Financial Institutions	1	0.002%	25,950	0.001%
3	Resident Individuals	48,681	97.017%	15,03,77,976	7.391%
4	Trusts	11	0.022%	2,04,45,726	1.005%
5	Foreign Companies	4	0.008%	59,83,33,937	29.408%
6	NRIs	318	0.634%	24,93,470	0.123%
7	Mutual Funds	2	0.004%	2,08,82,352	1.028%
8	Bodies Corporate	1,144	2.280%	40,21,51,813	19.764%
9	Venture Capital	2	0.004%	1,53,05,000	0.752%
10	Fills	7	0.014%	11,15,53,111	5.482%
11	Banks	6	0.012%	1,31,65,688	0.647%
	Total	50,178	100.00%	203,47,35,023	100.00%



Distribution of shareholding as on March 31, 2011

Sl No	Range of equity shares held	No. of shareholders	% to total shareholders	Total Shares	% of Amount
1	1 - 500	10,911	21.745%	28,26,050	0.139%
2	501 - 1000	19,106	38.078%	136,68,682	0.672%
3	1001 - 2000	13,231	26.368%	219,51,438	1.079%
4	2001 - 3000	1,199	2.389%	31,90,948	0.157%
5	3001 - 4000	600	1.196%	22,08,533	0.108%
6	4001 - 5000	1,191	2.374%	58,59,751	0.288%
7	5001 - 10000	1,586	3.161%	135,78,531	0.667%
8	10001 - 50000	1,701	3.390%	447,84,937	2.200%
9	50001 - 100000	320	0.638%	272,83,967	1.341%
10	100001 - above	333	0.664%	189,94,02,177	93.340%
	Total	50,178	100.00%	203,47,35,023	100.00%





8. Status of non-mandatory requirements

Audit Qualifications

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

Remuneration Committee

The details pertaining to the Remuneration Committee have been provided in item no. 3(C) of this report.

Shareholder Rights

Quarterly and Half yearly financial results including summary of the significant events are currently not being sent to each shareholders. However, these are posted on the Company's website at <http://electrosteel.com/est/investors/quarterly-results.asp>

Whistleblower Policy

The Company does not have any whistleblower policy as of now and the same will be implemented by the Company as and when required and/or deemed necessary by the Board.

Other Items

Besides constituting the Remuneration Committee, the Company has not implemented other non-mandatory requirements of the Code of Corporate Governance viz. Shareholding Rights, Training of Board Members, Mechanism for performance evaluation of non-executive Board Members, Whistle Blower Policy etc. The same will be implemented by the Company as and when required and/or deemed necessary by the Board. The Company is yet to implement the tenure of Independent Directors of not exceeding in aggregate, a period of nine years. However at present, the tenure of no such Independent Directors exceeds in aggregate of the abovementioned period.

The Company has ensured that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and which, in the opinion of the Company would enable him to contribute effectively to the Company in his capacity as an Independent Director.

9. Auditors' Certificate on Corporate Governance

The Company has received a Certificate annexed to this report, from the Statutory Auditors of the Company certifying to its compliances with the provisions relating to the Corporate Governance as stipulated in Clause 49 of the Listing Agreement executed with the Stock Exchanges.

For and on behalf of the Board

Place : Kolkata
Date : April 22, 2011

N C Bahl
Wholetime Director

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

DECLARATION BY THE DIRECTOR UNDER CLAUSE 49 (I)(D) OF THE LISTING AGREEMENT

To,
The Members of
Electrosteel Steels Limited

I hereby certify that,

- a) In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board members and the senior Management Personnel of the Company.
- b) The said Code of Conduct is also uploaded on the website of the Company at '<http://electrosteel.com/esl/investors/code-of-conduct.asp>'
- c) All the Members of the Board and senior management personnel of the Company have affirmed their respective compliance with the Code of Conduct of the Company for the year ended March 31, 2011.

Place: Kolkata
Dated: April 22, 2011

N C Bahi
Wholtime Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Electrosteel Steels Limited

We have examined the compliance of conditions of Corporate Governance by Electrosteel Steels Limited for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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 statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

Sushil Kumar Chhawchharia
Partner
Membership No. 008482
Address: 8A & 8B, Satyam Towers
3, Alipore Road
Kolkata 700 027

Place : Kolkata
Date : April 22, 2011



CERTIFICATION FROM CEO & CFO

(In terms of Clause 49(V) of the Listing Agreement)

We, Nigam Chander Bahi, Whole time Director and Ashutosh Agarwal, Chief Finance Officer & Executive Director (Finance), of the Company, certify that:

- a) We have reviewed financial statements and the cash flow statements of the Company for the year ended 31st March 2011 and that to the best of our knowledge and belief
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or which violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company. We have disclosed to the Auditors and the Audit Committee, deficiencies, if any in the design or operation of internal controls of which we are aware and the steps taken or proposed to be take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit committee
 - (i) significant changes, if any in internal control over financial reporting during the year.
 - (ii) significant changes, if any in the accounting policies during the year and the same have been disclosed in the notes to the financial statements.
 - (iii) instances of fraud whether or not significant of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's Internal control system over financial reporting.

Date : April 22, 2011

N C Bahi
Whole time Director

Ashutosh Agarwal
Chief Finance Officer &
Executive Director (Finance)

**AUDITORS' REPORT**

To the Members of
ELECTROSTEEL STEELS LIMITED

1. We have audited the attached Balance Sheet of ELECTROSTEEL STEELS LIMITED as at 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of the representative office at China. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments above and also in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the representative office;
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (b) in the case of the Profit & Loss Account, of the loss for the year ended on that date;
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

B Chhawchharla & Co.
Firm Registration No. 305123E
Chartered Accountants

S K Chhawchharla
Partner
Membership No. 008482

Place : Kolkata
Date : April 22, 2011

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, the Company has not disposed off a substantial part of fixed assets during the period so as to affect its going concern status.
- (ii) (a) As informed to us, a part of the inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventories followed by the management, in our opinion, are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As explained to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and the same have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, the Company has neither granted nor taken any loan secured or unsecured to/from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(ii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have neither observed nor have been informed of any major weaknesses in the said internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the period under audit, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) No deposits within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under have been accepted by the Company.
- (vii) The Company has an internal audit system commensurate with the size and nature of the Company.
- (viii) As informed to us, the Company has made and maintained cost records as prescribed by the Central Government under Section 209(1)(d) of the Act. We have not made a detailed examination of such records. However, we have broadly reviewed the records maintained and are of the opinion, that prima facie, the prescribed accounts and records have been maintained.
- (ix) (a) According to the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding, as at 31 March 2011 for a period of more than six months from the date they became payable.



- (b)- According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute, except

Name of the statute	Nature of dues	Year	Amount (Rs. Lacs)	Forum where dispute is pending
Central Sales Tax Act, 1956	Sales Tax (*)	2010-11	24.40	Jharkhand Sales Tax Tribunal

(*) The entire amount disputed has been deposited by the Company.

- (x) The Company has been registered for a period less than five years and hence the provisions of Clause 4(x) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xi) As per our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the period under audit.
- (xvi) According to the information and explanations given to us, in our opinion, the term loans raised were, prima facie, either utilized for the purposes for which they were obtained or pending utilization, been temporarily invested in Mutual Funds and Term Deposits with Banks.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, there are no funds raised on short term basis during the period under audit.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) The Company has not issued any debentures during the period under audit.
- (xx) The Management has disclosed the end use of money raised by public issues and we have verified the same.
- (xix) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

Place : Kolkata
Date : April 22, 2011

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

S K Chhawchharia
Partner
Membership No. 008482



BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	As at 31st March, 2011		As at 31st March, 2010	
		Rs.	Rs.	Rs.	Rs.
Sources of Funds					
Shareholders' Funds					
Share Capital	1	20,347,350,230		16,657,630,230	
Share Application Money		51		46	
Reserves & Surplus	2	<u>337,982,225</u>		<u>—</u>	
		20,685,332,506		16,657,630,276	
Loan Funds					
Secured Loans	3		41,097,535,824		24,693,559,341
			<u>61,782,868,330</u>		<u>41,351,189,617</u>
Application of Funds					
Fixed Assets					
Gross Block	4	6,741,547,669		2,031,604,058	
Less : Depreciation		<u>62,547,286</u>		<u>15,277,078</u>	
Net Block		6,689,000,383		2,016,326,980	
Capital Work-in-Progress		<u>54,392,471,105</u>		<u>36,856,002,335</u>	
		61,081,471,488		38,872,329,315	
Investments					
	5		671,317,795		1,608,038,477
Current Assets, Loans and Advances					
Inventories	6	370,960,630		—	
Sundry Debtors	7	5,077,181		—	
Cash and Bank Balances	8	834,310,895		943,206,171	
Loans and Advances	9	<u>1,051,607,808</u>		<u>793,008,322</u>	
		2,301,976,714		1,736,214,493	
Less:					
Current Liabilities and Provisions					
Current Liabilities	10	2,247,083,620		845,302,967	
Provisions		<u>24,814,047</u>		<u>18,265,120</u>	
		2,271,897,667		863,568,087	
Net Current Assets			30,079,047		872,646,406
Miscellaneous Expenditure (to the extent not written off or adjusted)			—		177,419
			<u>61,782,868,330</u>		<u>41,351,189,617</u>
Notes on Accounts	18				

The Schedules referred to above form an integral part of the Accounts

As per our Report of even date

For B. Chhawchharia & Co.

Firm Registration No. 305123E

Chartered Accountants

S K Chhawchharia

Partner

M. No. 008482

Kolkata

April 22, 2011

For and on behalf of the Board

N C Bahl

Wholtime Director

Sanjoy Tekriwal

Director

Vikram Sarangi

Company Secretary

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

	Schedule	Year ended 31st March, 2011 Rs.	Year ended 31st March, 2010 Rs.
Income			
Sales		81,480,816	—
Less: Excise Duty		7,608,816	—
		<u>73,872,000</u>	—
Increase/(Decrease) in Finished and Process Stock	11	25,123,873	—
Other Income	12	2,647,420	—
		<u>101,643,293</u>	—
Expenditure			
Raw Materials Consumed	13	119,658,348	—
Manufacturing and Other Expenses	14	7,999,622	—
Employee Costs	15	1,363,062	—
Finance Cost	16	15,635,989	—
Other expenses	17	7,666,180	—
Depreciation		10,431,788	—
		<u>162,977,979</u>	—
Net Profit before tax		(61,334,686)	—
Provision for Taxation		—	—
Net Profit after Tax (carried to balance sheet)		(61,334,686)	—
Basic & Diluted Earnings per Share (Face Value Rs 10 each)		(0.00)	—
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Accounts

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

S K Chhawchharia
Partner
M. No. 008482

Kolkata
April 22, 2011

For and on behalf of the Board

N C Bahi

Wholetime Director

Sanjoy Tekriwal

Director

Vikram Sarangi

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit (Loss) before Taxes		(61,334,686)		—
Add: Depreciation/Amortisation/Written off	10,431,768		—	
Miscellaneous Expenses Written Off	177,419		—	
Interest	15,635,989	26,245,196	—	
		(35,089,490)		
Less: Profit on sale of Investment		2,200,000		
Operating Profit (Loss) before Working Capital Changes		(37,289,490)		
Less: Increase / (Decrease) in Inventories	370,960,830			
Increase / (Decrease) in Trades Receivables	5,077,181			
		376,058,011		
Cash Generation from Operations		(413,347,501)		
Less: Direct Taxes Paid		—		
Cash generation from Operating activities		(413,347,501)		
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(4,710,634,243)	(754,648,482)		
Addition to Capital work-in-progress	(12,820,401,583)	(14,138,643,026)		
Fixed Assets sold / discarded	322,890	111,450		
(Purchase) / Sale of Investments (net)	936,918,682	158,211,290		
Advance Recoverable in Cash or in Kind	(296,340,536)	(328,483,816)		
Interest Received	22,891,207	45,411,760		
Dividend Received	27,907,238	83,885,791		
Taxes Paid	(2,258,950)	(52,875,267)	(14,987,230,100)	
Net Cash Flow from Investing Activities		(16,841,895,295)		(14,987,230,100)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Net proceeds from Issue of Equity Shares including Share Application Money	4,089,036,916		10,164,959,741	
Proceeds from Borrowings	16,403,976,483	20,493,013,399	7,408,237,129	17,573,196,870
Interest Paid		(3,348,685,879)		(2,166,900,906)
Net Cash Flow from Financing Activities		17,146,347,520		15,374,295,964
Net Increase/ (Decrease) in Cash & Cash equivalents (A+B+C)		(108,895,276)		387,065,864
Cash & Cash equivalents as at 1st April		943,206,171		556,140,307
Cash & Cash equivalents as at 31st March		834,310,895		943,206,171

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

As per our Report of even date

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

S K Chhawchharia
Partner
M. No. 008482

Kolkata
April 22, 2011

For and on behalf of the Board

N C Bahl

Wholetime Director

Sanjoy Tekriwal

Director

Vikram Saraogi

Company Secretary

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE 1**

	Rs.	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SHARE CAPITAL			
Authorised:			
2,300,000,000 Equity Shares of Rs. 10/- each. (Previous year - 2,300,000,000 Equity Shares of Rs. 10/- each.)		23,000,000,000	23,000,000,000
Issued, Subscribed and Paid Up:			
2,034,735,023 Equity Shares of Rs. 10/- each. (Previous year - 1,655,763,023 Equity Shares of Rs. 10/- each.)		20,347,350,230	16,657,630,230
		<u>20,347,350,230</u>	<u>16,657,630,230</u>

SCHEDULE 2**RESERVES & SURPLUS**

Securities Premium Account	582,005,537		—
Less: IPO Expenses	182,688,626	399,316,911	—
Profit & Loss Account		(61,334,686)	—
		<u>337,982,225</u>	<u>—</u>

SCHEDULE 3**SECURED LOANS**

Rupee Term Loans			
Senior Debts*			
Banks		27,193,908,334	17,742,054,000
Others		3,218,300,000	1,019,000,000
Subordinate Debts*			
Banks		3,900,024,722	2,157,983,349
Others		118,831,851	21,151,163
Buyer's Credits		4,918,896,307	3,753,370,829
External Commercial Borrowings		1,547,516,052	—
Working Capital facilities from Banks		200,058,548	—
		<u>41,097,535,824</u>	<u>24,693,559,341</u>

* includes installments falling due in next twelve months Rs. 2,295,404,328 (P.Y. Rs Nil).

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



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 4

FIXED ASSETS

(Rs.)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 31st March, 2010	Additions	Sales/ Adjustments	As at 31st March, 2011	Upto 31st March, 2010	For the Year	Sales / Adjustments	Upto 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Freehold Land & Land Development (*)	1,801,250,302	178,614,848	—	2,038,285,930	—	—	—	—	2,039,285,930	1,801,250,302
Leasehold Land	—	19,802,199	—	19,802,199	—	143,410	—	143,410	9,858,750	—
Buildings	—	361,803,124	—	361,803,124	—	462,519	—	462,519	360,510,305	—
Railway Siding	—	165,861,224	—	165,861,224	—	368,940	—	368,940	165,494,284	—
Plant & Machinery	142,674,176	3,949,233,032	—	4,111,987,169	93,374,463	26,521,013	—	26,895,476	4,071,011,704	132,299,715
Furniture & Fittings	13,370,601	17,759,462	38,215	31,091,958	3,163,686	6,306,577	3,679	8,496,384	21,495,574	10,206,915
Vehicles	14,308,817	8,860,310	1,053,174	22,416,981	1,738,829	1,777,191	363,963	3,052,257	19,264,896	12,969,888
Capital Work-in-Progress	2,001,804,058	4,711,034,800	1,090,309	6,741,547,869	15,277,676	37,833,950	367,742	52,547,288	4,689,000,383	2,016,326,096
Previous Year Figures	1,277,147,257	754,537,032	80,231	2,031,864,058	3,142,516	12,138,907	4,368	15,277,678	54,362,471,195	36,858,002,325

Notes:

Capital Work-in-Progress includes:

- Rs. 1,959,537,775 (Rs. 9,948,951,830) on account of advance against project contracts.
- Rs. 8,623,725,186 (Rs. 4,075,862,267) on account of Project Development Expenditure Account (Refer Note B1.1 in Schedule III to the Balance Sheet).
- Rs. 40,819,208,144 (Rs. 22,231,181,212) on account of construction materials at site.
- Includes 71.66 acres of land pending conveyance in the name of the Company.



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 5		
INVESTMENTS		
Long Term Investments (Unquoted)		
Equity Shares		
Bawa Microfinance Private Limited (Face value of Rs. 10/- each) Nil (P.Y. 550,000) equity shares @ Rs 10/- each	—	5,500,000
Current Investments (Unquoted)		
Mutual Fund		
SBI-SHF-Ultra Short Term Fund Institutional Plan (Dividend) Nil (P.Y. 69,424,933) units of Rs.10/- each	—	694,665,864
SBI-SHF-Ultra Short Term Fund Institutional Plan (Growth) 21,723,546 (P.Y. Nil) units of Rs.10/- each	277,748,174	—
SBI-SHDF-Short Term Institutional Plan (Dividend) Nil (P.Y. 89,677,586) units of Rs. 10/- each	—	905,670,593
SBI Magnum Insta Cash Fund - Cash Option (Growth) 18,095,379 (P.Y. Nil) units of Rs. 10 each	393,569,621	—
	<u>671,317,795</u>	<u>1,606,036,477</u>

SCHEDULE 6**INVENTORIES:**

(As taken, Valued and Certified by the Management)

Stores and Spare Parts	33,360,503	—
Raw Materials	312,496,024	—
Stock-in-trade		
Finished Stock	25,123,873	—
Process Stock	—	—
Work in Progress	—	—
	<u>370,980,830</u>	<u>—</u>

SCHEDULE 7**SUNDRY DEBTORS:**

(Unsecured, Considered Good)

Debts outstanding for a period exceeding six months

- Considered good	—	—
- Considered Doubtful	—	—

Other Debts	5,077,181	—
	<u>5,077,181</u>	<u>—</u>

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash Balance	650,630	398,204
Stamp Papers in Hand	4,345,780	3,364,785
Bank Balances		
With Scheduled Banks		
Current Accounts	471,282,644	236,091,686
Deposit Accounts* (including interest accrued thereon)	356,688,309	702,686,728
With Non - Scheduled Banks		
Current Account - China Merchants Bank (Maximum balance during the period Rs. 2,580,805)	1,345,242	664,768
	<u>634,310,895</u>	<u>943,295,171</u>

* Rs. 251,688,389 (P.Y. Rs 588,525,255) Pledged against bank guarantees issued

SCHEDULE 9
LOANS AND ADVANCES

(Unsecured and Considered Good)

Advances recoverable in cash or in kind or for value to be received	42,858,298	35,389,364
Balances with Government Authorities (Net of Provisions)	1,024,406,318	754,898,653
Security Deposits	24,343,102	2,720,305
	<u>1,091,607,808</u>	<u>793,008,322</u>

SCHEDULE 10
CURRENT LIABILITIES AND PROVISIONS
CURRENT LIABILITIES
Sundry Creditors

 Micro, Small and Medium Enterprises

 Others (including over issued cheques in the current account)

Advances from Customers

Security Deposit/Earnest money Deposit received

PROVISIONS

 For Employee Benefits

	—	—
	2,222,216,532	845,302,967
	23,030,097	—
	1,836,991	—
	24,814,047	18,265,120
	<u>2,271,897,667</u>	<u>863,568,087</u>



SCHEDULES FORMING PART OF ACCOUNTS

	Year ended 31st March, 2011 Rs.	Year ended 31st March, 2010 Rs.
SCHEDULE 11		
INCREASE (DECREASE) IN FINISHED AND PROCESS STOCK		
Closing Stock		
Finished Goods	25,123,873	—
Less: Opening Stock		
Finished Goods	—	—
	<u>25,123,873</u>	<u>—</u>
SCHEDULE 12		
OTHER INCOME		
Income from Investments (other than trade)	2,200,000	—
Miscellaneous Sales	447,420	—
	<u>2,647,420</u>	<u>—</u>
SCHEDULE 13		
RAW MATERIAL CONSUMED		
Opening Stock	—	—
Add: Purchases	432,154,372	—
Less: Closing Stock	312,496,024	—
	<u>119,658,348</u>	<u>—</u>
SCHEDULE 14		
MANUFACTURING AND OTHER EXPENSES :		
Stores and Spare Parts consumed	1,823,715	—
Power and Fuel	4,340,534	—
Excise Duty on Stock	1,835,373	—
	<u>7,999,622</u>	<u>—</u>
SCHEDULE 15		
EMPLOYEE COSTS		
Salaries, Wages, Bonus and Allowances	1,342,748	—
Contribution to Provident and Other Fund	20,304	—
	<u>1,363,052</u>	<u>—</u>



SCHEDULES FORMING PART OF ACCOUNTS

	Year ended 31st March, 2011 Rs.	Year ended 31st March, 2010 Rs.
SCHEDULE 16		
FINANCE COST		
Interest		
On Term Loan	14,480,945	—
On Working Capital Loan	68,508	—
On Others	36,536	—
Finance Charges	1,050,000	—
	<u>15,635,989</u>	<u>—</u>

SCHEDULE 17**OTHER EXPENSES**

Operation & Maintenance expenses	2,050,972	—
Rent	966,776	—
Directors' Fees	230,000	—
Auditors' Remuneration	1,543,211	—
Repairs (Others)	10,639	—
Miscellaneous Expenses	2,910,163	—
Prior Period Items	177,419	—
	<u>7,889,180</u>	<u>—</u>



SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 18

Significant Accounting Policies and Notes on Accounts

A. Significant Accounting Policies:

1. Basis of Preparation of Financial Statements

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

2. Use of Estimates

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

3. Fixed Assets

- i. Fixed assets are stated at cost of acquisition and subsequent improvements thereto; net of CENVAT / Value Added Tax, rebates, less accumulated depreciation, amortisation and impairment loss, if any.
- ii. All costs, including financing costs and net charge on foreign exchange contracts till commencement of commercial production, are capitalised. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of fixed asset.
- iii. Expenses incurred relating to the Project prior to commencement of commercial production are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during the project development stage).

4. Depreciation

- i. Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- ii. Assets costing Rs. 5,000 or less are being fully depreciated in the year of acquisition.
- iii. Cost of leasehold land is amortized over the period of lease.

5. Impairment of Assets

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

6. Government Grants

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

7. Foreign Currency Transactions

- i. Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of the transaction. All transactions of integral foreign operations are recorded by applying to the foreign currency amounts on average exchange rate between the reporting currency and the foreign currency.
- ii. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid/received on forward contracts is recognised over the life of the contract.



SCHEDULES FORMING PART OF ACCOUNTS

- iii. Non-monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on translation is recognised as revenue except in respect of the project cost, same are recognized as "Capital Work in Progress".

8. Investments

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

9. Inventories

Inventories are valued at weighted average cost or net realizable value whichever is lower.

10. Borrowing Costs

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

11. Employee Retirement Benefits

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

12. Taxes on Income

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

13. Provisions, Contingent Liabilities and Contingent Assets

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

14. Revenue Recognition

All expenses and income to the extent considered payable and receivable respectively, unless otherwise stated, are accounted for on accrual basis. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are disclosed net of quality claims and rebates.

SCHEDULES FORMING PART OF ACCOUNTS
B. Notes on Accounts:

- 1.1 The Company is presently setting up an Integrated Steel & D I Pipe Plant in the state of Jharkhand, India. The expenditure incurred during the construction period is classified as 'Project Development Expenditure' pending capitalisation to be allocated to the asset on the completion thereof. Necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed below:

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

	For the year 2010-11 Rs.	For the year 2009-10 Rs.
Opening Balance	4,675,862,287	1,372,957,467
Add:		
(i) Payments to and Provisions for Employees (including personnel on deputation)		
- Salaries, Wages and Bonus	324,507,444	197,587,254
- Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Pension Scheme, etc.	13,539,901	17,779,701
- Employee welfare and other amenities	62,347,661	400,365,006
(ii) Consultancy, Professional and Legal Fees	187,870,529	280,595,647
(iii) Power & Fuel	65,854,906	35,990,231
(iv) Labour and Machinery Hire Charges	10,366,117	8,449,850
(v) Security expenses	47,134,445	38,328,002
(vi) Insurance	98,012,779	64,470,650
(vii) Rent	49,018,442	37,670,472
(viii) Rates & Taxes	13,194,492	13,607,368
(ix) Stores & Spares consumption	90,296,512	2,940,183
(x) Repairs & Maintenance Others	3,689,687	8,442,250
(xi) Travelling and Conveyance Expenses	202,579,041	150,938,402
(xii) Payment to Auditors'	0	509,162
(xiii) General and Administrative Expenses (net)	56,651,582	41,022,599
(xiv) Depreciation	27,208,163	12,136,336
(xv) Letter of Credit/Bank Charges (incl. Bank Guarantee charges)/Commitment Charges	62,928,305	137,042,135
(xvi) Interest and Finance Charges	3,331,029,690	2,198,900,906
(xvii) Loss on forward contracts	57,157,752	97,537,667
	4,703,583,448	3,379,025,372
Less:		
(i) Interest income (includes Tax deducted at source Rs 2,258,960; P.Y. Rs 4,954,658)	22,591,207	45,411,760
(ii) Dividend income from Current Investments	27,907,238	83,685,791
(iii) Profit on sale of Current Investments	38,526,700	168,681
(iv) Foreign Currency Exchange Fluctuation	9,166,442	96,191,587
	4,607,291,881	2,802,819,108
Add:		
Provision for Tax		
- Income Tax	95,699	85,712
	9,283,349,847	4,675,862,287
Less: Allocated/Transferred during the year to completed assets	(659,624,661)	—
Closing Balance	8,623,725,186	4,675,862,287



SCHEDULES FORMING PART OF ACCOUNTS

1.2 One of the Blast Furnaces of the Company has commissioned in September, 2010, which was temporarily shut down for the purpose of synchronisation with other units and has since restarted from 14th March, 2011. Consequently the proportionate borrowing costs and pre-operative expenses to that date attributable to the said Blast Furnace have duly been allocated.

1.3 Borrowing costs of Rs 30,941.94 lacs (P.Y. Rs 21,989.01 lacs) have been capitalized to Project Development Expenditure Account being cost attributable to ongoing construction and erection of the Steel Plant and Rs 2,368.36 lacs allocated and capitalized to the cost of Blast Furnace as in Note 1.2 above.

2 The Profit & Loss Account has been prepared for the period after commencement of commercial production of one of the Blast Furnaces during the year and as such no previous year figures have been reported.

3 The Company had come up with an Initial Public Offering (IPO) of 259,343,616 equity shares (including Green Shoe Option (GSO) of up to 33,627,428 equity shares) of Rs 10 each at a premium of Rs 1 per share aggregating to Rs 28,527.80 lacs. The share issue expenses amounting to Rs 1,826.89 lacs after netting off cenvat credit of Rs 289.72 lacs have been adjusted to Securities Premium Account.

The particulars of proceeds raised from the issue and its actual utilization are given below:

	(Amount in Rs lakhs)
Fund received through IPO (including additional funds received by the Company pursuant to the exercise of GSO and consequent over-allotment of equity shares:	
Equity Share Capital	25,934.36
Share Premium	2,593.44
Total	<u>28,527.80</u>
Less: Funds of Green Shoe Shares utilized by the Stabilizing Agent for price stabilization	3,699.02
Net Funds received through IPO	<u>24,828.78</u>
Financing the Project Cost including Margin money towards Bank Guarantees and General Corporate Purposes	23,001.89
Issue related expenses (net of cenvat Rs 289.72 lacs)	1,826.89
Total utilization of IPO funds	<u>24,828.78</u>

4 Additional information (to the extent applicable):

	As at 31st March 2011	As at 31st March 2010
a. Capital Commitments:		
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	16,187,315,978	24,476,448,087
b. Contingent Liabilities		
Bank Guarantees	1,138,378,993	558,620,255
Show cause notice from Central Excise Authorities alleging wrong availment of Cenvat credit	178,664,402	158,631,131
Sales Tax litigation	8,039,156	—
Civil and criminal proceedings pending against the Company, the financial liability thereof, if any, is unascertainable.		

	For the year 2010-11	For the year 2009-10
5 Value of Imports on GIF basis in respect of Capital Goods	14,718,740,836	10,437,991,374
6 Payment to Auditors:		
a. Audit Fees	1,000,000	400,000
b. Tax Audit Fees	100,000	50,000
c. Certification work required to be done by the Statutory Auditors for the purposes of IPO (adjusted against Securities Premium Account)	1,200,000	—
d. Other Services	377,951	47,900
e. Out of pocket expenses	65,260	11,262
	<u>2,743,211</u>	<u>509,162</u>



SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March 2011	As at 31st March 2010
7 Expenditure in Foreign Currency:		
a. Consultancy and Professional Fees	8,237,680	24,510,020
b. Travelling Expenses	85,559,473	66,751,824
c. Salaries, Wages & Bonus	12,747,658	4,333,369
d. Rent	3,480,837	3,419,329
e. Others	3,796,511	6,311,522
	<u>113,821,159</u>	<u>105,326,064</u>

8 Financial and Derivative Instruments:

Outstanding forward contracts entered for hedging are as follows:

Forward Contracts	—	3,076,889,133
Derivative Contracts	—	112,225,000

Category wise outstanding contracts entered for hedging are as follows:

Sl. No.	Category	Currency	Current Year		Previous year	
			No. of deals	Amount	No. of deals	Amount
1.	Forward	Euro/USD	—	—	20	1,424,681,549
2.	Forward	USD/INR	—	—	17	1,652,207,584
3.	Options	USD/INR	—	—	1	112,225,000

9 Investments purchased/sold during the year:

Name of the Share/Mutual Fund	Face Value	Qty. purchased	Cost	Qty. sold	Sale Price
Mutual Funds					
SBI Magnum Insta Cash Fund (Dividend)	10	459,556,380	7,697,707,230	459,556,380	7,697,707,230
SBI-SHDF-Short Term-Institutional Plan (Dividend)	10	409,012	4,137,437	90,086,597	911,713,630
SBI-SHF-Ultra Short Term Fund Institutional Plan (Dividend)	10	749,593,035	7,500,427,534	819,017,971	8,195,093,818
SBI-Magna Insta Cash Fund (Growth)	10	86,029,946	1,850,000,000	67,934,567	1,460,027,828
SBI Debt Fund (Growth)	10	75,000,000	750,000,000	75,000,000	764,115,000
SBI-SHF-Short Term-Institutional Plan (Growth)	10	264,174,329	3,295,093,818	242,450,783	3,034,454,204
Bawa Microfinance Pvt. Ltd.	10	—	—	560,000	7,700,000

10 The Company has circulated confirmation for the identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006. On the basis of information available with the Company under the aforesaid Act, there are no Enterprises to whom the Company owes dues which are outstanding at year end. This has been relied upon by the Auditors.

11 The Company got sanction of External Commercial Borrowings (ECB) for USD 95 million as a substitute to the existing undrawn rupee term loan commitment from the existing Consortium lenders.

12 Project Development Expenditure/Profit & Loss Account includes remuneration paid to Whole Time Directors Rs 14,565,004 (P.Y. Rs 20,256,346).

13 In the opinion of the management, current assets, loans and advances have the value at which these are stated in the Balance Sheet, unless otherwise stated, and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.

14 Balances of Sundry Creditors and Loans & Advances are subject to reconciliation/confirmation and adjustments in this respect are carried out as and when amounts thereof, if any, are ascertained.



SCHEDULES FORMING PART OF ACCOUNTS

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

Defined Contribution Plans

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

Particulars	For the year	For the year
	2010-11	2009-10
Employer's Contribution to Provident Fund	11,082,411	7,528,702
Employer's Contribution to Superannuation Fund	909,319	683,910
Employer's Contribution to Pension Scheme	3,185,884	1,528,679

Defined Benefit Plan

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

a. Reconciliation of opening and closing balances of Defined Benefit obligation

	Gratuity		Leave encashment	
	(funded)	(unfunded)	(unfunded)	
	2010-11	2009-10	2010-11	2009-10
Defined Benefit obligation at beginning of the year	8,433,872	2,026,853	8,574,837	3,307,277
Current Service Cost	4,948,056	4,270,215	2,906,278	3,522,406
Interest Cost	673,165	162,132	940,089	475,285
Actuarial (gain)/loss	(4,197,232)	2,727,005	4,498,631	2,670,147
Benefits paid	(1,462,657)	(752,133)	(1,592,438)	(1,400,278)
Defined Benefit obligation at year end	8,395,244	8,433,872	14,927,397	8,574,837

b. Reconciliation of opening and closing balances of fair value of plan assets

	Gratuity			
	2010-11	2009-10		
	(funded)	(unfunded)		
Fair value of plan assets at beginning of the year	Nil	Nil		
Expected return on plan assets	523,700	Nil		
Actuarial gain/(loss)	(328,477)	Nil		
Employer contribution	14,259,933	Nil		
Benefits paid	1,462,657	Nil		
Fair value of plan assets at year end	13,092,499	Nil		

c. Reconciliation of fair value of assets and obligations

	Gratuity		Leave encashment	
	(funded)	(unfunded)	(unfunded)	
	2010-11	2009-10	2010-11	2009-10
Fair value of plan assets (*)	13,092,499	Nil	Nil	Nil
Present value of obligations	8,395,244	8,433,872	14,927,397	8,574,837
Amount recognized in the Balance Sheet	8,395,244	8,433,872	14,927,397	8,574,837

(*) During the year, the previous employer has contributed an amount of Rs 53.33 lacs to the Gratuity Fund of the Company, being liability of their employees' services to the date of transfer to the Company.



SCHEDULES FORMING PART OF ACCOUNTS

d. Expenses recognized during the year

	Gratuity		Leave encashment	
	(funded) 2010-11	(unfunded) 2009-10	(unfunded) 2010-11	(unfunded) 2009-10
Current Service Cost	4,948,096	4,270,215	2,906,278	3,522,406
Interest Cost	673,165	162,132	940,089	475,285
Expected return on plan assets	(523,700)	Nil	Nil	Nil
Actuarial (gain)/loss	(3,958,755)	2,727,005	4,498,631	2,670,147
Net Cost	1,128,806	7,159,352	8,344,998	6,667,838

e. Investment Details

100% of the plan assets are with the Insurance Company

f. Actuarial Assumptions

	Gratuity		Leave encashment	
	(funded) 2010-11	(unfunded) 2009-10	(unfunded) 2010-11	(unfunded) 2009-10
Mortality Table (L.I.C.)	1994-95 (Ultimate)	1994-95 (Ultimate)	1994-95 (Ultimate)	1994-95 (Ultimate)
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	0.00%	0.00%	0.00%
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%

16. The Company's activities during the period were relating to setting up of its Integrated Steel & D I Pipe Plant. A part of the plant was commissioned in September, 2010, which was temporarily shut down for the purpose of synchronisation with other units and has since restarted from 14th March, 2011 (refer Note B 1.1 and 1.2 above). Considering the nature of the Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting', issued by ICAI.

17. As per Accounting Standard 16 'Related Party Disclosures' issued by ICAI, the disclosure of transactions with related parties are given below:

L. List of related parties where control exists:

Names of the related parties and description of relationship

1. Key Management Personnel (KMP) and their relatives

Mr. Umang Kejriwal	- Director
Mr. Nigam Chander Behl	- Whole Time Director
Mr. Vilas Vishnu Jarnnis	- Whole Time Director (resigned on 10.08.2010)
Mr. Sunil V Divalkar	- Director
Mr. Ghanshyam Kejriwal	- Relative of Director
Mr. Mayank Kejriwal	- Relative of Director
Mrs. Vaishali Vilas Jarnnis	- Relative of Whole Time Director



SCHEDULES FORMING PART OF ACCOUNTS

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

Akhara Manor Pvt. Ltd.	G. K. & Sons Pvt. Ltd.
Badrnath Industries Ltd.	Greenchip Troom Pvt. Ltd.
Boce Estates Pvt. Ltd.	Malay Commercial Enterprises Ltd.
Calcutta Diagnostics Centre Pvt. Ltd.	Murari Investment & Trading Co. Ltd.
Cubbon Marketing Pvt. Ltd.	Quiline Dealcomm Pvt. Ltd.
Electrocast Sales India Ltd.	Sigma Commercials Pvt. Ltd.
Electrosteel Aviation Ltd.	Sri Gopal Investments Ventures Ltd.
Electrosteel Thermal Coal Ltd.	Tulsi Highrise Pvt. Ltd.
Elenbaria Chemical Allied Pvt. Ltd.	Utkal Investments Ltd.
Elenbaria Developers Pvt. Ltd.	Utam Commercial Co. Ltd.
Escal Finance Services Ltd.	Wilcox Merchants Pvt. Ltd.
G. K. Investments Ltd.	

3. Other related parties

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

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

Sl. No.	Name of the related party/ nature of transactions	For the year 2010-11	For the year 2009-10
1.	Electrosteel Castings Limited		
	Transactions:		
	Proceeds from issue of equity shares/Premium	248,847,490	2,600,000,000
	Purchase of Assets	—	42,111
	Purchase of DI Pipe & Other materials	335,245,347	193,912,030
	Payment for Land development, Civil Works etc.	—	3,366,892
	Sale of Scrap	11,486,900	—
	DEPB Purchase	1,124,576	2,419,375
	Reimbursement of expenses	1,139,867	918,223
	Payment of rent	8,528,840	7,688,160
	Closing Balance:		
	Sundry Creditors	41,693,636	898,132
	Advance against supplies/services	36,019,072	43,379,152
	Sundry Debtors	4,840,289	—
2.	Singardo International PTE Ltd.		
	Transactions:		
	Technical service charges	3,383,820	3,175,400
	Reimbursement of travel expenses	204,315	806,836
3.	Stemcor Cast Iron Investments Ltd.		
	Transactions:		
	Proceeds from issue of equity shares	—	2,692,021,842



SCHEDULES FORMING PART OF ACCOUNTS

Sl. No.	Name of the related party/ nature of transactions	For the year 2010-11	For the year 2009-10
4.	Lanco Industries Ltd. Transactions: Cement Purchase	—	10,262,298
5.	Akshara Manor Pvt. Ltd. Transactions: Payment of rent	—	450,000
6.	Mr. Umang Kejriwal Transactions: Sitting fees	45,000	60,000
7.	Mr. Mayank Kejriwal Transactions: Sitting fees	—	20,000
8.	Mr. Nigam Chander Bahl Transactions: Payment of remuneration	10,677,084	8,052,399
9.	Mr. Vilas Vishnu Jamnis Transactions: Payment of remuneration	3,887,920	12,203,947
10.	Mrs. Vaishali Vilas Jamnis Transactions: Payment of rent	—	840,000

18. Earnings Per Share

Basic & Diluted EPS	For the year 2010-11
Profit attributable to equity shareholders	(61,334,586)
Weighted average no. of equity shares outstanding during the year	1,860,701,123
Nominal value of Equity Share	10
Basic & Diluted EPS	(0.03)

19. Since the major part of the Company's activities during the period were for the setting up of the project, no provision for deferred tax assets has been made under Accounting Standard 22, "Accounting for Taxes on Income" issued by ICAI, in accordance with the transitional provisions.

20. Information in respect of goods produced/manufactured:

Items	Installed Capacity (*) (in MT)	Production (in MT)
Pig Iron	420,000	3,475

(*) As certified by the management

Note: Licensed capacity is not applicable in terms of Government of India's Notification No. S.O.477(E) dated 25th July, 1991.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

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

I. Registration No.	027310JH2008PLC012663																									
Balance Sheet Date:	31	03	20	11	State Code						03															
II. Capital raised during the year: (Amount in Rs. Thousands)																										
Public Issue:	2	7	3	1	7	3	6	Rights Issue:					NIL													
Bonus Issue:							NIL	Private Placement:	1				5	5	0	0	0	0								
Share Application Money:							NIL																			
III. Position of mobilisation and deployment of funds: (Amount in Rs. Thousands)																										
Total Liabilities:	6						1	7	8	2	8	6	8	Total Assets:	6					1	7	8	2	8	6	8
Sources of Funds:												Application of Funds:														
Paid up Capital:	2						0	3	4	7	3	5	0	Net Fixed Assets:	6					1	0	8	1	4	7	1
Share Application Money:							0	Investments:	6				7	1	3	1	8									
Reserves and Surplus:	3						3	7	9	8	2	Net Current Assets:	3					0	0	7	9					
Secured Loans:	4						1	0	9	7	5	3	6	Miscellaneous Exp.:						NIL						
Unsecured Loans:							NIL	Profit and Loss Account:						NIL												
IV. Performance of the Company: (Amount in Rs. Thousands)																										
Net Turnover:	7						6	5	1	9	Total Expenditure:	1					3	7	8	5	4					
Profit / (-) Loss before tax:	(-)						6	1	3	3	5	Profit / (-) Loss after tax:	(-)					6	1	3	3	5				
Earning per Share in Rs:																										
- Basic:	(-)						0	0	3	Dividend Rate:						N/A										
- Diluted:	(-)						0	0	3																	
V. Generic Names of principal products of the Company:																										
Item Code number	3301																									
Product Description	IRON & STEEL IN PRIMARY / SEMI FINISHED FORMS																									
Item Code number	3180																									
Product Description	CLOKE OVEN PRODUCTS																									
Item Code number	3320																									
Product Description	FERRITE - ALLOYS																									

As per our Report of even date

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

S K Chhawchharia
Partner
M. No. 008482

Kolkata
April 22, 2011

For and on behalf of the Board

N C Bahl

Wholtime Director

Sanjoy Tekriwal

Director

Vikram Sarangi

Company Secretary

