



ELECTROSTEEL STEELS LIMITED



5<sup>th</sup> ANNUAL REPORT  
2011-2012

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## CORPORATE INFORMATION

<b>CHAIRMAN</b>	Mr. Binod Khaitan
<b>DIRECTORS</b>	Mr. Umang Kejriwal Mr. Naresh Pachisia Mr. Lalit Kumar Singhi Mr. Sunil V Diwakar (Nominee Director) Mr. Lawrence M Roy (Alternate Director to Mr. Sunil V Diwakar)
<b>WHOLETIME DIRECTOR</b>	Mr. Nigam Chander Bahl
<b>COMPANY SECRETARY</b>	Mr. Vikram Saraogi
<b>STATUTORY AUDITORS</b>	M/s. B Chhawchharia & Co., Chartered Accountants
<b>BANKERS</b>	State Bank of India (Facility Agent) Allahabad Bank Andhra Bank Bank of Baroda Bank of India Bank of Maharashtra Canara Bank Central Bank of India Corporation Bank Dena Bank HUDCO ICICI Bank Ltd IL&FS Financial Services Ltd Indian Bank Indian Overseas Bank LIC of India Oriental Bank of Commerce Punjab & Sind Bank Punjab National Bank State Bank of Hyderabad State Bank of Mysore State Bank of Patiala State Bank of Travancore Syndicate Bank The J&K Bank Ltd UCO Bank Union Bank of India United Bank of India Vijaya Bank
<b>REGISTERED OFFICE</b>	801, Uma Shanti Apartments, Kanke Road, Ranchi - 834 008 Jharkhand.
<b>PROJECT SITE</b>	Village Siyaljori, P.O - Jogidih, P.S - Chandankyari, Dist - Bokaro, Pin - 828 303, Jharkhand.
<b>HEAD OFFICE</b>	G K Tower, 2nd & 3rd Floor, 19, Camac Street, Kolkata - 700 017, West Bengal

## Notice

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834001 on Tuesday, the 7th Day of August 2012, at 12:30 P.M. to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 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 Naresh Pachisia who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr Nigam Chander Bahl who retires by rotation and is eligible for re-appointment.
4. To appoint the Statutory Auditors of the Company 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. Lalit Kumar Singhi, who was appointed as an Additional Independent Director (Non Executive) 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 Director of the Company liable to retire by rotation.”

#### Item no. 6

Issue of fresh equity shares of the Company, through preferential allotment under section 81(1A) of the Companies Act, 1956.

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

“RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the provisions of the Foreign Exchange Management Act, 1999, as amended, and rules and regulations made there under, including the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident outside India) Regulations, 2000, if applicable, and any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (hereinafter referred to as the “**SEBI Regulations**”) and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (hereinafter referred to as the “**Takeover Code**”) and the Listing Agreement, including amendments thereto entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to any approval, consent, permission and/or sanction of the appropriate authorities (hereinafter collectively referred to as the “**Appropriate Authorities**”) and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the “**Requisite Approvals**”), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “**Board**” which expression shall be deemed to include any Committee), the Board be and is hereby authorized to create, offer, issue and allot, from time to time in one or more tranches, up to 15.20 crores (fifteen crores twenty lacs) equity shares (hereinafter referred to as 'Equity Shares') of Rs 10/- each or such convertible securities which are convertible into 15.20 crores (fifteen crores twenty lacs) equity shares of Rs 10/- each or such non-convertible securities in such denominations that do not exceed Rs. 152.00 crores (Rupees one hundred and fifty two crores only) to be subscribed by the promoters / promoters group of the Company as Preferential Issue, as detailed in the explanatory statement to

this resolution, at a price not less than the price computed with respect to the Relevant Date, as prescribed under Chapter VII of the SEBI Regulations, in one or more tranches, under a preferential issue through offer letter and/or circular and/or information memorandum and/or such other documents/writings, in such a manner and on such terms and conditions as may be determined by the Board in terms of Chapter VII of the SEBI Regulations.”

“RESOLVED FURTHER THAT the Relevant Date shall be determined in terms of regulation 71 of Chapter VII the SEBI Regulations and shall be the date thirty days prior to the date on which the meeting of shareholders is held to consider the Preferential Issue i.e. July 7, 2012.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to create, issue and allot up to 15.20 crores (fifteen crores twenty lacs) Equity Shares and such Equity Shares allotted shall rank pari passu in all respects with the then existing equity shares of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things including to vary, modify or alter any of the terms or conditions including the size of such issue as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid Equity Shares and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said Equity Shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise and that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to a committee comprising of at least three directors to give effect to the aforesaid resolution.”

#### **Item no. 7**

Raising of additional long term funds through the issue of fresh capital by way of equity shares or other convertible / non convertible securities of the Company.

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

“RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, Foreign Exchange Management Act, 1999 (“**FEMA**”), the Issue of Foreign Currency Convertible Bonds (“**FCCB**”) and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 (including any statutory modification or re-enactment thereof, for the time being in force), and the applicable Rules, Guidelines, Regulations, Notifications and Circulars, if any, of the Securities and Exchanges Board of India (“**SEBI**”), Reserve Bank of India (“**RBI**”), the Stock Exchanges where the securities of the Company are listed (including provisions of the listing agreement with them) and any other concerned and relevant authorities, and other applicable laws if any, and the relevant provisions of the Memorandum and the Articles of Association of the Company and subject to such approval(s), consent(s), permission(s) and / or sanction(s) of the Government of India (“**GOI**”), SEBI, RBI and any other concerned and relevant authorities, institutions or Bodies whether in India or abroad (hereinafter collectively referred to as the “**Appropriate Authorities**”), as may be required, and subject to such conditions and modifications as may be prescribed by anyone of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the “**Requisite Approvals**”), which may be agreed to by the Board of Directors of the Company (hereinafter called the “**Board**” which term shall be deemed to include person(s) authorized and/or any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), consent of the members of the Company be and hereby accorded to the Board to create, issue, offer and allot on behalf of the Company in one or more tranches of one or more public and/or private offerings in domestic and/or one or more international markets, any securities including equity shares, FCCB, FCCNs, / Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs), Secured Premium Notes (SPNs) and/or any Other Financial Instruments (OFIs) whether or not convertible into equity shares or linked to equity shares/preference shares whether Cumulative/ Redeemable / Convertible at the option of the Company and / or the option of the holders of such securities and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants or such similar instruments convertible into Depository receipts with underlying equity shares / preference shares, (hereinafter referred to as the “**Securities**”) so however that the total amount raised through the aforesaid Securities shall not exceed US\$ 150 million (US Dollars one hundred and fifty million only), including an over allotment option of up to 20% (inclusive of such premium as may be determined by the Board), through a Qualified Institutions

Placement to be subscribed by Qualified Institutional Buyers (as defined in the SEBI Regulations) foreign / domestic investors/institutions and/or corporate bodies/entities including mutual funds, banks, insurance companies, qualified institutional buyers and/or individuals or otherwise, or any other foreign or domestic offering, whether or not such persons/entities/investors are Members of the Company, whether in one or more currency, such issue and allotment to be made at such time or times in one or more tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion think fit, in consultation with the lead managers, underwriters, advisors or other intermediaries or otherwise."

"RESOLVED FURTHER THAT the Relevant Date for determination of the price of the Equity Shares to be issued to QIBs shall be the date of the Meeting in which the Board of Directors of the Company or the Committee of Directors duly authorised by the Board of Directors of the Company decides to open the Issue."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms in accordance with prevalent domestic and/or international market and for the purpose of giving effect to any issue or allotment of Securities, the Board/Committee of Board be and is hereby authorized on behalf of the Company to do all such act, deeds, matters and things as it may at its absolute discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and depository arrangement with institution / trustees / agents and similar agreements and to remunerate the Managers, Underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to the issue offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit, with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorized by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the domestic and/or international practice and regulations, and under the norms and practices prevalent in securities markets and also to seek the listing of such Securities representing the same in one or more Stock Exchanges whether in India or outside India, as may be required by applicable laws."

"RESOLVED FURTHER THAT the issue of equity shares underlying such Securities to the holders of the Securities shall, inter alia, is subject to the following terms and conditions:

- a) in the event of the Company making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the equity shares, the number of shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro rata;
- b) in the event of the Company making a rights offer by issue of equity shares prior to the allotment of the equity shares, the entitlement to the equity shares shall be stand increased in the same proportion as that of the rights offer and such additional rights equity shares shall be offered to the holders of Securities at the same price at which the same are offered to the existing shareholders, and
- c) in the event of any merger, amalgamation, takeover or any other re-organisation, the number of shares, the price, the value and the time period as aforesaid shall be suitably adjusted."

"RESOLVED FURTHER THAT the Board/Committee of Board be and is hereby authorized to create, issue and allot from time to time, such number of equity shares/securities as may be required to be issued and allotted upon conversion or issue of any Securities referred above or as may be necessary in accordance with the terms of the offering(s) at such price (including premium) that may be decided by the Board/Committee of Board in its absolute discretion, as may be necessary in accordance with the terms of the offering of any of the aforesaid securities, including additional equity shares or securities, all such shares/securities ranking pari-passu in all respects or such other ranking as may be permissible, with the then existing shares/securities of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to may delegate all or any of the powers herein conferred to any Committee of Directors or any other Officers / Authorised Representatives of the Company or to such other person(s) as the Board may think fit and necessary at its absolute discretion and to do all such acts, deeds, matters and things as may be necessary to give effect to the aforesaid resolutions."

**Item no. 8**

Re-Appointment / Extension of appointment of Mr N C Bahl as Wholetime Director of the Company

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

“RESOLVED THAT pursuant to the provisions of the Articles of Association of the Company and Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government and such other consents, permissions and approvals as may be necessary or applicable, Mr Nigam Chander Bahl be and is hereby appointed as the Wholetime Director of the Company for a period of 3 (three) years with effect from August 19, 2012, extendible up to a period of 5 (five) years on such terms and conditions, including payment of remuneration as well as minimum remuneration irrespective of any profit or loss or the profit not being adequate for payment of such remunerations in any financial year during the tenure of his appointment subject to compliance of the provisions of Part II of Schedule XIII to the Companies Act, 1956, as approved by the Remuneration Committee and as stated in the Explanatory Statement to the notice of this meeting.”

“RESOLVED FURTHER THAT as a Wholetime Director of the Company, Mr. Bahl shall be responsible for operation and other functions of the Company and shall be accountable to the Board, subject to the overall superintendence, direction and control of the Board.”

“RESOLVED FURTHER THAT the Board of Directors or any Committee of the Board so authorised by it, be and is hereby authorised to alter and vary any of the terms and conditions of appointment of Mr. Bahl, including the remuneration, as may be agreed between the Board of Directors and Mr. Bahl and/or in such manner and to such extent as may be permitted or authorised in accordance with the Articles of Association of the Company and the provisions of the applicable Act for the time being in force.”

“RESOLVED FURTHER THAT the Board of Directors or the Company Secretary of the Company be and are hereby severally authorised to obtain permission of the Central Government under Sections 198, 269, 309 and Part II of Schedule XIII and all other applicable provisions of the Companies Act, 1956 and such other consents, approvals and permissions as may be necessary for the appointment of Mr. Bahl and payment of remuneration to him including as minimum remuneration as aforesaid, notwithstanding any loss or inadequacy of profits in any financial year during the tenure of his appointment.”

“RESOLVED FURTHER THAT the Board of Directors or the Company Secretary of the Company be and are hereby severally authorised to take all steps as may be necessary, proper and expedient to give effect to this resolution.”

**Item No. 9**

Appointment of special officer for holding of office or place of profit.

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

“RESOLVED THAT pursuant to section 314(1) and any other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the holding and continuing to hold an office or place of profit under the Company by Ms Radha Kinkari Kejriwal, a relative of Mr Umang Kejriwal, Director of the Company, as 'officer on special duty' with effect from September 28, 2011 at a monthly salary of Rs 100,000/- and as per such terms and conditions as decided by the Board.”

**Item No. 10**

Enhancement of the total borrowing powers of the Company u/s 293(1)(d) of the Companies Act, 1956.

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money 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. 10,000 Crores (Rupees Ten Thousand Crores only)."



“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) 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 proxies 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.
- (c) 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.
- (d) Members / Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in for attending the meeting.
- (e) The Register of Share Transfer of the Company will remain closed for accepting share transfer applications from August 1, 2012 to August 7, 2012.
- (f) 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 inconvenience.
- (g) The Ministry of Corporate Affairs (MCA) has taken a “Green Initiative in Corporate Governance” (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices/documents to its shareholders through electronic mode to the registered email addresses of the shareholders/members. You are therefore requested to register your email address with your depositories or by signing and returning the enclosed slip to the Company or by way of an email to [eil.investors@electrosteel.com](mailto:eil.investors@electrosteel.com); [einward.ris@karvy.com](mailto:einward.ris@karvy.com);
- (h) 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 : July 7, 2012  
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 February 6, 2012, appointed Mr. Lalit Kumar Singhi as an Additional Independent Director (Non Executive) 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. Lalit Kumar Singhi for the office of Director of the Company.

Mr. Lalit Kumar Singhi 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 Lalit Kumar Singhi as a Non Executive Independent Director of the Company.

Mr Singhi holds 190,000 Equity Shares of the Company in his own name and except Mr. Singhi, none of the Directors of the Company are, in any way, concerned or interested in this resolution.

**Item No. 6**

**Issuance of convertible / non convertible securities by way of preferential allotment**

The Board of Directors of the Company at its Meeting held on May 8, 2012 resolved to issue equity shares of Rs 10 each of the Company ("**Equity Shares**") on preferential basis to the promoters / promoters group of the Company, namely, Electrosteel Castings Limited not exceeding Rs. 152.00 crores as prescribed under the regulations for Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure) Regulations, 2009 (the "**SEBI Regulations**").

The proposed issue and allotment as above requires the approval of the members by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the Listing Agreements entered into by the Company with the Stock Exchanges.

**The details of the issue and other particulars as required in terms of the SEBI Regulations are given as under:**

**1. Object of the issue through Preferential allotment:**

The purpose of the issue is to meet the requirements of the 2.51 MTPA steel and ductile iron plant ("**Project**") along with enhancement of the capacity of the plant and also the working capital requirement.

**2. Relevant date and Pricing of Equity Shares:**

The 'relevant date' mentioned in the Resolution is as prescribed in regulation 71 of the SEBI Regulations which is July 7, 2012. In terms of Regulation 76 of the SEBI Regulations the price at which the Equity Shares being allotted on preferential basis shall be not less than the higher of the following:

- a) The average of weekly high and low of the closing prices of the related equity shares quoted on the recognized stock exchange during the six months preceding the relevant date; or
- b) The average of weekly high and low of the closing prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.

'Stock Exchange' for the purpose of this clause means the recognized stock exchange in which the shares are listed and in which highest trading volume in respect of the shares of the Company has been recorded during the six months preceding the relevant date.

The price of Equity Shares to be allotted will be decided by the Board of Directors of the Company or any Committee of the Board (the "**Board**") in accordance with the provisions of Chapter VII titled 'Preferential Issues' of SEBI Regulations and such price shall not be less than the price computed with respect to the relevant date.

**3. Intention of the promoters / promoter group or their associates and relatives, directors/key managerial persons to subscribe to the offer:**

The proposed allottee, namely Electrosteel Castings Limited, is the promoter of the Company who has indicated its intention to subscribe to the Equity Shares. None of the directors, key management personnel or associates or relatives of the promoter, Electrosteel Castings Limited, intend to subscribe to the proposed preferential issue of Equity Shares.

It should be noted that the promoter, Electrosteel Castings Limited has not sold any of its shares in the company in the last 6 months and is therefore eligible to participate in the proposed preferential allotment.

**4. Shareholding Pattern before and after the preferential allotment:**

(shareholding in crores)

Category	Pre Issue		Post Issue	
	Shares	As a %	Shares	As a %
Promoters/ Promoter Group	70.80	34.80	86.00	39.33
Indian Financial Institutions, Banks, Mutual Funds, Venture Capital Funds	3.03	1.49	3.03	1.39
Foreign Institutional Investors	1.25	0.62	1.25	0.57
Non Resident Individuals, OCBs, Foreign Banks, Foreign Companies / Body Corporates	69.75	34.28	69.75	31.90
Indian Corporate Bodies	35.05	17.23	35.05	16.03
Others	23.59	11.58	23.59	10.78
<b>Total</b>	<b>203.47</b>	<b>100.00</b>	<b>218.67</b>	<b>100.00</b>

**5. Identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, consequent to the preferential issue:**

In view of their association with the Company, the following entity, namely the promoter, Electrosteel Castings Limited has expressed its intention to subscribe to the Equity Shares to be offered pursuant to the special resolution covered by this notice. The post preferential issue holding of the promoter, Electrosteel Castings Limited, in the share capital of the Company is also indicated below:

Identity of the proposed allottees	No. of Equity Shares
Electrosteel Castings Limited G.K Towers, 19 Camac Street, Kolkata - 700 017	15,20,00,000

**6. Proposed Time Limit within which the allotment shall be completed :**

The allotment of Equity Shares is proposed to be completed within 15 days of passing of the aforesaid special resolution on receipt of 100% of the price fixed in terms of Chapter VII of the SEBI Regulations which will be adjusted against the price payable subsequently for acquiring the shares by exercising an option for the purpose.

**7. Holding of shares in the Demat Form, non disposal of shares by the proposed allottees and Lock-in period of shares:**

The allottee confirms the compliance of the requirements for holdings of shares in the demat form, non disposal of shares by the proposed allottee and lock in period of shares as prescribed under the Regulations for Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure) Regulations, 2009, as amended. The Equity Shares shall rank pari-passu in all respects with the existing Equity Shares of the Company.

**8. Auditor's Certificate:**

The floor price is required to be determined with reference to the relevant date i.e. July 7, 2012. the statutory auditors of the Company shall provide a certificate as required under Regulation 73 (2) of the SEBI Regulations.

The auditor's certificate will be available for inspection at the Registered Office of the Company between 11.00 am to 1.00 pm on any working day except Saturday and public holiday from the relevant date i.e. July 7, 2012 up to the date of Annual General Meeting of the Company.

**9. SEBI Takeover Code:**

The issuance of the Equity Shares will not result in a change in control of the Company. The provision of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, are not attracted and so the proposed allottee is not required to make an open offer and comply with formalities related to an open offer for this preferential allotment.

**10. Undertakings by the Company**

The Company undertakes that:

- a) It shall re-compute the price of the specified securities in terms of the provisions of SEBI ICDR Regulations where it is required to do so.
- b) If the amount payable on account of re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked in till the time such amount is paid by allottees.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the members through special resolution for the issue of these equity shares on preferential basis.

The Board of Directors accordingly recommends the passing of this resolution as a Special Resolution as set out in the Notice.

None of the Directors of the Company are concerned or interested in the said Resolution and the Board recommends that the same be passed.

**Item No.7**

**Raising of additional long term funds through the issue of fresh capital by way of equity shares or other convertible / non convertible securities of the Company.**

The Company's plant is at final stage of completion and its operations are currently in a nascent stage. Due to a variety of technical reasons, the plant has undergone improvements and changes, which will in turn benefit the operations of the Company in the long run. The Company recognizes the need for adequate funding for the improvements and changes made to the plant.

Further, with changing global scenarios and enhanced global competitiveness, the Company feels the need to increase its ability to compete with its peer group in both domestic and international markets as well as to generally improve the workings of the Company, In order to augment its resources to facilitate such purposes, the Company may need to raise funds by issue of appropriate Securities in the international/domestic markets aggregating up to US\$ 150 million (including 20% over allotment option) or its equivalent in rupees at the then prevailing exchange rate. Such securities may comprise of equity or equity linked instruments and/or debt instruments which may be convertible into equity shares as contemplated in the Resolutions and as may be decided by the Board and found to be expedient and in the interest of the Company, depending on market conditions. Therefore the approval of the Members is sought, to enable the Company to give effect to the proposed issue.

The proposed issue of Securities as above may be made in one or more tranches, in the domestic and/or in the international market in one or more currency, such that the Securities to be issued shall result in issuing equity shares to the extent of US\$ 150 million (including 20% over allotment option and also on such premium as may be determined by the Board). The issue price of the Securities to be issued in the proposed offerings will be determined by the Board/ Committee of Directors at the time of the offer depending on the then prevailing market conditions and the applicable regulations. The Securities will be listed on such International/Indian Stock Exchanges as the Board may be advised and as it may decide.

As required under the provisions of Section 81 (1A) of the Companies Act, 1956, the Special Resolution seeks the consent and authorization of the Members to the Board of Directors to make the proposed issue of Securities and in

the event it is decided to issue securities convertible into equity shares, to issue to the holders of such convertible securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and/or such other intermediaries that may be appointed for the issue/offer in accordance with the applicable provisions of law.

This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authorities as need to be consulted including in relation to the pricing of the issue which will be fixed keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines, and (b) powers to issue and market any securities issued pursuant to the international offer including the power to issue such Securities in such tranche or tranches with/without voting rights.

The Board of Directors recommends the Special Resolution No. 7 of the accompanying Notice for the approval of the Members.

No Director is in any way concerned or interested in the resolution set out at Item No. 7 in the notice except to the extent of their respective holding of equity shares in the Company.

#### **Item No. 8**

Mr. N C Bahl, 73 years, is a Mechanical Engineer and holds a B. E. (Mechanical) Degree from Banaras Hindu University. Mr. Bahl has rich and varied experience in handling steel projects and he has been a Director of the Company since April 5, 2007.

Mr Bahl is currently acting as a Wholetime Director of the Company. He was appointed as Wholetime Director of the Company w.e.f. August 19, 2009 for a period of 3 (three) years at a remuneration and on the terms & conditions as decided by the Remuneration Committee in its meeting held on August 31, 2009. His appointment was also approved by special resolution in the shareholders meeting held on October 6, 2009 and further approved by the Central Government, Ministry of Corporate Affairs vide letter dated May 6, 2010 for a period of 3 (three) years w.e.f August 19, 2009 to August 18, 2012. Hence the same expires on August 18, 2012.

Therefore, pursuant to above, the approval for re-appoint / extension of the existing appointment of Mr Bahl as a Wholetime Director is further required through a special resolution and prior approval of the Central Government and/or such other permissions, approvals, consents and no objections as may be necessary in this regard.

His re-appointment/extension has been further approved by the Board, subject to approval of the shareholders, in its meeting held on May 8, 2012 for a period of 3 (three) years at a remuneration and on such terms & conditions as decided by the Remuneration Committee in its meeting held on May 8, 2012.

The Remuneration Committee at its meeting held on May 8, 2012 has approved the payment of the following remuneration to Mr. Bahl as a Whole Time Director of the Company subject to compliance with all the applicable provisions of the Companies Act, 1956:

- I. Salary : Rs. 400,000 per month in the grade of 400,000 - 60,000 - 520,000.
- II. Special Allowance of Rs. 606,500 per month with such revisions as may be determined by the Remuneration Committee from time to time subject to overall ceiling laid down in the Companies Act.
- III. Perquisites and Amenities:
  - a) Medical Benefits:

Expenses incurred for self and family (consisting of spouse, and dependent children) subject to the Rules of the Company applicable to the senior executives.
  - b) Leave:

As per applicable Staff Rules of the Company.
  - c) Housing:

Residential accommodation including electricity (or House Rent Allowance @ 60% of the salary)

d) Club Fees:

Fees upto a maximum of two clubs, excluding admission and life membership fees.

e) Car and Telephone:

A Company owned/leased/arranged Car will be provided to Mr. Bahl for use in connection with the Company's business. Company will reimburse actual expenses for fuel, lubricants, repair & maintenance and personal driver's wages. Use of Car for personal purpose shall be billed to him separately. These will not be considered as perquisites. The Company shall provide Telephone and other communication facilities at the residence of Mr. Bahl and mobile phone for company's business. Use of personal long distance calls shall be billed to him separately.

f) Encashment of Leave:

At the end of tenure of office in accordance with the Company's Rules.

g) Contribution to Retiral Benefit Funds:

- i. Company's contribution to Provident Fund as applicable to other employees.
- ii. Company's contribution to Superannuation Fund which together with contribution to Provident Fund shall not exceed 25% of the salary.
- iii. Gratuity in accordance with the Gratuity Fund Rules not exceeding half a month's salary for each completed year of service.

h) Leave Travel Concession:

Return passage for Mr Bahl and his family in accordance with the Rules specified by the Company. For the purpose of calculation of such monetary value, the perquisites shall be valued as per Income Tax Rules, wherever applicable and in the absence thereof, at cost.

Explanation:

For the purpose of eligibility of perquisites "family" means the spouse, the dependant children and dependant parents of the Whole time Director.

i) Other benefits, amenities and facilities as per Company's Rules:

Subject to overall ceiling on remuneration mentioned hereinabove, Mr. Bahl may be given any other allowances, benefits and perquisites as the Remuneration Committee may from time to time decide.

Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in the absence of any such Rules, perquisites shall be evaluated at cost.

#### **OVERALL/ MINIMUM REMUNERATION**

The aggregate of salary, bonus, commission, perquisites and other allowances in any financial year shall not, without the requisite approval of members and the Central government, exceed the limits prescribed under Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956 as may be in force from time to time. In the event of loss or inadequacy of profits in any financial year during the tenure of his employment, the remuneration as stated above may be paid to Mr. Bahl as minimum remuneration in accordance with the provisions of Schedule XIII to the Companies Act, 1956 subject to due compliance thereof including approval of the members through a special resolution and prior approval of the Central Government and such other permissions, approvals, consents and no objections as may be necessary in this regard.

The Board of Directors recommends the Special Resolution No. 8 of the accompanying Notice for the approval of the Members.

No Director is in any way concerned or interested in the resolution set out at Item No. 8 in the notice except to the extent of their respective holding of equity shares in the Company.

**Item No. 9****Appointment of relative of a director u/s 314(1)**

Ms. Radha Kinkari Kejriwal, is a graduate from Cardiff University, UK and has also completed her post graduation with the subjects Business & Financial Context of Management, Approaches to the Analysis & Management of Organisations, Research methods in HRM & OB, International human resources and business management. She has been appointed as 'officer on special duty' w.e.f September 28, 2011. Since she is the relative of Mr Umang Kejriwal, it is deemed to hold an office or place of profit under Section 314 of the Companies Act, 1956 Therefore, approval of the members of the Company by Special Resolution is required. The Board of Directors recommends the shareholders to accord their consent for her continuing to hold the office or place of profit under the Company as an 'officer on special duty'. The remuneration proposed to be paid to Ms Kejriwal is commensurate with her qualification & knowledge and is in line with industry standards prevalent in the current scenario.

The resolution as mentioned in item no 9 is required to be passed as a Special Resolution and none of the Directors except Mr. Umang Kejriwal, who is a relative of Ms Radha Kinkari Kejriwal, is interested in this resolution.

**Item No. 10****Enhancement of total borrowing power of the Company u/s 293(1)(d) of the Companies Act, 1956.**

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 15th July 2011, to the Board of Directors of the Company to borrow within a limit of Rs 8,500 crores, the Board of Directors recommends to enhance the aforesaid borrowing limit upto Rs. 10,000 crores as set out in Item No.10 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 is, 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 : July 7, 2012  
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. Naresh Pachisia**

Mr. Naresh Pachisia, aged 49 years, has completed his B.Com from Calcutta University and is a certified financial planner. Mr. Pachisia has been in capital markets for more than 26 years and has experience in equity research and broking, portfolio management, merchant banking and financial planning. He is also the promoter and managing director of SKP Securities Limited, which is listed on Bombay Stock Exchange

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

Sl. No.	Name of the Company/ Firm	Nature of Interest	Member of any Committee in the respective Company	Chairman / member
1	SKP Commodities Ltd	Director	N.A	N.A
2	Sarda Plywood Industries Ltd	Director	a) Audit Committee	a) Member
3	Murlidhar Ratanlal Exports Ltd	Director	N.A	N.A
4	Diana Tea Company Ltd	Director	a) Audit Comm. b) Remuneration Comm. c) Share Transfer & Investor Grievances Comm.	a) Member b) Member c) Chairman
5	SKP Securities Ltd	Managing Director	a) Audit Comm. b) Remuneration Comm. c) Share Transfer & Investor Grievances Comm.	a) Member b) Member c) Member
6	Linc Pens & Plastics Ltd	Director	a) Audit Comm. b) Remuneration Comm. c) Share Transfer & Investor Grievances Comm.	a) Member b) Member c) Member
7	SKP Insurance Brokers & Advisors Pvt Ltd	Director	N.A	N.A
8	Gillanders Arbuthnot & Company Ltd	Director	a) Audit Comm.	a) Member
9	Mallcomm (India) Ltd	Director	N.A	N.A

Mr Pachisia holds 50,000 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 N C Bahl**

Mr. Nigam Chander Bahl, aged 73 years, is an Executive Director designated as Senior Director of our Company. He was appointed as the Director of our Company on April 5, 2007 and later on was appointed as an Wholetime Director on August 19, 2009. He has extensive experience in the fields of mechanical engineering, production and general management. Mr. Bahl is a graduate in mechanical engineering from Banaras Hindu University. He looks over all operations of our Company.

Mr Bahl has worked for Electrosteel Castings Limited (ECL) since 1983 and has experience in the fields of mechanical engineering, production and general management. He is a leader and a technologist and has experience of more than 10 years in handling steel projects. He has served ECL for 21 years as the whole time director. Mr Bahl has been instrumental in the commissioning of many plants during his association with ECL. Prior to ECL, Mr Bahl was with M/s Larsen and Toubro Limited ("L&T") in Rourkela where he overlooked many projects of L&T.



He currently doesn't hold directorship in any of the other Companies. He is holding 13,28,865 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 Lalit Kumar Singhi**

Mr Lalit Kr Singhi, aged 52 yrs, has started his business career in aluminum industry in the year 1979 and has over 30 years of experience in aluminum trading. In 1978, he became the director of Elford Edwards Pvt Ltd and since then he is actively involved in all the financial decisions of the Company.

From 1991 to 2005, Mr Singhi handled the consignment agency of Hindalco under the flagship of his own Company, where he was looking after the sales of aluminum products of Hindalco for the entire eastern region of India. From 1982 to till date, he is been engaged in the export business of garments to the European Countries. He is also involved in importing the wireless communication system for the Indian Army.

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

<b>Sl. No.</b>	<b>Name of the Company/ Firm</b>	<b>Nature of Interest</b>	<b>Chairmanship/ Membership of Committee</b>	<b>Chairman / member</b>
1	Elford Edwards Pvt Ltd	Director	N.A	N.A

Mr Singhi holds 190,000 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 : July 7, 2012  
Place : Kolkata

**Vikram Saraogi**  
Company Secretary

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Fifth Annual Report and the Audited Accounts of your Company for the year ended March 31, 2012.

### FINANCIAL RESULTS

#### Particulars

i. Gross Turnover	
ii. Net Turnover	
iii. Other Income	
iv. Total Revenue	
v. Earnings Before Interest, Depreciation, Taxation and Amortization (EBIDTA)	
vi. Interest	
vii. Depreciation	
viii. Profit before Taxation (PBT)	
ix. Tax including Deferred Tax	
x. Profit after Taxation (PAT)	
xi. Profit brought forward from previous year	
xii. Amount available for appropriation	
xiii. Transfer to general reserve	
xiv. Surplus/ (Deficit) carried to Balance Sheet	

Amount (Rs/Lakhs)

FY 2011-12	FY 2010-11
<b>6,424.12</b>	814.81
<b>6,068.76</b>	743.19
<b>41.81</b>	22.00
<b>6,110.57</b>	765.19
<b>(4,560.84)</b>	(351.25)
<b>8,022.83</b>	157.78
<b>2,394.55</b>	104.32
<b>(14,978.22)</b>	(613.35)
<b>3.48</b>	—
<b>(14,981.70)</b>	(613.35)
—	—
<b>(14,981.70)</b>	(613.35)
—	—
<b>(14,981.70)</b>	(613.35)

### OPERATIONS

As you are aware, that your Company is setting up a 2.2 MTPA integrated steel & Ductile Iron (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.

During the project implementation process, some modifications were suggested by the technical experts to meet the technical superiority and efficiency improvement of the plant. Hence, for better balancing of the product with optimized product mix and better value addition, your Company is contemplating to enhance the plant capacity from 2.2 MTPA to 2.51 MTPA. The enhanced capacity of the plant is based on Blast Furnace (BF) - Basic Oxygen Furnace (BOF) - Billet Caster & Hot Rolling Route.

The enhanced capacity of the plant will produce;

Finished Products	MTPA
Wire rods	0.60
Reinforcement bars in straight lengths	0.85
Ductile Iron Pipe	0.33
Commercial Billets	0.33
Pig Iron	0.40

One of the Blast Furnaces (350 M<sup>3</sup>) 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 was restarted subsequently. Currently, the said furnace is giving sales to your Company. Your Company has also started production of Ductile Iron Pipes from its plant.

The Company's plant is at its advance stage of completion and its operations are currently in a nascent stage. Due to a variety of technical reasons, the plant has undergone improvements and changes, which will in turn benefit the operations of the Company in the long run.

The target completion date of the balance facilities have been extended by few months. The main reason for the delay was due to 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 smoothly. Your Company is confident in achieving the revised completion target in the current financial year.

The project cost for the earlier 2.2 MTPA plant was Rs 7,262 crores and the revised project cost for the 2.51 MTPA plant is estimated at Rs 9,562 crores. The revised cost of the project has been verified by Lenders Independent Engineer and vetted by Mecon Limited. The estimated additional capital expenditure required for capacity enhancement would be around Rs 1,236 crores and for infrastructural/other facilities & efficiency improvement Rs 1,064 crores. The above additional cost of Rs 1,236 crores is proposed to be funded in the debt to equity ratio of 2:1. Out of the above debt requirement of Rs 824 crores, our Lead Banker, State Bank of India has sanctioned Rs.250 crores with a provision of interim disbursement of 40% of the sanctioned amount. Proposal with other banks is at an advance stage and we are hopeful to complete the same very soon.

Your Company had also proposed to raise Rupee Term Loan of around Rs 2,200 crores by securitizing the future receivables from the sale of DI pipe and Pig iron with various banks. For securitisation of the above, your Company has entered into an Off-take agreement with Stemcor India Private Limited and Electrosteel Castings Limited for off-taking DI Pipes and Pig Iron for a period of 12 years. Out of the above requirement, State Bank of India has sanctioned Rs. 600 crores and also disbursed 40% of the sanctioned amount as interim disbursement pending full tie-up. The proposal with other banks is at an advance stage and we are hopeful to complete it very soon. A part of the proceeds from the securitization of future receivables will be utilised in meeting expenditure towards other capital expenditures/implementing systems, ensuring efficiency improvement and redundancies improvement in Feeder sections like Sinter Plant, Pellet Plant, Coke Oven, Control Systems, Material Handling & other allied facilities.

#### **DIVIDEND**

You will appreciate that since the project is under implementation and only one Blast Furnace had commenced operation, there is no much earnings as of now, hence your Directors are not recommending any dividend on Equity Shares for the year ended 31st March 2012.

#### **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, 2012, 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, 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, 1988 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 Lalit Kumar Singhi was appointed as the Additional Independent Director (Non Executive) of the Company with effect from February 6, 2012 and will hold office upto the date of the next Annual General Meeting of the Company.

Mr. Sanjoy Tekriwal, Non- Executive Independent Director of the Company, have resigned from the Board of your Company with effect from February 6, 2012. The Board places on record its deep appreciation for the guidance and the invaluable services rendered by him during the tenure of his office as Director of the Company.

Mr Naresh Pachisia and Mr Nigam Chander Bahl, 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.

**STATUTORY 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.

**COST AUDITORS**

Pursuant to the notification of the Companies (Cost Accounting Records) Rules, 2011 published vide GSR 429(E) dated June 3, 2011, and in reference to the order FNo. 52/26/CAB-2010 dated June 30, 2011 issued by Ministry of Corporate Affairs, Cost Audit Branch, Government of India, your Directors in their meeting held on July 27, 2011, have proposed M/s S. G. & Associates, Cost Accountants, to be appointed as the Cost Auditors of the Company for the year 2011-12, subject to such approvals as may be applicable.

Necessary certificate and consent letter from the said Auditor has been obtained to the effect that their appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

**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, 2011 (as amended) 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 : May 8, 2012

**Binod Khaitan**  
Chairman

**N C Bhal**  
Wholetime 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 2012.

### 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:

	2011-12 Amount (Rs)	2010-11 Amount (Rs)
a) Foreign Exchange Earnings	1,08,44,713/-	2,717/-
b) Foreign Exchange Outgo	4,84,04,56,009/-	10,44,04,29,089/-

## FORM A

### A POWER & FUEL CONSUMPTION

#### Electricity

##### a. Purchased:

Units (KWH)

1,34,00,000

—

Total amounts (Rs / Lakhs)

526.67

—

Rate / Units (Rs / KWH)

Rs 3.93

—

##### b. Own Generation:

Through Diesel Generator

Units (KWH)

1,01,71,693

4,34,375

Units / Ltr. of Diesel oil

3.23

4.09

Cost / Unit (Rs / KWH)

Rs 11.34

Rs. 9.58

#### Coal

Quantity (Tonnes)

—

—

Total Cost

—

—

Average Rate

—

—

### B CONSUMPTION PER UNIT OF PRODUCTION (MT)

Pig Iron

234.00 (KW)

125.00 (KW)

D. I. Pipe

971.41 (KW)

—

Coke

37.73 (KW)

—

## 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 16 years. For the fiscal year 2010-11, ECL recorded consolidated net sales of Rs. 18,72,55.97 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 Parbatpur in the State of Jharkhand.

During the project implementation process, some modifications were suggested by the technical experts to meet the technical superiority and efficiency improvement of the plant. Hence, for better balancing of the product with optimized product mix and better value addition, your Company is contemplating to enhance the plant capacity from 2.2 MTPA to 2.51 MTPA. The enhanced capacity of the plant is based on Blast Furnace (BF) - Basic Oxygen Furnace (BOF) - Billet Caster & Hot Rolling Route.

The enhanced capacity of the plant will produce 1.45 MTPA of long steel products, comprising 0.60 MTPA wire rods and 0.85 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 0.33 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 2,187.82 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

Based on World Steel Association data, the world's crude steel production has reached a level of 1527 MTPA in the CY 2011. The crude steel production in India has reached 72.2 MTPA. The steel production has increased by 6.8 % as compared to the CY 2010. This was the 2nd consecutive year where the growth was positive after negative growth in 2009. China has maintained its leadership position with the production of 695.5 MTPA followed by Japan with 107.6 MTPA. India's steel production has registered a growth of 5.7% in CY 2011 as compared to previous CY while china has shown growth of 8.9 %. Asian countries have a lion's share of 64% 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 Annual Budget and the infrastructure investments planned by the government. Sectors like Roads, Highways, Airports, Power Generation, Power distribution etc are expected to have a robust growth.. 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 7-8% per annum as indicated by the government and external research.

### **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 4th 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 56.3 kg as compared to 445 Kg for China & world average of 220.8 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 have designed an efficient distribution network & robust marketing set up. We will also have to continuously strive to reduce the cost of production and increase other operating efficiencies in addition to capture new markets. We have also formulated efficient sales process & improved our service levels to win customers confidence & have positive referrals.

Your company has set up a marketing team for the sale of products. The initial plan is to sell our products in the Eastern region, moving onto North, West & eventually the Southern region making a pan India presence. The company has already appointed distributors for the sale of our products in the States of West Bengal, Sikkim, Jharkhand, Bihar, Orissa, Assam & the other states located in North East. The company has already finished market scoping for our products in the said states. Hence, as strong foundation has been laid for the marketing of the products by creation of the marketing team which was reflected in the sale of pig iron.

A full fledged corporate campaign and product campaign is being made for the consumers. The marketing team is working on ATL (Above the line) and BTL (Below the line) activities for the consumers which will be rolled out at an appropriate time. The company believes that a focused brand building exercise will help in developing loyal customer. In order to assess the perception of the company's product and services, we have started a perception based Customer satisfaction study which will help us in improving our processes.



### **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.

Learning the lesson from global meltdown & successfully emerging from that situation, India has emerged a country with robust economy whose success story is intact. 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 8% + 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 (i.e a part of the entire facility) had commenced its operation and started to produce pig iron and D.I Pipes. The Company had only recorded the net turnover of Rs 57,78.81 lakhs in the year ended 2012. After the adjustment of other expenditures, the earnings before Interest, depreciation, taxation and amortization is Rs (45,60.84) lakhs. The Profit after Tax for the year 2012 is Rs (1,49,81.70) Lakhs.

### **FIXED ASSETS (including capital work in progress)**

As of March 31, 2012, we had Rs. 82,34,53.01 lakhs of fixed assets, comprising of Rs. 67,29,99.23 lakhs of capital work in progress and a Net Block of Rs 15,04,53.77 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 Schedule VI of the Companies Act, 1956 have been disclosed in the notes to accounts forming part of the Annual Accounts for the year 2012.

### **INDEBTEDNESS**

The total secured outstanding indebtedness as on March 31, 2012 is Rs. 52,33,33.93 lakhs out of which the long term borrowings is Rs 52,00,75.91 lakhs and short term borrowings is Rs 31,58.02 lakhs. It 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. 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 on time, 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.

### **CREDIT RATING**

Your Company enjoys the rating for long term facilities of the Company as “CARE BBB (Triple B)”. This rating is applicable to the facilities having a tenure of more than one year. “CARE BBB (Triple B)” rating indicates the moderate degree of safety regarding timely servicing the financial obligations. Further, “CARE A3 (A Three)” rating has been assigned to short term facilities of your Company. This rating is considered to have the moderate degree of safety regarding timely payment of financial obligations.

### **INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT**

Electrosteel Group recognizes 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 fulfill 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.
- f) Fire Safety Awareness programmes are frequently conducted to educate the employees on how to use the fire safety equipments in case of an emergency fire.
- g) Tie up with renowned health club for healthy body and a healthy mind for all the employees.

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 a part of the Project is still in the construction phase and currently we do not have any major 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.

The Company has already acquired approximately 2,187.82 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/timely availability 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.

### **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 cut 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 CO<sub>2</sub> 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 should not be any 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 India. These prices may be influenced by factors such as demand & supply, production costs (including the costs of raw material inputs) and global & Indian economic conditions & 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.

#### **RAW MATERIAL RISK**

The success of operations of your Company depends on, among other things, ability to source raw materials at competitive prices. Iron ore and coking coal are critical inputs for success of an integrated steel project. The project envisages part of captive power, which will be based on gas recovery from the coke oven, BF-BOF processes or from coal. Procurement of these raw materials from Electrosteel Castings Limited ('ECL') shall enable us to reduce our operating costs, ensure a steady supply of coal and iron ore. This would also insulate our Company from demand supply volatility in the market, to a significant extent. Also, procurement of coal and iron ore from the same mine will ensure that the raw material is of consistent quality thereby reducing the lead time in adjusting our blast furnace.

Your Project will source a significant portion of its raw material requirements from the mines of ECL who has agreed to supply iron ore and coking coal to your Company for a period of 20 years. Your Company's requirement of coking coal is proposed to be primarily met from a mix of ECL's coking coal mine at Parbatpur (30%) and other sources (70%). We may be unable to procure our coking coal & Iron ore requirement from the aforesaid mines of ECL and have to procure the same at a higher prices from the market, which may adversely affect our results of operations and financial performance.

#### **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 2011-12

(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, 2012

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

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

The composition of the Board as on March 31, 2012 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. Binod Khaitan*	Non Executive - Independent Chairman	3	1	1
2	Mr. Nigam Chander Bahl	Executive Director	Nil	Nil	Nil
3	Mr. Umang Kejriwal	Non Executive - Non Independent Director	9	3	Nil
4	Mr. Naresh Pachisia	Non Executive - Independent Director	9	7	1
5	Mr. Lalit Kumar Singhi**	Non Executive - Independent Director	1	Nil	Nil
6	Mr. Sunil V Diwakar	Non Executive - Non Independent Director	8	7	Nil
7	Mr. Lawrence Mohan Roy	Alternate Director to Mr Sunil Diwakar	3	Nil	Nil

\* appointed as Director of the Company w.e.f 22.04.2012

\*\* appointed as Director of the Company w.e.f 06.02.2012

#### Attendance of Directors at the Board Meetings during the financial year ended March 31, 2012 and at the last Annual General Meeting (AGM)

During the financial year ended March 31, 2012, 4 (four) Board meetings were held on the following dates: April 22, 2011, July 27, 2011, October 22, 2011 and February 06, 2012. 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:

SI No.	Name of the Director	No. of Board meetings attended	Attendance at the last AGM held on July 15, 2011
1	Mr. Binod Khaitan*	3	Yes
2	Mr. Umang Kejriwal	4	No
3	Mr. Nigam Chander Bahl	4	No
4	Mr. Lalit Kumar Singhi**	1	No
5	Mr. Naresh Pachisia	4	No
6	Mr. Sanjoy Tekriwal***	3	Yes
7	Mr. Sunil V Diwakar	2	No

\* appointed as Director of the Company w.e.f 22.04.2012

\*\* appointed as Director of the Company w.e.f 06.02.2012

\*\*\* resigned as Director of the Company w.e.f. 06.02.2012

### Code of Conduct

Pursuant to Clause 49 of the Listing Agreement, a 'Code of Conduct' has been laid down for all the Board Members and Senior Management Executives of the company who have affirmed compliance with the same. A declaration signed by the Wholetime Director of the Company 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/esl/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 functions according to its charter that defines its composition, scope, power and role in accordance with the Companies Act 1956 together with the Listing Agreement. The Board is responsible for constituting, assigning and co-opting the members of the Committee. Presently the Board has the following four Committees.

#### a) Audit Committee

The Audit Committee was constituted on July 25, 2009, 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. During the year, the Committee was reconstituted on February 06, 2012.

#### Composition of the Committee

The Audit Committee comprises of three Non-executive Independent Directors and one Executive Director, all having financial management and accounting knowledge. As on March 31, 2012, the members of the Audit Committee were;

Mr. Lalit Kumar Singhi	Non executive Independent Director	Chairman
Mr. Binod Khaitan	Non executive Independent Director	Member
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 Saraogi, 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:

- 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:
  - a) 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;
  - b) Changes, if any, in accounting policies and practices and reasons for the same;
  - c) Major accounting entries involving estimates based on the exercise of judgment by management
  - d) Significant adjustments to financial statements arising out of audit findings;
  - e) Compliance with listing and other legal requirements relating to financial statements;
  - f) Disclosure of any related party transactions; and
  - g) 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, 2012, 4 (four) audit committee meetings were held on; April 22, 2011; July 27, 2011; October 22, 2011 and February 03, 2012. The gap between any two consecutive meetings did not exceed four months. The attendance details of each member at the Audit Committee meetings are given below:

Name of the Member	No. of meetings Attended
Mr. Lalit Kumar Singhi*	0
Mr. Binod Khaitan**	0
Mr. Sanjoy Tekriwal***	4
Mr. Naresh Pachisia	4
Mr. N C Bahl	4

\* appointed as chairman of the Committee w.e.f 06.02.2012

\*\* appointed as member of the Committee w.e.f 06.02.2012

\*\*\*resigned as member of the Committee w.e.f. 06.02.2012



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

The Company constituted a Share Transfer & Shareholders'/ Investors Grievances Committee on August 31, 2009. During the year, the said committee was reconstituted on February 06, 2012

**Composition of the Committee**

The Committee comprises of two Non-Executive Independent Directors and one Executive Director. As on March 31, 2012 the members of the Share Transfer & Shareholders'/ Investors Grievances Committee were;

Mr. Lalit Kumar Singhi	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, 2012, meetings of the Share Transfer and shareholders'/ Investors' Grievances Committee were held on; February 03, 2012.

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

\*\* appointed as Chairman of the Committee w.e.f 06.02.2012

\* resigned as member of the Committee w.e.f. 06.02.2012

**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 are as under;

Nature of complaints	Received	Resolved/ Replied	Pending
Status of applications lodged for public issue	8	8	Nil
Non-receipt of refund order	112	112	Nil
Non-receipt of securities	2	2	Nil
Non-receipt of dividend	2	2	Nil
Non-receipt of annual reports	2	2	Nil
Total	126	126	Nil

### Pending Share Transfers

No shares were pending for transfer as on March 31, 2012.

### Securities and Exchange Board of India ('SEBI') Complaints Redress System ("SCORES")

Pursuant to the circular CIR/OIAE/2/2011 dated June 03, 2011 issued by SEBI intimating the commencement of processing of investors complaints in a centralized web based complaint redress system 'SCORES'.

As per the circular, all the investors complaints pertaining to the listed Companies will be electronically sent through SCORES and the Companies are required to view the pending complaints against them and submit 'Action Taken Report' ('ATRs') along with necessary documents electronically in SCORES. Further, there is no need to file any physical ATRs with SEBI. The Company had completed the required registration under SCORES to redress the investors/shareholders complaints.

### c) Remuneration Committee

The Remuneration Committee was constituted on July 25, 2009. During the year, the Committee was reconstituted on February 6, 2012. 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 and as approved by the Central Government, Ministry of Corporate Affairs

### Composition of the Committee

As on March 31, 2012, the members of the Remuneration Committee were;

Mr. Binod Khaitan	Non executive Independent Director	Chairman
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. Lalit Kumar Singhi	Non executive Independent Director	Member

Mr. Vikram Saraogi, 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:

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

### Details of remuneration paid to the Directors in 2011-12

Sl No.	Name of the Director	Salary & Benefits (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
1	Mr. Binod Khaitan*	Nil	Nil	15,000	15,000
2	Mr. Umang Kejriwal	Nil	Nil	20,000	20,000
3	Mr. Nigam Chander Bahl	1,14,93,458	Nil	Nil	1,14,93,458
4	Mr. Naresh Pachisia	Nil	Nil	45,000	45,000
5	Mr. Lalit Kumar Singhi**	Nil	Nil	5,000	5,000
6	Mr. Sanjoy Tekriwal***	Nil	Nil	40,000	40,000
7	Mr. Sunil V Diwakar	Nil	Nil	Nil	Nil

\* appointed as Director of the Company w.e.f 22.04.2012

\*\* appointed as Director of the Company w.e.f. 06.02.2012

\*\*\* resigned as Director of the Company w.e.f. 06.02.2012

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, 2012 are as follows:**

Name	No. of Equity shares held	No. of convertible Instruments held
Mr. Binod Khaitan	Nil	Nil
Mr. Umang Kejriwal	517,000	Nil
Mr. Naresh Pachisia	50,000	Nil
Mr. Lalit Kumar Singhi	190,000	Nil
Mr. Sunil V Diwakar	Nil	Nil

**d) Committee for Allotment of Shares**

The Committee was constituted on August 31, 2009. During the year the said Committee was reconstituted on February 6, 2012.

**Composition of the Committee**

As on March 31, 2012, the members of the Committee for Allotment of shares were;

Mr. N C Bahl	Executive Director	Chairman
Mr. Umang Kejriwal	Non executive Non Independent Director	Member
Mr. Naresh Pachisia	Non executive Independent Director	Member

Mr. Vikram Saraogi, 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.

**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
2008-2009	June 22, 2009	801 Uma Shanti Apartments, Kanke Road, Ranchi 834 008, Jharkhand	11.00 a.m.	1. To execute the Share Subscription and Shareholders Agreement with 'IL&FS Financial Services Ltd' and 'IL&FS Investment Managers Ltd'. 2. To raise funds through offer, issue, & allotment of equity shares u/s 81(1A) of the Companies Act, 1956. 3. 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
2010-2011	July 15, 2011	Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi-834001, Jharkhand.	11.30 a.m.	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.

B. No Special Resolutions were passed through postal ballot during the year 2011-12 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.(G)(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 27 of the Annual Accounts for the year ended 2012. 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/Sanmarg' (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/esl/introduction.asp>' A comprehensive Management Discussion and Analysis report forms a part of this annual report.

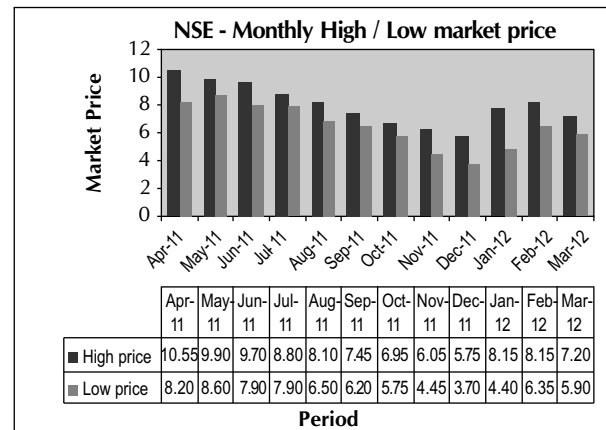
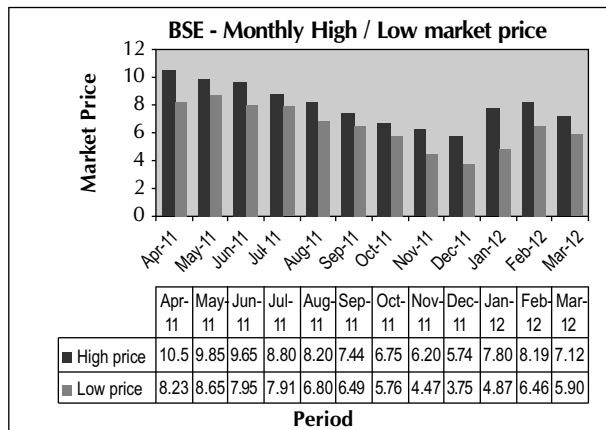
## 7. General Shareholder information

Date, time and venue of the Annual General Meeting	7th August 2012, at 12:30 P.M. Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834001 Jharkhand
Financial Year	1st April to 31st March
Book Closure Period (for share transfer & AGM)	August 1, 2012 to August 7, 2012 (both days inclusive)
Interim Dividend Payment Date	Not Applicable
Outstanding ADRs / GDRs / warrants or 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)	U27310JH2006PLC012663
Annual Listing Fees	Annual Listing fees for the financial year have been paid to NSE and BSE.
Share transfer system	99.98% 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 : <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a>

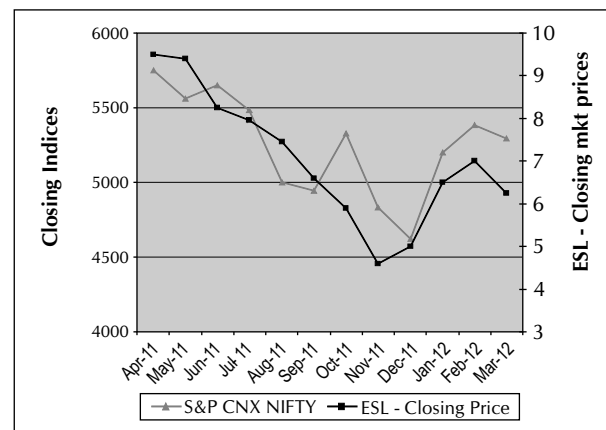
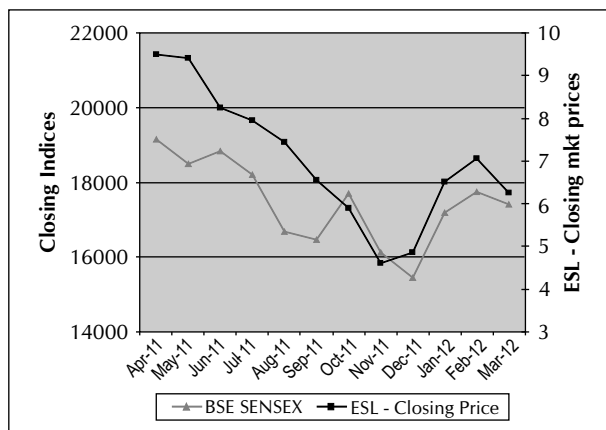
<p>Dematerialization of equity shares and liquidity</p>	<p>The Company's shares are compulsorily tradable in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd. (CDSL).</p> <p>The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is INE481K01013.</p> <p>As on March 31, 2012 the equity shares stand dematerialized/ Physical;</p> <p>Physical - 3,98,925 equity shares (0.02%)  CDSL - 7,62,27,048 equity shares (3.75%)  NSDL - 1,95,81,09,050 equity shares (96.23%)</p> <div data-bbox="894 734 1397 974" data-label="Figure"> <table border="1"> <caption>Dematerialization of Equity Shares (as of March 31, 2012)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>NSDL</td> <td>96.23%</td> </tr> <tr> <td>CDSL</td> <td>3.75%</td> </tr> <tr> <td>Physical</td> <td>0.02%</td> </tr> </tbody> </table> </div> <p>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 &amp; CDSL, the investors have an option to dematerialize their ordinary equity shares with either of the depositories.</p>	Category	Percentage	NSDL	96.23%	CDSL	3.75%	Physical	0.02%
Category	Percentage								
NSDL	96.23%								
CDSL	3.75%								
Physical	0.02%								
<p>Site locations</p>	<p>Village Siyaljori, P.O Jogidih,  P.S. Chandankyari, Dist - Bokaro,  Pin 828303, Jharkhand.</p>								
<p>Address for Communication</p>	<p>Mr. Vikram Saraogi  Company Secretary &amp; Compliance Officer  Electrosteel Steels Limited  G.K. Tower, 19, Camac Street, Kolkata-700 017  Phone: (033) 2283 9990  Fax : (033) 2290 2882  Email: <a href="mailto:ejl.investors@electrosteel.com">ejl.investors@electrosteel.com</a></p>								

**Stock Market Price for the financial year 2011-12**

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
Apr-11	10.50	8.23	34,68,290	10.55	8.20	1,00,16,985
May-11	9.85	8.65	1,54,22,644	9.90	8.60	72,89,800
Jun-11	9.65	7.95	13,89,583	9.70	7.90	62,69,965
Jul-11	8.80	7.91	37,39,947	8.80	7.90	49,14,218
Aug-11	8.20	6.80	57,36,440	8.10	6.50	1,20,03,755
Sep-11	7.44	6.49	23,02,273	7.45	6.20	96,96,812
Oct-11	6.75	5.76	60,77,050	6.95	5.75	5,86,68,404
Nov-11	6.20	4.47	58,49,005	6.05	4.45	1,55,37,572
Dec-11	5.74	3.75	92,22,004	5.75	3.70	2,14,59,823
Jan-12	7.80	4.87	1,01,97,682	8.15	4.40	1,64,86,033
Feb-12	8.19	6.46	59,63,190	8.15	6.35	1,44,86,191
Mar-12	7.12	5.90	59,92,145	7.20	5.90	60,20,857

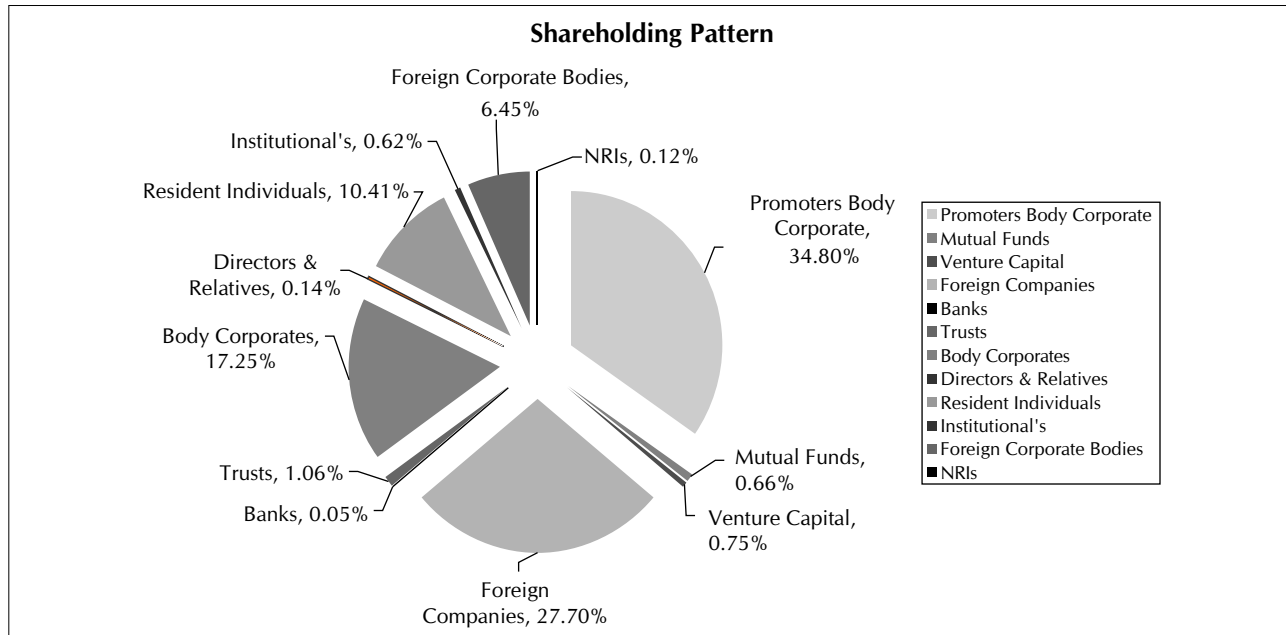


### Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty for the Financial Year 2011-12



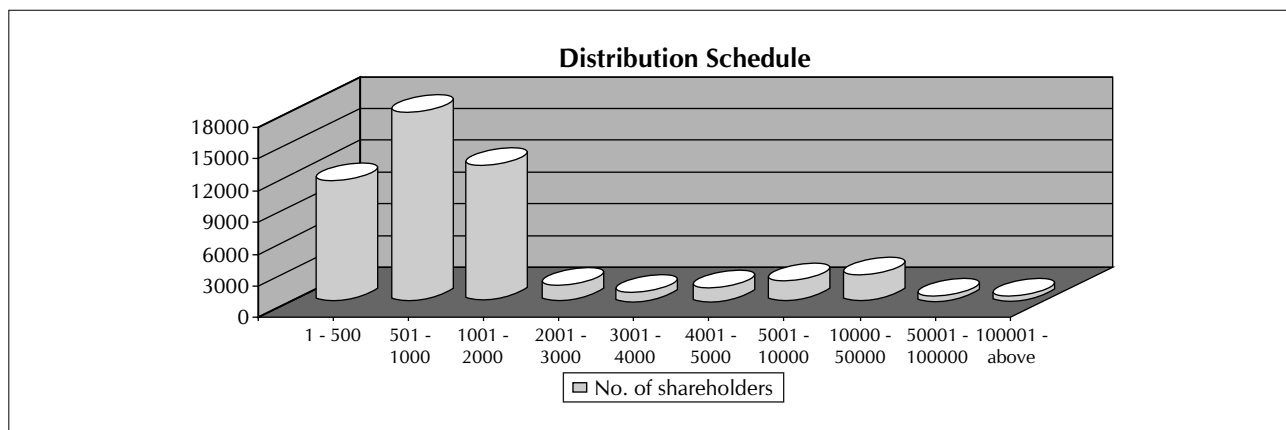
### Shareholding pattern as on March 31, 2012

S.No	Category	No. of Cases	Shareholders %	Total Shares	% To Equity
1	Promoters Body Corporate	1	0.002%	70,80,00,000	34.80%
2	Mutual Funds	1	0.002%	1,35,02,696	0.66%
3	Venture Capital	2	0.004%	1,53,05,000	0.75%
4	Foreign Companies	3	0.006%	56,36,38,937	27.70%
5	Banks	1	0.002%	9,50,000	0.05%
6	Trusts	10	0.019%	2,15,02,455	1.06%
7	Body Corporates	1,261	2.448%	35,08,90,974	17.25%
8	Directors & Relatives	9	0.017%	28,06,865	0.14%
9	Resident Individuals	49,883	96.847%	21,18,19,680	10.41%
10	Institutional's	11	0.021%	1,25,65,872	0.62%
11	Foreign Corporate Bodies	3	0.006%	13,13,00,446	6.45%
12	NRI's	322	0.625%	24,52,098	0.12%
	<b>Total</b>	<b>51,507</b>	<b>100.000%</b>	<b>2,03,47,35,023</b>	<b>100.00%</b>



#### Distribution of shareholding as on March 31, 2012

Sl No	Range of equity shares held	No. of shareholders	% to total shareholders	Total Shares	% of Amount
1	1 - 500	11,507	22.342%	29,61,154	0.146%
2	501 - 1000	17,950	34.850%	1,31,01,809	0.644%
3	1001 - 2000	12,725	24.705%	2,11,34,254	1.039%
4	2001 - 3000	1,637	3.178%	43,63,757	0.214%
5	3001 - 4000	816	1.584%	30,07,617	0.148%
6	4001 - 5000	1,359	2.638%	66,65,581	0.328%
7	5001 - 10000	1,993	3.869%	1,65,75,608	0.815%
8	10001 - 50000	2,560	4.970%	7,12,37,488	3.501%
9	50001 - 100000	511	0.992%	3,87,17,155	1.903%
10	100001 - above	449	0.872%	1,85,69,70,600	91.264%
	<b>Total</b>	<b>51,507</b>	<b>100.00%</b>	<b>2,03,47,35,023</b>	<b>100.00%</b>





## **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/esl/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 : May 8, 2012

**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, 2012.

Place: Kolkata  
Dated: May 8, 2012

**NC Bahl**  
*Wholetime Director*

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## **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, 2012, 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

**Vikram Dhanania**  
Partner  
Membership No. 060568  
Address: 8A & 8B, Satyam Towers  
3, Alipore Road  
Kolkata 700 027

Place : Kolkata  
Date : May 8, 2012

## **CERTIFICATION FROM CEO & CFO**

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

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

- a) We have reviewed financial statements and the cash flow statements of the Company for the quarter and year ended 31st March 2012 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, any deficiencies in the design or operation of internal controls of which we are aware and the steps taken or propose to 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 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 significant role in the Company's internal control system over financial reporting.

Place : Kolkata  
Date : May 8, 2012

**N C Bahl**  
*Wholetime 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, 2012 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, 2012, 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) We have relied upon the management's representation relating to the disclosures in the financial statements regarding (a) segment reporting (Note 26); (b) related party disclosures (Note 27); (c) dues to Micro, Small & Medium Enterprises (Note 32) and (d) reconciliation and confirmation of balance of trade payables and loans and advances (Note 36).
  - (vii) 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, 2012;
    - (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 Chhawchharia & Co.**  
Firm Registration No.: 305123E  
*Chartered Accountants*

**Vikram Dhanania**  
*Partner*  
Membership No. 060568

Place : Kolkata  
Date : May 8, 2012

## **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(iii) 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 2012 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	78.39	Jharkhand Sales Tax Tribunal

(\*) A sum of Rs 35.20 lacs has been deposited by the Company.

- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash loss during the financial year covered by our audit and also in the immediately preceding financial year.
- (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 and repayment of such loans 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, we report that no funds raised on short-term basis have been used for long-term investment.
- (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 Company has not raised any money by public issue during the period under audit.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

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

**Vikram Dhanania**  
*Partner*  
Membership No. 060568

Place : Kolkata  
Date : May 8, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

	Note	As at 31st March, 2012		As at 31st March, 2011	
		Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
<b>EQUITY &amp; LIABILITIES</b>					
<b>Shareholders' Funds</b>					
(a) Share Capital	2	<b>2,03,473.50</b>		2,03,473.50	
(b) Reserves and Surplus	3	<b>(11,601.88)</b>	<b>1,91,871.62</b>	<u>3,379.82</u>	2,06,853.32
<b>Non-Current Liabilities</b>					
(a) Long-Term Borrowings	4	<b>5,20,075.91</b>		3,26,315.08	
(b) Other Long-Term Liabilities	5	<b>39,901.95</b>		12,783.76	
(c) Long-Term Provisions	6	<b>329.42</b>	<b>5,60,307.28</b>	<u>112.51</u>	3,39,211.35
<b>Current Liabilities</b>					
(a) Short-Term Borrowings	7	<b>3,158.02</b>		2,000.59	
(b) Trade Payables	8	<b>12,132.89</b>		452.04	
(c) Other Current Liabilities	9	<b>1,36,144.66</b>		1,20,039.12	
(d) Short-Term Provisions	6	<b>51.42</b>	<b>1,51,486.99</b>	<u>57.80</u>	<u>1,22,549.55</u>
<b>TOTAL</b>			<b><u>9,03,665.89</u></b>		<b><u>6,68,614.22</u></b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
(a) Fixed Assets					
(i) Tangible Assets	10	<b>1,49,885.08</b>		66,561.67	
(ii) Intangible Assets	10	<b>568.69</b>		328.33	
(iii) Capital Work-In-Progress		<b>6,72,999.23</b>		5,24,339.33	
(b) Long-Term Loans and Advances	11	<b>33,793.10</b>	<b>8,57,246.10</b>	<u>46,882.98</u>	6,38,112.31
<b>Current Assets</b>					
(a) Current Investments	12	<b>2,253.16</b>		6,713.18	
(b) Inventories	13	<b>19,485.89</b>		3,691.46	
(c) Trade Receivables	14	<b>93.37</b>		50.77	
(d) Cash and Bank Balances	15	<b>7,908.34</b>		8,343.11	
(e) Short-Term Loans and Advances	11	<b>16,133.74</b>		11,330.58	
(f) Other Current Assets	16	<b>545.29</b>	<b>46,419.79</b>	<u>372.81</u>	<u>30,501.91</u>
<b>TOTAL</b>			<b><u>9,03,665.89</u></b>		<b><u>6,68,614.22</u></b>
Significant Accounting Policies	1				

The accompanying notes are an integral part of the financial statements.

As per our Report of even date

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

**Vikram Dhanania**  
Partner  
M. No. 060568

Kolkata  
May 8, 2012

For and on behalf of the Board

**Binod Khaitan** *Chairman*

**N C Bahl** *Wholetime Director*

**Vikram Saraogi** *Company Secretary*

## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Note	Year ended 31st March, 2012 Rs. in Lakhs	Year ended 31st March, 2011 Rs. in Lakhs
<b>I. Revenue from operations</b>			
Sale of Products		6,424.12	814.81
Other operating revenue		289.95	4.47
Revenue from operations (Gross)	17	6,714.07	819.28
Less: Excise duty		645.31	76.09
<b>Revenue from operations (Net)</b>		6,068.76	743.19
<b>II. Other Income</b>	18	41.81	22.00
<b>III. Total Revenue (I + II)</b>		6,110.57	765.19
<b>IV. Expenses:</b>			
(a) Cost of Materials Consumed	19	8,804.68	1,196.59
(b) Changes in Inventories of Finished Goods, Work-in-Progress	20	(1,288.03)	(232.89)
(c) Employee Benefits Expense	21	753.70	13.88
(d) Finance costs	22	8,022.83	157.78
(e) Depreciation and amortization expense		2,394.55	104.32
(f) Other expenses	23	2,401.06	138.86
<b>Total expenses</b>		21,088.79	1,378.54
<b>V. Profit before Exceptional and Extraordinary Items and Tax (III - IV)</b>		(14,978.22)	(613.35)
<b>VI. Exceptional Items</b>		—	—
<b>VII. Profit before Extraordinary Items and Tax (V - VI)</b>		(14,978.22)	(613.35)
<b>VIII. Extraordinary Items</b>		—	—
<b>IX. Profit before Tax (VII - VIII)</b>		(14,978.22)	(613.35)
<b>X. Tax Expenses</b>			
(a) Current Tax		3.48	—
(b) Deferred Tax		—	—
<b>XI. Profit/(Loss) for the Period from Continuing Operations (IX - X)</b>		(14,981.70)	(613.35)
<b>XII. Profit/(Loss) from Discontinuing Operations</b>		—	—
<b>XIII. Tax Expenses of Discontinuing Operations</b>		—	—
<b>XIV. Profit/(Loss) from Discontinuing Operations (after Tax) (XII - XIII)</b>		—	—
<b>XV. Profit/(Loss) for the Period (XI + XIV)</b>		(14,981.70)	(613.35)
<b>XVI. Earning per Equity Share (nominal value of share Rs.10)</b>			
(a) Basic		(0.74)	(0.03)
(b) Diluted		(0.74)	(0.03)

The accompanying notes are an integral part of the financial statements. 1

As per our Report of even date

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

**Vikram Dhanania**  
Partner  
M. No. 060568

Kolkata  
May 8, 2012

For and on behalf of the Board

**Binod Khaitan**      *Chairman*

**N C Bahl**              *Wholetime Director*

**Vikram Saraogi**      *Company Secretary*



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. in lacs	31st March, 2011 Rs. in lacs
<b>Cash flow from operating activities</b>		
Profit before tax	(14,978.22)	(613.35)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization on continuing operation	2,394.55	104.32
Loss/(profit) on sale of fixed assets	1.49	—
Net gain on sale of current investments	—	(22.00)
Interest expense	8,022.83	157.78
Operating profit before working capital changes	(4,559.35)	(373.25)
<u>Movements in working capital :</u>		
Increase/(decrease) in trade payables	11,680.86	—
Increase/(decrease) in long-term provisions	216.91	—
Increase/(decrease) in short-term provisions	(8.09)	—
Increase/(decrease) in other current liabilities	16,105.54	—
Increase/(decrease) in other long-term liabilities	27,118.19	—
Decrease/(increase) in trade receivables	(42.60)	(50.77)
Decrease/(increase) in inventories	(15,794.43)	(3,709.81)
Decrease/(increase) in long-term loans and advances	13,089.88	(2,985.64)
Decrease/(increase) in short-term loans and advances	(4,791.86)	—
Decrease/(increase) in other current assets	(172.48)	—
Cash generated from / (used in) operations	42,842.57	(7,119.47)
Direct taxes paid (net of refunds)	(13.07)	—
<b>Net Cash flow from / (used in) operating activities (A)</b>	<b>42,829.50</b>	<b>(7,119.47)</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets, including intangible assets, CWIP	(234,620.35)	(174,805.37)
Proceeds from sale of fixed assets	0.63	3.23
Proceeds from sale/ purchase of current investments (Net)	4,460.02	9,369.19
<b>Net Cash flow from / (used in) investing activities (B)</b>	<b>(230,159.70)</b>	<b>(165,432.95)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of share capital	—	40,890.37
Proceeds from long-term borrowings	227,231.57	162,039.17
Repayment of long-term borrowings	(33,470.74)	—
Proceeds from short-term borrowings	1,157.43	2,000.59
Interest paid	(8,022.83)	(33,466.66)
<b>Net Cash flow from / (used in) financing activities (C)</b>	<b>186,895.43</b>	<b>171,463.47</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(434.77)	(1,088.95)
Cash and cash equivalents at the beginning of the year	8,343.11	9,432.06
<b>Cash and cash equivalents at the end of the year</b>	<b>7,908.34</b>	<b>8,343.11</b>
<b>Components of cash and cash equivalents</b>		
Balances with Banks		
In Current Accounts	2,194.52	4,726.28
Stamp papers on hand	59.18	43.46
Cash on hand	4.87	6.51
Balance with Bank in Deposit Accounts (held as margin money)	5,649.77	3,566.86
<b>Total cash and cash equivalents</b>	<b>7,908.34</b>	<b>8,343.11</b>

As per our Report of even date

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

**Vikram Dhanania**  
Partner  
M. No. 060568

Kolkata  
May 8, 2012

For and on behalf of the Board

**Binod Khaitan**                      *Chairman*

**N C Bahl**                              *Wholetime Director*

**Vikram Saraogi**                      *Company Secretary*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 1. Significant Accounting Policies

#### 1.1 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.

#### 1.2 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.

#### 1.3 Tangible and Intangible Fixed Assets

- (i) Tangible fixed assets are stated at cost of acquisition and subsequent improvements thereto; net of CENVAT / Value Added Tax, rebates, less accumulated depreciation, 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) Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment loss, if any.
- (iv) 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).

#### 1.4 Depreciation/ Amortisation

- (i) Depreciation on tangible 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.
- (iv) The intangible assets are amortized on straight line method at the rate and in the manner prescribed in Schedule XIV to the Companies Act 1956, and where such rate is not prescribed over the useful economic life of the respective assets.

#### 1.5 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.

#### 1.6 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.

#### 1.7 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 an 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- (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".

### **1.8 Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried 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.

### **1.9 Inventories**

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

### **1.10 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.

### **1.11 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.

### **1.12 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.

### **1.13 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.

### **1.14 Revenue Recognition**

All expenses and income to the extent considered payable and receivable respectively, unless otherwise stated, are accounted for on an 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.

### **1.15 Insurance Claims**

Insurance claims are accounted as and when admitted / settled.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
<b>2. Share Capital</b>		
<b>a) Capital Structure</b>		
Authorised		
300,00,00,000 Equity Shares of Rs. 10/- each. (Previous year - 230,00,00,000 Equity Shares of Rs. 10/- each.)	<b>300,000.00</b>	230,000.00
	<b>300,000.00</b>	230,000.00
Issued, Subscribed and Fully Paid Up		
203,47,35,023 Equity Shares of Rs. 10/- each. (Previous year - 203,47,35,023 Equity Shares of Rs. 10/- each.)	<b>203,473.50</b>	203,473.50
	<b>203,473.50</b>	203,473.50

### b) Share Capital Reconciliation

Equity Shares	31 March 2012		31 March 2011	
	Nos.	Amount	Nos.	Amount
Opening balance	2,034,735,023	203,473.50	1,665,763,023	166,576.30
Issued during the period	—	—	368,972,000	36,897.20
<b>Closing Balance</b>	<b>2,034,735,023</b>	<b>203,473.50</b>	2,034,735,023	203,473.50

### c) Particulars of Equity Shareholders holding more than 5% Shares at Balance Sheet date

	31 March 2012		31 March 2011	
	Nos.	% holding	Nos.	% holding
Electrosteel Castings Limited	708,000,000	34.80%	700,000,000	34.40%
Stemcor Cast Iron Investments Limited	400,909,646	19.70%	400,909,646	19.70%

### 3. Reserves & Surplus

	31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
<b>Securities Premium Account</b>		
Opening balance	3,993.17	—
Add: Premium on issue of equity shares	—	5,820.06
Less: IPO Expenses		1,826.89
<b>Closing Balance</b>	<b>3,993.17</b>	3,993.17
<b>Surplus / (Deficit) in the statement of profit or loss</b>		
Opening balance	(613.35)	—
Loss for the year	(14,981.70)	(613.35)
<b>Net Surplus/(Deficit)</b>	<b>(15,595.05)</b>	(613.35)
<b>Total Reserves &amp; Surplus</b>	<b>(11,601.88)</b>	3,379.82

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 4. Long-term Borrowings

	Non-current portion		Current maturities	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>Term Loans</b>				
<u>Secured Loans</u>				
From Banks				
Senior Debts	311,689.54	245,943.02	51,951.61	25,996.07
Subordinate Debts	49,819.61	34,767.58	8,315.75	4,232.67
External Commercial Borrowings (ECB)	45,662.76	15,475.16	1,986.21	—
Buyers Credit	—	—	8,327.03	49,188.96
Securitization Loan	24,000.00	—	—	—
From Others				
Senior Debts	37,360.00	29,069.67	6,226.67	3,113.33
Subordinate Debts	1,544.00	1,059.65	257.33	128.67
Others	50,000.00	—	—	—
<u>Unsecured Loans</u>				
From a Bank	—	—	13,800.00	—
	<b>520,075.91</b>	<b>326,315.08</b>	<b>90,864.60</b>	<b>82,659.70</b>
Amount disclosed under the head "Other current liabilities" (Note 9)	—	—	90,864.60	82,659.70
	<b>520,075.91</b>	<b>326,315.08</b>	<b>—</b>	<b>—</b>

### A. Security

- 1) The Senior Debts and External Commercial Borrowings from Bank and others are secured by:
  - (a) First ranking pari passu mortgage and charge on all immovable and movable properties including fixed assets, plant and machinery (both tangible & intangible), present and future, on all bank accounts in relation to the Project and assignment of project agreements, subject to charges created / to be created in favour of working capital lenders on the current assets for securing Working Capital Facilities; and
  - (b) Pledge of 500,000,000 Equity Shares of the Company held by Electrosteel Castings Limited.
- 2) The Subordinate Debts from Bank and others are secured by a second charge, which shall be subject to and subservient to the first charge created / to be created as in (1) above.
- 3) Securitization Loan is secured by :
  - (a) Assignment of receivables pertaining to sale of two of the products; and
  - (b) Second charge over the fixed assets both present and future of the Company ranking pari passu with existing term lenders as in (1) & (2) above and the working capital lenders.
- 4) Buyers Credit (appearing under current liabilities) are secured by letter of credit issued by lenders.
- 5) Loan from Others - Rs. 500,00.00 Lakhs is secured by :
  - (a) Second charge on all movable assets (including all receivables and intangibles) both present and future; and
  - (b) Second charge over the rights, titles and interest of the Company in, to and under all the assets of the project and all the project documents, contracts, insurance policies, clearances, permit/approvals; and
  - (c) First mortgage of a piece of land with factory building thereon owned by Electrosteel Castings Limited.
- 6) Other Loan of Rs. 138,00.00 lakhs is secured by way of Corporate Guarantee from Electrosteel Castings Limited.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### B. Repayment terms

- a) The Senior and Subordinate debts are repayable in further 28 quarterly instalments of Rs. 166,87.84 Lakhs each up to March 2019.
- b) Securitization loan (partially disbursed) is repayable in quarterly instalments wef 30.06.2013 as follow:  
 first 16 instalments of Rs. 600.00 Lakhs  
 next 12 instalments of Rs. 750.00 Lakhs  
 final 6 instalments of Rs. 900.00 Lakhs  
 the final instalment is payable on 30/09/2021.
- c) Term loan of Rs. 500,00.00 Lakhs is due for bullet repayment in July 2013.
- d) External Commercial Borrowings are repayable in 24 quarterly instalments of Rs. 1986.21 lakhs (US \$ 39.03 lakhs) each up to Dec 2018.

### C. The applicable rate of interest on the above term loans during the year are -

- a) Senior Debts from Banks and Others carries interest rate of Base Rate plus spread (being 2.50% to 3.00%) of the respective Lenders.
- b) Subordinate Debts from Banks and Others carries interest rate of 1.50% to 2.00% above the rate of Senior Debts in (a) above.
- c) External Commercial Borrowings carries interest of Libor (6 months) plus 4.75%.
- d) Buyers Credit carries interest rate of Libor plus spread ranging between 1.25 % to 4.25%.
- e) Securitization Loan carries interest rate of Base Rate plus spread (being 2.25%) of the Lending Bank.
- f) Secured Loan from Others carries interest rate of Lenders' Benchmark Rate minus spread (being 3.50%).
- g) Unsecured Loan carries interest rate of Base Rate plus spread (being 1.25%) of the Lending Bank.

### 5. Other Long-term Liabilities

Security Deposit/ EMD from Vendors  
 Retention Money Payable

<b>31 March, 2012</b>	<b>31 March, 2011</b>
<b>Rs. in Lakhs</b>	<b>Rs. in Lakhs</b>
<b>69.47</b>	18.37
<b>39,832.48</b>	12,765.39
<b>39,901.95</b>	12,783.76

### 6. Provisions

Provision for employee benefits  
 Other Provisions - Wealth Tax

	<b>Long-term</b>		<b>Short-term</b>	
	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>Rs. in Lakhs</b>	<b>Rs. in Lakhs</b>	<b>Rs. in Lakhs</b>	<b>Rs. in Lakhs</b>
Provision for employee benefits	<b>329.42</b>	<b>112.51</b>	49.72	57.80
Other Provisions - Wealth Tax	—	—	1.70	—
	<b>329.42</b>	<b>112.51</b>	51.42	57.80

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 7. Short-term Borrowings

From Banks (Secured)

31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
3,158.02	2,000.59
<b>3,158.02</b>	<b>2,000.59</b>

Working Capital facility from a Bank is 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. The facility carries interest of base rate plus spread (being 3.90%) of the Lending Bank.

### 8. Trade Payables

Trade Payables (including acceptance)

31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
12,132.89	452.04
<b>12,132.89</b>	<b>452.04</b>

### 9. Other Current Liabilities

Current maturities of long-term borrowings (refer note 4 above)

Interest accrued but not due on borrowings

Interest accrued and due on borrowings

Advance / Security Deposits / EMD from Customers

Others

Statutory Dues Payables

Others Payables (Year end provisions & Vendor Liabilities)

31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
90,864.60	82,659.70
1,473.46	66.20
919.70	707.59
8,215.82	230.55
629.63	606.19
34,041.45	35,768.89
<b>136,144.66</b>	<b>120,039.12</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 10. FIXED ASSETS

Rs. in lacs

Description	Gross Block				Accumulated depreciation/ amortisation				Net book value		
	As at 31 March, 2011	Additions	Borrowing Cost	Sales / Adjustments	As at 31 March, 2012	Upto 31 March, 2011	For the Period	Sales / Adjustments	Upto 31 March, 2012	As at 31 March, 2012	As at 31 March, 2011
<b>Tangible Assets</b>											
Freehold Land & Land Development (*)	20,392.65	2,045.84	—	—	<b>22,438.49</b>	—	—	—	—	<b>22,438.49</b>	20,392.65
Leasehold Land	100.02	—	—	—	<b>100.02</b>	1.43	3.34	—	<b>4.77</b>	<b>95.25</b>	98.59
Buildings	3,610.03	22,441.36	3,768.98	—	<b>29,820.37</b>	4.93	181.82	—	<b>186.75</b>	<b>29,633.62</b>	3,605.10
Plant & Equipment	40,529.46	49,379.27	8,235.80	0.51	<b>98,144.02</b>	300.23	2,501.39	0.09	<b>2,801.53</b>	<b>95,342.49</b>	40,229.23
Furniture & Fixtures	310.92	254.82	3.65	—	<b>569.39</b>	94.96	52.51	—	<b>147.47</b>	<b>421.92</b>	215.96
Vehicles	224.17	28.43	—	3.01	<b>249.59</b>	31.52	22.95	1.31	<b>53.16</b>	<b>196.43</b>	192.65
Office Equipment	182.33	20.89	—	—	<b>203.22</b>	9.78	12.50	—	<b>22.28</b>	<b>180.94</b>	172.55
Railway Sidings	1,658.61	—	—	—	<b>1,658.61</b>	3.67	79.00	—	<b>82.67</b>	<b>1,575.94</b>	1,654.94
<b>Total (A)</b>	<b>67,008.19</b>	<b>74,170.61</b>	<b>12,008.43</b>	<b>3.52</b>	<b>1,53,183.71</b>	<b>446.52</b>	<b>2,853.51</b>	<b>1.40</b>	<b>3,298.63</b>	<b>1,49,885.08</b>	<b>66,561.67</b>
<b>Intangible Assets</b>											
Computer Software	407.28	334.89	—	—	<b>742.17</b>	78.95	94.53	—	173.48	568.69	328.33
<b>Total (B)</b>	<b>407.28</b>	<b>334.89</b>	<b>—</b>	<b>—</b>	<b>742.17</b>	<b>78.95</b>	<b>94.53</b>	<b>—</b>	<b>173.48</b>	<b>568.69</b>	<b>328.33</b>
<b>Total (A+B)</b>	<b>67,415.47</b>	<b>74,505.50</b>	<b>12,008.43</b>	<b>3.52</b>	<b>1,53,925.88</b>	<b>525.47</b>	<b>2,948.04</b>	<b>1.40</b>	<b>3,472.11</b>	<b>1,50,453.77</b>	<b>66,890.00</b>
Previous Year's figures	20,316.04	42,888.74	4,221.60	10.91	67,415.47	152.77	376.38	3.68	525.47	66,890.00	

(\*) Includes 71.69 acres of land pending registration in the name of the Company.

### 11. Loans & Advances

#### (Unsecured, Considered good)

	Long-term		Short-term	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Capital Advances	<b>33,068.20</b>	46,639.55	—	—
Security Deposit	<b>724.90</b>	243.43	—	—
Other loans and advances				
Income Tax Advances (Net of provisions)	—	—	<b>102.40</b>	91.11
Balance with statutory / government authorities	—	—	<b>13,087.24</b>	10,149.24
Advances recoverable in cash or kind or for value to be received	—	—	<b>2,931.88</b>	1,090.23
Export Incentive Receivables	—	—	<b>12.22</b>	—
	<b>33,793.10</b>	46,882.98	<b>16,133.74</b>	11,330.58

### 12. Current Investments

#### Investment in Mutual funds (Unquoted)

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
SBI-SHF-Ultra Short Term Fund Institutional Plan (Growth) 95,345 (P.Y. 21,723,546) units of Rs.1000/- each (P.Y. Rs 10 each)	<b>2,253.16</b>	2,777.48
SBI-Magnum Insta Cash Fund- Cash Option (Growth) Nil (P.Y. 18,095,379) units of Rs.10/- each	—	3,935.70
	<b>2,253.16</b>	6,713.18



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>13. Inventories (valued at lower of cost and net realizable value)</b>		
Raw Materials*	<b>14,966.26</b>	3,124.96
Work-in-Progress (Semi-Finished Goods)	<b>3,868.29</b>	232.89
Stores and Spares	<b>651.34</b>	333.61
	<b>19,485.89</b>	3,691.46
* Includes materials in transit Rs. 27.69 lakhs (P.Y. Rs. Nil lakhs )		
<b>14. Trade Receivables</b>		
Unsecured, considered good	<b>93.37</b>	50.77
	<b>93.37</b>	50.77
<b>15. Cash and Bank balances</b>		
Cash and Cash equivalents		
Balances with Banks		
In Current Accounts	<b>2,194.52</b>	4,726.28
Stamp papers on hand	<b>59.18</b>	43.46
Cash on hand	<b>4.87</b>	6.51
Balance with Banks in Deposit Accounts (held as margin money)*	<b>5,649.77</b>	3,566.86
	<b>7,908.34</b>	8,343.11
* Includes deposit maturing after 12 months Rs. 3417.57 lakhs (P.Y. Rs. 2488.34 lakhs)		
<b>16. Other Current Assets</b>		
Interest accrued on fixed deposits	<b>545.29</b>	325.84
Others - Gratuity Fund	—	46.97
	<b>545.29</b>	372.81
<b>17. Revenue from Operations</b>		
Sale of Products:		
Export Sales		
Finished Goods	<b>57.37</b>	—
Domestic Sales		
Semi-Finished Goods	<b>6,366.75</b>	814.81
Other Operating Revenue		
Scrap / By-products	<b>289.95</b>	4.47
Revenue from operations (Gross)	<b>6,714.07</b>	819.28
Less: Excise Duty	<b>645.31</b>	76.09
<b>Revenue from operations (Net)</b>	<b>6,068.76</b>	743.19

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>18. Other Income</b>		
Exchange differences (net)	41.81	—
Profit on Sale of Current investments	—	22.00
	<b>41.81</b>	<b>22.00</b>
<b>19. Cost of Materials Consumed</b>		
Inventory at the beginning of the year	3,124.96	—
Add: Purchases	24,329.50	4,925.57
Less: Inventory Issued to Project	831.61	—
Less: Inventory Issued for Testing	2,879.60	604.02
Less: Inventory at the end of the year	14,938.57	3,124.96
	<b>8,804.68</b>	<b>1,196.59</b>

### Details of Materials Consumed

	2011-12		2010-11	
	Qty in MT	Value Rs. in Lakhs	Qty in MT	Value Rs. in Lakhs
Coke (Procured)	20,126.560	4,618.84	3,119.660	700.30
Coke (Produced)	2,156.850	463.72	—	—
Iron Ore	50,537.080	3,496.21	6,923.210	467.36
Dolomite	3,092.510	55.11	457.450	8.55
Lime	3,607.950	49.07	458.970	6.55
Other Raw Material	—	121.73	—	13.83
		<b>8,804.68</b>		<b>1,196.59</b>

### Details of Inventory

Coke	9,312.092	2,056.52	4,390.292	956.28
Iron Ore / Fines	1,11,428.850	6,103.84	31,957.180	2,019.38
Dolomite	4,264.080	73.65	1,162.790	21.74
Lime	9,036.030	165.43	4,840.400	69.03
Coal Indigenous	4,440.542	535.94	—	—
Coal Imported	40,188.490	5,502.51	—	—
Other Raw Material	—	500.68	—	58.53
		<b>14,938.57</b>		<b>3,124.96</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>20. Changes in Inventories of Finished Goods, Work-in-Progress</b>		
<b>Inventories at the end of the year</b>		
Work-in-Progress (Semi-Finished goods)	515.02	251.24
Scrap / By-products	1,131.98	—
	<u>1,647.00</u>	<u>251.24</u>
<b>Inventories at the beginning of the year</b>		
Work-in-Progress (Semi-Finished goods)	251.24	—
Scrap / By-products	—	—
	<u>251.24</u>	<u>—</u>
<b>Adjustment for Excise Duty</b>	107.73	18.35
	<u>(1,288.03)</u>	<u>(232.89)</u>
<b>21. Employee Benefits Expense</b>		
Salaries, wages and bonus	638.89	13.43
Contribution to Provident and Other Funds	28.35	0.20
Staff welfare expenses	86.46	0.25
	<u>753.70</u>	<u>13.88</u>
<b>22. Finance Costs</b>		
Interest Expense	6,998.19	139.73
Other Borrowing Cost	126.07	11.92
Net (Gain) / Loss on foreign currency transactions and translation	898.57	6.13
	<u>8,022.83</u>	<u>157.78</u>
<b>23. Other Expenses</b>		
Consumption of Stores & Spares	344.86	18.23
Sub-contracting Expenses	—	—
Power and Fuel	551.16	43.41
Freight and Forwarding Charges	31.48	0.06
Rent	69.27	9.67
Rates and taxes	65.28	0.59
Insurance	61.67	—
Repairs & Maintenance		
Plant & Machinery	27.65	—
Repairs (Others)	26.05	0.11
Operation & Maintenance expenses	203.51	20.51
Machine Hire Charges	60.05	—
Material Handling Expenses	25.25	—
Listing & Registrar Expenses	33.98	—
Security Expenses	64.06	1.65
Advertisement and Sales Promotion Expenses	55.32	0.13
Travelling & Conveyance	188.94	1.64
Legal & Professional Fees	272.45	3.70
Payment to Auditors	51.21	24.40
Loss on forward contracts	21.24	—
Prior Period Items	15.70	1.77
Miscellaneous Expenses	231.93	12.99
	<u>2,401.06</u>	<u>138.86</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>Payment to Auditors</b>		
Statutory Audit Fee	10.00	10.00
Internal Audit Fee	39.19	8.97
Tax Audit Fee	1.00	1.00
Other Services	0.20	3.78
Out of Pocket Expenses	0.82	0.65
	<b>51.21</b>	<b>24.40</b>

### 24. Gratuity and other post-employment benefits plan

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	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Employer's Contribution to Provident Fund	180.71	119.82
Employer's Contribution to Superannuation Fund	—	9.09
Employer's Contribution to Pension Scheme	52.34	31.86

#### 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 (funded)		Leave encashment (unfunded)	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Defined Benefit obligation at beginning of the year	83.95	84.34	149.27	85.75
Current Service Cost	82.15	49.48	32.02	29.06
Interest Cost on benefit obligation	13.45	6.73	16.36	9.40
Net Actuarial (gain)/loss recognized in the year	84.23	(41.97)	84.84	44.98
Benefits paid	(11.52)	(14.63)	(22.81)	(19.92)
<b>Net benefit expense</b>	<b>252.26</b>	<b>83.95</b>	<b>259.68</b>	<b>149.27</b>

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

	Gratuity (funded)	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Opening fair value of plan assets	130.92	—
Expected return	10.55	5.24
Actuarial gains/(losses)	(0.71)	(2.28)
Employer contribution	3.57	142.60
Benefits paid	(11.52)	(14.63)
<b>Closing fair value of plan assets</b>	<b>132.81</b>	<b>130.93</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### c. Reconciliation of fair value of assets and obligations

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Fair value of plan assets	132.81	130.92	—	—
Present value of obligations	252.26	83.95	259.69	149.27
<b>(Assets)/Liability recognized in the Balance Sheet</b>	<b>119.45</b>	<b>(46.97)</b>	<b>259.69</b>	<b>149.27</b>

### d. Net employee benefit expense recognized during the year

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Current Service Cost	82.15	49.48	32.02	29.06
Interest Cost on benefit obligation	13.45	6.73	16.36	9.40
Expected return on plan assets	(10.55)	(5.24)	—	—
Net Actuarial (gain)/loss recognized in the year	84.94	(39.69)	84.85	44.99
<b>Net benefit expense</b>	<b>169.99</b>	<b>11.28</b>	<b>133.23</b>	<b>83.45</b>

### e. Investment Details

100% of the plan assets are with the Insurance Company.

### f. Actuarial Assumptions

The principle assumptions used in determining defined benefit obligations for the company's plan are shown below:

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets ( per annum)	8.00%	8.00%	8.00%	8.00%
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 25. Project Development Expenditure

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

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

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
<b>Opening Balance</b>	<b>86,237.25</b>	46,758.62
Add:		
(i) Payments to and Provisions for Employees (including personnel on deputation)		
– Salaries, Wages and Bonus	<b>4,612.51</b>	3,245.07
– Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Pension Scheme, etc.	<b>380.66</b>	135.40
– Employee welfare and other amenities	<b>361.01</b>	623.48
(ii) Consultancy, Professional and Legal Fees	<b>1,443.91</b>	1,878.71
(iii) Power & Fuel	<b>1,370.36</b>	665.44
(iv) Labour and Machinery Hire Charges	<b>355.51</b>	103.66
(v) Security expenses	<b>415.32</b>	471.34
(vi) Insurance	<b>516.83</b>	980.13
(vii) Rent	<b>272.16</b>	490.18
(viii) Rates & Taxes	—	131.94
(ix) Stores & Spares consumption	<b>182.62</b>	902.97
(x) Repairs & Maintenance Others	<b>117.75</b>	38.90
(xi) Travelling and Conveyance Expenses	<b>1,574.56</b>	2,025.79
(xii) Exchange Fluctuation (Considered as Borrowing Cost)	<b>7,270.26</b>	—
(xiii) General and Administrative Expenses (net)	<b>808.52</b>	559.62
(xiv) Depreciation	<b>553.50</b>	272.06
(xv) Other Borrowing Cost	<b>2,009.79</b>	629.26
(xvi) Interest and Finance Charges	<b>55,346.35</b>	32,440.05
(xvii) Loss on forward contracts	—	571.58
	<b>1,63,828.87</b>	92,924.20
Less:		
(iv) Foreign Currency Exchange Fluctuation	<b>(1,514.19)</b>	91.66
	<b>1,65,343.06</b>	92,832.54
Add: Provision for tax		
– Income Tax	—	0.96
	<b>1,65,343.06</b>	92,833.50
Less: Allocated/Transferred during the year to completed assets	<b>17,923.02</b>	6,596.25
<b>Closing Balance</b>	<b>1,47,420.04</b>	86,237.25

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

25.1 A part of the plant facility has commenced production (Pig Iron & DI Pipes). Accordingly the proportionate expenditure related to the project under construction and erection has been accounted as 'Project Development Expenditure' pending capitalization under 'Capital work-in-Progress'.

### 26. Segment information

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 facility has commenced production (refer Note 25 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.

### 27. Related Party Disclosures

As per Accounting Standard 18 'Related Party Disclosures' issued by ICAI, the disclosure of transactions with related parties are given below:

#### (i) Names of the related parties and description of relationship

##### List of related parties where control exists:

#### 1. Key Management Personnel (KMP) and their relatives

Mr. Umang Kejriwal	- Director
Mr. Nigam Chander Bahl	- Whole Time Director
Mr. Sunil V Diwakar	- Director
Mr. Ghanshyam Kejriwal	- Relative of Director
Mr. Mayank Kejriwal	- Relative of Director
Mrs. Asha Kejriwal	- Relative of Director
Ms. Radha Kinkari Kejriwal	- Relative of Director

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

Akshara Manor Pvt. Ltd.	Global Export Ltd.
Avalokiteshwar Vallnv Ltd.	Greenchip Trexim Pvt. Ltd.
Badrinath Industries Ltd.	Malay Commercial Enterprises Ltd.
Bose Estates Pvt. Ltd.	Murari Investment & Trading Co. Ltd.
Calcutta Diagnostics Centre Pvt. Ltd.	Oxford Heights Pvt. Ltd.
Cubbon Marketing Pvt. Ltd.	Quinline Dealcomm Pvt. Ltd.
Electrocast Sales India Ltd.	Resina Developers Pvt. Ltd.
Electrosteel Aviation Ltd.	Sigma Commercials Pvt. Ltd.
Electrosteel Thermal Coal Ltd.	Sri Gopal Investments Ventures Ltd.
Ellenbarrie Chemical Allied Pvt. Ltd.	Tulsi Enclave Pvt. Ltd.
Ellenbarrie Developers Pvt. Ltd.	Tulsi Highrise Pvt. Ltd.
Escal Finance Services Ltd.	Utkal Investments Ltd.
Gaushree Enterprises	Uttam Commercial Co. Ltd.
G. K. Investments Ltd.	Wilcox Merchants Pvt. Ltd.
G. K. & Sons Pvt. 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.	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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

Sl. No.	Name of the related party	31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
1	<b>Electrosteel Castings Limited</b>		
	<b>Transactions:</b>		
	Proceeds from issue of equity shares/Premium	—	2,488.47
	Purchase of DI Pipe & Other materials	7,682.72	3,352.46
	Sale of Scrap	382.89	114.87
	DEPB Purchase	45.56	11.25
	Reimbursement of expenses	13.82	11.40
	Payment of rent	101.70	85.29
	<b>Closing Balance:</b>		
	Sundry Creditors	6,762.69	416.94
	Advance against supplies/services	8,000.00	360.19
	Sundry Debtors	24.55	48.40
2	<b>Singardo International PTE Ltd.</b>		
	<b>Transactions:</b>		
	Technical service charges	—	33.84
	Reimbursement of travel expenses	4.84	2.04
	<b>Closing Balance:</b>		
	Sundry Creditors	—	14.99
3	<b>Electrosteel Europe SA</b>		
	<b>Transactions:</b>		
	Export Sales (including trail run sales)	108.42	—
	<b>Closing Balance:</b>		
	Trade receivables	50.70	—
4	<b>Mr. Umang Kejriwal</b>		
	<b>Transactions:</b>		
	Sitting fees	0.20	0.45
5	<b>Mr. Nigam Chander Bahl</b>		
	<b>Transactions:</b>		
	Payment of remuneration	114.93	106.77
6	<b>Ms. Radha Kinkari Kejriwal</b>		
	<b>Transactions:</b>		
	Payment of remuneration	5.88	—

### 28. Earning per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2012 Rs. in Lakhs	31 March 2011 Rs. in Lakhs
Net Profit / (Loss) attributable to equity shareholders	(14,981.70)	(613.35)
Weighted average number of equity shares in calculating EPS	2,034,735,023	1,860,701,123
Nominal value of Equity Shares	10.00	10.00
Basic & Diluted EPS	(0.74)	(0.03)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 29. Accounting for Taxes on Income

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 in Income' issued by ICAI, in accordance with the transitional provisions.

### 30. Capital and other commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for

31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
<b>66,162.43</b>	161,873.16
<b>31. Contingent liabilities</b>	
Show cause notice from Central Excise Authorities alleging wrong availment of Cenvat credit	1,586.64
Contested demand of Income Tax (AY 2008-09 & AY 2009-10)	270.25
Bills Discounted with Bank	892.21
Sales Tax litigation	78.39
Civil and criminal proceedings pending against the Company, the financial liability thereof, if any, is unascertainable.	78.39

### 32. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

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.

### 33. Value of import calculated on CIF basis

Raw Materials  
Stores & Spare Parts  
Capital Goods

31 March, 2012 Rs. in Lakhs	31 March, 2011 Rs. in Lakhs
<b>8,074.38</b>	—
<b>529.35</b>	—
<b>60,590.31</b>	147,187.41
<b>69,194.04</b>	147,187.41
<b>34. Earnings in foreign exchange</b>	
FOB value of exports	94.23
	94.23
<b>35. Expenditure in foreign currency</b>	
Consultancy and professional fees	63.49
Travelling and Conveyance	658.40
Salaries, Wages & Bonus	135.52
Rent	44.05
Interest paid	3,211.87
Financing Charges	20.11
Others	60.37
<b>4,193.81</b>	1,930.80

### 36. Valuation of Current Assets, Loan & Advances

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 made and are not in excess of the amount reasonably required.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Vendor balances appearing under Long-term Liabilities, Trade Payables & Other Liabilities and Loans and Advances are subject to reconciliation/ confirmation and adjustments in this respect are carried out as and when amount thereof, if any, are ascertained.

### 37. Imported & Indigenous Raw Materials, components and Spares Parts Consumed

	for the year 2011-12		for the year 2010-11	
	Value Rs. in Lakhs	% of total consumption	Value Rs. in Lakhs	% of total consumption
Raw Materials				
Imported	—	—	—	—
Indigenous obtained	<b>8,804.68</b>	<b>100%</b>	1,196.59	100%
Stores & Spares Parts				
Imported	—	—	—	—
Indigenous obtained	<b>344.86</b>	<b>100%</b>	18.23	100%

### 38. Turnover, Opening Stock and Closing Stock:

Item Description	UOM	Opening Stock		Purchase		Turnover		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value	Qty	Value
DI Pipe	MT	—	—	—	—	<b>108</b>	<b>50.70</b>	—	—
		—	—	—	—	—	—	—	—
Pig Iron	MT	<b>397</b>	<b>95.28</b>	—	—	<b>22,842</b>	<b>5,756.51</b>	<b>8</b>	<b>1.94</b>
		—	—	—	—	(3,078)	(738.72)	(397)	(95.28)
Other including produced scrap	MT	<b>2,887</b>	<b>137.61</b>	—	—	<b>5,017</b>	<b>261.55</b>	<b>20,531</b>	<b>1,518.98</b>
		—	—	—	—	(12)	(2.49)	(12)	(137.61)

39. Previous year figures have been reclassified wherever appropriate to confirm to current year's presentation.

40. All the figures in these notes are in 'Rs. in lakhs' except otherwise stated.

As per our Report of even date

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

**Vikram Dhanania**  
Partner  
M. No. 060568

Kolkata  
May 8, 2012

For and on behalf of the Board

**Binod Khaitan**      *Chairman*

**N C Bahl**      *Wholtime Director*

**Vikram Saraogi**      *Company Secretary*









# ELECTROSTEEL STEELS LIMITED

Regd. Office : 801 Uma Shanti Apartments, Kanke Road,  
Ranchi 834008, Jharkhand, Ph:06512231636

## ADMISSION SLIP

**FIFTH ANNUAL GENERAL MEETING - TUESDAY, 7TH AUGUST, 2012 - 12.30 P.M.**

Name of Shareholder	Folio No. / DP id & Client id	No. of shares held

I/We certify that I am / We are the registered shareholder(s)/proxy for the registered shareholder(s) of the Company.

I/We hereby record my/our presence at the FIFTH ANNUAL GENERAL MEETING of the Company to be held at, Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834 001 on Tuesday, 7th August, 2012.

Signature of Member(s)/Proxy

Note : Please fill this attendance slip and hand it over at the ENTRANCE OF THE HALL.

------(TEAR HERE)-----



# ELECTROSTEEL STEELS LIMITED

Regd. Office : 801 Uma Shanti Apartments, Kanke Road,  
Ranchi 834008, Jharkhand, Ph:06512231636

## FORM OF PROXY

I/We..... (name of the member/shareholder) of  
..... (address of the member/shareholder)  
being a Member(s) of Electrosteel Steels Limited, hereby appoint .....  
(name of the proxy) of ..... (address of the proxy) or failing him  
..... (name of the alternative proxy) of .....  
(address of the alternative proxy) as my/our proxy to attend and vote for me/us on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company to be held at Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834 001 on Tuesday, 7th August, 2012 and/or at any adjournment thereof.

Signed this .....day of ..... 2012.

DP ID :

Folio No. / Client ID No. :

No. of Shares held :

Affix a  
Revenue  
Stamp

Signature .....

Note :

1. Please do not fail to put proper revenue stamp and your signature, while sending this form to the Company.
2. The proxy form must be returned so as to reach the Registered Office of the Company not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.



Dear Shareholders,

**Subject: Green Initiative in Corporate Governance: Go Paperless**

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices / documents to its shareholders through electronic mode to the registered email addresses of shareholders.

SEBI vide its circular ref. no. CIR/CFD/DIL/2011 dated 5th October 2011, has directed the listed companies to send the soft copies of full Annual Reports to all those shareholders who have registered their e-mail addresses for the purpose.

This move by the Ministry has been welcomed by all since it will benefit the society and the Company at large through reduction in paper consumption, saving cost on paper and postage and avoid loss of document in postal transit.

This is also a golden opportunity for every shareholder to contribute to the Corporate Social Responsibility initiative of the Company. In view of this, the Company proposes to send all notices and documents like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, Postal Ballot Papers etc. henceforth to the shareholders in the electronic mode, at the designated/registered e-mail addresses furnished by them.

**You are therefore requested to register your email address with your depositories or by signing and returning the enclosed slip to the Company or by way of an email to [eil.investors@electrosteel.com](mailto:eil.investors@electrosteel.com); [einward.ris@karvy.com](mailto:einward.ris@karvy.com); at the earliest.**

Please note that these documents will also be available on the Company's website <http://www.electrosteel.com/es/introduction.asp> for download by the shareholders. The physical copies of the Annual Report will also be available at our Registered Office in Ranchi for inspection during office hours.

Please note that even if you opt for electronic mode, you shall be entitled to be furnished free of cost, with a copy of the Balance Sheet of the Company and all other documents required by statute to be attached thereto including the Profit & Loss Account and Auditors' Report etc., upon receipt of a requisition from you, any time, as a shareholder of the Company.

We are sure that as a responsible citizen, you would appreciate and cooperate with the "Green Initiative" taken by your Company and in implementation of the same.

Thanking you,

Yours faithfully,

For **Electrosteel Steels Limited**

Sd/-

**Vikram Saraogi**

Company Secretary

----- (Tear Here) -----

DP ID

CLIENT ID

FOLIO NO.

To,

The Company Secretary  
Electrosteel Steels Limited  
"G. K. Tower"  
19, Camac Street  
Kolkata - 700 017.

Dear Sir,

I hereby give my consent to receive all future communications from Electrosteel Steels Limited at my below email id and/or at my e-mail registered with my/our depository:-

E-mail id :

Alternative email id :

Thanking you,

Yours faithfully,

\_\_\_\_\_  
Signature of Sole / 1st Holder

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date







Vertical Coke Oven Battery



Rebar Mill



**ELECTROSTEEL STEELS LIMITED**

801, Uma Shanti Apartment  
Kanke Road, Ranchi, Pin - 834 008, Jharkhand, Tel : 2231636

BOOK POST



If undelivered please return to:  
ELECTROSTEEL STEELS LIMITED  
801, Uma Shanti Apartment, Kanke Road, Ranchi,  
Pin - 834 008, Jharkhand, Tel : 2231636