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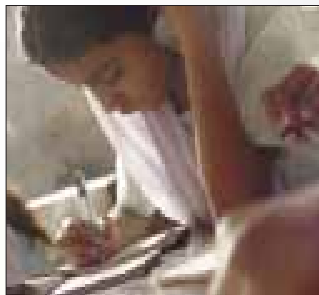
STEEL AUTHORITY OF INDIA LIMITED

Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003
Phone: 24367481; Fax-24367015 Gram: STEELINDA
Internet: www.sail.co.in E.Mail: secy.sail@sail.co.in



Making a Meaningful Difference in People's



Education

Recognising that education is an integral part of human development, SAIL has been contributing in a big way in increasing the literacy rates in its townships & peripheral areas. In addition, initiatives like subsidised education, scholarship schemes, free education to children from SC/ ST communities and economically weaker sections, have helped to lay a solid foundation for the future.



Health

With plants & townships located in remote areas, SAIL has taken upon itself the responsibility of bringing healthcare within the reach of all in the neighbourhood. The company developed Primary, Secondary and Tertiary healthcare initiatives have resulted in access to improved health infrastructure for over 22 million people.



Environment

SAIL has taken up various initiatives such as water conservation, effluent treatment, extensive afforestation etc. to help preserve nature. In addition, it has developed a Bird Sanctuary, raised an Amla Plantation, set-up an Aushadi Vatika and started vermi-culture, among other initiatives. SAIL's partnership with nature grows stronger with each passing day.

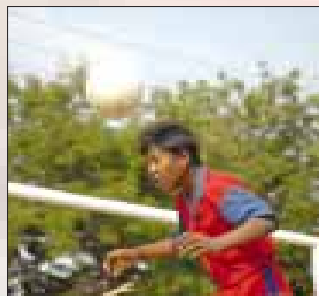
Lives

• Education • Health • Environment • Culture • Sports



Culture

As one of the oldest and most fascinating cultures, India is a treasure-trove of heritage. Each SAIL plant/ unit is a microcosm in itself, having diverse cultures. And SAIL is committed to preserving this legacy for the future. By promoting culture and supporting the preservation of heritage, SAIL is extending valuable support to nurture our rich & vibrant culture.



Sports

Team spirit is vital to success, in business, as in sports. Driven by the belief that a healthy mind resides in a healthy body, we spot and nurture young talents in many disciplines — in our various sports academies. By broad-basing sports at the grassroot level in the steel townships/company run schools, SAIL has embraced sports as a way of life.



VISION

To be a respected world-class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.

CREDO

- We build lasting relationships with customers based on trust and mutual benefit.
- We uphold highest ethical standards in conduct of our business.
- We create and nurture a culture that supports flexibility, learning and is proactive to change.
- We chart a challenging career for employees with opportunities for advancement and rewards.
- We value the opportunity and responsibility to make a meaningful difference in people's lives.

Highlights 2004-05

- ◆ Highest ever Profit before tax (PBT) of Rs. 9,365 crore - increase of 256% over previous year.
- ◆ Profit after tax (PAT) at Rs. 6,817 crore - improved by 171% over previous year - the highest ever PAT.
- ◆ Highest ever production of 12.1 million tonnes of crude steel and 11.03 million tonnes of saleable steel.
- ◆ Highest ever turnover at Rs. 31,800 crore, an increase of 32% over previous year.
- ◆ Dividend @ 33% of paid up equity capital (including 15% maiden interim dividend) is highest ever declared by the Company.
- ◆ Reduction in borrowings by Rs. 2,920 crore during the year. Considering the investment of surplus funds in the year 2004-05, the Company is virtually debt free.
- ◆ Improvement in debt-equity ratio from 1.87:1 as on 31st March, 2004 to 0.58:1 as on 31st March, 2005.
- ◆ Rationalisation of manpower by 5053 - including 1440 employees separated through Voluntary Retirement Scheme.
- ◆ Labour productivity improved to 144 tonnes of crude steel per man per year from 137 tonnes in previous year.
- ◆ Reduction in energy consumption over previous year by 2%.
- ◆ Projects worth over Rs. 3,000 crore at various stages of implementation.
- ◆ Wide use of e-commerce, e-procurements worth Rs. 298 crore and e-selling worth Rs. 1,156 crore.
- ◆ Corporate plan drawn upto 2012, envisages production of 20 million tonnes of Hot Metal from current level of 13 million tonnes.



Awards & Accolades

SAIL and its employees have been consistently winning awards and accolades every year in various fields. Some of the awards bagged by SAIL during 2004-05 are:



**ICWAI National Award
for Excellence in Cost
Management 2004**

SCOPE Award for “Excellence and Outstanding Contribution to the Public Sector Management — Special Turnaround Category” for the year 2003-04

“Certificate of Excellence” Award by Federation of Indian Export Organisation (FIEO), declared in 2004-05, for being one of the highest foreign exchange earners in 2002-03

Greentech Environment Excellence Gold Award in Metal Sector to Bhilai Steel Plant (BSP) for excellent performance in implementation of environment management systems. BSP also bagged the Greentech Safety Silver Award in Metallurgy Sector

Golden Peacock Innovation Award 2004 to Research & Development Centre for Iron & Steel (RDCIS) for technological innovation leading to improvement in production and profitability of the Company



Golden Peacock National Award for Innovative Product and Services to Rourkela Steel Plant (RSP) by the Institute of Directors

SAIL team adjudged the best team for the “National Training Award – Innovative Training Practices 2004-05” instituted by the Indian Society for Training & Development (ISTD)

Bokaro Steel Plant (BSL) awarded the 4th Annual Greentech Safety Award 2004-05



MoU with Government of India — “Excellent” rating in 2004-05 — for the third consecutive year

Four **Prime Minister’s Shram Awards** for the year 2004. These include 2 Shram Vir awards and 2 Shram Shri awards. While the Shram Vir awards were won by one employee individually and one team comprising 2 employees of Bhilai Steel Plant (BSP), a team of 5 employees from BSP and one team of 2 employees from Visvesvaraya Iron & Steel Plant (VISL) won the one Shram Shri award each

Seven **Vishwakarma Rashtriya Puraskar 2003**. In these awards, declared in 2004, SAIL won 2 awards in Category ‘B’, involving 10 employees of Bhilai Steel Plant (BSP) and 5 awards in Category ‘C’ involving 17 employees of BSP and one employee of Bokaro Steel Plant (BSL)



Best House Magazine Award for 2004-05 conferred on SAIL’s House Magazine “Ispat Bhasha Bharti” by Town Official Language Implementation Committee (Enterprises), Delhi for promotion of the Official Language

The All India Public Sector Football Trophy 2003-04 bagged by SAIL Football Academy team. The team has been elevated to the **Super Divison League** of Indian Football Association (IFA)





Board of Directors *(As on 01.08.2005)*

Chairman

Shri V.S. Jain

Managing Directors

Durgapur Steel Plant

Dr. S.K. Bhattacharyya

Rourkela Steel Plant

Dr. Sanak Mishra

Bokaro Steel Plant

Shri U.P. Singh

Bhilai Steel Plant

Shri R.P. Singh

Functional Directors

Personnel

Shri Ashis Das

Commercial

Shri S.K. Roongta

Finance

Shri G.C. Daga

Technical

Shri K.K. Khanna

Directors

Shri V.K. Agarwal

Shri P.K. Sengupta

Dr. Amit Mitra

Shri A.K. Rath

Shri J.P. Singh

Secretary

Shri Devinder Kumar

Bankers

State Bank of India

Punjab National Bank

Canara Bank

Bank of Baroda

United Bank of India

Bank of India

Union Bank of India

Oriental Bank of Commerce

Allahabad Bank

Bank of Maharashtra

UCO Bank

Central Bank of India

State Bank of Patiala

Indian Overseas Bank

Syndicate Bank

Punjab & Sind Bank Ltd.

Jammu & Kashmir Bank

State Bank of Hyderabad

State Bank of Saurashtra

State Bank of Bikaner & Jaipur

State Bank of Indore

State Bank of Mysore

IDBI Bank

Statutory Auditors

M/s. P.A. & Associates
Chartered Accountants

M/s. S.K. Mittal & Co.
Chartered Accountants

M/s. Ray & Ray
Chartered Accountants

Board of Directors



Shri V.S. Jain
Chairman



Dr. S.K. Bhattacharyya



Dr. Sanak Mishra



Shri Ashis Das



Shri U.P. Singh



Shri S.K. Roongta



Shri R.P. Singh



Shri G.C. Daga



Shri K.K. Khanna



Shri V.K. Agarwal



Shri P.K. Sengupta



Dr. Amit Mitra



Shri A.K. Rath



Shri J.P. Singh



Dear shareholders,

It gives me immense pleasure to welcome you to the 33rd Annual General Body Meeting of the Steel Authority of India Limited.

This day holds great significance for all of us and the posterity may chronicle it as a landmark in the history of the company. Our organisation has assumed a glorious stature as one of the most profitable corporates in the country. This achievement stands on the rock-solid foundation of a strong physical performance and all round improvement in efficiency and operations.

Global Outlook

For the global steel industry, 2004 was a historic year, during which the production of crude steel crossed the 1 billion tonne mark for the first time. More importantly, the steel market remained buoyant with steel consumption clocking a growth of 9% globally during the year.

Growth of steel demand in China has been a major factor for revival of the international steel market in the last couple of years. However, 2005 witnessed a slight change. There was a slowdown in steel imports by China, and it became a net exporter of steel. Nevertheless, the buoyancy in major steel markets was strong enough to prevent a relapse of the downturn. The downward fluctuations during the past few months have been in the nature of a market correction.

The symptoms of strong demand exerting pressure on the global steel market is perceptible since August 2005. The domestic market has also been witnessing steady growth of demand riding on the back of a robust growth of GDP at around 7%.

Indian Prospects

During 2004-05, the industry sector recorded a growth of 7.7% compared to 6.6% in the previous year. This was driven mainly by a surge in manufacturing activities and exports. The major steel consuming sectors like construction, capital goods, automobiles and general engineering registered impressive growth during the year.

The apparent consumption of finished steel in India for 2004-05 was approximately 33.4 million tonnes, a growth of 7% over the 31.2 million tonnes consumed during the previous year. The total domestic production during the period was approximately 38.4 million tonnes. Import at 2.1 million tonnes and export of 4.4 million tonnes of finished steel demonstrate the strength of the steel industry in India.

India has today earned the distinction of being the 9th largest steel producing nation in the world. The growing strength of the Indian steel industry and the prospects of rapid growth of the Indian economy present a bright future prospect.

While a growing steel market has opened new opportunities for the steel industry, the unprecedented rise in the prices of raw materials like coal and other vital inputs, has exerted tremendous pressure on the bottom lines of steel producers. The changes in the rates of demurrage charged by the Indian Railways and overall duty structure relating to steel, have further affected the steel industry. These are the new challenges which the steel companies face and we are fully geared to face the market challenges, converting them into opportunities.



New Peaks in Performance

Amidst the new excitement experienced by the steel industry across the globe, your company has continued its consistent ascent. The performance of SAIL touched a new peak with net profit zooming by 171% to a record level of Rs. 6,817 crore during 2004-05. The turnover also touched a record Rs. 31,800 crore, registering a growth of 32% over the previous year.

Your company, for the first time, paid interim dividend of 15% during the year and has now recommended a final dividend of 18%, amounting to a total dividend of 33% on the paid up equity. The total payout on this account will be to the tune of Rs. 1,363 crore. The share market recognised the company's efforts, boosting the company's share price from a level of Rs. 34 to about Rs. 62 during the year.

SAIL earned the enviable status of a virtual zero debt company during 2004-05. This was a result of the company's strategic business plan, which enabled it to reduce borrowings to the level of its deposits in various banks. At the end of 2004-05, SAIL's market borrowings, which were reduced by Rs. 2,900 crore over the previous year, stood at Rs. 5,770 crore, whereas its short-term deposits also touched a similar magnitude. SAIL did not acquire any fresh loans in the last two years and financed its entire VR scheme for more than 1,400 employees during 2004-05 from internal accruals. Interest outgo for the company was lower by Rs. 296 crore during the financial year 2004-05.

Improved Efficiency

A surge in demand for steel throughout the year gave SAIL an opportunity to register all-time high sales of steel at 10.8 million tonnes during

2004-05. The company's domestic sales grew by 8% over the previous year to reach a level of 10.3 million tonnes. SAIL consciously contained exports of steel at 4.6 lakh tonnes as against 11.7 lakh tonnes shipped during the previous year in order to make more steel available to the domestic market.

The company's thrust on enhancing revenue from value-added products paid rich dividends. A significant increase in domestic sales was achieved in railway materials, plates, TMT, HR coils and GC sheets. Production of special steels from the integrated steel plants rose to a level of 2 million tonnes during 2004-05, recording a growth of 25% over the previous year. The company supplied 7.4 lakh tonnes of rails to the Indian Railways, 6% higher than the volume in 2003-04.

It is a matter of pride that your company could promptly respond to the requirement of the Indian Navy and successfully develop special grade of plates for manufacturing the first indigenous aircraft carrier. This has provided an opportunity to us to enter into a whole range of high value products.

The soaring prices of raw materials and progressive pressure on scarce inputs have been areas of major concern. While specific consumption of coal is progressively getting reduced by numerous measures such as coal dust and tar injection, optimising coal blend, improved sinter burden, etc., SAIL has taken a number of initiatives to ensure coking coal supplies on a sustained basis for meeting its current and future growth plans. Equity participation in certain coal mines is also being contemplated, and discussions are on to forge joint ventures for development and upgradation of mines.



Chairman's Message

Continuing with its efforts to reduce the company's dependence on coal, SAIL entered into an agreement with GAIL for supply of natural gas for its integrated steel plants. An MoU was also signed with KIOCL for joint development of some iron ore mines of SAIL.

It is essential to ensure long term availability of quality iron ore to support the envisaged level of production. Obtaining new mining leases and renewal of old leases have been areas of concern. We have been intensively taking up these issues with different governmental authorities. We are hopeful of getting the required support in this area, which is vital for meeting our growth plan.

The trend for the major steel producers the world over has been to strengthen their operation and competitive edge through planned mergers and acquisitions. The proposed merger of IISCO with the parent company, SAIL, is at an advanced stage. Your company has already developed Corporate Plan 2011-12 for IISCO which envisages expansion of steel plant capacity at its Burnpur Works to 2 million tonnes and development of its mines and collieries.

Setting High Standards

While devising the strategy for the future, the company continued its focus on making the best out of its existing resources. The company achieved best ever continuous cast ratio of 64% in total crude steel as against 61% in 2003-04. Labour productivity

grew by 5% to the level of 144 tonnes per man per year. Energy consumption decreased to the lowest ever level of 7.29 giga calories per tonne of crude steel, a reduction of 2% over the previous year. The coke rate, at 536 kg per tonne of hot metal, was also the lowest ever with a reduction of 1% over the previous year.

You will be happy to know that SAIL became the first industrial enterprise in India to transmit surplus electrical power generated from one of its captive power plants, across different states during the year. Wheeling of 20 MW of power commenced from Durgapur Steel Plant (DSP) located in West Bengal, to Bhilai Steel Plant (BSP) located in Chhattisgarh.

New Direction

As you are aware, SAIL launched its corporate plan in 2003-04 that aims at raising its annual hot metal capacity from 12.7 million tonnes in 2003-04 to 20 million tonnes by 2011-12. The plan is based on the growing demand for steel in the country which is likely to reach 60 million tonnes by 2011-12. SAIL made a significant headway under its corporate plan during the year. Presently, capital schemes valued at over Rs. 3,500 crore are under various stages of implementation. Of this, capital schemes worth Rs. 2,200 crore are ongoing, while schemes amounting to around Rs. 1,300 crore have been accorded 'in-principle' approval.

Some of the important projects under implementation include reconstruction of coke oven batteries at Bhilai, Bokaro and Rourkela Steel Plants, modernisation and technological upgradation of Blast Furnace no.4 of RSP and Blast

Furnace no.7 of BSP, installation of a bloom caster and associated facilities at DSP, installation of a new slab caster at Bhilai Steel Plant and revamping of Mae West Block system and finishing stands at Hot Strip Mill of Bokaro Steel Plant. Plans are on the anvil to implement Enterprise Resource Planning across the organisation in a phased manner starting from Bhilai. The Long Rail project at Bhilai has been successfully completed at an investment of Rs. 320 crore during the year. This is likely to benefit immensely both the Indian Railways and SAIL.



Panoramic view of Blast Furnaces at a SAIL Plant



Hot Metal being poured into a ladle

Sharing Pride and Prosperity

The sterling performance of the company has been well appreciated. Your company received numerous recognitions and accolades at the national level. I would like to name a few of them. Four employees of SAIL were conferred the prestigious Prime Minister's Shram Awards. The Government of India recognised SAIL's excellence in the achievement of MoU targets for the third consecutive year. The company bagged the SCOPE Trophy for 'Turning Around PSE' in 2003-04. The Institute of Cost and Works Accountant of India awarded SAIL for the second consecutive year in recognition of excellence in cost management efforts. SAIL's Hindi magazine

Ispat Bhasha Bharti was adjudged best amongst PSEs for promoting Rajbhasha. Besides, your company bagged the award for innovative training practices by the Indian Society for Training & Development, Rourkela Steel Plant was conferred with Golden Peacock Environment Management Award and Bokaro Steel Plant received '4th Annual Greentech Safety Award 2004-05'.

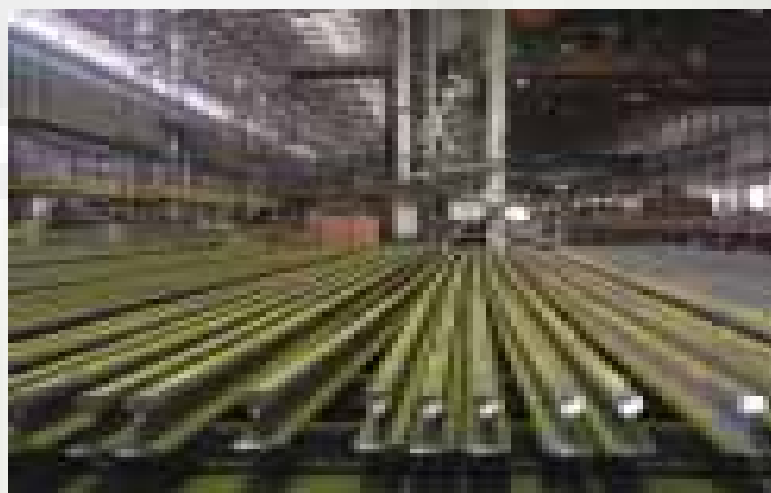
Concern for Community

SAIL has a lofty tradition of being an organisation with a human face. Over the years, it has contributed immensely to society through its efforts in the field of education, health, environment, culture and sports. With its improved financial standing, the company has been making significant efforts in its corporate social responsibility. These include our contribution to develop sports facilities, effort to preserve national heritage and monuments, support

for charitable causes and activities to enrich social and cultural life.

It has been a very exciting and enriching experience, specially during a period when the organisation achieved spectacular turnaround and strengthened its financial foundation. Your sustained cooperation, and the commitment and dedication of employees have helped SAIL to cross many milestones. The future looks bright and promising. With this, SAIL has today regained the respect of its stakeholders and the society.

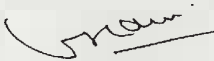
I, along with my colleagues on the SAIL Board, take this opportunity to express heartfelt gratitude to all the shareholders of the company for their continued support and encouragement to us. I thank the Ministry of Steel for its support and catalytic role in helping the company achieve its goals.



Rails at the inspection bay ready for stringent quality checks

SAIL today has carved out a unique image for itself making its mark in all spheres of the economy and society. I can say with confidence and conviction that your company is well set on the fast track of growth. It has developed the strength to withstand the vagaries of the steel business cycle. The company can boast of having a highly dedicated team of self-motivated employees who are raring to go the extra mile for leading the company into a glorious future.

23rd September, 2005
New Delhi


(V.S. Jain)



To,

The Members,

The Directors have pleasure in presenting the 33rd Annual Report of your Company together with audited accounts for the year ended 31st March, 2005.

FINANCIAL REVIEW

The year 2004-05 witnessed a growth of about 32% in sales turnover at Rs.31,800 crore (previous year Rs.24178 crore), which was the highest ever turnover achieved by your Company. Your company has recorded a Net Profit after Tax (PAT) of Rs.6817 crore during the year as compared to Rs.2512 crore in the previous year, recording an improvement of 171% mainly through increase in sales volume in the domestic market, improved product-mix, buoyancy in steel market, cost reduction measures and reduction in borrowings.

Thrust on reduction in borrowings continued and there was a reduction of Rs.2920 crore during the year. This has been achieved by all round improvement in sales and better cash management. Reduction in debt resulted in interest savings of Rs.296 crore. Debt equity ratio has improved to

0.58:1 (as on 31.03.05) from 1.87:1 (as on 31.03.04). Considering short term deposits with Banks of surplus funds of Rs. 5670 crore, your company is virtually a debt free company.

The Company continued its thrust on cost control management. Cost control measures focused on reduction in usage of coke rate/other raw materials, improvement in yields and techno-economic parameters, reduction in energy consumption and control on administrative expenditure etc. The Institute of Cost and Works Accountants of India (ICWAI) recognized SAIL's Cost Management efforts for the second year consecutively. The company has taken major IT initiatives and is planning to implement ERP in phases starting with the Bhilai Steel Plant.

Your Company paid maiden Interim Dividend @ 15% during the year and directors have further recommended a final dividend @18% of paid up equity capital subject to approval of shareholders, thus making the total dividend @ 33% of paid up equity capital for the year 2004-05, which is the highest ever since inception. A sum of Rs.700 crore has been transferred to the General Reserve during the year.



Mr. V.S. Jain, Chairman, SAIL presenting the maiden interim dividend cheque of Rs. 531.70 crore to the Hon'ble Prime Minister, Dr. Manmohan Singh in the presence of Hon'ble Minister of Chemicals & Fertilisers and Steel, Mr. Ram Vilas Paswan and Secretary (Steel), Dr. Mano Ranjan. Director (Finance), SAIL, Mr. G.C. Daga and Secretary, SAIL, Mr. Devinder Kumar were also present on the occasion



A View of the Hot Dip Galvanising Line

PRODUCTION REVIEW

Steel Authority of India Limited (SAIL) faced major challenge in operations as worldwide upsurge in steel production put tremendous pressure on availability of coking coal in 2004-05. SAIL plants converted the challenge into opportunity by optimizing operations, better value addition in downstream units and initiating measures to reduce coke consumption by adopting alternate fuels like tar and coal dust injection in Blast furnaces and using sponge iron and higher percentage of scrap. Further, production through efficient process route of continuous casting was maximized, product-mix was enriched by higher finished steel production and techno-economic parameters improved further to

achieve all time best production performance during the year.

SAIL plants recorded the highest ever production of 12.10 million tonnes of crude steel and 11.03 million tonnes of saleable steel during the year. In the integrated steel plants, continuous casting units operated at 125% of capacity with best ever production of 7.52 million tonnes - an increase of 4% over previous year and forming 64% of crude steel - against 61% in the previous year. Energy consumption came down by 2% over previous year to the lowest ever 7.29 G.cal per tonne of crude steel(tcs). Coke rate reduced by 1% over previous year to the best ever 536 kg per tonne of hot metal. There was significant improvement in Basic Oxygen



Spirally Welded Pipe production in progress

Furnace (BOF) lining life at all the plants with refractory consumption coming down to the lowest ever 16.5 kg/tcs, a reduction of 10% over previous year. Captive power generation in SAIL was the highest at 525 MW, a growth of 5.6% over previous year. SAIL became the first industrial enterprise to wheel its surplus power from captive power plant at Durgapur to its sister plant at Bhilai through Inter Regional Transmission Line, taking advantage of Open Access under the provision of Electricity Act 2003. Total of 82 million units of power were wheeled during the year.

The product-mix was further improved during the year. Finished steel production of the integrated steel



Directors' Report

plants was the highest ever at 8.90 million tonnes, with a growth of 4%, forming 84% of saleable steel against 80% in 2003-04. Plate production rose by 15% to highest ever 2.12 million tonnes. Highest ever Rails production of 868 thousand tonnes was achieved, with a growth of 7% over last year. Bhilai steel plant started dispatch of 78 meter long rails to Indian Railways during the year and became the only producer of upto 260 meter welded rail panels in the world. Wheel & Axle production also went up by 34% to highest ever 28,400 tonnes during 2004-05.

There was a commensurate improvement in the performance of captive mines. During 2004-05, total Iron Ore production from captive mines of the Company was 19.84 million tonnes. The flux production and despatch during the year was a record 2.35 million tonnes and 2.31 million tonnes respectively. Iron Ore requirement of the integrated steel plants was fully met from captive sources.

SALES & MARKETING REVIEW

During the financial year 2004-05, your Company achieved domestic sales of approximately 10.3 million tonnes achieving growth of 9% over the corresponding period last year. Exports were restricted to a level of approximately 4.6 lakh

tonnes against 11.7 lakh tonnes in 2003-04 in order to boost the availability of steel in the domestic market.

During the year, significant increase in domestic sales was achieved in Railway materials, Plates, TMT, HR Coils and GC Sheets.

Sales of value added special quality steel materials in 2004-05 increased by 38% over the corresponding period of last year.

On Railway request, SAIL augmented the facilities at BSP's rail and structural mill for production of long rails which are safer due to less welding joints and also enable movement at higher speeds.

During the year 2004-05, SAIL has successfully developed and supplied 1000 tonnes of special grade plates DMR 249 A to Indian Navy for manufacturing of Aircraft Carrier and Warships. The material was earlier being imported by the Indian Navy.

Upsurge in domestic sales brought down the inventory level of steel to its lowest ever level since inception.

SAIL Consultancy Division (SAILCON) is the nodal agency for marketing of technical, management and training services available from SAIL plants and units to clients globally. In addition to executing consultancy work in India, SAILCON executed assignment during 2004-05 in Egypt, Saudi Arabia, Qatar, Nigeria and Georgia. Efforts were also made in non-steel sectors and orders were secured from petroleum sector besides steel sector.

SAIL, a pioneer among Public Sector Undertakings (PSUs) in the country in introducing e-Commerce based procurements, has further widened its coverage in 2004-05 by doing e-Procurements worth Rs.298 crore and e-Selling worth Rs.1156 crore. All open tender documents are being hosted on the SAIL website with downloading option facilitating wider publicity. E-Payment implementation is in progress in both collection/release of payments.

HUMAN RESOURCES MANAGEMENT REVIEW

SAIL has always believed that human resource is the most important resource and continues to work for its development. The functioning and activities were further aligned to company's business objectives. The ongoing thrust on rationalization of manpower with focus on proper utilization, continued with implementation of Voluntary Retirement (VR)

Packed Coils ready for dispatch





The award winners of SAIL and their family members at Vigyan Bhawan, New Delhi

Scheme. The **manpower strength** as on 31st March, 2005 was 1,26,857 comprising 14,329 executives and 1,12,528 non-executives. The total reduction in manpower achieved during the year stood at 5053, which included separation of 1440 employees through VR. The labour productivity saw an improvement by around 5% over previous year to 144 Tonnes Crude Steel/Man/year.

The Human Resource Development activities focused on multi-skill training, performance improvement workshops, 'Learning from each other' training modules and basic engineering skills. Report on critical skill gap analysis was finalized and work towards enlisting skills needed to be addressed on urgent basis by the major plants/units of SAIL was also initiated. Providing opportunities for open interaction, communication and feed-back have been highlights of Human Resource Development (HRD) intervention at all plants/units. To encourage managerial excellence among the young managers of SAIL "Chairman's Trophy for Young Managers" was introduced in 2004-05. The inaugural trophy was won by the team from Bhilai Steel Plant. The pro-active interventions and close coordination through a process of mutual dialogue with different agencies including Trade Unions and Officers Associations, ensured conducive Industrial

Relation climate. To keep up the morale of the employees, motivation measures such as payment of wage arrears arising out of wage/salary revision effective from 1.1.97, restoration of encashment of Earned Leave, review of House Building and Conveyance Advance, introduction/revision of Mining Allowance, revising rates of Local Travelling Expenses/Transport Expenses/Night Shift Allowance, etc. were taken. To address the issue of stagnation and growth among the senior workmen of SAIL, S-11 grade was introduced.

The talent and innovation of all employees got recognition at the national level in the form of awards. In 2004, SAIL won 4 Prime Minister's Shram Awards – 2 Shram Veer and 2 Shram Shree. Besides, your company was selected amongst the best 4 organizations for presenting Excellence in HR Practices by ISTD-FICCI and it was the only Public Sector Organization to have been selected for presenting by DMA-Watson Wyatt for Innovative HR Practice. Further Rourkela Steel Plant of the company was awarded the 'Golden Peacock Award' for Innovative Product and Services by Institute of Directors.

Presidential Directives on Schedule Castes and Scheduled Tribes continued to be implemented and



Directors' Report

monitored on regular basis. Out of the total manpower, 15.44% were Scheduled Castes and 13.16% were Scheduled Tribes.

The Company continued the thrust on implementation of **Official Language** Policy of Government of India. The Company has won four first prizes in the area of promoting the usage of Hindi in official work and its Hindi home magazine "Ispat Bhasha Bharti" bagged the first prize from the Town Official Languages Implementation Committee set up by Ministry of Home Affairs.

Consistent efforts were made by SAIL **Safety** Organization for improving safety standards in the Company by taking measures like intensive safety drives in works area; introduction of Risk Control Grading System in Bhilai, Durgapur and Rourkela Steel Plants; conducting safety audit, workshop & training etc. Safety audits were conducted in hazardous departments of different plants and mines. In addition, specific workshops on safety aspects were organized in the areas like Coke Ovens, Blast Furnace, Sintering Plant, Steel Melting Shop etc. at various SAIL Steel Plants wherein learning through experience sharing took place.

PROJECT MANAGEMENT

Projects worth over Rs. 3,000 crore are at various stages of implementation and approval in the Company.

The major ongoing schemes are:

Bhilai Steel Plant (BSP)

- Rebuilding of Coke Oven Battery – 5
- Upgradation of Blast Furnace-7
- Revamping of B-Strand of Wire Rod Mill

Durgapur Steel Plant (DSP)

- Bloom Caster with Associated facilities

Rourkela Steel Plant (RSP)

- Rebuilding of Coke Oven Battery – 1
- Capital repair of BF-4
- Upgradation of ERW Pipe Plant

Bokaro Steel Plant (BSL)

- Rebuilding of Coke Oven Battery – 5
- Revamping/modification of Mae West Block System and housing machining in Finishing Stands F6-F12.



Team work is the key to successful project implementation

The major schemes which have been accorded 'in principle' approval are:

Bhilai Steel Plant (BSP)

- Upgradation of Slab Caster, RH Degassing and Ladle Furnace
- Modernisation of Sinter Plant-II.
- Desulphurisation Unit in SMS-II

Durgapur Steel Plant (DSP)

- Coal Dust Injection in Blast Furnace (3 & 4)

Rourkela Steel Plant (RSP)

- Installation of Hot Metal Desulphurisation Unit at SMS-II.

Bokaro Steel Plant (BSL)

- Upgradation of Tandem Mill & Pickling Line in Cold Rolling Mill (CRM)
- Installation of Coal Dust Injection in Blast Furnace (2 & 3).



CORPORATE PLAN-2012

To ensure long term growth, with cost and quality competitiveness, SAIL has drawn a Corporate Plan with perspective upto 2012. The plan envisages maintaining the market leadership of SAIL and growing in identified growth segment. SAIL shall achieve a growth in production to about 20 MT of hot metal with commensurate enhancement in the production of crude steel and saleable steel and increase the percentage of finished steel in its product-mix, by de-bottlenecking and selective investments. Further, to improve competitiveness the focus would be on Cost competitiveness and Quality enhancement. Further, functional strategies in the areas of Marketing, Operations, Human Resources, Finance and Information Technology have been evolved to support the key strategy of growth with cost and quality competitiveness.

STRATEGIC ALLIANCES

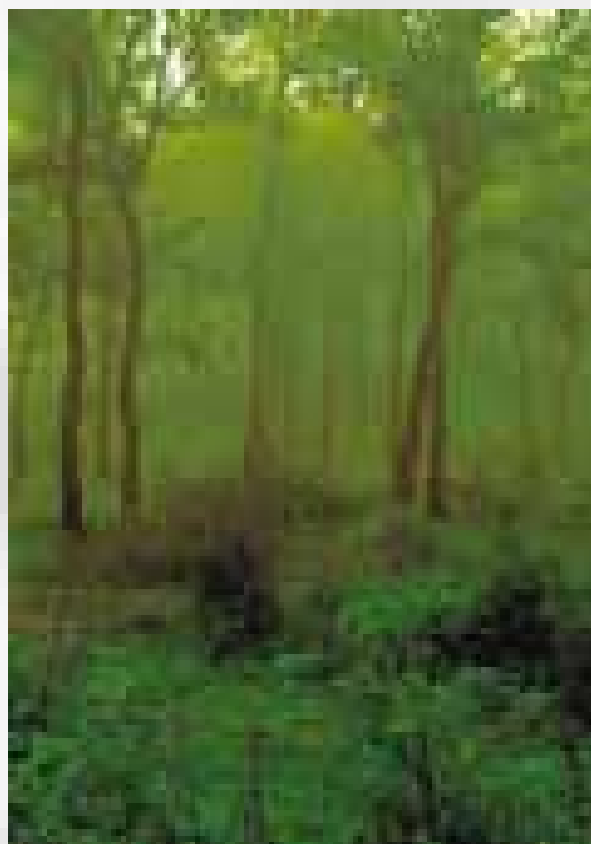
An MOU was signed between SAIL and BHPB on 28th September, 2004 to forge a strategic alliance between the two companies in the field of coal and iron ore. Through this alliance, SAIL will get equity of the BHPB's coking coal mine abroad, and both would work together to develop iron ore mines in India. An MOU was signed with KIOCL on 28th September, 2004 for development of iron ore mines of SAIL at Taldih, Kalta & Barsua. Natural gas is an alternative auxiliary fuel for which Heads of Agreement (HOA) was signed between SAIL & GAIL on 10th February, 2005 for supply of 3.563 MMSCMD of natural gas for SAIL ISPs. SAIL has also signed an MOU with MTNL & BSNL on 19th August, 2004 to enable BSNL and MTNL to provide SAIL the full gamut of telecom services, including but not limited to basic telephony, mobile telephony, leased line circuit, broad band services, internet services etc.

ENVIRONMENT MANAGEMENT

Your company continued to give thrust to environmental compliance in its Plants and Mines during 2004-05. Implementation of SAIL's commitment to Ministry of Environment & Forests (MoEF)/Central Pollution Control Board (CPCB) for fulfilment of the charter of Corporate Responsibility for Environment Protection (CREP) was the major thrust area during the year. Overall environmental scenario has further improved over the previous year in the following areas:-

- Pollution load has reduced by 16%.
- Fugitive emissions in Coke Ovens declined. This will further go down after commissioning of the on-going re-building programmes.
- Specific water consumption in the plants is well below the CREP norms for long (5 m³/TCS) and flat (8 m³/TCS) products.

Various Environment Impact Assessment (EIA)/ Environment Management Plan (EMP) studies for the mines and plants of SAIL have been undertaken by Environment Management Division. Out of these studies, Environmental Clearance from MoEF has been obtained for capacity augmentation of Hirri Dolomite Mine. The Company is coordinating with NEERI, ZSI, BSI & other statutory bodies regarding the EIA/EMP studies for Chiria and Rowghat mine projects. The company has signed an agreement with Delhi University and the Department of Technology (DBT), Government of India for environmental protection and ecological rehabilitation of mined out areas in various locations.



"Clean & Green" is SAIL's motto



Directors' Report

CORPORATE SOCIAL RESPONSIBILITY

In keeping with the glorious tradition, SAIL continued its contribution to the society as a socially responsive organization through various initiatives such as national HIV/AIDS campaign etc. As you are aware, the company is associated with National AIDS Control Organization (NACO) and is actively implementing the Information, Education and Communication (IEC) campaign on Prevention and Control of HIV/AIDS. During 2004-2005 around 30,000 employees have been covered under IEC campaign for awareness of HIV/AIDS. Till date, over 75,000 employees have been covered under this programme which has been in operation since January, 2000. In addition, more than 1 lakh non-employees have also been covered under the massive IEC programme.

SAIL has been pursuing a well planned **sports** policy. The accent is on promoting sports in potential areas by nurturing young cadets through its 4 academies in steel townships at Bhilai, Durgapur, Rourkela and Bokaro. The hockey academy at Rourkela has been upgraded by installing synthetic turf. Some of the Cadets from the academy are representing at the national and state levels. In order to promote sports in and around Steel Plants, a Day Boarding Sports Centre has been set-up and it has started functioning. The company participated in prestigious sports event like Indian Football Association (IFA) League, Subroto Cup, Independence Cup, All India Public Sector Tournaments etc.

CORPORATE COMMUNICATION

While the wide media coverage boosted the image of the company, there was a planned effort to support it through limited advertising campaign focusing on spectacular turnaround of the company. Other advertisement campaigns viz. 'STEEL GREEN', 'Steel in Need SAIL in Deed' etc. were carried on to promote the corporate brand image for the company. The company re-launched the electronic media campaign, 'There's a little bit of SAIL in everybody's life', which retained a high recall value. The effort to re-establish SAIL brand reached a new high with SAIL successfully supporting the major international events such as Chennai Tennis Open and Indian team for the Davis Cup, ITF Junior Tennis Tournament and One Day India Pakistan Veterans' International cricket match at Patna.

Steel in need is SAIL in deed!



SAIL Steel for India's first indigenous Air Defence Ship

What if things do not work out as you want them to? What if you have that sinking feeling and there is no one to turn to?

Now, think **SAIL**.

Stepping in to match price and quality, SAIL, the nation's largest steel maker, supplies steel to match the crucial requirements of customers. Proving that **Steel in need is SAIL in deed!**



STEEL AUTHORITY OF INDIA LIMITED
There's a little bit of SAIL in everybody's life

A corporate advertisement that speaks many words

VIGILANCE ACTIVITIES

The Company adopted a pro-active approach to bring vigilance awareness among employees, vendors & customers. For this purpose, large number of programmes were organized in the Plants, Units and different marketing offices across the country.

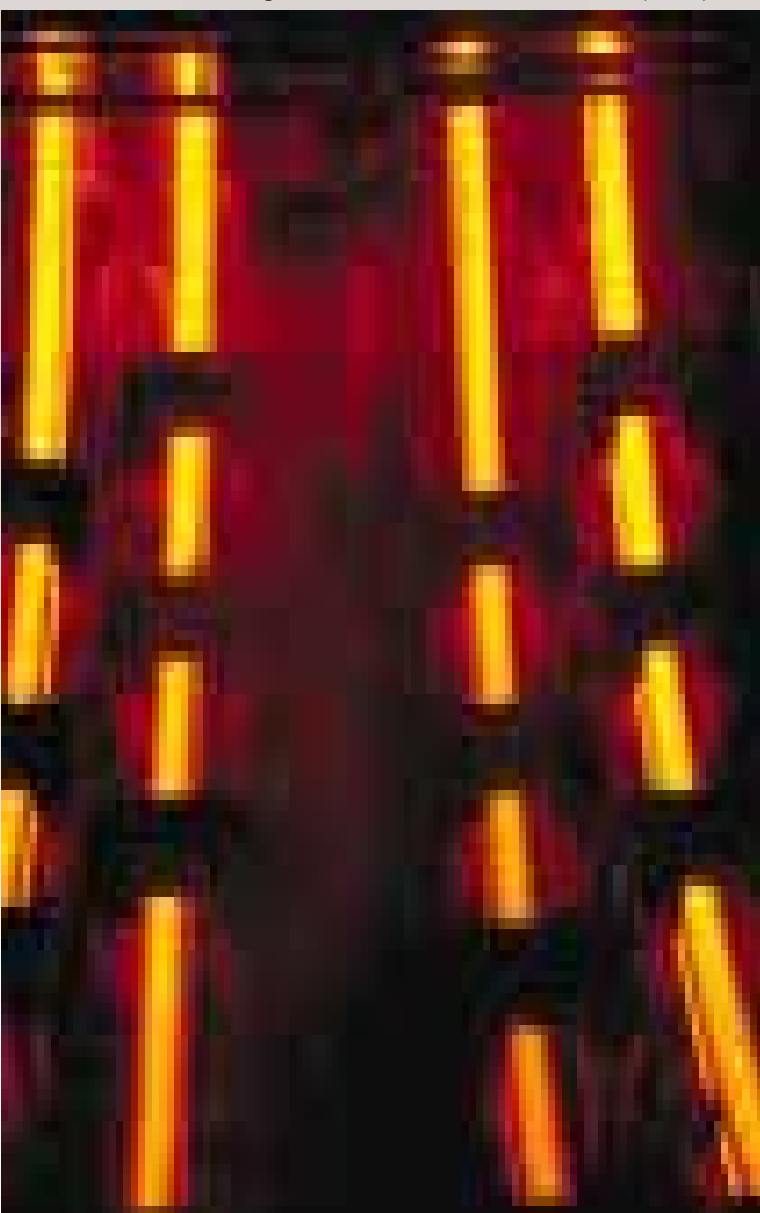
Thrust has been given to e-Commerce and e-Payment. This has increased transparency in company's mode of conducting business.

System improvement and intensive examination of high value contracts and purchases continued to be the thrust area for the Vigilance Administration during the year. Important Procedures were reviewed and wherever required further simplification has been undertaken for faster and transparent decision-making.



DE-LISTING OF SHARES

Your company is listed on National Stock Exchange of India (NSE), the Mumbai Stock Exchange (BSE) besides on London Stock Exchange, London. As approved by the members in the last Annual General Meeting (AGM), the Company has got its shares delisted from the Madras Stock Exchange, Chennai (MSE), Ahmedabad Stock Exchange (ASE), Delhi Stock Exchange Association Limited (DSE). The delisting approval is awaited from the Calcutta Stock Exchange Association Limited, Kolkata (CSE).



Four-strand Continuous Casting in progress

SUBSIDIARIES

The Indian Iron & Steel Company Limited (IISCO)

The Company recorded a turnover of Rs.1487.29 crore. The net profit for the year after charging depreciation of Rs. 27.25 crore and interest and finance charges of Rs. 24.58 crore was Rs. 46.59 crore.

The company produced 357 thousand tonnes of crude steel, 287 thousand tonnes of saleable steel and 182 thousand tonnes of pig iron during the year.

IISCO was declared a sick industrial company by the Board for Industrial & Financial Reconstruction (BIFR) on 17th August, 1994. The Government of India (GOI) in June, 2002 had approved a revival plan of IISCO. The BIFR approved Rehabilitation package is under implementation. Operations of Kulti works have been closed. Two of the Blast Furnaces have been relined. A new Twin Hearth Furnace has been lighted up. Jobs on the Rolling Mill area are being taken up progressively.

Keeping in view, SAIL's financial and managerial capabilities and availability of potential of IISCO, the Government of India has approved the proposal of merger of IISCO with SAIL. Subsequently, SAIL and IISCO Boards have also approved the merger, subject to approval by BIFR/Ministry of Company Affairs. Actions to give effect to the merger are in progress. With the merger, there would be greater synergy for exploiting the resources at optimum level for achieving higher production of steel.

IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary of IISCO, was decided to be wound up by the Board for Industrial & Financial Reconstruction (BIFR). The Official Liquidator has initiated the liquidation process.

Maharashtra Elektros melt Limited (MEL)

The Company recorded a turnover of Rs.262.39 crore. The net profit (PAT) for the year after charging depreciation of Rs. 1.95 crore and interest/finance charges of Rs. 2.26 crore was Rs. 52.23 crore.

The Company produced 65245 tonnes of High Carbon Ferro Manganese and 33078 tonnes of Silico Manganese during the year.

Audited Accounts of Subsidiaries

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektros melt



Directors' Report

Limited and Bhilai Oxygen Limited for the year ended 31st March, 2005 are enclosed.

Auditors' Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2005 along with Management's replies, and the comments and the review on accounts for the year ended 31st March, 2005 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 are enclosed to the Directors' Report as Annexure-I & II respectively.

Report on Conservation of Energy, Technology Absorption, etc.

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure-III to this report.

A view of Twin Slab Caster



Particulars of Employees

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors 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 at the end of the financial year and of the profit or loss of the company for that period;



(iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) that the directors had prepared the annual accounts on a going concern basis.

Corporate Governance

In terms of listing agreement with the Stock Exchanges, a compliance report on Corporate Governance is given at Annexure-IV. The Management Discussion & Analysis Report is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI.

Consolidated Financial Statements

In terms of listing agreement with the Stock Exchanges, the duly audited consolidated financial statements are placed at Annexure-VII.

Directors

Shri S.C.K. Patne, Director (Technical) ceased to be Director w.e.f. 30.4.2004 (A.N.) on attaining the age of superannuation.

Shri D.V. Singh ceased to be Director with effect from 12.8.2004 (A.N.) on his transfer from Ministry of Steel.

Dr. S.Y. Quraishi ceased to be Director w.e.f. 13.9.2004 (F.N.) on transfer from Ministry of Steel.

Shri Y.R.K. Reddy ceased to be Director w.e.f. 22.9.2004 (A.N.) on completion of tenure.

Dr. S.N. Dash who was appointed as Director on 24.8.2004 ceased to be Director with effect from 5.10.2004.

Shri Ajoy Kumar who was appointed as Director on 25.10.2004 ceased to be Director with effect from 20th July, 2005.

Shri Arun Kumar Rath has been appointed as Director w.e.f. 9.12.2004.

Shri S.N. Mishra ceased to be Director w.e.f. 25.12.2004 (A.N.) on completion of tenure.

Shri A.H. Jung ceased to be Director with effect from 23.2.2005 (A.N.) on resignation.

Shri J.P. Singh who held Directorship of SAIL from 5th October, 2004 to 25th October, 2004 has been reappointed as Director w.e.f. 20th July, 2005.



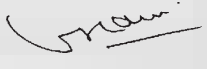
Billets stacked for dispatch

Acknowledgement

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SAIL family. The Directors are thankful to the State Governments, Electricity Boards, Railways, Banks, Suppliers, Customers and Shareholders for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India, particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi
Dated: 2nd August, 2005


(V.S. JAIN)
Chairman



Ten Years at a Glance

Financials

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
	(Rupees in crores)									
Sales	31800	24178	19207	15502	16233	16250	14994	14624	14131	14710
Profit before depreciation, interest & tax	11097	4652	2165	1011	2167	1202	1503	2498	2458	2712
Depreciation	1127	1123	1147	1156	1144	1133	1104	795	691	585
Profit before interest and tax (PBIT)	9970	3530	1018	-145	1023	69	399	1703	1767	2127
Interest & Finance charges	605	901	1334	1562	1752	1789	2017	1554	1179	808
Profit before tax (PBT)	9365	2628	-316	-1707	-729	-1720	-1618	149	588	1319
Provision for tax/Income Tax Refund (-)	2548	116	-12	-	-	-	-44	16	73	-
Profit after tax (PAT)	6817	2512	-304	-1707	-729	-1720	-1574	133	515	1319
Equity Capital	4130	4130	4130	4130	4130	4130	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	5881	529	-2141	-1878	33	635	2756	4359	3868	3807
Net Worth	10011	4659	1989	2252	4163	4765	6886	8489	7998	7937
Total Loans	5770	8690	12928	14019	14251	15082	21017	20015	17421	14574
Fixed Assets (Net Block)	12485	13168	14036	14798	15177	15873	18307	14137	12624	8771
Capital Work-in-progress	366	382	361	556	1221	1475	2589	6491	6389	8482
Current Assets (Including short term deposits)	14187	8075	7282	7107	8362	8259	11399	12026	10587	9600
Current Liabilities	6608	6025	4777	4849	5274	5027	4880	4875	4606	4903
Working Capital	7579	2050	2505	2258	3088	3232	6519	7151	5981	4697
Capital Employed (Net Fixed Assets + Working Capital)	20064	15218	16541	17056	18265	19105	24826	21288	18605	13468
Key Ratios										
PBDIT to average capital employed (percent)	62.91	29.30	12.89	5.72	11.60	5.47	6.52	12.52	15.33	22.31
PBT to sales (percent)	29.45	10.87	-1.64	-11.01	-4.49	-10.58	-10.79	1.02	4.16	8.97
PBT to average capital employed (percent)	53.09	16.55	-1.88	-9.66	-3.90	-7.83	-7.02	0.75	3.67	10.85
Return on net worth (percent)	68.10	53.92	-15.30	-75.79	-17.50	-36.10	-22.86	1.57	6.44	16.62
Earnings per share (Rs.)	16.50	6.08	-0.74	-4.13	-1.76	-4.16	-3.81	0.32	1.25	3.19
Dividend per share (percent)	33.00	-	-	-	-	-	-	1.00	2.50	6.60
Debt - Equity (times)	0.58	1.87	6.50	6.23	3.42	3.17	3.05	2.36	2.18	1.84
Interest coverage ratio (times)	16.43	3.88	0.76	-0.09	0.56	0.04	0.17	0.79	0.96	1.55
Current ratio (times)	2.15	1.34	1.52	1.47	1.59	1.64	2.34	2.47	2.30	1.96
Net worth per share (Rs.)	24.24	11.28	4.82	5.45	10.08	11.54	16.67	20.55	19.36	19.22
Inventory turnover ratio (times)	7.53	7.91	5.13	3.84	3.59	3.52	2.21	1.93	2.16	2.71
Debtors turnover ratio (days)	22	23	32	33	38	41	47	47	52	49
Working capital turnover ratio (times)	4.20	11.79	7.67	6.87	5.26	5.03	2.30	2.04	2.36	3.13
Capital employed to turnover ratio (times)	1.58	1.59	1.16	0.91	0.89	0.85	0.60	0.69	0.76	1.09
Price - earning ratio (times)	3.81	5.31	-11.94	-1.19	-3.17	-1.90	-1.55	31.06	15.44	8.61

Production

Item	2004-05	2003-04	2002-03	2001-02	00-01	99-2K	98-99	97-98	96-97	95-96
Main Integrated Steel Plants										
Hot Metal	12351	12749	12080	11327	11202	10939	11180	11615	11393	10901
Crude Steel	11827	11828	11087	10467	10306	9788	9858	10297	10319	9986
Pig Iron	147	278	288	353	358	574	731	772	673	574
Saleable Steel										
Semi Finished Steel	1751	2146	2057	2149	2141	2592	2293	3110	2104	1784
Finished Steel	8900	8581	8029	7315	7269	6637	6034	5602	6798	7136
Saleable Steel (4 - Plants)	10651	10727	10086	9464	9410	9229	8327	8712	8902	8920
Alloy & Special Steel Plants	379	298	266	234	293	301	275	331	333	239
Total Saleable Steel	11030	11026	10352	9697	9703	9530	8602	9043	9235	9159

Value Added Statement

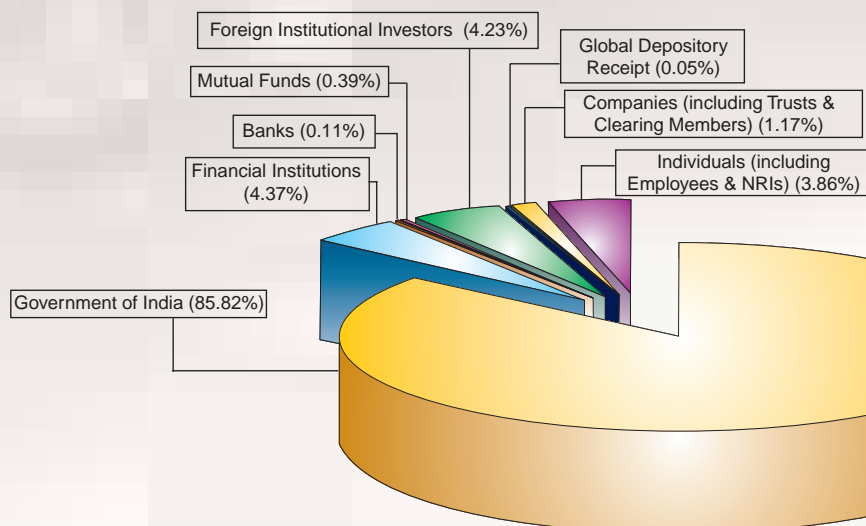
For the year	2004-05	2003-04	2002-03
	(Rupees in crores)		
Value of own production	32453	23924	18988
Other Revenues	772	33224	605
Less: Cost of Materials	8738	6287	5648
Stores & Spares	1900	1678	1489
Power & Fuel	2196	2159	2037
Excise Duty	3455	2882	2371
Freight outward	679	528	512
Value Added	16257	10995	7472
Establishment Cost	3811	4758	3723
Other Operating Costs	1348	1585	1584
Financing Cost	605	901	1334
Corporate income tax	2548	116	-12
Dividend provision	1363	-	-
Tax on dividend	185	-	-
Retained in Business			
Depreciation	1127	1123	1147
General Reserve	700	-	-
Bonds Redemption Reserve	-167	-276	-
Balance of Profit	4736	2788	842
Value Applied	16257	10995	7472

Shareholding Pattern

(As on 31st March, 2005)

CATEGORY OF SHAREHOLDERS	NUMBER OF EQUITY SHARES HELD	NUMBER OF HOLDERS	AMOUNT (RS. IN CRORES)	% AGE OF EQUITY
Government of India	3544690285	1	3544.69	85.82
Financial Institutions	180347509	20	180.35	4.37
Banks	4622446	26	4.62	0.11
Mutual Funds	16288610	73	16.29	0.39
Foreign Institutional Investors (FIIs)	174521151	51	174.52	4.23
Global Depository Receipts (GDRs)	1946735	2	1.95	0.05
Companies (including Trusts & Clearing Members)	48393477	4087	48.39	1.17
Individuals (including Employees & NRIs)	159590332	247463	159.59	3.86
TOTAL	4130400545	251723	4130.00	100.00

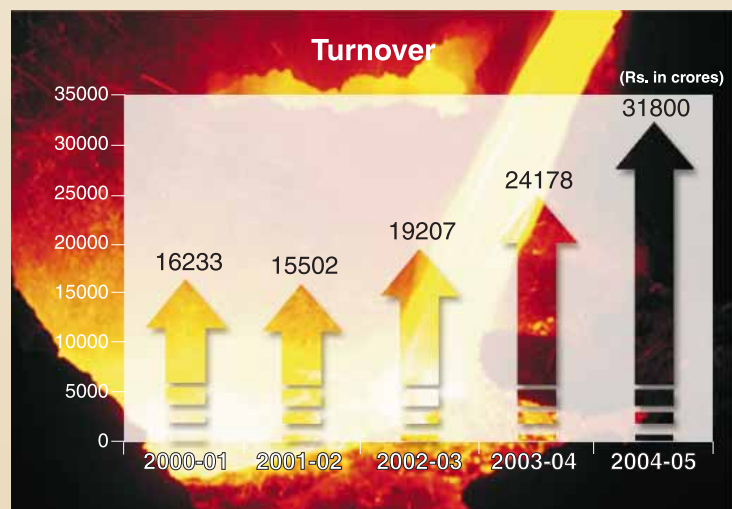
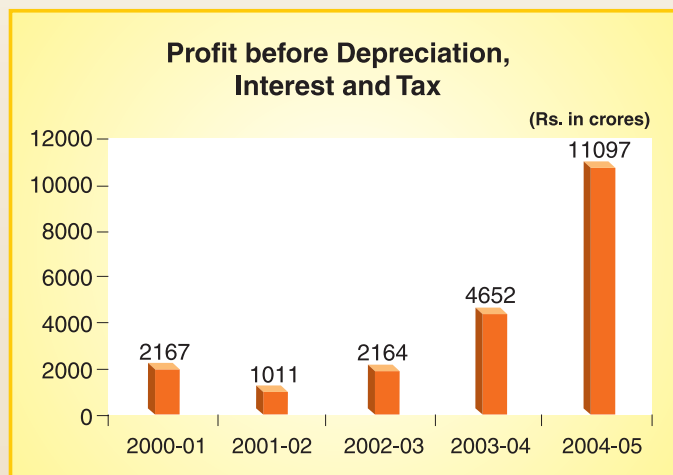
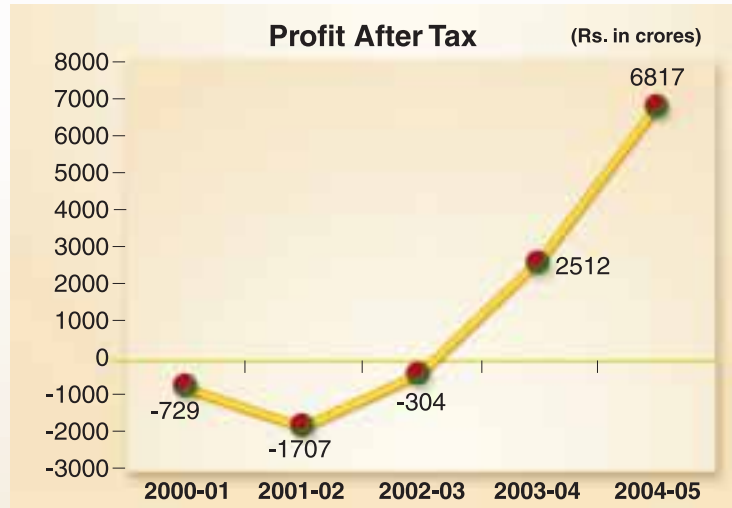
Shareholding Pattern (% of Equity)

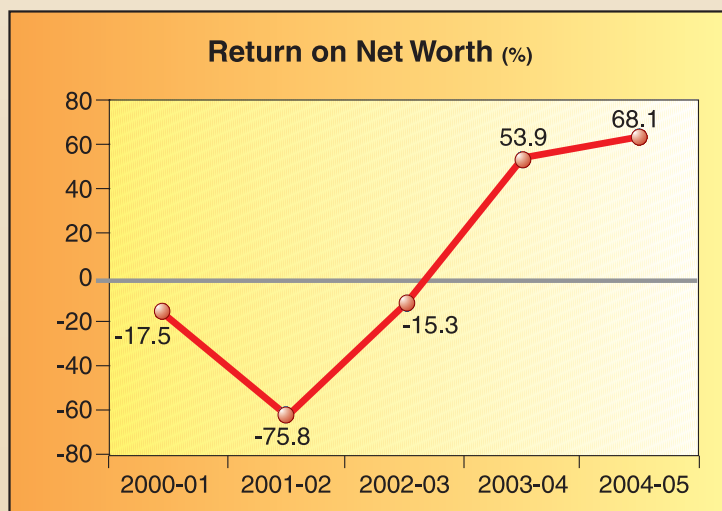
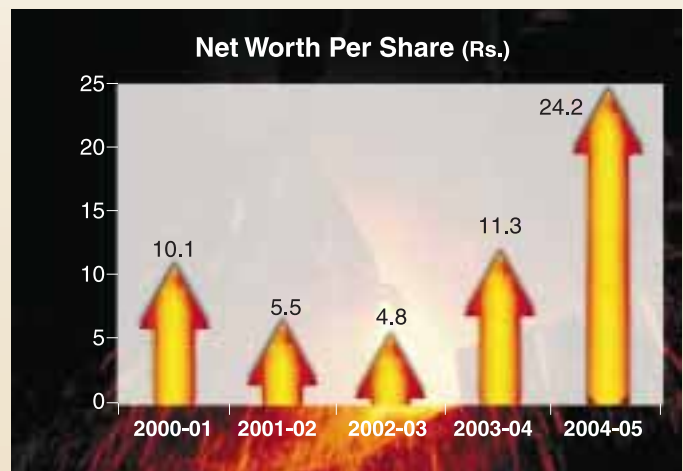
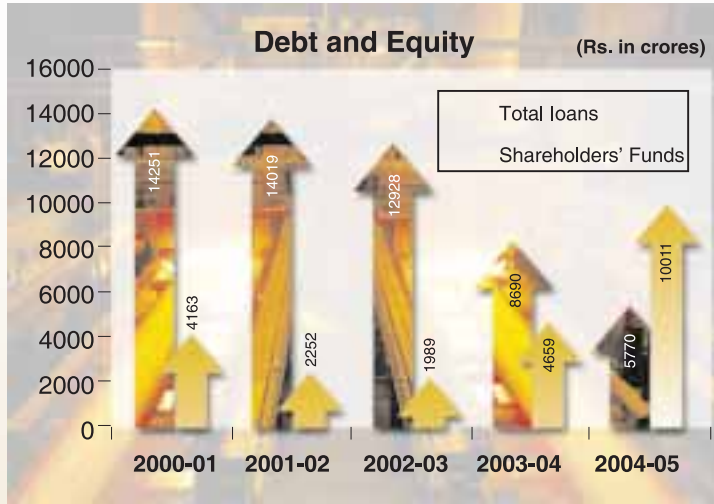





Financial Highlights

2001 - 2005







A graphic consisting of several concentric circles in a light blue color, centered on the page. The circles are of varying diameters, creating a ripple effect.

ANNUAL **ACCOUNTS**



Balance Sheet

AS AT 31ST MARCH, 2005

	Schedule No.	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	6176.25	907.27
		10306.65	5037.67
Deferred Tax Liability (Net)		1844.31	—
Loan Funds			
Secured Loans	1.3	1603.98	3400.78
Unsecured Loans	1.4	4165.81	5289.28
		5769.79	8690.06
		17920.75	13727.73
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		28043.48	27683.63
Less: Depreciation		15558.41	14515.73
Net Block		12485.07	13167.90
Capital Work-in-Progress	1.6	366.48	382.20
		12851.55	13550.10
Investments	1.7	606.71	543.17
Current Assets, Loans & Advances			
Inventories	1.8	4220.69	3057.06
Sundry Debtors	1.9	1908.45	1549.96
Cash & Bank Balances	1.10	6132.12	2035.82
Interest Receivable/Accrued	1.11	142.18	86.18
Loans & Advances			
Subsidiary Companies	1.12	146.20	171.05
Others	1.13	1783.99	1346.13
		14333.63	8246.20
Less: Current Liabilities & Provisions			
Current Liabilities	1.14	4778.92	4412.32
Provisions	1.15	5387.15	4577.92
		10166.07	8990.24
Net Current Assets		4167.56	-744.04
Miscellaneous Expenditure	1.16	294.93	378.50
(to the extent not written off or adjusted)		17920.75	13727.73

Significant Accounting Policies and Notes on Accounts 3
Schedules 1 and 3 annexed, hereto, form part of the Balance Sheet.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Place : New Delhi
Dated : May 25, 2005

Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2005



	Schedule No.	Year ended 31st March, 2005	Year ended 31st March, 2004
<i>(Rupees in crores)</i>			
INCOME			
Sales	2.1	31800.02	24178.48
Less : Excise duty		3455.12	2881.66
Finished products internally consumed		285.04	231.57
Interest earned	2.2	262.76	76.64
Other revenues	2.3	508.94	527.90
Provisions no longer required written back	2.4	192.57	44.03
		29594.21	22176.96
EXPENDITURE			
Accretion(-) Depletion to stocks	2.5	-367.72	485.84
Raw materials consumed	2.6	9351.46	6891.84
Purchase of finished/semi-finished products and others		7.46	12.41
Employees' Remuneration & Benefits	2.7	3811.45	4758.18
Stores & Spares Consumed		2164.13	1925.36
Power & Fuel	2.8	2195.59	2158.86
Repairs & Maintenance	2.9	239.83	195.17
Freight outward		678.64	528.05
Other expenses	2.10	1275.83	1427.46
Interest & finance charges	2.11	605.05	901.31
Depreciation		1126.95	1122.59
Total		21088.67	20407.07
Less : Inter Account Adjustments	2.12	921.71	893.07
		9427.25	2662.96
Less (-) : Adjustments pertaining to earlier years	2.13	(-) 61.90	(-) 34.75
Profit before tax		9365.35	2628.21
Less : Provision for taxation:			
- Current tax		748.06	118.47
- Deferred tax		1844.31	—
- Earlier years adjustments		-43.99	-2.34
Profit after tax		6816.97	2512.08
Balance brought forward		22.69	-2764.93
Amount transferred from Bonds Redemption Reserve (net)		167.38	275.54
Amount Available for Appropriation		7007.04	22.69
APPROPRIATIONS			
Transferred to General Reserve		700.00	—
Interim dividend		619.56	—
Proposed dividend		743.47	—
Tax on Interim Dividend		80.97	—
Tax on Proposed Dividend		104.27	—
Balance carried to Balance Sheet		4758.77	22.69
		7007.04	22.69
Earnings per Share (in Rupees)		16.50	6.08
(Basic and Diluted)			
(Face value Rupees 10/- per Share)			

Significant Accounting Policies and Notes on Accounts 3

Schedules 2 and 3 annexed, hereto, form part of the Profit & Loss Account.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Place : New Delhi

Dated : May 25, 2005



Cash Flow Statement

Cash Flow Statement for the year	2004-05	2003-04
A. Cash flow from Operating Activities		(Rupees in crores)
Net Profit/loss (-) before taxation	9365.35	2628.21
Add/(Less) Adjustments for :		
Depreciation	1192.20	1174.38
Interest Expenses	605.05	899.43
Bad debts written-off	35.93	1.17
Unrealised Foreign Exchange Fluctuation	24.86	44.95
Provision for diminution in value of investments	(23.54)	—
Provision for Others	(668.10)	1648.37
Deferred revenue expenditure (Charged during the year)	158.25	320.16
Profit on sale of Fixed Assets	6.52	(52.42)
Interest Income	(262.76)	(74.76)
Dividend Income	(13.38)	(8.22)
Operating cash flow before working capital change	10420.38	6581.27
Adjustments for :-		
(Increase)/Decrease in Inventories	(1163.63)	662.93
(Increase)/Decrease in Sundry Debtors	(394.42)	108.96
(Increase)/Decrease in Loans and Advances	244.46	(19.51)
Increase/(Decrease) in Current Liabilities	645.29	90.54
Deferred revenue expenditure (Additions)	(74.68)	(162.35)
Cash generated from Operations	9677.40	7261.84
Direct Taxes Paid	(777.93)	(61.62)
Refund of Income tax during the year	—	2.34
Net Cash from Operating Activities	8899.47	7202.56
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(527.59)	(363.32)
Fixed Assets sold /discarded	49.45	44.95
Sale/Lease of houses	11.46	44.53
Purchase/Sale of investments (net)	(40.00)	—
Interest received	206.76	79.17
Dividend received	13.38	8.22
Net Cash from/(used in) Investing Activities	(286.54)	(186.45)
C. Cash flow from Financing Activities		
Increase in Reserve & Surplus	0.28	0.35
(Decrease) in Borrowings (net)	(2945.13)	(4282.83)
Loans to subsidiary & Other Companies	45.98	(153.31)
Interest and Finance Charges paid	(917.23)	(1057.41)
Dividend Paid	(619.56)	—
Tax on Dividend	(80.97)	—
Net Cash from/(used in) Financing Activities	(4516.63)	(5493.20)
Net Increase in Cash & Cash Equivalents (A+B+C)	4096.30	1522.91
Cash & Cash Equivalents (Opening)	2035.82	512.91
Cash & Cash Equivalents (Closing)	6132.12	2035.82
(Represented by Cash & Bank balances)		

Notes :

- The above Cash Flow Statement has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and under the indirect method set out in AS-3 issued by The Institute of Chartered Accountants of India.
- Figures in bracket indicate cash outflow.
- Significant Accounting Policies and Notes to Accounts (Schedule 3) form an integral part of the Cash Flow Statement.
- Previous year figures have been regrouped/reclassified to conform to current year's classification.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

Sd/-
(P.S. Panda)
Partner
M. No. 51092

Sd/-
(S.K. Mittal)
Partner
M. No. 8506

Sd/-
(R.N. Roy)
Partner
M. No. 8608

Place : New Delhi
Dated : May 25, 2005



1.1 : SHARE CAPITAL

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Authorised		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
Issued, Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>
<i>Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.</i>		

1.2 : RESERVES AND SURPLUS

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Capital Reserve	1.44	1.44
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.49	8.10
Add : Additions during the year	<u>0.43</u>	<u>0.48</u>
	8.92	8.58
Less : Adjustments towards expenses incurred during the year	<u>0.15</u>	<u>0.09</u>
	8.77	8.49
Share Premium Account		
As per last Balance Sheet	235.29	235.33
Less : Adjustment towards Bond Issue Expenses	<u>—</u>	<u>0.04</u>
	235.29	235.29
Bonds Redemption Reserve		
As per last Balance Sheet	639.36	914.90
Add : Transferred from Profit & Loss Account	<u>101.47</u>	<u>603.86</u>
Less : Transferred to Profit & Loss Account	<u>268.85</u>	<u>879.40</u>
	471.98	639.36
General Reserve		
Transferred from Profit & Loss Account	700.00	—
Surplus as per Profit & Loss Account	4758.77	22.69
	<u>6176.25</u>	<u>907.27</u>



Schedules

FORMING PART OF THE BALANCE SHEET

1.3: SECURED LOANS

		As at 31st March, 2005	As at 31st March, 2004
			(Rupees in crores)
Working Capital Borrowings from Banks (Including Foreign currency demand loans of Rs.27.49 crores (Previous Year Rs. 1068.92 crores)		100.78	1224.73
Foreign Currency Loans	(a) (b)	329.85	331.65
Non Convertible Bonds	(c)		
Interest Rate	Date of Redemption		
(%)			
14.50%	21st May 2004	—	447.00
14.00%	1st July 2005	394.45	394.45
14.50%	1st April 2006	—	224.05
12.95%	1st December 2007	100.05	100.05
11.30%	1st June 2008	7.25	7.25
11.60%	1st June 2008	33.95	33.95
7.80%	1st September 2008	0.15	0.15
11.10%	1st December 2008	6.50	6.50
11.50%	1st December 2008	0.30	0.30
11.10%	20th July 2009	0.50	0.50
11.50%	20th July 2009	48.65	48.65
9.75%	1st February 2010	0.10	0.10
10.25%	1st February 2010	88.35	88.35
11.50%	15th April 2010	21.00	21.00
8.00%	1st September 2010	0.70	0.70
13.05%	1st December 2010	59.80	59.80
12.10%	1st June 2011	91.30	91.30
12.00%	1st December 2011	76.90	76.90
12.00%	20th July 2012	109.90	109.90
10.75%	1st February 2013	75.30	75.30
8.20%	1st September 2013	58.20	58.20
		1173.35	1844.40
		1603.98	3400.78

(a) Secured by hypothecation of Company's inventories, book debts and other current assets.

(b) Secured by hypothecation of all movable machinery pertaining to modernization Stage-I at Bokaro Steel Plant.

(c) Secured by charges ranking pari-passu inter-se, on all the present and future immovable assets at Mouje-Wadej of City taluka, Distt. Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant.

(d) Redeemed on 1.4.2004 at par by exercising call option.

(e) Unsecured Bonds earlier guaranteed by Govt. of India, have since been converted into Secured Bonds, for which additional security is yet to be created over DSP properties

Note : Secured Loans repayable within one year as at 31.03.2005, Rs.724.30 crore (31.03.2004 : Rs. 447.00 crore)

1.4 : UNSECURED LOANS

		As at 31st March, 2005	As at 31st March, 2004
			(Rupees in crores)
Public Deposits		217.10	581.39
Government of India			
Interest accrued and due thereon	0.27 0.58	0.85	0.27 0.50
Steel Development Fund	204.16		204.16
Interest accrued and due thereon	810.10	1014.26	675.27
Foreign Currency Loans			
Long Term	744.57		974.33
(Guaranteed by Govt. of India/State Bank of India Rs.619.96 crores (31.03.2004 Rs.723.50 crores)			
Short Term	395.03	1139.60	374.36
Non Convertible Bonds @@			
Interest Rate	Date of Redemption		
(%)			
12.00%	1st February 2007	— \$	100.00
12.15%	1st February 2007	325.00 *	400.00
11.10%	30th March 2007	— \$	60.00
11.25%	30th March 2007	99.00	99.00
11.25%	15th April 2007	— *	400.00
11.10%	15th April 2007	50.00	50.00
10.25%	3rd June 2007	450.00 *	500.00
12.15%	1st September 2007	152.35	152.35
11.30%	12th March 2008	105.00	105.00
11.60%	12th March 2008	15.00	15.00
10.10%	1st August 2008	35.00	35.00
10.50%	1st August 2008	35.00	35.00
11.50%	30th March 2010	43.50	43.50
12.45%	1st September 2010	38.15	38.15
12.55%	1st September 2010	39.40	39.40
12.65%	1st September 2010	96.60	96.60
12.10%	12th March 2011	195.00	195.00
11.00%	1st August 2011	115.00	115.00
		1794.00	2479.00
		4165.81	5289.28

@ @ Guaranteed by Government of India

* Bonds amounting to Rs. 525 crores extinguished by pre-payment.

\$ Redeemed at par by exercising call option.

Note : Unsecured Loans repayable within one year as at 31.03.2005, Rs.862.72 crore (31.03.2004 : Rs. 1037.95 crore).

1.5 : FIXED ASSETS

GROSS BLOCK (AT COST)				
Description	As at 31st March, 2004	Additions/ Adjustments	Deductions	As at 31st March, 2005
A. PLANTS, MINES, OTHERS	<i>(Rupees in crores)</i>			
Land (including cost of development)				
-Freehold Land	56.23	0.29	0.01	56.51
-Leasehold Land	26.80	-0.07	0.08	26.65
Rights and Patents	62.24	12.92	0.25	74.91
Railway Lines & Sidings	219.02	1.45	1.48	218.99
Roads, Bridges & Culverts	146.00	2.70	-2.32	151.02
Buildings	1659.26	0.12	-0.01	1659.39
Plant & Machinery				
-Steel Plant	22026.30	459.04	149.89	22335.45
-Others	1429.30	61.59	28.95	1461.94
Furniture & Fittings	71.44	0.71	0.56	71.59
Vehicles	418.65	3.36	13.52	408.49
Water Supply & Sewerage	284.08	1.53	1.44	284.17
EDP Equipments	205.48	14.32	6.73	213.07
Miscellaneous Articles	218.12	4.61	4.11	218.62
Sub-total 'A'	<u>26822.92</u>	<u>562.57</u>	<u>204.69</u>	<u>27180.80</u>
Figures for the previous year	<u>26641.13</u>	<u>327.27</u>	<u>145.48</u>	<u>26822.92</u>
B. SOCIAL FACILITIES				
Land (including cost of development)				
-Freehold Land	9.81	—	—	9.81
-Leasehold Land	7.09	—	—	7.09
Roads, Bridges & Culverts	43.14	0.15	0.02	43.27
Buildings	509.92	1.16	1.28	509.80
Plant & Machinery— Others	70.39	1.52	0.88	71.03
Furniture & Fittings	11.39	0.14	0.05	11.48
Vehicles	6.33	0.64	-0.42	7.39
Water Supply & Sewerage	92.62	0.19	0.15	92.66
EDP Equipments	2.39	1.14	0.01	3.52
Miscellaneous Articles	83.28	3.11	0.51	85.88
Sub-total 'B'	<u>836.36</u>	<u>8.05</u>	<u>2.48</u>	<u>841.93</u>
Figures for the previous year	<u>840.05</u>	<u>2.49</u>	<u>6.18</u>	<u>836.36</u>
C. Assets Retired from Active use				
Unserviceable / Obsolete Assets	24.35	6.47	10.07	20.75
Figures for the previous year	<u>24.35</u>	<u>—</u>	<u>—</u>	<u>24.35</u>
Total ('A'+ 'B'+ 'C')	<u>27683.63</u>	<u>577.09</u>	<u>217.24</u>	<u>28043.48</u>
Figures for the previous year	<u>27505.53</u>	<u>329.76</u>	<u>151.66</u>	<u>27683.63</u>



Schedules

FORMING PART OF THE BALANCE SHEET

1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2004	For the Year	Less: On sales Adjustments	Up to 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
A. PLANTS, MINES, OTHERS	<i>(Rupees in crores)</i>					
Land (including cost of development)	-	-	-	-	56.51	56.23
-Freehold Land	-	-	-	-	18.05	18.65
-Leasehold Land	8.15	0.49	0.04	8.60	58.80	50.84
Rights and Patents	11.40	4.96	0.25	16.11	76.46	82.07
Railway Lines & Sidings	136.95	6.91	1.33	142.53	112.74	110.81
Roads, Bridges & Culverts	35.19	1.96	-1.13	38.28	846.35	948.57
Buildings	710.69	101.95	-0.40	813.04	10024.65	10553.97
Plant & Machinery	-	-	-	-	482.99	485.69
-Steel Plant	11472.33	939.57	101.10	12310.80	16.48	19.24
-Others	943.61	60.93	25.59	978.95	109.07	122.51
Furniture & Fittings	52.20	3.40	0.49	55.11	83.99	90.65
Vehicles	296.14	13.84	10.56	299.42	35.86	31.43
Water Supply & Sewerage	193.43	8.35	1.60	200.18	81.28	86.08
EDP Equipments	174.05	9.22	6.06	177.21		
Miscellaneous Articles	132.04	8.85	3.55	137.34		
Sub-total 'A'	14166.18	1160.43	149.04	15177.57	12003.23	12656.74
Figures for the previous year	13122.08	1156.01	111.91	14166.18	12656.74	
B. SOCIAL FACILITIES						
Land (including cost of development)	-	-	-	-	9.81	9.81
-Freehold Land	-	-	-	-	2.60	2.73
-Leasehold Land	4.36	0.13	-	4.49	27.91	28.53
Roads, Bridges & Culverts	14.61	0.76	0.01	15.36	348.66	369.74
Buildings	140.18	21.52	0.56	161.14	17.13	17.43
Plant & Machinery-Others	52.96	1.13	0.19	53.90	0.80	0.89
Furniture & Fittings	10.50	0.22	0.04	10.68	1.90	1.38
Vehicles	4.95	0.20	-0.34	5.49	22.31	26.17
Water Supply & Sewerage	66.45	3.78	-0.12	70.35	1.46	0.49
EDP Equipments	1.90	0.17	0.01	2.06	28.51	29.64
Miscellaneous Articles	53.64	4.15	0.42	57.37		
Sub-total 'B'	349.55	32.06	0.77	380.84	461.09	486.81
Figures for the previous year	333.54	18.70	2.69	349.55	486.81	
C. Assets Retired from Active use						
Unserviceable / Obsolete Assets	-	-	-	-	20.75	24.35
Figures for the previous year	-	-	-	-	24.35	
Total ('A'+ 'B'+ 'C')	14515.73	1192.49	149.81	15558.41	12485.07	13167.90
Figures for the previous year	13455.62	1174.71	114.60	14515.73	13167.90	
Note : Allocation of depreciation					Current Year	Previous Year
(a) Charged to Profit & Loss Account					1126.95	1122.59
(b) Charged to expenditure during construction					0.29	0.33
(c) Debited to adjustments pertaining to earlier years					65.25	51.79
Total					1192.49	1174.71

1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Expenditure during construction pending allocation (Schedule 1.6.1)	10.07	22.99
Capital Work-in-progress		
Steel Plants & Units	293.60	108.42
Township	6.81	4.32
Ore Mines and Quarries	3.38	2.39
	303.79	115.13
Less: Provisions	22.76	19.75
	281.03	95.38
Capital equipments pending erection, installation, commissioning and adjustments	18.91	43.01
Construction Stores and Spares	21.63	16.55
Less: Provisions	5.42	3.79
	16.21	12.76
Advances	44.30	209.94
Less: Provisions	4.04	1.88
	40.26	208.06
	366.48	382.20
Particulars of advances		
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs.10.69 crores) (31.03.2004 Rs.14.98 crores)	40.26	208.06
Unsecured, Considered Doubtful	4.04	1.88
	44.30	209.94

1.6.1 : EXPENDITURE DURING CONSTRUCTION (pending allocation)

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Opening Balance (a)	22.99	38.51
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	5.33	9.37
Company's contribution to Provident and other Funds	0.59	1.06
Travel Concession	0.06	0.07
Welfare Expenses	0.02	0.01
Gratuity	0.08	-0.29
	6.08	10.22
Technical Consultants' fees & know-how	3.69	—
Repairs & Maintenance	0.15	—
Stores and Spares	0.09	0.50
Power & Fuel	0.49	1.95
Other expenses	2.11	1.74
Interest & Finance charges	1.69	8.02
Depreciation	0.29	0.33
	14.59	22.76
Less: Income		
Interest Earned	—	0.04
Liquidated Damages	0.46	4.05
Hire Charges	0.28	1.88
Sundries	2.29	1.37
	3.03	7.34
Net expenditure during the year (b)	11.56	15.42
Total (a)+(b)	34.55	53.93
Less : Amount allocated to Fixed Assets/ Capital Work-in-progress	24.48	30.94
Balance carried forward	10.07	22.99
Total		



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FORMING PART OF THE BALANCE SHEET

1.7 : INVESTMENTS — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>				
(A) Quoted				
Trade Investments				
Subsidiary Companies				
Indian Iron & Steel Company Limited	38,76,65,757	10	374.94	374.94
Maharashtra Elektrosmelt Limited	2,37,87,935	10	23.79	23.79
Bhilai Oxygen Limited	49,998	10	0.05	0.05
			398.78	398.78
Joint Venture Companies				
UEC SAIL Information Technology Limited	1,80,000	10	0.18	0.18
North Bengal Dolomite Limited	97,900	100	0.98	0.98
NTPC- SAIL Power Company Pvt Limited	5,86,50,050	10	58.65	58.65
Bokaro Power Supply Company Pvt Limited	8,40,25,000	10	84.02	84.02
Bhilai Electric Supply Company Pvt Limited	5,66,00,000	10	56.60	16.60
	(1,66,00,000)			
SAIL- Bansal Service Centre Limited	32,00,000	10	3.20	3.20
Metaljunction Services Limited	40,00,000	10	4.00	4.00
Romelt SAIL (India) Limited	63,000	10	0.06	0.06
			207.69	167.69
Others				
Tata Refractories Limited	10,00,000	10	1.12	1.12
Almora Magnesite Limited	40,000	100	0.40	0.40
Indian Potash Limited	2,40,000	10	0.18	0.18
Cement & Allied Products (Bihar) Limited	2	10	— *	— *
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	— *	— *
Bhilai Power Supply Company Limited	5	10	— *	— *
MSTC Limited	20,000	10	0.01	0.01
Shares in Co-operative Societies (1.7.1)			0.14	0.14
			1.85	1.85
Total (A)			608.32	568.32
(B) Quoted				
Housing Development Finance Corporation Limited (Market Value Rs. 87,19,200; Previous year Rs. 77,19,000)	12,000	10	0.01	0.01
HDFC Bank Limited	500	10	— *	— *
(Market Value Rs. 2,72,125; Previous year Rs. 1,89,175)			0.01	0.01
Total (B)			0.01	0.01
Total (A+B)			608.33	568.33
Less : Provision for diminution in value of investments			1.62	25.16
			606.71	543.17

* Cost being less than Rs. 50,000/-, figures not given.

1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Numer of Fully Paid-up Shares	Face value per Share (Rs.)	As at 31st March, 2005	As at 31st March, 2004
<i>(In Rupees)</i>				
Rajhara Employees' Co-operative Stores Limited	- (25)	100	—	2500
Nandini Employees' Co-operative Stores Limited	- (25)	100	—	2500
BSP Employees' Consumers' Co- operative Stores (Sector 4) Limited	- (25)	100	—	2500
Bhilai Steel Employees' Consumers' Co- operative Society Limited (Sector-8)	- (250)	10	—	2500
Bokaro Steel Employees' Co- operative Credit Society Limited	6,250 1,16,500	20 10	1290000	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	- (250)	10	—	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	2500	2500
NMDC Meghahatuburu Employees' Consumers Co-operative Society Limited	25	100	2500	2500
DSP Employees' Co-operative Society Limited	1377	100	137700	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	5000	5000
			1437700	1450200



Schedules

FORMING PART OF THE BALANCE SHEET

1.8 : INVENTORIES*

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Stores & spares	995.61	933.77
Add: In-transit	57.72	91.78
	<u>1053.33</u>	<u>1025.55</u>
Less: Provision for Non moving/Obsolete items	151.61	130.41
	901.72	895.14
Raw materials	892.85	406.45
Add: In-transit	478.77	175.39
	<u>1371.62</u>	<u>581.84</u>
Less: Provision for unusable materials	1.65	1.20
	1369.97	580.64
Finished/Semi-finished products (including scrap)	1949.00	1581.28
	<u>4220.69</u>	<u>3057.06</u>

* As certified by the Management and valued as per Accounting Policy No. 1.6

1.9 : SUNDRY DEBTORS

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Debts over six months	310.15	330.36
Other debts	1789.63	1419.35
	<u>2099.78</u>	<u>1749.71</u>
Less: Provision for doubtful debts	191.33	199.75
	<u>1908.45</u>	<u>1549.96</u>
Particulars		
Unsecured, considered good	1908.45	1549.96
(Including debts backed by bank guarantees Rs.560.06 crores)		
Previous year Rs.405.44 crores)		
Unsecured, considered doubtful	191.33	199.75
	<u>2099.78</u>	<u>1749.71</u>

1.10 : CASH & BANK BALANCES

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Cash and Stamps on hand	1.29	1.38
Cheques on hand	351.80	191.57
With Scheduled Banks		
Current account	1.13	0.59
Unpaid Dividend account	0.19	0.26
Term deposits	5775.19	1839.87
	5776.51	1840.72
With post office	—	0.01
(Deposits pledged with excise authorities)		
Remittances-in-transit	2.52	2.14
	6132.12	2035.82

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Loans to subsidiary companies	1.72	3.61
Loans to other companies	0.63	0.68
Deposits	77.02	9.15
Employees	60.89	70.45
Others	7.04	8.54
	147.30	92.43
Less : Provision for doubtful interest	5.12	6.25
	142.18	86.18
Particulars		
Unsecured, considered good	142.18	86.18
Unsecured, considered doubtful	5.12	6.25
	147.30	92.43

1.12 : LOANS AND ADVANCES – SUBSIDIARY COMPANIES

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Loans	146.47	198.23
Stores issued on loan	14.04	14.04
Other-Advances	—	1.18
	160.51	213.45
Less : Provision for doubtful loans & advances	14.31	42.40
	146.20	171.05
Particulars		
Unsecured, considered good	146.20	171.05
Unsecured, considered doubtful	14.31	42.40
	160.51	213.45



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FORMING PART OF THE BALANCE SHEET

1.13 : LOANS & ADVANCES — OTHERS

	As at 31st March, 2005		As at 31st March, 2004	
			<i>(Rupees in crores)</i>	
Loans				
Employees	119.43		134.77	
Others	<u>55.46</u>	174.89	<u>76.59</u>	211.36
Advances recoverable in cash or in kind or for value to be received				
Claims recoverable	407.61		377.94	
Contractors & suppliers	108.57		76.88	
Employees	6.74		13.33	
Income tax paid in advance / recoverable	744.68		61.93	
Income tax paid against disputed demands	—		106.19	
Export Incentive Receivable	58.77		231.69	
Others	<u>204.56</u>	1530.93	<u>214.71</u>	1082.67
Deposits				
Port trust, excise department, Railways, etc.	115.97		89.84	
Others	<u>149.18</u>	265.15	<u>137.37</u>	227.21
		1970.97		1521.24
Less : Provision for doubtful Loans & Advances		186.98		175.11
		<u>1783.99</u>		<u>1346.13</u>
Particulars of Loans & Advances-Others				
Secured, considered good		117.43		133.58
Unsecured, considered good		1666.56		1212.55
(Including loans & advances backed by bank guarantees Rs. 0.11 crores)				
(Previous year Rs. 0.43 crores)				
Unsecured, considered doubtful		186.98		175.11
		<u>1970.97</u>		<u>1521.24</u>
Amount due from				
— Directors		0.02		0.03
— Officers		—		0.01
Maximum amount due at any time during the year from				
— Directors		0.03		0.04
— Officers		—		0.01

1.14 : CURRENT LIABILITIES

	As at 31st March, 2005		As at 31st March, 2004	
	(Rupees in crores)			
Sundry creditors				
Capital works	213.47		179.98	
Small scale Industrial Undertakings	12.84		10.79	
Subsidiary companies	15.36		13.15	
Others	1965.83	2207.50	1581.41	1785.33
Advances from				
Customers	510.31		339.41	
Others	14.16	524.47	25.18	364.59
Security deposits	210.02		191.93	
Less : Investments received as security deposit	0.35	209.67	0.10	191.83
Interest accrued but not due on Loans		527.75		839.93
Liability towards Investor Education and Protection Fund, not due				
Unpaid Dividends		0.19		0.26
Unclaimed Matured Deposits *		11.03		11.82
Unclaimed Matured Bonds		0.83		—
Interest Accrued on unclaimed Deposits / Bonds		4.37		2.19
Other liabilities		1293.11		1216.37
		4778.92		4412.32

* Includes an amount of Rupees 5.42 lakhs credited to Investor Education & Protection Fund.

1.15 : PROVISIONS FOR

	Balance as at 31st March, 2004	Additions during the year	Total	Payments / Utilisation / Charged off	Written-back during the year	Balance as at 31st March, 2005
	(Rupees in crores)					
Gratuity	1547.36	447.18	1994.54	143.35	—	1851.19
Accrued Leave	871.75	318.68	1190.43	177.06	—	1013.37
Taxation	118.47	748.06	866.53	74.48	43.99	748.06
Pollution Control & Peripheral Development	72.21	20.25	92.46	8.23	—	84.23
Exchange Fluctuation	—	15.54	15.54	15.54	—	—
Proposed Dividend	—	1363.03	1363.03	619.56	—	743.47
Tax on Dividend	—	185.24	185.24	80.97	—	104.27
Voluntary Retirement Compensation	152.23	13.04	165.27	51.08	—	114.19
Employee's Family Benefit Scheme	146.67	50.70	197.37	27.17	—	170.20
Post Retirement Medical and Settlement Benefits	366.30	125.78	492.08	12.15	—	479.93
Wage Revision	1216.98	—	1216.98	1132.93	84.05	—
Others	85.95	14.71	100.66	14.76	7.66	78.24
Total	4577.92	3302.21	7880.13	2357.28	135.70	5387.15



Schedules

FORMING PART OF THE BALANCE SHEET

1.16 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 31st March, 2004	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2005
<i>(Rupees in crores)</i>					
(i) Development Expenditure on Mines	19.39	—	19.39	9.29	10.10
Total (i)	<u>19.39</u>	<u>—</u>	<u>19.39</u>	<u>9.29</u>	<u>10.10</u>
(ii) Deferred Revenue Expenditure					
Voluntary Retirement	357.19	74.68	431.87	148.14	283.73
Compensation					
Others	1.92	—	1.92	0.82	1.10
Total (ii)	<u>359.11</u>	<u>74.68</u>	<u>433.79</u>	<u>148.96</u>	<u>284.83</u>
Total (i+ii)	<u>378.50</u>	<u>74.68</u>	<u>453.18</u>	<u>158.25</u>	<u>294.93</u>
Previous year	<u>536.31</u>	<u>162.35</u>	<u>698.66</u>	<u>320.16</u>	<u>378.50</u>
				Current Year	Previous Year
Charged Off to:					
Raw Materials				9.29	11.32
Other Expenses				148.96	308.84
				<u>158.25</u>	<u>320.16</u>

Schedules

FORMING PART OF THE PROFIT & LOSS ACCOUNT



2.1 : SALES

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Direct	13860.62	12873.29
From stockyards	16526.16	9328.08
Exports	1341.95	1689.51
Export Incentive	66.16	273.03
Others	5.13	14.57
	<u>31800.02</u>	<u>24178.48</u>

2.2 : INTEREST EARNED

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Loans & advances to subsidiary companies	16.47	5.99
Loans & advances to other companies	1.55	3.28
Customers	25.45	28.28
Employees	7.47	10.33
Term Deposits	178.15	23.16
Others *	33.67	5.60
	<u>262.76</u>	<u>76.64</u>

* (Tax deducted at source Rs. Nil;
previous year Rs. 0.36 crores)

2.3 : OTHER REVENUES

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Social amenities-recoveries	112.65	112.06
Sale of empties etc.	34.76	33.29
Liquidated damages	15.21	16.88
Service charges (Gross) *	31.52	102.65
Subsidy	17.78	7.33
Dividend (gross) from Other investments	13.38	8.22
Profit on sale of fixed assets (net)	—	11.22
Profit on sale/leaseof houses	11.09	41.20
Foreign Exchange Fluctuation	—	91.00
Sundries *	272.55	104.05
	<u>508.94</u>	<u>527.90</u>

* (Tax deducted at source Rs. 0.57 crores;
previous year Rs. 2.01 crores)



Schedules

FORMING PART OF THE PROFIT & LOSS ACCOUNT

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Loans & advances	37.75	12.11
Sundry debtors	26.50	10.03
Stores & spares	4.98	10.89
Dimunition in value of investment	23.79	—
Others	99.55	11.00
	192.57	44.03

2.5 : ACCRETION(–)/DEPLETION TO STOCKS OF FINISHED/SEMI-FINISHED PRODUCTS

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Opening stock	1581.28	2067.12
Less : Closing stock	1949.00	1581.28
	-367.72	485.84

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2005		Year ended 31st March, 2004	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	20213579	1019.22	21341162	932.40
Coal	11769124	5192.59	12447069	4248.12
Coke	530690	770.09	146648	140.43
Limestone	3127373	374.52	3385038	374.64
Dolomite	2376464	124.86	2246880	85.56
Ferro Manganese	45243	178.90	52488	139.11
Ferro Silicon	17515	67.19	18919	64.01
Silico Manganese	93817	336.87	90261	220.80
Hot Rolled Stainless Steel Coils	4406	18.50	15204	57.63
Intermediary Products	115750	762.53	40527	222.13
Zinc	9753	62.10	11062	66.08
Aluminum	13499	123.80	12753	107.03
Others		320.29		233.90
		9351.46		6891.84

NOTES : Consumption of raw materials includes shortages Rs. 1.04 crores, (previous year Rs. 4.70 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 8.43 crores (previous year Rs. 4.08 crores).

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Salaries & wages	2788.36	2539.62
Company's contribution to provident fund & other funds	245.95	238.98
Wage revision arrears	—	1351.82
Travel concession	48.79	17.73
Welfare expenses	281.47	292.24
Gratuity	447.18	318.10
	3811.75	4758.49
Less : Grants in Aid received from Govt. of Karnataka	0.30	0.31
	3811.45	4758.18
Note : Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	6.08	10.22
b) Deferred Revenue Expenditure	148.14	301.42
c) Net expenditure on Social Amenities charged to various primary revenue heads	224.19	176.07
	378.41	487.71

2.8 : POWER & FUEL

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Purchased power	1744.03	1779.47
Duty on own generation	19.93	13.33
Boiler Coal/Middling	145.49	120.62
Furnace Oil/LSHS/LDO	64.13	58.53
Others	222.01	186.91
	2195.59	2158.86
Note : Expenditure on Power & Fuel not included above & charged off to:		
– Expenditure During Construction	0.49	1.95



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FORMING PART OF THE PROFIT & LOSS ACCOUNT

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2005	Year ended 31st March, 2004
		<i>(Rupees in crores)</i>
Buildings	41.00	28.41
Plant & Machinery	142.24	118.61
Others	56.59	48.15
	<u>239.83</u>	<u>195.17</u>
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	42.31	34.96
Plant & Machinery	606.45	517.35
Others	59.21	54.62
	<u>707.97</u>	<u>606.93</u>
b) Stores & Spares		
Buildings	8.06	6.36
Plant & Machinery	772.99	687.43
Others	46.29	47.90
	<u>827.34</u>	<u>741.69</u>
c) Expenditure during Construction	0.15	—
Total (a+b+c)	<u>1535.46</u>	<u>1348.62</u>

2.10 : OTHER EXPENSES

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Commission to selling agents	11.01	26.58
Directors' Fees	0.06	0.05
Export sales expenses	23.95	49.11
Handling expenses		
– Raw Material	97.18	96.11
– Finished goods	69.47	49.32
– Scrap recovery expenses	56.15	48.13
	222.80	193.56
Insurance	7.87	7.57
Loss on sale/scrapping of Fixed Assets (Net)	17.61	—
Postage, courier & telegram	13.05	13.62
Printing & stationery	8.47	7.50
Provisions		
– Doubtful debts, loans and advances	43.38	133.71
– Investments	0.24	—
– Stores, Spares and Sundries	45.17	79.88
	88.79	213.59
Rates & Taxes	20.80	14.83
Remuneration to Auditors*		
– Audit fees	0.50	0.50
– Tax Audit fees	0.12	0.12
– Out of pocket expenses	0.59	0.63
– In other capacities	0.38	0.37
	1.59	1.62
Cost Audit Fees	0.01	0.01
Rent	21.95	21.03
Royalty and cess	38.80	40.77
Security expenses	94.42	81.79
Travelling expenses	113.67	112.48
Write Offs		
– Miscellaneous & Deferred Revenue Expenditure	148.96	308.84
– Others	35.93	1.17
	184.89	310.01
Cash Discount	35.38	73.45
Training expenses	5.30	3.46
Conversion charges	50.48	43.81
Foreign Exchange Fluctuation (Net)	7.83	—
Water charges & Cess on water pollution	32.03	29.09
Contribution to Joint Plant Committee Funds	2.72	2.52
Miscellaneous (include Donation Rs. 101.60 lakhs; previous year Rs. Nil)	272.35	181.01
	1275.83	1427.46

* Excludes Service tax for the current year claimed as cenvat credit



Schedules

FORMING PART OF THE PROFIT & LOSS ACCOUNT

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Public deposits	47.99	93.84
Foreign currency loans	76.70	84.61
Non Convertible Bonds	403.13	552.39
Bank borrowings – working capital	27.80	80.98
Steel Development Fund (SDF) Loans	48.17	59.04
Others	1.70	49.16
Finance Charges	46.49	35.43
	651.98	955.45
Less : Interest Subsidy from Government of India	—	54.14
: Reversal of interest on SDF Loans for earlier years	46.93	—
	605.05	901.31
Note : Expenditure on interest not included above & charged to:		
(a) Expenditure During Construction		
Foreign Currency Loans	—	0.18
Non Convertible Bonds	0.17	2.23
Steel Development Fund Loans	1.52	5.51
Others	—	0.01
Finance Charges	—	0.09
	1.69	8.02
(b) Fixed Assets / Capital Work-in-Progress		
Steel Development Fund Loans	-7.54	—
(Reversal of interest of earlier years)	—	—

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Raw materials	620.97	617.23
Departmentally manufactured stores	264.07	247.55
Services transferred to capital works	29.44	26.47
Others(Net)	7.23	1.82
	921.71	893.07

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2005	Year ended 31st March, 2004
		(Rupees in crores)
Sales	0.11	2.84
Other revenues	-1.31	-3.82
Raw materials consumed	-5.40	2.16
Employees' remuneration & benefits	—	-2.26
Stores & spares consumed	0.84	-0.34
Power & fuel	0.83	-7.26
Repairs & Maintenance	2.78	-0.36
Excise duty	—	0.77
Freight Outward	—	-0.48
Other Expenses & Provisions	-1.20	2.34
Interest	—	-10.63
Depreciation	65.25	51.79
Net Debit	61.90	34.75
(-) indicate credit items	—	—

SCHEDULE 3 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the relevant provisions of the Companies Act, 1956.

1.2 FIXED ASSETS

Fixed assets are stated at cost of acquisition less depreciation, except land gifted by the State Governments, which is stated at notional/nominal value with corresponding credit to capital reserve.

Expenditure on development of land, including lease hold land, is capitalised as part of cost of land. Expenditure on construction/development of assets on land owned by Government/Semi-Government authorities, is capitalised under appropriate asset accounts.

Cost includes all identifiable expenditure including trial-run expenses, net of revenue.

Assets retired from active use are shown separately under fixed assets at lower of net book value and estimated realisable value.

1.3 BORROWING COSTS

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

1.4 DEPRECIATION

Depreciation is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided over the residual useful life of the asset.

Classification of plant and machinery into continuous and non-continuous is made on the basis of technical opinion and depreciation provided accordingly.

Depreciation on addition/deletion during the year is provided on pro-rata basis with reference to the month of addition/deletion.

Cost of acquiring mining rights is amortised over the lease period.

1.5 INVESTMENTS

Long-term investments (including investments in subsidiary companies and joint ventures) are carried at cost, after providing for diminution in value, if it is of a permanent nature. Current investments are carried at lower of cost and market value.

1.6 INVENTORIES

Stores and spares are valued at cost. In case of identified obsolete/surplus/non-moving items, necessary provision is made and charged to revenue.

Raw materials and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. Semi-finished special products which have realisable value at finished stage only, the net realisable value is estimated for the purpose of comparison with cost.

Residue products and scrap of various nature are valued at estimated net realisable value.

The basis of determining cost is:

Stores & spares and raw materials – Weighted average cost

Materials in-transit – Actual cost

Finished/Semi-finished products – Material cost plus appropriate share of labour, related overheads and duties.



1.7 GRANTS

Grants relating to the acquisition of a specific asset are adjusted against the cost of the concerned asset. Grants relating to the revenue expenditure are adjusted against the related expenses.

1.8 DEFERRED REVENUE EXPENDITURE

Voluntary retirement compensation is treated as deferred revenue expenditure and written-off in five years.

In respect of deferred voluntary retirement schemes, compensation liability, as initially ascertained on actuarial valuation, is written-off in five years. Annual increase/decrease in the liability, actuarially ascertained, is charged to profit and loss account.

Other expenditure incurred upto 31st March 2003 and treated as deferred revenue expenditure, continues to be written-off in five years.

1.9 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the profit and loss account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets are adjusted in the carrying amount of such assets.

1.10 EMPLOYEES' BENEFITS

The provisions towards gratuity, accrued leave, post-retirement medical and settlement benefits to employees, future payments to the disabled employees/legal heirs of deceased employees under the Employees' Family Benefit Scheme, are made based on the actuarial valuation as at the end of the year.

1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs. 5 lakhs in each case, are treated as income/expenditure of current year.

1.12 REVENUE RECOGNITION

Sales include excise duty and are net of rebates, price concessions and sales tax. Sales in the domestic market are recognised at the time of despatch of materials to the buyers including the cases where delivery documents are endorsed in favour of the buyers. Export sales are recognised on issue of bill of lading.

Export incentives under various schemes are recognised as income in the year of exports at estimated realisable value/actual credit earned.

1.13 CLAIMS FOR LIQUIDATED DAMAGES/PRICE ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are adjusted to the capital cost or recognised in profit and loss account, as the case may be, on final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

1.14 TAXATION

Provision for current tax is made on the taxable profits for the year at the rates in force. The deferred tax on timing differences between book profit and taxable profit for the year is accounted for applying the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is a reasonable certainty that the assets can be realised in future.

NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

2.1 GENERAL

	As at 31st March, 2005	As at 31st March, 2004
	(Rupees in crores)	
i) Claims against the Company pending appellate/ judicial decisions	1872.52	2021.09
ii) Other claims against the Company not acknowledged as debt against which the Company has counter claims of Rs. 421.59 crores	578.47	393.02
iii) Guarantee/Counter-guarantee given to Banks/excise authorities on behalf of a subsidiary company and a joint venture company	31.40	31.40
iv) Bills drawn on customers and discounted with banks	18.20	13.87
v) Price escalations claims by Contractors / Suppliers and claims by certain employees, extent whereof is not ascertainable		

- 2.2 Sales Tax authorities have raised demands for Rs. 1109.08 crores (As at 31st March, 2004 - Rs. 1047.70 crores) mainly on account of sales tax on stock transfers made by the plants over the years to stockyards situated in different States. The demands of sales tax authorities at plants have been contested by the Company which are pending at various stages of appeal. As sales tax liability has been paid on sale of such stocks to the respective sales tax authorities in different states, no liability is expected to arise, as sales tax is leviable only once.

3. FIXED ASSETS

3.1 Land includes :

- 62138.57 acres (As at 31st March, 2004 – 62271.45 acres) owned possessed/taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
 - 5299.26 acres (As at 31st March, 2004 – 5275.19 acres) given on lease to various agencies/ employees/ex-employees.
 - 9957.79 acres (As at 31st March, 2004 – 9957.79 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/ registered.
 - 27.42 acres (As at 31st March, 2004 – 27.42 acres) in respect of which title is under dispute.
- 3.2 Buildings include net block of Rs. 39.10 crores (As on 31st March, 2004 – Rs.42.40 crores) for which conveyance deed is yet to be registered in the name of the company.
- 3.3 Foreign exchange variations aggregating to Rs. 13.74 crores (net debit) [previous year- Rs. 42.25 crores (net credit)] have been adjusted in the carrying amount of fixed assets during the year.
- 3.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 957.05 crores (As at 31st March, 2004 - Rs. 540.52 crores).
- 3.5 Fixed Assets retired from active use, in respect of which disposal proposals are accepted, hitherto treated as current assets – inventories, have been in the current year, shown separately under fixed assets.

4. INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

- 4.1 The Company has equity investments of Rs. 374.94 crores (As at 31st March, 2004 - Rs. 374.94 crores), loans and other recoverable dues of Rs. 149.12 crores (As at 31st March, 2004 – Rs. 183.69 crores) in its wholly owned subsidiary company, the Indian Iron & Steel Co. Ltd. (IISCO). The revival plan of IISCO, as approved by Board for Industrial and Financial Reconstruction, is under implementation and the sanctioned reliefs under the plan have been availed by it. Although the net worth of IISCO as at 31st March, 2005 is negative, considering the value of its fixed assets assessed by independent agencies being adequate to cover the Company's investment in IISCO (including loans and other dues), its recent improved financial performance and future projections, the Company does not consider it necessary to make any provision for diminution in the value of its investment, loans and other recoverable dues. The Company also intends to merge IISCO with itself, subject to necessary approvals. The Company has sought commensurate reliefs from Government towards accumulated losses of IISCO.
- 4.2 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Court's orders, the amount of tax deducted on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 is kept separately as term deposits.
- 4.3 The amount due to Small Scale Industrial Undertakings (as disclosed in schedule 1.14 – Current liabilities) is to the extent such parties have been identified. The company has normally made payments to SSI units in due time and there are no claims from the parties for interest on overdue payments. There are no parties whose outstandings are for more than 30 days.
- 4.4 Balances shown under creditors, debtors, claims recoverables and advances include balances subject to confirmation / reconciliation



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and consequential adjustment, if any. Reconciliations are carried out on on-going basis. Provisions, wherever considered necessary, have been made.

5. PROFIT & LOSS ACCOUNT

5.1 The excise duty of Rs. 3455.12 crores, shown as deduction from sales, includes duty on:

	Amount (Rupees in crores)
Finished goods internally consumed	9.90
Stock of finished/semi-finished products	120.11
Inter plant materials transfer, etc.	42.95

5.2 The company has granted long term lease of residential premises to the employees, ex-employees etc. of initial period of 33 years, renewable for two like periods. The lease premium received up-front, has been adjusted against book value and the resultant profit of Rs. 11.09 crores (previous year Rs. 41.20 crores) thereon has been shown under Schedule 2.3 'Other Revenues'.

5.3 Due to change in the basis of provisioning towards non-moving and obsolete stores & spares, the net profit for the year is lower by Rs. 29.55 crores.

5.4 Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.

5.5 The Research and Development expenditure charged to Profit & Loss Account and Fixed assets during the year amount to Rs. 59.22 crores (previous year - Rs. 70.95 crores) and Rs. 1.33 crores (previous year – Rs. 0.95 crores) respectively.

5.6 The Company has represented to the Government for withdrawal of JPC cess on sale of certain steel products in view of decontrol of steel prices in earlier years. However, pending confirmation of withdrawal from Government, provision of Rs. 11.72 crores (including Rs. 2.72 crores for the year) has been made on conservative basis.

5.7 The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. However, an amount of Rs. 748.06 crores has been provided as minimum tax on book profits as per Section 115 JB of the Income Tax Act, 1961.

5.8 In accordance with AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, net deferred tax as on 31st March, 2005, has been accounted for, as detailed below:

	As on 31 st March, 2005	As on 31 st March, 2004
	(Rupees in crores)	
Deferred tax liabilities		
Difference between book and tax depreciation	3032.05	3322.07
Total	3032.05	3322.07
Deferred tax assets		
Unabsorbed depreciation/loss	Nil	2970.44
Others	1187.74	1266.74
Total	1187.74	4237.18
Net Deferred tax (Assets)/Liabilities	1844.31	(915.11)*

* In consideration of prudence, deferred tax assets of Rs. 915.11 crores as at 31st March, 2004 were not accounted for.

5.9 The company reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant as Cash Generating Unit (CGU). On such review in case of some CGUs, where there was indication of impairment as at the beginning of the year, the net realisable value thereof was assessed by an independent agency and the same being more than the carrying amount, there is no impairment. Accordingly no provision has been made in the accounts.

5.10 As per section 441A of the Companies Act 1956, cess on turnover is leviable. Government of India has not yet framed any rules/ guidelines in this regard and hence no amount has been provided and/or paid.

6. GENERAL

6.1 Segment Reporting

- Business Segments: The four integrated steel plants and three alloy steel plants, being manufacturing units, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.

- ii) Geographical segments have been considered for Secondary Segment Reporting, by treating sales revenue in India and foreign countries as separate geographical segments.

The disclosures of segment-wise information is given at Annexure-I.

6.2 Related Party

As per Accounting Standard-18 - 'Related party disclosures' issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of Relationship	Name of the related parties
Joint Venture	SAIL Bansal Service Centre Limited Metaljunction Services Limited UEC-SAIL Information Technology Limited Romelt SAIL (India) Limited
Key Management Personnel	Shri V.S. Jain Shri S.C.K. Patne (Upto 30 th April 2004) Shri Ashis Das Shri S.K. Roongta Shri G.C. Daga Shri K.K. Khanna (with effect from 1 st May 2004) Shri R.P. Singh Dr. S.K. Bhattacharyya Dr. Sanak Mishra Shri U.P. Singh Shri N.P. Jayswal Shri M. Roy Shri H.K. Roy Choudhury Shri B. N. Singh Shri D.S. Lal Shri R.K. Sarangi Shri Sudhakar Jha (Upto 31 st January 2005) Shri A.K. Dasgupta (with effect from 1 st February 2005) Shri A.K. Jayswal (Upto 31 st December 2004) Shri T.K. Charkavarty (with effect from 1 st January 2005) Shri A.K. Sarkar (with effect from 1 st September 2004)

The details of transactions between the company and the related parties, as defined in the Accounting Standard, are given below:

Sl. No.	Nature of transactions	Amount Rs./crores		Ref. Schedule & Account head of the Accounts
		Joint Venture	Key Management Personnel	
i)	Other Loans	0.13	0.02	1.13: Loans & Advances – Others
ii)	Interest recoverable	–	0.01	1.11: Interest receivable/ accrued
iii)	Investments	7.44	–	1.7: Investments
iv)	Payments made against services rendered during the year	11.72	–	
v)	Managerial Remuneration		1.32	2.7: Employees' Remuneration and Benefits.



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- 6.3. As per Accounting Standard - 27 - 'Financial reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India, the particulars of the joint ventures entered into by the Company, all incorporated in India, are given below:

Sl. No.	Name of the joint venture company	% of Company's ownership interest
1.	North Bengal Dolomite Limited	50%
2.	NTPC SAIL Power Company Pvt. Limited	50%
3.	SAIL Bansal Service Centre Limited	40%
4.	Metaljunction Services Limited	50%
5.	UEC SAIL Information Technology Limited	40%
6.	Bokaro Power Supply Co. Pvt. Ltd.	50%
7.	Bhilai Electric Supply Co. Pvt. Ltd.	50%
8.	Romelt SAIL (India) Limited	15%

Company's share of assets, liabilities, income, expenses, contingent liabilities and capital commitment in the Joint venture companies are given below:

Sl. No.	Name of the joint venture company	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
(Rupees in crores)							
1.	North Bengal Dolomite Limited (\$)	0.30	2.14	—	0.38	—	—
2.	NTPC SAIL Power Company Pvt. Limited (*)	186.79	116.69	66.12	53.84	—	2.37
3.	Bokaro Power Supply Co. Pvt. Ltd. (*)	255.75	139.19	117.22	100.58	2.35	0.32
4.	Bhilai Electric Supply Co. Pvt. Ltd. (*)	186.75	122.81	30.34	26.94	—	668.44
5.	UEC SAIL Information Technology Ltd. (*)	0.75	1.68	0.77	2.18	0.62	—
6.	SAIL Bansal Service Centre Limited (*)	20.01	12.51	78.75	74.33	—	—
7.	Metaljunction Services Limited (*)	10.73	3.35	10.45	4.54	—	—
8.	Romelt SAIL (India) Limited (*)	0.05	0.05	0.06	0.07	—	—

\$ Operation under suspension and based on accounts for the year 2002-03.

* Based on unaudited Accounts for 2004-05.

- 6.4 As per requirement of the listing agreements with the stock exchanges, the requisite details of loan and advances in the nature of loans, given by the Company are given below:

(i) In respect of subsidiary companies

Sl. No.	Name of the subsidiary Company	Loans and advances in the nature of loans outstanding as on 31 st March 2005	Maximum amount of loans and advances in the nature of loans outstanding during the year 2004-05
(Rupees in crores)			
1.	Indian Iron and Steel Co. Limited	141.61	185.61
2.	Maharashtra Elektrosnelt Limited	4.59	28.09
3.	IISCO Ujjain Pipe and Foundry Co. Limited	14.31	14.31

ii) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and

iii) There are no loans and advances in the nature of loans, to firms/companies in which directors are interested.

- 6.5 Previous year's figures are given in brackets and these have been re-arranged/re-grouped wherever necessary.

7(a). Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity (i)	Installed Capacity	Production
(Quantity : Tonnes)			
Main Steel Plants			
Pig Iron		1740000	147181
		(1740000)	(278067)
Crude Steel (ii)		11987000	11826745
		(11987000)	(11827984)
Saleable Steel		10190000	10650730
		(10190000)	(10728642)
Alloy Steels Plants			
Pig Iron		205000	20710
		(205000)	(31350)
Crude Steel		301078	275680
		(301078)	(254739)
Saleable Steel		435000	380667
		(435000)	(298132)
Others			
Calcium Ammonium Nitrate (in terms of 25% N)		360000	—
		(360000)	(—)

Notes: i) "Licensed Capacity" Not applicable (N.A.) in terms of Government of India Notification No. S.O.477(E) dated 25th July, 1991.
ii) Crude Steel installed capacity is in terms of solid steel as per IISI requirements.

7(b). Opening Stock, Purchases, Turnover and Closing Stock

	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
(Quantity : Tonnes) (Value : Rs. /crores)								
OWN PRODUCTS								
Main Steel Plants								
Pig Iron	23592	18.00	—	—	10491	17.70	54104	55.57
	(19877)	(14.82)	(—)	(—)	(177656)	(187.39)	(23592)	(18.00)
Steel Ingots	43972	41.00	—	—	4795	10.35	86136	120.35
	(104836)	(103.12)	(—)	(—)	(6696)	(9.91)	(43972)	(41.00)
Saleable Steel	639618	870.37	—	—	10418135	28689.70	526882	908.11
	(802760)	(1106.75)	(—)	(—)	(10426490)	(21503.58)	(639618)	(870.37)
ALLOY STEELS PLANTS								
Pig Iron	608	1.28	—	—	11076	19.02	7370	12.16
	(62)	(0.06)	(—)	(—)	(30548)	(38.04)	(608)	(1.28)
Steel Ingots	4760	18.45	—	—	—	—	8419	23.98
	(8932)	(31.87)	(—)	(—)	(—)	(—)	(4760)	(18.45)
Saleable Steel	38589	189.33	—	—	340681	1892.71	60157	398.54
	(46492)	(232.01)	(—)	(—)	(283501)	(1199.64)	(38589)	(189.33)
OTHERS								
Calcium Ammonium Nitrate (in terms of 25% N)	4993	—	—	—	—	—	4993	—
	(4993)	(—)	(—)	(—)	(—)	(—)	(4993)	(—)
SUNDRIES								
Others		442.56		—		1166.34		429.85
		(577.95)		(—)		(1231.04)		(442.56)
TRADING ACTIVITIES								
Indigenous Steel	—	0.29	716	7.46	716	4.20	—	0.44
	(—)	(0.54)	(3202)	(12.41)	(3202)	(8.88)	(—)	(0.29)
		1581.28		7.46		31800.02		1949.00
		(2067.12)		(12.41)		(24178.48)		(1581.28)

Notes: i) The classification of the company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No.3/19/80-CL VI dated 16th July 1980. However, in respect of an item (Sundries), the particulars of installed capacity and production have not been given, as this being an omnibus head, clubbing of various products and by-products under one head would not give meaningful information.
ii) Figures of closing stock are after adjustment for inter-plant transfers, internal consumption, transfer to capital works etc.



7(c). Pig Iron and Saleable Steel Quantitative Reconciliation

	Pig Iron		Saleable Steel	
	(Main Steel Plants)	(Alloy Steels Plants)	(Main Steel Plants)	(Alloy Steels Plants)
	<i>(Quantity : Tonnes)</i>			
Opening Stock	23592 (19877)	608 (62)	639618 (802760)	38589 (46492)
Production	147181 (278067)	20710 (31350)	10650730 (10728642)	380667 (298132)
Total	170773 (297944)	21318 (31412)	11290348 (11531402)	419256 (344624)
Sales	10491 (177656)	11076 (30548)	10418135 (10426490)	340681 (283501)
Inter Plant Transfers	48845 (42294)	4124 (—)	144429 (177758)	29120 (13388)
Internal Consumption (incl. for capital works)	75297 (48932)	— (—)	68547 (67375)	679 (475)
Assorted length/Cuttings/Ingot etc.	198 (—)	— (—)	127723 (120462)	1715 (1120)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	-19530 (3607)	-2098 (—)	-13086 (129658)	-13399 (7963)
Shortages/excesses (-) due to sectional weight variation transportation, handling etc.	1368 (1863)	846 (256)	17718 (-29959)	303 (-412)
Closing Stock	54104 (23592)	7370 (608)	526882 (639618)	60157 (38589)
Total	170773 (297944)	21318 (31412)	11290348 (11531402)	419256 (344624)

Notes to 7(a), 7(b) & 7(c)

Figures in brackets pertain to previous year and have been rearranged/regrouped inter-se wherever necessary.

	Current Year	Previous Year		
	(Rupees in crores)			
8. Expenditure incurred in foreign currency on account of				
Know-how	35.32	41.08		
Interest	32.76	60.76		
Training expenses & payments to Foreign Technicians	18.64	14.87		
— Others	8.23	8.85		
Total	94.95	125.56		
9. Earnings in foreign exchange on account of				
Export of goods (Calculated on FOB basis)	1335.06	1687.77		
Royalty, Know-how, professional and consultation fees	0.37	0.62		
	1335.43	1688.39		
10. Value of imports during the period (Calculated on CIF basis)				
Raw materials	4306.27	2238.55		
Capital goods	50.58	7.84		
Stores, Spares and Components	260.19	183.63		
Total	4617.04	2430.02		
11. Value of raw materials consumed during the year				
	Rs./crores	%	Rs./crores	%
Imported	4031.78	43.11	3033.31	44.01
Indigenous	5319.68	56.89	3858.53	55.99
	9351.46	100.00	6891.84	100.00
12. Value of stores/spares & components consumed during the year				
Imported	223.02	10.30	195.60	10.16
Indigenous	1941.20	89.70	1730.26	89.84
	2164.22	100.00	1925.86	100.00
13. Remittance in foreign currencies for dividends :				
The Company has not remitted any amount in foreign currencies on account of interim dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of interim dividends have been made by / on behalf of non-resident shareholders. The particulars of interim dividend for the year 2004-05 on account on non-resident shareholders are as under :-				
i) Number of non-resident shareholders	975		764	
ii) Number of Ordinary shares held by them	139723203		69600244	
iii) Amount of dividends (Rs. in crores)	20.96		NIL	
14. Particulars of Directors' Remuneration*				
Salaries	0.51		0.41	
Company's contribution to provident fund & other funds	0.06		0.05	
Leave travel concession	—		0.02	
Medical benefits	0.02		0.04	
Provision for gratuity/accrued Leave	0.08		0.07	
Estimated value of perquisites (Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable).	0.06		0.04	
Total	0.73		0.63	
* excluding sitting fees to independent directors				

Annexure - I

Segment Information for the year ended 31st March, 2005

A. BUSINESS SEGMENT

(Rupees in crores)

PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	Others	Inter Segment Sales	SAIL
REVENUE										
- External Sales										
Current year	11389.16	4029.21	4674.19	9732.84	451.28	1008.83	509.94	4.57		31800.02
Previous year	(8850.11)	(2894.62)	(3813.88)	(7308.87)	(341.96)	(557.35)	(397.12)	(14.57)		(24178.48)
- Inter-Segment Sales										
Current year	99.67	112.66	58.19	286.24	116.08	7.04	26.87	385.39	-1092.14	—
Previous year	(89.42)	(110.54)	(31.86)	(304.80)	(92.01)	(5.22)	(13.53)	(392.83)	(-1040.21)	—
- Total Revenue										
Current year	11488.83	4141.87	4732.38	10019.08	567.36	1015.87	536.81	389.96	-1092.14	31800.02
Previous year	(8939.53)	(3005.16)	(3845.74)	(7613.67)	(433.97)	(562.57)	(410.65)	(407.40)	(-1040.21)	(24178.48)
RESULT										
- Operating profit / (-) loss (Before Interest Expenses)										
Current year	4210.62	861.29	1196.11	3438.61	-30.02	15.41	-8.77	287.15		9970.40
Previous year	(2184.09)	(160.26)	(148.93)	(1345.38)	(-163.92)	(38.39)	(-69.22)	(-114.39)		(3529.52)
- Interest expenses										
Current year										605.05
Previous year										(901.31)
- Income tax (including pertaining to earlier year)										
Current year										2548.38
Previous year										(116.13)
- Net Profit / Loss (-)										
Current year										6816.97
Previous year										(2512.08)
OTHER INFORMATION										
- Segment Assets										
Current year	3817.08	3752.94	4247.14	3920.20	450.56	939.00	512.69	10447.21		28086.82
Previous year	(3799.39)	(3913.71)	(4284.70)	(3946.08)	(352.87)	(736.65)	(344.08)	(5340.49)		(22717.97)
- Segment Liabilities										
Current year	1838.61	771.96	1010.15	1906.24	203.79	202.44	178.80	4054.08		10166.07
Previous year	(2019.43)	(790.47)	(1108.80)	(2052.50)	(234.39)	(71.49)	(169.47)	(2543.69)		(8990.24)
- Capital Expenditure										
Current year	206.09	55.51	232.17	-9.62	10.58	1.80	6.90	57.94		561.37
Previous year	(236.07)	(-4.61)	(11.38)	(82.63)	(1.36)	(-6.57)	(2.19)	(28.26)		(350.71)
- Depreciation										
Current year	203.01	303.15	275.52	234.07	9.93	43.09	10.44	47.74		1126.95
Previous year	(202.12)	(299.54)	(273.78)	(236.21)	(10.39)	(43.31)	(10.30)	(46.94)		(1122.59)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year Amount	Previous year Amount
Sales Revenue	(Rupees in crores)	(Rupees in crores)
India	30458.07	22488.97
Foreign Countries	1341.95	1689.51
Total	31800.02	24178.48

Note :

- Segment assets/liabilities exclude inter-unit balances
- Total carrying amount of segment assets by geographical location of assets, for the Company's overseas operations are below 10% of the total assets of all segments, and hence not disclosed.



SOCIAL AMENITIES

Expenses	Township	Education	Medical cultural	Social & operative activities	Co- & societies	Transport dairy	Total year	Previous year
<i>(Rupees in crores)</i>								
Employees' Remuneration & Benefits								
—Salaries, Wages & Annual Bonus	105.55	77.59	114.22	3.53	0.59	13.22	314.70	359.24
—Company contribution to PF & other funds	9.79	7.49	11.23	0.30	0.05	1.12	29.98	25.69
—Travel concessions	1.18	1.03	1.81	0.03	—	0.26	4.31	1.28
—Welfare expenses	5.89	2.77	27.99	0.70	0.01	0.46	37.82	42.37
—Consumption of medicines	—	—	34.43	—	—	—	34.43	30.08
—Gratuity	10.79	6.02	9.24	0.30	0.02	1.03	27.40	23.51
Total	133.20	94.90	198.92	4.86	0.67	16.09	448.64	482.17
Stores & Spares	11.84	0.21	2.45	0.10	0.01	1.55	16.16	14.30
Repair & maintenance	42.99	0.73	2.29	0.08	0.12	0.20	46.41	28.21
Power & fuel	201.92	1.33	4.01	0.90	0.08	0.35	208.59	192.85
Miscellaneous expenses	18.66	2.94	7.35	0.45	—	4.22	33.62	33.82
Depreciation	26.87	0.92	3.99	0.07	0.05	0.16	32.06	18.95
Total	435.48	101.03	219.01	6.46	0.93	22.57	785.48	770.30
Less: Income	81.82	4.78	24.99	0.16	—	0.90	112.65	112.06
Net Deficit	353.66	96.25	194.02	6.30	0.93	21.67	672.83	658.24

Auditors' Report



COMMENTS	MANAGEMENT'S REPLIES
<p>To</p> <p>The Members of Steel Authority of India Limited</p> <p>We have audited the attached Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, as on 31st March 2005 and the Profit & Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, in which are incorporated the accounts of Plants, Units, Branches and other Offices audited by the Branch Auditors in accordance with the letter of appointment of Comptroller & Auditor General of India. 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.</p> <p>We conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</p> <p>As required by the Companies (Auditors' Report) Order, 2003 (the Order) issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.</p> <p>Further to our comments in the Annexure referred to above, we report that:</p> <ol style="list-style-type: none"> 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit; 2. 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 the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The branch auditors' report(s) have been forwarded to us and have been appropriately dealt with. 3. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account and with the audited returns from the branches. 4. 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 Act. 5. In terms of Government of India, Ministry of Finance, Department of Company Affairs Notification No.GSR 829(E) dated 21st October 2003; Government companies are exempt from the applicability of provisions of Section 274(1)(g) of the Companies Act, 1956. 6. Without qualifying our opinion, we draw attention to note No.4.1 of Schedule 3 to the financial statements. 	



Auditors' Report

COMMENTS		MANAGEMENT'S REPLIES
<p>In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes appearing in Schedule 3, 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:</p> <ol style="list-style-type: none">1. in case of Balance Sheet, of the state of affairs of the Company as on 31st March, 2005;2. in case of Profit & Loss Account, of the Profit of the Company for the year ended on that date; and3. in case of the Cash flow statement, of the cash flows for the year ended on that date.		
For P.A. & Associates <i>Chartered Accountants</i>	For S.K. Mittal & Co. <i>Chartered Accountants</i>	For and on behalf of the Board of Directors
Sd/- (P.S. Panda) <i>Partner</i> (M. No. 51092)	Sd/- (S.K. Mittal) <i>Partner</i> (M. No. 8506)	Sd/- (V.S. Jain) <i>Chairman</i>
For Ray & Ray <i>Chartered Accountants</i>		
Sd/- (R.N. Roy) <i>Partner</i> (M. No. 8608)		
Place : New Delhi		Place : New Delhi
Dated : 25 th May, 2005		Dated : 2 nd August, 2005

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in our Report of even date]

COMMENTS		MANAGEMENT'S REPLIES		
1.	<p>(a) The company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets.</p> <p>(b) The fixed assets of the company have been physically verified by the management at reasonable intervals in a phased manner. As informed to us, no material discrepancies have been noticed with respect to those fixed assets where the reconciliation has so far been completed, and the same have been adjusted in the books. In few cases of fixed assets, verified but not reconciled, the discrepancies are yet to be ascertained.</p> <p>(c) In our opinion and according to the information and explanations given to us, there is no substantial disposal of fixed assets during the year.</p>	The reconciliation of such fixed assets is in process and discrepancies, if any, will be adjusted accordingly.		
2.	<p>a) The inventories have been physically verified by the management with reasonable frequency during the year. In certain cases, the stocks of scraps and middlings have been verified on the basis of visual survey/estimates.</p> <p>b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are generally reasonable and adequate in relation to the size of the company and the nature of its business.</p> <p>c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventory. The discrepancies between physical stocks and book records arising out of physical verification, which were not material, have been dealt with in the books of account.</p>			
3.	<p>According to information and explanations given to us:</p> <p>a) The company has granted loans to following companies covered in the register maintained u/s 301 of the Companies Act, 1956</p>			
		(Rs.in Crores)		
S.No	Particulars	Loans granted during the year	Closing Balance as on 31.03.2005	Maximum Balance during the year
(i)	Indian Iron and Steel Co. Ltd.	15.75	141.61	185.61
(ii)	Maharashtra Elektros melt Limited	Nil	4.59	28.09
b)	The rate of interest and other terms & conditions of such loans are, in our opinion, prima-facie, not prejudicial to the interest of the company.			
c)	The company to whom loans have been given, is regular in repayment of principal amount and interest.			
d)	The company has not taken any loans, secured or unsecured, from companies, firms, or other parties covered in the register maintained under section 301 of the Act.			
e)	In view of our comments in paragraph iii(d) above, clauses iii(e), iii(f) and iii(g) of paragraph 4 of the aforesaid Order are not applicable to the Company.			
4.	In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major failures in the internal control system.			
5.	<p>a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.</p> <p>b) According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and aggregating during the year to Rs.5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.</p>			
6.	In our opinion and according to the information and explanations given to us, the company			



Auditors' Report

COMMENTS			MANAGEMENT'S REPLIES
<p>has complied with the directives of Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder, wherever applicable, with regard to the deposits accepted from the public.</p> <p>7. In our opinion, the company's internal audit system is generally commensurate with the size and nature of its business. However, there are weaknesses in the implementation of the system with regard to areas of coverage and timely completion.</p> <p>8. We have broadly reviewed the records maintained by the Plants for production of Fertilisers (Ammonium Sulphate), Chemicals (Benzene & Toluene), Industrial gases and Steel products pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of the records with a view to determine whether these are accurate and complete.</p> <p>9. According to the information and explanations given to us in respect of statutory and other dues:</p> <p>a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues, with appropriate authorities.</p> <p>b) According to the information and explanations given to us, following undisputed statutory dues were outstanding as per books of accounts as at 31st March, 2005, for a period of more than six months from the date they became payable.</p>			<p>Internal audit system with regard to areas of coverage and timely completion of audit would be given greater emphasis.</p>
Statute	Nature of Dues	Amount (Rupees in Crores)	
Water (Prevention and Control of Pollution) Cess Act, 1977	Water Cess	0.08	
Commercial Tax Act	Central Sales Tax	0.01	
Mining Authority	Royalty /Interest on Cess	1.29	
TOTAL		1.38	<p>Matter is being followed up with the Government of Karnataka for waiver.</p> <p>"C" Form is being collected for settlement of central sales tax demand.</p> <p>Royalty is being paid on the basis of despatches and iron content thereof. Liability of Rs. 1.29 crores will be reviewed for appropriate adjustment during 2005-06.</p>
<p>c) According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given herein below:</p>			
Statute	Nature of Dues	Amount (Rupees in Crores)	Forum where disputes are pending
Sales Tax	Demand	825.05	Sales Tax Department
		175.05	Sales Tax Tribunal
		27.86	High Court
		117.59	Supreme Court
		1145.55	
Income Tax Act, 1961	TDS on perks	31.09	High Court
Customs Act	Custom duty	4.25	Department of Customs
Cental Excise Act, 1944	Excise duty	76.60	Department of Excise
		195.36	CESTAT
		0.01	High Court
		294.39	Supreme Court
		566.36	
Other Statutes	Other statutory dues (including cess)	161.11	High Court
		0.06	Lower Courts
		11.52	Concerned Department
		3.24	State Government
		175.93	
TOTAL		1923.18	

10. There are no accumulated losses of the company as at the end of the year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. 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.
13. The company is not a chit fund or a Nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order, are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the company.
15. According to the information and explanations given to us, the terms and conditions of the guarantees given by the company for loans taken by others from banks or financial institutions are not prima-facie prejudicial to the interest of the company.
16. To the best of our knowledge and belief, and according to the information and explanations given to us, the company has not raised any term-loans during the year under audit. Hence, paragraph 4 (xvi) of the Order is not applicable.
17. 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 of the company.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us and records examined by us, securities have been created in respect of secured bonds issued except in respect of a certain series of non-convertible bonds where security is yet to be created (As stated in schedule 1.3; Secured loan).
20. The company has not raised any money by public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the company has been noticed or reported during the year. As regards fraud on the company, the following cases have been noticed or reported during the year.

Sl. No.	Brief Description of the case	Amount involved (Rs. Crores)	
1	Misuse of employee entitlements (Rs. 0.02 crores since recovered)	0.18	An amount of Rs. 0.17 crores has since been recovered, the balance is under recovery.
2	Irregularities in delivery of material to customers during 1997-98 to 2001-02 and collection of payments thereof (Rs. 12.61 crores since recovered)	13.11	Under the earlier system of issuing credit advices in favour of the steel customers in settlement of the vendor bills by the steel plants, certain transactions remained outstanding pending reconciliation with customers. On reconciliation, a sum of Rs. 13.01 crores has since been recovered and money suit initiated for balance amount.
3.	Embezzlement of company property (Rs. 0.02 crores since recovered)	0.06	Rs. 0.02 crores since recovered. The matter is being followed up for recovery of the balance amount
Total		13.35	

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
(P.S. Panda)
Partner
(M. No. 51092)

Sd/-
(S.K. Mittal)
Partner
(M. No. 8506)

Sd/-
(V.S. Jain)
Chairman

For Ray & Ray
Chartered Accountants

Sd/-
(R.N. Roy)
Partner
(M. No. 8608)

Place : New Delhi
Dated : 25th May, 2005

Place : New Delhi
Dated : 2nd August, 2005



Comments of C&AG

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors's Report under Section 619(4) of the Companies Act, 1956 on the Accounts of Steel Authority of India Limited for the year ended 31st March, 2005.

Sd/-
(K.R. Sriram)

*Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Ranchi.*

Place : Ranchi
Date : 29th June, 2005

Review of Accounts

REVIEW OF ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005, BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :-

DESCRIPTION	2002-03	2003-04	2004-05
<i>(Rupees in crores)</i>			
LIABILITIES			
(a) Paid-up Capital			
i) Government	3544.69	3544.69	3544.69
ii) Others	585.71	585.71	585.71
(b) Reserves & Surplus			
i) Free reserves & surplus	—	22.69	5458.77
ii) Share Premium Account	235.33	235.29	235.29
iii) Specific reserves	924.44	649.29	482.19
(c) Borrowings from			
i) (a) Government of India	0.27	0.27	0.27
(b) Steel Development Fund	204.16	204.16	204.16
ii) Foreign sources - Long-term	1833.00	1305.98	1074.42
iii) Term Loan	1016.25	—	—
iv) Non convertible bonds	4942.75	4323.40	2967.35
v) Bond Application Money	—	—	—
vi) Housing Finance Loans	225.00	—	—
vii) Inter-Corporate Loans	6.18	—	—
viii) Public Deposits	1021.28	581.39	217.10
ix) Working capital borrowings from Banks	2694.62	1224.73	100.78
x) Foreign sources - Short-term	444.16	374.36	395.03
Total Borrowings (i to x)	12387.67	8014.29	4959.11
xi) Interest accrued and due	540.27	675.77	810.68
(d) i) Trade dues, Current Liabilities and Provisions (excluding Gratuity/Accrued leave & Post-Retirement Medical & Settlement Benefit)	4776.59	6024.85	6608.11
ii) Provision for gratuity/ accrued leave & Post-Retirement Medical & Settlement Benefit)	2344.60	2785.41	3344.49
iii) Sundry Creditors for capital works	192.92	179.98	213.47
iv) Deferred Tax Liability	—	—	1844.31
Total (a to d)	<u>25532.22</u>	<u>22717.97</u>	<u>28086.82</u>

Note : Rs. 1587.02 crore of loans are repayable within one year as on 31-03-2005.

ASSETS

(e) Gross Block	27534.61	27683.63	28043.48
(f) Less: Cumulative Depreciation	13498.75	14515.73	15558.41
(g) Net Block	14035.86	13167.90	12485.07
(h) Capital Work-in-Progress	361.25	382.20	366.48
(i) Investments	543.17	543.17	606.71
(j) Loans & Advances to Subsidiary Companies	8.30	171.05	146.20
(k) Current Assets, Loans and Advances	7282.40	8075.15	14187.43
(l) Miscellaneous Expenditure (to the extent not written-off or adjusted)	536.31	378.50	294.93
(m) Profit & Loss Account Debit Balance	2764.93	—	—
Total (e to m)	<u>25532.22</u>	<u>22717.97</u>	<u>28086.82</u>
(n) Working Capital [k-d(i)-c(xi)]	1965.54	1374.53	6768.64
(o) Capital Employed (g + n)	16001.40	14542.43	19253.71
(p) Net Worth [(a)+b(i)+b(ii) - l - m]	1064.49	4009.88	9529.53
(q) Net Worth per Rupee of Paid-up Capital (Re.)	0.26	0.97	2.31
(r) Profit / Loss (-) before Tax	-315.87	2628.21	9365.35
(s) Profit / Loss (-) after Tax	-304.31	2512.08	6816.97

N.B. The figures for the previous years wherever necessary have been re-arranged/regrouped.



Review of Accounts

2. Ratio Analysis

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under :-

	2002-03	2003-04	2004-05
			(In Percentages)
A. Liquidity			
i) Current ratio (current assets to current liabilities & provisions and interest accrued & due but excluding provisions for (Gratuity/ accrued leave and post-retirement benefits) $[k/(d(i)+c(xi))]$	136.97	120.51	191.24
ii) Acid Test Ratio (quick assets i.e. cash and bank balances, sundry debtors and loans and advances (excluding balances with Customs, Excise, Port Trust and Railways, etc., and stores issued on loan) to current liabilities (excluding capital work)	69.82	98.65	180.59
B. Debt Equity Ratio			
Long term debt to Equity $[c(i) \text{ to } (viii)/(a+b(i)+b(ii))]$	2.12	1.46	0.45
C. Profitability Ratios			
(a) Profit before tax to			
i) Capital employed		0.18	0.49
ii) Net worth		0.66	0.98
iii) Sales		0.11	0.29
(b) Profit after tax to Net Worth		0.63	0.72
(c) Earning per share (In Rupees)		6.08	16.5

Due to loss in 2002-03, profitability ratios are in negative and hence not given.

3. Working Capital

i) The following indicates the ratio of working capital to Sales during the last three years :-

	2002-03	2003-04	2004-05
			(Rupees in crores)
a) Working capital	1965.54	1374.53	6768.64
b) Sales	19207.10	24178.48	31800.02
c) % of Working capital to Sales	10.23	5.68	21.29

ii) The Company has made credit arrangements with consortium of banks, lead Bank being the State Bank of India, secured by Company's inventories, book debts and other current assets. The actual utilisation at the year end, during the last three years, was as under :

Years	Utilisation
	(Rupees in crores)
2002-03	2694.62
2003-04	1224.73
2004-05	100.78

4. Sources and Utilisation of Funds

Funds amounting to Rs. 10,622.47 crores from internal and external sources were realised and utilised during the year ended 31st March, 2005 as given below :

		(Rupees in crores)	
I. Sources of Funds			
a) Profit after tax	6816.97		
Add : Depreciation (including Rs. 65.25 crores relating to prior period)	1192.49		
Add : Decrease in miscellaneous expenditure	83.57		
Less : Loss on sale of fixed assets	6.52		
b) Sale of fixed assets		8099.55	
c) Sale/Lease of houses		49.45	
d) Increase in Gratuity/Accrued Leave Provision/Post-Retirement Medical and Settlement Benefits		11.46	
e) Increase in Capital Reserve (incl. P.M's Trophy Award Fund)		559.08	
f) Increase in Sundry creditors for capital works		0.28	
g) Decrease in loans and advances to Subsidiary Company		33.49	
h) Increase in deferred Tax Liability		24.85	
Total (a to h)		1844.31	
		10622.47	

(Rupees in crores)

II. Utilisation of Funds

a) Additions to fixed assets	577.09	
Less : Decrease in Capital W-I-P	15.72	561.37
b) Decrease in borrowed funds		3055.18
c) Increase in working capital		5394.11
d) Increase in Investments		63.54
e) Dividends		1363.03
f) Tax on dividends		185.24
Total (a to f)		10622.47

5. Working Results

5.1 The working results of the Company for the last three years are tabulated below :

	2002-03	2003-04	2004-05
			(Rupees in crores)
a) Sales	19207.10	24178.48	31800.02
b) Cash profit/loss (-) (Profit/Loss before depreciation and tax)	830.79	3750.80	10492.30
c) Net profit/loss (-) before tax	-315.87	2628.21	9365.35
d) % of Cash profit to Sales	4.33	15.51	32.99

5.2 Trends

The finished/semi-finished goods stock at the end of the year as percentage to sales has reduced from 10.76 in 2002-03 to 6.54 in 2003-04 and to 6.13 in 2004-05 as indicated below.

Year	Semi/Finished Stock	Sales	Percentage
	(Rupees in crores)	(Rupees in crores)	
2002-03	2067.12	19207.10	10.76
2003-04	1581.28	24178.48	6.54
2004-05	1949.00	31800.02	6.13

6 (a) Cost Trends

The table below indicates the percentage of cost of sales to net sales realisation during the last three years :

Particulars	2002-03	2003-04	2004-05
			(Rupees in crores)
Sales	19207.10	24178.48	31800.02
Less :			
Excise duty	2370.56	2881.66	3455.12
Freight outward	551.81	528.05	678.64
JPC Cess	2.39	2.52	2.72
Other Sales Expenses	50.13	75.69	34.96
Total Deductions	2934.89	3487.92	4171.44
Net Sales realisation	16272.21	20690.56	27628.58
Add Loss / Less Profit	-315.87	2628.21	9365.35
Cost of Sales	16588.08	18062.35	18263.23
Percentage of Cost of Sales to Net Sales realisation	101.94	87.30	66.10



Review of Accounts

6 (b) Value of Production

The value of production including excise duty, freight outwards, etc. during the last three years is indicated below :

	2002-03	2003-04	2004-05
			(Rupees in crores)
i) Sales	19207.10	24178.48	31800.02
ii) Closing stock of finished/semi-finished products	2067.12	1581.28	1949.00
iii) Opening stock of finished/semi-finished products	2500.12	2067.12	1581.28
iv) Value of Production (i+ii-iii)	18774.10	23692.64	32167.74

The percentage of value of production to Net Worth was 1763.67 in 2002-03, 590.86 in 2003-04 and 337.56 in 2004-05. The percentage of value of production to total net assets of the company was 84.45 in 2002-03, 106.06 in 2003-04 and 115.75 in 2004-05.

7. The following table gives the comparative position of Inventory (net of provisions) and its broad details at the close of the last three years :

	2002-03	2003-04	2004-05
			(Rupees in crores)
i) Stores & Spares (excluding in-transit)	807.49	803.36	844
ii) Raw Materials (excluding in-transit)	540.86	405.25	891.20
iii) Stock in trade	2067.12	1581.28	1949.00
Total	3415.47	2789.89	3684.20

The stock of stores & spares is equivalent to 5.59 months' consumption of stores and spares in 2002-03, 5.01 months' consumption in 2003-04 and 4.68 months' consumption in 2004-05. The stock of raw materials represents 1.04 months' consumption in 2002-03, 0.71 months' consumption in 2003-04 and 1.14 months' consumption in 2004-05. The stock in trade is equivalent to 1.29 months' sales in 2002-03, 0.78 months' sales in 2003-04 and 0.74 months' sales in 2004-05.

8. Sundry Debtors and Turnover

- a) The following table indicates the volume of book debts and sales for the last three years :

As on	Total Book Debts			Sales	%age of total
31st March	Considered good	Considered doubtful	Total		Debts to Sales
					(Rupees in crores)
2003	1660.09	185.74	1845.83	19207.10	9.61
2004	1549.96	199.75	1749.71	24178.48	7.24
2005	1908.45	191.33	2099.78	31800.02	6.60

Though the percentage of Sundry debtors to sales has decreased, the percentage of doubtful debt to sundry debtors increased from 10.06 in 2002-03 to 11.42 in 2003-04 but has decreased to 9.11 in 2004-05.

- b) The following table indicates the details of the debts outstanding for more than one year as on 31st March, 2005:

	Government Departments/Undertakings	Private Parties
		(Rupees in crores)
1. Debts outstanding for more than one year but less than three years	65.56	13.18
2. Debts outstanding for three years or more	98.33	95.68

9. Contingent Liabilities

The following table indicates the details of contingent liabilities and current liabilities for the last three years:

	2002-03	2003-04	2004-05
			(Rupees in crores)
(i) Contingent Liabilities	2853.18	3507.08	3609.67
(ii) Current Liabilities	4492.71	4412.32	4778.92
(iii) Percentage of Contingent Liabilities to Current Liabilities	63.51	79.48	75.33

The percentage of Contingent Liabilities to Current Liabilities which was 63.51 in 2002-03 increased to 79.48 in 2003-04 and has decreased to 75.53 in 2004-05.

Place : Ranchi
Dated : 29th June, 2005

Sd/-
(K.R.Sriram)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board, Ranchi

A. Energy Conservation**(a) Measures Taken**

The overall specific energy consumption in SAIL (4 integrated steel plants) during 2004-05 has been 7.29 Gcal/tcs (previous year 7.46 Gcal/tcs). Important energy conservation schemes implemented during the year are:

Bhilai Steel Plant (BSP)

- Propane gas for scarfing to replace acetylene gas.
- Installation of Blast Furnace (BF) gas burners in Boiler – 6 of PBS to replace coal.

Durgapur Steel Plant (DSP)

- Automation and implementation of process heating model for Reheating Furnace of Section mill.
- Implementation of on-line Delay Strategy Model in 'A' - Furnace of Wheel and Axle Plant.

Rourkela Steel Plant (RSP)

- Replacement of recuperators of Furnace # 6.

Bokaro Steel Plant (BSL)

- Commissioning of multi-slit burners in Sinter band # 2 & band # 3
- Installation of stainless steel sheet in the combustion chamber wall of Stove # 4 of BF # 3.
- Provision of duplex burners in Kiln # 5 to fire tar along with gas.
- Flat roof top with ceramic fibre lining in 3 nos of batch annealing Furnace # 2.
- Coal Dust Injection System in BF # 5.

(b) Additional investment proposals**Bhilai Steel Plant (BSP)**

- Coal Dust Injection (CDI) in BF # 1 & 5
- Modernisation & technological upgradation of BF # 7
- Upgradation of SP # 2 with slit burner ignition furnace

Durgapur Steel Plant (DSP)

- Tar/CTPD injection in BF # 2
- Hood Replacement at BOF
- Modifications of flue exit system in "C" Fce. of Wheel Plant

Rourkela Steel Plant (RSP)

- Coal tar fuel injection in BF # 1
- Multi slit burners in SP # 2
- CDI in BF # 1 & 4
- Revamping of SP – 1
- New battery # 1 commissioning and phasing out of battery # 4 in coke ovens

Bokaro Steel Plant (BSL)

1. Dry gunning of coke oven battery 2 & 8
2. Supply of BF & Coke Oven (CO) gas in Boiler #6 of CPP.
3. Commissioning of Coal Dust Injection System in BF # 2 & 3.

(c) IMPACT OF MEASURES TAKEN

The overall energy consumption for the year decreased by about 2.3% compared to previous year.

(d) TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION

Form 'A' enclosed.

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption are given in Form 'B'.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in Crore)

i) Foreign exchange earned from exports and other activities	1335.43
ii) Foreign exchange used:	
a) CIF Value of import	4617.04
b) Other expenditure in foreign currency	94.95

For and on behalf of Board of Directors

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi.
Dated : 2nd August, 2005



FORM 'A'
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY

Particulars	2004-05	2003-04
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Total Power Purchased		
Units (Million KWH)	5858	5899
Total Amount (Rs. crore)	1696	1728
Average Rate per Unit (Rs./KWH)	2.90	2.93
b) Own Generation		
i) Through Diesel Generator		
Units (Thousand KWH)	0.009	0.014
Units per litre of Diesel Oil (KWH)	3.07	3.33
Average Rate per Unit (Rs. KWH)	4.98	4.59
ii) Through Steam Turbine/Generator		
Units (Million KWH)	814	772
Units per Gega Calories of energy input	237	227
Average Rate per Unit (Rs./KWH)	2.69	2.72
2. COAL		
i) Coking Coal		
Quantity (Million Tonne)	11.77	12.45
Total Cost (Rs. crore)	5193	4248
Average Rate (Rs. per tonne)	4412	3413
ii) Non-Coking Coal		
Quantity (Million Tonne)	0.938	0.844
Total Cost (Rs. crore)	145	121
Average Rate (Rs. per tonne)	1551	1430
3. FUEL OILS		
Quantity ('000 Kilo Litres)	44	43
Total Cost (Rs. crore)	64	59
Average Rate (Rs./Kilo Litres)	14684	13624
4. OTHERS		
i) Coke		
Quantity ('000 Tonnes)	531	147
Total Cost (Rs. crores)	770	140
Average Rate (Rs. Per tonne)	14511	9576
ii) Misc. (LPG, Oxygen, Gases, Process Steam, etc. (Rs. crores)	222	187

B. CONSUMPTION PER TONNE OF PRODUCTION

	STEEL (4 Integrated Steel Plants)	ALLOY & SPECIAL STEELS (ASP, SSP & VISL)*
Purchased Electricity (KWH)	495 (498)	1023 (1225)
Fuel oils (litres)	2 (2)	68 (84)
Coking Coal (kg)	1080 (1130)	
Coke (kgs.)	46 (7)	328 (419)
Non-coking Coal (kg)	86 (77)	

* ASP, SSP & VISL stand for Alloy Steel Plant, Salem Steel Plant and Visvesvaraya Iron & Steel Plant respectively.

- Note: 1. Purchase power quantity consists of power from Joint Venture also.
2. Figures in brackets are for the previous year.



FORM 'B'

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

1. Specific areas in which R & D activities were carried out by the Company

- Cost Reduction
- Quality Improvement
- Energy Conservation
- Product Development and Application
- Automation

2. Benefits Derived as a result of R & D efforts

Cost Reduction

- In order to improve the lining life of BOF and steel ladles, different quality of MgO-C bricks and a zonal lining design based on past year profile was developed resulting in improvement of BOF lining life in SMS-II at RSP to more than 2000 heats as compared to the life of 1100 heats earlier. Average steel ladles life at RSP and BSP improved to 107 and 60 heats compared to 50 and 40 heats respectively. Ladle lining life at ASP has improved from 40 to 130 heats by application of spinel-forming alumina-magnesia castable.
- Technological and scientific inputs such as improving coke breeze crushing index from 50-55% to 70-75%, increase in bed height by 75 mm, improving permeability of sinter mix through lime addition and on-line control of moisture, installation of 3 sector gate and introduction of horizontal heat pattern control, have resulted in improvement of productivity at SP-II, DSP from 1.11 to 1.38 t/m²/hr.
- Development of round ingots in place of existing taper ingot for wheel production at DSP facilitated in getting 4 blocks of BG coach and 3 blocks of locomotive wheel from new ingot mould in place of 3 and 2 blocks respectively from earlier mould. Yield of DLW from ingot to block stage will increase from 70 to 88%. Heating, tempering and rim spray durations were optimized through simulation studies, thereby reducing furnace cycle time by 1-1.5 hrs. and increasing heat treatment shop productivity by more than 30%.
- Remedial measures have been evolved to prevent frequent spalling of back-up rolls of hot strip mill at BSL. Dressing of 4 to 5 mm on diameter and control of campaign length to 1,20,000 to 1,30,000 T have been tried and have resulted in reducing roll spalling by 50%.
- Tar injection technology has been introduced at BSP and BSL. Tar injection rates of 25-30 kg/thm have been achieved during June-August, 2004 in BF # 3 at BSP resulting in coke rate reduction of 50 kg/thm. Based on BSP experience, tar injection facility has also been introduced in BF # 1 at BSL in January 2005. Currently tar is being injected @ 8-14 kg/thm at BSL through 15 tuyeres. The technology is in stabilisation phase in these two SAIL plants.

Quality Improvement

- For improving the quality of slabs at BSL, solidification model of continuous casting strand has been used to locate the crater end at different casting speeds. Maintenance of casting speed beyond 1.4 m/min and better segment maintenance have resulted in reduction of centre line cracks from 7.2 to 1.6%.
- Macro-structural observation indicated that about 50% of cast billets of constructional grades with nominal carbon in the range of 0.2 to 0.4% at DSP had off-corner cracks of varying intensity. Increase in Mn/S ratio to about 25 and casting speed in the range of 2.2-2.5 m/min. have restricted off corner crack in 125 sq. mm billets.
- In order to improve degree of desulphurisation from a level of 17% in VAD for R-19, R-34 wheel grades at DSP, extensive trials were conducted to develop modified process using DART and RAMTREE designed suitably for DSP converters for restricting slag carryover to ≤10 kg/t and modified deoxidation regime with lower Si addition at VAD start. The final VAD slag basicity was controlled between 1.4-1.6 with increased final degassing duration to 20 minutes. It increased the degree of desulphurisation to about 30% with low hydrogen content in steel.
- Metallurgical investigation carried out on prematurely failed forged steel CRM work rolls of RSP produced through ASP-GPI route revealed that while uniform distribution of fine globular carbides in tempered martensite with minimal retained austenite was beneficial, coarse and angular/rod-like carbides were detrimental. Technological measures for manufacture of superior quality rolls were formulated and work rolls of improved quality were manufactured and tried out at RSP. Majority of these rolls were found to yield service life >24000 t during trial period of 6 months.

Energy Conservation

- Efficient ladle heating systems have been introduced in SMS at BSP. Ladle heating temperature of 1175-1200 °C has been obtained in 8 hours in comparison to the temperature of 850-900 °C in 7-8 hours at BSP.
- New BF gas firing burner system in boiler # 6 of Power and Blowing Station at BSP was commissioned. The system utilises BF gas in the range of 40-60 Nm³/hr replacing pulverised coal completely.
- On-line delay strategy program based on SCADA software was implemented in 'A' furnace at Wheel and Axle Plant at DSP. Program can take into account current and planned delays ranging from 15 minutes to 8 hours while setting the furnace parameters and has significantly reduced the scale formation in furnace.

Product Development and Application

- SAIL-HITEN 690 AR grade plate, used for ATM chests, has been successfully developed at BSP. Presently entire requirement of 5000 t/annum is met through imports.
- Spring steel (60Si7) heat was made for the first time at DSP. Heat was cast in 125 x 125 mm billet size. 124 t of billets were successfully processed into leaf springs.
- SAIL Boron grade steel was made by employing suitable slag engineering for deoxidation, argon purging at LTS and addition of boron after bringing down dissolved oxygen to ~20ppm, aiming 40-45% recovery of boron at DSP. 100 tonnes successfully processed into tractor discs.
- To mitigate noise pollution emanating from increased traffic density at roads and highways, a prototype "noise barrier" has been designed and developed for the first time in India. The acoustic performance of the panels was tested as per ASTM specification. The tests indicated that it was possible to reduce the noise level by 25 dB, which is considered at par with noise barriers used in foreign countries. National Highway Authority of India has agreed to install these barriers in a few noise sensitive areas in and around Delhi.

Automation

- A PLC based system was designed installed and commissioned for automation of hot saws for 13/26 m long rails in Rail and Structural Mill,



Annexure – III TO THE DIRECTORS' REPORT

BSP. All field signals have been interfaced to the new PLC. The integrated system is expected to help in augmentation of production of rails by 4500 t/year and reduction in downtime by 10% due to electrical logic failure.

- Automatic gauge control system for finishing stands of hot strip mill at RSP has been augmented by implementing of the high end programmable control and process models. The installed system will reduce the diversion due to off gauge by 50%.

3. Future Plan of Action

R&D programmes identified for the next five years are as follows:

Coal, Coke & Chemicals	Improvement in coal carbonisation practice and introduction of process automation for improvement in coke quality and reduction in energy consumption; Improvement in coal charge preparation for optimisation of cost of coal blends.
Iron & Sinter	Development of intensive beneficiation schemes through lab/pilot scale studies and technological upgradation of beneficiation plants; Improvement in sintering technology, Introduction of pelletisation technologies; Maximising of BF productivity through in-furnace investigation with probes and use of simulation models; Reduction in coke rate; Introduction and stabilisation of alternate fuel injection technologies.
Steel Making & Casting	Improved productivity and reduced level of metallic inputs in BOF and secondary refining units through use of process model; Application of process simulation for enhancement of caster productivity including improved sequence length and tundish life and reduction in level of non-metallic residuals.
Refractories	Improvement in lining life of ladles and BOF through zonal lining and use of better refractory material; Development and application of low/ultra low cement and self-flow castables; Development of shotcrete monolithic lining for steel ladles.
Rolling Technology	Productivity improvement in Rolling Mills; Improvement in quality of rails and introduction of round ingot technology in wheel production; Production of bainitic / micro-alloyed rails and wheels; Control of surface defects and gauge variation in HR and CR coils; Micro-structural modelling of HR coils.
Product Development	Development of new coated products using simulators; Development and promotion of special steel grades for automobile, agriculture, oil and construction sectors; Corrosion resistant rail steel; Earthquake resistant steel; High strength steels for auto, construction and white good sectors.
Energy Conservation	Development and introduction of fuel-efficient burners; Optimisation of heating, rolling and heat-treatment regime for reduction in energy consumption; Energy conservation using computerised process and combustion control system.
Automation & Computerisation	Introduction of automation and control systems and development of softwares for productivity, yield and quality improvement in Reheating Furnaces, Heat Treatment Furnaces and Finishing Lines of Rolling Mills; Development of integrated communication and instrumentation system; Intelligent mill set up model development for control of variation in plate thickness; Development of on-line surface inspection system for hot rolled flat products.
Environment & Pollution Control	Assessment of PAH in coke oven work zone; Environmental Life cycle Assessment in iron & steel making; Development of process for recycling/reuse of BF/BOF mill sludge/slag and improvement in water quality and recycling.

4. Expenditure on R&D

	(Rs. in crores)
Capital	1.33
Revenue	59.22
Total	<u>60.55</u>
% of Turnover	0.19

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Technology development, absorption, adaptation and further improvement are continuously taking place in SAIL in different areas of steel plant operation through a definitive technology strategy and intensive R&D efforts. A number of new technologies are installed/being installed as a part of modernisation/continuous improvement. These area-wise include:

Coke Making

- Technology assistance for rebuilding of environment friendly Coke Oven Battery No.1 of RSP, No.5 of BSL and also No.5 of BSP.
- Selective crushing of Coal (for improved coke quality) at DSP.
- Partial Briquetting of Coal Charge for improving coke strength at RSP.

Sinter Making

- Base Blending for Sinter mix (for improved sinter quality)
- System for recovery of sensible heat from sinter for increased energy efficiency in ignition furnace at the new Sinter plants of BSP, DSP & RSP.

Iron Making

- Coal Dust Injection (CDI) in three Blast Furnaces at BSP, two Blast Furnaces at DSP and three Blast Furnaces at BSL for reducing cost of production of hot metal. This technology is being extended to other Blast Furnaces.
- Two stage Gas Cleaning Plant for Blast Furnace at RSP (for improvement in quality of BF gas)
- Introduction of Cast House Slag Granulation technology in Blast Furnaces.
- Introduction of High Hot Blast technology in Blast Furnace stoves.

Steel Making

- Hot Metal Desulphurisation system after mixer for charging low sulphur hot metal in the BOF converters for improved steel quality at RSP & BSP.
- Slag Splashing technology for improved BOF vessel life at BSP, RSP, DSP and BSL.
- Introduction of combined blowing technology (for improved product quality) in SMS-II, BSL.
- Introduction of RH Degassing for improved rail steel product quality in SMS-II of BSP.
- Introduction of Electro-magnetic stirring (for improved product quality) in the continuous casting machines at VISL, DSP and ASP.

Rolling Finishing (Long Products)

- Ultrasonic testing and Eddy current testing facilities (for quality assurance of rails) at BSP and DSP.
- Long rail finishing technology at Rail & Structural Mill, BSP.
- Slit rolling in Merchant Mill (for increased productivity and broader product range) in Merchant Mill of DSP.
- Introduction of TMT technology of production of TMT bars at the Merchant Mills at BSP & DSP and in the Wire Rod Mill of BSP.

Rolling & Finishing (Flat Products)

- Laminar Strip Cooling, Hydraulic Automatic Gauge Control, Work Roll Bending (all for improved product quality) in the Hot Strip Mill of BSL & RSP and Plate Mill of BSP.
- Installation of Walking Beam Reheating Furnaces (for improved product quality, yield and reductions in energy consumption) in the Hot Strip Mills of BSL and RSP and in the Plate Mill of RSP.

These technologies have been/are being gradually absorbed by the plants. No other major technologies were imported by the company during the last five years.



Corporate Governance

(a) Company's philosophy:

The philosophy of the company in relation to corporate governance is to ensure transparency, disclosures and reporting that conforms fully with laws, regulations and guidelines, and to promote ethical conduct throughout the organization, with the primary objective of enhancing shareholders value while being a responsible corporate citizen. The company is committed to conforming to the highest standards of corporate governance in the country. It recognizes that the Board is accountable to all shareholders and that each member of the Board owes his/her first duty to protecting and furthering the interest of the company.

(b) Board of Directors:

From 1st April, 2004 to 22nd September, 2004, the Board of Directors comprised a full time Chairman, 8 whole time Directors (WTD) and 8 non-executive Directors (Non-ED) (including 6 independent directors). With the completion of term of 2 Directors and resignation by 1 Director, the strength of non-executive Director as on 31st March, 2005 was 5 (including 3 independent directors). The matter of nomination of eight independent Directors is under consideration of Government of India. During the year, 8 Board meetings were held on 27.04.2004, 28.05.2004, 29.07.2004, 28.09.2004, 29.10.2004, 14.12.2004, 27.01.2005 and 10.03.2005.

The composition of directors and their attendance at the Board meetings during the year and at the last Annual General Meeting as also number of other directorships are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other directorship held as on 31.3.2005*
Shri V.S. Jain	Chairman	8	Yes	Nil
Shri S.C.K. Patne (upto 30.04.2004)	WTD	1	-	6
Dr. S.K. Bhattacharyya	WTD	5	Yes	1
Dr.Y.R.K. Reddy (upto 22.09.2004)	Non-ED	3	-	3
Shri D.V. Singh (upto 12.08.2004)	Non-ED	3	-	2
Shri S.N. Mishra (upto 25.12.2004)	Non-ED	6	-	1
Dr. Sanak Mishra	WTD	8	Yes	1
Shri V.K. Agarwal	Non-ED	8	Yes	1
Shri P.K. Sengupta	Non-ED	8	Yes	1
Dr. Amit Mitra	Non-ED	6	-	2
Shri A.H. Jung (upto 23.02.2005)	Non-ED	6	-	3
Shri Ashis Das	WTD	8	Yes	6
Dr. S.Y. Quraishi (upto 13.09.2004)	Non-ED	-	-	4
Shri U.P. Singh	WTD	8	Yes	3
Shri S.K. Roongta	WTD	8	Yes	-
Shri R.P. Singh	WTD	8	Yes	3
Shri G.C. Daga	WTD	7	Yes	2
Shri K.K. Khanna (w.e.f. 01.05.2004)	WTD	6	Yes	2
Dr. S.N. Dash (from 24.08.2004 to 05.10.2004)	Non-ED	1	-	5
Shri J.P. Singh (from 5.10.2004 to 25.10.2004)	Non-ED	-	-	-
Shri Ajoy Kumar (w.e.f. 25.10.2004)	Non-ED	4	-	2
Shri Arun Kumar Rath (w.e.f. 09.12.2004)	Non-ED	3	-	4

* Includes Directorship in Private companies. The details in respect of directors who were not in office as on 31st March, 2005 are based on latest disclosures made to company.

(c) Audit Committee:

i) Terms of reference:

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing

the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews with management, the quarterly and annual financial statements before their submission to the Board.

With the revision in Terms of Reference of the Audit Committee, it has started reviewing Management discussion and analysis of financial condition and results of operations; Statement of significant related party transactions (as defined by the Audit Committee) submitted by management; Management letters/ letters of internal control weaknesses issued by the statutory auditors; Internal audit reports relating to internal control weaknesses etc.

The minutes of the audit committee meetings are circulated to the Board, discussed and taken note of.

ii) Composition:

The Audit Committee of the Board was formed in 1998. However, the Audit Committee was reconstituted on 21st March, 2001, consisting of non-executive Directors only. At present, the members of the Audit Committee are Shri V.K. Agarwal, Shri P.K. Sengupta and Shri J.P. Singh.

During the last year, the committee met 7 times and attendance at the meetings were as follows:

Name of the Director	Status	No. of meetings attended
Shri V.K. Agarwal	Chairman	7
Shri D.V. Singh (upto 12.08.2004)	Member	4
Shri A.H. Jung (upto 23.02.2005)	Member	7
Shri S.N. Mishra (upto 25.12.2004)	Member	5
Shri Ajoy Kumar	Member	3
Shri P.K. Sengupta (w.e.f. 29.03.2005)	Member	-

(d) Nomination & Compensation Committee:

i) Being a Government company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committees has not been constituted.

ii) The details of remuneration to whole time directors are given below:

(Rupees)

Name of the Director	Salary	Retirement & other Benefits	Total
Shri V.S. Jain	685974	239610	925584
Shri S.C.K. Patne	56315	47912	104227
Dr. S.K. Bhattacharyya	663815	89221	753036
Dr. Sanak Mishra	620034	165430	785464
Shri Ashis Das	614399	211018	825417
Shri U.P. Singh	571363	96339	667702
Shri S.K. Roongta	613369	263547	876916
Shri R.P. Singh	569409	125329	694738
Shri G.C. Daga	667672	162253	829925
Shri K.K. Khanna	542247	217288	759535
Total	5604597	1617947	7222544

- iii) The non-executive Directors are paid only sitting fees of Rs.10,000/- for each Board/Board Sub-Committee Meetings attended by them (Rs.5000/- upto 13.12.2004).
- iv) The salary of the whole time directors is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.

v) **Terms & Conditions**

The whole time directors are nominated by Government of India for appointment as Director for a period of 5 years or till the age of Superannuation or until further order, which ever is earlier. They are initially appointed by the Board as Additional Directors and thereafter by the shareholders in the Annual General Meeting in terms of the provisions of the Companies Act, 1956.

The appointment may, however, be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

(e) Shareholders/Investors Grievance Committee:

- (i) A Shareholders/Investors Grievance Committee under the Chairmanship of a non-executive director namely Shri V.K. Agarwal and comprising two whole time Director namely Shri Ashis Das, Director (Personnel) and Shri G.C. Daga, Director (Finance) as members is functioning to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- (ii) Name of compliance officer: Shri Devinder Kumar, Company Secretary
- (iii) There were 2 complaints pending redressal as on 31.03.2004. Number of shareholder complaints received during the period from 01.04.2004 to 31.03.2005 were 13. All the complaints including complaints pending as on 31.03.04 were resolved during the year. There was no complaint pending redressal as on 31.03.2005.

(f) General Body Meetings:

Location and time where last three AGMs held:

Financial Year	Date	Time	Location
2003-2004	28.09.2004	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi
2002-2003	26.09.2003	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi
2001-2002	24.09.2002	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.

(g) Disclosures:

There were no transactions by the Company of material nature with promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions vis-à-vis the company during the year except receipt of sitting fee for attending the meetings of the Board/Board Sub-Committee.

There were no instances of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter

related to capital markets, during the last three years.

(h) Means of Communication:

Quarterly results are published in prominent daily newspapers as per requirements. The quarterly/Annual results are made available at the website of the Company. The Management's Discussion & Analysis Report forms part of the annual report.

(i) General Shareholders Information:

- i) Annual General Meeting is proposed to be held on 23rd September, 2005 at NDMC Indoor Stadium, Talkatora Garden, New Delhi.
- ii) Dates of Book Closure – 13th August to 1st September, 2005.
- iii) The shares of the Company at the beginning of the financial year 2004-05 were listed in the following stock exchanges:
The Delhi Stock Exchange Association Limited,
DSE House, 3/1, Asaf Ali Road, New Delhi-110002.
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street,
Fort Mumbai-400001
(Stock Code No.113)
The National Stock Exchange of India Limited,
Plot No. C/1, G Block, Bandra Kurla Complex,
Bandra (E). Mumbai- 400051
The Calcutta Stock Exchange Association Limited,
7, Lyons Range, Kolkata-700001.
Madras Stock Exchange Limited,
Exchange Building, Post Box No.183, 11, Second Line
Beach, Chennai-600001.
The Stock Exchange Ahmedabad,
Kamdhenu Complex, Near Polytechnic, Panjara Pole,
Ahmedabad-380015.
The London Stock Exchange,
London EC2N 1HP, UK

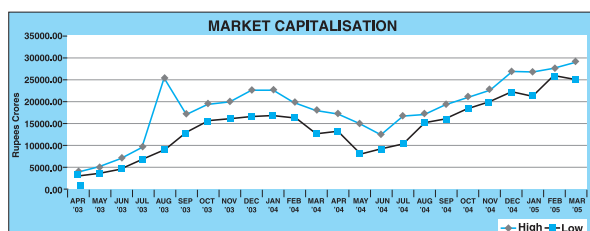
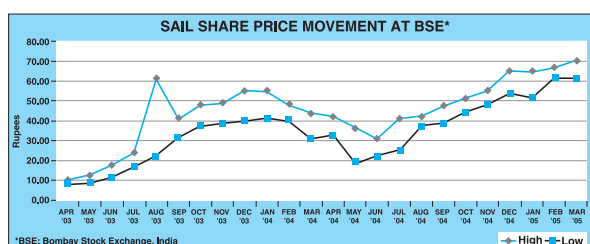
It is confirmed that Annual Listing Fee for 2004-2005 has been paid to each of the stock exchanges. During the year the company had applied under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 for voluntarily delisting from The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited, Madras Stock Exchange Limited and The Stock Exchange Ahmedabad. The company's shares have already been delisted from Delhi Stock Exchange Association Limited (DSE), Madras Stock Exchange Limited (MSE) and The Stock Exchange Ahmedabad (ASE) and the confirmation of delisting is awaited from the Calcutta Stock Exchange Association Limited (CSE).

- iv) The monthly high and low quotation of the company's shares during each month in the last financial year at the Mumbai Stock Exchange (BSE) and its comparative performance with the broad base BSE Sensex during the year 2004-05 are indicated below:



Corporate Governance

MONTH & YEAR	SENSEX		SAIL at BSE	
	HIGH	LOW	HIGH	LOW
APR '04	5,979.25	5,599.12	41.95	32.30
MAY '04	5,772.64	4,227.50	36.40	20.00
JUN '04	5,012.52	4,613.94	30.80	22.25
JUL '04	5,200.85	4,723.04	40.90	25.50
AUG '04	5,269.22	5,022.29	42.15	37.25
SEP '04	5,638.79	5,178.57	47.40	38.60
OCT '04	5,803.82	5,558.14	51.45	44.50
NOV '04	6,248.43	5,649.03	55.15	48.10
DEC '04	6,617.15	6,176.09	64.90	53.90
JAN '05	6,696.31	6,069.33	65.00	52.00
FEB '05	6,721.08	6,508.33	66.90	62.00
MAR '05	6,954.86	6,321.31	70.30	60.90



v) Registrar and Share Transfer Agent:

M/s. MCS Limited,
Sri Venkatesh Bhawan, W-40, Okhla Industrial Area
Phase-II, New Delhi-110020
Phone No.011-26384909

vi) Share Transfer System:

The Share Transfer Committee of the Board meets at regular intervals, so that shares lodged for transfer are dispatched back well within the time limit prescribed in this respect under the listing agreements.

vii) Distribution of Shareholdings as on 31st March, 2005

Share Holding	Shareholder's Number	% of Total	Amount In Rupees	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 5000	207093	82.27	391760400	0.95
5001 - 10000	22215	8.83	192708520	0.47
10001 - 20000	10592	4.21	170243780	0.41
20001 - 30000	3706	1.47	98212620	0.24
30001 - 40000	1643	0.65	60526730	0.15
40001 - 50000	1946	0.77	94042090	0.23
50001 - 100000	2415	0.96	183118000	0.44
100001 and above	2113	0.84	40113393310	97.12
Total	251723	100.00	41304005450	100.00

viii) Shareholding pattern as on 31st March, 2005

Category	No. of Shares held	%age of Shareholding
A. Promoters' Holding		
1 Promoters		
- Indian Promoters viz., the Govt of India	3,544,690,285	85.82
- Foreign Promoters	-	-
2 Persons acting in Concert	-	-
Sub-Total	3,544,690,285	85.82
B Non-Promoters' Holding		
3 Institutional Investors		
a Mutual Funds and UTI	30,349,182	0.73
b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt Institutions)	170,909,383	4.14
c Foreign Institutional Investors (FIIs)	174,521,151	4.23
Sub-Total	375,779,716	9.10
4 Others		
a Private Corporate Bodies	48,392,877	1.17
b Indian Public	157,350,307	3.81
c NRIs/OCBs	2,240,625	0.05
d Any other (Please specify) - GDR	1,946,735	0.05
Sub-Total	209,930,544	5.08
GRAND TOTAL	4,130,400,545	100.00

ix) Status of dematerialisation as on 31st March, 2005

Particulars	No. of shares	% of capital	No. of Accounts
NSDL	551797891	13.36	155425
CDSL	20320065	0.49	18411
Total Dematerialised		13.85	173836
Physical - Government of India	3544690285	85.82	4
Physical - Other shareholders	13592304	0.33	77883
Total	4130400545	100.00	251723

The Government of India holds shares in physical form. Out of the balance equity capital of the company, 97.68% have already been dematerialised by 31.03.2005.

x) The Company's plants/units/subsidiaries are located at:

STEEL PLANTS

- Bhilai Steel Plant, Bhilai-490001, Chhattisgarh
- Durgapur Steel Plant, Durgapur-713203, West Bengal
- Rourkela Steel Plant, Rourkela-769011, Orissa
- Bokaro Steel Plant, Bokaro Steel City-827001, Jharkhand
- Salem Steel Plant, Salem-636013, Tamil Nadu
- Alloy Steels Plant, Durgapur-713208, West Bengal
- Visvesvaraya Iron & Steel Plant, Bhadravati-577031, Karnataka

UNITS

- Central Coal Supply Organisation, Dhanbad-828127, Jharkhand.
- Central Marketing Organisation, Ispat Bhawan, 40, Jawahar Lal Nehru Road, Kolkata-700071, West Bengal.
- Centre for Engineering & Technology, Ranchi-834002, Jharkhand.
- Environment Management Division, 6, Ganesh Chandra Avenue, (5th Floor), Kolkata-700013, West Bengal.
- Growth Division, 97, Park Street, Calcutta-700016, West Bengal.
- Management Training Institute, Ranchi-834002, Jharkhand.
- Raw Materials Division, 10, Camac Street, Industry House, Kolkata-700017, West Bengal.
- Research & Development Centre for Iron & Steel, Ranchi-834002, Jharkhand.
- SAIL Consultancy Division, 16-20 Floor, SCOPE Minar North Tower, Laxmi Nagar Distt. Centre, Delhi-110092.
- SAIL Safety Organisation, Ranchi-834002, Jharkhand.

SUBSIDIARIES

- The Indian Iron & Steel Company Limited, Burnpur-713325, West Bengal.
- Maharashtra Elektrosmet Limited, Chandamul Road, Chandrapur-442401, Maharashtra.
- Bhilai Oxygen Limited, Ispat Bhawan, Lodi Road, New Delhi-110003.

xi) Address for correspondence from shareholders for queries/ complaints, if any:

M/s. MCS Limited,
Sri Venkatesh Bhawan, W-40, Okhla Industrial Area
Phase-II, New Delhi-110020, Phone No.011-26384909

Management Discussion and Analysis Report



The Management of Steel Authority of India Limited presents its Analysis Report covering the performance and outlook of the Company.

A. INDUSTRY STRUCTURE & DEVELOPMENTS

General Economic Environment

The buoyancy in demand for iron and steel products maintained its momentum in financial year 2004-05 (FY05). This resulted in further improvement in domestic and international prices. The index of industrial production showed a growth of 8.2% during FY05 as compared to 7% during the previous year. Global apparent consumption of finished steel increased by about 9% during calendar year 2004 and apparent consumption of finished mild steel in India grew by 7% over the previous year.

During 2004-05, the GDP growth was 6.9% compared to growth of 8.5% in the previous year. The growth in the industry was 7.7% compared to 6.6% in the previous year, driven mainly by manufacturing and buoyant exports. The major steel consuming sectors, viz. construction, capital goods, automobiles and general engineering registered impressive growth during the year.

Production vis-à-vis Demand for Steel in India

The apparent domestic consumption of finished mild steel during the year 2004-05 was approx. 33.4 million tonnes as compared to about 31.2 million tonnes during previous year. The total domestic production during 2004-05 was approx. 38.4 million tonnes. The import and export of finished mild steel during FY 05 was approx. 2.1 million tonnes and 4.4 million tonnes respectively.

Position of Steel Authority of India Ltd. (SAIL)

SAIL was ranked 16th largest steel producer in the world during 2004 (Source : IISI). SAIL continues to be the largest steel producer of finished steel in India with about 26% market share during 2004-05.

B. OPPORTUNITIES & THREATS FOR SAIL

Opportunities

SAIL has four main Integrated Steel Plants which have a combined capacity of 10.2 million tonnes of saleable steel with modernized facilities available to meet diverse customized requirements in terms of quality, size, grade, delivery etc.

The per capita steel consumption in the country is approx. 29 kg as compared to the world average of around 149 kg. There is a substantial scope for increase in domestic steel consumption.

Substantial investments have been planned in infrastructure development in the country especially in construction of highways, bridges, airports, seaports, oil & gas pipelines, drinking water supply pipelines etc. The size range and quality makes SAIL's long products a preferred choice for project customers. In case of flat Products, SAIL remains a major supplier of HR Coils in tube-making sector and is slowly increasing its presence in cold reducing segment. The Plates from SAIL are rated amongst the best and are in good demand from project customers.

The water supply, oil & gas sectors and auto sectors are the other segments where there is large growth potential. The ERW Pipe Mill at Rourkela Steel Plant which is being modernized will be able to cater to the requirement of these sectors. Besides, Bokaro Steel Plant and Bhilai Steel Plant are acquiring capabilities to produce API grade HR Coil and Plates for servicing these sectors.

Keeping the above opportunities in mind, SAIL has drawn Corporate Plan 2012 to reach 20 million tonnes of hot metal capacity and acquire the necessary capability to serve construction, auto, oil & gas and cold reducing segment.

Threats

The custom duty on steel has been reduced to 5%. This custom duty is even lower than some ASEAN Countries. As and when international prices decline, there could be increase in imports, resulting in reduction in realization in the domestic market.

In Long Products, there is a lot of activity in Secondary Sector especially in production of TMT and Wire Rods and Structurals. Large number of units are coming up in ore rich states like Chhattisgarh, Orissa, West Bengal and Jharkhand adopting the Sponge Iron route for manufacturing steel. Some units have come up with international technology like Thermex, Tempcore for production of TMT.

All the major producers of HR Coils have planned to enhance capacities, alongwith cold reducers/galvanizers going in for backward integration and setting up Steel Plants to produce HR Coils.

There is substantial excess capacity for galvanized products in India. With export volumes substantially, any set back in export will have a negative impact and a negative cascading effect on CR & HR Coils.

China has added more than 50 million tonnes capacity mostly in Flat Products during last year. China is likely to emerge as a net exporter of steel, this might put pressure on global steel prices.

C. RISKS AND CONCERNS

With low customs duty on steel items, a volatility in international prices will have a direct impact on domestic steel prices.

Inadequate infrastructure facility and rising prices of raw materials like coking coal are some of the key concerns of steel industry. Increase in oil prices will also have impact on production cost. The ocean freight continues to be high. Other infrastructure problems like availability of wagons, port congestion etc. would also impact operations at SAIL Plants and will have direct effect on operating margins.

D. OUTLOOK

The country is on a high growth path. There is a demand for infrastructure development, on account of increased economic activity, which will generate demand for steel. As the per capita steel consumption in India is very low compared to world average, potential for growth is enormous, and as economy picks up, the steel consumption would also go up.



Management Discussion and Analysis Report

E. DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE

1. Financial Overview of SAIL

The Market for Steel

Current year has been an exciting year for the Steel Industry as it experienced unprecedented buoyant market conditions. Domestic recovery of steel industry, which started in last quarter of 2002, continued throughout the year. India achieved impressive growth in GDP and noticeable growth was registered in all the core sectors and industry at large. This resulted in higher demand of industrial raw materials particularly steel, which is major component in core sectors like power, transport and construction.

Growth in Steel sector was also noteworthy. Steel consumption scenario is upbeat as demand for steel registered a growth of 7% mainly due to demand from infrastructure sector and increased demand of capital goods, consumer durables, etc. The average growth in apparent steel consumption in India since 2000-01 is as follows:

Year	Apparant Steel Consumption (in MT)	% Growth over Previous Year
2004-05	33.35*	7.0
2003-04	31.17*	8.0
2002-03	28.90	5.3
2001-02	27.44	3.4
2000-01	26.53	5.7

* Source JPC, March 05

Chinese growth has been one of the main drivers behind increased global demand. Strong demand from Asia has resulted in raw material supply imbalance leading to shortage of some of the key inputs such as coking coal, coke, iron ore, scrap, etc. Not only prices of these inputs increased significantly but they were also in short supply. Prices of imported Coking coal more than doubled over last year.

1.1 Performance of SAIL

The strong performance of the company on all fronts was well reflected in the financial results. The returns were progressively higher with each quarter of financial year, being an improvement over the previous one.

During FY' 2004-05, SAIL earned a profit of Rs. 9365 crore (before taxes) and Rs.6817 crore after taxes. The major reasons contributing to improve profitability are:

- Improved product-mix and value added products
- Improved techno-economic parameters viz. reduction in coke rate and reduction in specific refractory consumption, energy consumption etc.
- Improvement in Net Sales Realisation
- Thrust on Cost Reduction Measures
- Reduction in debt, resulting in substantial savings in interest.

1.2 Initiatives taken by the SAIL management in the recent past include:

➤ Adopting a market-oriented product-mix, reinforcing sales and marketing efforts with greater focus on customer satisfaction

- SAIL's Central Marketing Organisation (CMO) has laid special emphasis on customer satisfaction and nurturing customer loyalty for increased sales. CMO has also adopted a marketing strategy focussing on various steel consuming segments such as projects/infrastructure sector, tube makers, cold rolling units, oil & gas sector, railways, machinery manufactures, re-rollers, wire drawing units, etc. These concerted efforts have not only resulted in higher generation of revenue but also resulted in reduction of stock.
- In order to reach small customers, over 200 new dealers at 99 distinct location have been appointed for distribution of branded products.
- Sale of special steel produced by SAIL crossed 1 million tonne level mark.

➤ Cost Control Measures

Downturn in the steel sector made the company focus on continuous cost reduction and productivity improvement through systematic application of new technology and strong awareness to reduce cost at all level of operation. The same emphasis has continued and cost control savings were achieved in major areas of operation during the year, viz. like improvement in techno-economic factors, reduction in specific usage of raw materials etc.

➤ Fund Management

During the year, thrust has been given to debt reduction and fund management. Overall debt of the company at Rs.5770 crore as on 31.3.2005 has reduced by about Rs.2920 crore over previous year. This coupled with reduction in interest rates helped the company in reducing its interest burden by Rs.296 crore.

➤ Rightsizing Manpower

- The Company operated Voluntary Retirement Scheme (VRS) based on the Department of Public Enterprises (DPE) model which envisaged lump sum payment and this has resulted in separation of 1440 employees.
- Manpower reduction of 35,356 has been achieved through different VR Schemes since 1998.

➤ Purchase Cost Optimisation & Inventory Management

- The Company has been steadily moving towards e-Commerce by adopting e-Procurement & e-Sales modes successfully. After introducing Procurements through Reverse Auction (RA) in SAIL in 2001-02, the next step, i.e. implementation of an e-Procurement module based on on-line transaction with vendors is in progress. e-procurement of items worth around Rs.298 crore have been done during the year through RA and Purchase Cost Reduction Module.
- e-Sales – The first Forward Auction (FA) for sale of products from plants was done in March'03. In the financial year 2004-05, e-sales of products had a transaction value of Rs.1156 crore.

2. SUMMARISED FINANCIAL PERFORMANCE

(Rs. in crore)

	2004-05	2003-04
Turnover	31800	24178
Gross Margin (EBDIT)	11097	4652
Interest	605	901
Cash Profit	10492	3751
Depreciation	1127	1123
Net Profit before Tax	9365	2628
Net Profit after Tax	6817	2512

PBT has improved by Rs.6737 crore over that in the previous year mainly due to improvement in production, product-mix, techno-economic factors and net sales realisation (NSR).

a) Sales turnover

- The Company's turnover during 2004-05 was Rs.31,800 crore, which was 32% higher than the previous year's Rs. 24,178 crore, mainly on account of higher sales volume in domestic market, better product mix and prices. The Company's main business arena continues to be the domestic market, which provides about 96% of the company's total sales turnover. Export of steel product of 4.62 lakh tonnes during 2004-05, was lower by 60% over the previous year mainly to improve availability of steel in the domestic market.
- SAIL's product-mix is evenly balanced and caters to the entire gamut of the mild steel business – flat products in the form of plates, HR coils/sheet, CR coils/sheets, plain/corrugated galvanised sheets - long products comprising rails, structurals, wire-rods, merchant products, etc. In addition, pipes (ERW & SW), electrical steel sheets and tin plates also form part of the rich product-mix of SAIL's mild steel business. The product category-wise sales turnover during 2004-05 is as follows:

Saleable steel – 4 Integrated steel plants	%
Flat Products	55
Long Products	33
PET (Pipes, Electrical sheets, Tin plates) Products	2
Total mild steel	90
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	4
Alloy & Special Steel Plants (Pig Iron, Ingot & Saleable Steel)	6
Total	100

b) Earning before Depreciation, interest and Tax (EBDIT)

The EBDIT of SAIL during FY'05 at Rs.11,097 crore, registered an improvement of about 139% over the previous year despite escalations in the input prices such as imported and indigenous coking coal, boiler coal, Ferro alloys, etc. Input cost escalations were partly neutralized by higher efficiency in the operational areas by way of improved TE Parameters and lower specific energy consumption.

c) Interest

As a result of reduction in total borrowings and interest rates, the total interest and finance charges reduced by Rs. 296 crore during the year. In addition, Rs.178 crore was earned on short terms deposits with Banks.

d) Debt Equity Ratio

Debt Equity Ratio has improved to 0.58:1 (as on 31.03.05) from 1.87:1 (as on 31.03.04) due to reduction in borrowings and improved financial performance of the company and better cash management.

(Rs. in crore)

Items	31.3.2005	31.3.2004
Total borrowing	5770	8690
Net Worth	10012	4659
Debt Equity Ratio	0.58:1	1.87:1

The total borrowings are at the level of short term deposits in various banks, implying virtually Zero debt status for the company.

e) Working capital

(Rs. in crore)

	As on 31.3.2005	As on 31.3.2004
Current Assets		
Inventory	4221	3057
Sundry debtors	1908	1550
Cash & bank balance	6132	2036
Interest receivable	142	86
Loans and advance	1784	1346
1. Total current assets	14187	8075
Current Liabilities		
Current liabilities	4565	4232
Provisions (excl. gratuity / leave / retirement benefits)	2043	1793
2. Total current liabilities	6608	6025
3. Working capital (1 – 2)	7579	2050

- Inventory of saleable steel at the four integrated steel plants has decreased by 1.13 lakh tonnes.
- Increase in Cash and Bank balance is mainly due to short-term investment of surplus funds.

3. PLANTWISE PROFIT & LOSS AFTER INTEREST AND DEPRECIATION (BEFORE TAXES)

(Rs. in crore)

	2004-05	2003-04
Bhilai Steel Plant (BSP)	4042	1932
Durgapur Steel Plant (DSP)	784	81
Rourkela Steel Plant (RSP)	1045	-109
Bokaro Steel Plant (BSL)	3290	1120
Alloy Steels Plant (ASP)	-42	-172
Salem Steel Plant (SSP)	3	2
Visvesvaraya Iron & Steel Plant (VISL)	-24	-82
Other Units	267	-144
SAIL	9365	2628



Management Discussion and Analysis Report

There is considerable improvement in financial performance of all steel plants. RSP has entered the profit zone after a gap of over 9 years and earned a profit of Rs.1045 crore. Among Special Steel Plants there has been substantial improvement at ASP & VISL.

F. HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company has always believed that human resource is the most important resource and continues to work for its development. The Personnel Department aligned its functioning and activities in tune with the business objectives and provided the desired support. The ongoing thrust on rationalization of manpower with focus on proper utilization, rightsizing and reducing the labour to make the company leaner continued with implementation of Voluntary Retirement (VR) Scheme. The manpower strength as on 31st March, 2005 was 126857 comprising 14329 executives and 112528 non-executives. The total reduction in manpower achieved during the year stood at 5053 which included separation of 1440 employees through VR. The labour productivity saw an impressive improvement by around 5% over previous year to 144 TCS/Man/year.

The HRD activities focused on multi-skill training and enhancement of managerial competencies. Competency mapping for identification of skill gaps and training was initiated. Providing opportunities for open interaction, communication and feed-back have been highlights of HRD intervention at plants/units. Thrust in the Human Resource area to reach out to more and more employees through various communication exercises was continued. The proactive interventions and close coordination through a process of mutual dialogue with different agencies including Trade Unions and Officers Associations, ensured conducive Industrial Relation climate. To keep up the morale of the employees, motivation measures such as payment of wage arrears arising out of wage/salary revision effective from 1.1.97, restoration of encashment of Earned Leave, review of House Building and Conveyance Advance, introduction/revision of Mining Allowance, revising rates of Local Traveling Expenses/Transport Expenses/Night Shift Allowance, etc. were taken. To address the issue of stagnation and growth among the senior workmen of SAIL, S-11 grade was introduced during the year.

G. PROJECT MANAGEMENT

The Company incurred a capital expenditure of Rs. 561.37 crore during the year.

Major Projects commissioned during 2004-05.

Long Rails Facilities in Rail & Structural Mill at Bhilai and Turbo-alternator in Captive Power Plant-I at Rourkela were commissioned.

Major Capital schemes presently in progress:

At Bhilai Steel Plant (BSP), Installation of Ultrasonic Testing M/c, Hydraulic Automatic Gauge Control &

Plan View Rolling in Plate Mill has been taken up to meet the customer requirement of closer thickness tolerances, less crop cuttings & side trimming and improved yield of the plates.

Also Revamping of B-Strand in Wire Rod Mill shall facilitate production of Wire Rods of TMT grade & smaller sections, closer tolerance and ensure proper shape of coils without any dog marks & loose ends.

Further, Technological upgradation of Blast Furnace-7 shall increase the useful volume and enhance the BF productivity.

Replacement of stands 9, 10 & 12 by housing less stands has been taken up in Merchant Mill to enhance the product quality by achieving consistent closer tolerances and Replacement of 15 MW Turbo-Generator in Power Plant -1 to enhance the captive power generation & meet category-1 requirement.

At Durgapur Steel Plant (DSP), a 0.85 Mtpa Bloom Caster alongwith associated facilities including 130T Ladle Furnace & Re-heating Furnace is being installed to improve the yield & quality of steel and to reduce energy consumption.

The above scheme envisages phasing-out of the energy intensive ingot route and blooming mill. The 130T Ladle Furnace in Steel Melting Shop is being installed to overcome the problem of return of BOF heats from Continuous Casting Plant and production of special steels.

At Rourkela Steel Plant (RSP), upgradation of Electric-Resistance Welded (ERW) Pipe Plant has been taken up to produce pipes with enhanced quality (API-5L upto X-70) to meet the requirement of oil & gas sector.

Further capital repair of Blast Furnace-4 envisages achieving the designed productivity of the BF.

Installation of Cast House Slag Granulation Plant in BF-1 will help in smooth operation of Blast Furnace by improved logistics & pollution control.

Installation 1 no. HP Nitrogen Compressor in Tonnage Oxygen Plant-1 for meeting high pressure Nitrogen demand of the Plant.

At Bokaro Steel Plant (BSL), Cast House Slag Granulation Plant in BF-4 has been taken up for improvement in logistics and elimination of dependency on Slag Pots and Slag Cars.

At Alloy Steels Plant, an Argon-Oxygen-Decarburisation Unit alongwith Electrical Arc Furnace is being installed in order to produce 120,000 tonnes of stainless steel per year to facilitate producing various grades of stainless steel.

In addition, Rebuilding of Coke Oven Batteries at Bhilai, Rourkela and Bokaro have been taken-up to install state-of-art pollution control equipment to comply with the latest statutory pollution norms stipulated by Central/State Pollution Control Boards. The various projects are progressing by and large as per schedule except Coke Oven Battery No.1 of RSP



which is delayed due to poor performance of M/s. CUI and its Consortium members.

H. IN HOUSE DESIGN & ENGINEERING

Centre for Engineering & Technology (CET) is providing its services in the areas of modernisation, technological upgradation and additions, modifications and replacement schemes, to plants and units within and outside the company - both in India and abroad.

Major projects implemented during 2004-05:

- Finishing of Long Rails at Rail & Structural Mill at BSP.
- Replacement of Turbo Alternator in CPP-1 of RSP.
- Extension of CDI facilities in BF-6 to BF-7 at BSP.

Major ongoing projects:

- Rebuilding of Coke Oven Battery No.5 with Pollution Control Facilities at BSP.
- Upgradation & Revamping of BF-7 at BSP.
- Replacement/revamping of 'B' Strand in Wire Rod Mill at BSP.
- Replacement of Stand 9, 10 & 12 along with additional facilities in Merchant Mill at BSP.
- Installation of Hydraulic Automatic Gauge Control (HAGC) and Plan View Rolling (PVR) in Plate Mill at BSP.
- Rebuilding of Coke Oven Battery No.5 with Pollution Control Facilities at BSL.
- Installation of INBA Cast House Slag Granulation Plant in BF-4 at BSL.
- Rebuilding of Coke Oven Battery No.1 with Pollution Control Facilities at RSP.
- Capital Repair of Blast Furnace No.4 at RSP.
- Installation of Bloom Caster, Re-heating Furnace and Ladle Furnace at DSP.

I. RESEARCH AND DEVELOPMENT

Research & Development Centre for Iron and Steel (RDCIS) have provided innovative technological inputs to different units of SAIL, with special emphasis on cost reduction, product development and application, quality improvement, energy conservation and automation. As against the scheduled target of 71 nos. of projects, RDCIS completed 73 nos. of R&D projects thus fulfilling 103% of its target. Under the Centre's initiative and leadership, two nos. of state-of-art facilities were installed: Hot Dip Process Simulator (HDPS) for enhancing production and quality know-how for Zn/Zn alloy coating and Thermomechanical Simulator (Gleeble) for optimization of rolling parameters for enhancing product quality and widening product base. Several new products were developed viz., SAIL-HITEN 690 AR Grade Plates at BSP, Spring Steel at DSP, HSCR-35 at BSL, SAIL Boron Steel at DSP etc. The Centre strengthened its technology marketing efforts by providing consultancy services, organizing specialized testing and transfer of technological innovations to outside customers like M/s. Uttam Galva Steel Ltd. Khopali, Kalyani Steel Ltd., Hospet, Pune, M/s. Refcom (India) Pvt. Ltd., Purulia

(West Bengal) and M/s. IFGL Refractories Ltd., Kolkata etc.

During the year, 201 nos. of technical papers were published/presented, besides filing of 32 patents and 26 copyrights. The scientists at the Centre won 9 national awards. In addition RDCIS won the coveted Golden Peacock Innovation Award 2004.

J. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has an efficient system of internal controls for achieving the following business objectives of the company:

- Efficiency of operations
- Protection of resources
- Accuracy and promptness of financial reporting
- Compliance with the laid down policies and procedures
- Compliance with laws and regulations.

In SAIL, Internal Audit is a multi-disciplinary function which reviews, evaluates and appraises the various systems, procedures/policies of the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of risk management towards good corporate governance.

The Company has taken a number of steps to make the audit function more effective. The Internal Audit is subjected to overall control environment supervised by Board Level Audit Committee, providing independence to the Internal Audit function, emphasizing transparency in the systems and internal controls with appropriate skill-mix of internal audit personnel etc. Annual Audit Plans are based on identification of key-risk areas with thrust on system/process audits and bench-marking of the best practices followed in the plants/units is being done so as to achieve cost reduction in overall operation of the company. Development of Internal Audit Executives, bringing awareness amongst auditees converging on the pro-active role of internal audit remained other focused areas during the year.

The Internal Audit system is supplemented by well-documented policies, guidelines and procedures and regular reviews are being carried out by our Internal Audit Department. The reports containing major audit observations are periodically submitted to the management and Audit Committee of the Company.

CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis, describing the Company's objective, projections and estimates are forward looking statement and progressive within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.



Corporate Governance Certificate

To

The Members of

Steel Authority of India Limited

We have examined the compliance of the conditions of corporate governance by **Steel Authority of India Limited** for the year ended 31st March, 2005, as stipulated in clause 49 of the Listing Agreements of the said company with the various stock exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the 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.

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

We state that no investor grievance is pending for a period exceeding one month against the company, as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For P.A. & Associates
Chartered Accountants

Sd/-
(P.S. Panda)
Partner
(Membership No. 51092)

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.K. Mittal)
Partner
(Membership No. 8506)

For Ray & Ray
Chartered Accountants

Sd/-
(R.N. Roy)
Partner
(Membership No. 8608)

Place : New Delhi

Dated : 25th May, 2005

A decorative graphic consisting of several concentric circles in a light blue color, centered behind the text.

CONSOLIDATED

ANNUAL ACCOUNTS



Consolidated Balance Sheet

AS AT 31ST MARCH, 2005

	Schedule No.	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	5348.36	892.19
Deferred Tax Liability (Net)		1862.70	15.65
Loan Funds			
Secured Loans	1.3	1920.63	3746.00
Unsecured Loans	1.4	4243.68	5373.85
		17505.77	14158.09
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		30159.07	29769.28
Less: Depreciation		16965.00	15849.97
Net Block		13194.07	13919.31
Capital Work-in-Progress	1.6	472.43	416.27
Investments	1.7	7.43	5.87
Current Assets, Loans & Advances			
Inventories	1.8	4523.29	3243.45
Sundry Debtors	1.9	1974.64	1619.50
Cash & Bank Balances	1.10	6370.31	2224.16
Interest Receivable/Accrued	1.11	144.07	85.68
Loans & Advances	1.12	1838.04	1386.23
		14850.35	8559.02
Less: Current Liabilities & Provisions			
Current Liabilities	1.13	5223.66	5154.65
Provisions	1.14	6149.91	4904.20
		11373.57	10058.85
Net Current Assets		3476.78	-1499.83
Miscellaneous Expenditure	1.15	354.95	439.79
(to the extent not written off or adjusted)			
Minority Interest	1.16	0.11	0.56
Profit & Loss Account Debit Balance		—	876.12
		17505.77	14158.09

Accounting Policies and Notes on Accounts

3

Schedules 1 and 3 annexed hereto, form part of the Consolidated Balance Sheet.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Place : New Delhi

Dated : 25th July, 2005

Consolidated Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2005



MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

	Schedule No.	Year ended 31st March, 2005	Year ended 31st March, 2004
<i>(Rupees in crores)</i>			
INCOME			
Sales	2.1	33482.65	25337.79
Less : Excise Duty		3587.14	2998.46
Finished products internally consumed		295.92	236.79
Interest earned	2.2	255.85	80.19
Other revenues	2.3	805.19	648.86
Provisions no longer required written back	2.4	155.93	58.04
		31408.40	23363.21
EXPENDITURE			
Accretion (-) / Depletion in stocks	2.5	-475.84	472.68
Raw materials consumed	2.6	10181.21	7366.54
Purchase of finished / semi-finished products		113.08	66.02
Employees' Remuneration & Benefits	2.7	4603.85	5147.60
Stores & Spares Consumed		2294.06	1961.19
Power & Fuel	2.8	2400.28	2317.92
Repairs & Maintenance	2.9	297.35	246.85
Freight outward		701.59	547.94
Other expenses	2.10	1466.66	1601.63
Interest & finance charges	2.11	636.16	950.09
Depreciation		1204.68	1195.01
Total		23423.08	21873.47
Less : Inter Account Adjustments	2.12	1536.88	1258.91
		21886.20	20614.56
Adjustments pertaining to earlier years	2.13	9522.20	2748.65
		-58.79	-23.78
Profit before tax		9463.41	2724.87
Less : Provision for taxation :			
— Current tax		765.62	121.56
— Deferred tax		1847.05	7.07
— Earlier years adjustments		-43.93	-2.34
Profit after tax		6894.67	2598.58
Minority Interest		-0.45	0.33
		6894.22	2598.91
Balance brought forward		-876.12	-3734.39
Amount transferred from Bonds Redemption Reserve (net)		165.09	273.25
Amount Available for Appropriation		6183.19	-862.23
APPROPRIATIONS			
Transferred to General Reserve		702.13	0.90
Interim Dividend		620.96	—
Proposed Dividend		753.07	11.52
Tax on Interim Dividend		81.23	—
Tax on Proposed Dividend		105.55	1.47
Balance carried to Balance Sheet		3920.25	-876.12
		6183.19	-862.23
Earnings per Share (in Rupees) (Basic and Diluted) (Face value Rupees 10/- per Share)		16.69	6.29

Accounting Policies and Notes on Accounts 3
Schedules 2 and 3 annexed hereto, form part of the Consolidated Profit & Loss Account.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For P.A. & Associates
Chartered Accountants

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For Ray & Ray
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Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Place : New Delhi
Dated : 25th July, 2005



Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the year	2004-05	2003-04
A. Cash flow from Operating Activities		(Rupees in crores)
Net Profit / loss (-) before taxation	9462.96	2725.20
Add / (Less) Adjustments for :		
Depreciation	1270.06	1246.77
Interest Expenses	636.16	950.09
Bad debts written-off	38.68	1.30
Unrealised Foreign Exchange Fluctuation	24.86	44.95
Provision for diminution in value of investments	(0.10)	—
Provision for Others	(230.66)	1653.30
Deferred revenue expenditure (Charged during the year)	177.44	337.05
Loss / Profit on sale of Fixed Assets	6.64	(52.42)
Interest Income	(255.85)	(80.19)
Dividend Income	(13.50)	(8.27)
Operating cash flow before working capital change	11116.69	6817.78
Adjustments for :-		
(Increase) / Decrease in Inventories	(1279.84)	656.22
(Increase) / Decrease in Sundry Debtors	(393.82)	47.31
(Increase) / Decrease in Loans and Advances	235.08	(100.57)
(Increase) / Decrease in Minority Interest	0.45	(0.33)
Increase / (Decrease) in Current Liabilities	349.43	32.72
Deferred revenue expenditure (Additions)	(92.60)	(237.27)
Cash generated from Operations	9935.39	7215.86
Direct Taxes Paid	(794.44)	(1.06)
Net Cash from Operating Activities	9140.95	7214.80
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(643.95)	(400.65)
Fixed Assets sold /discarded	67.95	90.77
Purchase/ (Sale) of investments (net)	(1.46)	(1.41)
Interest received	197.46	86.80
Dividend received	13.50	8.27
Net Cash from / (used in) Investing Activities	(366.50)	(216.22)
C. Cash flow from Financing Activities		
Increase / (Decrease) in Reserves & Surplus	(1.12)	0.30
(Decrease) in Borrowings (net)	(2980.40)	(4373.19)
Loans to Other Companies	16.56	(0.18)
Interest and Finance Charges paid	(948.20)	(1109.58)
Dividend Paid	(632.48)	(8.00)
Tax on Dividend	(82.66)	(1.08)
Net Cash from / (used in) Financing Activities	(4628.30)	(5491.73)
Net Increase in Cash & Cash Equivalents (A+B+C)	4146.15	1506.85
Cash & Cash Equivalents (Opening)	2224.16	717.31
Cash & Cash Equivalents (Closing)	6370.31	2224.16
(Represented by Cash & Bank Balances)		

Notes :

- The above Cash Flow Statement has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and under the indirect method set out in AS-3 issued by The Institute of Chartered Accountants of India.
- Figures in bracket indicate cash outflow.
- Significant Accounting Policies and Notes to Accounts (Schedule 3) form an integral part of the Cash Flow Statement.
- Previous year figures have been regrouped / reclassified to conform to current year's classification.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

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Sd/-
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Partner

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(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Place : New Delhi

Dated : 25th July, 2005

Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET



1.1 : SHARE CAPITAL

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Authorised		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
Issued, Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>
<i>Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.</i>		

1.2 : RESERVES AND SURPLUS

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Capital Reserve		
As per last Balance Sheet	4.70	4.70
Less : Adjustment during the year	<u>1.40</u>	<u>—</u>
	3.30	4.70
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.49	8.10
Add : Additions during the year	<u>0.43</u>	<u>0.48</u>
	8.92	8.58
Less : Adjustments towards expenses incurred during the year	<u>0.15</u>	<u>0.09</u>
	8.77	8.49
Share Premium Account		
As per last Balance Sheet	235.60	235.69
Less : Adjustment towards Bond Issue Expenses	<u>—</u>	<u>0.09</u>
	235.60	235.60
Bonds Redemption Reserve		
As per last Balance Sheet	641.65	914.90
Add : Transferred from Profit & Loss Account	103.76	606.15
Less : Transferred to Profit & Loss Account	<u>268.85</u>	<u>879.40</u>
	476.56	641.65
General Reserve		
As per last Balance Sheet	1.75	0.85
Add : Transferred from Profit & Loss Account	<u>702.13</u>	<u>0.90</u>
	703.88	1.75
Surplus as per Profit & Loss Account		
	<u>3920.25</u>	<u>—</u>
	<u>5348.36</u>	<u>892.19</u>



Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.3 : SECURED LOANS

		As at 31st March, 2005	As at 31st March, 2004
			(Rupees in crores)
Working Capital Borrowings from Banks (Including Foreign currency demand loans of Rs. 27.49 crores (Previous Year Rs. 1068.92 crores))	(a)	219.55	1271.45
Term Loan from banks / Financial Institutions	(b)	197.85	297.68
Interest accrued and due thereon	(c)	0.03	—
Foreign Currency Loans	(c)	329.85	331.65
Non Convertible Bonds	(d)		
Interest Rate	Date of Redemption		
14.50%	21st May 2004	—	447.00
14.00%	1st July 2005	394.45	394.45
14.50%	1st April 2006	(e) —	224.05
12.95%	1st December 2007	100.05	100.05
11.30%	1st June 2008	7.25	7.25
11.60%	1st June 2008	33.95	33.95
7.80%	1st September 2008	0.15	0.15
11.10%	1st December 2008	6.50	6.50
11.50%	1st December 2008	0.30	0.30
11.10%	20th July 2009	0.50	0.50
11.50%	20th July 2009	48.65	48.65
9.75%	1st February 2010	0.10	0.10
10.25%	1st February 2010	88.35	88.35
11.50%	15th April 2010	(f) 21.00	21.00
8.00%	1st September 2010	0.70	0.70
13.05%	1st December 2010	59.80	59.80
12.10%	1st June 2011	91.30	91.30
12.00%	1st December 2011	76.90	76.90
12.00%	20th July 2012	109.90	109.90
10.75%	1st February 2013	75.30	75.30
8.20%	1st September 2013	58.20	58.20
		1173.35	1844.40
Housing Development Finance Corporation Limited		—	0.82
		1920.63	3746.00

(a) Secured by hypothecation of Company's inventories, book debts and other current assets.

(b) Secured by equitable mortgage/hypothecation ranking pari-passu of all present and future fixed and movable assets of Durgapur and Rourkela Power Plants and Corporate office at Delhi (NTPC-SAIL POWER COMPANY PRIVATE LTD.) Assets of Bhilai Power Plant-II and Registered Office at New Delhi (BHILAI ELECTRIC SUPPLY COMPANY PRIVATE LIMITED) assets of Thermal Power Plant of 302 MW capacity situated at Bokaro steel plant (BOKARO POWER SUPPLY COMPANY. (PRIVATE) LIMITED)

(c) Secured by hypothecation of all movable machinery pertaining to modernization Stage-I at Bokaro Steel Plant.

(d) Secured by charges ranking pari-passu inter-se, on all the present and future immovable assets at Mouje-Wadej of City taluka, Distt. Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant.

(e) Redeemed on 1.4.2004 at par by exercising call option.

(f) Unsecured Bonds earlier guaranteed by Govt of India, have since been converted into Secured Bonds, for which additional security is yet to be created over DSP properties

Note : Secured Loans repayable within one year as at 31.03.2005, Rs.785.66 crore (31.03.2004 : Rs. 493.37 crore).

1.4 : UNSECURED LOANS

		As at 31st March, 2005		As at 31st March, 2004
			(Rupees in crores)	
Public Deposits		217.10		581.39
Government of India		0.27	0.27	
Interest accrued and due thereon	0.58	0.85	0.50	0.77
Steel Development Fund	204.16		204.16	
Interest accrued and due thereon	810.10	1014.26	675.27	879.43
Foreign Currency Loans				
Long Term	744.57		974.33	
(Guaranteed by Govt. of India/State Bank of India Rs.619.96 crores (31.03.2004: Rs. 723.50 crores)	395.03	1139.60	374.36	1348.69
Short Term				
Term Loans from Banks / Financial Institutions		3.38		6.00
Non Convertible Bonds @ @				
Interest Rate	Date of Redemption			
12.00%	1st February 2007	— \$	100.00	
12.15%	1st February 2007	325.00 *	400.00	
11.10%	30th March 2007	— \$	60.00	
11.25%	30th March 2007	99.00	99.00	
11.25%	15th April 2007	— *	400.00	
11.10%	15th April 2007	50.00	50.00	
10.25%	3rd June 2007	450.00 *	500.00	
12.15%	1st September 2007	152.35	152.35	
11.30%	12th March 2008	105.00	105.00	
11.60%	12th March 2008	15.00	15.00	
10.10%	1st August 2008	35.00	35.00	
10.50%	1st August 2008	35.00	35.00	
11.50%	30th March 2010	43.50	43.50	
12.45%	1st September 2010	38.15	38.15	
12.55%	1st September 2010	39.40	39.40	
12.65%	1st September 2010	96.60	96.60	
6.4%	15th October 2010#	64.00	64.00	
12.10%	12th March 2011	195.00	195.00	
11.00%	1st August 2011	115.00	115.00	
Others		1858.00		2543.00
Inter Corporate Loans - Short term		10.49		14.57
		4243.68		5373.85

@ @ Guaranteed by Government of India.

Guaranteed by Government of India and also secured by charges ranking pari-passu interse on all the Company's immovable properties, both present and future situated at village:Irana, Taluka: Kadi, District: Mehsana Gujarat.

* Bonds amounting to Rs. 525 crores extinguished by pre-payment.

\$ Redeemed at par by exercising call option.

Note : Unsecured Loans repayable within one year as at 31.03.2005, Rs.864.03 crore (31.03.2004 : Rs. 1038.03 crore)



Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.5 : FIXED ASSETS

Description	GROSS BLOCK (AT COST)			
	As at 31st March, 2004	Additions/ Adjustments	Deductions	As at 31st March, 2005
A. PLANTS, MINES, OTHERS				
Goodwill *	651.99	—	—	651.99
Land (including cost of development)				
–Freehold Land	116.61	1.33	—	117.94
–Leasehold Land	27.70	-0.07	0.08	27.55
Right and Patents	69.22	12.92	0.25	81.89
Railway Lines & Sidings	225.45	1.45	1.79	225.11
Roads, Bridges & Culverts	149.33	2.70	-2.32	154.35
Buildings	1762.79	0.67	-0.04	1763.50
Plant & Machinery				
–Steel Plant	22988.63	485.95	153.82	23320.76
–Others	1538.22	72.40	29.44	1581.18
Furniture & Fittings	76.10	1.24	0.57	76.77
Vehicles	458.28	3.50	13.76	448.02
Water Supply & Sewerage	289.66	1.61	1.44	289.83
EDP Equipments	211.39	15.07	6.75	219.71
Miscellaneous Articles	223.97	5.06	4.11	224.92
Sub-total 'A'	<u>28789.34</u>	<u>603.83</u>	<u>209.65</u>	<u>29183.52</u>
B. SOCIAL FACILITIES				
Land (including cost of development)				
–Freehold Land	10.01	—	—	10.01
–Leasehold Land	7.09	—	—	7.09
Roads, Bridges & Culverts	46.44	0.15	0.02	46.57
Buildings	579.43	1.98	1.32	580.09
Plant & Machinery—Others	78.82	1.52	0.88	79.46
Furniture & Fittings	12.67	0.14	0.05	12.76
Vehicles	8.14	0.64	-0.38	9.16
Water Supply & Sewerage	112.39	0.19	0.15	112.43
EDP Equipments	2.40	1.17	0.01	3.56
Miscellaneous Articles	87.91	3.27	0.51	90.67
Sub-total 'B'	<u>945.30</u>	<u>9.06</u>	<u>2.56</u>	<u>951.80</u>
C. Assets Retired from Active use				
Unserviceable / Obsolete Assets	<u>34.64</u>	<u>6.81</u>	<u>17.70</u>	<u>23.75</u>
Figures for the previous year	<u>34.03</u>	<u>0.61</u>	<u>—</u>	<u>34.64</u>
Total ('A'+ 'B'+ 'C')	<u>29769.28</u>	<u>619.70</u>	<u>229.91</u>	<u>30159.07</u>
Figures for the previous year	<u>29563.45</u>	<u>363.92</u>	<u>158.09</u>	<u>29769.28</u>

1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2004	For the Year	On Sales/ Adjustments	Up to 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
A. PLANTS, MINES, OTHERS					<i>(Rupees in crores)</i>	
Goodwill *	651.99	-	-	651.99	-	-
Land(including cost of development)						
–Freehold Land	-	-	-	-	117.94	115.97
–Leasehold Land	8.39	0.51	0.04	8.86	18.69	19.95
Right and Patents	11.82	5.19	0.25	16.76	65.13	57.40
Railway Lines & Sidings	141.64	7.09	1.63	147.10	78.01	83.82
Roads, Bridges & Culverts	36.62	2.01	-1.13	39.76	114.59	112.47
Buildings	743.29	106.78	-0.35	850.42	913.08	1039.25
Plant & Machinery						
–Steel Plant	11960.98	1001.08	105.76	12856.30	10464.46	11027.89
–Others	1015.91	66.08	26.01	1055.98	525.20	522.00
Furniture & Fittings	55.07	3.70	0.49	58.28	18.49	21.06
Vehicles	327.26	14.87	10.73	331.40	116.62	131.05
Water Supply & Sewerage	196.69	8.48	1.60	203.57	86.26	92.97
EDP Equipments	178.52	9.69	6.06	182.15	37.56	32.85
Miscellaneous Articles	135.56	9.18	3.43	141.31	83.61	88.76
Sub-total 'A'	15463.74	1234.66	154.52	16543.88	12639.64	13345.44
B. SOCIAL FACILITIES						
Land(including cost of development)						
–Freehold Land	-	-	-	-	10.01	10.01
–Leasehold Land	4.36	0.13	-	4.49	2.60	2.73
Roads, Bridges & Culverts	15.76	0.80	0.01	16.55	30.02	30.68
Buildings	156.09	23.08	0.51	178.66	401.43	403.50
Plant & Machinery—Others	58.04	1.48	0.20	59.32	20.14	20.78
Furniture & Fittings	11.44	0.27	0.04	11.67	1.09	1.23
Vehicles	6.37	0.25	-0.28	6.90	2.26	1.77
Water Supply & Sewerage	75.36	5.16	-0.08	80.60	31.83	37.03
EDP Equipments	1.91	0.18	0.01	2.08	1.48	0.49
Miscellaneous Articles	56.90	4.34	0.39	60.85	29.82	31.01
Sub-total 'B'	386.23	35.69	0.80	421.12	530.68	539.23
C. Assets Retired from Active use						
Unserviceable / Obsolete Assets	-	-	-	-	23.75	34.64
Figures for the previous year	-	-	-	-	34.64	
Total ('A'+ 'B'+ 'C')	15849.97	1270.35	155.32	16965.00	13194.07	13919.31
Figures for the previous year	14722.61	1247.10	119.74	15849.97	13919.31	
Note : Allocation of Depreciation/Amortisation					Current Year	Previous Year
(a) Charged to Profit & Loss Account					1204.68	1195.01
(b) Charged to expenditure during construction					0.29	0.33
(c) Debited to adjustments pertaining to earlier years					65.38	51.76
Total					1270.35	1247.10

*Arising out of Consolidated of Subsidiary Accounts.



Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Expenditure during construction pending allocation (Schedule 1.6.1)	17.96	25.66
Capital Work-in-progress		
Steel Plants & Units	314.14	133.62
Township	9.38	4.32
Ore Mines and Quarries	3.38	2.39
	<u>326.90</u>	<u>140.33</u>
Less: Provisions	28.01	20.32
Capital equipments pending erection, installation, commissioning and adjustments	18.91	43.01
Construction Stores and Spares	22.00	16.55
Less: Provisions	5.42	3.79
Advances	125.22	220.15
Less: Provisions	5.13	5.32
	<u>120.09</u>	<u>214.83</u>
	<u>472.43</u>	<u>416.27</u>
Particulars of advances		
Unsecured, Considered Good	120.09	214.83
(including advances backed by Bank Guarantees Rs.10.69 crores; Previous year Rs.14.98 crores)		
Unsecured, Considered Doubtful	5.13	5.32
	<u>125.22</u>	<u>220.15</u>

1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

	As at 31st March, 2005	As at 31st March, 2004
		(Rupees in crores)
Opening Balance (a)	25.66	38.51
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	5.48	9.56
Company's contribution to Provident and other Funds	0.61	1.08
Travel Concession	0.06	0.07
Welfare Expenses	0.02	0.01
Gratuity	0.08	-0.29
	<u>6.25</u>	<u>10.43</u>
Technical Consultants' fees & know-how	11.13	2.67
Repairs & Maintenance	0.15	—
Stores and Spares	0.09	0.50
Power & Fuel	0.49	1.95
Other expenses	2.27	1.74
Interest & Finance charges	1.69	8.02
Depreciation	0.29	0.33
	<u>22.36</u>	<u>25.64</u>
-Less: Income		
Interest Earned	—	0.04
Liquidated Damages	0.46	4.05
Hire Charges	0.28	1.88
Sundries	2.29	1.37
	<u>3.03</u>	<u>7.34</u>
Net expenditure during the year (b)	19.33	18.30
Total (a)+(b)	44.99	56.81
Amount allocated to Fixed Assets/ Capital Work-in-progress	27.03	31.15
Balance carried forward	17.96	25.66
Total		

1.7: INVESTMENTS AT COST

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2005		As at 31st March, 2004	
(Rupees in crores)						
(A) Unquoted - Long Term						
Trade Investments						
Subsidiary Companies						
Bhilai Oxygen Limited	49998	10	0.05		0.05	
IISCO Ujjain Pipe & Foundary Company Limited	3000000	10	3.00	3.05	3.00	3.05
Joint Venture Companies						
North Bengal Dolomite Limited	97900	100	0.98		0.98	
Less : Goodwill arising on consolidation			0.57	0.41	0.57	0.41
Others						
Almora Magnesite Limited	40000	100	0.40		0.40	
Less : Share of post acquisition loss			0.40	—	0.40	—
Tata Refractories Limited	1000000	10	1.12		1.12	
Indian Potash Limited	240000	10	0.18		0.18	
South India Export Co. (P) Limited	-	10	—		0.01	
	(7500)					
India Standard Wagon Company Limited	130	100	— *		— *	
Hoogly Docking and Engg. Company Limited	-	100	—		0.02	
	(1433)					
Satna Stone Lime Company Limited	-	10	—	1.30	0.03	1.36
	(33604)					
Cement & Allied Products (Bihar) Limited	2	10	— *		— *	
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	— *		— *	
MSTC Limited	20000	10	0.01		0.01	
Bihar State Financial Corporation	500	100	0.01		0.01	
Government Securities			—		0.06	
Shares in Co-operative Societies (1.7.1)			0.19	0.21	0.19	0.27
Unquoted Current Investments						
Units of Mutual Fund				6.43		4.85
Total (A)						
				11.40		9.94
(B) Quoted - Long Term						
Housing Development Finance Corporation Limited (Market Value Rs 87,19,200; Previous year Rs. 77,19,000)	12000	10	0.01		0.01	
HDFC Bank Limited (Market Value Rs 2,72,125; Previous year Rs. 1,89,175)	500	10	— *		— *	
ICICI Bank Ltd. (Market Value Rs. 1,12,39,800; Previous year Rs. 85,92,870)	28600	10	0.05	0.06	0.05	0.06
Total (B)						
				0.06		0.06
Total (A+B)						
				11.46		10.00
Less : Provision for diminution in value of investments						
				4.03		4.13
				7.43		5.87

* Cost being less than Rs. 50,000/-, figures not given.



Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.7.1: SHARES IN CO-OPERATIVE SOCIETIES

	Numer of Fully Paid-up Shares	Face value per Share (Rs.)	As at 31st March, 2005	As at 31st March, 2004
<i>(In Rupees)</i>				
Rajhara Employees' Co-operative Stores Limited	- (25)	100	—	2500
Nandini Employees' Co-operative Stores Limited	- (25)	100	—	2500
BSP Employees' Consumers' Co- operative Stores (Sector 4) Limited	- (25)	100	—	2500
Bhilai Steel Employees' Consumers' Co- operative Society Limited (Sector-8)	- (250)	10	—	2500
Bokaro Steel Employees' Co- operative Credit Society Limited	6,250 1,16,500	20 10	1290000	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	- (250)	10	—	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	2500	2500
NMDC Meghahatuburu Employees' Cons- umers' Co-operative Society Limited	25	100	2500	2500
DSP Employees' Co-operative Society Limited	1377	100	137700	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	5000	5000
Barajamda Iron Ore Mines Central Co-operative Stores Limited	— (400)	25	—	10000
IISCO Employees Primary Co-operative Stores Limited	23000	20	460000	460000
			1897700	1920200

1.8 : INVENTORIES*

	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Stores & spares	1096.88	1022.33
Add: In-transit	63.68	93.74
	1160.56	1116.07
Less: Provision for Non-moving/Obsolete items	171.66	151.27
	988.90	964.80
Raw materials	893.85	415.79
Add: In-transit	482.08	177.19
	1375.93	592.98
Less: Provision for Unusable materials	1.73	1.31
	1374.20	591.67
Finished / Semi-finished products (including scrap)	2160.19	1686.98
	4523.29	3243.45

* As certified by the Management and Valued as per Accounting Policy No. 1.6 in Schedule No. 3

1.10 : CASH & BANK BALANCES

	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Cash and Stamps on hand	1.53	1.53
Cheques on hand	351.96	193.87
With Scheduled Banks		
Current account	93.02	40.68
Saving account -		
No lien deposits	—	0.11
Unpaid Dividend account	0.19	0.26
Margin Money Account	—	0.01
Term Deposits	5920.21	1984.37
	6013.42	2025.43
With post office	—	0.01
(Deposits pledged with excise authorities)		
Remittances-in-transit	3.40	3.32
	6370.31	2224.16

1.9 : SUNDRY DEBTORS

	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Debts over six months	316.26	369.89
Other debts	1867.00	1470.48
	2183.26	1840.37
Less: Provision for doubtful debts	208.62	220.87
	1974.64	1619.50
Particulars		
Unsecured, considered good (Including debts backed by bank guarantees Rs.560.06 crores; Previous year Rs.405.44 crores)	1974.64	1619.50
Unsecured, considered doubtful	208.62	220.87
	2183.26	1840.37

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Loans to subsidiary company (Refer Note No.3.7 of schedule 3)	0.58	0.51
Loans to other companies	0.63	0.68
Deposits	79.26	10.95
Employees	61.44	71.05
Others	7.31	8.79
	149.22	91.98
Less : Provision for doubtful interest	5.15	6.30
	144.07	85.68
Particulars		
Unsecured, considered good	144.07	85.68
Unsecured, considered doubtful	5.15	6.30
	149.22	91.98



Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.12 : LOANS & ADVANCES

	As at 31st March, 2005	As at 31st March, 2004	
<i>(Rupees in crores)</i>			
Loans			
Employees	123.54	138.71	
Stores issued	14.08	14.07	
Others	49.90	66.46	
	<u>187.52</u>	<u>219.24</u>	
Less : Provision for doubtful loans	16.42	16.42	202.82
	<u>171.10</u>		
Advances recoverable in cash or in kind or for value to be received			
Claims recoverable	418.89	389.43	
Contractors & Suppliers	123.03	88.61	
Employees	9.38	19.32	
Advance Income Tax and Tax deducted at source	750.41	66.26	
Income tax paid against disputed demands	—	106.19	
Bills Receivable	—	0.10	
Export Incentive Receivable	58.77	231.69	
Others	219.32	223.84	1125.44
Deposits			
Port trust, Excise authorities, Railways, etc.	122.25	95.69	
Others	158.41	147.31	243.00
	<u>280.66</u>	<u>147.31</u>	
Less : Provision for doubtful Loans & Advances	193.52	185.03	
	<u>1838.04</u>	<u>1386.23</u>	
Particulars of Loans & Advances—Others			
Secured, considered good	119.36	133.58	
Unsecured, considered good (Including loans & advances backed by bank guarantees Rs. 0.11 crores; Previous year Rs. 0.43 crores)	1718.68	1252.65	
Unsecured, considered doubtful	193.52	185.03	
	<u>2031.56</u>	<u>1571.26</u>	
Amount due from			
– Directors	0.02	0.03	
– Officers	—	0.01	
Maximum amount due at any time during the year from			
– Directors	0.03	0.04	
– Officers	—	0.01	

1.13 : CURRENT LIABILITIES

	As at 31st March, 2005	As at 31st March, 2004	
<i>(Rupees in crores)</i>			
Sundry creditors			
Capital works	222.10	190.48	
Small Scale Industrial Undertaking	15.27	12.26	
Others	2199.69	1967.07	2169.81
Advances from			
Customers	597.41	411.17	
Others	14.56	26.01	437.18
Security deposits	232.19	210.18	
Less : Investments received as security deposit	0.39	0.17	210.01
Interest accrued but not due on Loans	529.82	841.86	
Liability towards Investor Education and Protection Fund, not due			
Unpaid Dividends	0.19	0.26	
Unclaimed Matured Deposits *	11.03	11.82	
Unclaimed Matured Bonds	0.83	—	
Interest Accrued on unclaimed Deposits / Bonds	4.37	2.19	
Other Liabilities	1396.59	1481.52	
	<u>5223.66</u>	<u>5154.65</u>	

* Includes an amount of Rupees 5.42 lakhs credited to Investor Education & Protection Fund.

1.14 : PROVISIONS FOR

	Balance as at 31st March, 2004	Additions during the year	Total	Payments / Utilisation / charged off	Written-back during the year	Balance as at 31st March, 2005
(Rupees in crores)						
Gratuity	1758.11	546.35	2304.46	160.82	—	2143.64
Accrued Leave	917.14	351.14	1268.28	182.14	—	1086.14
Taxation	122.15	765.62	887.77	90.99	43.93	752.85
Pollution Control & Peripheral Development	72.21	20.25	92.46	8.23	—	84.23
Exchange Fluctuation	—	15.54	15.54	15.54	—	—
Proposed Dividend	11.52	1374.03	1385.55	632.48	—	753.07
Tax on Dividend	1.41	186.78	188.19	82.66	—	105.53
Voluntary Retirement Compensation	153.51	13.25	166.76	51.53	—	115.23
Employee Family Benefit Scheme	167.95	57.45	225.40	31.29	—	194.11
Post Retirement Medical and Settlement Benefits	392.12	139.19	531.31	13.15	—	518.16
Wage Revision	1219.54	325.06	1544.60	1143.26	84.05	317.29
Others	88.54	13.97	102.51	14.76	8.09	79.66
Total	4904.20	3808.63	8712.83	2426.85	136.07	6149.91

1.15 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 31st March, 2004	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2005
(Rupees in crores)					
(i) Development Expenditure					
- On Mines	19.39	—	19.39	9.29	10.10
Total (i)	19.39	—	19.39	9.29	10.10
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	417.54	92.60	510.14	166.86	343.28
(b) Others	2.86	—	2.86	1.29	1.57
Total (ii)	420.40	92.60	513.00	168.15	344.85
Total (i+ii)	439.79	92.60	532.39	177.44	354.95
Previous year	539.53	237.31	776.84	337.05	439.79
Charged Off to:					
Raw Materials				9.29	11.32
Other Expenses & Provisions				168.15	325.73
				177.44	337.05

1.16 : MINORITY INTEREST

	Current Year	Previous Year
Balance of Equity as on the date of Investment	-0.43	-0.43
Add : Movement in Equity and proportionate share of Profit/losses from the date of investment up to 31.03.2005	0.32	-0.13
	-0.11	-0.56



Schedules

FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

2.1 : SALES

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Domestic - Iron & Steel,		
By-products, others	31853.62	23129.35
Exports - Iron & Steel	1350.93	1703.86
Export Incentives	66.48	273.36
Energy & Steam	209.14	207.01
Conversion charges	2.06	0.70
Others	0.42	23.51
	<u>33482.65</u>	<u>25337.79</u>

2.2 : INTEREST EARNED

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Loans & Advances	1.55	3.28
Customers	25.47	28.29
Employees	7.67	10.58
Term Deposits	182.67	32.02
Others *	38.49	6.02
	<u>255.85</u>	<u>80.19</u>

* (Tax deducted at source Rs.0.55 crores;
previous year Rs.0.84 crores)

2.3 : OTHER REVENUES

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Social amenities-recoveries	123.84	121.92
Sale of empties etc.	35.74	33.91
Liquidated damages	16.15	17.29
Service charges (Gross) *	42.63	105.98
Grant-in-aid	—	0.02
Subsidy	20.86	9.29
Hire charges etc.	0.11	0.16
Claims for finished products (Shortages & missing wagons)	0.16	0.29
Dividend (gross) from investments	13.50	8.27
Profit on sale of fixed assets (net)	—	11.22
Profit on sale / lease of houses	11.09	41.20
Profit on sale of current Investment	0.03	0.38
Foreign Exchange Fluctuation (Net)	—	90.96
Waivers of Interest by Banks/ Financial Institutions	—	47.35
Revival reliefs of IISCO & delay payment surcharge	222.74	18.49
Sundries *	318.34	142.13
	<u>805.19</u>	<u>648.86</u>

* (Tax deducted at source Rs.0.57 crores;
previous year Rs.2.01 crores)

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Loans & advances	10.19	24.46
Sundry debtors	30.02	10.36
Stores & spares	7.66	11.67
Others	108.06	11.55
	<u>155.93</u>	<u>58.04</u>

2.5 : ACCRETION (-)/DEPLETION IN STOCK OF FINISHED/SEMI-FINISHED PRODUCTS

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Opening stock	1686.97	
Less : Adjustments	2.62	2159.65
Less : Closing stock	2160.19	1686.97
	<u>-475.84</u>	<u>472.68</u>

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2005		Year ended 31st March, 2004	
	Quantity Tonnes	Value Rs./crores	Quantity Tonnes	Value Rs./crores
Iron ore	21278178	1107.17	22401919	999.90
Coal	13343740	5731.35	13813587	4599.90
Coke	533220	770.53	104494	115.60
Limestone	3297178	394.64	3502848	388.00
Dolomite	2556729	134.73	2414785	94.64
Ferro Manganese	48162	191.32	54432	143.77
Ferro Silicon	18021	69.03	19219	65.07
Silico Manganese	93817	344.61	90261	225.63
Hot Rolled Stainless Steel Coils	4406	18.50	15204	57.63
Intermediary Products	115750	762.54	40527	227.48
Zinc	9753	62.10	11062	66.08
Aluminium	13499	124.39	12753	107.43
Others		470.30		275.41
		<u>10181.21</u>		<u>7366.54</u>

NOTES : 1. Consumption of raw materials includes shortages Rs. 3.07 crores, (previous year Rs. 10.37 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 14.37 crores. (previous year Rs. 4.36 crores)

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Salaries & wages	3092.78	2828.13
Wage revision arrears	325.06	1351.82
Company's contribution to provident fund & other funds	273.44	266.21
Travel concession	49.94	17.90
Welfare expenses	316.57	327.74
Gratuity	546.36	356.11
	4604.15	5147.91
Less : Grants in Aid received from Government of Karnataka	0.30	0.31
	4603.85	5147.60
Note :		
Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	6.25	10.43
b) Deferred Revenue Expenditure	166.86	317.37
	173.11	327.80

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Buildings	44.37	31.63
Plant & Machinery	191.46	162.96
Others	61.52	52.26
	297.35	246.85
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	50.32	42.96
Plant & Machinery	642.19	553.05
Others	66.53	61.92
	759.04	657.93
b) Stores & Spares		
Buildings	11.12	8.46
Plant & Machinery	807.79	711.29
Others	46.67	48.16
	865.58	767.91
c) Expenditure during Construction	0.15	—
	0.15	—
Total (a+b+c)	1624.77	1425.84

2.8 : POWER & FUEL

	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Purchased power	1896.56	1911.44
Duty on own generation	22.50	13.89
Boiler Coal/Middlings	188.09	139.28
Furnace Oil/LSHS/LDO	71.12	66.40
Others	222.01	186.91
	2400.28	2317.92
Note :		
Expenditure on Power & Fuel not included above & charged off to:		
— Expenditure during Construction	0.49	1.95



Schedules

FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

2.10 : OTHER EXPENSES

	Year ended 31st March, 2005	Year ended 31st March, 2004	
(Rupees in crores)			
Commission to selling agents	11.01	26.68	
Directors' Fees	0.08	0.05	
Export sales expenses	23.99	49.13	
Handling expenses			
–Raw Material	152.14	144.15	
–Finished goods	79.97	58.75	
–Scrap recovery expenses	59.92	51.75	254.65
Insurance	9.09	9.22	
Loss on sale/scrapping of Fixed Assets (Net)	17.73	0.00	
Postage, telegram & telephone	14.27	14.89	
Printing & stationery	9.45	8.09	
Provisions			
–Doubtful debts, loans and advances	44.41	134.81	
–Stores, Spares and Sundries	48.16	86.91	221.72
Rates & Taxes	26.73	17.78	
Remuneration to Auditors *			
–Audit fees	0.58	0.56	
–Tax Audit fees	0.13	0.13	
–Out of pocket expenses	0.61	0.67	
–In other capacities	0.40	0.38	1.74
Cost Audit Fees	0.01	0.01	
Rent	24.37	22.50	
Royalty and cess	49.90	49.91	
Security expenses	106.87	93.99	
Travelling expenses	121.37	119.90	
Write Offs			
–Miscellaneous & Deferred Revenue Expenditure	168.15	325.73	
–Doubtful debts, advances etc.	38.68	1.30	327.03
Cash Discount	35.38	73.45	
Training expenses	5.55	3.58	
Conversion charges	50.48	43.81	
Foreign Exchange Fluctuation (Net)	7.83	—	
Water charges & Cess on water pollution	48.08	45.00	
Contribution to Joint Plant Committee Funds	2.72	2.52	
Miscellaneous (include Donation of Rs. 101.61 lakhs ; Previous year Rs. 0.05 lakhs)	308.60	215.98	
	1466.66	1601.63	

* Excludes Service tax for the current year claimed as cervat credit

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Public Deposits	47.99	93.84
Foreign Currency Loans	76.70	84.61
Non Convertible Bonds	407.20	554.29
Bank borrowings - working capital	30.45	90.27
Steel Development Fund (SDF) Loans	48.17	59.04
Others	21.30	83.23
Finance Charges	51.28	38.95
	683.09	1004.23
Less: Interest Subsidy received from Govt. of India	—	54.14
Less: Reversal of interest on SDF Loans for earlier years	46.93	—
	636.16	950.09

Note :

Expenditure on interest not
included above & charged to:

Expenditure During Construction

Foreign Currency Loans	—	0.18
Non Convertible Bonds	0.17	2.23
Steel Development Fund Loans	1.52	5.51
Others	—	0.01
Finance Charges	—	0.09
	1.69	8.02

Fixed Assets/Capital Work-in-Progress

Steel Development Fund Loans	-7.54	—
(Reversal of interest of earlier years)	—	—

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Raw materials	1218.51	975.08
Departmentally manufactured stores	259.18	247.55
Services transferred to capital works	29.44	26.47
Inter plant transfer of stocks/stores	22.03	7.50
Others(Net)	7.72	2.31
	1536.88	1258.91

2.13 : ADJUSTMENT PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2005	Year ended 31st March, 2004
(Rupees in crores)		
Sales	-0.49	2.84
Other revenues	-1.31	-3.82
Provision written - back	—	-16.30
Raw materials consumed	-8.07	7.66
Employees' remuneration & benefits	—	-0.72
Stores & Spares consumed	0.73	-0.26
Power & Fuel	0.83	-7.47
Repairs & Maintenance	2.78	-0.36
Excise Duty	—	0.61
Freight Outward	—	-0.48
Other Expenses & Provisions	-1.06	3.92
Interest	—	-13.60
Depreciation	65.38	51.76
Net Debit	58.79	23.78

(-) indicate credit items

SCHEDULE 3 : ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. Significant Accounting Policies

1.1 Basis of Accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the relevant provisions of the Companies Act, 1956.

1.2 Fixed Assets

Fixed assets are stated at cost of acquisition less depreciation, except land gifted by the State Governments, which is stated at notional/nominal value with corresponding credit to capital reserve.

Expenditure on development of land, including lease hold land, is capitalised as part of cost of land. Expenditure on construction/development of assets on land owned by Government/Semi-Government authorities, is capitalised under appropriate asset accounts.

Cost includes all identifiable expenditure including trial-run expenses, net of revenue.

Assets retired from active use are shown separately under fixed assets at lower of net book value and estimated realisable value.

1.3 Borrowing Costs

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

1.4 Depreciation

Depreciation is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided over the residual useful life of the asset.

Classification of plant and machinery into continuous and non-continuous is made on the basis of technical opinion and depreciation provided accordingly.

Depreciation on addition/deletion during the year is provided on pro-rata basis with reference to the month of addition/deletion.

Cost of acquiring mining rights is amortised over the lease period.

In case of Bokaro Power Supply Company (Private) Ltd., depreciation is charged on straight-line method as per the rates prescribed under Electricity (Supply) Act 1948 as notified from time to time.

In case of SAIL Bansal Service Centre Ltd., depreciation on fixed assets is provided on reducing balance method at

the rates specified in Schedule XIV of the Companies Act 1956.

1.5 Investments

Long-term investments (including investments in subsidiary companies and joint ventures) are carried at cost, after providing for diminution in value, if it is of a permanent nature. Current investments are carried at lower of cost and market value.

1.6 Inventories

Stores and spares are valued at cost. In case of identified obsolete/surplus/non-moving items, necessary provision is made and charged to revenue.

Raw materials and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. Semi-finished special products which have realisable value at finished stage only, the net realisable value is estimated for the purpose of comparison with cost.

Residue products and scrap of various nature are valued at estimated net realisable value.

The basis of determining cost is:

Stores & spares and raw materials - Weighted average cost

Materials in-transit - Actual cost

Finished/Semi-finished products - Material cost plus appropriate share of labour, related overheads and duties.

In case of Power Generation Companies, inventories, other than scrap are valued at cost.

Cost is arrived on weighted average basis, except in case of SAIL Bansal Service Centre Ltd., in which cost is arrived on First in first out basis.

1.7 Grants

Grants relating to the acquisition of a specific asset are adjusted against the cost of the concerned asset. Grants relating to the revenue expenditure are adjusted against the related expenses.

1.8 Deferred Revenue Expenditure

Voluntary retirement compensation is treated as deferred revenue expenditure and written-off in five years.

In respect of deferred voluntary retirement schemes, compensation liability, as initially ascertained on actuarial valuation, is written-off in five years. Annual increase/decrease in the liability, actuarially ascertained, is charged to profit and loss account.

Other expenditure incurred upto 31st March 2003 and treated as deferred revenue expenditure, continues to be written-off in five years.

1.9 Foreign currency transactions

Monetary assets and liabilities related to foreign currency



transactions remaining unsettled at the end of the year are translated at year-end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the profit and loss account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets are adjusted in the carrying amount of such assets.

1.10 Employees' Benefits

The provisions towards gratuity, accrued leave, post-retirement medical and settlement benefits to employees, future payments to the disabled employees/legal heirs of deceased employees under the Employees' Family Benefit Scheme, are made based on the actuarial valuation as at the end of the year.

1.11 Adjustments pertaining to earlier years and prepaid expenses

In case of SAIL, IISCO and MEL, income/expenditure relating to prior period and prepaid expenses which do not exceed Rs.5 lakhs, {Rs.1 lakh in case of NTPC-SAIL Power Company (Private) Ltd. and Bhilai Electric Supply Company (Private) Ltd.} in each case, are treated as income/expenditure of current year.

1.12 Revenue recognition

Sales include excise duty and are net of rebates, price concessions and sales tax. Sales in the domestic market are recognised at the time of despatch of materials to the buyers including the cases where delivery documents are endorsed in favour of the buyers. Export sales are recognised on issue of bill of lading.

Export incentives under various schemes are recognised as income in the year of exports at estimated realisable value/actual credit earned.

1.13 Claims for Liquidated Damages/Price Escalation

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are adjusted to the capital cost or recognised in profit and loss account, as the case may be, on final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

1.14 Taxation

Provision for current tax is made on the taxable profits for the year at the rates in force. The deferred tax on timing differences between book profit and taxable profit for the year is accounted for applying the tax rates and laws that

have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is a reasonable certainty that the assets can be realised in future.

NOTES ON ACCOUNTS

2.1 The Subsidiary Companies, Joint Ventures Companies and Associate, incorporated in India, considered in the consolidated financial statements, are as follows:

Sl. No.	Name of the Company	Proportion (%) of Company's ownership interest (as on 31 st March, 2005)
Subsidiary Companies		
1	Indian Iron & Steel Company Ltd. (IISCO)	100
2	Maharashtra Elektrosnelt Ltd. (MEL)	99.12
Joint Venture Companies		
1	NTPC SAIL Power Company (Private) Limited (NSPCL)	50
2	SAIL Bansal Service Centre Limited (SBSCL)	40
3	Metaljunction Services Limited (MSL)	50
4	UEC SAIL Information Technology Limited (USIT)	40
5	Bokaro Power Supply Company (Private) Ltd. (BPSCL)	50
6	Bhilai Electric Supply Company (Private) Ltd. (BESCL)	50
7	Romelt SAIL (India) Limited (RSIL)	15
Associate		
	Almora Magnesite Limited (AML)	20

3. Principles of consolidation of Financial Statements:

The consolidated financial statements of Steel Authority of India Ltd. (SAIL) and its various subsidiary companies, Joint Venture Companies and Associate are prepared in accordance with Accounting Standard (AS) - 21 on "Consolidated financial statements", AS-23 on "Accounting for Investments in Associates in Consolidated financial statements" and AS-27 on "Financial reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and are presented to the extent possible in the same manner as the Company's separate financial statement.

3.1 The financial statements of SAIL, IISCO and MEL are consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances, intra group transactions and any unrealised profit/loss included therein. However, materials lying in stock against intra-group transfers and profit margins included therein; the quantum whereof is insignificant, have been accounted for based on the management certificates.

3.2 The interest in the Joint Venture has been accounted by using the proportionate consolidation method as per AS-27.

- 3.3** Investment in Associate company has been accounted for using "equity method" of accounting prescribed by Accounting Standard (AS) – 23 whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post-acquisition change in the company's share of net assets of the Associate.
- 3.3.1** The carrying amount of investment in Associate Company includes capital reserve of Rs. 0.56 crores, arising out of acquisition.
- 3.4** The excess of cost to SAIL, of its investment in its Subsidiary Companies, Joint Venture Companies and Associate, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the Subsidiaries Companies, Joint Venture Companies and Associate over cost of its investment is treated as Capital Reserve. This has been calculated, presuming such acquisitions to be on the last date of the respective years, irrespective of the actual date of such acquisition.
- 3.5** The accounts of the subsidiary company namely Bhilai Oxygen Limited, in which the company has 99.99% shareholding and incorporated in India, have not been consolidated as the control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in near future.
- 3.6** The accounts of one of the Joint Ventures, namely North Bengal Dolomite Limited in which the company has 50% shareholding and incorporated in India, have not been consolidated since the company's Operations are under suspension and accounts have been prepared upto 2002-03.
- 3.7** The accounts of IISCO-Ujjain Pipe & Foundry Company Ltd.(IISCO-Ujjain), a wholly owned subsidiary company of IISCO have not been consolidated, being under liquidation.

4. CONTINGENT LIABILITIES

4.1 General

	(Rupees in crores)	
	As at 31st March, 2005	As at 31st March, 2004
i) Claims against the Group pending appellate/ judicial decisions	1899.92	2094.40
ii) Other claims against the Group not acknowledged as debt against which the group has counter claims of Rs. 421.59 crores	594.93	411.77
iii) Guarantee / Counter-guarantee given to Banks / Excise authorities	31.40	31.40
iv) Bills drawn on customers and discounted with banks	18.25	14.23
v) Price escalations claims by Contractors / Suppliers and claims by certain employees, extent whereof is not ascertainable	–	–

- 4.2** Sales Tax authorities have raised demands for Rs. 1109.08 crores (As at 31st March, 2004 - Rs. 1047.70 crores) mainly on account of sales tax on stock transfers made by SAIL over the years to stockyards situated in different States. The demands of sales tax authorities have been contested by SAIL which are pending at various stages of appeal. As sales tax liability has been paid on sale of such stocks to the respective sales tax authorities in different states, no liability is expected to arise, as sales tax is leviable only once.

5. FIXED ASSETS

5.1 Land Includes:

- 62380.28 acres (As at 31st March 2004 – 62513.17 acres) owned / possessed / taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- 5342.53 acres (As at 31st March 2004 – 5304.23 acres) given on lease to various agencies/ employees/ex-employees.
- 9957.79 acres (As at 31st March, 2004 – 9957.79 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/ Semi-Government authorities, in respect of which conveyance deeds remain to be executed/ registered.
- 27.42 acres (As at 31st March, 2004 – 27.42 acres) in respect of which title is under dispute.

- 5.2** Buildings include net block of Rs. 39.10 crores (As on 31st March 2004 – Rs.42.40 crores) for which conveyance deed is yet to be registered in the name of SAIL.

- 5.3** Foreign exchange variations aggregating to Rs. 13.74 crores (net debit) [previous year- Rs.42.25 crores (net credit)] have been adjusted in the carrying amount of fixed assets during the year.

- 5.4** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 1637.84 crores (As at 31st March, 2004 - Rs. 556.05 crores).

- 5.5** Fixed Assets retired from active use, in respect of which disposal proposals are accepted, hitherto treated as current assets – inventories, have been in the current year, shown separately under fixed assets.

6. INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

- 6.1** A revival package for IISCO was sanctioned by the Govt. of India in June 2002, which was approved by Board for Industrial and Financial Reconstruction on 20.11.03. The revival plan of IISCO, as approved by BIFR, is under implementation and the sanctioned reliefs under the plan have been availed by it.

- 6.2** The Central Board of Direct Taxes vide its Notification dated 25th September 2001 revised the rules for computation of certain perquisites. The Employees' Union/ Association have filed writ petitions with the Hon'ble High



Court at Kolkata challenging the above Notification. In pursuance of Court's orders, the amount of tax deducted by SAIL and IISCO on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 is kept separately as term deposits.

- 6.3** Balances shown under creditors, debtors, claims recoverables and advances include balances subject to confirmation / reconciliation and consequential adjustment, if any. Reconciliations are carried out on on-going basis. Provisions, wherever considered necessary, have been made.

7. PROFIT & LOSS ACCOUNT

- 7.1** The excise duty of Rs. 3587.14 crores, shown as deduction from sales, includes duty on:

	Amount (Rs. in crores)
Finished goods internally consumed	10.91
Stock of finished/semi-finished products	130.38
Inter plant materials transfer, etc.	47.88

- 7.2** SAIL has granted long term lease of residential premises to the employees, ex-employees etc. of initial period of 33 years, renewable for two like periods. The lease premium received up-front, has been adjusted against book value and the resultant profit of Rs. 11.09 crores (previous year Rs. 41.20 crores) thereon has been shown under Schedule 2.3 'Other Revenues'.

- 7.3** In respect of IISCO, the long term agreements for employees' pay revision have expired on 30th June, 1996 in respect of colliery employees and on 31st December, 1996 for employees of other units of IISCO. Pending decision on pay revision, payment on account of adhoc advance / interim relief is continued to be made and charged to Profit & Loss Account. A sum of Rs. 317.29 crores, over and above the amount of adhoc advance / interim relief already paid, has been provided in the accounts on estimated basis in respect of arrears of salaries and wages, inclusive of consequential benefits, due to pay revision with retrospective effect. The aforesaid amount has been charged to Employees' Remuneration and Benefits.

- 7.3.1** In case of MEL, the long term agreements for employees' salaries and wages had expired on 31.12.1996. MEL has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustment thereof have been carried out in the accounts. As regards to the period 1.1.1997 to 31.12.2000, an amount of Rs. 7.77 crores (net of adhoc advance of Rs. 2.56 crores paid in earlier years), has been paid/provided in the accounts in respect of salaries and wages arrears including consequential benefits. The aforesaid amount has been charged to Employees' Remuneration and Benefits.

- 7.4** Due to change in the basis of provisioning towards non-moving and obsolete stores & spares in respect of SAIL, IISCO and MEL, the net profit for the year is lower by Rs. 32.66 crores.

- 7.5** In case of NTPC-SAIL Power Company (Private) Ltd., ancillary cost incurred in connection with arrangements of borrowings are amortized over a period of 5 years. In case of Metal Junction Services Ltd., software development expenditure is charged to revenue in the year of incurrence. In case of NTPC-SAIL Power Company (Private) Ltd. and Bhilai Electric Supply Company (Private) Ltd., computer software is amortised over a period of 3 years. In case of SAIL Bansal Service Centre Limited, computer software is amortised over a period of 5 years on written down value method.

- 7.6** Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.

- 7.7** The Research and Development expenditure charged to Profit & Loss Account and Fixed assets during the year amount to Rs. 59.22 crores (previous year - Rs.70.95 crores) and Rs. 1.33 crores (previous year - Rs.0.95 crores) respectively.

- 7.8** SAIL has represented to the Government for withdrawal of JPC cess on sale of certain steel products in view of decontrol of steel prices in earlier years. However, pending confirmation of withdrawal from Government, provision of Rs. 11.72 crores (including Rs. 2.72 crores for the year) has been made on conservative basis.

- 7.9** SAIL, IISCO and MEL does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. However, an amount of Rs.760.96 crores has been provided as minimum tax on book profits as per Section 115 JB of the Income Tax Act, 1961.

- 7.10.1** In accordance with AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, net deferred tax of SAIL as on 31st March, 2005, has been accounted for, as detailed below:

(Rupees in crores)

	As on 31st March, 2005	As on 31st March, 2004
Deferred tax liabilities		
Difference between book and tax depreciation	3032.05	3322.07
Total	3032.05	3322.07
Deferred tax assets		
Unabsorbed depreciation/loss	Nil	2970.44
Others	1187.74	1266.74
Total	1187.74	4237.18
Net Deferred tax (Assets)/ Liabilities	1844.31	(915.11)*

* In consideration of prudence, deferred tax assets of Rs. 915.11 crores as at 31st March, 2004 were not accounted for.

- 7.10.2** In consideration of prudence, deferred tax assets in respect of IISCO and MEL have not been accounted for, as detailed below:

	(Rupees in crores)	
	As on 31st March, 2005	As on 31st March, 2004
Deferred tax liabilities		
Difference between book and tax depreciation	54.74	55.73
Total	54.74	55.73
Deferred tax assets		
Unabsorbed depreciation/loss	369.36	321.41
Others	168.30	163.37
Total	537.66	484.78
Net Deferred tax (Assets)/ Liabilities	(482.92)	(429.05)

- 7.10.3** In respect of Joint Venture Companies, the deferred tax assets/liabilities and provision for taxation has been consolidated based on the accounts of respective companies.

- 7.11** SAIL, IISCO and MEL reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant of a company as Cash Generating Unit (CGU). On such review in case of some CGUs in SAIL and IISCO, where there was indication of impairment as at the beginning of the year, the net realisable value thereof was assessed by an independent agency and the same being more than the carrying amount, there is no impairment. Accordingly no provision has been made in the accounts.

- 7.12** As per section 441A of the Companies Act 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.

- 7.13** IISCO has a stock of Iron Ore fines of approx. 35.04 million tonnes (As on 31st March 2004 – 34.22 million tonnes) at mines and 0.12 million tonnes (As on 31st March 2004 – 0.65 million tonnes) at Burnpur Plant as on 31st March 2005. In the absence of any sinter plant, fines are not having any use at its Burnpur Plant, nor there is any certainty in disposal of fines on regular basis. Since disposal of Iron Ore Fines carries elements of uncertainties, as a matter of prudence, the valuation of such fines has not been made.

8. GENERAL

8.1 Segment Reporting

- i) Business Segment: The four integrated steel plants and three alloy steel plants of SAIL, IISCO, MEL and three power plant Joint Venture companies, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.
- ii) Geographical segments have been considered for Secondary Segment Reporting, by treating sales revenue in India and foreign countries as separate geographical segments.

The disclosures of segment-wise information is given at Annexure-I.

8.2 Related Party

As per Accounting Standard - 18 - 'Related party disclosures' issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of Relationship	Name of the related parties
Key Management Personnel:	Shri V.S. Jain
	Shri S.C.K. Patne (Upto 30 th April 2004)
	Shri Ashis Das
	Shri S.K. Roongta
	Shri G.C. Daga
	Shri K.K.Khanna (with effect from 1 st May 2004)
	Shri R.P. Singh
	Dr. S.K.Bhattacharya
	Dr. Sanak Mishra
	Shri U.P.Singh
	Shri N.P. Jayswal
	Shri M.Roy
	Shri H.K. Roy Choudhury
	Shri B. N.Singh
	Shri D.S.Lal
	Shri R.K. Sarangi
	Shri Sudhakar Jha (Upto 31 st January 2005)
	Shri A.K.Dasgupta (with effect from 1 st February 2005)
	Shri A.K.Jayswal (Upto 31 st December 2004)
	Shri T.K.Charkavarty (with effect from 1 st January 2005)
	Shri A.K.Sarkar(with effect from 1 st September 2004)
	Shri H.M.P.Singh (Upto 30 th November 2004)
	Shri R.K.Gupta (upto 31 st August 2004)
	Shri A.P.Nayak (with effect from 13 th August 2004)

The details of transactions between the group and the related parties, as defined in the Accounting Standard, are given below :

Sl. No.	Nature of transactions	Key Management Personnel	Ref. Schedule & Account head of the Accounts
		(Rs. in crores)	
i)	Other Loans	0.02	1.12: Loans & Advances - Others
ii)	Interest recoverable Managerial	0.01	1.11: Interest receivable/ accrued
iii)	Remuneration	1.51	2.7: Employees' Remuneration and Benefits

- 8.3** Previous year's figures are given in brackets and these have been re-arranged/re-grouped/revised, wherever necessary.



Annexure - I

Segment Information for the year ended 31st March, 2005

A. BUSINESS SEGMENT

(Rupees in crores)												
PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	IISCO	MEL	Power Companies	Others	SAIL Group
											Inter Segment Adjustments	
REVENUE												
- External Sales												
Current year	11388.25	4028.45	4674.19	9731.14	450.43	1008.83	509.94	1371.15	221.43	209.14	-110.30	33482.65
Previous year	(8849.68)	(2893.66)	(3813.51)	(7307.34)	(299.90)	(557.35)	(397.12)	(987.68)	(24.89)	(207.01)	(-0.35)	(25337.79)
- Internal Segment Sales												
Current year	100.58	113.42	58.19	287.94	116.93	7.04	26.87	116.14	40.96		393.55	0.00
Previous year	(89.85)	(111.50)	(32.23)	(306.33)	(134.07)	(5.22)	(13.53)	(63.58)	(128.08)		(417.39)	(0.00)
- Total Revenue	11488.83	4141.87	4732.38	10019.08	567.36	1015.87	536.81	1487.29	262.39	209.14	283.25	33482.65
	(8939.53)	(3005.16)	(3845.74)	(7613.67)	(433.97)	(562.57)	(410.65)	(1051.26)	(152.97)	(207.01)	(417.04)	(25337.79)
RESULT												
- Operating profit / (-) loss (Before Interest Expenses)												
Current year	4210.62	861.29	1196.11	3438.61	-30.02	15.41	-8.77	71.05	67.41	52.32	225.54	10099.57
Previous year	(2184.09)	(160.26)	(147.05)	(1345.38)	(-163.92)	(38.39)	(-69.22)	(40.86)	(9.42)	(71.88)	(-89.23)	(3674.96)
- Interest expenses												
Current year												636.16
Previous year												(950.09)
- Income tax (including adjustments pertaining to earlier year)												
Current year												2568.74
Previous year												(126.29)
- Net Profit / Loss (-)												
Current year												6894.67
Previous year												(2598.58)
OTHER INFORMATION												
- Segment assets												
Current year	3817.08	3752.94	4247.14	3920.20	450.56	939.00	512.69	817.51	111.74	629.68	9680.69	28879.23
Previous year	(3799.39)	(3913.71)	(4284.70)	(3946.08)	(352.87)	(736.65)	(344.08)	(713.12)	(80.05)	(563.74)	(4605.87)	23340.26
- Segment Liabilities												
Current year	1838.61	771.96	1010.15	1906.24	203.79	202.44	178.80	1127.92	68.38	32.22	4033.06	11373.57
Previous year	(2019.43)	(790.47)	(1108.80)	(2052.50)	(234.39)	(71.49)	(169.47)	(1006.32)	(53.90)	(27.32)	(2524.76)	10058.85
- Capital expenditure												
Current year	206.09	55.51	232.17	-9.62	10.58	1.80	6.90	27.63	2.07	83.27	59.46	675.86
Previous year	(236.07)	(-4.61)	(11.38)	(82.63)	(1.36)	(-6.57)	(2.19)	(45.95)	(4.26)	(7.06)	(31.24)	(410.96)
- Depreciation												
Current year	203.01	303.15	275.52	234.07	9.93	43.09	10.44	27.25	1.95	47.64	48.63	1204.68
Previous year	(202.12)	(299.54)	(273.78)	(236.21)	(10.39)	(43.31)	(10.30)	(23.76)	(1.82)	(46.16)	(47.62)	(1195.01)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year Amount	Previous year Amount
(Rupees in crores)		
Sales revenue		
India	32131.72	23633.93
Foreign Countries	1350.93	1703.86
Total	33482.65	25337.79

Notes :

- Others include Raw Material Division and Central Units of SAIL , Bhilai Oxygen Limited , Metal Junction .com (p) Ltd. UEC-SAIL Information Technology Limited , SAIL-Bansal Service Centre Limited.
- Total carrying amount of segment assets by geographical location of assets , for the Company's overseas operations are below 10% of the total assets of all segments, and hence not disclosed.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF STEEL AUTHORITY OF INDIA LIMITED AND ITS SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATE COMPANY

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, and its subsidiary Companies, Joint Ventures and Associates Company (SAIL group) as on 31st March 2005 and the annexed Consolidated Profit & Loss Account for the year ended on that date and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These 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 also 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not carry out audit of the financial statements of the Company's following subsidiary Companies, Joint Ventures and Associate Company, which have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the Subsidiary Companies, Joint Ventures and Associate Company, is based solely on the reports of the other auditors. The details of the assets and revenues in respect of these subsidiaries, joint ventures and associates to the extent to which they are reflected in the consolidated financial statements are given below:

(Rupees in crores)

Name of the Companies	Total Assets	Total Revenues
A. Subsidiaries		
Indian Iron & Steel Company Ltd. (IISCO)	759.41	1683.83
Maharashtra Elektrosnelt Ltd. (MEL)	124.25	227.73
B. Joint Ventures		
NTPC SAIL Power Company (P) Limited	190.98	66.12
Metaljunction.com (P) Limited	10.62	10.45
Bhilai Electric Supply Company (P) Ltd.	187.61	30.34
Bokaro Power Supply Company (P) Ltd.	255.74	117.21

(Rupees in crores)

Name of the Company	Net carrying cost of investment	Current year share of loss
C. Associate		
Almora Magnesite Limited	0.40	0.03

We further report that in respect of the following Joint Ventures, we did not carry out the audit. The figures of these financial statements are provisional and have been furnished to us by the management, and our opinion, insofar as it relates to the amounts included in respect of Joint Ventures is based solely on these provisional financial statements. Since the financial statements for the financial year ended 31st March 2005, which were compiled by the management of these companies were not audited, any subsequent adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of these Joint Ventures in the consolidated position is not significant in relative terms. The details of total assets and total revenues in respect of these Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:

(Rupees in crores)

Name of the Companies	Total Assets	Total Revenues
SAIL Bansal Service Centre Limited	20.11	75.50
UEC SAIL Information Technology Limited	0.75	0.77
Romelt SAIL (India) Limited	0.06	0.06

We report that, subject to our observation vide paragraph (i) below, the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", AS-23, "Accounting for Investments in Associates in Consolidated financial statements" and AS-27, "Financial reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Steel Authority of India Limited and its subsidiaries, Joint Ventures and Associates included in the consolidated financial statements:

- ii) As Bokaro Power Supply Company (P) Ltd., is governed by the Electricity Act, 2003, the provisions of the said Act read with rules thereunder have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.



- ii) The Accounts of Bhilai Oxygen Limited, the Company's subsidiary company, North bengal Dolomite Ltd., a Joint Venture Company and IISCO-Ujjain Pipe & Foundry Company Ltd, a subsidiary of Indian Iron and Steel Company Ltd. (the Company's subsidiary) have not been consolidated in these accounts for the reasons mentioned vide note nos. 3.5, 3.6 and 3.7 respectively in Schedule 3.
- iii) In so far as it relates to the results of operations and financial position of Indian Iron and Steel Company Limited included in these consolidated financial statements, *as stated in Note No. 7.13, accumulated stock of iron ore fines of approx. 35.16 million tonnes have not been valued and accounted for, the effect of which on the Group's profit and consequential effect in the net worth has not been ascertained.*

Subject to (ii) and (iii) above, we report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the SAIL group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in case of consolidated Balance Sheet, of the state of affairs of the SAIL Group as at 31st March, 2005;
- ii) in case of consolidated Profit & Loss Account, of the Profit of the SAIL Group for the year ended on that date; and
- iii) in case of the consolidated Cash Flow Statement, of the cash flows of the SAIL Group for the year ended on that date.

For P.A. & Associates
Chartered Accountants

Sd/-
(P.S. Panda)
Partner
(M. No. 51092)

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.K. Mittal)
Partner
(M. No. 8506)

For Ray & Ray
Chartered Accountants

Sd/-
(R.N. Roy)
Partner
(M. No. 8608)

Place : New Delhi
Dated : 25th July, 2005

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

NAME OF THE SUBSIDIARY COMPANY	INDIAN IRON & STEEL COMPANY LIMITED*	MAHARASHTRA ELEKTROSMELT LIMITED	BHILAI OXYGEN LIMITED®
1) Financial year of the subsidiary ended on	31st March, 2005	31st March, 2005	31st March, 2005
2) Date from which they became subsidiary	1st May, 1978	18th October, 1986	9th February, 1999
3) Share of the subsidiary held by the company as on 31st March, 2005			
a) Number & face value	38,76,65,757 equity shares of Rs. 10/- each fully paid-up.	2,37,87,935 equity shares of Rs. 10/- each fully paid-up.	49,998 equity shares of Rs. 10/- each fully paid-up.
b) Extent of holding	100%	99.12%	99.99%
4) The Net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the member of the holding company :	(Rupees in Crores)		(In Rupees)
a) Not dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2005	46.59	51.77	(1046)
ii) Upto the previous financial years of the subsidiary companies	(954.57)	(40.65)	(65523)
b) Dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2005	Nil	Nil	Nil
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	Nil	Nil	Nil

Notes :

* Indian Iron & Steel Company Limited holds 30,00,000 equity shares of Rs.10 each in IISCO Ujjain Pipe & Foundry Co. Ltd. The Hon'ble High Court of Calcutta had directed winding-up of the Company with effect from 10th July, 1997 and the official liquidator has taken over the possession of the assets of the company. The liquidator, after disposing the assets of the company, is in the process of settling the outstanding dues. The cumulative loss of IISCO Ujjain Pipe & Foundry Co. Ltd. upto 10th July' 97 was Rs.17.05 crores.

@ Bhilai Oxygen Limited has been wound-up by the order dated 27th May, 2005 of Hon'ble High Court of Delhi. As per the order of the Hon'ble High Court Official Liquidator has been directed to complete the process of dissolution of the Company.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi
Date : 4th August, 2005

A decorative graphic consisting of several concentric circles in a light blue color, centered behind the text.

THE INDIAN IRON **& STEEL COMPANY LTD.**



Directors' Report

To

The Members,

The Board of Directors have pleasure in presenting the 88th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL REVIEW

During the year Company earned a net profit of Rs.46.59 crores (previous year Rs. 27.09 crores) after taking into account benefit of Rs. 222.74 crore on account of waiver of various dues and providing Rs. 317.29 crores on estimated basis towards pay revision arrears. The sales turnover for the year 2004-05 grew by about 41% to Rs. 1487.29 crores driven by buoyant market conditions.

PRODUCTION REVIEW

Burnpur Works

During the year, the production of Hot Metal was 684 thousand tonne with a growth of 6.6% over previous year, Pig Iron was 182 thousand tonne, Crude Steel was 357 thousand tonne with a growth of 18.6% over previous year and Saleable Steel was 287 thousand tonne with a growth of 11.5% over previous year.

On techno-economic front the Plant achieved the lowest ever Specific Energy consumption of 8.639 G.cal/tcs with a reduction of 7.1% in comparison to previous year.

Collieries

Total coal raising from three captive collieries was 889 thousand tonne. Clean coal output from Chasnalla Washery was 654 thousand tonne and despatch of clean coal to Burnpur was 593 thousand tonne.

Ore Mines

Total Iron Ore lump production from the two captive mines was 1189 thousand tonne and despatches were 1188 thousand tonne.

SALES AND MARKETING REVIEW

During the year, your Company sold 271 thousand tonne of saleable steel and 117 thousand tonne of Pig Iron.

Capital Schemes

During the financial year 2004-05, the Company incurred capital expenditure to the tune of Rs. 28.49 Crores on various Capital Schemes including Rehabilitation Scheme.

At Burnpur 2 Nos of Rear Dumper, 1 No Hydraulic Excavator, 1 No SMS Caterpillar Loader, 1 No Fork Lift, 1 No JCB Loader 2 Nos Forklift Truck, 1 No AD Excavator Loader and 1 No Pick & Carry Crane have been commissioned.

Mist Lubrication System & Lubrication & Cooling System for straight Rolling facilities at Merchant & Rod Mill and Reactive Power Compensation Device at Ilgner House have been Commissioned during the year.

At Ramnagore Colliery 1 no. Back Hoe Hydraulic excavator has been commissioned.

Environment Management

Environment Management and Pollution Control have been given priority in all the activities of the Company. Ambient air, stack emission and work environment quality are within statutory limits.

Pollution control Laboratory, Burnpur has been recognized by Central Pollution Control Board, New Delhi and West Bengal Pollution Control Board and many ancillary industries in Asansol are taking advantage of these facilities for environment monitoring.

About 2000 saplings were planted in Town and Burnpur Works.

Environmental Management System implementation at Rolling Mill Complex have been certified to ISO-14001 by M/s TUV, India.

Environment Awareness Campaign in Plant and Township was carried out through observation of World Environment Day, SAIL Environment Month. Workshops/Training on Environment Management was organized for different section of employees at Burnpur.

HUMAN RESOURCE MANAGEMENT REVIEW

Your Company gives great importance to the development of its Human Resources to improve efficiency and productivity.

The manpower strength as on 31st March, 2005 was 16218 comprising 1009 executives and 15209 non-executives (includes 31 non-executive employees not opted for VR at Kulti Works). There was reduction of manpower strength by 772 during the year which included 249 employees separated under Voluntary Retirement Scheme. Scheduled Caste/ Scheduled Tribes employees were 12.11% and 2.22% respectively of the total manpower as on 31.03.2005.

The Industrial Relations remained generally cordial and peaceful during the year. The thrust towards safety and occupational health continued. 2783 regular employees and 3366 contract labourers were trained on various safety aspects during the year. Eight employees were given awards in various safety competitions. Safety Week was organized and celebrated to create awareness amongst the employees regarding safety consciousness. The Company undertook various welfare measures like maintenance of houses, education for children, medical facilities, socio cultural activities and other facilities. The endeavour to make training more result and skill oriented continued. During the year 2084 employees were trained in various fields.

6 executives and 12 non-executives were given Jawahar and Nehru Awards respectively for extra-ordinary, innovative or exemplary jobs in their fields of work. 10 employees were given Netaji Subhas Award for significant achievement in various fields of activities.

During the year the Company continued to pursue vigorously the implementation of Official Language Policy of the Government. Employees were encouraged to carry out their official work in Hindi and liberal incentives for such work were given. Official Language fortnight celebrations were organised. Hindi Scholarships were given to 19 Children of Non-Hindi speaking employees for their better performance in Hindi in their School examinations.

During the year various sports activities were conducted for employees and their dependants. Inter-Steel Plant Football and Kabaddi Championships were organised at Burnpur. Round the year coaching and training were conducted by qualified and expert coaches in Football, Basketball, Athletics, Cricket, Volleyball, Chess, Weight-Lifting, Power Lifting, Kabaddi and Boxing Disciplines.

While IISCO was winner of four Inter Steel Sports Championships, it was Runners-up in one.

STATUS OF REHABILITATION PACKAGE

BIFR sanctioned Rehabilitation Scheme of IISCO on 20.11.03 which, inter-alia, envisaged investment of Rs. 341 crore on various capital schemes. Subsequently, there has been a substantial change in the market scenario which required modification in the sanctioned scheme under Rehabilitation Package. Accordingly, with the approval of IISCO Board, M/s. M.N. Dastur & Co. (P) Ltd. (Dasturco), Kolkata, was assigned to review the capital investment under the Rehabilitation Package. Based on the review, Dasturco suggested revision of investment from Rs. 341 Crores to Rs. 218 Crores and deletion of (a) New 50 sq.m. Sinter Plant, (b) Relining of BF#3 & upgradation of BF#4, (c) Walking Beam Furnace in H.S. Mill which has been approved by IISCO Board in principle.

The capital schemes taken up are :

- ✓ Merchant & Rod Mill:
 - Charging of Furnace Skids;
 - Upgradation of Electric Control Housing; and
 - Installation of Slit Rolling facilities;
- ✓ Upgradation of Control & Instrumentation system of Re-heating Furnace;
- ✓ Structural Repairs, Refractory Modification & Instrumentation & Automation of 6 Nos. soaking pits in Rolling Mill;
- ✓ Development work in Collieries; Shifting of 33 KV HT line to extend Duburdi Open Cast Project at Ramnagore Colliery.



In addition to on going Schemes under Rehabilitation Package, certain new Schemes have been taken up. IISCO Board accorded "in-principle" approval for these new Projects viz. "Rebuilding of BF#2", "Revamping / Replacement of Turbo Blower" etc.

Dismantling of existing BF # 2 commenced in March, 2005.

VIGILANCE ACTIVITIES

Interactions between Vigilance Personnel and Line Managers were organized from time to time through Vigilance Awareness Programmes/ Seminars to explain the role of Vigilance and the importance of adherence to laid down policies and guidelines and to build confidence across the organization to facilitate decision making. During the year 343 surprise checks were conducted resulting in sizable direct/indirect benefits.

MERGER WITH SAIL

Keeping in view potential of IISCO and SAIL's financial and managerial capabilities, Government of India has approved the proposal of merger of your company with SAIL. Subsequently, IISCO and SAIL Boards have also approved the merger, subject to approval by BIFR/Ministry of Company Affairs. Actions to give effect to the merger are in progress. With the merger, there would be greater synergy for exploiting the resources with optimum level for achieving higher production of steel.

SUBSIDIARY

IISCO Ujjain Pipe & Foundry Co. Ltd., (IISCO Ujjain) a wholly-owned Subsidiary of IISCO, was decided to be wound-up by Board for Industrial & Financial Reconstruction (BIFR) in June, 1996. The Official Liquidator has sold the assets of the Company and invited the claims from creditors. The Company has filed the same which are under examination of the Liquidator.

AUDITORS' REPORT

Replies of the Board of Directors to the observations made in the Report of the Statutory Auditors on the Accounts are enclosed at Annexure-I. The comments and review of Accounts by the Comptroller and Auditor General of India are enclosed at Annexure-II.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure – III to this Report.

PARTICULARS OF EMPLOYEES

There was no employee of the Company who received remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended upto date.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (As amended by Companies (Amendment) Act, 2000), it is hereby confirmed :-

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2004-2005 and the Profit & Loss Account of the Company for the financial year 2004-2005.
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the

provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors had prepared the Annual Accounts on a going concern basis.

COMPOSITION OF AUDIT COMMITTEE

Pursuant to Section 292A of the Companies Act, 1956 (As amended by Companies (Amendment) Act, 2000) an Audit Committee consisting of the following Directors has been constituted by the Board of Directors of the Company: -

Shri J.P. Singh

Shri Ashis Das

Shri G.C. Daga

Shri J.P. Singh is the Chairman of the Audit Committee.

DIRECTORS

Shri H.M.P. Singh, Managing Director, IISCO, resigned from the Managing Directorship of the Company w.e.f. 30-11-2004. Dr. S.K.Bhattacharyya, Chairman, IISCO, has been assigned with the additional charge of Managing Directorship of the Company.

Shri K. Kannan who was appointed Special Director by BIFR was inducted into the Board on 29.01.2004 ceased to be Director of the Company as per BIFR's Order dated 28.06.2005.

Shri Sunil Mitra has resigned from the Directorship w.e.f. 22.07.2005.

Dr. S.N. Dash was appointed as Additional Director of the Company w.e.f. 06-09-2004. Dr. Dash resigned from the Directorship w.e.f. 04-11-2004.

Shri Ajoy Kumar was appointed as Additional Director of the Company w.e.f. 29-11-2004. Shri Ajoy Kumar resigned from the Directorship w.e.f. 22-07-2005.

Shri Arun Kumar Rath was appointed as Additional Director of the Company w.e.f. 14-12-2004.

Shri J.P. Singh was appointed as Additional Director of the Company w.e.f. 22-07-2005.

Shri Ashis Das retires by rotation and is eligible for re-appointment as Director. As Additional Directors Shri Arun Kumar Rath and Shri J.P. Singh hold office upto the Annual General Meeting for the year 2004-05 and are eligible for appointment as Directors. Notice has been received from a Member under Section 257 of the Companies Act, 1956 proposing election of Shri Arun Kumar Rath and Shri J.P. Singh as Directors.

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the services rendered and co-operation extended by the Employees at all levels. The Directors also thank the State Government Agencies, Financial Institutions, Bankers, Suppliers, Customers and Auditors for their co-operation, assistance and patronage. The Directors also wish to acknowledge the continuous support and guidance received from Steel Authority of India Ltd., Government of West Bengal and the different Departments of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

Sd/-

Place: Kolkata
Dated: 2nd August, 2005

(Dr. S.K. Bhattacharyya)
Chairman



Balance Sheet

AS AT 31ST MARCH, 2005

	Schedule No.	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	387.66	387.66
Reserves and Surplus	1.2	6.59	5.70
		394.25	393.36
Loan Funds			
Secured Loans	1.3	—	31.05
Unsecured Loans	1.4	205.61	236.96
		599.86	661.37
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		849.37	823.51
Less: Depreciation		547.66	526.03
Net Block		301.71	297.48
Capital Work-in-Progress	1.6	21.75	27.89
		323.46	325.37
Investments	1.7	0.06	0.07
Current Assets, Loans & Advances			
Inventories	1.8	222.43	142.95
Sundry Debtors	1.9	53.36	57.61
Cash & Bank Balances	1.10	128.03	99.74
Interest Receivable/Accrued	1.11	1.28	0.18
Loans & Advances		—	—
Subsidiary Companies	1.12	—	—
Others	1.13	30.79	28.19
		435.89	328.67
Less: Current Liabilities & Provisions			
Current Liabilities	1.14	402.98	718.23
Provisions	1.15	724.94	288.09
		1127.92	1006.32
Net Current Assets		-692.03	-677.65
Miscellaneous Expenditure	1.16	58.10	59.01
(to the extent not written off or adjusted)			
Profit & Loss Account Debit Balance		910.27	954.57
		599.86	661.37
Accounting Policies and Notes on Accounts	3		
Schedules 1 and 3 annexed hereto , form part of the Balance Sheet			

In terms of our report of even date

For and on behalf of
M/s Gupta & Co.
Chartered Accountants

Sd/-
(A. Deb)
Partner

For and on behalf of
M/s SRI Associates
Chartered Accountants

Sd/-
(B.C. Bhattacharyya)
Partner

For and on behalf of Board of Directors

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(S.K. Bhattacharyya)
Chairman & Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 24th May, 2005

Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2005

MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

	Schedule No.		Year ended 31st March, 2005		Year ended 31st March, 2004
<i>(Rupees in crores)</i>					
INCOME					
Sales	2.1	1487.29		1051.26	
Less: Excise duty (Ref. Note No. 5.09)		116.18	1371.11	102.84	948.42
Finished products internally consumed		10.88		5.22	
Interest earned	2.2	4.38		4.39	
Other revenues	2.3	285.73		110.63	
Provisions no longer required written back	2.4	11.73		2.16	
Stock transfer to other units		—	312.72	—	122.40
			1683.83		1070.82
EXPENDITURE					
Accretion(-)/Depletion to stocks	2.5	-66.69		-8.78	
Raw materials consumed	2.6	720.04		479.72	
Purchase of semi/finished products		105.92		52.38	
Employees Remuneration & Benefits	2.7	732.29		339.34	
Stores & Spares Consumed		126.37		84.59	
Power & Fuel	2.8	94.93		86.71	
Repairs & Maintenance	2.9	26.01		18.57	
Freight outward		22.86		18.77	
Other expenses	2.10	148.62		139.35	
Interest & finance charges	2.11	24.46		13.77	
Depreciation		27.25		23.76	
Total		1962.06		1248.18	
Less : Transferred to Inter Account Adjustments	2.12	321.43	1640.63	209.41	1038.77
Profit(+)/Loss(-) for the year			43.20		32.05
Adjustments pertaining to earlier years	2.13		3.39		-4.96
Net Profit(+)/Loss(-)			46.59		27.09
Balance brought Forward from previous year			-954.57		-979.37
			-907.98		-952.28
APPROPRIATIONS					
Transferred to Bonds Redemption Reserve			2.29		2.29
Balance carried over to Balance Sheet			-910.27		-954.57
			-907.98		-952.28
Accounting Policies and Notes on Accounts	3				
Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account					

In terms of our report of even date

For and on behalf of
M/s Gupta & Co.
Chartered Accountants

Sd/-
(A. Deb)
Partner

For and on behalf of
M/s SRI Associates
Chartered Accountants

Sd/-
(B.C. Bhattacharyya)
Partner

For and on behalf of Board of Directors

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(S.K. Bhattacharyya)
Chairman & Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 24th May, 2005



Cash Flow Statement

Cash Flow Statement for the year	2004-05	2003-04
		(Rupees in crores)
A. Cash Flow from Operating Activities		
Net profit(+) / loss(-) before taxation, and extraordinary items	46.59	27.09
Add: Adjustment for:		
Depreciation	27.38	24.05
Interest Expenses	24.46	13.77
Deferred revenue expenditure (Charged during the year)	18.21	15.20
Less: Adjustment for:		
Waiver of interest on F.I.'s & Banks		47.35
Interest Income	4.38	4.39
Dividend Income	0.02	0.02
Operating profit before changes in working capital	112.24	28.35
Less: Adjustment for:		
Inventories	79.48	8.69
Sundry Debtors	-4.25	-5.51
Loans and Advnaces	2.60	1.41
Current Liabilities and Provisions (excluding gurantee fee to GOI & int. on bond)	-116.43	112.54
Deferred Revenue Expenditure (Additions)	17.30	73.77
Net Cash from Operating Activities	133.54	-162.55
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	-27.12	-45.95
Interest received	3.28	4.43
Dividend received	0.02	0.02
Net Cash from Investing Activities	-23.82	-41.50
C. Cash flow from Financing Activities		
Bond Issue Expenses		-0.05
Proceeds from Borrowings (net)	-62.40	161.85
Interest and Finance Charges paid	-19.03	-5.90
Net Cash from Financing Activities	-81.43	155.90
Net Increase / Decrease(-) in Cash & Cash Equivalents(A+B+C)	28.29	-48.15
Cash & Cash Equivalents (Opening)	99.74	147.89
Cash & Cash Equivalents (Closing) *	128.03	99.74
(Represented by Cash & Bank Balances)		

In terms of our report of even date

For and on behalf of
M/s Gupta & Co.
Chartered Accountants

Sd/-
(A. Deb)
Partner

For and on behalf of
M/s SRI Associates
Chartered Accountants

Sd/-
(B.C. Bhattacharyya)
Partner

For and on behalf of Board of Directors

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(S.K. Bhattacharyya)
Chairman & Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 24th May, 2005

Schedules

MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

1.1: SHARE CAPITAL	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)		
Authorised		
54,70,00,000 Equity Shares of Rs.10/- each	547.00	547.00
3,00,000 5% Cumulative preference shares of Rs.100/- each	3.00	3.00
Issued, Subscribed & Paid-up*		
36,94,84,257 Equity Shares of Rs.10/- each fully paid-up in cash	369.48	369.48
1,81,81,500 Equity Shares of Rs.10/- each fully paid-up for considerations other than cash (including 1,24,40,899 and 20,73,483 fully paid Bonus Shares allotted by Capitalisation of General Reserves and from Share premium respectively)	18.18	18.18
	387.66	387.66

* (All the shares are held by Steel Authority of India Limited of which the company is a wholly owned subsidiary)

1.2: RESERVES & SURPLUS	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)		
Capital Reserve		
As per last Balance Sheet	3.10	3.10
Less: Adjustment during the year	1.40	1.70
		—
Share Premium Account		
As per last Balance Sheet	0.31	0.36
Less : Adjustment towards Bond Issue Expenses	—	0.31
		0.05
Bond Redemption Reserve		
As per last Balance Sheet	2.29	—
Add : Transferred from Profit & Loss Account	2.29	2.29
Less : Transferred to Profit & Loss Account	—	4.58
		2.29
	6.59	5.70

1.3: SECURED LOANS	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)		
Working Capital Borrowings from Banks*	—	29.55
Term Loan from Financial Institution	—	1.50
Interest Accrued and due thereon	—	1.50
		31.05

*Secured by hypothecation Company's inventories, book debts and other current assets.

1.4: UNSECURED LOANS	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)		
Non Convertible Bonds		
Redeemable Non-Convertible, Taxable Bonds**	64.00	64.00
Interest Rate	6.4%	
Face Value	Rs.500000/-	
Date of Redemption	15-OCTOBER-2010	
Loan from SAIL	141.61	169.86
Interest accrued and due thereon	—	3.10
	141.61	172.86
	205.61	236.96

** Guaranteed by Government of India and also secured by charges ranking pari-passu interse on all the Company's immovable properties, both present and future situated at village:Irana, Taluka: Kadi, District: Mehsana in the state of Gujarat

1.5: FIXED ASSETS	GROSS BLOCK (AT COST)			
Description	As at 31st March 2004	Additions/ Adjustments during the year	Less : Sales/ Adjustments during the year	As at 31st March, 2005
(Rupees in crores)				

A. PLANTS, MINES, OTHERS				
Land (including cost of development)				
—Freehold Land	60.08	1.04	-0.01	61.13
—Leasehold Land	0.28	—	—	0.28
Right and Patents	6.98	—	—	6.98
Railway Lines & Sidings	4.75	—	0.31	4.44
Roads, Bridges & Culverts	2.37	—	—	2.37
Buildings	28.51	—	0.01	28.50
Plant & Machinery				
—Steel Plant	473.23	22.18	5.28	490.13
—Others	103.08	9.68	0.18	112.58
Furniture & Fittings	2.45	—	0.01	2.44
Vehicles	38.64	0.06	0.17	38.53
Water Supply & Sewerage	4.95	—	—	4.95
EDP Equipments	3.62	0.15	0.02	3.75
Miscellaneous Articles	5.03	0.30	-0.01	5.34
Sub-total 'A'	733.97	33.41	5.96	761.42
Figures for the previous year	714.78	24.47	5.28	733.97

B. SOCIAL FACILITIES				
Land(including cost of development)				
—Freehold Land	0.20	—	—	0.20
—Leasehold Land	—	—	—	—
Roads, Bridges & Culverts	3.21	—	—	3.21
Buildings	45.59	—	—	45.59
Plant & Machinery—Others	8.43	—	—	8.43
Furniture & Fittings	1.28	—	—	1.28
Vehicles	1.81	—	0.04	1.77
Water Supply & Sewerage	19.70	—	—	19.70
EDP Equipments	0.01	0.03	—	0.04
Miscellaneous Articles	4.63	0.10	—	4.73
Sub-total 'B'	84.86	0.13	0.04	84.95
Figures for the previous year	84.71	0.15	—	84.86

C. UNSERVICEABLE/OBSOLETE ASSETS				
Unserviceable / Obsolete Assets	4.68	0.23	1.91	3.00
Figures for the previous year	4.07	0.61	—	4.68
—Total ('A'+ 'B'+ 'C')	823.51	33.77	7.91	849.37
Figures for the previous year	803.56	25.23	5.28	823.51

(Unserviceable/Obsolete assets at net book value or net realisable value whichever is less)



Schedules

1.5: FIXED ASSETS (Contd.)

	DEPRECIATION				NET BLOCK	
Description	Up to 31st March, 2004	For the year	Less : On Sales/ Adjustments during the year	Upto 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)						
A. PLANTS, MINES, OTHERS						
Land (including cost of development)						
–Freehold Land	—	—	—	—	61.13	59.44
–Leasehold Land	0.20	—	—	0.20	0.08	0.72
Right and Patents	0.42	0.23	—	0.65	6.33	6.56
Railway Lines & Sidings	3.40	0.09	0.30	3.19	1.25	1.35
Roads, Bridges & Culverts	1.21	0.04	—	1.25	1.12	1.16
Buildings	18.63	0.47	0.01	19.09	9.41	9.88
Plant & Machinery						
–Steel Plant	357.38	17.45	4.65	370.18	119.95	115.34
–Others	68.35	4.84	0.18	73.01	39.57	34.73
Furniture & Fittings	2.02	0.06	—	2.08	0.36	0.43
Vehicles	30.57	0.92	0.14	31.35	7.18	8.07
Water Supply & Sewerage	2.90	0.10	—	3.00	1.95	2.05
EDP Equipments	3.17	0.06	—	3.23	0.52	0.45
Miscellaneous Articles	3.14	0.26	-0.13	3.53	1.81	1.89
Sub-total 'A'	<u>491.39</u>	<u>24.52</u>	<u>5.15</u>	<u>510.76</u>	<u>250.66</u>	<u>242.07</u>
Figures for the previous year	<u>474.61</u>	<u>21.78</u>	<u>4.49</u>	<u>491.90</u>	<u>242.07</u>	
B. SOCIAL FACILITIES						
Land (including cost of development)						
–Freehold Land	—	—	—	—	0.20	0.20
–Leasehold Land	—	—	—	—	—	—
Roads, Bridges & Culverts	1.12	0.04	—	1.16	2.05	2.09
Buildings	13.41	0.77	-0.01	14.19	31.40	32.18
Plant & Machinery–Others	5.08	0.35	0.01	5.42	3.01	3.35
Furniture & Fittings	0.94	0.05	—	0.99	0.29	0.34
Vehicles	1.42	0.05	0.06	1.41	0.36	0.39
Water Supply & Sewerage	8.89	1.38	0.04	10.23	9.47	10.81
EDP Equipments	0.01	0.01	—	0.02	0.02	—
Miscellaneous Articles	3.26	0.21	-0.01	3.48	1.25	1.37
Sub-total 'B'	<u>34.13</u>	<u>2.86</u>	<u>0.09</u>	<u>36.90</u>	<u>48.05</u>	<u>50.73</u>
Figures for the previous year	<u>31.87</u>	<u>2.27</u>	<u>0.01</u>	<u>34.13</u>	<u>50.73</u>	
C. UNSERVICEABLE/OBSELETE ASSETS						
Unserviceable / Obsolete Assets	—	—	—	—	3.00	4.68
Figures for the previous year	—	—	—	—	4.68	
Total ('A'+ 'B'+ 'C')	<u>525.52</u>	<u>27.38</u>	<u>5.24</u>	<u>547.66</u>	<u>301.71</u>	<u>297.48</u>
Figures for the previous year	<u>506.48</u>	<u>24.05</u>	<u>4.50</u>	<u>526.03</u>	<u>297.48</u>	

Note : Allocation of Depreciation

	Current Year	Previous Year
(a) Charged to Profit & Loss Account	27.25	23.76
(b) Debited to adjustments pertaining to earlier years	0.13	0.29
Total	<u>27.38</u>	<u>24.05</u>

1.6: CAPITAL WORK-IN-PROGRESS	As at 31st March, 2005	As at 31st March, 2004
(Rupees in crores)		
Capital Work-in-progress		
Steel Plants & Units	17.40	24.08
Township	2.57	2.57
	<u>19.97</u>	<u>26.65</u>
Less: Provision	4.68	4.81
Advances	7.55	9.49
Less: Provisions	1.09	3.44
	<u>6.46</u>	<u>6.05</u>
	21.75	27.89
Particulars of Advances		
Unsecured, Considered Good	6.46	6.05
Unsecured, Considered Doubtful	1.09	3.44
	<u>7.57</u>	<u>9.49</u>

1.7: INVESTMENTS (AT COST) — Long Term	Number of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>				
Quoted Investments				
ICICI Bank Ltd (Market Value Rs. 1,12,39,800/-; Previous Year Rs. 85,92,870/-)	28600	10	0.05	0.05
Unquoted Investments				
Trade Investments				
South India Export Co. (P) Ltd.	7500	10	—	0.01
India Standard Wagon Company Limited*	130	100	—	—
Hoogly Docking and Engg. Company Limited	1433	100	—	0.02
Satna Stone Lime Company Limited	33604	10	—	0.03
Other Investments— Subsidiary Company				
IISCO Ujjain Pipe & Foundry Company Limited (in liquidation)	3000000	10	3.00	3.00
Other Companies—				
Bihar State Financial Corporation	500	100	0.01	0.01
Government Securities			—	0.06
Shares in Co-operative Societies (1.7.1)			0.05	0.05
			3.11	3.23
Less : Provision for diminution in value of investments			3.05	3.16
			0.06	0.07

* Cost being less than Rs. 50,000, figures not given.

1.7.1: SHARES IN CO-OPERATIVE SOCIETIES	<i>(In Rupees)</i>			
Barajamda Iron Ore Mines Central Co-operative Stores Limited	400	25	0	10000
IISCO Employees' Primary Co-operative Stores Limited	23000	20	460000	460000
			460000	470000

1.8: INVENTORIES	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Stores & spares*	69.95	60.94
Add: In-transit	0.99	0.74
	70.94	61.68
Less: Provision	19.77	19.32
	51.17	42.36
Raw materials*	23.67	17.61
Add: In-transit	2.24	1.72
	25.91	19.33
Less: Provision	0.08	0.11
	25.83	19.22
Semi/finished products* (including scrap)	145.43	81.37
Add: In-transit	—	81.37
	145.43	162.74
	222.43	142.95

Notes:

- * Valued as per Accounting Policy No. 1.6
- As the Semi/finished products are overlapping, these are not segregated

1.9: SUNDRY DEBTORS	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Debts over six months	36.28	48.39
Other debts	34.09	29.98
	70.37	78.37
Less: Provision for doubtful debts	17.01	20.76
	53.36	57.61
Particulars		
Unsecured, considered good	53.36	57.61
Unsecured, considered doubtful	17.01	20.76
	70.37	78.37

1.10: CASH & BANK BALANCES	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Cash and Stamps on hand	0.14	0.10
Cheques/DDs on hand	—	2.28
With Scheduled Banks*		
Current account*	46.63	27.40
Term deposits	80.61	68.81
Remittances-in-transit	0.65	1.15
	128.03	99.74
* [Includes : a) Midland Bank Ltd. (London) Rs. 0.07 Lakhs (Maximum balance same)]		

1.11: INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Deposits	1.26	0.16
Employees	0.02	0.04
	1.28	0.20
Less Provision for doubtful interest	—	0.02
	1.28	0.18
Particulars		
Unsecured, considered good	1.28	0.18
Unsecured, considered doubtful	—	0.02
	1.28	0.20

1.12: LOANS AND ADVANCES TO SUBSIDIARY COMPANIES	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Loans	2.11	2.11
Other Advances	—	—
Less : Provisions	2.11	2.11
	—	—
Particulars		
Unsecured, considered good	—	—
Unsecured, considered doubtful	2.11	2.11
	2.11	2.11



Schedules

1.13: LOANS & ADVANCES — OTHERS	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Loans		
Employees	0.04	0.07
Stores issued	0.04	0.03
Others	—	0.10
Advances recoverable in cash or in kind or for value to be received		
Claims recoverable	10.44	10.90
Contractors & suppliers	13.53	10.78
Employees	1.95	5.71
Advance Income Tax and Tax deducted at source	0.48	0.30
Bills Receivable	—	0.10
Others	3.04	2.37
Deposits		
Port trust, excise department, Railways, etc.	6.19	5.79
Others	1.32	1.83
	37.03	37.88
Less : Provision for doubtful Loans & Advances	6.24	9.69
	30.79	28.19
Particulars of Loans & Advances—Others		
Unsecured, considered good	30.79	28.19
Unsecured, considered doubtful	6.24	9.69
	37.03	37.88

1.14: CURRENT LIABILITIES	As at 31st March, 2005	As at 31st March, 2004
<i>(Rupees in crores)</i>		
Sundry creditors		
Capital works	7.36	7.65
Small Scale Industrial Undertakings	1.71	0.81
Others	209.36	373.51
Advances from		
Customers	84.93	70.74
Others	0.40	0.82
Security deposits	17.53	14.64
Less : Investment received as security deposit	0.04	0.05
Interest accrued but not due on Loans	3.01	1.89
Other Liabilities	78.72	248.22
	402.98	718.23

1.15: PROVISION FOR	Balance as at 31st March, 2004	Additions during the year	Total	Amount Charged Off/utilized during the year	Provision written back during the year	Balance as at 31st March, 2005
<i>(Rupees in crores)</i>						
(i) Gratuity	202.40	96.38	298.78	17.17	—	281.61
(ii) Accrued Leave Liability	41.55	30.78	72.33	4.42	—	67.91
(iii) Employees Family Benefit Scheme	18.99	6.04	25.03	3.71	—	21.32
(iv) Post Retirement Medical and Settlement Benefit	24.62	13.08	37.70	1.00	—	36.70
(v) Wage Revision	—	327.19	317.29	—	—	317.29
(vi) Others	0.53	0.01	0.54	—	0.43	0.11
Total	288.09	463.58	751.67	26.30	0.43	724.94
Previous Year	271.95	61.79	333.74	44.06	1.59	288.09

1.16: MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	Balance as at 31st March, 2004	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2005
<i>(Rupees in crores)</i>					
(i) Deferred Revenue Expenditure					
Voluntary Retirement Compensation	59.01	17.30	76.31	18.21	59.10
Previous Year	0.44	73.77	74.21	15.20	59.01
Charged Off to:					
Other Expenses & Provisions				Current Year	Previous Year
Adjustments Pertaining to earlier years				18.21	15.20
				—	0.28
				18.21	15.48

2.1: SALES	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Direct	904.09	677.80
From stockyards	573.90	358.78
Exports	8.98	14.35
Export Incentive	0.32	0.33
	1487.29	1051.26

2.2: INTEREST EARNED	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Customers	0.01	0.01
Term Deposits	4.31	4.32
Others	0.06	0.06
	4.38	4.39

2.3: OTHER REVENUES	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Social amenities—recoveries	11.04	9.76
Sale of empties etc.	0.50	0.39
Liquidated damages	0.94	0.40
Service charges	0.13	0.13
Subsidy	3.08	1.96
Hire charges etc.	0.11	0.16
Claims for finished products	0.16	0.29
Dividend from Other investments	0.02	0.02
Profit on sale/discard of fixed assets (net)	1.42	—
Waivers of Dues - JPC Cess	—	18.49
Waivers of Interest by Banks/FIs	—	47.35
Waivers of sales tax, electricity duty, royalty & cess	222.74	—
Sundries	45.59	31.68
	285.73	110.63

2.4: PROVISIONS NO LONGER REQUIRED WRITTEN BACK	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Loans & advances	0.53	0.54
Sundry debtors	3.52	0.33
Stores & spares	1.42	0.78
Others	6.26	0.51
	11.73	2.16

2.5: ACCRETION (-) / DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Opening stock	81.37	72.37
Add : Adj.missing wagon etc.	0.00	0.22
Less : Adjustment R.M. Stock	2.14	—
	79.23	72.59
Less : Adj. Missing Wagon etc.	0.49	—
Less : Closing Stock	145.43	81.37
	-66.69	-8.78

2.6: RAW MATERIALS CONSUMED	Year ended 31st March, 2005		Year ended 31st March, 2004	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	1064598	87.95	1060757	67.50
Indigenous Coal	1414748	467.11	1311974	331.15
Imported Coal	159869	71.65	54544	20.63
Coke	2530	0.44	345	0.10
Limestone	169804	20.12	117810	13.36
Dolomite	180265	9.87	167905	9.08
Pig Iron	2950	0.98	1576	1.10
Scrap	46298	34.08	32018	16.75
Ferro Manganese	2919	12.42	1943	4.66
Ferro Silicon	506	1.84	301	1.06
Others		13.58		14.33
		720.04		479.72

NOTES: 1. Consumption of raw materials includes shortages Rs. 2.03 crores, (previous year Rs. 5.67 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 5.94 crores (previous year Rs. 0.28 crores).

2. Value of raw materials consumed is after adjustments relating to inter plant transfers.

2.7: EMPLOYEES' REMUNERATION & BENEFITS	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Salaries & wages	264.53	249.82
Wage revision (Arrears)	317.29	—
Company's contribution to provident fund & other funds	22.89	23.86
Travel concession	0.92	0.17
Welfare expenses	30.28	31.82
Gratuity	96.38	33.67
	732.29	339.34

Note :
Expenditure on Employees'
Remuneration and Benefits not
included above and charged to:

a) Deferred Revenue Expenditure	18.21	15.02
b) Net expenditure on Social Amenities charged to various primary revenue heads	6.45	4.72
	24.66	19.74

2.8: POWER & FUEL	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Purchased power	64.52	67.48
Duty on own generation	2.57	0.56
Boiler Coal/Middling	27.82	18.66
Furnace Oil/LSHS/LDO	0.02	0.01
	94.93	86.71



Schedules

2.9: REPAIRS & MAINTENANCE	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Buildings	2.38	2.52
Plant & Machinery	19.93	13.02
Others	3.70	3.03
	26.01	18.57
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	8.01	8.00
Plant & Machinery	35.74	35.70
Others	7.32	7.30
	51.07	51.00
b) Stores & Spares		
Buildings	3.06	2.10
Plant & Machinery	34.80	23.86
Others	0.38	0.26
	38.24	26.22
Total (a+b)	89.31	77.22

2.10: OTHER EXPENSES	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Commission to selling agents	—	0.10
Demurrage & Wharfage	0.10	—
Expenses connected with Imports	—	0.01
Export sales expenses	0.04	0.02
Handling expenses		
– Handling expenses - Raw Material	54.30	47.61
– Handling expenses - Finished goods	7.49	6.68
– Scrap recovery expenses	3.77	3.62
Insurance	0.28	0.87
Law charges	0.39	0.33
Postage, telegram & telephone	0.60	0.73
Printing & stationery	0.85	0.46
Provisions		
– Doubtful debts & loans and advances	0.89	1.06
– Sundries	2.86	7.03
	3.75	8.09
Rates & Taxes	5.05	2.43
Remuneration to Auditors		
– Audit fees	0.04	0.04
– Tax Audit fees	0.01	0.01
– Out of pocket expenses	0.02	0.03
– In other capacities	—	—
	0.07	0.08
Rent	0.84	0.48
Royalty and cess	11.10	9.14
Security expenses	11.09	11.21
Travelling expenses	5.33	5.31
Write Offs		
– Miscellaneous & Deferred Revenue Expenditure	18.21	15.20
– Sundry debtors	0.41	—
– Advances	0.63	—
– Others	1.70	—
	20.95	15.20
Training expenses	0.02	0.01
Foreign Exchange Fluctuation (Net)	—	0.04
Water charges & Cess on water pollution	0.19	0.09
Miscellaneous	22.41	26.84
	148.62	139.35

2.11: INTEREST & FINANCE CHARGES	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Non-Convertible Bonds	4.07	1.90
Bank borrowings—working capital	0.83	5.21
Others	15.05	3.36
Finance Charges	4.51	3.30
	24.46	13.77

2.12: INTER ACCOUNT ADJUSTMENTS	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Raw materials	303.80	201.42
Departmentally manufactured stores	-4.89	—
Inter plant transfer of stocks/stores	22.03	7.50
Others (Net)	0.49	0.49
	321.43	209.41

2.13: ADJUSTMENTS PERTAINING TO EARLIER YEARS	Year ended 31st March, 2005	Year ended 31st March, 2004
	<i>(Rupees in crores)</i>	
Sales	-0.60	—
Raw materials consumed	-2.67	5.50
Employees' remuneration & benefits	—	1.54
Stores & spares consumed	-0.11	0.08
Power & fuel	—	-0.21
Excise duty	—	-0.16
Other Expenses & Provisions	-0.14	0.89
Interest	—	-2.97
Depreciation	0.13	0.29
Net Debit/(Credit)	-3.39	4.96

*(-) indicate credit items.

SCHEDULE 3: SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis of accounting as a going concern in accordance with the generally accepted accounting principles, Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, and the relevant provisions of the Companies Act, 1956.

1.2 FIXED ASSETS

Fixed assets are stated at cost of acquisition less accumulated depreciation, except land gifted by State Government, which is stated at notional / nominal value with corresponding credit to capital reserve.

Expenditure on development of land, including leasehold land, is capitalized as part of cost of land. Expenditure on construction/development of assets on land owned by Government/Semi-Government, is capitalized under appropriate asset accounts.

Cost includes all identifiable expenditure including trial-run expenses net of revenue.

Assets retired from active use are shown separately under fixed assets at lower of net book value and estimated realisable value.

1.3 BORROWING COST

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

1.4 DEPRECIATION

Depreciation is provided on straight-line method at the rates specified in schedule XIV to the Companies Act, 1956.

However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortised depreciable amount is provided over the residual useful life of the asset.

Classification of plant and machinery into continuous and non-continuous is made on the basis of technical opinion and depreciation provided accordingly.

Depreciation on addition/deletion during the year is provided on pro-rata basis with reference to the month of the addition/deletion.

Cost of acquiring mining rights is amortised over the lease period.

1.5 INVESTMENTS

Long-term investments are carried at cost, after providing for any diminution in value, if any, of a permanent nature. Current investments are carried at lower of cost and market value.

1.6 INVENTORIES:

Stores and spares are valued at cost. In case of identified obsolete / surplus/ non-moving items, necessary provision is made & charged to revenue.

Raw materials and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plant. Semi-finished special products which have realisable value at finished stage only, the net realisable value is estimated for the purpose of comparison with cost.

Residue products and scrap of various natures are valued at estimated net realizable value

The basis of determining cost for inventories is:

Stores & Spares, raw material – Weighted average cost

Material in-transit – Actual Cost

Finished/semi-finished products - Material cost plus appropriate share of labour, related overheads and duties.

1.7 GRANTS

Grants relating to the acquisition of a specific asset are adjusted against the cost of the concerned asset. Grants relating to the revenue expenditure are adjusted against the related expenses.

1.8 DEFERRED REVENUE EXPENDITURE

Voluntary retirement compensation is treated as deferred revenue expenditure and written off in five years.

1.9 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss Account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the Profit and Loss Account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets.

Exchange differences (including those arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets are adjusted in the carrying amount of such fixed assets.

1.10 EMPLOYEES' BENEFITS

The provision towards gratuity, accrued leave, post-retirement medical and settlement benefits to employees, future payments to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme are made on the basis of actuarial valuation as at the end of the year.

1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs.5 lakhs in each case, are treated as income/expenditure of current year.

1.12 REVENUE RECOGNITION

Sales include excise duty and are net of rebates, price concessions and sales tax. Sales in the domestic market are recognised at the time of despatch of materials to the buyers including the cases where delivery documents are endorsed in favour of the buyers. Export sales are recognised on issue of bill of lading.

Export incentives under various schemes are recognised as income in the year of exports at estimated realisable value/actual credit earned.

1.13 CLAIMS FOR LIQUIDATED DAMAGES/PRICE ESCALATIONS

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are adjusted to the capital cost or recognized in the Profit & Loss Account, as the case may be, on final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

1.14 TAXATION

Provision for current tax is made on the taxable profits for the year at the rates in force. Deferred tax assets on timing differences between book profit and taxable profit for the year is accounted for applying the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is a reasonable certainty that the assets can be realised in future.

1.15 SEGMENT REPORTING

(a) Identification of Segments:

The Company is having an integrated steel plant operating at Burnpur with mining activities at collieries and mines. As such the segment reporting has been made considering Burnpur unit as main operating segment and collieries and mines have been grouped under other segment.

The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Allocation of Common costs

Common expenses are allocated to each segment on appropriate basis. Revenue and expenses not allocated to segments, have been included under the head "unallocated-common expenses".

The Accounting Policies adopted for segment reporting are in line with those of the Company.

2. CONTINGENT LIABILITIES

	As at 31st March, 2005	As at 31st March, 2004
	(Rs. in crores)	
i) Claims against the Company pending appellate/judicial decisions	25.42	71.40
ii) Other claims against the Company not acknowledged as debt	—	13.19
iii) Claims by certain employees and escalation claims, extent whereof is not ascertainable	—	—

3. FIXED ASSETS

3.1(a) Land includes:

- 241.715 acres (As at 31st March 2004–241.715 acres) owned/leased/ possessed by the Company, in respect of which title/lease deeds are pending for registration.
- 43.274 acres (As at 31st March 2004– 29.04 acres) given on lease/license to various agencies.

3.1(b) An adhoc advance of Rs. 0.89 crores was made for acquiring 316.08 acres of land by the Company as against which 24.93 acres of land has been in possession and in use of the company. However, the cost of the said land remaining undetermined and hence unascertained till date, could not be transferred to Fixed Asset under the head "Land".



Schedules

- 3.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) - Rs. 3.48 crores (As at 31st March, 2004 - Rs.2.48 crores).

4. INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

- 4.1 The Central Board of Direct Taxes vide its Notification dated 25th September, 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petition with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance Court's orders, the amount of tax deducted on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 01.10.2001 is kept separately as term deposits.

- 4.2 By virtue of an order issued by the State Govt. of Jharkhand dated 15.12.2004, renewal application in respect of three mining leases have been rejected. IISCO had filed a writ petition challenging the order of the State Govt. before Hon'ble Ranchi High Court. The Hon'ble High Court heard the matter and passed an interim order directing to maintain the statusquo as exists in favour of IISCO till further hearing. The matter was also contested upon with the Ld. Mining Tribunal, Govt. of India, New Delhi, who had also passed an order restraining the State Govt. of Jharkhand from resorting to any action withdrawing the mining rights of IISCO till further order.

- 4.3 The amount due to small scale industrial undertakings as per schedule 1.14 - Current Liabilities is to the extent such parties have been identified. The Company has normally made payments to SSI units in due time and there are no claims from the parties for interest on overdue payments. There are no parties whose outstandings are more than 30 days.

- 4.4 Due to disclosure of fixed assets retired from active use (unserviceable / obsolete) under Fixed Assets as against Inventory during the previous year, fixed assets have been overstated by Rs. 3.00 crores and net current assets have been understated for the same amount.

- 4.5 Letters seeking confirmation of Sundry Debtor balances were sent out on a selective basis. A few confirmations were received confirming the balances. Replies showing difference in balances are under reconciliation.

- 4.6 Consequent upon a change in cost computation with respect to credit for Coke fractions and Cokeoven gas, net value of inventory has increased by Rs.2.55 crores.

5. PROFIT & LOSS ACCOUNT

- 5.01 The long term agreement for employees' pay revision expired on 30th June, 1996 in respect of colliery employees and on 31st December, 1996 for employees of other units of the Company. Pending decision on pay revision, payment on account of ad hoc advance /interim relief is continued to be made and charged to Profit & Loss Account. A sum of Rs. 317.29 crores, over and above the amount of ad hoc advance/interim relief already paid, has been provided in the accounts on estimated basis in respect of arrear wages to accrue due to pay revision with retrospective effect inclusive of consequential benefits. The aforesaid amount has been charged to Employees' Remuneration & Benefits.

- 5.02 The Company reviews the carrying amount of its fixed assets by grouping assets of entire one plant/unit as Cash Generating Unit (CGU). The Company has carried out the exercise of valuation of assets of all the CGUs by an independent agency and the reports submitted by the agency show that the net selling price of the various fixed assets are higher as compared to the carrying amount of such assets and hence there is no impairment.

- 5.03 As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided for and/or paid.

- 5.04 The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. Also, no provision for minimum alternate tax under section 115 JB of the Income Tax Act, 1961 has been made during the year as the Company is a sick industrial company under section 17(1) of the Sick Industrial Companies Act.

- 5.05 Net deferred tax assets as on 31st March, 2005, have been accounted for in accordance with AS-22 on 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, as detailed below:

	As on 31 st March, 2005	As on 31 st March, 2004
		(Rs. in crores)

Deferred tax liabilities

Difference between book and tax depreciation	51.04	51.78
Total	51.04	51.78

Deferred tax assets

Unabsorbed depreciation/loss	369.35	308.81
Others	160.52	157.45
Total	529.87	466.26
Net Deferred Assets	478.83	414.48

The Company as a matter of prudence does not recognize deferred tax assets if these arise after adjustment of deferred tax liabilities. Accordingly, net deferred tax assets amounting to Rs. 478.83 crores as on 31st March 2005 have not been accounted for.

- 5.06 Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plant which have been included under the primary heads of account.

- 5.07 As per the Sanctioned Scheme of BIFR, the Govt. of West Bengal has agreed to waive past dues up to 31.3.2003 and also prospective dues from 1.4.2003

for a period of five years on account of Sales Tax, Electricity Duty, Rural Employment & Primary Education Cess. Similarly, the Govt. of West Bengal waived holding tax payable to the Asansol Municipal Corporation for arrear dues up to 31.3.2003 which was disclosed under Contingent Liability so long, as a disputed item. Accordingly, a total amount of Rs. 200.44 crores have been considered as an income under the head "Other Revenues" as per Schedule 2.3 with respect to waivers for sales tax (Rs. 94.24 crores), electricity duty (Rs. 21.97 crores) and royalty & cess (Rs. 84.23 crores). The amount of waivers under the head "Other Revenues" also include an amount of Rs. 22.30 crores on account of delayed payment surcharge waived by DVC during the year in terms of one time settlement as mutually agreed upon with them. The above items are in the nature of extra-ordinary income of the Company.

- 5.08 The Company has a stock of iron ore fines of an approximate quantity of 35.04 million tonnes (As on 31.3.2004 - 34.22 million tonnes) at mines as on 31.3.2005 and 0.12 million tonnes (As on 31.3.2004- 0.65 million tonnes) at Burnpur Plant as on 31.3.2005. In the absence of any Sinter Plant, Fines are not having any use at Burnpur Plant, nor there is any certainty in disposal of Fines on regular basis. Since disposal of Iron Ore Fines involves elements of uncertainties, as a matter of prudence no valuation of such fines has been made in the accounts. The amount of revenue generated from actual disposal has, however, been recognised in the books of accounts.

- 5.09 The excise duty of Rs. 116.18 crores (previous year Rs. 102.84 crores), shown as deduction from sales, includes duty on:

	Amount (Rs.in crores)
Finished goods internally consumed	1.01
Net accretion to /depletion in stock of finished/semi-finished products	6.04
Conversions etc.	4.93

- 5.10 Provision made for obsolete / surplus / non-moving stores & spares as per assessment carried out during the year in place of basis followed earlier has resulted in the decrease in the Profit by Rs. 3.07 crores.

6. GENERAL

6.1 Segment Reporting

- i) Business Segment: Steel plant at Burnpur has been considered as primary business segments for reporting under Accounting Standard-17-Segment Reporting" issued by the Institute of Chartered Accountants of India.
- ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as one segment and exports as the other. The disclosures of segment-wise information are given in Annexure-I.

6.2 Related Party

As per Accounting Standard – 18 on "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Name of the related parties

Joint Venture:	Nil
Key Management Personnel:	Shri H.M.P. Singh, Managing Director, IISCO Ltd. (Up to 30.11.2004) Dr. S.K. Bhattacharya, Chairman cum Managing Director, IISCO Ltd. (From 1.12.2004)

The details of transactions between the Company and the related parties, as defined in the Accounting Standard, are given below:

Sl No.	Nature of transactions	Amount (Rs./Crores)	Ref. Schedule & Account head of the Accounts
Managerial Remuneration:			
1	Shri H.M.P. Singh	0.04	2.7 Employees'
2	Dr. S.K. Bhattacharya	Nil	Remuneration & Benefits

6.3 Discontinued operations

In June, 2002 Govt. of India approved a scheme for revival of the Company. As per the said scheme, manufacturing activities at Kulti Works were discontinued from 1.4.2003. The closure is consistent with the long-term strategy for revival of the Company through closing down uneconomic operations. However, activities relating to disposal of various stock items and maintenance services are being continued at Kulti Works until the entire establishment is closed down. The disposal of Kulti Works is under process.

Total depreciated value of various fixed assets at Kulti Works stands at Rs.12.33 crores as on 31.3.2005. Market value of fixed assets as assessed by an independent agency is much higher over the depreciated value of assets and hence no provision for impairment loss in respect thereof was necessary as on 31.3.2005 as per Accounting Standard -AS 28 "Impairment of Assets" issued by the Institute of Chartered Accountant of India. Finished / semi-finished products lying unsold as on 31.3.2005 and not backed by demand/order have been valued at scrap price only.

As on 31.3.2005, the carrying amount of assets of Kulti Works was Rs. 22.50 crores (As on 31.3.2004 – Rs. 39.56 crores) and its liabilities including provisions were Rs. 30.55 crores (As on 31.3.2004 – Rs. 42.59 crores).

- 6.4 Previous year's figures are given in brackets and these have been rearranged/ regrouped wherever necessary.

7. (a) Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity	Installed Capacity	Production
			(Quantity : Tonnes)
Steel Ingots	1300000 (1300000)	1000000 (1000000)	356901 * (301005) **
Saleable Steel	1048000 (1048000)	800000 (800000)	274029 *** (241048) ****
Cast Iron Spun Pipes (I & II)	— (156960)	— (156960)	— (—)
Cast Iron Spun Pipes (III)	— (—)	— (9000)	— (—)
Steel Castings	— (5484)	— (5300)	— (—)
Non Ferrous Castings	— (564)	— (530)	— (—)
Other Castings	— (82716)	— (77916)	— (—)

Note : *[†] including steel casting — 1027 MT
^{†††} including steel casting — 480 MT
^{††††} excluding conversion — 13020 MT
^{†††††} excluding conversion — 16518 MT

7. (b) Opening Stock, Purchases, Turnover and Closing Stock

	Opening stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
							(Quantity : Tonnes)	(Value : Rs./crores)
Saleable Steel	14008 (7194)	27.03 (10.25)	— (—)	— (—)	270498 (229417)	698.52 (458.68)	12298 (14008)	29.70 (27.03)
Pig Iron	14214 (7162)	12.27 (6.35)	— (—)	— (—)	116800 (185662)	211.45 (237.95)	39285 (14214)	45.49 (12.27)
Cast Iron Spun Pipes	2292 (6255)	2.61 (9.21)	— (—)	— (—)	1182 (3409)	1.96 (5.57)	1271 (2292)	0.93 (2.61)
Steel castings	304 (1806)	0.19 (5.68)	— (—)	— (—)	13 (21)	1.45 (0.18)	212 (304)	0.19 (0.19)
Non Ferrous Castings	29 (88)	0.15 (1.72)	— (—)	— (—)	— (7)	— (0.23)	14 (29)	0.07 (0.15)
Other Castings	720 (3201)	0.38 (5.57)	— (—)	— (—)	37 (224)	0.13 (0.47)	580 (720)	0.43 (0.38)
Others	— (33.59)	36.60 (33.59)	— (—)	— (—)	— (293.37)	462.94 (293.37)	— (38.74)	68.62 (38.74)
TRADING ACTIVITIES								
Indigenous Steel	— (—)	— (—)	35073 (22603)	105.92 (52.38)	35073 (22603)	110.84 (54.81)	— (—)	— (—)
		79.23 (72.37)		105.92 (52.38)		1487.29 (1051.26)		145.43 (81.37)

Notes

- The classification of the company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No.3/19/80-CL VI dated 16th July 1980. However, in respect of item (Sundries), particulars of installed capacity and production have not been given, as this being an omnibus head, clubbing of various products and by-products under one head would not give meaningful information.
- Sales are net of rebates/price concessions allowed on certain Iron and Steel products.
- Figures of closing stock are after adjustment for inter-plant transfers, internal consumption, transfer to capital works, shortages/excess etc.

7. (c) Pig Iron and Saleable Steel Quantitative Reconciliation

	Pig Iron	Saleable Steel
		(Quantity : Tonnes)
Opening Stock	14214 (7162)	14008 (7194)
Production	181637 (222300)	274029 (241048)
Total	195851 (229462)	288037 (248242)
Sales	116800 (185662)	270498 (229417)
Inter Plant Transfers	— (—)	1186 (657)
Internal Consumption (incl. for capital works)	35384 (28530)	1905 (2000)
Assorted length/Cuttings etc.	— (—)	2616 (3227)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	— (—)	— (—)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	4382 (1056)	-466 (-1067)
Closing Stock	39285 (14214)	12298 (14008)
Total	195851 (229462)	288037 (248242)

Note to 7(a), 7(b) & 7(c)

Figures in brackets pertain to previous year and have been rearranged/regrouped inter-se wherever necessary.



Schedules

8. Earnings in foreign exchange on account of

	Current Year	Previous Year
	<i>(Rupees in crores)</i>	
Export of goods (Calculated on FOB basis)	6.74	9.23
	6.74	9.23

9. Value of imports during the period (Calculated on CIF basis)

	Current Year	Previous Year
	<i>(Rupees in crores)</i>	
Raw Materials	74.77	20.59
Stores, Spares and Components	3.05	2.54
Total	77.82	23.13

SCHEDULE-4:

EXPENDITURE ON PUBLIC RELATIONS DEPARTMENTS

	Current Year	Previous Year
	<i>(Rupees in crores)</i>	
Employees' remuneration & benefits	—	0.33
Other items of expenditure under publicity	0.02	0.03
Total	0.02	0.36
Turnover	1487.29	1051.26
Percentage	—	0.03

10. Value of raw materials consumed during the year

	Rs./Crores	%	Rs./Crores	%
Imported	71.65	9.95	20.63	4.30
Indigenous	648.39	90.05	459.09	95.70
	720.04	100.00	479.72	100.00

11. Value of stores/spares & components consumed during the year

	Rs./Crores	%	Rs./Crores	%
Imported	2.13	1.69	3.12	3.69
Indigenous	124.24	98.31	81.47	96.31
	126.37	100.00	84.59	100.00

12. Particulars of Directors' Remuneration

Salaries	0.03	0.02
Company's contribution to provident fund & other funds	0.01	—
Total	0.04	0.02

SCHEDULE-5: SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & Cultural activities	Co-operative Societies	Transport & Dairy	Total	Previous Year
<i>(Rupees in crores)</i>								
Employees' Remuneration & Benefits								
- Salaries & wages	6.83	2.70	9.51	0.61	2.27	1.74	23.66	21.40
- Company contribution to PF & other funds	0.61	0.24	0.82	0.05	0.02	0.17	1.91	1.96
- Travel concessions	0.04	0.01	0.04	—	—	0.01	0.10	0.43
- Welfare expenses	0.09	0.07	0.12	0.01	—	0.03	0.32	0.31
- Consumption of medicines	0.04	0.02	1.90	0.20	—	0.02	2.18	1.66
- Coke Subsidy	0.64	—	—	—	—	—	0.64	0.62
- Gratuity	0.36	0.19	0.25	—	0.08	0.14	1.02	0.99
Total	8.61	3.23	12.64	0.87	2.37	2.11	29.83	27.37
Stores & Spares	0.65	—	0.13	—	—	0.11	0.89	0.56
Repair & maintenance	1.74	—	0.03	—	—	0.10	1.87	1.50
Power & fuel	3.94	0.18	0.59	0.18	—	—	4.89	4.92
Miscellaneous expenses	3.05	1.66	2.01	0.68	—	0.01	7.41	5.44
Depreciation	2.10	0.08	0.26	0.01	0.01	0.28	2.74	2.13
Total	20.09	5.15	15.66	1.74	2.38	2.61	47.63	41.92
Less: Income	9.77	0.09	1.37	—	—	0.12	11.35	9.83
Net Deficit	10.32	5.06	14.29	1.74	2.38	2.49	36.28	32.09

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

	2	8	1	6
--	---	---	---	---

 State Code

2	1
---	---

Balance Sheet Dated

3	1
---	---

0	3
---	---

2	0	0	5
---	---	---	---

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

				N	I	L
--	--	--	--	---	---	---

 Rights Issue

				N	I	L
--	--	--	--	---	---	---

Bonus Issue

				N	I	L
--	--	--	--	---	---	---

 Private Placement

	6	4	0	0	0	0
--	---	---	---	---	---	---

III. Position of Mobilisation and Re-deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

7	5	9	4	1	0	0
---	---	---	---	---	---	---

 Total Assets

7	5	9	4	1	0	0
---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

3	8	7	6	6	0	0
---	---	---	---	---	---	---

 Reserves & Surplus

		6	5	9	0	0
--	--	---	---	---	---	---

Secured Loans

				N	I	L
--	--	--	--	---	---	---

 Unsecured Loans

2	0	5	6	1	0	0
---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

3	0	1	7	1	0	0
---	---	---	---	---	---	---

 Investments

				6	0	0
--	--	--	--	---	---	---

Net Current Assets

-	6	9	2	0	3	0	0
---	---	---	---	---	---	---	---

 Misc. Expenditure

	5	8	1	0	0	0
--	---	---	---	---	---	---

Accumulated Losses

9	1	0	2	7	0	0
---	---	---	---	---	---	---

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

1	4	8	7	2	9	0	0
---	---	---	---	---	---	---	---

 Total Expenditure

1	4	4	0	7	0	0	0
---	---	---	---	---	---	---	---

Profit Before Tax

		4	6	5	9	0	0
--	--	---	---	---	---	---	---

 Profit After Tax

		4	6	5	9	0	0
--	--	---	---	---	---	---	---

Earning per share (Annualised) (Rs.)

		1	.	2	5
--	--	---	---	---	---

 Dividend Rate %

	N	I	L
--	---	---	---

V. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)

7	2	0	1	1	0		0	0	/	1	2	0	
---	---	---	---	---	---	--	---	---	---	---	---	---	--

Product Description

P	I	G		I	R	O	N						
---	---	---	--	---	---	---	---	--	--	--	--	--	--

Item Code No. (ITC Code)

7	2	1	6	6	6	0	0	2					
---	---	---	---	---	---	---	---	---	--	--	--	--	--

Product Description

S	A	L	E	A	B	L	E		S	T	E	E	L
---	---	---	---	---	---	---	---	--	---	---	---	---	---

Item Code No. (ITC Code)

7	3	2	5										
---	---	---	---	--	--	--	--	--	--	--	--	--	--

Product Description

C	A	S	T	I	N	G	S						
---	---	---	---	---	---	---	---	--	--	--	--	--	--



Schedules

Primary Business Segment-wise information for the year ended 31.03.2005

(Rupees in crores)					
Particulars	Burnpur	Others	Total Segment	Eliminations	Total Enterprise
REVENUE					
External Sales	1401.52	85.77	1487.29		1487.29
Inter segment sales	2.70	272.42	275.12	-275.12	
Total Revenue	1404.22	358.19	1762.41	-275.12	1487.29
RESULT					
Operating profit (+) / loss (-)	15.27	51.40	66.67		
Interest expenses	22.35	2.11	24.46		
Interest income	3.54	0.84	4.38		
Income Taxes	—	—	—		
Net Profit (+) / Loss (-)	-3.54	50.13	46.59		
OTHER INFORMATION					
Segment Assets	660.91	156.60	817.51		817.51
Segment Liabilities	866.23	261.69	1127.92		1127.92
Capital Expenditure	15.75	9.17			24.92
Depreciation	17.12	10.13			27.25

Secondary Business Segment-wise (Geographical) information for the year ended 31.03.2005

Particulars	Amount	%
(Rupees in crores)		
Sales Revenue		
India	1478.31	99.40
Foreign Countries	8.98	0.60
Total	1487.29	100.00

Auditors' Report



COMMENTS	MANAGEMENT'S REPLY
<p>To The Members of Indian Iron & Steel Company Limited.</p>	
<p>1. We have audited the attached Balance Sheet of The Indian Iron and Steel Company Limited ("the company") as at 31st March, 2005, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the returns of plants, collieries, mines and Kolkata Sales Office audited by us, and returns from nine stock yards. 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.</p> <p>2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</p> <p>3. As required by the Companies (Auditor's Report) Order, 2003 as amended, issued by the Central Government of India in terms of Section - 227(4A) of the Companies Act - 1956 ("the Act") and in terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge & belief, we enclose in the Annexure, a statement on the matters specified in the paragraphs 4 & 5 of the said Order.</p> <p>4. (i) Further to our comments in the Annexure referred to above we report :</p> <p>a) As stated in Note 5.01 to the accounts, a sum of Rs. 317.29 crores has been provided for over and above the adhoc payments on account of arrears in pay revision pending final decision. The final impact on the working results of the company for the year and the year-end net assets cannot be ascertained at this stage.</p> <p>b) Certain title deeds of land are not available for our verification.</p> <p>c) <i>In view of the accumulated losses of the company and resultant negative net worth still existing in the accounts, the financial statement have been drawn up on a going concern basis assuming that adequate facilities / benefits will be obtained and the growth in business will be as anticipated.</i></p> <p>d) Iron ore fines are being regularly generated at mines of the company and also at Burnpur Works. Presently, there are accumulated stocks of fines of large quantities. These are currently saleable in the market at various rates. However, as indicated in Note No. 5.08, the company is not taking these inventories in the Accounts.</p> <p>e) The effect of items (a) , (b) and (d) above could not be determined and the observation in item (c) above has no effect on the Accounts of the Company.</p> <p>(ii) Subject to the foregoing we report that:-</p> <p>a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.</p> <p>b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books and returns received from stock yards.</p> <p>c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts and with the returns from stock yards.</p> <p>d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.</p> <p>e) The directors of the Company, as per Government circular no. 8/2002 dated 22-03-2002, are exempt from provisions of Section 274 (1) (g) of the Act.</p> <p>f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:</p>	<p>In the absence of any regular market, the stock of iron ore fines has not been valued as per consistent practice, following the conservative principle of accounting.</p>



Auditors' Report

ANNEXURE-I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLY
<p>(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005.</p> <p>(ii) In the case of Profit and Loss Account, of the profit for the year ended on that date; and</p> <p>(iii) the case of Cash Flow Statement, of the cash flows for the year ended on that date.</p>	
<p>For and on behalf of</p> <p>Gupta & Co. Chartered Accountants</p> <p>Sd/- (A. Deb) Partner (Membership No. 062018)</p> <p>Place : New Delhi Dated : 24th May, 2005</p>	<p>For and on behalf of the Board of Directors</p> <p>Sd/- (Dr. S.K. Bhattacharyya) Chairman-Cum-Managing Director</p> <p>Place : New Delhi Dated : 24th May, 2005</p>

ANNEXURE TO AUDITORS' REPORT
(Referred to in Paragraph 3 of our report of even date)

COMMENTS	MANAGEMENT'S REPLY																																
<p>(i) (a) The Company is generally maintaining proper records of fixed assets to show full particulars including quantitative details and situation.</p> <p>(b) The fixed assets of the Company, except in some cases, have been physically verified by the management. However, no physical verification of assets was conducted at Kulti Works. No material discrepancy was detected on such verification.</p> <p>(c) In our opinion, a substantial part of fixed assets has not been disposed off by the Company during the year.</p> <p>(ii) (a) The inventory of the Company has been physically verified by the management during the year. We are informed that inventory lying with the stock yards have also been physically verified by the management during the year.</p> <p>(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between physical stocks and the book records were not material.</p> <p>(iii) (a) The Company has not granted any loan, secured or unsecured, to the companies, firms or other parties listed in the register maintained u/s 301 of the Act.</p> <p>In view of (a) above, clauses (b) to (d) under clause (iii) are not applicable to the Company.</p> <p>(e) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained u/s 301 of the Act.</p> <p>(f) This clause is not primarily applicable to the Company in view of the comment (e) above. However, the Company has taken a loan from its holding company Steel Authority of India Ltd. In our opinion, the rate of interest and other terms and conditions on which the above loan from the holding company has been taken are not prima facie prejudicial to the interest of the Company.</p> <p>(g) The principal and interest on the loan from the holding company are being regularly paid.</p> <p>(iv) In our opinion there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and with regard to the sale of goods and services.</p> <p>Further, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid internal control procedures.</p> <p>(v) (a) In our opinion, there are no contracts or arrangement referred to in section 301 of the Act, that have to be entered in the register required to be maintained under that section.</p> <p>(b) The clause is not applicable in view of the comment in (v) (a) above.</p> <p>(vi) The Company has not accepted any deposit from the public within the meaning of Section 58A, 58AA or any other provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal in this regard.</p> <p>(vii) In our opinion, the scope and coverage of the Company's present internal audit system, which has improved during the year may further be strengthened by risk analysis to be commensurate with the size and nature of its business.</p> <p>(viii) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records u/s 209 (1) (d) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.</p> <p>(ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, wealth tax, custom duty, excise duty, service tax, cess and other material statutory dues applicable to it.</p> <p>(b) In the following cases the statutory dues are not deposited as detailed:</p>	<p>Physical verification of fixed assets is carried out in a cycle of three years. This is a continuous process. As regards Kulti Works, its operations were stopped from 1.4.2003. Verification of the entire assets at Kulti Works was carried out by M/s MECON, an independent agency, during 2003-04.</p> <p>Internal Audit system with regard to areas of coverage, based on risk analysis would be given more emphasis during 2005-06.</p>																																
<table><tr><th>Sl. No.</th><th>Nature of Statutory dues</th><th>Amount (Rs./Crores)</th><th>Forum where the dispute is subjudice</th></tr><tr><td>1.</td><td>Sales Tax</td><td>0.193</td><td>Asst. Commissioner, Chaibasa</td></tr><tr><td></td><td>-do-</td><td>4.602</td><td>Jt. Commissioner(Appeal) Dhanbad</td></tr><tr><td>2.</td><td>Excise Duty</td><td>1.60</td><td>High Court, Kolkata</td></tr><tr><td></td><td>-do-</td><td>1.456</td><td>Commr.(Appeal), Kolkata</td></tr><tr><td></td><td>-do-</td><td>15.649</td><td>CEGAT, Kolkata</td></tr><tr><td>3.</td><td>Cess</td><td>0.006</td><td>Welfare & Cess Commr.</td></tr><tr><td>4.</td><td>Royalty</td><td>0.509</td><td>Dy. Commissioner (Appeal), Chaibasa</td></tr></table>	Sl. No.	Nature of Statutory dues	Amount (Rs./Crores)	Forum where the dispute is subjudice	1.	Sales Tax	0.193	Asst. Commissioner, Chaibasa		-do-	4.602	Jt. Commissioner(Appeal) Dhanbad	2.	Excise Duty	1.60	High Court, Kolkata		-do-	1.456	Commr.(Appeal), Kolkata		-do-	15.649	CEGAT, Kolkata	3.	Cess	0.006	Welfare & Cess Commr.	4.	Royalty	0.509	Dy. Commissioner (Appeal), Chaibasa	<p>Since the demands of statutory dues are in dispute, Company did not deposit the amount with the concerned authorities.</p>
Sl. No.	Nature of Statutory dues	Amount (Rs./Crores)	Forum where the dispute is subjudice																														
1.	Sales Tax	0.193	Asst. Commissioner, Chaibasa																														
	-do-	4.602	Jt. Commissioner(Appeal) Dhanbad																														
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	-do-	15.649	CEGAT, Kolkata																														
3.	Cess	0.006	Welfare & Cess Commr.																														
4.	Royalty	0.509	Dy. Commissioner (Appeal), Chaibasa																														
<p>(x) The accumulated losses of the Company are more than fifty percent of its net worth, but the Company has not incurred cash losses during the financial year covered by our report or in the immediately preceding financial year.</p>																																	



Auditors' Report

COMMENTS	MANAGEMENT'S REPLY
(xi) According to the records of the Company, it has not defaulted in repayment of dues to a financial institution or bank or debenture holders.	
(xii) In our opinion the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.	
(xiii) (a) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. (b) In our opinion the Company has no business similar to that of a financial company, and hence the provisions of clause [4(xiii)(b)] of the order are not applicable to the Company. (c) The clause is not applicable in view of our comments in 13(a) & (b) above. (d) The clause is not applicable in view of our comments in 13(a) above.	
(xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments and as such this clause is not applicable to the Company.	
(xv) The Company has not given during the year any guarantee for the loans taken by others from banks or financial institutions the terms and conditions, whereof, in our opinion are prima facie prejudicial to the interest of the Company.	
(xvi) In our opinion and according to the information and explanations given to us and based on an overall examination the term loans have been applied for the purpose for which they were raised.	
(xvii) Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long term investment.	
(xviii) In our opinion, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Act during the year.	
(xix) During the period covered by our audit, the Company has created charge on its land in respect of 1280 (6.4%) non-convertible redeemable bonds of Rs. 5.00 lakhs each, issued in the previous year.	
(xx) The Company has not raised during the year any money by public issue.	
(xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.	

For and on behalf of

Gupta & Co.
Chartered AccountantsSd/-
(A. Deb)
Partner
(Membership No. 062018)Place : New Delhi
Dated : 24th May, 2005**SRI Associates**
Chartered AccountantsSd/-
(B.C. Bhattacharyya)
Partner
(Membership No. 010075)

For and on behalf of the Board of Directors

Sd/-
(Dr. S.K. Bhattacharyya)
Chairman-Cum-Managing DirectorPlace : New Delhi
Dated : 24th May, 2005

Comments of C & AG

ANNEXURE-II TO THE DIRECTORS' REPORT



MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the Accounts of The Indian Iron & Steel Company Limited for the year ended 31st March, 2005.

Sd/-

(K.R. Sriram)

*Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board, Ranchi*

Place : Ranchi
Dated : 29th June, 2005



Review of Accounts

REVIEW OF ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED, FOR THE YEAR ENDED 31ST MARCH, 2005 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :-

Description	2002-03	2003-04	2004-05
<i>(Rupees in crores)</i>			
Liabilities			
a) Paid-up Capital			
i) Government	—	—	—
ii) Others	387.66	387.66	387.66
b) Reserves & Surplus			
i) Free Reserve	—	—	—
ii) Share Premium Account	0.36	0.31	0.31
iii) Specific Reserve	3.10	5.39	6.28
c) Borrowings:			
i) From Govt. Of India	—	—	—
ii) From Financial Institutes/Banks	31.95	1.50	—
iii) Foreign Currency Loans	—	—	—
iv) Cash Credit	62.81	29.55	—
v) Others	8.30	233.86	205.61
Total Borrowing(i to v)	103.06	264.91	205.61
vi) Interest Accrued and due	46.93	3.10	—
d) i) Current Liabilities & Provisions (excluding Gratuity, Accrued Leave Post Retirement Medical Benefit & TA and EFBS)	843.28	718.76	720.38
ii) Provision for Gratuity, Accrued Leave, Post Retirement Medical Benefit & TA and EFBS	271.42	287.56	407.54
Total	1655.81	1667.69	1727.78
Assets			
e) Gross Block	799.49	823.51	849.37
f) Less: Depreciation	506.48	526.03	547.66
g) Net Block	293.01	297.48	301.71
h) Capital Work-in-progress	6.56	27.89	21.75
i) Investments	0.07	0.07	0.06
j) Current Assets, Loans & Advances	376.36	328.67	435.89
k) Miscellaneous Expenditure not written off	0.44	59.01	58.10
l) Accumulated Loss	979.37	954.57	910.27
Total	1655.81	1667.69	1727.78
m) Working Capital {j-d(i)-c(vi)}	-513.85	-393.19	-284.49
n) Capital Employed (g+m)	-220.84	-95.71	17.22
o) Net Worth {a+b(i)+b(ii)-k-l}	-591.79	-625.61	-580.40
p) Net Worth per Rupee of Paid-up Capital(in Rs.)	-ve	-ve	-ve

The cumulative losses of Rs. 910.27 crore as on 31st March 2005 represents 234.81% of the paid-up capital. The net worth having become negative, the Company has been declared sick by Board for Industrial and Financial Reconstruction(BIFR) on 17 August 1994.

2. RATIO ANALYSIS

Some important financial ratios on the financial health and work of the Company at the end of last 3 years are as under:

	2002-03	2003-04	2004-05
<i>(in percentage)</i>			
A. Liquidity Ratio			
Current Ratio (in percentage) (Current assets to Current liabilities & Provision and interest accrued & due but excluding provision for Gratuity, Accrued Leave, Post Retirement Medical Benefit & T.A. and EFBS){j/d(i)+c(iv)}	42	46	61

6. SUNDRY DEBTORS

The following table indicates the sundry debtors and sales during the last three years:

As on 31st March	Sundry Debtors		Total Sundry Debtors	Sales	% of Sundry Debtors to Sales
	Considered good	Considered doubtful			
<i>(Rupees in crores)</i>					
2003	63.12	20.21	83.33	924.21	9.02
2004	57.61	20.76	78.37	1051.26	7.45
2005	53.36	17.01	70.37	1487.29	4.73

	2002-03	2003-04	2004-05
<i>(in percentage)</i>			
B. Debt Equity Ratio (Long term debt to Net Worth) {(I to v but excluding short term loans) / O }	-ve	-ve	-ve
C. Profitability Ratios			
a) Profit before tax to			
(i) Capital Employed	-ve	-ve	2.71
(ii) Net Worth	-ve	-ve	-ve
(iii) Sales (in percentage)	-ve	2.58	3.13
b) Profit after tax to Equity (in percentage)	-ve	6.99	12.02
c) Earning per share (in Rs.)	-ve	0.70	1.20

3. Sources and utilization of Funds

Funds amounting to Rs. 169.40 crores from internal and external sources were realised and utilised during this year as given below :

			<i>(Rs. in crore)</i>
Sources of Funds			
1) Profit for the year		46.59	
Add: increase in provision for gratuity, Accrued leave, EFBS etc.		119.98	166.57
2) Decrease in Miscellaneous expenditure not written off			0.91
3) Decrease in Fixed Assets (Net of Depreciation)			1.91
4) Decrease in investment			0.01
Total			169.40
Utilisation of Funds			
1) Increase in Working Capital			108.70
2) Decrease in borrowings			59.30
3) Decrease in Reserve & Surplus (Excluding Bond Redemption Reserve)			1.40
Total			169.40

4. Working Results

The table below indicates sales, net profit/loss, etc. during the last three years:-

	2002-03	2003-04	2004-05
<i>(Rs. in crore)</i>			
a) Sales	924.21	1051.26	1487.29
b) Net profit/ (loss) during the year	(182.23)	27.09	46.59
c) Percentage of net profit / (loss) to sales	(19.72)	2.58	3.13

5. Inventory Levels

The following table indicates the inventory levels (Net of Provisions) during the last three years:-

	2002-03	2003-04	2004-05
<i>(Rs. in crore)</i>			
Stores & Spares (excluding in transit)	43.49	41.62	50.18
Raw Materials (excluding in transit)	15.36	17.50	23.59
Semi/Finished Goods (excluding in transit)	67.05	81.37	145.43

Place : Ranchi
Date : 29th June, 2005

Sd/-
(K.R. Sriram)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board, Ranchi

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. Conservation of Energy:

Specific energy consumption during 2004-05 at 8.639 g cal/tcs is 7.1% lower than 9.296 g cal/tcs achieved in 2003-04 which is lowest since 1980 when present methodology of balanced specific energy consumption was introduced.

a) Energy conservation measures taken in 2004-05 are as follows:-

1. Arresting steam leakages by on-line steam leak sealing techniques.
2. Thermal insulation of steam pipelines & hot air ducts.
3. Installation of reactive compensation device at Ilgner House No. 2.
4. On-line sealing of leakages (132 m²) on B.F. Gas and C.O. Gas mains.

b) Additional investments and proposals being implemented for reduction of consumption of energy during 2005-06:

1. Introduction of B.F. Gas firing & augmentation of 'B'-Boiler
2. Reduction of DVC Power Import Bill by reduction of maximum KVA demand
3. Arresting steam leakages by on-line steam leak sealing techniques
4. Installation of 2 Nos. of efficient I.D. Fans in Boilers
5. Installation of VVVF control in 1 No. of I.D. Fan in Boiler
6. On-line sealing of leakages (244 m²) on B.F. Gas and C.O. Gas mains.

c) Impact of measures at (a) above for reduction of energy and cost are as follows:

1. 4,446 tonnes of steam (@ 0.51 tph) worth Rs. 21 lakhs was saved due to on-line steam leak elimination.
2. Coal savings worth Rs. 25 lakhs by thermal insulation of steam lines & hot air ducts
3. Installation of reactive compensation device has helped to improve power factor with a financial savings of Rs. 5 lakhs during 2004-05
4. Gas losses arrested by on-line leak sealing of C.O. Gas & B.F. Gas Mains & Industrial safety was ensured

d) Total energy consumption and energy consumption per unit of production ; Form "A" enclosed.**B. Technology Absorption :**

Efforts made in technology absorption ; Form "B" enclosed.

C. Foreign Exchange Earnings and Outgo : (Rs. In Crores)

- | | |
|---|-----------|
| (i) Foreign Exchange used: CIF value of imports | Rs. 77.82 |
| (ii) Foreign Exchange earned | Rs. 6.74 |

For and on behalf of the Board of Directors

Place: Kolkata
Dated: 2nd August, 2005

Sd/-
(Dr. S.K. Bhattacharyya)
Chairman



ANNEXURE - III TO THE DIRECTORS' REPORT

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	2004-05	2003-04
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BURNPUR WORKS:

A. POWER AND FUEL CONSUMPTION

1. Electricity

a) Purchased Unit	10 ⁶ Kwh	103.55	104.94
Total amount	Rs.in Lakhs	3416.01	3323.70
Rate/Unit	Rs./Kwh	3.30	3.17
b) Own Generation			
Through Diesel Generator Set	Nil	Nil	Nil
Through Steam Turbine/Generator Unit	10 ⁶ Kwh	140.37	123.08
Unit per litre of fuel oil/gas	Kwh/G.Cal	183.17	183.84
Cost/Unit	Rs./Kwh	3.76	3.41

2. Coal

a) Coking Coal (Indigenous) used in Coke Ovens			
Quantity (wet)	Tonnes	1114706	1013957
Total Cost	Rs.in lakhs	39145.65	28330.46
Average Rate	Rs./tonne	3511.75	2794.05
b) Coking Coal (imported) used in Coke Ovens			
Quantity (wet)	Tonne	159869	54544
Total Cost	Rs.in lakhs	7164.84	2063.31
Average Rate	Rs./tonne	4481.69	3782.84
c) Non-Coking Coal used in Boilers			
Quantity (wet)	Tonne	181101	138670
Total Cost	Rs.in lakhs	2711.93	1807.96
Average Rate	Rs./tonne	1497.47	1303.79

3. Furnace Oil

Quantity (wet)	K. Litres	49.6	16.3
Total Cost	Rs./lakhs	2.05	0.67
Average Rate	Rs./Kl.	4133	4110

4. Others/Internal Generation -

-

B. CONSUMPTION PER UNIT OF CRUDE STEEL PRODUCTION

Electricity	Kwh/tcs	567.7*	628.4*
Furnace Oil	Litres/tcs	0.139	0.054
Coking Coal	T/tcs	3.571	3.550
Non-Coking Coal	T/tcs	0.507	0.461

*for calculation, electricity units (2004-05- 41303027 kwh ; 2003-04- 38858247 kwh) supplied to employees and others have been excluded.

FORM - B

TECHNOLOGICAL DEVELOPMENTS/ABSORPTION IN IISCO-BURNPUR WORKS

Research & Development

1. "15 MT Jessop Crane" of Sheet Mill Annealing Bay was Revived Erected and commissioned in house at Ingot Mould Casting Bay on 13-10-2004.
2. Chimney butterfly Valve of Coke Oven Battery No. 8 changed in running condition for the first time.
3. Model Sheet Ladle Heating Burner designed by RDCIS was fabricated in house and introduced in Casting Bay – SMS with satisfactory Ladle heating practice.
4. Reactive Power Compensation Devide installed in Rolling Mills to Improve Power Factor.
5. Fabrication and manufacturing of Hoppers, Skip Cars, Scale Cars and Hearth Cooling Plate for Blast Furnace were made in house.
6. Mist Lubrication System of Roller Guides in M&R Mill commissioned in January, 2005
7. Use of Basic Brick in Steel Ladle to improve Ladle Life to 51 heats in place of 26 Heats previous year.
8. Cross travel motion of 130 MT Crane modified by replacing existing rigid coupling.
9. Structural Modification including instrumentation and automation for six soaking pits completed in December, 2004.
10. Swing Grinding Mill commissioned for instrumental analysis of Slag Raw Materials etc. through XRF Spectrometer.

A graphic consisting of several concentric circles in a light blue color, centered behind the text.

MAHARASHTRA
ELEKTROSMELT LTD.



Directors' Report

To
The Members,

The Directors have pleasure in presenting the 32nd Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL REVIEW

During the year the Company has achieved a turnover of Rs. 262.39 crores (including conversion income of Rs. 190.95 crores) as compared to Rs. 152.98 crores (including conversion income of Rs.111.41 crores) in the previous year. The Company has made a spectacular improvement in performance and earned a net profit (before tax) of Rs.65.13 crores despite the increase in raw material cost and non-availability of Furnace-II for operation for 40 days towards relining. The financial results are summarised below:

	2004-2005	2003-2004
		(Rs.in crores)
Turnover (Gross)	262.39	152.98
Operating Profit/Loss (-)	69.34	11.24
Interest	2.26	2.92
Depreciation	1.95	1.82
Net Profit/Loss(-) before Tax	65.13	6.50
Income Tax Provision	12.90	0.20
Net Profit/Loss(-) after Tax	52.23	6.30

Though the Company has made a post tax net profit of Rs. 52.23 crores for the year 2004-05 and the accumulated losses of Rs.41.01 crores has been wiped out, the Directors have not recommended any dividend for the year in order to meet pressing needs of the Company for sustained performance.

PRODUCTION REVIEW

The Company's production of different grades of ferro alloys was as under:

Material	2004-05	2003-04
	(MT)	(MT)
High Carbon Ferro Manganese	65245	24531
Silico Manganese	33078	35670
Medium Carbon Ferro Manganese	2218	1443

SALES & MARKETING REVIEW

SAIL STEEL PLANT

During the year the Company continued conversion arrangements with SAIL Steel Plants to maximise revenue generation. Vigorous efforts were made by the Company to find market outside SAIL. Despatches of ferro alloys to SAIL steel plants under conversion arrangements and direct sales during the year were as under:

Material	2004-05	2003-04
	(MT)	(MT)
High Carbon Ferro Manganese	56776	19326
Silico Manganese	24146	30404
Medium Carbon Ferro Manganese	1621	1124

OTHER CUSTOMERS

The Company continued to achieve a phenomenal growth in terms of sales realisation through sale of ferro alloys to customers other than SAIL Plants. The Company could generate additional revenue of Rs.690.73 lakhs in 2004-05 compared to previous financial year. The

details of sales performance in 2004-05 vis-à-vis 2003-04 are as under:

	2004-05		2003-04	
Material	Quantity (MT)	Value (Rs. in Lakhs)	Quantity (MT)	Value (Rs. in Lakhs)
High Carbon Ferro Manganese	5345	2434.35	3963	1230.97
Silico Manganese	1567	607.98	4311	1170.05
Medium Carbon Ferro Manganese	217	145.01	330	161.17
Others	—	76.91	—	11.33
Total	7129	3264.25	8604	2573.52
Growth over 2003-04		690.73		

RESEARCH & DEVELOPMENT

Major in-house development projects undertaken in the area of technical improvement and pollution control were :

- With a view to improve labour productivity and improvement in yield, trials of "Layer casting" for casting of molten Silico manganese were conducted successfully.
- Mechanised jiggling machine and crusher installed for improving recovery of metallics from metal dust and slag mix.
- Automatised water spray system installed at Ground hopper and Discharge chute of conveyor belt no. 1 for controlling fugitive emissions.
- Fixed type water spray system installed at Sinter Plant No. 1 for controlling fugitive emissions.

HUMAN RESOURCES MANAGEMENT REVIEW

Human resource is considered as a major factor in the overall working of the Company. The Company has motivated and involved the workforce in the areas of cost reduction for achieving better techno economics, system improvement, production and other activities, which has resulted into improved performance of the Company.

Executive Director had conducted a mass communication drive, "Sankalp Abhiyan" with active participation of all the employees, which has proved to be a catalyst of change. This has helped MEL collective to get closer, enhancing the sense of owning and pride resulting in Best Performance of the Company.

The training programmes were organised for the executives and non-executives for improvement and development in the skill, knowledge and working of the employees. A major thrust was given for multi-skill development of employees in technical areas. Under various training programmes 36 executives and 287 non-executives of the company were trained in the different disciplines. 20 executives and non-executives were given skill development training in key categories of work at RSP/Other Industries.

The Company has developed the infrastructure facilities and given a face-lift to the township for the benefit of residents.

The manpower strength as on 31st March, 2005 was 812 comprising of 126 Executives and 686 Non-Executives, out of which 108 were Scheduled Castes and 65 were Scheduled Tribes. A total of 12 employees were separated under Voluntary Retirement Scheme during the year 2004-2005.

During the year the Industrial Relations continued to remain harmonious and peaceful with full support and co-operation of the Trade Union and Officers' Association.

ENVIRONMENT

Environment Management & Pollution Control is always accorded top priority in company's activities. To keep environment clean for ecological protection, focussed attention was given in the areas of green belt development in and around the plant premises, solid waste management, monitoring of liquid effluent and air ambient for various environmental parameters. 2000 tree saplings were planted during the year besides maintenance of existing teak trees and other trees.

Following special efforts were taken during the financial year for enhancing the effective environment management at MEL.

Commissioning of second re-circulation water tank for mechanised jiggling.

To control fugitive emission at RM Yard, automatised water spray bar at ground hopper and head drum of conveyor belt no.1 have been installed at crusher house.

To control dust emission, fixed type water spray for dust suppression on the road in front of Sinter plant-I has been installed. Similarly spray nozzles have been installed at lawn of Sinter Plant no. 1 to maintain the greenery in the area.

Trials are being conducted at CMRI Dhanbad for exploring the use of Silico-manganese granulated slag in underground mine stowing.

TOTAL QUALITY & INDUSTRIAL SAFETY

Quality Management System (QMS) addressed to ISO-9001-2000 International Standard was successfully maintained in the Organization during 2004-05 and 5th Surveillance Audit was conducted by M/s Lloyd's Register of Quality Assurance (LRQA), Mumbai and entire Quality Management System was cleared for satisfactory maintenance. The ISO-9001-2000 QMS will be due for re-certification from August 2005.

In Industrial Safety, the Company has been awarded SAIL Chairman's Silver Plaque for No Fatal Accident for the year 2004.

SICK COMPANY

Reference to BIFR pursuant to the proviso to Section 15(1) of the SIC (SP) Act, 1985, Registered as Case No. 502/2003 and the Appeal No.23/2003 filed before the AAIFR against the BIFR Order dated 15th December, 2002, for holding BIFR Case No.501/2002 as time barred, are pending for disposal. However, the Company has earned a net post tax profit of Rs. 52.23 crores for the year ended 31st March, 2005 and has wiped out the accumulated losses of Rs.41.01 crores. Since the Company's net-worth has become positive and the Company is out of the provisions of Section 15 read with Section 3(1)(o) of the SICA, 1985, in the hearing held before the Hon'ble Bench-I, BIFR, on 27th June 2005, in Case No. 502/2003, the Hon'ble Bench discharged MEL from the purview of SICA, 1985.

FUTURE PLAN

To achieve the objectives of the Corporate Plan 2012, studies were carried out for developing infrastructure facilities and equipment for implementing layer casting of ferro alloys in order to improve the labour productivity and improve yield.

Development of infrastructure facilities for production of Low Carbon Ferro Alloys is under consideration.

Expansion of capacities for producing ferro alloys by installation of one 33 MVA Submerged Arc Furnace is being pursued.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, is given at Annexure - I, II & III to this report.

PARTICULARS OF EMPLOYEES

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

Shri R.K. Gupta superannuated w.e.f. 31st August, 2004.

Shri A.P. Nayak has been appointed as Director w.e.f. 27th September, 2004.

Shri S.D.M. Nagpal has been appointed as Director w.e.f. 30th March, 2005.

Shri A.P. Nayak, Director, ceased to be Director w.e.f. 30th March, 2005.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 it is hereby confirmed that:

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

CORPORATE GOVERNANCE

In terms of listing agreement with the Stock Exchanges a report on Corporate Governance is given at Annexure-IV to this report. The Management Discussion & Analysis Report is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI to this report.

AUDITORS' REPORT

The Statutory Auditors' Report on Accounts of the Company for the financial year ended 31st March, 2005 alongwith Management's replies are enclosed. The comments of Comptroller and Auditor General of India under the Section 619(4) of the Companies Act, 1956 alongwith review on accounts of the Company for the year ended 31st March, 2005 are also enclosed at Annexure-VII.

ACKNOWLEDGEMENT

The Board of Directors take this opportunity to express their appreciation for the support, Co-operation and loyalty extended by every employee of the Company. They wish to acknowledge the continued support extended by Steel Authority of India Limited. The Directors also greatly appreciate the excellent support the Company received from Shareholders, Auditors, Bankers, Financial Institutions, Central & State Governments, Local Authorities, Maharashtra Electricity Regulatory Commission (MERC), Electricity Board and the Suppliers and Customers.

For & on behalf of the Board

Place : New Delhi
Date : 2nd August, 2005

Sd/-
(Ashis Das)
Chairman



Balance Sheet

AS AT 31ST MARCH, 2005

	Schedule No.	As at 31st March, 2005	As at 31st March, 2004
<i>(Rs. in lakhs)</i>			
SOURCES OF FUNDS			
Share holders' Funds			
Share Capital	1.1	2400.00	2400.00
Reserves & Surplus	1.2	1137.12	15.00
		3537.12	2415.00
Loan Funds			
Secured Loans	1.3	1.74	1311.76
Unsecured Loans	1.4	796.17	3401.28
		797.91	4713.04
TOTAL :		4335.03	7128.04
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	5870.92	6577.32
Less: Depreciation		3286.36	3329.41
Net Block		2584.56	3247.91
Capital Work-in-progress	1.6	96.67	7.30
		2681.23	3255.21
Current Assets, Loans & Advances			
Inventories	1.7	4495.84	1953.03
Sundry Debtors	1.8	1973.70	1281.69
Cash and Bank Balances	1.9	556.97	436.37
Interest Receivable/Accrued	1.10	77.65	77.24
Loans and Advances	1.11	2641.07	1279.50
		9745.23	5027.83
Less : Current Liabilities & Provisions			
Current Liabilities	1.12	4899.21	3719.51
Provisions	1.13	3337.13	1670.83
		8236.34	5390.34
Net Current Assets		1508.89	-362.51
Miscellaneous Expenditure	1.14	144.91	134.01
(To the extent not written off or adjusted)			
Profit & Loss Account		0.00	4101.33
TOTAL :		4335.03	7128.04
Accounting Policies and Notes on Accounts 3			
Schedules 1 and 3 annexed hereto, form part of the Balance Sheet.			

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(A.P. Nayak)
Executive Director

Sd/-
(M.A. Gohel)
Partner

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(S.K. Sinha)
Director

Place : New Delhi
Date : 24th May, 2005

Sd/-
(Ashis Das)
Chairman

Profit and Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2005



	Schedule No.	Year Ended 31st March, 2005	Year Ended 31st March, 2004
<i>(Rs. in lakhs)</i>			
INCOME			
Sales	2.1	26239.46	15297.66
Less : Excise duty		<u>3943.97</u>	<u>2765.26</u>
		22295.49	12532.40
Interest earned	2.2	64.03	43.13
Other revenues	2.3	76.43	143.54
Provisions no longer required written back	2.4	<u>337.51</u>	<u>2.57</u>
		477.97	189.24
		<u>22773.46</u>	<u>12721.64</u>
EXPENDITURE			
Accretion(-)/Depletion in stocks	2.5	-2459.17	126.93
Raw Materials consumed	2.6	4099.15	1458.69
Employees' Remuneration & Benefits	2.7	3165.44	2168.24
Stores & Spares Consumed		510.88	342.70
Power & Fuel	2.8	8794.38	6456.04
Repairs & Maintenance	2.9	512.93	352.82
Other expenses	2.10	1187.17	686.58
Interest & finance charges	2.11	226.24	291.90
Depreciation		<u>194.52</u>	<u>182.01</u>
		16231.54	12065.91
Profit for the year		6541.92	655.73
Adjustments pertaining to earlier years	2.12	<u>-28.47</u>	<u>-5.40</u>
Profit before Tax		6513.45	650.33
Less : Provision for taxation – Current Tax		<u>1290.00</u>	<u>20.00</u>
Profit after Tax		5223.45	630.33
Loss brought forward from previous year		<u>- 4101.33</u>	<u>-4731.66</u>
Surplus / loss carried to Balance Sheet		<u>1122.12</u>	<u>-4101.33</u>
Accounting Policies and Notes on Accounts	3		
Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account.			

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjunwala & Co.
Chartered Accountants

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(A.P. Nayak)
Executive Director

Sd/-
(M.A. Gohel)
Partner

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(S.K. Sinha)
Director

Place : New Delhi
Date : 24th May, 2005

Sd/-
(Ashis Das)
Chairman



Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH, 2005

	2004-05	2003-2004
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before Tax and Dividend	6,513.45	650.33
Adjustment for :		
Depreciation	194.52	182.01
Loss on sale of Fixed / Scrapped Assets	152.56	0.05
Loss on sale of Idle Spares	33.20	0.00
Value of damaged Fixed Assets charged to P&L		31.50
Provision no longer required written back - Idle Assets	-210.00	0.00
Provision no longer required written back - Idle Spares	-126.38	0.00
Profit on sale of Discarded Assets	-0.10	0.00
Interest and Finance Charges	226.24	291.90
Misc. Expenditure(Deferred) charged during the year	48.76	91.96
Provision for Idle Assets created during the year	11.08	0.00
Provision for Gratuity	276.01	274.21
Provision for Accrued Leave Liability	167.33	103.14
Provision for Post Retirement Scheme	22.28	7.29
Provision for Employee Family Benefit Scheme	70.82	59.34
Provision for Voluntary Retirement Scheme (1998 & 99 Scheme)	21.48	29.84
Payment for VRS during the year	-59.66	-117.62
Payment for Gratuity	-29.78	-53.74
Payment for Accrued Leave Liability	-65.60	-12.07
Payment for Post Retirement Scheme Benefit	-0.23	0.00
Payment for Employee Family Benefit Scheme	-41.38	-34.27
Payment for Voluntary Retirement Scheme (1998 & 99 Scheme)	-44.63	-59.43
Payment of income tax during the year (Including Tax deducted at source)	-1,395.67	0.00
Operating profit before working capital changes	5,764.30	1,444.44
Adjustment for :		
Inventories	-2,584.93	198.09
Sundry Debtors	-692.01	-759.00
Interest Receivable	-0.41	-1.19
Loans and Advances	34.10	-56.26
Current Liabilities	1,179.70	-940.21
Net cash from Operating Activities	3,700.75	-114.13
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	-196.94	-425.31
Sale of Salvaged/Scrapped Fixed Assets & Idle Spares	754.30	3.29
Sale of Other Fixed Assets	0.35	0.02
Adjustment in Gross Block for liquidated damages	3.51	
Net cash from Investing Activities	561.22	-422.00
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term borrowings from SAIL (Holding Company)	-2,351.28	1,285.40
Increase/Decrease in utilisation of Working Capital Borrowings	-1,234.08	-51.66
Other Borrowings	-329.77	-32.21
Interest and Finance Charges	-226.24	-291.90
Net Cash from Financing Activities	-4,141.37	909.63
Net Increase/(Decrease) in Cash & Cash Equivalents	120.60	373.50
Cash & Cash Equivalents (Opening)	436.37	62.87
Cash & Cash Equivalents (Closing)	556.97	436.37

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(A.P. Nayak)
Executive Director

Sd/-
(M.A. Gohel)
Partner

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(S.K. Sinha)
Director

Place : New Delhi
Date : 24th May, 2005

Sd/-
(Ashis Das)
Chairman

Schedules

MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

1.1 SHARE CAPITAL	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Authorised :		
30,000,000 Equity Shares of Rs.10 each	3000.00	3000.00
Total :	3000.00	3000.00
Issued,Subscribed and Paid-up :		
24,000,000 Equity Shares of Rs.10/- each fully paid up	2400.00	2400.00
	2400.00	2400.00

Note : Of the above, 237,87,935(237,87,935) Equity Shares are held by Steel Authority of India Limited - Holding Company

1.2 RESERVES & SURPLUS	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
CAPITAL RESERVE :	15.00	15.00
As per last Balance Sheet (Represents amount received from Central Government by way of Capital subsidy)		
Surplus as per Profit & Loss Account	1122.12	0.00
	1137.12	15.00

1.5 FIXED ASSETS

Description	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		
	As at 31st March, 2004 the year	Additions/ Adjustments during the year	Less: Sales / Adjustments during the year	As at 31st March, 2005	Upto 31st March, 2004	For the year	Less: on Sales/ Adjustments during the year	Upto 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
(Rs. in lakhs)										
A. PLANTS, MINES, OTHERS										
Land(incl.cost of development)										
-Freehold Land	29.79	0.00	0.00	29.79	-	-	-	-	29.79	29.79
Railway Lines & Sidings	108.58	0.00	0.00	108.58	103.15	0.00	0.00	103.15	5.43	5.43
Roads,Bridges & Culverts	18.89	0.00	0.00	18.89	3.35	0.30	0.00	3.65	15.24	15.54
Buildings	666.77	2.84	0.00	669.61	243.29	21.26	0.00	264.55	405.06	423.48
Plant & Machinery										
-Ferro Alloys Plant	4051.90	25.96	3.51	4074.35	2145.10	144.91	0.00	2290.01	1784.34	1906.80
-Others	456.81	47.53	30.49	473.85	376.62	13.96	24.01	366.57	107.28	80.19
Furniture & Fittings	56.39	0.51	0.10	56.80	49.37	2.47	0.05	51.79	5.01	7.02
Vehicles	54.59	0.00	7.40	47.19	39.77	1.76	2.78	38.75	8.44	14.82
Water Supply & Sewerage	41.66	0.00	0.00	41.66	32.17	1.02	0.00	33.19	8.47	9.49
EDP Equipment's	49.05	8.54	0.00	57.59	39.82	2.90	0.00	42.72	14.87	9.23
Miscellaneous Articles	44.97	3.51	1.36	47.12	28.62	2.06	0.64	30.04	17.08	16.35
Sub-total 'A'	5579.40	88.89	42.86	5625.43	3061.26	190.64	27.48	3224.42	2401.01	2518.14
Figures for the previous Year	5262.22	420.95	103.77	5579.40	2955.15	178.31	72.20	3061.26	2518.14	
B. SOCIAL FACILITIES										
Roads,Bridges & Culverts	9.15	0.00	0.00	9.15	2.68	0.15	0.00	2.83	6.32	6.47
Buildings	211.06	11.97	0.00	223.03	53.40	3.54	0.00	56.94	166.09	157.66
Furniture & Fittings	0.00	0.22	0.00	0.22	0.00	0.01	0.00	0.01	0.21	0.00
Water Supply & Sewerage	6.60	0.00	0.00	6.60	1.98	0.11	0.00	2.09	4.51	4.62
Miscellaneous Articles	0.00	6.49	0.00	6.49	0.00	0.07	0.00	0.07	6.42	0.00
Sub-total 'B'	226.81	18.68	0.00	245.49	58.06	3.88	0.00	61.94	183.55	168.75
Figures for the previous Year	226.81	0.00	0.00	226.81	54.36	3.70	0.00	58.06	168.75	
C. UNSERVICEABLE / OBSOLETE ASSETS										
Unserviceable / Obsolete Assets at net book value or net realisable value whichever is less	771.11	11.08	782.19	0.00	210.09		210.09		0.00	561.02
Figures for the previous Year	771.11	0.00	0.00	771.11	210.09			210.09	561.02	561.02
Total ('A'+ 'B'+ 'C')	6577.32	118.65	825.05	5870.92	3329.41	194.52	237.57	3286.36	2584.56	3247.91
Figures for the previous year	6260.14	420.95	103.77	6577.32	3219.60	182.01	72.20	3329.41	3247.91	

Note : # Represents provision made
* Includes Rs. 11.08 lacs towards provision

1.3 SECURED LOANS	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Working Capital Borrowings From Banks*	1.74	1235.82
Housing Finance Loan** from Housing Development Finance Corporation Ltd.	0.00	75.94
	1.74	1311.76

* Secured by hypothecation of
Company's inventories, Book debts
and are guaranteed by Steel Authority of India
Limited - Holding Company.
** Secured by equitable mortgage of the property of
the employees who have taken advances from the
company for acquiring house properties.

Note : Secured loans repayable within one year **0.00** 21.86

1.4 UNSECURED LOANS	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Term Loans from Govt. of Maharashtra (Interest free) (Transferred from SICOM to Govt. of Maharashtra)	337.95	591.78
STEEL AUTHORITY OF INDIA LIMITED (HOLDING COMPANY)		
Interest bearing loans	458.22	2809.50
TOTAL :	796.17	3401.28

Note : Unsecured Loans repayable within one year. **131.56** 590.99



Schedules

1.6 CAPITAL WORK-IN-PROGRESS	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Expenditure during construction pending allocation (Schedule 1.6.1)	61.40	0.00
Capital Work-in-progress		
Ferro Alloys Units	92.69	64.72
Less: Provisions	57.42	57.42
	35.27	7.30
	96.67	7.30

1.6.1 EXPENDITURE DURING CONSTRUCTION (pending allocation)	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Opening balance (a)	0.00	0.00
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	14.99	0.00
Company's contribution to Provident and other Funds	1.89	0.00
Welfare Expenses	0.18	0.00
	17.06	0.00
Technical Consultants' fees & know-how	28.00	0.00
Other expenses	16.34	0.00
Net expenditure during the year (b)	61.40	0.00
Total (a)+(b)	61.40	0.00
Amount allocated to Fixed Assets/ Capital Work-in-progress	0.00	0.00
Balance carried forward	61.40	0.00
	61.40	0.00

1.7 INVENTORIES (As taken, valued and certified by Management)	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Stores and Spares	306.91	429.30
Add : In-transit	0.00	30.25
	306.91	459.55
Less : Provision	27.60	153.65
	279.31	305.90
Raw Materials	525.44	464.29
Add : In transit	57.76	8.68
	583.20	472.97
Finished products / By-products	3633.33	1174.16
	4495.84	1953.03

1.8 SUNDRY DEBTORS (UNSECURED)	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Debts due for more than six months	15.91	16.05
Others debts	1973.70	1281.68
	1989.61	1297.73
Less : Provision for doubtful debts	15.91	16.04
	1973.70	1281.69
PARTICULARS		
Considered good	1973.70	1281.69
Considered doubtful	15.91	16.04
	1989.61	1297.73
Note : Due from Steel Authority of India Limited (Holding Company)	1956.82	1275.49

1.9 CASH AND BANK BALANCES	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Cash and Stamps on hand	1.48	1.57
Cheques on hand	0.03	2.29
With Scheduled Banks in : - Current Account	323.98	414.30
- Term Deposit	208.26	15.18
Remittances-in-transit	532.24	429.48
	23.22	3.03
	556.97	436.37

1.10 INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Employees	53.37	55.62
Others	27.31	24.65
	80.68	80.27
Less : Provision for doubtful interest	3.03	3.03
TOTAL :	77.65	77.24

1.11 LOANS AND ADVANCES	As at 31st March, 2005	As at 31st March, 2004
		(Rs. in lakhs)
Loans :		
Employees		
[Secured Rs. 192.68 lakhs (Rs. 221.84 lakhs)]	196.57	226.26
Advances recoverable in cash or in kind or for value to be received :		
Claims recoverable	80.80	55.58
Contractors and suppliers	24.58	29.21
Employees	3.24	2.00
Advance Income Tax and Tax deducted at source	1403.29	26.01
Others	194.10	198.85
	1706.01	311.65
Deposits :		
Excise department, Railways, etc.	8.97	5.50
Others	759.36	759.36
	768.33	764.86
	2670.91	1302.77
Less : Provision for Doubtful Loans & Advances	29.84	23.27
	2641.07	1279.50

Particulars of Loans & Advances	As at 31st March, 2005	As at 31st March, 2004
Secured, considered good	192.68	221.84
Unsecured, considered good	2448.39	1057.66
Unsecured, considered doubtful	29.84	23.27
	2670.91	1302.77

1.12 CURRENT LIABILITIES

	As at 31st March, 2005	As at 31st March, 2004
	(Rs. in lakhs)	
Sundry Creditors :		
Capital works	59.26	82.95
Small Scale Industrial Undertakings	72.17	66.39
Others	2645.34	1801.36
	2776.77	1950.70
Advances From Customers	66.44	100.38
Others – Holding Company	0.00	95.42
	66.44	195.80
Security deposits	286.93	241.68
Interest accrued but not due on loans (Holding Company)	0.00	0.08
Other liabilities	1769.07	1331.25
	4899.21	3719.51

1.13 PROVISIONS FOR

	As at 31st March, 2005	As at 31st March, 2004
	(Rs. in lakhs)	
Gratuity		
Opening Balance	834.14	613.67
Add : Provision during the year	276.01	274.21
Less: Amount paid / utilised during the year	29.78	53.74
	1080.37	834.14
Accrued Leave Liability		
Opening Balance	382.87	291.80
Add : Provision during the year	167.33	103.14
Less: Amount paid / utilised during the year	65.60	12.07
	484.60	382.87
Taxation		
Opening Balance	24.36	4.36
Add : Provision during the year	1290.00	20.00
	1314.36	24.36
Voluntary Retirement Scheme		
Opening Balance	127.58	157.17
Add : Provision during the year	21.48	29.84
Less: Amount utilised during the year	44.63	59.43
	104.43	127.58
Employee Family Benefit Scheme		
Opening Balance	229.49	204.42
Add : Provision during the year	70.82	59.34
Less: Amount utilised during the year	41.38	34.27
	258.93	229.49
Post Retirement Medical and Settlement Benefits		
Opening Balance	72.39	65.10
Add : Provision during the year	22.28	7.29
Less: Amount utilised during the year	0.23	0.00
	94.44	72.39
Wage Revision		
Opening Balance	256.12	0.00
Add : Provision during the year	777.37	0.00
Less: Amount paid / adjusted during the year	1033.49	0.00
	0.00	0.00
	3337.13	1670.83

1.14 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance As at 31st March, 2004	Additions during the year	Total	Amount Charged off during the year	Balance As at 31st March, 2005
	(Rs. in lakhs)				
(i) DEFERRED REVENUE EXPENDITURE					
Voluntary Retirement Compensation	134.01	59.66	193.67	48.76	144.91
TOTAL :	134.01	59.66	193.67	48.76	144.91
Previous year	108.35	117.62	225.97	91.96	134.01



Schedules

2.1 SALES

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Ferro Alloys	7144.40	4156.38
Conversion	19095.06	11141.28
	<u>26239.46</u>	<u>15297.66</u>

2.2 INTEREST EARNED

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Customer	0.81	0.38
Employees	12.27	16.17
Term Deposits*	20.70	0.00
Others *	30.25	26.58
	<u>64.03</u>	<u>43.13</u>

* Tax deducted at source Rs. 10.51 lacs
(Rs. 5.67 lacs)

2.3 OTHER REVENUES

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Social amenities-recoveries	14.54	9.50
Sale of empties etc.	48.10	23.03
Liquidated damages	0.05	1.14
Profit on sale/discard of Fixed Assets	0.10	0.00
Sundries	13.64	109.87*
	<u>76.43</u>	<u>143.54</u>

* Includes Insurance claim of Rs. 100.41 lacs for Assets destroyed by fire.

2.4 PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Loans & advances	0.19	2.40
Sundry debtors	0.02	0.00
Stores & spares	126.39	0.17
Others	210.91	0.00
	<u>337.51</u>	<u>2.57</u>

2.5 ACCRETION TO (-)/DEPLETION IN STOCK OF FINISHED PRODUCTS

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Opening Stock	1174.16	1301.09
Less : Closing Stock	3633.33	1174.16
	<u>-2459.17</u>	<u>126.93</u>

2.6 RAW MATERIAL CONSUMED

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
	Quantity [MT]	Quantity [MT]
	Rs. in lakhs	Rs. in lakhs
Manganese Ore	67994	2835.32
Others	1263.83	50533
	<u>4099.15</u>	<u>1458.69</u>

2.7 EMPLOYEES' REMUNERATION AND BENEFITS

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Salaries and wages	1735.83	1576.59
Wage revision (Arrears)	777.37	0.00
Company's contribution to provident fund and other funds	171.89	162.69
Travel concessions	23.13	0.00
Welfare expenses	181.21	154.75
Gratuity	276.01	274.21
	<u>3165.44</u>	<u>2168.24</u>

Note :
Expenditure on Employees' Remuneration and Benefits not included above and charged to:

a) Expenditure During Construction	17.06	0.00
b) Deferred Revenue Expenditure	48.76	91.96
	<u>65.82</u>	<u>91.96</u>

2.8 POWER & FUEL

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Purchased Power	8781.12	6441.67
Furnace Oil	13.26	14.37
	<u>8794.38</u>	<u>6456.04</u>

2.9 REPAIRS AND MAINTENANCE

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
		(Rs. in lakhs)
Buildings	52.73	23.77
Plant and machinery*	440.18	309.23
Others	20.02	19.82
	<u>512.93</u>	<u>352.82</u>

*Includes expenditure on Furnace II Relining
Rs.426.98 lakhs (Furnace I Relining Rs. 298.18 lakhs)

2.10 OTHER EXPENSES

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
	(Rs. in lakhs)	
Demurrage and wharfage	3.46	1.30
Handling expenses		
- Raw Material	66.22	42.64
- Finished Goods	300.60	275.12
	366.82	317.76
Insurance	21.30	19.97
Law charges	1.78	3.08
Loss on sale/scraping of Fixed Assets	152.56	0.05
Postage, telegram & telephone	9.73	11.68
Printing & stationery	2.94	3.59
Provisions		
- Doubtful debts & loans and advances	5.91	0.00
- Sundries	13.08	0.00
	18.99	0.00
Rates & Taxes	57.93	51.32
Remuneration to Auditors		
- Audit fees	1.32	1.11
- Tax Audit fees	0.45	0.33
- Out of pocket expenses	0.39	0.61
- In other capacities	0.95	0.57
	3.11	2.62
Rent	51.30	7.67
Travelling expenses	77.01	61.26
Write Offs		
- Miscellaneous & Deferred Revenue	48.76	91.96
Expenditure		
- Advances	0.81	4.21
- Others	0.09	0.00
Miscellaneous **	370.58 #	110.11 *
	1187.17	686.58

* Includes Rs. 31.50 lakhs towards loss of fixed assets destroyed by fire.

** Includes donation Rs. 0.05 lakhs (Rs.0.05 lakhs)

Includes Rs. 248.52 lakhs towards Interest/Penalty levied in respect of Excise duties.

2.11 INTEREST & FINANCE CHARGES

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
	(Rs. in lakhs)	
Bank borrowing-working capital	33.66	184.25
Others	178.81	95.58
Finance Charges	13.77	12.07
	226.24	291.90

2.12 ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
	(Rs. in lakhs)	
Other Expenses & Provisions	28.47	5.40
	28.47	5.40



Schedules

SCHEDULE 3 :

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

PART A : SIGNIFICANT ACCOUNTING POLICIES:

1.1 BASIS OF ACCOUNTING:

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, and relevant provisions of the Companies Act, 1956.

1.2 FIXED ASSETS:

Fixed Assets are stated at cost of acquisition less depreciation. Expenditure on development of land, including lease hold land, is capitalised as part of cost of land.

Cost includes all identifiable expenditure including trial run expenses, net of revenue.

Assets retired from active use are shown separately under fixed assets at lower of net book value and realisable value.

1.3 DEPRECIATION:

Depreciation is provided on straight-line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

However, where the historical cost of a depreciable asset undergoes a change, the depreciation on the revised unamortized depreciable amount is provided over the residual useful life of the asset.

Classification of plant and machinery into continuous and non-continuous is made on the basis of technical opinion and depreciation provided accordingly.

Low value item costing Rs. 5000 or below is depreciated fully in the year of its acquisition.

Depreciation on addition / deletion during the year is provided on pro-rata basis with reference to the month of addition / deletion.

1.4 GOVERNMENT GRANTS:

Grants relating to the acquisition of a specific asset are adjusted against the cost of the concerned asset. Grants relating to the revenue expenditure are adjusted against the related expenses.

1.5 BORROWING COSTS:

Borrowing costs attributable to the acquisition or construction of a qualifying assets are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

1.6 INVENTORY :

Stores and spares are valued at cost. In case of identified obsolete / surplus/ non-moving items, necessary provision is made and charged to revenue.

Raw materials and finished products are valued at lower of cost and net realisable value.

Residue products, by products, coke rejects and scrap of various nature are valued at net realisable value.

The basis of determining cost of inventories is:

Stores & Spares, raw materials - Weighted average cost

Materials in-transit - Actual Cost

Finished Products - Material cost plus appropriate share of labour, related overheads and duties.

1.7 DEFERRED REVENUE EXPENDITURE:

Voluntary retirement compensation is treated as deferred revenue expenditure and written off in five years.

In respect of deferred voluntary retirement schemes, compensation liability, as initially ascertained on actuarial valuation, is written-off in five years. Annual increase / decrease in the liability, actuarially ascertained, is charged to profit and loss account.

1.8 FOREIGN CURRENCY TRANSACTIONS:

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognized in the profit and loss account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the profit and loss account over the period of contract, except in case of liabilities incurred for acquiring fixed assets.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets are adjusted in the carrying amount of such assets.

1.9 CLAIMS FOR LIQUIDATED DAMAGES/ ESCALATION:

Claims for liquidated damages are accounted for as and when these are deducted and / or considered recoverable by the company. These are adjusted to the capital cost or recognised in profit and loss account, as the case may be, on final settlement.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the company.

1.10 EMPLOYEES' BENEFITS:

The provisions towards gratuity, accrued leave, post-retirement medical and settlement benefits to employees, future payments to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme are made based on the actuarial valuation as at the end of the year.

1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES:

Income / expenditure relating to prior periods and prepaid expenses which do not exceed Rs.5 lakhs in each case, are treated as income / expenditure of the current year.

1.12 REVENUE RECOGNITION:

Sales* include excise duty, packing charges and are net of rebates and sales tax. Sales in the domestic market are recognised at the time of despatch of materials to the buyers including the cases where delivery documents are endorsed in favour of the buyers. Export sales are recognised on issue of bill of lading.

Export incentives under various schemes are recognised as income in the year of exports at estimated realizable value / actual credit earned.

*Sales include conversion income.

1.13 TAXATION:

Provision for current tax is made on the taxable profits for the year at the rates in force. The deferred tax on timing differences between book profit and taxable profit for the year is accounted for applying the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

PART B : NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

Contingent Liabilities not provided for -

	As at 31st March, 2005	As at 31st March, 2004
(Rs. in lakhs)		
i) Claims against the Company pending appellate/judicial decision	197.68	190.75
ii) Other claims against the Company not acknowledged as debts	302.50	555.54
iii) Probable levy of penal interest by Sales Tax Authority	-	3.65
iv) Bills drawn on customers and discounted with Banks	4.80	36.36
v) Post Dated Cheques issued (on behalf of the Holding Company) to a supplier	-	66.95
vi) Claims by certain employees and contractors, extent of the same is not ascertainable	-	-

3. PROFIT & LOSS ACCOUNT

3.1 The total quantity of Ferro Manganese and Silico Manganese produced during the period as well as total quantity despatched under conversion arrangement are as under:

		2004-05	2003-04
(In MT)			
Production for the year	Ferro Manganese	65245	24531
	Silico Mangases	33078	35670
Despatch under conversion	Ferro Manganese	51133	17565
	Silico Manganese	24050	30111

3.2 The excise duty of Rs. 3943.97 lakhs (Rs. 2765.26 lakhs) shown as deduction from sales includes excise duty on accretion to /depletion in stock of finished goods amounting to Rs.422.79 lakhs [Rs (-) 92.49 lakhs]].

3.3 Profit and / or loss on sale of coke rejects is not ascertained separately. The sale proceeds thereof have been adjusted to the raw material accounts.

- 3.4 Power & Fuel includes expenditure on purchased power and furnace oil. The other expenditure for generation of power is included under respective primary heads of account.
- 3.5 The company had implemented the revised salaries & wages agreement w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000, after the expiry of long term agreements with the employees' on 31.12.1996. As regards to the period 1.1.1997 to 31.12.2000, an amount of Rs 777.37 lakhs (net of ad-hoc advances of Rs.256.12 lakhs paid in earlier years) has been paid during the year towards salaries & wages arrears, including consequential benefits and charged to Employees' Remuneration & Benefits.
- 3.6 As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.
- 3.7 Due to change in the basis of provisioning towards non-moving and obsolete stores & spares, the net profit for the year is lower by Rs. 3.94 lakhs.
- 3.8 Fixed Assets retired from active use, hitherto shown under "Inventories", have been shown separately under "Fixed Assets". Consequently, salvaged / scrapped fixed assets of Rs. 771.11 lakhs shown under "Inventories" in the previous year have been transferred to "Fixed Assets" which have been sold/written off during the year.
- 3.9 Claims for liquidated damages relating to fixed assets hitherto recognized in Profit and Loss Account have been adjusted to the cost of related fixed asset. Consequently, the profit for the year and gross block of fixed assets as at 31st March, 2005 are lower by Rs.3.51 lakhs.
- 4. INVENTORY, SUNDRY DEBTORS, LOANS & ADVANCES AND CURRENT LIABILITIES**
- 4.1 In accordance with past practice, quantities of inventories of bulk raw materials and finished goods have been taken as per weight-volume-ratio as determined by the Production/Technical Department.
- 4.2 Inventory of finished goods at the year end was physically verified and the surplus quantity of 1516 MT (surplus quantity of 576 MT) valuing Rs.351.44 lakhs (Rs.129.26 lakhs) has been accounted for.
- 4.3 The amounts due to small scale industrial undertakings (as disclosed in Schedule 1.12- Current Liabilities) are to the extent such parties have been identified. The company has normally made payments to SSI units in due time and there are no claims from the parties for interest on overdue payments. The names of the units to whom outstanding are more than 30 days but not due for payment are as under:
- | Sl. No. | Name of Unit | Amount (in Rs.) |
|---------|---------------------------------|-----------------|
| 1. | M/s Maharashtra Carbon (P) Ltd. | 2270675.89 |
| 2. | M/s Raigarh Electrode Ltd. | 1652051.19 |
| 3. | M/s Weston Electro Carbon | 2271271.57 |
| 4. | M/s Aditya Air Product | 29149.00 |
| 5. | M/s Geetika Engineering Corp | 59730.00 |
| 6. | M/s Industrial Metal Wiremesh | 1129.50 |
| 7. | M/s Graphite India Ltd | 944216.27 |
| 8. | M/s Aditya Engineering (P) Ltd | 150967.36 |
- 4.4 The Company has retained Rs.123.84 lakhs (Rs.101.72 lakhs) under Employees' Family Benefit Scheme which is exempted under section 58 A of the Companies Act, 1956.
- 4.5 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association of SAIL (our holding company) have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above notification. The Hon'ble High Court, vide its order dated 30-1-2002 and 23.12.2003, has granted an interim stay restraining from deduction of tax on perquisite on accommodation provided to the employees. Accordingly, the company has not deducted tax on house perquisites.

6.1(a) LICENSED, INSTALLED CAPACITY AND PRODUCTION :

	*LICENSED CAPACITY (TONNES)	**INSTALLED CAPACITY (TONNES)	#PRODUCTION (TONNES)
	ANNUAL CAPACITY		
High Carbon Ferro Manganese			65,245
	100,000	100,000	(24,531)
Silico Manganese	(100,000)	(100,000)	33,078
			(35,670)
Medium Carbon Ferro Manganese			2,218
			(1,443)

* Re-endorsed capacity.

** As certified by Management and not verified by auditors, being a technical matter.

Including jigged Ferro/Silico Manganese & adjustment relating to excess/shortage on account of physical verification.

- 4.6 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.414.78 lakhs (NIL).

5. GENERAL

- 5.1 The requirement under Accounting Standard - 17 relating to "Segment Reporting" is not applicable since the company is having line of products which are subject to same risks and returns and operating in economic environment subject to same risk & returns.

Further, since the whole of India has been considered as one geographical segment and exports as other segment, the requirement on segment reporting does not exist, in the absence of any export during the year.

- 5.2 As per Accounting Standard 18 relating to "Related party disclosures", the name of the related parties are given below:

Nature of relationship	Name	Nature of Transaction	Amount (Rs. in lakhs)
Key Management Personnel	Shri. R. K.Gupta (Up to 31.8.2004)	Managerial Remuneration	3.63
		Sales of Assets	0.04
	Shri. A.P.Nayak (From 13.8.2004)	Managerial Remuneration	11.82

- 5.3 In terms of Accounting Standard-20 relating to "Earning per Share", the calculation of earnings per share is given below:

	2004-05	2003-04
(i) Profit after tax as per Profit & Loss Account (Rs. in lakhs)	5223.45	630.33
(ii) Weighted average number of equity shares outstanding	24,000,000	24,000,000
(iii) Basic and diluted EPS. (Rs.)	21.76	2.63

- 5.4 The position of deferred tax assets and liabilities computed in accordance with the requirements of AS-22 relating to "Accounting for taxes on income" is as stated below:

	2004-05	2003-04
<i>(Rs in lakhs)</i>		
Deferred tax liabilities		
Difference between Book and Tax Depreciations	369.96	395.35
Sub-Total	369.96	395.35
Deferred tax assets		
Unabsorbed Depreciation/loss	1.30	1260.57
Others	777.85	591.94
Sub-Total	779.15	1852.51
Net Deferred tax assets	409.19	1457.16

The company, as a matter of prudence does not recognize deferred tax asset if this arises after adjustment of deferred tax liabilities. Accordingly net deferred tax assets amounting to Rs 409.19 lakhs (Rs.1457.16 lakhs) have not been accounted for.

- 5.5 In compliance with AS-28 relating to "Impairment of Assets", the company reviews the carrying amount of its fixed assets by grouping assets of entire plant as Cash Generating Unit (CGU). There was no indication of impairment during the year.

- 5.6 Previous years' figures are given in brackets and these have been re-arranged/ regrouped wherever necessary.



Schedules

6.1(b) OPENING STOCK, SALES AND CLOSING STOCK :

(Qty. in MT, Value in Rs. in lakhs)

	Opening Stock		Sales/Adjustment		Closing Stock	
	Qty.	Value	Qty.	Value	Qty.	Value
High Carbon Ferro Manganese	4,067 (3,238)	908.13 (716.26)	62,121 (23,289)	16,798.33 (5,526.24)	6,584 (4,067)	1,948.14 (908.13)
Silico Manganese	1,101 (1,440)	254.72 (313.56)	25,713 (34,715)	7,996.86 (9,043.06)	6,463 (1,101)	1,569.82 (254.72)
Medium Carbon Ferro Manganese	42 (169)	11.31 (64.24)	1,838 (1,454)	1,367.36 (717.03)	252 (42)	115.37 (11.31)
SUB-TOTAL	5,210 (4,847)	1,174.16 (1,094.06)	89,672 (59,458)	26,162.55 (15,286.33)	13,299 (5,210)	3,633.33 (1,174.16)
Others				76.91 (11.33)		
TOTAL	5,210 (42,861)	1,174.16 (1,301.09)	89,672 (59,458)	26,239.46 (15,297.66)	13,299 (5,210)	3,633.33 (1,174.16)

6.1(c) FERRO ALLOYS QUANTITATIVE RECONCILIATION :

	Ferro Manganese (MT)	Silico Manganese (MT)	Medium Carbon Ferro Manganese (MT)
Opening Stock	4,067 (3,238)	1,101 (1,440)	42 (169)
Production	65,245 (24,531)	33,078 (35,670)	2,218 (1,443)
TOTAL	69,312 (27,769)	34,179 (37,110)	2,260 (1,612)
Sales/Adjustments	62,121 (23,289)	25,713 (34,715)	1,838 (1,454)
Internal Consumption	607 (413)	2,003 (1,294)	170 (116)
Closing Stock	6,584 (4,067)	6,463 (1,101)	252 (42)
TOTAL	69,312 (27,769)	34,179 (37,110)	2,260 (1,612)

I) Sales of High Carbon Ferro Manganese and Silico Manganese include despatches under conversion.

7. EXPENDITURE IN FOREIGN CURRENCIES :

(Rs. in lakhs)

	Current Year	Previous Year
i) Others	2.73	0.00
TOTAL	2.73	0.00

8. EARNING IN FOREIGN CURRENCIES :

(Rs. in lakhs)

	Current Year	Previous Year
Export of goods on FOB basis	Nil	Nil

9. VALUE OF IMPORTS CALCULATED ON CIF BASIS :

(Rs. in lakhs)

	Current Year	Previous Year
Stores & Spares	80.90	19.70

10. VALUE OF RAW MATERIAL CONSUMED :

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	0.00	0.00	0.00	0.00
Indigenous	4,099.15	100.00	1,458.69	100.00
TOTAL	4,099.15	100.00	1,458.69	100.00

11. VALUE OF STORES & SPARES CONSUMED :

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	16.51	3.23	39.51	11.53
Indigenous	494.37	96.77	303.19	88.47
TOTAL	510.88	100.00	342.70	100.00

12. REMUNERATION TO DIRECTORS :

(Rs. in lakhs)

	Current Year	Previous Year
Salaries	5.01	4.73
Company's contribution to provident fund	0.62	0.56
Leave Travel Concession	0.60	—
Medical Benefits	0.43	0.82
Provision for gratuity / accrued leave / others	8.76	0.70
Estimated Value of perquisites	0.04	0.04
TOTAL	15.45	6.84

* Retirement Provisions for Current Year includes retirement benefit provisions for full service period of Shri. A.P.Nayak, Executive Director who joined on 13.08.2004, over and above the proportionate liabilities for Shri R.K.Gupta, who retired on 31st August 04.

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(A.P.Nayak)
Executive Director

Sd/-
(S.K. Sinha)
Director

Sd/-
(Ashis Das)
Chairman

Signature to Schedules 1 to 3
As per our report of even date attached

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(M.A. Gohel)
Partner

Place : New Delhi
Date : 24th May, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1	7	4	0	2
---	---	---	---	---

 of 1974 - 75 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	5
---	---	---	---

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N	I	L
---	---	---

 Rights Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

 Private Placement

N	I	L
---	---	---

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

Total Liabilities

4	3	3	5	0	3
---	---	---	---	---	---

 Total Assets

4	3	3	5	0	3
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

2	4	0	0	0	0
---	---	---	---	---	---

 Reserves & Surplus

1	1	3	7	1	2
---	---	---	---	---	---

Secured Loans

			1	7	4
--	--	--	---	---	---

 Unsecured Loans

	7	9	6	1	7
--	---	---	---	---	---

Application of Funds

Net Fixed Assets

2	6	8	1	2	3
---	---	---	---	---	---

 Investments

N	I	L
---	---	---

Net Current Assets

1	5	0	8	8	9
---	---	---	---	---	---

 Misc. Expenditure

1	4	4	9	1
---	---	---	---	---

Accumulated Losses

			N	I	L
--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover / Other Income

2	2	7	7	3	4	6
---	---	---	---	---	---	---

 Total Expenditure

1	6	2	6	0	0	1
---	---	---	---	---	---	---

Profit Before Tax

6	5	1	3	4	5
---	---	---	---	---	---

 Profit After Tax

5	2	2	3	4	5
---	---	---	---	---	---

Earning per share in Rs.

2	1	.	7	6
---	---	---	---	---

 Dividend Rate %

N	I	L
---	---	---

V. Generic Names of Three Principal Products / Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)

7	2	0	0	2			
---	---	---	---	---	--	--	--

Product Description

F	E	R	R	O		A	L	L	O	Y	S
---	---	---	---	---	--	---	---	---	---	---	---

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(M.A. Gohel)
Partner

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(A.P. Nayak)
Executive Director

Sd/-
(S.K. Sinha)
Director

Sd/-
(Ashis Das)
Chairman

Place : New Delhi
Date : 24th May, 2005



ANNEXURE – I

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY

Major areas of energy conservation include:

- Gainful utilisation of waste gas of submerged arc furnace for generation of power through 4.2 MW gas based Power Plant.
- Use of alternate reductant to coke to reduce specific power consumption for Silico-manganese production.
- Conservation of water by re-circulation of effluent water after filtration.
- Use of manganese bearing wastes in Ferro Alloy production.
- Improvement in furnace performance with changes in operating parameters and better electrode management.
- Statistical Process Control for control of major elements in Ferro alloys.
- Maintain unity power factor for improving utilisation of electrical energy.
- Second re-circulation water tank for mechanised jigging commissioned.
- Gainful utilisation of Mn Ore fines by converting to sinter for subsequent charge Material in furnace.

ANNEXURE – II

FORM 'A' CONSERVATION OF ENERGY

POWER & FUEL CONSUMPTION		2004-2005	2003-2004
ELECTRICITY			
1.	PURCHASED		
	Unit	Million /kwh	211.21
	Total Amount	Rs/Lakhs	6488.46
	Rate	Rs/kwh	3.07
2.	OWN GENERATION	Million /kwh	4.89
3.	COAL		NIL
4.	FURNACE OIL		
	Unit	KL	110.48
	Total Amount	Rs./lakhs	14.37
	Rate	Rs./KL	13005.05

CONSUMPTION PER UNIT OF PRODUCTION

Product	Electricity (Kwh/Tonne)		Furnace Oil (KL)		Coal (Tonne)	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Ferro Manganese	2694	2621	-	-	-	-
Silico Manganese	3997	4203	-	-	-	-
Medium Carbon	1256	1303	-	-	-	-

ANNEXURE – III

FORM 'B' RESEARCH & DEVELOPMENT (R&D)

- SPECIFIC AREA IN WHICH R&D CARRIED OUT BY THE COMPANY**
 - Trials of "Layer casting" for casting of molten Silico manganese were conducted successfully.
 - Mechanised jigging machine and crusher installed for improving recovery of metallics from metal dust and slag mix.
 - Automated water spray system installed at Ground hopper and Discharge chute of conveyor belt no. 1 for controlling fugitive emissions.
 - Fixed type water spray system installed at Sinter Plant No. 1 for controlling fugitive emissions.
- BENEFITS DERIVED AS A RESULT OF ABOVE R & D**
 - Improvement in metallic yield of silico manganese achieved in layer casting of ferro alloys on trial basis.
 - Use of mechanised jigging machine and crusher has resulted into improvement in productivity of recovery of metallics from metal dust / slag mix.
 - Installation of water spray system, ground hopper, discharge chute of conveyor belt no. 1 and at Sinter Plant No. 1 has resulted into effective pollution control.
- FUTURE PLAN OF ACTION**
 - To develop infrastructure facilities and equipment for implementing layer casting of ferro alloys.
 - To develop infrastructure facilities for production of Low Carbon Ferro Alloys.
- EXPENDITURE ON R&D**
 - Research work is undertaken indigenously as such no specific expenses on R&D are apportionable.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Use of rejected material like Khad in Silico Manganese production
- Utilisation of iron ore fines for production of iron ore sinter & subsequent usage in SAF-II for SiMn production.
- Maintained unity power factor and load factor above 80% by optimising utilisation of power.

FORM 'C' FOREIGN EXCHANGE EARNINGS & OUTGO

	Rs./Lakhs
EARNINGS	: NIL
OUTGO	: 2.73

Report on Corporate Governance

ANNEXURE-IV

MAKING
A
MEANINGFUL
DIFFERENCE
IN
PEOPLE'S LIVES

(a) COMPANY'S PHILOSOPHY

The philosophy of the Company in relation to corporate governance is to ensure transparency, disclosures and reporting that conforms fully with laws, regulations and guidelines, and to promote ethical conduct throughout the organization, with the primary objective of enhancing shareholders value while being a responsible corporate citizen. The company is committed to conforming to the highest standards of corporate governance in the country. It recognizes that the Board is accountable to all shareholders and that each member of the Board owes his first duty to protecting and furthering the interest of the Company.

(b) BOARD OF DIRECTORS

The Board of Directors at present comprises of non-executive Chairman, whole time Executive Director (WTD-upto 30/3/2005) and 5 non-executive Directors (Non-ED). During the year, nine Board Meetings were held on 25/5/2004, 27/7/2004, 6/8/2004, 27/8/2004, 27/9/2004, 28/10/2004, 13/12/2004, 27/1/2005 and 26/2/2005.

The composition of directors and their attendance at board meetings during the year and at the last Annual General Meeting as also number of other directorships are as follows.

Name of the Director	Category of Directorship	Board Meetings Attended (Nos.)	Attendance at last AGM	No. of other Directorship held as on 31/3/2005
Shri Ashis Das	Chairman	9	Yes	6
Shri R.P. Singh	Non-ED	9	Yes	3
Shri S.K. Sinha	Non-ED	7	Yes	1
Shri Vipin Puri	Non-ED	6	Yes	2
Shri A. K. Nigote	Non-ED	3	—	—
Shri R.K. Gupta (upto 31/8/04)	WTD	4	Yes	—
Shri A.P. Nayak (From 27/9/04 to 30/3/05)	WTD	5	—	—
Shri S.D.M. Nagpal (w.e.f. 30/3/2005)	Non-ED	—	—	—

(c) AUDIT COMMITTEE

(1) Terms of Reference

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its overseeing responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

The Audit Committee reviews reports of the Internal Auditors, meets Statutory Auditors and discusses their findings, suggestions and other related matters and reviews major accounting policies followed by the Company. The Audit Committee reviews with management, the quarterly and annual financial statements before their submission to the Board.

The minutes of the audit committee meetings are circulated to the Board, discussed and taken note of.

(2) COMPOSITION

The Audit Committee of the Board was formed in January, 2001. The reconstituted Audit Committee consists of four Non-Executive Directors viz. Shri S. D. M. Nagpal, Shri S.K. Sinha, Shri Vipin Puri and Shri A.K. Nigote. During the last year, the committee met four times and attendance at the Meetings are as follows:

Name of the Director	Status	No. of meetings attended
Shri S. D. M. Nagpal (Effective from 24/05/2005)	Chairman	-
Shri S. K. Sinha	Member	4
Shri Vipin Puri	Member	4
Shri A.K.Nigote	Member	1

(d) NOMINATION & COMPENSATION COMMITTEE

- Being a Government Company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committee has not been constituted.
- The details of remuneration to the whole time director during the year is given below :

(Rs. in lakhs)

Name of the Director	Salary	Other Benefits & P.F Medical P.F.	Retirement/ benefits Provisions (Actuarial valuation)	Total
Shri R. K. Gupta (Upto 31/8/2004)	2.69	0.25 0.24	0.45	3.63
Shri A.P. Nayak (w.e.f 1/9/2004 to 31/3/2005)	2.95	0.18 0.38	8.31	11.82

- No sitting fee is paid to the Non-Executive Directors for attending Board/ Board Sub-Committee Meetings.
- The salary of the whole time director is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.
- Terms & Conditions
The Executive Director is an employee of Company on transfer from Steel Authority of India Limited. He has been inducted on the Board of the Company as a Director. The appointment may be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

(e) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

- A Shareholders / Investors Grievance Committee is constituted under the Chairmanship of a non-executive director. The committee consists of Shri Vipin Puri and Shri A.K. Nigote to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- Name of compliance officer : Shri R. Ashokkumarr, Secretary.
- Number of shareholder complaints received during the period from 1st April, 2004 to 31st March, 2005.

Nature of the Complaint	Source from which complaint was received			
	Direct	SEBI	Exchange	Total
A) Non-receipt of shares after transfer	—	—	—	—
B) Delay in issuing Duplicate share certificates	—	—	—	—
C) Non-receipt of Dividend Warrants	—	—	—	—
D) Complaint-reg Transmission of Shares	—	—	—	—
Total	—	—	—	—

*Complaints not solved to the satisfaction of shareholders : Nil

(f) GENERAL BODY MEETINGS

Financial year	Date	Time	Location
2003-2004	06/08/2004	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2002-2003	22/08/2003	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2001-2002	27/07/2002	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.

(g) DISCLOSURES

There were no transactions of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions viz-a-viz the company during the year.

There were no instances of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

(h) MEANS OF COMMUNICATION

Quarterly results are published in the Newspapers as per the requirements. There is no website of the Company.

(i) GENERAL SHAREHOLDERS INFORMATION

- Annual General Meeting is proposed to be held on 31st August, 2005 at 12.00 noon at the Registered Office at "Nirmal" 10th floor, Nariman Point, Mumbai-400 021.
- Date of Book Closure: 15th July, 2005 to 23rd July, 2005.



Report on Corporate Governance

(iii) The shares of the Company are listed at the following stock exchanges:

- (1) The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI-400 001
- (2) The Stock Exchange Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, AHMEDABAD-380 015.

It is confirmed that Annual Listing Fee has been paid to each of the stock exchanges.

- (iv) Stock code : 4824
- (v) Market price data : High/Low during each month in last financial year : No floor trading in the last financial year.
- (vi) Registrar and Transfer Agent : M/s. MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No.11, MIDC, Andheri (East) Mumbai – 400 093.

(vii) Share transfer system

The Board has delegated powers to the Executive Director for transfer of shares. The shares lodged for transfer are despatched back well within the time limit prescribed in this respect under the listing agreement.

(viii) Distribution of shareholding as on 31st March, 2005 :

Category	No. of Shares held	% age of Holding
A) Promoter's holding:		
Holding Company-SAIL	2,37,87,935	99.12
Sub-Total	2,37,87,935	99.12
B) Non-Promoters Holding:		
Banks	300	—
Sub-Total	300	—
C) Others		
Private Corporate Bodies	10,050	0.04
Indian Public	2,01,715	0.84
NRIs	NIL	—
OCBs	NIL	NIL
Any other – (Please specify)	NIL	NIL
Sub-Total	2,11,765	0.88
Grand Total	2,40,00,000	100

- (ix) Dematerialization of : Shares are not dematerialised.
shares and liquidity Tradeable stock is 0.88% only
as on 31/3/2005. Thus liquidity is negligible.

- (x) Address for correspondence from shareholders for queries/complaints, if any:

M/s. Maharashtra Elektrosmeit Limited,
Chanda-Mul Road, Chandrapur-442 401.
Fax No. : 07172-255812, 255437 • Phone No. 07172-253693

Management Discussion and Analysis Report (MDAR)



The Management of Maharashtra Elektros melt Limited presents its analysis report covering performance and outlook of the Company.

INDUSTRY STRUCTURE & DEVELOPMENT

General Economic Environment

The buoyancy in demand for iron and steel products maintained its momentum in financial year 2004-05 (FY05). This resulted in further improvement in domestic and international prices. The Index of Industrial Production showed a growth of 8% during financial year FY05 as compared to 7% during the previous year. The GDP growth was 6.9% compared to growth of 8.5% in the previous year. The growth in the industry was 7.8% compared to 6.6% in the previous year, driven mainly by manufacturing and buoyant exports. The steel industry has achieved an excellent financial performance in the year 2004-2005 due to continuous upsurge in demand for steel. With a steadily growing domestic market and a thriving export market, Indian steel industry is in a highly positive stage to achieve further growth. Since Ferro alloys are exclusively utilised as raw materials in steel making, the growth in ferro alloy consumption is directly related to the growth in steel consumption. The good performance of steel industry gave way for turnaround performance of ferro alloys industry.

Demand for ferro alloys in India

The demand for ferro alloys largely depends on the production of steel in the country and export potential. With the present production level of 35 million tonnes of saleable steel in the country, the production of manganese based ferro alloys hovers around 5,00,000 tonnes. The steel industry in Asian region is poised for growth in immediate future and the trend may continue for some more years. The growth rate has been estimated at 9% per year. In line with the growth potential, the steel production in the country is also estimated to reach a level of 40 million tonnes by 2006-07 and 63 million tonnes by 2011-12. Thus, the growth potential for manganese based ferro alloys apart from exports, lies in the range of 70-80% by 2011-12 over the present level.

Capacity for ferro alloys production

As on date, there exists over capacity in the ferro alloys production. With the growing demand of ferro alloys in the domestic as well as export market, new facilities are also likely to be added up. Thus, the industry is likely to operate at its rated capacity utilisation level only if the exports continue to be remunerative and no raw material constraints are faced.

Exports

There was no export of ferro alloys during 2004-05. Anti-dumping measures continue to be in force in the USA and the European Union and export to these countries still remain largely affected.

Position of MEL

MEL continues to be the largest producer of manganese based ferro alloys in the country with 30% share in the domestic market. It caters mainly to the requirement of its Holding Company viz. SAIL.

OPPORTUNITIES & THREATS FOR MEL

Opportunities

MEL has integrated large-scale facilities for the production of manganese based Ferro-alloys which are unique. It has,

therefore, competitive edge in terms of specific consumption of inputs and operational efficiency.

MEL has a track record of achieving furnace utilisation of more than 100% of its rated capacity. With the capital repairs of SAF-II the production level has firmed upto 111% of capacity through the said furnace.

In order to meet the growing requirement of Ferro alloys at SAIL, MEL has taken up an ambitious project of installation of another 33 MVA capacity Submerged Arc Furnace to cater the requirement of SAIL Plants.

The 4.2 MW Power Plant is being operated using furnace waste gas as a fuel. This has provided good scope for savings on account of power and fuel expenses.

MEL is gearing up for production of special Ferro Alloys like Low Carbon Ferro Manganese.

MEL has also taken up cost reduction steps particularly through waste utilisation, improvement in productivity, reduction in purchase price and right sizing of manpower.

Threats

There has been substantial hike to the tune of 100 % in the prices of Mn ore. Any increase in the price structure of Mn ore and power tariff will adversely affect the performance of the Company.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

There has been a significant improvement in the performance during the year 2004-05 as compared to previous year despite the capital repairs of SAF-II in June & July 2004. The production has geared upto 111% of the capacity utilisation from the said furnace. SAF-I production has also achieved a level of 111% of Capacity utilisation.

OUTLOOK

With the increase in production of steel in the country, the domestic demand of Ferro alloys is expected to increase.

The company has a good potential with motivated and dedicated workforce. It has maintained its quality standard. It has the capacity to cater to the SAIL Plants in addition to supply to non-SAIL customers including exports. However, it needs help from State Government in the form of reduction in power tariff in line with that provided by other states and allow purchase of power from sources other than MSEB at cheaper rates.

RISK AND CONCERNS

Availability of raw materials and power tariff are the two major concerns for MEL. Any further hike in power tariff will adversely affect the operation at MEL.

Due to increase in steel production at integrated steel plants, the availability of coke, which is used as a reductant, is also a major concern. However, efforts are being made to partially replace coke with alternate reductants.

INTERNAL CONTROL SYSTEMS

The Company has an adequate system of internal controls implemented by the management towards achieving the following objectives:



Management Discussion and Analysis Report (MDAR)

- Efficiency of operations.
- Protection of resources.
- Accuracy and promptness of financial reporting.
- Compliance with the laid down policies and procedures.
- Compliance with laws and regulations.

In MEL, Internal Audit Department reviews, evaluates and appraises the various systems, procedures/policies laid down by the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of management towards good corporate governance.

The Internal Audit is subjected to overall control environment supervised by Board Level Audit Committee, providing independence to the Internal Audit function, emphasizing transparency in the systems and internal controls. Annual Audit Plans are based on identification of key-risk areas with thrust on system/process so as to achieve cost reduction in overall operation of the Company.

The Internal Audit system is supplemented by well-documented policies, guidelines and procedures and regular reviews are being carried out by our Internal Audit Department. The reports containing major IA observations are periodically submitted to the management and Audit Committee of the MEL Board.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

MEL is under a conversion contract with SAIL in which major raw materials i.e. Manganese Ore and Coke are provided by SAIL for conversion of the same into Ferro Alloys. For which, charges are paid by SAIL to MEL based on negotiated rate on yearly basis.

During the year the company has achieved a turnover of Rs.262.39 crores as against Rs. 152.98 crores in the previous year. Value of earning through conversion arrangement was Rs.190.95 crores as against Rs.111.41 crores during the previous year.

On the operational front, company has achieved a capacity utilisation of 111%. Sales of ferro alloys during the year was 89672 tonnes as against 59458 tonnes during the previous year.

The Furnace-II was not in operation for 40 days during June & July, 2004 for relining.

Despite this and in addition to increase in cost of raw materials and other inputs including salary & wages, the company has made a spectacular improvement in performance and earned a post tax net profit of Rs. 52.23 Crores as against the profit of Rs.6.30 Crores in the previous year. This is due to higher market demand and upheavals in steel industry, improvement in sales to outside customers, improvement in techno-economic parameters, etc.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

Human resource was considered as a major factor in the overall working of the Company. The Company has motivated and involved the workforce in the areas of cost reduction for achieving better techno-economic, system improvement, production and other activities, which has resulted into improved performance of the Company. Training programmes were organised for the executives and non-executives employees for improvement and development in the skill, knowledge and working of the employees. Personnel activities across the company got reoriented for maximum capacity utilisation, better operational control, quality of products, enlarge the market coverage and cost reduction measures.

The Company has developed the infrastructure facilities and given a face-lift to the township for the benefit of residents.

The manpower employed by MEL as on 31st March, 2005 was 812 comprising of 126 Executives and 686 Non-Executives, out of which 108 were Scheduled Castes and 65 were Scheduled Tribes. A total of 12 employees were separated under Voluntary Retirement Scheme during the year 2004-2005.



To
The Members of
Maharashtra Elektros melt Limited

We have examined the compliance of the conditions of corporate governance by Maharashtra Elektros melt Limited for the year ended 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said company with the Mumbai and Ahmedabad Stock Exchange.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the 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 opinion on the financial statements of the company.

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

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 A. K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(M. A. GOHEL)
Partner
Membership No. : 038487

Place : New Delhi
Date : 24th May, 2005



Auditor's Report

To the Members

MAHARASHTRA ELEKTROSMELT LIMITED

We have audited the attached Balance Sheet of **MAHARASHTRA ELEKTROSMELT LIMITED** as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order;

Further to our comments in the annexure referred to in paragraph '3' above, we report that:-

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account of the Company.
4. In our opinion, the Balance Sheet, Profit and 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, to the extent applicable.
5. The provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to Government Company in terms of Notification No.GSR 829(E) dated 21st October, 2003 issued by the Department of Company Affairs, Ministry of Finance, Government of India.
6. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with Significant Accounting Policies and notes appearing in Schedule "3", give the information required by the Companies Act, 1956, in the manner so required and present 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 31st March, 2005
and
 - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date
and
 - c. In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date

Address : 59, Maker Tower – "F"
Cuffe Parade,
MUMBAI – 400 005.

Place : New Delhi
Dated : 24th May, 2005

For A. K. JHUNJHUNWALA & CO.,
Chartered Accountants

Sd/-
(M.A. GOHEL)
Partner
Membership No. 038487

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH '1' OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHARASHTRA ELEKTROSMELT LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

On the basis of such checks as we considered appropriate, in terms of the information and explanations given to us, the books and records of the Company examined by us in the normal course of audit and to the best of our knowledge and belief, we state that :-

FIXED ASSETS:

1. (i) The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets.
- (ii) As explained to us, all the assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, no discrepancies have been noticed by the management on such physical verification as compared to the book records.
- (iii) There is no substantial disposal of fixed assets during the year.

INVENTORIES:

2. (i) The inventories have been physically verified by the management at reasonable intervals during the year. The inventories in transit as at 31st March, 2005 have been verified by the management with reference to subsequent receipt of materials.
- (ii) The procedures of physical verification of inventories followed by the management, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) According to the records produced to us for our verification, the Company has maintained proper records of its inventories. The discrepancies between physical stocks and book records arising out of physical verification of inventories have been dealt with in the books of account.

LOANS & ADVANCES:

3. (i) The company has obtained unsecured loan, balance outstanding as at 31st March, 2005 Rs.458.22 lacs from its holding company.
The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of Companies Act, 1956.
- (ii) The rate of interest and other terms and condition on which the company has obtained above referred unsecured loan from its holding Company, are, in our opinion, prima facie, not prejudicial to the interest of the Company.

- (iii) During the year, the company is regular in repayment of above referred loan and interest thereon.
- (iv) In respect of the above referred unsecured loan, there is no overdue amount more than Rs. 1,00,000.

INTERNAL CONTROLS:

- 4. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

RELATED PARTIES:

- 5. (i) As explained to us, the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (ii) According to the information and explanations given to us there were no transactions made in pursuance of contracts or arrangements, entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000 or more in respect of each party.

FIXED DEPOSITS:

- 6. The Company has not accepted any deposits from the public other than the amount retained under Employees' Family Benefit Scheme for which exemption under Section 58A of the Companies Act, 1956 has been obtained.

INTERNAL AUDIT:

- 7. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business. However, the same needs to be strengthened further and its scope needs to be enlarged.

COST RECORDS :

- 8. The Central Government has not prescribed maintenance of the Cost records under Section 209 (1)(d) of the Companies Act, 1956.

STATUTORY LIABILITIES:

- 9. (i) According to the information and explanations given to us and on the basis our examination of books of accounts, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and any other statutory dues, wherever applicable, during the year with the appropriate authorities.
- (ii) According to the information and explanations given to us, no undisputed amount payable in respect of Income-tax, Wealth-tax, Sales-tax, Custom Duty and Excise Duty was outstanding as at 31st March, 2005, for a period of more than six months from the date they became payable.
- (iii) The details of disputed statutory dues are as per "Exhibit A" attached herewith.

ACCUMULATED LOSSES ETC.:

- 10. There are no accumulated losses of the Company as at the end of the year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

REPAYMENT OF DUES TO FINANCIAL INSTITUTIONS:

- 11. The Company has not defaulted in repayment of dues to financial institutions within the meaning of the explanation to sub-clause (xi) of Rule 2(b) of the Companies (Acceptance of Deposits) Rules, 1975 or Banks during the year. The Company has not issued any Debentures.

OTHERS:

- 12. The Company has not granted any loans and advances on the basis of pledge of shares, debentures and other securities.
- 13. The Company is not a Chit fund/nidhi/mutual benefit fund/society.
- 14. The Company is not dealing or trading in shares, securities, debentures or other investments.
- 15. The Company has not given any guarantee for loans taken by others from banks and financial institutions.
- 16. The Company has not taken any term loan during the year.
- 17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as well as the Cash Flow statement attached thereto, we have not come across any instance where funds raised during the year on short-term basis have been used for long-term investment and vice versa.
- 18. During the year, the Company has not made any preferential allotment of shares.
- 19. The Company did not have outstanding debentures during the year. Accordingly, the question of creating any securities for the same does not arise.
- 20. The Company has not raised any money by way of public issues during the year.
- 21. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the year.

For A. K. JHUNJHUNWALA & CO.,
Chartered Accountants

Sd/-
(M.A. GOHEL)
Partner

Membership No. 038487

Place : New Delhi
Dated : 24th May, 2005



Auditor's Report

DETAILS OF DISPUTED STATUTORY DUES AS ON 31ST MARCH, 2005 REFERRED TO IN PARAGRAPH 9 (iii) OF ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2005

A : EXCISE DUTY

Sl. No.	Period	Amount	Forum Where Is Pending
1.	Financial Year 1995-96 1996-97 1997-98 For the period: September 1996 to November 1996 July 2000 to December 2001 July 2000 to March 2001 July 2000 to March 2001 April 2001 to March 2002 April 2001 to February 2004 January 2002 to October 2002 November 2002 to March 2003 July 2003 to October 2003 September 2003 to October 2003 April 2003 to February 2004 March 2004 to November 2004 # The matter is referred to the Committee on Disputes (COD), Govt. of India, for reconsideration.	981200 311247 7489466 292377 1492357 18351563 6500000 620452 15579066 906650 480983 478538 34912 420426 630459	Custom, Excise & Service Tax Appellate Tribunal - Mumbai Commissioner Central Excise (Appeals) - Nagpur Commissioner Central Excise (Appeals) - Nagpur Commissioner Central Excise (Appeals) - Nagpur Joint Commissioner, Central Excise - Nagpur Custom, Excise & Service Tax Appellate Tribunal - Mumbai # Custom, Excise & Service Tax Appellate Tribunal - Mumbai # Additional Commissioner, Central Excise - Nagpur Asstt. Commissioner, Central Excise - Chandrapur Joint Commissioner, Central Excise - Nagpur Asstt. Commissioner, Central Excise - Chandrapur Asstt. Commissioner, Central Excise - Chandrapur Asstt. Commissioner, Central Excise - Chandrapur Asstt. Commissioner, Central Excise - Chandrapur Asstt. Commissioner, Central Excise - Chandrapur
	TOTAL	54569696	

B : MUNICIPAL TAX

Financial Year 1983-84 to 2002-03 Upto 31-03-2005	23259430 357580	High Court - Nagpur Collector, Chandrapur
TOTAL	23617010	

C : GRAM PANCHAYAT/ZILA PARISHAD CESS

1973-74 to 1982-83	532000	Government of Maharashtra
TOTAL	532000	

D : LAND REVENUE

(NON AGRICULTURAL ASSESSMENT) 2001 TO 2005	2752640	Collector, Chandrapur
TOTAL	2752640	

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED, CHANDRAPUR, FOR THE YEAR ENDED 31 MARCH, 2005

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956, on the Accounts of Maharashtra Elektros melt Limited, Chandrapur, for the year ended 31st March, 2005.

Mumbai
Date : 2nd August, 2005

Sd/-
(SUSHAMA V DABAK)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board-I, Mumbai

Review of Accounts

REVIEW ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

(Review of Accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualification contained in Statutory Auditor's Report)

1. FINANCIAL POSITION:

The Table below summarise the financial position of the company under the broad headings for the last 3 years:

(Rs. in lakhs)

	2002-2003	2003-2004	2004-2005
LIABILITIES :			
a) Paid up Capital :			
i) Government (SAIL)	2378.79	2378.79	2378.79
ii) Others	21.21	21.21	21.21
b) Reserve and Surplus:			
i) Free Reserve & Surplus	—	—	1122.12
ii) Share Premium Accounts	—	—	—
iii) Capital Reserves	15.00	15.00	15.00
iv) Committed Reserves	—	—	—
c) Borrowings:			
i) From Govt. of India	—	—	—
ii) From Financial Institutions	697.44	75.94	—
iii) Foreign Currency Loan	—	—	—
iv) Cash Credit	1287.48	823.71	1.74
v) Others	1524.10	3401.28	796.17
vi) Interest accrued and due	2.49	—	—
d) i) Current Liabilities & Provisions	5382.57	4556.20	7155.97
ii) Provision for Gratuity	613.67	834.14	1080.37
TOTAL	11922.75	12106.27	12571.37

ASSETS :

e) Gross Block	5489.03	5806.21	5870.92
f) (Less) Depreciation	3009.51	3119.32	3288.36
g) Net Block	2479.52	2686.89	2584.56
h) Capital work-in-progress	2.94	7.30	96.67
i) Investments	—	—	—
j) Current Assets, Loans and Advances	4600.28	5176.74	9745.23
k) Misc. expenditure to the extent not written off	108.35	134.01	144.91
l) Accumulated Loss	4731.66	4101.33	—
TOTAL	11922.75	12106.27	12571.37
m) Working Capital [j-d(i)-c(vi)]	-784.78	620.54	2589.26
n) Capital employed [g+m]	1694.74	3307.43	5173.82
o) Net Worth [a+b(i)+b(ii)-k-l]	-2440.01	-1835.34	3377.30
p) Net Worth per rupee of paid-up capital in Rs.	—	—	1.41

2. WORKING RESULTS:

Working results of the Company for last three years are given as under:

(Rs. in lakhs)

Particulars	2002-2003	2003-2004	2004-2005
i) Sales	18965.99	15297.66	26239.46
ii) Less: Excise Duty	3295.51	2765.26	3943.97
iii) Net Sales	15670.48	12532.40	22295.49
iv) Other or Misc. Income	90.02	189.24	477.97
v) Profit/Loss before tax and prior period adjustment	113.68	655.73	6541.92
vi) Prior period adjustment	-1.71	-5.40	-28.47
vii) Profit/Loss before tax	111.97	650.33	6513.45
viii) Tax Provision - earlier years	—	20.00	1290.00
ix) Profit/Loss after tax	111.97	630.33	5223.45
x) Proposed Dividend	—	—	—

Due to negative networth, the Company has become Sick Company as per Sick Industrial Companies (Special Provision) Act, 1985. However during the current year there was a positive networth.

3. RATIO ANALYSIS:

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under:

Particulars	2002-2003	2003-2004	2004-2005
A. Liquidity Ratio			
Current assets to current liabilities	0.77:1	0.96:1	1.18:1
B. Debt Equity Ratio	—	—	0.33:1
C. Profitability Ratio :			
a) Profit before tax			
(i) Capital Employed	0.065:1	0.19:1	1.26:1
(ii) Net Worth	—	—	1.93:1
(iii) Sales	0.005:1	0.042:1	0.29:1
b) Profit after tax to equity	0.046:1	0.262:1	2.18:1
c) Earning per share (in Rupees)	0.46	2.63	21.76

4. SOURCES AND UTILISATION OF FUNDS:

Funds amounting to Rs. 5797.43 lakhs were generated and utilised during the year as below:

SOURCES OF FUNDS:	(Rs. in lakhs)
Profit for the Year	5223.45
Depreciation	194.52
Less: Adjustment	27.48
	167.04
Decrease in Fixed Assets	825.01
Less: Adjustment	418.11
	5797.43
APPLICATION OF FUNDS:	
Decrease in Bank Borrowings	1234.08
Decrease in Term Loan	2681.05
Increase in working capital	1871.40
Increase in deferred revenue expenses	10.90
	5797.43



Comments of C&AG

5. WORKING CAPITAL:

The working capital (i.e. Current Assets, Loans and Advances less Current Liabilities and Provisions including Interest Accrued and Due) of the company at the close of three years ending 31st March 2005 amounted Rs.(-) 784.78 lakhs, Rs. 620.54 lakhs and Rs. 2589.26 lakhs respectively. The sales during three years were Rs. 15670.42 lakhs, Rs. 12532.40 lakhs and Rs. 22295.49 lakhs respectively.

6. INVENTORY LEVEL:

The inventory level at the end of the three years upto 2004-2005 are given below:

(Rs. in lakhs)

	2002-2003	2003-2004	2004-2005
(i) Raw Materials	603.60	472.97	583.20
(ii) General Spare Parts	246.43	305.90	279.31
(iii) Stock Under Process	—	—	—
(iv) Finished Products	1301.09	1174.16	3633.33

7(a). SUNDRY DEBTORS:

The position of Sundry Debtors vis-à-vis sales for the last three years ending 31st March, 2005 were as follows:

As on 31 st March	Considered Good	Sundry Debtors Considered Doubtful/ Bad	Total	Sales (excluding subsidiary & including Excise Duty)	% of Sundry Debtors to Sales
2003	522.69	12.40	535.09	18965.99	2.82
2004	1281.69	16.04	1297.73	15297.66	8.48
2005	1973.70	15.91	1989.61	26239.46	7.58

7(b). ANALYSIS OF SUNDRY DEBTORS:

(i) Age-wise analysis of Sundry Debtors is given as below:

(Rs. in lakhs)

Debtors less than 6 months	1973.70
Debtors more than 6 months but less than 1 year	—
Debtors more than 1 year but less than 2 years	—
Debtors more than 2 years but less than 3 years	—
Debtors more than 3 years	15.91
	1989.61

(ii) Debts outstanding from:

Government (Central & State)/ Government Department	—
Public Sector Undertakings/Companies	1956.82
Private Companies & Others	32.79
	1989.61

Mumbai

Date : 2nd August, 2005

Sd/-

(Sushama V. Dabak)

Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board-1, Mumbai.

A decorative graphic consisting of several concentric circles in a light blue color, centered behind the company name.

BHILAI

OXYGEN LTD.



Directors' Report

To

The Members

The Directors have pleasure in presenting the 6th Annual Report of the Company together with audited accounts for the year ended 31st March, 2005.

Financial & Operational Review

As the members are aware, the company was incorporated with an objective to acquire, promote, develop, establish, own, operate and maintain Oxygen plants of all types and capacities and manufacture, purchase and supply Oxygen, Nitrogen, Acetylene, Hydrogen and other industrial gases to the Steel Plants, other agencies and consumer etc. The company was to take over assets covered under the Business Restructuring of SAIL relating to Oxygen Plant -II of Bhilai Steel Plant. Due to delay in the restructuring process, no asset has been transferred to the Company so far. As such, no commercial activity has been carried out by the company during the period. The loss for the year was Rs.1046/-.

SAIL invited the bids from the interested parties to become Strategic Alliance Partner (SAP) in the Company along with SAIL. Detailed discussions were held with the short listed party, which finally failed. SAIL started the efforts afresh for identification and selection of SAP for the Company which also failed. Due to non-receipt of suitable offer despite repeated attempts, SAIL has decided for the closure of divestment process of Oxygen Plant-II

Auditors' Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2005 is enclosed at Annexure-I. The Comptroller & Auditor General of India has decided not to review the report of the auditors for the year 31st March, 2005 on the accounts of Bhilai Oxygen Ltd. and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non-Review Certificate is placed at Annexure-II.

Report on Conservation of Energy, Technology Absorption, etc.

Since, no commercial activity was carried out by the Company, the disclosure of information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is not applicable.

Particulars of Employees

Since, the company has no employees, the particulars prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that :

- in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- the directors 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 at the end of the financial year and of the profit or loss of the company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a going concern basis.

Winding Up

As decided by the Board and approved by the shareholders in the Extra-Ordinary General Meeting of the Company held on 27.1.2005, a petition has been filed in the High Court of Delhi on 15.2.2005 praying for passing an order for winding up of the BOL. The decision is pending with the Hon'ble High Court.

Acknowledgment

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by Steel Authority of India Limited. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the
Board of Directors

New Delhi
Dated: 29th July, 2005

Sd/-
(Ashis Das)
Chairman

Balance Sheet

AS AT 31ST MARCH, 2005

	Schedule No.	As at 31 st March, 2005	As at 31 st March, 2004
(In Rupees)			
SOURCES OF FUNDS			
Share holders' Fund			
Share Capital	1.1	500000	500000
		500000	500000
APPLICATION OF FUNDS			
Current Assets, Loans and Advances			
Current Assets	1.2	445036	498500
Less : Current Liabilities and Provisions			
Current Liabilities	1.3	11612	64030
Net Current Assets		433424	434470
Profit & Loss Account		66576	65530
		500000	500000

Accounting Policies and Notes on Accounts 3

Schedules 1 & 3 annexed, hereto, form part of the Balance Sheet.

In terms of our report of even date For and on behalf of Board of Directors
For S. CHATURVEDI & ASSOCIATES
Chartered Accountants

Sd/-
(S.K. Chaturvedi)
Partner

Sd/-
(Ashis Kumar Das)
Director

Sd/-
(M.P. Sharma)
Director

Place : New Delhi.
Dated : 26th May, 2005.

Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule No.	Year ended 31 st March, 2005	Year ended 31 st March, 2004
(In Rupees)			
INCOME			
Interest on FDR with UCO Bank		8966	—
EXPENDITURE			
Other Expenses	2.1	10012	11280
Loss (-) for the year		-1046	-11280
Loss brought forward from previous year		-65530	-54250
Loss carried over to Balance Sheet		-66576	-65530

Accounting Policies and Notes on Accounts 3

Schedules 2 & 3 annexed, hereto,
form part of the Profit & Loss Account.

In terms of our report of even date For and on behalf of Board of Directors
For S. CHATURVEDI & ASSOCIATES
Chartered Accountants

Sd/-
(S.K. Chaturvedi)
Partner

Sd/-
(Ashis Kumar Das)
Director

Sd/-
(M.P. Sharma)
Director

Place : New Delhi.
Dated : 26th May, 2005.

1.1 SHARE CAPITAL

	As at 31st March, 2005	As at 31st March, 2004 (in Rupees)
Authorised		
50,000 Equity shares of Rs. 10/- each	<u>5,00,000</u>	<u>5,00,000</u>
Issued, Subscribed and Paid-up *		
50,000 Equity shares of Rs. 10/- each fully paid-up	<u>5,00,000</u>	<u>5,00,000</u>
* (Out of 50,000 shares, 49,998 shares are held by Steel Authority of India Limited) (Holding Company)		

1.2 Current Assets

FDR with UCO Bank	<u>4,25,000</u>	-
Interest Accrued on FDR	<u>8,966</u>	-
Balance in Current Account (SBI)	<u>11,070</u>	<u>4,98,500</u>
	<u>4,45,036</u>	<u>4,98,500</u>

1.3 Current Liabilities

Sundry Creditors	<u>11,612</u>	<u>64,030</u>
------------------	---------------	---------------

	Year ended 31st March, 2005	Year ended 31st March, 2004 (in Rupees)
2.1 OTHER EXPENSES		
Bank Charges	—	500
Remuneration to Auditors	<u>6,612</u>	<u>6,480</u>
Consultancy Charges	<u>2,500</u>	<u>2,500</u>
ROC Fees	<u>900</u>	<u>1,800</u>
	<u>10,012</u>	<u>11,280</u>

SCHEDULE 3 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

- 1.1 The Company prepares its Annual Accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.
- 1.2 The accounts are drawn up following the Mercantile System of Accounting.

2. NOTES ON ACCOUNTS

- 2.1 The Company was incorporated on 9th February, 1999 as a Private Limited Company and was later converted into a deemed Public Limited Company u/s 43A of the Companies Act, 1956 on 24th February, 1999. This is the sixth financial year of the Company.
- 2.2 There are no contingent liabilities.
- 2.3 There are no contracts remaining to be executed on capital account.
- 2.4 In view of the fact that no commercial activity has been carried out during the period under report, the quantitative details and information on licensed/installed capacities etc. are not being given.
- 2.5 No expenses have been incurred in foreign currency.
- 2.6 No managerial remuneration has been paid during the period under report.



To

The Members of Bhilai Oxygen Limited

We have audited the attached Balance Sheet of BHILAI OXYGEN LIMITED, as at 31st March, 2005 and the annexed Profit & Loss Account of the Company for the year ended on that date in accordance with the letter of appointment of Comptroller & Auditor General of India. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement. An audit includes examining, on 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows :

1. The provisions of CARO, 2003 are not applicable as the company has not carried out any commercial activity.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
3. 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 the books.
4. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account.
5. In our opinion, the Profit & Loss Account and the Balance Sheet have been drawn up in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
6. In terms of Government Notification on No. G.S.R 829(E) dated 21st October, 2003, Government companies are exempt from the applicability of provisions of Section 274(1)(g) of the Companies Act, 1956.
7. The said accounts, in our opinion and to the best of our information and according to the explanations given to us, and read with the accounting policies and notes appearing on Schedule 3, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2005
 - b) in the case of Profit & Loss Account, of the Loss of the Company for the period ended on that date.

For **S. CHATURVEDI & ASSOCIATES**
Chartered Accountants

Sd/-
(S.K.Chaturvedi)
Partner
M. No. 83660

Place : New Delhi
Dated : 26th May, 2005

ANNEXURE-II

Comments of C&AG

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHILAI OXYGEN LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005

The Comptroller & Auditor General of India has decided not to review the report of the Auditors for the year ended 31st March, 2005 on the accounts of Bhilai Oxygen Limited and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

Sd/-
(K.R. Sriram)
Pr. Director of Commercial Audit &
Ex-Officio Member Audit Board, Ranchi

Place : Ranchi
Dated : 5th July, 2005



Principal Executives AS ON 01.08.2005

CORPORATE OFFICE

NEW DELHI

Chairman

V.S. Jain

Directors

Personnel

Ashis Das

Commercial

S.K. Roongta

Finance

G.C. Daga

Technical

K.K. Khanna

Executive Directors

SAILCON

G. Jagannathan

Technical & Legal Services

A.K. Shahi

Materials Management

S.K. Sinha

Corporate Planning

V. Shyamsundar

Internal Audit

Vipin Puri

Personnel & Admn.

Raman Kumar

Coal Import Group

R.P. Rawat

Operations

S.C. Nayak

Vigilance

M.P. Sharma

Projects

V.K. Dhawan

Environment Management

T.K. Chakravarty

HRD

R.K. Sarangi

Safety

Shashikant

Chief of Corporate Affairs

Debjit Rath

Company Secretary

Devinder Kumar

STEEL PLANTS

Durgapur Steel Plant

Managing Director
Dr. S.K. Bhattacharyya

Executive Directors
Works
Nilotpal Roy

Materials Management
A.K. Mukherjee

Personnel & Admn.
V.K. Gulhati

Finance & Accounts
S.N. Srivastava

Projects
P.C. Sahu

Medical & Health Services
Dr. V.R. Ramanan

Bokaro Steel Plant

Managing Director
U.P. Singh

Executive Directors
Projects
D.P. Sharma

Personnel & Administration.
S.M. Mohanty

Works
V.K. Srivastava

Materials Management
K.M. Bhat

Bhilai Steel Plant

Managing Director
R.P. Singh

Executive Directors
Personnel & Admn
G. Ojha

Materials Management
N. Ahmed

Projects
R. Ramaraju

Works
S.K. Jain

Finance & Accounts
T.K. Gupta

Rourkela Steel Plant

Managing Director
Dr. Sanak Mishra

Executive Directors
Management Services
B.B. Mohanty

Materials Mgt. (Addl charge of Projects)
S. Padhi

Medical & Health Services
Dr. D.N. Mohapatra

Works
A.K. Bhandari

Personnel & Administration
S.S. Mohanty

Alloy Steels Plant

Executive Director
N.P. Jayaswal

Salem Steel Plant

Executive Director
M.Roy

Visvesvaraya Iron & Steel Plant

Executive Director
H.K. Roychoudhary

ORGANISATIONS

Research & Development Centre for Iron & Steel

Executive Director I/c
S. Chakraborty

Executive Director
GIS Chauhan

Raw Materials Division

Executive Director I/c
B.N. Singh

Executive Director
R.C. Srivastava

Centre for Engg. & Technology

Executive Director
D.S. Lal

Growth Division, Kolkata

Executive Director
A.K. Sarkar

Central Marketing Organisation

Executive Directors
Marketing - Long Product
Shoeb S. Ahmed

Transport & Shipping
Ranen Nag

Marketing - Flat Product
D. Kobi

Commercial
H. Akhaury

Finance & Accounts
S. Bhattacharya

International Trade Division
A.K. Jain

SUBSIDIARIES

The Indian Iron & Steel Co. Ltd.

Executive Directors
Projects
P.K. Dutta

Maharashtra Elektrosmet Ltd.

Executive Director
A.P. Nayak