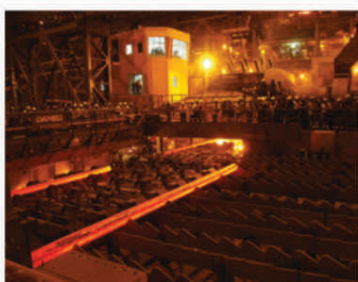


ANNUAL REPORT 2006-07

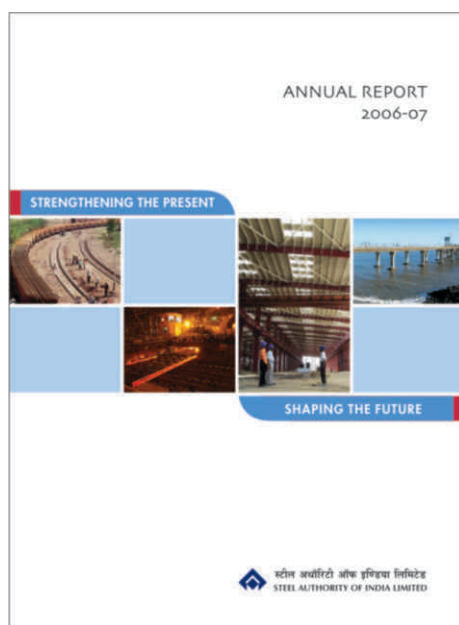
STRENGTHENING THE PRESENT



SHAPING THE FUTURE



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED



Steel industry is one of the fastest growing sectors in the Indian economy. Steel Authority of India Limited, the leader in Indian steel, has consolidated its position and is endeavouring towards shaping a sustainable future, turning India's dream into an inspiring reality.

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स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
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



SAIL's steady ascent has been facilitated by all round improvement in performance. SAIL today presents a picture of dynamic and buoyant business entity moving ahead to maintain and consolidate its leadership position in the fast growing Indian steel sector. "SCOPE Gold Trophy for Excellence and Outstanding Contribution to the Public Sector Management" – institutional category for the year 2004-05, "Businessworld-FICCI–SEDF Corporate Social Responsibility Award – 2006", and several other awards to SAIL, bear testimony to the organisation's efforts towards improving efficiencies.

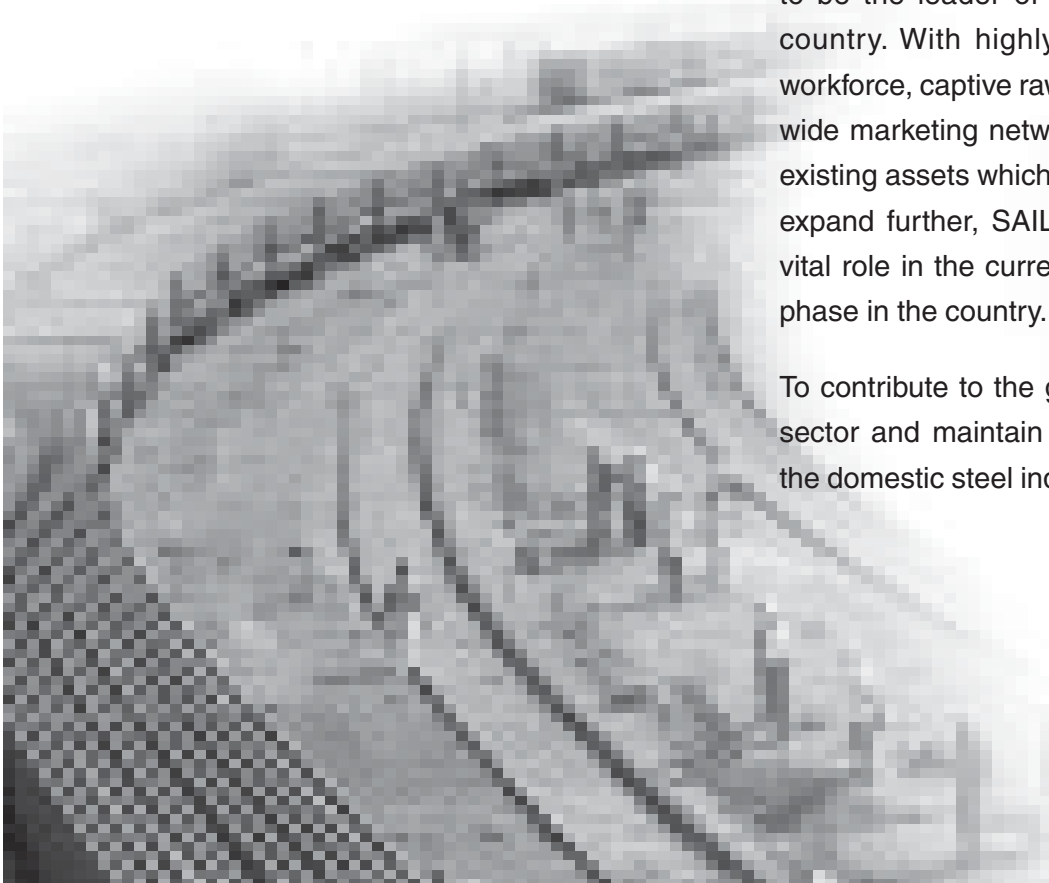
The competitive strength of the company today puts it in a position from where it can continue



SAIL: Strengthening the Present

to be the leader of the steel industry in the country. With highly skilled and committed workforce, captive raw material sources, nation wide marketing network, available potential of existing assets which have the infrastructure to expand further, SAIL is well poised to play a vital role in the current unprecedented growth phase in the country.

To contribute to the growth of the Indian steel sector and maintain its leadership position in the domestic steel industry, SAIL has drawn up



aggressive modernisation & expansion plans of all the plants and mines simultaneously to achieve hot metal production of over 25 million tonnes by the year 2010 from current level of 14.6 million tonnes. With this, the company will be able to meet the country's growing requirement of special quality steel as well as of wider range of products to meet the long-term infrastructural needs. Modernised units will have state-of-the-art technology with energy-efficient and environment-friendly processes.

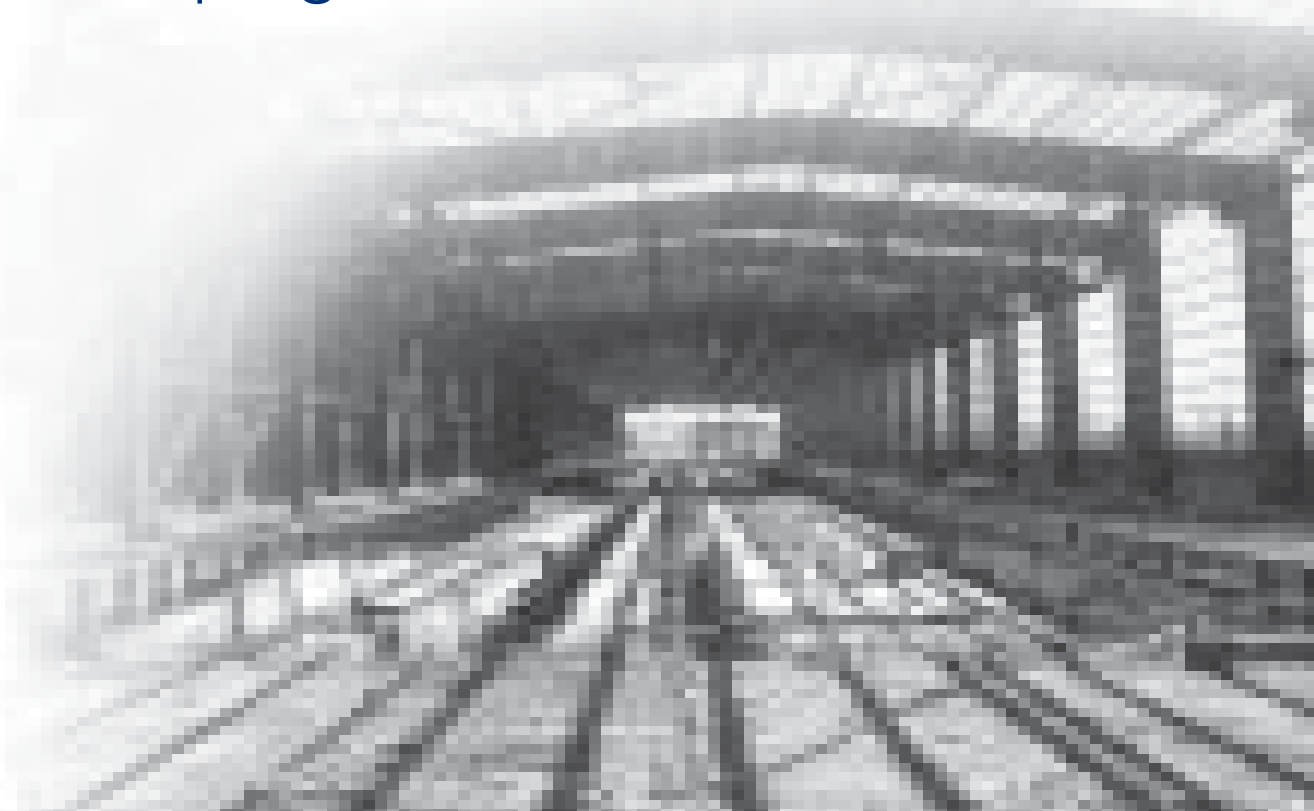
SAIL has turned obscure villages of yesteryears into large industrial and social hubs of today. Committed to corporate social responsibility, SAIL has taken further strides by undertaking large number of projects, involving manifold increase in expenditure, in the areas of health, education, communication, water, sports,

ancillary development, empowering women, and preserving the environment as well as arts & culture. SAIL has also taken up development of SAIL Model villages spread across the country.

We, at SAIL, are committed to meet the expectations of all our stakeholders. While we are strengthening the present, we endeavour to move ahead for shaping the future.



.....Shaping the Future



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 2006-07

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

- Best ever turnover at Rs. 39,189 crore - up by 21% .
- Best ever EBIDTA at Rs. 10,966 crore - up by 49%.
- Best ever Profit before tax at Rs. 9,423 crore - up by 65%
- Profit after tax at Rs. 6,202 crore - up by 55%.
- Dividend of 31% (including 16% interim dividend) – up by 55%.
- Highest ever saleable steel production at 12.6 million tonnes, up by 4%.
- Highest ever sales of 11.9 million tonnes - up by 5%
- Lowest ever coke rate of 541 kg/ tonne of hot metal
- Best ever energy consumption of 7.16 G.Cal/ tonne of crude steel.
- Labour productivity increased to 200 tonne/ man/ year of crude steel.
- Continued improvement in debt-equity ratio from 0.35:1 as on 31st March, 2006 to 0.24:1 as on 31st March, 2007.
- 'In-principle' approval for modernisation and expansions at ISP, Bokaro, and Salem steel plants with an estimated outlay of Rs. 19,000 crore accorded during the year.
- Company constituted a Gratuity Trust viz "Steel Authority of India Limited Gratuity Fund" and contributed Rs. 750 crore.
- Company received the prestigious SCOPE Gold Trophy for Excellence and Outstanding Contribution to the Public Sector Management-Institutional category for the year 2004-05.
- SAIL bagged "Businessworld–FICCI–SEDF Corporate Social Responsibility Award – 2006".

Awards & Accolades



The excellent performance of the company has been widely recognised. It has won number of awards and accolades in various fields during the financial year 2006-07. These include :

- The prestigious **SCOPE Gold Trophy** to SAIL for Excellence and Outstanding Contribution to the Public Sector Management – institutional category for 2004-05.
- **SCOPE Meritorious Award** to SAIL for Environmental Excellence & Sustainable Development for 2004-05.
- **Prime Minister's Trophy for the best performing integrated steel plant** to SAIL's Bhilai Steel Plant (BSP) for 2003-04 and 2004-05 making it record seven times recipient of this prestigious award.



- **Prime Minister's Shram Awards** to 10 SAIL employees for 2004.
- **Businessworld-FICCI-SEDF Corporate Social Responsibility Award – 2006** to SAIL for its innovative Corporate Social Responsibility initiatives in the fields of education, access to drinking water, medical and healthcare, sanitation, communication/ roads, sustainable livelihood/ income generation, women's empowerment, tribal welfare, environment preservation, sports, reproductive and child healthcare, heritage preservation, cultural and recreational activities.
- **Vishwakarma Rashtriya Puraskar** to 41 SAIL employees for 2005, which constitutes one third of total awards conferred amongst employees of all PSUs as well as private sector in the country.
- **First ever Sustainability Award - 2006** to BSP by Confederation of Indian Industries (CII) to recognise its excellence in Social, Economic and Environmental Performance. The plant also awarded the **Golden Peacock Eco-Innovation Award – 2006** by the World Environment Foundation.



- The coveted **CII (Eastern Region) Productivity Award** to Bokaro Steel Plant (BSL) .
- **National Sustainability Award** for 2006 – 1st prize to SAIL's Salem Steel Plant amongst Secondary Steel/ Alloy Steel Plants category, by Indian Institute of Metals.
- **Rajiv Gandhi National Quality Award** to BSP for 2006-07 by the Bureau of Indian Standards. The plant also bagged the **Golden Peacock National Quality Award** by the Institute of Directors for 2006 and the **Golden Peacock National Award** for promoting innovative HR programmes.
- Rourkela Steel Plant (RSP) bagged two awards under the **National Safety Awards – 2005** instituted by the Union Ministry of Labour & Employment.
- **National Safety Awards** for the year 2002 & 2003 to Raw Materials Division.
- **B.M.L. Munjal Award** to SAIL for Excellence in Learning and Development for 2006 by Hero Honda Mindmine Institute.

- **Dun & Bradstreet's American Express Award** – 2006 SAIL as the top Indian Company in the Iron & Steel Sector.
- **Bronze medal** to quality circle team of Durgapur Steel Plant at the International Convention of Quality Control Circles 2006 held in Bali, Indonesia.
- **Niryat Shree Bronze Trophy** to SAIL for 2003-04 & 2004-05 being the highest foreign exchange earner and **Niryat Shree Certificate of Excellence** for 2003-04 in the Engineering and Metallurgical Products (Non-SSI category), by the Federation of Indian Export Organisations.
- Regional Trophy for **Top Exporter** to SAIL in the category of Manufacturing Unit (Non-SSI category) for 2003-04 by the Engineering Export Promotion Council, Northern Region.
- Two awards to SAIL for **Best designed pavilion** and for **Technologies showcased** at 6th International Trade Fair & Conference: Minerals, Metals, Metallurgy & Materials 2006 at Pragati Maidan in New Delhi.
- **First prize** to SAIL pavilion at Udyog Mela in Ranchi by Jharkhand Government.
- **Best House Journal Award** to SAIL's in-house Rajbhasha Magazine *Ispat Bhasha Bharti* amongst all PSUs in Delhi for 4th consecutive year in a row by Town Official Language Implementation Committee, Delhi for 2006-07.
- SAIL bagged the **Construction World–NICMAR Award - 2006** and was adjudged **number one company** in turnover and profitability amongst steel manufacturing industries.
- Five quality circle teams of RSP created a new record by bagging the **Excellent Award** at the 20th National Convention of Quality Circles 2006, organised by the Quality Circle Forum of India at IIT, Kanpur.
- The prestigious **Greentech Environment Excellence Gold Award** to RSP for 2005-06 by Greentech Foundation.
- **Greentech Safety Gold Award - 2007** to BSP in the Metals & Mining Sector by the National Safety Council, US.
- **Greentech Safety Silver Award – 2006** to BSP and Bokaro Steel Plant (BSL) by Greentech Foundation.
- **First Pinnacle Award** to SAIL for best steel company for supply of steel for construction industry by Zee Business.





Board of Directors

Chairman

Shri S.K. Roongta

Functional Directors

Technical

Shri K.K. Khanna

Personnel

Shri G. Ojha

Finance

Shri Soiles Bhattacharya

Commercial

Shri Shoeb S. Ahmed

Managing Directors

IISCO Steel Plant

Shri Nilotpall Roy

Durgapur Steel Plant

Shri V. Shyamsundar

Rourkela Steel Plant

Shri B.N. Singh

Bokaro Steel Plant

Shri V.K. Srivastava

Bhilai Steel Plant

Shri R. Ramaraju

Government Directors

Shri A.K. Rath

*Special Secretary & Financial Adviser
Ministry of Steel, Government of India*

Shri G. Elias

*Joint Secretary
Ministry of Steel, Government of India*

Independent Directors

Dr. S.C. Jain

Prof. R.P. Sengupta

Dr. Velu Annamalai

Shri Siddharth Kak

Shri Shyamal Ghosh

Shri Mohammad Yusuf Khan

Prof. Deepak Nayyar

Prof. Javaid Akhtar

Shri P.K. Sengupta

Dr. Vinayshil Gautam

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
- HDFC Bank Ltd.

Statutory Auditors

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

M/s. Ray & Ray
Chartered Accountants

M/s. Dass Maulik Mahendra K. Agrawala & Co.
Chartered Accountants

Board of Directors

STRENGTHENING THE PRESENT

SHAPING THE FUTURE



Shri S.K. Roongta



Shri K.K. Khanna



Shri Nilotpal Roy



Shri V. Shyamsundar



Shri B.N. Singh



Shri V.K. Srivastava



Shri G. Ojha



Shri R. Ramaraju



Shri S. Bhattacharya



Shri Shoeb S. Ahmed



Shri A.K. Rath



Dr. S.C. Jain



Prof. R.P. Sengupta



Dr. Velu Annamalai



Shri Siddharth Kak



Shri G. Elias



Shri Shyamal Ghosh



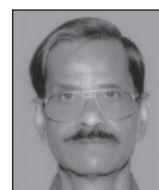
Shri M.Y. Khan



Prof. Deepak Nayyar



Prof. Javaid Akhtar



Shri P.K. Sengupta



Dr. Vinayshil Gautam



Prime Minister Dr Manmohan Singh presenting the "SCOPE Gold Trophy for Excellence and Outstanding contribution to the Public Sector Management" -institutional category for 2004-05 to Shri S.K. Roongta, Chairman, SAIL in the presence of (from left) Union Minister for Heavy Industries & Public Enterprises, Shri Santosh Mohan Dev, Union Minister of State for Heavy Industries & Public Enterprises, Smt. Kanti Singh and SCOPE Director General, Dr S.M. Dewan

To,
The Members,

The Directors have pleasure in presenting the 35th Annual Report of your company together with audited accounts for the year ended 31st March, 2007.

FINANCIAL REVIEW

Financial Year 2006-07 has been eventful year for your company with further momentum in improving operational efficiencies, laying strong foundation and building road map for modernisation and expansion of SAIL Plants, with several new initiatives undertaken, with its human resource at the core. During the year, your company got the distinction of first metal company in the country to reach a market capitalization of Rs. 50,000 crore.

Your company set new record in achieving the turnover of Rs.39,189 crore and profit before tax of Rs.9423 crore, registering growth of 21% & 65% respectively over previous year. Your company recorded net profit after tax (PAT) of Rs.6202 crore, an increase of 55%. There have been

improvements in all financial parameters, which are given briefly below:

	Rupees in crore	
	2006-07	2005-06
Sales Turnover	39188.66	32279.75
Profit before interest, depreciation and tax (EBIDTA)	10966.23	7380.80
Less: Interest and Finance Charges	332.13	467.76
Depreciation	1211.48	1207.30
Profit before tax (PBT)	9422.62	5705.74
Less: Provision for taxation	3220.33	1692.77
Profit after tax (PAT)	6202.29	4012.97
Key Ratios EBIDTA to Net Sales (%)	32.3	26.5
Return (PAT) on Net worth (%)	36.1	32.4
EBIDTA to Average Capital Employed (%)	47.2	35.6
Earning Per Share (Rupee 10/- each)	15.02	9.72
Debt Equity Ratio	0.24:1	0.35:1

While improved market condition helped in recording better financial performance, significant improvements came by way of several internal initiatives viz., higher capacity utilization at 114%, best ever techno-economic parameters, thrust on production and sales of value added products, emphasis on cost reduction and prudent cash management etc.

Impetus on cost reduction at all levels, productivity improvements through systemic approach and application of new technology have resulted in cost savings of Rs.403 crore during the year. Thrust areas included achieving higher yields, improved techno-economic/productivity parameters, reduction in usage of coking coal etc.

The strong financial performance contributed to enhanced cash generation to meet our strategic objectives. Debt equity ratio has improved to 0.24 : 1 (as on 31.3.2007) from 0.35 : 1 (as on 31.3.2006). The company had liquid assets of Rs.9033.74 crore as at 31.3.2007 invested in short term deposits with scheduled banks and considering borrowings of Rs.4180.52 crore maintained its virtual debt free status. The interest cost at Rs.332.13 crore reduced by Rs.135.63 crore over previous year and the company earned interest of Rs.657.60 crore during the year on the short term deposits compared to Rs.408.53 crore in previous year. The entire capital expenditure of Rs.1150 crore during the year was funded through internal accruals.

During the current year, your company has constituted a Gratuity Trust under the name "Steel Authority of India Limited Gratuity Fund" and contributed Rs.750 crore to the same. This measure will secure gratuity payment to the employees.



Shri S.K. Roongta (left) presenting interim dividend cheque to Hon'ble Union Minister of Chemicals & Fertilizers and Steel Shri Ram Vilas Paswan (centre) in the presence of Shri R.S. Pandey, Secretary, Ministry of Steel

The company has paid interim dividend @ 16% of the paid-up equity capital during the year. The Board of Directors has further recommended a final dividend @ 15% on paid up equity share capital subject to approval of shareholders, thus making the total dividend @ 31% for the year 2006-07 (previous year 20%). A sum of Rs.635 crore has been transferred to the general reserves during the year (previous year Rs.310 crore).

PRODUCTION REVIEW

Your company achieved a new record in production of saleable steel at 12.6 million tonnes with capacity utilization touching a new high of 114%, through improvements in operational efficiencies. The finished steel component in total saleable steel was also highest ever at 10.3 million tonnes, a growth of 5% over previous year. Special thrust



Night view of the modernised Blast Furnace No.7 of Bhilai Steel Plant

was given to orient the company's product mix for more value added products and increasing share of special steels. The production of value added items touched 3 million tonnes for the first time and recorded a growth of 17% during the year over previous year. Substantial growth was achieved in production of pipes (38%), TMT bars (12%) and CRNO steel (10%).

The company introduced several new products in the domestic market during the year : HCR-EQR TMT for earthquake resistant construction, rock bolt TMT for tunnel construction, EN series HR coils for LPG cylinders, MC 12 HR coils for chains etc.. In addition, Bhilai Steel Plant developed high strength vanadium rails, Durgapur Steel Plant produced S-profile loco wheels for high speed locos and Rourkela Steel Plant rolled special plates which were used in the indigenously built rocket PSLV C-7. Your company takes pride in supplying steel for critical usage in projects of national importance, such as those used in highest railway bridge in the world built over river Chenab, new generation loco wheels, naval aircraft carrier and materials for several products of defence usage.

The company continued to take measures for further improving techno-economic parameters, achieving a record continuous cast production of 8.3 million tonnes (up by 5%), lowest ever coke rate of 541 kg/thm, best ever blast furnace productivity at 1.50 t/ m³/day (up by 3%) and lowest ever energy consumption at 7.16 Gcal/tonne (1% improvement). Bhilai Steel Plant achieved the highest campaign life of 6252 heats in converter which is the best in country for any top blown converter. Specific power consumption reduced by 4% as compared to previous year to lowest ever level of 460 kwh/T of saleable steel.

RAW MATERIALS

The company ensured full availability of iron ore from its captive mines by stepping up production to about 25 million tonnes during 2006-07 (up by 4%). The production of limestone and dolomite from captive mines also increased to 2.3 million tonnes during the year (up by 3%). Along with enhanced production, preparatory jobs in mines viz. removal of over-burden, development of infrastructure etc.



Iron ore stacking in progress at Kiriburu

were also carried out to enhance capabilities for higher production of iron ore in coming years.

The requirement of iron ore is slated to go up to 40 million tonnes post modernization & expansion by 2010-11. In order to meet the higher level of iron ore requirement, linkages have been formulated between plants & mines and plans have accordingly been made for development of the mines. Chiria in Jharkhand and Rowghat in Chhatisgarh will be two major mines to be developed as mechanised mines with state-of-art technology. In addition, plans have also been made for development of new mine at Taldih in Orissa. Your company is vigorously pursuing for obtaining forest and environment clearances, wherever required. Renewal of mining leases and obtaining such clearances are being appropriately addressed at State and Central Government levels.

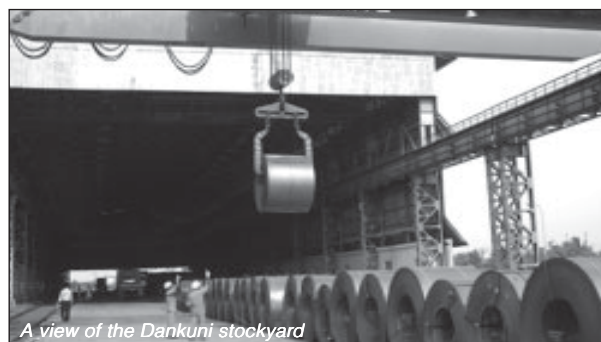
Your company has taken several steps to increase production of both coking coal and thermal coal in its captive mines at Chasnala, Ramnagore and Jitpur. Production is also slated to begin at Tasra colliery during the current year. Your company has been allocated 'Sitanala' coking coal block by Government of India, having reserve of over 100 million tonnes. Company has already started preliminary work for the development of Sitanala block in a time bound manner.

SALES & MARKETING REVIEW

During the financial year 2006-07, your company achieved highest ever sales of 11.9 million tonnes, a growth of 5% over the corresponding period last year.

There was significant growth in sales of value added products during the year, viz. Pipes – 50%, TMT bars – 25%, Medium Structurals – 16%, Plates over 20 mm – 21% and HR Coils – 12%. Record supply of Rails, Wheel and Axles, Sheets, Plates and Structurals were made to the Indian Railways. The supply of long rails from newly constructed rail mill at Bhilai, was increased to 65,000 tonnes, higher by 36% over previous year.

The company has maintained its presence in neighbouring and traditional markets and exported about 5 lakh tonnes of steel during the year. The products exported were primarily Billets, Wire Rods, Plates, HR Coils and CRNO



A view of the Dankuni stockyard

Coils. Exports were made to new markets namely Portugal, Sudan, UAE, Bahrain, Oman, Argentina and Brazil. MG Diesel Loco Wheels from Durgapur Steel Plant were supplied for the first time to Malaysia. High Tensile and Ship Building Plates from Bhilai Steel Plant were exported to the European Union and Singapore.

Special thrust was given by the company to expand its distribution network to make its branded products available across the country. SAIL appointed additional 453 dealers in 430 districts during the year. Today your company has unique presence in as many as 597 districts in the country with over 1000 dealers. In addition, 12 Customer Contact Offices and 16 additional Warehouses were added during the year. For the first time e-booking and supply at door-step facility was introduced for small consumers of TMT Bars in NCR Delhi and Kolkata. Towards increasing customer satisfaction and greater logistics support, door delivery to customers was stepped up.

HUMAN RESOURCES MANAGEMENT REVIEW

To achieve sustainable growth and to foster motivational climate, several initiatives were undertaken in HR area during the year. The thrust on rationalization of manpower continued during the year. Manpower strength of SAIL as on 31st March, 2007 was 1,32,973 comprising 16,031 executives and 1,16,942 non-executives – with reduction of 5238 during the year, which included separation of 539 employees through Voluntary Retirement Scheme. Labour Productivity increased to all time high of 200 Tonnes/Man/Year.

A system of tracking and rewarding innovations by employees in plants/units on a daily basis was introduced for the first time generating enthusiasm amongst employees at all levels to think and deliver innovatively. Major drive was undertaken by the company for the first time to provide greater exposure to large number of its employees, through visits to different companies both in India and abroad. Frontline workmen were involved in the planning processes and the concept is being further strengthened. To motivate employees, several reward schemes have been introduced over and above the existing schemes which have proved to be effective tools.

Presidential Directives on Schedule Castes (SC) and Scheduled Tribes (ST) continued to be implemented. As on 1.1.2007, out of the total manpower, 14.73% were SC and 11.97% were ST. During the year, out of total recruitments of 755 employees made by the company, 87 candidates (11.5%) and 71 candidates (9.4%) were Scheduled Castes and Scheduled Tribes respectively.

Other initiatives undertaken for welfare of SCs/STs: SAIL steel plants and units including mines are located in economically backward regions of the country having predominant SC/ST population. Besides adopting the measures as per the Government Directives, the company has also extended several benefits to children belonging



Shri S.K. Roongta, Chairman, SAIL interacting with the employees

to SC/ST which include award of scholarships, exemption from payment of tuition fees, free boarding/lodging facilities including the following:

- 14 scholarships are awarded by SAIL to deserving SC/ST undergraduate engineering students in various disciplines to encourage technical education.
- The company is providing 28 scholarships, besides free uniform and books to SC/ST children from periphery schools.
- The company has adopted 76 SC/ST children of Chhatisgarh region and 12 Birhor Tribe children from the Jharkhand region. They are provided free education, boarding and lodging facilities.
- The company has taken up the task of spreading education in the periphery of plant/mine locations by constructing/renovating additional rooms in schools.

The company has constructed roads in and around steel plant and mine locations for the benefit of peripheral population. These initiatives help in making a meaningful difference in the lives of the local SC/ST population.

The company continued with the thrust on implementation of **Official Languages** policy of Government of India. The company has won first prize in the area of promoting the usage of Hindi in official work and in-house Hindi magazine "Ispat Bhasha Bharti" bagged the first prize for best Hindi journal from Town Official Language Committee constituted by Government of India.

AWARDS & ACCOLADES

Your company's excellent performance got several recognitions from all quarters during the year 2006-07 which include awards to individuals : 41 employees were awarded with "Government of India's Vishwakarma Rashtriya Puraskar-2005" recognizing their extraordinary contribution in bringing about laudable improvements in their areas of work, 10 employees were awarded Shram award – 2004. Your company became the first Public Sector



The winners of Prime Minister's Shram Awards at SAIL Corporate Office

Undertaking (PSU) to receive "Business World – FICCI – SEDF Corporate Social Responsibility Award – 2006", which was presented by the Hon'ble President of India on 7th May, 2007. Other major awards received by the company include "SCOPE Meritorious Award for Environment Excellence and Sustainable Development" for the year 2004-05, B.M. Munjal Award for "Excellence in Learning and Development in Public Sector Category" for the year 2006, Golden Peacock : "Eco Innovation" award – 2006 to BSP, "National sustainability" award -2006 to SSP by IIM, "National safety" award for the years 2002 & 2003 to RMD (presented by Hon'ble Vice President of India on 14.2.07), "Rajiv Gandhi National Quality" award – 2006 to BSP by Bureau of Indian Standards.



Shri S.K. Roongta, Chairman, SAIL receiving BML Munjal Award for Excellence in Learning and Development - 2006 from Shri Praful Patel, Union Minister for Civil Aviation

CORPORATE PLAN

Considering fast growing demand for steel, your company has prepared a road map for its short term growth plan to enhance the annual hot metal production from present level of 14.6 million tonnes to over 25 million tonnes by the year 2010. The company is gearing up for faster project implementation as per compressed schedule for completion by 2010 against 2011-12 scheduled earlier. The growth plans adequately address the need for eliminating technological obsolescence, energy savings, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, to introduce customer centric processes and matching infrastructure facilities in the plants to support higher production volumes.

The demand for steel in India is now projected to reach 150-180 million tonnes by 2020, as per study of the International Iron & Steel Institute (IISI). To maintain its dominance, your company is working on a blue print for growth beyond 2010.

To match expansion related needs, initiatives have also been taken to exploit the potentials SAIL has in the areas such as skilled manpower, infrastructure and cash liquidity. Fortifying critical areas with a focus on innovations through research & development has continued.

During the year 2006-07, company continued to give impetus towards consolidation/merger/formation of joint ventures which, inter-alia, includes full integration of erstwhile IISCO and JVs for cement plants. A Joint Venture for setting up a 2.2 million tonne cement plant in split locations at Satna and Bhilai has already been formed and plant is likely to be commissioned by the year 2010.

MODERNISATION & EXPANSION PROJECTS

For the first time, your company has undertaken a massive modernisation and expansion plan with an indicative cost of over Rs. 40,000 crore to expand capacity of hot metal to over 25 million tonnes from current level of 14.6 million tonnes.

The implementation of growth plans is to be done simultaneously in all the plants including mines and requires matrix planning, involvement /coordination with a large number of agencies, prudent fund management, selection of right technology etc. Your company has already initiated actions in all these areas to prepare the organization accordingly. SAIL Board gave 'in-principle' approvals during the year for modernization & expansions at ISP, SSP & BSL with estimated outlay of about Rs.19,000 crore.

As part of its short term corporate plan, SAIL Board has since accorded 'in-principle' approvals for modernization & expansion of plants at BSP, RSP and DSP in the current year. A number of capital projects have been commissioned during the year and several projects are under implementation at various plants which include rebuilding of coke oven batteries, installation of bloom and slab casters, coal dust injection in blast furnaces, secondary refining units and schemes related to automation and IT.

The modernization & expansion plans include installation of new coke oven batteries, three new sinter plants, three new blast furnaces of bigger capacity with upgradation of existing blast furnaces, three new steel melting shops with addition of converter in old shop, installation of new rail mill, plate mill, compact strip mill, bar & rod mills, wire rod mills, structural mill, universal beam mill etc. which will increase share of finished steel in saleable steel from current level of 80% to almost 100%. Along with the addition of new facilities, most of the existing facilities are also being upgraded to enable production of value added steels, reduce energy consumption and improvement in productivity etc.



Hon'ble Union Minister for Chemicals & Fertilizers and Steel Shri Ram Vilas Paswan, presenting a memento to Hon'ble Prime Minister Dr. Manmohan Singh on the occasion of Foundation Stone Laying for Modernisation & Expansion of IISCO Steel Plant. Hon'ble Chief Minister of West Bengal Shri Buddhadeb Bhattacharjee, Hon'ble Union Minister of State for Steel Dr. Akhilesh Das and SAIL Chairman Shri S.K. Roongta look on.

ENVIRONMENT MANAGEMENT

- Corporate Environmental Policy of your company emphasizes on “conducting our operations in an environmentally responsible manner to comply with applicable regulations and striving to go beyond”. Company recognizes its responsibility and its commitment towards Corporate Responsibility of Environment Protection (CREP) and has fully complied with the norms set relating to water consumption, air emission in the batteries, solid waste consumption etc.. Areas of major achievements during 2006-07 are :
 - Air emission reduced by 15% w.r.t. 2005-06
 - Solid waste utilization increased to 75%, an improvement of 4%
 - Water consumption reduced to 5.3 m³/tcs, an improvement of 5%
 - Around 3 lakhs trees planted during 2006-07
 - Restored over 150 acres of degraded mining area at Purnapani under the MoU between Delhi University, Deptt. of Biotechnology and SAIL.
 - Pisciculture has been taken up in the abandoned mining areas at Purnapani and 50,000 seedlings released in the quarry water.
- Your company's plants located at Bhilai, Bokaro and Salem; some of the shops/departments of Durgapur Steel Plant, Rourkela Steel Plant & IISCO Steel Plant and iron ore mines at Dalli, Kiriburu, Megahataburu and Bolani have been certified to environmental management systems – ISO 14001. Efforts are being made towards implementation of ISO 14001 across the company.

- Your company is actively associating itself with forum like Kyoto Protocol and Asia Pacific Partnership for Clean Climate Development (APCCD) programme under Clean Development Mechanism (CDM). Phasing out of Ozone Depleting Substances (ODS) is also being taken up in the SAIL plants under UNDP programme.
- Contribution of company towards environmental protection has been duly recognized with company getting many awards, viz. Golden Peacock Eco Innovation Award instituted by the World Environment Foundation, Occupational Health Services & Safety, Sustainability Award – 2006 by CII and SCOPE Meritorious Award for Environmental Excellence and Sustainable Development.



View of the “Aushadi Vatika” at the Saptagiri Park of Dalli - Rajhara Mines

IT RELATED INITIATIVES

Your company has taken initiatives to upgrade business practices by consolidation of IT based strategies with process for implementation of Enterprise Resource Planning (ERP) and subsequently Manufacturing Execution System (MES) having been set in motion across the company. The other initiatives taken, inter-alia, include:

- Making an exclusive website for posting of tender i.e. www.sailtenders.co.in operational since July'06. Response of vendors has been very positive and within short span during 2006-07, over 4200 open tenders were posted helping in getting responses from more vendors.
- SAIL has been one of the first PSUs to introduce e-procurement and has been stepping up both procurement and sales through this mode year-by-year. During 2006-07, e-purchases got doubled at Rs.802 crore and e-sales increased to Rs.1900 crore, a growth of 34% over previous year.

Pan view of a clean & green steel plant





Shri S.K. Roongta, Chairman, SAIL (centre) and Shri G. Ojha, Director (Personnel) receiving the Businessworld-FICCI-SEDF Corporate Social Responsibility Award - 2006 from Dr A.P.J. Abdul Kalam, the then President of India

- Giving thrust to execute financial transactions through e-mode. Significant progress has been achieved in the area of e-receipts and e-payments. Facilities have been provided through which customers are able to make on-line payments to the company. Similarly, the suppliers and contractors, who have consented, are being paid through electronic mode.

CORPORATE SOCIAL RESPONSIBILITY

With the underlying philosophy and a credo to make a 'Meaningful difference in people's lives', SAIL has been in the forefront of fulfilling its obligations to the Society since inception. The large infrastructure network created by the company, by establishing 39 primary health centres, 18 reproductive and child health centres, 19 hospitals including 4 super-specialty hospitals, provide specialized health care to over 2 million people every year.

Over the years, the company has opened about 150 schools in steel townships, employing more than 3,000 teachers and providing education to over 80,000 children.

Apart from managing own schools, the company also supports other public schools managed independently. Direct & indirect assistance is being provided to more than 250 schools in peripheral areas. SAIL schools have a rare distinction of 95% survival rate (proportion of pupils starting grade 1 who complete primary/secondary education) for primary education. The survival rate for secondary education of over 90% is considerably higher than the national average. The Girl : Boy Ratio of 1:1 is an important characteristic of SAIL schools. Continuous efforts by the company to provide best educational facilities, have taken literacy rate to 80% in SAIL townships as against national average of 52% (2001 Census).

In addition to contributing in areas of education and health, company has incrementally provided potable water access to about 1 lakh persons every year. The company also constructs/repairs 40 kms of pucca roads every year.

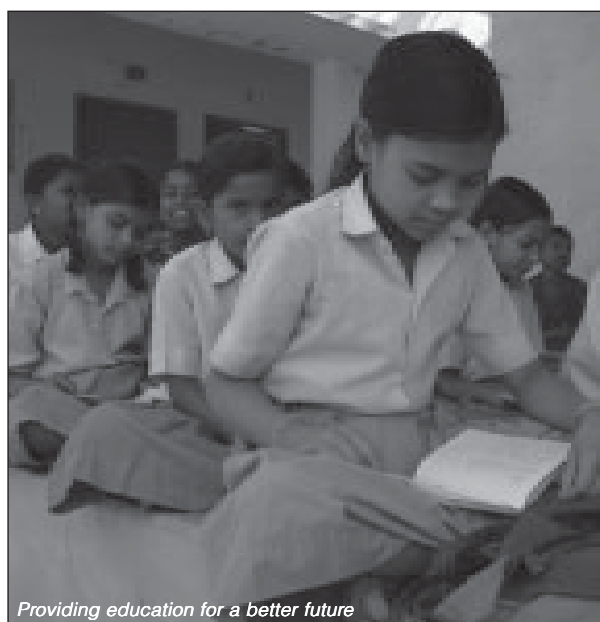
The company is working towards giving a helping hand to

preserve country's culture and heritage. Some of the key activities include assistance in maintenance of monuments in Lodhi Garden, New Delhi through Archeological Survey of India (ASI). Besides, the company extended support to a number of activities for the benefit of physically challenged persons and destitute. CSR is ingrained in all spheres of industrial life and social responsibility for the company and it is not only a virtue but a business imperative for SAIL.

The objective of the company is to focus on the themes/ causes as part of Corporate Social Initiatives and Women Upliftment, which are Income Generating Schemes (through Self Help Groups), improve education, focus on health issues and Sports, etc.

In line with the above themes, SAIL is working in tandem with State Government of Chattisgarh for establishing a Technical University at Bhilai, Chattisgarh. Two food delivery vans have been provided to NGO for mid day meals program in Haryana. Besides providing a mobile medicare unit to Helpage India for providing healthcare to the old and needy people in the National Capital Region of Delhi, a mobile medicare unit for treatment of poor patients at Gua iron ore mine has also been handed over to Hon'ble Chief Minister of Jharkhand. Separate schools for poor and underprivileged children are being set up at the five Integrated Steel Plant locations providing free education, stationery items, uniforms and nutritious mid-day meals to the children. Environmental friendly initiatives, like afforestation at plant locations and mines; monitoring of atmosphere at the plant locations etc. have been taken.

The company is one of the first PSUs to get associated as



Providing education for a better future



Good health: a primary concern

an inter-sectoral collaborator of National AIDS Control Organisation (NACO), Ministry of Health and Family Welfare, Government of India. SAIL has continued its efforts to contribute to the society in prevention & control of HIV/AIDS through Information, Education and Communication (IEC) programmes. In the schools, AIDS Education Programme (for Class IX and above) has been taken up across the company.

The company has well-planned sports policy, with an accent on nurturing young talents through four specialized academies promoting Athletics, Hockey, Football and Cricket. SAIL sponsored several sporting tournaments at the national and the international levels to promote sports in the country. Prestigious programmes under sports promotion were: SAIL sponsoring "Nehru Champion Colleges Hockey Tournament", Sponsoring "Chennai Open" with Tamil Nadu Tennis Association and Organizing "SAIL inter village football tournament" at Chiria mines.

CORPORATE COMMUNICATION

With consistent improvement in performance of the company, the Corporate Communication continued with the efforts to sustain the 'SAIL' brand as a name to reckon with.

To ensure a uniform corporate identity, your company has standardized SAIL Logo across plants and units with a view to streamline and synchronize all communications.

Sustained efforts were made to build the image of the company and to generate confidence amongst customers and stakeholders for growth of the company through internal and external communications. SAILNEWS was re-oriented with focus on shop floor employees' interviews. Special emphasis was given on the achievements and contributions of shop floor employees & their family members through house journals/magazines/wall posters/internal media.

The company continued to disseminate vital information related to Performance, Safety, Vigilance activities and Corporate Plan through its house magazines, hoardings, posters, wall sheets, booklets and other channels.

VIGILANCE ACTIVITIES

Vigilance Department of company is playing a proactive role for continuous simplification of systems & procedures to facilitate faster and effective decision making, with greater emphasis on transparency in the system. Vigilance Department has reviewed and revised the Purchase Procedure for procurement and contracts in the company which will help decision makers in discharging their day-to-day functions efficiently.

Vigilance Department is continuously upgrading skill of employees by imparting training especially in the area of Purchases, Contracts and Discipline Management. For ascertaining whether the laid down systems and procedures are working properly, surprise checks were conducted on regular basis in the various sensitive areas of plants/units. During 2006-07, about 66 system improvement initiatives were taken across the company which will smoothen the decision making process.

Utilizing the continuous technical advancement in IT and telecommunication field, the Vigilance Department maintained the thrust on e-governance as a result of which all open tenders of the company are now posted on the website. A provision has also been made in company's website for directly lodging the complaints having vigilance angle which are processed as per laid down guidelines.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report covering the performance and outlook of the company is enclosed.

AUDITORS' REPORT

The Statutory Auditors' Report on the Accounts of the company for the financial year ended 31st March, 2007 along with Management's replies, and the comments on accounts for the year ended 31st March, 2007 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 along with Management's replies are enclosed to the Directors' report as Annexure-I & II.

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.



Directors' 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' 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 the 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. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-V. In terms of Listing Agreement, the Board has laid down a Code of Conduct for all Board Members and Senior Management of the company. The Code of Conduct has been posted on the website of the company. All the Board Members and Senior Management Personnel have affirmed compliance with the code.

CONSOLIDATED FINANCIAL STATEMENTS

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

SUBSIDIARY

The Maharashtra Elektros melt Limited (MEL) recorded a turnover of Rs.291.54 crore. The Net Profit after Tax (PAT) for the year was Rs.18.50 crore after charging depreciation of Rs.1.70 crore, interest/finance charges of Rs.0.16 crore and tax of Rs.9.71 crore. MEL produced 56319 tonnes of High Carbon Ferro Manganese and 50,371 tonnes of Silico Manganese during the year. Audited Accounts of

Maharashtra Elektros melt Limited for the year ended 31st March, 2007 are enclosed as Annexure-VII.

IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary of the erstwhile Indian Iron & Steel Company Limited (IISCO), was ordered to be wound up by BIFR. The Official Liquidator is continuing its liquidation process. The assets of the company have been realized and the settlement of claims is in process.

DIRECTORS

Shri V.S. Jain, Chairman, SAIL ceased to be Director w.e.f. 31.7.2006 (A.N.) on attaining the age of superannuation.

Shri G.C. Daga, Director (Finance) ceased to be Director w.e.f. 2.9.2006.

Shri R. Ramaraju has been appointed as MD, BSP w.e.f. 28.9.2006

Prof. Javaid Akhtar has been appointed as Director w.e.f. 22.11.2006

Shri P. K. Sengupta has been appointed as Director w.e.f. 22.11.2006.

Dr. Vinayshil Gautam has been appointed as Director w.e.f. 22.11.2006.

Shri Soiles Bhattacharya has been appointed as Director (Finance) w.e.f. 23.02.2007.


Shri S.S. Ahmed has been appointed as Director (Commercial) w.e.f. 11.05.2007.

Shri S.N.P.N. Sinha ceased to be Director w.e.f. 27.06.2007.

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


(S.K. Roongta)
Chairman

Place : New Delhi
Dated : 06.08.2007

Management Discussion and Analysis Report

STRENGTHENING THE PRESENT

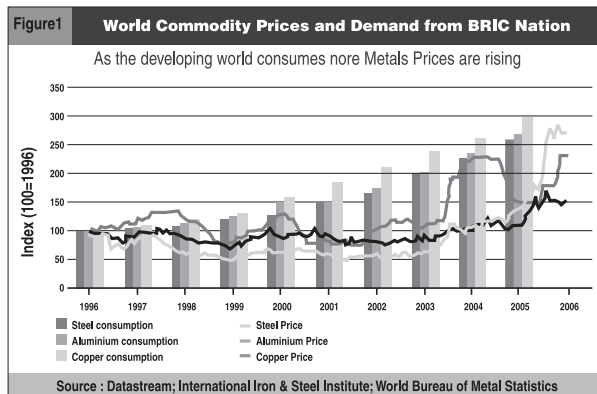
SHAPING THE FUTURE

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 world economy has witnessed a continuous growth in the last five years with the world Gross Domestic Products (GDP) increasing by an average of 4.4% annually. The strengthening of industrial activities in Asia and Europe boosted the global growth to an estimated 5% in 2006. Asia, led by China and India, continues to be the world economy's growth engine. The United States, although still dominant economic power, have been supplanted at the forefront of growth by China and India and other emerging economies.



East Asian Economies lead the economic growth in the developing world with an average of 7.6% in 2006. China recorded a growth rate of more than 10% while South Asia led by India (growth of 9%) had a growth rate of 6.7%. The performance of the least developed countries, especially of the oil producers and other mineral exporters, was surprisingly strong averaging nearly 7% in 2006. Japan also experienced robust growth in 2006 while growth in Europe also exceeded expectations. The economic growth of India, China & others have boosted demand for resources, which in turn, has created shortage of raw materials & have sent commodities' prices soaring.

Global growth is expected to slacken around 3.2% in 2007. However, the growth is expected to remain robust at 5.9% for developing countries and 6.5% for economies in transition. Prospects for growth in both East Asian economies and South Asia are expected to remain strong. As per the Reserve Bank of India (RBI) forecast, Indian economy is expected to grow at a rate of 8.5% or above in 2007.

The slackening of the world economic growth in 2007, emanates out of the uncertainties, like movement of crude oil prices, political instability in Iraq, Afghanistan and elsewhere in the middle east etc, and cooling of the housing boom in U.S.A. leading to slowing down of the US economy (expected growth 2.2% in 2007). The economic recovery in Japan and Europe is not expected to be strong enough to replace the US as the engine of growth of the world economy. Climate change has also become a critical global priority, as it exercises a devastating toll on the environmental health of the nations. Efforts are being made to improve energy efficiency both in China and India.

India's global competitiveness (43rd) compares well with those of the three other large emerging economies like China (54th), Russia (62nd) and Brazil (66th). (Source: World Economic Forum Annual Meet 2007) India has been moving towards greater innovation capabilities. Once India exploits its resource base further, it should be able to produce quality goods at low price being a low cost economy, with a high quality resource base.

Indian Economy

India today is one of the fastest growing economies with a Compounded Annual Growth Rate (CAGR) of 8.1% in last 3 years. The GDP growth for 2006-2007 has been 9.4%. The GDP is expected to grow @ 8-10% upto 2011-12.

The growth of industrial production in 2006-2007 stands at 11.3% over last year. The growth in the industry in FY'07 was mainly driven by manufacturing sector which showed a remarkable growth of 12.3% over 2005-2006. Mining sector grew by 5.1% and electricity by 7.2%. The six infrastructure industries grew by 8.6% in 2006-07 as against 6.2% in the previous year. The sectoral growth rates for the period are basic goods-10.2%, capital goods-17.7% and intermediate goods-11.7%. Consumer durables have shown a growth of 9.0%

World Steel Scenario

As per International Iron & Steel Institute (IISI), Global crude steel output in 2006 was 1244 million tonnes up by 8.9% compared to 2005. Of this the Asian Region alone accounted for 53.7% as against only 38.4% ten years ago. Apparent steel consumption of finished steel touched 1113.2 million tonnes in 2006, showing a growth of 8.5% over 2005. There was a positive growth trend in steel consumption all over the world. Global steel trade has increased by 13% to 395 million tonnes in 2006. Internationally, steel prices remained stable or buoyant practically through out the year.

China has further strengthened its position as largest single market for steel. Chinese apparent steel consumption of finished steel at 356.2 million tonnes reflected a 9% growth in 2006 and is further expected to increase by 13% in 2007. Strong positive growth trends are foreseen in Africa, Asia and South America in 2007. However, the soaring prices of raw materials and the progressive pressure on the availability of inputs has been a cause of major concern. Prices of key inputs such as coking coal, coke, iron ore, scrap, etc. continued to remain high. Prices of other important inputs like Nickel, Manganese Ore, Copper, Zinc also continued to rise, with global price of nickel increasing 55% in the financial year 2006-07 and touching a record high of \$ 51,625 per tonne.

Production vis-à-vis Demand for Steel in India

India produced about 45 million tonnes of crude steel in fiscal 2006-07, a growth of nearly 8% over previous year's production of 41.66 million tonnes. The apparent domestic consumption of finished mild steel during the year FY'07 was 43.7 million tonnes as compared to 39.2 million tonnes during the previous year. The import of finished mild steel during FY'07 was approx. 4.1 million tonnes as compared to 3.9 million tonnes in FY'06 and export was 4.8 million tonnes as compared to 4.5 million tonnes during the previous year. Both imports and exports have shown a growth of 6.5% and 6.1% respectively.

The Construction, Automobiles, Water, Oil & gas transportation and capital goods sectors are expected to be the key growth drivers in FY'08. In the last three years, the growth in construction has been in the range of 12-14% driven mainly by industrialization, massive infrastructure investment, urbanization and the real estate

Management Discussion and Analysis Report

boom. The projected investment of approx. Rs.1,50,000 crore in infrastructure like rails, roads, ports & airports in the 11th plan period will all lead to a surge in the activities of the construction industry and thereby to increased consumption of long products.

The domestic automobile sector is growing at 14.2% CAGR over the past few years while the auto components market has been growing at 19.2% CAGR. India is expected to become a major hub both for the automobile and as well as for the auto components sector. This will fuel the demand for cold rolled & coated products. Similarly, the demand for flat products particularly Pipes & Tubes segment, is expected to increase substantially driven by demand for pipelines for crude oil, LNG and Petroleum products.

Position of Steel Authority of India Limited (SAIL)

India is ranked as the 7th largest steel producing country in the world, while SAIL is ranked as the 19th largest steel producer in the world during 2006 (Source: IISI) SAIL continues to be the largest steel producer of finished steel in India with about one fourth of the market share during FY'07.

B. Opportunities & Threats for SAIL

Opportunities

SAIL has a unique opportunity and distinct strength in the steel sector to grow as it possesses all the three basic pre-requisites for growth of any steel industry, viz. infrastructure including land, skilled workforce and capital.

SAIL plants/units have capacity to produce 13 million tonnes of crude steel and 11 million tonnes of saleable steel with most diversified product-mix, to cater to its large customer base and their diverse requirements in terms of quality, sizes and grades. SAIL has the widest distribution network across the country with 56 warehouses and a network of dealers encompassing almost all districts in the country. This gives an opportunity to SAIL to further spread its market base.

The per capita steel consumption in the country is approx. 39 kg as compared to the world average of around 173 kg. There is a substantial scope for increase in domestic steel consumption which will get boost with investments in infrastructure development in the country, especially in construction of highways, bridges, airports, seaports, oil & gas pipelines, drinking water supply pipelines etc. The size and quality range of its products make SAIL, as a preferred choice of project customers.

There is accelerated growth in many steel consuming sectors such as automobile and auto components sector, oil & gas transportation etc. With the facilities planned post modernization, SAIL would be in a better position to cater to the growing needs



SAIL Steel - a preferred choice of project customers

of these segments.

Keeping the above opportunities in mind, SAIL's implementation of modernization & expansion plans to raise the capacity to over 25 million tonne of hot metal has now been put on the fast track with completion expected by 2010 as against the earlier schedule of 2012.

Threats

The customs duty on import of steel is 5%, which is even lower than some ASEAN countries. Although 2006 has been a good year for steel with the international prices remaining buoyant, any dip in the prices would lead to increase in imports, resulting in reduction in realisation in the domestic market.

The availability of TMT Bars, Wire Rods and Structural from the secondary sectors mushrooming in the rich iron ore eastern region without much quality consciousness, may affect the realization of even quality products.

There is substantial excess capacity for galvanised products in India which results in substantial export volumes. Any set back in export will have a negative impact and a negative cascading effect on demand and prices of CR & HR coils.

China produced 423 million tonnes of crude steel in 2006 as against 356 million tonnes in 2005, a growth of 18.8%. China overtook Japan, Russia and the EU25 to become the World's biggest steel exporting country in the world in 2006. From 26 million tonnes of finished and semi-finished steel in 2005, Chinese exports touched nearly 50 million tonnes in 2006. With the momentum of the growth being maintained, China is likely to have over capacity to the extent of almost 100 million tonnes. China being a neighbour, India is a likely target for future Chinese exports.

C. Risks and concerns

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

The infrastructure development not keeping pace with the growth in the steel industry is a key concern. Increase in crude 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.

Royalties on minerals are likely to rise in the country, thus impacting cost.

Volatility in prices of key inputs, especially coking coal will be an area of concern as SAIL is greatly dependent on imports for meeting its coking coal requirement.

Another concern is Global warming and SAIL is adopting clean development mechanism projects to reduce the impact of Global warming.

D. Outlook

According to Joint Plant Committee, there has been a growth of 11.5% in apparent consumption of finished steel in 2006-07 fiscal over the previous year. India's apparent steel consumption is expected to grow @ 9.1% in 2007, 7% upto 2010 and 7.7% upto 2015. (Source : IISI)

GDP growth is estimated at 9% during 2006-07 and is expected to grow @ 8-10% upto 2011-12. Savings rate has risen to 34.1% of GDP and GFCF to 31% in 2006-07. Industrialization & Manufacturing growth has been in double digits while expected growth in construction is in the range of 12-14%. Investment in infrastructure is envisaged at \$ 350 billion. Cement, Steel ratio

being 3:1, there is ample opportunity to increase steel use.

As the per capita steel consumption in India is still very low compared to world average, potential for growth is enormous. With economy expected to remain on high growth path, steel consumption is expected to grow in double digits right upto 2011-12.

E. REVIEW OF FINANCIAL PERFORMANCE

1. FINANCIAL OVERVIEW OF SAIL

1.1 Performance of SAIL

During FY 2006-07 in line with the increased domestic demand, the company surpassed all previous records in production and sales volume. Production of saleable steel at 12.6 million tonnes compared to 12.05 million tonnes in 2005-06 recorded a growth of 4.4%. Sales volume of saleable steel at 11.9 million tonnes as against 11.3 million tonnes in 2005-06, recorded a growth of 5%.

During FY 2006-07, SAIL achieved the best ever turnover at Rs. 39,189 crore and best ever profit before tax (PBT) of Rs 9423 crore, surpassing the previous best PBT of Rs 9365 crore achieved in FY 2004-05. Average price realisation was higher by 14% due to improvement in prices and higher sales of value added products. Improvement in techno-economic indices and cost control measures contributed to the record performance. Operating profit was higher by Rs. 3585 crore at Rs. 10,966 crore. Interest costs were lower by Rs. 136 crore and interest earnings were up by Rs. 249 crore.

1.2 Initiatives taken by the SAIL management include:

Marketing Efforts

- Enlarging customer base by appointment of new 453 dealers in 430 districts during the year.
- Thrust on customer support & satisfaction by opening 12 new customer contact offices and addition of new warehouses at 16 locations.
- e-booking & supply at doorstep facility was introduced for small consumers of TMT in Delhi and Kolkata regions.
- Introduction of various new products like HCR-EQR TMT for earthquake resistant construction, Rockbolt TMT for tunnel construction, EN Series HR Coils for LPG cylinders and MC-12 HR Coils for chains, S-profile loco wheels for DLW. MG Diesel loco wheels, Cu-Cr Rail developed, Vanadium Micro alloyed Rail, Spring Steel Billets (SUP 11 A).
- Significant growth was registered in sales of TMT Bars, Wire Rods, Plates, HR Coils, Electrical Steel, Pipes, Heavy Structurals, Rails, etc. during 2006-07.
- New international markets were explored viz Portugal (Plates & HR Coil), Sudan (Plates and Billets), Middle East (Wire rods and Billets), South America (CRNO) and Malaysia (MG Diesel Loco Wheels).

Cost Control Measures

- Emphasis on cost reduction and productivity improvement through systematic application of new technology and strong awareness to reduce cost at all levels of operation, has been maintained during the year.
- A saving of Rs. 403 crore has been achieved during the year through cost control and revenue maximization. Cost control savings have been achieved in major areas of operation, viz reduction in specific energy consumption, reduction in specific usage of coking coal, higher CC production, low power

consumption and improvement in other techno-economic parameters.

Fund Management

During the year, the company continued its thrust on debt reduction and fund management. Overall debt of the company reduced by Rs 117 crore. Borrowing as on 31.03.07 reduced to Rs. 4181 crore as against Rs.4298 crore as on 31.03.06. This enabled the company to improve its debt/equity ratio to 0.24:1 as on 31.03.07 from 0.35:1 as on 31.03.06 and helped in reducing its total interest burden. The company continued to maintain its virtual debt-free status with term deposits with Banks of Rs. 9034 crore against borrowings of Rs. 4181 crore as at the year-end.

During FY 2006-07, company has earned interest of Rs 658 crore through short-term deposits with schedule banks.

Creation of Gratuity Trust

During the year, the company constituted a Gratuity Trust and contributed Rs. 750 crore to it.

Rightsizing manpower

With a view to improve age & skill mix & at the same time optimise manpower the company made limited recruitments during the year, but still achieved a reduction of 5238 in manpower during 2006-07.

Purchase Cost Optimization & Inventory Management

The Company has achieved 56% growth in e-Commerce business during 2006-07. The e-procurement (Rs.802 crore) is 100% up and e-selling (Auction Sales Rs.1900 crore) registered 34% growth over previous year. An exclusive tender website has been launched w.e.f. July'06 for posting of tenders and facilitating registration of vendors. In 2006-07, seven items got added in list of centralized procurement to reduce cost and ensure quality supply of high value critical items. Additional 34 items (valuing around 55% of the total procurement) have been identified for which, detailed analysis and item wise sourcing strategies have been worked out for implementation.

Capital Investments

- The company has undertaken a massive modernization cum expansion plan to increase capacity of Hot Metal production to over 25 million tonnes from the current level of 14.6 million tonnes.
- Modernisation & expansion plans of all the 5 integrated steel plants and salem steel plant have been accorded in-principle approval and process of tendering is at different stages.
- During FY 2006-07, capital expenditure of about Rs.1150 crore was made (against Rs. 813 crore of previous year) which has been funded through internal accruals.

2. ANALYSIS OF THE FINANCIAL PERFORMANCE OF THE COMPANY

a) Sales turnover

Rs in crore

	FY2006-07	FY2005-06	Change %
Sales of Saleable Steel Products	37008.18	30244.99	22%
Sales of other products	2180.48	2034.76	7%
Total Sales turnover	39188.66	32279.75	21%
Less: Excise Duty	5265.54	4419.41	19%
Net sales turnover	33923.12	27860.34	22%



Management Discussion and Analysis Report

Sales turnover increased to Rs. 39,188.66 crore, mainly due to increase in volume, prices and sale of value added products. Saleable steel sales constitute about 94% of total turnover and were higher by 22%. Sales of other products like coal chemicals, pig iron, etc. were also 7% higher. The company's main business arena continues to be the domestic market, which provides about 97% of its total sales turnover. Saleable steel exports at 5.13 lakh tonnes during 2006-07, were lower by about 11%. Export incentives of Rs. 116.86 crore were earned during the year which include Rs. 81.29 crore under the Duty Free Credit Entitlement Scheme for the exports made in 2003-04.

The company caters to almost the entire gamut of the mild steel business - flat products in the form of plates, HR coils/sheets, CR coils/sheets, plain/corrugated galvanised sheets and long products comprising rails, structurals, wire-rods, merchant products, etc. In addition, electric resistance welded pipes, spiral welded pipes, electric tin plates and silicon steel sheets form part of company's rich product-mix. The product category-wise sales turnover during 2006-07 is as follows:

Products Category	% of sales value
Saleable Steel:	
Flat Products	51.46
Long Products	35.08
PET (Pipes, Electrical sheets, Tin plates) Products	1.80
Integrated Steel Plants	88.34
Alloy & Special Steel Plants	6.09
Total Saleable Steel	94.43
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	5.57
Total	100.00

b) Other Revenues

	FY2006-07	FY2005-06	Change %
Other Revenues	779.70	589.18	32%

Increase in other revenues by 32% included Rs. 116.88 crore on account of recomputation of interest on SDF loans, earlier treated as fresh loans, pursuant to the SDF Managing Committee's decision of disallowing the same.

c) Raw Materials consumed

	FY2006-07	FY2005-06	Change %
Raw Materials Consumed	13276.2	12391.12	7%

The raw-materials consumption increased by 7% mainly due to higher production of saleable steel, escalation in prices of imported coal, coke, zinc, nickel, aluminum and increase in freight rates on iron ore, fluxes etc.

d) Employee Remuneration & Benefits

	FY2006-07	FY2005-06	Change %
Employee Remuneration & Benefits	5087.42	4156.69	22%

The employees cost increased by 22% mainly due to introduction of annual increments to employees on percentage basis with effect from 1.04.2005, increase in dearness allowance and consequential increase in provisions for gratuity and leave salaries. In addition, on expiry of long-term wage agreement, provision for wage revision with effect from 01.01.2007 (three months) has been made. Leave travel concession facility for employees who have not availed the facility by 31.03.2007 has also been provided for. However, these increases were partly offset by reduction in manpower by 5238 during the year.

e) Stores & Spares consumed including Repairs & Maintenance

	FY2006-07	FY2005-06	Change %
Stores & Spares Consumed	2976.08	2643.42	13%
Repairs & Maintenance	383.43	356.98	7%
Total Stores & Spares & Repair & Maint.	3359.51	3000.40	12%

Consumption of stores & spares and repairs & maintenance increased by 12% mainly due to increase in volume of production, increase in prices of procured items, capital repairs undertaken for blast furnaces, coke oven batteries and other mills at integrated steel plants.

f) Power & Fuel Consumed

	FY2006-07	FY2005-06	Change %
Expenditure on Power & Fuel	2578.84	2493.99	3%

The increase in power and fuel expenditure by 3% is mainly due to increase in production. However, the expenditure has been contained due to better energy management, reduction in specific usage of power, lesser dependency on grid power, etc.

g) Freight Outward

	FY2006-07	FY2005-06	Change %
Freight Outward	692.04	753.37	-8%

Reduction in freight outward is due to increase in proportion of direct sales to customers from plants compared to sales from warehouses.

h) Other Expenses

	FY2006-07	FY2005-06	Change %
Other Expenses	1616.38	1594.87	1%

There is a marginal increase in other expenses due to increased operations.

i) Fixed Assets

	FY2006-07	FY2005-06	Change %
Gross Block	29912.71	29360.46	2%
Less: Depreciation	18315.00	17198.32	6%
Net Block	11597.71	12162.14	-5%
Capital Work-in-progress	1236.04	757.94	63%

Gross Block increased by Rs.552.25 crore mainly due to project commissioned/capitalized during the year at BSP (up-gradation of BF 7), normalizing furnace at RSP, AOD and EAF at ASP, Bloom caster at DSP, etc. The capital work-in-progress indicates the expenditure incurred on various capital schemes under implementation.

j) Investments

Rs in crore

	FY2006-07	FY2005-06	Change %
Investments	513.79	292.00	76%

During the year, the company invested in the joint venture company NTPC-SAIL Power Company Pvt. Limited, for expansion of captive power plant at Bhilai Steel Plant.

k) Inventories

Rs in crore

	FY2006-07	FY2005-06	Change %
Semi-finished/Finished Products	3513.97	3224.82	9%
Stores & Spares	1356.67	1215.27	12%
Raw Materials	1780.83	1769.97	1%
Total Inventories	6651.47	6210.06	7%

The increase in finished/semi-finished inventories by 9% was due to higher level of production and increase in cost of production. However, in terms of number of days of turnover, it reduced to 33 days as on 31.03.07 as against 36 days as on 31.03.06.

Increase in stores & spares inventory by 12% was partly due to price escalations of these items and partly due to procurement for capital repairs to be carried out in various plants. In terms of number of days, stores & spares inventory reduced to 166 days from the level of 168 days as on 31.03.06.

Raw materials inventory was at 49 days consumption as on 31.03.07 as against 52 days consumption as on 31.03.06.

l) Sundry Debtors

Rs in crore

	FY2006-07	FY2005-06	Change %
Gross Debtors	2517.03	2090.48	20%
Less: Provision for doubtful debts	202.28	208.75	-3%
Net Debtors	2314.75	1881.73	23%

The increase of Rs. 433.02 crore in net debtors was mainly on account of increase in turnover. In terms of number of days of turnover, the debtors increased from 21 days as on 31.03.06 to 22 days as on 31.03.07.

m) Loans & Advances

Rs in crore

	FY2006-07	FY2005-06	Change %
Loans & Advances	1650.01	1280.92	29%

Loans & Advances increased by Rs 369.09 crore. The increase was mainly on account of loans to employees, export incentives recoverable, advances for operational supplies etc.

n) Current Liabilities & Provisions

Rs in crore

	FY2006-07	FY2005-06	Change %
Current Liabilities	5398.20	5191.70	4%
Provisions	5550.78	5483.54	1%
Total Current Liabilities & Provisions	10948.98	10675.24	3%

Increase in current liabilities by Rs 206.50 crore was mainly on account of increased level of operations, employees related year-end dues, etc. While there were increase in provisions on account of mines afforestation / restoration / closure costs, wage revision, dividend and tax on dividend; overall increase was marginal due to reduction in provision for gratuity on account of transfer of Rs. 750 crore to a separate Gratuity Fund constituted during the year.

o) Secured & Unsecured Loans

Rs in crore

	FY2006-07	FY2005-06	Change %
Secured Loans	1556.39	1122.16	39%
Unsecured Loans	2624.13	3175.46	-17%
Total Loans	4180.52	4297.62	-3%

Secured loans increased by 39% during the year. The increase was on account of short term loan of Rs 525 crore taken from banks against deposits but was partly off-set by reduction in working capital borrowings from banks by Rs 77.02 crore and Non-Convertible Bonds by Rs. 13.75 crore by exercising call option.

Unsecured loans were lower by 17% on account of redemption of Non-Convertible Bonds (Rs. 424 crore) and exercising of call option (Rs. 35 crore).

3. PLANT WISE FINANCIAL PERFORMANCE (BEFORE TAXES)

Rs in crore

Plant/Unit	2006-07	2005-06
Bhilai Steel Plant (BSP)	4271.59	2781.07
Durgapur Steel Plant (DSP)	623.76	260.93
Rourkela Steel Plant (RSP)	1336.40	496.51
Bokaro Steel Plant (BSL)	2736.96	2055.56
IISCO Steel Plant (ISP)	-249.53	-257.62
Alloy Steels Plant (ASP)	14.08	19.11
Salem Steel Plant (SSP)	118.31	-66.88
Visvesvaraya Iron & Steel Plant (VISL)	-40.92	13.80
Central Units	611.97	403.26
SAIL: Profit Before Tax (PBT)	9422.62	5705.74
SAIL: Profit After Tax (PAT)	6202.29	4012.97

There were improvements in profitability across the plants except at ASP & VISL. Buoyant market, improvement in net sales realizations, increase in value added products, better product-mix, improved techno-economic parameters, higher production/

sales volume were the main factors for improvements. Profit of central units was higher on account of interest earned on surplus funds. VISL's performance was adversely affected on account of substantial increase in prices of purchased iron ore and lower net sales realization.

F. HUMAN RESOURCES/INDUSTRIAL RELATIONS

SAIL has always believed that human resource is the most important asset and continues to work for its development and realization of its potential. The thrust on rationalisation of manpower with focus on proper utilisation, continued with implementation of Voluntary Retirement Scheme. Manpower strength of SAIL as on 31st March, 2007 was 132973 comprising 16031 Executives and 116942 Non-Executives. The net reduction in manpower during the year was 5238 which included separation of 539 employees through VR. Labour Productivity witnessed an increase to 200 Tonnes/Man/Year.

G. PROJECT MANAGEMENT

Major Projects commissioned during 2006-07: Five projects costing Rs.360 crore were commissioned during the year viz. 15 MW Turbo Generator in Power Plant-1, B-Strand of Wire Rod Mill, Upgradation of BF-7 at Bhilai Steel Plant; New Normalising Furnace in Plate Mill at Rourkela Steel Plant and Argon Oxygen Decarburisation (AOD) & High Powered EAF at Alloy Steels Plant. Further, installation of Bloom Caster (Rs 271 crore) at Durgapur Steel Plant has also been completed and first heat was taken on 2.4.07. The unit is under stabilization. Rebuilding of Coke Oven Battery No.1 (Rs.112 crore) at RSP was lighted up in 2006-07 and production started in May'07.

Major Capital Schemes presently in progress : Capital Projects costing over Rs.3400 crore are under implementation at SAIL Plants. Plantwise major schemes under implementation include the following :

• Bhilai Steel Plant (BSP)

- New Slab Caster, along with RH Degasser & Ladle Furnace has been taken up for additional casting of 0.165 Mtpa, production of 0.3 Mtpa of API X65/X70 grade steel, processing of additional Rail Steel demanded by Indian Railway through new RH Degasser and creating a potential to produce special quality plates especially in high thickness range (40mm and above).
- Rebuilding of Coke Oven Battery No.5 has been taken up wherein state-of-art pollution control equipment will be incorporated to achieve the latest statutory emission norms of Ministry of Environment & Forest.
- Procurement of 4 nos. WDS Locos scheme is for replacement of 4 nos. Medium HP Locos (Russian make) by WDS-6 locos from DLW, Varanasi.
- Hot Metal Desulphurisation Unit at SMS-II will help in production of low sulphur steel by desulphurisation of hot metal before steel making to meet the increasing demand for high quality steel, particularly for application in off-shore, transport and structural sectors.
- Power supply facilities for 2x1250 tpd Oxygen Plant will help in evacuation of power at 220 KV from Power Plant-3 (2 x 250 MW), which is under construction through NSPCL,

a JV company of NTPC & SAIL, to meet the future power requirement of BSP.

- Main Step Down Station has been taken up for evacuation of power at 220 KV from new Power Plant-3 to meet the future power requirement of BSP. Out of 500 MW, allocated share of Power to BSP is 280 MW.

- Thyrisation of Plate Mill drives - replacement of old and unreliable MG sets by thyristor converters with state-of-art digital control to achieve high quality of finished products and reliability in production.

• Durgapur Steel Plant (DSP)

- Bloom Caster with associated facilities including one 130T Ladle Furnace & one 110T/hr Re-heating Furnace is under stabilization which will improve the yield & quality of steel with reduction in energy consumption.
- Coal Dust Injection system in Blast Furnace-3&4 is for reduction in coke rate and improvement of furnace productivity.
- Augmentation of Power Distribution System (Phase-I) to meet the additional load for new capital schemes.

• Rourkela Steel Plant (RSP)

- Rebuilding of Coke Oven Battery No.4 has been taken-up for incorporating state-of-the-art pollution control equipment to achieve the latest statutory emission norms of Ministry of Environment & Forests.
- Hot Metal Desulphurisation Unit at SMS-II will help in production of low sulphur steel by desulphurisation of hot metal before steel making to meet the increasing demand for high quality steel, particularly for application in off-shore, transport and structural sectors.
- Pipe Coating Plant (60,000 tpa capacity) is under installation to supply coated pipes mainly to the hydrocarbon sector which would prevent corrosion of pipes.
- Coal Dust Injection system in Blast Furnace-4 to reduce coke consumption and improvement in blast furnace productivity.
- Turbo Blower No.5 of CPP-I is being up-rated with a discharge volume of 1,63,000 NM³/hr at a pressure of 2.3 Kg/cm² for meeting the high top pressure requirement of Blast Furnaces.

• Bokaro Steel Plant (BSL)

- Rebuilding of Coke Oven Battery No.5 has been taken-up wherein state-of-art pollution control equipment shall be incorporated.
- Modification/Revamping of Mae West blocks in Hot Strip Mill has been commissioned partly which will improve the performance of Hot Strip Mill.
- Existing HCL Regeneration Plant for Pickling Line-II of CRM is being replaced due to its technical obsolescence to improve CR products.
- Air Turbo Compressor and Oxygen Turbo Compressor being replaced to meet higher requirement of production.

- Coal Dust Injection in BF-2&3 system is under installation which will help in reducing coke consumption and improve BF productivity.
 - Computerized Process Control System of SMS-II shall help in improving the yield and quality of steel.
 - Augmentation of storage facilities of coking coal is under installation which will augment coking coal storage capacity from 115,000 tonnes to 202,500 tonnes.
 - Electro Discharge Texturing Machine in Roll Grinding & Bearing Shop of CRM has been taken up to improve the surface finish of Cold Rolled steel with respect to roughness and peak counts.
 - 2nd Ladle Furnace in SMS-II would facilitate production of value added steels, especially steel grades besides flexibility in operation.
- **IISCO Steel Plant (ISP)**
 - Upgradation of BF No. 2 has been taken up to enhance its productivity, increase in useful volume, reduction in coke rate.
 - A new Turbo-Blower is being installed as a replacement of Turbo-Blower No.4 to meet the enhanced air and top pressure requirement of BF No.2.
 - Rebuilding of pollution compliant Coke Oven Battery No.10 along with renewal of By-product Plant.

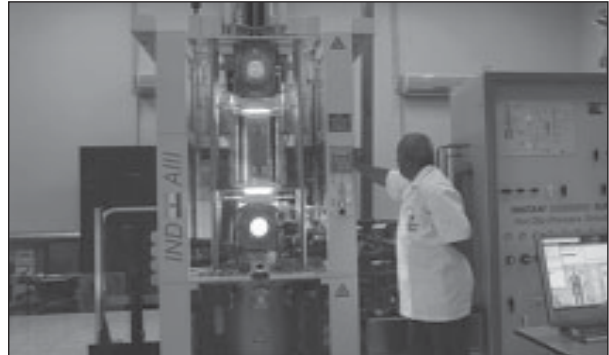
H. IN HOUSE DESIGN & ENGINEERING

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 SAIL and clients outside SAIL - both in India and abroad. During 2006-07, a number of projects were commissioned for which CET had provided requisite consultancy. CET is providing consultancy services to most of the on-going schemes relating to sustenance and quality improvement. In the on-going modernization & expansion plan as well, CET has been assigned with part of the consultancy work.

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, quality improvement, product development, energy conservation and automation. RDCIS had pursued 117 nos. of projects and completed 76 nos. of R&D projects. Several new products were developed viz., High strength corrosion resistant roof bolt; SUP11A Grade spring steel billets; Medium carbon hot rolled strips for cold reducing segment; High strength LPG; High strength cold rolled steel for automobiles; Earthquake resistant TMT rebars; High strength rail. The Centre strengthened its technology marketing efforts by providing consultancy services to M/s Bhushan Power & Steel Ltd., Kolkata and M/s KMMI, Bangalore. Specialised technology know-how was transferred to outside customers like M/s Balmer Lawrie, Kolkata; M/s IFGL, Kolkata; and IFICO, BRL, Ramgarh, etc. The Centre also undertook contract research sponsored by Ministry of Information Technology, New Delhi and Petroleum Conservation Research Association, New Delhi.

During the year, 168 nos. of technical papers were published / presented, besides filing of 40 patents (including 15 from SAIL



Research & Development: a continuous process

plants) and 38 copyrights (including 13 from SAIL plants). The scientists at the Centre bagged six national level awards.

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. 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 significant audit findings 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.



Ten Years at a Glance

FINANCIALS

(Rupees in crore)

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Gross Sales	39189	32280	31805	24178	19207	15502	16233	16250	14994	14624
Net Sales	33923	27860	28523	21297	16837	13519	14110	14311	13138	12709
Earnings before Interest, Depreciation, & tax(EBIDTA)	10966	7381	11097	4652	2165	1011	2167	1202	1503	2498
Depreciation	1211	1207	1127	1123	1147	1156	1144	1133	1104	795
Interest & Finance charges	332	468	605	901	1334	1562	1752	1789	2017	1554
Profit before tax (PBT)	9423	5706	9365	2628	-316	-1707	-729	-1720	-1618	149
Provision for tax/Income Tax Refund (-)	3221	1693	2548	116	-12	-	-	-	-44	16
Profit after tax (PAT)	6202	4013	6817	2512	-304	-1707	-729	-1720	-1574	133
Dividends	1280	826	1363	-	-	-	-	-	-	41
Equity Capital	4130	4130	4130	4130	4130	4130	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	13054	8255	5881	529	-2141	-1878	33	635	2756	4359
Net Worth	17184	12386	10011	4659	1989	2252	4163	4765	6886	8489
(Equity Capital and Reserves & Surplus)										
Total Loans	4181	4298	5770	8690	12928	14019	14251	15082	21017	20015
Net Fixed Assets	11598	12162	12485	13168	14036	14798	15177	15873	18307	14137
Capital Work-in-progress	1236	758	366	382	361	556	1221	1475	2589	6491
Current Assets (including short term deposits)	20379	17384	14187	8075	7282	7107	8362	8259	11399	12026
Current Liabilities & Provisions	6984	8108	6608	6025	4777	4849	5274	5027	4880	4875
Working Capital	13395	9276	7579	2050	2505	2258	3088	3232	6519	7151
(Current Assets less Current liabilities)										
Capital Employed	24992	21438	20064	15218	16541	17056	18265	19105	24826	21288
(Net Fixed Assets + Working Capital)										
Key Financial Ratios										
EBIDTA to average capital employed (%)	47.24	35.57	62.91	29.30	12.89	5.72	11.60	5.47	6.52	12.52
PBT to Net Sales (%)	27.78	20.48	32.83	12.34	-1.88	-12.63	-5.16	-12.02	-12.32	1.17
PBT to average capital employed (%)	40.59	27.50	53.09	16.55	-1.88	-9.66	-3.90	-7.83	-7.02	0.75
Return (PAT) on average net worth (%)	41.95	35.84	92.94	75.57	-14.35	-53.22	-16.32	-29.52	-20.48	1.61
Net worth per share of Rs. 10	41.60	29.99	24.24	11.28	4.82	5.45	10.08	11.54	16.67	20.55
Earnings per share of Rs. 10	15.02	9.72	16.50	6.08	-0.74	-4.13	-1.76	-4.16	-3.81	0.32
Price - earning ratio (times)	7.53	8.56	3.81	5.31	-11.94	-1.19	-3.17	-1.90	-1.55	31.06
Dividend per share of Rs. 10	3.10	2.00	3.30	-	-	-	-	-	-	1.00
Debt - Equity (times)	0.24	0.35	0.58	1.87	6.50	6.23	3.42	3.17	3.05	2.36
Current ratio (times)	2.92	2.14	2.15	1.34	1.52	1.47	1.59	1.64	2.34	2.47
Capital employed to turnover ratio (times)	1.57	1.51	1.59	1.59	1.16	0.91	0.89	0.85	0.60	0.69
Working capital turnover ratio (times)	2.93	3.48	4.20	11.79	7.67	6.87	5.26	5.03	2.30	2.04
Interest coverage ratio (times)	29.29	13.07	16.43	3.88	0.76	-0.09	0.56	0.04	0.17	0.79

PRODUCTION TREND

Thousand tonnes

Item	2006-07	2005-06*	2004-05	2003-04	2002-03	2001-02	00-01	99-00	98-99	97-98
Main Integrated Steel Plants (BSP, DSP, RSP, BSL, ISP)										
Hot Metal	14368	14398	12351	12749	12080	11327	11202	10939	11180	11615
Crude Steel	13194	13177	11827	11828	11087	10467	10306	9788	9858	10297
Pig Iron	452	558	147	278	288	353	358	574	731	772
Saleable Steel										
Semi Finished	2278	2273	1751	2146	2057	2149	2141	2592	2293	3110
Finished	9849	9351	8900	8581	8029	7315	7269	6637	6034	5602
Total: Integrated Steel Plants	12127	11624	10651	10727	10086	9464	9410	9229	8327	8712
Alloy & Special Steel Plants (ASP, SSP & VISL)	454	427	379	298	266	234	293	301	275	331
Total Saleable Steel	12581	12051	11030	11026	10352	9697	9703	9530	8602	9043

* Includes IISCO, merged with SAIL from 2005-06

VALUE ADDED STATEMENT

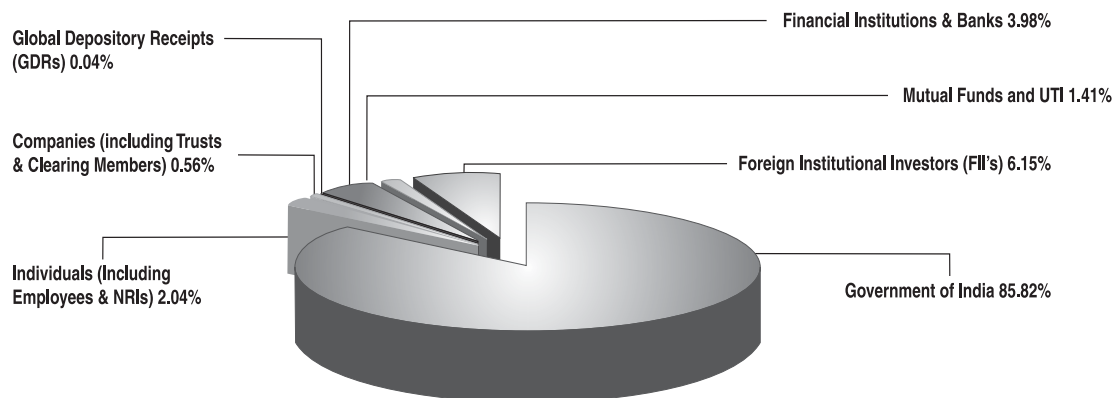
(Rupees in crore)

For the year	2006-07		2005-06		2004-05	
Value of own production	39845		33718		32453	
Other Revenues	1532	41377	1051	34769	772	33225
Less: Cost of Raw Materials	12262		11405		8738	
Stores and Spares	2605		2312		1900	
Power and Fuel	2579		2494		2196	
Excise Duty	5266		4419		3455	
Freight Outward	692	23404	753	21383	679	16968
Value Added		17973		13386		16257
Establishment Cost		5087		4157		3812
Other Operating Cost		1920		1848		1348
Financing Cost		332		468		605
Corporate Income Tax		3220		1693		2548
Dividend Provision		1280		826		1363
Tax on Dividend		198		116		185
Retained in Business						
Depreciation	1211		1207		1127	
General Reserve	635		310		700	
Bonds Redemption Reserve	-38		-89		-167	
Balance of Profit	4127	5935	2850	4278	4736	6396
Value Applied		17973		13386		16257

SHAREHOLDING PATTERN

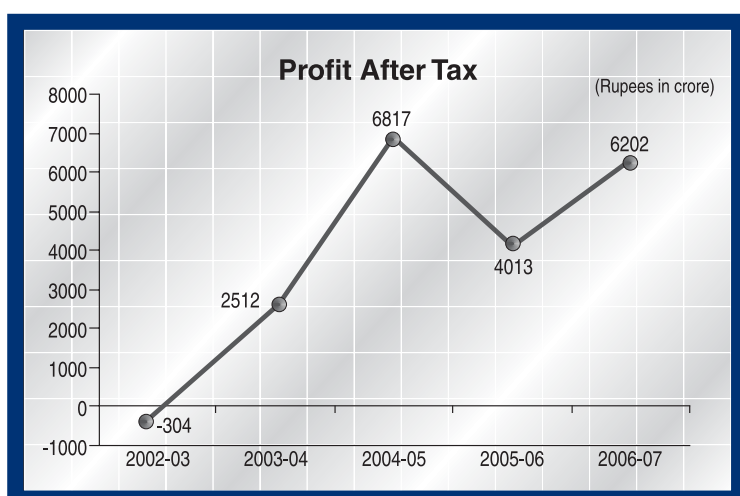
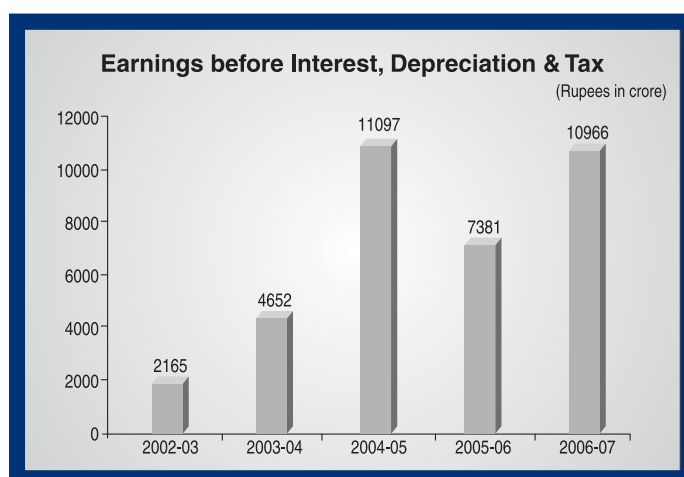
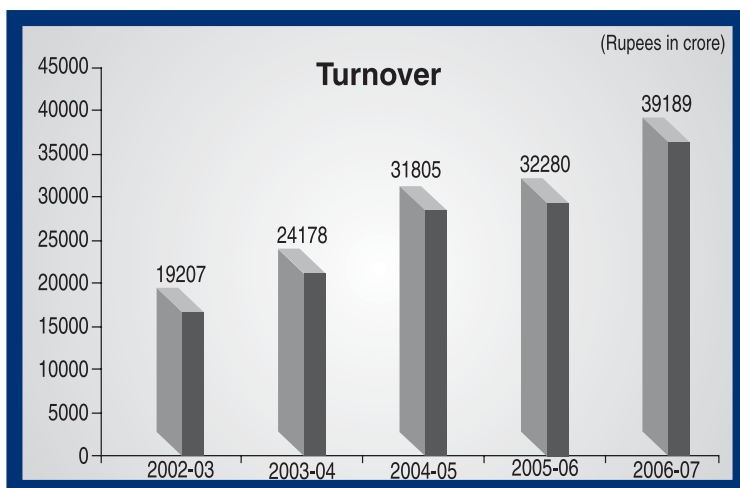
(As on 31.03.2007)

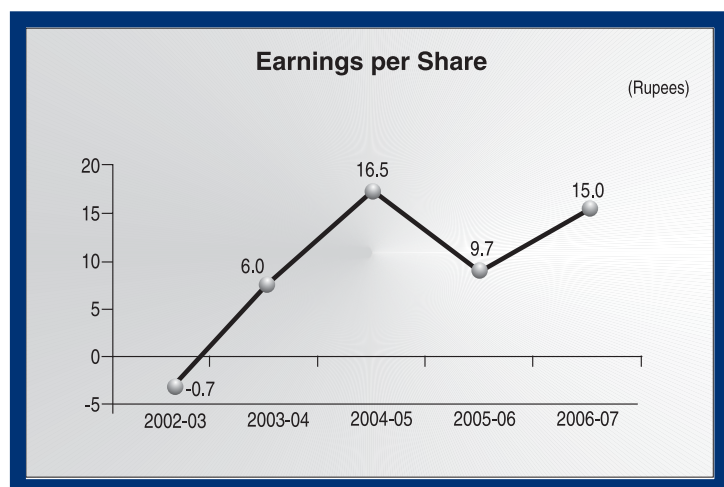
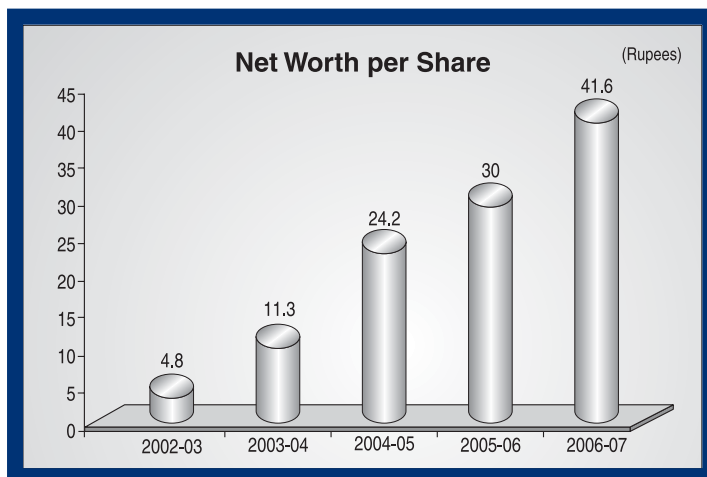
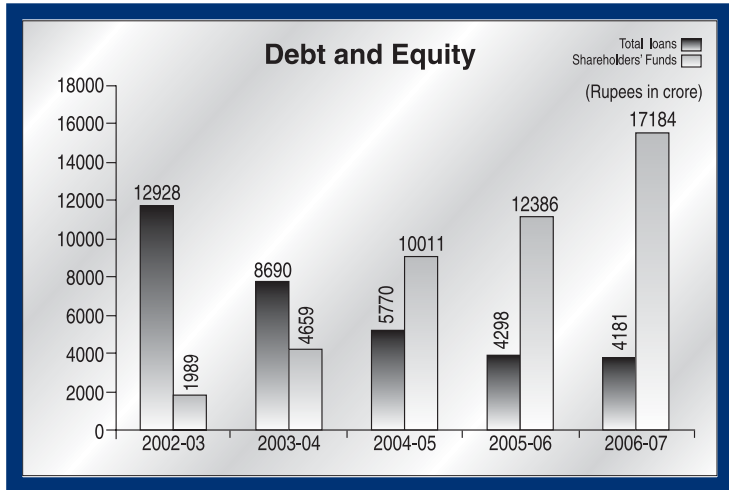
Category	Number of Equity shares held	Number of holders	Amount (Rs. in Crore)	% of Equity
Government of India	3544690285	1	3544.69	85.82
Financial Institutions & Banks	164232264	55	164.23	3.98
Mutual Funds and UTI	58188578	81	58.19	1.41
Foreign Institutional Investors (FIIs)	254199047	119	254.20	6.15
Global Depository Receipts (GDRs)	1546835	2	1.55	0.04
Companies (including Trusts & Clearing Members)	23359147	3090	23.36	0.56
Individuals (including Employees & NRIs)	84184389	209382	84.18	2.04
TOTAL	4130400545	212730	4130.40	100.00

SHAREHOLDING PATTERN (% of Equity)

Financial Highlights

2003-2007







Balance Sheet

AS AT 31ST MARCH, 2007

	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	17313.15	8471.01
			12601.41
Loan Funds			
Secured Loans	1.3	1556.39	1122.16
Unsecured Loans	1.4	2624.13	3175.46
			4297.62
Deferred Tax Liability (Net)		1412.66	1484.46
		22906.33	18383.49
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	29912.71	29360.46
Less: Depreciation		18315.00	17198.32
Net Block		11597.71	12162.14
Capital Work-in-Progress	1.6	1236.04	757.94
		12833.75	12920.08
Investments	1.7	513.79	292.00
Current Assets, Loans & Advances			
Inventories	1.8	6651.47	6210.06
Sundry Debtors	1.9	2314.75	1881.73
Cash & Bank Balances	1.10	9609.83	6172.64
Other Current Assets	1.11	152.56	85.48
Loans & Advances	1.12	1650.01	1280.92
		20378.62	15630.83
Less: Current Liabilities & Provisions			
Current Liabilities	1.13	5398.20	5191.70
Provisions	1.14	5550.78	5483.54
		10948.98	10675.24
Net Current Assets		9429.64	4955.59
Miscellaneous Expenditure	1.15	129.15	215.82
(to the extent not written off or adjusted)			
		22906.33	18383.49

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/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jalan)
Partner

Place : New Delhi
Dated : 21st May, 2007

Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2007

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

	Schedule No.	Year ended 31st March, 2007	Year ended 31st March, 2006
<i>(Rupees in crore)</i>			
INCOME			
Sales	2.1	39188.66	32279.75
Less : Excise duty		5265.54	4419.41
Finished products internally consumed		410.00	428.00
Interest earned	2.2	752.60	461.49
Other revenues	2.3	779.70	589.18
Provisions no longer required written back	2.4	58.65	80.18
		35924.07	29419.19
EXPENDITURE			
Accretion(-) to stocks	2.5	-246.52	-1010.65
Raw materials consumed	2.6	13274.91	12325.63
Purchase of finished / semi-finished products		1.29	65.49
Employee Remuneration & Benefits	2.7	5087.42	4156.69
Stores & Spares Consumed		2976.08	2643.42
Power & Fuel	2.8	2578.84	2493.99
Repairs & Maintenance	2.9	383.43	356.98
Freight outward		692.04	753.37
Other expenses	2.10	1616.38	1594.87
Interest & finance charges	2.11	332.13	467.76
Depreciation		1211.48	1207.30
		27907.48	25054.85
Less : Inter Account Adjustments	2.12	1423.08	1352.05
		9439.67	5716.39
Adjustments pertaining to earlier years	2.13	-17.05	-10.65
Profit before tax		9422.62	5705.74
Less : Provision for taxation			
Current tax		3299.12	1915.40
Deferred tax		-71.80	-245.37
Fringe benefit tax		26.48	24.33
Earlier years		-33.47	-1.59
Profit after tax		6202.29	4012.97
Transferred from Bonds Redemption Reserve (net)		38.42	89.31
Accumulated losses of IISCO taken over		0.00	-910.27
Balance brought forward from last year		6698.84	4758.77
Provision towards long term service awards to employees upto 31st March 2006 (net of tax)		-14.50	0.00
Amount available for appropriation		12925.05	7950.78
APPROPRIATIONS			
Amount Transferred to General Reserve		635.00	310.00
Interim dividend		660.86	516.30
Proposed dividend (Final)		619.56	309.78
Tax on Interim dividend		92.69	72.41
Tax on Proposed dividend (Final)		105.29	43.45
Balance carried to Balance Sheet		10811.65	6698.84
		12925.05	7950.78
Earnings per Share (Face value Rupees 10/- each)			
Profit after tax		6202.29	4012.97
Average Number of equity shares		4130400545	4130400545
Basic and Diluted Earnings per share (Rupees)		15.02	9.72

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/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jalan)
Partner

Place : New Delhi
Dated : 21st May, 2007

Cash Flow Statement

Cash Flow Statement for the year	2006-07	2005-06
		(Rupees in crore)
A. Cash flow from Operating Activities		
Net Profit / loss (-) before taxation	9422.62	5705.74
Add / (Less) Adjustments for :		
Depreciation	1236.75	1217.47
Interest Expenses	215.25	467.76
Bad debts written-off	4.59	4.12
Unrealised Foreign Exchange Fluctuation	(5.61)	(20.54)
Provision for Long Term Service Awards	(1.38)	0.00
Provision for diminution in value of investments	3.21	0.00
Provision for Others	(182.31)	428.92
Deferred revenue expenditure (Charged during the year)	127.34	184.08
Profit on sale of Fixed Assets	(13.97)	(58.24)
Interest Income	(752.60)	(461.49)
Dividend Income	(17.34)	(13.66)
Operating cash flow before working capital change	10036.55	7454.16
Adjustments for :-		
(Increase) / Decrease in Inventories	(441.41)	(1766.94)
(Increase) / Decrease in Sundry Debtors	(437.61)	64.45
(Increase) / Decrease in Loans and Advances	(394.54)	(1213.97)
Increase / (Decrease) in Current Liabilities	337.90	79.55
Deferred Revenue Expenditure (Additions)	(40.67)	(46.87)
Cash generated from Operations	9060.22	4570.38
Direct Taxes Paid	(3427.31)	(746.45)
Net Cash from Operating Activities	5632.91	3823.93
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(1137.66)	(896.65)
Proceeds from Sale of Fixed Assets	46.82	87.65
Loans to Subsidiary & Other Companies	25.45	(0.83)
Purchase/Sale of Investments (net)	(225.00)	(60.17)
Interest received	685.52	518.33
Dividend received	17.34	13.66
Net Cash from / (used in) Investing Activities	(587.53)	(337.18)

Cash Flow Statement for the year	2006-07	2005-06
		(Rupees in crore)
C. Cash flow from Financing Activities		
Increase in Reserve & Surplus	2.35	0.21
(Decrease) in Borrowings (net)	(111.49)	(1515.63)
Reversal of Interest on SDF Loans	116.88	0.00
Interest and Finance Charges paid	(509.16)	(621.56)
Dividend Paid	(970.64)	(1259.77)
Tax on Dividend	(136.13)	(176.68)
Net Cash from / (used in) Financing Activities	(1608.19)	(3574.26)
Net Increase in Cash & Cash Equivalents (A+B+C)	3437.19	(87.51)
Cash & Cash Equivalents (Opening)	6172.64	6260.15
Cash & Cash Equivalents (Closing)	9609.83	6172.64
(Represented by Cash & Bank balances)		

Notes :

- 1 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 Accounting Standard-3 issued by The Institute of Chartered Accountants of India.
- 2 Figures in bracket indicate cash outflow.
- 3 Significant Accounting Policies and Notes to Accounts (Schedule 3) form an integral part of the Cash Flow Statement.
- 4 Previous year figures have been rearranged / regrouped wherever necessary to conform to current years classification.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(S.K. Mittal)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jalan)
Partner

Place : New Delhi
Dated : 21st May, 2007



Schedules

FORMING PART OF THE BALANCE SHEET

1.1 : SHARE CAPITAL

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
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, 2007	As at 31st March, 2006
		(Rupees in crore)
Capital Reserve		
As per last Balance Sheet	3.14	1.44
Add : Pursuant to merger of IISCO	<u>0.00</u>	<u>1.70</u>
	3.14	3.14
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.98	8.77
Additions	<u>2.77</u>	<u>0.62</u>
	11.75	9.39
Less : Utilisation	<u>0.42</u>	<u>0.41</u>
	11.33	8.98
Securities Premium	235.29	235.29
Bonds Redemption Reserve		
As per last Balance Sheet	387.25	471.98
Pursuant to merger of IISCO	0.00	4.58
Transferred from Profit & Loss Account	59.40	76.28
Transferred to Profit & Loss Account	<u>97.82</u>	<u>165.59</u>
	348.83	387.25
General Reserve		
As per last Balance Sheet	1137.51	700.00
Surplus pursuant to merger of IISCO	0.00	13.03
Transferred from Profit & Loss Account	635.00	310.00
Adjustment of deferred tax assets of IISCO	<u>0.00</u>	<u>114.48</u>
	1772.51	1137.51
Surplus as per Profit & Loss Account	10811.65	6698.84
	<u>13182.75</u>	<u>8471.01</u>

Schedules

FORMING PART OF THE BALANCE SHEET

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

1.3 : SECURED LOANS

		As at 31st March, 2007	As at 31st March, 2006
			(Rupees in crore)
Working Capital Borrowings from Banks (Including Foreign Currency Demand Loans of Rs.0.00 crores (Previous Year Rs.28.02 crores)		266.24	343.26
	(a)		
Loan from Banks against term deposits		525.00	0.00
	(b)		
Non Convertible Bonds			
Interest Rate	Date of Redemption		
12.95 %	1st December 2007	100.05	100.05
11.30 %	1st June 2008	0.00	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	0.00	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%	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%	1st December 2011	76.90	76.90
12%	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
		765.15	778.90
		1556.39	1122.16
(a)	Secured by hypothecation of all current assets		
(b)	Secured by charges ranking pari-passu inter-se, on all the present and future immovable property at Mouje-Wadej of City Taluka, District Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant.(DSP)		
(c)	Redeemed at par by exercising call option		

Note : Amount repayable within one year as at 31.03.2007, Rs. 625.05 crore (previous year : Rs. Nil crore)

1.4 : UNSECURED LOANS

		As at 31st March, 2007	As at 31st March, 2006
			(Rupees in crore)
Government of India		0.27	0.27
Interest accrued and due thereon		0.58	0.58
		0.85	0.85
Steel Development Fund		204.16	204.16
Interest accrued and due thereon		888.42	908.59
		1092.58	1112.75
Foreign Currency Loans			
Long Term	(a)	512.59	534.71
Short Term		23.06	73.10
		535.65	607.81
Non convertible Bonds	(a)		
Interest Rate	Date of Redemption		
(%)			
12.15%	1st February 2007	0.00	325.00
11.25%	30th March 2007	0.00	99.00
10.25%	3rd June 2007	450.00	450.00
11.60%	12th March 2008	15.00	15.00
10.10%	1st August, 2008	0.00	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
12.10%	12th March 2011	195.00	195.00
11%	1st August, 2011	115.00	115.00
6.4%	15th October, 2010	64.00	64.00
		995.05	1454.05
		2624.13	3175.46

(a) Guaranteed by Government of India / State Bank of India.

(b) Redeemed at par by exercising call option

Note : Amount repayable within one year as at 31.03.2007, Rs.1422.07 crore (previous year : Rs. 1448.23 crore)

Schedules

FORMING PART OF THE BALANCE SHEET

1.5 : FIXED ASSETS

GROSS BLOCK (AT COST)				
Description	As at 31st March, 2006	Additions/ Adjustments	Deductions	As at 31st March, 2007
A. PLANTS, MINES, OTHERS (Rupees in crore)				
Land(including cost of development)				
-Freehold	117.69	-0.04	0.04	117.61
-Leasehold	26.93	0.10	-0.04	27.07
Railway Lines & Sidings	222.76	3.23	0.13	225.86
Roads, Bridges & Culverts	153.89	0.32	0.27	153.94
Buildings	1684.10	1.47	2.32	1683.25
Plant & Machinery				
-Steel Plant	23105.13	571.37	101.58	23574.92
-Others	1634.55	5.02	22.37	1617.20
Furniture & Fittings	74.57	2.65	0.20	77.02
Vehicles	452.35	43.10	5.82	489.63
Water Supply & Sewerage	291.03	7.62	0.30	298.35
EDP Equipment's	193.20	13.43	6.83	199.80
Software (Intangible)	16.19	2.66	0.34	18.51
Mining Rights (Intangible)	188.22	14.35	0.00	202.57
Miscellaneous Articles	228.36	9.09	3.05	234.40
Sub-total 'A'	28388.97	674.37	143.21	28920.13
Figures for the previous year	27942.61	591.98	143.51	28391.08
B. SOCIAL FACILITIES				
Land(including cost of development)				
-Freehold	9.96	0.00	0.00	9.96
-Leasehold	7.09	0.00	0.00	7.09
Roads,Bridges & Culverts	46.78	3.63	0.01	50.40
Buildings	558.44	1.61	1.14	558.91
Plant & Machinery- Others	80.48	8.50	0.67	88.31
Furniture & Fittings	14.61	0.75	0.28	15.08
Vehicles	9.12	0.80	0.81	9.11
Water Supply & Sewerage	113.84	0.91	-0.49	115.24
EDP Equipment's	8.37	1.45	0.27	9.55
Software (Intangible)	0.47	0.00	0.02	0.45
Miscellaneous Articles	97.91	8.86	2.25	104.52
Sub-total 'B'	947.07	26.51	4.96	968.62
Figures for the previous year	926.49	26.24	7.76	944.97
C. ASSETS RETIRED FROM ACTIVE USE				
Unserviceable / Obsolete Assets	24.41	4.42	4.87	23.96
Figures for the previous year	23.75	4.29	3.63	24.41
Total ('A'+ 'B'+ 'C')	29360.45	705.30	153.04	29912.71
Total - previous year	28892.85	622.51	154.90	29360.46

Schedules

FORMING PART OF THE BALANCE SHEET

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2006	For the Year	Less: On sales/ Adjustments	Up to 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
A. PLANTS, MINES, OTHERS (Rupees in crore)						
Land (including cost of development)						
-Freehold	-	-	-	-	117.61	117.69
-Leasehold	9.30	0.48	0.00	9.78	17.29	17.63
Railway Lines & Sidings	156.54	6.01	0.12	162.43	63.43	66.22
Roads, Bridges & Culverts	42.68	2.50	0.11	45.07	108.87	111.21
Buildings	860.15	45.62	1.47	904.30	778.95	823.95
Plant & Machinery						
-Steel Plant	13580.08	1018.70	79.51	14519.27	9055.65	9525.05
-Others	1132.20	56.55	20.47	1168.28	448.92	502.35
Furniture & Fittings	59.46	4.07	0.26	63.27	13.75	15.11
Vehicles	338.46	32.82	5.47	365.81	123.82	113.89
Water Supply & Sewerage	214.04	8.66	0.28	222.42	75.93	76.99
EDP Equipment's	159.87	7.50	6.37	161.00	38.80	33.47
Software (Intangible)	14.49	1.66	0.28	15.87	2.64	1.70
Mining Rights (Intangible)	48.95	16.86	0.01	65.80	136.77	139.27
Miscellaneous Articles	147.97	9.53	2.33	155.17	79.23	80.39
Sub-total 'A'	16764.19	1210.96	116.68	17858.47	11061.66	11624.92
Figures for the previous year	15688.53	1192.91	115.28	16766.16	11624.92	
B. SOCIAL FACILITIES						
Land(including cost of development)						
-Freehold	-	-	-	-	9.96	9.96
-Leasehold	4.62	0.11	0.00	4.73	2.36	2.47
Roads,Bridges & Culverts	16.35	0.78	0.02	17.11	33.29	30.43
Buildings	182.47	9.06	0.70	190.83	368.08	375.97
Plant & Machinery-Others	59.03	2.83	0.58	61.28	27.03	21.45
Furniture & Fittings	11.69	0.45	0.11	12.03	3.05	2.92
Vehicles	6.87	0.34	0.77	6.44	2.67	2.25
Water Supply & Sewerage	83.99	5.30	-0.52	89.81	25.43	29.85
EDP Equipment's	2.61	1.26	0.06	3.81	5.74	5.64
Software (Intangible)	0.25	0.18	0.01	0.42	0.03	0.22
Miscellaneous Articles	66.26	5.59	1.78	70.07	34.45	31.65
Sub-total 'B'	434.14	25.90	3.51	456.53	512.09	512.81
Figures for the previous year	417.54	24.83	10.21	432.16	512.81	
C. ASSETS RETIRED FROM ACTIVE USE						
Unserviceable / Obsolete Assets	-	-	-	-	23.96	24.41
Figures for the previous year	-	-	-	-	24.41	
Total ('A'+ 'B'+ 'C')	17198.33	1236.86	120.19	18315.00	11597.71	12162.14
Total - previous year	16106.07	1217.74	125.49	17198.32	12162.14	

Note : Allocation of Depreciation

	Current Year	Previous Year
(a) Charged to Profit & Loss Account	1211.48	1207.30
(b) Charged to expenditure during construction	0.11	0.27
(c) Debited to adjustments pertaining to earlier years	25.27	10.17
Total	1236.86	1217.74

Schedules

FORMING PART OF THE BALANCE SHEET

1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2007		As at 31st March, 2006	
			(Rupees in crore)	
Expenditure during construction pending allocation (Schedule 1.6.1)	5.51		4.46	
Capital Work-in-progress				
Steel Plants & Units	820.12		469.77	
Township	10.52		9.70	
	830.64		479.47	
Less: Provision	21.37	809.27	21.07	458.40
Capital equipments pending erection, installation and commissioning		194.88		108.89
Construction Stores and Spares	23.15		13.88	
Less: Provision for non-moving items	2.96	20.19	3.35	10.53
Advances	207.64		178.97	
Less: Provision for doubtful advance	1.45	206.19	3.31	175.66
		1236.04		757.94
<u>Particulars of advances</u>				
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs.0.26 crores) (Previous year Rs.Nil crores)		206.19		175.66
Unsecured, Considered Doubtful		1.45		3.31
		207.64		178.97

1.6.1 : EXPENDITURE DURING CONSTRUCTION (pending allocation)

	As at 31st March, 2007		As at 31st March, 2006	
			(Rupees in crore)	
Opening balance (a)		4.46		10.07
Expenditure incurred during the year				
Employees' Remuneration & Benefits				
Salaries & Wages	27.86		16.56	
Company's contribution to Provident Fund	2.64		1.33	
Travel Concession	0.47		0.14	
Welfare Expenses	0.14		0.00	
Gratuity	2.02	33.13	0.03	18.06
Technical Consultants' fees & know-how		6.69		3.47
Repairs & Maintenance		0.11		0.12
Stores and Spares		1.69		0.05
Power & Fuel		5.76		1.48
Other expenses		6.38		1.32
Interest & Finance charges		0.88		4.69
Depreciation		0.11		0.27
		54.75		29.46
Less: Recoveries				
Liquidated Damages	6.35		4.21	
Hire Charges	0.37		1.94	
Sundries	1.08	7.80	2.47	8.62
Net expenditure during the year (b)		46.95		20.84
Total (a)+(b)		51.41		30.91
Less : Amount allocated to Fixed Assets/ Capital Work-in-progress		45.90		26.45
Balance carried forward				
Total		5.51		4.46

Schedules

FORMING PART OF THE BALANCE SHEET

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

1.7 : INVESTMENTS AT COST — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face Value per Share (Rs.)	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>				
(A) Unquoted				
Trade Investments				
Subsidiary Companies				
Maharashtra Elektrosnelt Limited	2,37,87,935	10	23.79	23.79
IISCO Ujjain Pipe & Foundary Company Limited (under liquidation)	30,00,000	10	3.00	26.79
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)	39,02,50,050	10	390.25 \$	58.65
Bokaro Power Supply Company Pvt Limited	8,40,25,000	10	84.02	84.02
Bhilai Electric Supply Company Pvt Limited (10,66,00,000)	-		0.00 \$	106.60
SAIL- Bansal Service Centre Limited	32,00,000	10	3.20	3.20
Mjunction Services Limited	40,00,000	10	4.00	4.00
Romelt SAIL (India) Limited	63,000	10	0.06	482.69
Others				
Tata Refractories Limited	22,03,150	10	11.35	11.35
Almora Magnesite Limited	40,000	100	0.40	0.40
Indian Potash Limited	3,60,000	10	0.18	0.18
Cement & Allied Products (Bihar) Limited	2	10	0.00 *	0.00 *
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	0.00 *	0.00 *
Bhilai Power Supply Company Limited	5	10	0.00 *	0.00 *
MSTC Limited	20,000	10	0.01	0.01
Bihar State Finance Corporation	500	100	0.01	0.01
Shares in Co-operative Societies (1.7.1)			0.18	12.13
Total (A)			521.61	296.61
(B) Quoted				
HDFC Limited	12,000	10	0.01	0.01
HDFC Bank Limited	500	10	0.00 *	0.00 *
ICICI Bank Limited	28600	10	0.05	0.06
Total (B)			0.06 @	0.06
Total (A+B)			521.67	296.67
Less : Provision for diminution in value of investments			7.88	4.67
			513.79	292.00
@ Market value of quoted investments			4.31	3.33

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

\$ Bhilai Electric Supply Company Private Ltd. has merged
with NTPC-SAIL Power Company Pvt Limited w.e.f. 5th September, 2006



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1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Numer of Fully Paid-up Shares	Face Value per Share (Rs.)	As at 31st March, 2007	As at 31st March, 2006
<i>(In Rupees)</i>				
Bokaro Steel Employees' Co-operative Credit Society Limited	116500	10	1165000	1165000
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
IISCO Employees' Primary Co-operative Stores Limited	23000	20	460000	460000
			1772700	1772700

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1.8 : INVENTORIES*

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Stores & spares	1386.52	1252.93
Add: In-transit	130.93	122.47
	1517.45	1375.40
Less: Provision for Non Moving/Obsolete items	160.78	160.13
	1356.67	1215.27
Raw materials	1201.81	1133.49
Add: In-transit	580.87	637.95
	1782.68	1771.44
Less: Provision for unusable materials	1.85	1.47
	1780.83	1769.97
Finished / Semi-finished products (including scrap)	3513.97	3224.82
	6651.47	6210.06

* As certified by the Management and valued as per Accounting Policy No. 1.7

1.9 : SUNDRY DEBTORS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Debts over six months	274.91	324.75
Other debts	2242.12	1765.73
	2517.03	2090.48
Less: Provision for doubtful debts	202.28	208.75
	2314.75	1881.73
Particulars		
Unsecured, considered good (Including debts backed by bank guarantees Rs.550.92 crores, Previous year Rs.483.06 crores)	2314.75	1881.73
Unsecured, considered doubtful	202.28	208.75
	2517.03	2090.48

1.10 : CASH & BANK BALANCES

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Cash and Stamps on hand	1.67	1.62
Cheques on hand	418.55	275.12
With Scheduled Banks		
Current accounts	12.84	58.09
Unpaid Dividend account	4.30	3.27
Term deposits	9172.47 *	5830.81
	9189.61	5892.17
Remittances-in-transit	0.00	3.73
	9609.83	6172.64

* Deposits of Rs. 566.50 crore under Bank lien against loans.



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1.11 : OTHER CURRENT ASSETS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Interest Receivable/Accrued		
Loans to subsidiary company	0.58	0.58
Loans to other companies	0.63	0.63
Term Deposits	107.43	30.73
Employees	39.36	48.91
Others	9.68	9.75
	157.68	90.60
Less: Provision for doubtful interest	5.12	5.12
	152.56	85.48
Particulars		
Unsecured, considered good	152.56	85.48
Unsecured, considered doubtful	5.12	5.12
	157.68	90.60

1.12 : LOANS & ADVANCES

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Loans		
Employees	269.02	193.26
Subsidiary Company	2.38	2.38
Others	35.43	60.88
	306.83	256.52
Advances recoverable in cash or in kind or for value to be received		
Claims	623.50	455.62
Contractors & suppliers	116.56	115.18
Employees	19.47	15.19
Income tax paid in advance / recoverable	10.50	10.23
Export Incentive	107.07	22.49
Subsidiary Company	14.04	14.04
Others	317.44	291.13
	1208.58	923.88
Deposits		
Port trust, Excise authorities, Railways, etc.	108.30	132.73
Others	200.18	148.43
	308.48	281.16
	1823.89	1461.56
Less : Provision for doubtful Loans & Advances	173.88	180.64
	1650.01	1280.92
Particulars of Loans & Advances- Others		
Secured, considered good	238.60	184.13
Unsecured, considered good	1411.41	1096.79
Unsecured, considered doubtful	173.88	180.64
	1823.89	1461.56
Amount due from		
– Directors	0.01	0.00
Maximum amount due at any time during the year from		
– Directors	0.01	0.02

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1.13 : CURRENT LIABILITIES

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Sundry creditors		
Capital works	361.76	316.13
Small Scale Industrial Undertakings	10.73	11.35
Subsidiary company	12.24	1.13
Others	2160.34	2098.75
Advances from		
Customers	615.71	522.59
Others	15.97	13.67
Security deposits	257.83	232.37
Less : Investments received as security deposit	0.07	0.07
Interest accrued but not due on Loans	198.79	375.82
Liability towards Investor Education and Protection Fund, not due		
Unpaid Dividends	4.30	3.27
Unclaimed Matured Deposits *	2.19	5.20
Unclaimed Matured Bonds	0.20	0.60
Interest Accrued on unclaimed Deposits / Bonds	0.74	2.59
Other liabilities	1757.47	1608.30
	5398.20	5191.70

* Includes an amount of Rs 0.02 crore credited to Investor's Education & Protection Fund.
(Previous years Rs. 0.06 crore)

1.14 : PROVISIONS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Gratuity	1718.20	2289.75
Accrued Leave	1371.43	1223.82
Employee Defined Benefit Schemes	736.26	692.01
Taxation	44.32	186.85
Pollution Control & Peripheral Development	83.11	86.44
Exchange Fluctuation	0.00	13.95
Proposed Dividend	619.56	309.78
Tax on Proposed Dividend	105.29	43.45
Voluntary Retirement Scheme	58.92	84.29
Wage Revision	512.58	342.52
Mines Afforestation / Restoration / Closure etc.	223.96	142.23
Others	77.15	68.45
Total	5550.78	5483.54

1.15 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 31st March, 2006	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2007
<i>(Rupees in crore)</i>					
(i) Development Expenditure On Mines	3.34	0.00	3.34	3.34	0.00
Total (i)	<u>3.34</u>	<u>0.00</u>	<u>3.34</u>	<u>3.34</u>	<u>0.00</u>
(ii) Deferred Revenue Expenditure Voluntary Retirement Compensation	212.38	40.67	253.05	123.90	129.15
Others	0.10	0.00	0.10	0.10	0.00
Total (ii)	<u>212.48</u>	<u>40.67</u>	<u>253.15</u>	<u>124.00</u>	<u>129.15</u>
Total (i+ii)	<u>215.82</u>	<u>40.67</u>	<u>256.49</u>	<u>127.34</u>	<u>129.15</u>
Previous year	<u>294.93</u>	<u>104.97</u>	<u>399.90</u>	<u>184.08</u>	<u>215.82</u>
				Current Year	Previous Year
Charged to:					
Raw Materials consumed				3.34	6.76
Other Expenses				124.00	177.32
				<u>127.34</u>	<u>184.08</u>

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2.1 : SALES

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Domestic	37894.68	31161.90
Exports	1177.12	1096.99
Export Incentives	116.86	20.86
	<u>39188.66</u>	<u>32279.75</u>

2.2 : INTEREST EARNED

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Customers	38.96	28.57
Employees	10.89	7.90
Term Deposits	657.60	408.53
Others *	45.15	16.49
	<u>752.60</u>	<u>461.49</u>

* (Tax deducted at source Rs.Nil crore)
(previous year Rs.0.83 crore)

2.3 : OTHER REVENUES

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Social amenities-recoveries	143.22	130.04
Sale of empties etc.	58.15	40.15
Liquidated damages	20.67	20.99
Service charges (Gross) *	10.14	10.72
Subsidy, relief and concession	55.30	47.06
Dividend	17.34	13.66
Profit on sale of fixed assets (net)	13.97	58.24
Foreign Exchange Fluctuation (net)	39.78	0.00
Reversal of Interest on SDF Loans	116.88	0.00
Sundries *	304.25	268.32
	<u>779.70</u>	<u>589.18</u>

* (Tax deducted at source Rs.0.03 crore)
(previous year Rs.0.61 crore)

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Loans & advances	11.10	26.69
Sundry debtors	20.26	18.29
Stores & spares	7.06	21.78
Others	20.23	13.42
	<u>58.65</u>	<u>80.18</u>

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

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Opening stock	3224.82	2093.51
Less : Closing stock	3513.97	3224.82
Accretion (–) to stock	-289.15	-1131.31
Less : Excise Duty on accretion (–) to stock	-42.63	120.66
Net Accretion (–) to stock	<u>-246.52</u>	<u>-1010.65</u>

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2007		Year ended 31st March, 2006	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crore	Tonnes	Rs./crore
Iron Ore	24653024	1488.31	23950548	1335.68
Coal	13553723	8483.06	14115529	8022.42
Coke	600670	699.44	589442	652.37
Limestone	3926137	567.22	3942594	506.79
Dolomite	2560930	170.71	2474155	161.98
Ferro Manganese	48872	188.61	43778	191.38
Ferro Silicon	19277	78.97	19685	83.69
Silico Manganese	109594	315.19	105599	341.98
Hot Rolled Stainless Steel Coils	3508	24.89	3393	16.34
Intermediary Products	47166	478.94	44800	355.38
Zinc	8965	156.39	9818	83.93
Aluminium	15899	202.05	14800	141.90
Others		421.13		431.79
		<u>13274.91</u>		<u>12325.63</u>

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2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Salaries & wages	3700.38	3263.66
Company's contribution to provident fund	325.61	304.31
Travel concession	408.75	85.15
Welfare expenses	261.56	184.91
Gratuity	391.46	318.94
	5087.76	4156.97
Less : Grants in Aid received from Government of Karnataka	0.34	0.28
	5087.42	4156.69
Note :		
Expenditure on Employee Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	33.13	18.06
b) Deferred Revenue Expenditure	123.90	176.32
c) Net expenditure on Social Amenities charged to various primary revenue heads	253.50	252.91
	410.53	447.29

2.8 : POWER & FUEL

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Purchased power	1965.29	1995.06
Duty on own generation	32.38	32.49
Boiler Coal/Middlings	156.46	135.50
Furnace Oil/Steam etc.	424.71	330.94
	2578.84	2493.99
Note :		
Expenditure on Power & Fuel not included above & charged to:		
- Expenditure During Construction	5.76	1.48

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2007	Year ended 31st March, 2006
		<i>(Rupees in crore)</i>
Buildings	65.93	55.30
Plant & Machinery	212.13	196.39
Others	105.37	105.29
	<u>383.43</u>	<u>356.98</u>
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	52.36	47.46
Plant & Machinery	724.03	617.12
Others	79.10	64.95
	<u>855.49</u>	<u>729.53</u>
b) Stores & Spares		
Buildings	27.64	22.06
Plant & Machinery	1093.54	1000.05
Others	58.86	53.69
	<u>1180.04</u>	<u>1075.80</u>
c) Expenditure during Construction	0.11	0.12
Total (a+b+c)	<u>2035.64</u>	<u>1805.45</u>

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2.10 : OTHER EXPENSES

	Year ended 31st March, 2007		Year ended 31st March, 2006	
			(Rupees in crore)	
Handling expenses				
– Raw Material	152.65		143.31	
– Scrap recovery	<u>67.36</u>	220.01	<u>60.92</u>	204.23
Royalty and cess		51.21		53.61
Conversion charges		83.25		63.93
Excise Duty on inter-plant transfer / internal consumption		85.65		65.41
Demurrage & wharfage		41.59		90.31
Water charges & Cess on water pollution		35.10		32.98
Insurance		8.13		8.21
Postage, telegram & telephone		14.60		14.61
Printing & stationery		10.45		9.26
Rates & Taxes		25.68		19.62
Rent		24.28		21.50
Security expenses		117.72		108.10
Travelling expenses		191.88		179.12
Training expenses		10.49		7.83
Foreign Exchange Fluctuation (net)		0.00		10.55
Directors' Fees		0.18		0.11
Remuneration to Auditors				
– Audit fees	0.68		0.59	
– Tax Audit fees	0.27		0.20	
– Out of pocket expenses	0.88		0.87	
– In other capacities	<u>0.58</u>	2.41	<u>0.56</u>	2.22
Cost Audit Fees		0.02		0.02
Provisions				
– Doubtful debts, loans and advances	21.38		31.10	
– Investments	3.20		0.00	
– Stores , Spares and Sundries	<u>22.90</u>	47.48	<u>17.06</u>	48.16
Deferred Revenue Expenditure - write-off		124.00		177.32
Miscellaneous write-off		4.59		4.12
Handling expenses - Finished goods		71.88		77.52
Cash Discount		49.87		31.18
Commission to selling agents		9.85		6.35
Export sales expenses		23.08		23.74
Miscellaneous		362.98		334.86
		<u>1616.38</u>		<u>1594.87</u>

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Foreign Currency Loans	44.21	74.58
Non Convertible Bonds	240.85	288.84
Bank borrowings - working capital	3.06	6.06
Steel Development Fund Loans	22.88	50.57
Others	4.28	9.67
Finance Charges	16.85	38.04
	<u>332.13</u>	<u>467.76</u>
Note :		
Expenditure on interest not included above & charged to:		
Expenditure During Construction		
Non Convertible Bonds	0.00	0.01
Steel Development Fund loans	0.88	4.68
	<u>0.88</u>	<u>4.69</u>

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Raw materials	1014.09	986.38
Departmentally manufactured stores	370.59	331.84
Services transferred to capital works	28.43	28.00
Others(Net)	9.97	5.83
	<u>1423.08</u>	<u>1352.05</u>

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Sales	0.16	0.39
Other revenues	-6.76	0.22
Raw materials consumed	0.31	3.02
Stores & spares consumed	-1.04	-1.54
Power & fuel	-0.06	0.02
Employee remuneration and benefits	-0.80	0.00
Repair & Maintenance	-0.03	0.15
Other expenses	0.00	-0.15
Depreciation	25.27	10.17
Interest	0.00	-1.63
Net Debit	<u>17.05</u>	<u>10.65</u>
(-) 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 Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

1.3 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 leasehold 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.

Mining rights are treated as intangible assets and all the related costs thereof are amortised over the lease period.

Software which is not an integral part of related hardware, is treated as intangible asset and amortised over a period of five years or its licence period, whichever is less.

1.4 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.

1.5 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.

1.6 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.

1.7 Inventories

Raw materials, stores & spares and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. In case of identified obsolete/ surplus/ non-moving items, necessary provision is made and charged to revenue. The net realisable value of semi-finished special products, which have realisable value at finished stage only, is estimated for the purpose of comparison with cost.

Iron ore fines not readily useable/saleable, are recognised on disposal.

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

The basis of determining cost is:

Raw materials and Stores & spares – weighted average cost
 Materials in-transit - at cost
 Finished/Semi-finished products – material cost plus appropriate share of labour, related overheads and duties.

1.8 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.

1.9 Voluntary Retirement Compensation

Voluntary retirement compensation is treated as deferred revenue expenditure. Such expenditure incurred upto 31st March, 2006 is written-off in five years and the expenditure incurred thereafter is written-off in equal yearly instalments upto 31st March 2010.

1.10 Foreign Currency Transactions

Monetary assets and liabilities related to foreign currency transactions remaining unsettled 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 acquired from outside India 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.

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

1.11 Employees' Benefits

The provisions towards gratuity, accrued leave, long term service awards, post-retirement medical and settlement benefits, 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 and charged to the profit and loss account alongwith actuarial gains/losses.

1.12 Adjustments pertaining to earlier years and prepaid expenses

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

1.13 Revenue recognition

Sales include excise duty and are net of rebates and price concessions. 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.

1.14 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.

1.15 Deferred Tax

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**

	As at 31st March, 2007	(Rs. in crore) As at 31st March, 2006
i) Claims against the Company pending appellate/judicial decisions :		
a) Excise Duty	1313.74	1131.60
b) Sales Tax on inter-state stock transfers from plants to stockyards*	1178.18	1145.12
c) Other sales tax matters	121.76	156.91
d) Income Tax	0.71	2.40
e) Other duties, cess and levies	159.94	131.85
f) Civil matters **	86.34	86.17
g) Miscellaneous **	172.03	175.70
* No liability is expected to arise, as sales tax has been paid on eventual sales.		
** includes claims of Rs.19.01 crore (Rs.17.90 crore), against which there are counter-claims of Rs.25.82 crore (Rs.12.07 crore).		
ii) Other claims against the Company not acknowledged as debt:		
a) Duties, cess and levies	4.91	4.42
b) Civil matters	151.17	99.23
c) Miscellaneous \$	317.29	682.88
\$ includes claims of Rs. 55.83 crore (Rs.73.46 crore), against which there are counter-claims of Rs. 50.82 crore (Rs. 62.66 crore).		
iii) Disputed income tax/service tax demand on joint venture company for which company may be contingently liable under the joint venture agreement	80.70	58.88
iv) Guarantees/counter-guarantees given to banks/excise authorities on behalf of a subsidiary company and a joint venture company.	31.40	31.40
v) Bills drawn on customers and discounted with banks.	17.01	23.89
vi) Price escalation claims by contractors/suppliers and claims by certain employees, extent whereof is not ascertainable	-	-

(Figures in brackets pertain to previous year).

3. FIXED ASSETS**3.1 Land includes:**

- i) 62232.17 acres (62264.43 acres) owned / possessed / taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- ii) 5951.54 acres (5938.50 acres) given on lease to various agencies/ employees/ex-employees.
- iii) 9717.66 acres (9717.66 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.
- iv) 27.42 acres (27.42 acres) in respect of which title is under dispute.

3.2 Buildings include net block of Rs. 37.50 crore (Rs. 38.46 crore) for which conveyance deed is yet to be registered in the name of the Company.

3.3 Foreign exchange variations aggregating to Rs.5.61 crore (net debit) [previous year – Rs. 17.36 crore (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. 1970.72 crore (Rs.1974.77 crore).

(Figures in brackets pertain to previous year).

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 revised the rules for computation of certain perquisites. The Employees' Union/Association filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Hon'ble Court's orders, the amount of tax deducted at source on house perquisite w.e.f. 1st April 2003

and other perquisites w.e.f. 1st October 2001, upto 31st March 2005 has been kept separately as term deposits with banks, pending final decision of the Hon'ble Court. Such deductions and deposits after 31st March 2005, have been made in accordance with amended law/judicial decisions. The provisions contained in the Finance Act 2007, applicable with retrospective effect from 1st April 2001, shall be given effect to after examining various aspects. However, there is no impact on accounts of the company as the additional tax, if required, shall be recoverable from the employees.

- 4.2 The amount due to Small Scale Industrial Undertakings (as disclosed in schedule 1.13 – 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.
- 4.3 There are no reported Micro, Small and Medium Enterprises as defined in the 'The Micro, Small and Medium Enterprises Development Act, 2006', to whom the Company owes dues.
- 4.4 Balances shown under creditors, debtors, claims recoverable 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.

5. PROFIT & LOSS ACCOUNT

- 5.1 The long-term agreement for wage revision expired on 31st December, 2006. Pending finalisation of fresh agreement w.e.f. 1st January 2007, provision of Rs.170.07 crore towards salaries and wages revision, has been made on estimated basis.
- 5.2 In view of encashment option allowed during the year under leave travel concession facility, an amount of Rs. 97.75 crore, in respect of employees, who have not availed the facility upto 31st March, 2007, has been provided.
- 5.3 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.
- 5.4 The Research and Development expenditure charged during the year to Profit & Loss Account and Fixed Assets amount to Rs.71.30 crore (previous year -Rs. 60.25 crore) and Rs.5.55 crore (previous year -Rs.3.23 crore) respectively.
- 5.5 The Company has represented to the Government of India 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, an amount of Rs. 17.39 crore (including Rs. 2.88 crore for the year) has been provided.
- 5.6 The interest accrued and due on Steel Development Fund (SDF) loans, treated as fresh loans w.e.f. 1999-2000, pending approval by the SDF Managing Committee, has been re-computed in view of the decision of the Committee during the year, of not allowing the Company's applications for treating the interest due as fresh loans. This has resulted in increase in profit before tax by Rs.117.58 crore. The carrying amount of fixed assets has also decreased by Rs.29.28 crore.
- 5.7 In view of the uncertainties involved in the ultimate realisation of duty free entitlement under the Duty Free Credit Entitlement Scheme relevant to the year of exports, i.e. 2003-04, a sum of Rs. 81.29 crore earned during the year has been shown under 'Export Incentives' in Schedule 2.1 of Profit & Loss Account.
- 5.8 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. On such review as at 31st March, 2007, wherever there was an indication of impairment, the net realisable value thereof, as assessed by an independent agency as at 31st March, 2005, being more than the carrying amount, no provision is required to be made.
- 5.9 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 Employee Benefits

6.1.1. General description of defined benefit schemes:

Gratuity

- Payable on separation @ 15 days pay for each completed year of service to eligible employees who render continuous service of 5 years or more. Maximum amount in the case of executive employees is Rs. 3.50 lakh.

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Leave Encashment	- Payable on separation to eligible employees who have accumulated earned and half pay leave. Encashment of accumulated earned leave is also allowed upto 30 days once in a financial year.
Post Retirement Medical Benefits	- Available to retired employees at company's hospitals and/or under the health insurance policy.
Post Retirement Settlement Benefits	- Payable to retiring employees for settlement at their home town.
Employees' Family Benefit Scheme	- Monthly payments to disabled separated employees/legal heirs of deceased employees in lieu of prescribed deposit till the notional date of superannuation.
Long Term Service Award	- Payable in kind on rendering minimum 25 years of service and also on superannuation.

6.1.2 Other disclosures, as required under Accounting Standard (AS) – 15 (revised) on 'Employee Benefits', in respect of defined benefit obligations are :

(a) Reconciliation of present value of defined benefit obligations :

(Rs. in crore)

Sl. No.	Particulars	Gratuity	Leave Encashment	Post Retirement Medical Benefits	Post Retirement Settlement Benefit	Long Term Service Award	Employees' Family Benefit Scheme
i)	Present value of projected benefit obligations, as at 1 st April, 2006	2289.75	1223.82	430.64	59.69	21.86 *	201.68
ii)	Service Cost	92.86	19.07	7.68	3.03	1.03	0.00
iii)	Interest Cost	161.46	81.95	30.08	4.59	1.56	13.38
iv)	Actuarial gains(-) / losses(+)	139.13	271.56	-5.71	3.45	-1.60	24.47
v)	Past Service Cost	0.00	0.00	0.00	0.00	0.00	0.00
vi)	Benefits paid	215.00	224.97	14.75	4.96	2.39	37.47
vii)	Present value of projected benefit obligations as on 31 st March, 2007 (i+ii+iii+iv-v-vi)	2468.20	1371.43	447.94	65.80	20.46	202.06

*This being in the nature of transitional provisions as per AS-15 (revised), has been adjusted (net of tax) during the year against opening balance in the profit and loss account.

(b) As against gratuity liability of Rs.2468.20 crores, as at 31st March, 2007, the Company has funded a sum of Rs. 750.00 crores through a separate Gratuity Fund. The plan assets of the Fund amounted to Rs. 755.21 crores as at 31st March, 2007. The other defined benefit obligations are unfunded.

(c) Expenses recognised in the statement of Profit & Loss Account for the year ended 31st March, 2007 :

(Rs. in crore)

Sl. No.	Particulars	Gratuity	Leave Encashment	Post Retirement Medical Benefits	Post Retirement Settlement Benefit	Long Term Service Award	Employees' Family Benefit Scheme
i)	Service Cost	92.86	19.07	7.68	3.03	1.03	0.00
ii)	Interest Cost	161.46	81.95	30.08	4.59	1.56	13.38
iii)	Actuarial gains (-)/losses	139.13	271.56	-5.71	3.45	-1.60	24.47
iv)	Past Service Cost	0.00	0.00	0.00	0.00	0.00	0.00
v)	Expected return on plan assets	0.00	0.00	0.00	0.00	0.00	0.00
vi)	Amount charged to -Employees Remuneration and Benefits (Schedule 2.7)	393.45	372.58	32.05		0.99	37.85
	Charged to EDC	1.99					
	Charged to P&L Account	391.46					
	-Other expenses (schedule 2.10) (i+ii+iii+iv-v)				11.07		

(d) Effect of one percentage point change in the assumed inflation rate in case of valuation of benefits under post-retirement medical benefits scheme.

(Rs. in crore)

Sl. No.	Particulars	One percentage point increase in medical inflation rate	One percentage point decrease in medical inflation rate
i)	Increase/(decrease) on aggregate service and interest cost of post retirement medical benefits	1.06	(1.13)
ii)	Increase/(decrease) on present value of defined benefit obligations as at 31 st March, 2007	39.85	(29.87)

(e) Actuarial assumptions

Sl.No.	Description	As at 31 st March, 2007
i)	Discount Rate (per annum)	8%
ii)	Mortality rate	Indian assured lives mortality (1994-96)(modified) Ultimate
iii)	Withdrawal rates (per annum)	Executives-2% Non-executives- 1% to 3% depending on age
iv)	Medical cost trend rates (per annum)	5% for hospital cost and Nil for Medi-claim premium.
v)	The estimate of future salary increases considered in actuarial valuation, takes into account inflation rate, seniority, promotion and other relevant factors.	

6.2 Segment Reporting

- Business Segments: The five 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.
- Geographical segments have been considered for Secondary Segment Reporting, by treating sales revenue in India and foreign countries as separate geographical segments.

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

6.3 Related Party

As per Accounting Standard - 18 - 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, the names of the related parties are given below: -

Nature of Relationship	Name of the related party
Joint Ventures	SAIL Bansal Service Centre Limited Mjunction Services Limited UEC-SAIL Information Technology Limited Romelt SAIL (India) Limited N.E Steel & Galvanising Pvt. Limited
Nature of Relationship	Name of the related party
Key Management Personnel	Shri V.S. Jain (upto 31 st July 2006) Shri S.K. Roongta Shri G.C. Daga (upto 2 nd September 2006) Shri R.P. Singh (upto 30 th June 2006) Shri K.K. Khanna Shri Nilotpal Roy Shri V. Shyam Sunder (w.e.f. 5 th June 2006) Shri B.N. Singh (w.e.f. 13 th June 2006) Shri V.K. Srivastava (w.e.f. 13 th June 2006) Shri G. Ojha (w.e.f. 1 st July 2006) Shri R. Ramaraju (w.e.f. 7 th July 2006) Shri Soiles Bhattacharya (w.e.f. 23 rd February, 2007) Shri S.Chakroborty (upto 31 st May 2006) Shri D.S.Lal (upto 31 st Aug 2006) Shri N.P. Jayaswal (upto 30 th Sept 2006) Shri T.K.Charkavarty (upto 30 th Nov 2006) Shri P.M. Balasubramaniam Shri M. Roy

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	Shri R.K. Sarangi Shri A.K. Sarkar Shri GIS Chauhan (w.e.f. 1 st June to 31 st Oct 2006) Shri H.K. Roy Choudhury (upto 31 st Dec 2006) Shri M.K. Bhattacharya (from 1 st October to 23 rd October 2006 and w.e.f. 1 st January 2007) Shri S.P. Patnaik (w.e.f. 24 th October 2006) Shri A.S. Mathur (w.e.f. 26 th Oct 2006) Shri Jagdish Singh (w.e.f. 1 st Nov 2006) Shri R.K. Agarwal (w.e.f. 1 st Dec. 2006) Shri Rajesh Singh (w.e.f. 1 st Sep to 25 th Oct 2006)
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The details of transactions between the Company and the related parties, as defined in the Accounting Standard, during the year, are given below:

(Rs. in crore)

Sl. No.	Nature of transaction	Joint Ventures		Key Management Personnel		Schedule No. and Account head
		For the year	As at 31 st March 2007	For the year	As at 31 st March, 2007	
i)	Investments		7.44 (7.44)			1.7: Investments-Long Term
ii)	Provision for Investment	3.20 (-)	3.44 (0.24)			2.10: Other Expenses
iii)	Other Loans/ Advances		1.39 (1.39)	0.03 (-)	0.03 (-)	1.12: Loans & Advances – Others
iv)	Provision for Loans and Advances		1.39 (1.39)			
v)	Dividend Received	4.20 (2.64)				2.3: Other Revenues
vi)	Managerial Remuneration			1.56 (1.35)		2.7: Employee Remuneration and Benefits
vii)	Services rendered	17.16 (11.46)				2.10: Other Expenses

Figures in brackets pertain to previous year.

- 6.4 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 2007, has been accounted for, as detailed below:

	As on 31st March 2007	As on 31st March 2006
		(Rs. in crore)
Deferred tax liability		
Difference between book and tax depreciation	2707.79	2889.53
Total	2707.79	2889.53
Deferred tax assets		
Retirement Benefits	584.02	770.73
Others	711.11	634.34
Total	1295.13	1405.07
Net Deferred tax liability	1412.66	1484.46

- 6.5 As per Accounting Standard - 27 - 'Financial reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India, the Company's share of ownership interest, assets, liabilities, income, expenses, contingent liabilities and capital commitments in the joint venture companies, all incorporated in India, are given below:

(Rs. in crore)

Sl. No	Name of the Joint Venture Company	% of Company's ownership interest	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
1.	NTPC SAIL Power Company Pvt. Limited (@)	50	998.48	564.49	118.54	101.59	3.65	508.84
2.	Bokaro Power Supply Co. Pvt. Ltd. (\$)	50	261.19	102.94	172.46	151.44	-	139.10
3.	Mjunction Services Limited (@)	50	40.64	29.21	25.41	17.62	-	-
4.	SAIL Bansal Service Centre Limited (\$)	40	9.90	6.70	15.76	16.56	-	-
5.	Romelt SAIL (India) Limited (#)	15	0.02	0.04	0.01	0.04	-	-
6.	UEC SAIL Information Technology Limited (\$)	40	0.55	0.94	0.06	0.17	0.45	-
7.	North Bengal Dolomite Limited (*)	50	0.29	2.08	0	1.27	-	-
8.	N.E Steel & Galvanising Pvt. Limited (\$)	49	9.34	4.95	-	-	-	-

@ Based on audited Accounts for the year 2006-07

\$ Based on unaudited Accounts for the year 2006-07

* Operations under suspension and based on unaudited Accounts for the year 2006-07

Based on unaudited Accounts for the year 2005-06

- 6.6 Disclosures of provisions required by Accounting Standard (AS) 29 'Provisions, Contingent Liabilities and Contingent Assets :

Brief Description of Provisions :

Mines affore-station costs	- Payable at the time of renewal (including deemed renewal) of mining leases to Government authorities, towards afforestation cost at mines for use of forest land for mining purposes.
Mines closure costs	- Estimated liability towards closure of mines, to be incurred at the time of cessation of mining activities.
Overburden backlog removal costs	- To be incurred towards removal of overburden backlog at mines over the future years.

(Rs. in crore)

Movement of provisions	Mines affore-station costs	Mines closure costs	Overburden removal costs	Total
Balance as at 1 st April, 2006	111.31	30.92	0.00	142.23
Additions during the year	14.08	10.33	61.12	85.53
Amounts utilised during the year	3.80	0.00	0.00	3.80
Balance as at 31 st March, 2007	121.59	41.25	61.12	223.96

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

i) In respect of subsidiary company:

(Rs. in crore)

Name of the subsidiary Company	Loans and advances in the nature of loans outstanding as on 31st March 2007	Maximum amount of loans and advances in the nature of loans outstanding during the year 2006-07
IISCO Ujjain Pipe and Foundry Co. Limited (under liquidation)	16.42*	16.42

* Being doubtful of recovery, fully provided for.

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.

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

Own Products	Installed Capacity	Production
		(Quantity : Tonnes)
Main Steel Plants		
Pig Iron	1740000 (1740000)	451636 (555732)
Crude Steel (i)	12987000 (12987000)	13194395 (13177546)
Saleable Steel	10990000 (10990000)	12126799 (11623033)
Alloy Steels Plants		
Pig Iron	58000 (58000)	47292 (20065)
Crude Steel	352000 (339078)	308744 (292966)
Saleable Steel	457000 (456000)	454387 (427279)

Notes: i) Crude Steel installed capacity is in terms of solid steel as per International Iron & Steel Institute.

ii) "Licensed Capacity" Not applicable (N.A.) in terms of Government of India Notification No. S.O.477(E) dated 25th July, 1991.

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

Class of Products	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
(Quantity : Tonnes) (Value : Rs. /crore)								
OWN PRODUCTS								
Main Steel Plants								
Pig Iron	96590	110.71	-	-	379192	618.34	71041	94.24
	(93389)	(101.06)	(-)	(-)	(404418)	(577.81)	(96590)	(110.71)
Steel Ingots	195807	293.62	-	-	2716	5.64	143287	234.27
	(73805)	(110.27)	(-)	(-)	(2952)	(6.15)	(195807)	(293.62)
Saleable steel - Finished	570230	1094.83	-	-	11444618	34620.81	685270	1457.36
	(442268)	(785.70)	(-)	(-)	(10952437)	(28458.09)	(570230)	(1094.83)
Saleable steel - Semi Finished	317019	523.93	-	-	-	-	263540	504.29
	(189228)	(293.02)	(-)	(-)	(-)	(-)	(317019)	(523.93)
ALLOY STEELS PLANTS								
Pig Iron	4630	6.62	-	-	43978	69.88	2628	4.47
	(7370)	(12.16)	(-)	(-)	(21076)	(32.82)	(4630)	(6.62)
Steel Ingots	10253	45.02	-	-	0	0.00	11992	49.78
	(8419)	(23.98)	(-)	(-)	(0)	(0.00)	(10253)	(45.02)
Saleable steel - Finished	79730	407.45	-	-	425100	2387.37	64190	401.08
	(42202)	(253.12)	(-)	(-)	(359781)	(1786.90)	(79730)	(407.45)
Saleable steel - Semi Finished	36995	230.73	-	-	-	-	24633	183.79
	(31439)	(199.58)	(-)	(-)	(-)	(-)	(36995)	(230.73)
SUNDRIES								
Middlings/Rejects	91584	2.38	-	-	81173	5.15	175273	5.70
	(0)	(4.52)	(-)	(-)	(129719)	(6.63)	(91584)	(2.38)
Others (By-products etc.)		509.24		-		1480.51		578.98
		(309.66)		(-)		(1343.64)		(509.24)
TRADING ACTIVITIES								
Indigenous Steel	0	0.29	90	1.29	90	0.96	0	0.01
	(0)	(0.44)	(21723)	(65.49)	(21723)	(67.71)	(0)	(0.29)
		<u>3224.82</u>		<u>1.29</u>		<u>39188.66</u>		<u>3513.97</u>
		(2093.51)		(65.49)		(32279.75)		(3224.82)

Note : 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.

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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)
			(Quantity : Tonnes)	
Opening Stock	96590 (93389)	4630 (7370)	570230 (442268)	79730 (42202)
Production	451636 (555732)	47292 (20065)	12126799 (11623033)	454387 (427279)
Total	548226 (649121)	51922 (27435)	12697029 (12065301)	534117 (469481)
Sales	379192 (404418)	43978 (21076)	11444618 (10952437)	425100 (359781)
Inter Plant Transfers	47550 (20174)	0 (0)	419080 (322225)	39640 (31051)
Internal Consumption (incl. for capital works)	58488 (103311)	5960 (0)	79518 (85604)	673 (428)
Assorted length/Cuttings/Ingot etc.	0 (2720)	0 (0)	95226 (132525)	3422 (2613)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	-11639 (14703)	0 (2098)	-33821 (-5574)	27 (-3041)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	3594 (7205)	-644 (-369)	7138 (7854)	1065 (-1081)
Closing Stock	71041 (96590)	2628 (4630)	685270 (570230)	64190 (79730)
Total	548226 (649121)	51922 (27435)	12697029 (12065301)	534117 (469481)

Opening and closing stock of Saleable steel pertain to finished products.

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

	Current Year	Previous Year		
	(Rupees in crore)			
8. Expenditure incurred in foreign currency on account of				
Know-how	42.21	21.69		
Interest	44.44	31.17		
Training expenses & payments to Foreign Technicians	9.41	11.78		
Others	1.97	14.54		
Total	98.03	78.78		
9. Earnings in foreign exchange on account of				
Export of goods (Calculated on FOB basis)	1169.48	1091.11		
Royalty, Know-how, professional and consultation fees	0.07	0.53		
	1169.55	1091.64		
10. Value of imports (Calculated on CIF basis)				
Raw materials	6782.50	5786.19		
Capital goods	111.70	66.06		
Stores, Spares and Components	386.97	295.93		
Total	7281.17	6148.18		
11. Value of raw materials consumed				
	Rs./crore	%	Rs./crore	%
Imported	7237.99	54.52	6233.51	50.57
Indigenous	6036.92	45.48	6092.12	49.43
	13274.91	100.00	12325.63	100.00
12. Value of stores/spares & components consumed				
Imported	276.01	9.27	277.47	10.50
Indigenous	2701.76	90.73	2366.00	89.50
	2977.77	100.00	2643.47	100.00
13. Remittance in foreign currencies for dividends :				
The Company has not remitted any amount in foreign currencies on account of interim / final 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 / final dividends have been made by / on behalf of non-resident shareholders. The particulars of final dividend for the year 2005-06 and interim dividend for the year 2006-07 on account of non-resident shareholders are as under :-				
	Current Year	Previous Year		
Final Dividend (2005-06)				
a) Number of non-resident shareholders	1501	1408		
b) Number of ordinary shares held by them	219860619	151141323		
c) Amount of Dividend (Rs. in Crore)	16.49	27.21		
Interim Dividend (2006-07)				
a) Number of non-resident shareholders	1141	1705		
b) Number of ordinary shares held by them	258779724	170715499		
c) Amount of Dividend (Rs. In Crore)	41.40	21.34		
14. Particulars of Directors' Remuneration*				
Salaries	0.62	0.51		
Company's contribution to provident fund & other funds	0.08	0.07		
Leave travel concession	0.00	0.01		
Medical benefits	0.05	0.02		
Provision for gratuity/accrued Leave	0.15	0.07		
Estimated value of perquisites (Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable).	0.05	0.01		
Total	0.95	0.69		
* Excluding sitting fees to independent directors				
15. Previous years' figures have been re-arranged/re-grouped/re-cast, wherever necessary				

16. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. REGISTRATION DETAILS**Registration No.

					6	4	5	4
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State Code

5	5
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Balance Sheet Date

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0	3
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0	7
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**II. CAPITAL RAISED DURING THE YEAR
(Amount in Rs. Lakh)**Public Issue

			N	I	L			
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Rights Issue

			N	I	L			
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Bonus Issue

			N	I	L			
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Private Placement

			N	I	L			
--	--	--	---	---	---	--	--	--

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS
(Amount in Rs. Lakh)**Total Liabilities

		2	2	9	0	6	3	3
--	--	---	---	---	---	---	---	---

Total Assets

		2	2	9	0	6	3	3
--	--	---	---	---	---	---	---	---

Sources of FundsPaid-up Capital

			4	1	3	0	4	0
--	--	--	---	---	---	---	---	---

Reserves & Surplus

		1	3	1	8	2	7	5
--	--	---	---	---	---	---	---	---

Secured Loans

			1	5	5	6	3	9
--	--	--	---	---	---	---	---	---

Unsecured Loans

			2	6	2	4	1	3
--	--	--	---	---	---	---	---	---

Application of FundsNet Fixed Assets

		1	1	5	9	7	7	1
--	--	---	---	---	---	---	---	---

Investments

			5	1	3	7	9
--	--	--	---	---	---	---	---

Net Current Assets

			9	4	2	9	6	4
--	--	--	---	---	---	---	---	---

Misc. Expenditure

			1	2	9	1	5
--	--	--	---	---	---	---	---

Accumulated Losses

			N	I	L			
--	--	--	---	---	---	--	--	--

**IV. PERFORMANCE OF THE COMPANY
(Amount in Rs. Lakh)**Turnover/Other Income

		3	5	9	2	4	0	7
--	--	---	---	---	---	---	---	---

Total Expenditure

		2	3	7	1	3	4	5
--	--	---	---	---	---	---	---	---

Profit Before Tax

			9	4	2	2	6	2
--	--	--	---	---	---	---	---	---

Profit After Tax

			6	2	0	2	2	9
--	--	--	---	---	---	---	---	---

Earnings per Share in Rs.

			1	5	.	0	2
--	--	--	---	---	---	---	---

Dividend Rate (%)

							3	1
--	--	--	--	--	--	--	---	---

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY
(As per Monetary Terms)**Item Code No. (ITC code) :

7	2	0	8	3	7		9	0	/	7	2	0	8	3	8		9	0
7	2	0	8	3	9		9	0										

Product Description : HOT ROLLED COILS

Item Code No. (ITC code) :

7	2	0	8	.	5	1	1	0	/	7	2	0	8	.	5	2	1	0
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Product Description : PLATES

Item Code No. (ITC code) :

7	3	0	2	1	0		1	0	/	7	3	0	2	1	0		9	0
---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---

Product Description : RAILS

Segment Information for the year ended 31st March, 2007
A. BUSINESS SEGMENT
(Rupees in crore)

PARTICULARS	BSP	DSP	RSP	BSL	ISP	ASP	SSP	VISL	Others	Inter Segment Sales	SAIL
REVENUE											
- External Sales											
Current year	13526.31	4287.68	6335.90	11004.69	1482.37	531.90	1299.27	711.75	8.79		39188.66
Previous year	(11217.27)	(3760.49)	(4586.65)	(9537.37)	(1339.23)	(495.05)	(770.12)	(633.03)	(3.30)	(-62.76)	(32279.75)
- Internal Segment Sales											
Current year	341.56	200.39	59.11	514.52	108.19	240.10	5.97	36.74	554.86	-2061.44	0.00
Previous year	(169.25)	(79.41)	(46.07)	(531.89)	(19.35)	(174.16)	(14.92)	(23.81)	(482.95)	(-1541.81)	(0.00)
- Total Revenue											
Current year	13867.87	4488.07	6395.01	11519.21	1590.56	772.00	1305.24	748.49	563.65	-2061.44	39188.66
Previous year	(11386.52)	(3839.90)	(4632.72)	(10069.26)	(1358.58)	(669.21)	(785.04)	(656.84)	(486.25)	(-1604.57)	(32279.75)
RESULT											
- Operating profit / (-) loss (Before Interest expenses)											
Current year	4286.24	639.23	1369.20	2771.13	-245.37	22.73	123.55	-29.80	817.84		9754.75
Previous year	(2921.70)	(311.24)	(608.74)	(2169.72)	(-242.21)	(30.15)	(-56.92)	(29.95)	(401.13)		(6173.50)
- Interest expenses											
Current year											332.13
Previous year											(467.76)
- Income tax (including Adjustments of earlier year)											
Current year											3220.33
Previous year											(1692.77)
- Net Profit / Loss (-)											
Current year											6202.29
Previous year											(4012.97)
OTHER INFORMATION											
- Segment assets											
Current year	4650.83	3662.67	4318.70	4367.50	941.08	707.13	742.81	628.70	13835.89		33855.31
Previous year	(4321.65)	(3677.46)	(4326.16)	(4373.20)	(1009.72)	(491.10)	(845.45)	(580.05)	(11186.84)		(30811.63)
- Segment Liabilities											
Current year	2208.71	918.80	1193.01	2207.05	1178.46	249.78	137.52	183.80	2671.85		10948.98
Previous year	(1877.93)	(802.40)	(1068.93)	(2088.88)	(1287.75)	(229.56)	(89.38)	(172.27)	(4811.04)		(12428.14)
- Capital expenditure											
Current year	459.40	126.40	126.21	213.32	147.51	39.46	14.66	8.84	47.60		1183.40
Previous year	(250.28)	(173.31)	(163.94)	(189.72)	(91.37)	(25.13)	(7.96)	(9.95)	(80.56)		(992.22)
- Depreciation											
Current year	223.43	299.90	291.92	241.09	23.18	9.43	43.36	11.01	68.16		1211.48
Previous year	(204.37)	(295.68)	(288.27)	(253.38)	(26.73)	(9.88)	(43.18)	(10.59)	(75.22)		(1207.30)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year Amount	Previous year Amount
Sales Revenue	<i>(Rupees in crores)</i>	<i>(Rupees in crores)</i>
India	38011.54	31182.76
Foreign Countries	1177.12	1096.99
Total	39188.66	32279.75

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	Social & cultural activities	Co-operative societies	Transport & dairy	Total	Previous year
								(Rupees in crore)
Employees' Remuneration & Benefits								
– Salaries, Wages	114.33	74.81	127.59	3.93	0.41	13.71	334.78	327.05
– Company contribution to PF & other funds	10.23	7.18	12.29	1.11	0.03	1.22	32.06	30.39
– Travel concessions	9.34	3.36	9.44	2.19	0.00	12.78	37.11	5.02
– Welfare expenses	6.51	4.52	25.88	1.96	0.00	0.64	39.51	29.73
– Consumption of medicines	0.00	0.00	48.12	0.04	0.00	0.00	48.16	40.44
– Gratuity	9.15	7.07	8.62	0.33	0.06	1.09	26.32	25.13
Total	149.56	96.94	231.94	9.56	0.50	29.44	517.94	457.76
Stores & Spares	19.93	0.28	2.64	0.28	0.00	2.03	25.16	22.19
Repair & Maintenance	65.62	0.91	2.40	0.12	0.00	0.14	69.19	71.71
Power & Fuel	222.42	1.61	5.20	1.56	0.29	0.28	231.36	222.10
Miscellaneous expenses	23.22	4.55	10.22	1.72	0.00	5.40	45.11	42.12
Depreciation	21.36	0.84	3.18	0.14	0.01	0.37	25.90	24.83
Total	502.11	105.13	255.58	13.38	0.80	37.66	914.66	840.71
Less: Income	107.23	4.84	29.87	0.18	0.00	1.10	143.22	130.04
Net Deficit	394.88	100.29	225.71	13.20	0.80	36.56	771.44	710.67



Auditors' Report

ANNEXURE-I TO THE DIRECTORS' REPORT

COMMENTS

MANAGEMENT'S REPLIES

To

The Members of Steel Authority of India Limited

We have audited the attached Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, as on 31st March 2007, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto, 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.

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.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (hereinafter referred to as "the Order") issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

Further to our comments in the Annexure referred to 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 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' reports have been forwarded to us and have been appropriately dealt with.
3. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited returns from the branches.
4. In our opinion, the Balance Sheet, the Profit & Loss Account and the 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.
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.

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> <ul style="list-style-type: none"> i) in case of Balance Sheet, of the state of affairs of the Company as on 31st March 2007; ii) in case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date. <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>For S.K. Mittal & Co. <i>Chartered Accountants</i></p> <p>Sd/- (S.K. Mittal) <i>Partner</i> (M. No. 8506)</p> </div> <div style="width: 30%;"> <p>For Ray & Ray <i>Chartered Accountants</i></p> <p>Sd/- (R.N.Roy) <i>Partner</i> (M. No. 8608)</p> </div> <div style="width: 30%;"> <p>For and on behalf of the Board of Directors</p> <p>Sd/- (S.K.Roongta) <i>Chairman</i></p> </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>For Dass Maulik Mahendra K Agrawala & Co. <i>Chartered Accountants</i></p> <p>Sd/- (S.K. Jalan) <i>Partner</i> (M. No. 62814)</p> </div> <div style="width: 30%;"></div> <div style="width: 30%;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Place : New Delhi</p> <p>Dated : 21st May, 2007</p> </div> <div style="width: 45%;"> <p>Place : New Delhi</p> <p>Dated : 6th August, 2007</p> </div> </div>	

Annexure to the Auditors' Report

REFERRED TO IN OUR REPORT OF EVEN DATE

COMMENTS	MANAGEMENT'S REPLIES
<ol style="list-style-type: none"> 1. <ol style="list-style-type: none"> a) The company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets. b) The fixed assets of the company have been physically verified by the management at reasonable intervals in a phased manner so as to cover each asset atleast once in three years. As informed to us, no material discrepancies have been noticed on such verification wherever reconciliation has been carried out 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. 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. 2. <ol style="list-style-type: none"> a) The inventories have been physically verified by the management with reasonable frequency during the year. In certain cases, the stocks of scraps, middlings and rejects have been verified on the basis of visual survey/estimates. 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. 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. 3. According to information and explanations given to us: <ol style="list-style-type: none"> a) The company has not granted any loans, secured or unsecured, to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. b) 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 Companies Act, 1956. 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. <ol style="list-style-type: none"> 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 Companies Act, 1956 have been entered in the register required to be maintained under that section. 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 Companies Act, 1956, 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. 6. The company has not accepted any public deposits during the year. In respect of public deposits accepted in earlier years, there are no unmatured outstanding deposits. 7. In our opinion, the company's internal audit system, generally commensurate with the size and nature of its business, is required to be strengthened with regard to implementation by enlarging the scope and frequency of coverage. 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 Companies Act, 1956, 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. 9. According to the information and explanations given to us in respect of statutory and other dues: <ol style="list-style-type: none"> 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>The reconciliation of such fixed assets is in progress and discrepancies, if any, will be adjusted accordingly. This is a continuous process.</p> <p>Internal Audit system with regard to enlarging the scope and frequency of coverage would be given further emphasis.</p>

COMMENTS			MANAGEMENT'S REPLIES
<p>b) According to the information and explanations given to us, there are no undisputed statutory dues outstanding for a period of more than six months from the date they became payable, as per books of accounts as at 31st March, 2007.</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 Crore)	Forum where disputes are pending
Sales Tax	Demand by	4.44	Supreme Court
	Appellate	117.93	High Courts
	Authorities	263.77	Sales Tax Tribunals
		790.58	Sales Tax Departments
		1176.72	
Central Excise Act, 1944	Excise duty	557.13	Supreme Court
		14.28	High Courts
		499.11	CESTAT
		258.16	Department of Excise
		1328.68	
Income Tax Act, 1961	TDS on perks	117.31	High Courts
Customs Act	Custom duty	3.82	Department of Customs
Other Statutes	Other statutory dues (including cess)	1.17	Supreme Court
		213.43	High Courts
		30.03	Lower Courts
		4.83	State Government
		8.39	Concerned Department
		257.85	
TOTAL		2884.38	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 Companies Act, 1956.</p> <p>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.</p> <p>20. The company has not raised any money by public issue during the year.</p> <p>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, according to the information and explanations given to us.</p>			

COMMENTS		MANAGEMENT'S REPLIES
Sl. No.	Brief Description of the case	Amount involved (Rs. in Crore)
1.	Misuse of employee entitlements (Rs. 0.04 crore since recovered)	0.44
2.	Misuse of township facilities by others	0.02
3.	Theft of company's property	0.02
	TOTAL	<u>0.48</u>

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)

For and on behalf of the Board of Directors

Sd/-
(S.K.Roongta)
Chairman

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(S.K. Jalan)
Partner
(M. No. 62814)

Place : New Delhi

Dated : 21st May, 2007

Place : New Delhi

Dated : 6th August, 2007

MANAGEMENT'S REPLIES TO THE 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 2007.

COMMENTS	MANAGEMENT'S REPLIES
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The preparation of financial statements of Steel Authority of India Limited for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21.5.2007.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Steel Authority of India Limited for the year ended 31st March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. Comments on Profitability Other Expenses – Rs.1616.38 crore (Schedule-2.10)

This has been understated by Rs.20.32 crore due to:

(i) Non-provision towards salaries and wages of CISF on estimated basis from 1st January 2006 to 31st March 2007 pending pay revision due with effect from 1st January 2006. (Rs.20.32 crore)

Central Industrial Security Force (CISF) is an independent agency handling the security of some of the units of the Company. CISF has not furnished any claims towards the likely wage revision. The amount mentioned by audit is ad-hoc. Since the Central Pay Commission constituted by the Government of India for this purpose, has neither given any recommendation nor projected any estimates of salary and wage revision, no reliable estimate of the salary and wage revision of CISF personnel can be made.

B. Comments on Disclosure

- (i) Contingent Liability (Schedule-3) is understated by Rs.38.35 crore due to:

(a) Non-disclosure of the demand made by Excise Department towards interest on delayed payment of excise duty, which is pending settlement (Rs.30.16 crore).

Based on the Hon'ble Supreme Court judgement dated 24th October, 2002, additional excise duty on JPC levies was deposited with Government in June 2004 and March 2005. In absence of determination of duty u/s 11A(2) of the Central Excise Act, 1944, the interest amount of Rs.30.16 crores is not payable either under section 11AA or 11AB of the Central Excise Act, 1944 and the same has also been accepted by the excise authorities subsequently.

(b) Non-disclosure of interest on duty towards incorrect availment of CENVAT credit on purchased and manufactured goods supplied to BPSCL (a joint venture of SAIL) as demanded by Excise Department (Rs.8.19 crore).

The total electricity generated by M/s Bokaro Power Supply Co. Pvt. Limited (BPSCL), is transferred and captively consumed by Company's Steel Plant at Bokaro where the final excisable goods are manufactured. In line with CENVAT Credit Rules, excise duty is not payable on materials transferred by Steel Plant to BPSCL. This view has been confirmed by Central Excise and Service Tax Appellate Tribunal (CESTAT) in a number of cases, including Company's own case. As the excise duty itself is not payable, interest being consequential, is also not payable and thus, is not required to be disclosed as a Contingent Liability.

(ii) The existence of huge stock of 36.79 million tonne of iron ore fines lying at Gua Iron Ore Mine as on 31st March 2007 was not disclosed.

In accordance with the Accounting Policy 1.7, forming part of Schedule 3 of the accounts of the Company, the stock of Iron Ore Fines lying at Gua Iron Ore Mine, being not readily useable/saleable, has not been separately disclosed.

For and on behalf of Board of Directors

Sd/-
(Rakesh Mohan)

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

Sd/-
(S.K. Roongta)
Chairman

Place : Ranchi
Date : 4th July, 2007

Place: New Delhi
Date: 6th August, 2007

ANNEXURE-III TO THE DIRECTORS' REPORT

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

The overall specific energy consumption in SAIL (5 integrated steel plants) during 2006 - 07 was 7.16 Gcal/tcs, which is 1.1% less than previous year figure of 7.24 Gcal/tcs. A few important energy conservation schemes implemented during the year 2006 - 07 are listed below:

(i) Bhilai Steel Plant (BSP)

- (a) Installation of a new energy efficient dry fog dust suppression system for BF- 4 stock house.
- (b) Introduction of efficient burners in reheating furnace no. 1 & 2 of Rail & Structural Mill.
- (c) Installation of VVVF drives in Rail & Structural Mill.
- (d) Revamping of BF-7 with technological up-gradation.
- (e) Increase in productivity of M/C # 1 & 4 of Sinter Plant-II by changing loading chute angle from 54° to 60°.
- (f) In house fabrication and erection of thyristor control for 800 T shear in BBM.

(ii) Durgapur Steel Plant (DSP)

- (a) 7500 sq. meter hot surface insulation in steam line.
- (b) Plugging of 231 nos. steam leakage points.
- (c) Automatic control of dampers in Sinter Plant - II.

(iii) Rourkela Steel Plant (RSP)

- (a) Replacement of recuperator in Reheating furnace # 5 in HSM.
- (b) Repair of recuperator in Reheating furnace of Plate Mill.
- (c) Major revamping of Sinter Plant - I.
- (d) Provision of alternate BF Gas line in BF # 4 to increase Hot Blast Temperature.
- (e) Capital repair of BF # 3 to repair all shell leakages.

(iv) Bokaro Steel Plant (BSL)

- (a) Resumption of coal dust injection in BF # 4.
- (b) Installation of 18 KW motor in place of 24 KW motor in 92 bases in Annealing - II in CRM.
- (c) Replacement of 7700 sq. metre damaged insulation in steam line.
- (d) Modernisation of gas control system with remote operation of some strategic throttle.
- (e) Modification in design of ladle heating stands in SMS - I.

(v) IISCO Steel Plant (ISP)

- (a) Renovation of BF Stoves, overhauling of GCP & Furnace top structure in Blast Furnace # 1, 3 & 4.

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

- (a) Introduction of multi slit burner in SP - II ignition furnace

- (b) VVVF drive in Converter Shop for ID fan 1.

- (c) Modified duplex burner for rotary kiln of RMP - II.

(ii) Durgapur Steel Plant (DSP)

- (a) Coal Dust Injection in BF# 3 & 4.
- (b) Bloom caster commissioning and stabilization.
- (c) Commissioning of reheating furnace in Billet mill.
- (d) Introduction of BF Gas firing in Boiler # 6.

(iii) Rourkela Steel Plant (RSP)

- (a) Coal Tar fuel injection in BF # 1.
- (b) Commissioning of new coke oven battery # 1 with zero leak doors, on-main charging and computerized combustion control.

(iv) Bokaro Steel Plant (BSL)

- (a) Coal Dust Injection in BF # 2 & 3.
- (b) Rebuilding of coke oven battery # 5.
- (c) Provision of separate BF Gas line for Captive Power Plant.
- (d) Use of Propane gas for cutting and scarfing of slabs in Continuous Cast shop.
- (e) Improving thermal performance of annealing furnace of steel foundry.

(v) IISCO Steel Plant (ISP)

- (a) Improvement of campaign life of steel ladles.

(c) Impact of measures on energy consumption

The overall energy consumption for the year decreased by about 1.1% 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	1169.55
ii)	Foreign exchange used:	
a)	CIF Value of import	7281.17
b)	Other expenditure in foreign currency	98.03

For and on behalf of Board of Directors

Sd/-
(S.K.Roongta)
Chairman

Place : New Delhi
Dated : 6th August, 2007

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

Particulars	2006-07	2005-06
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Total Power Purchased		
Units (Million KWH)	6291	6321
Total Amount (Rs. crore)	1899	1922
Average Rate per Unit (Rs./KWH)	3.02	3.04
b) Own Generation		
Through Steam Turbine/Generator		
Units (Million KWH)	948	909
Units per Gega Calories of energy input	228	228
Average Rate per Unit (Rs./KWH)	3.12	3.12
2. COAL		
i) Coking Coal		
Quantity (Million Tonne)	13.55	14.12
Total Cost (Rs. crore)	8483	8022
Average Rate (Rs. per tonne)	6259	5683
ii) Non-Coking Coal		
Quantity (Million Tonne)	0.956	0.927
Total Cost (Rs. crore)	156	135
Average Rate (Rs. per tonne)	1637	1461
3. FUEL OILS		
Quantity ('000 Kilo Litres)	51	43
Total Cost (Rs. Crore)	108	76
Average Rate (Rs./Kilo Litres)	21285	17686
4. OTHERS		
i) Coke		
Quantity ('000 Tonnes)	601	589
Total Cost (Rs. Crore)	699	652
Average Rate (Rs. Per tonne)	11644	11068
ii) Misc. (LPG, Gases, Process Steam etc.)	316	255
Total Cost (Rs. Crore)		

B CONSUMPTION PER TONNE OF EQUIVALENT SALEABLE STEEL PRODUCTION

	2006-07	2005-06
Purchased Electricity (KWH)	483	504
Fuel oils (litres)	4	3
Coking Coal (kgs)	1056	1130
Coke (kgs.)	47	47
Non-coking Coal (kgs)	74	75

Notes: 1. Purchased Electricity quantity includes power from Joint Ventures also.

2. Proportionate pig iron production is added to saleable steel production for above calculation.

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 (2006-2007)

Cost Reduction

- **Improvement in Granulometry of Coal Charge at RSP**

Group-wise crushing of coal was implemented, whereby imported coal was crushed to 80-82% (-3 mm) in primary crushers only and PCC and MCC coals were crushed through primary and secondary crushers to achieve more than 82% crushing level. Microfine (-0.5 mm) generation was restricted to 33.5% and +10 mm fraction was reduced to 1.33% from 1.8% earlier. This resulted in improvement of M10 value by 0.24 points (8.45 to 8.21) with 68-70% imported coal usage.

- **Improving Productivity of TA & Decarb lines in SSM at RSP**

The productivity of M 47 and M 45 grades was low due to structural anomalies in the through-thickness direction. Trials were carried out for both these grades with suggested technological recommendations viz. increase in coiling temperature to $700 \pm 10^\circ\text{C}$, maintaining coil thickness within 2.3 to 2.5 mm, maintaining carbon level below 0.03 wt%, increasing annealing temperature by 20°C and line speed to 26 m/min. The production of M45 & M47 grades improved by 24% (current production: 7050 t/month) after implementation of the technical recommendations.

- **Improvement in Hot Metal Production and Reduction in Coke Rate of BF Shop at RSP**

Following measures were implemented to stabilise furnace operation: a) proper screening of ore to reduce oversize and undersize fractions, b) raising of stock level from 1.5 to 1.0 m, c) central working of furnace, d) regulation of heat flux and e) control of alkali level below 1%. This helped to augment average daily production to a level of 6230 t from 5000 t and lower daily coke rate from 620 kg/thm to 570 kg/thm.

- **Improvement in Hot Metal Transfer Ladle Lining Life at DSP**

A new lining design having lining of Al_2O_3 -SiC-C bricks in mouth and bottom conical areas and Al_2O_3 -SiC-C castable in top ring and spout was developed and introduced in the transfer ladle. Frequency of repair reduced (from every 110 heats to every 153 heats on an average) due to less mouth jam and skull formation. Also the modified ladle gave a record life of 2443 heats. DSP has decided to convert all ladles to modified lining practice.

- **Stabilisation of Productivity of Sinter Plants at DSP**

Optimisation of ignition regime and installation of IR moisture meter and permeability system helped to achieve a productivity level of 0.65 t/m²/hr in SP-I (5% improvement). At SP-II, productivity of 1.28 t/m²/hr could be achieved by introducing compaction roller, oxygen enrichment in second zone of ignition hood and by relocating water nozzles in nodulising drum. With improvement in productivity in both SP-I and SP-II, the sinter % in BF burden could be raised to a level of 71.3 %.

- **Improvement in Castability of Jackal Steel at ASP**

Jackal steel having about 0.15 wt% Zr. is a high-value product for defence application. Casting of slab had to be often aborted due to choking of SEN. To overcome the problem, following remedial measures were implemented: modification of steel chemistry, control of Al / Zr ratio (< 0.3), higher casting speed (0.8 m/min) and superheat (40 - 50 C) and application of SEN with internal coating. As a result, quantum of liquid steel which could be cast without choking improved to 94% from the earlier level of 74 %.

Quality Improvement

- **Automated Secondary Cooling System in Caster-II at DSP**

Control system at Caster-II of DSP has been replaced completely by a new automated secondary cooling system. Based on modelling work, a new in-house system has been designed, developed and implemented for adjustment and control of water flow w.r.t. casting speed and superheat. The innovation has resulted in significant improvement in the internal quality of billets by way of elimination of off corner and reheating cracks in medium carbon (~0.2%) and high carbon (0.4-0.5%) grades.

- **Enhancement of Cast Billet Quality of 125 mm Square Billets at DSP**

125 mm square cast billets of DSP had low (~ 50%) acceptability for forging application because of poor quality with respect to rhomboidity and off-corner crack. Mn/S ratio was increased to > 25 from ~ 20, and mould cooling water enhanced from ~

1200 to ~ 1300 lpm. Evaluation of macrostructure has revealed that acceptance of cast billets for forging application has increased from 50 to 80%.

- **Improvement in Desulphurisation of Steel at SMS-II at BSP**

Special deoxidation practice and use of calcium aluminate synthetic flux was introduced for production of silicon killed rail steel. This enabled to achieve an average desulphurisation level of 45% and produce rail steels consistently with sulphur lower than 0.02%. BSP can now guarantee the supply of rails with low sulphur content as per the requirement of Indian Railways.

- **Improvement in Quality of CR Coils for CAL at BSL**

Optimisation of heat load and enhancement in cooling efficiency at the fast cooling zone of the annealing furnace in continuous annealing line (CAL) facilitated processing of strips with different thickness at higher line speeds. A high pressure strip rinsing and hydraulically operated roll squeezing system was incorporated for efficient degreasing of strip surface. Introduction of PLC based data acquisition and control system helped to closely control parameters in the annealing furnace. There was a marked improvement in surface reflectance level from 75-80% to >90% and consistent strip hardness of <56 HR_B. Besides this, sheet gauge production of 0.35 to 0.63 mm increased from 250 to 350 tpd.

Energy Conservation

- **Modification in design of ladle heating stands in SMS-1 at BSL**

A modified ladle heating system comprising a high velocity burner, air nozzle and a compressed air ejector to supply combustion air has been installed. The ladle cover and burner have been insulated with ceramic fibre to reduce heat loss and improve their life. The modified burner provides a long and high thrust flame. New system can heat ladle to temperature of 900-1000°C in 10 hrs compared to the earlier heating system which could heat ladles upto 600-650°C in 16 hrs.

- **Improvement in Performance of Reheating Furnace # 1 & 2 of Rail & Structural Mill (RSM) at BSP**

In order to overcome the problem of incomplete combustion due to low gas velocity and increased calorific value, modified burners were installed and a new preheating zone was created. Thermal performance of the furnaces has improved by better fuel/ heat utilisation. There was a reduction in temperature variation in the bloom from 40-50°C to 20-30°C. Production per furnace increased to 22-23 blooms/hr from 17-18 blooms/hr.

Product Development and Application

- **High Strength Corrosion Resistant Roof Bolt at DSP**

High strength roof bolt grade TMT rebar has been developed in 20 mm size for application in overhead roof support of underground coalmines. Yield and tensile strengths of bars were in excess of 600MPa and 720 MPa respectively with elongation of 12%. These bars were developed in plain carbon as well as high corrosion resistant variety steels. Innovative lug pattern has been introduced to enhance system stiffness from 53 kN/mm to more than 72 kN/mm.

- **SUP11A Grade Spring Steel Billets at DSP**

A new grade of spring steel, namely SUP 11A, has been developed through application of EMS during continuous casting. This grade has the potential to replace traditional 55 / 60 / 65 Si 7 grade steels. Technological challenges of controlling incidence of pin holes / gas holes, off corner cracks and central shrinkage cavity have been overcome. The billets were successfully converted to leaf spring assembly at customers' end.

- **High Strength Special Steel Grades from BSL**

To increase the market share of special steel, three products viz., Medium Carbon (MC-12 equivalent to SAE 1055) hot rolled strips for cold reducing segment, High Strength LPG for export quality cylinders and High Strength Cold Rolled (HSCR 26/35) steel for automobiles were developed and commercialized. Medium carbon MC 12 (C: 0.5-0.6 %) steel was successfully cold reduced to 92.3 % with intermediate annealing and was used for fabricating drop pins, link plates etc. High strength (YS: 265 & 295 MPa) LPG grade HR coil was developed for fabrication of cylinders for export market. High strength cold rolled steels with minimum yield strengths of 260 MPa and 350 MPa were developed and formed into chassis for three wheelers. More than 25,000 tonnes of special steel products were supplied to various customers.

- **Earthquake Resistant TMT Rebars at DSP & BSP**

Earthquake Resistant TMT reinforcement bars were developed both at DSP and BSP. This product was developed in Fe-415 (SAIL EQR 415) and Fe-500 (SAIL EQR 500) categories. The EQR rebars are characterized by their high elongation and UTS/YS ratio which are essential in improving seismic resistance property of the steel. Properties have been achieved as per proposed BIS specification for Fe-415 EQR in 10, 12 & 32 mm dia. and for Fe-500 EQR in 10 & 32 mm dia.

- **Vanadium Microalloyed Rail at BSP**

Vanadium micro alloyed rails were developed and rolled in 52kg and 60kg rail sections. Higher yield ratio of 0.57-0.59 was achieved as compared to 0.52 obtained in conventional 90 UTS plain C-Mn rails. Other mechanical properties like fracture toughness, impact strength and fatigue strength were better than conventional 90 UTS rails. Because of higher yield ratio, Indian Railways is planning to use V-rails in the proposed "Freight Corridor" for goods traffic movement with higher axle load.

Automation

- **Status Monitoring of Blast Furnace Charging Conveyors at BSL**

A PLC based conveyor status monitoring system has been installed in the blast furnace of BSL. The system displays the on-line status of all charging conveyors from Blast Furnace 1-5 on a large mimic placed in the shift-in-charge's room. The new system has increased the raw material charging efficiency of the charging conveyors, which has helped in increasing the blast furnace productivity by 0.5%.

- **Automatic Control of Dampers for Lowering Energy Consumption in SP-II at DSP**

An on-line PLC based auto control system for opening / closing of dampers has been designed, developed & installed. A PC-based Data Acquisition System consisting of mimic diagrams, data storing, trending & preparation of HMI reports has also been implemented. In addition, model for damper control strategy under variant operating conditions has been developed and introduced. This has resulted in non-tripping of exhauster motors by keeping exhauster currents within safe limits and providing optimum suction for maintaining maximum production rate. Specific electrical energy consumption decreased by 6%.

3. Future Plan of Action

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

Technology Areas	Objectives
Coal, Coke & Chemicals	Improvement in coal carbonization practice and introduction of process automation for improvement in coke quality and reduction in energy consumption; Improvement in coal charge preparation for optimization of cost of coal blends.
Iron & Sinter	Development of intensive beneficiation schemes through lab/pilot studies and technological upgradation of beneficiation plants; Improvement in sintering technology; introduction of pelletisation technologies; maximizing of BF productivity through in-furnace investigation with probes and use of simulation models; Reduction in coke rate; Introduction and stabilization of alternate fuel injection technologies.
Steel Making & Casting	Improve productivity and reduce 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; Process automation through model development for improved turndown control.
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 cold reducing, automobile, oil and construction sectors; Corrosion resistant rail steel; Earthquake resistant steel; High strength LPG steels; High strength steels for construction segment.
Energy Conservation	Development and introduction of fuel-efficient burners; Optimization of heating, rolling and heat treatment regime for reduction in energy consumption; Energy conservation using computerized process and combustion control system.
Automation & Computerization	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; PLC based mill monitoring system; 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 of Iron & Steel making; Development of process for recycling/reuse of BF/BOF mill sludge/slag and improvement in water quality and recycling; Control of coke oven effluent discharge.

4. Expenditure on R&D

	(Rs. in crore)
Capital	5.55
Revenue	71.30
Total	76.85
% of Turnover	0.20

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 include:

Area: Coke Making

- Rebuilding of environment friendly Coke Oven Battery No.1 & 4 of RSP
- Rebuilding of environment friendly Coke Oven Battery No. 5, 1 & 2 of BSL
- Rebuilding of environment friendly Coke Oven Battery No. 5 & 6 of BSP
- Selective crushing of Coal (for improved coke quality) at DSP
- Partial Briquetting of Coal Charge for improving coke strength at BSP & RSP
- Coke Dry Quenching in new 7 m tall Batteries at ISP & BSP

Area: 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
- Modern automation & control for improved and consistent quality of sinter by optimization of sintering process

Area: Iron Making

- Coal Dust Injection (CDI) in five Blast Furnaces at BSP, two Blast Furnaces at DSP, four Blast Furnaces at BSL and one Blast Furnace at RSP for reducing cost of production of hot metal. This technology is further being extended to other Blast Furnaces.
- Two stage Gas Cleaning Plant in two Blast Furnaces at BSP, one Blast Furnace each at RSP, BSL & ISP (for improvement in quality of BF gas)
- Introduction of Cast House Slag Granulation technology in two Blast Furnaces each of BSP & RSP, one Blast Furnace of DSP and four Blast Furnaces of BSL for improving productivity and reduce environmental pollution
- Introduction of High Hot Blast technology in Blast Furnaces stoves
- Closed Loop Cooling System with DM water in two Blast Furnaces of BSP and one Blast Furnace of BSL for enhancement of campaign life of furnaces
- Cast House Fume Extraction Process in two Blast Furnaces each at BSP & BSL as a pollution control measure
- Flat Cast House design in two Blast Furnaces of BSP and one Blast Furnace of BSL for use of mobile equipment in Cast House and easy maintainability
- Top Recovery Turbine in one Blast Furnace of BSL for generation of power
- Under burden probe in 2 Blast Furnaces of BSL
- 4000 m³ Blast Furnaces at ISP, BSP & RSP

Area: 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
- Three new state of the art steel melting facilities at ISP, BSL & BSP
- 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, ASP and BSP
- Introduction of thin slab casting & direct rolling at BSL

Area: Rolling & Finishing (Long Products)

- Ultrasonic testing of plates in Plate Mill (for quality assurance of plates) at BSP
- Ultrasonic testing and Eddy current testing facilities (for quality assurance of rails) at BSP
- 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
- Hydraulic Automatic Gauge Control in Plate Mill (for achieving close thickness tolerances) at BSP
- State of the art Bar & Rod Mill and Universal Rail & Beam Mills at DSP, ISP & BSP
- Installation of Walking Beam Reheating Furnaces (for improved product quality, yield and reductions in energy consumption) in Blooming Mill of DSP and Wire Rod Mill of BSP

Area: 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
- Installation of Walking Beam Reheating Furnaces (for improved product quality, yield and reductions in energy consumption) in the Hot Strip Mills of BSL & RSP and Plate Mill of RSP
- State of the art Cold Rolling Mill complex at BSL

These technologies have been adopted /being adopted and are being gradually absorbed by the plants.

(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 for protecting and furthering the interest of the Company.

(b) Board of Directors

As on 31st March, 2007, the Board of Directors comprised a full time Chairman, 8 whole time Directors (WTD) and 13 non-executive Directors (Non-ED) (including 11 independent directors). During the year, 10 Board meetings were held on 28.04.2006, 25.05.2006, 28.06.2006, 28.07.2006, 29.08.2006, 22.09.2006, 30.10.2006, 07.12.2006, 29.01.2007 and 12.03.2007.

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, as disclosed, are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings attended during 2006-07	Attendance at last AGM	No. of other directorship held as on 31.3.2007*
Shri V.S. Jain (upto 31.07.2006)	Chairman	4	N.A.	NIL
Shri S.K. Roongta	Chairman	10	Yes	NIL
Shri R.P. Singh (upto 30.06.2006)	WTD	3	N.A.	-
Shri G.C. Daga (upto 02.09.2006)	WTD	5	N.A.	-
Shri K.K. Khanna	WTD	10	Yes	NIL
Shri Arun Kumar Rath.	Non-ED	9	No	3
Dr. S.C. Jain	Non-ED	10	Yes	NIL
Prof. R.P. Sengupta	Non-ED	9	Yes	NIL
Dr. Velu Annamalai	Non-ED	10	Yes	NIL
Shri Siddharth Kak	Non-ED	9	No	NIL
Dr. S.N. Dash (upto 07.04.2006)	Non-ED	-	N.A.	-
Shri Nilotpal Roy	WTD	10	Yes	2
Shri G. Elias w.e.f. 18.04.2006	Non-ED	9	No	1
Shri V. Shyamsundar w.e.f. 05.06.2006	WTD	8	Yes	NIL
Shri B.N. Singh w.e.f. 13.06.2006	WTD	8	Yes	2
Shri V.K. Srivastava w.e.f. 13.06.2006	WTD	8	Yes	2
Shri G. Ojha w.e.f. 7.7.2006	WTD	7	Yes	1
Shri Shyamal Ghosh w.e.f. 10.07.2006	Non-ED	7	Yes	5
Shri S.N. P.N. Sinha w.e.f. 10.07.2006	Non-ED	1	No	Not Disclosed
Shri Mohammad Yusuf Khan w.e.f. 10.07.2006	Non-ED	5	Yes	3
Prof. Deepak Nayyar w.e.f. 10.07.2006	Non-ED	4	No	1
Shri R. Ramaraju w.e.f. 28.09.2006	WTD	4	N.A.	2
Prof. Javaid Akhtar w.e.f. 22.11.2006	Non-ED	2	N.A.	NIL
Shri P.K. Sengupta w.e.f. 22.11.2006	Non-ED	3	N.A.	NIL
Dr. Vinayshil Gautam w.e.f. 22.11.2006	Non-ED	2	N.A.	4
Shri Soiles Bhattacharya w.e.f. 23.02.2007	WTD	1	N.A.	NIL
Shri S.S. Ahmed w.e.f. 11.05.2007	WTD	N.A.	N.A.	N.A.

* Includes Directorship in Private companies.

(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, in pursuance to SEBI's requirements, the Audit Committee was reconstituted on 21st March, 2001 with only Non-Executive Directors as members. The present Audit Committee was reconstituted on 11.06.2007 and consists of Shri P.K. Sengupta, Shri Siddharth Kak, Shri Mohd. Yusuf Khan and Dr. Vinayshil Gautam as members.

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

Name of the Director	Status	No. of meetings attended
Prof. R.P. Sengupta	Chairman	7
Shri Siddharth Kak	Member	6
Shri Shyamal Ghosh	Member	4
Shri Mohammad Yusuf Khan	Member	2
Shri G. Elias	Member	1

(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 Committee 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	259681	91665	351346
Shri S.K. Roongta	626877	346654	973531
Shri R.P. Singh	142587	18662	161249
Shri G.C. Daga	283184	392511	675695
Shri K.K. Khanna	640372	278484	918856
Shri Nilotpal Roy	631645	495259	1126904
Shri V. Shyamsundar	488485	134201	622686
Shri B.N. Singh	533515	231315	764830
Shri V.K. Srivastava	439448	234123	673571
Shri G. Ojha	404450	315501	719951
Shri R. Ramaraju	317981	128896	446877
Shri Soiles Bhattacharya	90427	100412	190839
Total	4858652	2767683	7626335

iii) The Non-Executive Directors (other than Government nominee directors) are paid only sitting fee of Rs.10,000 for each Board/Board Sub-Committee Meetings attended by them.

iv) The salary of the whole time directors is governed by pay scales and rules of the Government.

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, whichever is earliest. They are initially appointed by the Board of Directors 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 an Independent Director namely Prof. Deepak Nayyar and comprising another Independent Director namely Prof. Javaid Akhtar and two Whole Time Directors i.e. Director (Personnel) and 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 no complaints pending redressal as on 31.03.2006. Number of shareholders complaints received during the period from 01.04.2006 to 31.03.2007 were 79. Out of the total complaints received, 78 were resolved during the year and only one complaint was pending for redressal as on 31.03.2007.

(f) General Body Meetings:

Location and time where last three AGMs held:

Financial Year	Date	Time	Location
2005-2006	22.09.2006	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.
2004-2005	23.09.2005	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.
2003-2004	28.09.2004	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.

- i) In the last 3 years, only one Special Resolution has been passed in the AGMs and none through Postal Ballot.
- ii) No special resolution is proposed to be conducted through postal ballot upto the ensuing AGM.

(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. None of the Non-Executive Directors held any share/convertible instrument of the company.

There were no instances of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has not adopted Whistle Blower Policy. However, the Company has not denied access to any personnel to approach the Management on any issues.

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchange. Further, the company has not adopted non-mandatory requirement of the said Clause 49.

(h) Means of Communication:

Quarterly results have been published in prominent daily newspapers as per requirements on the following dates:

Quarter ending	30.06.2006	30.09.2006	31.12.2006
Date of publication	29.07.2006	31.10.2006	30.01.2007

The Quarterly/Annual results are also made available at the website of the Company (www.sail.co.in). The Company displays official news releases also on its website.

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 20th September, 2007 at Air Force Auditorium, Subroto Park, New Delhi-110010.
- ii) Financial year : 1st April, 2006 – 31st March, 2007
- iii) Date of Book Closure: 10th August, 2007 to 29th August, 2007 (Both days inclusive).
- iv) The Board of Directors of the Company has recommended payment of Final Dividend of 15% for the Financial Year ended March 31st, 2007 in addition to the Interim Dividend of 16% paid on 5th February, 2007. The Final Dividend, if declared at the ensuing AGM, will be paid to those Shareholders whose names appear in the Company's Register on the record date i.e. 9th August, 2007.
- v) The shares of the Company are listed at the following stock exchanges:
 - a) Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai-400001 (Stock Code No. 500113)
 - b) The National Stock Exchange of India Limited, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E). Mumbai- 400051 (ISIN No. INE 114A01011)
 - c) The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS, UK

The Annual Listing Fee for 2006-07 has been paid to each of the stock exchanges.

- vi) The monthly high and low quotation of the Company's shares during each month in the last financial year at the Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange (NSE) during the year 2006-07 are indicated

below:

MONTH & YEAR	SENSEX		SAIL at BSE		NIFTY		SAIL at NSE	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
APR '06	12042.56	11237.23	89.00	78.00	3598.95	3290.85	89.90	74.40
MAY '06	12612.38	10398.61	96.40	62.00	3774.15	2896.40	96.20	61.05
JUN '06	10609.25	8929.44	86.90	61.00	3134.15	2595.65	87.40	61.40
JUL '06	10930.09	10007.34	85.85	64.25	3208.85	2878.25	85.45	64.50
AUG '06	11723.92	10751.66	80.00	68.50	3452.30	3113.60	79.60	68.40
SEP '06	12454.42	11550.69	78.25	70.55	3603.70	3328.45	78.35	70.55
OCT '06	13024.26	12204.01	94.45	75.70	3782.85	358.65	92.75	75.50
NOV '06	13773.59	13072.51	90.85	82.75	3976.80	3737.00	95.00	82.55
DEC '06	13972.03	12995.02	89.50	79.05	4046.85	3657.65	95.00	78.90
JAN '07	14282.72	13362.16	117.00	82.70	4167.15	3833.60	116.90	82.45
FEB '07	14652.09	12938.09	122.00	103.10	4245.30	3674.85	121.00	101.50
MAR '07	13308.03	12415.04	116.15	91.50	3901.75	3554.50	115.50	91.25

vii) **Registrar and Share Transfer Agent:**

M/s. MCS Limited,
Sri Venkatesh Bhawan, W-40, Okhla Industrial Area
Phase-II, New Delhi-110020
Phone No.011-41406149

viii) **Share Transfer System:**

The trading of equity shares of the company is mandatory in the dematerialized form. The Share Transfer Committee of the Board meets at regular intervals, to expedite the process of transfer of shares well within the time limit prescribed in this respect under the listing agreements.

ix) **Distribution of Shareholdings as on 31st March, 2007**

Share Holding	Shareholder's Number	% of Total	Amount In Rupees	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 500	188954	88.82	292545000	0.71
501 - 1000	12705	5.97	108722890	0.26
1001 - 2000	5526	2.60	87562360	0.21
2001 - 3000	1834	0.86	48145910	0.12
3001 - 4000	804	0.38	29493000	0.07
4001 - 5000	847	0.40	40842710	0.10
5001 - 10000	1054	0.50	79669200	0.19
10001 - 50000	716	0.34	151613550	0.37
50001 - 100000	94	0.04	66321640	0.16
Above 100000	196	0.09	40399089190	97.81
Total	212730	100.00	41304005450	100.00

x) **Shareholding pattern as on 31st March, 2007**

Category	No. of Shares held	%age of Shareholding
A. Promoters' Holding		
1 Promoters		
- Indian Promoters v.i.z., 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	58,188,578	1.41
b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt Institutions)	164,232,264	3.98
c Foreign Institutional Investors (FIIs)	254,199,047	6.15
Sub-Total	476,619,889	11.54
4 Others		
a Private Corporate Bodies	23,359,147	0.56
b Indian Public	82,335,938	2.00
c NRIs/OCBs	1,848,451	0.04
d Any other (Please specify) - GDR	1,546,835	0.04
Sub-Total	109,090,371	2.64
GRAND TOTAL	4,130,400,545	100.00

xi) **Status of dematerialisation as on 31st March, 2007**

Particulars	No. of shares	% of capital	No. of Accounts
NSDL	566221004	13.70	130532
CDSL	9745298	0.24	24618
Total Dematerialised	575966302	13.94	155150
Physical-Government of India	3544690285	85.82	4
Physical-Other Shareholders	9743958	0.24	57576
Total	4130400545	100.00	212730

The Government of India holds shares in physical form. Out of the balance equity capital of the company, 98.34% have already been dematerialised by 31.03.2007.

xii) **CODE OF CONDUCT**

The company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on 31st March, 2007.

xiii) **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.
- IISCO Steel Plant, Burnpur-713325, West Bengal
- Alloy Steels Plant, Durgapur-713208, West Bengal
- Salem Steel Plant, Salem-636013, Tamil Nadu
- 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

- Maharashtra Elektrosmet Limited, Chandamul Road, Chandrapur-442401, Maharashtra.
- IISCO-Ujjain Pipe & Foundry Company Limited (under liquidation).

xiv) 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.011-41406149
Fax No. 011-41709881, E-mail: mcsdel@vsnl.com



CORPORATE GOVERNANCE CERTIFICATE

ANNEXURE-V TO THE
DIRECTORS' REPORT

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 2007, as stipulated in clause 49 of the Listing agreement 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.

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 one 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 S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.K.Chopra)
Partner
(Membership No. 14907)

For Ray & Ray
Chartered Accountants

Sd/-
(B.K.Ghosh)
Partner
(Membership No. 51028)

**For Dass Maulik Mahendra
K. Agarwala & Co.**
Chartered Accountants

Sd/-
(S.K.Jalan)
Partner
(Membership No. 62814)

Place : Ranchi

Dated : 18th June, 2007

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

NAME OF THE SUBSIDIARY COMPANY	MAHARASHTRA ELEKTROSMELT LIMITED
1. Financial year of the subsidiary ended on	31st March, 2007
2. Date from which they became subsidiary	18th October, 1986
3. Share of the subsidiary held by the Company as on 31st March, 2007	
a) Number & face value	2,37,87,935 equity shares of Rs.10/- each fully paid - up
b) Extent of holding	99.12%
4. The Net aggregate amount of the subsidiary Company profit/(loss) so far as it concerns the member of the holding company:	(Rupees in Crore)
a) Not dealt with in the holding Company's accounts.	
i) For the financial year ended 31st March, 2007	18.34
ii) Upto the previous financial years of the subsidiary company	28.70
b) Dealt with in the holding Company's accounts.	
i) For the financial year ended 31st March, 2007.	Nil
ii) For the previous financial years of the subsidiary company since they became the holding company's subsidiaries.	Nil

Note:

The Company 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 crore.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K.Roongta)
Chairman

Place : New Delhi
Date : 6th August, 2007



Consolidated Balance Sheet

AS AT 31ST MARCH, 2007

ANNEXURE-VI TO THE
DIRECTORS' REPORT

	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	<u>13336.44</u>	<u>8577.28</u>
Share Application Money		9.00	0.00
Deferred Tax Liability (Net)		1416.83	1497.42
Loan Funds			
Secured Loans	1.3	2013.76	1435.12
Unsecured Loans	1.4	<u>2625.15</u>	<u>3177.56</u>
Minority Interest			
	1.16	0.18	0.06
		<u>23531.76</u>	<u>18817.84</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	30622.33	30059.29
Less: Depreciation		<u>18652.47</u>	<u>17485.57</u>
Net Block		11969.86	12573.72
Capital Work-in-Progress	1.6	<u>1829.03</u>	<u>949.05</u>
Investments			
	1.7	36.99	20.14
Current Assets, Loans & Advances			
Inventories	1.8	6756.50	6321.96
Sundry Debtors	1.9	2353.59	1911.85
Cash & Bank Balances	1.10	9812.51	6243.67
Interest Receivable/Accrued	1.11	154.67	87.15
Loans & Advances	1.12	<u>1741.67</u>	<u>1342.60</u>
		<u>20818.94</u>	<u>15907.23</u>
Less: Current Liabilities & Provisions			
Current Liabilities	1.13	5637.06	5312.98
Provisions	1.14	<u>5615.68</u>	<u>5536.17</u>
		<u>11252.74</u>	<u>10849.15</u>
Net Current Assets			
		9566.20	5058.08
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	1.15	129.68	216.85
		<u>23531.76</u>	<u>18817.84</u>
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/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jena)
Partner

Place : New Delhi
Dated : 2nd July, 2007

Consolidated Profit & Loss Account

FOR THE YEAR ENDED 31ST MARCH, 2007

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

	Schedule No.	Year ended 31st March, 2007	Year ended 31st March, 2006
<i>(Rupees in crore)</i>			
INCOME			
Sales	2.1	39510.23	32554.68
Less : Excise Duty		<u>5286.31</u>	<u>4426.94</u>
Finished products internally consumed		410.00	428.00
Interest earned	2.2	756.74	466.52
Other revenues	2.3	806.59	610.69
Provisions no longer required written back	2.4	<u>59.43</u>	<u>80.60</u>
		36256.68	29713.55
EXPENDITURE			
Accretion (-) / Depletion in stocks	2.5	-220.00	-1033.19
Raw materials consumed	2.6	13316.82	12396.62
Purchase of finished / semi-finished products		1.29	65.61
Employees' Remuneration & Benefits	2.7	5145.05	4204.30
Stores & Spares Consumed		3004.14	2667.87
Power & Fuel	2.8	2759.14	2618.57
Repairs & Maintenance	2.9	418.99	389.56
Freight outward		692.35	753.48
Other expenses	2.10	1657.36	1632.08
Interest & finance charges	2.11	344.40	484.20
Depreciation		<u>1261.75</u>	<u>1257.12</u>
Total		28381.29	25436.22
Less : Inter Account Adjustments	2.12	<u>1648.73</u>	<u>1520.45</u>
		9524.12	5797.78
Adjustments pertaining to earlier years	2.13	<u>-17.03</u>	<u>-15.57</u>
Profit before tax		9507.09	5782.21
Less : Provision for taxation :			
- Current tax		3327.48	1931.83
- Deferred tax		-80.49	-250.81
- Fringe benefit tax		26.81	24.67
- Earlier years adjustments		<u>-33.11</u>	<u>-1.57</u>
Profit after tax		6266.40	4078.09
Minority Interest		<u>0.12</u>	<u>0.17</u>
		6266.28	4077.92
Balance brought forward		6797.83	4812.07
Adjustment arising on amalgamation of IISCO		0.00	-910.27
Amount transferred from Bonds Redemption Reserve (net)		38.42	89.31
Provision towards long term service awards to employees upto 31st March 2006 (net of tax)		<u>-14.59</u>	<u>0.00</u>
Amount Available for Appropriation		13087.94	8069.03
APPROPRIATIONS			
Transferred to General Reserve		638.50	313.01
Interim Dividend		664.36	517.90
Proposed Dividend		630.16	322.43
Tax on Interim Dividend		93.22	72.64
Tax on Proposed Dividend		107.06	45.22
Balance carried to Balance Sheet		<u>10954.64</u>	<u>6797.83</u>
		13087.94	8069.03
Earnings per Share (Face value Rupees 10/- each)			
Profit after tax		6266.28	4077.92
Average Number of equity shares		4130400545	4130400545
Basic and Diluted Earnings per share (Rupees)		15.17	9.87

Accounting Policies and Notes on Accounts
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/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jena)
Partner

Place : New Delhi
Dated : 2nd July, 2007



Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the year	2006-07	2005-06
A. Cash flow from Operating Activities		<i>(Rupees in crore)</i>
Net Profit before taxation	9507.09	5782.21
Add / (Less) Adjustments for :		
Minority Interest	(0.12)	(0.17)
Opening balance of Long Term Service Award	(21.94)	0.00
Depreciation	1287.02	1270.66
Interest Expenses	227.52	484.00
Bad debts written-off	4.61	4.25
Unrealised Foreign Exchange Fluctuation	(5.61)	(20.54)
Provision for Others	(158.45)	432.79
Deferred revenue expenditure (Charged during the year)	127.84	185.04
Profit on sale of Fixed Assets	(14.06)	(58.14)
Interest Income	(756.74)	(466.33)
Dividend Income	(17.62)	(13.74)
Operating cash flow before working capital change	10179.54	7600.03
Adjustments for :-		
(Increase) / Decrease in Inventories	(434.54)	(1798.36)
(Increase) / Decrease in Sundry Debtors	(446.35)	58.58
(Increase) / Decrease in Loans and Advances	(425.45)	(1258.96)
Increase / (Decrease) in Minority Interest	0.12	0.17
Increase / (Decrease) in Current Liabilities	371.04	135.61
Deferred revenue expenditure (Additions)	(40.67)	(46.94)
Cash generated from Operations	9203.69	4690.13
Direct Taxes Paid	(3445.27)	(749.66)
Net Cash from Operating Activities	5758.42	3940.47
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(1464.99)	(1051.05)
Fixed Assets sold /discarded	45.86	87.98
Loans to Other Companies	26.38	(8.94)
Purchase/Sale of investments (net)	(16.86)	(12.14)
Interest received	689.22	523.25
Dividend received	17.62	13.74
Net Cash used in Investing Activities	(702.77)	(447.16)
C. Cash flow from Financing Activities		
Share Application Money	9.00	0.00
Increase / (Decrease) in Reserve & Surplus	2.27	0.21
Increase / (Decrease) in Borrowings (Net)	31.84	(1530.64)
Reversal of Interest on SDF Loans	116.88	0.00
Interest and Finance Charges Paid	(521.31)	(637.83)
Dividend Paid	(986.79)	(1272.96)
Tax on Dividend	(138.70)	(178.74)
Net Cash used in Financing Activities	(1486.81)	(3619.96)
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	3568.84	(126.65)
Cash & Cash Equivalents (Opening)	6243.67	6370.32
Cash & Cash Equivalents (Closing)	9812.51	6243.67
(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 Accounting Standard-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 rearranged / regrouped / recast wherever necessary to conform to current years classification.

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

Sd/-
(Soiles Bhattacharya)
Director (Finance)

Sd/-
(S.K. Roongta)
Chairman

In terms of our report of even date

For S.K. Mittal & Co.
Chartered Accountants

For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Sd/-
(R.N. Roy)
Partner

Sd/-
(S.K. Jena)
Partner

Place : New Delhi
Dated : 2nd July, 2007

Schedules

FORMING PART OF THE CONSOLIDATED BALANCE SHEET

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

1.1 : SHARE CAPITAL

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
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>

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.

1.2 : RESERVES AND SURPLUS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Capital Reserve	3.29	3.29
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.98	8.77
Additions	<u>2.77</u>	<u>0.62</u>
	11.75	9.39
Utilisations	<u>0.42</u>	<u>0.41</u>
	11.33	8.98
Securities Premium	235.29	235.29
Bond Redemption Reserve		
As per last Balance Sheet	387.25	476.56
Transferred from Profit & Loss Account	59.40	76.28
Transferred to Profit & Loss Account	<u>97.82</u>	<u>165.59</u>
	348.83	387.25
General Reserve		
As per last Balance Sheet	1144.64	704.12
Transferred from Profit & Loss Account	638.42	313.25
Transferred to Profit & Loss Account	0.00	0.24
Surplus pursuant to merger of IISCO Steel Plant	0.00	13.03
Adjustment of deferred tax assets of IISCO Steel Plant	<u>0.00</u>	<u>114.48</u>
	1783.06	1144.64
Surplus as per Profit & Loss Account	10954.64	6797.83
	<u>13336.44</u>	<u>8577.28</u>



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1.3 : SECURED LOANS

		As at 31st March, 2007	As at 31st March, 2006
			(Rupees in crore)
Working Capital Borrowings from Banks (Including Foreign currency demand loans of Rs.0.00 crores ; Previous year Rs. 28.02 crores)	(a)	271.10	346.99
Term Loan from Banks	(b)	977.51	309.21
Interest accrued and due thereon		0.00	0.02
		977.51	309.23
Non Convertible Bonds	(c)		
Interest Rate	Date of Redemption		
12.95 %	1st December 2007	100.05	100.05
11.30 %	1st June 2008	0.00	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	0.00	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
		765.15	778.90
		2013.76	1435.12

(a) Secured by hypothecation of all current assets

(b) Rs. 525 crore secured against term deposits, Rs. 450.86 crore secured by equitable mortgage / hypothecation of all present and future fixed assets and movable assets of captive power plants - II, Bhilai expansion Project and registered office at New Delhi of NTPC-SAIL Power Company Private Ltd., assets of Thermal Power Plant of Bokaro Power Supply Company Private Ltd.

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

(d) Redeemed at par by exercising call option

Note : Secured Loans repayable within one year as at 31.03.2007, Rs. 696.66 crore (31.03.2006 : Rs. 66.72 crore)

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1.4 : UNSECURED LOANS

		As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)	
Government of India		0.27	0.27
Interest accrued and due thereon		0.58	0.85
Steel Development Fund		204.16	204.16
Interest accrued and due thereon		888.42	908.59
		1092.58	1112.75
Foreign Currency Loans			
Long Term	(a)	512.59	534.71
Short Term		23.06	73.10
		535.65	607.81
Term Loans From Government of Maharashtra (Interest free)		0.98	2.06
Non Convertible Bonds	(a)		
Interest Rate	Date of Redemption		
12.15 %	1st February 2007	0.00	325.00
11.25 %	30th March 2007	0.00	99.00
10.25 %	3rd June 2007	450.00	450.00
11.60 %	12th March 2008	15.00	15.00
10.10 %	1st August 2008	0.00	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
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
		995.05	1454.05
Others			
Inter Corporate Loans - Short term		0.04	0.04
		2625.15	3177.56

(a) Guaranteed by Government of India / State Bank of India.

(b) Redeemed at par by exercising call option

Note : Unsecured Loans repayable within one year as at 31.03.2007, Rs.1422.66 crore (31.03.2006 : Rs. 1449.31 crore)

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1.5 : FIXED ASSETS

Description	GROSS BLOCK (AT COST)			
	As at 31st March, 2006	Additions/ Adjustments	Deductions	As at 31st March, 2007
A. PLANTS, MINES, OTHERS				
Goodwill *	26.54	0.00	0.00	26.54
Land(including cost of development)				
-Freehold	128.13	-0.04	0.04	128.05
-Leasehold	61.59	0.10	-0.04	61.73
Railway Lines & Sidings	224.43	3.23	0.13	227.53
Roads, Bridges & Culverts	155.10	0.32	0.27	155.15
Buildings	1784.22	1.77	2.30	1783.69
Plant & Machinery				
-Steel Plant	23606.96	580.16	101.07	24086.05
-Others	1642.45	5.74	23.04	1625.15
Furniture & Fittings	78.64	3.35	0.24	81.75
Vehicles	453.37	43.16	5.29	491.24
Water Supply & Sewerage	291.73	7.64	0.30	299.07
EDP Equipments	197.09	13.86	7.54	203.41
Software (Intangible)	16.46	2.76	0.34	18.88
Mining Rights (Intangible)	188.22	14.35	0.00	202.57
Miscellaneous Articles	229.51	9.23	3.14	235.60
Sub-total 'A'	<u>29084.44</u>	<u>685.63</u>	<u>143.66</u>	<u>29626.41</u>
Figures for the previous year	<u>29205.25</u>	<u>648.74</u>	<u>769.55</u>	<u>29084.44</u>
B. SOCIAL FACILITIES				
Land(including cost of development)				
-Freehold	9.96	0.00	0.00	9.96
-Leasehold	7.09	0.00	0.00	7.09
Roads,Bridges & Culverts	46.87	3.63	0.01	50.49
Buildings	560.75	1.79	1.14	561.40
Plant & Machinery- Others	80.48	8.50	0.67	88.31
Furniture & Fittings	14.63	0.75	0.28	15.10
Vehicles	9.12	0.80	0.81	9.11
Water Supply & Sewerage	113.91	0.91	-0.49	115.31
EDP Equipments	8.39	1.46	0.27	9.58
Software (Intangible)	0.47	0.00	0.02	0.45
Miscellaneous Articles	98.73	8.87	2.47	105.13
Sub-total 'B'	<u>950.40</u>	<u>26.71</u>	<u>5.18</u>	<u>971.93</u>
Figures for the previous year	<u>930.17</u>	<u>27.94</u>	<u>7.71</u>	<u>950.40</u>
C. ASSETS RETIRED FROM ACTIVE USE				
Unserviceable / Obsolete Assets				
	<u>24.45</u>	<u>4.44</u>	<u>4.90</u>	<u>23.99</u>
Figures for the previous year	<u>23.75</u>	<u>4.33</u>	<u>3.63</u>	<u>24.45</u>
Total ('A'+ 'B'+ 'C')	<u>30059.29</u>	<u>716.78</u>	<u>153.74</u>	<u>30622.33</u>
Total previous year	<u>30159.17</u>	<u>681.01</u>	<u>780.89</u>	<u>30059.29</u>

*Arising out of Consolidated of Subsidiary Accounts.

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1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2006	For the Year	Less: On Sales/ Adjustments	Up to 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
A. PLANTS, MINES, OTHERS					<i>(Rupees in crore)</i>	
Goodwill *	26.54	0.00	0.00	26.54	0.00	0.00
Land(including cost of development)						
-Freehold	-	-	-	-	128.05	128.13
-Leasehold	9.47	1.63	0.00	11.10	50.63	52.12
Railway Lines & Sidings	158.00	6.08	0.12	163.96	63.57	66.43
Roads,Bridges & Culverts	42.94	2.52	0.11	45.35	109.80	112.16
Buildings	889.54	51.64	1.47	939.71	843.98	894.68
Plant & Machinery						
-Steel Plant	13799.17	1061.46	80.11	14780.52	9305.53	9807.79
-Others	1136.44	56.92	20.93	1172.43	452.72	506.01
Furniture & Fittings	60.86	4.46	0.30	65.02	16.73	17.78
Vehicles	339.10	32.97	5.33	366.74	124.50	114.27
Water Supply & Sewerage	214.47	8.70	0.28	222.89	76.18	77.26
EDP Equipments	162.08	8.13	7.07	163.14	40.27	35.01
Software (Intangible)	14.58	1.74	0.28	16.04	2.84	1.88
Mining Rights (Intangible)	48.95	16.86	0.01	65.80	136.77	139.27
Miscellaneous Articles	148.46	9.65	2.41	155.70	79.90	81.05
Sub-total 'A'	17050.60	1262.76	118.42	18194.94	11431.47	12033.84
Figures for the previous year	16545.77	1245.64	740.81	17050.60	12033.84	
B. SOCIAL FACILITIES						
Land(including cost of development)						
-Freehold	-	-	-	-	9.96	9.96
-Leasehold	4.62	0.11	0.00	4.73	2.36	2.47
Roads, Bridges & Culverts	16.38	0.78	0.02	17.14	33.35	30.49
Buildings	183.09	9.10	0.71	191.48	369.92	377.66
Plant & Machinery- Others	59.03	2.83	0.58	61.28	27.03	21.45
Furniture & Fittings	11.69	0.45	0.11	12.03	3.07	2.94
Vehicles	6.87	0.34	0.77	6.44	2.67	2.25
Water Supply & Sewerage	84.01	5.30	-0.52	89.83	25.48	29.90
EDP Equipments	2.62	1.26	0.06	3.82	5.76	5.77
Software (Intangible)	0.25	0.18	0.01	0.42	0.03	0.22
Miscellaneous Articles	66.41	5.73	1.78	70.36	34.77	32.32
Sub-total 'B'	434.97	26.08	3.52	457.53	514.40	515.43
Figures for the previous year	419.32	25.86	10.21	434.97	515.43	
C. ASSETS RETIRED FROM ACTIVE USE						
Unserviceable / Obsolete Assets	-	-	-	-	23.99	24.45
Figures for the previous year	-	-	-	-	24.45	
Total ('A'+ 'B'+ 'C')	17485.57	1288.84	121.94	18652.47	11969.86	12573.72
Total - previous year	16965.09	1271.50	751.02	17485.57	12573.72	

* Arising out of consolidation of subsidiary accounts

Note : Allocation of Depreciation

(a) Charged to Profit & Loss Account	1261.75	1257.12
(b) Charged to expenditure during construction	1.82	0.82
(c) Debited to adjustments pertaining to earlier years	25.27	13.56
Total	1288.84	1271.50



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1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Expenditure during construction pending allocation (Schedule 1.6.1)	18.67	14.40
Capital Work-in-progress		
Steel Plants & Units	1197.82	527.08
Township	10.52	9.70
Ore Mines and Quarries	4.14	0.00
	1212.48	536.78
Less: Provisions	22.13	21.64
Capital equipments pending erection, installation, commissioning and adjustments	1190.35	515.14
	194.93	109.13
Construction Stores and Spares	111.38	22.63
Less: Provisions	2.96	3.35
	108.42	19.28
Advances	318.11	294.41
Less: Provisions	1.45	3.31
	316.66	291.10
	1829.03	949.05
Particulars of advances		
Secured, Considered Good	1.82	0.00
Unsecured, Considered Good	314.84	291.10
(including advances backed by Bank Guarantees Rs.63.99 crores)		
(Previous year Rs.98.24 crores)		
Unsecured, Considered Doubtful	1.45	3.31
	318.11	294.41

1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Opening Balance (a)	14.71	17.68
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	27.88	16.56
Company's contribution to Provident and other Funds	2.64	1.33
Travel Concession	0.47	0.14
Welfare Expenses	0.14	0.00
Gratuity	2.02	0.03
	33.15	18.06
Technical Consultants' fees & know-how	7.79	3.47
Repairs & Maintenance	0.12	0.12
Stores and Spares	1.69	0.05
Power & Fuel	5.76	1.48
Other expenses	34.94	15.64
Interest & Finance charges	0.88	4.69
Depreciation	1.82	0.82
	86.15	44.33
Less: Income		
Interest Earned	0.01	0.00
Liquidated Damages	6.35	4.21
Hire Charges	0.37	1.94
Sundries	1.08	2.64
	7.81	8.79
Net expenditure during the year (b)	78.34	35.54
Total (a)+(b)	93.05	53.22
Amount allocated to Fixed Assets/ Capital Work-in-progress	74.38	38.82
Balance carried forward	18.67	14.40

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1.7 : INVESTMENTS AT COST

	Numer of Fully Paid-up Equity Shares	Face Value per Share (Rs.)	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>				
(A) Unquoted - Long Term				
Trade Investments				
Subsidiary Companies				
IISCO Ujjain Pipe & Foundry Company Limited (Refer Note No. 3.6)	3000000	10	<u>3.00</u>	<u>3.00</u>
Others				
Almora Magnesite Limited	40000	100	<u>0.40</u>	<u>0.40</u>
Tata Refractories Limited	2203150	10	<u>11.35</u>	<u>11.35</u>
Indian Potash Limited	360000	10	<u>0.18</u>	<u>0.18</u>
Cement & Allied Products (Bihar) Limited	2	10	<u>0.00 *</u>	<u>0.00 *</u>
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	<u>0.00 *</u>	<u>0.00 *</u>
Romelt SAIL (India) limited (Refer Note No. 3.7)	63000	10	<u>0.06</u>	<u>0.06</u>
MSTC Limited	20000	10	<u>0.01</u>	<u>0.01</u>
Bihar State Financial Corporation	500	100	<u>0.01</u>	<u>0.01</u>
Shares in Co-operative Societies (1.7.1)			<u>0.18</u>	<u>0.18</u>
Unquoted Current Investments				
Units of Mutual Fund			<u>25.26</u>	<u>8.40</u>
Total (A)			<u>40.45</u>	<u>23.59</u>
(B) Quoted - Long Term				
HDFC Limited	12000	10	<u>0.01</u>	<u>0.01</u>
HDFC Bank Limited	500	10	<u>0.00 *</u>	<u>0.00 *</u>
ICICI Bank Ltd.	28600	10	<u>0.05</u>	<u>0.05</u>
Total (B)			<u>0.06 @</u>	<u>0.06 @</u>
Total (A +B)			<u>40.51</u>	<u>23.65</u>
Less : Provision for diminution in value of investments			<u>3.52</u>	<u>3.51</u>
			<u>36.99</u>	<u>20.14</u>
@ Market value of quoted investments			<u>4.31</u>	<u>3.33</u>
* Cost being less than Rs. 50,000/-, figures not given.				



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1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Number of Fully Paid-up Shares	Face Value per Share (Rs.)	As at 31st March, 2007	As at 31st March, 2006
<i>(In Rupees)</i>				
Bokaro Steel Employees' Co-operative Credit Society Limited	1,16,500	10	1165000	1165000
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
IISCO Employees Primary Co-operative Stores Limited	23000	20	460000	460000
			1772700	1772700

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1.8 : INVENTORIES*

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Stores & Spares	1428.88	1296.95
Add: In-transit	131.65	124.23
	1560.53	1421.18
Less: Provision for Non moving/Obsolete items	161.12	160.48
	1399.41	1260.70
Raw materials	1201.45	1126.77
Add: In-transit	581.09	638.56
	1782.54	1765.33
Less: Provision for Unusable materials	1.85	1.47
	1780.69	1763.86
Finished / Semi-finished products (including scrap)	3576.40	3297.40
	6756.50	6321.96

* As certified by the Management and Valued as per Accounting Policy No. 1.7 in Schedule No. 3

1.10 : CASH & BANK BALANCES

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Cash and Stamps on hand	1.71	1.66
Cheques on hand	418.56	275.16
With Scheduled Banks		
Current Account	20.76	64.82
Unpaid Dividend Account	4.40	3.27
Margin Money Account	0.01	0.02
Term Deposits	9366.85 *	5887.18
	9392.02	5955.29
Remittances-in-transit	0.22	11.56
	9812.51	6243.67

* Deposits of Rs. 566.50 crores under Bank lien against loans

1.9 : SUNDRY DEBTORS

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Debts over six months	275.73	325.98
Other debts	2280.43	1794.97
	2556.16	2120.95
Less: Provision for doubtful debts	202.57	209.10
	2353.59	1911.85
Particulars		
Unsecured, considered good (Including debts backed by bank guarantees Rs.550.92 crores), Previous year Rs.483.06 crores)	2353.59	1911.85
Unsecured, considered doubtful	202.57	209.10
	2556.16	2120.95

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Loans to subsidiary company (Refer Note No.3.6 of Schedule 3)	0.58	0.58
Loans to other companies	0.63	0.63
Deposits	108.65	31.43
Employees	39.78	49.38
Others	10.15	10.25
	159.79	92.27
Less: Provision for doubtful interest	5.12	5.12
	154.67	87.15
Particulars		
Unsecured, considered good	154.67	87.15
Unsecured, considered doubtful	5.12	5.12
	159.79	92.27



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1.12 : LOANS & ADVANCES

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Loans		
Employees	274.66	198.38
Subsidiary company	2.38	2.38
Others	32.31	58.69
	309.35	259.45
Advances recoverable in cash or in kind or for value to be received		
Claims recoverable	624.66	456.41
Contractors & suppliers	117.78	117.15
Employees	20.55	16.42
Advance Income Tax and Tax deducted at source	74.61	41.68
Export Incentive	107.07	22.49
Subsidiary company	14.04	14.04
Others	326.75	303.82
	1285.46	972.01
Deposits		
Port Trust, Excise authorities, Railways, etc.	108.35	134.10
Others	212.62	157.93
	320.97	292.03
Less : Provision for Doubtful Loans & Advances	1915.78	1523.49
	174.11	180.89
	1741.67	1342.60
Particulars of Loans & Advances- Others		
Secured, considered good	241.10	186.46
Unsecured, considered good	1500.57	1156.14
Unsecured, considered doubtful	174.11	180.89
	1915.78	1523.49
Amount due from		
- Directors	0.01	0.00
- Officers	0.10	0.05
Maximum amount due at any time during the year from		
- Directors	0.01	0.02
- Officers	0.12	0.05

1.13 : CURRENT LIABILITIES

	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in crore)</i>		
Sundry Creditors		
Capital works	457.81	327.86
Small Scale Industrial Undertaking	11.68	12.14
Others	2199.67	2129.96
	2669.16	2469.96
Advances from		
Customers	616.83	523.94
Others	17.37	14.94
	634.20	538.88
Security Deposits	275.68	241.02
Less : Investments received as security deposit	0.07	0.10
	275.61	240.92
Interest accrued but not due on Loans	199.08	375.99
Liability towards Investor Education and Protection Fund, not due		
Unpaid Dividends	4.31	3.27
Unclaimed Matured Deposits *	2.19	5.20
Unclaimed Matured Bonds	0.20	0.60
Interest Accrued on Unclaimed Deposits / Bonds	0.74	2.59
Other Liabilities	1851.57	1675.57
	5637.06	5312.98

* Includes an amount of Rs 0.02 crore credited to Investor's Education & Protection Fund (Previous year Rs. 0.06 crore).

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1.14 : PROVISIONS

	As at 31st March, 2007	As at 31st March, 2006
		(Rupees in crore)
Gratuity	1734.60	2305.03
Accrued Leave	1380.18	1232.02
Employee Defined Benefit Schemes	720.53	696.77
Taxation	63.50	194.94
Pollution Control & Peripheral Development	83.11	86.44
Exchange Fluctuation	0.00	13.95
Proposed Dividend	630.16	322.43
Tax on Proposed Dividend	106.62	44.94
Voluntary Retirement Scheme	59.48	85.07
Wage Revision	513.19	342.52
Mines Afforestation / Restoration / Closure etc.	223.96	142.23
Others	100.35	69.83
Total	5615.68	5536.17

1.15 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 31st March, 2006	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2007
					(Rupees in crore)
(i) Development Expenditure					
(a) On Mines	3.34	0.00	3.34	3.34	0.00
(b) On New Projects	0.00	0.00	0.00	0.00	0.00
Total (i)	3.34	0.00	3.34	3.34	0.00
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	213.37	40.67	254.04	124.40	129.64
(b) Others	0.14	0.00	0.14	0.10	0.04
Total (ii)	213.51	40.67	254.18	124.50	129.68
Total (i+ii)	216.85	40.67	257.52	127.84	129.68
Previous year	354.94	46.94	401.88	185.03	216.85
				Current Year	Previous Year
Charged Off to:					
Raw Materials				3.34	6.76
Other Expenses & Provisions				124.50	178.28
Prior Period Adjustments/EDC				0.00	0.00
				127.84	185.04

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/ loss from the date of investment up to 31.03.2007	0.61	0.49
	0.18	0.06

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2.1 : SALES

	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in crore)	
Domestic - Iron & Steel,		
By-products, Others	37942.62	31216.34
Exports - Iron & Steel	1177.12	1096.99
Export Incentives	116.86	20.86
Energy & Steam	272.88	219.57
Conversion charges	0.75	0.92
	39510.23	32554.68

2.2 : INTEREST EARNED

	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in crore)	
Customers	38.96	28.58
Employees	11.18	8.13
Term Deposits	660.72	408.95
Others *	45.88	20.86
	756.74	466.52

* (Tax deducted at source Rs.0.85 crore)
(previous year Rs.1.11 crore)

2.3 : OTHER REVENUES

	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in crore)	
Social amenities-recoveries	143.29	130.12
Sale of empties etc.	58.61	40.67
Liquidated damages	20.80	21.02
Service charges (Gross) *	34.46	26.22
Subsidy	55.46	51.23
Dividend (gross) from investments	17.62	13.74
Profit on sale of fixed assets (net)	14.06	56.10
Profit on sale / lease of houses	0.00	2.05
Profit on sale of current Investment	0.59	0.19
Foreign Exchange Fluctuation (Net)	39.78	0.00
Reversal of Interest on SDF Loans	116.88	0.00
Waivers of Dues	0.21	0.00
Sundries *	304.83	269.35
	806.59	610.69

* (Tax deducted at source Rs.0.03 crore)
(previous year Rs.0.61 crore)

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in crore)	
Loans & Advances	11.10	26.75
Sundry Debtors	20.26	18.31
Stores & Spares	7.08	21.78
Others	20.99	13.76
	59.43	80.60

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

	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in crore)	
Opening Stock	3315.96	2159.26
Less : Closing Stock	3576.40	3315.96
	-260.44	-1156.70
Less : Excise Duty on accretion to stock	-40.44	-123.51
	-220.00	-1033.19

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2007		Year ended 31st March, 2006	
	Quantity Tonnes	Value Rs./crore	Quantity Tonnes	Value Rs./crore
Iron Ore	24653024	1488.31	23950548	1335.68
Coal	13553723	8483.06	14115529	8022.42
Coke	600670	699.44	589442	652.37
Limestone	3926137	567.22	3942594	506.79
Dolomite	2560930	170.71	2474155	161.98
Ferro Manganese	48872	188.61	43778	191.38
Ferro Silicon	19277	78.97	19685	83.69
Silico Manganese	109594	315.19	105599	341.98
Hot Rolled Stainless				
Steel Coils	3508	24.89	3393	16.34
Intermediary Products	47166	478.94	44800	355.38
Zinc	8965	156.39	9818	83.93
Aluminium	15899	202.05	14800	141.90
Others		463.04		502.78
		13316.82		12396.62

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2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Salaries & Wages	3742.18	3300.83
Wage revision arrears	0.90	0.00
Company's contribution to provident fund & other funds	329.26	307.99
Travel concession	411.26	85.43
Welfare expenses	268.49	190.06
Gratuity	393.30	320.27
	<u>5145.39</u>	<u>4204.58</u>
Less : Grants in Aid received from Government of Karnataka	0.34	0.28
	<u>5145.05</u>	<u>4204.30</u>
Note : Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	33.15	18.06
b) Deferred Revenue Expenditure	124.40	176.81
	<u>157.55</u>	<u>194.87</u>

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Buildings	66.89	56.49
Plant & Machinery	245.41	226.48
Others	106.69	106.59
	<u>418.99</u>	<u>389.56</u>
Note : Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	52.36	47.46
Plant & Machinery	724.03	617.12
Others	79.10	64.95
	<u>855.49</u>	<u>729.53</u>
b) Stores & Spares		
Buildings	27.64	22.06
Plant & Machinery	1093.54	1000.05
Others	58.86	53.69
	<u>1180.04</u>	<u>1075.80</u>
c) Expenditure during Construction	0.12	0.12
	<u>0.12</u>	<u>0.12</u>
Total (a+b+c)	<u>2035.65</u>	<u>1805.45</u>

2.8 : POWER & FUEL

	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in crore)
Purchased Power	2085.81	2087.72
Duty on own generation	32.38	32.49
Boiler Coal/Middlings	208.77	161.77
Furnace Oil/LSHS/LDO	115.76	81.14
Others	316.42	255.45
	<u>2759.14</u>	<u>2618.57</u>
Note : Expenditure on Power & Fuel not included above & charged off to:		
- Expenditure During Construction	5.76	1.48

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2.10 : OTHER EXPENSES

	Year ended 31st March, 2007	Year ended 31st March, 2006	
(Rupees in crore)			
Commission to selling agents	9.87	6.35	
Directors' Fees	0.20	0.13	
Export sales expenses	23.08	23.74	
Excise Duty on IPT / Internal Consumption	85.69	65.23	
Handling expenses			
- Raw Material	153.82	144.01	
- Finished goods	75.35	81.69	
- Scrap recovery expenses	67.37	60.92	286.62
Insurance	9.51	9.83	
Postage, telegram & telephone	15.41	15.33	
Printing & stationery	10.86	9.42	
Provisions			
- Doubtful debts, loans and advances	21.40	31.16	
- Investments	0.00	0.06	
- Stores, Spares and Sundries	23.71	17.13	48.35
Rates & Taxes	26.49	20.26	
Remuneration to Auditors			
- Audit Fees	0.73	0.62	
- Tax Audit Fees	0.28	0.20	
- Out of pocket expenses	0.90	0.89	
- In other capacities	0.59	0.57	2.28
Cost Audit Fees	0.02	0.02	
Rent	25.16	23.07	
Royalty and Cess	51.21	53.61	
Security expenses	119.43	109.61	
Travelling expenses	195.33	182.08	
Write Offs			
- Miscellaneous & Deferred Revenue Expenditure	124.50	178.28	
- Doubtful Debts, Advances etc.	4.61	4.35	182.63
Cash Discount	49.87	31.18	
Training expenses	11.03	8.16	
Conversion charges	83.25	63.93	
Foreign Exchange Fluctuation (Net)	0.00	10.55	
Water charges & Cess on Water Pollution	51.12	43.66	
Contribution to Joint Plant Committee Funds	1.98	2.79	
Miscellaneous	414.59	433.25	
	1657.36	1632.08	

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2007	Year ended 31st March, 2006	
(Rupees in crore)			
Foreign Currency Loans	44.21	74.58	
Non Convertible Bonds	240.85	288.84	
Bank borrowings - working capital	3.09	6.36	
Steel Development Fund (SDF) Loans	22.88	50.57	
Others	16.20	25.57	
Finance Charges	17.17	38.28	
	344.40	484.20	
Note :			
Expenditure on interest not included above & charged to:			
Expenditure During Construction			
Non Convertible Bonds	0.00	0.01	
Steel Development Fund Loans	0.88	4.68	
	0.88	4.69	

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2007	Year ended 31st March, 2006	
(Rupees in crore)			
Raw materials	1239.74	1154.78	
Departmentally manufactured stores	370.59	331.84	
Services transferred to capital works	28.43	28.00	
Others(Net)	9.97	5.83	
	1648.73	1520.45	

2.13 : ADJUSTMENT PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2007	Year ended 31st March, 2006	
(Rupees in crore)			
Sales	0.16	0.39	
Other Revenues	-6.98	0.03	
Raw materials consumed	0.37	2.80	
Employees' Remuneration & Benefits	-0.80	0.00	
Stores & Spares consumed	-0.93	-1.54	
Power & Fuel	-0.06	0.02	
Repairs & Maintenance	-0.03	0.11	
Freight Outward	0.00	0.02	
Other Expenses & Provisions	0.03	1.81	
Interest	0.00	-1.63	
Depreciation	25.27	13.56	
Net Debit	17.03	15.57	
(-) 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 Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

1.3 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 leasehold 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.

Mining rights are treated as intangible assets and all the related costs thereof are amortised over the lease period.

Software which is not an integral part of related hardware, is treated as intangible asset and amortised over a period of five years or its licence period, whichever is less.

In case of Mjunction Services Limited, software development expenditure is charged to revenue in the year of incurrence. In case of NTPC-SAIL Power Company Private Limited, software is amortised over licence period or 3 years, whichever is less.

1.4 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.

1.5 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.

In case of Bokaro Power Supply Company Private Limited, depreciation is charged on straight-line method as per the rates prescribed under The Electricity Act, 2003.

In case of SAIL Bansal Service Centre Limited, depreciation on fixed assets is provided on reducing balance method at the rates specified in Schedule XIV of the Companies Act, 1956.

1.6 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.

1.7 Inventories

Raw materials, stores & spares and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. In case of identified obsolete/surplus/ non-moving items, necessary provision is made and charged to revenue. The net realisable value of semi-finished special products, which have realisable value at finished stage only, is estimated for the purpose of comparison with cost.

Iron ore fines not readily useable/saleable, are recognised on disposal.

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

The basis of determining cost is:

Raw materials and Stores & spares	– weighted average cost
Materials in-transit	– at cost
Finished/Semi-finished products	– material cost plus appropriate share of labour, related overheads and duties.

In case of MEL, Raw Materials and Stores and spares are valued at cost.

In case of Bokaro Power Supply Company Private Limited, inventories, other than scrap are valued at cost.

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

1.8 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.

1.9 Voluntary Retirement Compensation

Voluntary retirement compensation is treated as deferred revenue expenditure. Such expenditure incurred upto 31st March, 2006 is written-off in five years and the expenditure incurred thereafter is written-off in equal yearly instalments upto 31st March 2010.

1.10 Foreign Currency Transactions

Monetary assets and liabilities related to foreign currency transactions remaining unsettled 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 acquired from outside India 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.

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

1.11 Employees' Benefits

The provisions towards gratuity, accrued leave, long term service awards, post-retirement medical and settlement benefits, 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 and charged to the profit and loss account alongwith actuarial gains/losses.

1.12 Adjustments pertaining to earlier years and prepaid expenses

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

1.13 Revenue recognition

Sales include excise duty and are net of rebates and price concessions. 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.

1.14 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.

1.15 Deferred Tax

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

- The Subsidiary Company, Joint Venture Companies and Associate Company, all 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, 2007)
A. Subsidiary Company		
	Maharashtra Elektrosnelt Ltd. (MEL)	99.12
B. Joint Venture Companies		
	NTPC SAIL Power Company Private Limited (NSPCL)	50
	Bokaro Power Supply Company Private Limited (BPSCL)	50
	Mjunction Services Limited (MSL)	50
	SAIL Bansal Service Centre Limited (SBSCCL)	40
	UEC SAIL Information Technology Limited (USIT)	40
	North Bengal Dolomite Limited (NBDL)	50
	N.E Steel & Galvanising Private Limited	49
C. Associate Company		
	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 Subsidiary, Joint Ventures and Associate Companies 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.

- The financial statements of SAIL and MEL are consolidated

as per AS - 21 on 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 / 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.

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

3.4 Investment in Associate Company has been accounted for using "equity method" as prescribed by 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.

The carrying amount of investment in Associate Company includes capital reserve of Rs. 0.56 crore, arising out of acquisition.

3.5 The excess of cost to SAIL, of its investment in its Subsidiary, Joint Ventures and Associate Companies, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the Subsidiary, Joint Ventures and Associate Companies 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.

3.6 The accounts of IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary company of SAIL have not been consolidated, being under liquidation.

3.7 The accounts of Romelt SAIL (India) Limited, a joint venture company of SAIL have not been consolidated, as the operation of the said company are under suspension.

3.8 Pursuant to the scheme of merger under the provisions of the Companies Act, 1956, as approved by the Hon'ble High Court of Delhi vide their order dated 2nd August 2006, which became effective from 5th September 2006 on filing the same with Registrar of Companies, NCT of Delhi & Haryana, erstwhile Bhilai Electric Supply Company Private Limited (BESCL) has been merged with the NTPC-SAIL Power Company Private Limited (NSPCL) with effect from the appointed date i.e. 1st April 2005..

4. CONTINGENT LIABILITIES

(Rupees in crore)

	As at 31st March, 2007	As at 31st March, 2006
i) Claims against the Group pending appellate/judicial decisions against which the Group has counter claims of Rs. 25.82 crore (Rs.12.07 crore) * includes sales tax on inter-state stock transfers from SAIL plants to stockyards - Rs. 1178.18 crore (Rs.1145.12 crore) for which no liability is expected to arise, as sales tax has been paid on eventual sales.	3037.55 *	2831.82*
ii) Other claims against the Group not acknowledged as debts against which the Group has counter-claims of Rs.50.82 crore (Rs.62.66 crore)	485.47	794.65
iii) Disputed income tax/service tax demand for which Group may be contingently liable	80.70	58.88
iv) Guarantees/Counter-guarantees given to banks/excise authorities	31.41	31.41
v) Bills drawn on customers and discounted with banks.	17.01	23.89
vi) Price escalation claims by Contractors/Suppliers and claims by certain employees, extent whereof is not ascertainable		

Figures in brackets pertain to previous year.

5. FIXED ASSETS

5.1 In case of SAIL, land includes:

- 62232.17 acres (62264.43 acres) owned / possessed, taken on lease, in respect of which title/ lease deeds are pending for registration.
- 5951.54 acres (5938.50 acres) given on lease to various agencies/ employees/ex-employees.
- 9717.66 acres (9717.66 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 (27.42 acres) in respect of which title is under dispute.

5.2 Buildings include net block of Rs. 37.50 crore (Rs. 38.46 crore) for which conveyance deed is yet to be registered in the name of SAIL.

5.3 In respect of SAIL, foreign exchange variations aggregating to Rs. 5.61 crore (net debit) [previous year – Rs. 17.36 crore

(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. 2622.33 crore (Rs.2862.74 crore).

Figures in brackets pertain to previous year.

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

- 6.1 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 filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Hon'ble Court's orders, the amount of tax deducted at source by SAIL and MEL on house perquisite w.e.f. 1st April 2003 and other perquisites w.e.f. 1st October 2001, upto 31st March 2005 has been kept separately as term deposits with banks, pending final decision of the Hon'ble Court. Such deductions and deposits after 31st March 2005, have been made in accordance with amended law/judicial decisions. The provisions contained in the Finance Act 2007, applicable with retrospective effect from 1st April 2001, shall be given effect to after examining various aspects. However, there is no impact on accounts as the additional tax, if required, shall be recoverable from the employees.

- 6.2 Balances shown under creditors, debtors, claims recoverable 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 long-term agreement for wage revision expired on 31st December, 2006. Pending finalisation of fresh agreement w.e.f. 1st January 2007, provision of Rs.171.83 crore towards salaries and wages revision, has been made on estimated basis.
- 7.2 In view of encashment option allowed during the year under leave travel concession facility, an amount of Rs. 98.16 crore, in respect of employees, who have not availed the facility upto 31st March, 2007, has been provided by SAIL and MEL.
- 7.3 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.
- 7.4 In case of SAIL, the Research and Development expenditure charged during the year to Profit & Loss Account and Fixed Assets amount to Rs.71.30 crore (previous year - Rs. 60.25 crore) and Rs.5.55 crore (previous year - Rs.3.23 crore) respectively.

- 7.5 SAIL has represented to the Government of India 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, an amount of Rs. 17.39 crore (including Rs. 2.88 crore for the year) has been provided.

- 7.6 The interest accrued and due on Steel Development Fund (SDF) loans, treated as fresh loans w.e.f. 1999-2000, pending approval by the SDF Managing Committee, has been re-computed in view of the decision of the Committee during the year, of not allowing SAIL's applications for treating the interest due as fresh loans. This has resulted in increase in profit before tax by Rs.117.58 crore. The carrying amount of fixed assets has also decreased by Rs. 29.28 crore.

- 7.7 In view of the uncertainties involved in the ultimate realisation of duty free entitlement under the Duty Free Credit Entitlement Scheme relevant to the year of exports, i.e. 2003-04, a sum of Rs. 81.29 crore earned by SAIL during the year has been shown under 'Export Incentives' in Schedule 2.1 of Profit & Loss Account.

- 7.8 SAIL 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 each of its plant as Cash Generating Unit. On such review as at 31st March, 2007, wherever there was an indication of impairment, the net realisable value thereof, as assessed by an independent agency as at 31st March, 2005, being more than the carrying amount, no provision is required to be made.

- 7.9 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.

8. GENERAL

- 8.1 Disclosures as required under Accounting Standard (AS) – 15 (revised) on 'Employee Benefits' and AS – 29 on 'Provisions, Contingent Liabilities and Contingent Assets' in respect of SAIL are given in paragraphs 6.1 and 6.6 respectively of Schedule 3 : 'Significant Accounting Policies and Notes on Accounts' forming part of the independent financial statements of SAIL.

8.2 Segment Reporting

- i) Business Segments: The five integrated steel plants and three alloy steel plants of SAIL, MEL and two power Joint Venture Companies, have been considered as primary business segments for reporting under AS -17 on '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 disclosure of segment-wise information is given at Annexure-I.

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8.3 RELATED PARTY

As per AS-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 (upto 31 st July 2006) Shri S.K. Roongta Shri G.C. Daga (upto 2 nd September 2006) Shri R.P. Singh (upto 30 th June 2006) Shri K.K. Khanna Shri Nilotpal Roy Shri V. Shyam Sunder (w.e.f. 5 th June 2006) Shri B.N. Singh (w.e.f. 13 th June 2006) Shri V.K. Srivastava (w.e.f. 13 th June 2006) Shri G. Ojha (w.e.f. 1 st July 2006) Shri R. Ramaraju (w.e.f. 7 th July 2006) Shri Soiles Bhattacharya (w.e.f. 23 rd February, 2007) Shri S.Chakroborty (upto 31 st May 2006) Shri D.S.Lal (upto 31 st Aug 2006) Shri N.P. Jayaswal (upto 30 th Sept 2006) Shri T.K. Chakravarty (upto 30 th Nov 2006) Shri P.M. Balasubramaniam Shri M. Roy Shri R.K. Sarangi Shri A.K. Sarkar Shri GIS Chauhan (w.e.f. 1 st June to 31 st Oct 2006) Shri H.K. Roy Choudhury (upto 31 st Dec 2006) Shri M.K.Bhattacharya (from 1 st October to 23 rd October 2006 and w.e.f. 1 st January 2007) Shri S.P. Patnaik (w.e.f. 24 th Oct 2006) Shri A.S.Mathur (w.e.f. 26 th Oct 2006) Shri Jagdish Singh (w.e.f. 1 st Nov 2006) Shri R.K Agarwal (w.e.f. 1 st Dec. 2006) Shri Rajesh Singh (w.e.f. 1 st Sep to 25 th Oct 2006) Shri A.P. Nayak (upto 31 st July 2006) Shri Nawaz Ahmed (w.e.f. 31 st July 2006)

The details of transactions with the related parties during the year in respect of SAIL and MEL, as defined in the Accounting Standard, are given below:

(Rs. in crore)

Nature of transaction	Key Management Personnel for the year	Schedule No. and Account head
Managerial Remuneration	1.73 (1.43)	2.7: Employees' Remuneration and Benefits

Figures in brackets pertain to previous year

8.4 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 2007, has been accounted for, as detailed below:

(Rs. in crore)

Particulars	As on 31 st March 2007	As on 31 st March 2006
SAIL		
Deferred tax liability		
Difference between book and tax depreciation	2707.79	2889.53
Total	2707.79	2889.53
Deferred tax assets		
Retirement Benefits	584.02	770.73
Others	711.11	634.34
Total	1295.13	1405.07
Net Deferred tax liability	1412.66	1484.46
MEL		
Deferred tax liability		
Difference between book and tax depreciation	3.38	3.50
Total	3.38	3.50
Deferred tax assets		
Others	9.98	8.90
Total	9.98	8.90
Net Deferred tax assets	6.60	5.40

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.

8.5 Previous year's figures have been rearranged/regrouped/recast, wherever necessary.

Annexure - I
Segment Information for the year ended 31st March, 2007
A. BUSINESS SEGMENT

(Rupees in crore)													
PARTICULARS	BSP	DSP	RSP	BSL	IISCO	ASP	SSP	VISL	MEL	Power Companies	Others	Inter Segment Adjustments	SAIL Group
REVENUE													
- External Sales													
Current year	13526.31	4287.68	6335.90	11004.69	1482.37	531.90	1299.27	711.75	30.74	272.88	26.74		39510.23
Previous year	(11217.26)	(3759.51)	(4586.65)	(9535.29)	(1287.00)	(493.71)	(770.12)	(633.03)	(28.82)	(219.57)	(23.72)		(32554.68)
- Internal Segment Sales													
Current year	341.56	200.39	59.11	514.52	108.19	240.10	5.97	36.74	260.80		554.86	-2322.24	0.00
Previous year	(169.25)	(79.41)	(46.07)	(531.89)	(19.35)	(174.16)	(14.92)	(23.81)	(218.51)		(482.95)	(-1760.32)	(0.00)
- Total Revenue													
Current year	13867.87	4488.07	6395.01	11519.21	1590.56	772.00	1305.24	748.49	291.54	272.88	581.60	-2322.24	39510.23
Previous year	(11386.51)	(3838.92)	(4632.72)	(10067.18)	(1306.35)	(667.87)	(785.04)	(656.84)	(247.33)	(219.57)	(506.67)	(-1760.32)	(32554.68)
RESULT													
- Operating profit / loss (-) (Before Interest Expenses)													
Current year	4286.24	639.23	1369.20	2771.13	-245.37	22.73	123.55	-29.80	28.37	60.42	825.79		9851.49
Previous year	(2921.70)	(311.24)	(608.74)	(2169.72)	(-242.21)	(30.15)	(-56.92)	(29.95)	(32.29)	(48.21)	(413.35)		(6266.22)
- Interest expenses													
Current year													344.40
Previous year													(484.01)
- Net Profit / Loss (-)													
Current year													9507.09
Previous year													(5782.21)
OTHER INFORMATION													
- Segment Assets													
Current year	4650.83	3662.67	4318.70	4367.50	941.08	707.13	742.81	628.70	138.71	1262.09	13364.28		34784.50
Previous year	(4321.65)	(3677.46)	(4326.16)	(4373.20)	(1009.72)	(491.10)	(845.45)	(580.05)	(134.37)	(731.18)	(9176.65)		(29666.99)
- Segment Liabilities													
Current year	2208.71	918.80	1193.01	2207.05	1178.46	249.78	137.52	183.80	76.59	204.83	2694.19		11252.74
Previous year	(1877.93)	(802.40)	(1068.93)	(2088.88)	(1287.75)	(229.56)	(89.38)	(172.27)	(82.75)	(79.23)	(3070.07)		(10849.15)
- Capital Expenditure													
Current year	459.40	126.40	126.21	213.32	147.51	39.46	14.66	8.84	2.78	409.10	49.08		1596.76
Previous year	(250.28)	(173.31)	(163.94)	(189.72)	(91.37)	(25.13)	(7.96)	(9.95)	(2.37)	(161.75)	(81.85)		(1157.63)
- Depreciation													
Current year	223.43	299.90	291.92	241.09	23.18	9.43	43.36	11.01	1.70	47.50	69.23		1261.75
Previous year	(204.37)	(295.68)	(288.27)	(253.38)	(26.73)	(9.88)	(43.18)	(10.59)	(1.97)	(46.73)	(76.34)		(1257.12)

A. GEOGRAPHICAL SEGMENT

Particulars	Current year (Rs. in crore)	Previous year (Rs. in crore)
Sales revenue		
India	38333.11	31457.69
Foreign Countries	1177.12	1096.99
Total	39510.23	32554.68

Notes :

- Others include Raw Material Division and Central Units of SAIL, Mjunction Services Limited, UEC-SAIL Information Technology Limited, SAIL-Bansal Service Centre Limited, N.E.Steel & Gal. (P) Ltd. and North Bengal Dolomite 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,
JOINT VENTURES AND ASSOCIATE COMPANIES**

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED (SAIL), and its Subsidiary, Joint Ventures and Associate Companies (SAIL group) as on 31st March 2007 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 report that :

1. The audit of the following companies in the SAIL group has been carried out by the other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the assets and revenues of these companies included in the consolidated financial statements, is based solely on the reports of the other auditors.

(Rupees in crore)

Name of the Companies	Assets	Revenues
A. Subsidiary		
Maharashtra Elektrosnelt Limited	145.31	235.22
B. Joint Ventures		
NTPC SAIL Power Company Private Limited	998.47	100.45
Mjunction Services Limited	40.64	25.42

2. In respect of the following Joint Venture Companies, we did not carry out the audit. Our opinion, insofar as it relates to the assets and revenues included in respect of these Joint Ventures, is based solely on the provisional financial statements as furnished to us by the management. Since the financial statements of these joint ventures for the financial year ended 31st March 2007, 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.

(Rupees in crore)

Name of the Companies	Assets	Revenues
SAIL Bansal Service Centre Limited	8.91	15.77
UEC SAIL Information Technology Limited	0.41	0.00
Bokaro Power Supply Company Private Limited	263.62	175.31
North Bengal Dolomite Limited	0.28	0.21
N.E Steel & Galvanising Private Limited	1.54	0.00

3. The Accounts of IISCO-Ujjain Pipe & Foundry Company Limited, a subsidiary company of SAIL have not been consolidated as the said company is under liquidation.
4. The accounts of Romelt SAIL (India) Limited, a joint venture company of SAIL have not been consolidated as the operations of the said company are under suspension.
5. The consolidated financial statements have been prepared by SAIL 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 SAIL and its subsidiary, Joint Ventures and Associate Companies included in the consolidated financial statements.
6. Bokaro Power Supply Company Private Limited, a Joint Venture Company 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.
7. Subject to paras 3 & 4 above, we report that on the basis of the information and explanations given to us and on the consideration of the individual audited financial statements as stated in para 1 above, and provisional financial statements as stated in para 2



above, 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 2007;
- 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 S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner
(M. No. 88155)

For Ray & Ray
Chartered Accountants

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

**For Dass Maulik Mahendra
K. Agarwal & Co.**
Chartered Accountants

Sd/-
(S.K. Jena)
Partner
(M. No. 94966)

Place : New Delhi
Dated : 2nd July, 2007



Directors' Report

To

The Members,

The Directors have pleasure in presenting the 34th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2007.

FINANCIAL REVIEW

During the year the Company has achieved a turnover of Rs. 291.54 crore (including conversion income of Rs. 241.80 crore) as compared to Rs. 247.33 crore (including conversion income of Rs. 171.10 crore) in the previous year. The Company has achieved an improved performance in terms of physical out put and earned a net profit (before tax) of Rs. 28.21 crore despite the increase in power tariff and employees remuneration and benefits. The financial results are as summarised below:

	2006-2007 (Rs. in crore)	2005-2006 (Rs. in crore)
Turnover (Gross)	291.54	247.33
Operating Profit/Loss (-)	30.07	34.25
Interest	0.16	0.36
Depreciation	1.70	1.97
Net Profit/Loss(-) before Tax	28.21	31.92
Income Tax Provision	9.71	10.95
Net Profit/Loss(-) after Tax	18.50	20.97
Proposed Dividend	4.80	4.80
Tax on Proposed dividend	0.82	0.67

Considering the consistency in performance of the Company, the Directors have recommended dividend @ 20% of paid-up equity capital subject to approval of the Shareholders. A sum of Rs. 1.50 crore has been transferred to the General Reserve during the year.

PRODUCTION REVIEW

The Company's production of different grades of ferro alloys was as under:

Material	2006-07 (MT)	2005-06 (MT)
High Carbon Ferro Manganese	56319	51525
Silico Manganese	50371	46712
Medium Carbon Ferro Manganese	373	2344

Company had to operate two furnaces for two months for Silico Manganese in order to meet enhanced demand for SAIL Plants and reduced demand for Ferro Manganese. For balance period, one furnace was operated for producing Ferro Manganese and the other one for Silico Manganese.

SALES & MARKETING REVIEW**SAIL STEEL PLANTS**

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	2006-07 (MT)	2005-06 (MT)
High Carbon Ferro Manganese	55444	42237
Silico Manganese	44848	36428
Medium/Low Carbon Ferro Manganese	613	1687

OTHER CUSTOMERS

The Company continued to achieve a growth in terms of sales realisation through sale of ferro alloys to customers other than SAIL Plants. The details of sales performance in 2006-07 vis-à-vis 2005-06 are as under:

Material	2006-07		2005-06	
	Quantity (MT)	Value (Rs. in Lakh)	Quantity (MT)	Value (Rs. in Lakh)
High Carbon Ferro Manganese	5298	1508.02	4872	1228.87
Silico Manganese	5327	1543.90	7540	1783.10

Medium Carbon Ferro Manganese	124	56.03	—	—
Others (Slag & others)	—	222.00	—	66.26
Total	10749	3329.95	12412	3078.23

RESEARCH & DEVELOPMENT

a) Major in-house development projects undertaken in the area of technical improvement were:

- Installation of air drier for slipping devices for improving the pneumatic system and electrode rubber membrane system.
- Installation of 2 Nos. I.C. make feeders at Bunker House No.1 by fabrication of structure and chute.
- SAF-II GCP make up line re-routing was carried out.
- Installations of diesel operated pump 175 Cu.Mtr. at Pump House No. 1.
- Installation of Mud Gun and Drilling Machine for SAF-I and trial is in progress.
- New drip not close type fabricated and installed at SP-I to maintain desired auto level.
- Stabilization of GCP of SAF-II with 2500 rpm and 1300mm impeller diameter to increase the suction pressure.
- Installation of 2 Nos. 120 cum on line cooling water filters.
- Cleaning of 600 mm CO line of GCP-II and arrangement of permanent platform/walk way at 22 mtrs. for maintenance of this line.
- Fabrication and installation of new GCP for SAF-II has been started from 1st February, 2007.

• Hose leakage in both the furnace is reduced considerably by using indigenous glass fibre hose with specification received from M/s.Vadvett, Norway in place of asbestos hose.

b) Major in-house development projects undertaken in the area of Pollution Control were:

- Second Gas Cleaning Plant at SAF-II has been commissioned on 22nd June, 2007.
- In order to control fugitive emission due to vehicular traffic, about 400 mtr. length of the haul road at dusty yard area were concreted. In addition, water sprinkling is carried daily on plant road by water tanker to control fugitive emission.
- Sludge removal from effluent pond No.1 completed in record 2 months time.

HUMAN RESOURCES MANAGEMENT REVIEW

MEL greatest strength is its Human Resource. This asset is being nurtured with care and in turn achieving business objectives. The focus and thrust is continuing to be on optimum manpower utilization and improvement in productivity. Efforts are being taken towards smooth redeployment of employees after rationalization of manpower across the Company.

The Human Resource Development (HRD) activities continue to focus on enhancement of Management Skills, Multi-skill training and exposure to modern management techniques. In the year 419 employees were trained in various areas. Safety and Health remain the central theme in the Human Resource Development activities. Harmonious Industrial Relations has been the backbone of the record production and high productivity. The Company has recognized performance and innovation and has awarded 2 Executives, 10 Non-Executives and 6 groups on Republic Day, 2007. The wards of employees continue to get benefit under the Company's Scholarship Scheme and 5 meritorious children have been awarded. Under the Bright Pupils Awards 64 children have been honoured for their outstanding achievement in academics. 137 employees were awarded the Long Service Award for their continuous 25 years of service to the company.

MEL continued its contribution to the society as a socially responsive organisation through various initiatives. MEL in association with National AIDS Control Organisation (NACO) has actively participated and promoted the Information, Education and Communication (IEC) campaign. During 2006-07, around 220 persons have been covered under IEC campaign for awareness of HIV/AIDS and under the community awareness around 2000 persons have been covered.

The manpower strength as on 31st March, 2007 was 801 comprising 138 executives and 663 non-executives.

Presidential directives on Scheduled Caste and Scheduled Tribe continued to be implemented and monitored on a regular basis. Out of the total manpower, 13.61 per cent were Scheduled Caste, 7.24 per cent were Scheduled Tribes and 52.30 per cent were Other Backward Castes.

The Company continued to pay thrust on implementation of Official Language Policy of Government of India. MEL JOL – a quarterly in-house

Hindi published regularly during the year.

Consistent efforts were made for improving the safety standards in the company by taking measures like intensive safety drive in works area, conducting safety audit, workshop in collaboration with SAIL Safety Organisation and training etc. The Company is proud to declare that there has been no fatal accident since 1987.

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.

Following special efforts were taken during the financial year for enhancing the effective environment management at MEL were:

- Consent to operate under the Air and Water Act and Authorization under the Hazardous Waste (Management & Handling) Rules, 1989 as amended in 2003 is renewed by Maharashtra Pollution Control Board valid upto 31st December, 2011.
- Environment Day 2006 was celebrated on 5th June, 2006.
- Celebration of Environment Month included creating awareness by distributing book among all units of SAIL on "Waste Minimisation" authored by eminent environmentalist and Member Secretary Dr. D.B. Boralkar. Sit & Draw competitions for the ward of employees and essay competitions for the employees conducted during month to create awareness on Environment Protection.
- Erection of Second Gas Cleaning Plant at SAF-II started and is expected to be commissioned by July, 2007.
- In order to control fugitive emission due to vehicular traffic, about 400 Mtr. length of the haul road at dusty yard area were concreted. In addition, water sprinkling is carried daily on plant road by water tanker to control fugitive emission.
- Sludge removal from effluent pond No.1 completed in record 2 months time.

TOTAL QUALITY & INDUSTRIAL SAFETY

Quality Management System (QMS) addressed to ISO-9001-2000 International Standard was successfully maintained in the Organization during 2006-07. Third Surveillance Audit of MEL's ISO-9001-2000 QMS by certifying agency M/s.LRQA, Mumbai, completed successfully in March, 2007 without any non-conformity.

In Industrial Safety, the Company has been awarded Ispat Suraksha Puraskar-2004 & Ispat Suraksha Puraskar-2005 in the year 2006-07.

HIGHLIGHTS OF SAFETY PERFORMANCE

- No Fatal accident occurred in MEL since 1987.
- Out of 23 departments, 18 departments maintained "Zero reportable accident" level.
- Use of 100% crash helmets by two wheeler riders implemented.
- Longest reportable accident free period achieved from 24/1/2006 to 3/7/2006 i.e. 161 days for regular employees and from 1/1/2006 to 15/4/2006 i.e. 104 days for contractual workers.
- The first ever "Industrial Safety Forum for Chandrapur District" (ISFCD) was formed at MEL on 15th July, 2006.

MERGER OF MEL WITH SAIL

The Expert Group, constituted by the Ministry of Steel, Govt. of India, to evaluate the Feasibility of proposals for merger of PSUs, has recommended for merger of MEL with SAIL. MEL Board approved in principle for merger of MEL with SAIL subject to the provisions of Companies Act, 1956.

FUTURE PLAN

To achieve the objectives of the Corporate Plan 2012, studies were carried out for developing infrastructural facilities and equipment for implementing layer casting of ferro alloys in order to improve the labour productivity and yield.

- Commissioning of Mud Gun & Tap Hole Drill Machine for SAF-I to avoid deterioration of tap hole lining.
- Installation of Mud Gun & Tap Hole Drill Machine for SAF-II to avoid deterioration of tap hole lining.
- Installation of Maximum Demand controller for better energy management.

- Installation of one number 33 MVA Submerged Arc Furnace.
- Commissioning of First loader for layer casting.
- Procurement of Second loader for layer casting.
- Construction of all pits for SAF-I & II for layer casting ferro alloys.
- Plant wide communication network of computers.
- Mechanisation system for processing of layer casting ferro alloys.
- Construction of 2 Nos. Bin for each Bunker House I & II.
- Installation of 2 more IC feeder at Bunker House-I. This is in the place of imported feeders.
- Upgradation of pollution control system at Sinter Plant.
- Installation of pollution control system at Raw Material charging system and 1 MVA furnace.

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.

DIRECTOR

Shri R.P. Singh, Director, superannuated w.e.f. 30th June, 2006.

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 Exchange 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, 2007 is enclosed. The comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956, on accounts of the Company for the year ended 31st March, 2007 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 : 29th June, 2007

Sd/-
(V.K. Gulhati)
Chairman

Balance Sheet

(AS AT 31ST MARCH, 2007)

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

	Schedule No.	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	2400.00	2400.00
Reserves & Surplus	1.2	<u>4374.26</u>	<u>3094.93</u>
		6774.26	5494.93
Loan Funds			
Secured Loans	1.3	0.00	1.11
Unsecured Loans	1.4	<u>98.14</u>	<u>206.40</u>
		98.14	207.51
		<u>6872.40</u>	<u>5702.44</u>
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		6107.30	6018.32
Less: Depreciation		<u>3610.86</u>	<u>3489.95</u>
Net Block		2496.44	2528.37
Capital Work-in-progress	1.6	<u>221.17</u>	<u>87.00</u>
		2717.61	2615.37
Deferred Tax Assets (Net)		659.95	540.04
Current Assets, Loans & Advances			
Inventories	1.7	6502.74	6828.75
Sundry Debtors	1.8	1720.74	130.94
Cash and Bank Balances	1.9	719.43	2179.24
Interest Receivable/Accrued	1.10	88.48	97.31
Loans and Advances	1.11	2072.98	1488.55
		<u>11104.37</u>	<u>10724.79</u>
Less : Current Liabilities & Provisions			
Current Liabilities	1.12	4722.80	5396.93
Provisions	1.13	<u>2936.10</u>	<u>2879.61</u>
		<u>7658.90</u>	<u>8276.54</u>
Net Current Assets		3445.47	2448.25
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.14	<u>49.37</u>	<u>98.78</u>
		<u>6872.40</u>	<u>5702.44</u>
Accounting Policies and Notes on Accounts Schedules 1 and 3 annexed hereto, form part of the Balance Sheet.	3		

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
(Navaz Ahmed)
Executive Director

In terms of our report of even date
For Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
(Samir Chinoy)
Partner

Sd/-
(Vipin Puri)
Director

Sd/-
(V. K. Gulhati)
Chairman

Place : New Delhi
Date : 18th May, 2007



Profit & Loss Account

(FOR THE YEAR ENDED 31ST MARCH, 2007)

	Schedule No.	Year ended 31st March, 2007	Year ended 31st March, 2006
INCOME			
<i>(Rupees in lakh)</i>			
Sales	2.1	29153.60	24732.71
Less : Excise duty		5966.08	5158.98
		23187.52	19573.73
Interest earned	2.2	121.09	98.58
Other revenues	2.3	152.31	123.49
Provisions no longer required written back	2.4	60.86	21.78
		334.26	243.85
		23521.78	19817.58
EXPENDITURE			
Accretion to (-)/Depletion in stocks	2.5	1377.64	(1,748.91)
Raw Materials consumed	2.6	2746.62	4793.29
Employees Remuneration & Benefits	2.7	2764.07	2359.78
Stores & Spares consumed		489.54	571.04
Power & Fuel	2.8	12094.95	9301.10
Repairs & Maintenance	2.9	69.29	207.65
Other expenses	2.10	969.51	891.11
Interest & finance charges	2.11	15.54	35.57
Depreciation		169.63	197.08
		20696.79	16607.71
Profit for the year		2824.99	3209.87
Adjustments pertaining to earlier years	2.12	(3.60)	(17.06)
Profit before Tax		2821.39	3192.81
Less : Provision for taxation			
- Current Tax		1050.00	1210.00
- Fringe Benefit Tax		15.38	14.99
- Deferred Tax		(119.92)	(132.14)
- Earlier years adjustments		25.98	2.73
Profit after Tax		1849.95	2097.23
Surplus brought forward from previous year		2904.93	1122.12
Less : Provision towards Long Service Award to employees upto 31st March' 2006		(9.04)	0.00
Add : Deferred Tax Assets of previous year		0.00	407.90
Amount available for Appropriation		4745.84	3627.25
APPROPRIATIONS			
Transferred to General Reserve		150.00	175.00
Proposed Dividend		480.00	480.00
Tax on Dividend		81.58	67.32
Balance carried to Balance Sheet		4034.26	2904.93
		4745.84	3627.25
Earning per Share			
Profit after Tax (Rs. in Lakh)		1849.95	2097.23
Average number of equity shares (Face value Rupees 10/- each)		24000000	24000000
Basic & Diluted Earning Per share (Rupees)		7.71	8.74
Accounting Policies and Notes on Accounts Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account.	3		

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
(Navaz Ahmed)
Executive Director

In terms of our report of even date
For Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
(Samir Chinoy)
Partner

Sd/-
(Vipin Puri)
Director

Sd/-
(V. K. Gulhati)
Chairman

Place : New Delhi
Date : 18th May, 2007

Cash Flow Statement

(FOR THE YEAR ENDED 31ST MARCH, 2007)

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

	Year Ended 31st March, 2007	Year Ended 31st March, 2006
	(Rupees in lakh)	
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax and dividend and prior period adjustment	2,824.99	3,209.87
Adjustment for :		
Depreciation	169.63	197.08
Interest and Finance Charges	15.54	35.57
Misc. Expenditure(Deferred) charged during the year	49.41	49.41
Provisions for retirement benefits (net of payment)	160.23	182.49
Provision for work in progress	75.67	3.66
Provision no longer required written back	-60.86	-21.78
Loss on Sale of discarded Fixed Assets	0.01	7.35
Profit on sale of discarded Fixed Assets	-30.48	-2.93
Write off	1.23	0.00
Interest towards earlier years Income Tax	0.00	3.25
Misc income towards restoration of Assets	0.00	-3.62
Adjustment for prior period item	-16.45	-17.06
Prior period adjustment written back	12.85	0.00
Operating Cash flow before payment of Tax	3,201.77	3,643.29
Payment of Advance Tax	-915.00	-607.00
Tax deducted at source	-580.05	-402.75
Payment of fringe benefit tax during the year	-15.75	-15.28
Payment of income tax for previous year	-226.08	-4.25
Refund of Income tax	70.70	6.65
Payment of Dividend	-478.69	0.00
Payment of Dividend Tax	-67.32	0.00
Operating profit before working capital changes	989.58	2,620.66
Adjustment for :		
Inventories	327.85	-2,335.69
Sundry Debtors	-1589.80	1,816.26
Interest Receivable	8.83	-16.63
Loans and Advances	-134.96	-243.35
Current Liabilities & Provisions	-674.13	531.63
Deferred Revenue Expenditure (additions)	0.00	-3.28
Net cash from Operating Activities	-1,072.63	2,369.60
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	-296.71	-161.66
Sale of Salvaged/Scrapped Fixed Assets & Idle Spares	34.44	6.40
Decapitalisation of Fixed Assets after settlement of liabilities	0.00	33.90
Net cash from Investing Activities	-262.27	-121.36
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term borrowings from SAIL (Holding Company)	0.00	-458.22
Increase/Decrease in utilisation of Working Capital borrowings	-1.11	-0.63
Other Borrowings	-108.26	-131.55
Interest and Finance Charges	-15.54	-35.57
Net Cash from Financing Activities	-124.91	-625.97
Net Increase/(Decrease) in Cash & Cash Equivalents	-1,459.81	1,622.27
Cash & Cash Equivalents (Opening)	2,179.24	556.97
Cash & Cash Equivalents (Closing)	719.43	2,179.24

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
(Navaz Ahmed)
Executive Director

In terms of our report of even date
For Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
(Samir Chinoy)
Partner

Sd/-
(Vipin Puri)
Director

Sd/-
(V. K. Gulhati)
Chairman

Place : New Delhi
Date : 18th May, 2007



Schedules

(FOR THE YEAR ENDED 31ST MARCH, 2007)

1.1: SHARE CAPITAL

	As at 31st March, 2007	As at 31st March, 2006
(Rupees in lakh)		
Authorised		
30,000,000 Equity Shares of Rs.10 each	3000.00	3000.00
	<u>3000.00</u>	<u>3000.00</u>
Issued, Subscribed & Paid-up		
24,000,000 Equity Shares of Rs.10/- each fully paid up	2400.00	2400.00
	<u>2400.00</u>	<u>2400.00</u>

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, 2007	As at 31st March, 2006
(Rupees in lakh)		
Capital Reserve	15.00	15.00
As per last Balance Sheet (Represents amount received from Central Government by way of Capital subsidy)		
General Reserve		
As per last Balance Sheet	175.00	0.00
Add : Transferred from Profit & Loss Account	150.00	175.00
	<u>325.00</u>	<u>175.00</u>
Surplus as per Profit & Loss Account	4034.26	2904.93
	<u>4374.26</u>	<u>3094.93</u>

1.5 FIXED ASSETS

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As At 31st March, 2006	Additions/ Adjustments during the year	Less : Sales / Adjustments during the year	As at 31ST March, 2007	Upto 31st March, 2006	For The Year	Less : On Sales/ Adjustments during the year	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2006
A. PLANTS, MINES, OTHERS											(Rupees in lakh)
Land (including 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	3.96	0.31	0.00	4.27	14.62	14.93	
Buildings	698.92	15.06	0.13	713.85	283.71	20.13	0.00	303.84	410.01	415.21	
Plant & Machinery											
-Ferro Alloys Plant	4096.18	92.06	8.40	4179.84	2445.50	113.55	7.98	2551.07	1628.77	1650.68	
-Others	546.30	12.50	87.25	471.55	386.40	16.95	46.41	356.94	114.61	159.90	
Furniture & Fittings	57.16	0.36	0.08	57.44	53.52	0.68	0.08	54.12	3.32	3.64	
Vehicles	49.38	0.09	(53.12)	102.59	34.40	6.73	(14.00)	55.13	47.46	14.98	
Water Supply & Sewerage	41.96	0.00	0.00	41.96	34.06	0.79	0.00	34.85	7.11	7.90	
EDP Equipments	62.59	0.39	5.41	57.57	46.61	3.46	5.20	44.87	12.70	15.98	
Miscellaneous Articles	51.59	1.87	3.24	50.22	31.98	2.25	2.89	31.34	18.88	19.61	
Sub-total 'A'	5761.34	122.33	51.39	5832.28	3423.29	164.85	48.56	3539.58	2292.70	2338.05	
Figures for the previous Year	5625.43	235.79	99.88	5761.34	3224.42	192.36	(6.51)	3423.29	2338.05	2401.01	
B. SOCIAL FACILITIES											
Roads, Bridges & Culverts	9.15	0.00	0.00	9.15	2.98	0.15	0.00	3.13	6.02	6.17	
Buildings	225.52	18.09	0.24	243.37	60.61	3.72	0.12	64.21	179.16	164.91	
Furniture & Fittings	2.22	0.36	0.00	2.58	0.24	0.27	0.00	0.51	2.07	1.98	
Water Supply & Sewerage	6.60	0.00	0.00	6.60	2.20	0.11	0.00	2.31	4.29	4.40	
EDP Equipments	1.92	0.80	0.00	2.72	0.22	0.31	0.00	0.53	2.19	1.70	
Miscellaneous Articles	8.19	0.60	0.30	8.49	0.41	0.22	0.04	0.59	7.90	7.78	
Sub-total 'B'	253.60	19.85	0.54	272.91	66.66	4.78	0.16	71.28	201.63	186.94	
Figures for the previous Year	245.49	8.11	0.00	253.60	61.94	4.72	0.00	66.66	186.94	183.55	
C. UNSERVICEABLE / OBSOLETE ASSETS											
At net book value or net realisable value whichever is less	3.38	2.11	3.38	2.11	0.00		0.00		2.11	3.38	
Figures for the previous year	0.00	3.53	0.15	3.38	0.00		0.00	0.00	3.38	0.00	
Total ('A'+ 'B'+ 'C')	6018.32	144.29	55.31	6107.30	3489.95	169.63	48.72	3610.86	2496.44	2528.37	
Figures for the previous year	5870.92	247.43	100.03	6018.32	3286.36	197.08	(6.51)	3489.95	2528.37	2584.56	

* Freehold land received on grant from Government of Maharashtra with full occupancy right.

Schedules

(FOR THE YEAR ENDED 31ST MARCH, 2007)

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

1.6: CAPITAL WORK-IN-PROGRESS	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Capital Work-in-progress		
Expenditure during construction pending allocation (Schedule 1.6.1)	21.07	21.07
Capital Work-in-progress		
Ferro Alloys Units	275.77*	123.35
	296.84	144.42
Less: Provisions	75.67	57.42
	221.17	87.00

(* is net of Rs. 57.42 Lakh capitalised during the year.)

1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Opening balance	21.07	33.40
Less : Adjustment for Transfer	0.00	17.06
	21.07	16.34
Add : Other expenses	0.00	4.73
Balance carried forward	21.07	21.07

1.7: INVESTORIES (As taken, valued and certified by Management)	As at 31st March, 2007	As at 31st March, 2006
<i>(Rs. in lakh)</i>		
Stores and Spares	493.57	305.90
Add : In-transit	7.21	24.64
	500.78	330.54
Less : Provision	28.54	30.38
	472.24	300.16
Raw Materials	1937.89	799.70
Add : In-transit	21.83	61.23
	1959.72	860.93
Finished products	4070.78	5667.66
	6502.74	6828.75

1.8: SUNDRY DEBTRS (Unsecured)	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Debts over six months	14.32	14.32
Others debts	1720.74	130.94
	1735.06	145.26
Less : Provision for doubtful debts	14.32	14.32
	1720.74	130.94
Particulars		
Considered good	1720.74	130.94
Considered doubtful	14.32	14.32
	1735.06	145.26
Note :		
Due from Steel Authority of India Limited (Holding Company)	1687.62	122.66

1.9: CASH AND BANK BALANCES	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Cash and Stamps on hand	1.40	0.74
Cheques on hand	0.50	3.54
With Scheduled Banks in :		
- Current Account	271.98	168.53
- Unpaid Dividend Account	1.31	0.00
- Term Deposit	421.75	1391.84
Remittances-in-transit	22.49	783.12
	719.43	2179.24

1.10: INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Employees	40.61	46.96
Others	47.87	50.35
	88.48	97.31

1.11: LOANS AND ADVANCES	As at 31st March, 2007	As at 31st March, 2006
<i>(Rupees in lakh)</i>		
Loans :		
Employees		
[Secured Rs. 249.96 lakh (Rs. 233.30 lakh)]	252.84	237.75
Advances recoverable in cash or in kind or for value to be received :		
Claims recoverable	104.07	76.51
Contractors and Suppliers	34.85	35.05
Employees	3.49	4.38
Advance Income Tax and Tax deducted at source	455.55	7.62
Others	205.39	188.41
	803.35	311.97

Deposits :		
Excise Department, Railways, etc.	4.71	135.54
Others	1034.76	827.51
	1039.47	963.05
	2095.66	1512.77
Less : Provision for Doubtful Loans & Advances	22.68	24.22
	2072.98	1488.55

Particulars of Loans & Advances		
Secured, considered good	249.96	233.30
Unsecured, considered good	1823.02	2353.21
Unsecured, considered doubtful	22.68	24.22
	2095.66	2610.73

Schedules

(FOR THE YEAR ENDED 31ST MARCH, 2007)

1.12: CURRENT LIABILITIES	As at 31st March, 2007	As at 31st March, 2006
	(Rupees in lakh)	
Sundry Creditors :		
Capital works	23.56	39.45
Small Scale Industrial Undertakings	58.95	67.77
Others	2471.63	2077.42
	2554.14	2184.64
Advances from Customers	80.84	111.16
Security deposits	273.86	318.95
Unclaimed dividend	1.31	
Other liabilities	1812.65	2782.18
	4722.80	5396.93

1.13: PROVISIONS FOR	As at 31st March, 2007	As at 31st March, 2006
	(Rupees in lakh)	
Gratuity		
Opening Balance	1184.70	1080.37
Add : Provision during the year	125.92	128.54
Less: Amount utilised / adjusted during the year	14.33	24.21
	1296.29	1184.70
Accrued Leave Liability		
Opening Balance	563.03	484.60
Add : Provision during the year	131.74	167.42
Less: Amount utilised / adjusted during the year	82.39	89.00
	612.38	563.02
Taxation		
Opening Balance	127.03	1314.36
Add : Provision during the year	1091.36	1229.76
Less: Amount paid / adjusted during the year	1218.39	2417.09
	0.00	127.03
Proposed Dividend		
Opening Balance	480.00	0.00
Add : Provision during the year	480.00	480.00
Less: Amount utilised during the year	480.00	0.00
	480.00	480.00
Tax on Dividend		
Opening Balance	67.32	0.00
Add : Provision during the year	81.58	67.32
Less: Amount utilised during the year	67.32	0.00
	81.58	67.32
Voluntary Retirement Scheme		
Opening Balance	78.33	104.43
Add : Provision during the year	9.27	11.79
Less: Amount utilised during the year	31.19	37.88
	56.41	78.34
Employee Family Benefit Scheme		
Opening Balance	276.70	258.93
Add : Provision during the year	17.08	61.64
Less: Amount utilised during the year	47.97	43.86
	245.81	276.71
Post Retirement Medical and Settlement Benefits		
Opening Balance	102.49	94.44
Add : Provision during the year	0.72	8.38
Less: Amount utilised/adjusted during the year	6.26	0.33
	96.95	102.49
Wage Revision		
Opening Balance	0.00	0.00
Add : Provision during the year	61.45	0.00
Less: Amount utilised during the year	0.00	0.00
	61.45	0.00
Long Service Awards to Employees		
Opening Balance	0.00	0.00
Add : Provision during the year	9.04	0.00
Less: Amount utilised / adjusted during the year	3.81	0.00
	5.23	0.00
	2936.10	2879.61

1.14: MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	Balance as at 31st March, 2006	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2007
	(Rupees in lakh)				
(i) Deferred Revenue Expenditure					
Voluntary Retirement Compensation	98.78	0.00	98.78	49.41	49.37
Total :	98.78	0.00	98.78	49.41	49.37
Previous year	144.91	3.28	148.19	49.41	98.78

Schedules

(FOR THE YEAR ENDED 31ST MARCH, 2007)

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

2.1: SALES	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Ferro Alloys - Sales	4973.42	7623.13
Ferro Alloys - Conversion	24180.18	17109.58
	<u>29153.60</u>	<u>24732.71</u>

2.2: INTEREST EARNED	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Customers	0.30	0.57
Employees	10.74	8.54
Term Deposits*	49.38	40.51
Others *	60.67	48.96
	<u>121.09</u>	<u>98.58</u>
* Tax deducted at source Rs. 23.41 lacs (Rs. 19.58 lacs)		

2.3: OTHER REVENUES	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Social amenities-recoveries	7.00	8.42
Sale of empties etc.	45.56	52.37
Liquidated damages	13.05	3.30
Profit on sale/discard of Fixed Assets	30.48	2.93
Sundries	56.22	56.47
	<u>152.31</u>	<u>123.49</u>

2.4: PROVISIONS NO LONGER REQUIRED WRITTEN BACK	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Loans & advances	0.00	6.49
Sundry debtors	0.00	1.59
Stores & spares	1.84	0.00
Capital work-in-progress	57.42	0.00
Others	1.60	13.70
	<u>60.86</u>	<u>21.78</u>

2.5: ACCRETION (-) / DEPLETION IN STOCK OF FINISHED PRODUCTS	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Opening Stock	5667.66	3633.33
Less : Closing Stock	4070.78	5667.66
	<u>1596.88</u>	<u>(2,034.33)</u>
Less : Excise Duty on Accretion/ Depletion in Stock	219.24	285.42
	<u>1377.64</u>	<u>(1,748.91)</u>

2.6: RAW MATERIALS CONSUMED	Year ended 31st March, 2007		Year ended 31st March, 2006	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./lakh	Tonnes	Rs./lakh
Manganese Ore	47708	1743.07	82039	3170.84
Others		1003.55		1622.45
		<u>2746.62</u>		<u>4793.29</u>

2.7: EMPLOYEES' REMUNERATION & BENEFITS	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Salaries & wages	2068.14	1858.16
Company's contribution to provident fund and other funds	198.53	185.68
Travel concessions	251.13	27.80
Welfare expenses	120.35	159.60
Gratuity	125.92	128.54
	<u>2764.07</u>	<u>2359.78</u>

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

Deferred Revenue Expenditure	49.41	49.41
	<u>49.41</u>	<u>49.41</u>

2.8: POWER & FUEL	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Purchased Power	12045.13	9266.24
Furnance Oil	49.82	34.86
	<u>12094.95</u>	<u>9301.10</u>

2.9: REPAIRS & MAINTENANCE	Year ended 31st March, 2007	Year ended 31st March, 2006
		(Rupees in lakh)
Buildings	25.78	21.97
Plant and Machinery	17.93	167.75
Others	25.58	17.93
	<u>69.29</u>	<u>207.65</u>

Schedules

(FOR THE YEAR ENDED 31ST MARCH, 2007)

2.10: OTHER EXPENSES	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in lakh)	
Demurrage and wharfage	4.16	3.01
Directors' Fees	0.45	0.55
Handling expenses		
- Raw Material	116.82	70.29
- Finished goods	347.48	416.64
- Scrap recovery expenses	0.76	0.00
	465.06	486.93
Insurance	9.39	19.41
Law charges	1.02	0.97
Loss on sale/scraping of Fixed Assets	0.01	7.35
Postage, telegram & telephone	8.83	10.34
Printing & stationery	5.82	4.59
Provisions		
- Doubtful debts & loans and advances	0.00	0.87
- Work-in-progress	75.67	0.00
- Others	0.00	2.79
	75.67	3.66
Rates & Taxes	66.22	54.41
Remuneration to Auditors		
- Audit fees	1.63	1.32
- Tax Audit fees	0.50	0.44
- Out of pocket expenses	0.70	0.81
- In other capacities	1.72	0.72
	4.55	3.29
Rent	20.37	19.89
Travelling expenses	120.72	120.93
Write Offs		
- Miscellaneous & Deferred Revenue	49.41	49.41
Expenditure		
- Advances	0.00	2.35
- Others	1.23	3.04
Miscellaneous	136.60	100.98
	969.51	891.11

2.11: INTEREST & FINANCE CHARGES	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in lakh)	
Bank borrowings - working capital	1.43	0.10
Others	0.00	23.76
Finance Charges	14.11	11.71
	15.54	35.57

2.12: ADJUSTMENTS PERTAINING TO EARLIER YEARS	Year ended 31st March, 2007	Year ended 31st March, 2006
	(Rupees in lakh)	
Raw Materials consumed	5.73	0.00
Stores & Spares consumed	10.72	0.00
Other Expenses & Provisions	(12.85)	17.06
	3.60	17.06

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 USE OF ESTIMATES:

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the amount of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

1.3 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 estimated realisable value.

Software which is not an integral part of related hardware, is treated as intangible asset and amortized over a period of five years or its licence period, whichever is less.

1.4 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.

1.5 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 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.

1.6 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.

1.7 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 are valued at cost and finished products at lower of cost or net realisable value.

Residue products in the nature of coke rejects valued at net realisable value. Other residue products and scrap of various nature which are not readily useable / saleable, are recognised on disposal.

The basis of determining cost of inventories is:

Stores & Spares, raw materials	- Weighted average cost
Materials in-transit	- At Cost
Finished Products	- Material cost plus appropriate share of labour, related overheads and duties.

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.

1.9 FOREIGN CURRENCY TRANSACTIONS:

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the year end 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 acquired from outside India 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.

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, long term service awards, post-retirement medical and settlement benefits, 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 and charged to the Profit and Loss Account alongwith actuarial gains/losses.

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 lakh 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 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.

1.14 DEFERRED TAX:

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 date of 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.

Part-B : NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

Contingent Liabilities not provided for –

		[Rs in lakh]	
		As at 31st March, 2007	As at 31st March, 2006
i)	Claims against the Company pending appellate/judicial decision	451.66	206.20
ii)	Other claims against the Company not acknowledged as debts	800.31	727.91
iii)	Post dated cheques issued in favour of supplier on behalf of SAIL (Holding Company)	1332.20	—

3. PROFIT & LOSS ACCOUNT

- 3.1** The long-term agreement for wage revision expired on 31st December, 2006. Pending finalisation of fresh agreement w.e.f. 1st January 2007, provision of Rs.61.45 lakh towards salaries and wages revision, has been made on estimated basis.
- 3.2** In view of encashment option allowed under leave encashment concession facility during the year, an amount of Rs. 40.89 lakh, in respect of employees, who have not availed the facility upto 31st March, 2007, has been provided.
- 3.3** MEL is under conversion arrangement with SAIL, its holding company, 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 conversion charges are paid by SAIL to MEL on negotiated rate.
- 3.4** 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:

		[In MT]	
		2006-07	2005-06
Production for the Year	Ferro Manganese	56319	51525
	Silico Manganese	50371	46712
Despatch under conversion	Ferro Manganese	55027	41102
	Silico Manganese	42092	28680

- 3.5** The Stock of Manganese ore as on 31.3.2007 under conversion account is 18429 MT (25048 MT). Out of the above quantity, the company has consumed 4183 MT (16693 MT) of Manganese ore for its own production for which liabilities of Rs104.30 lakh (Rs. 835.19 lakh) has been provided for.
- 3.6** 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.
- 3.7** 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.
- 3.8** 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.
- 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 period end was physically verified and the net surplus quantity of 420 MT (62 MT) valuing Rs. 68.69 lakh (Rs. 25.32 lakh) 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:

Sr. No.	Name of Unit	Amount (in Rs)
1	Aditya Air Products (P) Ltd.	48,403.00
2	Weston Electrode Pvt. Ltd.	8,31,122.00

- 4.4** The Company has retained Rs. 154.82 lakh (Rs.145.64 lakh) 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. In pursuance of Hon'ble court's orders, Rs. 9.12 lakh on account of tax deducted on House perquisites for Financial Year 2003-04 and 2004-05 has not been deposited with the Income Tax Department. The amount so deducted has been kept in term deposit. Such deductions and deposits after 31st March, 2005 have been made in accordance with amended law / judicial decisions.

- 4.6** Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.221.17 lakh (Rs. 268.38 lakh)

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 names of the related parties are given below:

Nature of relationship	Name	Nature of Transaction	Amount (Rs. in lakh)
Key Management	Shri. A.P.Nayak	Managerial	3.24
Personnel	Shri Navaz Ahmad	Remuneration	14.31

- 5.3** In accordance with AS-22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, net deferred tax assets as on 31st March 2007, has been accounted for, as detailed below:

		[Rs in Lakh]	
		As on 31 st March 2007	As on 31 st March 2006
Deferred tax liabilities			
Difference between book and tax depreciation			
		338.41	349.98
Sub-Total		338.41	349.98
Deferred tax assets			
Others			
		998.36	890.02
Sub-Total		998.36	890.02
Net Deferred tax assets		659.95	540.04

- 5.4** 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 period.
- 5.5** The Company has not remitted any amount in foreign currency on account of interim / final dividend during the year.
- 5.6** Previous years' figures have been re-arranged / regrouped wherever necessary.

Schedules

STRENGTHENING THE PRESENT

SHAPING THE FUTURE

6.1(a) LICENSED CAPACITY, INSTALLED CAPACITY AND PRODUCTION :

	* Licensed Capacity Tonnes	** Installed Capacity Tonnes	# Production Tonnes
High Carbon Ferro Manganese			56,319
Silico Manganese	100,000 (100,000)	100,000 (100,000)	(51,525) 50,371 (46,712)
Medium / Low Carbon Ferro Manganese			373 (2,344))

Note : * 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.

6.1(b) OPENING STOCK, SALES AND CLOSING STOCK :

Qty. in MT, Value in Rs. in lakh)

	Opening Stock		Sales/Adjustment		Closing Stock	
	Qty.	Value	Qty.	Value	Qty.	Value
High Carbon Ferro Manganese	10,495	3,192.65	60,742	13,146.80	6,003	1,786.23
	(6,584)	(1,948.14)	(47,109)	(10,304.47)	(10,495)	(3,192.65)
Silico Manganese	6,779	2,131.65	50,175	15,239.95	6,462	2,169.55
	(6,463)	(1,569.82)	(43,968)	(13,006.80)	(6,779)	(2,131.65)
Medium/Low Carbon Ferro Manganese	672	343.36	737	544.85	273	115.00
	(252)	(115.37)	(1,687)	(1,355.18)	(672)	(343.36)
SUB-TOTAL	17,946	5,667.66	111,654	28,931.60	12,738	4,070.78
	(13,299)	(3,633.33)	(92,764)	(24,666.45)	(17,946)	(5,667.66)
Others				222.00 (66.26)		
TOTAL	17,946	5,667.66	111,654	29,153.60	12,738	4,070.78
	(13,299)	(3,633.33)	(92,764)	(24,732.71)	(17,946)	(5,667.66)

6.1(c) FERRO ALLOYS QUANTITATIVE RECONCILIATION :

	Ferro Manganese (MT)	Silico Manganese (MT)	Medium / Low Carbon Ferro Manganese (MT)
Opening Stock	10,495	6,779	672
	(6,584)	(6,463)	(252)
Production	56,319	50,371	373
	(51,525)	(46,712)	(2,344)
TOTAL	66,814	57,150	1,045
	(58,109)	(53,175)	(2,596)
Sales/Adjustments	60,742	50,175	737
	(47,109)	(43,968)	(1,687)
Internal Consumption	69	513	35
	(505)	(2,428)	(237)
Closing Stock	6,003	6,462	273
	(10,495)	(6,779)	(672)
TOTAL	66,814	57,150	1,045
	(58,109)	(53,175)	(2,596)

i) Sales of High Carbon Ferro Manganese and Silico Manganese include despatches under conversion.

7. EXPENDITURE IN FOREIGN CURRENCIES :

	Current Year (Rs. in lakh)	Previous Year (Rs. in lakh)
i) Sundries	2.48	0.14
	2.48	0.14

8. EARNING IN FOREIGN CURRENCIES :

	Current Year (Rs. in lakh)	Previous Year (Rs. in lakh)
Export of goods on FOB basis	Nil	Nil

9. VALUE OF IMPORTS CALCULATED ON CIF BASIS :

	Current Year (Rs. in lakh)	Previous Year (Rs. in lakh)
Stores & Spares	27.87	8.44

10. VALUE OF RAW MATERIAL CONSUMED :

	Current Year Value (Rs. in lakh)	%	Previous Year Value (Rs. in lakh)	%
Imported	0.00	0.00	0.00	0.00
Indigenous	2,746.62	100.00	4,793.29	100.00
TOTAL	2,746.62	100.00	4,793.29	100.00

11. VALUE OF STORES & SPARES CONSUMED :

	Current Year Value (Rs. in lakh)	%	Previous Year Value (Rs. in lakh)	%
Imported	32.34	6.61	14.93	2.62
Indigenous	457.20	93.39	554.85	97.38
TOTAL	489.54	100.00	569.78	100.00

Signature to Schedule 1 to 3

Sd/-
(R. Ashokkumarr)
Company Secretary
In terms of our report of even date
For Chandabhoj & Jassoobhoj
Chartered Accountants
Sd/-
(Samir Chinoy)
Partner

Place : New Delhi
Date : 18th May, 2007

For and on behalf of Board of Directors

Sd/-
(Mahesh Chandra)
General Manager(F&A)
Sd/-
(Vipin Puri)
Director

Sd/-
(Navaz Ahmed)
Executive Director
Sd/-
(V. K. Gulhati)
Chairman



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 Dated

3	1
---	---

0	3
---	---

2	0	0	7
---	---	---	---

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

	6	8	7	2	4	0
--	---	---	---	---	---	---

 Total Assets

	6	8	7	2	4	0
--	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

	2	4	0	0	0	0
--	---	---	---	---	---	---

 Reserves & Surplus

	4	3	7	4	2	6
--	---	---	---	---	---	---

Secured Loans

				N	I	L
--	--	--	--	---	---	---

 Unsecured Loans

			9	8	1	4
--	--	--	---	---	---	---

Application of Funds

Net Fixed Assets

	2	7	1	7	6	1
--	---	---	---	---	---	---

 Investments

				N	I	L
--	--	--	--	---	---	---

Net Current Assets

		3	4	4	5	4	7
--	--	---	---	---	---	---	---

 Misc. Expenditure

			4	9	3	7
--	--	--	---	---	---	---

Accumulated Losses

				N	I	L
--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover/Other Income

	2	3	5	2	1	7	8
--	---	---	---	---	---	---	---

 Total Expenditure

	2	0	7	0	0	3	9
--	---	---	---	---	---	---	---

Profit Before Tax

		2	8	2	1	3	9
--	--	---	---	---	---	---	---

 Profit After Tax

		1	8	4	9	9	5
--	--	---	---	---	---	---	---

Earning per share (in Rs.)

		0	7	.	7	1
--	--	---	---	---	---	---

 Dividend Rate %

		2	0
--	--	---	---

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
---	---	---	---	---	--	---	---	---	---	---	---

Sd/-
(R. Ashokkumarr)
Company Secretary

For and on behalf of Board of Directors

Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
(Navaz Ahmed)
Executive Director

For Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
(Samir Chinoy)
Partner

Sd/-
(Vipin Puri)
Director

Sd/-
(V. K. Gulhati)
Chairman

Place : New Delhi
Date : 18th May, 2007

**PARTICULARS REQUIRED UNDER THE COMPANIES'
(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

ANNEXURE-I

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 i.e. charcoal to reduce specific power consumption for Silico-manganese production.
- Conservation of water by re-circulation after effluent treatment.
- Use of manganese bearing wastes in Ferro Alloy production.
- Improvement in furnace performance and reduction in power consumption.
- Statistical Process Control for control of major elements in Ferro alloys.
- Maintain unity power factor for improving utilisation of electrical energy.
- Gainful utilisation of waste water for mechanized jiggling.

ANNEXURE-II

**FORM 'A'
CONSERVATION OF ENERGY**

POWER & FUEL CONSUMPTION		2006-2007	2005-2006
ELECTRICITY			
1. PURCHASED			
Unit	Million /kwh	337.75	317.26
Total Amount	Rs/Lakh	11944.53	9464.43
Rate	Rs/kwh	3.54	2.98
2. OWN GENERATION	Million /kwh	8.92	16.46
3. COAL		NIL	NIL
4. FURNACE OIL			
Unit	KL	249.74	197.57
Total Amount	Rs./Lakh	49.82	34.86
Rate	Rs./KL	19950.13	17645.23

CONSUMPTION PER UNIT OF PRODUCTION

Product	Electricity (Kwh/Tonne)		Furnace Oil (KL)		Coal (Tonne)	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Ferro Manganese	2578	2647	-	-	-	-
Silico Manganese	3948	4113	-	-	-	-
Medium Carbon	1087	1221	-	-	-	-

ANNEXURE – III

**FORM 'B'
RESEARCH & DEVELOPMENT (R&D)**

1. SPECIFIC AREA IN WHICH R&D CARRIED OUT BY THE COMPANY.

- Development of Layer Casting System for Silico Manganese.
- Modification in Mud Gun and Drilling Machine.

2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D.

- Development of Layer Casting System for reduction in manpower.
- Improving the Tap-hole region thereby keeping the capital lining for long life.

3. FUTURE PLAN OF ACTION

To achieve the objectives of the Corporate Plan 2012, studies were carried out for developing infrastructure facilities & equipment for implementing layer casting of Ferro Alloys in order to improve the labour productivity & improve yield.

- Commissioning of Mud Gun & Tap Hole Drill Machine for SAF-I to avoid deterioration of tap hole lining.
- Installation of Mud Gun & Tap Hole Drill Machine for SAF-II to avoid deterioration of tap hole lining.
- Installation of Maximum Demand controller for better energy management.
- Installation of one number 33 MVA Submerged Arc Furnace.
- Construction of all pits for SAF-I & II for layer casting ferro alloys.
- Plant wide communication network of computers.
- Mechanisation system for processing of layer casting ferro alloys.
- Construction of 2 Nos. Bin for each Bunker House-I & II.
- Installation of 2 more IC feeder at Bunker House-I. This is in the place of imported feeders.
- Upgradation of pollution control system at Sinter Plant.
- Installation of pollution control system at Raw Material charging system and 1 MVA furnace.

4. EXPENDITURE ON R&D

Research work is undertaken indigenously as such no specific expenses on R&D are apportionable.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Utilisation of iron ore fines for production of iron ore sinter & subsequent usage in SAF-II for SiMn production.
- Maintain unity power factor and load factor above 80% by optimising utilisation of power.

**FORM 'C'
FOREIGN EXCHANGE EARNINGS & OUTGO**

	Rs./Lakh
EARNINGS	: NIL
OUTGO	: 2.48

(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 and three Non-Executive Directors (Non-ED). During the year, five Board Meetings were held on 26/5/2006, 27/6/2006, 24/7/2006, 27/10/2006 and 22/11/2007.

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 31/3/2007
Shri R.P. Singh (upto 30/6/2006)	Chairman	2	---	---
Shri V. K. Gulhati (w.e.f. 27/06/2006)	Chairman	3	Yes	---
Shri S.D.M. Nagpal	Non-ED	5	Yes	---
Shri Vipin Puri	Non-ED	5	Yes	---
Shri A. K. Nigote	Non-ED	2	---	---

(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 three Non-Executive Directors viz. Shri S.D.M. Nagpal, 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	Chairman	4
Shri Vipin Puri	Member	4
Shri A.K.Nigote	Member	2

(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 Non-executive (Independent) Director has been paid only

sitting fee of Rs.5,000/- for each Board/Board Sub-Committee Meetings attended by him.

- The details of sitting fee paid to Non-Executive (Independent) Director during the year is given below:

Name of the Director	No. of Board Meeting attended	Sitting Fee for each meeting (Rs.)	No. of Audit Committee Meeting attended	Sitting Fee for each meeting (Rs.)	Total (Rs.)
Shri S.D.M. Nagpal	5	5000/-	4	5000/-	
Total		25,000/-		20,000/-	45,000/-

(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, 2006 to 31st March, 2007.

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
2005-2006	25/08/2006	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2004-2005	31/08/2005	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2003-2004	06/08/2004	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 24th August, 2007 at 12.00 noon at the Registered Office at "Nirmal" 10th floor, Nariman Point, Mumbai-400 021.

- (ii) Date of Book Closure: 14th July, 2007 to 18th July, 2007.
 (iii) The shares of the Company is listed at the following stock exchange : M/s. Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers, Dalal Street,
 Mumbai - 400 001

It is confirmed that Annual Listing Fee has been paid to the stock exchange.

- (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, 'Harmony' Plot No.6,
 Sector-1, Khanda Colony, New Pavel
 (West), Mumbai - 410 206

- (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, 2007:

Scrip Code :

Category Code	Category of Shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(A)	Shareholding of Promotor and Promoter Group Holding Company					
(1)	Indian					
(a)	Individuals/ Hindu Undivided Family					
(b)	Central Government/ State Government(s)					
(c)	Bodies Corporate	9	23787935	-	99.12	
(d)	Financial Institutions/ Banks					
(e)	Any Other (specify)					
	Sub-Total (A)(1)	9	23787935	-	99.12	
(2)	Foreign					
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)					
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (specify)					
	Sub-Total (A)(2)	9	23787935	-	99.12	
	Total Shareholding of Promoter and Promoter group (A) = (A) (1) + (A) (2)	9	23787935	-	99.12	
(B)	Public shareholding					
(1)	Institutions					
(a)	Mutual Funds/UTI					
(b)	Financial Institutions/ Banks	2	300		-	
(c)	Central Govt./State Govt.(s)					
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign Institutional Investors					
(g)	Foreign Venture Capital Investors					
(h)	Any Other (specify)					
	Sub-Total (B)(1)	2	300		-	
(2)	Non-Institutions					
(a)	Bodies Corporate					
(b)	Individuals -	1989	201314	9256	0.84	
i)	Individual shareholders holding nominal share capital up to Rs.1 lakh.					

ii)	Individual shareholders holding nominal share capital in excess of Rs.1 lakh.					
(c)	Any Other (specify)	6	10451	-	0.04	
	Sub-Total (B)(2)	1995	211765	9256	0.88	
	Total Public Shareholding (B)=(B)(1)+(B)(2)		212065	9256	0.88	
	TOTAL (A)+(B)	2006	24000000	9256	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	GRAND TOTAL (A)+(B) (C)	2006	24000000	9256	100	100

(I) (b) Statement showing Shareholding of persons belonging to the category "Promoter and Promoter Group"

Sl. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Holding Company - SAIL	23787935	99.12
2.			
	TOTAL	23787935	99.12

(I) (c) Statement showing Shareholding of persons belonging to the category "Public" and holding more than 1% of the total number of shares.

Sl. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.			
2.			
	TOTAL	NIL	NIL

(I) (d) Statement showing details of locked-in shares.

Sl. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.			
2.			
	TOTAL	NIL	NIL

(II) (a) Statement showing details of Depository Receipts (DRs)

Sl. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs.	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.				
2.				
	TOTAL	NIL	NIL	NIL

(II) (b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares.

Sl. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.				
2.				
	TOTAL	NIL	NIL	NIL

- (ix) Dematerialization of shares and liquidity as on 31/3/2007. : Shares are dematerialised. Tradable stock is 0.88% only. Thus liquidity is negligible.
- (x) Address for correspondence from shareholders for queries/complaints, if any:
M/s. Maharashtra Elektros melt Limited
 Chanda-Mul Road,
 Chandrapur-442 401.
 Fax No. 07172-255812, 255437 Phone No. 07172-253693
- (xi) E-mail ID of the grievance redressal division / Compliance Officer, MEL, for registering complaints by the investors:-
 " E-mail ID - mcspanvel@yahoo.co.in "

The Management of Maharashtra Elektrosmelt Limited presents its analysis report covering performance and outlook of the Company.

INDUSTRY STRUCTURE & DEVELOPMENT

General Economic Environment

India today has one of the fastest growing economies with a CAGR of 8.1% in last three years. The GDP growth for 2006-07 is estimated at 9%. The GDP is expected to grow @ 8-10% upto 2011-12.

The index of industrial production for 2006-07 stands at 11.3% over last year. The growth in the industry in FY'07 was mainly driven by manufacturing which showed a remarkable growth of 12.3% over 2005-06. Mining sector grew by 5.1% and electricity by 7.2%. The six infrastructure industries grew by 8.6% in 2006-07 as against 6.2% in the previous year. The sectoral growth rates for the period are Basic goods 10.2%, Capital goods 17.7% and Intermediate goods 11.7%. Consumer durables have shown a growth of 9.0%.

Strong macro-economic fundamentals of the Indian economy has been demonstrated by sustained growth of 9.0% & 9.2% in 2005-06 & 2006-07 particularly due to double digit growth of the manufacturing and the service. With the growing economy, domestic steel consumption also showed a healthy growth. As per JPC, finished steel consumption during April – March'07 at 43.74 million tonnes recorded 11.6% increase over CPLY. The growth was achieved mainly due to continued thrust of spending on infrastructure projects and increased consumption of consumer durables, construction sector, etc. 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 turn around 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 45 million tonnes of crude 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 is estimated at 8.5% in 2007. In line with the growth potential, India's apparent steel use is expected to grow at 9.1% in 2007, 7% upto 2010 and 7.7% upto 2015. (Source : IISI). 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 2006-07 as export market was not remunerative. Anti-dumping measures continue to be in force in USA and export still remains 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. It has, therefore, competitive edge in terms of specific consumption of inputs and operational efficiency.

MEL has a track record of achieving furnace capacity utilisation of more than 100% of its rated capacity and achieved capacity utilization of 126% in 2006-07.

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 has also taken up cost reduction steps particularly through waste utilisation, improvement in productivity, reduction in purchase price and right sizing of manpower & electrical power management through load management.

Threats

There has been hike in power tariff. 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 2006-07 as compared to previous year. The production has geared up to 126% of the capacity utilisation from both the furnace.

OUT LOOK

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 specially coke 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 for achieving the following business objectives of the Company:

- Efficiency of operations.
- Protection of resources.

- Accuracy and promptness of financial reporting.
- Compliance with 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. 291.54 crore as against Rs. 247.33 crore in the previous year. Value of earning through conversion arrangement was Rs. 241.80 crore as against Rs. 171.10 crore during the previous year.

On the operational front, company has achieved a capacity

utilisation of 126%. Sales of ferro alloys (all sizes) during the year was 107062 tonnes as against 100581 tonnes during the previous year.

Despite this and in addition to increase in cost of raw materials, power tariff and other inputs, the company has achieved improved performance and earned a post tax net profit of Rs. 18.50 crore as against the profit of Rs. 20.97 crore in the previous year. This is due to increase in power tariff and employees remuneration and benefits.

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.

MEL continued its contribution to the society as a socially responsive organisation through various initiatives. MEL in association with National AIDS Control Organisation (NACO) has actively participated and promoted the Information, Education and Communication (IEC) campaign. During 2006-07, around 220 persons have been covered under IEC campaign for awareness of HIV/AIDS and under the community awareness around 2000 persons have been covered.

The manpower employed by MEL as on 31st March, 2007 was 801 comprising of 138 Executives and 663 Non-Executives, out of which 13.61 percent were Scheduled Castes, 7.24 percent were Scheduled Tribes and 52.30 percent were Other Backward Castes.

Annexure-VI

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Members

**Maharashtra Elektros melt Limited
Mumbai.**

We have examined the compliance of conditions of Corporate Governance by Maharashtra Elektros melt Limited for the year ended as on March 31, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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 and on behalf of
**Chandabho y & Jassoobho y
Chartered Accountants**

Sd/-
**Samir M.Chinoy
Partner**

Membership No.40853

New Delhi : 18th May, 2007



Auditors' Report

To the Members of MAHARASHTRA ELEKTROSMELT LIMITED

We have audited the attached Balance Sheet of Maharashtra Elektros melt Limited as at 31st March, 2007, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
- iv. 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.
- v. 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.
- vi. We invite your attention to the change in Accounting Polity No. 1.7 referred to in Schedule 3 Part A of in respect of Inventory. Until previous year, raw materials were valued at lower of cost or net realisable value. From this year, it is valued at cost. There is no impact on Profit and Loss Account due to this change.
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - b. in the case of 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.

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
Samir M.Chinoy
Partner
Membership No.40853
New Delhi : 18th May, 2007

ANNEXURE TO THE AUDITORS' REPORT ANNEXURE REFERRED IN OUR REPORT OF EVEN DATE

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - b. We are informed that the fixed assets except those held by the employees under Furniture hire scheme have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed in respect of assets so verified during the year. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
 - c. During the year the Company has not disposed off any substantial part of its fixed assets.
2.
 - a. The Inventories have been physically verified by the management at reasonable intervals during the year. The Inventories in transit as at 31st March, 2007 have been verified by the management with reference to subsequent receipt of materials.
 - b. 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 nature of its business.
 - c. The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification of inventories.

3. a. The Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii) (b) to (d) of the order is not applicable to the Company.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii) (f) to (g) of the order is not applicable to the Company.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods & services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements referred to in Section 301 of the Companies Act, 1956, particulars of which need to be entered into a register maintained under Section 301 of the Act. Accordingly clause 4(v) (b) of the order is not applicable to the Company.
6. The company has not accepted any deposits during the year 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.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
9. a. According to the information and explanations given to us and the records of the Company examined by us, the statutory dues applicable to the company are Provident Fund, Income Tax, Sales Tax, Excise Duty, Service Tax and Profession Tax and Cess. The Company is generally regular in depositing the statutory dues with the appropriate authorities.
- b. According to the information and explanations given to us, no undisputed dues payable in respect of Provident Fund, Income Tax, Sales Tax, Excise Duty, Service Tax, Profession Tax and Cess were outstanding as at March 31, 2007 for a period of more than six months from the date they became payable.
- c. According to the information and explanation given to us, above referred statutory dues which have not been deposited on account of any dispute and the forum where dispute is pending are as under:

Sl. No.	Period	Amount(Rs.)	Forum where dispute is Pending
A]	EXCISE DUTY		
	Financial Year:		
	1995-96	9,81,200	Custom, Excise & Service Tax Appellate Tribunal - Mumbai
	1996-97	2,91,410	Commissioner Central Excise (Appeals) - Nagpur
	1997-98	74,89,466	Commissioner Central Excise (Appeals) - Nagpur
	For the period:		
	July 2000 to Dec 2001	14,92,357	Asstt Commissioner, Central Excise - Nagpur
	July 2000 to Mar 2001	1,62,49,405	Custom, Excise & Service Tax Appellate Tribunal - Mumbai #
	July 2000 to Mar 2001	55,48,000	Custom, Excise & Service Tax Appellate Tribunal - Mumbai #
	Apr 2001 to Mar 2002	6,20,452	Asstt Commissioner, Central Excise - Nagpur
	Apr 2001 to Feb 2004	1,55,79,066	Asstt. Commissioner, Central Excise - Chandrapur
	Jan 2002 to Oct 2002	9,06,650	Asstt Commissioner, Central Excise - Nagpur
	Nov 2002 to Mar 2003	4,80,983	Asstt. Commissioner, Central Excise - Chandrapur
	Apr 2003 to Feb 2004	4,20,426	Asstt. Commissioner, Central Excise - Chandrapur
	Mar 2004 to Nov 2004	6,38,611	Asstt. Commissioner, Central Excise - Chandrapur
	2000 to December 2004	3,47,65,389	Commissioner, Central Excise - Chandrapur
	July 2000 to Sep 2001	68,92,496	Commissioner, Central Excise - Chandrapur
	Dec 2004 to Mar 2005	4,22,859	Asstt. Commissioner, Central Excise - Chandrapur
	Jan 2005 to Sep 2005	2,38,510	Asstt. Commissioner, Central Excise - Chandrapur
	Apr 2005 to July 2005	4,15,950	Asstt. Commissioner, Central Excise - Chandrapur
	Aug 2005 to June 2006	4,44,680	Asstt. Commissioner, Central Excise - Chandrapur
	Feb 2006 to May 2006	4,31,270	Asstt. Commissioner, Central Excise - Chandrapur
	<i># Subject to reconsideration of application by Committee on Dispute, Govt. of India.</i>		
	TOTAL	9,43,09,180	
B]	MUNICIPAL TAX		
	Financial Year 1983-84 to 2002-03	1,29,98,650	High Court, Nagpur
	TOTAL	1,29,98,650	
C]	GRAM PANCHAYAT/ZILA PARISHAD CESS		
	1973-74 to 1982-83	5,32,000	Government of Maharashtra
	TOTAL	5,32,000	
	GRAND TOTAL [A+B+C]	10,78,39,830	

10. The Company does not have accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to Banks and Financial Institutions. It has not issued any debentures.
12. The Company has not granted any loans or advances against security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Clause 4(xiii) of the order is, therefore, not applicable to the Company.
14. In our opinion, the Company is not an investment company dealing or trading in shares, securities, debentures and other investments. Clause 4(xiv) of the Order is, in our opinion, not applicable to the Company for the year under report.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us and the records of the Company examined by us, the Company has not taken any term loan during the year.
17. On the basis of the records of the Company examined by us and according to the Information and explanations given to us, in our opinion, we have not come across any instance where funds raised during the year on short term basis have been used for long term investments.
18. During the year under Audit, the Company has not made any preferential allotment of shares to parties companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures. Accordingly Clause 4(xix) of the order is not applicable to the Company.
20. The Company has not raised any money by way of public issues during the year. Accordingly Clause 4(xx) of the order is not applicable to the Company.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
Samir M.Chinoy
Partner
Membership No.40853

New Delhi : 18th May, 2007

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31 MARCH 2007, FORWARDED BY LETTER NO. GA/A/cs/MEL/06-07/199 DATED 18TH JULY, 2007.

The preparation of financial statements of Maharashtra Elektros melt Limited for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by him vide the Audit Report dated 18 May 2007.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Maharashtra Elektros melt Limited for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-

(SUSHAMA V DABAK)

Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai
Date : 18th July, 2007



Principal Executives

CORPORATE OFFICE

NEW DELHI

Chairman

S.K. Roongta

Directors

Technical

K.K. Khanna

Personnel

G. Ojha

Finance

Soiles Bhattacharya

Commercial

Shoeb S. Ahmed

Executive Directors

Internal Audit

G. Jagannathan

Projects & SS

V. K. Gulhati

Finance & Accounts

Vipin Puri

S.C. Dangayach

Personnel & Administration

Raman Kumar

Coal Import Group

R.P. Rawat

SAILCON

V.K. Dhawan

Vigilance

Anil Kumar

Chairman's Secretariat

P.K. Bajaj

Corporate Planning

A.K. Jain

Materials Management

C.S. Sharma

Projects

Ashok Kumar

HRD

S. Banerjee

Safety

R.N. Pandey

EMD & GD

Dr. R.K. Agrawal

Company Secretary

Devinder Kumar

Dy. Gen. Manager

(Corporate Affairs)

R.K. Singhal

STEEL PLANTS/UNITS

Bhilai Steel Plant

Managing Director

R. Ramaraju

Executive Directors

Works

S.K. Jain

Finance & Accounts

T.K. Gupta

Mines

N.K. Mayson

Materials Management

S.N. Singh

Projects

V.K. Arora

Personnel & Administration

P.K. Agrawal

Durgapur Steel Plant

Managing Director

V. Shyamsunder

Executive Directors

Works

P.C. Sahu

Projects

J.L. Aggarwal

Personnel & Administration

G. Sinha

Rourkela Steel Plant

Managing Director

B.N. Singh

Executive Directors

Medical & Health Services

Dr. D.N. Mohapatra

Works

A.K. Bhandari

Management Services

M.S. Barpanda

Materials Management

S.S. Mohanty

Projects

S.P. Rao

Finance & Accounts

V. Nandgopal

Personnel & Administration

Balbir Singh

Bokaro Steel Plant

Managing Director

V.K. Srivastava

Executive Directors

Materials Management

K.M. Bhat

Works

K.L. Dewangan

Finance & Accounts

D.P. Bajaj

Projects

N.K. Jha

Personnel & Administration

Jeevesh Mishra

IISCO Steel Plant

Managing Director

Nilotpall Roy

Executive Directors

Materials Management

P.K. Dutta

Collieries

T.K. Pal

Works

S.K. Mukherjee

Finance & Accounts

K. Chakraborty

Personnel & Administration

R. Tiwari

Projects

H. Suryaprakash

Alloy Steels Plant

Executive Director

S.P. Patnaik

Salem Steel Plant

Executive Director

P.M. Balasubramanian

Visvesvaraya Iron & Steel Plant

Executive Director

M.K. Bhattacharya

UNITS

Research & Development Centre for Iron & Steel

Executive Director I/c

J. Singh

Executive Director

N. Neogi

Raw Materials Division

Executive Director I/c

M. Roy

Executive Director

J. Kanjilal

Centre for Engineering & Technology

Executive Director

A.S. Mathur

Growth Division, Kolkata

Executive Director

N.K. Sudan

Central Marketing Organisation

Executive Directors

Transport & Shipping

Ranen Nag

Marketing - Flat Product

D. Kobi

Marketing - Long Product

V.K. Mehta

SUBSIDIARY

Maharashtra Elektros melt Ltd.

Executive Director

N. Ahmed

STEEL AUTHORITY OF INDIA LIMITED
REGISTERED OFFICE: ISPAT BHAWAN, LODI ROAD
NEW DELHI-110003

NOTICE IS HEREBY GIVEN THAT the 35th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Thursday, the 20th September, 2007 at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2007, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Dr. S.C. Jain, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Prof. R.P. Sengupta, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Velu Annamalai, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri Siddharth Kak, who retires by rotation and is eligible for re-appointment.
6. To Fix the remuneration of the Auditors of the company appointed by the Comptroller & Auditor General of India for the year 2007-2008.
7. To declare dividend for the financial year 2006-2007.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri R. Ramaraju, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Prof. Javaid Akhtar who was

appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 22nd November, 2006."

10. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri P.K. Sengupta who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 22nd November, 2006."

11. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Dr. Vinayshil Gautam who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 22nd November, 2006."

12. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri S. Bhattacharya, who was

appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

13. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“**RESOLVED THAT** Shri S.S. Ahmed, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi

Dated: 6th August, 2007

Registered Office:

Ispat Bhawan, Lodi Road, New Delhi-110003.

Notes:

- The relevant Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. 8 to 13 above are annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ENCLOSED.
- Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.
- Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.
- The Register of Members of the Company will remain **closed from 10th August, 2007 to 29th August, 2007 (both days inclusive).**
- M/s. MCS Limited are acting as the Registrar and Transfer Agent (R&TA) for carrying out the Company's entire share related activities viz. Transfer/ transmission/ transposition/ dematerialisation/ rematerialisation/ split/ consolidation of shares, change of address, bank mandate, filing of nomination, dividend payment and allied activities. Shareholders are requested to make all future correspondence related to share transfer and allied activities with this agency only at the following address:

M/s. MCS Limited,
Sri Venkatesh Bhawan, W-40,
Okhla Industrial Area, Phase-II,
New Delhi-110020
Phone No.011-41406149
e-mail: mcsdel@vsnl.com
- Members holding shares in the physical form should notify change in their addresses, if any, to the R&TA specifying full address in block letters with **PIN CODE** of their post offices, which is mandatory. Members holding shares in the Electronic Form (Demat), should inform the change of address to their Depository Participant.
- Members holding shares in identical order of names in more than one folio are requested to write to the Company's Shares Department/R&TA enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
- The Company has transferred to Investor Education and Protection Fund, unclaimed dividends till financial year 1997-1998. The Company did not declare any dividend for the financial years between 1998-1999

to 2003-2004. The Company has thereafter paid the following dividends:

Year	Interim Dividend (%)	Final Dividend (%)
2004-2005	15.00	18.00
2005-2006	12.50	7.50
2006-2007	16.00	-

Shareholders who have not encashed their dividend warrants as above are requested to make their claims to the Company.

10. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.

11. **Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**

12. ***No Brief case or Bag or mobile phone will be allowed to be taken inside the auditorium.***



Notice

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 8

On nomination by the President of India vide Government's Notification No.6(8)/2005-SAIL-PC (Vol.II) dated 28th September, 2006, Shri R. Ramaraju was appointed as an Additional Director of the Company with effect from 28th September, 2006 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri R. Ramaraju as a candidate for the office of Director of the Company.

Shri R. Ramaraju is a BE (Electrical) and has rich work experience in a variety of areas in the steel industry. His fields of specialization include management of maintenance, operations, projects, planning and process control in steel plants. He is also a Director on the Boards of Hindustan Steelworks Construction Ltd., Bharat Refractories Ltd. and Bhilai Jaypee Cement Limited.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri R. Ramaraju, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 9

On nomination by the President of India vide Government's Notification No.6 (7)/2003-SAIL-PC (Vol.V) dated 8th November, 2006, Prof. Javaid Akhtar was appointed as an Additional Director of the Company with effect from 22nd November, 2006 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Prof. Javaid Akhtar as a candidate for the office of Director of the Company.

Prof. Javaid Akhtar is an MBA, Ph.D., FDP (IIM-A). He is at present working as Dean, Faculty of Management, Aligarh Muslim University, Aligarh. His field of specialization is Financial Management.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Prof. Javaid Akhtar, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 10

On nomination by the President of India vide Government's Notification No.6 (7)/2003-SAIL-PC (Vol.V) dated 8th November, 2006, Shri P.K. Sengupta was appointed as an Additional Director of the Company with effect from 22nd November, 2006 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri P.K. Sengupta as a candidate for the office of Director of the Company.

Shri P.K. Sengupta has done B.Com. (Hons) and is a Fellow Member of Institute of Cost and Works Accountants of India. His area of specialization is Finance. He was earlier Chairman of Coal India Limited.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri P.K. Sengupta, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 11

On nomination by the President of India vide Government's Notification No.6 (7)/2003-SAIL-PC (Vol.V) dated 8th November, 2006, Dr. Vinayshil Gautam was appointed as an Additional Director of the Company with effect from 22nd November, 2006 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Dr. Vinayshil Gautam as a candidate for the office of Director of the Company.

Dr. Vinayshil Gautam is an M.A., Ph.D., FRAS (London). His fields of specialization are Organization Management, Strategic Management and Information Systems. He is also a Director on the Boards of Shivam Auto Tech. Ltd., Moser Baer Ltd. and JK Tyre & Industries Limited.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Dr. Vinayshil Gautam, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 12

On nomination by the President of India vide Government's Notification No.6(10)/2006-SAIL(PC).Vol.II dated 23rd February, 2007, Shri S. Bhattacharya was appointed as an Additional Director of the Company with effect from 23rd February, 2007 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri S. Bhattacharya as a candidate for the office of Director of the Company.

Shri S. Bhattacharya is a B.Sc. (Met. Engg.) and a member of Institute of Cost & Works Accountants of India. He has rich work experience in a variety of areas in the steel industry. His fields of specialization are operations of steel plants and finance and accounts.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri S. Bhattacharya, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 13

On nomination by the President of India vide Government's Notification No.6 (1)/2006-SAIL(PC). Vol. II dated 11th May, 2007, Shri S.S. Ahmed was appointed as an Additional Director of the Company with effect from 11th May, 2007 and vacates his office of

Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri S.S. Ahmed as a candidate for the office of Director of the Company.

Shri S.S. Ahmed is a Post Graduate in Arts and has done MBA from XLRI, Jamshedpur. He has rich work experience in international and domestic marketing in the steel industry.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri S.S. Ahmed, to the extent of his appointment as Director, is concerned or interested in the above resolution.

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi

Dated: 6th August, 2007

Registered Office: Ispat Bhawan, Lodi Road,
New Delhi-110003

Details of Directors seeking re-appointment in forthcoming Annual General Meeting furnished in terms of clause 49 of Listing Agreements.

Name of the Director	Dr. S.C. Jain	Prof. R.P. Sengupta	Dr. Velu Annamalai	Shri Siddharth Kak
Date of Birth	18.09.1943	01.03.1947	21.10.1940	17.12.1944
Date of Appointment	29.12.2005	29.12.2005	29.12.2005	29.12.2005
Expertise in Specific functional areas	Legal & Administration	Economist	Public Economics	Tax Administration, Export Promotion and Legal
Qualifications	LL.B, LL.M., Ph.D.	MA, Ph.D	BE, MS, Ph.D all in Metallurgical Engg., MS & Ph.D from USA	B.A., M.A.(Pol.Sc.), LL.B.
List of Companies in which outside Directorship is held.	Nil	Nil	Nil	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director.	Nil	Nil	Nil	SAIL Audit Committee - Member Shareholders/ Investors Grievance Committee- Member

STEEL AUTHORITY OF INDIA LIMITED

Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

ATTENDANCE SLIP

Folio No:

Name and Address _____

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 35th ANNUAL GENERAL MEETING of the Company to be held on 20th September, 2007 at Air Force Auditorium, Subroto Park, New Delhi-110010.

Member's/Proxy's Name (In Block Letters) _____

Member's/Proxy's Signature _____

Note:

1. Please sign this attendance slip and hand over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
2. This attendance slip is valid only in case shares are held on the date of meeting.
3. The members holding shares in Dematerialised (D Mat) form are advised to bring with them their DP ID and Client ID Numbers.
4. REGRET NO GIFTS.

STEEL AUTHORITY OF INDIA LIMITED

Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

PROXY FORM

I/We of

in the district of

(Write full address)

hereby appoint of

(Write full address)

or failing him of

(Write full address)

as my/our proxy and to vote for me/us or my/our behalf at the 35th Annual General Meeting of the Company to be held on 20th September, 2007 at 1030 hours and at any adjournment thereof.

Signed thisday of2007

Signature(s)

Ledger Folio/DP ID & Client ID No.

No. of Shares held

Please
affix Re.1
Revenue
Stamp

- NOTE:
1. The Proxy need NOT be a member.
 2. The Proxy Form signed across Re.1 revenue stamp should reach the Company's Registered Office atleast 48 hours before the scheduled time of meeting.
 3. Please fill in full particulars.

ATTENTION : DEAR SHAREHOLDERS

I. Dematerialization of equity shares of Steel Authority of India Ltd.

1. As per Securities and Exchange Board of India (SEBI) Regulations, the equity shares of SAIL are to be compulsorily delivered in dematerialized form by all the Investors. As such, in order to enable you to trade in the shares of SAIL through Stock Exchanges, these are required to be converted into dematerialized form.
2. Many of the shareholders have already got their shares dematerialised. At present, 98.34% (approx.) shares of disinvested equity of our company have already been got dematerialized by the shareholders and only a small portion is lying in physical mode.
3. In this connection, it is advised in your own interest to open a Demat Account with any Depository Participants (DPs) authorized by National Securities Depository Limited (NSDL) or Central Depository Services Limited (CDSL). You may like to open your Demat Account in Authorized Branches of Nationalized Bank/ UTI Bank / ICICI Bank / Stock Holding Corporation of India Limited or any other authorized DPs as per your own convenience.
4. The DEMAT A/C will provide you the following advantages:
 - Prompt Liquidity
 - Safety against loss of certificate
 - Convenient for transfer or buy
 - Hassle free transaction
 - No stamp duty requirement for selling or buying
5. You are, therefore, advised to take necessary steps to open a demat account and get your share holdings dematerialized at the earliest.

II. Mandate for dividend payment through Electronic Clearing Service (ECS)

1. As you are aware, there have been a number of cases of dividend warrants dispatched by companies to shareholders being intercepted and fraudulently encashed. Consequently, both the companies and the investors are greatly inconvenienced.
2. Under the Electronic Clearing Service (ECS) payment system, the payment instruction is issued electronically through the Banker to the Clearing Authority (Reserve Bank of India) and Clearing Authority would supply credit reports to your bank with which you maintain the Account. Your bank will credit your account and indicate the credit entry as "ECS" in your pass book / Bank Statement, without issuing or handling any paper instrument/warrant. This will also eliminate our dependence on the postal network. An advice in this regard is issued to the payee once the transaction is effected.
3. We would therefore, request you to please fill up the enclosed format for ECS mandate. The information should be accurate and complete in all respects so that you get the credit of the dividend payments in time. This instruction will supersede all your previous mandates/bank details.

We seek your co-operation in this matter to help us to serve you better, by providing the information in the format printed overleaf to our Registrar – MCS Limited immediately and also convert your holdings from physical form to dematerialized form.

MCS LIMITED,
Unit : Steel Authority of India Ltd.,
Sri Venkatesh Bhavan,
W-40, Okhla Industrial Area,
Phase-II,
New Delhi-110 020.

MANDATE FORM
ELECTRONIC CLEARING SERVICE (CREDIT CLEARING)

1. Name of Ist Registered holder : _____
(In Block Letters)

2. Folio No. : _____

3. Name of Your Bank : _____

4. Name of the Branch : _____

5. Account Number : _____
(As appearing on your
Cheque Book)

6. Account Type :
(Saving Bank A/c., Current
A/C., or Cash Credit with
Code 1/2/3)

1- S.B. A/C	2- Current A/C	3- Cash Credit A/C
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7. 9 Digit Code Number of the
Bank, & Branch appearing on
the MICR Cheque issued by
Bank. (Please attach a photo-
Copy of cheque for verifying
the accuracy of the code
number.)

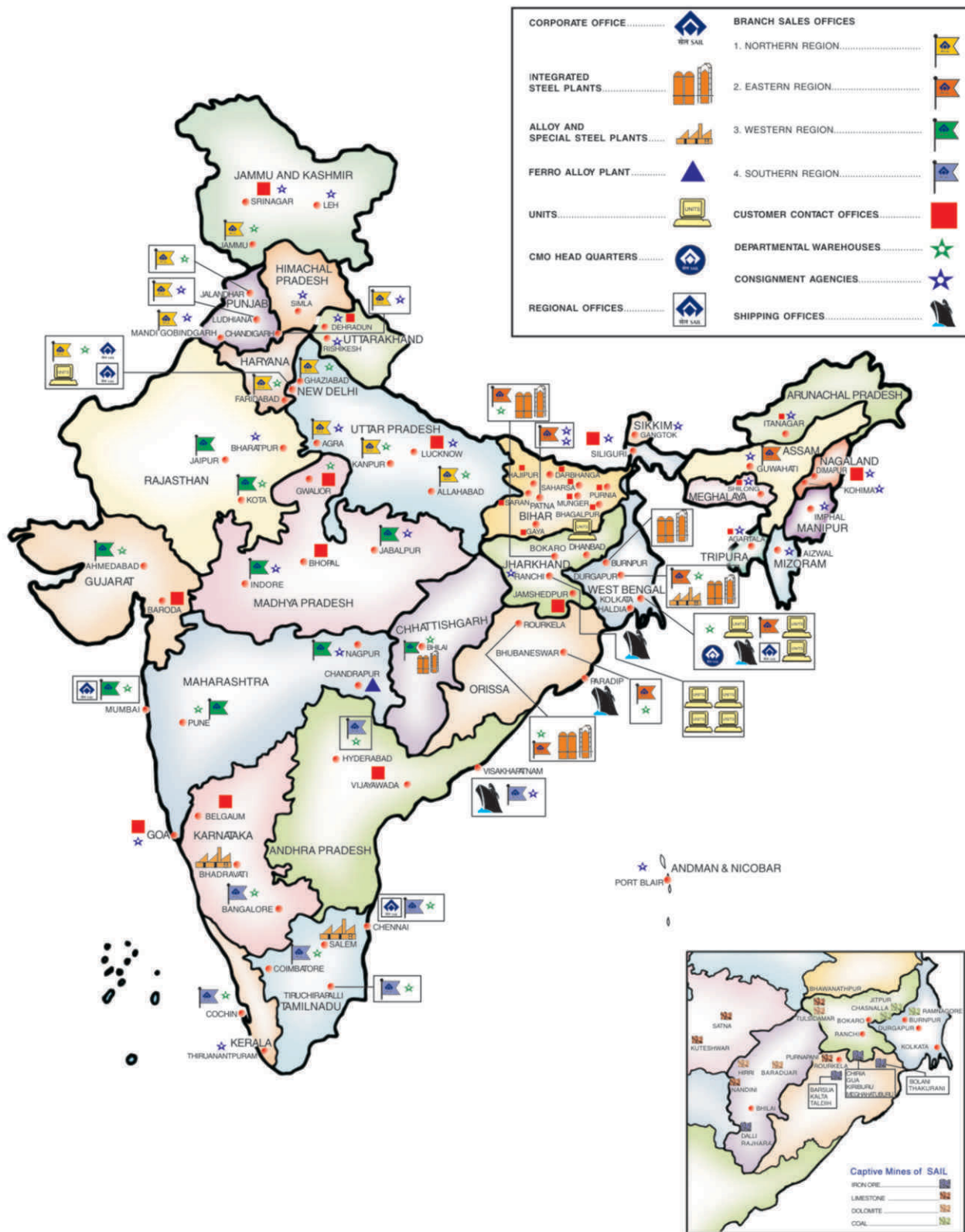
Signature of the first registered shareholder
(as per the specimen signature with the company)

Name : _____

Address : _____

Date : _____

THE SAIL NETWORK



AS ON AUGUST 2007

NOT TO SCALE

BOOK POST (U.P.C.)

If undelivered, please return to:



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED

Ispat Bhawan, Lodi Road, New Delhi - 110 003
www.sail.co.in