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 **स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड**
STEEL AUTHORITY OF INDIA LIMITED
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DRAWING A BRIGHT FUTURE

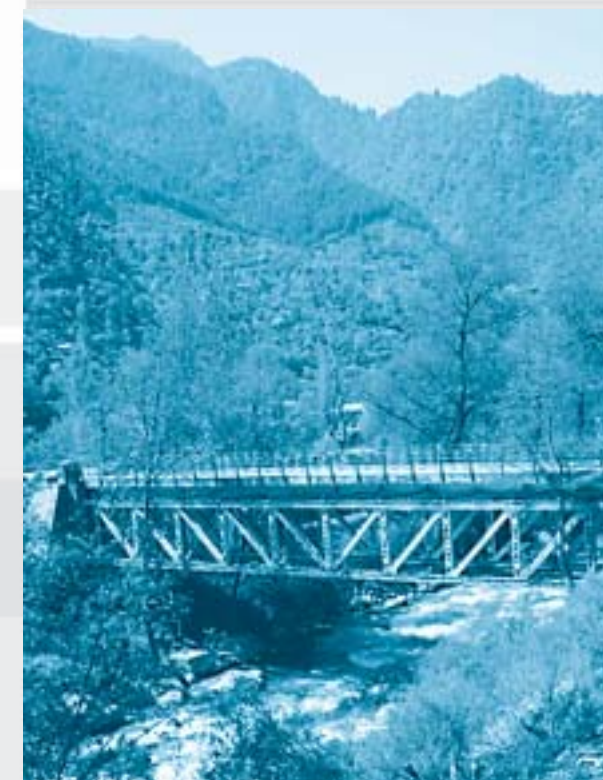


SAIL has embarked upon a massive expansion programme that holds the promise of sharpening its competitive edge further. With a strong financial base, state-of-the-art technology, professionalism and expertise of its highly skilled, motivated and committed human resource pool, SAIL is set to continue its tradition of creating new milestones in the coming years too.

Well-organised operations, captive sources of raw materials and power plants, innovative R&D and structured planning, motivated teamwork, backed by a

countrywide customer-friendly marketing network, SAIL is a force to reckon with in the Indian steel industry. Today, it is the preferred supplier of steel for a wide range of user segments, including railways, defence, nuclear & atomic energy, oil & gas transportation, automobiles, shipbuilding, heavy machinery, roads & highways, construction, power & telecom, electrical equipment manufacturers, sea and airports, consumer durables, etc. In fact, SAIL steel touches all facets of life in Indian society.

We at SAIL firmly believe in paving the way for the all-round development of our country by providing a strong infrastructure linked by bonds of steel. The thought of nation building is deeply rooted in all our endeavours. Team SAIL is determined to reach a pinnacle of glory and success in the world of steel. It is all set to draw a bright future of India.





VISION

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

HIGHLIGHTS 2005-2006

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.

- Highest ever production of 14.6 million tonnes of hot metal, 13.5 million tonnes of crude steel and 12.1 million tonnes of saleable steel.
- Prime Minister's Trophy to Bhilai Steel Plant for best operational integrated steel plant consecutively for 2003-04 and 2004-05. Only steel plant in the country to have won seven times.
- Highest ever turnover at Rs. 32,280 crore, an increase of Rs. 475 crore over previous year.
- Achieved highest ever domestic sales of 10.7 million tonnes in 2005-06.
- Exports of steel at 5.3 lakhs tonnes, a growth of 32% over previous year.
- Maintaining track record of consistent profitability with Profit after tax of Rs. 4,013 crore.
- Best ever energy consumption of 7.24 Gcal/Tonne/crude steel.
- Lowest ever coke rate of 543 Kg/tonnes/hot metal.
- Continued improvement in debt-equity ratio from 0.58:1 as on 31st March, 2005 to 0.35:1 as on 31st March, 2006.
- Reduction in borrowings by Rs. 1,472 crore during the year. Considering the funds invested in the year 2005-06, the Company is virtually debt free.
- Dividend @20% of paid up equity capital (including 12.5% interim dividend) declared by the Company.
- Amalgamation of the Indian Iron & Steel Company Limited with the company, resulting in synergy of operations.
- Production of 260 meter long rails panel for Railways for the first time.
- Labour productivity witnessed an increase of around 12% over previous year, to 150 tonnes of crude steel per man per year.
- Projects worth over Rs. 17,000 crore are at various stages of implementation.



- Bhilai Steel Plant of the company has bagged the prestigious **“Prime Minister’s Trophy”** for the years 2003-04 & 2004-05 for being adjudged the **“Best performing Integrated Steel Plant”** in the country. BSP has the unparalleled distinction of becoming the only steel plant in the country, public or private to have been honoured with the trophy 7 times out of 13 times.
- Company has won the Gold Trophy of the prestigious **“SCOPE Award for excellence and outstanding contributions to the public sector management”** for the year 2004-05.
- Company has been selected for **“SCOPE Meritorious Award for Environmental Excellence & Sustainable Development”** for the year 2004-05.
- **“Indira Priyadarshini Vrikshamitra Award”** was awarded to Company’s Rourkela Steel Plant by Ministry of Environment & Forest, Govt. of India, in recognition of its afforestation activities.

AWARDS AND ACCOLADES



- Company’s Rourkela Steel Plant was awarded the **“Golden Peacock Environment Management Award”** for the Year 2005, by World Environment Foundation, New Delhi, for Excellence in Effective Environment Management System.
- Company’s Rourkela Steel Plant was awarded the **“Jawaharlal Nehru Memorial Pollution Control Excellence Award”** for the Year 2005, by the International Greenland Society, Hyderabad, for Excellence in Effective Environment Management System.
- Company’s Bhilai Steel Plant has been honoured with the prize for the Independent Unit category of first ever **“Sustainability Award”** to recognize and reward excellence in social, economic and environmental performance by Confederation of Indian Industry (CII).
- Company’s Bhilai Steel Plant & Rourkela Steel Plant bagged the prestigious **“Golden Peacock Innovation Award”** from Institute of Directors (IOD).



- Company’s Research & Development Centre for Iron & Steel (RDCIS) has won the **“National Award for R & D efforts in Industry”** for the year 2005, instituted by the Department of Scientific and Industrial Research, Ministry of Science and Technology. The award has been conferred on RDCIS in recognition of its pioneering contribution in design, development and application of new special steel products to meet the stringent requirements of various market segments.
- Company’s 13 employees have been selected for the prestigious **“Vishwakarma Rashtriya Puraskar - 2004”**. Out of these, 5 employees of Rourkela Steel Plant (RSP) have been awarded with ‘A’ category awards. 5 employees of Bhilai Steel Plant (BSP) and 3 employees of RSP have received ‘C’ category awards.
- Company was crowned a **“Business Superbrand”** for the years 2004-06 at Mumbai for best practice on brand management by Superbrand India Pvt. Ltd., an independent arbiter of branding that promotes the discipline of branding and pays tributes to exceptional brands.
- SAIL team has been adjudged as the Best team for the **“National Training Award – Innovative Training Practices”** instituted by Indian Society for Training and Development (ISTD) New Delhi. In addition, SAIL’s Management Training Institute (MTI) was also awarded the **“National Award”** for the year 2005, by ISTD in recognition of Innovative Training Practices in SAIL.
- Company was awarded first prize for the **“Best performance in official language implementation”** for the year 2004-05, amongst all PSUs by Town Official Language Implementation Committee (TOLIC), Delhi. In addition, **“Ispat Bhasha Bharti”** was adjudged best house journal amongst all PSU’s in Delhi and has been awarded first prize for the year 2005-06 by TOLIC, Delhi for the third consecutive year.
- Company’s Rourkela Steel Plant was awarded the **“Ispat Suraksha Puraskar”** by Joint Committee on Safety, health & environment in the Steel Industry (JCSSI), for maintaining Safety Standards in its maintenance services and reduction in accident rate for Project & Construction services.
- **“Global Corporate Excellence Award”** for the year 2005 was presented to Company in recognition of Corporate Excellence, by the centre of International Business, Amity Business School, International Business Horizon - 2005.



Chairman

Shri S.K. Roongta

Functional Directors

Finance

Shri G.C. Daga

Technical

Shri K.K. Khanna

Personnel

Shri G. Ojha

Managing Directors

IISCO Steel Plant

Shri Nilotpal Roy

Durgapur Steel Plant

Shri V. Shyamsundar

Rourkela Steel Plant

Shri B.N. Singh

Bokaro Steel Plant

Shri V.K. Srivastava

Government Directors

Shri A.K. Rath

*Additional 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 S.N.P.N. Sinha

Shri Mohammad Yusuf Khan

Prof. Deepak Nayyar

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
- Jammu & Kashmir Bank Ltd.
- State Bank of Hyderabad
- State Bank of Saurashtra
- State Bank of Bikaner & Jaipur
- State Bank of Indore
- State Bank of Mysore
- IDBI Ltd. (for Bond Servicing)
- HDFC Bank Ltd. (for e-payment only)

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



Shri S.K. Roongta



Shri G.C. Daga



Shri K.K. Khanna



Shri Nilotpal Roy



Shri V. Shyamsundar



Shri B.N. Singh



Shri V.K. Srivastava



Shri G. Ojha



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 S.N.P.N. Sinha



Shri Mohammad
Yusuf Khan



Prof. Deepak Nayyar

To,
The Members,

The Directors have pleasure in presenting the 34th Annual Report of your Company together with audited accounts for the year ended 31st March, 2006. It is heartening to note that Bhilai Steel Plant (BSP) of your Company bagged the Prime Minister's (PM) Trophy consecutively for 2003-04 and 2004-05 being adjudged the best performing integrated steel plant in the country.



Hon'ble Prime Minister Dr. Manmohan Singh handing over the Prime Minister's Trophy and cheque to Shri V.S. Jain, the then Chairman, SAIL and Shri R.P. Singh, the then Managing Director, BSP, SAIL

BSP has the unparalleled distinction of becoming the only steel plant in the country to have been honoured with the prestigious PM's Trophy seven out of thirteen times.

FINANCIAL REVIEW

Your company has recorded sales turnover of Rs. 32,280 crore during the year compared to Rs. 31,805 crore in the previous year. The profit before tax was Rs. 5,706 crore for the year 2005-06 as compared to Rs. 9,365 crore in the previous year. The profit after tax during the current year stood at Rs. 4,013 crore as compared to Rs. 6,817 crore in the previous year. Increase in prices of coking coal, demurrage rates, freight rates on iron ore & fluxes and lower steel prices has adversely affected the profitability of the Company. However, this has been partially offset by higher production, improvement in techno-economic parameters, reduction in interest charges and higher interest earnings on investment of surplus funds.

World over, the trend in industry has been towards mergers and consolidation leading to creation of greater value for stakeholders. Pursuant to the scheme of amalgamation under Section 391 to Section 394 of the Companies Act, 1956, as approved by the Central Government vide its Order dated 15th February, 2006, effective from 16th February, 2006, the Indian Iron & Steel Company Limited (IISCO), an erstwhile wholly owned subsidiary company, has been amalgamated with the Company.

the Company, with effect from the appointed date, i.e. 1st April, 2005. The amalgamation has been accounted for under the 'Pooling of interest method' being an amalgamation in the nature of merger, as prescribed by the Accounting Standard (AS)-14 issued by the Institute of Chartered Accountants of India. Accordingly, all the assets, liabilities, reserves and accumulated losses of IISCO as on 1st April, 2005 have been merged with those of SAIL under the appropriate heads. The accounts of the Company for the current year, have been prepared after incorporation of the accounts of IISCO Steel Plant (ISP). With the above merger, SAIL has grown in size and now has five integrated steel plants under its fold. This merger will help the Company to build better synergy resulting in faster growth.

Thrust on reduction in borrowings continued with a reduction of Rs.1,472 crore during the year. The debt-equity ratio improved from 0.58:1 as on

31st March, 2005 to 0.35:1 as on 31st March, 2006. With the invested surplus funds in short term deposits with banks being more than the total borrowings as on 31st March, 2006, your Company is virtually a debt-free company. The Company earned interest of Rs. 409 crore on short term deposits with banks during the year. The interest charges on operation account for the year were lower by Rs.137 crore over the previous year.

Impetus on cost reduction, revenue maximisation and productivity improvement through systematic application of new technology and deep awareness to reduce cost at all levels of operation, was maintained. Cost control savings were achieved in major areas of operation i.e. reduction in specific energy consumption, reduction in specific usage of raw materials and improvement in other techno-economic parameters. The Institute of Cost & Works Accountants of India (ICWAI) under its National award for excellence in Cost Management-2005, conferred upon the Company "Good Performance Award" as a recognition to Company's efforts in the areas of cost management and attainment of cost consciousness in the organisation. This is the third consecutive year, where SAIL's endeavour in the area of cost reduction has been recognised.

The Company has paid interim dividend @ 12.5% of the paid-up equity share capital during the year. The directors have further recommended a final dividend @ 7.5% subject to approval of Shareholders, thus making the total dividend @ 20% of paid up equity capital for the year ended 31st March 2006. A sum of Rs. 310 crore has been transferred out of the profit of the company to the general reserve during the year.

PRODUCTION REVIEW

The Company achieved strong growth in physical performance during the year, with improvement in volume of production and efficiency parameters. All the blast furnaces were operated to maximise production leading to best ever 14.6 million tonnes (MT) of hot metal, 13.5 million tonnes of crude steel and 12.1 million tonnes of saleable steel, with growth of 11%, 8% and 6.6% respectively over previous year, considering ISP's performance in both the financial years.

The product-mix was enriched with all time high finished steel production of 9.78 million tonnes, higher by 2% over previous year. Production of value added products went up, such as, Wheel & Axle by 6%, CRNO by 24%,



A view of hot metal pouring process

Galvanised Sheets by 7% and Spiral Welded Pipes by 76%. Bhilai Steel Plant produced 260 meter long rail panels for Railways for the first time. SAIL supplied DMR 249 A grade steel plates to Indian Navy for manufacture of indigenous aircraft carrier. The techno-economic parameters improved further. Coke rate reduced by 6 kg per tonne of hot metal to lowest ever 543 kg per tonne of hot metal. Energy consumption reduced by 1.2% to 7.24 G.cal/per tonne of crude steel. Special thrust was given to improving internal logistics at the plants. The detention of railway wagons was reduced by 25%. Overall rail traffic handled went up by 10% to 60.3 million tonnes.

RAW MATERIALS

There was an appreciable improvement in the performance of Company's mines. During the year 2005-06, total iron ore production from captive mines was 23.89 MT thus creating a new record since inception. There was a growth of 5.3% over the previous year's best production of 22.69 MT. Kiriburu, Meghahatuburu and Bolani Mines achieved highest ever yearly production of 3.70 MT, 3.85 MT, 3.45 MT respectively. Iron ore requirement of the integrated steel plants was fully met from the captive mines. The flux (limestone/dolomite) production at company's captive mines during the year 2005-06 was 2.52 MT against the previous year production of 2.35 MT, thus achieving a growth of 7.2%.



Iron ore mining in progress

In view of limited reserves in the existing iron ore mines, SAIL is looking at developing new mines for meeting enhanced requirement. Chiria in Jharkhand and Rowghat in Chhattisgarh have been identified as a potential source of iron ore. Chiria would be developed as mechanised mines with state-of-art technology for catering to the requirements of steel plants in eastern sector. The preliminary activities for development like preparation of Detailed Project Report (DPR), Mining Plan and Environmental Impact Assessment (EIA) – Environment Management Plan (EMP) are in advanced stages of completion. Your Company is simultaneously pursuing the renewal of its leases at Chiria with the State Government. Rowghat would cater to requirements of Bhilai Steel Plant (BSP) through mechanised operation. Your Company would be submitting its forestry clearance proposal to the State Government and take appropriate actions for speedy clearances and early commissioning of the project.



Product handling inside a Warehouse

SALES & MARKETING REVIEW

During the financial year 2005-06, the Company achieved sales of approximately 11.31 million tonnes as against 10.76 million tonnes registering a positive growth over last year. Exports of steel were approximately 5.8 lakh tonnes against 4.6 lakh tonnes in 2004-05, a growth of nearly 24% over last year.

Products that showed significant growth in sales during 2005-06 were Wire Rods, Light and Heavy Structural and HR Sheets. Sale of value added special quality steel materials in 2005-06 was 1.7 million tonnes.

On the export front, SAIL Plates, Wire Rods and CRNO Coils entered new markets like Netherlands, Belgium, Singapore and Italy. High Tensile and Ship building Plates of Bhilai Steel Plant were exported to European Union, Singapore, Bangladesh and Sri Lanka.

During the year, your Company successfully developed and supplied high corrosion resistant TMT Bar Fe 600, with different pattern from normal TMT Bars, to Hydro Electric Power Plants and Railways. SAIL HITEN 690 AR quality Plates, which were being imported and used for manufacture of ATM Machines for Banking sector, was indigenously developed at Bhilai Steel Plant, thereby substituting imports.

SAIL Consultancy Division (SAILCON), the nodal agency for marketing of technical, management and training services available from Company's plants and units executed consultancy work in India, Egypt, Qatar and Iran.



Stack of HR coils

HUMAN RESOURCES MANAGEMENT REVIEW

Your Company has always believed that human resource is most important resource and continues to work for its development. The HRD activities focused on multi-skill training & enhancement of managerial competencies. In order to remain cost competitive, the ongoing thrust on rationalisation of manpower with focus on proper utilisation continued which inter-alia included implementation of Voluntary Retirement Schemes in two spells. Manpower strength of SAIL as on 31st March, 2006 was 1,38,211 comprising 15,206 executives and 1,23,005 non-executives. The total reduction in manpower during the year was 4,864 which included separation of 881 employees through VR. The Labour Productivity witnessed an increase of around 12% over previous year, to 150 Tonnes/Man/Year.

Presidential Directives on Schedule Castes and Scheduled Tribes continued to be implemented and monitored on regular basis. As on 1.1.2006 out of the total manpower 14.68% were Scheduled Castes and 11.88% were Scheduled Tribes. During the year, out of total recruitments of 626 employees made by the Company, 188 candidates (30%) and 125 candidates (20%) were from Scheduled Castes and Scheduled Tribes respectively. A Special Recruitment Drive was launched to fill up backlog of 266 posts in Group 'C' during the year 2004-05.

SAIL steel plants and units including mines are located in economically backward regions of the country having pre-dominant SC/ST population. Besides adopting the measures as per the Government Directives, the Company has also extended several benefits to children belonging to SC/ST which includes award of scholarships, exemption from payment of tuition fees, free boarding/lodging facilities etc. Salient are :

- 14 scholarships are awarded to deserving SC/ST undergraduate engineering students in various disciplines to encourage technical education.
- Bhilai Steel Plant is offering 18 no. of scholarships for SC/ST students.
- Salem Steel Plant is providing 10 scholarships besides free uniforms and books to SC/ST children from periphery schools.
- Bhilai Steel Plant has adopted 36 Tribal children of Chattisgarh region and Bokaro Steel Plant has



Enhancing competence - Training session in progress

adopted 12 Birhor Tribe children from the Jharkhand region. They are provided free education, boarding and lodging facilities.

- The Company has been involved in the spread of 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 inhouse Hindi magazine "Ispat Bhasha Bharti" bagged the first prize from the Town Official Languages Implementation Committee set up by Ministry of Home Affairs.

AWARDS & ACCOLADES

Known for nurturing creativity and innovation, SAIL received various awards/accolades for excellence in a number of fields. Besides winning the Prime Minister's Trophy for Best Performing Integrated Steel Plant by Bhilai Steel Plant for the 7th time for 2004-05, SAIL was conferred upon the "SCOPE Award for Excellence and Outstanding contribution to the Public Sector Management – Institutional Category" for the year 2004-05. SAIL has also been conferred with "SCOPE Meritorious Award for Environmental Excellence and Sustainable Development for the year 2004-05". SAIL also bagged five Vishwakarma Rashtriya Puraskar in recognition of the extraordinary



contribution of 13 employees for bringing improvements in their work area.

Your company's efforts towards Research and Development were appreciated in the form of "National Award for R&D efforts in Industry" to Research and Development Centre for Iron & Steel (RDCIS) for pioneering contributions in design, development and application of new special steel products for the year 2005, instituted by Department of Science and Industrial Research, Ministry of Science and Technology.

As a socially responsive corporate citizen, your company has always been in the forefront in its efforts in Corporate Social Responsibility (CSR) initiatives towards making a meaningful difference to people's lives. Recognition has flowed from various bodies such as Confederation of Indian Industry (CII) which conferred the first ever sustainability award to Bhilai Steel Plant in the independent unit category for excellence in social, economic and environmental performance. Rourkela Steel Plant (RSP) received the Indira Priyadarshini Vrikshamitra Award – 2003 from Ministry of Environment and Forests, Government of India for its commendable efforts in afforestation activities. Besides, RSP was also awarded the Golden Peacock Environment Management Award – 2005 by World Environment Foundation for excellence in effective environment system.

PROJECTS REVIEW MANAGEMENT

Projects of over Rs.17,000 crore are at various stages of implementation and approval in the Company. The major ongoing schemes are:

Bhilai Steel Plant (BSP)

- Rebuilding of Coke Oven Battery No. 5
- Technological Upgradation of BF-7 including Gas Cleaning Plant
- Installation of new Slab Caster, RH Degasser and Ladle Furnace

Durgapur Steel Plant (DSP)

- Bloom Caster with associated facilities

Rourkela Steel Plant (RSP)

- Rebuilding of Coke Oven Battery No. 1

Bokaro Steel Plant (BSL)

- Rebuilding of Coke Oven Battery No. 5
- Coal Dust Injection System in BF-2 & 3

IISCO Steel Plant (ISP)



Towards a new horizon

- Rebuilding of BF-2

The major investment proposals which have been accorded 'in-principle' approval are:

Bhilai Steel Plant (BSP)

- Power Supply facilities for 2x1250 TPD Oxygen Plant (on BOO basis)
- Oxygen evacuation for new 2x1250 TPD Oxygen Plant (on BOO basis)
- Replacement of Reheating Furnace in Wire Rod Mill.

Durgapur Steel Plant (DSP)

- Augmentation of Power Distribution System

Rourkela Steel Plant (RSP)

- Installation of Hot Metal Desulphurisation Unit at SMS-II
- Rebuilding of Coke Oven Battery-4
- Coal Dust Injection System in BF-4

Bokaro Steel Plant (BSL)

- Replacement of Battery Cyclones by ESP (6 nos.) in Sinter Plant
- Augmentation of Coking Coal Storage facilities in Coal Handling Plant
- Provision of 2nd Ladle Furnace in SMS-II

IISCO Steel Plant (ISP)

- Rebuilding of Coke Oven Battery – 10
- Expansion of ISP.

Salem Steel Plant (SSP)

- Expansion of SSP.

CORPORATE PLAN-2011-12

SAIL prepared its Corporate Plan-2012 in 2004, which laid down the roadmap of four integrated steel plants and broadly indicated SAIL's perspective for its special steels business and subsidiaries. In 2005-06, merger of IISCO with SAIL provided added opportunities for better synergy and growth, especially in mild steel business. There was also a need to detail strategy for special steel market, in view of changed market condition. Considering these changes in business dynamics, the company fine-tuned its Corporate Plan-2012, incorporating growth plans for ISP and special steel plants.

Corporate Plan-2012 aims to achieve growth with cost and quality competitiveness. Volume growth shall be achieved by realisation of full potential, technological upgradation, de-bottlenecking, provisions of balancing facilities and appropriate capacity enhancement, and building a synergy amongst units. The plan envisages production growth of hot metal to 22.5 MT by 2011-12 from current production level of 14.6 MT during

2005-06. In addition, growth would also take place through acquisitions/mergers.

To retain market leadership based on above strategy, a capital investment of about Rs. 37,000 crore has been planned. The major thrust areas of future growth includes installation of new units using energy efficient BoF-CC route, reduction in semi-finished products and enhancement of value-added steels by introduction of pre and post steel treatments. Capital investments have also been planned for Environment Management schemes and for ensuring adequate availability of key inputs like coal, iron ore, coke, pellets, sinter, oxygen, power etc. Plants infrastructure will also be strengthened.

Corporate Plan-2012 is directional in nature and will be updated periodically to make necessary changes, considering business dynamics of Indian steel sector.

ENVIRONMENT MANAGEMENT

The plants and mines honoured commitments made to the Ministry of Environment and Forests under the Charter on Corporate Responsibility for Environment Protection (CREP) programme.

A significant reduction of pollutant emissions and discharges was recorded across all the company's units



Clean Steel Green Steel



during the year. The pollution load showed a decrease of nearly 3.7 per cent during 2005-06. The plants also increased the waste utilisation by promoting and encouraging recycling, reuse, and sale wherever possible. The Company signed an agreement with the Centre of Environment Management of Degraded Ecosystems, University of Delhi and the Department of Biotechnology on ecological restoration of degraded mining areas through innovative biotechnological methods. SAIL has also entered into a partnership with the TERI School of Advanced Studies, Delhi to promote collaboration on environment and energy related issues with thematic focus on steel.

CORPORATE SOCIAL RESPONSIBILITY

SAIL has been a pioneer in the area of Corporate Social Responsibility (CSR) since inception, substantially contributing towards betterment of social indices in and around the periphery of steel plants. 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-speciality hospitals provide specialised health care to over 2 million people every year.

Over the years, the company has opened 150 schools in steel townships, employing more than 6,000 teachers and providing education to about 1,22,000 children. Apart from managing own schools, the company also supports other public schools managed independently. The survival rate for secondary education of over 90% (proportion of pupils starting grade 1 who complete secondary education) is considerably higher than the



Weaving the threads of life



Smile says it all : caring for community

national average.

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

The Company is also working towards preserving culture and heritage. Some of the key activities include assistance to maintenance of monuments in Lodhi Garden, New Delhi. Besides, the Company extended support to a number of activities for the benefit of physically challenged persons and destitutes. 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.

The Company is one of the first PSUs to get associated as an inter-sectoral collaborator of National AIDS Control Organisation (NACO), Ministry of Health and Family Welfare, Government of India. SAIL has continued its



Empowering women to earn their livelihood



SAIL is one of the 'Gold Sponsors' of the famous "Chennai Open Tennis Tournament"

efforts to contribute to the society in prevention & control of HIV/AIDS through Information, Education and Communication (IEC) programmes where more than 1 lakh people were covered in 2005-06. In the schools, AIDS Education Programme [for class IX and above] has been taken up across the Company in line with NACO guidelines.

The Company has well-planned sports policy, with an accent on nurturing young talents through four specialised academies promoting Athletics, Hockey, Football and Cricket. Recently, SAIL laid a synthetic turf (poly grass) at its own Biju Patnaik Hockey Stadium in Rourkela, where SAIL Hockey Academy is situated. SAIL sponsored several sporting tournaments at the national and the international levels to promote sports in the country. Another prestigious programme under sports promotion was SAIL sponsoring the Indian Davis Cup team (tennis) for its ties against China in 2004-05, Uzbekistan and Sweden during 2005 and Pakistan in the current year. Besides, SAIL is one of the 'Gold Sponsors' of the famous 'Chennai Open Tennis Tournament' for the five years (beginning 2005) and was also the co-sponsor of the Marathon Run organised by Times of India at Kolkata in 2005.

CORPORATE COMMUNICATION

Having established its turnaround, the Company intensified its communication efforts during 2005-06 to reinforce the brand, 'SAIL'. The media interaction mainly focused on progress of the projects under the Company's growth plan for 2011-12.

The Company sponsored a film showcasing the ancient

art of steel making in India, which was screened at International Film Festival. The SAIL brand also received large scale public attention at international events such as the 'Focus India' exhibition at Chicago, USA, and national-level trade shows like IITF, Mines, Metals & Minerals, National Metallurgist Day celebration etc. The Company put up its pavilion at the world's largest industrial fair at Hannover, Germany, where India was the partner country. 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

In order to enhance confidence of the employees and public at large in the vigilance functioning, the Vigilance Department adopted Quality Management System and was accredited with ISO 9001 – 2000 Certificate. It will make the function of Vigilance Department more transparent and system oriented.

In line with the concept of Corporate Governance, the Department is playing a proactive role for continuous simplification of systems and procedure to facilitate faster and effective decision making, with greater emphasis on transparency in the system.

As a preventive vigilance measure, a booklet of "Do's and Don'ts" was published by Vigilance Department and distributed to all executives of the Company. This would guide the executives in discharging their day to day duties as well as enable them in taking expeditious decisions.

Utilising the continuous technical advancement in IT and telecommunication field, 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. In order to further enhance receipt of competitive bids, action is being taken for posting of high value Limited Tender Enquiries also on the website.

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, 2006 along with Management's replies, and the comments and the review on accounts for the year ended 31st March, 2006 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 along with



DIRECTORS' REPORT



Management's replies are enclosed to the Directors' report as Annexure-I & II respectively.

Report on Conservation of Energy, Technology Absorption, etc.

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

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:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this

Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- 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.

SUBSIDIARIES

The Maharashtra Elektros melt Limited (MEL) recorded a turnover of Rs. 247.33 crore. The Net Profit after Tax (PAT) for the year was Rs. 20.97 crore after charging depreciation of Rs.1.97 crore, interest/finance charges of Rs.0.36 crore and tax of Rs.10.96 crore. The Company produced 51,525 tonnes of High Carbon Ferro Manganese and 46,712 tonnes of Silico Manganese during the year. Audited Accounts of Maharashtra Elektros melt Limited for the year ended 31st March, 2006 are annexed.

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 realised and the settlement of claims is in process. Bhilai Oxygen Limited (BOL) was incorporated as a subsidiary with a view to take over Oxygen Plant-2 at BSP. The BOL was to be converted into a joint venture company by inducting a strategic partner. As the Company had decided to retain its Oxygen Plant at Bhilai, it was decided to wind up the Bhilai Oxygen Limited (BOL). With the passing of Order by the Hon'ble Delhi High Court for winding up, BOL has been dissolved effective from 6th February, 2006.

Directors

Shri J.P. Singh, who was appointed as Director w.e.f. 20.7.2005 ceased to be Director with effect from 24.01.2006.

Shri Ashis Das ceased to be Director w.e.f. 19.8.2005 (A.N.) on resignation.

Dr. S.C. Jain has been appointed as Director w.e.f. 29.12.2005.

Prof. R.P. Sengupta has been appointed as Director w.e.f. 29.12.2005.

Dr. Velu Annamalai has been appointed as Director w.e.f. 29.12.2005.

Shri Siddharth Kak has been appointed as Director w.e.f. 29.12.2005.

Dr. S.K. Bhattacharyya, MD, DSP ceased to be Director w.e.f. 31.12.2005 (A.N.) on attaining the age of superannuation.

Dr. Sanak Mishra, MD, RSP ceased to be Director w.e.f. 31.12.2005 (A.N.) on attaining the age of superannuation.

Shri U.P. Singh, MD, BSL ceased to be Director w.e.f. 31.1.2006 (A.N.) on attaining the age of superannuation.

Dr. S.N. Dash who was appointed as Director on 15.2.2006 ceased to be Director w.e.f. 7.4.2006.

Shri Nilotpal Roy, MD, ISP has been appointed as Director w.e.f. 16.2.2006.

Shri V.K. Agarwal ceased to be Director w.e.f. 24.3.2006 (A.N.) on completion of tenure.

Shri P.K. Sengupta ceased to be Director w.e.f. 24.3.2006 (A.N.) on completion of tenure.

Dr. Amit Mitra ceased to be Director w.e.f. 24.3.2006 (A.N.) on completion of tenure.

Shri G. Elias has been appointed as Director w.e.f. 18.4.2006.

Shri V. Shyamsundar has been appointed as MD, DSP w.e.f. 5.6.2006.

Shri B.N. Singh has been appointed as MD, RSP w.e.f. 13.6.2006

Shri V.K. Srivastava has been appointed as MD, BSL w.e.f. 13.6.2006.

Shri R.P. Singh, MD, BSP ceased to be Director w.e.f. 30.06.2006 (A.N.) on attaining the age of superannuation.

Shri G. Ojha has been appointed as Director (Personnel) w.e.f. 7.7.2006.

Shri Shyamal Ghosh has been appointed as Director w.e.f. 10.7.2006.

Shri S.N.P.N. Sinha has been appointed as Director w.e.f. 10.7.2006.

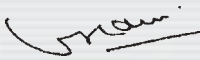
Shri Mohammad Yusuf Khan has been appointed as Director w.e.f. 10.7.2006.

Prof. Deepak Nayyar has been appointed as Director w.e.f. 10.7.2006.

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


(V.S. JAIN)
Chairman

Place : New Delhi

Dated: 28.07.2006



A pan view of IISCO Steel Plant



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

World economy grew at a robust rate of 4.8% during 2005. US and Japan amongst the developed countries; China, India, and the East Asian countries in the emerging economies, have sustained the world economic growth which could cope with the unprecedented increase in the global oil prices during the year. Inflation continued to be low and the interest rates favourable. According to the International Monetary Fund (IMF) the growth rates for the world economy during 2006 and 2007 will be comparable to that of 2005.

Indian economy is going through one of the strongest growth phase. According to the revised estimates of Central Statistical Organisation, Government of India, the GDP growth for 2005-06 was 8.4%. With this the average GDP growth rate for past 3 years is plus 8% putting India firmly amongst the fastest growing economies in the world. Expansion in global trade has been providing momentum to the growth of world economy. India could take advantage of the opportunity by registering a growth rate of more than 20% in exports for the fourth successive year since 2002-03.

Robust industrial growth rate has been a key contributor to the buoyant GDP growth. Starting with a growth of 7% in 2002-03, the industry improved its performance to 7.6% in 2003-04 and 8.6% in 2004-05. The growth was sustained at 8.7% for 2005-06. Within industry, manufacturing at 9% and construction at 12% have been the key drivers of growth.

Strong performance during 2005-06 continued for the major steel consuming sectors such as capital goods - 16%, consumer durables - 15%, and automobiles - 15%. Gross domestic investment estimated at 30.1% of the GDP for 2005-06, breached the 30% GDP level for the first time, showing accelerated build up in the productive infrastructure for the economy. According to expert estimates the strong performance of Indian economy is going to continue for 2006-07 as well.

Buoyant world economic growth boosted global steel consumption rate to 4.1% during 2005. China continued its dominance in world steel sector with a consumption growth rate of 17%. Consumption of steel in India grew by about 11% during 2005-06.

Production vis-à-vis Demand for Steel in India

The apparent domestic consumption of finished mild steel during the year FY'06 was 38.1 million tonnes as compared to 34.4 million tonnes during the previous year. The total crude steel domestic production during FY'06 was 41.3 million tonnes as compared to 38.5 million tonnes in the previous year. The import and export of finished mild steel during FY'06 was approx. 3.8 million tonnes and 4.5 million tonnes respectively as compared to 2.1 million tonnes and 4.4 million tonnes respectively during the previous year. While exports have been more or less at the same level as in the previous year, there has been a surge in imports registering a growth of 79% over previous year.

The automobile, pipes & tubes and construction segments are expected to be the major key growth drivers in FY'07. The automotive segment has grown at an annual rate of over 15% over the last two years and is one of the fastest growing segments. Similarly, the demand of flat products from the large diameter pipes & tubes segment is expected to increase substantially driven by crude oil, LNG, Oil Gas and Water supply segments. The construction industry is expected to drive the demand for long products.

Position of Steel Authority of India Limited (SAIL)

SAIL was ranked the 17th largest steel producer in the world during 2005 (Source: IISI). SAIL continues to be the largest steel producer of finished steel in India with about 23% of the market share during FY'06.

B. OPPORTUNITIES & THREATS FOR SAIL

Opportunities

With the merger of IISCO, SAIL now has five integrated steel plants which have a combined capacity of 10.6 million tonnes of saleable steel with modernised facilities available to meet diverse customised requirements in terms of quality, size, grade, delivery etc. The 4 lakh tonnes normalized operating capacity of IISCO Steel Plant is presently being upgraded under its expansion plan.

The per capita steel consumption in the country is estimated at 33 kg. as compared to the world average of around 180 kg. There is a substantial scope for increase in domestic steel consumption.

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

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

Keeping the above opportunities in mind, SAIL has drawn Corporate Plan 2012 to reach 22.5 million tonnes of hot metal capacity and enhance its capability to serve construction, auto, oil, gas and cold reducing segments.

Threats

The customs duty on steel, presently at 5%, is even lower than some ASEAN countries. As and when international prices decline, there could be a surge in imports, adversely affecting the realisation in the domestic market.

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

All the major producers of HR Coils have planned to enhance capacities, along with cold reducers/galvanisers going in for backward integration and setting up Steel Plants to produce HR Coils. Some of these capacities are likely to come on-line by 2007, intensifying domestic competition.

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

China has added nearly 70 million tonnes to its production capacity during 2005 mostly in Flat Products. In 2005, China has emerged as a net exporter of steel. The top markets for Chinese exports are South Korea and other Asian countries. Continued Chinese expansion may put pressure on global steel prices which would impact domestic prices.

C. RISKS AND CONCERNS

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

Inadequate infrastructure facility and high prices of raw materials like coking coal are some of the key concerns of steel industry. Increase in oil prices will also have impact on production cost. Other infrastructure problems, like availability of wagons, port congestion etc. would also impact operations at SAIL Plants thereby directly affecting the operating margins.

D. OUTLOOK

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

E. DISCUSSIONS ON FINANCIAL/OPERATIONAL PERFORMANCE:

1. FINANCIAL OVERVIEW OF SAIL

During the year Indian Iron & Steel Company Limited (IISCO), an erstwhile wholly owned subsidiary company has been amalgamated with the Company, with effect from the appointed date i.e. 1st April, 2005. Financial performance of 2005-06 of the company includes performance of IISCO Steel Plant (ISP) also.

The Market for Steel

Market conditions were fairly buoyant during FY'06 although prices showed a steady downward trend as compared to the previous year. With the continued industrial growth, India achieved impressive growth in GDP and noticeable growth was registered in all the core sectors and manufacturing at

large. This resulted in good demand of industrial raw materials, particularly steel, which is a major component in core sectors like power, transport and construction.

Growth in Steel Sector was also noteworthy. Steel consumption scenario is upbeat as demand for steel registered a growth of 10.8% mainly due to demand from infrastructure sector and increased demand from automotive, capital goods, consumer durables sectors etc. The average growth in apparent steel consumption in India since FY'01 is as follows:

Year	Apparent Steel Consumption (in MT)*	% Growth over Previous year
2005-06 (Prov.)	38.11	10.8
2004-05	34.39	10.3
2003-04	31.17	7.9
2002-03	28.90	5.3
2001-02	27.44	3.4
2000-01	26.53	5.7

*Source JPC

Chinese growth has been one of the main drivers behind increased global demand. Strong demand from Asia has resulted in raw material supply imbalance leading to shortage of some of the key inputs such as coking coal, coke, iron ore, scrap etc. Not only prices of these inputs increased significantly but they were also in short supply. However, for the first time in the last few years coking coal prices, which had doubled in 2005, decreased by nearly 10% in 2006, although they remain at a high level.

1.1 Performance of SAIL

In line with the increased domestic demand, physical performance of the Company has also improved. Physical performance (Production & Sales) of the Company surpassed all previous records in 2005-06. Production of saleable steel at 12.1 MT recorded a growth of 6.6% over last year.

Sales volume of saleable steel at 11.31 MT (including exports) has also shown a positive growth. However, reduction in net sales realization (NSR) of Steel Products, increase in price of inputs (mainly coking coal) has adversely effected the profitability of the company.



An inside view of a Merchant Mill

During FY 2005-06, SAIL earned a profit of Rs. 5,706 crore (before taxes). Salient points of the above performance are:

- Record saleable steel production (growth of 6.6%).
- Improved techno-economic factors and production of value added product.
- Highest-ever sales volume.
- Reduction in Net Sales Realisation by about 9%.
- Reduction in debt resulting in substantial savings in interest.

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

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

- The Company's Central Marketing Organisation (CMO) has laid special emphasis on customer satisfaction and nurturing customer loyalty for increased sales. CMO has also adopted a marketing strategy focusing on various steel consuming segments such as projects/infrastructure, tube makers, cold rollers, oil & gas, railways, machinery, re-rollers, wire drawing etc. These concerted efforts have resulted in higher generation of revenue.

- In order to reach small customers, over 200 new dealers at 99 district locations have been appointed for branded products in FY'06. SAIL is now in the process of appointing District Dealers all over the country.

- Sale of special steel produced by SAIL (both mild steel and special steel plants) was 1.7 million tonnes.

➤ **Cost Control Measures**

- Impetus on cost reduction and productivity improvement through systematic application of new technology, better operations and strong awareness to reduce cost at all levels of operation has been maintained in the 2005-06.

- Cost control savings have been achieved in major areas of operation, viz reduction in specific energy consumption, reduction in specific usage of raw-material (other than coal) 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 has reduced by Rs. 1,472 crore. Borrowing as on 31.03.06 has reduced to Rs. 4,298 crore as against Rs. 5,770 crore as on 31.03.05. With the Company's total short term deposits exceeding the borrowings, it remained virtually debt free during the year. The debt/equity ratio improved to 0.35:1 as on 31.03.06 from 0.58:1 as on 31.03.05. Interest burden was lower by Rs. 137 crore over CPLY.

During 2005-06, company has earned interest of Rs. 409 crore on surplus fund in short term deposit with banks.

➤ **Rightsizing manpower**

Rationalisation of manpower is being carried out, thereby reducing overall manpower from 2,08,765 as on 31.3.1998 to 1,38,211 as on 31.3.2006, a reduction by 70,554.

VRS-2005 was introduced w.e.f. 1.7.2005 till 31.10.2005 through which 584 employees separated. VRS-2006 was again introduced w.e.f. 1.2.2006 through which 297 employees (including 45 of ISP) have separated. Including natural separation, there is reduction by 4864 during 2005-06.

➤ **Purchase Cost Optimisation & Inventory Management**

- SAIL, a pioneer among PSUs in the country in introducing e-Commerce (Reverse Auction & Forward Auction), has further widened its coverage of e-commerce in 2005-06 by carrying out e-procurements worth Rs. 412 crore and e-selling worth Rs.1,380 crore.

- All open tenders are put on SAIL's Website.

- Digital Signature Certificates are being introduced in e-commerce activities, for which a SAIL Sub CA system has been implemented, to ensure authenticity & legal validity of transactions on internet with buyers/sellers.

2. SUMMARISED FINANCIAL PERFORMANCE

	Rs./crore	
	2005-06	2004-05
Turnover	32280	31805
Gross Margin (PBDIT)	7381	11097
Interest	468	605
Cash Profit	6913	10492
Depreciation	1207	1127
Profit Before Tax [PBT]	5706	9365
Net Profit After Tax [PAT]	4013	6817

In spite of improvement in production, sales volume and major techno-economic parameters, Profit After Tax (PAT) has decreased by Rs. 2,804 crore from that in the previous year mainly due to reduction in prices of saleable steel & increase in price of coking coal.

a) **Sales turnover**

- SAIL's sales turnover during 2005-06 was Rs. 32,280 crore (including Rs.1,339 crore of ISP) compared to Rs. 31,805 crore in the previous year. SAIL sold about 10.95 MT of mild steel in FY '06 (including 0.296 MT of ISP) as compared to around 10.42 MT during the previous year (an increase of about 0.534 MT). However, the steel prices reduced by about 9% over previous year. Sale of secondary products like coal chemicals and other byproducts, arisings etc. was also 21% higher than the previous year. SAIL's main business arena continues to be the domestic market, which provides about 97% of the company's total sales turnover. Steel exports at 5.8 lakh tonnes during 2005-06, were higher by about 24% over the previous year.

- SAIL's product-mix caters to the entire gamut of the mild steel business – flat products in the form of plates, HR coils/sheet, CR coils/sheets, plain/corrugated galvanised sheets, long products

comprising rails, structurals, wire rods, merchant products, etc. In addition, pipes (ERW & SW), electrical steel sheets and tin plates also form part of the rich product-mix of SAIL's mild steel business. The product category-wise sales turnover during 2005-06 is as follows:

Saleable steel – 5 Integrated steel plants	%
Flat Products	51
Long Products	35
PET (Pipes, Electrical sheets, Tin plates) Products	2
Total mild steel	88
Alloy & Special Steel Plants (Saleable Steel)	6
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	6

b) **Earning before Depreciation, Interest and Tax (EBDIT)**

The EBDIT of SAIL during FY '06 was Rs. 7,381 crore, which is lower by about 33% over the previous year's Rs. 11,097 crore, mainly due to decline in prices and escalation in the input prices such as imported and indigenous coking coal, boiler coal & ferro alloys etc. A part of the input cost escalation was neutralized by higher efficiency in the operational areas, by way of improved TE parameters and lower specific energy consumption.

c) **Interest**

Due to reduction in total borrowings, there is reduction in interest charges on operations account of Rs.137 crore. In addition to above, Rs. 409 crore was earned on account of short term deposits with scheduled banks.

The total borrowings reduced by Rs.1,472 crore as shown below:

	Rs./crore	
	31.3.2006	31.3.2005
Working capital borrowings from banks	343	101
Secured bonds	779	1174
Unsecured bonds (Guaranteed)	1454	1794
Foreign currency borrowings (long term)	535	1074
GOI /SDF loans	1114	1015
Public Deposit Scheme	0	217
Foreign Currency Borrowings (Short Term Loan)	73	395
Total	4298	5770

d) **Debt Equity Ratio**

Debt Equity Ratio has improved to 0.35:1 (as on 31.03.06) from 0.58:1 (as on 31.03.05) due to reduction in borrowings, better cash management and improved financial performance of the company.



	(Rs./crore)	
Items	31.3.2006	31.3.2005
Total borrowing	4298	5770
Net Worth	12386	10012
Debt Equity Ratio	0.35:1	0.58:1

e) **Working capital**

	(Rs./crore)	
	AS ON	
	31.03.2006	31.03.2005
Current Assets		
Inventory	6210	4221
Sundry debtors	1882	1908
Cash & bank balance	6173	6132
Interest receivable	85	142
Loans and advance	3034	1784
A. Total current assets	17384	14187

Current Liabilities

Current liabilities (excluding sundry creditors for capital works)	4876	4565
Provisions (excl. gratuity / leave / retirement benefit)	3233	2043

B. Total current liabilities	8108	6608
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C. Working capital (A-B)	9276	7579
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- Working capital has increased mainly due to increase in inventory by Rs. 1,989 crore. Inventory of Iron & Steel (including by-products) has increased by Rs. 1,276 crore, Raw Materials by Rs. 400 crore and Stores & Spares by Rs. 314 crore.

3. PLANTWISE PROFIT & LOSS BEFORE TAXES

	Rs./crore	
	2005-06	2004-05
BSP	2781	4042
DSP	261	784
RSP	497	1045
BSL	2056	3290
ISP*	(-)258	-
ASP	19	(-)42
SSP	(-)67	3
VISL	14	(-)24
Other Units	403	267
SAIL	5706	9365

* ISP which has been merged with SAIL reported a net profit of Rs. 47 crore in 2004-05, when it was a subsidiary of SAIL.

Plants performance affected mainly due to reduction in prices of steel and increase in prices of inputs particularly coking coal. However, there is considerable improvement in financial performance of ASP and VISL, which have reported net profits after a long gap.

F. HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company has always believed that human resource is the most important resource and continues to work for its development. Thrust in the Human Resource area to reach



out to employees through various communication exercises was continued. To keep up the morale of employees, various facilities/perks were enhanced/extended to the employees. The Labour Productivity (SAIL including ISP) witnessed an increase of around 12% over previous year to 150 T/M/Y.

The Human Resource Development (HRD) activities while focusing on enhancement of technical and managerial competencies laid emphasis on Multi-Skill training, Basic Engineering skills and preparing the workforce for the new facilities/technologies envisaged under Corporate Plan 2012. Competency mapping for identification of critical skill gaps and training was continued. A structured system of Assessment of Effectiveness of Training was implemented during 2005-06.

Providing opportunities for open interaction, communication and feed-back have been highlights of all Plants/Units. The Pro-active intervention and close coordination through a process of mutual dialogue with different agencies including Trade Unions and Officers' Associations ensured conducive industrial relations climate. A workshop on "Challenges Ahead – Indian Steel Industry" was organized at Kochi to discuss the challenges before SAIL as well as Steel Industry by bringing together participants from Trade Unions representing Workers' Representatives, Executive Associations' Representatives and Top Management officials.

Consistent efforts were made by SAIL Safety Organization for improving safety standards in the Company by taking measures like intensive safety drives in works area; conducting safety audits in hazardous departments of different plants and mines. In addition, specific workshops on safety aspects were organized at various SAIL steel plants.

G. PROJECT MANAGEMENT

The Company incurred a capital expenditure of Rs. 813 crore during the year.

Major Projects commissioned during 2005-06.

The major projects commissioned are Stands Replacement in Merchant Mill & Installation of Ultrasonic Testing Machine in Plate Mill at Bhilai; Ladle Furnace at Durgapur; Cast House Slag Granulation Plant in Blast Furnace-1, Blast Furnace-4 capital repair, Upgradation of ERW Pipe Plant & Procurement of Nitrogen Compressor in TOP-1 at Rourkela; and Installation of Coal Dust Injection System in Blast Furnace-5 at Bokaro.

Major Capital schemes approved/presently in progress:

Bhilai Steel Plant (BSP)

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

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

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

Installation of new Slab Caster, along with RH Degasser & Ladle Furnace has been taken up for additional steel casting

of 0.165 Mtpa, production of 300,000 T of API X65/X70 grade steel and processing of additional Rail Steel demanded by Indian Railways through new RH Degasser.

Replacement of 15 MW Turbo-Generator in Power Plant -1 has been taken up to enhance the captive power generation & meet category-1 requirement.

Installation of Hot Metal Desulphurisation Unit in SMS-II has been taken up to meet the increasing demand for high quality steel, particularly for application in off-shore, transport and structural sectors.

Also, Replacement of Medium HP Locos by High HP WDS-6 Locos and one WDG-3A loco is being done to help standardisation of fleet and reduction in inventories of spares.

Further, replacement of Pusher Type Furnace by Walking Beam Furnace in Wire Rod Mill has also been planned.

Durgapur Steel Plant (DSP)

A 0.85 Mtpa Bloom Caster alongwith associated facilities including 130T Ladle Furnace & Re-heating Furnace is being installed to improve the yield & quality of steel and to reduce energy consumption. The scheme envisages phasing-out of the energy intensive ingot route and blooming mill. Also, Coal Dust Injection in BF-3 & 4 is being installed to bring about reduction in coke rate and improvement in furnace productivity.

Bokaro Steel Plant (BSL)

Cast House Slag Granulation Plant in BF-4 has been taken up for improvement in logistics and elimination of dependency on Slag Pots and Slag Cars.

Revamping of Mae West blocks in HSM has been taken up to ensure smooth functioning of Hot Strip Mill by avoiding repeated breakdown in the finishing stands.

Upgradation of automation system of Tandem Mill in CRM complex is being done to make it compatible with new computer hardware and software.

Existing HCL Regeneration Plant for Pickling Line-II of CRM is being replaced due to its technical obsolescence and frequent breakdowns.

Also, installation of one Air Turbo Compressor and one Oxygen Turbo Compressor is being taken up for maintaining health of equipment and output of Oxygen Plant on a sustainable basis in future. Besides, a 50 MW Power Tapping Arrangement is being done to meet the electrical power requirement of proposed 1250 TPD Oxygen Plant on BOO basis.

IISCO Steel Plant (ISP)

Rebuilding of BF No.2 has been taken up to enhance its productivity, increase in useful volume, reduction in coke rate and facilitate relining of BF-3 & 4. Expansion of ISP has also been planned.

Alloy Steels Plant

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

Salem Steel Plant

Expansion of Salem Steel Plant has been planned.

In addition, Rebuilding of Coke Oven Batteries at Bhilai, Rourkela & Bokaro have been taken-up to install state-of-the-art pollution control equipment to comply with the latest statutory pollution norms stipulated by Central/State Pollution Control Board. The projects of Coke Oven Battery of RSP and BSP are delayed due to poor performance of M/s. CUI.

H. INHOUSE 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.

Major projects implemented during 2005-06 are Installation of Rail Welding plant at BSP; Installation of CDI Units in BF-1 & BF-5 at BSP; Capital Repair of Blast Furnace No.4 at RSP and Installation of Ladle Furnace No.1 at DSP.

Major ongoing projects are Rebuilding of Coke Oven Battery No.5 with Pollution Control Facilities at BSP; Upgradation & Revamping of BF-7 at BSP; Replacement/revamping of 'B' Strand in Wire Rod Mill at BSP; Installation of new Slab Caster, RH Degasser and Ladle Furnace in SMS-II, BSP; Desulphurisation of Hot Metal before SMS-II at BSP; Rebuilding of Coke Oven Battery No.5 with Pollution Control Facilities at BSL; Installation of INBA Cast House Slag Granulation Plant in BF-4 at BSL; Housing machining & revamping of Mae West Block in finishing stand of HSM at BSL; Rebuilding of Coke Oven Battery No.1 with Pollution Control Facilities at RSP; Installation of Bloom Caster, Re-heating Furnace and Ladle Furnace at DSP; and Installation of CDI in BF-3 & 4 at DSP.

I. RESEARCH AND DEVELOPMENT

Research & Development Centre for Iron and Steel (RDCIS) have provided innovative technological inputs to different units of SAIL, with special emphasis on cost reduction, product development and application, quality improvement, energy conservation and automation. Several new products were developed and commercialised viz., DMR 249 Gr. A at BSP, BSL and RSP, Spade M-1 steel as per CDA 99 Specification at RSP, Fe 415 Gr. TMT rebar with micro-alloying at BSP, High strength corrosion resistance roof bolt grade bars at DSP, Earthquake resistant TMT rebars (Fe-415), DSP, Cu-Mo pearlitic rail, BSP, High strength micro alloyed rails, BSP etc. The RDCIS strengthened its technology marketing efforts by providing consultancy services, organising specialised testing and transfer of technological innovations to outside customers like M/s Power Grid Corporation of India, Gurgaon; M/s Refcom (India) Pvt. Ltd., Purulia (West Bengal); M/s Sarvesh Refractories, Rourkela; Balmer Lawrie Ltd., Kolkata, and M/s Monarch Electronics, Kolkata, etc.

During the year, 198 nos. of technical papers were published / presented, besides filing of 31 patents (including 6 from SAIL plants) and 29 copyrights (including 4 from SAIL plants). The scientists at the RDCIS won 9 national level awards. In addition, RDCIS won the prestigious "DSIR National



The dawn of a new era

Award 2005 for R&D Achievements in New Materials" given by the Ministry of Science and Technology, Government of India.

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 based on identification of key-risk areas with thrust on system/process audits and bench-marking of the best practices followed in the plants/units is being done so as to achieve cost reduction in overall operation of the company. Development of Internal Audit Executives, bringing awareness amongst auditees converging on the proactive 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)

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
Sales	32280	31805	24178	19207	15502	16233	16250	14994	14624	14131
Earnings before depreciation, interest & tax (EBDIT)	7381	11097	4652	2165	1011	2167	1202	1503	2498	2458
Depreciation	1207	1127	1123	1147	1156	1144	1133	1104	795	691
Interest & Finance charges	468	605	901	1334	1562	1752	1789	2017	1554	1179
Profit before tax (PBT)	5706	9365	2628	-316	-1707	-729	-1720	-1618	149	588
Provision for Income tax / Refund (-)	1693	2548	116	-12	-	-	-	-44	16	73
Profit after tax (PAT)	4013	6817	2512	-304	-1707	-729	-1720	-1574	133	515
Dividend	826	1363	-	-	-	-	-	-	41	103
Equity Capital	4130	4130	4130	4130	4130	4130	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	8255	5881	529	-2141	-1878	33	635	2756	4359	3868
Net Worth (Equity plus Reserves & surplus)	12385	10011	4659	1989	2252	4163	4765	6886	8489	7998
Total Loans	4298	5770	8690	12928	14019	14251	15082	21017	20015	17421
Net Fixed Assets	12162	12485	13168	14036	14798	15177	15873	18307	14137	12624
Capital Work-in-progress	758	366	382	361	556	1221	1475	2589	6491	6389
Current Assets (Including short term deposits)	17384	14187	8075	7282	7107	8362	8259	11399	12026	10587
Current Liabilities & Provisions	8108	6608	6025	4777	4849	5274	5027	4880	4875	4606
Working Capital (Current Assets - Current Liabilities)	9276	7579	2050	2505	2258	3088	3232	6519	7151	5981
Capital Employed (Net Fixed Assets + Working Capital)	21438	20064	15218	16541	17056	18265	19105	24826	21288	18605
Key Ratios										
EBDIT to average capital employed (percent)	35.57	62.91	29.30	12.89	5.72	11.60	5.47	6.52	12.52	15.33
PBT to sales (percent)	17.68	29.45	10.87	-1.64	-11.01	-4.49	-10.58	-10.79	1.02	4.16
PBT to average capital employed (percent)	27.50	53.09	16.55	-1.88	-9.66	-3.90	-7.83	-7.02	0.75	3.67
Return (PAT) on net worth (percent)	32.40	68.10	53.92	-15.30	-75.79	-17.50	-36.10	-22.86	1.57	6.44
Earnings (PAT) per share (Rs.)	9.72	16.50	6.08	-0.74	-4.13	-1.76	-4.16	-3.81	0.32	1.25
Dividend per share (percent)	20.00	33.00	-	-	-	-	-	-	1.00	2.50
Debt - Equity (times)	0.35	0.58	1.87	6.50	6.23	3.42	3.17	3.05	2.36	2.18
Interest coverage ratio (times)	13.07	16.43	3.88	0.76	-0.09	0.56	0.04	0.17	0.79	0.96
Current ratio (times)	2.14	2.15	1.34	1.52	1.47	1.59	1.64	2.34	2.47	2.30
Net worth per share (Rs.)	29.98	24.24	11.28	4.82	5.45	10.08	11.54	16.67	20.55	19.36
Working capital turnover ratio (times)	3.48	4.20	11.79	7.67	6.87	5.26	5.03	2.30	2.04	2.36
Capital employed to turnover ratio (times)	1.51	1.59	1.59	1.16	0.91	0.89	0.85	0.60	0.69	0.76
Price - earning ratio (times)	8.56	3.81	5.31	-11.94	-1.19	-3.17	-1.90	-1.55	31.06	15.44

PRODUCTION STATISTICS

(Thousand tonnes)

Item	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2K	1998-99	1997-98	1996-97
Main Integrated Steel Plants										
Hot Metal	14398	12351	12749	12080	11327	11202	10939	11180	11615	11393
Crude Steel	13177	11827	11828	11087	10467	10306	9788	9858	10297	10319
Pig Iron	556	147	278	288	353	358	574	731	772	673
Saleable Steel										
Semi Finished Steel	2272	1751	2146	2057	2149	2141	2592	2293	3110	2104
Finished Steel	9351	8900	8581	8029	7315	7269	6637	6034	5602	6798
Total	11623	10651	10727	10086	9464	9410	9229	8327	8712	8902
Alloy & Special Steel Plants										
Saleable Steel	427	379	298	266	234	293	301	275	331	333
Total Saleable Steel*	12051	11030	11026	10352	9697	9703	9530	8602	9043	9235

* Includes IISCO, merged with SAIL from 2005-06.

VALUE ADDED STATEMENT

(Rupees in crore)

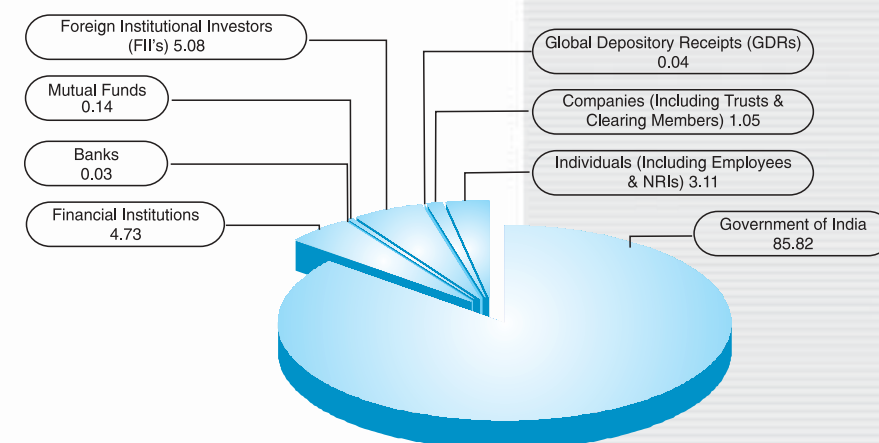
For the year	2005-06	2004-05	2003-04
Value of own production	33741	32453	23924
Other Revenues	1046	772	605
Less : Cost of Raw Materials	11405	8738	6287
Stores & Spares	2312	1900	1678
Power & Fuel	2490	2196	2159
Excise Duty	4442	3455	2882
Freight outward	753	679	528
Value Added	13385	16257	10995
Establishment cost	4157	3812	4758
Other operating costs	1847	1348	1585
Financing Cost	468	605	901
Corporate income tax	1693	2548	116
Dividend provision	826	1363	0
Tax on dividend	116	185	0
Retained in Business			
Depreciation	1207	1127	1123
General Reserve	310	700	0
Bonds Redemption Reserve	-89	-167	-276
Balance of profit	2850	4736	2788
Value Applied	13385	16257	10995

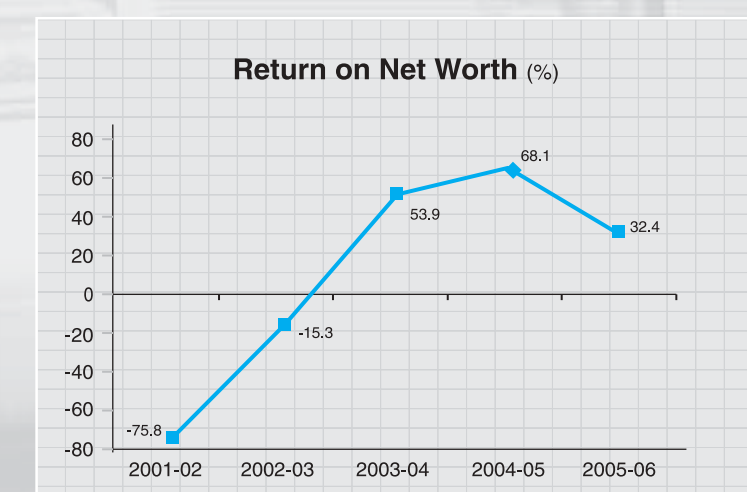
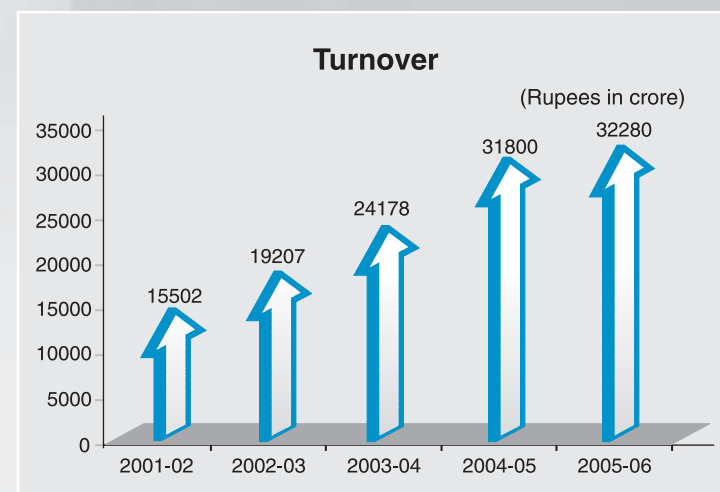
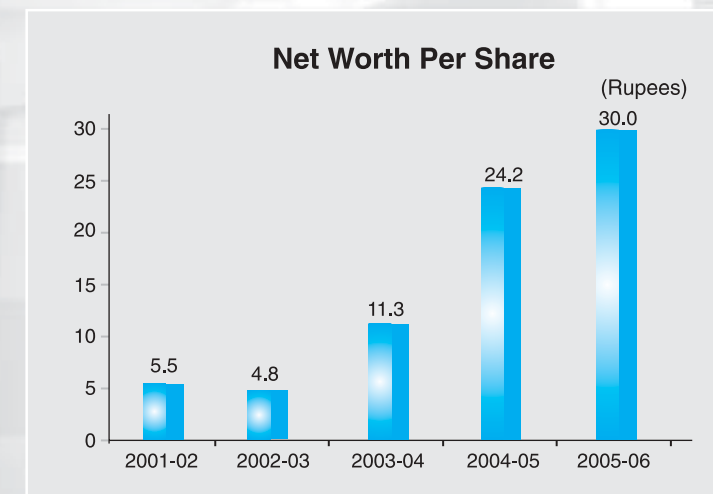
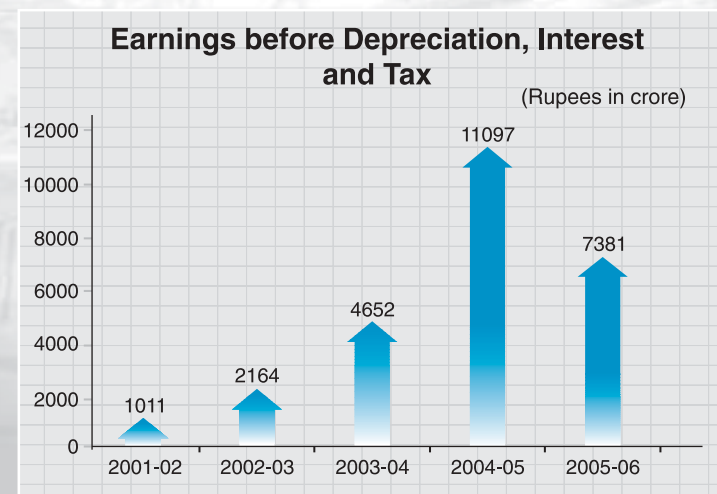
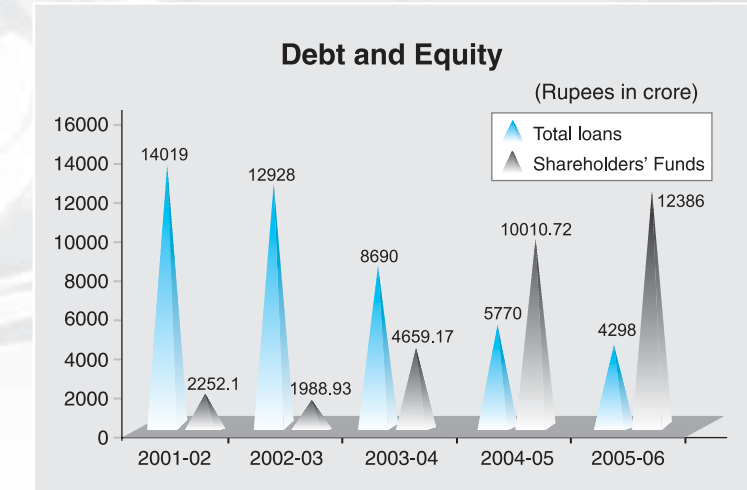
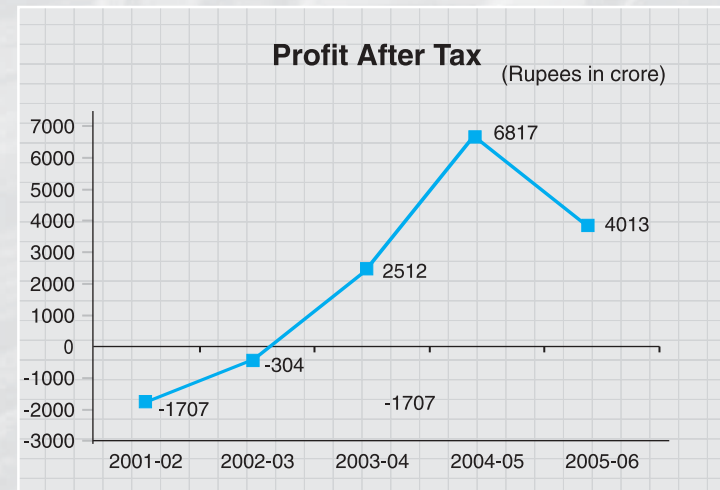
SHAREHOLDING PATTERN

(AS ON 31.03.2006)

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	195233724	14	195.23	4.73
Banks	1152643	22	1.15	0.03
Mutual Funds	5697032	26	5.70	0.14
Foreign Institutional Investors (FII's)	210011044	81	210.01	5.08
Gloabl Depository Receipts (GDRs)	1661935	2	1.66	0.04
Companies (including Trusts & Clearing Members)	43281150	3154	43.28	1.05
Individuals (Inclduing Employees & NRIs)	128672732	221437	128.68	3.11
Total	4130400545	224737	4130.40	100.00

SHAREHOLDING PATTERN (% of Equity)







BALANCE SHEET

As at 31st March, 2006



	Schedule No.	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	8471.01	6176.25
		12601.41	10306.65
Loan Funds			
Secured Loans	1.3	1122.16	1603.98
Unsecured Loans	1.4	3175.46	4165.81
Deferred Tax Liability (Net)		1484.46	1844.31
		18383.49	17920.75
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	29360.46	28043.48
Less: Depreciation		17198.32	15558.41
Net Block		12162.14	12485.07
Capital Work-in-Progress	1.6	757.94	366.48
Investments	1.7	292.00	606.71
Current Assets, Loans & Advances			
Inventories	1.8	6210.06	4220.69
Sundry Debtors	1.9	1881.73	1908.45
Cash & Bank Balances	1.10	6172.64	6132.12
Interest Receivable/Accrued	1.11	85.48	142.18
Loans & Advances			
Subsidiary Companies	1.12	—	146.20
Others	1.13	3033.82	1783.99
		17383.73	14333.63
Less: Current Liabilities & Provisions			
Current Liabilities	1.14	5191.70	4780.67
Provisions	1.15	7236.44	5385.40
		12428.14	10166.07
Net Current Assets		4955.59	4167.56
Miscellaneous Expenditure	1.16	215.82	294.93
(to the extent not written off or adjusted)			
		18383.49	17920.75

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

Sd/-
(Devinder Kumar)
Secretary

For and on behalf of Board of Directors
Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

For S.K. Mittal & Co.
Chartered Accountants

In terms of our report of even date
For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Sd/-
(B.K. Ghosh)
Partner

Sd/-
(Mahendra K Agrawala)
Partner

Place : New Delhi
Dated : May 25,2006

PROFIT & LOSS ACCOUNT

For the year ended 31st March, 2006

	Schedule No.	Year ended 31st March, 2006	Year ended 31st March, 2005
<i>(Rupees in crore)</i>			
INCOME			
Sales	2.1	32279.75	31804.99
Less : Excise duty		4442.18	3282.16
Finished products internally consumed		428.00	285.04
Interest earned	2.2	461.49	262.76
Other revenues	2.3	584.93	503.97
Provisions no longer required written back	2.4	80.18	192.57
		29392.17	29767.17
EXPENDITURE			
Accretion in stocks	2.5	-1033.30	-247.61
Raw materials consumed	2.6	12325.63	9351.46
Purchase of finished / semi-finished products		65.49	7.46
Employees' Remuneration & Benefits	2.7	4156.69	3811.61
Stores & Spares Consumed		2643.42	2164.13
Power & Fuel	2.8	2489.74	2195.59
Repairs & Maintenance	2.9	346.76	239.83
Freight outward		753.37	678.64
Other expenses	2.10	1604.97	1328.52
Interest & finance charges	2.11	467.76	605.05
Depreciation		1207.30	1126.95
		25027.83	21261.63
Less : Inter Account Adjustments	2.12	1352.05	921.71
Adjustments pertaining to earlier years	2.13	5716.39	9427.25
		-10.65	-61.90
Profit before tax		5705.74	9365.35
Less : Provision for taxation			
Current tax		1915.40	748.06
Deferred tax		-245.37	1844.31
Fringe benefit tax		24.33	0.00
Earlier years adjustments		-1.59	-43.99
Profit after tax		4012.97	6816.97
Amount Transferred from Bonds Redemption Reserve (net)		89.31	167.38
Accumulated losses of IISCO taken over		-910.27	—
Balance brought forward		4758.77	22.69
Amount available for appropriation		7950.78	7007.04
APPROPRIATIONS			
Transferred to General Reserve		310.00	700.00
Interim dividend		516.30	619.56
Proposed dividend (Final)		309.78	743.47
Tax on Interim dividend		72.41	80.97
Tax on Proposed dividend (Final)		43.45	104.27
Balance carried over to Balance Sheet		6698.84	4758.77
		7950.78	7007.04

Earnings per Share (Face value Rupees 10/- each)

Profit after tax	4012.97	6816.97
Average Number of equity shares	4130400545	4130400545
Basic and Diluted Earnings per share (Rupees)	9.72	16.50

Significant Accounting Policies and Notes on Accounts 3

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

Sd/-
(Devinder Kumar)
Secretary

For and on behalf of Board of Directors
Sd/-
(G.C. Daga)
Director (Finance)

Sd/-
(V.S. Jain)
Chairman

For S.K. Mittal & Co.
Chartered Accountants

In terms of our report of even date
For Ray & Ray
Chartered Accountants

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Sd/-
(B.K. Ghosh)
Partner

Sd/-
(Mahendra K Agrawala)
Partner

Place : New Delhi
Dated : May 25,2006



CASH FLOW STATEMENT

Cash Flow Statement for the year	2005-06	2004-05
A. Cash flow from Operating Activities		<i>(Rupees in crore)</i>
Net Profit / loss (-) before taxation	5705.74	9365.35
Add / (Less) Adjustments for :		
Depreciation	1217.47	1192.20
Interest Expenses	467.76	605.05
Bad debts written-off	4.12	35.93
Unrealised Foreign Exchange Fluctuation	(20.54)	24.86
Provision for diminution in value of investments	—	(23.54)
Provision for Others	428.92	(668.10)
Deferred revenue expenditure (Charged during the year)	184.08	158.25
Profit on sale of Fixed Assets	(58.24)	6.52
Interest Income	(461.49)	(262.76)
Dividend Income	(13.66)	(13.38)
Operating cash flow before working capital change	7454.16	10420.38
Adjustments for :-		
(Increase) / Decrease in Inventories	(1766.94)	(1163.63)
(Increase) / Decrease in Sundry Debtors	64.45	(392.42)
(Increase) / Decrease in Loans and Advances	(1213.97)	244.46
Increase / (Decrease) in Current liabilities	79.55	645.29
Deferred revenue expenditure (Additions)	(46.87)	(74.68)
Cash generated from Operations	4570.38	9677.40
Direct Taxes Paid	(746.45)	(777.93)
Net Cash from Operating Activities	3823.93	8899.47
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(896.65)	(527.59)



CASH FLOW STATEMENT

Cash Flow Statement for the year	2005-06	2004-05
		<i>(Rupees in crore)</i>
Fixed Assets sold /discarded	87.65	60.91
Purchase/Sale of investments (net)	(60.17)	(40.00)
Interest received	518.33	206.76
Dividend received	13.66	13.38
Net Cash from / (used in) Investing Activities	(337.18)	(286.54)
C. Cash flow from Financing Activities		
Increase in Reserves & Surplus	0.21	0.28
(Decrease) in Borrowings (net)	(1515.63)	(2945.13)
Loans to subsidiary & Other Companies	(0.83)	45.98)
Interest and Finance Charges paid	(621.56)	(917.23)
Dividend Paid	(1259.77)	(619.56)
Tax on Dividend	(176.68)	(80.97)
Net Cash from / (used in) Financing Activities	(3574.26)	(4516.63)
Net Increase in Cash & Cash Equivalents (A+B+C)	(87.51)	4096.30
Cash & Cash Equivalents (Opening)	6260.15	2035.82
Cash & Cash Equivalents (Closing)	6172.64	6132.12
(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 year's classification. Pursuant to the amalgamation of IISCO, the previous year's figures are not comparable with the current year.		

Sd/-
(Devinder Kumar)
Secretary

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Bhuvnesh Maheshwari)
Partner

Place : New Delhi
Dated : May 25, 2006

For and on behalf of Board of Directors

Sd/-
(G.C. Daga)
Director (Finance)
In terms of our report of even date

For Ray & Ray
Chartered Accountants

Sd/-
(B.K. Ghosh)
Partner

Sd/-
(V.S. Jain)
Chairman

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Mahendra K Agrawala)
Partner



SCHEDULES

(Forming part of the Balance Sheet)

1.1: SHARE CAPITAL

	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Authorised		
5,00,00,00,000 equity shares of Rs. 10 each	5000.00	5000.00
Issued,Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs.10/- each fully paid.	4130.40	4130.40

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, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Capital Reserve		
As per last Balance Sheet	1.44	1.44
Add: Additions pursuant to merger of IISCO	1.70	—
	3.14	1.44
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.77	8.49
Add : Additions during the year	0.62	0.43
	9.39	8.92
Less : Adjustments towards expenses incurred during the year	0.41	0.15
	8.98	8.77
Share Premium	235.29	235.29
Bonds Redemption Reserve		
As per last Balance Sheet	471.98	639.36
Add : Addition pursuant to merger of IISCO	4.58	—
Add : Transferred from Profit & Loss Account	76.28	101.47
Less : Transferred to Profit & Loss Account	165.59	268.85
	387.25	471.98
General Reserve		
As per last Balance Sheet	700.00	—
Add : Transfer from Profit & Loss Account	310.00	—
Add : Surplus pursuant to merger of IISCO (Refer note no. 4.1)	13.03	—
Add : Adjustment of deferred tax assets of IISCO	114.48	700.00
	1137.51	700.00
Surplus as per Profit & Loss Account	6698.84	4758.77
	8471.01	6176.25



SCHEDULES

(Forming part of the Balance Sheet)

1.3 : SECURED LOANS

	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Working Capital Borrowings from Banks (Including Foreign Currency Demand Loans of Rs. 28.02 crore (Previous Year Rs. 27.49 crore) Foreign Currency Loans	343.26	100.78
Non Convertible Bonds	—	329.85
Interest Rate Date of Redemption		
14.0 % 1st July 2005	—	394.45
12.95 % 1st December 2007	100.05	100.05
11.30 % 1st June 2008	7.25	7.25
11.60 % 1st June 2008	33.95	33.95
7.80 % 1st September 2008	0.15	0.15
11.10% 1st December 2008	6.50	6.50
11.50% 1st December 2008	0.30	0.30
11.10% 20th July 2009	0.50	0.50
11.50% 20th July 2009	48.65	48.65
9.75% 1st February 2010	0.10	0.10
10.25% 1st February 2010	88.35	88.35
11.50% 15th April 2010	21.00	21.00
8% 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
	778.90	1173.35
	1122.16	1603.98

(a) Secured by hypothecation of Company's inventories, book debts and other 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, Distt. Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant. (DSP).
(c) Unsecured Bonds earlier guaranteed by Govt of India, have since been converted into Secured Bonds, for which additional security is yet to be created over DSP properties.
Note : Secured Loans repayable within one year as at 31.03.2006, Rs.nil (previous year : Rs. 724.30 crore)

1.4 : UNSECURED LOANS

	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Public Deposits		
Government of India	0.27	0.00
Interest accrued and due thereon	0.58	0.27
	0.85	0.58
Steel Development Fund	204.16	204.16
Interest accrued and due thereon	908.59	810.10
	1112.75	1014.26
Foreign Currency Loans		
Long Term	534.71	744.57
(Guaranteed by Govt. of India / State Bank of India Rs.534.71 crores (Previous Year Rs.619.96 crores))		
Short Term	73.10	395.03
	607.81	1139.60
Non Convertible Bonds@		
Interest Rate Date of Redemption		
12.15% 1st February, 2007	325.00	325.00
11.25% 30th March, 2007	99.00	99.00
11.10% 15th April, 2007	—*	50.00
10.25% 3rd June, 2007	450.00	450.00
12.15% 1st September, 2007	—*	152.35
11.30% 12th March, 2008	—*	105.00
11.60% 12th March, 2008	15.00\$	15.00
10.10% 1st August, 2008	35.00\$	35.00
10.50% 1st August,2008	35.00	35.00
11.50% 30th March, 2010	43.50	43.50
12.45% 1st September, 2010	38.15	38.15
12.55% 1st September, 2010	39.40	39.40
12.65% 1st September, 2010	—*	96.60
6.4% 15th October, 2010	64.00	—
12.10% 12th March, 2011	195.00	195.00
11% 1st August, 2011	115.00	115.00
	1454.05	1794.00
	3175.46	4165.81

@ Guaranteed by Government of India
* Redeemed at par by exercising call option
\$ Converted into SBI guaranteed Bonds on 31.03.2006
Note : Unsecured Loans repayable within one year as at 31.03.2006, Rs. 634.84 crore (previous year : Rs. 862.72 crore)

1.5 : FIXED ASSETS

GROSS BLOCK (AT COST)					
Description	As at 31st March 2005	Acquired Assets of IISCO	Additions / Adjustments	Deductions	As at 31st March 2006
A. PLANTS, MINES, OTHERS					
Land(including cost of development)					
-Freehold Land	56.51	61.13	0.17	0.12	117.69
-Leasehold Land	26.65	0.28	—	—	26.93
Right and Patents	74.91	6.98	106.33	—	188.22
Railway Lines & Sidings	218.99	4.44	-0.10	0.57	222.76
Roads, Bridges & Culverts	151.02	2.37	0.97	0.47	153.89
Buildings	1659.39	28.50	0.71	4.50	1684.10
Plant & Machinery					
-Steel Plant	22335.45	490.13	395.38	95.77	23125.19
-Others	1461.94	112.58	58.22	18.74	1614.00
Furniture & Fittings	71.59	2.44	1.77	1.23	74.57
Vehicles	408.49	38.53	10.41	4.52	452.91
Water Supply & Sewerage	284.17	4.95	1.70	0.17	290.65
EDP Equipments	213.07	3.75	7.74	13.05	211.51
Miscellaneous Articles	218.62	5.34	8.68	4.37	228.27
Sub-total 'A'	27180.80	761.42	591.98	143.51	28390.69
Figures for the previous Year	26822.92		562.57	204.69	27180.80
B. SOCIAL FACILITIES					
Land(including cost of development)					
-Freehold Land	9.81	0.20	-0.02	0.03	9.96
-Leasehold Land	7.09	—	—	—	7.09
Roads,Bridges & Culverts	43.27	3.21	0.32	0.02	46.78
Buildings	509.80	45.59	3.09	0.04	558.44
Plant & Machinery-Others	71.03	8.43	2.33	1.30	80.49
Furniture & Fittings	11.48	1.28	2.91	0.91	14.76
Vehicles	7.39	1.77	0.83	0.87	9.12
Water Supply & Sewerage	92.66	19.70	2.06	0.20	114.22
EDP Equipments	3.52	0.04	5.30	2.12	6.74
Miscellaneous Articles	85.88	4.73	9.42	2.27	97.76
Sub-total 'B'	841.93	84.95	26.24	7.76	945.36
Figures for the previous year	836.36		8.05	2.48	841.93
C. ASSETS RETIRED FROM ACTIVE USE					
Unservicable / Obsolete Assets	20.75	3.00	4.29	3.63	24.41
Figures for the previous Year	24.35		6.47	10.07	20.75
Total ('A'+ 'B'+ 'C')	28043.48	849.37	622.51	154.90	29360.46
Figures for the previous Year	27683.63		577.09	217.24	28043.48

1.5 : FIXED ASSETS

DEPRECIATION					NET BLOCK		
Description	Up to 31st March 2005	On acquired assets of IISCO	For the Year	Less : On sales / Adjustments	Up to 31st March 2006	As at 31st March 2006	As at 31st March 2005
<i>(Rupees in crore)</i>							
A. PLANTS, MINES, OTHERS							
Land(including cost of development)							
-Freehold Land	—	—	—	—	—	117.69	56.51
-Leasehold Land	8.60	0.20	0.50	—	9.30	17.63	18.05
Right and Patents	16.11	0.65	32.19	—	48.95	139.27	58.80
Railway Lines & Sidings	142.53	3.19	6.28	-4.54	156.54	66.22	76.46
Roads,Bridges & Culverts	38.28	1.25	4.61	1.46	42.68	111.21	112.74
Buildings	813.04	19.09	47.24	19.22	860.15	823.95	846.35
Plant & Machinery							
-Steel Plant	12310.80	370.18	992.19	76.45	13596.72	9528.47	10024.65
-Others	978.95	73.01	70.79	7.65	1115.10	498.9	482.99
Furniture & Fittings	55.11	2.08	3.50	1.23	59.46	15.11	16.48
Vehicles	299.42	31.35	10.07	1.84	339.00	113.91	109.07
Water Supply & Sewerage	200.18	3.00	8.28	-2.39	213.85	76.8	83.99
EDP Equipment	177.21	3.23	7.38	11.51	176.31	35.2	35.86
Miscellaneous Articles	137.34	3.53	9.88	2.85	147.90	80.37	81.28
Sub-total 'A'	15177.57	510.76	1192.91	115.28	16765.96	11624.73	12003.23
Figures for the previous year	14166.18		1160.43	149.04	15177.57	12003.23	
B. SOCIAL FACILITIES							
Land(including cost of development)							
-Freehold Land	—	—	—	—	—	9.96	9.81
-Leasehold Land	4.49	—	0.13	—	4.62	2.47	2.60
Roads,Bridges & Culverts	15.36	1.16	0.76	0.93	16.35	30.43	27.91
Buildings	161.14	14.19	10.03	2.89	182.47	375.97	348.66
Plant & Machinery-Others	53.90	5.42	2.58	2.87	59.03	21.46	17.13
Furniture & Fittings	10.68	0.99	0.76	0.74	11.69	3.07	0.80
Vehicles	5.49	1.41	0.22	0.25	6.87	2.25	1.90
Water Supply & Sewerage	70.35	10.23	3.67	0.05	84.20	30.02	22.31
EDP Equipments	2.06	0.02	0.80	2.00	0.88	5.86	1.46
Miscellaneous Articles	57.37	3.48	5.88	0.48	66.25	31.51	28.51
Sub-total 'B'	380.84	36.90	24.83	10.21	432.36	513.00	461.09
Figures for the previous year	349.55		32.06	0.77	380.84	461.09	
C. ASSETS RETIRED FROM ACTIVE USE							
Unserviceable / Obsolete Assets	-	-	-	-	-	24.41	20.75
Figures for the previous year	-		-	-	-	20.75	
Total ('A'+ 'B'+ 'C')	15558.41	547.66	1217.74	125.49	17198.32	12162.14	12485.07
Figures for the previous Year	14515.73		1192.49	149.81	15558.41	12485.07	

Note : Allocation of Depreciation

(a) Charged to Profit & Loss Account	1207.30	1126.95
(b) Charged to expenditure during construction	0.27	0.29
(c) Debited to adjustments pertaining to earlier years	10.17	65.25
Total	1217.74	1192.49

Current Year	Previous Year
1207.30	1126.95
0.27	0.29
10.17	65.25
1217.74	1192.49





SCHEDULES

(Forming part of the Balance Sheet)

1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Expenditure during construction pending allocation (Schedule 1.6.1)	4.46	10.07
Capital Work-in-progress		
Steel Plants & Units	540.19	293.60
Township	9.70	6.81
Ore Mines and Quarries	1.72	3.38
	551.61	303.79
Less: Provisions	21.07	22.76
Capital equipments pending erection, installation and commissioning	36.75	18.91
Construction Stores and Spares	13.88	21.63
Less: Provisions	3.35	5.42
Advances	178.97	44.30
Less: Provisions	3.31	4.04
	757.94	366.48
Particulars of advances		
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs. 0.00 crore) (Previous year Rs. 10.69 crore)	175.66	40.26
Unsecured, Considered Doubtful	3.31	4.04
	178.97	44.30
1.6.1 : EXPENDITURE DURING CONSTRUCTION (Pending allocation)		
	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Opening balance (a)	10.07	22.99
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	16.56	5.24
Company's contribution to Provident and other Funds	1.33	0.59
Travel Concession	0.14	0.06
Welfare Expenses	—	0.02
Gratuity	0.03	0.08
Technical Consultants' fees & know-how	3.47	3.69
Repairs & Maintenance	0.12	0.15
Stores and Spares	0.05	0.09
Power & Fuel	1.48	1.27
Other expenses	1.32	1.42
Interest & Finance charges	4.69	1.69
Depreciation	0.27	0.29
	29.46	14.59
Less: Income		
Liquidated Damages	4.21	0.46
Hire Charges	1.94	0.28
Sundries	2.47	2.29
Net expenditure during the year (b)	20.84	11.56
Total (a)+(b)	30.91	34.55
Less : Amount allocated to Fixed Assets/ Capital Work-in-progress	26.45	24.48
Balance carried forward	4.46	10.07
Total		



SCHEDULES

(Forming part of the Balance Sheet)

1.7 : INVESTMENTS AT COST - LONG TERM

	Number of Fully Paid-up Equity Shares	Face Value per Share (Rs.)	As at 31st March, 2006	As at 31st March, 2005
				(Rupees in crore)
(A) Unquoted				
Trade Investments				
Subsidiary Companies				
Indian Iron & Steel Company Limited (since merged with the company-refer note no. 4.1)	—	10	—	374.94
Maharashtra Elektrosmelt Limited	2,37,87,935	10	23.79	23.79
Bhilai Oxygen Limited (since wound-up)	—	10	—	0.05
IISCO Ujjain Pipe & Foundry 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	10	58.65	58.65
Bokaro Power Supply Company Pvt Limited	8,40,25,000	10	84.02	84.02
Bhilai Electric Supply Company Pvt Limited	10,66,00,000	10	106.60	56.60
	(5,66,00,000)			
SAIL- Bansal Service Centre Limited	32,00,000	10	3.20	3.20
Metaljunction Services Limited	40,00,000	10	4.00	4.00
Romelt SAIL (India) limited	63,000	10	0.06	257.69
				0.06
Others				
Tata Refractories Limited	22,03,150	10	11.35	1.12
	(10,00,000)			
Almora Magnesite Limited	40,000	100	0.40	0.40
Indian Potash Limited	3,60,000	10	0.18	0.18
	(2,40,000)			
Cement & Allied Products (Bihar) Limited	2	10	—*	—*
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	—*	—*
Bhilai Power Supply Company Limited	5	10	—*	—*
MSTC Limited	20,000	10	0.01	0.01
Bihar State Finance Corporation	500	100	0.01	—
Shares in Co-operative Societies (1.7.1)			0.18	12.13
				0.14
Total (A)				
(B) Quoted				
HDFC Limited	12,000	10	0.01	0.01
(Market Value Rs 1,60,32,000 ; Previous year Rs. 87,19,200)				
HDFC Bank Limited	500	10	—*	—*
(Market Value Rs 3,87,125 ; Previous year Rs. 2,72,125)				
ICICI Bank Limited	28600	10	0.05	0.06
(Market Value Rs 1,68,46,830)				
Total (B)				
Total (A+B)				
Less : Provision for diminution in value of investments			4.67	1.62
			292.00	606.71

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



SCHEDULES

(Forming part of the Balance Sheet)

1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Number of Fully Paid up Shares	Face Value per Share (Rs.)	As at 31st March, 2006	As at 31st March, 2005
<i>(In Rupees)</i>				
Bokaro Steel Employees' Co-operative Credit Society Limited	116500	10	1165000	1290000
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	0
			1772700	1437700



SCHEDULES

(Forming part of the Balance Sheet)

1.8 : INVENTORIES*

	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Stores & spares	1252.93	995.61
Add: In-transit	122.47	57.72
	1375.40	1053.33
Less: Provision for Non Moving/Obsolete items	160.13	151.61
	1215.27	901.72
Raw materials	1133.49	892.85
Add: In-transit	637.95	478.77
	1771.44	1371.62
Less: Provision for unusable materials	1.47	1.65
	1769.97	1369.97
Finished / Semi-finished products (including scrap)	3224.82	1949.00
	6210.06	4220.69

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

1.9 : SUNDRY DEBTORS

	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>		
Debts over six months	324.75	310.15
Other debts	1765.73	1789.63
	2090.48	2099.78
Less: Provision for doubtful debts	208.75	191.33
	1881.73	1908.45
Particulars		
Unsecured, considered good (Including debts backed by bank guarantees Rs. 483.06 crore) Previous year Rs. 560.06 crore)	1881.73	1908.45
Unsecured, considered doubtful	208.75	191.33
	2090.48	2099.78



SCHEDULES

(Forming part of the Balance Sheet)

1.10 : CASH & BANK BALANCES

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Cash and Stamps on hand	1.62	1.29
Cheques on hand	275.12	351.80
With Scheduled Banks		
Current account	58.09	1.13
Unpaid Dividend account	3.27	0.19
Term deposits	5830.81	5775.19
Remittances-in-transit	3.73	2.52
	6172.64	6132.12

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Loans to subsidiary companies	0.58	1.72
Loans to other companies	0.63	0.63
Deposits	30.73	77.02
Employees	48.91	60.89
Others	9.75	7.04
	90.60	147.30
Less Provision for doubtful interest	5.12	5.12
	85.48	142.18
Particulars		
Unsecured, considered good	85.48	142.18
Unsecured, considered doubtful	5.12	5.12
	90.60	147.30

1.12 : LOANS AND ADVANCES TO SUBSIDIARY COMPANIES

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Loans	2.38	146.47
Stores issued on loan	14.04	14.04
	16.42	160.51
Less : Provison for doubtful loans & advances	16.42	14.31
	—	146.20
Particulars		
Unsecured, considered good	—	146.20
Unsecured, considered doubtful	16.42	14.31
	16.42	160.51



SCHEDULES

(Forming part of the Balance Sheet)

1.13 : LOANS & ADVANCES - OTHERS

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Loans		
Employees	193.26	119.43
Others	60.88	55.46
	254.14	174.89
Advances recoverable in cash or in kind or for value to be received		
Claims recoverable	455.62	435.64
Contractors & suppliers	115.18	108.57
Employees	15.19	6.74
Income tax paid in advance / recoverable	1763.13	744.68
Export Incentive Receivable	22.49	58.77
Others	291.13	204.56
	2662.74	1558.96
Deposits		
Port trust, excise department, Railways, etc.	132.73	87.94
Others	148.43	149.18
	281.16	237.12
	3198.04	1970.97
Less : Provision for doubtful Loans & Advances	164.22	186.98
	3033.82	1783.99
Particulars of Loans & Advances-Others		
Secured, considered good	184.04	117.43
Unsecured, considered good (Including loans & advances backed by bank guarantees Rs. 0.00 crore) (Previous year Rs. 0.11 crore)	2849.78	1666.56
Unsecured, considered doubtful	164.22	186.98
	3198.04	1970.97
Amount due from		
-Directors	—	0.02
-Officers	—	—
Maximum amount due at any time during the year from		
-Directors	0.02	0.03
-Officers	—	—



SCHEDULES

(Forming part of the Balance Sheet)

1.14 : CURRENT LIABILITIES

	As at 31st March, 2006		As at 31st March, 2005	
			(Rupees in crore)	
Sundry creditors				
Capital works	316.13		213.47	
Small scale Industrial Undertakings	11.35		12.84	
Subsidiary company	1.13		15.36	
Others	2098.75	2427.36	1965.83	2207.50
Advances from				
Customers	522.51		510.56	
Others	13.75	536.26	14.16	524.72
Security deposits	232.37		200.18	
Less : Investments received as security deposit	0.07	232.30	0.35	199.83
Interest accrued but not due		375.82		527.75
Liability towards Investor Education and Protection Fund, not due				
Unpaid Dividends	3.27		0.19	
Unclaimed Matured Deposits*	5.14		11.03	
Unclaimed Matured Bonds	0.60		0.83	
Interest Accrued on unclaimed Deposits / Bonds	2.59		4.37	
Other liabilities	1608.36		1304.45	
	5191.70		4780.67	

*Includes an amount of Rs 0.06 crore credited to Investor's Education & Protection Fund.

1.15 : PROVISIONS - FOR

	Balance as at 31st March 2005	Acquired on Merger of IISCO	Additions	Total	Payments / Utilisation/ Charged off	Reversals	Balance as at 31st March 2006
	(Rupees in crore)						
Gratuity	1851.19	281.61	318.94	2451.74	161.99	—	2289.75
Accrued Leave	1013.37	67.91	319.47	1400.75	176.93	—	1223.82
Taxation	748.06	—	1939.73	2687.79	748.04	—	1939.75
Pollution Control & Peripheral Development	84.23	—	18.06	102.29	15.85	—	86.44
Exchange Fluctuation	—	—	13.95	13.95	—	—	13.95
Proposed Dividend	743.47	—	826.08	1569.55	1259.77	—	309.78
Tax on Dividend	104.27	—	115.86	220.13	176.68	—	43.45
Voluntary Retirement Scheme	114.19	—	8.11	122.30	38.01	—	84.29
Employees' Family Benefit Scheme	170.20	21.32	44.70	236.22	34.54	—	201.68
Post Retirement Medical and Settlement Benefits	479.93	36.70	17.69	534.32	17.62	26.37	490.33
Wage Revision	—	317.29	25.23	342.52	—	—	342.52
Mines closure / Afforestation	7.81	—	134.31	142.12	—	—	142.12
Others	68.68	0.11	6.87	75.66	5.24	1.86	68.56
Total	5385.40	724.94	3789.00	9899.34	2634.67	28.23	7236.44
Previous year	4577.92	-	3300.46	7878.38	2357.28	135.70	5385.40



SCHEDULES

(Forming part of the Balance Sheet)

1.16 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

	Balance as at 31st March 2005	Acquired on Merger of IISCO	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March 2006
	(Rupees in crore)					
(i) Development Expenditure On Mines	10.10		—	10.10	6.76	3.34
Total (i)	10.10	—	—	10.10	6.76	3.34
(ii) Deferred Revenue Expenditure						
Voluntary Retirement	283.73	58.10	46.87	388.70	176.32	212.38
Compensation						
Others	1.10		—	1.10	1.00	0.10
Total (ii)	284.83	58.10	46.87	389.80	177.32	212.48
Total (i+ii)	294.93	58.10	46.87	399.90	184.08	215.82
Previous year	378.50		74.68	453.18	158.25	294.93
Charged Off to :					Current Year	Previous Year
Raw Materials					6.76	9.29
Other Expenses					177.32	148.96
					184.08	158.25



SCHEDULES

(Forming part of the Profit & Loss Account)

2.1 : SALES

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Domestic	31161.90	30396.88
Exports	1096.99	1341.95
Export Incentive	20.86	66.16
	32279.75	31804.99

2.2 : INTEREST EARNED

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Loans & advances to subsidiary companies	0.19	16.47
Loans & advances to other companies	0.05	1.55
Customers	28.57	25.45
Employees	7.90	7.47
Term Deposits	408.53	178.15
Others*	16.25	33.67
	461.49	262.76

*(Tax deducted at source Rs. 0.83 crore)
(previous year Rs. 0.41 crore)

2.3 : OTHER REVENUES

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Social amenities-recoveries	130.04	112.65
Sale of empties etc.	40.15	34.76
Liquidated damages	20.99	15.21
Service charges (Gross)*	10.72	31.52
Subsidy, relief and concessions	47.06	17.78
Dividend from investments	13.66	13.38
Profit on sale of fixed assets (net)	56.19	—
Profit on sale/lease of houses	2.05	11.09
Sundries*	264.07	267.58
	584.93	503.97

*(Tax deducted at source Rs. 0.61 crore)
(previous year Rs. 1.00 crore)



SCHEDULES

(Forming part of the Profit & Loss Account)

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Loans & advances	26.69	37.75
Sundry debtors	18.29	26.50
Stores & spares	21.78	4.98
Dimunition in value of investment	—	23.79
Others	13.42	99.55
	80.18	192.57

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

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Opening stock	1949.00	1581.28
Acquired on merger of IISCO	144.51	—
	2093.51	1581.28
Less : Closing stock	3224.82	1949.00
Accretion to stock	(a) -1131.31	-367.72
Less : Excise Duty on accretion to stock	(b) -98.01	-120.11
Net Accretion (-) to stock	(a-b) -1033.30	-247.61

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2006		Year ended 31st March, 2005	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crore
Iron ore	23950548	1335.68	20213579	1019.22
Coal	14115529	8022.42	11769124	5192.59
Coke	589442	652.37	530690	770.09
Limestone	3942594	506.79	3127373	374.52
Dolomite	2474155	161.98	2376464	124.86
Ferro Manganese	43778	191.38	45243	178.90
Ferro Silicon	19685	83.69	17515	67.19
Silico Manganese	105599	341.98	93817	336.87
Hot Rolled Stainless Steel Coils	3393	16.34	4406	18.50
Intermediary Products	44800	355.38	115750	762.53
Zinc	9818	83.93	9753	62.10
Aluminum	14800	141.90	13499	123.80
Others		431.79		320.29
		12325.63		9351.46



SCHEDULES

(Forming part of the Profit & Loss Account)

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Salaries & wages	3263.66	2784.27
Company's contribution to provident fund & other funds	304.31	245.95
Travel concession	85.15	48.79
Welfare expenses	184.91	285.72
Gratuity	318.94	447.18
	4156.97	3811.91
Less : Grants in Aid received from Govt. of Karnataka	0.28	0.30
	4156.69	3811.61
Note : Expenditure on Employees' Remuneration and Benefits not included above and charged to :		
a) Expenditure During Construction	18.06	5.99
b) Deferred Revenue Expenditure	176.32	148.14
c) Net expenditure on Social Amenities charged to various primary revenue heads	252.91	224.19
	447.29	378.32

2.8 : POWER & FUEL

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Purchased power	1990.81	1744.03
Duty on own generation	32.49	19.93
Boiler Coal/Middling	135.50	145.49
Furnace Oil/LSHS/LDO	75.64	64.13
Others	255.30	222.01
	2489.74	2195.59
Note : Expenditure on Power & Fuel not included above & charged off to :		
- Expenditure During Construction	1.48	1.27



SCHEDULES

(Forming part of the Profit & Loss Account)

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Buildings	55.30	41.64
Plant & Machinery	186.17	142.24
Others	105.29	55.95
	346.76	239.83
Note : Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	47.46	42.31
Plant & Machinery	617.12	606.45
Others	64.95	59.21
	729.53	707.97
b) Stores & Spares		
Buildings	22.06	8.06
Plant & Machinery	1000.05	772.99
Others	53.69	45.62
	1075.80	826.67
c) Expenditure during Construction	0.12	0.15
Total (a+b+c)	1805.45	1534.79



SCHEDULES

(Forming part of the Profit & Loss Account)

2.10 : OTHER EXPENSES

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Handling expenses		
- Raw Material	155.04	97.18
- Scrap recovery expenses	60.92	56.15
Royalty and cess	53.61	38.80
Conversion charges	63.93	50.48
Excise Duty on inter-plant transfer / internal consumption	65.29	52.85
Demurrage & wharfage	90.31	23.75
Water charges & Cess on water pollution	32.98	32.03
Insurance	8.21	7.87
Postage,telegram & telephone	14.61	13.05
Printing & stationery	9.26	8.47
Rates & Taxes	19.62	20.80
Rent	21.50	21.95
Security expenses	108.10	94.42
Travelling expenses	179.12	113.67
Training expenses	7.83	5.30
Foreign Exchange Fluctuation (Net)	10.55	7.83
Directors' Fees	0.11	0.06
Loss on sale/scraping of Fixed Assets (Net)	—	17.61
Remuneration to Auditors		
- Audit fees	0.59	0.50
- Tax Audit fees	0.20	0.12
- Out of pocket expenses	0.87	0.59
- In other capacities	0.56	1.59
Cost Audit Fee	0.02	0.01
Provisions		
- Doubtful debts, loans and advances	31.10	43.38
- Stores, Spares and Sundries	17.06	45.41
Deferred Revenue Expenditure - write-offs	177.32	148.96
Miscellaneous write - offs	4.12	35.93
Handling expenses - Finished goods	77.52	69.47
Cash Discount	31.18	35.38
Commission to selling agents	6.35	9.86
Export sales expenses	23.74	23.95
Contribution to Joint Plant Committee Funds	2.79	2.72
Miscellaneous (include Donation Rs. 0.10 lakhs (previous year Rs. 101.60 lakhs)	330.56	249.59
	1604.97	1328.52



SCHEDULES

(Forming part of the Profit & Loss Account)

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Public deposits	7.49	47.99
Foreign currency loans	74.58	76.70
Non Convertible Bonds	288.84	403.13
Bank borrowings - working capital	6.06	27.80
Steel Development Fund (SDF) loans	50.57	48.17
Others	2.18	1.70
Finance Charges	38.04	46.49
	467.76	651.98
Less : Reversal of interest on SDF loans	—	46.93
	467.76	605.05

Note :

Expenditure on interest not included above & charged to :
Expenditure During Construction

Non Convertible Bonds	0.01	0.17
Steel Development Fund loans	4.68	1.52
	4.69	1.69

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Raw materials	986.38	620.97
Departmentally manufactured stores	331.84	264.07
Services transferred to capital works	28.00	29.44
Others(Net)	5.83	7.23
	1352.05	921.71

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Sales	0.39	0.11
Other revenues	0.22	-1.31
Raw materials consumed	3.02	-5.40
Stores & spares consumed	-1.54	0.84
Power & fuel	0.02	0.83
Repairs & Maintenance	0.13	2.78
Freight Outward	0.02	—
Other Expenses & Provisions	-0.15	-1.20
Interest	-1.63	—
Depreciation	10.17	65.25
Net Debit	10.65	61.90

(-) indicate credit balance



SCHEDULE 3 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

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

1.2 FIXED ASSETS

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

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

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

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

1.3 BORROWING COSTS

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

1.4 DEPRECIATION

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

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

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

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

Cost pertaining to acquisition of mining rights is amortised over the lease period.

1.5 INVESTMENTS

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

1.6 INVENTORIES

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

Raw materials and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. 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.

Residue products and scrap of various nature are valued at estimated net realisable value except iron ore fines not readily useable/saleable, which are recognised on disposal.

The basis of determining cost is:

Stores & spares and raw materials - Weighted average cost

Materials in-transit - At cost

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

1.7 GRANTS

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

1.8 DEFERRED REVENUE EXPENDITURE

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

1.9 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities related to foreign currency transactions remaining unsettled 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.

1.10 EMPLOYEES' BENEFITS

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

1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

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

1.12 REVENUE RECOGNITION

Sales include excise duty and are net of rebates 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.

1.13 CLAIMS FOR LIQUIDATED DAMAGES/PRICE ESCALATION

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

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

1.14 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

2.1 General

	As at 31 st March, 2006	As at 31 st March, 2005 (Rs. in crore)
i) Claims against the Company pending appellate/ judicial decisions against which the Company has counter claims of Rs.51.08 crores. (previous year Rs.59.47 crores)	1665.44	1497.66
ii) Other claims against the Company not acknowledged as debt against which the Company has counter- claims of Rs. 23.65 crores. (previous year Rs.362.15 crores)	616.96	953.33
iii) Disputed Income Tax demand on Joint Venture Company for which company may be contingently liable under the Joint Venture agreement.	50.22	25.61
iv) Guarantee/ Counter-guarantee 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.	23.89	18.20
vi) Price escalations claims by Contractors / Suppliers and claims by certain employees, extent whereof is not ascertainable	-	-

2.2 Sales Tax authorities have raised demands for Rs.1,178.94 crore (As at 31st March, 2005 - Rs. 1,109.08 crore) mainly on account of sales tax on stock transfers made by the plants over the years to stockyards situated in different States. The demands of sales tax authorities at plants have been contested by the Company which are pending at various stages of appeal. As sales tax liability has been paid on sale of such stocks to the respective sales tax authorities in different states, no liability is expected to arise, as sales tax is leviable only once.

3. FIXED ASSETS

3.1 Land Includes:

- 62264.43 acres (As at 31st March 2005 – 62138.57 acres) owned / possessed / taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- 5938.50 acres (As at 31st March 2005 – 5299.26 acres) given on lease to various agencies/ employees/ex-employees.
- 9717.66 acres (As at 31st March, 2005 – 9598.79 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/ registered.
- 27.42 acres (As at 31st March, 2005 – 27.42 acres) in respect of which title is under dispute.

3.2 Buildings include net block of Rs. 38.36 crore (As on 31st March 2005 – Rs. 39.10 crore) for which conveyance deed is yet to be registered in the name of the Company.

3.3 Foreign exchange variations aggregating to Rs. 17.36 crore (net credit) [previous year - Rs. 13.86 (net debit)] 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. 1,974.77 crore (As at 31st March, 2005 - Rs. 957.05 crore).

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

4.1 Pursuant to the scheme of amalgamation under section 391 to 394 of the Companies Act, 1956, as approved by the Central Government vide its order dated 15th February 2006, which became effective from 16th February 2006, on filing of the same with Registrars of Companies, Delhi and West Bengal, the Indian Iron & Steel Company Limited (IISCO) an erstwhile wholly owned subsidiary company, engaged in the business of Iron and Steel, has been amalgamated with the Company with effect from the appointed date i.e.1st April 2005. The amalgamation has been accounted for under the 'Pooling of Interest Method' being an amalgamation in the nature of merger, as prescribed by the Accounting Standard (AS) – 14 – "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India. Accordingly, all the assets, liabilities, reserves and accumulated losses of the said company as on 1st April 2005 have been merged with those of the Company under the respective heads as below:

Particulars	Amount (Rs. in crore)
Fixed Assets (including Capital Work in Progress)	323.46
Investments	0.06
Current Assets, Loans & Advances	435.89
Miscellaneous expenses to the extent not written off / adjusted	58.10
Profit & Loss account – Debit balance	910.27
Current Liabilities and Provisions	(1127.92)
Loan Funds	(205.61)
Reserves	(6.28)
A. Net identifiable assets	387.97
B. Book value of Company's investment in IISCO	374.94
C. Excess of net assets over company's investment taken to general reserve (A-B)	13.03

SCHEDULES

4.2 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Court's orders, the amount of tax deducted on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 has been kept separately as term deposits with banks upto last financial year. However, from 1st April 2005, pursuant to amendment in the Income Tax Rules, tax on perquisites is being deducted and deposited with the Government except in respect of house perquisites in case of executives, where the deduction has been stayed by the Hon'ble High Court, Kolkata.

4.3 The amount due to Small Scale Industrial Undertakings (as disclosed in schedule 1.14 – Current liabilities) is to the extent such parties have been identified. The Company has normally made payments to SSI units in due time and there are no claims from the parties for interest on overdue payments. There are no parties whose outstandings are for more than 30 days.

4.4 Balances shown under creditors, debtors, claims recoverables and advances include balances subject to confirmation / reconciliation 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 Company has granted long term lease of residential premises to the employees, ex-employees etc. of initial period of 33 years, renewable for two like periods. The lease premium received up-front, has been adjusted against book value and the resultant profit of Rs. 2.05 crore (previous year Rs.11.09 crore) thereon has been shown under Schedule 2.3 - 'Other Revenues'.

5.2 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.

5.3 The Research and Development expenditure charged to Profit & Loss Account and Fixed Assets during the year amount to Rs. 59.15 crore (previous year Rs. 59.24 crore) and Rs. 3.23 crore (previous year Rs.1.34 crore) respectively.

5.4 The Company has represented to the Government for withdrawal of JPC cess on sale of certain steel products in view of decontrol of steel prices in earlier years. However, pending confirmation of withdrawal from Government, provision of Rs. 14.51 crore (including Rs. 2.79 crore for the year) has been made.

5.5 The provision for current tax has been made after considering the set-off of brought forward losses and unabsorbed depreciation of erstwhile IISCO, consequent upon its amalgamation with the Company.

5.6 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 2006, has been accounted for, as detailed below:

	As on 31 st March 2006	As on 31 st March 2005 (Rs. in crore)
Deferred tax liability		
Difference between book and tax depreciation	2889.53	3032.05
Total	2889.53	3032.05
Deferred tax assets		
Provision for Retirement benefits	1201.44	982.98
Others	203.63	204.76
Total	1405.07	1187.74
Net Deferred tax Liability	1484.46	1844.31

5.7 The company reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant as Cash Generating Unit (CGU). On such review as at 31st March, 2005, wherever there was indication of impairment, the net realisable value thereof was assessed by an independent agency and the same was more than the carrying amount. On further review as at 31st March 2006, these valuations of the assets continue to be higher than the book value and accordingly, no provision is required to be made in the accounts.

5.8 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.

6. GENERAL

6.1 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.



6.2 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 Metaljunction Services Limited UEC-SAIL Information Technology Limited Romelt SAIL (India) Limited N.E Steel & Galvanising Pvt. Limited (shares yet to be subscribed)
Nature of Relationship	Name of the related party
Key Management Personnel	Shri V.S. Jain Shri Ashis Das (Upto 19 th August 2005) Shri S.K. Roongta Shri G.C. Daga Shri K.K.Khanna Shri R.P. Singh Dr. S.K.Bhattacharya (Upto 31 st December 2005) Dr. Sanak Mishra (Upto 31 st December 2005) Shri U.P.Singh Shri Nilotpal Roy Shri N.P. Jayswal Shri M.Roy Shri PM Balasubramaniam (w.e.f. 20 th March 2006) Shri H.K. Roy Choudhury Shri B. N.Singh (Upto 28 th February 2006) Shri D.S. Lal Shri R.K. Sarangi Shri A.K. Dasgupta (Upto 30 th April 2005) Shri S. Chakroborty (w.e.f. 1 st May 2005) Shri T.K. Chakravarty Shri A.K. Sarkar

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

(Rs. in crore)

Sl. No.	Nature of transactions	Joint Ventures		Key Management Personnel		Schedule No. and Account head
		For the year	As at 31 st March 2006	For the year	As at 31 st March 2006	
i)	Other Loans/Advances	1.26	1.39	—	—	1.13: Loans & Advances – Others
ii)	Provision for loans and advances	1.26	1.39	—	—	1.13: Loans & Advances – Others
iii)	Payments made against services rendered during the year	11.46	2.20	—	—	—
iv)	Investments	—	7.44	—	—	1.7: Investments-Long Term
v)	Managerial Remuneration	—	—	1.35	—	2.7: Employees' Remuneration and Benefits.
vi)	Dividend Received	2.64	—	—	—	2.3: Other Revenues

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

Sl. No.	Name of the joint venture Company	% of Company's ownership interest
1.	North Bengal Dolomite Limited	50%
2.	NTPC SAIL Power Company Pvt. Limited	50%
3.	SAIL Bansal Service Centre Limited	40%
4.	Metaljunction Services Limited	50%
5.	UEC SAIL Information Technology Limited	40%
6.	Bokaro Power Supply Co. Pvt. Ltd.	50%
7.	Bhilai Electric Supply Co. Pvt. Ltd.	50%
8.	Romelt SAIL (India) Limited	15%
9.	N.E Steel & Galvanising Pvt. Limited	49%

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

(Rs. in crore)

Sl. No	Name of the joint venture Company	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
1.	North Bengal Dolomite Limited (&)	0.31	4.94	0.01	0.81	0.02	-
2.	NTPC SAIL Power Company Pvt. Limited (@)	206.72	128.27	65.78	52.98	-	10.48
3.	Bokaro Power Supply Co. Pvt. Ltd. (*)	236.31	107.70	127.47	110.94	-	143.86
4.	Bhilai Electric Supply Co. Pvt. Ltd. (@)	287.99	171.72	28.85	25.02	-	731.35
5.	UEC SAIL Information Technology Ltd. (*)	0.70	1.08	0.26	0.96	0.45	-
6.	SAIL Bansal Service Centre Limited (*)	8.30	8.07	21.58	26.98	-	-
7.	Metaljunction Services Limited (@)	17.43	8.17	15.66	6.76	-	0.11
8.	Romelt SAIL (India) Limited (*)	0.02	0.04	0.01	0.04	-	-
9.	N.E Steel & Galvanising Pvt. Limited						Operations not yet started

& Operations under suspension and based on unaudited Accounts for the year 2005-06

@ Based on audited Accounts for the year 2005-06

* Based on unaudited Accounts for the year 2005-06

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

i) In respect of subsidiary companies:

Sl. No.	Name of the subsidiary Company	Loans and advances in the nature of loans outstanding as on 31st March 2006	Maximum amount of loans and advances in the nature of loans outstanding during the year 2005-06
1.	Maharashtra Elektrosnelt Limited	-	4.59
2.	IISCO Ujjain Pipe and Foundry Co. Limited (under liquidation)	16.42	16.42

(Rs. in crore)

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.



SCHEDULES



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

Own Products	Installed Capacity	Production
		(Quantity : Tonnes)
Main Steel Plants		
Pig Iron	1740000 (1740000)	555732 (147181)
Crude Steel (ii)	12987000 (11987000)	13177546 (11826745)
Saleable Steel	10990000 (10190000)	11623033 (10650730)
Alloy Steels Plants		
Pig Iron (iii)	58000 (58000)	20065 (20710)
Crude Steel	339078 (301078)	292966 (275680)
Saleable Steel	456000 (435000)	427279 (380667)

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

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

	Opening Stock		Arising out of merger of IISCO		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
										(Quantity : Tonnes) (Value : Rs./crore)
OWN PRODUCTS										
Main Steel Plants										
Pig Iron	54104 (23592)	55.57 (18.00)	39285	45.49	-	-	404418 (10491)	577.81 (17.70)	96590 (54104)	110.71 (55.57)
Steel Ingots	66642 (21021)	100.12 (22.32)	7163	10.15	-	-	2952 (4795)	6.15 (10.35)	195807 (66642)	293.62 (100.12)
Saleable steel - Finished	429970 (523652)	756.00 (732.90)	12298	29.70	-	-	10952437 (10418135)	28458.09 (28694.67)	570230 (429970)	1094.83 (756.00)
Saleable steel - Semi-Finished	180246 (225009)	278.40 (257.95)	8982	14.64	-	-	-	-	317019 (180246)	523.93 (278.40)
ALLOY STEELS PLANTS										
Pig Iron	7370 (608)	12.16 (1.28)			-	-	21076 (11076)	32.82 (19.02)	4630 (7370)	6.62 (12.16)
Steel Ingots	8419 (4760)	23.98 (18.45)			-	-	0 (0)	0.00 (0.00)	10253 (8419)	45.02 (23.98)
Saleable steel - Finished	42202 (33319)	253.12 (157.01)			-	-	359781 (340681)	1786.90 (1892.71)	79730 (42202)	407.45 (253.12)
Saleable steel - Semi-Finished	31439 (19534)	199.58 (85.75)			-	-	-	-	36995 (31439)	230.73 (199.58)
OTHERS										
Calcium Ammonium Nitrate (in terms of 25% N)	4993 (4993)	0.00 (0.00)			-	-	-	-	4993 (4993)	- (-)
SUNDRIES										
Middling/Rejects	- (-)	0.00 (0.00)	119913	4.52	-	-	129719 (-)	6.63 (-)	91584 (-)	2.38 (-)
Others		269.63 (287.33)		40.01	-	-		1343.64 (1166.34)		509.24 (269.63)
TRADING ACTIVITIES										
Indigenous Steel	- (-)	0.44 (0.29)			21723 (716)	65.49 (7.46)	21723 (716)	67.71 (4.20)	- (-)	0.29 (0.44)
		1949.00 (1581.28)		144.51		65.49 (7.46)		32279.75 (31804.99)		3224.82 (1949.00)

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

SCHEDULES

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

	Pig Iron		Saleable Steel	
	(Main Steel Plants)	(Alloy Steel Plants)	(Main Steel Plants)	(Alloy Steel Plants)
				(Quantity : Tonnes)
Opening Stock	54104 (23592)	7370 (608)	429970 (523652)	42202 (33319)
Arising out of merger of IISCO	39285		12298	
Production	555732 (147181)	20065 (20710)	11623033 (10650730)	427279 (380667)
Total	649121 (170773)	27435 (21318)	12065301 (11174382)	469481 (413986)
Sales	404418 (10491)	21076 (11076)	10952437 (10418135)	359781 (340681)
Inter Plant Transfers	20174 (48845)	0 (4124)	322225 (144429)	31051 (29120)
Internal Consumption (incl. for capital works)	103311 (75297)	0 (0)	85604 (68547)	428 (679)
Assorted length/Cuttings/Ingots etc.	2720 (198)	0 (0)	132525 (119550)	2613 (1715)
Depletion/Accretion (-) in stock out of inter plant transfers	14703 (-19530)	2098 (-2098)	-5574 (-14362)	-3041 (-714)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	7205 (1368)	-369 (846)	7854 (8113)	-1081 (303)
Closing Stock	96590 (54104)	4630 (7370)	570230 (429970)	79730 (42202)
Total	649121 (170773)	27435 (21318)	12065301 (11174382)	469481 (413986)

Note to : 7 (a), 7 (b) & 7 (c)

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



	Current Year	Previous Year
	(Rupees in crore)	
8. Expenditure incurred in foreign currency on account of		
Know-how	21.69	35.32
Interest	31.17	32.76
Training expenses & payments to Foreign Technicians	11.38	12.11
Others	14.54	8.23
Total	78.78	88.42
9. Earnings in foreign exchange on account of		
Export of goods(Calculated on FOB basis)	1091.11	1335.06
Royalty, know how, professional and consultation fees	0.53	0.37
	1091.64	1335.43
10. Value of imports during the year (Calculated on CIF basis)		
Raw materials	5786.19	4306.27
Capital goods	66.06	50.58
Stores, Spares and Components	295.93	260.19
Total	6148.18	4617.04

	(Rs/crores)	%	Rs/crores	%
11. Value of raw materials consumed during the year				
Imported	6233.51	50.57	4031.78	43.11
Indigenous	6092.12	49.43	5319.68	56.89
	12325.63	100.00	9351.46	100.00

12. Value of stores/spares & components consumed during the year				
Imported	277.47	10.50	223.02	10.30
Indigenous	2366.00	89.50	1941.20	89.70
	2643.47	100.00	2164.22	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 2004-05 and interim dividend for the year 2005-06 on account of non-resident shareholders are as under :-

	Current Year	Previous Year
Final Dividend (2004-05)		
a) Number of non-resident shareholders	1408	
b) Number of ordinary shares held by them	151141323	
c) Amount of Dividend (Rs. crore)	27.21	
Interim Dividend		
a) Number of non-resident shareholders	1705	975
b) Number of ordinary shares held by them	170715499	139723203
c) Amount of Dividend (Rs. crore)	21.34	20.96
14. Particulars of Directors' Remuneration*		
Salaries	0.51	0.51
Company's contribution to provident fund & other funds	0.07	0.06
Leave travel concession	0.01	-
Medical benefits	0.02	0.02
Provision for gratuity/accrued Leave	0.07	0.08
Estimated value of perquisites (Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable)	0.01	0.06
Total	0.69	0.73

*Excluding sitting fees to independent directors

- 15.** Previous year's figures have been re-arranged/re-grouped wherever necessary. Pursuant to the amalgamation of IISCO as explained in Note 4.1 above, the previous year's figures are not comparable with the current year

16. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. State Code

Balance Sheet Dated

II. Capital Raised During The Year (Amount In Rs. Lakhs)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation And Deployment Of Funds (Amount In Rs. Lakhs)

Total Liabilities

Total Assets

SOURCES OF FUNDS

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV. PERFORMANCE OF THE COMPANY (Amount In Rs. Lakhs)

Turnover /Other Income

Total Expenditure

Profit Before Tax

Profit After Tax

Earnings Per Share (Rs.)

Dividend Rate (%)

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As Per Monetary Terms)

Item Code No. (ITC Code) :

Product Description : Hot Rolled Coils

Item Code No. (ITC Code) :

Product Description : Plates

Item Code No. (ITC Code):

Product Description : Semi-finished Products



Annexure-I



Segment Information for the year ended 31st March, 2006

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	11217.27	3760.49	4586.65	9537.37	1339.23	495.05	770.12	633.03	3.30	-62.76*	32279.75
Previous year	(11389.16)	(4029.21)	(4679.16)	(9732.84)		(451.28)	(1008.83)	(509.94)	(4.57)	(-)	(31804.99)
-Internal Segment Sales											
Current year	169.25	79.41	46.07	531.89	19.35	174.16	14.92	23.81	482.95	-1541.81	-
Previous year	(99.67)	(112.66)	(58.19)	(286.24)		(116.08)	(7.04)	(26.87)	(385.39)	(-1092.14)	(-)
-Total Revenue											
Current year	11386.52	3839.90	4632.72	10069.26	1358.58	669.21	785.04	656.84	486.25	-1604.57	32279.75
Previous year	(11488.83)	(4141.87)	(4737.35)	(10019.08)	(0.00)	(567.36)	(1015.87)	(536.81)	(389.96)	(-1092.14)	(31804.99)
RESULT											
-Operating profit/(-) loss (Before Interest Expenses)											
Current year	2921.70	311.24	608.74	2169.72	-242.21	30.15	-56.92	29.95	401.13		6173.50
Previous year	(4210.62)	(861.29)	(1196.11)	(3438.61)		(-30.02)	(15.41)	(-8.77)	(287.15)		(9970.40)
-Interest expenses											
Current year											467.76
Previous year											(605.05)
-Income tax (including Adjustment of earlier year)											
Current year											1692.77
Previous year											(2548.38)
-Net Profit / Loss (-)											
Current year											4012.97
Previous year											(6816.97)
OTHER INFORMATION											
-Segment assets											
Current year	4321.65	3677.46	4326.16	4373.20	1009.72	491.10	845.45	580.05	11186.84		30811.63
Previous year	(3817.08)	(3752.94)	(4247.14)	(3920.20)		(450.56)	(939.00)	(512.69)	(10447.21)		(28086.82)
-Segment Liabilities											
Current year	1877.93	802.40	1068.93	2088.88	1287.75	229.56	89.38	172.27	4811.04		12428.14
Previous year	(1838.61)	(771.96)	(1010.15)	(1906.24)		(203.79)	(202.44)	(178.80)	(4054.08)		(10166.07)
-Capital expenditure											
Current year	250.28	173.31	163.94	189.72	91.37	25.13	7.96	9.95	80.56		992.22
Previous year	(206.09)	(55.51)	(232.17)	(-9.62)		(10.58)	(1.80)	(6.90)	(57.94)		(561.37)
-Depreciation											
Current year	204.37	295.68	288.27	253.38	26.73	9.88	43.18	10.59	75.22		1207.30
Previous year	(203.01)	(303.15)	(275.52)	(234.07)		(9.93)	(43.09)	(10.44)	(47.74)		(1126.95)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year amount	Previous year amount
Sales revenue	(Rs. in crore)	(Rs. in crore)
India	31182.76	30463.04
Foreign Countries	1096.99	1341.95
Total	32279.75	31804.99

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.

* Adjustment on account of sales between IISCO and other units of the company till the effective date of merger.

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 & Annual Bonus	109.32	76.60	122.70	3.82	0.67	13.94	327.05	314.70
- Company contribution to PF & Other funds	10.02	6.87	11.40	0.89	0.06	1.15	30.39	29.98
- Travel concessions	1.69	1.27	1.85	0.03	—	0.18	5.02	4.31
- Welfare expenses	5.79	2.37	19.66	1.36	0.04	0.51	29.73	37.82
- Consumption of medicines	—	—	40.10	0.34	—	—	40.44	34.43
- Gratuity	9.23	5.44	9.10	0.36	0.01	0.99	25.13	27.40
Total	136.05	92.55	204.81	6.80	0.78	16.77	457.76	448.64
Stores & Spares	17.03	0.39	3.09	0.16	—	1.52	22.19	16.16
Repair & maintenance	68.91	0.82	1.78	0.11	—	0.09	71.71	46.41
Power & Fuel	214.33	1.23	4.85	1.21	0.22	0.26	222.10	208.59
Miscellaneous expenses	21.17	5.40	10.02	0.88	—	4.65	42.12	33.62
Depreciation	20.53	0.87	2.97	0.12	0.01	0.33	24.83	32.06
Total	478.02	101.26	227.52	9.28	1.01	23.62	840.71	785.48
Less : Income	96.01	4.36	28.60	0.08	—	0.99	130.04	112.65
Net Deficit	382.01	96.90	198.92	9.20	1.01	22.63	710.67	672.83

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COMMENTS		MANAGEMENT'S REPLIES	
1. a)	The company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets.	The reconciliation of such fixed assets is in progress and discrepancies, if any, will be adjusted accordingly. This is a continuous process.	
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. 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:		
a)	The company has granted loans to the following company covered in the register maintained under section 301 of the Companies Act, 1956.		
(Rs. in crore)			
Particulars	Loans granted during the year	Closing Balance as on 31.03.2006	Maximum Balance during the year
Bhilai Electric Supply Co. Pvt. Ltd.	Nil	Nil	9.64
b)	The rate of interest and other terms & conditions of such loans are, in our opinion, prima-facie, not prejudicial to the interest of the company.		
c)	The company to whom loans have been given, is regular in repayment of principal amount and interest.		
d)	The company has not taken any loans, secured or unsecured, from companies, firms, or other parties covered in the register maintained under section 301 of the Act.		
e)	In view of our comments in paragraph 3(d) above, clauses iii(e), iii(f) and iii(g) of paragraph 4 of the Order are not applicable to the Company.		
4.	In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major failures in the internal control system.		
5. a)	According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.		
b)	According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and aggregating during the year to Rs. 5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.		

- In our opinion and according to the information and explanations given to us, the company has complied with the directives of Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder, wherever applicable, with regard to the deposits accepted from the public.
- 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 in the audit plan.
- We have broadly reviewed the records maintained by the Plants for production of Fertilisers (Ammonium Sulphate), Chemicals (Benzene & Toluene), Industrial gases and Steel products pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of the records with a view to determine whether these are accurate and complete.
- According to the information and explanations given to us in respect of statutory and other dues:
 - 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.
 - According to the information and explanations given to us, following undisputed statutory dues were outstanding as per books of accounts as at 31st March, 2006, for a period of more than six months from the date they became payable.

Statute	Nature of dues	Amount (Rs. in crore)	
West Bengal State Electricity Act	Duty on Own Generation of electricity	4.57	
c) According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given hereinbelow.			
Statutes	Nature of Dues	Amount (Rs. in crore)	Forum where disputes are pending.
Sales Tax	Demand	549.43	Sales tax departments
		507.14	Sales tax tribunals
		103.02	High Courts
		1159.59	
Central Excise Act, 1944	Excise duty	43.02	Department of Excise
		484.54	CESTAT
		18.99	Settlement Commission
		0.89	High Courts
		387.01	Supreme Court
		934.45	
Income Tax Act, 1961	TDS on perks	31.09	High Courts
		108.77	(Deposits stayed by High Court)
		139.86	
Customs Act	Custom duty	3.48	Department of Customs
Other Statutes	Other statutory dues (including cess)	171.58	High Courts
		8.26	Lower Courts
		19.37	Concerned department
		3.93	State Government
		203.14	
TOTAL		2440.52	

- 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.

Internal audit plan with regard to scope and frequency of coverage would be given greater emphasis.

State Government of West Bengal increased the electricity duty rate on own generation of electricity w.e.f January 2005, which was subsequently reduced from April 2005. The matter has been taken up with the State Government for reducing the duty from January 2005 itself. Liability has been fully provided for and would be settled on getting final decision of the State Government.



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

Sl. No.	Brief Description of the case	Amount involved (Rs. in Crore)
1.	Misuse of employee entitlements (Rs. 0.01 crore since recovered)	0.06
2.	Misuse of township facilities by others	0.02
3.	Theft of company's property	0.04
TOTAL		0.12

Cases are being followed up for recoveries.

For S.K. Mittal & Co.
Chartered Accountants

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

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Mahendra K Agrawala)
Partner
(M. No. 51764)

Place : New Delhi
Dated : 25th May, 2006

For Ray & Ray
Chartered Accountants

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

Place : New Delhi
Dated : 28th July, 2006

**For and on behalf of the
Board of Directors**

Sd/-
(V.S. Jain)
Chairman

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 2006.

Sl. No.	COMMENTS	MANAGEMENT'S REPLIES
A. BALANCE SHEET		
	Fixed Assets (Schedule 1.5) Gross Block – Rs. 29,360.46 crore The above is understated by Rs. 25.62 crore due to non-capitalisation of : (i) Ladle Furnace, which was commissioned in December 2005 (Rs. 22.88 crore). (ii) Zinc coating thickness gauge in HDGL unit and Entry Chain Conveyor No.1 in pickling line commissioned in March 2006 (Rs. 2.74 crore).This has also resulted in understatement of Depreciation and overstatement of Profits by Rs. 2.24 crore.	As per the accounting principles consistently followed by the Company, an asset is capitalised when it is ready for commercial production. As the mentioned assets were under trial runs and not stabilised, these were not capitalised.
B. PROFIT & LOSS ACCOUNT		
1.	Other Expenses – Rs. 1,604.97 crore (Schedule 2.10) Non-provision of surface rent of mines at enhanced rates payable to Government of Jharkhand has resulted in understatement of above by Rs. 5.18 crore.	The Company has filed writ petition at the Hon'ble High Court of Jharkhand, Ranchi against the exorbitant and unilateral increase in surface rent from existing Rs. 10/- per acre to Rs. 6930/- per acre by District Mining Officers on various grounds, including, inter alia, the revision being in contravention of applicable statutory Mineral Concession Rules, 1960. As the matter is sub-judice, the amount has been disclosed as contingent liability.
2.	Raw materials consumed – Rs. 12,325.63 crore (Schedule 2.6) The above is understated by Rs. 3.20 crore due to valuation of stock of Moly Oxide and Ferro Vanadium at cost, which was higher than net realisable value.	As per paragraph – 24 of Accounting Standard-2 on 'Valuation of inventories' issued by Institute of Chartered Accountants of India, materials and others supplies used in production of inventories are not written down below cost if the finished product in which they are used are expected to be sold at or above cost. All the finished products bearing Moly Oxide and Ferro Vanadium were sold above cost. Therefore, the stock of Moly Oxide and Ferro Vanadium has been correctly valued at cost.
C. SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS		
1.	Contingent liability is understated by Rs. 15.07 crore due to non inclusion of : (i) Disputed Income tax demand on Joint Venture Company – Item 2.1 (iii) – Rs. 8.66 crore. (ii) Surface rent of mines at enhanced rates payable to Government against which appeal has been filed in Hon'ble High Court – Rs. 6.41 crore.	Accepted for suitable disclosure in the accounts for the year 2006-07. However, this does not have any impact on profitability of the Company. As the surface rent can be charged on mining area and not on the total area, the disputed amount of surface rent based on the mining area, has been disclosed as contingent liability.
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for (Item No.3.4) has been understated by Rs. 8.48 crore due to excess consideration of the work executed on modification/revamping of Maewest block system and Housing Machining of finished stands.	Accepted for suitable disclosure in the accounts for the year 2006-07. However, this does not have any impact on profitability of the Company.
3.	As per the Accounting Policy 1.6, iron ore fines not readily useable/saleable, are recognised on disposal. Since, there is huge stock (35.56 million tonne) of iron ore fines lying at Gua Iron Ore Mine, the fact should have been suitably disclosed.	In accordance with the Accounting Policy 1.6, incorporated during the year and 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, was not separately disclosed.
	Sd/- (Mukesh P. Singh) Principal Director of Commercial Audit & Ex-Officio Member, Audit Board, Ranchi	Sd/- (V.S. Jain) Chairman
Place : Ranchi Dated : 13th July, 2006		Place : New Delhi Date : 28 th July, 2006



REVIEW OF ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2006, BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Financial Position

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

DESCRIPTION	2003-04	2004-05	2005-06
<i>(Rupees in crore)</i>			
LIABILITIES			
(a) Paid up Capital			
i) Government	3544.69	3544.69	3544.69
ii) Others	585.71	585.71	585.71
(b) Reserves & Surplus			
i) Free reserves & surplus	22.69	5458.77	7836.35
ii) Share Premium Account	235.29	235.29	235.29
iii) Specific reserves	649.29	482.19	399.37
(c) Borrowings from			
i) (a) Government of India	0.27	0.27	0.27
(b) Steel Development Fund	204.16	204.16	204.16
ii) Foreign sources - Long-term	1305.98	1074.42	534.71
iii) Non convertible bonds	4323.40	2967.35	2232.95
iv) Public Deposits	581.39	217.10	-
v) Working capital borrowings from Banks	1224.73	100.78	343.26
vi) Foreign sources - Short-term	374.36	395.03	73.10
Total Borrowings (i to vi)	8014.29	4959.11	3388.45
vii) Interest accrued and due	675.77	810.68	909.17
(d) i) Trade dues, Current Liabilities and Provisions (excluding Gratuity / Accrued leave & Post - Retirement Medical & Settlement Benefit)	6024.85	6608.11	8108.11
ii) Provision for gratuity/ accrued leave & Post Retirement Medical & Settlement Benefit)	2785.41	3344.49	4003.90
iii) Sundry Creditors for capital works	179.98	213.47	316.13
(e) Deferred Tax Liability	-	1844.31	1484.46
Total	22717.97	28086.82	30811.63

Note : Rs. 634.84 crore of loans are repayable within one year as on 31-03-2006.

ASSETS

(f) Gross Block	27683.63	28043.48	29360.46
(g) Less : Cumulative Depreciation	14515.73	15558.41	17198.32
(h) Net Block	13167.90	12485.07	12162.14
(i) Capital Work-in-Progress	382.20	366.48	757.94
(j) Investments	543.17	606.71	292.00
(k) Loans & Advances to Subsidiary Companies	171.05	146.20	-
(l) Current Assets, Loans and Advances	8075.15	14187.43	17383.73
(m) Miscellaneous Expenditure (to the extent not written-off or adjusted)	378.50	294.93	215.82
Total	22717.97	28086.82	30811.63

(n) Working Capital [I-d(i)-c(vii)]	1374.53	6768.64	8366.45
(o) Capital Employed (h +n)	14542.43	19253.71	20528.59
(p) Net Worth [(a)+b(i)+b(ii) -m]	4009.88	9529.53	11986.22
(q) Net Worth per Rupee of Paid-up Capital (Re.)	0.97	2.31	2.90
(r) Profit / Loss (-) before Tax	2628.21	9365.35	5705.74
(s) Profit / Loss (-) after Tax	2512.08	6816.97	4012.97

N:B. Previous years' figures have been re-arranged / re-grouped wherever necessary. Pursuant to the amalgamation of IISCO during 2005-06, the previous years figures are not comparable with the current year

2 Ratio Analysis

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

	2003-04	2004-05	2005-06
A. Liquidity (In Percentages)			
i) Current ratio (current assets to current liabilities & provisions and interest accrued & due but excluding provisions for (Gratuity / accrued leave and post-retirement benefits) [I/(d(i)+c(vii))]	120.51	191.24	192.78
ii) Acid Test Ratio (quick assets i.e. cash and bank balances, sundry debtors and loans and advances (excluding balances with Customs, Excise, Port Trust and Railways, etc., to current liabilities (excluding capital works)	98.65	180.59	224.70
B. Debt Equity Ratio			
Long term debt to Equity [c(i) to iv)/(a+b(i)+b(ii))]	1.46	0.45	0.24
C. Profitability Ratios			
(a) Profit before tax to			
i) Capital employed (%)	18.07	48.64	27.79
ii) Net worth (%)	65.54	98.28	47.60
iii) Sales (%)	10.87	29.45	17.68
(b) Profit after tax to Net Worth (%)	62.65	71.54	33.48
(c) Earning per share (In Rupees)	6.08	16.5	9.72

3. Working Capital

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

a) Working capital	1374.53	6768.64	8366.45
b) Sales	24178.48	31804.99	32279.75
c) % of Working capital to Sales	5.68	21.28	25.92

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

Years	Utilisation
	<i>(Rs. in crore)</i>
2003-04	1224.73
2004-05	100.78
2005-06	343.26

4. Sources and Utilisation of Funds

Funds amounting to Rs. 5885.10 crore from internal and external sources were realised and utilised during the year ended 31st March, 2006 as given below :

	Amount
	<i>(Rs. in crore)</i>
I. Sources of Funds	
a) Profit after tax	4012.97
Add : Depreciation (including Rs. 10.17 crore relating to prior period)	1217.74
Add : Decrease in miscellaneous expenditure	137.21
Less : Profit on sale of fixed asset	58.24
	5309.68
b) Sale of fixed assets	87.65
c) Increase in provision for gratuity, accrued Leave provision & post-retirement medical and settlement benefits	273.19
d) Increase in Reserves & Surplus (incl. P.M's Trophy Award Fund)	114.69
e) Increase in sundry creditors for capital works	95.30
f) Decrease in loans and advances to subsidiary company	4.59
Total (a to f)	5885.10



II. Utilisation of Funds

a) Additions to fixed assets	622.51	
Add : Increase in Capital W-I-P	369.71	992.22
b) Decrease in borrowed funds		1634.66
c) Increase in working capital		1896.26
d) Increase in Investments		60.17
e) Dividends		826.08
f) Tax on dividends		115.86
g) Decrease in deferred Tax liability		359.85
Total (a to g)		5885.10

Statement of sources and utilisation of funds has been prepared by taking previous year which includes SAIL and ISP

5. Working Results

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

	2003-04	2004-05	2005-06
			(Rs. in crore)
a) Sales	24178.48	31804.99	32279.75
b) Cash profit (Profit/Loss before depreciation and tax)	3750.80	10492.30	6913.04
c) Net profit before tax	2628.21	9365.35	5705.74
d) % of Cash profit to Sales	15.51	32.99	21.42

5.2 Trends

The finished/semi-finished goods stock at the end of the year as percentage of sales reduced from 6.54 in 2003-04 and to 6.13 in 2004-05 and increased to 9.99 in 2005-06 as indicated below .

Year	Finished / semi-finished stock	Sales	Percentage
2003-04	1581.28	24178.48	6.54
2004-05	1949.00	31804.99	6.13
2005-06	3224.82	32279.75	9.99

6(a) Cost Trends

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

Particulars	2003-04	2004-05	2005-06
			(Rs. in crore)
Sales	24178.48	31804.99	32279.75
Less :			
Excise duty	2881.66	3282.16	4442.18
Freight outward	528.05	678.64	753.37
JPC Cess	2.52	2.72	2.79
Other Sales Expenses	75.69	33.81	30.09
Total Deductions	3487.92	3997.33	5228.43
Net Sales realisation	20690.56	27807.66	27051.32
Less Profit	2628.21	9365.35	5705.74
Cost of Sales	18062.35	18442.31	21345.58
Percentage of Cost of Sales to Net Sales realisation	87.30	66.32	78.91

6(b) Value of Production

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

	2003-04	2004-05	2005-06
			(Rs. in crore)
i) Sales	24178.48	31804.99	32279.75
ii) Closing stock of finished/semi-finished products.	1581.28	1949.00	3224.82
iii) Opening stock of finished/semi-finished products.	2067.12	1581.28	1949.00
iv) Value of Production (i+ii-iii)	23692.64	32172.71	33555.57

The percentage of value of production to net worth was 590.86 in 2003-04 and 337.61 in 2004-05 and 279.95 in 2005-06. The percentage of value of production to total net assets of the company was 106.06 in 2003-04 and 115.76 in 2004-05 and 109.67 in 2005-06.

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

	2003-04	2004-05	2005-06
			(Rs. in crore)
i) Stores & Spares (excluding in-transit)	803.36	844.00	1092.80
ii) Raw Materials (excluding in-transit)	405.25	891.20	1132.02
iii) Finished/semi-finished products.	1581.28	1949.00	3224.82
Total :	2789.89	3684.20	5449.64

The stock of stores & spares is equivalent to 5.01 months' consumption of stores and spares in 2003-04, 4.68 months' consumption in 2004-05 and 4.96 months' consumption in 2005-06. The stock of raw materials represents 0.71 months' consumption in 2003-04, 1.14 months' consumption in 2004-05 and 1.10 months' consumption in 2005-06. The stock of Finished/semi-Finished products is equivalent to 0.78 months' sales in 2003-04, 0.74 months' sales in 2004-05 and 1.20 months' sales in 2005-06.

8 Sundry Debtors and Turnover

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

As on 31st March	Total Book Debts		Total	Sales	Percentage of total Debts to Sales
	Considered good	Considered doubtful			
					(Rs. in crore)
2004	1549.96	199.75	1749.71	24178.48	7.24
2005	1908.45	191.33	2099.78	31804.99	6.60
2006	1881.73	208.75	2090.48	32279.75	6.48

The percentage of Sundry debtors to sales has decreased over the years. The percentage of doubtful debt to sundry debtors decreased from 11.42 in 2003-04 to 9.11 in 2004-05 but increased to 9.99 in 2005-06

b) The following table indicates the details of the debts outstanding for more than one year as on 31st March, 2006.

	Government Departments/ Undertakings	Private Parties
		(Rs. in crore)
1. Debts outstanding for more than one year but less than three years.	54.70	12.90
2. Debts outstanding for three years or more.	104.99	109.29

9 Contingent Liabilities

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

	2003-04	2004-05	2005-06
			(Rs. in crore)
(i) Contingent Liabilities	3507.08	3635.28	3566.85
(ii) Current Liabilities	4412.32	4780.67	5191.70
(iii) Percentage of contingent liabilities to Current Liabilities	79.48	76.04	68.70

The percentage of Contingent liabilities to current liabilities which was 79.48 in 2003-04 decreased to 76.04 in 2004-05 and to 68.70 in 2005-06.

Place : Ranchi
Dated : 13th July'2006

Sd/-
(Mukesh P. Singh)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board, Ranchi

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

The overall specific energy consumption in SAIL (5 integrated steel plants) during 2005-06 has been 7.24 Gcal/tcs, which is 1.2% less than previous year figure of 7.33 Gcal/tcs.

Important energy conservation schemes implemented during the year are listed below :

Bhilai Steel Plant (BSP)

- Coal Dust Injection System (CDI) commissioned in Blast Furnace # 1 & 5.
- Independent exhaust system for Slab Caster # 2, 3 & 4 commissioned.
- Improvement in productivity of Reheating Furnaces of Rail & Structural Mill by upgradation of combustion system.

Durgapur Steel Plant (DSP)

- Introduction of Supervisory Computer Control System in hot blast stoves of Blast Furnace # 3.
- Introduction of Tar injection system in Blast Furnace # 2.

Rourkela Steel Plant (RSP)

- Commissioning of Blast Furnace # 4 with high top pressure and higher productivity.
- Introduction of Multi-Slit burner in Sinter Plant # 2.

Bokaro Steel Plant (BSL)

- Commissioning of Coal Dust Injection in BF # 5.
- Commissioning of Coke Oven battery No. 6 after rebuilding.

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

- Modernisation of Blast Furnace # 7.
- Modernisation of Sinter Plant # 2 with slit burner ignition furnace.
- Rebuilding of coke oven battery # 5.

Durgapur Steel Plant (DSP)

- Augmentation of O₂ enrichment in Blast Furnace # 2.
- Introduction of BF Gas firing in Boiler # 6.

Rourkela Steel Plant (RSP)

- Coal Tar Fuel injection in Blast Furnace # 1.
- Introduction of BF Gas Firing in MP Boiler.
- Replacement of Recuperator in Reheating Furnace # 5 in Hot Strip Mill.

- Major revamping of Sinter Plant # 1.
- Commissioning of new Coke Oven Battery # 1 with zero leak doors, on-main charging and computerized combustion control.
- High emissivity coating in Reheating Furnaces.

Bokaro Steel Plant (BSL)

- Use of propane gas for cutting & scarfing of slabs in Continuous Cast Shop.
- Replacement of 16000 m³ of insulation of steam pipe lines.
- Replacement of 12 km length of leaking water pipe lines.
- Modernisation of Gas Control System for operating strategic control valves from Gas Control.

IISCO Steel Plant (ISP)

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

(c) Impact of measures on energy consumption

The overall energy consumption for the year decreased by about 1.2% 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 | 1091.64 |
| ii) Foreign exchange used: | |
| a) CIF Value of import | 6148.18 |
| b) Other expenditure in foreign currency | 78.78 |

For and on behalf of Board of Directors

Sd/-
(V.S. Jain)
Chairman

Place: New Delhi
Dated: 28.07.2006

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

Particulars	2005-06*	2004-05
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Total Power Purchased		
Units (Million KWH)	6321	5858
Total Amount (Rs. crore)	1922	1696
Average Rate per Unit (Rs./KWH)	3.04	2.90
b) Own Generation		
Through Steam Turbine/Generator		
Units (Million KWH)	909	814
Units per Gega Calories of energy input	228	237
Average Rate per Unit (Rs./KWH)	3.12	2.69
2. COAL		
i) Coking Coal		
Quantity (Million Tonne)	14.12	11.77
Total Cost (Rs. crore)	8022	5193
Average Rate (Rs. per tonne)	5683	4412
ii) Non-Coking Coal		
Quantity (Million Tonne)	0.927	0.938
Total Cost (Rs. crore)	135	145
Average Rate (Rs. per tonne)	1461	1551
3. FUEL OILS		
Quantity ('000 Kilo Litres)	43	44
Total Cost (Rs. Crore)	76	64
Average Rage (Rs./Kilo Litres)	17686	14684
4. OTHERS		
i) Coke		
Quantity ('000 Tonnes)	589	531
Total Cost (Rs. Crores)	652	770
Average Rate (Rs. Per tonne)	11068	14511
ii) Misc. (LPG, Gases, Process Steam etc.)		
Total Cost (Rs. Crore)	255	222

B. CONSUMPTION PER TONNE OF EQUIVALENT SALEABLE STEEL PRODUCTION

	2005-06*	2004-05
Purchased Electricity (KWH)	504	513
Fuel oils (litres)	3	4
Coking Coal (kgs)	1130	1047
Coke (kgs.)	47	47
Non-coking Coal (kgs)	75	83

*Consequent to merger with SAIL, figures of 2005-2006 includes IISCO Steel Plant also. Hence previous year figures are not comparable.



FORM 'B'

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

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

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

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

Cost Reduction

- **Stabilisation of Tar Injection in BF # 1; BSL**

Tar injection in BF # 1 has been stabilised at an average 55.5 t/day which is equivalent to 19.5 kg/thm of coke for a 13 lance (average) operation. A coke saving of 28 kg/thm was achieved at a replacement ratio of 1:43. The average hot metal production increased to 2846 t/day as compared to 2751 t/day during the corresponding base period, thereby registering an increase in hot metal by 95 t/day.

- **Improvement in Performance of BF # 5; BSP**

BF # 5 of BSP has shown significant improvement in performance after introducing a heavy coke bunch charge consisting of 267 t of coke alongwith 89 t of Mn ore and LD slag. The productivity has also increased to 2200-2500 t/day. Additionally, charging matrix is also being adjusted to open the central region of BF # 5 so as to have optimum flow of gases in peripheral and central region.

- **Improvement in Lining Life of 150 T Steel Ladles at SMS-II; RSP**

For improving the bottom impact area, panel trials were conducted in 4 ladles with special quality bricks manufactured at RSP, based on laboratory studies. A zonal lining pattern was developed by appropriate use of different qualities of bricks and lining thickness. Lining life of 103 heats has been achieved against an average life of 77 heats obtained earlier.

- **Enhancement of Caster Productivity of 125x125 Section; DSP**

The incidence of breakouts of strands in casting 125x125 sections was high (1.75%/strand). To minimise this, analysis was carried out and it was observed that a strong correlation exists between breakouts with superheat, Mn/Si and Mn/ S ratios. Based on this and thermodynamic analysis, a nomogram was prepared linking Mn and Si % for different carbon contents in steel. The incidence of strand breakouts reduced by 50%. The use of 15 mm diameter tundish nozzle has also improved the average casting speed by ~0.2 m/min (from 2.2 to 2.4 m/min).

- **Process Technology for Reduction in Zinc Consumption; BSL**

In order to minimise zinc loss through reduction in formation of zinc dross, a trial was initiated using exothermic compound. The average saving in zinc consumption was found to be around 1.88 kg/tonne.

- **Stabilisation of Round Ingot Technology at Wheel & Axle Plant; DSP**

To increase consistency in block weight and increase in yield from ingot to block, new round ingot moulds were developed. Trial with these moulds showed less than 15 kg block weight variation compared to more than 30 kg weight variation earlier. Yield from ingot to acceptable blocks for locomotive heats have increased from 70% to 87%. To improve performance of 'A' furnace, a mathematical model has been developed for heating of coach and loco blocks furnace. The coach & loco blocks are getting ready within 3.83 hrs and 4.4 hrs respectively. The calculated scale thickness is less than 2 mm compared to 3-4 mm in existing practice.

Quality Improvement

- **Reduction of Siliceous Gangue from Iron Ore Fines of Kiriburu mines, RMD**

Optimization of process parameters of classifier unit was carried out by varying the feed pulp density. It was observed that at lower pulp density (p.d.) of classifier overflow (<15%), Al_2O_3 particles could be rejected through the overflow, whereas SiO_2 particles get mixed with the iron ore fines. At 21-25% p.d. in the classifier overflow operation, the SiO_2 particles get rejected but Fe losses are also high through slime. With extra water addition from the product discharge side of classifier and operating at 25% p.d., it was observed that the quality of classifier sand improved from 61.41% Fe, 2.32% SiO_2 , 3.04% Al_2O_3 to 64.2% Fe, 1.68% SiO_2 and 1.79% Al_2O_3 .

- **On-line Purging System; RSP**

Through introduction of "On-line Purging System" in both the converters in SMS-II, the production capacity of the shop has improved at least by 8 to 10%. Besides, the quality of steel has improved with better deoxidation, desulphurisation and alloy recovery.

- **Improvement in Productivity of SMS and Quality of Rolled Billets at ASP**

An innovative process modification has been implemented in LF by combining Fe-alloy addition during arcing. This has resulted in 14% reduction in treatment time and 16% lower power consumption as well for Hadfield Mn-steel. Use of mould with larger taper and Mn/S > 25 have made marked improvement in quality of cast bloom and rolled billet. An increase of casting speed from 0.65 to 0.70 m/min for the 'S'-bearing critical grades has been achieved. 5% yield improvement has been achieved over the last year's figure against these grades.

- **Improvement in Surface Quality & Cleanliness of CR Sheets after Rolling in Tandem Cold Mill; RSP**

A new air wiping system has been designed in-house, fabricated and installed at the Tandem mill, RSP to reduce the emulsion carry-over. Header was designed with 27 nozzles staggered in two rows as compared to 14 nozzles in one row in the existing system. A new air drier system was procured and installed in the line to dry and clean the air. With operation of the system surface reflectance improved from 48% to 60% and black patch reduced from 3.4% to 1.9%.

Energy Conservation

- **Introduction of Multi-slit Burner Ignition System in Sinter Plant – II; RSP**

Multi-slit burner ignition system was designed, developed, fabricated and installed. This led to increase in sinter production in the range of 235-246 t/hr with specific heat consumption of 0.026 Gcal/t from 0.036 Gcal/t of sinter.

- **Introduction of Blast furnace Gas firing in Boiler # 6 of Power & Blowing Station, BSP**

Six number of high capacity (each of 10, 000 Nm^3/hr) BF gas firing burners with pilot CO gas burners for flame support were designed and developed by RDCIS for Boiler # 6 of Power and Blowing Station at BSP. The new system is capable of firing upto 60,000 Nm^3/hr BF gas. With the introduction of new system, complete replacement of pulverised coal in boiler # 6 to the tune of 60,000 t/yr has been achieved.

- **Improvement in the Thermal Regime of Reheating Furnaces of Rail & Structural Mill; BSP**

It has been possible to maintain better thermal regime using presently available high CV gas (1800 Kcal/ Nm^3) against designed CV of 1400 Kcal/ Nm^3) with lower intake of gas (13000-14000 Nm^3/hr against designed value of 39000 Nm^3/hr). Dampers have been set in auto operation to maintain the required furnace pressure. This resulted in increase in furnace productivity and reduction in specific fuel consumption during two furnace operations.

Product Development and Application

- **DMR 249 Gr. A; BSP, BSL, RSP and ASP**

DMR 249 Gr. A steel was developed at BSP, BSL and ASP and rolled at BSP, BSL and RSP. Plates have been supplied to M/s GRSE, Kolkata and M/s CSL, Cochin. Rolling of bulb bars, which was outsourced, has been taken up at ISP.

- **Spade M-1 Steel as per CDA 99 Specification; RSP**

Spade M-1 grade steel, used in the manufacture of main battle tank 'Arjun' by Indian army, has been successfully developed through the concast route as per the new CDA 99 specifications. The mechanical properties and the ballistic tests performed on 20-45 mm plates have been found to comply with the desired quality criteria. Clearance for use of plates upto 80 mm is currently being pursued with defence authorities.

- **High Strength Corrosion Resistance Roof Bolt Grade Bars; DSP**

High strength bars (Yield Strength and Tensile Strength more than 600 MPa and 720 MPa respectively with elongation around 12%) have been developed with improved corrosion resistance properties to suit the aggressive environment of underground mines. Field test, carried out at Pawan Incline mines, Korba area of South Eastern Coalfields Limited, has been encouraging.

- **High Strength Micro-Alloyed Rails through Long Rail Route; BSP**

To cater to the demands of Indian Railways, niobium micro-alloyed rails have been made in R-60 profile. These rails have passed the falling weight test. The properties achieved were : UTS - 961 MPa, elongation 10.7% and hardness 280 BHN. These rails are expected to perform better than normal rails.

- **Earthquake Resistant TMT Rebars (EQR 415); DSP**

Process parameters were optimised to develop Fe-415 earthquake resistant TMT rebars for the first time in the country. The steels exhibited higher elongation (25% min.) and UTS / YS ratio (1.25 min.) This steel can be safely employed in constructions especially in earthquake prone areas.

- **Cu-Mo Pearlritic Rails; BSP**

Prime quality R-52 rails (UTS: 880 MPa) were developed and despatched to Indian Railways for their application in corrosion prone coastal areas. The rails manifested an exceptional combination of mechanical and corrosion resistance properties, namely, finer inter-lamellar spacing of pearlite (0.15-0.18 μm), higher surface hardness (>30 HRC), higher tensile strength (>900 MPa) and superior corrosion resistance (2.0-2.3 times) as compared to plain C-Mn rails.



Automation

● On-Line Control of Coking Process at COB # 1; DSP

The main component of the control system is a mathematical model, which was developed and commissioned, controls the heating pause at every winch reversal. The control system has been implemented in three levels of automation – Level 1: field instrumentation, Level-II: PLC based data acquisition and control and Level-III : model based supervisory control. The system which is working satisfactorily is expected to reduce energy consumption by 5% and improve coke strength (CSR) by 0.5 points.

● On-line Measurement and Control of Pusher and Cooling Bed at CCP; DSP

To overcome frequent failure of electro-mechanical limit switches a non-contact infrared based sensor system was installed. Sensor signals were interfaced with existing PLC for auto operation of the cooling bed area. The sensors are working without any failure and have resulted in reduction in caster down time.

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	Improvement in productivity and reduced level of metallic inputs in BOF and secondary refining units through use of process model; Application of process simulation for enhancement of caster productivity including improved sequence length and tundish life and reduction in level of non-metallic residuals; 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 banitic / micro-alloyed rails and wheels; Control of surface defects and gauge variation in HR and CR coils; Micro-structural modeling of HR coils.
Product Development	Development of new coated products using simulators; Development and promotion of special steel grades for coal reducing, automobile, oil and construction sectors; Corrosion resistant rail steel; Earthquake resistant steel; 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; Reduction in coal requirement by increasing BF gas usage in boiler plants.
Automation & Computerisation	Introduction of automation and control systems and development of softwares for productivity, yield and quality improvement in Reheating Furnaces, Heat Treatment Furnaces and Finishing Lines of Rolling Mills; Development of integrated communication and instrumentation system; Intelligent mill set up model development for control of variation in plate thickness; Development of on-line surface inspection system for hot rolled flat products.
Environment & Pollution Control	Assessment of PAH in Coke Oven work zone; Environmental Life cycle Assessment of Iron & Steel making; Development of process for recycling/reuse of BF/BOF mill sludge/slag and improvement in water quality and recycling.

4. Expenditure on R&D

	(Rs. in crore)
Capital	3.23
Revenue	59.15
Total	62.38
% of Turnover	0.19

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

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

Area: Coke Making

- Technological assistance for rebuilding of environment friendly Coke Oven Battery No.1 of RSP, Coke Oven Battery No. 5 of BSL.
- Rebuilding of environment friendly Coke Oven Battery No. 5 of BSP & Coke Oven Battery No. 4 of RSP.
- Selective crushing of Coal for improved coke quality at DSP.
- Partial Briquetting of Coal Charge for improving coke strength at BSP & RSP.

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.
- 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.
- Cast House Slag Granulation technology in four Blast Furnaces at BSP, two Blast Furnaces at DSP, one Blast Furnace at RSP and two Blast Furnaces at 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.

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.
- Slag Splashing technology for improved BOF vessel life at BSP, RSP, DSP and BSL.
- Introduction of combined blowing technology in SMS-II, BSL.
- Introduction of RH Degassing for improved rail steel product quality in SMS-II of BSP.
- Introduction of Electro-magnetic stirring in the continuous casting machines at VISL, DSP and ASP.

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 at BSP.
- Long rail finishing technology at Rail & Structural Mill, BSP.
- Introduction of TMT technology for production of TMT bars at the Merchant Mills at BSP & DSP and in the Wire Rod Mill of BSP.
- Hydraulic Automatic Gauge Control in Plate Mill for achieving close thickness tolerances at 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 and RSP and in the Plate Mill of RSP.

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



(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, 2006, the Board of Directors comprised a full time Chairman, 5 whole time Directors (WTD) and 6 non-Executive Directors (Non-ED) (including 4 independent directors). At present there are vacancies of three independent directors and one whole-time director. On filling up the vacancy of whole time director, the shortfall of independent directors will go up to four. The matter of nomination of additional independent Directors is under consideration of Government of India. During the year, 11 Board meetings were held on 25.05.2005, 28.06.2005, 28.07.2005, 23.09.2005, 06.10.2005, 27.10.2005, 06.12.2005, 27.01.2006, 20.02.2006, 07.03.2006 and 24.03.2006.

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

Name of the Director	Category of Directorship	No. of Board Meetings attended during 2005-06	Attendance at last AGM	No. of other directorship held as on 31.3.2006*
Shri V.S. Jain	Chairman	11	Yes	Nil
Dr. S.K. Bhattacharyya (upto 31.12.2005)	WTD	7	Yes	1
Dr. Sanak Mishra (upto 31.12.2005)	WTD	7	Yes	1
Shri V.K. Agarwal (upto 24.03.2006)	Non-ED	11	Yes	1
Shri P.K. Sengupta (upto 24.03.2006)	Non-ED	11	Yes	1
Dr. Amit Mitra (upto 24.03.2006)	Non-ED	5	-	4
Shri Ashis Das (upto 19.08.2005)	WTD	3	-	6
Shri U.P. Singh (upto 31.01.2006)	WTD	8	Yes	3
Shri S.K. Roongta	WTD	8	Yes	-
Shri R.P. Singh (upto 30.06.2006)	WTD	11	Yes	3
Shri G.C. Daga	WTD	11	Yes	2
Shri K.K. Khanna	WTD	11	Yes	-
Shri Ajoy Kumar (from 25.10.2004 to 20.07.2005)	Non-ED	2	-	2
Shri Arun Kumar Rath w.e.f. 09.12.2004	Non-ED	8	-	5
Shri J.P. Singh from 20.07.2005 to 24.01.2006	Non-ED	4	-	2

Dr. S.C. Jain w.e.f. 29.12.2005	Non-ED	4	-	-
Prof. R.P. Sengupta w.e.f. 29.12.2005	Non-ED	-	-	-
Dr. Velu Annamalai w.e.f. 29.12.2005	Non-ED	4	-	-
Shri Siddharth Kak w.e.f. 29.12.2005	Non-ED	4	-	-
Dr. S.N. Dash from 15.02.2006 to 7.04.2006	Non-ED	3	-	5
Shri Nilotpal Roy w.e.f. 16.02.2006	WTD	2	-	2
Shri G. Elias w.e.f. 18.04.2006	Non-ED	-	-	-
Shri V. Shyamsundar w.e.f. 05.06.2006	WTD	-	-	-
Shri B.N. Singh w.e.f. 13.06.2006	WTD	-	-	-
Shri V.K. Srivastava w.e.f. 13.06.2006	WTD	-	-	-
Shri G. Ojha w.e.f. 7.7.2006	WTD	-	-	-
Shri Shyamal Ghosh w.e.f. 10.07.2006	Non-ED	-	-	-
Shri S.N. P.N. Sinha w.e.f. 10.07.2006	Non-ED	-	-	-
Shri Mohammad Yusuf Khan w.e.f. 10.07.2006	Non-ED	-	-	-
Prof. Deepak Nayyar w.e.f. 10.07.2006	Non-ED	-	-	-

* Includes Directorship in Private companies. The details in respect of directors who were not in office as on 31st March, 2006 are based on latest disclosures made to company.

(c) Audit Committee:

1. 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.

2. Composition:

The Audit Committee of the Board was formed in 1998. However, in pursuance to SEBI requirements, the Audit Committee was reconstituted on 21st March, 2001 with only non-executive Directors as members. The present Audit Committee was reconstituted on 24th March, 2006 and consists of Prof. R.P. Sengupta, Shri Siddharth Kak and Shri G. Elias as members.

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

Name of the Director	Status	No. of meetings attended
Shri V.K. Agarwal upto 24.03.2006	Chairman	7
Shri Ajoy Kumar upto 20.07.2005	Member	1
Shri P.K. Sengupta upto 24.03.2006	Member	7
Shri J.P. Singh upto 24.01.2006	Member	1
Shri A.K. Rath only one meeting	Member	1
Dr. S.N. Dash upto 07.04.2006	Member	-

(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 Committees has not been constituted.
- The details of remuneration to whole time directors are given below:

Name of the Director	Salary	Retirement & other Benefits	Total
Shri V.S. Jain	656665	322191	978856
Dr. S.K. Bhattacharyya	433874	195884	629758
Dr. Sanak Mishra	521127	107163	628290
Shri Ashis Das	261220	70071	331291
Shri U.P. Singh	508042	63301	571343
Shri S.K. Roongta	534539	206050	740589
Shri R.P. Singh	546114	235547	781661
Shri G.C. Daga	644616	200673	845289
Shri K.K. Khanna	633046	252616	885662
Shri Nilotpal Roy	394890	65132	460022
Total	5134133	1718628	6852761

- The non-executive Directors are paid only sitting fees of Rs. 10,000/- for each Board/Board Sub-Committee Meetings attended by them.

- 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, which ever is earlier. They are initially appointed by the Board as Additional Directors and thereafter by the shareholders in the Annual General Meeting in terms of the provisions of the Companies Act, 1956.

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

(e) Shareholders/Investors Grievance Committee

- A Shareholders/Investors Grievance Committee under the Chairmanship of a non-executive director namely Shri Siddharth Kak and comprising 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.
- Name of compliance officer: Shri Devinder Kumar, Company Secretary
- There were no complaints pending redressal as on 31.03.2005. Number of shareholders complaints received during the period from 01.04.2005 to 31.03.2006 were 114. All the complaints were resolved during the year. There were no complaints pending redressal as on 31.03.2006.

(f) General Body Meetings:

Location and time where last three AGMs were held:

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

(g) Disclosures:

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



(h) Means of Communication:

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

(i) General Shareholders Information:

i) Annual General Meeting is proposed to be held on 22nd September, 2006 at NDMC Indoor Stadium, Talkatora Garden, New Delhi.

ii) Dates of Book Closure: 12th August, 2006 to 31st August, 2006.

iii) The shares of the Company at the beginning of the financial year 2005-06 were listed in the following stock exchanges:

Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers, Dalal Street,
Fort Mumbai-400001
(Stock Code No.500113)

The National Stock Exchange of India Limited,
Plot No. C/1, G Block, Bandra Kurla Complex,
Bandra (E). Mumbai- 400051

The Calcutta Stock Exchange Association Limited,
7, Lyons Range, Kolkata-700001.

The London Stock Exchange,
10 Paternoster Square
London EC4M 7LS, UK

It is confirmed that Annual Listing Fee for 2005-06 has been paid to each of the stock exchanges. During the year, the confirmation of delisting of shares was received from the Calcutta Stock Exchange Association Limited (CSE).

iv) The monthly high and low quotation of the company's shares during each month in the last financial year at the Bombay Stock Exchange Ltd.(BSE) and its comparative performance with the broad base BSE Sensex during the year 2005-06 are indicated below:

MONTH & YEAR	SENSEX		SAIL at BSE	
	HIGH	LOW	HIGH	LOW
APR '05	6,649.42	6,118.42	66.00	52.80
MAY '05	6,772.74	6,140.97	55.25	48.50
JUN '05	7,228.21	6,647.36	55.00	48.05
JUL '05	7,708.59	7,123.11	58.70	42.00
AUG '05	7,921.39	7,537.50	66.30	50.40
SEP '05	8,722.17	7,818.90	69.15	61.45
OCT '05	8,821.84	7,656.15	68.00	47.45
NOV '05	9,033.99	7,891.23	54.45	41.80
DEC '05	9,442.98	8,769.56	57.20	49.55
JAN '06	9,945.19	9,158.44	59.35	49.50
FEB '06	10,422.65	9,713.51	65.90	53.00
MAR '06	11,356.95	10,344.26	86.60	62.30

v) Registrar and Share Transfer Agent

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

vi) Share Transfer System:

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

vii) Distribution of Shareholdings as on 31st March, 2006

Shareholding		Shareholders		Amount	
		Number	% to Total	In Rupees	% of Total
(1)		(2)	(3)	(4)	(5)
Upto	500	192038	85.46	338634380	0.82
501	- 1000	17301	7.70	148773530	0.36
1001	- 2000	7605	3.38	121817630	0.30
2001	- 3000	2592	1.15	68484270	0.17
3001	- 4000	1083	0.48	39882540	0.10
4001	- 5000	1214	0.54	58578020	0.14
5001	- 10000	1583	0.70	121062630	0.29
10001	- 50000	1002	0.45	212306310	0.51
50001	- 100000	153	0.07	107779570	0.26
Above	100000	166	0.07	40086686570	97.05
Total		224737	100.00	41304005450	100.00

viii) Shareholding pattern as on 31st March 2006

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	5,697,032	0.14
b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt Institutions)	196,386,367	4.76
c Foreign Institutional Investors (FIIs)	210,011,044	5.08
Sub-Total	412,094,443	9.98
4 Others		
a Private Corporate Bodies	43,281,150	1.05
b Indian Public	126,972,064	3.07
c NRIs/OCBs	1,700,668	0.04
d Any other (Please specify) - GDR	1,661,935	0.04
Sub-Total	173,615,817	4.20
GRAND TOTAL	4,130,400,545	100.00

ix) Status of dematerialization as on 31.03.2006

Particulars	No. of shares	% of capital	No. of Accounts
NSDL	562435066	13.62	141042
CDSL	12024993	0.29	18678
Total Dematerialised	574460059	13.91	159720
Physical -Government of India	3544690285	85.82	4
Physical - Other shareholders	11250201	0.27	65013
Total	4130400545	100.00	224737

The Government of India holds shares in physical form. Out of the balance equity capital of the company, 98.08% have already been dematerialised by 31.03.2006.

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

STEEL PLANTS

- Bhilai Steel Plant, Bhilai-490001, Chhattisgarh
- Durgapur Steel Plant, Durgapur-713203, West Bengal
- Rourkela Steel Plant, Rourkela-769011, Orissa
- Bokaro Steel Plant, Bokaro Steel City-827001, Jharkhand.
- 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, Luxmi Nagar Distt. Centre, Delhi-110092.
- SAIL Safety Organisation, Ranchi-834002, Jharkhand.

SUBSIDIARIES

- Maharashtra Elektros melt Limited, Chandamul Road, Chandrapur-442401, Maharashtra.
- IISCO-Ujjain Pipe & Foundry Company Limited (in liquidation).
- xi) Address for correspondence from shareholders for queries/ complaints, if any:

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



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, 2006, as stipulated in clause 49 of the Listing Agreements of the said company with the various stock exchanges.

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

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

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

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

For S.K. Mittal & Co.
Chartered Accountants

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

For Ray & Ray
Chartered Accountants

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

For Dass Maulik Mahendra
K Agrawala & Co.
Chartered Accountants

Sd/-
(Mahendra K Agrawala)
Partner
(M. No. 51764)

Place : New Delhi
Dated : 25th May, 2006

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, 2006
2. Date from which they became subsidiary	18th October, 1986
3. Share of the subsidiary held by the company as on 31st March, 2006 a) Number & face value	2,37,87,935 equity shares of Rs.10/- each fully paid up. 99.12%
b) Extent of holding	(Rupees in Crore)
4. The Net aggregate amount of the subsidiary company Profit/(loss) so far as it concerns the member of the holding company : a) Not dealt with in the holding Company's accounts.	
i) For the financial year ended 31st March, 2006.	20.79
ii) Upto the previous financial years of the subsidiary company	15.16
b) Dealt with in the holding Company's accounts.	
i) For the financial year ended 31st March, 2006.	Nil
ii) For the previous financial years of the subsidiary company since they became the holding company's subsidiaries.	Nil

Notes:

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

Place : New Delhi
Date : July 28, 2006

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

Sd/-
(V.S. Jain)
Chairman



CONSOLIDATED BALANCE SHEET

As at 31st March, 2006

Annexure-VI to the
Directors' Report

	Schedule No.	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	8572.06	5342.82
Deferred Tax Liability (Net)		1500.09	9473.22
Loan Funds			
Secured Loans	1.3	1434.89	1920.76
Unsecured Loans	1.4	3181.24	4246.55
Minority Interest	1.16	0.06	6167.31
		18818.74	17503.12
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		30059.33	30159.19
Less: Depreciation		17485.56	16965.11
Net Block		12573.77	13194.08
Capital Work-in-Progress	1.6	949.04	472.43
Investments	1.7	20.14	13666.51
Current Assets, Loans & Advances			
Inventories	1.8	6321.81	4523.45
Sundry Debtors	1.9	1911.84	1974.67
Cash & Bank Balances	1.10	6243.47	6370.32
Interest Receivable/Accrued	1.11	87.15	144.07
Loans & Advances	1.12	3105.88	1837.98
		17670.15	14850.49
Less: Current Liabilities & Provisions			
Current Liabilities	1.13	5313.39	5225.85
Provisions	1.14	7297.82	6150.98
		12611.21	11376.83
Net Current Assets		5058.94	3473.66
Miscellaneous Expenditure	1.15	216.85	354.95
(to the extent not written off or adjusted)			
		18818.74	17503.12
Accounting Policies and Notes on Accounts	3		
Schedules 1 and 3 annexed hereto, form part of the Consolidated Balance Sheet.			

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi
Dated : June 27, 2006

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. Chopra)
Partner

Sd/-
(B.K. Ghosh)
Partner

Sd/-
(Mahendra K Agrawala)
Partner

Place : Ranchi
Dated : June 27, 2006

CONSOLIDATED PROFIT & LOSS ACCOUNT

For the year ended 31st March, 2006



	Schedule No.	Year ended 31st March, 2006	Year ended 31st March, 2005
<i>(Rupees in crore)</i>			
INCOME			
Sales	2.1	32555.15	33482.65
Less : Excise Duty		4449.47	28105.68
Finished products internally consumed		428.00	3397.97
Interest earned	2.2	466.33	295.92
Other revenues	2.3	602.29	255.85
Provisions no longer required written back	2.4	80.50	805.18
		29682.80	156.92
EXPENDITURE			
Accretion (-) / Depletion in stocks	2.5	-1037.28	31598.55
Raw materials consumed	2.6	12396.91	-345.46
Purchase of finished / semi-finished products		65.49	10181.21
Employees' Remuneration & Benefits	2.7	4204.37	113.08
Stores & Spares Consumed		2667.90	4604.24
Power & Fuel	2.8	2614.30	2294.06
Repairs & Maintenance	2.9	379.36	2400.28
Freight outward		753.56	297.35
Other expenses	2.10	1642.21	701.59
Interest & finance charges	2.11	484.00	1525.47
Depreciation		1257.10	636.44
Total		25427.92	1204.68
Less : Inter Account Adjustments	2.12	1539.01	23612.94
		23888.91	1536.88
Adjustments pertaining to earlier years	2.13	5793.89	22076.06
Profit before tax		-15.70	9522.49
Less : Provision for taxation :		5778.19	-58.84
- Current tax		1932.01	765.64
- Deferred tax		-248.13	1847.05
Fringe benefit tax		24.48	-
- Earlier years adjustments		-1.56	-43.93
Profit after tax		1706.80	2568.76
Minority Interest		4071.39	6894.89
		0.17	0.45
		4071.22	6894.44
Balance brought forward		3914.47	-879.60
Adjustment arising on amalgamation of IISCO		-12.73	-
Amount transferred from Bonds Redemption Reserve (net)		89.31	165.09
Amount Available for Appropriation		8062.27	6179.93
APPROPRIATIONS			
Transferred to General Reserve		313.25	702.37
Interim dividend		517.90	620.96
Proposed dividend		321.08	755.06
Tax on Interim Dividend		72.75	81.23
Tax on Proposed Dividend		44.93	105.84
Balance carried to Balance Sheet		6792.36	3914.47
		8062.27	6179.93
Earning per Share (Face value Rupees 10/- each)			
Profit after tax		4071.22	6894.44
Average Number of equity shares		4130400545	4130400454
Basic and Diluted Earnings per share (Rupees)		9.86	16.69
Accounting Policies and Notes on Accounts	3		
Schedules 2 and 3 annexed hereto, form part of the Consolidated Profit & Loss Account.			

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi
Dated : June 27, 2006

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. Chopra)
Partner

Sd/-
(B.K. Ghosh)
Partner

Sd/-
(Mahendra K Agrawala)
Partner

Place : Ranchi
Dated : June 27, 2006



CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement for the Year	2005-06	2004-05
A. Cash flow from Operating Activities		<i>(Rupees in crore)</i>
Net Profit / loss (-) before taxation	5778.02	9463.20
Add / (Less) Adjustments for :		
Depreciation	1270.66	1270.06
Interest Expenses	484.00	636.16
Bad debts written-off	4.25	38.68
Unrealised Foreign Exchange Fluctuation	(20.54)	24.86
Provision for diminution in value of investments	—	(0.10)
Provision for Others	436.61	(230.66)
Deferred revenue expenditure (Charged during the year)	185.04	177.44
Profit on sale of Fixed Assets	(58.14)	6.64
Interest Income	(466.33)	(255.85)
Dividend Income	(13.74)	(13.50)
Operating cash flow before working capital change	7599.83	11116.93
Adjustments for :-		
(Increase) / Decrease in Inventories	(1798.36)	(1279.84)
(Increase) / Decrease in Sundry Debtors	58.58	(393.82)
(Increase) / Decrease in Loans and Advances	(1258.96)	235.08
Increase / (Decrease) in Minority Interest	0.17	0.45
Increase / (Decrease) in Current liabilities	135.61	350.18
Deferred revenue expenditure (Additions)	(46.94)	(92.60)
Cash generated from Operations	4689.93	9936.38
Direct Taxes Paid	(749.66)	(794.44)
Net Cash from Operating Activities	3940.27	9141.94
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(1051.05)	(643.95)
Fixed Assets sold /discarded	87.98	67.95
Purchase/Sale of investments (net)	(12.14)	(2.44)
Interest received	523.25	197.46
Dividend received	13.74	13.50
Net Cash from / (used in) Investing Activities	(438.22)	(367.48)



CONSOLIDATED CASH FLOW STATEMENT

C. Cash flow from Financing Activities		
Increase / (decrease) in Reserve & Surplus	0.21	(1.12)
(Decrease) in Borrowings (net)	(1530.64)	(2980.40)
Loans to subsidiary & Other Companies	(8.94)	16.56
Interest and Finance Charges paid	(637.83)	(948.20)
Dividend Paid	(1272.96)	(632.48)
Tax on Dividend	(178.74)	(82.66)
Net Cash from / (used in) Financing Activities	(3628.90)	(4628.30)
Net Increase in Cash & Cash Equivalents (A+B+C)	(126.85)	4146.16
Cash & Cash Equivalents (Opening)	6370.32	2224.16
Cash & Cash Equivalents (Closing)	6243.47	6370.32
(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 / recasted wherever necessary to conform to current year's classification.

Sd/-
(Devinder Kumar)
Secretary
Place : New Delhi
Dated : June 27, 2006

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.K. Chopra)
Partner

Place : Ranchi
Dated : June 27, 2006

For and on behalf of Board of Directors

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

In terms of our report of even date

For Ray & Ray
Chartered Accountants

Sd/-
(B.K. Ghosh)
Partner

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Mahendra K Agrawala)
Partner



SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.1: SHARE CAPITAL

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Authorised		
5,00,00,00,000 equity shares of Rs. 10 each	5000.00	5000.00
Issued,Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs.10/- each fully paid.	4130.40	4130.40

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, 2006	As at 31st March, 2005
		(Rupees in crore)
Capital Reserve		
As per last Balance Sheet	3.30	4.70
Less: Adjustment during the year	—	1.40
	3.30	3.30
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.77	8.49
Add : Additions during the year	0.62	0.43
	9.39	8.92
Less : Adjustments towards expenses incurred during the year	0.41	0.15
	8.98	8.77
Share Premium Account		
As per Last Balance Sheet	235.60	235.60
Less : Adjustment pursuant to merger of IISCO	0.31	—
Less : Adjustment towards Bond Issue Expenses	—	—
	235.29	235.60
Bond Redemption Reserve		
As per last Balance Sheet	476.56	641.65
Add : Transferred from Profit & Loss Account	76.28	103.76
Less : Transferred to Profit & Loss Account	165.59	268.85
	387.25	476.56
General Reserve		
As per last Balance Sheet	704.12	1.75
Add : Transferred from Profit & Loss Account	313.25	702.37
Add : Surplus pursuant to merger of IISCO	13.03	—
Add : Adjustment of deferred tax assets of IISCO	114.48	—
	1144.88	704.12
Surplus as per Profit & Loss Account	6792.36	3914.47
	8572.06	5342.82

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SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.3 : SECURED LOANS

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Working Capital Borrowings from Banks (Including Foreign currency demand loans of Rs. 28.02 crore ; Previous year Rs. 27.49 crore)	420.27	219.68
Term Loan from banks / Financial Institutions	235.70	197.85
Interest accrued and due thereon	0.02	0.03
Foreign Currency Loans	—	197.88
		329.85
Non Convertible Bonds		
Interest Rate	Date of Redemption	
14.00 %	1st July 2005	—
12.95 %	1st December 2007	100.05
11.30 %	1st June 2008	7.25
11.60 %	1st June 2008	33.95
7.80 %	1st September 2008	0.15
11.10 %	1st December 2008	6.50
11.50 %	1st December 2008	0.30
11.10 %	20th July 2009	0.50
11.50 %	20th July 2009	48.65
9.75 %	1st February 2010	0.10
10.25 %	1st February 2010	88.35
11.50%	15th April 2010	21.00
8.00%	1st September 2010	0.70
13.05 %	1st December 2010	59.80
12.10 %	1st June 2011	91.30
12.00 %	1st December 2011	76.90
12.00 %	20th July 2012	109.90
10.75 %	1st February 2013	75.30
8.20%	1st September 2013	58.20
		778.90
		1434.89
		1173.35
		1920.76

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

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

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

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

Note : Secured Loans repayable within one year as at 31.03.2006, Rs. 66.72 crore (31.03.2005 : Rs. 785.66 crore)

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1.4 : UNSECURED LOANS

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Public Deposits	—	217.10
Government of India	0.27	0.27
Interest accrued and due thereon	0.58	0.58
Steel Development Fund	204.16	204.16
Interest accrued and due thereon	908.59	810.10
Foreign Currency Loans		
Long Term	534.71	744.57
(Guaranteed by Govt. of India / State Bank of India Rs. 534.71 crore (31.03.2005 Rs. 619.96 crore)		
Short Term	73.10	395.03
Term Loans From Banks / Financial Institutions	2.06	3.38
Non Convertible Bonds @		
Interest Rate	Date of Redemption	
12.15 %	1st February 2007	325.00
11.25 %	30th March 2007	99.00
11.10 %	15th April 2007	— *
10.25 %	3rd June 2007	450.00
12.15 %	1st September 2007	— *
11.30 %	12th March 2008	— *
11.60 %	12th March 2008	15.00\$
10.10 %	1st August, 2008	35.00\$
10.50 %	1st August, 2008	35.00
11.50 %	30th March 2010	43.50
12.45 %	1st September 2010	38.15
12.55 %	1st September 2010	39.40
12.65 %	1st September 2010	—
6.4%	15th October 2010	64.00
12.10 %	12th March 2011	195.00
11.00 %	1st August, 2011	115.00
		1454.05
Others		1858.00
Inter Corporate Loans - Short term	3.72	13.36
	3181.24	4246.55

@ Guaranteed by Government of India

* Redeemed at par by exercising call option

\$ Converted into SBI guaranteed Bonds on 31.03.2006

Note : Unsecured Loans repayable within one year as at 31.03.2006, Rs. 635.92 crore (31.03.2005 : Rs. 864.03 crore)



1.5 : FIXED ASSETS

	As at 31st March 2005	GROSS BLOCK (AT COST)		As at 31st March 2006
Description		Additions / Adjustments	Deductions	
A. PLANTS, MINES, OTHERS				
Goodwill *	651.99	—	625.45	26.54
Land(including cost of development)				
-Freehold Land	117.94	10.31	0.12	128.13
-Leasehold Land	27.55	34.05	—	61.60
Right and Patents	81.89	106.33	—	188.22
Railway Lines & Sidings	225.11	-0.10	0.57	224.44
Roads, Bridges & Culverts	154.35	1.23	0.47	155.11
Buildings	1763.52	1.14	4.52	1760.14
Plant & Machinery				
-Steel Plant	23320.77	401.68	96.07	23626.38
-Others	1581.25	60.70	18.80	1623.15
Furniture & Fittings	76.78	3.10	1.26	78.62
Vehicles	448.02	10.51	4.60	453.93
Water Supply & Sewerage	289.83	1.70	0.17	291.36
EDP Equipments	219.71	9.08	13.14	215.65
Miscellaneous Articles	224.92	9.02	4.37	229.57
Sub-total 'A'	29183.63	648.75	769.54	29062.84
B. SOCIAL FACILITIES				
Land(including cost of development)				
-Freehold Land	10.01	-0.02	0.03	9.96
-Leasehold Land	7.09	—	—	7.09
Roads, Bridges & Culverts	46.57	0.32	0.02	46.87
Buildings	580.09	4.73	-0.01	584.83
Plant & Machinery-Others	79.46	2.33	1.30	80.49
Furniture & Fittings	12.76	2.93	0.91	14.78
Vehicles	9.16	0.83	0.87	9.12
Water Supply & Sewerage	112.43	2.06	0.20	114.29
EDP Equipments	3.56	5.32	2.12	6.76
Miscellaneous Articles	90.67	9.44	2.27	97.84
Sub-total 'B'	951.80	27.94	7.71	972.03
C. Assets Retired from Active use				
Unservicable / Obsolete Assets	23.76	4.33	3.63	24.46
Total ('A'+ 'B'+ 'C')	30159.19	681.02	780.88	30059.33
Figures for the previous Year	29769.40	619.70	229.91	30159.19

1.5 : FIXED ASSETS

	DEPRECIATION			NET BLOCK		
	Up to 31st March 2005	For the Year	On sales / Adjustments	Up to 31st March 2006	As at 31st March 2006	As at 31st March 2005
A. PLANTS, MINES, OTHERS						(Rupees in crore)
Goodwill*	651.99	—	625.45	26.54	—	—
Land(including cost of development)	—	—	—	—	128.13	117.94
-Freehold Land	—	—	—	—	52.09	18.69
-Leasehold Land	8.86	0.65	—	9.51	139.27	65.13
Right and Patents	16.76	32.19	—	48.95	66.44	78.01
Railway Lines & Sidings	147.10	6.36	-4.54	158.00	112.17	114.59
Roads, Bridges & Culverts	39.76	4.64	1.46	42.94	874.35	913.09
Buildings	850.43	54.60	19.24	885.79	9810.63	10464.46
Plant & Machinery						
-Steel Plant	12856.36	1035.76	76.37	13815.75	503.59	525.21
-Others	1055.99	71.22	7.65	1119.56	17.76	18.49
Furniture & Fittings	58.29	3.82	1.25	60.86	114.26	116.62
Vehicles	331.40	10.17	1.90	339.67	77.08	86.26
Water Supply & Sewerage	203.57	8.32	-2.39	214.28	37.14	37.55
EDP Equipments	182.15	7.94	11.58	178.51	81.15	83.61
Miscellaneous Articles	141.32	9.95	2.85	148.42		
Sub-total 'A'	16543.98	1245.62	740.82	17048.78	12014.06	12639.65
B. SOCIAL FACILITIES						
Land(including cost of development)					9.96	10.01
-Freehold Land	—	—	—	—	2.47	2.60
-Leasehold Land	4.49	0.13	—	4.62	30.49	30.02
Roads, Bridges & Culverts	16.55	0.76	0.93	16.38	397.99	401.43
Buildings	178.67	11.06	2.89	186.84	21.46	20.14
Plant & Machinery- Others	59.32	2.58	2.87	59.03	3.09	1.09
Furniture & Fittings	11.67	0.76	0.74	11.69	2.25	2.26
Vehicles	6.90	0.22	0.25	6.87	30.07	31.83
Water Supply & Sewerage	80.60	3.67	0.05	84.22	5.88	1.48
EDP Equipments	2.08	0.80	2.00	0.88	31.59	29.82
Miscellaneous Articles	60.85	5.88	0.48	66.25		
Sub-total 'B'	421.13	25.86	10.21	436.78	535.25	530.68
C. Assets Retired from Active use						
Unservicable / Obsolete Assets	—	—	—	—	24.46	23.75
Total ('A'+ 'B'+ 'C')	16965.11	1271.48	751.03	17485.56	12573.77	13194.08
Figures for the previous Year	15850.08	1270.35	155.32	16965.11	13194.08	
* Arising out of Consolidation of Subsidiary Accounts.						
					Current Year	Previous Year
Note : Allocation of Depreciation/Amortisation						
(a) Charged to Profit & Loss Account					1257.10	1204.68
(b) Charged to expenditure during construction					0.82	0.29
(c) Debited to adjustments pertaining to earlier years					13.56	65.38
Total					1271.48	1270.35



1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Expenditure during construction pending allocation (Schedule 1.6.1)	14.40	17.68
Capital Work-in-progress		
Steel Plants & Units	597.50	314.42
Township	9.70	9.38
Ore Mines and Quarries	1.72	3.38
	608.92	327.18
Less: Provisions	21.64	28.01
Capital equipments pending erection, installation, commissioning and adjustments	587.28	299.17
Construction Stores and Spares	22.63	22.00
Less: Provisions	3.35	5.42
Advances	294.41	125.22
Less: Provisions	3.31	5.13
	949.04	472.43
Particulars of advances		
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs. 0.00 crore) (Previous year Rs.10.69 crore)	291.10	120.09
Unsecured, Considered Doubtful	3.31	5.13
	294.41	125.22

1.6.1: EXPENDITURE DURING CONSTRUCTION

	As at 31st March, 2006	As at 31st March, 2005
		(Rupees in crore)
Opening balance (a)	17.68	25.66
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	16.56	5.48
Company's contribution to Provident and other Funds	1.33	0.61
Travel Concession	0.14	0.06
Welfare Expenses	—	0.02
Gratuity	0.03	0.08
Technical Consultants' fees & know-how	3.47	10.85
Repairs & Maintenance	0.12	0.15
Stores and Spares	0.05	0.09
Power & Fuel	1.48	0.49
Other expenses	15.64	2.27
Interest & Finance charges	4.69	1.69
Depreciation	0.82	0.29
	44.33	22.08
Less: Income		
Interest Earned	—	—
Liquidated Damages	4.21	0.46
Hire Charges	1.94	0.28
Sundries	2.64	2.29
	8.79	3.03
Net expenditure during the year (b)	35.54	19.05
Total (a)+(b)	53.22	44.71
Amount allocated to Fixed Assets/ Capital Work-in-progress	38.82	27.03
Balance carried forward	14.40	17.68



SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.7 : INVESTMENTS AT COST

	Number of Fully Paid-up Equity Shares	Face Value per Share (Rs.)	As at 31st March, 2006	As at 31st March, 2005
<i>(Rupees in crore)</i>				
(A) Unquoted - Long Term Trade Investments				
Subsidiary Companies				
Bhilai Oxygen Limited (since wound-up)	- (49998)	10	—	0.05
IISCO Ujjain Pipe & Foundry Company Limited (Refer Note No. 3.5)	30,00,000	10	<u>3.00</u>	<u>3.00</u> 3.05
Others				
Almora Magnesite Limited	40,000	100	<u>0.40</u>	0.40
Less : Share of post acquisition loss			<u>0.40</u>	<u>0.40</u>
Tata Refractories Limited	22,03,150 (10,00,000)	10	<u>11.35</u>	1.12
Indian Potash Limited	360000 (2,40,000)	10	<u>0.18</u>	<u>11.53</u> 0.18 1.30
Cement & Allied Products (Bihar) Limited Chemical & Fertilizer Corporation (Bihar) Limited	2 1	10	—*	—*
MSTC Limited	20,000	10	<u>0.01</u>	0.01
Bihar State Financial Corporation Shares in Co.-operative Societies (1.7.1)	500	100	<u>0.01</u>	0.01
Unquoted Current Investments				
Units of Mutual Fund			<u>8.40</u>	<u>6.43</u>
Total (A)			<u>23.13</u>	<u>10.99</u>
(B) Quoted - Long Term				
Housing Development Finance Corporation Limited (Market Value Rs 1,60,32,000; Previous year Rs. 87,19,200)	12000	10	<u>0.01</u>	0.01
HDFC Bank Limited (Market Value Rs 3,87,125; Previous year Rs. 2,72,125)	500	10	—*	—*
ICICI Bank Ltd (Market Value Rs. 1,68,46,830; Previous Year Rs. 1,12,39,800)	28600	10	<u>0.05</u>	<u>0.06</u> 0.05 0.06
Total (B)			<u>0.06</u>	<u>0.06</u>
Total (A +B)			<u>23.19</u>	<u>11.05</u>
Less : Provision for diminution in value of investments			<u>3.05</u>	<u>3.05</u>
			<u>20.14</u>	<u>8.00</u>

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



SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Number of Fully Paid-up Equity Shares	Face Value per Share (Rs.)	As at 31st March, 2006	As at 31st March, 2005
<i>(In Rupees)</i>				
Bokaro Steel Employees' Co.-operative Credit Society Limited	116500	10	<u>1165000</u>	1290000
Bokaro Steel City Central Consumers' Co.-operative Stores Limited	250	10	<u>2500</u>	2500
NMDC Meghahatuburu Employees' Consumers Co.-operative Society Limited	25	100	<u>2500</u>	2500
DSP Employees' Co-operative Society Limited	1377	100	<u>137700</u>	137700
Bolani Ores Employees' Consumer Co.-operative Society Limited	200	25	<u>5000</u>	5000
IISCO Employees Primary Co-operative Stores Limited	23000	20	<u>460000</u>	460000
			<u>1772700</u>	<u>1897700</u>



SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.8 : INVENTORIES*

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Stores & spares	1296.57	1096.88
Add: In-transit	124.47	63.68
	1421.04	1160.56
Less: Provision for Non moving/Obsolete items	160.48	171.66
	1260.56	988.90
Raw materials	1126.76	894.01
Add: In-transit	638.56	482.08
	1765.32	1376.09
Less: Provision for Unusable materials	1.47	1.73
	1763.85	1374.36
Finished / Semi-finished products (including scrap)	3297.40	2160.19
	6321.81	4523.45

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

1.9 : SUNDRY DEBTORS

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Debts over six months	325.98	316.28
Other debts	1794.96	1867.03
	2120.94	2183.31
Less: Provision for doubtful debts	209.10	208.64
	1911.84	1974.67
Particulars		
Unsecured, considered good (Including debts backed by bank guarantees Rs.483.06 crores) Previous year Rs.560.06 crores)	1911.84	1974.67
Unsecured, considered doubtful	209.10	208.64
	2120.94	2183.31

1.10 : CASH & BANK BALANCES

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Cash and Stamps on hand	1.68	1.53
Cheques on hand	275.16	351.96
With Scheduled Banks		
Current account	64.83	93.03
Unpaid Dividend account	3.27	0.19
Margin Money Account	0.02	—
Term deposits	5886.95	5920.21
	5955.07	6013.43
Remittances-in-transit	11.56	3.40
	6243.47	6370.32

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Loans to subsidiary company (Refer Note No.3.5 of schedule 3)	0.58	0.58
Loans to other companies	0.63	0.63
Deposits	31.43	79.26
Employees	49.38	61.44
Others	10.25	7.31
	92.27	149.22
Less Provision for doubtful interest	5.12	5.15
	87.15	144.07
Particulars		
Unsecured, considered good	87.15	144.07
Unsecured, considered doubtful	5.12	5.15
	92.27	149.22

SCHEDULES

(Forming part of the Consolidated Balance Sheet)

1.12: LOANS & ADVANCES

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Loans		
Employees	198.38	123.54
Stores issued	—	14.08
Others	58.81	49.87
	257.19	187.49
Less : Provision for doubtful loans	—	16.42
	257.19	171.07
Advances recoverable in cash or in kind or for value to be received		
Claims recoverable	456.41	418.89
Contractors & suppliers	117.17	123.03
Employees	16.42	9.38
Advance Income Tax and Tax deducted at source	1804.86	750.41
Export Incentive Receivable	22.49	58.77
Others	303.82	219.28
	2721.17	1579.76
Deposits		
Port trust, Excise authorities, Railways, etc.	134.10	122.26
Others	157.91	292.01
	3270.37	2031.50
Less : Provision for doubtful Loans & Advances	164.49	193.52
	3105.88	1837.98

Particulars of Loans & Advances-Others		
Secured, considered good	186.37	119.36
Unsecured, considered good (Including loans & advances backed by bank guarantees Rs. 0.00 crores) (Previous year Rs. 0.11 crores)	2919.51	1718.62
Unsecured, considered doubtful	164.49	193.52
	3270.37	2031.50
Amount due from		
- Directors	—	0.02
- Officers	0.05	—
Maximum amount due at any time during the year from		
- Directors	0.02	0.03
- Officers	0.05	—

1.13: CURRENT LIABILITIES

	As at 31st March 2006	As at 31st March 2005
(Rupees in crore)		
Sundry creditors		
Capital works	327.86	222.10
Small scale Industrial Undertaking	15.48	15.27
Others	2127.01	2200.04
	2470.35	2437.41
Advances from Customers	523.86	597.39
Others	15.02	14.56
	538.88	611.95
Security deposits	241.02	232.19
Less : Investments received as security deposit	0.10	0.39
	240.92	231.80
Interest accrued but not due on Loans	375.99	529.82
Liability towards Investor Education and Protection Fund, not due		
Unpaid Dividends	3.27	0.19
Unclaimed Matured Deposits *	5.14	11.03
Unclaimed Matured Bonds	0.60	0.83
Interest Accrued on unclaimed Deposits / Bonds	2.59	4.37
	1675.65	1398.45
Other liabilities	5313.39	5225.85

* Includes an amount of Rupees 0.06 crore credited to Investor Education & Protection Fund.



1.14 : PROVISIONS FOR :-

(Schedules forming part of the Balance Sheet)

	Balance as at 31st March 2005	Additions during the year	Total	Payments / Utilisation / charged off	Written-back during the year	Balance as at 31st March 2006
						(Rupees in crore)
Gratuity	2143.90	323.37	2467.27	162.24	—	2305.03
Accrued Leave	1086.31	323.53	1409.84	177.82	—	1232.02
Taxation	752.85	1956.49	2709.34	751.22	—	1958.12
Pollution Control & Peripheral Development	84.23	18.06	102.29	15.85	—	86.44
Exchange Fluctuation	0.00	13.95	13.95	—	—	13.95
Proposed dividend	755.06	838.98	1594.04	1272.96	—	321.08
Tax on Dividend	105.82	117.68	223.50	178.74	—	44.76
Voluntary Retirement Compensation	115.23	8.23	123.46	38.39	—	85.07
Employee Family Benefit Scheme	194.11	45.32	239.43	34.98	—	204.45
Post Retirement Medical and Settlement Benefits	518.27	18.74	537.01	18.32	26.37	492.32
Wage Revision	317.29	25.23	342.52	—	—	342.52
Mines closure / Afforestation	7.81	134.31	142.12	—	—	142.12
Others	70.10	7.89	77.99	6.19	1.86	69.94
Total	6150.98	3831.78	9982.76	2656.71	28.23	7297.82
Previous year	4902.94	3810.96	8713.90	2426.85	136.07	6150.98

1.15 : MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 31st March 2005	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March 2006
					(Rupees in crore)
(i) Development Expenditure					
- On Mines	10.10	—	10.10	6.76	3.34
Total (i)	10.10	—	10.10	6.76	3.34
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	343.28	46.90	390.18	176.81	213.37
(b) Others	1.57	0.04	1.61	1.47	0.14
Total (ii)	344.85	46.94	391.79	178.28	213.51
Total (i+ii)	354.95	46.94	401.89	185.04	216.85
Previous year	439.79	92.58	532.37	177.42	354.95

Charged Off to:

Raw Materials
Other Expenses & Provisions
Prior Period Adjustments/EDC

Current Year	Previous Year
6.76	9.29
178.28	168.15
—	—
185.04	177.44

1.16 : MINORITY INTEREST

Balance of Equity as on the date of Investment
Add : Movement in Equity and proportionate share of Profit / losses from the date of investment
up to 31.03.2006

Current Year	Previous Year
-0.43	-0.43
0.49	0.32
0.06	-0.11

2.1 : SALES

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Domestic - Iron & steel ,		
By-products,others	31216.48	31853.62
Exports - Iron & steel	1096.99	1350.93
Export Incentives	20.86	66.48
Energy & Steam	219.57	209.14
Conversion charges	0.76	2.06
Others	0.49	0.42
Total	32555.15	33482.65

2.2: INTEREST EARNED

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Loans & advances	0.05	1.55
Customers	28.58	25.47
Employees	8.13	7.67
Term Deposits	408.95	182.67
Others *	20.62	38.49
Total	466.33	255.85

* (Tax deducted at source Rs.1.11 crore)
(previous year Rs. 0.55 crore)

2.3: OTHER REVENUES

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Social amenities-recoveries	130.12	123.84
Sale of empties etc.	40.67	35.74
Liquidated damages	21.02	16.15
Service charges (Gross) *	26.23	42.63
Subsidy	47.06	243.60
Hire charges etc.	0.00	0.11
Claims for finished products (Shortages & missing wagons)	0.00	0.16
Dividend (gross) from investments	13.74	13.50
Profit on sale of fixed assets (net)	56.09	—
Profit on sale / lease of houses	2.05	11.09
Profit on sale of current Investment	0.19	0.03
Sundries *	265.12	318.33
Total	602.29	805.18

* (Tax deducted at source Rs. 0.61 crore)
(previous year Rs.1.00 crore)

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Loans & advances	26.75	10.19
Sundry debtors	18.31	30.02
Stores & spares	21.78	7.66
Investments	—	0.98
Others	13.66	108.07
Total	80.50	156.92

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

	Year ended 31st March, 2006	Year ended 31st March, 2005
		(Rupees in crore)
Opening stock	2159.27	1684.35
Less : Closing stock	3297.41	2160.19
	-1138.14	-475.84
Less : Excise Duty on accretion to stock	-100.86	-130.38
	-1037.28	-345.46

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2006	Year ended 31st March, 2005
	Quantity Tonnes	Quantity Tonnes
	Value Rs./crores	Value Rs./crore
Iron ore	23950548	21278178
Coal	14115529	13343740
Coke	589442	533220
Limestone	3942594	3297178
Dolomite	2474155	2556729
Ferro Manganese	43778	48162
Ferro Silicon	19685	18021
Silico Magenese	105599	93817
Hot Rolled Stainless		
Steel Coils	3393	4406
Intermediary Products	44800	115750
Zinc	9818	9753
Aluminium	14800	13499
Others	503.07	470.30
Total	12396.91	10181.21

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2006	Year ended 31st March, 2005
	(Rupees in crore)	
Salaries & wages	3300.89	3093.09
Wage revision arrears	—	325.06
Company's contribution to provident fund & other funds	308.00	273.47
Travel concessions	85.43	49.94
Welfare expenses	190.06	316.59
Gratuity	320.27	546.39
	4204.65	4604.54
Less : Grants in Aid received from Government of Karnataka	0.28	0.30
	4204.37	4604.24
Note :		
Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	18.06	6.25
b) Deferred Revenue Expenditure	176.81	166.84
c) Net expenditure on Social Amenities charged to various primary revenue heads	252.91	224.19
	447.78	397.28

2.8 : POWER & FUEL

Purchased power	2083.47	1896.56
Duty on own generation	32.49	22.50
Boiler Coal/Middlings	161.77	188.09
Furnace Oil/LSHS/LDO	81.14	71.12
Others	255.43	222.01
	2614.30	2400.28

Note :
Expenditure on Power & Fuel not included above & charged off to:
- Expenditure During Construction

1.48 0.49

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2006	Year ended 31st March, 2005
	(Rupees in crore)	
Buildings	56.49	44.37
Plant & Machinery	216.24	191.46
Others	106.63	61.52
	379.36	297.35
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	47.46	50.32
Plant & Machinery	617.12	642.19
Others	64.95	66.53
	729.53	759.04
b) Stores & Spares		
Buildings	22.06	11.12
Plant & Machinery	1000.05	807.79
Others	53.69	46.67
	1075.80	865.58
c) Expenditure during Construction		
	0.12	0.15
	0.12	0.15
Total (a+b+c)	1805.45	1624.77

2.10 : OTHER EXPENSES

	Year ended 31st March, 2006	Year ended 31st March, 2005
	(Rupees in crore)	
Commission to selling agents	6.35	11.01
Directors' Fees	0.12	0.08
Export sales expenses	23.74	23.99
Excise Duty on IPT / Internal Consumption	65.29	58.79
Handling expenses		
- Raw Material	155.74	152.14
- Finished goods	81.69	79.97
- Scrap recovery expenses	60.92	59.92
	296.35	292.03
Insurance	9.83	9.09
Loss on sale/scraping of Fixed Assets (Net)	—	17.73
Postage, telegram & telephone	15.33	14.27
Printing & stationery	9.42	9.45
Provisions		
- Doubtful debts, loans and advances	31.16	44.41
- Stores , Spares and Sundries	17.13	48.16
	48.29	92.57
Rates & Taxes	20.25	26.73
Remuneration to Auditors*		
- Audit fees	0.62	0.58
- Tax Audit fees	0.20	0.13
- Out of pocket expenses	0.89	0.61
- In other capacities	0.57	0.40
	2.28	1.72
Cost Audit Fees	0.02	0.01
Rent	23.07	24.37
Royalty and cess	53.61	49.90
Security expenses	109.61	106.87
Travelling expenses	182.08	121.37
Write Offs		
- Miscellaneous & Deferred Revenue Expenditure	178.28	168.15
- Doubtful debts, advances etc.	4.25	38.68
	182.53	206.83
Cash Discount	31.18	35.38
Training expenses	8.16	5.55
Conversion charges	63.93	50.48
Foreign Exchange Fluctuation (Net)	10.55	7.83
Water charges & Cess on water pollution	43.66	48.08
Contribution to Joint Plant Committee Funds	2.79	2.72
Miscellaneous (include Donation of Rs. 0.10 lakhs ; previous year Rs. 101.60 lakhs)	431.77	308.62
	1642.21	1525.47

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2006	Year ended 31st March, 2005
	(Rupees in crore)	
Public deposits	7.49	47.99
Foreign currency loans	74.58	76.70
Non Convertible Bonds	288.84	407.20
Bank borrowings - working capital	6.35	30.45
Steel Development Fund (SDF) Loans	50.57	48.17
Others	17.89	21.58
Finance Charges	38.28	51.28
	484.00	683.37
Less : Reversal of interest on SDF Loans for earlier years	—	46.93
	484.00	636.44
Note :		
Expenditure on interest not included above & charged to:		
Expenditure During Construction		
Non Convertible Bonds	0.01	0.17
Steel Development Fund loans	4.68	1.52
	4.69	1.69

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2006	Year ended 31st March, 2005
	(Rupees in crore)	
Raw materials	1173.34	1218.51
Departmentally manufactured stores	331.84	259.18
Services transferred to capital works	28.00	29.44
Inter plant transfer of stocks/stores	—	22.03
Others(Net)	5.83	7.72
	1539.01	1536.88

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March,2006	Year ended 31st March,2005
	(Rupees in crore)	
Sales	0.39	-0.49
Other revenues	0.03	-1.31
Raw materials consumed	2.80	-8.07
Employees' remuneration & benefits	0.17	—
Stores & spares consumed	-1.54	0.73
Power & fuel	0.02	0.83
Repairs & Maintenance	0.11	2.78
Freight Outward	0.02	—
Other Expenses & Provisions	1.77	-1.01
Interest	-1.63	—
Depreciation	13.56	65.38
Net Debit	15.70	58.84
(-) indicate credit items		



Schedule 3 : Significant Accounting Policies and Notes on accounts

1. Significant Accounting Policies

1.1 Basis of Accounting

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

1.2 Fixed Assets

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

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

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

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

1.3 Borrowing Costs

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

1.4 Depreciation

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

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

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

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

Cost pertaining to acquisition of mining rights is amortised over the lease period.

In case of Bokaro Power Supply Company (Private) Ltd., depreciation is charged on straight-line method as per the rates prescribed under the erstwhile Electricity (Supply) Act 1948 as notified from time to time in accordance with the provisions of the Electricity Act, 2003.

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

1.5 Investments

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

1.6 Inventories

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

Raw materials and finished/semi-finished products are valued at lower of cost and net realisable value of the respective plants. 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.

Residue products and scrap of various nature are valued at estimated net realisable value except iron ore fines not readily useable/saleable, which are recognised on disposal.

The basis of determining cost is:

Stores & spares and raw materials - 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 Power Generation Companies, inventories, other than scrap are valued at cost.

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

1.7 Grants

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

1.8 Deferred Revenue Expenditure

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

1.9 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.

1.10 Employees' Benefits

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

1.11 Adjustments pertaining to earlier years and prepaid expenses

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

1.12 Revenue recognition

Sales include excise duty and are net of rebates 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.

1.13 Claims for Liquidated Damages/Price Escalation

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

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

1.14 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

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

Sl.	Name of the Company	Proportion (%) of Company's ownership interest (As on 31st March, 2006)
Subsidiary Company		
1.	Maharashtra Elektros melt Ltd. (MEL)	99.12
Joint Venture Companies		
1.	NTPC SAIL Power Company Private Limited (NSPCL)	50
2.	SAIL Bansal Service Centre Limited (SBSCL)	40
3.	Metaljunction Services Limited (MSL)	50
4.	UEC SAIL Information Technology Limited (USIT)	40
5.	Bokaro Power Supply Company Private Limited (BPSCCL)	50
6.	Bhilai Electric Supply Company Private Limited (BESCL)	50
7.	Romelt SAIL (India) Limited (RSIL)	15
8.	North Bengal Dolomite Limited (NBDL)	50
9.	N.E. Steel & Galvanising Private Limited	49
Associate		
	Almora Magnesite Limited (AML)	20

3. Principles of consolidation of Financial Statements :

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

3.1 The financial statements of SAIL and MEL are consolidated 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, intra group transactions and any unrealised profit/loss included therein. However, materials lying in stock against intra-group transfers and profit margins included therein; the quantum whereof is insignificant, have been accounted for based on the management certificates.

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

3.3 Investment in Associate company has been accounted for using "equity method" of accounting prescribed by Accounting Standard (AS)-23 whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post-acquisition change in the company's share of net assets of the Associate.

3.3.1 The carrying amount of investment in Associate Company includes capital reserve of Rs. 0.56 crores, arising out of acquisition. The current year share of profit of Rs. 0.22 crores of Associate Company has not been considered in the consolidated financial statements.

3.4 The excess of cost to SAIL, of its investment in its Subsidiary Company, Joint Venture companies and Associate, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the Subsidiary Company, Joint Venture companies and Associate over cost of its investment is treated as Capital Reserve. This has been calculated, presuming such acquisitions to be on the last date of the respective years, irrespective of the actual date of such acquisition.

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

3.6 Pursuant to the scheme of amalgamation under section 391 to 394 of the Companies Act 1956, the Indian Iron & Steel Company Limited (IISCO), an erstwhile wholly owned subsidiary company, has been amalgamated with SAIL with effect from the appointed date i.e. 1st April 2005.



SCHEDULES



4. CONTINGENT LIABILITIES

4.1 General

	(Rs. in crore)	
	As at 31st March, 2006	As at 31st March, 2005
i) Claims against the Group pending appellate/judicial decisions against which the Group has counter claims of Rs. 51.08 crore. (previous year Rs. 59.47 crore)	1667.50	1499.64
ii) Other claims against the Group not acknowledged as debt against which the Group has counter-claims of Rs. 23.65 crore. (previous year Rs. 362.15 crore)	625.10	956.38
iii) Disputed Income tax demand for which Group may be contingently liable.	50.22	25.61
iv) Guarantee/Counter-guarantee given to Banks/excise authorities.	31.40	31.40
v) Bills drawn on customers and discounted with banks.	23.89	18.25
vi) Price escalations claims by Contractors / Suppliers and claims by certain employees, extent whereof is not ascertainable	-	-

4.2 Sales Tax authorities have raised demands for Rs. 1178.94 crore (As at 31st March 2005-Rs. 1109.08 crore) mainly on account of sales tax on stock transfers made by SAIL over the years to stockyards situated in different States. The demands of sales tax authorities at plants have been contested by SAIL which are pending at various stages of appeal. As sales tax liability has been paid on sale of such stocks to the respective sales tax authorities in different states, no liability is expected to arise, as sales tax is leviable only once.

5. FIXED ASSETS

5.1 Land Includes :

- 62264.43 acres (As at 31st March 2005-62138.57 acers) owned/possessed/taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- 5938.50 acres (As at 31st March 2005 - 5299.26 acres) given on lease to various agencies/employees/ex-employees.
- 9717.66 acres (As at 31st March 2005 - 9598.79 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be excuted/registered.
- 27.42 acres (As at 31st March, 2005-27.42 acres) in respect of which title is under dispute.

5.2 Buildings include net block of Rs. 38.36 crore (As at 31st March 2005 - Rs. 39.10 crore) for which conveyance deed is yet to be registered in the name of SAIL.

5.3 Foreign exchange variations aggregating to Rs. 17.36 crore (net credit) {previous year- Rs. 13.86 crore (net debit)} 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. 2862.74 crore (As at 31st March, 2005 - Rs. 1634.36 crore).

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 have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Court's orders, the amount of tax deducted by SAIL and MEL on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 has been kept separately as term deposits with banks upto last financial year. However, from 1st April, 2005, pursuant to amendment in the Income Tax Rules, tax on perquisites is being deducted by SAIL and MEL and deposited with the Government except in respect of house perquisites in case of executives, where the deduction has been stayed by the Hon'ble High Court, Kolkata.

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

7. PROFIT & LOSS ACCOUNT

7.1 SAIL has granted long term lease of residential premises to the employees, ex-employees etc. of initial period of 33 years, renewable for two like periods. The lease premium received up-front, has been adjusted against book value and the resultant profit of Rs. 2.05 crores (previous year Rs. 11.09 crore) thereon has been shown under Schedule 2.3 - 'Other Revenues'.

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

7.3 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 The Research & Development expenditure charged to Profit & Loss account and Fixed Assets during the year amounting to Rs. 59.15 crore (previous year Rs. 59.24 crore) and Rs. 3.23 crore (previous year Rs. 1.34 crore) respectively.

7.5 SAIL has represented to the Government for withdrawal of JPC cess on sale of certain steel products in view of decontrol of steel prices in earlier years. However, pending confirmation of withdrawal from Government, provision of Rs. 14.51 crore (including Rs. 2.79 crore for the year) has been made.

7.6 In accordance with AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, net deferred tax of SAIL as on 31st March 2006, has been accountanted for, as detailed below:

SCHEDULES

	As on 31st March 2006	As on 31st March 2005
(Rupees in crore)		
Deferred tax liability		
Difference between book and tax depreciation	2889.53	3032.05
Total	2889.53	3032.05
Deferred tax assets		
Provision for Retirement benefits	1201.44	982.98
Others	203.63	204.76
Total	1405.07	1187.74
Net Deferred tax (Assets)/Liabilities	1484.46	1844.31

7.6.1 In case of MEL, net deferred tax assets as on 31st March 2006, has been accounted for, as detailed below :

	As on 31st March 2006	As on 31st March 2005
(Rupees in crore)		
Deferred tax liability		
Difference between book and tax depreciation	3.50	3.70
Total	3.50	3.70
Deferred tax assets		
Provision for Retirement benefits	—	0.01
Others	8.90	7.78
Total	8.90	7.79
Net Deferred tax (Assets)/Liabilities	(5.40)	(4.09)*

* In consideration of prudence, deferred tax assets of Rs. 4.09 crore as at 31st March 2005 were not accounted for.

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

7.7 SAIL and MEL reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant as Cash Generating Unit (CGU). On such review as at 31st March 2005 for SAIL (including IISCO), wherever there was indication of impairment, the net realisable value thereof was assessed by an independent agency and the same was more than the carrying amount. On further review as at 31st March 2006, these valuations of the assets continue to be higher than the book value and accordingly, no provision is required to be made in the accounts.

7.8 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.

8. GENERAL

8.1 Segment Reporting

- Business Segment : The five integrated steel plants and three alloy steel plants of SAIL, MEL and three power plant Joint Venutre companies, have been considered as primary business segements 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 in Annexure-I.

8.2 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
Key Management Personnel	Shri V.S. Jain Shri Ashis Das (upto 19th August 2005) Shri S.K.Roongta Shri G.C. Daga Shri K.K. Khanna Shri R.P.Singh Dr. S.K.Bhattacharya (upto 31st December 2005) Dr. Sanak Mishra (upto 31st December 2005) Shri U.P.Singh Shri Nilotpal Roy Shri N.P. Jayswal Shri M. Roy Shri PM Balasubramaniam (w.e.f. 20th March 2006) Shri H.K. Roy Choudhury Shri B.N. Singh (upto 28th February 2006) Shri D.S. Lal Shri R.K Sarangi Shri A.K. Dasgupta (Upto 30th April 2005) Shri S. Chakroborty (w.e.f. 1st May 2005) Shri T.K. Chakravarty Shri A.K. Sarkar Shri A.P. Nayak

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

Rs. in crore			
Sl. No.	Nature of transactions	Key Management Personnel For the year	Schedule No. and Account head
(i)	Managerial Remuneration	1.43	2.7: Employees' Remuneration and Benefits

8.3 Previous year's figures have been re-arranged/re-grouped/ revised, wherever necessary.



Segment Information for the year ended 31st March, 2006

A. BUSINESS SEGMENT

(Rupees in crore)													
PARTICULARS	BSP	DSP	RSP	BSL	ISP	ASP	SSP	VISL	MEL	POWER COMPANIES	OTHERS	INTER SEGMENT ADJUST-MENTS	SAIL GROUP
REVENUE													
-External Sales													
Current year	11217.26	3759.51	4586.65	9535.29	1287.00	493.71	770.12	633.03	28.82	219.57	24.19		32555.15
Previous year	(11388.25)	(4028.45)	(4674.19)	(9731.14)	(1371.15)	(450.43)	(1008.83)	(509.94)	(221.43)	(209.14)	(-110.30)		33482.65
-Internal Segment Sales													
Current 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
Previous year	(100.58)	(113.42)	(58.19)	(287.94)	(116.14)	(116.93)	(7.04)	(26.87)	(40.96)		(393.55)	(-1261.62)	(0.00)
-Total Revenue													
Current year	11386.51	3838.92	4632.72	10067.18	1306.35	667.87	785.04	656.84	247.33	219.57	507.14	-1760.32	32555.15
Previous year	(11488.83)	(4141.87)	(4732.38)	(10019.08)	(1487.29)	(567.36)	(1015.87)	(536.81)	(262.39)	(209.14)	(283.25)	(-1261.62)	(33482.65)
RESULT													
- Operating profit/(-) loss (Before Interest Expenses)													
Current year	2921.70	311.24	608.74	2169.72	-242.21	30.15	-56.92	29.95	32.29	48.21	409.32		6262.19
Previous year	(4210.62)	(861.29)	(1196.11)	(3438.61)	(71.05)	(-30.02)	(15.41)	(-8.77)	(67.41)	(52.32)	(226.06)		(10100.09)
- Interest expenses													
Current year													484.00
Previous year													(636.44)
- Net Loss (-)													
Current year													5778.19
Previous year													9463.65
OTHER INFORMATION													
- Segment assets													
Current year	4321.65	3677.46	4326.16	4373.20	1009.72	491.10	845.45	580.05	144.57	730.83	10929.76		31429.95
Previous year	(3817.08)	(3752.94)	(4247.14)	(3920.20)	(817.51)	(450.56)	(939.00)	(512.69)	(111.74)	(629.68)	(9681.41)		(28879.95)
- Segment Liabilities													
Current year	1877.93	802.40	1068.93	2088.88	1287.75	229.56	89.38	172.27	92.95	77.73	4823.43		12611.21
Previous year	(1838.61)	(771.96)	(1010.15)	(1906.24)	(1127.92)	(203.79)	(202.44)	(178.80)	(68.38)	(33.77)	(4034.77)		(11376.83)
- Capital expenditure													
Current year	250.28	173.31	163.94	189.72	91.37	25.13	7.96	9.95	2.37	161.76	81.84		1157.63
Previous year	(206.09)	(55.51)	(232.17)	(-9.62)	(27.63)	(10.58)	(1.80)	(6.90)	(2.07)	(83.27)	(59.46)		(675.86)
- Depreciation													
Current year	204.37	295.68	288.27	253.38	26.73	9.88	43.18	10.59	1.97	46.73	76.32		1257.10
Previous year	203.01	303.15	275.52	234.07	27.25	9.93	43.09	10.44	1.95	47.64	48.63		1204.68

A GEOGRAPHICAL SEGMENT

Particulars	Current year	Previous year
	(Rs. in crore)	(Rs. in crore)
Sales revenue		
India	31458.16	32131.72
Foreign Countries	1096.99	1350.93
Total	32555.15	33482.65

Note :

1. Others include Raw Material Division and Central Units of SAIL, Bhilai Oxygen Limited, Metaljunction Services Ltd., UEC-SAIL Information Technology Limited, SAIL-Bansal Service Centre Limited and North Bengal Dolomite Limited.
2. 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 COMPANY, JOINT VENTURES AND ASSOCIATE COMPANY

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, and its subsidiary company, joint ventures and Associate Company (SAIL group) as on 31st March 2006 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 entities 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 entities included in the consolidated financial statements, is based solely on the reports of other auditors.

(Rupees in Crore)		
Name of the Companies	Assets	Revenues
A. Subsidiary		
Maharashtra Elektrosmelt Limited	143.58	198.17
B Joint Ventures		
NTPC SAIL Power Company Private Limited	206.56	65.78
Metaljunction Services Limited	17.42	15.65
Bhilai Electric Power Supply Company Private Limited	287.95	28.85

2. In respect of the following Joint Ventures, 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 2006 were not audited, any subsequent adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of the Joint Ventures in the consolidated position is not significant in relative terms.

(Rupees in Crore)		
Name of the Companies	Assets	Revenues
Joint Ventures		
SAIL Bansal Service Centre Limited	7.93	23.98
UEC SAIL Information Technology Limited	0.70	0.26
Romelt SAIL(India)Limited	0.02	0.01
Bokaro Power Supply Company Private Limited	236.33	128.96
North Bengal Dolomite Limited	0.30	0.00
N.E. Steel & Galvanising Private Limited	0.00	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 consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", AS-23, "Accounting for Investments in Associates in Consolidated financial statements" and AS-27, "Financial reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Steel Authority of India Limited and its subsidiary, Joint Ventures and Associates included in the consolidated financial statements.
5. 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.



Subject to para 3 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 I 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 2006;
- ii) in case of consolidated Profit & Loss Account, of the Profit of the SAIL Group of 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/-
(S.K. Chopra)
Partner
(M. No. 14907)

For Ray & Ray
Chartered Accountants

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

For Dass Maulik Mahendra K Agrawala & Co.
Chartered Accountants

Sd/-
(Mahendra K Agrawala)
Partner
(M. No. 51764)

Place : Ranchi
Dated : June 27, 2006