

The Spectacular

Turnaround



STEEL AUTHORITY OF INDIA LIMITED

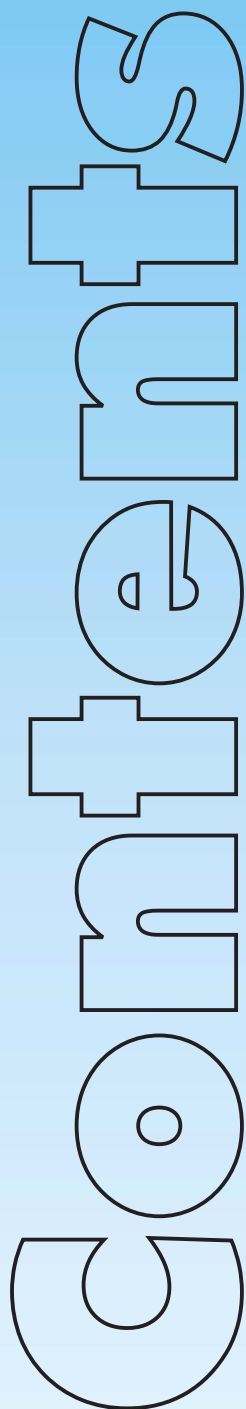


Vision

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

Credo

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



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STEEL AUTHORITY OF INDIA LIMITED

Registered Office

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 Phone: 24367481; Fax-24367015 Gram: STEELINDA
 Internet: www.sail.co.in E.Mail: secy.sail@sail.co.in

Board of Directors *(As on 31.07.2004)*

Shri V.S. Jain	Chairman
Dr. S.K. Bhattacharyya	Managing Director, Durgapur Steel Plant
Dr. Sanak Mishra	Managing Director, Rourkela Steel Plant
Shri U.P. Singh	Managing Director, Bokaro Steel Plant
Shri R.P. Singh	Managing Director, Bhilai Steel Plant
Shri Ashis Das	Director (Personnel)
Shri S.K. Roongta	Director (Commercial)
Shri G.C. Daga	Director (Finance)
Shri K.K. Khanna	Director (Technical)
Dr. Y.R.K. Reddy	Director
Shri D.V. Singh	Director
Shri S.N. Mishra	Director
Shri V.K. Agarwal	Director
Shri P.K. Sengupta	Director
Dr. Amit Mitra	Director
Shri A.H. Jung	Director
Dr. S.Y. Quraishi	Director
Shri Devinder Kumar	Secretary

Bankers	Central Bank of India	State Bank of Mysore
State Bank of India	UCO Bank	IDBI Bank Ltd.
Bank of Baroda	State Bank of Patiala	
Canara Bank	Punjab & Sind Bank Ltd.	Statutory Auditors
Punjab National Bank	Allahabad Bank	M/s. Chaturvedi & Co.
United Bank of India	Jammu & Kashmir Bank	Chartered Accountants
Syndicate Bank	State Bank of Saurashtra	M/s. P.A. & Associates
Union Bank of India	State Bank of Hyderabad	Chartered Accountants
Bank of India	Bank of Maharashtra	M/s. S.K. Mittal & Co.
Indian Overseas Bank	State Bank of Indore	Chartered Accountants
Oriental Bank of Commerce	State Bank of Bikaner & Jaipur	



Board of Directors



Shri V.S. Jain
Chairman



Dr. S.K. Bhattacharyya



Dr. Sanak Mishra



Shri Ashis Das



Shri U.P. Singh



Shri S.K. Roongta



Shri R.P. Singh



Shri G.C. Daga



Shri K.K. Khanna



Dr. Y.R.K. Reddy



Shri D.V. Singh



Shri S.N. Mishra



Shri V.K. Agarwal



Shri P.K. Sengupta



Dr. Amit Mitra



Shri A.H. Jung



Dr. S.Y. Quraishi



Chairman's Message

Chairman's Message

On with the Winning Streak

Dear Shareholders,

It gives me great pleasure to welcome you to the 32nd Annual General Meeting of your company. There is a lot of good news to share. Last year, on behalf of the SAIL collective, I had assured you that we were north-bound and there was no looking back. We have kept our commitment. Your organisation has made a grand turnaround and touched new heights in efficiency, growth and, above all, profitability. The profit of Rs. 2,512 crore earned by your company in 2003-04 was the highest since inception.

The year 2003-04 was a remarkable one for the international steel industry. After a prolonged period of depression, the industry was able to bounce back into the reckoning during the year, following strong revival of steel

demand, triggered mainly by China. As the months passed, there were symptoms of all round recovery and soon the demand upsurge in South East Asia, Europe and USA strengthened the positive trend. By the end of the year there were clear indications that the steel market recovery would persist for some more time to come.

Today, the global steel community has enough reasons to cheer. World GDP is projected to grow at a rate of above 4% during 2004 and 2005. Global consumption of finished steel products is projected to increase by 6.2% or 53 million tonnes in 2004 and by 4.5% or 41 million tonnes in 2005, as estimated by the International Iron and Steel Institute.

Quite in tune with the global recovery, steel demand in the domestic market also headed



northward, backed by 8.2% growth in GDP during 2003-04. The Indian economy is projected to maintain a strong growth rate during 2004-05 as well. The Index for Industrial Production grew by 6.9% in 2003-04 and the growth in our industrial sector continues to be healthy. Manufacturing was up by 7.3% while the consumer durables sector grew by 11.5%. Demand for steel increased by 5% in 2003-04. Steel consumption is projected to grow by about 6% to 7% in 2004-05 with continued growth in construction and automobiles, besides improved outlook for the general engineering sector. With numerous road projects, national rail development projects, renovation and modernisation of airports and seaports, building of international convention centres and fiscal incentive to the housing sector, the Indian steel industry is likely to witness sustained buoyancy.

However, close on the heels of high steel

demand, the unprecedented spurt in ocean freight and prices of raw materials are areas of concern. The situation was further aggravated by short supply of vital inputs like coking coal. This called for reorientation of strategies like use of coal tar, installation of coal dust injection facility and use of sponge iron for higher hot metal production etc.

Tracing the path of revival

Against this backdrop, our organisation has been able to script its own story of success by fine-tuning its strategy to the emerging scenario. While the favourable market was a great supporting factor, the internal initiatives for strengthening the company's foundation provided the requisite impetus to attain the desired objectives.

In 2003-04, our efforts were concentrated on making the best of what we have – the optimum utilisation of our existing resources. We set a

target of achieving 6% to 7% improvement in all areas of activity. The SAIL collective responded confidently to the call and the trend was not only set but also sustained month after month.

The result was that your company made steady improvement in techno-economic parameters. Energy consumption decreased, blast furnace productivity increased and labour productivity grew from 123 tonnes of crude steel per man per year to 137 tonnes. As the financial year came to a close, the average capacity utilisation of our major production units touched 104%. The share of production through the energy efficient continuous casting route went up to 61% from a level of 59%.

While these factors helped to reduce cost of production, the steady thrust on enhancing production through optimum utilisation of available resources continued. As a result, production of saleable steel touched a record level of 11 million tonnes, showing a growth of 6.5% over the previous year. This was supported by a steady shift towards enhancing the share of value-added items in our product

basket. Exports touched an all-time high of 1.17 million tonnes, although with strengthening of the domestic market we shifted our focus to meeting domestic demand, which gained further buoyancy towards the end of the year.

Our turnaround effort was multi-dimensional. The improvement in physical performance was matched by well-synchronised plan to regain financial strength. Your company's debt burden was reduced from Rs. 12,928 crore at the beginning of the financial year to Rs. 8,689 crore at the end of the year. This was achieved through repayment and prepayment wherever possible. Through a well-planned strategy we also replaced high interest bearing loans by low interest bearing instruments to bring about a reduction of Rs. 435 crore in our interest outgo. The net result was that your company's debt-equity ratio, which stood at 6.5:1 at the beginning of the fiscal, improved to 1.86:1 as the year closed. There has been further improvement in the first quarter of the current year, with our debt-equity reaching a level of 1.33:1. Your company aims to attain a debt-equity ratio of 1:1 in the near future.





The success of our financial management strategy was reflected in the improvement of your company's bottom line in every successive quarter. From Rs. 255 crore in Q1, the company's net profit moved upward to Rs. 505 crore in Q2, then to Rs 738 crore in Q3 and finally to Rs. 1,014 crore in Q4. The trend continued in Q1 of the current financial year when we achieved a record quarterly profit of Rs. 1,112 crore.

Bright spots of excellence dotted the story of SAIL's turnaround. Durgapur Steel Plant achieved a smart net profit in 2003-04, while Rourkela Steel Plant recorded cash profit after a number of years of loss making.

There are a number of reasons for us to rejoice today - the record profit that we notched up, the accumulated losses that were wiped out, the impressive record that we set in surpassing capacity level of production and the significant cost reduction that we achieved in spite of the steady escalation of cost of inputs. However, more than anything, it is the pleasure of achievement – emerging as a fundamentally strong and vibrant organisation, making a determined bid into the future to retain leadership in the years to come – that holds sway over our feelings and unites

us all to look ahead with new hopes and optimism.

The year 2003-04 was indeed remarkable for our company. It was a great honour when our efforts in the area of cost reduction were recognised by the Institute of Cost and Works Accountants, which bestowed SAIL with the prestigious national award for 'Excellence in Cost Reduction (Manufacturing Sector)' for the year 2003. The Golden Peacock Innovation Award presented by the Institute of Directors last month has further acknowledged our proactive efforts in the area of research and development. Besides these, the company has received several rave reviews in the media for authoring one of the most spectacular turnarounds in the history of the Indian corporate world.

The new beginning

A successful organisation has to continuously strive to increase its competitiveness and value creation ability, especially in the face of an intensely competitive market. SAIL is now set on a path of resurgence. We have drawn a roadmap to enhance the company's competitiveness and continually create value for all stakeholders. It is my pleasure to



present the outline of SAIL's Corporate Plan-2012.

The plan has evolved after thorough analysis of the external environment and assessment of SAIL's internal strengths and weaknesses.

Given the present rate of growth of the Indian economy and the projections for the future, the demand for steel is likely to grow from the present level of 30 million tonnes to a level of about 60 million tonnes by 2011-12. To maintain its dominant position in the Indian steel market, SAIL's Corporate Plan has clearly defined cornerstones of growth, cost and quality competitiveness.

The growth plan envisages full utilisation of all existing assets along with technological upgradation in identified areas to raise hot metal production to about 20 million tonnes per annum by 2012 from the current level of 13 million tonnes. The proportion of finished steel will be enhanced to a level of above 95%, from the existing level of about 80%.

Volume growth, higher labour productivity and lower financial charges will help in reducing fixed cost. Reduction in variable cost will be achieved by technological interventions like 100% production through basic oxygen furnace and continuous casting route besides coke rate reduction through various means like coal dust injection, oxygen enrichment, tar injection, energy conservation etc.

Quality intervention across the entire gamut of operations will be a key thrust. With technology upgradation in mines, iron making, steel making, finishing mills as well as installation of modern finishing facilities, SAIL products will be internationally competitive. In addition, functional strategies in the areas of Marketing, Operations, Human Resources, Finance and Information Technology have also been designed to support the key strategy of growth with cost and quality competitiveness.

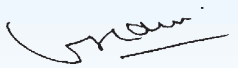
The Corporate Plan visualises an investment of about Rs. 25,000 crore up to 2011-12. This investment would be substantially funded from internal accruals and supplemented by market borrowings while maintaining debt-equity ratio at around 1:1.

In today's environment the priority is to attain growth with synergy. Keeping this in view, we plan to merge IISCO, our subsidiary, with the company. SAIL requires the resources for growth and IISCO provides the opportunity in terms of infrastructure, resources and excellent work culture. In a nutshell we are set to consolidate our gains and look ahead for a vibrant future.

I, on behalf of the SAIL collective, acknowledge the contribution of all our shareholders who extended unstinted support to the organisation's sustained efforts to turnaround and regain glory. We are thankful to all our stakeholders, including the Government of India and the media, for having supported and encouraged us to achieve success. The employees of SAIL have been the prime movers in the company's drive for excellence.

We have started the current financial year on a promising note. We are aware of the emerging threats, especially the spiralling cost of inputs. Our strength is derived from cost competitiveness and quality improvement. We are conscious of the challenges and are adequately addressing the issues. Today the organisation is well set on the path of growth, and I reaffirm our resolve to continue on the winning streak with renewed zeal and confidence.

28th September, 2004
New Delhi


(V.S. Jain)





Directors' Report

To,

The Members,

The Directors have pleasure in presenting the 32nd Annual Report of your Company together with audited accounts for the year ended 31st March, 2004.

FINANCIAL REVIEW

The year 2003-04 witnessed a growth of about 26% in sales turnover at Rs. 24178 crore (previous year Rs. 19207 crore), which was the highest ever turnover achieved by your Company. Your company has recorded a Net Profit (PAT) of Rs. 2512 crore during the year as compared to net loss of Rs. 304 crore in the previous year, recording an improvement of Rs. 2816 crore achieved mainly through increase in production/sales volume, cost reduction measures, reduction in borrowings, improved product-mix and buoyancy in steel market.

Your company had been incurring losses since 1998-99 due to recessionary trend, and the accumulated loss as on 31.3.03 was Rs. 2765 crore. The improved financial performance during 2003-04 coupled with the transfer of Rs. 276 crore from Bond Redemption Reserve Account to accumulated profit/loss account enabled the company to wipe out its accumulated loss. Due to inadequacy of surplus, Directors do not recommend dividend.

Thrust on reduction in borrowings continued during the year and there was a reduction of Rs. 4239 crore during the year. This has been achieved by all round improvement in sales and better cash management. Reduction in debt and substitution of borrowings carrying high interest rate with low interest bearing instruments resulted in interest saving of Rs. 435 crore. Debt equity ratio has improved to 1.86:1 (as on 31.03.04) from 6.50:1 (as on 31.03.03) due to better cash management and improved profitability.

The Company continued its thrust on cost control, optimizing purchase and revenue maximization measures. Cost control measures focused on reduction in usage of coking coal/ other raw materials, improvement in yields and

techno-economic parameters, reduction in energy consumption and control on administrative expenditure. Total cost of production is lower by about 4% compared to previous year. Efforts of the company on this front have been well recognized by The Institute of Cost and Works Accountants of India by bestowing the prestigious National Award on Excellence in Cost Reduction (Manufacturing sector) for the year 2003 on Steel Authority of India Limited (SAIL).

In the recent past, upsurge in demand of steel products (mainly from Asian countries) has resulted in input material supply imbalance leading to shortage of key inputs such as coking coal, coke, etc. This is being perceived as one of the major threats faced by the steel industry today. Due to scarcity, international coal prices have increased manifold. This challenge has given us the opportunity to explore alternative strategies like use of coal tar, petroleum fuel etc., to reduce the usage of coking coal and our company is geared to face the challenge appropriately.

SALES & MARKETING REVIEW

For the financial year 2003-04, your company achieved an all-time high sales of 10.43 million tonnes of mild steel including exports of 1.14 million tonnes. For the first time, exports of steel exceeded 1 million tonnes, with an impressive growth of 34% over the last year.

During the year, significant increase in domestic sales was achieved in Bars and Rods, Plate Mill Plates, HR Coils, Galvanised Coils/ Sheets and Pipes.

The upsurge in domestic sales and exports brought the inventory level of steel as on 1st April, 2004 to its lowest level.

MARKETING OF SERVICES

SAIL Consultancy Division (SAILCON) is the nodal agency for marketing of technical, management and training services available from SAIL plants and units to clients globally.

During the year SAILCON conducted market surveys jointly with local associates in Saudi Arabia and Bahrain and identified a number of potential clients. Efforts were also made in non-steel sectors and consultancy orders were procured from petroleum, chemicals and power



sectors besides steel sector. In addition to executing consultancy projects in India, projects were executed during 2003-04 by SAILCON in Iran, Egypt and Georgia.

PRODUCTION REVIEW

SAIL seized the opportunity offered by a buoyant market to raise its volume of production, improve product-mix and operational efficiency to achieve best ever performance. Saleable steel production from SAIL plants crossed 11 Million Tonne mark for the first time, with a growth of 7% over previous year. Hot metal and crude steel were all time best with growth of 6% and 7% respectively over previous year. SAIL plants together exceeded their saleable steel capacity and achieved average capacity utilization of about 104%.

The continuous casting production was increased by 11% in line with efforts being made to further improve operational efficiency. Continuous casting operated at 120% of capacity and formed 61% of crude steel from four main steel plants. The highest ever BF productivity of 1.53 T/M³/day was 1.3% more than last year. Energy consumption came down to the lowest ever 7.46 G.cal/tcs Specific power

consumption reduced by 3% over previous year.

The product-mix was further improved as per market demand. Plate production went up by 20%. Rails 90-UTS production also went up by 4% to 0.715 MT. Production of CRNO electrical steel went up by 10%, Pipes by 51% and GP/GC by 10% over previous year.

RAW MATERIALS

During 2003-04, total Iron Ore production and despatch from captive mines of the Company were 20.95 million tonnes and 21.11 million tonnes respectively registering a growth of 15% in production and 13% in despatch over the previous year. The flux production and despatch during the year 2003-04 was 2.68 million tonnes each registering a growth of 7% in production and 8.6% in despatch over the previous year.

HUMAN RESOURCES MANAGEMENT REVIEW

SAIL has always believed that human resource is the most important resource and continues to work for its development. The Personnel Department aligned its functioning and activities in tune with the business objectives and provided the desired support to all



customers, external and internal. The ongoing thrust on rationalization of manpower with focus on proper utilization, rightsizing and reducing the labour cost to make the company healthy continued with implementation of two editions of Voluntary Retirement (VR) scheme. The **manpower strength** as on 31st March, 2004 was 131910 comprising 14870 executives and 117040 non-executives. The total reduction in manpower achieved during the year stood at 5586 which included separation of 2000 employees through VR. The labour productivity saw an impressive improvement by 11% over previous year to 137 TCS/Man/year.

The Human Resource Development (HRD) activities focused on multi-skill training and enhancement of managerial competencies. Competency mapping for identification of skill gaps and training were initiated. Providing opportunities for open interaction, communication and feed back have been highlights of HRD intervention this year also. At plants/units, the major thrust in the Human Resource area has been to reach out to more and more employees through various communication exercises. The proactive interventions and close coordination with different agencies ensured conducive Industrial Relations climate. To keep up the morale of the employees, motivational measures such as payment of Ad-hoc Adjustable advance, re-introduction of LTC/LLTC facility etc. were also taken.

The talent and innovation of our employees got recognition at the national level in the form of awards, most notable being the 'Shram Ratna' for the year 2003. In keeping up with the glorious tradition, SAIL continued its contribution to the society as a socially responsive organization

through various initiatives such as National HIV AIDS Campaign etc. Your Company is associated with National AIDS Control Organization (NACO) and has actively participated and promoted the Information, Education and Communication (IEC) campaign. During 2003-04, around 20,000 employees have been covered under IEC campaign for awareness of HIV/AIDS. Till date, approximately 45,000 employees have been covered under this programme which has been in operation since January, 2000. In addition, more than 50,000 non-employees have also been covered.

Need based Training was provided to employees to equip them to meet the challenges of the competitive environment. Over 68,000 employees were trained during the year.

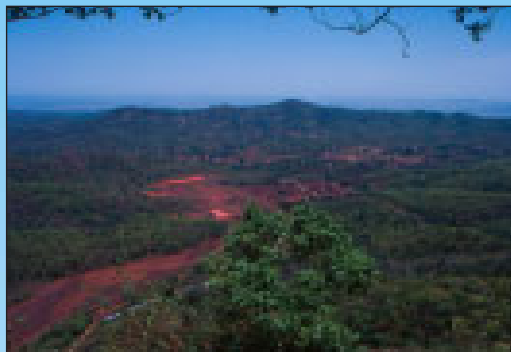
International Women's Day was observed in SAIL Plants/Units in a befitting manner through workshops, seminars, panel discussions and cultural programme.

Presidential Directives on **Schedule Castes and Scheduled Tribes** continued to be implemented and monitored on regular basis. Out of the total manpower, 14.93 percent were Scheduled Castes and 11.33 percent were Scheduled Tribes.

The Company continued to pay thrust on implementation of Official Language Policy of Government of India. Your Company has won three first prizes for promoting the usage of Hindi in official work.

Consistent efforts were made by SAIL **Safety** Organization for improving safety standards in the Company by taking measures like intensive safety drives in works area; introduction of Risk Control Grading System in Bhilai, Durgapur and Rourkela Steel Plants; conducting safety





audit, workshop & training etc. Safety audits were conducted in hazardous departments of different plants and mines.

SAIL has been pursuing a well planned **Sports** policy. The accent is on promoting sports in potential areas by nurturing young cadets through its 4 academies in steel townships at Bhilai, Durgapur, Rourkela and Bokaro. The standard of hockey academy at Rourkela is being upgraded by installing synthetic turf. Some of the Cadets from the academy are representing at the national and state levels. Simultaneously, by broad basing sports at the grass root level in the steel townships/company run schools, the organization has embraced sports as a way of life for personality development. 65 SAIL employee wards were awarded sports scholarships for winning medals at the national and zonal levels. The Company participated in prestigious sports event like IFA League, Subroto Cup, Independence Cup, All India Public Sector Tournaments, etc.

CORPORATE COMMUNICATION

The company worked with the motto of maintaining transparent and two way communication with its stake holders including the employees. Keeping this in view intensive internal and external communication activities were conducted to keep all stakeholders informed about the company's revival and the future direction. Clear interaction with the media helped to disseminate information on resurgence of the company stage by stage in the national newspapers and the magazines. Intensive & planned internal communication helped in reviving the morale of the employees across the organization.

ENVIRONMENT MANAGEMENT

Your company continued to give thrust to environmental compliance in its Plants and Mines during 2003-04. All the integrated steel plants maintained vigorous efforts to meet the targets committed to Ministry of Environment/ Central Pollution Control Board (CPCB) under the Corporate Responsibility for Environmental Protection (CREP). Over 2 lakhs trees were planted during the year. Specific water consumption and effluent discharges were reduced by 15% and 7.4% respectively over previous year.

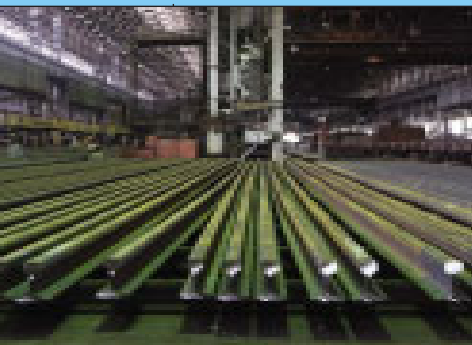
Four more units were certified with EMS ISO 14001, namely SMS I, Wire Rod Mill and Merchant Mill of Bhilai Steel Plant and Kiriburu Iron Ore Mines of RMD. Environmental training programmes were given appropriate priority.

Various Environmental Awareness Programmes like World Environment Day, Earth Day, Environmental Month, Mines Environment and Conservation Week etc. were observed. Environment Management Division successfully executed a CPCB assignment on preparation of a report on Clean Technologies for Iron & Steel and Development of Environmental Standard for BF and SMS.

VIGILANCE ACTIVITIES

A system centric approach to vigilance administration was adopted during the year, under which specific stress was laid on study and improvement of systems for plugging loopholes and checking irregularities. After study and discussion with line managers, suitable systems were laid down in over twenty areas. Seminars on Preventive Vigilance were organized in each quarter in the plants/units, which helped in demystifying the fear of





vigilance and boosted morale of the line managers.

Open and notice board tenders issued for procurement/sale of goods/services and work contracts were put on the Website of the company along with provision for downloading. This facilitated submission of offers by intending buyers/sellers and led to greater transparency along with financial advantages due to more competition.

Vigilance Manual was updated covering relevant guidelines during the year.

DE-LISTING OF SHARES

Your company is listed on National Stock Exchange of India (NSE), the Stock Exchange, Mumbai (BSE), Madras Stock Exchange, Chennai (MSE), the Stock Exchange, Ahmedabad (ASE), Delhi Stock Exchange Association Limited (DSE) and the Calcutta Stock Exchange Association Limited, Kolkata (CSE), besides, on London Stock Exchange, London.

While there was no trading of your company's shares on DSE, MSE and ASE during 2003-04, the trading at CSE was very low. As such, almost the entire trading of the company's shares is done on NSE and BSE. These Exchanges have nation-wide trading terminals and, therefore, provide full liquidity to the investors. In view of this, your Directors recommend the de-listing of company's shares from DSE, MSE, ASE and CSE. The de-listing of shares is subject to the approval of members at the ensuing Annual General Meeting.

SUBSIDIARIES

THE INDIAN IRON & STEEL COMPANY LIMITED (IISCO)

The Company recorded a turnover of

Rs. 1051.26 crore. The net profit for the year after charging depreciation of Rs. 23.76 crore and interest and finance charges of Rs. 13.77 crore was Rs. 27.09 crore compared to net loss of Rs. 182.23 crore during 2002-03.

The Company produced 301 thousand tonnes of crude steel, 241 thousand tonnes of saleable steel and 223 thousand tonnes of pig iron during the year.

IISCO was declared a sick industrial company by the Board for Industrial & Financial Reconstruction (BIFR) on 17th August, 1994. The Government of India (GOI) in June, 2002 had approved a revival plan of IISCO. The BIFR approved the Rehabilitation package in Nov.'03, which is under implementation. Operations of Kulti works have been closed and 2861 employees have been given voluntary retirement. More than 1500 employees have been given voluntary retirement in other units i.e. Burnpur works, collieries and mines.

Two of the Blast Furnaces have been relined. A new Twin Hearth Furnace has been lighted up. Jobs on the Rolling Mill area are being taken up progressively.

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

MAHARASHTRA ELEKTROSMELT LIMITED (MEL)

MEL achieved a turnover of Rs. 152.98 crore during the year as against Rs. 189.66 crore during the previous year, and reported a post tax net profit of Rs. 6.30 crore as compared to profit of Rs.1.12 crore during the last year.



AUDITED ACCOUNTS OF SUBSIDIARIES

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektrosmelt Limited and Bhilai Oxygen Limited for the year ending 31st March, 2004 are enclosed.

AUDITORS' REPORT

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2004 alongwith Management's replies, and the comments and the review on accounts for the year ended 31st March, 2004 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 alongwith Management's replies are enclosed to the Directors' report at Annexure-I & II.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

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

CONSOLIDATED FINANCIAL STATEMENTS

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



DIRECTORS

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

Shri R.V. Gupta, Director ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Prof. R.P. Sengupta ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Shri Pyarimohan Mohapatra ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Dr. Atul Sarma ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Shri B.K. Singh, MD, BSP ceased to be Director w.e.f. 29.2.2004 (A.N.) on attaining the age of superannuation.

Shri Suresh Pandey, MD, BSL ceased to be Director w.e.f. 30.11.2003(A.N.) on attaining the age of superannuation.

Shri D.P. Singh, Director has resigned from the Board of Directors w.e.f. 2.9.2003.

Dr. S.Y. Quraishi has been appointed as Director w.e.f. 11.9.2003.

Shri U.P. Singh has been appointed as Director on the Board as Managing Director, Bokaro Steel Plant w.e.f. 1.12.2003.

Shri S.K. Roongta has been appointed as Director (Commercial) w.e.f. 5.2.2004.

Shri R.P. Singh has been appointed as Director on the Board as Managing Director, Bhilai Steel Plant w.e.f. 1.3.2004.

Shri G.C. Daga has been appointed as Director (Finance) w.e.f. 23.3.2004.

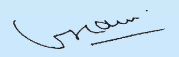
Shri K.K. Khanna has been appointed as Director (Technical) w.e.f. 1.5.2004.

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 and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi
Dated: 9th August, 2004


(V.S. JAIN)
Chairman





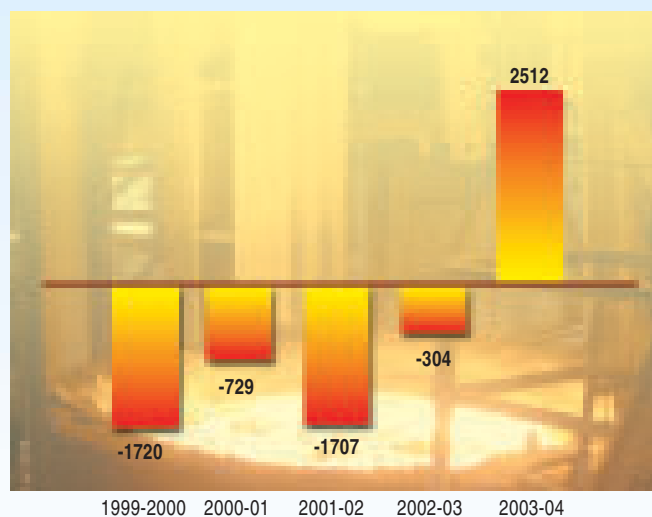
10-Year Digest

Financial Highlights

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
<i>(Rupees in crores)</i>										
Sales	24178	19207	15502	16233	16250	14994	14624	14131	14710	13867
Other Income	844	788	1274	784	989	651	728	828	699	650
Expenditure (Net of stock accretion/depletion)	20372	17831	15765	14850	16036	14142	12854	12501	12697	12120
Operating Profit (PBDIT)	4650	2164	1011	2167	1202	1503	2498	2458	2712	2397
Depreciation	1123	1147	1156	1144	1133	1104	795	691	585	524
Interest & Finance Charges	899	1334	1562	1752	1789	2017	1554	1179	808	710
Profit before Tax	2628	-316	-1707	-729	-1720	-1618	149	588	1319	1163
Provision for Tax/Income Tax Refund (-)	116	-12	0	0	0	-44	16	73	—	55
Profit/Loss(-) after Tax	2512	-304	-1707	-729	-1720	-1574	133	515	1319	1108
Equity Capital	4130	4130	4130	4130	4130	4130	4130	4130	4130	3986
Reserves & Surplus (Net of DRE)	529	-2141	-1878	33	635	2756	4359	3868	3807	2570
Net Worth	4659	1989	2252	4164	4765	6886	8489	7998	7937	6556
Total Loans	8689	12928	14019	14251	15082	21017	20015	17421	14574	12214
Net Fixed Assets	13154	14036	14798	15177	15873	18307	14137	12624	8771	7557
Capital Work-in-progress	382	361	556	1221	1475	2589	6491	6389	8482	7502
Working Capital	2063	2506	2248	3088	3232	7948	7150	5981	4697	3284
Capital Employed (Net Fixed Assets + Working Capital)	15217	16542	17047	18265	19105	26255	21287	18605	13468	10841
Ratios										
Operating Profit (PBDIT) to Average Capital Employed (%)	29.28	12.89	5.73	11.60	5.30	6.32	12.52	15.33	22.31	26.85
Profit before tax to Average Capital Employed (%)	16.55	-1.88	-9.67	-3.90	-7.58	-6.81	0.75	3.67	10.85	13.03
Profit before tax to sales (%)	10.87	-1.64	-11.01	-4.49	-10.58	-10.79	1.02	4.16	8.97	8.39
Profit After tax to Net Worth (%)	53.92	-15.30	-75.79	-17.50	-36.10	-22.86	1.57	6.44	16.62	16.90
Earnings per Share (Rs.)	6.08	-0.74	-4.13	-1.76	-4.16	-3.81	0.32	1.25	3.19	2.78
Total Loans to Net Worth	1.86	6.50	6.23	3.42	3.17	3.05	2.36	2.18	1.84	1.86

Profit/Loss(-) after Tax

(Rupees in crores)



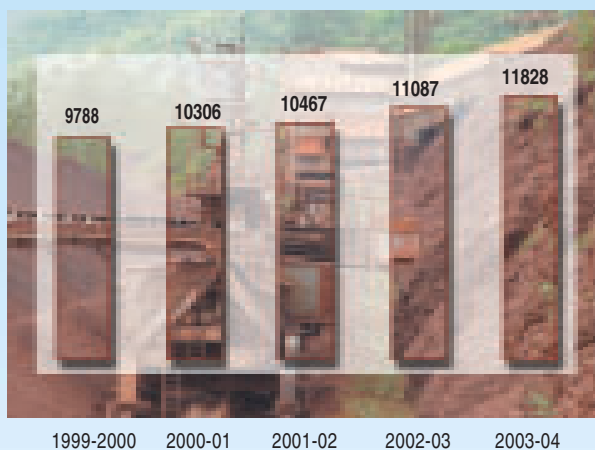
Production Statistics

Item	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
Main Integrated Steel Plants										(Thousand tonnes)
Hot Metal	12749	12080	11327	11202	10939	11180	11615	11393	10901	10868
Crude Steel	11828	11087	10467	10306	9788	9858	10297	10319	9986	9821
Pig Iron	278	288	353	358	574	731	772	673	574	750
Saleable Steel										
Semi Finished Steel	2146	2057	2149	2141	2592	2293	3110	2104	1784	1680
Finished Steel	8581	8029	7315	7269	6637	6034	5602	6798	7136	6951
Saleable Steel (4 - Plants)	10727	10086	9464	9410	9229	8327	8712	8902	8920	8631
Alloy & Special Steel Plants										
(ASP, SSP & VISL)	298	266	234	293	301	275	331	333	239	210
Total Saleable Steel*	11026	10352	9697	9703	9530	8602	9043	9235	9159	8841

* Includes VISL, merged with SAIL from 1998-99 onwards

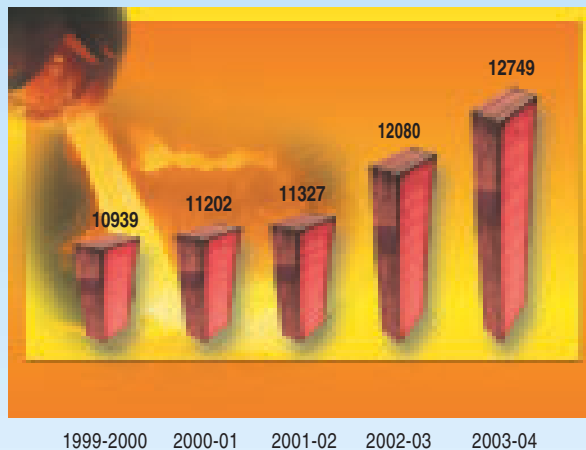
Crude Steel

('000 tonnes)



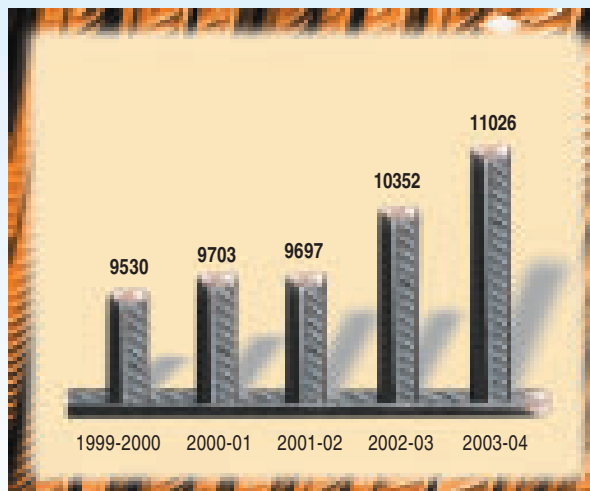
Hot Metal

('000 tonnes)



Total Saleable Steel

('000 tonnes)



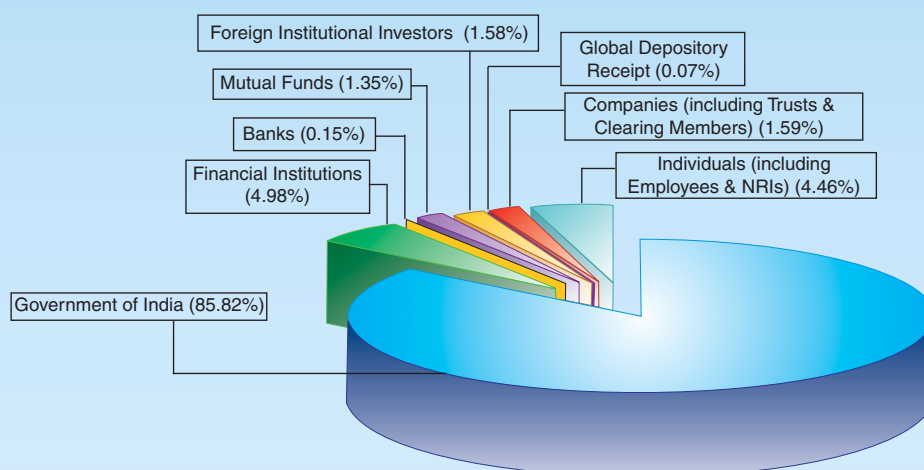
Shareholding Pattern

(Taking Account of the Beneficiary Position of Dematerialised Shares)

(As on 31.03.2004)

CATEGORY	NUMBER OF EQUITY SHARES HELD	NUMBER OF HOLDERS	AMOUNT (RS. IN CRORES)	% OF EQUITY
Government of India	3544690285	1	3544.69	85.82
Financial Institutions	205643459	16	205.64	4.98
Banks	6296570	33	6.30	0.15
Mutual Funds	55789410	76	55.79	1.35
Foreign Institutional Investors (FII's)	65100843	57	65.10	1.58
Global Depository Receipts (GDRs)	2912300	2	2.91	0.07
Companies (including Trusts & Clearing Members)	65605307	5109	65.61	1.59
Individuals (including Employees & NRIs)	184362371	258572	184.36	4.46
TOTAL	4130400545	263866	4130.40	100.00

Shareholding Pattern (% of Equity)





Annual Accounts

Balance Sheet AS AT 31ST MARCH, 2004

	Schedule No.	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	907.27	1159.77
		5037.67	5290.17
Loan Funds			
Secured Loans	1.3	3378.48	5511.59
Unsecured Loans	1.4	5310.28	7416.35
		8688.76	12927.94
		13726.43	18218.11
APPLICATION OF FUNDS			
Fixed Assets	1.5		
Gross Block		27712.71	27534.61
Less: Depreciation		14558.86	13498.75
Net Block		13153.85	14035.86
Capital Work-in-Progress	1.6	382.20	361.25
		13536.05	14397.11
Investments	1.7	543.17	543.17
Current Assets, Loans & Advances			
Inventories	1.8	3081.44	3744.37
Sundry Debtors	1.9	1549.96	1660.09
Cash & Bank Balances	1.10	2017.16	512.91
Interest Receivable/Accrued	1.11	86.18	90.59
Loans & Advances			
Subsidiary Companies	1.12	171.05	8.30
Others	1.13	1295.54	1274.44
		8201.33	7290.70
Less: Current Liabilities & Provisions			
Current Liabilities	1.14	4406.00	4492.71
Provisions	1.15	4526.62	2821.40
		8932.62	7314.11
Net Current Assets		-731.29	-23.41
Miscellaneous Expenditure	1.16	378.50	536.31
(to the extent not written off or adjusted)			
Profit & Loss Account Debit Balance		—	2764.93
		13726.43	18218.11
Accounting Policies and Notes on Accounts	3		
Schedules 1 and 3 annexed, hereto form part of the Balance Sheet.			

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi
Dated : May 28, 2004

Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule No.	Year ended 31st March, 2004		Year ended 31st March, 2003	
(Rupees in crores)					
INCOME					
Sales	2.1	24178.48		19207.10	
Less : Excise duty		2881.66	21296.82	2370.56	16836.54
Finished products internally consumed		231.57		213.87	
Interest earned	2.2	74.76		88.96	
Other revenues	2.3	527.90		451.72	
Provisions no longer required written back	2.4	44.03	878.26	47.82	802.37
			22175.08		17638.91
EXPENDITURE					
Depletion to stocks	2.5	485.84		433.00	
Raw materials consumed	2.6	6891.84		6225.96	
Purchase of semi/finished products and others		12.41		8.07	
Employees' Remuneration & Benefits	2.7	4758.18		3722.80	
Stores & Spares Consumed		1925.44		1733.73	
Power & Fuel	2.8	2158.86		2036.56	
Repairs & Maintenance	2.9	195.17		188.01	
Freight outward		528.05		511.81	
Other expenses	2.10	1427.46		1456.28	
Interest & finance charges	2.11	899.43		1334.02	
Depreciation		1122.59		1146.66	
Total		20405.27		18796.90	
Less : Inter Account Adjustments	2.12	893.07	19512.20	856.21	17940.69
			2662.88		-301.78
Adjustments pertaining to earlier years	2.13		-34.67		-14.09
Profit / Loss (-) before tax			2628.21		-315.87
Less : Provision for taxation			118.47		—
Adjustments of Income Tax of earlier years			-2.34		-11.56
Profit / Loss (-) after tax			2512.08		-304.31
Balance brought forward			-2764.93		-2460.62
Add : Amount transferred from Bonds Redemption Reserve (Net)			275.54		—
Balance carried to Balance Sheet			22.69		-2764.93

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi
Dated : May 28, 2004

Schedules (FORMING PART OF THE BALANCE SHEET)

1.1 : SHARE CAPITAL

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Authorised		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
Issued, Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>
<i>Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.</i>		

1.2 : RESERVES AND SURPLUS

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Capital Reserve	1.44	1.44
Prime Minister's Trophy Award Fund		
As per Last Balance Sheet	8.10	7.48
Add : Additions during the year	<u>0.48</u>	<u>0.73</u>
	8.58	8.21
Less : Adjustments towards expenses incurred during the year	<u>0.09</u>	<u>0.11</u>
	8.49	8.10
Share Premium Account		
As per Last Balance Sheet	235.33	236.15
Less : Adjustment towards Bond Issue Expenses	<u>0.04</u>	<u>0.82</u>
	235.29	235.33
Bond Redemption Reserve		
As per Last Balance Sheet	914.90	914.90
Add : Transferred from Profit & Loss Account	603.86	—
Less : Transferred to Profit & Loss Account	<u>879.40</u>	<u>—</u>
	639.36	914.90
Surplus as per Profit & Loss Account	22.69	—
	<u>907.27</u>	<u>1159.77</u>

1.3 : SECURED LOANS

		As at 31st March, 2004	As at 31st March, 2003
			(Rupees in crores)
Working Capital Borrowings from Banks (Including Foreign Currency Non-Resident (Bank) Loan of Rs. 1068.92 crores) (Previous Year Rs. 1175.78 crores)	(a)	1223.43	2694.62
Rupee Term Loan from Banks	(b)	—	516.25
Foreign Currency Loans	(c)	331.65	357.97
Non Convertible Bonds			
Interest Rate	Date of Redemption		
13.75%	1st July 2003	—	175.55
14.5%	21st May 2004	447.00	447.00
14.0%	1st July 2005	394.45	394.45
14.5%	1st April 2006	224.05	226.90
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	—
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
8%	1st September 2010 *	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	—
		1823.40	1942.75
		3378.48	5511.59

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

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

(c) Secured by charges ranking pari-passu inter se, on all the present and future immovable assets, except for Bonds carrying interest rate of 14.5% for value of Rs. 447 crores and maturing on 21st May, 2004 which are secured on movable and 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.

* Additional Security is yet to be created in respect of DSP properties.

Note : Secured Loans repayable within one year as at 31.03.2004—Rs.447.00 crore (Previous year : Rs. 328.90 crore)

1.4 : UNSECURED LOANS

		As at 31st March, 2004	As at 31st March, 2003
			(Rupees in crores)
Public Deposits		581.39	1021.28
Government of India		0.27	0.27
Interest accrued and due thereon		0.50	0.42
Steel Development Fund		204.16	204.16
Interest accrued and due thereon		675.27	539.85
Foreign Currency Loans			
Long Term		974.33	1475.03
(Guaranteed by Govt. of India/State Bank of India Rs.723.50 crores (Previous Year Rs. 864.79 crores)		374.36	444.16
Short Term		1348.69	1919.19
Term Loans From Banks		—	500.00
Non Convertible Bonds @ @			
Interest Rate	Date of Redemption		
10%	18 th September, 2003	—	100.00
10%	24th September, 2003	—	400.00
12%	1st February, 2007	100.00	100.00
12.15%	1st February, 2007	400.00	400.00
11.10%	30th March, 2007	60.00	60.00
11.25%	30th March, 2007	99.00	99.00
11.25%	15th April, 2007	400.00	400.00
11.10%	15th April, 2007	50.00	50.00
10.25%	3rd June, 2007	500.00	500.00
12.15%	1st September, 2007	152.35	152.35
11.30%	12th March, 2008	105.00	105.00
11.60%	12th March, 2008	15.00	15.00
10.10%	1st August, 2008	35.00	35.00
10.50%	1st August, 2008	35.00	35.00
11.50%	30th March, 2010	43.50	43.50
11.50%	15th April, 2010	21.00	21.00
12.45%	1st September, 2010	38.15	38.15
12.55%	1st September, 2010	39.40	39.40
12.65%	1st September, 2010	96.60	96.60
12.10%	12th March, 2011	195.00	195.00
11%	1st August, 2011	115.00	115.00
		2500.00	3000.00
Others			
Inter Corporate Loans - Short term		—	6.18
Housing Finance Loans		—	225.00
		5310.28	7416.35

@ @Guaranteed by Government of India and also secured by charges ranking pari-passu inter se on immovable property (Book value as on 31.03.2004 Rs. 0.56 crore) at Mouje-Wadej, Ahmedabad, Gujarat.

Note : Unsecured Loans repayable within one year as at 31.03.2004—Rs. 1037.95 crore (Previous year : Rs. 2414.54 crore).

Schedules (FORMING PART OF THE BALANCE SHEET)

1.5 : FIXED ASSETS

Description	GROSS BLOCK (AT COST)			
	As at 31st March 2003	Additions/ Adjustments	Deductions	As at 31st March 2004
A. PLANTS, MINES, OTHERS (Rupees in crores)				
Land (including cost of development)				
— Freehold Land	55.65	0.84	0.26	56.23
— Leasehold Land	27.84	-0.13	0.91	26.80
Right and Patents	15.86	46.38	—	62.24
Railway Lines & Sidings	218.73	0.84	0.55	219.02
Roads, Bridges & Culverts	145.81	-0.02	-0.21	146.00
Buildings	1645.22	14.51	0.47	1659.26
Plant & Machinery				
— Steel Plant	21979.44	184.15	92.03	22071.56
— Others	1423.92	42.17	29.90	1436.19
Furniture & Fittings	70.72	1.67	0.95	71.44
Vehicles	403.00	26.00	9.60	419.40
Water Supply & Sewerage	285.33	1.33	2.58	284.08
EDP Equipments	205.10	7.50	7.12	205.48
Miscellaneous Articles	217.41	2.03	1.32	218.12
Sub-total 'A'	<u>26694.03</u>	<u>327.27</u>	<u>145.48</u>	<u>26875.82</u>
Figures for the Previous Year	<u>26340.44</u>	<u>415.07</u>	<u>61.48</u>	<u>26694.03</u>
B. SOCIAL FACILITIES				
Land (including cost of development)				
— Freehold Land	9.82	—	0.01	9.81
— Leasehold Land	7.14	—	0.05	7.09
Roads, Bridges & Culverts	43.14	—	—	43.14
Buildings	514.92	0.24	4.98	510.18
Plant & Machinery—Others	70.37	0.14	0.07	70.44
Furniture & Fittings	11.38	0.05	0.04	11.39
Vehicles	6.34	0.31	0.32	6.33
Water Supply & Sewerage	92.52	0.10	—	92.62
EDP Equipments	2.15	0.24	—	2.39
Miscellaneous Articles	82.80	1.41	0.71	83.50
Sub-total 'B'	<u>840.58</u>	<u>2.49</u>	<u>6.18</u>	<u>836.89</u>
Figures for the Previous Year	<u>858.44</u>	<u>2.99</u>	<u>20.85</u>	<u>840.58</u>
Total ('A'+ 'B')	<u>27534.61</u>	<u>329.76</u>	<u>151.66</u>	<u>27712.71</u>
Figures for the Previous Year	<u>27198.88</u>	<u>418.06</u>	<u>82.33</u>	<u>27534.61</u>

1.5 : FIXED ASSETS

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March 2003	For the Year	On sales/ Adjustments	Up to 31st March 2004	As at 31st March 2004	As at 31st March 2003
A. PLANTS, MINES, OTHERS	<i>(Rupees in crores)</i>					
Land (including cost of development)						
— Freehold Land	—	—	—	—	56.23	55.65
— Leasehold Land	8.30	0.38	0.53	8.15	18.65	19.54
Right and Patents	8.49	2.91	—	11.40	50.84	7.37
Railway Lines & Sidings	129.97	7.51	0.53	136.95	82.07	88.76
Roads, Bridges & Culverts	32.62	2.53	-0.04	35.19	110.81	113.19
Buildings	658.35	52.32	-0.02	710.69	948.57	986.87
Plant & Machinery						
— Steel Plant	10593.42	979.91	65.53	11507.80	10563.76	11386.02
— Others	913.58	64.09	27.57	950.10	486.09	510.34
Furniture & Fittings	49.25	3.64	0.69	52.20	19.24	21.47
Vehicles	290.97	12.91	7.03	296.85	122.55	112.03
Water Supply & Sewerage	185.47	10.33	2.37	193.43	90.65	99.86
EDP Equipments	170.33	10.23	6.51	174.05	31.43	34.77
Miscellaneous Articles	124.00	9.25	1.21	132.04	86.08	93.41
Sub-total 'A'	13164.75	1156.01	111.91	14208.85	12666.97	13529.28
Figures for the Previous Year	12085.91	1127.06	48.22	13164.75	13529.28	
B. SOCIAL FACILITIES						
Land (including cost of development)						
— Freehold Land	—	—	—	—	9.81	9.82
— Leasehold Land	4.26	0.13	0.03	4.36	2.73	2.88
Roads, Bridges & Culverts	13.88	0.73	—	14.61	28.53	29.26
Buildings	134.04	8.04	1.69	140.39	369.79	380.88
Plant & Machinery—Others	50.50	2.54	0.04	53.00	17.44	19.87
Furniture & Fittings	10.32	0.21	0.03	10.50	0.89	1.06
Vehicles	5.08	0.16	0.29	4.95	1.38	1.26
Water Supply & Sewerage	63.87	2.58	—	66.45	26.17	28.65
EDP Equipments	1.83	0.07	—	1.90	0.49	0.32
Miscellaneous Articles	50.22	4.24	0.61	53.85	29.65	32.58
Sub-total 'B'	334.00	18.70	2.69	350.01	486.88	506.58
Figures for the Previous Year	314.82	19.79	0.61	334.00	506.58	
Total ('A'+ 'B')	13498.75	1174.71	114.60	14558.86	13153.85	14035.86
Figures for the Previous Year	12400.73	1146.85	48.83	13498.75	14035.86	
Note : Allocation of depreciation					Current Year	Previous Year
(a) Charged to Profit & Loss Account					1122.59	1146.66
(b) Charged to expenditure during construction					0.33	0.35
(c) Debited to adjustments pertaining to earlier years					51.79	-0.16
Total					1174.71	1146.85



Schedules (FORMING PART OF THE BALANCE SHEET)

1.6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Expenditure during construction pending allocation (Schedule 1.6.1)	22.99	38.51
Capital Work-in-progress		
Steel Plants & Units	89.17	86.07
Township	4.32	2.87
Ore Mines and Quarries	2.39	2.41
	95.88	91.35
Less: Provisions	19.75	17.48
	76.13	73.87
Capital equipments pending erection, installation, commissioning and adjustments	62.26	56.58
Construction Stores and Spares	16.55	15.52
Less: Provisions	3.79	3.80
	12.76	11.72
Advances	209.94	182.33
Less: Provisions	1.88	1.76
	208.06	180.57
	382.20	361.25
Particulars of advances		
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs. 14.98 crores) (Previous year Rs. 15.31 crores)	208.06	180.57
Unsecured, Considered Doubtful	1.88	1.76
	209.94	182.33

1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Opening Balance (a)	38.51	40.43
Expenditure incurred during the year		
Employees' Remuneration & Benefits		
Salaries & Wages	9.37	7.73
Company's contribution to Provident and other Funds	1.06	0.83
Travel Concession	0.07	—
Welfare Expenses	0.01	0.02
Gratuity	- 0.29	0.02
	10.22	8.60
Repairs & Maintenance	—	0.12
Stores and Spares	0.50	0.62
Power & Fuel	1.95	2.34
Other expenses	1.74	2.37
Interest & Finance charges	8.02	11.38
Depreciation	0.33	0.35
	22.76	25.78
Less: Income		
Interest Earned	0.04	0.01
Liquidated Damages	4.05	0.96
Hire Charges	1.88	1.76
Sundries	1.37	1.74
	7.34	4.47
Net expenditure during the year (b)	15.42	21.31
Total (a)+(b)	53.93	61.74
Less: Amount allocated to Fixed Assets/ Capital Work-in-progress	30.94	23.23
Balance carried forward	22.99	38.51

1.7: INVESTMENTS AT COST — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2004		As at 31st March, 2003	
(Rupees in crores)						
Quoted						
Housing Development Finance Corporation Limited (Market Value Rs. 77,19,000; Previous year Rs. 39,76,200)	12,000	10	0.01		0.01	
HDFC Bank Limited (Market Value Rs 1,89,175; Previous year Rs. 1,17,275)	500	10	—*	0.01	—*	0.01
Unquoted						
Trade Investments						
Tata Refractories Limited	10,00,000	10	1.12		1.12	
Almora Magnesite Limited	40,000	100	0.40		0.40	
North Bengal Dolomite Limited	97,900	100	0.98		0.98	
Indian Potash Limited	2,40,000	10	0.18		0.18	
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	1,66,00,000	10	16.60		16.60	
SAIL- Bansal Service Centre Limited	32,00,000	10	3.20		3.20	
Metaljunction.com Pvt Limited	40,00,000	10	4.00	169.15	4.00	169.15
Other Investments -						
Subsidiary Companies						
Indian Iron & Steel Company Limited	38,76,65,757	10	374.94		374.94	
Maharashtra Elektros melt Limited	2,37,87,935	10	23.79		23.79	
Bhilai Oxygen Limited	49,998	10	0.05	398.78	0.05	398.78
Other Companies						
UEC SAIL Information Technology Limited	1,80,000	10	0.18		0.18	
Cement & Allied Products (Bihar) Limited	2	10	—*		—*	
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	—*		—*	
Bhilai Power Supply Company Limited	5	10	—*		—*	
Romelt SAIL (India) Limited	63,000	10	0.06		0.06	
MSTC Limited	20,000	10	0.01		0.01	
Shares in Co-operative Societies (1.7.1)			0.14	0.39	0.14	0.39
				568.33		568.33
Less : Provision for diminution in value of investments				25.16		25.16
				543.17		543.17

* 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

	Numer of Fully Paid-up Shares	Face value per Share (Rs.)	As at 31st March, 2004	As at 31st March, 2003
<i>(In Rupees)</i>				
Rajhara Employees' Co-operative Stores Limited	25	100	2500	2500
Nandini Employees' Co-operative Stores Limited	25	100	2500	2500
BSP Employees' Consumers' Co-operative Stores (Sector 4) Limited	25	100	2500	2500
Bhilai Steel Employees' Consumers' Co-operative Society Limited (Sector-8)	250	10	2500	2500
Bokaro Steel Employees' Co-operative Credit Society Limited	6,250 1,16,500	20 10	1290000	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	250	10	2500	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	2500	2500
NMDC Meghahatuburu Employees' Consumers' Co-operative Society Limited	25	100	2500	2500
DSP Employees' Co-operative Society Limited	1377	100	137700	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	5000	5000
			<u>1450200</u>	<u>1450200</u>



1.8 : INVENTORIES*

	As at 31st March, 2004	As at 31st March, 2003
	(Rupees in crores)	
Stores & spares	933.76	903.04
Add: In-transit	91.78	73.42
	<u>1025.54</u>	<u>976.46</u>
Less: Provision for Non Moving/Obsolete items	130.41	95.86
	<u>895.13</u>	<u>880.91</u>
Raw materials	406.45	541.85
Add: In-transit	175.39	233.63
	<u>581.84</u>	<u>775.48</u>
Less: Provision for unusable materials	1.20	0.99
	<u>580.64</u>	<u>774.49</u>
Semi/finished products (including scrap)	1581.28	2067.12
Salvaged/Scrapped fixed assets	73.28	55.31
Less: Provision	48.89	33.46
	<u>24.39</u>	<u>21.85</u>
	<u>3081.44</u>	<u>3744.37</u>

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

1.9 : SUNDRY DEBTORS

	As at 31st March, 2004	As at 31st March, 2003
	(Rupees in crores)	
Debts over six months	330.36	383.82
Other debts	1419.35	1462.01
	<u>1749.71</u>	<u>1845.83</u>
Less: Provision for doubtful debts	199.75	185.74
	<u>1549.96</u>	<u>1660.09</u>
Particulars		
Unsecured, considered good	1549.96	1660.09
(Including debts backed by bank guarantees Rs. 405.44 crores; Previous year Rs. 466.77 crores)		
Unsecured, considered doubtful	199.75	185.74
	<u>1749.71</u>	<u>1845.83</u>



Schedules (FORMING PART OF THE BALANCE SHEET)

1.10 : CASH & BANK BALANCES

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Cash and Stamps on hand	1.38	1.93
Cheques on hand	191.57	215.56
With Scheduled Banks		
Current account	1.40	0.99
Unpaid Dividend account	0.26	0.36
Term deposits	1822.51	293.59
With Post Office	0.01	0.01
(Deposits pledged with excise authorities)		
Remittances-in-transit	0.03	0.47
	2017.16	512.91

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Loans to subsidiary companies	3.61	1.52
Loans to other companies	0.05	—
Employees	70.45	76.66
Others	18.32	18.97
	92.43	97.15
Less: Provision for doubtful interest	6.25	6.56
	86.18	90.59
Particulars		
Unsecured, considered good	86.18	90.59
Unsecured, considered doubtful	6.25	6.56
	92.43	97.15

1.12 : LOANS AND ADVANCES TO SUBSIDIARY COMPANIES

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Loans	198.23	23.81
Stores issued on loan	14.04	14.04
Other-Advances	1.18	—
	213.45	37.85
Less : Provision for doubtful loans & advances	42.40	29.55
	171.05	8.30
Particulars		
Unsecured, considered good	171.05	8.30
Unsecured, considered doubtful	42.40	29.55
	213.45	37.85

1.13 : LOANS & ADVANCES — OTHERS

	As at 31st March, 2004		As at 31st March, 2003	
			(Rupees in crores)	
Loans				
Employees	134.77		166.75	
Others	<u>76.59</u>	211.36	<u>86.03</u>	252.78
Advances recoverable in cash or in kind or for value to be received				
Claims recoverable	377.94		357.15	
Contractors & suppliers	76.88		71.42	
Employees	13.33		1.92	
Income Tax paid against disputed demand	106.19		105.86	
Other Income Tax Recoverable	0.31		0.69	
Export Incentive Receivable	231.69		162.75	
Others	<u>214.71</u>	1021.05	<u>217.98</u>	917.77
Deposits				
Port Trust, Excise Department, Railways, etc.	89.84		70.04	
Others	<u>148.40</u>	238.24	<u>123.61</u>	193.65
		1470.65		1364.20
Less : Provision for doubtful Loans & Advances		<u>175.11</u>		<u>89.76</u>
		1295.54		1274.44
Particulars of Loans & Advances - Others				
Secured, considered good		133.58		161.72
Unsecured, considered good		1161.96		1112.72
(Including loans & advances backed by bank guarantees Rs. 0.43 crores; Previous year Rs. — crores)				
Unsecured, considered doubtful		175.11		89.76
		<u>1470.65</u>		<u>1364.20</u>
Amount due from				
— Directors		0.03		—
— Officers		0.01		—
Maximum amount due at any time during the year from				
— Directors		0.04		0.03
— Officers		0.01		—



Schedules (FORMING PART OF THE BALANCE SHEET)

1.14 : CURRENT LIABILITIES

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Sundry creditors		
Capital works	179.98	192.92
Small Scale Industrial Undertakings	10.79	7.93
Subsidiary companies	12.83	4.81
Others	1577.21	1472.11
Advances from		
Customers	339.41	219.34
Others	25.18	31.18
Security deposits	198.26	192.58
Less : Investments received as security deposit	6.43	0.66
Interest accrued but not due on Loans	839.93	997.91
Unpaid Dividends	0.26	0.37
Unclaimed Matured Deposits*	11.82	15.11
Interest Accrued on Matured Deposits	2.19	4.35
Other Liabilities	1214.57	1354.76
	4406.00	4492.71

* Includes an amount of Rs. 31,045 credited to Investor Education and Protection Fund.

1.15 : PROVISIONS FOR

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Gratuity	1547.36	1387.63
Accrued Leave Liability	871.75	747.23
Taxation (net of tax paid)	56.85	—
Pollution Control & Peripheral Development		
Opening Balance	58.73	43.16
Add : Provision during the year	19.37	17.81
Less: Amount utilised during the year	5.89	2.24
	72.21	58.73
Exchange Fluctuation		
Opening Balance	—	15.93
Add : Provision during the year	14.85	13.65
Less: Amount utilised during the year	14.85	29.58
	—	—
Employee Family Benefit Scheme	146.67	123.24
Post-Retirement Medical and Settlement Benefits	366.30	209.74
Voluntary Retirement Compensation	152.23	208.48
Wage Revision	1216.98	—
Others	96.27	86.35
	4526.62	2821.40

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

	Balance as at 31st March, 2003	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2004
<i>(Rupees in crores)</i>					
(i) Development Expenditure					
(a) On Mines	31.78	—	31.78	12.39	19.39
(b) On New Projects	0.08	—	0.08	0.08	—
Total (i)	<u>31.86</u>	<u>—</u>	<u>31.86</u>	<u>12.47</u>	<u>19.39</u>
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	496.26	162.35	658.61	301.42	357.19
(b) Others	<u>8.19</u>	<u>—</u>	<u>8.19</u>	<u>6.27</u>	<u>1.92</u>
Total (ii)	<u>504.45</u>	<u>162.35</u>	<u>666.80</u>	<u>307.69</u>	<u>359.11</u>
Total (i+ii)	<u>536.31</u>	<u>162.35</u>	<u>698.66</u>	<u>320.16</u>	<u>378.50</u>
Previous year	<u>577.65</u>	<u>293.75</u>	<u>871.40</u>	<u>335.09</u>	<u>536.31</u>
				Current Year	Previous Year
Charged Off to:					
Raw Materials				11.32	15.55
Other Expenses				308.84	319.54
				<u>320.16</u>	<u>335.09</u>



Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.1 : SALES

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Direct	12873.29	10772.12
From Stockyards	9328.08	7191.35
Exports	1689.51	1076.42
Export Incentive	273.03	158.95
Others	14.57	8.26
	24178.48	19207.10

2.2 : INTEREST EARNED

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Loans & advances to subsidiary companies	5.99	1.70
Loans & advances to other companies	1.40	2.00
Customers	28.28	34.66
Employees	10.33	12.09
Term Deposits	23.16	22.83
Others*	5.60	15.68
	74.76	88.96

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

2.3 : OTHER REVENUES

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Social amenities-recoveries	112.06	107.25
Sale of empties etc.	33.29	37.66
Liquidated damages	16.88	13.85
Service charges (Gross)*	100.22	43.91
Subsidy	7.33	5.37
Hire charges etc.	—	0.94
Claims for finished products (Shortages & missing wagons)	—	0.48
Dividend (gross) from Other investments	8.22	2.67
Profit on sale of fixed assets (Net)	11.22	0.25
Profit on sale/lease of houses	41.20	143.94
Foreign Exchange Fluctuation (Net)	91.00	—
Sundries*	106.48	95.40
* (Tax deducted at source Rs. 2.01 crores; previous year Rs. 0.29 crores)	527.90	451.72



2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Loans & advances	12.11	13.91
Sundry debtors	10.03	7.44
Stores & spares	10.89	11.24
Others	11.00	15.23
	<u>44.03</u>	<u>47.82</u>

2.5 : DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Opening stock	2067.12	2500.12
Less : Closing stock	1581.28	2067.12
	<u>485.84</u>	<u>433.00</u>

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2004		Year ended 31st March, 2003	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	21341162	932.40	19712992	891.35
Coal	12447069	4248.12	11806885	3904.19
Coke	146648	140.43	91379	65.31
Limestone	3385038	374.64	2979285	341.15
Dolomite	2246880	85.56	2415587	135.46
Ferro Manganese	52488	139.11	56635	134.87
Ferro Silicon	18919	64.01	17991	58.90
Silico Manganese	90261	220.80	78175	177.20
Hot Rolled Stainless Steel Coils	15204	57.63	7954	31.01
Intermediary Products	40527	222.13	21912	126.12
Zinc	11062	66.08	10500	57.74
Aluminum	12753	107.03	12961	106.05
Others		233.90		196.61
		<u>6891.84</u>		<u>6225.96</u>

NOTES : 1. Consumption of raw materials includes shortages Rs. 4.70 crores, (previous year Rs. 12.06 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 4.08 crores (previous year Rs. 2.10 crores).
2. Value of raw materials consumed is after excluding Inter Plant Transfers.



Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Salaries & wages	2542.51	2647.75
Wage revision (Arrears)	1351.82	—
Company's contribution to provident fund & other funds	238.98	236.79
Travel concession	17.73	0.18
Welfare expenses	289.35	304.27
Gratuity	318.10	534.48
	4758.49	3723.47
Less : Grants-in-Aid received from Govt. of Karnataka	0.31	0.67
	4758.18	3722.80
Note : Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure during Construction	10.22	8.60
b) Deferred Revenue Expenditure	301.42	308.58
c) Net expenditure on Social Amenities charged to various primary revenue heads	176.07	177.21
	487.71	494.39

2.8 : POWER & FUEL

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Purchased power	1779.47	1659.87
Duty on own generation	13.33	12.44
Boiler Coal/Middling	120.62	101.82
Furnace Oil/LSHS/LDO	58.53	50.07
Others	186.91	212.36
	2158.86	2036.56
Note : Expenditure on Power & Fuel not included above & charged off to:		
— Expenditure during Construction	1.95	2.34

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Buildings	28.41	25.11
Plant & Machinery	118.61	117.65
Others	48.15	45.25
	<u>195.17</u>	<u>188.01</u>
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	34.96	36.75
Plant & Machinery	517.35	545.73
Others	54.62	57.97
	<u>606.93</u>	<u>640.45</u>
b) Stores & Spares		
Buildings	6.36	7.14
Plant & Machinery	687.43	652.24
Others	47.90	35.51
	<u>741.69</u>	<u>694.89</u>
c) Expenditure during Construction	—	0.12
Total (a+b+c)	<u>1348.62</u>	<u>1335.46</u>



Schedules (FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.10 : OTHER EXPENSES

	Year ended 31st March, 2004		Year ended 31st March, 2003	
			(Rupees in crores)	
Commission to selling agents		26.58		15.45
Directors' Fees		0.05		0.03
Export sales expenses		49.11		34.68
Handling expenses				
— Raw Material	96.11		82.34	
— Finished goods	49.32		51.13	
— Scrap recovery expenses	48.13	193.56	52.82	186.29
Insurance		7.57		7.28
Postage, telegram & telephone		13.62		12.29
Printing & stationery		7.50		7.26
Provisions				
— Doubtful debts, loans and advances	133.71		81.13	
— Stores, Spares and Sundries	79.88	213.59	92.20	173.33
Rates & Taxes		14.83		27.32
Remuneration to Auditors				
— Audit fees	0.50		0.47	
— Tax Audit fees	0.12		0.12	
— Out of pocket expenses	0.63		0.59	
— In other capacities	0.37	1.62	0.21	1.39
Cost Audit Fees		0.01		0.01
Rent		21.03		22.71
Royalty and cess		40.77		37.90
Security expenses		81.79		80.39
Travelling expenses		112.48		134.12
Write Offs				
— Miscellaneous & Deferred Revenue Expenditure	308.84		319.54	
— Others	1.17	310.01	11.44	330.98
Cash Discount		73.45		92.69
Training expenses		3.46		4.21
Conversion charges		43.81		44.21
Foreign Exchange Fluctuation (Net)		—		24.57
Water charges & Cess on water pollution		29.09		24.76
Contribution to Joint Plant Committee Funds		2.52		2.39
Miscellaneous (include Donation Rs. — lakhs; previous year Rs. 49.81 lakhs)		181.01		192.02
		1427.46		1456.28

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Public Deposits	93.84	147.44
Foreign Currency Loans	84.61	110.56
Non Convertible Bonds	552.39	589.14
Bank borrowings - working capital	80.98	304.37
Steel Development Fund Loans	59.04	55.54
Others	47.28	125.97
Finance Charges	35.43	48.77
	953.57	1381.79
Less : Interest Subsidy received from GOI	54.14	47.77
	899.43	1334.02
Note :		
Expenditure on interest not included above & charged to:		
Expenditure During Construction		
Foreign Currency Loans	0.18	0.30
Non Convertible Bonds	2.23	9.06
Steel Development Fund Loans	5.51	1.63
Others	0.01	0.09
Finance Charges	0.09	0.30
	8.02	11.38

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Raw materials	617.23	585.62
Departmentally manufactured stores	247.55	244.46
Services transferred to capital works	26.47	20.66
Others(Net)	1.82	5.47
	893.07	856.21

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2004	Year ended 31st March, 2003
		(Rupees in crores)
Sales	2.84	1.54
Other Revenues	-3.82	-6.00
Raw materials consumed	2.16	0.57
Employees' remuneration & benefits	-2.26	-0.79
Stores & Spares consumed	-0.42	-0.10
Power & Fuel	-7.26	14.09
Repairs & Maintenance	-0.36	-0.10
Excise Duty	0.77	—
Freight Outward	-0.48	-4.83
Other Expenses & Provisions	2.34	1.19
Interest	-10.63	8.68
Depreciation	51.79	-0.16
Net Debit	34.67	14.09
(-) indicate credit items		

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SCHEDULE 3 : ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The Company prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.

1.2 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

Land gifted by the State Governments is valued notionally/nominally and the corresponding amount is credited to 'Capital Reserve'. The expenditure on development of land including leasehold land is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised, based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

Expenditure incurred during the trial run period are capitalised till the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expenses.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals thereagainst, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

1.3 BORROWING COSTS

Borrowing costs relating to the acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

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 prospectively over the residual useful life of the asset based on the rates specified in Schedule XIV as stated above.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

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

1.5 INVESTMENTS

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

1.6 INVENTORIES

Semi/Finished products, are valued at lower of cost and net realisable value of the respective plants.

Raw-materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

The stocks of wear scrap lying unconsumed at the plant and mixed coke and middlings/rejects, are valued at the estimated net realisable value.



In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost upto the stage of process.

Stores and spares are valued at cost. However, in case of non-moving, obsolete/surplus stores and spares items, provision is made on book value and charged to revenue, as stated below:

- i) Not moved for five years and more – 10%
- ii) Not moved for ten years and more – 50%
- iii) Not moved for fifteen years and more – 75%
- iv) Obsolete/surplus stores and spares – 75%

In respect of inter-unit transfers: The closing stock of (i) semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter-plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transferred materials used for capitalisation have, however, been considered at cost (ii) Stores and spares are valued at cost of the transferor plant (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based on the average of purchase cost and transfer price.

Cost is arrived on weighted average basis.

1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

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

In respect of deferred Voluntary Retirement Schemes, compensation liability is initially ascertained on actuarial valuation and written-off in five years. Annual increase/decrease to the above liability, actuarially ascertained, is charged to Profit and Loss Account, after adjustment of payments thereof during the year. Incremental amount due to wage revision is charged corresponding to the period for which such expenditure is amortised.

In case of Voluntary Retirement Schemes, which envisage monthly payments, the payments are charged off as per contractual terms.

1.7.2. The development/deferred revenue expenditure incurred upto 31st March, 2003 continues to be written-off in line with Accounting Standard – 26, issued by the Institute of Chartered Accountants of India as follows:

- Expenditure incurred on development of new projects, cost of feasibility studies for new projects and payments for technical know-how/ documentation is treated as development expenditure and added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.
- Expenditure on extraction at captive mines is distributed over the excavation of ore, normal waste (intercalated waste) and over burden. The expenditure on removal of normal waste (intercalated waste) is loaded on the cost of ore excavated. Expenditure on removal of over burden is written-off in five years.
- Expenditure on consultancy/ technological assistance for strategic cost reduction and quality improvements is written-off in five years.

The expenditure mentioned above, incurred after 31st March 2003, is charged to revenue.

1.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities, other than those covered by forward contracts, as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit and Loss Account, as the case may be, proportionately over the contract period.

1.9 RESEARCH & DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are treated as income on completion of the projects/final settlement.

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

1.11 RETIREMENT BENEFITS

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.



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1.12 EMPLOYEES' FAMILY BENEFIT SCHEME

The provision towards payments to be made in future to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

1.13 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.

1.14 SALES

Sales include Excise Duty and are net of rebates/price concessions/sales tax.

Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection of payments, since the significant risks and rewards in such cases are passed on to the buyers on despatch of materials. Export sales are treated as sales on issue of Bills of lading.

1.15 EXPORT INCENTIVES

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

1.16 LEASES

(a) Where the Company is lessor

Assets given under finance lease are recognised as receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the basis of internal rate of return. The principal amount received is reduced from the net investment in the lease while interest recovery is recognised as revenue. In those cases where the entire lease premium/consideration is received up front, the difference between consideration money and net book value of the assets is recognised as income in the Profit & Loss Account.

Assets subject to operating lease are included in fixed assets and the lease income is recognised in the Profit & Loss Account on a straight line basis over the lease term. Expenses including depreciation in relation thereto, are recognised as an expense in the Profit & Loss Account.

(b) Where the Company is lessee

Finance leases which effectively transfer to the Company substantially all the risks and rewards incidental to the ownership of the leased items, are capitalised at the lower of the face value and present value of the minimum lease payments at the inception of the lease term. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability. Capitalised leased assets are depreciated over the lease term or estimated useful life of the relevant assets, whichever is shorter.

All leases except for those specified above, are classified as operating leases. Lease payments, in such cases, are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

1.17 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

1.18 SEGMENT REPORTING

(a) Identification of Segments

The Company has identified that its operating segments are primary segments. The Company's operating business are organised and managed separately for all the manufacturing units, with each business unit representing a strategic segment. Accordingly, each manufacturing unit has been identified as an operating segment for reporting purposes.

The analysis of geographical segments is based on the areas in which the customers of the Company are located.

(b) Allocation of Common costs

Common expenses are allocated to each segment on appropriate basis. Revenue and expenses not allocated to segments, have been included under the head "unallocated – common expenses".

The Accounting Policies adopted for segment reporting are in line with those of the Company.



NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

2.1 GENERAL

	As at 31st March, 2004	As at 31st March, 2003
	(Rupees in crores)	
i) Claims against the Company pending appellate/ judicial decisions	1673.20	1283.76
ii) Other claims against the Company not acknowledged as debt	393.05	530.59
iii) Guarantee given to Banks on behalf of a subsidiary Company	28.85	28.85
iv) Bank guarantee given to excise authorities on behalf of a joint venture company	2.55	2.55
v) Bills drawn on customers and discounted with banks	13.87	25.11
vi) Claims by certain employees and escalation claims, extent whereof is not ascertainable	—	—

2.2 Sales Tax authorities have raised demands for Rs. 1047.70 crores (As at 31st March, 2003 - Rs. 982.32 crores) mainly on account of sales tax on stock transfers made by the plants over the years to stockyards situated in different States. The demands of Sales Tax authorities at plants have been contested by the Company which are pending at various stages of appeal. As sales tax liability has been discharged by the respective stockyards on sale of such stocks by depositing sales tax with the respective Sales Tax authorities in different States, no liability is expected to arise, as sales tax is leviable only once.

2.3 M/s Hindustan Steelworks Construction Limited (HSCL), a public sector company, undertook several jobs as a consortium member and also directly, under DSP modernisation scheme during 1992 to 1997. They were given recoverable/adjustable advances from time to time of Rs. 133.39 crores. The Company has provisionally treated the advance amount of Rs.130.80 crores as capital expenditure during the year and depreciation provided (Rs. 61.65 crores) thereon and Rs. 2.59 crores charged to revenue. Further adjustments, if any, will be carried out on final settlement of disputes/conciliation proceedings pending before Dispute Settlement Committee of the Ministry of Steel/Conciliator in respect of claims by HSCL (Rs.347.86 crores) against which the Company has counter claims.

3. FIXED ASSETS

3.1 Land includes :

- i) 61117.45 acres (As at 31st March 2003 – 61139.01 acres) owned/ leased/ possessed by the Company, in respect of which title/lease deeds are pending for registration.
- ii) 4442.30 acres (As at 31st March 2003 – 4442.30 acres) gifted by State Governments, which are pending for registration and included in (i) above.
- iii) 5448.24 acres (As at 31st March 2003 – 5368.35 acres) given on lease to various agencies/ employees/ex-employees.
- iv) 14476.07 acres (As at 31st March, 2003 – 14476.07 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. Out of the above, 11274.55 acres (As at 31st March, 2003 – 11274.55 acres) have already been adjusted in the accounts.
- v) 12767.96 acres (As at 31st March, 2003 – 12767.96 acres) in respect of which title is unascertained.

3.2 Buildings include net block of Rs.32.26 crores (As on 31st March 2003 – Rs.32.82 crores) for which conveyance deed is yet to be registered in the name of the company.

3.3 Foreign exchange variations aggregating to Rs. 42.25 crores (net credit) [previous year- Rs. 65.03 crores (net debit)] have been adjusted in the carrying amount of fixed assets during the period.

3.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 540.52 crores (As at 31st March, 2003 - Rs. 545.27 crores).

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

4.1 The Company has equity investments of Rs.374.94 crores (As at 31st March 2003 - Rs.374.94 crores) and loans, advances & other recoverable dues of Rs.183.69 crores (As at 31st March, 2003 –12.07 crores) in its fully owned subsidiary company, the Indian Iron & Steel Co. Ltd. (IISCO). Board for Industrial and Financial Reconstruction has approved the revival plan of IISCO, which is under implementation. Some of the reliefs under the revival plan have been availed of by IISCO. As a result and due to improved steel market conditions, IISCO has earned profit during the current year. The value of IISCO's Land & Buildings as on 31st March, 2000 has been determined by an independent agency which, if taken together with the value of assets like plant & machinery, mines etc. is quite adequate to cover the company's investments in IISCO. In view of the above and also considering the long-term nature of these investments, there is no permanent diminution in the value of investments and other recoverable dues, and thus no provision thereof is called for in the accounts.

4.2 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted and kept separately and not deposited with the Income Tax Department and vide order dt. 30.1.2002 and 23.12.2003, has granted an interim stay restraining the Company from deduction of tax on perquisite on accommodation provided to the employees. The company has deducted tax on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 and kept in a separate account.

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 also there being no claims



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from the parties, interest, if any, on overdue payments is unascertainable and thus not provided for. There are no parties whose outstanding are for more than 30 days.

- 4.4 The Joint Plant Committee, vide its letter dated 12th April 2004 has conveyed the Steel Development Fund (SDF) Managing Committee's, 'in principle' approval for linking the interest rate on SDF loans with the RBI Bank rate w.e.f. 1st April 1998. Pending finalisation of the modalities/clarifications, the impact thereof is not ascertainable and hence not accounted for.
- 4.5 Current liabilities include a sum of Rs. 8.91 crores (previous year Rs. 10.37 crores) towards unutilised portion of Steel Development Fund for sponsored projects and corresponding amount alongwith accrued interest has been kept as term deposit.
- 4.6 Sundry creditors, other liabilities, sundry debtors, claims recoverable, deposits and advances to parties include some old unlinked balances pending reconciliation/ confirmation/adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances. The account of Public Deposit Scheme is also under reconciliation in respect of adjustment of Rs. 2.14 crores carried out during 2001-02, out of which an amount of Rs. 0.81 crores has been adjusted. Further adjustments would be carried out after due verification/ reconciliation.

5. PROFIT & LOSS ACCOUNT

- 5.1 The Company had implemented the revised salaries & wages agreement w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000, after the expiry of long term agreements with the employees' on 31.12.1996. As regards the period 1.1.1997 to 31.12.2000, an amount of Rs.1417.79 crores (net of ad-hoc advances of Rs.422.33 crores paid in earlier years) has been paid/provided during the year on estimated basis towards salaries & wages arrears including consequential benefits. The aforesaid amount has been charged to Employees' Remuneration & Benefits (Rs.1351.82 crores) and written off as Deferred Revenue Expenditure in respect of employees retired voluntarily (Rs. 65.97 crores).
- 5.2 The Leave Travel Concession (LTC)/ Liberalised Leave Travel Concession (LLTC) facility to employees, withdrawn since 1998-99, has been restored, effective from the current year. The expenditure on the same is accounted for on availment of the facility. One of the Unions of employees of Rourkela Steel Plant has disputed the withdrawal of the facility for the period 1998-99 to 2002-03 and the matter is pending before the Hon'ble Orissa High Court. Liability, if any, as a result thereof will be considered as and when it arises.
- 5.3 The Company has granted long term lease, in respect of certain residential premises at its various units to the employees, ex-employees etc. and profit of Rs. 41.20 crores (Previous year – Rs. 143.94 crores) arising on leasing of such assets has been included under 'Other Revenues' as Profit on sale/lease of houses.
- 5.4 i) The Company has revised the age profile of non-moving stores & spares, as well as quantum of provision against such stores & spares. (Refer Accounting Policy No.1.6) This has resulted in decrease in profit during the year by Rs.33.18 crores.
ii) The items of expenditure as stated in Accounting Policy No.1.7.2, hitherto treated as deferred revenue expenditure, have been charged to revenue during the year resulting in decrease in profit by Rs.5.13 crores.
- 5.5 The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. However, an amount of Rs.118.47 crores has been provided as minimum tax on book profits as per Section 115 JB of the Income Tax Act, 1961. Further, an amount of Rs.15.46 crores has been provided towards the income tax on capital gains on disposal of assets/dividend receipt during the previous year.
- 5.6 The position of deferred tax assets and liabilities computed in accordance with the requirements of AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, is as stated below :

	As on 1.4.2003	During the year	As on 31.3.2004
<i>(Rupees in crores)</i>			
Deferred tax liabilities			
Difference between book and tax depreciation	3346.06	-23.99	3322.07
Total	<u>3346.06</u>	<u>-23.99</u>	<u>3322.07</u>
Deferred tax assets			
Unabsorbed depreciation/loss	4196.65	-1226.21	2970.44
Others	995.38	271.36	1266.74
Total	<u>5192.03</u>	<u>-954.85</u>	<u>4237.18</u>
Net Deferred Assets	<u>1845.97</u>	<u>-930.86</u>	<u>915.11</u>

The Company as a matter of prudence does not recognise deferred tax assets if these arises after adjustment of deferred tax liabilities. Accordingly net deferred tax assets amounting to Rs.915.11 crores as on 31st March 2004 have not been accounted for.

- 5.7 The Research and Development costs charged to Profit & Loss Account and Fixed assets during the year amount to Rs. 70.95 crores (previous year - Rs.53.93 crores) and Rs. 0.95 crores (previous year – Rs.0.89 crores) respectively.
- 5.8 The excise duty of Rs. 2881.66 crores, shown as deduction from sales, includes excise duty on internal consumption and stock.
- 5.9 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.
- 5.10 As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.
- 5.11 The classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.

6. GENERAL

6.1 Segment Reporting

- i) Business Segment : The four integrated steel plants and three alloy steel plants, being manufacturing units, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.
- ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as a geographical segment and exports as other segments. The disclosures of segment-wise information is given at Annexure-I.

6.2 Related party

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

Nature of Relationship	Name of the related parties
Joint Venture	SAIL Bansal Service Centre Limited Metaljunction. Com Pvt. Limited UEC SAIL Information Technology Limited
Key Management Personnel:	Shri V.S. Jain Shri S.C.K. Patne Shri Ashis Das Shri S.K. Roongta (With effect from 5 th February, 2004) Shri G.C. Daga (With effect from 23 rd March, 2004) Shri Suresh Pandey (Upto 30 th November, 2003) Shri A.K.Singh (Upto 1 st April 2003) Shri B.K.Singh (Upto 29 th February, 2004) Shri R.P. Singh (With effect from 1 st March, 2004) Dr. S.K.Bhattacharyya Dr. Sanak Mishra Shri R.P.Singh (Upto 31 st January, 2004) Shri H.K. Roy Choudhury (With effect from 1 st Feb., 2004) Shri Sudhakar Jha Shri U.P.Singh Shri B. Basu Shri D.A.Pikle (Upto 11 th August 2003) Shri D.S.Lal (With effect from 12 th August, 2003) Shri S.Panigrahy (Upto 31 st May 2003) Shri N.P. Jayswal Shri U.Mishra Shri S.N.P.Singh Shri M.Roy Shri B.N. Singh (Upto 30 th November 2003) Shri A.K.Jayaswal (from 1 st December 2003)

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

Sl. No.	Nature of transactions	Amount Rs./crores		Ref. Schedule & Account head of the Accounts
		Joint Venture	Key Management Personnel	
i)	Other Loans	8.15	0.05	1.13: Loans & Advances – Others
ii)	Interest recoverable		0.02	1.11: Interest receivable/ accrued
iii)	Investments	7.38		1.7: Investments
iv)	Payments made against services rendered during the year	6.37		
v)	Managerial Remuneration		1.31	2.7: Employees' Remuneration and Benefits.

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6.3. Earning Per Share (EPS)

In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below:

	2003-04	2002-03
i) Profit/Loss (-) after tax as per Profit & Loss Account (Rs. in crores)	2512.08	-304.31
ii) Weighted average number of equity shares outstanding during the year	4,13,04,00,545	4,13,04,00,545
iii) Basic and diluted EPS (Rs.)	6.08	-0.74

6.4 As per Accounting Standard - 27 - 'Financial reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India, the name and other details of the joint ventures entered into by the Company are given below:

Sl. No.	Name of the company	% of share-holding in the company	Country of Incorporation
1.	North Bengal Dolomite Limited	50%	India
2.	NTPC SAIL Power Company Pvt. Limited	50%	India
3.	SAIL Bansal Service Centre Limited	40%	India
4.	Metaljunction.Com Pvt. Limited	50%	India
5.	UEC SAIL Information Technology Limited	40%	India
6.	Bokaro Power Supply Co. Pvt. Ltd.	50%	India
7.	Bhilai Electric Supply Co. Pvt. Ltd.	50%	India
8.	Romelt SAIL (India) Limited	15%	India

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

Sl. No	Name of the company	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
(Rupees in crores)							
1.	North Bengal Dolomite Limited(*)	0.33	1.79	—	0.37	0.01	
2.	NTPC SAIL Power Company Pvt. Limited	211.31	144.17	77.48	64.66		1.30
3.	SAIL Bansal Service Centre Limited (**)	5.27	2.47	3.65	4.00		0.51
4.	Metaljunction.Com Pvt. Limited	8.59	2.64	5.87	2.80		0.05
5.	UEC SAIL Information Technology Ltd. (\$)	1.83	1.42	3.33	3.66	0.01	
6.	Bokaro Power Supply Co. Pvt. Ltd. (\$)	275.91	164.32	103.75	86.08	—	—
7.	Bhilai Electric Supply Co. Pvt. Ltd.	75.79	53.74	30.49	26.95	—	11.68
8.	Romelt SAIL (India) Limited (\$)	0.05	0.04	0.07	0.09		

* Operations under suspension and based on accounts for the year 2001-02.

** Based on audited Accounts for 2002-03.

\$ Based on unaudited accounts for the year 2003-04.

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

(i) In respect of subsidiary companies

Sl. No.	Name of the subsidiary company	Loans and advances in the nature of loans outstanding as on 31 st March 2004	Maximum amount of loans and advances in the nature of loans outstanding during the year 2003-04
(Rupees in crores)			
1)	Indian Iron and Steel Co. Ltd.	169.86	169.86
2)	Maharashtra Elektrosmit Limited	28.09	29.43
3)	IISCO Ujjain Pipe and Foundry Co. Ltd.	14.31	14.31

ii) The company does not have loans, other than loans to employees, wherein there is no repayment schedule or repayment is beyond seven years; and

iii) The company does not have loans and advances in the nature of loans to firms/companies in which directors are interested.

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

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

Own Products	Licensed Capacity (i)	Installed Capacity	Production
<i>(Quantity : Tonnes)</i>			
Main Steel Plants			
Pig Iron		1740000	278067
		(1740000)	(288249)
Crude Steel (ii)		11987000	11827984
		(11987000)	(11086646)
Saleable Steel		10190000	10728642
		(10190000)	(10086156)
Alloy Steels Plants			
Pig Iron		205000	31350
		(205000)	(19738)
Crude Steel		301078	254739
		(301078)	(215330)
Saleable Steel		435000	298132
		(435000)	(265633)
Others			
Calcium Ammonium Nitrate (in terms of 25% N)		360000	—
		(360000)	(1550)

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

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

	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<i>(Quantity : Tonnes)</i> <i>(Value : Rs./crores)</i>								
OWN PRODUCTS								
Main Steel Plants								
Pig Iron	19877	14.82	—	—	177656	187.39	23592	18.00
	(23080)	(14.95)	(—)	(—)	(190384)	(149.11)	(19877)	(14.82)
Steel Ingots	104836	103.12	—	—	6696	9.91	43972	41.00
	(128128)	(114.81)	(—)	(—)	(17811)	(18.31)	(104836)	(103.12)
Saleable Steel	802760	1106.75	—	—	10426490	21503.58	639618	870.37
	(997147)	(1344.97)	(—)	(—)	(9782157)	(17053.39)	(802760)	(1106.75)
ALLOY STEELS PLANTS								
Pig Iron	62	0.06	—	—	30548	38.04	608	1.28
	(189)	(0.14)	(—)	(—)	(19346)	(16.48)	(62)	(0.06)
Steel Ingots	8932	31.87	—	—	—	—	4760	18.45
	(10288)	(34.03)	(—)	(—)	(—)	(—)	(8932)	(31.87)
Saleable Steel	46492	232.01	—	—	283501	1199.64	38589	189.33
	(53735)	(268.24)	(—)	(—)	(246656)	(885.26)	(46492)	(232.01)
OTHERS								
Calcium Ammonium Nitrate(in terms of 25% N)	4993	—	—	—	—	—	4993	—
	(4921)	(—)	(—)	(—)	(1478)	(1.10)	(4993)	(—)
SUNDRIES								
Cinders	—	—	—	—	—	—	—	—
	(21601)	(—)	(—)	(—)	(21601)	(—)	(—)	(—)
Others		577.95		—		1231.04		442.56
		(722.69)		(—)		(1076.69)		(577.95)
TRADING ACTIVITIES								
Indigenous Steel	—	0.54	3202	12.41	3202	8.88	—	0.29
	(91)	(0.29)	(1913)	(8.07)	(2002)	(6.76)	(—)	(0.54)
		2067.12		12.41		24178.48		1581.28
		(2500.12)		(8.07)		(19207.10)		(2067.12)

- 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) Sales are net of rebates/price concessions allowed on certain Iron & Steel products.
iii) 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 Steels Plants)	(Main Steel Plants)	(Alloy Steels Plants)
				(Quantity : Tonnes)
Opening Stock	19877 (23080)	62 (189)	802760 (997147)	46492 (53735)
Production	278067 (288249)	31350 (19738)	10728642 (10086156)	298132 (265633)
Total	297944 (311329)	31412 (19927)	11531402 (11083303)	344624 (319368)
Sales	177656 (190384)	30548 (19346)	10426490 (9782157)	283501 (246656)
Inter Plant Transfers	42294 (26148)	— (—)	177758 (243095)	13388 (19556)
Internal Consumption (incl. for capital works)	48932 (72499)	— (—)	67375 (70775)	475 (700)
Assorted length/Cuttings/Ingot etc.	— (—)	— (—)	120462 (97676)	1120 (1091)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	3607 (-2651)	— (—)	129658 (75019)	7963 (4389)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	1863 (5072)	256 (519)	-29959 (11821)	-412 (484)
Closing Stock	23592 (19877)	608 (62)	639618 (802760)	38589 (46492)
Total	297944 (311329)	31412 (19927)	11531402 (11083303)	344624 (319368)

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

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



	Current Year	Previous Year
		(Rupees in crores)
8. Expenditure incurred in foreign currency on account of		
Know-how	41.08	18.47
Interest	60.76	101.29
Training expenses & payments to Foreign Technicians	14.87	5.55
Others	8.85	1.42
Total	125.56	126.73
9. Earnings in foreign exchange on account of		
Export of goods (Calculated on FOB basis)	1687.77	1075.51
Royalty, Know-how, professional and consultation fees	0.62	1.09
	1688.39	1076.60
10. Value of imports during the period (Calculated on CIF basis)		
Raw materials	2238.55	2157.69
Capital goods	7.84	6.50
Stores, Spares and Components	183.63	153.81
Total	2430.02	2318.00
11. Value of raw materials consumed during the year		
	<div>Rs./crores</div>	<div>Rs./crores</div>
	%	%
Imported	3033.31	2827.61
Indigenous	3858.53	3398.35
	6891.84	6225.96
	100.00	100.00
12. Value of stores/spares & components consumed during the year		
	<div>Rs./crores</div>	<div>Rs./crores</div>
	%	%
Imported	195.60	180.24
Indigenous	1730.34	1554.11
	1925.94	1734.35
	100.00	100.00
13. Particulars of Directors' Remuneration		
	Current Year	Previous Year
		(Rupees in crores)
Salaries	0.41	0.40
Company's contribution to provident fund & other funds	0.05	0.05
Leave travel concession	0.02	—
Medical benefits	0.04	0.01
Provision for Gratuity/Accrued Leave	0.07	0.14
Total	0.59	0.60



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14. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

I. REGISTRATION DETAILS

Registration No.

State Code

Balance Sheet Date

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 in Rs.

Dividend Rate (%)

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

Item Code No. (ITC code) :

Product Description : HOT ROLLED COILS

Item Code No. (ITC code) :

Product Description : SEMI-FINISHED PRODUCT

Item Code No. (ITC code) :

Product Description : RAILWAY RAILS

	Current Year	Previous Year
		(Rupees in crores)
Expenditure on public relations departments		
Employees remuneration & benefits	5.71	5.49
Expenditure on institutional publicity	2.24	1.45
Other items of expenditure under publicity	2.84	3.57
Total	10.79	10.51
Turnover	24178.48	19207.10
Percentage	0.04	0.05

SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & cultural activities	Co- operative societies	Transport & dairy	Total	Previous year
								(Rupees in crores)
Employees' Remuneration & Benefits								
—Salaries & wages	126.06	89.00	123.51	3.40	1.14	16.13	359.24	276.58
—Company contribution to PF & other funds	8.01	6.91	9.22	0.26	0.08	1.21	25.69	25.76
—Travel concessions	0.45	0.32	0.41	—	—	0.10	1.28	0.12
—Welfare expenses	7.86	4.32	27.33	1.47	0.88	0.51	42.37	49.75
—Consumption of medicines	0.40	—	29.68	—	—	—	30.08	28.36
—Gratuity	8.16	6.22	7.31	0.22	0.15	1.45	23.51	42.46
Total	150.94	106.77	197.46	5.35	2.25	19.40	482.17	423.03
Stores & Spares	10.26	0.19	2.18	0.09	0.01	1.57	14.30	11.46
Repair & maintenance	25.95	0.18	1.82	0.10	0.06	0.10	28.21	25.88
Power & fuel	186.96	1.28	3.40	0.83	0.09	0.29	192.85	192.53
Miscellaneous expenses	20.15	2.89	6.30	0.41	—	4.07	33.82	34.80
Depreciation	15.09	0.67	2.98	0.08	0.01	0.12	18.95	19.79
Total	409.35	111.98	214.14	6.86	2.42	25.55	770.30	707.49
Less: Income	80.85	4.58	25.77	0.22	—	0.64	112.06	107.25
Net Deficit	328.50	107.40	188.37	6.64	2.42	24.91	658.24	600.24



Schedules

Annexure - I

Segment Information as at 31st March, 2004

A. BUSINESS SEGMENT

(Rupees in crores)

PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	Others	Inter Segment Sales	SAIL
REVENUE										
External Sales										
Current year	8850.11	2894.62	3813.88	7308.87	341.96	557.35	397.12	14.57		24178.48
Previous year	(6502.83)	(2357.34)	(3144.88)	(6251.46)	(234.30)	(427.28)	(281.83)	(7.18)		(19207.10)
Internal Segment Sales										
Current year	89.42	110.54	31.86	304.80	92.01	5.22	13.53	392.83	-1040.21	—
Previous year	(253.63)	(63.39)	(26.72)	(170.24)	(115.49)	(6.79)	(4.72)	(362.96)	(-1003.94)	(—)
Total Revenue										
Current year	8939.53	3005.16	3845.74	7613.67	433.97	562.57	410.65	407.40	-1040.21	24178.48
Previous year	(6756.46)	(2420.73)	(3171.60)	(6421.70)	(349.79)	(434.07)	(286.55)	(370.14)	(-1003.94)	(19207.10)
RESULT										
Operating profit / (-) loss (Before Interest Expenses)										
Current year	2184.09	160.26	147.05	1345.38	-163.92	38.39	-69.22	-114.39		3527.64
Previous year	(1088.52)	(-117.45)	(-227.68)	(644.65)	(-151.09)	(-45.56)	(-118.24)	(-55.00)		(1018.15)
Interest expenses										
Current year										899.43
Previous year										(1334.02)
Income tax (including Adjustments of earlier year)										
Current year										116.13
Previous year										(-11.56)
Net Profit / Loss (-)										
Current year										2512.08
Previous year										(-304.31)
OTHER INFORMATION										
Segment assets										
Current year	3802.84	3913.71	4278.38	3952.95	352.87	736.65	342.78	5278.87		22659.05
Previous year	(3987.11)	(4353.61)	(4810.03)	(4393.73)	(377.04)	(799.79)	(346.82)	(3738.78)		(22806.91)
Segment Liabilities										
Current year	2022.88	790.47	1102.48	2059.37	234.39	71.49	169.47	2482.07		8932.62
Previous year	(1511.17)	(668.51)	(902.83)	(1577.72)	(192.04)	(74.58)	(161.03)	(2224.14)		(7312.02)
Capital expenditure										
Current year	236.07	-4.61	11.38	82.63	1.36	-6.57	2.19	28.26		350.71
Previous year	(73.21)	(24.38)	(81.28)	(34.61)	(0.67)	(6.66)	(2.29)	(17.64)		(240.74)
Depreciation										
Current year	202.12	299.54	273.78	236.21	10.39	43.31	10.30	46.94		1122.59
Previous year	(224.19)	(296.46)	(280.27)	(234.51)	(10.55)	(44.31)	(10.99)	(45.38)		(1146.66)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year Amount	Previous year Amount
Sales Revenue		
	(Rupees in crores)	(Rupees in crores)
India	22488.97	18130.68
Foreign Countries	1689.51	1076.42
Total	24178.48	19207.10

Note :

1. Segment assets/liabilities exclude inter-unit balances
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 ANNEXURE-I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLIES
<p>To</p> <p>The Members of Steel Authority of India Limited</p> <p>We have audited the attached Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, as on 31st March 2004 and the Profit & Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, in which are incorporated the accounts of Plants, Units, Branches and other Offices audited by the Branch Auditors in accordance with the letter of appointment of Comptroller & Auditor General of India. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.</p> <p>We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</p> <p>As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.</p> <p>Further to our comments in the Annexure referred to above, we report that:</p> <ol style="list-style-type: none"> 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit; 2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The branch auditors' report(s) have been forwarded to us and have been appropriately dealt with. 3. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account and with the audited returns from the branches. 4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. 5. In terms of Government of India, Ministry of Finance, Department of Company Affairs Notification No. GSR 829(E) dated 21st October, 2003, Government companies are exempt from the applicability of provisions of Section 274(1)(g) of the Companies Act, 1956. 6. (a) <i>The company has equity investments of Rs. 374.94 crores in its fully owned subsidiary company, Indian Iron & Steel Co. Ltd. (IISCO) and loans, advances and other recoverable dues of Rs. 183.69 crores from the said company. There is complete erosion of net worth of IISCO. The Board of Industrial & Financial Reconstruction (BIFR) has approved the revival plan for this company which is under implementation. We are unable to state the extent to which there may be decline/shortfall in value of equity investment and recovery of loans and other dues.</i> 	
<ol style="list-style-type: none"> (b) <i>The company has not carried out the necessary adjustments arising out of the lowering of interest rate with retrospective effect from 1.4.1998 on unsecured loans taken from Steel Development Fund. The impact of the same on the accounts has not been ascertained and accounted for.</i> 	<p>Board for Industrial and Financial Reconstruction has approved the revival plan of IISCO, which is under implementation. Some of the reliefs under the revival plan have been availed of by IISCO. As a result and due to improved steel market conditions, IISCO has earned profit during the financial year 2003-04. In view of the above and also considering the long-term nature of these investments, no provision is called for in the accounts.</p> <p>The Managing Committee of Steel Development Fund (SDF) has given 'in principle' approval for linking the interest rate on SDF loans with the RBI Bank rate with effect from 1st April 1998. Pending finalisation of the modalities/clarifications, the impact thereof is not ascertainable and hence not accounted for.</p>



Auditors' Report

COMMENTS	MANAGEMENT'S REPLIES
<p>7. Subject to our observations in para-6 above, the effect of which on the company's profit, assets & liabilities could not be determined, and read with accounting policies and notes appearing in the Schedule 3, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:</p> <p>i) in case of Balance Sheet, of the state of affairs of the Company as on 31st March 2004;</p> <p>ii) in case of Profit & Loss Account, of the Profit of the Company for the year ended on that date; and</p> <p>iii) in case of the Cash flow statement, of the cash flows for the year ended on that date.</p>	
<p>For Chaturvedi & Co. Chartered Accountants</p> <p>Sd/- (Shalini Chaturvedi) Partner (M. No. 58683)</p> <p>For P.A. & Associates Chartered Accountants</p> <p>Sd/- (P.S. Panda) Partner (M. No. 51092)</p> <p>For S.K. Mittal & Co. Chartered Accountants</p> <p>Sd/- (S.K. Mittal) Partner (M. No. 8506)</p> <p>Place : New Delhi Dated : 28th May, 2004</p>	<p>For and on behalf of the Board of Directors</p> <p>Sd/- (V.S. Jain) Chairman</p> <p>Place : New Delhi Dated : 9th August, 2004</p>



ANNEXURE TO THE AUDITORS' REPORT

[Referred to in our Report of even date]

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.	
(b) The fixed assets of the company, <i>except in some cases</i> , have been physically verified by the management in accordance with a phased programme of verification which, in our opinion, requires strengthening having regard to the size of the company and the nature of its assets. As informed to us, no material discrepancies have been noticed with respect to those fixed assets where the reconciliation has so far been completed, and the same have been duly adjusted in the books. As regards the fixed assets not yet verified/reconciled, the discrepancies are not ascertained.	Physical verification of fixed assets is carried out in a cycle of three years. This is a continuous process.
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 and middlings 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. In respect of loans, secured or unsecured, granted or taken by the company to or from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956, according to information and explanations given to us:	
a) The company has given loans to following companies :	
(i) Indian Iron & Steel Co. Ltd. (IISCO) - 169.86 crores (Maximum amount due at any time during the year Rs. 169.86 crores)	
(ii) Maharashtra Elektros melt Ltd. (MEL)- 28.09 crores (Maximum amount due at any time during the year Rs. 29.43 crores)	
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 companies to whom loans have been given, are not regular in repayment of principal amount and interest.	IISCO & MEL, SAIL's subsidiary companies, are now earning profits and the company hopes to recover the due instalments from them.
d) In the case of loan to MEL, the company has recovered the overdue principal amount and interest receivable by adjustment of dues payable to them in normal course of business. In the case of loan to IISCO, the company has taken reasonable steps for recovery of overdue interest amount of Rs. 3.10 crores.	
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. However, it needs further strengthening. During the course of our audit, we have not observed any continuing failure to correct major weaknesses of internal controls.	
5. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the companies Act, 1956, have been so entered.	
b) According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.	



Auditors' Report

COMMENTS			MANAGEMENT'S REPLIES
6.	In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public.		
7.	In our opinion, the company's internal audit system is commensurate with the size and nature of its business. However, there are weaknesses in the implementation of the system with regard to areas of coverage and timely completion.		Internal audit system with regard to areas of coverage and timely completion of audits would be given greater emphasis during 2004-05.
8.	We have broadly reviewed the records maintained by the Plants for production of Fertilisers (Ammonium Sulphate), Chemicals (Benzene & Toluene), Industrial gases and Steel products pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of the records with a view to determine whether these are accurate and complete.		
9.	According to the information and explanations given to us in respect of statutory and other dues:		
a)	The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Sales Tax, Income Tax, Wealth Tax, Customs duty, Excise duty, Cess and other statutory dues, with appropriate authorities.		
b)	According to the information and explanations given to us, following undisputed statutory dues were outstanding as per books of accounts as at 31 st March, 2004, for a period of more than six months from the date they became payable:		
Statute	Nature of Dues	Amount (Rupees in Crores)	
Investors Education and Protection Fund	Unpaid Matured deposits and unpaid interest on deposits (unencashed refund orders and interest warrants) (since deposited)	1.68	The amount has been deposited in Investors Education and Protection Fund in May 2004.
Water (Prevention and Control of Pollution) Cess Act, 1977	Water Cess	0.12	Matter is being followed up with the Government of Karnataka. Appropriate action would be taken during 2004-05.
Mining Authority	Royalty on Run of Mines	19.48	Liability towards royalty on minerals on run of mines basis was provided for in earlier years. However, royalty is being paid on the basis of despatches. There are no pending demands. Liability is being reviewed for appropriate adjustments during 2004-05.
Tamil Nadu Govt. Sales Tax Act	State Sales Tax	1.93	Liability towards state sales tax has been provided based on the orders of the Chennai High Court and will be settled on receipt of demand from the concerned sales tax authorities.
Calcutta Municipal Corporation Act	Municipal Tax	1.77	This relates to liability towards municipal tax in respect of premises held by the Company under tenancy rights, which in Company's view, is payable by the landlord.
Gazette Notification of Ministry of Steel, Govt. of India	JPC Cess	8.19	Request has been made to Ministry of Steel for review of JPC Cess and the matter is under consideration of the Ministry.
Commercial Tax Act	Central Sales Tax	0.01	Deposited in April' 2004.
TOTAL		33.18	



COMMENTS

MANAGEMENT'S REPLIES

- c) According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given herein below:

Statute	Nature of Dues	Amount (Rupees in Crores)	Forum where disputes are pending
Income Tax Act, 1961	TDS on perks	31.09	High Court
Cental Excise Act, 1944	Excise duty	224.65 469.30 74.12	Department of Excise CEGAT Supreme Court
		768.07	
Sales Tax	Demand	813.48 120.64 10.63 59.33	Sales Tax Department Sales Tax Tribunal High Court Supreme Court
		1004.08	
Customs Act	Custom duty	0.39 2.15	Department of Customs CEGAT
		2.54	
Other Statutes	Other statutory dues (including cess)	195.98 0.93 7.76 2.59	High Court Lower Courts Concerned Department State Government
		207.26	
TOTAL		2013.04	

10. There are no accumulated losses of the company as at the end of the year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a Nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 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 Companies (Auditor's Report) Order, 2003 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 term loans availed by the company were, prima-facie, applied during the year for the purposes for which such loans were obtained, other than temporary deployment pending ultimate utilization.
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 certain series of non-convertible bonds where securities are yet to be created (As stated in schedule 1.3; Secured loan).

The securities have since been created on 6th July 2004.



Auditors' Report

COMMENTS	MANAGEMENT'S REPLIES
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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 (Rupees in Crores)	
1	Wrong claims made by employees	0.03	Since recovered .
2	Submission of false bills/documents by outside parties	0.01	An amount of Rs. 90,282/- has since been recovered from the suppliers.
3	Misappropriation of goods meant for delivery to customer	0.36	The company has lodged complaint with the police.
4	Forged demand drafts against sale of goods	0.04	- do -
5	Fake sale tax declaration by customer	0.04	- do -

For Chaturvedi & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner
(Membership No. 58683)

For P.A. & Associates
Chartered Accountants

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

For and on behalf of the Board of Directors

Sd/-
(V.S. Jain)
Chairman

For S.K. Mittal & Co.
Chartered Accountants

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

Place : New Delhi
Dated : 28th May, 2004

Place : New Delhi
Dated : 9th August, 2004



Comments of C&AG ANNEXURE - II TO THE DIRECTORS' REPORT

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 2004.

Item No.	Comments	Management's Replies
A. PROFIT & LOSS ACCOUNT		
	Net profit (after tax) of the company for the year amounting to Rs. 2512.08 crore would decrease in view of the following:	
1.	'Interest and finance charges' has been understated due to account of excess subsidy claimed from Government of India on account of interest on loan taken for voluntary retirement scheme (Rs. 62.88 crores).	The Financial & Business Restructuring proposal of SAIL approved by the Govt. of India (GOI) in February 2000, inter-alia, provided for GOI guarantees of Rs.1500 crores, with 50% interest subsidy on the funds to be raised from the market by SAIL for reduction in manpower through voluntary retirement scheme (VRS). In line with the decision of the GOI, the funds were raised by SAIL during 2000-01 to 2002-03 to the extent of Rs.1000 crores from the market and subsidy @ 50% of the interest paid to the Bondholders from the date of allotment of Bonds was claimed and received by SAIL from the GOI and accordingly accounted for. As per company's rules, employees are released after they settled their dues, vacate company's accommodation etc. Thus, the employees were released over a period of time and the VRS funds parked in the escrow account were withdrawn and utilized in phases. Interest subsidy has been correctly claimed in line with the funds raised and interest paid thereon.
2.	'Depreciation' has been understated due to adoption of low rate of depreciation in respect of Coil/Slab Yards etc. (Rs.13.97 crores).	The assets mentioned by the audit were capitalised during 1995 to 1999. These equipments form integral part of main equipments and accordingly, have been depreciated at the same rate applicable to main plant & machinery i.e. continuous process plant, as per the Schedule-XIV of the Companies Act, in line with consistent accounting treatment followed over the years. Accordingly, there is no under provision of depreciation.
B. BALANCE SHEET		
	Inventories have been understated due to non-inclusion of refractories in closing stock (Rs. 2.26 crores)	Accepted for appropriate adjustments in the accounts for 2004-05.
C. ACCOUNTING POLICIES & NOTES ON ACCOUNTS		
	Contingent liabilities do not include the amount of claims lodged by the contractors in Durgapur Steel Plant modernisation (Rs.46.84 crores), Bokaro Steel Plant modernization (Rs.186.07 crores) and Sintering Plant-3 of Bhilai Steel Plant (Rs.115.00 crores).	The claims of contractors against Durgapur Steel Plant and Bokaro Steel Plant under various modernisation packages, are under conciliation. These claims get set-off against our counter-claims. Contractors' claims of Rs.115 crores against Bhilai Steel Plant are not tenable as the contracts were on turnkey basis. Thus, there is no contingent liability requiring to be disclosed.
D. GENERAL		
	Accountal of depreciation on the amount of advance capitalized during 2003-04 in DSP modernization under 'Adjustment pertaining to earlier years' was not in conformity with AS-5, which has resulted in understatement of Depreciation for the current year by Rs. 53.14 crores.	The advances given to M/s. Hindustan Steelworks Construction Ltd., a public sector company, during 1992 to 1997 under Durgapur Steel Plant modernisation schemes have been provisionally capitalised during 2003-04, keeping prudence in view. As the amount pertains to earlier years, depreciation thereon has been correctly treated as prior period expenditure. However, this would not have any impact on the overall profitability of the Company.

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

Place : Ranchi
Dated : 27th July, 2004

On behalf of the Board of Directors

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi
Dated : 9th August, 2004



Review of Accounts ANNEXURE - II TO THE DIRECTORS' REPORT

REVIEW OF ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004, BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

(Review of Accounts has been prepared without taking into account the impact of comments of the COMPTROLLER & AUDITOR GENERAL OF INDIA under Section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report).

1. Financial Position

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

DESCRIPTION	2001-02	2002-03	2003-04
(Rupees in crores)			
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	0.00	0.00	22.69
ii) Share Premium Account	236.15	235.33	235.29
iii) Specific reserves	923.82	924.44	649.29
(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	1914.82	1833.00	1305.98
iii) Term Loan	868.33	1016.25	0.00
iv) Non Convertible Bonds	4439.95	4942.75	4323.40
v) Bond Application Money	83.60	0.00	0.00
vi) Housing Finance Loans	200.00	225.00	0.00
vii) Inter-Corporate Loans	0.00	6.18	0.00
viii) Public Deposits	1272.46	1021.28	581.39
ix) Working capital borrowings from Banks	4026.65	2694.62	1223.43
x) Foreign sources - Short-term	551.76	444.16	374.36
Total Borrowings (i to x)	13562.00	12387.67	8012.99
xi) Interest accrued and due	457.36	540.27	675.77
(d) i) Trade dues, Current Liabilities and Provisions (excluding Gratuity / Accrued Leave & Post - Retirement Medical & Settlement Benefit)	4849.46	4776.59	5967.23
ii) Provision for Gratuity / Accrued Leave & Post Retirement Medical & Settlement Benefit)	1647.76	2344.60	2785.41
iii) Sundry Creditors for capital works	253.95	192.92	179.98
Total (a to d)	26060.90	25532.22	22659.05
Note : Rs. 1484.95 crore of loans are repayable within one year.			
ASSETS			
(e) Gross Block	27198.88	27534.61	27712.71
(f) Less : Cumulative Depreciation	12400.73	13498.75	14558.86
(g) Net Block	14798.15	14035.86	13153.85
(h) Capital Work-in-Progress	555.94	361.25	382.20
(i) Investments	538.62	543.17	543.17
(j) Loans & Advances to Subsidiary Companies	23.37	8.30	171.05
(k) Current Assets, Loans and Advances	7106.55	7282.40	8030.28
(l) Miscellaneous Expenditure (to the extent not written-off or adjusted)	577.65	536.31	378.50
(m) Profit & Loss Account Debit Balance	2460.62	2764.93	0.00
Total (e to m)	26060.90	25532.22	22659.05
(n) Working Capital [k-d(i)-c(xi)]	1799.73	1965.54	1387.28
(o) Capital Employed (g +n)	16597.88	16001.40	14541.13
(p) Net Worth [(a)+b(i)+b(ii) - l - m]	1328.28	1064.49	4009.88
(q) Net Worth per Rupee of Paid-up Capital (Re.)	0.32	0.26	0.97
(r) Profit / Loss (-) before Tax	-1706.89	-315.87	2628.21
(s) Profit / Loss (-) after Tax	-1706.89	-304.31	2512.08

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

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 :-

	2001-02	2002-03	2003-04 (In Percentages)
A. Liquidity			
i) Current ratio (current assets to current liabilities & provisions and interest accrued & due but excluding provisions for (Gratuity/ accrued leave and post-retirement benefits) $[k/(d(i)+c(xi))]$	133.91	136.97	120.88
ii) Acid Test Ratio (quick assets i.e. cash and bank balances, sundry debtors and loans and advances (excluding balances with Customs, Excise, Port Trust and Railways, etc., and stores issued on loan) to current liabilities (excluding capital work)	59.41	69.82	97.08
B. Debt Equity Ratio			
Long term debt to Equity $[c(i) \text{ to } (viii)/(a+b(i)+b(ii))]$	2.06	2.12	1.46
C. Profitability Ratios			
(a) Profit before tax to			
i) Capital employed			0.18
ii) Net worth			0.66
iii) Sales			0.11
(b) Profit after tax to Net Worth			0.63
(c) Earning per share (In Rupees)			6.08

Due to loss in 2001-02 and 2002-03, profitability ratios are in negative and hence not given.

3. Working Capital

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

	2001-02	2002-03	2003-04 (Rupees in crores)
a) Working capital	1799.73	1965.54	1387.28
b) Sales	15502.00	19207.10	24178.48
c) % of Working capital to Sales	11.61	10.23	5.74

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

Years	Utilisation (Rupees in crores)
2001-02	4026.65
2002-03	2694.62
2003-04	1223.43

4. Sources and Utilisation of Funds

Funds amounting to Rs. 4900.79 crores from internal and external sources were realised and utilised during the year ended 31st March, 2004 as given below :

(Rupees in crores)

I. Sources of Funds

a) Profit after tax	2512.08	
Add : Depreciation (including Rs. 51.79 crores relating to prior period)	1174.38	
Add : Decrease in miscellaneous expenditure	157.81	
Less : Profit on sale of fixed assets	52.42	3791.85
b) Sale of fixed assets		44.95
c) Sale/Lease of houses		44.53
d) Increase in Gratuity/Accrued Leave Provision/Post-Retirement Medical and Settlement Benefits		440.81
e) Increase in Capital Reserve (incl. P.M's Trophy Award Fund)		0.39
f) Decrease in working capital		578.26
Total (a to f)		4900.79

Review of Accounts

(Rupees in crores)

II. Utilisation of Funds

a) Additions to fixed assets	329.76	
Add : Increase in Capital W-I-P (excl. depreciation on own equipments used for construction)	20.62	350.38
b) Decrease in borrowed funds		4374.68
c) Decrease in sundry creditors for capital works		12.94
d) Decrease in share premium (Net)		0.04
e) Increase in loans and advances to Subsidiary Company		162.75
Total (a to e)		4900.79

5. Working Results

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

	2001-02	2002-03	2003-04
			(Rupees in crores)
a) Sales	15502.00	19207.10	24178.48
b) Cash profit / loss (-) (Profit/Loss before depreciation and tax)	-551	830.79	3750.80
c) Net profit / loss (-) before tax	-1706.89	-315.87	2628.21
d) % of Cash profit to Sales	-ve	4.33	15.51

5.2 Trends

The finished/semi-finished goods stock at the end of the year as percentage to sales has reduced from 16.13 in 2001-02 to 10.76 in 2002-03 and to 6.54 in 2003-04 as indicated below .

Year	Semi/Finished Stock	Sales	Percentage
	(Rupees in crores)	(Rupees in crores)	
2001-02	2500.12	15502.00	16.13
2002-03	2067.12	19207.10	10.76
2003-04	1581.28	24178.48	6.54

6 (a) Cost Trends

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

Particulars	2001-02	2002-03	2003-04
			(Rupees in crores)
Sales	15502.00	19207.10	24178.48
Less :			
Excise duty	1982.62	2370.56	2881.66
Freight outward	552.85	511.81	528.05
JPC Cess	2.27	2.39	2.52
Other Sales Expenses	35.78	50.13	75.69
Total Deductions	2573.52	2934.89	3487.92
Net Sales realisation	12928.48	16272.21	20690.56
Add Loss / Less Profit	-1706.89	-315.87	2628.21
Cost of Sales	14635.37	16588.08	18062.35
Percentage of Cost of Sales to Net Sales realisation	113.20	101.94	87.30

6 (b) Value of Production

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

	2001-02	2002-03	2003-04
			(Rupees in crores)
i) Sales	15502.00	19207.10	24178.48
ii) Closing stock of finished/semi-finished products	2500.12	2067.12	1581.28
iii) Opening stock of finished/semi-finished products	2922.50	2500.12	2067.12
iv) Value of Production (i+ii-iii)	15079.62	18774.10	23692.64

The percentage of value of production to Net Worth was 1135.27 in 2001-02, 1763.67 in 2002-03 and 590.86 in 2003-04. The percentage of value of production to total net assets of the company was 65.50 in 2001-02, 84.45 in 2002-03 and 106.34 in 2003-04

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 :

	2001-02	2002-03	2003-04
			(Rupees in crores)
i) Stores & Spares (excluding in-transit)	815.55	807.49	803.35
ii) Raw Materials (excluding in-transit)	489.72	540.86	405.25
iii) Stock in trade	2500.12	2067.12	1581.28
iv) Others	21.51	21.85	24.39
Total	3826.90	3437.32	2814.27

The stock of stores & spares is equivalent to 6.17 months' consumption of stores and spares in 2001-02, 5.59 months' consumption in 2002-03 and 5.01 months' consumption in 2003-04. The stock of raw materials represents 1.04 months' consumption in 2001-02, 1.04 months' consumption in 2002-03 and 0.71 months' consumption in 2003-04. The stock in trade is equivalent to 1.94 months' sales in 2001-02, 1.29 months' sales in 2002-03 and 0.78 months' sales in 2003-04.

8. Sundry Debtors and Turnover

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

As on	Total Book Debts			Sales	% age of total
31st March	Considered good	Considered doubtful	Total		Debts to Sales
					(Rupees in crores)
2002	1389.41	161.88	1551.29	15502.00	10.01
2003	1660.09	185.74	1845.83	19207.10	9.61
2004	1549.96	199.75	1749.71	24178.48	7.24

Though the percentage of Sundry debtors to sales has decreased, the percentage of doubtful debt to sundry debtors decreased from 10.43 in 2001-02 to 10.06 in 2002-03 but has increased to 11.42 in 2003-04.

- b) The following table indicates the details of the debts outstanding for more than one year as on 31st March, 2004:

	Government Departments/Undertakings	Private Parties
		(Rupees in crores)
1. Debts outstanding for more than one year but less than three years	51.81	11.87
2. Debts outstanding for three years or more	122.72	96.08

9. Contingent Liabilities

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

	2001-02	2002-03	2003-04
			(Rupees in crores)
(i) Contingent Liabilities	3118.84	2853.18	3159.22
(ii) Current Liabilities	4654.88	4492.71	4406.00
(iii) Percentage of Contingent Liabilities to Current Liabilities	67.00	63.51	71.70

The percentage of Contingent Liabilities to Current Liabilities which was 67 in 2001-02 decreased to 63.51 in 2002-03 and has increased to 71.70 in 2003-04.

Sd/-

(K.R.Sriram)

Place : Ranchi

Dated : 27th July, 2004

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

ANNEXURE - III TO THE DIRECTORS' REPORT

A. ENERGY CONSERVATION

(a) Measures Taken

The overall specific energy consumption in SAIL (4 integrated steel plants) during 2003-2004 was 7.46 G.cal/tcs, (previous year's figure 7.50 G.cal/tcs). Important energy conservation schemes undertaken are:

Bhilai Steel Plant (BSP)

- Introduction of PCM firing in Rotary Kiln of RMP-I with liquid fuel burners.
- Modification of coke oven gas burner in Power Plant-I to increase coke oven gas intake in boilers.
- Installation of high pressure oxygen line from Oxygen Plant-II to SMS-I.
- Installation of modified dampers in Sinter Plant-II.

Durgapur Steel Plant (DSP)

- Computerisation of Section Mill Reheating Furnace II.
- Improvement in performance of Skelp Mill Reheating Furnace.

Rourkela Steel Plant (RSP)

- Introduction of multi-slit burners in two machines of Sinter Plant-I
- Improvement in LD gas recovery in SMS-II.
- Reduction in oxygen consumption in SMS-I & II.

Bokaro Steel Plant (BSP)

- Introduction of dual fuel burners (coke oven and PCM) in Rotary Kilns of RMP.
- Introduction of efficient heating system in Ladle Repair Shop of Blast Furnace.
- Introduction of multi-slit burner in Sinter Plant.

(b) Additional Investment and Proposal, if any

Bhilai Steel Plant

- Stabilisation of coal dust injection in BF-6.
- Injection of tar in BF-3 as an alternate fuel.
- Introduction of Coke Oven gas firing in vertical shaft kiln of RMP-II.
- Improvement in LD gas recovery system .
- Introduction of BF gas firing in Boiler # 6 of Power Plant-I.

Durgapur Steel Plant

- Computerisation of Reheating Furnaces in section Mill, Skelp Mill and Wheel & Axle Plant.

- Improvement in productivity of Reheating Furnace in Merchant Mill.
- Improvement in performance of Blast Furnaces w.r.t. reduction in coke rate.

Rourkela Steel Plant

- Introduction of multi-slit burner in SP-II.
- Reduction of specific hot metal consumption in BOF, SMS-II.
- Improvement in the continuous annealing furnaces in CRM w.r.t. energy consumption.

Bokaro Steel Plant

- Introduction of multi-slit burners along with ignition hood in two machines of Sinter Plant.
- Reduction in coke rate of Blast Furnaces.
- Achievement of higher hot blast temperature in Blast Furnaces.

(c) IMPACT OF MEASURES TAKEN

The overall energy consumption for the year decreased by about 1% compared to previous year.

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

Form 'A' enclosed.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in crores)

i)	Foreign exchange earned from exports and other activities	1688.39
ii)	Foreign exchange used:	
	(a) CIF value of import	2430.02
	(b) Other expenditure in foreign currency	125.56

For and on behalf of
the Board of Directors

Place : New Delhi
Dated : 9th August, 2004

Sd/-
(V.S. Jain)
Chairman

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

Particulars	2003-04	2002-03
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Total Power Purchased		
Units (Million KWH)	5899	5697
Total Amount (Rs. crore)	1728	1661
Average Rate per Unit (Rs./KWH)	2.93	2.92
b) Own Generation		
i) Through Diesel Generator		
Units (Thousand KWH)	0.014	0.626
Units per litre of Diesel Oil (KWH)	3.33	3.51
Average Rate per Unit (Rs./KWH)	4.59	4.45
ii) Through Steam Turbine/Generator		
Units (Million KWH)	772	709
Units per Gega Calories of Energy Input	227	214
Average Rate per Unit (Rs./KWH)	2.72	2.99
2. COAL		
i) Coking Coal		
Quantity (Million Tonne)	12.45	11.81
Total Cost (Rs. crore)	4248	3904
Average Rate (Rs. per Tonne)	3413	3307
ii) Non-coking Coal		
Quantity (Million Tonne)	0.84	0.84
Total Cost (Rs. crore)	121	102
Average Rate (Rs. per Tonne)	1430	1217
3. FUEL OILS		
Quantity ('000 Kilo Litres)	43	42
Total Cost (Rs. crore)	59	50
Average Rate (Rs./Kilo Litres)	13624	12029
4. OTHERS		
Purchased Coke, LPG, Oxygen, Gases, Process Steam, etc. (Rs. in crore)	327	276

B. CONSUMPTION PER TONNE OF PRODUCTION

	STEEL (4 Integrated Steel Plants)	ALLOY & SPECIAL STEELS (ASP, SSP & VISL)*
Purchased Electricity (KWH)	498 (517)	1225 (1184)
Fuel-oils (Litres)	2 (2)	84 (86)
Coking Coal (kgs.)	1130 (1143)	
Non-coking Coal (kgs.)	77 (81)	

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

Note: 1. Purchased power includes of power from Joint Ventures also.

2. Figures in brackets are for the previous year.



ANNEXURE - III TO THE DIRECTORS' REPORT

FORM 'B'

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

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

- Quality Improvement
- Yield / Productivity Improvement
- Energy Conservation
- New Technology/Product Development

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

Quality Improvement

- Measures were taken in Continuous Annealing Lines of CRM at RSP to rectify low speed, improper annealing cycle and ineffective cleaning and rinsing systems which led to poor performance. Trials with sheet gauge and TMBP coils showed that speed of 80 against earlier 35 mpm could be achieved. Annealing rate improved from 5.1 to 7.0 tph and production of the line increased from 2200 to 2800 tpm during the year. It also helped in achieving uniform hardness of 52-55 R-30T for TMBP coils. Commissioning of leach spray and high pressure rinsing systems improved the cleanliness of the coils. Tape test indicated that the reflectivity of coils improved from 75 to about 90%.
- Due to low hardness at some points at 30 mm below tread surface, incidence of reheat treatment was high in Wheel & Axle Plant at DSP. Based on simulation of heat treatment using thermo-mechanical simulator (Gleeble) and ANSYS software, spray ring was modified to have differential cooling. It eliminated temperature gradient resulting in reduction in reheat treatment from 20 to 5%.
- Measures, such as ensuring Mn/Si ratio > 0.5, suitable slag engineering to restrict dissolved oxygen to ≤ 15 ppm, control of (FeO + MnO) to < 4% in slag were implemented for augmenting quality parameters of spring steel billets at DSP. Heat was processed through BOF-VAD-LTS route and cast with EMS. This has resulted in cast billets devoid of pinholes/blowholes and off-corner cracks.

Yield/Productivity improvement

- Three types of probing facilities have been installed in BF # 5 at BSL to study the internal state of the furnace: Under-burden probe, Vertical probe and Core sampler. Use of these probes, along with other measures taken for improving BF performance, led to productivity increase from 1.8 to 1.85 t / m³ / day during periods of stable furnace operation.
- To reduce metal losses at different stages and to improve prime acceptance of 880 grade rails at BSP, mill spring during rolling for R-52 and R-60 were measured and mill setting with these parameters reduced rejection on account of dimensions. Optimisation of length of input bloom for R-52 and R-60 led to reduction in front and back end crop and improvement in yield of R-60 (13 m) rails.
- Incorporation of various innovative measures to improve productivity of SP-II at RSP & DSP resulted in improved productivity: by 12% (from 1.13 to 1.27 t/m²), while maintaining sinter quality w.r.t. DTI > 74% and RDI 18-25% at RSP and from 1.25 to 1.45 t/m²/hr at DSP.
- Coal dust injection level in BF # 6 of BSP was stabilized at 75-80 kg/thm through measures taken on burden distribution, coal combustion and removal of scaffold in upper stack, leading to improved productivity by 200-250 t/day.
- Major technological initiatives to improve productivity and reduce zinc consumption in HDGL at BSL have reduced dross/ash generation from 3.5 to 1.0 kg/t and facilitated higher productivity of 18000 tpm from 14900 tpm and lower Zn consumption of 27 kg/t.

Cost Reduction

- As a result of introduction of EMS technology in bloom caster at ASP and billet caster at DSP: (a) a large number of alloy steel grades which were produced through ingot route, are now being continuously cast at ASP, leading to cost reduction and (b) improved steel making and continuous casting practices have demonstrated distinct improvement in quality of cast billets at DSP, including first time production of high carbon (wire drawing quality) and spring steel (60Si7) billets.
- Based on the characteristics of incoming coals, various differential crushing schemes were formulated. Industrial scale trials



at BSL established that M_{10} index improved by 0.3 point, coarser size fraction (+6 mm) decreased from 8.5 to 7.2 % and micro-fine (-0.6mm) decreased from 53.4 to 46.9%.

- Effective heating control of coke oven battery # 1 at DSP was achieved by replacing the conventional coking process by introducing the following, resulting in decrease in coking period by 20-25 minutes:
 - Thermocouples and pyrometers to measure the raw gas and hot coke mass temperatures.
 - Transducers for sensing current during coke pushing.
 - Programmable logic controllers.
 - Software models to compute the heat demand and coke readiness factor (CRF) based on the measured data.
- Suitable application engineering techniques were used and steel moulds were designed for casting of different tuyere stock components using RDCIS developed self-flow castables. Tuyere stocks of BF # 1 at BSL & BF # 6 at BSP have been lined with the new self-flow castables which have given six months service without any problem at BSL and, in BSP, its initial performance was found to be encouraging with decreased shutdown frequency and enhancement of hot blast temperature.
- Trials were conducted in BOF at DSP with varying amounts of BOF slag addition as auxiliary flux, limiting to a maximum of 2.0 t per heat. As a result, lime and dolomite consumption decreased by 4.4 and 1.5 kg/tcs, respectively, with marginal improvement in slag basicity and no adverse effect on temperature and carbon content at turn down.
- In order to reduce excessive erosion of tundish stopper rod, which resulted in low sequence length in the 3-Strand Bloom Caster at BSP special shaped turbulence inhibition pad (TIP) was designed through cold modeling. Plant trials carried out with the TIPs made of refractory material demonstrated that 85% of heats had a sequence length of 3 or more and maximum sequence length of 6 heats was achieved. Homogeneous temperature distribution in the tundish was also observed, thus avoiding freezing tendency in the farthest strand.
- For minimising scrap generation at Rail Mill of BSP due to inaccurate bloom size, a low cost photosensor based measuring system was introduced in one strand of bloom caster. It controls the bloom volume in spite of variation in cross-section. For this, 23 length selection switches are provided on operator display board to cut the length from 4.5 to 5.85 m, with accuracy 0 to + 25 mm. The system has also reduced jamming of oversized blooms in reheating furnaces of the mill.
- Entry side guide gap measurement system has been introduced in finishing stands F1 to F6 at HSM of RSP replacing the earlier Selsyn based system. It measures the entry side guide gap with accuracy ± 1 mm, thereby reducing cobbles by > 50%.

Energy Conservation

- Multi-slit burner technology, developed by RDCIS was installed at BSL in August, 2003 resulting in decrease in energy requirement to 13.7 from 42.4 Mcal/t, reduction in furnace volume by 90%, and quicker ignition of top layer of sinter bed due to high thrust flame.

The system has also decreased +40mm fraction from 28 to 18% and increased productivity to 1.19 from 1.13 t/m²/hr.

Product Development

- Every year, Ministry of Defence imports around 500 tonnes plates for proof test of ammunition. To meet the requirement indigenously, these plates (10 - 230 x 1830 x 1830 mm sizes) have been developed through ASP-BSL-RSP route. Reduction schedule for hot rolling of ingots into plates was designed to produce homogeneous microstructure across the plate thickness. Also, heat treatment cycle was optimized to obtain desired properties including ballistic test properties. Analysis of ballistic test results showed that plates developed by SAIL manifested more uniform flow of material at the area of impact of ammunition compared to the imported plates. This product has now been approved by Defence for regular use.
- Conventional 90 UTS rails (C-Mn steel) undergo localized corrosion at the foot in coastal and corrosion-prone areas, resulting in premature failure. In view of this, corrosion resistant rails were developed at BSP with addition of Cu & Mo. The new steel showed higher corrosion resistance index (CRI) of 2.4 over the conventional 90 UTS rail steel. The rails have been dispatched to Vijayawada Division of the South Central Railway for trial.
- An improved variety of low carbon (0.04 max.) EDD steel was developed at BSL using combined blowing technology, characterised by superior formability properties (El : 40%, ϕ : 1.8 & n : 0.22) compared to conventional EDD steel supplied earlier (El : 38%, ϕ : 1.5 and n : 0.2).
- Medium carbon (0.40-0.45%) hot rolled strips of 2.0 - 2.2 mm thickness are used for fabrication of chain plates, link plates, bush, leaf chains, etc. A modified hot rolling schedule was evolved for producing consistent HR gauge thickness of 2.1 ± 0.1



ANNEXURE - III TO THE DIRECTORS' REPORT

mm at RSP. Based on data generated on thermo-mechanical simulator at RDCIS, a number of trials were conducted and actual thickness of strips varied within close range (1.97-2.06 mm). The materials were supplied to various customers like Metal Coating (India) Ltd. and M/s HI Tech. and performance feedback was satisfactory.

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 coke quality; Introduction of process automation for improvement in coke quality and yield of by-products; Improvement in service life of coke oven battery; Improvement in coal charge preparation for optimisation of cost of coal blends.
Iron & Sinter	Maximising of BF productivity with Indian iron ore through in-furnace investigation (Under SDF Aided Projects); Reduction in coke rate; Assimilation of new iron making technologies; Improvement in process parameter for increasing productivity and reduction in cost of BF hot metal, Development of intensive beneficiation schemes through lab/pilot studies; Technological upgradation of beneficiation plants; Improvement in sintering technology to achieve performance of sinter plant to international level; Optimisation of sintering process parameters to improve sinter quality; Introduction of innovative agglomeration technologies and their horizontal transfer.
Steel Making & Casting	Reduction in cost of liquid steel through improved productivity and reduced level of inputs in BOF and secondary refining units, enhancement of caster productivity including improved sequence length and tundish life and reduction in level of non-metallic residuals for production of high value products.
Refractories	Improvement in life of ladles for handling hot metal and steel by using better refractory lining; Introduction of low/ultra low cement castables in SAIL plants; Laboratory development of refractory cement from dolomite; Development and application of models for state-of-art customised lining design and life prediction aimed at reduction of specific refractory consumption; Introduction of self-flow castable in SAIL Plants.
Rolling Technology	Improvement in the operational efficiency of Rolling Mills; Elimination of surface defects; Improvement in the productivity and surface quality of cold rolled products; Control of process parameters for improving the quality of rails and yield improvement of primary mills.
Product Development	Development of process for advanced hot dip coated products using hot dip process; Production of low Aluminium wheel and optimisation of heat treatment practice; Improvement in yield and quality of special quality plates; Development of special steel grades for automobile, agriculture and oil segments, corrosion resistant rail steel, autobody quality sheets and coils; Improvement in performance of lubrication system to enhance life of critical equipment; Promoting the application of new SAIL products in different sectors like - agriculture, automobile and construction.
Energy Conservation	Development and introduction of fuel efficient burners; Optimisation of heating and rolling regime for reduction in energy consumption; Modification of combustion system in heating/heat treatment furnaces; Improvement in utilisation of BF gas; Energy conservation using computerised process and combustion control system; Implementation of multi-slit burners at Sinter Plants for improved fuel efficiency.
Automation & Computerisation	Introduction of automation and control systems for productivity, yield and quality improvement in steel plant units like-Reheating Furnace, Heat Treatment Furnaces, Finishing Lines and Rolling Mills; Development of integrated communication and instrumentation system; Development and application of softwares for various applications.
Environment & Pollution Control	Assessment of PAH and NO _x and improving effluent treatment in coke oven area of different steel plants, Evaluation of impact of hazardous wastes and studies on their reuse/safe disposal.

4. Expenditure on R&D

(Rupees in crores)

Capital	0.95
Revenue	70.95
Total	71.90
% of Turnover	0.30



TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

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

Area: Coke Making

- Technology assistance for rebuilding of environment friendly Coke Oven Batteries at RSP and BSL.
- Selective crushing of Coal (for improved coke quality) at DSP.
- Partial Briquetting of Coal Charge for improving coke strength at 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.

Area: Iron Making

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

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

Area: Rolling Finishing (Long Products)

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

Area: Rolling & Finishing (Flat Products)

- Laminar Strip Cooling, Hydraulic Automatic Gauge Control, Work Rolling 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/are being gradually absorbed by the plants. No other major technologies were imported by the Company during the last five years.



Corporate Governance ANNEXURE - IV TO THE DIRECTORS' REPORT

(a) Company's philosophy:

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

(b) Board of Directors:

From 1st April, 2003 to 20th March, 2004, the Board of Directors comprised a full time Chairman with more than half of the Board as independent Directors. With the expiry of tenure of 4 independent Directors on 20th March, 2004, the Board of Directors comprised a full time Chairman, 8 whole time Directors (WTD) and 8 non-executive Directors (Non-ED) (including 6 independent directors) as on 31st March, 2004. The matter of nomination of five independent Directors is under consideration of Government of India. During the year, 7 Board meetings were held on 28.05.2003, 29.07.2003, 26.09.2003, 30.10.2003, 10.12.2003, 29.01.2004 and 17.03.2004.

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

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other directorship held as on 31.3.2004*
Shri V.S. Jain	Chairman	7	Yes	Nil
Shri S.C.K. Patne	WTD	7	Yes	6
Dr. S.K. Bhattacharyya	WTD	6	Yes	-
Dr. Y.R.K. Reddy	Non-ED	6	Yes	4
Shri D.V. Singh	Non-ED	7	-	1
Shri S.N. Mishra	Non-ED	7	Yes	-
Dr. Sanak Mishra	WTD	7	Yes	-
Shri V.K. Agarwal	Non-ED	7	Yes	1
Shri P.K. Sengupta	Non-ED	7	Yes	1
Dr. Amit Mitra	Non-ED	2	-	3
Shri A.H. Jung	Non-ED	5	-	1
Shri Ashis Das w.e.f. 18.6.2003	WTD	5	Yes	5
Dr. S.Y. Quraishi w.e.f. 11.9.2003	Non-ED	5	-	4
Shri U.P. Singh w.e.f. 1.12.2003	WTD	3	-	1
Shri S.K. Roongta w.e.f. 5.2.2004	WTD	1	-	-
Shri R.P. Singh w.e.f. 1.3.2004	WTD	1	-	-
Shri G.C. Daga w.e.f. 23.3.2004	WTD	-	-	-
Shri A.K. Singh upto 1.4.2003	WTD	-	-	-
Shri D.P. Singh upto 2.9.2003	Non-ED	1	-	4
Shri Suresh Pandey upto 30.11.2003	WTD	4	Yes	2
Shri B.K. Singh upto 29.2.2004	WTD	6	Yes	4
Shri R.V. Gupta upto 20.3.2004	Non-ED	7	Yes	10
Dr. Atul Sarma upto 20.3.2004	Non-ED	6	Yes	-
Prof. R.P. Sengupta upto 20.3.2004	Non-ED	3	-	-
Shri Pyarimohan Mohapatra upto 20.3.2004	Non-ED	2	-	-

* Includes Directorship in Private companies. The details in respect of directors who are not in office as on 31st March, 2004 are based on latest disclosures made to company.

(c) Audit Committee:

i) Terms of reference:

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

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

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

ii) Composition:

The Audit Committee of the Board was formed in 1998. However, the Audit Committee was reconstituted on 21st March, 2001, consisting of non-executive Directors only. The tenure of 4 non-executive Directors including 3 members of the Audit Committee expired on 20th March, 2004. The Audit Committee was, therefore, re-constituted by the Board of Directors in its meeting held on 27th April, 2004. At present, the members of the Audit Committee are Shri V.K. Agarwal, Shri A.H. Jung, Shri S.N. Mishra and Shri D.V. Singh.

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

Name of the Director	Status	No. of meetings attended
Shri R.V. Gupta	Chairman	7
Shri D.V. Singh	Member	5
Dr. Atul Sarma	Member	4
Prof. Ram Prasad Sengupta	Member	5
Shri A.H. Jung	Member	3

(w.e.f. 29.07.2003)

In addition Shri S.N. Mishra a non-executive director was inducted for one meeting of the Audit Committee during the year.

(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:

(Rupees)

Name of the Director	Salary	Retirement & other Benefits	Total
Shri V.S. Jain	630041	207501	837542
Shri S.C.K. Patne	629495	120695	750190
Dr. S.K. Bhattacharyya	601336	373495	974831
Dr. Sanak Mishra	626579	148368	774947

(Rupees)

Name of the Director	Salary	Retirement & other Benefits	Total
Shri Ashis Das	512346	88755	601101
Shri U.P. Singh (from 1.12.03)	163402	214894	378296
Shri S.K. Roongta (from 5.2.04)	80533	9664	90197
Shri R.P. Singh (from 1.3.04)	42768	112404	155172
Shri S. Pandey (upto 30.11.03)	380670	173544	554214
Shri B.K. Singh (upto 29.2.04)	491085	269901	760986
Total	4158255	1719221	5877476

iii) The non-executive Directors are paid only sitting fees of Rs.5,000/- for each Board/Board Sub-Committee Meetings attended by them.

iv) The salary of the whole time directors is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.

v) Terms & Conditions

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

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

(e) Shareholders/Investors Grievance Committee:

(i) A Shareholders/Investors Grievance Committee under the Chairmanship of a non-executive director namely Shri S.N. Mishra and comprising two whole time Director namely Shri Ashis Das, Director (Personnel) and Shri G.C. Daga, Director (Finance) as members is functioning to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

(ii) Name of compliance officer: Shri Devinder Kumar, Company Secretary.

(iii) Number of shareholder complaints received during the period from 01.04.2003 to 31.03.2004 were 18. Only two complaints received in March, 2004 were pending unresolved as on 31st March, 2004 which have been resolved subsequently.

(f) General Body Meetings:

Location and time where last three AGMs held:

Financial Year	Date	Time	Location
2002-2003	26.09.2003	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi
2001-2002	24.09.2002	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi.
2000-2001	21.09.2001	10.30 a.m.	NDMC Indoor Stadium, Talkatora Garden, New Delhi

(g) Disclosures:

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

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

(h) Means of Communication:

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

(i) General Shareholders Information:

i) Annual General Meeting is proposed to be held on 28th September, 2004 at NDMC Indoor Stadium, Talkatora Garden, New Delhi.

ii) Dates of Book Closure – 17th August to 6th September, 2004.

iii) The shares of the Company are listed at the following stock exchanges:

The Delhi Stock Exchange Association Limited,

DSE House, 3/1, Asaf Ali Road, New Delhi-110002.

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai-400001 (Stock Code No.113)

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

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

Madras Stock Exchange Limited, Exchange Building, Post Box No.183, 11, Second Line Beach, Chennai-600001.

The Stock Exchange Ahmedabad, Kamdhenu Complex, Near Polytechnic, Panjara Pole, Ahmedabad-380015.

The London Stock Exchange, London EC2N 1HP, UK

It is confirmed that Annual Listing Fee has been paid to each of the stock exchanges.

iv) The monthly high and low quotation of the company's shares during each month in the last financial year at the Mumbai Stock Exchange (BSE) and its comparative performance with the broad base BSE Sensex during the year 2003-04 are indicated below:



Corporate Governance

MONTH & YEAR	SENSEX		SAIL at BSE	
	HIGH	LOW	HIGH	LOW
APR '03	3221.90	2904.44	10.10	8.75
MAY '03	3200.48	2934.78	12.60	8.90
JUN '03	3632.84	3170.38	17.68	11.60
JUL '03	3835.75	3534.06	23.95	16.95
AUG '03	4277.64	3722.08	61.40	22.45
SEP '03	4473.57	4097.55	41.45	31.50
OCT '03	4951.11	4432.93	47.85	37.65
NOV '03	5135.00	4736.70	48.90	38.75
DEC '03	5920.76	5082.82	55.00	40.30
JAN '04	6249.60	5567.68	55.20	41.00
FEB '04	6082.80	5550.17	48.35	40.25
MAR '04	5951.03	5324.78	44.00	30.90

v) Registrar and Share Transfer Agent

M/s. RCMC Share Registry Private Limited,
1515 (1st Floor), Bhisham Pitamah Marg,
Kotla Mubarakpur, New Delhi - 110 003.
Phone No.011-24649720

vi) Share Transfer System

The Share Transfer Committee of the Board meets at regular intervals, almost every fortnight, 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, 2004

Share Holding	Share holder Number	% of Total	Amount In Rupees	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 5000	212273	80.45	414892120	1.00
5001 - 10000	24636	9.34	214215790	0.52
10001 - 20000	12523	4.75	201084280	0.49
20001 - 30000	4420	1.68	116474240	0.28
30001 - 40000	2163	0.82	79152720	0.19
40001 - 50000	2210	0.84	106290770	0.26
50001 - 100000	2985	1.13	225540840	0.55
100001 and above	2656	1.01	39946354690	96.71
Total	263866	100.00	41304005450	100

viii) Shareholding pattern as on 31st March, 2004

Category	No. of Shares held	%age of Holding
A. Promoters' Holding		
1 Promoters		
- Indian Promoters viz, the Govt of India	3,544,690,285	85.82
- Foreign Promoters	-	-
2 Persons acting in Concert	-	-
Sub-Total	3,544,690,285	85.82
B. Non-Promoters Holding		
3 Institutional Investors		
a Mutual Funds and UTI	173,115,128	4.19
b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt Institutions)	94,614,311	2.29
c FIs	65,100,843	1.58
Sub-Total	332,830,282	8.06
4 Others		
a Private Corporate Bodies	65,603,382	1.59
b Indian Public	182,777,195	4.43
c NRIs/OCBs	1,587,101	0.04
d Any other (Please specify) - GDR	2,912,300	0.07
Sub-Total	252,879,978	6.12
GRAND TOTAL	4,130,400,545	100.00

ix) Status of dematerialisation as on 31st March, 2004

Particulars	No. of shares	% of capital	No. of Accounts
NSDL	567095478	13.73	151739
CDSL	1373489	0.03	15650
Total Dematerialised	568468967	13.76	167389
Physical - Government of India	3544690285	85.82	4
Physical - Other Shareholders	17241293	0.42	96473
Total	4130400545	100.00	263866

The Government of India holds shares in physical form. Out of the balance equity capital of the company, 97.06% have already been dematerialised by 31.03.2004.

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

STEEL PLANTS

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

UNITS

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

SUBSIDIARIES

- **The Indian Iron & Steel Company Limited,**
Burnpur-713325, West Bengal
- **Maharashtra Elektrosnelt Limited,**
Chandamul Road, Chandrapur-442401, Maharashtra.
- **Bhilai Oxygen Limited,**
Ispat Bhawan, Lodi Road, New Delhi - 110 003.

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

M/s. RCMC Share Registry Private Limited,
1515 (1st Floor), Bhisham Pitamah Marg,
Kotla Mubarakpur,
New Delhi - 110 003.
Phone No.011-24649720

Management Discussion and Analysis Report

ANNEXURE - V TO THE DIRECTORS' REPORT

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

A. INDUSTRY STRUCTURE & DEVELOPMENTS

General Economic Environment

After several years of depressed market conditions, the financial year 2003-04 (FY 04) witnessed a buoyancy in the demand for iron and steel products and improvement in domestic as well as international prices. The index of industrial Production showed a growth of about 6.9% during FY 04 as compared to 5.7% during the previous year. Global demand for steel increased by 7.3% during the year and apparent domestic consumption of finished mild steel grew by 5% over the previous year.

During 2003-04, GDP growth was 8.2% as compared to a growth of 4% in the previous year. Major steel consuming sectors viz. construction, capital goods and automobiles registered impressive growth during the year.

Production vis-a vis Demand for Steel in India

The apparent domestic consumption of finished mild steel during the year 2003-04 was about 30.33 million tonnes as compared to about 28.90 million tonnes during the previous year against a domestic production of 36.19 million tonnes. The import and export of finished mild steel during FY 04 was about 1.65 million tonnes and 5.3 million tonnes respectively.

Position of Steel Authority of India Ltd (SAIL)

SAIL was the 15th largest steel producer in the world during 2003 (source : IISI). SAIL continues to be the largest steel producer of finished steel in India with about 26 % market share during the year 2003-04.

B. OPPORTUNITIES & THREATS FOR SAIL

Opportunities

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

The per capita consumption of steel in the country is just about 30 kgs as compared to the world average of about 144 kgs. There is, therefore, scope for substantial increase in domestic steel consumption through better utilization of existing capacity and enhancement of production capacity.

Given the substantial investments taking place in infrastructural development in the country in the form of construction of highways, bridges, seaports and airports etc. and the fact that SAIL's long products are preferred for their superiors quality, there is sufficient opportunity to increase the production and sales of long products.

In case of flat products, SAIL remains a major supplier of HR Coils to the tube making sector while increasing its presence in the cold rolling segment. Further, the growing demand from the white goods and automobile segments provide good opportunity for enhanced sales of CR Coils and Sheets.

The water supply, oil & gas sectors are other segments where there is large growth potential as a number of major pipeline projects are on the anvil. The Electric Resistance Welded Pipe Plant (ERWPP) at Rourkela which is being modernized will be able to cater to the requirements of the oil and gas sector through supply of higher grades of API Pipes upto API X-70 in wall thicknesses of 3.2 – 12.7 mm. Besides, SAIL would continue to supply HR Coils and Plates to meet the requirement of these

sectors.

During last few years, the Company has taken several measures to reduce costs in areas such as operations, purchases etc., which has helped in containing SAIL's cost of production by neutralizing the impact of input cost escalations. Cost reduction would continue to remain a thrust area for SAIL as the company strives to further improve its cost-competitiveness.

Threats

During the fourth quarter of 2003-2004, customs duties on steel have been reduced from 25% to 15% and imports have also been exempted from levy of Special Additional Duty (SAD), thereby effectively reducing the customs duty by about 50%. As and when international prices go down, there could be an increase in imports. Furthermore, any downward trend in international market prices may result in consequential reduction in realization in domestic market.

Anti-dumping measures continue to be in place in the USA and the European Union and exports to these countries still remain largely affected. Further, the growth in global steel demand, which has been powered by the high demand from China, may not be maintained at the present level and, in due course, could get reversed when Chinese demand comes down or production capacity of China increases.

In respect of HR Coils, there is still an estimated surplus capacity of about 3 million tonnes in the country and exports would need to be maintained so long as domestic demand falls short of availability.

While SAIL has upgraded and modernized the Rail Mill at Bhilai Steel Plant, entry of new producers of rails in the country is a potential source of competition. However, SAIL, has signed an MOU with the Railways who are sourcing almost their entire requirement of rails from SAIL.

Also, new capacities are being set-up in the country, which, on commissioning, would further intensify the present level of competition.

C. RISKS AND CONCERNS

Given the increasing globalisation of the Indian economy, high volatility of international prices has a direct effect on domestic steel prices, particularly in respect of flat products. Also, the decline in international prices would lead to lower margins on exports.

Inadequate availability and higher prices of key raw materials such as coal, ferro-alloys etc. in the required quality coupled with infrastructural constraints, like wagon availability, port congestion etc. would greatly impact operations at SAIL Plants as well as their operating margins.

D. OUTLOOK

The domestic per capita steel consumption in India is still quite low and much below the average international level, thus having an impact on the future prospects of Indian steel companies. However, implementation of steel intensive projects in key sectors of economy would be beneficial to the Indian Steel Industry.

The buoyancy in the Indian Steel is a combination of demand for exports, mainly to China, and also a positive outlook in certain steel consuming sectors of the Indian Economy, which is expected to continue in the coming year too. Infrastructure development, and also the number of industrial projects taking off would result in increased economic activity, which would generate demand and consumption of steel.



Management Discussion and Analysis Report

For the year 2004-05, the thrust is to exploit the maximum potential of all major production units in the steel plants with more emphasis on production of value added products. Also, for the special steel plants, substantial increase in production has been planned to capitalize the increase in demand. While SAIL plans to remain predominantly in the domestic market, looking towards global scenario, SAIL has planned for keeping its presence in the international market.

E. REVIEW OF FINANCIAL PERFORMANCE

1. FINANCIAL OVERVIEW OF SAIL

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

Growth in Steel sector is also noteworthy. Steel consumption scenario is upbeat as demand for steel has registered a growth of 5% mainly due to development of infrastructure such as highways, increased demand of consumer durables, etc. The average growth in apparent steel consumption in India since 1996-97 is as follows:

Year	Steel Consumption (in MT)	% Growth over Previous Year
2003-04	33.30*	5.0
2002-03	28.90*	5.3
2001-02	27.44	3.4
2000-01	26.53	5.7
1999-00	25.09	6.6
1998-99	23.55	4.0
1997-98	22.63	2.3
1996-97	22.13	3.9

* Source JPC

Chinese growth has been one of the main drivers behind increased global demand and exports from India also increased in tandem with 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, scraps, etc. Not only prices of these inputs have increased significantly but they were also in short supply. Coking coal prices have gone through the roof. Ocean freight has also increased manifolds.

1.1 2003-04 witnessed deregulated Indian steel industry performing at its peak and SAIL was not an exception to it. The spectacular performance of the company on all fronts has been well translated in financial results. The returns have progressively been higher with each quarter of financial year, being an improvement over the previous one.

During FY' 2003-04, SAIL earned a profit of Rs. 2628 crores (before taxes). The major reasons for improved profitability are:

- Record saleable steel production from 4 ISPs (growth of 6%)

- Improved product-mix and techno-economic factors
- Highest-ever sales volume (growth 7%)
- Highest turnover (26% growth)
- Improvement in Net Sales Realisation
- Continuous thrust on Cost Control Savings
- Reduction in debt resulting in substantial savings in interest
- Strengthening of international and domestic steel prices.

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

- **Adopting a market-oriented product-mix, reinforcing sales and marketing efforts with greater focus on customer satisfaction**
 - SAIL's Central Marketing Organisation (CMO) has laid special emphasis on customer satisfaction and nurturing customer loyalty for increased sales. CMO has also adopted a marketing strategy focussing on various steel consuming segments such as projects/ infrastructure development sector, tube makers, cold rolling units, oil & gas sector, railways, machinery manufactures, re-rollers, wire drawing units, etc. These concerted efforts have not only resulted in higher generation of revenue but also resulted in reduction of stock.
 - As a measure of Quality Assurance, Quality Management System (QMS) has been implemented and certification as per ISO-9001:2000 achieved across entire Central Marketing Organisation.
- **Cost Control Measures**
 - Downturn in the steel sector taught us to focus on cost reduction and productivity improvement through systematic application of new technology and strong awareness to reduce cost at all level of operation. The same emphasis has been retained even in the good phase of business cycle in which SAIL is operating today. The success of SAIL's endeavors has also been well recognized by The Institute of Cost & Works Accountants of India as the first National Award on Excellence in Cost Reduction has been awarded to SAIL for the year 2003.
- **During the year, Cost control savings have been achieved in almost all the major areas of operation, viz.:**
 - Reduction in power & fuel consumption.
 - Reduction in Specific usage of raw material (other than coal).
 - Improvement in techno-economic factors like blast furnace productivity, energy consumption, mill yields, etc.
 - Reduction in administrative expenses.

The major impact of cost control measures is that despite substantial increase in prices of almost all major inputs like indigenous coal, imported coal, purchased power, boiler coal, Ferro alloys etc., total cost of production during 2003-04 has decreased by about 4% from 2002-03 level.



➤ Fund Management

During the year, thrust has been given to debt reduction and fund management. Overall debt of the company has reduced by about Rs. 4,239 crores. Borrowing as on 31.03.04 was Rs. 8,689 crores. Foreign Loan of Rs. 597 crores has been repaid during the year thus reducing the related risk arising out of exchange rate variation. This coupled with substitution of high-cost borrowings with lower cost borrowings and reduction in interest rates helped SAIL in reducing its total interest burden by Rs. 435 crores.

➤ Rightsizing Manpower

- SAIL introduced Voluntary Retirement Schemes (VRS) in 1998 and 1999 on deferred payment basis, which resulted in separation of about 19,600 employees. VRS based on the Department of Public Enterprises (DPE) model which envisages lump sum payment, was operated in 2001 and 2002, resulting in separation of about 12,300 employees.
- Further reduction in manpower by 2000 nos. has taken place during 2003-04 VRS, which was introduced in two spells.

➤ Purchase Cost Optimisation & Inventory Management

- The Company has been steadily moving towards e-Commerce by adopting e-Procurement & e-Sales modes successfully. After introducing Procurements through Reverse Auction (RA) in SAIL in 2001-02, the volume has increased to Rs. 74 crores in 2003-04. As a next step, implementation of an e-Procurement module based on on-line transaction with vendors is in progress. Centralised procurement of 18 high value items worth around Rs. 920 crores have been done during the year through RA and Purchase Cost Reduction Module.
- E-Sales – The first Forward Auction (FA) for sale of products from plants was done in March'03. In the financial year 2003-04, a total of 394 nos. of FAs have been done across SAIL for sale of products including idle assets with a transaction value of Rs. 674.05 crores.
- Policy guidelines on Management of Inventory (Store & Spares) were finalized and released for implementation in plants/units on 14.11.2003.

2. SUMMARISED FINANCIAL PERFORMANCE

(Rs. in crore)

	2003-04	2002-03
Turnover	24178	19207
Gross Margin (PBDIT)	4650	2165
Interest	899	1334
Cash Profit	3751	831
Depreciation	1123	1147
Net Profit/Loss (-) [PBT]	2628	-316
Net Profit/Loss (-) [PAT]	2512	-304

PBT has improved by Rs. 2,944 crore over that in the previous year mainly due to improvement in production, product-mix, techno-economic factors and net sales realisation (NSR) of saleable steel.

a) Sales Turnover

- SAIL's sales turnover during 2003-04 was Rs. 24,178 crore, which was 26% higher than the previous year's

Rs. 19,207 crore, mainly on account of higher sales volume, better product mix and prices. SAIL sold about 10.43 MT of mild steel in FY '04 as compared to around 9.8 MT in the previous year. Sales of secondary products like pig iron, ingot steel, coal chemicals and other byproducts were also higher than the previous year. SAIL's main business arena continues to be the domestic market, which provides about 92% of the company's total sales turnover. Export of mild steel at 1.14 million tonnes during 2003-04, was higher by 34% over the previous year.

- SAIL's product-mix is evenly balanced and caters to the entire gamut of the mild steel business – flat products in the form of plates, HR coils/sheet, CR coils/sheets, plain/corrugated galvanised sheets, long products comprising rails, structurals, wire-rods, merchant products, etc. In addition, pipes (ERW & SW), electrical steel sheets and tin plates also form part of the rich product-mix of SAIL's mild steel business. The product category-wise sales turnover during 2003-04 is as follows:

Saleable steel – 4 Integrated steel plants	%
Flat Products	53
Long Products	34
PET (Pipes, Electrical sheets, Tin plates) Products	2
Total mild steel	89
Alloy & Special Steel Plants	
(Pig Iron, Ingot & Saleable other Steel)	5
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	6

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

The EBDIT of SAIL during FY '04 at Rs. 4650 crore, registered an improvement of about 115% over the previous year despite escalation in the input prices such as imported and indigenous coking coal, boiler coal, Ferro alloys, etc. The company's expenditure on salary & wages increased over the previous year, mainly due to wage revision arrears. The company had implemented the revised salaries & wages w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000. An amount of Rs. 1418 crores (excluding ad-hoc advances of about Rs. 422 crores paid in earlier years) has been paid/provided during the current year on an estimated basis towards salaries & wages arrears including consequential benefits. A part of the input cost escalation was neutralized by higher efficiency in the operational areas, by way of improved yields and lower specific consumption for raw materials.

c) Interest

As a result of reduction in total borrowings and substitution of high-cost borrowings with low-cost borrowings, the total interest and finance charges reduced by Rs. 435 crore during the year.

d) Debt Equity Ratio

Debt Equity Ratio has improved to 1.86:1 (as on 31.03.04) from 6.50:1 (as on 31.03.03) due to better cash management and improved financial performance of the company.



Management Discussion and Analysis Report

	(Rs. in crore)	
Items	31.3.2004	31.3.2003
Total borrowing	8689	12928
Net Worth	4659	1989
Debt Equity Ratio	1.86:1	6.50:1

e) Working capital

	(Rs. in crore)	
	As on 31.3.2004	As on 31.3.2003
Current Assets		
Inventory	3081	3744
Sundry debtors	1550	1660
Cash & bank balance	2017	513
Interest receivable	86	91
Loans and advance	1296	1274
1. Total current assets	8030	7282
Current Liabilities		
Current liabilities	4226	4300
Provisions (excl. gratuity/leave/ retirement benefits)	1741	476
2. Total current liabilities	5967	4777
3. Working capital (1 – 2)	2063	2506

- Inventory has reduced by Rs.663 crore mainly due to reduction in inventory of Saleable Steel by 1.71 lakh tons (Rs.279 crore) and reduction in the inventory of Raw Materials (Rs.194 crore).
- Increase in Cash and Bank balance is mainly due to short-term investment of surplus funds of Rs.1780 crore.

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

	(Rs. in crore)	
	2003-04	2002-03
BSP	1932	735
DSP	81	-247
RSP	-109	-593
BSL	1120	311
ASP	-172	-180
SSP	2	-119
VISL	-82	-136
Other Units	-144	-87
SAIL	2628	-316

There is considerable improvement in financial performance of integrated steel plants. DSP has entered the profit zone after a gap of over 20 years and earned a profit of Rs. 81 crores. RSP has earned cash profit after 1995-96. Among Special Steel Plants there has been remarkable improvement at Salem, which earned a profit during 2003-04 after a gap of 7 years. VISL has also reduced its losses by 40%. The improved financial performance during 2003-04 has enabled the Company to wipe out its accumulated loss.

F. HUMAN RESOURCES / INDUSTRIAL RELATIONS

SAIL has always believed that human resource is one of the most important resources and continues to work for its development. The Personnel function aligned its functioning and activities in tune with the business

objectives and provided the desired support to all customers, external and internal. The ongoing thrust on rationalization of manpower with focus on proper utilization, rightsizing and reducing the labour cost to make the company healthy continued with implementation of another edition of VR scheme. The manpower strength as on 31st March, 2004 was 131910 comprising 14870 executives and 117040 non-executives. The total reduction in manpower achieved during the year stood at 5586 which includes separation of 2000 employees through VR. The labour productivity saw an improvement by 11% over previous year to 137 TCS/Man/year.

The HRD activities focused on multi-skill training and enhancement of managerial competencies. Competency mapping for identification of skill gaps and training were initiated. Providing opportunity for open interaction, communication and feed back have been highlights of HRD intervention this year also. At plants units, the major thrust in the HR area has been to reach out to more and more employees through various communication exercises. The proactive interventions and close coordination with different agencies ensured conducive Industrial Relations climate which is very necessary for maintaining production upswing, especially during the current times when the market is favourable to us. The role of employees/trade unions/Ministry of Steel is worth appreciating, who have stood by the management in the overall interest of the Company. Communication exercises involving executives at various levels covering Annual Performance Plans, Micro-planning, Performance improvement, business priorities etc. were held. To keep up the morale of the employees, motivational measures such as payment of Ad-hoc Adjustable advance, re-introduction of LTC/LLTC facility etc. were also taken.

G. PROJECT MANAGEMENT

The Company incurred a capital expenditure of Rs. 351 crore during the year.

Major Projects commissioned during 2003-04.

Replacement of existing pusher-type Re-heating Furnace No. 2 of Hot Strip Mill by walking beam-type furnace at Bokaro Steel Plant (BSL) and Replacement of existing 100 ATA pressure steam pipelines in TPP & CPP at BSL.

Major Capital schemes presently in progress:

At Bhilai Steel Plant (BSP) long rails facilities in Rail & Structural Mill have been installed to produce long rails of length 65 M/78 M and welded rail panels up-to length of 260 M with Class-A quality as per Railways specification IRS-T-12-1996. Production of long rails, which is presently at trial stage, is likely to be stabilised shortly.

At Durgapur Steel Plant (DSP), a 130T Ladle Furnace in Steel Melting Shop is being installed to overcome the problem of return of BOF heats from the Continuous Casting Plant and production of special steels. Commissioning by July'05.

At Rourkela Steel Plant (RSP), Up-gradation of Electric Resistance Welded (ERW) Pipe Plant has been taken-up to produce pipes with enhanced quality (API-5L upto X-70) to meet the requirement of oil & gas companies and planned to be commissioned by May'05. Further, rebuilding of Coke Oven Battery No.1 at RSP has been taken-up to achieve the latest statutory emission norms

of Ministry of Environment & Forests and planned to be commissioned by Mar'05. Another scheme at RSP is for replacement of Turbo-Alternator-1 in CPP-1 at RSP for sustained power supply of 50 MW (Category-1 load) and planned to be commissioned by Oct.'04.

SAIL corporate plan envisages a production of 20 MT of Hot Metal by the year 2011-12. The increase in production has been planned mainly by implementing debottlenecking schemes and brown field expansion, which will be funded mainly through internal accruals. The expenditure on capital schemes is likely to increase in the coming years.

H. IN HOUSE DESIGN & ENGINEERING

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

Some of the major projects implemented during 2003-04 through design, engineering and consultancy services from CET are:

- Installation of Walking beam type Re-heating Furnace No. 2 in BSL.
- Provision of Tension Levelling Facilities in Side Trimming cum Slitting Line No. 3 in CRM at BSL.
- Revamping of Boiler Nos. 5 & 6 of DSP.
- Installation of Electromagnetic Stirrer in Bloom Caster at ASP.

The following major ongoing projects are under implementation:

- Finishing of Long Rails at Rail & Structural Mill at BSP.
- Replacement/modification of Gas Line Network at BSP.
- Rebuilding of Coke Oven Battery No. 1 with Pollution Control Facilities at RSP.
- Rebuilding of Blast Furnace No.4 at RSP.
- Installation of Bloom Caster, Re-heating Furnace and Ladle Furnace at DSP.

I. RESEARCH AND DEVELOPMENT

Research & Development Centre for Iron and Steel (RDCIS) have provided innovative technological inputs to different units of SAIL, with special emphasis on cost reduction, product quality enhancement, development of new products and commercialisation of value added products. RDCIS completed 74 projects fulfilling 100% of its target. Under the Centre's initiative and leadership, two nos. of state-of-art facilities were installed: Sophisticated probes for assessing internal condition in BF # 5, Bokaro Steel Plant; Electro-magnetic stirrer in continuous casting machines for quality enhancement in Alloy Steels Plant and Durgapur Steel Plant. Automated heating control of coke oven battery, based on technology developed in-house, was implemented in Durgapur Steel Plant. Several new products were developed viz., Armour steel, corrosion resistant rail steel; semi processed lamination steel etc. The Centre strengthened its

technology marketing efforts by providing consultancy services, organising specialised testing and transfer of technological innovations to outside customers like M/s JVSL, Bellary; M/s Sesa Kembla, Goa; M/s ACC, Nagpur; M/s BPSCL, Bokaro; M/s Usha Martin, Ranchi etc.

During the year 195 technical papers were published / presented, besides filing of 26 patents (including 5 from SAIL plants) and 31 copyrights (including 9 from SAIL plants). In addition, the scientists at the Centre won 8 national awards.

J. INTERNAL CONTROL SYSTEM

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.

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

CAUTIONARY STATEMENT

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



Corporate Governance Certificate

ANNEXURE - VI 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, 2004, 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 Chaturvedi & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner
(Membership No. 58683)

For P.A. & Associates
Chartered Accountants

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

For S.K. Mittal & Co.
Chartered Accountants

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

Place : New Delhi
Dated : 28th May, 2004



Cash Flow Statement

Cash Flow Statement for the year	2003-04	2002-03
A. Cash flow from Operating Activities		<i>(Rupees in crores)</i>
Net profit/loss (-) before taxation, and extraordinary items	2628.21	(315.87)
Add / (Less) Adjustments for :		
Depreciation	1174.38	1146.50
Interest Expenses	899.43	1334.02
Bad debts written-off	1.17	4.36
Unrealised Foreign Exchange Fluctuation	44.95	94.13
Provision for diminution in value of investments	—	(0.04)
Provision for Gratuity	159.73	297.57
Provision for Accrued Leave Liability	124.52	189.53
Provision for Post Retirement Benefits	156.56	209.74
Provision for Employee Family Benefit Scheme	23.43	36.66
Provision for Voluntary Retirement Scheme	(56.25)	(38.31)
Provision for Pollution Control & Peripheral Development	13.48	15.57
Provision for Exchange Fluctuation	—	(15.93)
Provision for Wage Revision	1216.98	—
Provision for Taxation	56.85	—
Provision for Others	9.92	45.58
Deferred revenue expenditure (Charged during the year)	320.16	335.09
Refund of Income Tax during the year	2.34	11.56
Provision for Income Tax	(118.47)	—
Profit on sale of Fixed Assets	(52.42)	(144.19)
Interest Income	(74.76)	(88.96)
Dividend Income	(8.22)	(2.67)
Operating cash flow before working capital change	6521.99	3114.34
Adjustments for :-		
Decrease in Inventories	662.93	297.46
Decrease / (Increase) in Sundry Debtors	108.96	(275.04)
Increase in Loans and Advances	(30.54)	(138.86)
Increase / (Decrease) in Current Liabilities	84.21	(36.41)
Deferred revenue expenditure (Additions)	(162.35)	(293.75)
Net Cash from Operating Activities	7185.20	2667.74
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(363.32)	(299.35)
Fixed Assets sold /discarded	44.95	20.35
Sale / Lease of houses	44.53	157.34
Purchase/Sale of investments (Net)	—	(4.51)
Interest received	79.17	91.89
Dividend received	8.22	2.67
Net Cash from Investing Activities	(186.45)	(31.61)
C. Cash flow from Financing Activities		
Increase in Reserve & Surplus	0.35	(0.20)
Borrowings (Net)	(4284.13)	(1166.09)
Loans to subsidiary & Other Companies	(153.31)	44.91
Interest and Finance Charges paid	(1057.41)	(1418.21)
Net Cash from Financing Activities	(5494.50)	(2539.59)
Net Increase / Decrease (-) in Cash & Cash Equivalents (A+B+C)	1504.25	96.54
Cash & Cash Equivalents (Opening)	512.91	416.37
Cash & Cash Equivalents (Closing) *	2017.16	512.91
(Represented by Cash & Bank balances)		

Notes :

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner

Sd/-
(P.S. Panda)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi
Dated : 28th May, 2004

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

NAME OF THE SUBSIDIARY COMPANY	INDIAN IRON & STEEL COMPANY LIMITED*	MAHARASHTRA ELEKTROSMELT LIMITED	BHILAI OXYGEN LIMITED
Financial year of the subsidiary ended on	31st March, 2004	31st March, 2004	31st March, 2004
Date from which they became subsidiary	1st May, 1978	18th October, 1986	9th February, 1999
Share of the subsidiary held by the company as on 31st March, 2004			
a) Number & face value	38,76,65,757 equity shares of Rs. 10/- each fully paid-up.	2,37,87,935 equity shares of Rs. 10/- each fully paid-up.	49,998 equity shares of Rs. 10/- each fully paid-up.
b) Extent of holding	100%	99.12%	99.99%
The Net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the member of the holding company :	(Rupees in Crores)		(In Rupees)
a) Not dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2004	27.09	6.25	(11279)
ii) Upto the previous financial years of the subsidiary companies	(979.37)	(46.90)	(54245)
b) Dealt with in the holding company's accounts			
i) For the financial year ended 31st March, 2004	Nil	Nil	Nil
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	Nil	Nil	Nil

Notes :

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

Place : New Delhi
Date : 9th August, 2004



Consolidated Annual Accounts

Consolidated Balance Sheet AS AT 31ST MARCH, 2004

	Schedule No.	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	4130.40	4130.40
Reserves and Surplus	1.2	890.43	1163.38
		5020.83	5293.78
Loan Funds			
Secured Loans	1.3	3723.73	6002.04
Unsecured Loans	1.4	5394.84	7426.63
		9118.57	13428.67
		14139.40	18722.45
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	29788.84	29582.55
Less: Depreciation		15892.99	14765.60
Net Block		13895.85	14816.95
Capital Work-in-Progress	1.6	415.84	369.70
		14311.69	15186.65
Investments			
	1.7	6.44	4.45
Current Assets, Loans & Advances			
Inventories	1.8	3277.09	3931.24
Sundry Debtors	1.9	1619.42	1668.12
Cash & Bank Balances	1.10	2205.49	717.31
Interest Receivable/Accrued	1.11	85.68	92.29
Loans & Advances	1.12	1335.69	1285.51
		8523.37	7694.47
Less: Current Liabilities & Provisions			
Current Liabilities	1.13	5151.18	5306.96
Provisions	1.14	4849.37	3120.89
		10000.55	8427.85
Net Current Assets			
		-1477.18	-733.38
Deferred Tax Assets			
		14.58	—
Less : Deferred Tax Liability			
		30.20	8.58
		-15.62	-8.58
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	1.15	439.82	539.57
Minority Interest			
	1.16	0.56	0.62
Profit & Loss Account Debit Balance			
		873.69	3733.12
		14139.40	18722.45

Accounting Policies and Notes on Accounts 3

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.C. Chaturvedi)
Partner

Sd/-
(D.K. Agarwalla)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi
Dated : 9th July, 2004

Consolidated Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule No.	Year ended 31st March, 2004		Year ended 31st March, 2003	
(Rupees in crores)					
INCOME					
Sales	2.1	25336.98		20275.88	
Less : Excise Duty		2998.47	22338.51	2469.55	17806.33
Finished products internally consumed		236.79		217.56	
Interest earned	2.2	78.30		91.81	
Other revenues	2.3	648.91		534.81	
Provisions no longer required written back	2.4	58.04	1022.04	56.32	900.50
			23360.55		18706.83
EXPENDITURE					
Depletion to stocks	2.5	472.64		469.28	
Raw materials consumed	2.6	7366.89		6710.61	
Purchase of semi/finished products and others		65.05		79.39	
Employees' Remuneration & Benefits	2.7	5147.59		4145.02	
Stores & Spares consumed		1961.26		1803.99	
Power & Fuel	2.8	2317.92		2240.07	
Repairs & Maintenance	2.9	246.88		222.28	
Freight outward		547.31		533.86	
Other expenses	2.10	1602.15		1616.60	
Interest & finance charges	2.11	948.28		1395.28	
Depreciation		1194.94		1220.48	
Total		21870.91		20436.86	
Less : Transferred to Inter Account Adjustments	2.12	1258.91	20612.00	1283.71	19153.15
Loss for the year			2748.55		-446.32
Adjustments pertaining to earlier years	2.13		-23.13		-16.67
Profit/Loss (-) before Tax			2725.42		-462.99
Provision for current Tax			121.49		1.86
Provision for Deferred Tax			7.04		7.36
Adjustment of Income Tax of earlier years			-2.34		-11.56
Profit / Loss (-) after Tax			2599.23		-460.65
Minority Interest			-0.06		-0.38
			2599.17		-460.27
Share of loss (-) of Associate			—		-0.40
Balance brought forward (Net)			-3733.12		-3262.62
Amount available for Appropriation			-1133.95		-3723.29
APPROPRIATIONS					
Amount transferred from Bonds Redemption Reserve (Net)			-273.25		—
Proposed Dividend			11.52		8.00
Tax on Dividend			1.47		1.02
Deferred Tax of Last Year			—		0.81
Loss carried over to Balance Sheet			-873.69		-3733.12
			-1133.95		-3723.29

Accounting Policies and Notes on Accounts 3

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
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For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(S.C. Chaturvedi)
Partner

Sd/-
(D.K. Agarwalla)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi

Dated : 9th July, 2004

Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.1 : SHARE CAPITAL

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Authorised		
5,00,00,00,000 equity shares of Rs. 10/- each	<u>5000.00</u>	<u>5000.00</u>
Issued, Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs. 10/- each fully paid.	<u>4130.40</u>	<u>4130.40</u>
<i>Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid-up for consideration other than cash.</i>		

1.2 : RESERVES AND SURPLUS

	As at 31st March, 2004	As at 31st March, 2003
		(Rupees in crores)
Capital Reserve		
As per last Balance Sheet	4.69	4.74
Less: Adjustment during the year	<u>—</u>	<u>0.05</u>
	4.69	4.69
Prime Minister's Trophy Award Fund		
As per last Balance Sheet	8.10	7.48
Add : Additions during the year	<u>0.48</u>	<u>0.73</u>
	8.58	8.21
Less : Adjustments towards expenses incurred during the year	<u>0.09</u>	<u>0.11</u>
	8.49	8.10
Share Premium Account		
As per last Balance Sheet	235.69	236.51
Less : Adjustment towards Bond Issue Expenses	<u>0.09</u>	<u>0.82</u>
	235.60	235.69
Bond Redemption Reserve		
As per last Balance Sheet	914.90	914.90
Add : Transferred from Profit & Loss Account	606.15	—
Less : Transferred to Profit & Loss Account	<u>879.40</u>	<u>—</u>
	641.65	914.90
	<u>890.43</u>	<u>1163.38</u>

1.3 : SECURED LOANS

		As at 31st March, 2004	As at 31st March, 2003
			(Rupees in crores)
Working Capital Borrowings from Banks (Including Foreign Currency Non-Resident (Bank) Loan of Rs.1068.92 crores) (Previous year Rs. 1175.78 crores)	(a)	1270.00	2941.76
Term Loan from Banks / Financial Institutions	(b)	297.86	713.71
Interest accrued and due thereon		0.00	44.77
Foreign Currency Loans	(c)	331.65	758.48
Non Convertible Bonds	(d)		357.97
Interest Rate	Date of Redemption		
13.75%	1st July, 2003	—	175.55
14.5%	21st May, 2004	447.00	447.00
14.0%	1st July, 2005	394.45	394.45
14.5%	1st April, 2006	224.05	226.90
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	—
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
8%	1st September, 2010*	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	—
Housing Development Finance Corporation Limited	(e)	0.82	1.06
Interest accrued and due thereon		—	0.02
		3723.73	6002.04

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

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

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

(d) Secured by charges ranking pari-passu inter se, on all the present and future immovable assets, except for Bonds carrying interest rate of 14.5% for value of Rs 447 crores and maturing on 21st May, 2004 which are secured on moveable and 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.

(e) Secured by equitable mortgage of the property of the employees who have taken advances from the company for acquiring house properties.

* Additional Security is yet to be created in respect of DSP properties.

Note : Secured Loans repayable within one year as at 31.03.2004, Rs.493.37 crores (previous year : Rs. 328.90 crores)

Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.4 : UNSECURED LOANS

		As at 31st March, 2004	As at 31st March, 2003
			(Rupees in crores)
Public Deposits		581.39	1021.28
Government of India	0.27		
Interest accrued and due thereon	0.50	0.77	0.69
Steel Development Fund	204.16		204.16
Interest accrued and due thereon	675.27	879.43	539.85
Foreign Currency Loans			
Long Term	974.33		1475.03
(Guaranteed by Govt. of India / State Bank of India Rs.723.50 crores; previous year Rs.864.79 crores)			
Short Term	374.36	1348.69	444.16
Term Loans from Banks / Financial Institutions		6.00	509.14
Non Convertible Bonds@			
Interest Rate	Date of Redemption		
10%	18 th September, 2003	—	100.00
10%	24th September, 2003	—	400.00
12%	1st February, 2007	100.00	100.00
12.15%	1st February, 2007	400.00	400.00
11.10%	30th March, 2007	60.00	60.00
11.25%	30th March, 2007	99.00	99.00
11.25%	15th April, 2007	400.00	400.00
11.10%	15th April, 2007	50.00	50.00
10.25%	3rd June, 2007	500.00	500.00
12.15%	1st September, 2007	152.35	152.35
11.30%	12th March, 2008	105.00	105.00
11.60%	12th March, 2008	15.00	15.00
10.10%	1st August, 2008	35.00	35.00
10.50%	1st August, 2008	35.00	35.00
11.50%	30th March, 2010	43.50	43.50
11.50%	15th April, 2010	21.00	21.00
12.45%	1st September, 2010	38.15	38.15
12.55%	1st September, 2010	39.40	39.40
12.65%	1st September, 2010	96.60	96.60
12.10%	12th March, 2011	195.00	195.00
11%	1st August, 2011	115.00	115.00
6.4%	15th October, 2010 #	64.00	2564.00
Others			
Inter Corporate Loans - Short term	14.56		7.32
Housing Finance Loans	—	14.56	225.00
		5394.84	7426.63

@ Guaranteed by Government of India and also secured by charges ranking pari-passu interse on imovable property (Book value as on 31.03.2004— Rs. 0.56 crores) at Mouje-Wadej, Ahmedabad, Gujarat.

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

Note : Unsecured Loans repayable within one year as at 31.03.2004 - Rs.1038.03 crores (previous year : Rs. 2414.54 crores)



1.5 : FIXED ASSETS

GROSS BLOCK (AT COST)				
Description	As at 31st March, 2003	Additions/ Adjustments	Deductions	As at 31st March, 2004
A. PLANTS, MINES, OTHERS				<i>(Rupees in crores)</i>
Goodwill*	651.99	—	—	651.99
Land(including cost of development)				
—Freehold Land	115.36	0.86	0.25	115.97
—Leasehold Land	29.27	-0.08	0.91	28.28
Right and Patents	22.84	46.38	—	69.22
Railway Lines & Sidings	225.16	0.84	0.55	225.45
Roads, Bridges & Culverts	148.89	-0.02	-0.21	149.08
Buildings	1769.88	15.27	0.69	1784.46
Plant & Machinery				
—Steel Plant	22931.90	199.86	96.68	23035.08
—Others	1518.21	58.41	31.95	1544.67
Furniture & Fittings	74.59	2.28	0.78	76.09
Vehicles	442.44	26.27	9.65	459.06
Water Supply & Sewerage	290.90	1.33	2.58	289.65
EDP Equipments	210.29	8.19	7.12	211.36
Miscellaneous Articles	223.27	2.16	0.97	224.46
Sub-total 'A'	<u>28654.99</u>	<u>361.75</u>	<u>151.92</u>	<u>28864.82</u>
Figures for the previous year	<u>28289.38</u>	<u>431.67</u>	<u>66.06</u>	<u>28654.99</u>
B. SOCIAL FACILITIES				
Land(including cost of development)				
—Freehold Land	10.02	—	0.01	10.01
—Leasehold Land	7.14	—	0.05	7.09
Roads, Bridges & Culverts	46.44	—	—	46.44
Buildings	562.63	0.24	4.99	557.88
Plant & Machinery— Others	78.81	0.14	0.08	78.87
Furniture & Fittings	12.66	0.05	0.04	12.67
Vehicles	8.03	0.42	0.31	8.14
Water Supply & Sewerage	112.29	0.10	—	112.39
EDP Equipments	2.16	0.24	—	2.40
Miscellaneous Articles	87.38	1.45	0.70	88.13
Sub-total 'B'	<u>927.56</u>	<u>2.64</u>	<u>6.18</u>	<u>924.02</u>
Figures for the previous year	<u>945.13</u>	<u>3.27</u>	<u>20.84</u>	<u>927.56</u>
Total ('A'+ 'B')	<u>29582.55</u>	<u>364.39</u>	<u>158.10</u>	<u>29788.84</u>
Figures for the previous year	<u>29234.51</u>	<u>434.94</u>	<u>86.90</u>	<u>29582.55</u>



Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.5 : FIXED ASSETS

Description	DEPRECIATION/AMORTISATION				NET BLOCK	
	Up to 31st March, 2003	For the Year	On Sales/ Adjustments	Up to 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003
A. PLANTS, MINES, OTHERS	<i>(Rupees in crores)</i>					
Goodwill *	651.99	—	—	651.99	—	—
Land (including cost of development)						
— Freehold Land	—	—	—	—	115.97	115.36
— Leasehold Land	8.50	0.38	0.53	8.35	19.93	20.77
Right and Patents	8.68	3.14	—	11.82	57.40	14.16
Railway Lines & Sidings	134.47	7.69	0.53	141.63	83.82	90.69
Roads, Bridges & Culverts	33.85	2.63	-0.13	36.61	112.47	115.04
Buildings	687.30	57.94	-0.02	745.26	1039.20	1082.58
Plant & Machinery						
— Steel Plant	11027.17	1038.07	68.75	11996.49	11038.59	11904.73
— Others	984.03	67.64	29.40	1022.27	522.40	534.18
Furniture & Fittings	51.78	3.95	0.69	55.04	21.05	22.81
Vehicles	321.02	13.99	7.09	327.92	131.14	121.42
Water Supply & Sewerage	188.59	10.46	2.37	196.68	92.97	102.31
EDP Equipments	174.47	10.56	6.52	178.51	32.85	35.82
Miscellaneous Articles	127.33	9.58	1.21	135.70	88.76	95.94
Sub-total 'A'	14399.18	1226.03	116.94	15508.27	13356.55	14255.81
Figures for the previous year	13251.15	1198.21	50.18	14399.18	14255.81	
B. SOCIAL FACILITIES						
Land (including cost of development)						
— Freehold Land	—	—	—	—	10.01	10.02
— Leasehold Land	4.26	0.13	0.03	4.36	2.73	2.88
Roads, Bridges & Culverts	14.98	0.77	-0.01	15.76	30.68	31.46
Buildings	147.18	8.84	1.69	154.33	403.55	415.45
Plant & Machinery—Others	55.22	2.91	0.05	58.08	20.79	23.59
Furniture & Fittings	11.20	0.27	0.03	11.44	1.23	1.46
Vehicles	6.48	0.19	0.30	6.37	1.77	1.55
Water Supply & Sewerage	72.00	3.36	—	75.36	37.03	40.29
EDP Equipments	1.84	0.07	—	1.91	0.49	0.32
Miscellaneous Articles	53.26	4.46	0.61	57.11	31.02	34.12
Sub-total 'B'	366.42	21.00	2.70	384.72	539.30	561.14
Figures for the previous year	344.92	22.09	0.59	366.42	561.14	
Total ('A'+ 'B')	14765.60	1247.03	119.64	15892.99	13895.85	14816.95
Figures for the previous year	13596.07	1220.30	50.77	14765.60	14816.95	
Note : Allocation of Depreciation					Current Year	Previous Year
(a) Charged to Profit & Loss Account					1194.94	1220.48
(b) Charged to expenditure during construction					0.33	0.35
(c) Debited to adjustments pertaining to earlier years					51.76	-0.16
(d) Debited to Accumulated Losses					—	0.57
Total					1247.03	1221.24

*Arising out of Consolidation of Subsidiary Accounts.



1.6 : CAPITAL WORK-IN-PROGRESS

		As at 31st March, 2004		As at 31st March, 2003
				(Rupees in crores)
Expenditure during construction pending allocation (Schedule 1.6.1)		25.66		38.51
Capital Work-in-progress				
Steel Plants & Units	113.94		92.71	
Township	4.32		2.87	
Ore Mines and Quarries	2.39		2.63	
	120.65		98.21	
Less: Provisions	20.32	100.33	17.48	80.73
Capital equipments pending erection, installation, commissioning and adjustments		62.26		57.71
Construction Stores and Spares	16.55		15.52	
Less: Provisions	3.79	12.76	3.80	11.72
Advances	220.15		186.23	
Less: Provisions	5.32	214.83	5.20	181.03
		415.84		369.70
Particulars of advances				
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs.14.98 crores; Previous year Rs.15.31 crores)		214.83		181.03
Unsecured, Considered Doubtful		5.32		5.20
		220.15		186.23

1.6.1 : EXPENDITURE DURING CONSTRUCTION (pending allocation)

		As at 31st March, 2004		As at 31st March, 2003
				(Rupees in crores)
Opening balance (a)		38.51		40.43
Expenditure incurred during the year				
Employees' Remuneration & Benefits				
Salaries, Wages & Bonus	9.56		7.73	
Company's contribution to Provident and other Funds	1.08		0.83	
Travel Concession	0.07		—	
Welfare Expenses	0.01		0.02	
Gratuity	-0.29	10.43	0.02	8.60
Technical Consultants' fees & know-how		2.67		—
Repairs & Maintenance		—		0.12
Stores and Spares		0.50		0.62
Power & Fuel		1.95		2.34
Other expenses		1.74		2.37
Interest & Finance charges		8.02		11.38
Depreciation		0.33		0.35
		25.64		25.78
Less: Income				
Interest Earned	0.04		0.01	
Liquidated Damages	4.05		0.96	
Hire Charges	1.88		1.76	
Internal Consumption of sinter	—		—	
Sundries	1.37	7.34	1.74	4.47
Net expenditure during the year (b)		18.30		21.31
Total (a)+(b)		56.81		61.74
Amount allocated to Fixed Assets/ Capital Work-in-progress		31.15		23.23
Balance carried forward		25.66		38.51

Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.7: INVESTMENTS AT COST — LONG TERM

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2004		As at 31st March, 2003	
(Rupees in crores)						
Quoted						
Housing Development Finance Corporation Limited (Market Value Rs. 77,19,000; Previous year Rs. 39,76,200)	12,000	10	0.01		0.01	
HDFC Bank Limited (Market Value Rs 1,89,175; Previous year Rs. 1,17,275)	500	10	—*		—*	
ICICI Bank Ltd. (Market Value Rs. 85,92,870; Previous year Rs. 38,45,270)	28,600	10	0.05	0.06	0.05	0.06
Unquoted						
Trade Investments						
Almora Magnesite Limited	40,000	100	0.40		0.40	
Less : Share of post acquisition loss			0.40	—	0.40	—
North Bengal Dolomite Limited	97,900	100	0.98		0.98	
Less : Goodwill arising on consolidation			0.57	0.41	0.57	0.41
Tata Refractories Limited	10,00,000	10	1.12		1.12	
Indian Potash Limited	2,40,000	10	0.18		0.18	
South India Export Co. (P) Limited	7,500	10	0.01		0.01	
India Standard Wagon Company Limited	130	100	—*		—*	
Hoogly Docking and Engg. Company Limited	1,433	100	0.02		0.02	
Satna Stone Lime Company Limited	33,604	10	0.03	1.77	0.03	1.77
Other Investments -						
Subsidiary Companies						
Bhilai Oxygen Limited	49,998	10	0.05		0.05	
IISCO Ujjain Pipe & Foundary Company Limited	30,00,000	10	3.00	3.05	3.00	3.05
Other Companies						
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 Financial Corporation	500	100	0.01		0.01	
Government Securities			0.06		0.06	
Shares in Co-operative Societies (1.7.1)			0.19	0.27	0.19	0.27
Current Investment— Unquoted				4.85		3.43
				10.00		8.58
Less : Provision for diminution in value of investments				3.56		4.13
				6.44		4.45

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

1.7.1: SHARES IN CO-OPERATIVE SOCIETIES

	Numer of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2004	As at 31st March, 2003
<i>(In Rupees)</i>				
Rajhara Employees' Co-operative Stores Limited	25	100	2500	2500
Nandini Employees' Co-operative Stores Limited	25	100	2500	2500
BSP Employees' Consumers' Co-operative Stores (Sector 4) Limited	25	100	2500	2500
Bhilai Steel Employees' Consumers' Co-operative Society Limited (Sector-8)	250	10	2500	2500
Bokaro Steel Employees' Co-operative Credit Society Limited	6,250 1,16,500	20 10	1290000	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	250	10	2500	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	2500	2500
NMDC Meghahatuburu Employees' Consumers' Co-operative Society Limited	25	100	2500	2500
DSP Employees' Co-operative Society Limited	1377	100	137700	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	5000	5000
Barajamda Iron Ore Mines Central Co-operative Stores Limited	400	25	10000	10000
IISCO Employees' Primary Co-operative Stores Limited	23000	20	460000	460000
			1920200	1920200



Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1.8 : INVENTORIES*

	As at 31st March, 2004	As at 31st March, 2003	
(Rupees in crores)			
Stores & Spares	1022.21	979.10	
Add: In-transit	<u>93.74</u>	<u>75.86</u>	
	1115.95	1054.96	
Less: Provision for non-moving/Obsolete items	<u>151.27</u>	<u>110.77</u>	944.19
Raw materials	415.36	561.75	
Add: In-transit	<u>177.19</u>	<u>235.42</u>	
	592.55	797.17	
Less: Provision for unusable materials	<u>1.31</u>	<u>1.12</u>	796.05
Semi/finished products (including scrap)	1687.02	2159.44	
Salvaged/Scrapped fixed assets	92.68	74.38	
Less: Provision	<u>58.53</u>	<u>42.82</u>	31.56
	3277.09	3931.24	

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

1.10 : CASH & BANK BALANCES

	As at 31st March, 2004	As at 31st March, 2003	
(Rupees in crores)			
Cash and Stamps on hand	1.52	2.35	
Cheques on hand	193.87	215.95	
With Scheduled Banks on			
Current account	41.49	148.48	
Saving account—No lien deposits	0.11	—	
Unpaid Dividend Account	0.26	0.36	
Margin Money Account	0.01	0.01	
Term Deposit	<u>1967.01</u>	<u>348.87</u>	497.72
With post office (Deposits pledged with excise authorities)	0.01	0.01	
Remittances-in-transit	1.21	1.38	
	2205.49	717.31	

1.9 : SUNDRY DEBTORS

	As at 31st March, 2004	As at 31st March, 2003	
(Rupees in crores)			
Debts over six months	369.87	429.76	
Other debts	<u>1470.42</u>	<u>1444.59</u>	
	1840.29	1874.35	
Less: Provision for doubtful debts	<u>220.87</u>	<u>206.23</u>	
	1619.42	1668.12	
Particulars			
Unsecured, considered good (Including debts backed by bank guarantees Rs. 405.44 crores; Previous year Rs. 466.77 crores)	1619.42	1668.12	
Unsecured, considered doubtful	<u>220.87</u>	<u>206.23</u>	
	1840.29	1874.35	

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 2004	As at 31st March, 2003	
(Rupees in crores)			
Loans to subsidiary company (Refer Note No. 6.1.1 of schedule 3)	0.51	0.43	
Loans to other companies	0.05	—	
Deposits	1.80	—	
Employees	71.05	77.35	
Others	<u>18.57</u>	<u>21.12</u>	
	91.98	98.90	
Less: Provision for doubtful interest	<u>6.30</u>	<u>6.61</u>	
	85.68	92.29	
Particulars			
Unsecured, considered good	85.68	92.29	
Unsecured, considered doubtful	<u>6.30</u>	<u>6.61</u>	
	91.98	98.90	



1.12 : LOANS AND ADVANCES

	As at 31st March, 2004	As at 31st March, 2003	
<i>(Rupees in crores)</i>			
Loans			
Employees	138.71	170.59	
Stores issued	14.07	15.09	
Subsidiary company (Refer Note No. 6.1.1 of schedule 3)	2.38	2.38	
Others	64.08	66.28	
	<u>219.24</u>	<u>254.34</u>	
Less : Provision	<u>16.42</u>	<u>32.58</u>	221.76
Advances recoverable in cash or in kind or for value to be received			
Claims recoverable	389.43	369.01	
Contractors & suppliers	88.90	83.15	
Employees	19.32	6.31	
Advance Income Tax and Tax deducted at source*	110.83	111.47	
Bills Receivable	0.10	0.42	
Export Incentive Receivable	231.69	162.75	
Others	<u>223.95</u>	<u>218.58</u>	951.69
Deposits			
Port Trust, Excise Department, Railways, etc.	95.69	76.00	
Others	<u>157.99</u>	<u>136.62</u>	212.62
	<u>1520.72</u>	<u>1386.07</u>	
Less : Provision for doubtful Loans & Advances	<u>185.03</u>	<u>100.56</u>	
	<u>1335.69</u>	<u>1285.51</u>	
* (Includes Rs. 106.19 crores against disputed demands; Previous year Rs. 105.86 crores).			
Particulars of Loans & Advances—Others			
Secured, considered good	133.58	161.72	
Unsecured, considered good	1202.11	1123.79	
Unsecured, considered doubtful	185.03	100.56	
	<u>1520.72</u>	<u>1386.07</u>	
Amount due from	0.03	—	
—Directors	0.01	—	
—Officers			
Maximum amount due at any time during the year from			
—Directors	0.04	0.03	
—Officers	0.01	—	

1.13 : CURRENT LIABILITIES

	As at 31st March, 2004	As at 31st March, 2003	
<i>(Rupees in crores)</i>			
Sundry creditors			
Capital works	190.42	198.62	
Small Scale Industrial Undertaking	12.26	9.40	
Others	<u>1964.99</u>	<u>1962.22</u>	2170.24
Advances from			
Customers	411.59	266.21	
Others	<u>26.01</u>	<u>31.81</u>	298.02
Security deposits	<u>216.51</u>	<u>208.72</u>	
Less : Investments received as security deposit	<u>6.50</u>	<u>0.71</u>	208.01
Interest accrued but not due on Loans	<u>841.86</u>	<u>1001.35</u>	
Unpaid dividends	0.26	0.37	
Unclaimed Matured Deposits*	11.82	15.11	
Interest Accrued on Matured Deposits	2.19	4.35	
Others Liabilities	<u>1479.77</u>	<u>1609.51</u>	
	<u>5151.18</u>	<u>5306.96</u>	

*(Includes an amount of Rs. 31,045 credited to Investor Education and Protection Fund)

1.14 : PROVISIONS

	As at 31st March, 2004	As at 31st March, 2003	
<i>(Rupees in crores)</i>			
Gratuity	<u>1758.11</u>	<u>1599.37</u>	
Accrued Leave Liability	<u>917.14</u>	<u>790.23</u>	
Post-Retirement Medical and Settlement Benefits	<u>392.15</u>	<u>219.94</u>	
Taxation (Net of Tax paid)	<u>60.48</u>	<u>3.99</u>	
Pollution control & peripheral development			
Opening Balance	58.73	43.16	
Add : Provision during the year	19.37	17.81	
Less: Amount utilised during the year	<u>5.89</u>	<u>2.24</u>	58.73
Exchange Fluctuation			
Opening Balance	—	15.93	
Add : Provision during the year	14.85	13.65	
Less: Amount utilised during the year	<u>14.85</u>	<u>29.58</u>	—
Proposed Dividend	<u>11.52</u>	<u>8.00</u>	
Tax on Dividend	<u>1.41</u>	<u>1.02</u>	
Voluntary Retirement Compensation	<u>153.51</u>	<u>210.05</u>	
Employee's Family Benefit Scheme	<u>167.95</u>	<u>141.75</u>	
Wage Revision	<u>1216.98</u>	<u>—</u>	
Others	<u>97.91</u>	<u>87.81</u>	
	<u>4849.37</u>	<u>3120.89</u>	



Schedules FORMING PART OF THE CONSOLIDATED BALANCE SHEET

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

	Balance as at 31st March, 2003	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2004
<i>(Rupees in crores)</i>					
(i) Development Expenditure					
(a) On Mines	31.84	—	31.84	12.45	19.39
(b) On New Projects	0.20	—	0.20	0.20	—
Total (i)	32.04	—	32.04	12.65	19.39
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	497.60	237.30	734.90	317.36	417.54
(b) Others	9.93	—	9.93	7.04	2.89
Total (ii)	507.53	237.30	744.83	324.40	420.43
Total (i+ii)	539.57	237.30	776.87	337.05	439.82
Previous year	594.42	297.48	891.90	352.33	539.57

	Current Year	Previous Year
Charged Off to:		
Raw Materials	11.32	15.55
Other Expenses & Provisions	325.73	336.78
	337.05	352.33

1.16 : MINORITY INTEREST

	Current Year	Previous Year
Debit Balance of Equity as on the date of Investment	0.43	0.43
Add : Movement in Equity and proportionate share of losses from the date of investment up to 31.03.2004	0.13	0.19
	0.56	0.62



Schedules FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

2.1 : SALES

	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Domestic - Iron & Steel,	23129.35	18796.91
By-products, others		
Export - Iron & Steel	1703.86	1092.91
Export Incentives	273.36	159.37
Energy & Steam	207.01	216.23
Conversion charges	1.85	—
Others	21.55	10.46
	25336.98	20275.88

2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Loans & advances	24.46	16.80
Sundry debtors	10.36	8.70
Stores & spares	11.67	11.89
Others	11.55	18.93
	58.04	56.32

2.2 : INTEREST EARNED

	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Loans & Advances	1.40	2.00
Customers	28.29	34.72
Employees	10.58	12.29
Term Deposits	32.02	24.28
Others*	6.01	18.52
	78.30	91.81

2.5 : DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS

	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Opening stock	2159.95	2629.23
Less : Closing stock	1687.31	2159.95
	472.64	469.28

* (Tax deducted at source Rs. 0.84 crores; Previous year Rs. Nil)

2.3 : OTHER REVENUES

	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Social amenities-recoveries	121.92	117.45
Sale of empties etc.	33.91	37.99
Liquidated damages	17.29	17.49
Service charges	103.54	42.42
Grant-in-aid	0.02	—
Subsidy	9.29	6.88
Hire charges etc.	0.16	1.04
Claims for finished products (Shortages & missing wagons)	0.29	0.51
Dividend (gross) from investments	8.27	2.67
Profit on sale of fixed assets (Net)	11.22	0.25
Profit on sale / lease of houses	41.20	143.94
Profit on sale of current Investment	0.38	0.13
Foreign Exchange Fluctuation (Net)	90.96	—
Waiver of loan from SDF	—	44.68
Waiver of Interest by Banks / FI	47.35	—
Waiver of Dues - JPC cess	18.49	—
Sundries *	144.62	119.36
	648.91	534.81

* (Tax deducted at source Rs.2.01 crores;
Previous year Rs.0.29 crores)

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 2004		Year ended 31st March, 2003	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	22401919	999.90	20808692	958.77
Coal	13813587	4599.90	13203073	4240.44
Coke	104494	115.60	60446	54.29
Limestone	3502848	388.00	3079114	353.25
Dolomite	2414785	94.64	2582571	144.63
Ferro Manganese	54432	143.77	59485	140.57
Ferro Silicon	19219	65.07	18531	60.58
Silico Manganese	90261	225.63	78175	179.77
Hot Rolled Stainless				
Steel Coils	15204	57.63	7954	31.01
Intermediary Products	40527	227.48	23321	127.00
Zinc	11062	66.08	10500	57.74
Aluminium	12753	107.43	12961	106.43
Others		275.76		256.13
		7366.89		6710.61

Notes :

- Consumption of raw materials includes shortages Rs. 10.37 crores, (previous year Rs. 15.32 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 4.36 crores (previous year Rs. 10.46 crores).
- Value of raw materials consumed is after excluding Inter Plant Transfers.

Schedules FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 2004	Year ended 31st March, 2003
<i>(Rupees in crores)</i>		
Salaries & wages	2831.00	2952.38
Wage revision Arrears	1351.82	—
Company's contribution to provident fund & other funds	266.21	267.76
Travel concession	17.90	0.51
Welfare expenses	324.86	329.90
Gratuity	356.11	595.14
	5147.90	4145.69
Less : Grants in Aid received from Government of Karnataka	0.31	0.67
	5147.59	4145.02
Note : Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
a) Expenditure During Construction	10.43	8.60
b) Deferred Revenue Expenditure	317.36	324.54
c) Net Expenditure on Social Amenities charged to various primary revenue heads	183.49	177.21
	511.28	510.35

2.8 : POWER & FUEL

	Year ended 31st March, 2004	Year ended 31st March, 2003
<i>(Rupees in crores)</i>		
Purchased power	1911.44	1831.02
Duty on own generation	13.89	13.02
Boiler Coal/Middlings	139.28	121.76
Furnace Oil/LSHS/LDO	66.40	60.37
Others	186.91	213.90
	2317.92	2240.07
Note : Expenditure on Power & Fuel not included above & charged off to:		
— Expenditure during Construction	1.95	2.34

2.9 : REPAIRS & MAINTENANCE

	Year ended 31st March, 2004	Year ended 31st March, 2003
<i>(Rupees in crores)</i>		
Buildings	31.63	28.56
Plant & Machinery	162.96	141.81
Others	52.29	51.91
	246.88	222.28
Note : Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	42.96	44.70
Plant & Machinery	553.05	588.51
Others	61.92	65.24
	657.93	698.45
b) Stores & Spares		
Buildings	8.46	8.94
Plant & Machinery	711.29	672.76
Others	48.16	35.74
	767.91	717.44
c) Expenditure during Construction		
Buildings	—	0.12
	—	0.12
Total (a+b+c)	1425.84	1416.01

2.10 : OTHER EXPENSES

	Year ended 31st March, 2004	Year ended 31st March, 2003
(Rupees in crores)		
Commission to selling agents	26.68	15.76
Directors' Fees	0.05	0.03
Export sales expenses	49.13	34.81
Handling expenses		
— Raw Material	144.15	128.29
— Finished goods	58.75	58.52
— Scrap recovery expenses	51.75	57.27
Insurance	9.22	8.11
Postage,telegram & telephone	14.89	13.26
Printing & stationery	8.09	7.96
Provisions		
— Doubtful debts, loans and advances	134.81	82.48
— Stores, Spares and Sundries	86.91	221.72
Rates & Taxes	17.77	29.32
Remuneration to Auditors		
— Audit Fees	0.56	0.53
— Tax Audit Fees	0.13	0.13
— Out of pocket expenses	0.67	0.61
— In other capacities	0.38	1.74
Cost Audit Fees	0.01	0.01
Rent	22.50	23.83
Royalty and cess	49.91	48.19
Security expenses	93.99	91.63
Travelling expenses	119.90	143.10
Write Offs		
— Miscellaneous & Deferred Revenue Expenditure	325.73	336.78
— Doubtful debts, advances etc.	1.30	327.03
Cash Discount	73.45	92.69
Training expenses	3.58	4.29
Conversion charges	43.81	44.21
Foreign Exchange Fluctuation (Net)	—	24.53
Water charges & Cess on water pollution	45.00	38.61
Contribution to Joint Plant Committee Funds	2.52	2.39
Miscellaneous (include Donation of Rs. 0.05 lakhs (Previous year Rs.49.91 lakhs)	216.51	221.62
	1602.15	1616.60

2.11 : INTEREST & FINANCE CHARGES

	Year ended 31st March, 2004	Year ended 31st March, 2003
(Rupees in crores)		
Public Deposits	93.84	147.44
Foreign Currency Loans	84.61	110.56
Non Convertible Bonds	554.29	589.14
Bank borrowings - working capital	90.27	314.67
Steel Development Fund Loans	59.04	55.54
Others	81.42	176.44
Finance Charges	38.95	49.26
	1002.42	1443.05
Less : Interest Subsidy received from GOI	54.14	47.77
	948.28	1395.28
Note :		
Expenditure on interest not included above & charged to:		
Expenditure During Construction		
Foreign Currency Loans	0.18	0.30
Non Convertible Bonds	2.23	9.06
Steel Development Fund Loans	5.51	1.63
Others	0.01	0.09
Finance Charges	0.09	0.30
	8.02	11.38

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 2004	Year ended 31st March, 2003
(Rupees in crores)		
Raw materials	975.08	993.10
Departmentally manufactured stores	247.55	244.46
Services transferred to capital works	26.47	20.66
Inter plant transfer of stocks/stores	7.50	19.05
Others (Net)	2.31	6.44
	1258.91	1283.71

2.13 : ADJUSTMENT PERTAINING TO EARLIER YEARS

	Year ended 31st March, 2004	Year ended 31st March, 2003
(Rupees in crores)		
Sales	2.84	1.40
Other revenue	-3.82	-5.96
Provision written - back	-16.87	—
Raw materials consumed	7.66	-2.15
Employees' remuneration & benefits	-0.72	-1.36
Stores & Spares consumed	-0.34	0.27
Power & Fuel	-7.47	16.66
Repairs & Maintenance	-0.36	-0.10
Excise Duty	0.61	—
Freight Outward	-0.48	-4.83
Other Expenses & Provisions	3.92	4.32
Interest	-13.60	8.58
Depreciation	51.76	-0.16
Net Debit	23.13	16.67

Schedules

SCHEDULE 3 : ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The Group prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.

1.2 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

Land gifted by the State Governments is valued notionally/nominally and the corresponding amount is credited to 'Capital Reserve'. The expenditure on development of land including leasehold land is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised, based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

Expenditure incurred during the trial run period are capitalised till the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expenses.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets.

Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals thereagainst, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

1.3 BORROWING COSTS

Borrowing costs relating to the acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

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 prospectively over the residual useful life of the asset based on the rates specified in Schedule XIV as stated above.

Depreciation on assets installed/dropped off during the year is provided with respect to the month of addition/disposal thereof.

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

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

In case of Metaljunction.Com (P) Ltd., UEC SAIL Information Technology Ltd., and 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

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

1.6 INVENTORIES

Semi/Finished products are valued at lower of cost and net realisable value of the respective plants.

Raw materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

The stocks of wear scrap lying unconsumed at the plant and mixed coke and middlings/rejects, are valued at the estimated net realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost upto the stage of process.

Stores and spares are valued at cost. However, in case of non-moving, obsolete/surplus stores and spares items, provision is made on book value and charged to revenue,

as stated below:

- i) Not moved for five years and more – 10%
- ii) Not moved for ten years and more – 50%
- iii) Not moved for fifteen years and more – 75%
- iv) Obsolete/surplus stores and spares – 75%

In respect of inter-unit transfers: The closing stock of (i) semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter-plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transferred materials used for capitalisation have, however, been considered at cost. (ii) Stores and spares are valued at cost of the transferor plant (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based on the average of purchase cost and transfer price.

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 at First in first out basis.

1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

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

In respect of deferred Voluntary Retirement Schemes, compensation liability is initially ascertained on actuarial valuation and written-off in five years. Annual increase/decrease to the above liability, actuarially ascertained, is charged to Profit and Loss account, after adjustment of payments thereof during the year. Incremental amount due to wage revision is charged corresponding to the period for which such expenditure is amortised.

In case of Voluntary Retirement Schemes, which envisage monthly payments, the payments are charged off as per contractual terms.

1.7.2. The development/deferred revenue expenditure incurred upto 31st March, 2003 continues to be written-off in line with Accounting Standard – 26, issued by the Institute of Chartered Accountants of India as follows:

- Expenditure incurred on development of new projects, cost of feasibility studies for new projects and payments for technical know-how/ documentation is treated as development expenditure and added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.
- Expenditure on extraction at captive mines is distributed over the excavation of ore, normal waste (intercalated waste) and over burden. The expenditure on removal of normal waste (intercalated waste) is loaded on the cost of ore excavated. Expenditure on removal of over burden is written-off in five years.
- Expenditure on consultancy/ technological assistance for strategic cost reduction and quality improvements is written-off in five years.

The expenditure mentioned above, incurred after 31st March, 2003, is charged to revenue.

1.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities, other than those covered by forward contracts, as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

1.9 RESEARCH AND DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Group. These are treated as income on completion of the projects/final settlement.

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

1.11 RETIREMENT BENEFITS

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.

1.12 EMPLOYEES' FAMILY BENEFIT SCHEME

The provision towards payments to be made in future to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

1.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

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

1.14 SALES

Sales include Excise Duty and are net of rebates/price concessions/sales tax.

Materials sold in domestic market are treated as sales on delivery to carriers including the cases where delivery documents are in the company's name, pending collection



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of payments, since the significant risks and rewards in such cases are passed on to the buyers on despatch of materials. Export sales are treated as sales on issue of Bills of lading.

1.15 EXPORT INCENTIVES

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

1.16 LEASES

(a) Where the Group is lessor

Assets given under finance lease are recognised as receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the basis of internal rate of return. The principal amount received is reduced from the net investment in the lease while interest recovery is recognised as revenue. In those cases where the entire lease premium/consideration is received up front, the difference between consideration money and net book value of the assets is recognised as income in the Profit & Loss Account.

Assets subject to operating lease are included in fixed assets and the lease income is recognised in the Profit & Loss Account on a straight line basis over the lease term. Expenses including depreciation in relation thereto, are recognised as an expense in the Profit & Loss Account.

(b) Where the Group is lessee

Finance leases which effectively transfer to the Group substantially all the risks and rewards incidental to the ownership of the leased items, are capitalised at the lower of the face value and present value of the minimum lease payments at the inception of the lease term. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining liability. Capitalised leased assets are depreciated over the lease term or estimated useful life of the relevant assets, whichever is shorter.

All leases except for those specified above, are classified as operating leases. Lease payments, in such cases, are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease term.

1.17 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

1.18 SEGMENT REPORTING

(a) Identification of Segments

The Group has identified that its operating segments are primary segments. The company's operating business are organised and managed separately for all the manufacturing units, with each business unit representing a strategic segment. Accordingly, each manufacturing unit has been identified as an operating segment for reporting purposes.

The analysis of geographical segments is based on the areas in which the customers of the Group are located.

(b) Allocation of Common Costs

Common expenses are allocated to each segment on appropriate basis. Revenue and expenses not allocated to segments, have been included under the head "unallocated – common expenses".

The Accounting Policies adopted for segment reporting are in line with those of the Group.

NOTES ON ACCOUNTS

2. 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 "Accounting for 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.

- 2.1 The financial statements of SAIL, IISCO and MEL are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances, intra group transactions and any unrealised profit/loss included therein. However, materials lying in stock against intra-group transfers and profit margins included therein; the quantum whereof is insignificant, have been accounted for based on the management certificates.
- 2.2 The interest in the Joint Venture has been accounted by using the proportionate consolidation method as per AS-27.
- 2.3 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.
- 2.3.1 The carrying amount of investments in Associate Company includes capital reserve of Rs. 0.56 crores, arising out of acquisition.
- 2.4 The excess of cost to SAIL, of its investment in its Subsidiary Companies, Joint Venture companies and Associate, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the

Subsidiaries Companies, Joint Venture companies and Associate over cost of its investment is treated as Capital Reserve. This has been calculated, presuming such acquisitions to be on the last date of the respective years, irrespective of the actual date of such acquisition.

- 2.5** The accounts of one of the Joint Ventures, namely North Bengal Dolomite Limited in which the company has 50% shareholding and incorporated in India, have not been consolidated since the company's Operations are under suspension and accounts have been prepared upto 2001-02.
- 2.6** The accounts of the subsidiary company namely Bhilai Oxygen Limited, in which the company has 99.99% shareholding and incorporated in India, have not been consolidated as the control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in near future.
- 3.1** The subsidiary companies, Joint Ventures and Associate considered in the financial statements are as follows:

Sl. No.	Name of the Company	Proportion (%) of Shareholding as on 31st March, 2004
Subsidiary Companies		
1	Indian Iron & Steel Company Ltd. (IISCO)	100
2	Maharashtra Elektrosnelt Ltd. (MEL)	99.12
Joint Venture Companies		
1	NTPC SAIL Power Company (P) Limited (NSPCL)	50
2	SAIL Bansal Service Centre Limited (SBSCCL)	40
3	Metaljunction.Com (P) Limited (MJCPL)	50
4	UEC SAIL Information Technology Limited (USIT)	40
5	Bokaro Power Supply Company (P) Ltd. (BPSCCL)	50
6	Bhilai Electric Supply Company (P) Ltd. (BESCL)	50
7.	Romelt SAIL (India) Limited (RSIL)	15
Associate		
1	Almora Magnesite Limited (AML)	20

- 3.2** All the above companies have been incorporated in India.

4. CONTINGENT LIABILITIES

4.1 GENERAL

(Rupees in crores)		
	As at 31st March, 2004	As at 31st March, 2003
i) Claims pending appellate/judicial decisions	1745.55	1369.68
ii) Other claims not acknowledged as debt	411.80	588.39
iii) Guarantee given to Banks	28.85	28.85
iv) Bank guarantee given to excise authorities	2.55	2.55
v) Bills drawn on customers and discounted with banks	14.23	25.66
vi) Claims by certain employees and escalation claims, extent whereof is not ascertainable	—	—

- 4.2** Sales Tax authorities have raised demands for Rs. 1047.70 crores (As at 31st March, 2003 - Rs. 982.32 crores) mainly on account of sales tax on stock transfers made by SAIL over the years to stockyards situated in different States. The demands of Sales Tax authorities have been contested by SAIL which are pending at various stages of appeal. As sales tax liability has been discharged by the respective stockyards on sale of such stocks by depositing sales tax with the respective Sales Tax authorities in different States, no liability is expected to arise, as sales tax is leviable only once.

- 4.3** M/s Hindustan Steelworks Construction Limited (HSCL), a public sector company, undertook several jobs as a consortium member and also directly from SAIL, under DSP modernisation scheme during 1992 to 1997. They were given recoverable/adjustable advances from time to time of Rs. 133.39 crores. SAIL has provisionally treated the advance amount of Rs.130.80 crores as capital expenditure during the year and depreciation provided (Rs.61.65 crores) thereon and Rs.2.59 crores charged to revenue. Further adjustments, if any, will be carried out on final settlement of disputes/conciliation proceedings pending before Dispute Settlement Committee of the Ministry of Steel/Conciliator in respect of claims by HSCL (Rs.347.86 crores) against which SAIL has counter claims.

5. FIXED ASSETS

5.1 Land Includes :

- 61996.37 acres (As at 31st March 2003 – 62033.93 acres) owned/ leased/ possessed by the Company, in respect of which title/lease deeds are pending for registration.
- 4442.30 acres (As at 31st March 2003 – 4442.30 acres) gifted by State Governments, which are pending for registration and included in (i) above.
- 5477.28 acres (As at 31st March 2003 – 5397.39 acres) given on lease to various agencies/ employees/ ex-employees.
- 14476.07 acres (As at 31st March, 2003 – 14476.07 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. Out of the above, 11274.55 acres (As at 31st March, 2003 – 11274.55 acres) have already been adjusted in the accounts.
- 12767.96 acres (As at 31st March, 2003 – 12767.96 acres) in respect of which title is unascertained.

- 5.2** Buildings include net block of Rs.32.26 crores (As on 31st March 2003 – Rs.32.82 crores) for which conveyance deed is yet to be registered in the name of SAIL.

- 5.3** Foreign exchange variations aggregating to Rs. 42.25 crores (net credit) [previous year- Rs. 65.03 crores (net debit)] have been adjusted in the carrying amount of fixed assets during the period.

- 5.4** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) – Rs. 556.06 crores (As at 31st March, 2003 - Rs.548.20 crores).



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

6.1 A revival package for IISCO was sanctioned by the Govt. of India in June 2002 having a total financial package of Rs.881 crores divided into two parts – grant of Rs.186 crores for implementation of VR Scheme at Kulti Works and market borrowing of Rs.695 crores for VR Scheme and Capital Schemes at other units. The revival scheme ultimately got the clearance of BIFR on 20.11.03. On the basis of GOI guarantee, a sum of Rs.64 crores have been raised by issue of redeemable non-convertible taxable bonds on private placement basis and also utilised for funding part of VR and capital scheme. The revival schemes for Burnpur Works, mines and collieries are in the process of implementation. The accounts of IISCO have been prepared on a going concern basis.

6.1.1 IISCO-Ujjain Pipe & Foundry Company Ltd.(IISCO-Ujjain), a wholly owned subsidiary company of IISCO, is under liquidation and an official liquidator has been appointed on 10th July 1997 by the Hon'ble High Court of Kolkata, who has taken over the possession of the assets. As IISCO-Ujjain is held exclusively with a view to its disposal in the near future, consolidation of the accounts of IISCO-Ujjain is not called for with the group in terms of AS-21.

6.2 In respect of IISCO, as per the sanctioned schemes of BIFR, the Govt. of West Bengal has agreed to waive past dues on account of Sales Tax, Electricity duty, RE & PE Cess (both past and future) and also payment of Sales Tax, Electricity duty and Cess/Royalty for a period of five years. These waivers have not been considered in books of accounts since the Govt. of West Bengal is yet to issue the General Order in this regard.

6.3 Pursuant to revival package granted for IISCO in June 2002, manufacturing activities at Kulti Works of IISCO have ceased w.e.f. 1.4.03. However, activities relating to disposal of various stock items and maintenance services are being continued until the entire establishment is closed down.

Total depreciated value of various fixed assets of Kulti Works of IISCO stands at Rs.13.41 crores as on 31.3.04. Market value of fixed assets as assessed by the independent agencies is found to be higher over the corresponding depreciated value and hence no provision in respect thereof was necessary as on 31.3.04. Finished and semi-finished products lying unsold as on 31.3.04 and not backed by demand/order have been being valued at scrap price only.

6.4 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted and kept separately and not deposited with the Income Tax Department and vide order dt. 30.1.2002 and 23.12.2003, has granted an interim stay restraining SAIL, IISCO and MEL from deduction of tax on perquisite on accommodation provided to the employees. The company has deducted tax on house perquisites w.e.f. 1.4.2003 and other perquisites w.e.f. 1.10.2001 and kept in a separate account.

6.5 In respect of SAIL, the Joint Plant Committee, vide its letter

dated 12th April 2004 has conveyed the Steel Development Fund (SDF) Managing Committee's, 'in principle' approval for linking the interest rate on SDF loans with the RBI Bank rate w.e.f. 1st April 1998. Pending finalisation of the modalities/clarifications, the impact thereof is not ascertainable and hence not accounted for.

6.6 Waiver of JPC dues amounting to Rs.18.49 crores approved by the JPC, in respect of IISCO, as per the Sanctioned Scheme of the BIFR, has been shown under "Other Revenues" (Schedule No.2.3).

6.7 Current liabilities of SAIL include a sum of Rs. 8.91 crores (Previous year Rs. 10.37 crores towards unutilised portion of Steel Development Fund for sponsored projects and corresponding amount alongwith accrued interest has been kept as term deposit.

6.8 Sundry creditors, other liabilities, sundry debtors, claims recoverable, deposits and advances to parties include some old unlinked balances pending reconciliation/ confirmation/ adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances. The account of Public Deposit scheme of SAIL is also under reconciliation in respect of adjustment of Rs. 2.14 crores carried out during 2001-02, out of which an amount of Rs. 0.81 crores has been adjusted. Further adjustments would be carried out after due verification/ reconciliation.

7. PROFIT & LOSS ACCOUNT

7.1.1 SAIL had implemented the revised salaries & wages agreement w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000, after the expiry of long term agreements with the employees' on 31.12.1996. As regards the period 1.1.1997 to 31.12.2000, an amount of Rs.1417.79 crores (net of ad-hoc advances of Rs.422.33 crores paid in earlier years) has been paid/provided during the year on estimated basis towards salaries & wages arrears including consequential benefits. The aforesaid amount has been charged to Employees' Remuneration & Benefits (Rs.1351.82 crores) and written off as Deferred Revenue Expenditure in respect of employees retired voluntarily (Rs. 65.97 crores).

7.1.2 In respect of IISCO, the long term agreements for employees' pay revision have expired on 30th June, 1996 in respect of colliery employees and on 31st December, 1996 for employees of other units of IISCO. No provision has been made for pay revision and arrears, if any, in view of Government directives applicable to companies under BIFR. Liability, if any, in this regard is unascertainable. However, adhoc amount @12% is being paid and provided for, pending final decision.

7.1.3 In case of MEL, the long term agreements for employees' salaries and wages had expired on 31.12.1996. MEL has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustment thereof have been carried out in the accounts. However, the issue of wage revision (including other benefits) for the period from 1.1.1997 to 31.12.2000 is to be discussed separately with the employees keeping in view the financial health of MEL. Though, representatives of employees have demanded discussions on arrears, they



have been informed that the issue would be discussed further after the financial position of MEL improves. Liability, if any, in this regard is unascertainable. However, following the past practice, the adhoc adjustable advances/interim relief of Rs.2.56 crores (including Rs. 0.21 lakhs paid during the year) for the above period have been charged to "Employees' Remuneration and Benefits" in the respective years.

- 7.2** The Leave Travel Concession (LTC)/ Liberalised Leave Travel Concession (LLTC) facility to employees, withdrawn since 1998-99, has been restored in SAIL and MEL, effective from the current year. The expenditure on the same is accounted for on availment of the facility. One of the Unions of employees of Rourkela Steel Plant of SAIL has disputed the withdrawal of the facility for the period 1998-99 to 2002-03 and the matter is pending before the Hon'ble Orissa High Court. Liability, if any, as a result thereof will be considered as and when it arises.
- 7.3** SAIL granted long term lease, in respect of certain residential premises at its various units to the employees, ex-employees etc. and profit of Rs. 41.20 crores (Previous year – Rs. 143.94 crores) arising on leasing of such assets has been included under 'Other Revenues' as Profit on sale/ lease of houses.
- 7.4** i) SAIL, IISCO and MEL have revised the age profile of non-moving stores & spares, as well as quantum of provision against such stores & spares. (Refer Accounting Policy No.1.6) This has resulted in decrease in profit during the year by Rs.37.71 crores.
- ii) The items of expenditure as stated in Accounting Policy no.1.7.2, hitherto treated as deferred revenue expenditure, have been charged to revenue during the year resulting in decrease in profit by Rs. 5.13 crores.
- 7.5** The Group does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. However, an amount of Rs.118.67 crores has been provided as minimum tax on book profits as per Section 115 JB of the Income Tax Act, 1961. Further, an amount of Rs.15.46 crores has been provided by SAIL towards the income tax on capital gains on disposal of assets/dividend receipt during the previous year.
- 7.6** The position of deferred tax assets and liabilities of SAIL, IISCO and MEL, computed in accordance with the requirements of AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, is as stated below :

	As on 1.4.2003	During the year	As at 31.3.2004
Deferred tax liabilities			
(Rupees in crores)			
Difference between book and tax			
depreciation	3402.99	-20.02	3382.97
Total	3402.99	-20.02	3382.97
Deferred tax assets			
Unabsorbed depreciation/loss	5711.34	-984.21	4727.13
Total	5711.34	-984.21	4727.13
Net Deferred Tax Assets	2308.35	-964.19	1344.16

SAIL, IISCO and MEL, as a matter of prudence do not recognise deferred tax assets if these arise after adjustment of deferred tax liabilities. Accordingly net deferred tax assets amounting to Rs.1344.16 crores as on 31st March 2004 have not been accounted for. 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** The Research and Development costs charged to Profit & Loss Account and Fixed Assets during the year amount to Rs. 70.95 crores (previous year – Rs.53.93 crores) and Rs. 0.95 crores (previous year – Rs.0.89 crores) respectively.
- 7.8** The excise duty of Rs. 2998.47 crores, shown as deduction from sales, includes excise duty on internal consumption and stock.
- 7.9** During the year, pursuant to the repeal of the Electricity (Supply) Act, 1948, NTPC-SAIL Power Company (P) Ltd. and Bhilai Electric Supply Company (P) Ltd. has charged depreciation on fixed assets as per the rates in accordance with Companies Act, 1956 which was hitherto charged as per rates notified under Electricity (Supply) Act, 1948. Further all fixed assets costing upto Rs. 5,000/= has been fully depreciated. As a result, profit for the year is lower by Rs. 0.88 crores.
- 7.10** In case of NTPC-SAIL Power Company (P) Ltd., ancillary cost incurred in connection with arrangements of borrowings are amortized over a period of 5 years. In case of Metaljunction.com (P) Ltd., the pre incorporation expenses are written off over a period of 3 years and software development expenditure is charged to revenue in the year of incurrence. In case of NTPC-SAIL Power Company (P) Ltd. and Bhilai Electric Supply Company (P) Ltd., computer software is amortised over a period of 3 years.
- 7.11** Power & Fuel of SAIL, IISCO and MEL 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.
- 7.12** As per section 441A of the Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.
- 7.13** In respect of SAIL, IISCO and MEL, the classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.
- 7.14** IISCO has a deposit of Iron Ore Fines of approx. 34.22 million tonnes generated during mining operations over the years at its Gua Ore Mines. In the absence of any sinter plant, fines are not having any use at its Burnpur Plant, nor there is any certainty in disposal of fines on regular basis. As per AS-4, contingent gains need not be recognized in the financial statements due to nature of contingency. Since despatch of Iron Ore Fines carries elements of uncertainties, the valuations of such fine has not been made. However, the revenue generated from actual despatches is recognized in the books of account in the year in which such despatches are made.



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8. GENERAL

8.1 Segment Reporting

- i) Business Segment: The four integrated steel plants and three alloy steel plants of SAIL, IISCO, MEL and three power plant Joint Venture companies, have been considered as primary business segments for reporting under 'Accounting Standard-17 - Segment Reporting' issued by the Institute of Chartered Accountants of India.
- ii) Geographical segments have been considered for Secondary Segment Reporting. The whole of India has been considered as a geographical segment and exports as other segments. The disclosures of segment-wise information is given at Annexure-I.

8.2 Related party

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

Nature of Relationship	Name of the related parties
Key Management Personnel:	Shri V.S. Jain
	Shri S.C.K. Patne
	Shri Ashis Das
	Shri S.K. Roongta (With effect from 5 th February, 2004)
	Shri G.C. Daga (With effect from 23 rd March, 2004)
	Shri Suresh Pandey (Upto 30 th November, 2003)
	Shri A.K. Singh (Upto 1 st April, 2003)
	Shri B.K. Singh (Upto 29 th February, 2004)
	Shri R.P. Singh (With effect from 1 st March, 2004)
	Dr. S.K. Bhattacharyya
	Dr. Sanak Mishra
	Shri R.P. Singh (Upto 31 st January, 2004)
	Shri H.K. Roy Choudhury (With effect from 1 st February, 2004)
	Shri Sudhakar Jha

Nature of Relationship	Name of the related parties
Key Management Personnel:	Shri U.P. Singh
	Shri B. Basu
	Shri D.A. Pikle (Upto 11 th August, 2003)
	Shri D.S. Lal (With effect from 12 th August, 2003)
	Shri S. Panigrahy (Upto 31 st May, 2003)
	Shri N.P. Jayswal
	Shri U. Mishra
	Shri S.N.P. Singh
	Shri M. Roy
	Shri B.N. Singh (Upto 30 th November, 2003)
	Shri A.K. Jayaswal (from 1 st December, 2003)
	Shri HMP Singh
	Sh R.K. Gupta

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

Nature of transactions	Key Management Personnel	Ref. Schedule & Account head of the Accounts
(Rs. in crores)		
Other Loans	0.05	1.12: Loans & Advances - Others
Interest recoverable	0.02	1.11: Interest receivable/ accrued
Managerial Remuneration	1.40	2.7: Employees' Remuneration and Benefits

8.3. Earning Per Share (EPS)

In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of EPS is given below:

	2003-04	2002-03
i) Profit/Loss (-) after tax as per Profit & Loss Account (Rs. in crores)	2599.23	-460.67
ii) Weighted average number of equity shares outstanding during the year	4,13,04,00,545	4,13,04,00,545
iii) Basic and diluted EPS (Rs.)	6.29	-1.12

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

Annexure - I

Segment Information for the year ended 31st March, 2004

A. BUSINESS SEGMENT

(Rupees in crores)													
PARTICULARS	BSP	DSP	RSP	BSL	ASP	SSP	VISL	IISCO	MEL	Power Companies	Others	Inter Segment Adjustment	SAIL Group
REVENUE													
External Sales													
Current year	8849.68	2893.66	3813.51	7307.34	299.90	557.35	397.12	987.68	24.89	207.01	-1.16	—	25336.98
Previous year	(6502.54)	(2355.90)	(3143.00)	(6249.55)	(233.30)	(427.28)	(281.76)	(850.18)	(10.47)	(216.23)	(5.67)	(—)	(20275.88)
Internal Segment Sales													
Current year	89.85	111.50	32.23	306.33	134.07	5.22	13.53	63.58	128.08	—	417.39	-1301.78	—
Previous year	(253.92)	(64.83)	(28.60)	(172.15)	(116.49)	(6.79)	(4.79)	(74.03)	(179.18)	(—)	(369.50)	(-1270.28)	(—)
Total Revenue													
Current year	8939.53	3005.16	3845.74	7613.67	433.97	562.57	410.65	1051.26	152.97	207.01	416.23	-1301.78	25336.98
Previous year	(6756.46)	(2420.73)	(3171.60)	(6421.70)	(349.79)	(434.07)	(286.55)	(924.21)	(189.65)	(216.23)	(375.17)	(-1270.28)	(20275.88)
RESULT													
Operating Profit / (-) Loss													
(Before Interest Expenses)													
Current year	2184.09	160.26	147.05	1345.38	-163.92	38.39	-69.22	40.86	9.42	71.88	-90.49	—	3673.70
Previous year	(1088.52)	(-117.45)	(-227.68)	(644.65)	(-151.09)	(-45.56)	(-118.24)	(-171.90)	(7.01)	(79.51)	(-55.48)	(—)	(932.29)
Interest expenses													
Current year													948.28
Previous year													(1395.28)
Income tax (including Adjustments of earlier year)													
Current year													(126.19)
Previous year													(-2.34)
Net Profit / Loss (-)													
Current year													2599.23
Previous year													(-460.65)
OTHER INFORMATION													
Segment Assets													
Current year	3802.84	3913.71	4278.38	3952.95	352.87	736.65	342.78	713.12	80.05	563.74	5298.85	-754.62	23281.32
Previous year	(3987.11)	(4353.61)	(4810.03)	(4393.73)	(377.04)	(799.79)	(346.82)	(676.44)	(71.90)	(568.71)	(3711.62)	(-671.67)	(23425.13)
Segment Liabilities													
Current year	2022.88	790.47	1102.48	2059.37	234.39	71.49	169.47	1006.32	53.90	27.32	2502.82	-24.74	10016.17
Previous year	(1511.17)	(668.51)	(902.83)	(1577.72)	(192.04)	(74.58)	(161.03)	(1114.70)	(59.95)	(30.98)	(2229.32)	(-86.40)	(8436.43)
Capital expenditure													
Current year	236.07	-4.61	11.38	82.63	1.36	-6.57	2.19	45.95	4.26	7.06	30.81	—	410.53
Previous year	(73.21)	(24.38)	(81.28)	(34.61)	(0.67)	(6.66)	(2.29)	(5.43)	(0.10)	(2.81)	(1.99)	(—)	(233.43)
Depreciation													
Current year	202.12	299.54	273.78	236.21	10.39	43.31	10.30	23.76	1.82	46.16	47.55	—	1194.94
Previous year	(224.19)	(296.46)	(280.27)	(234.51)	(10.55)	(44.31)	(10.99)	(23.22)	(1.76)	(48.43)	(45.79)	(—)	(1220.48)

B. GEOGRAPHICAL SEGMENT

Particulars	Current year Amount	Previous year Amount
(Rupees in crores)		
Sales revenue		
India	23633.12	19182.97
Foreign Countries	1703.86	1092.91
Total	25336.98	20275.88

Note :

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

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF STEEL AUTHORITY OF INDIA LIMITED AND ITS SUBSIDIARIES,
JOINT VENTURES AND ASSOCIATES**

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, and its subsidiaries, Joint Ventures and Associates (SAIL group) as on 31st March 2004 and the annexed Consolidated Profit & Loss Account for the year ended on that date and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

(Rupees in crores)

Name of the Companies	Total Assets	Total Revenues
A. Subsidiaries		
Indian Iron & Steel Company Ltd. (IISCO)	654.11	1070.08
Maharashtra Elektrosnelt Ltd. (MEL)	78.71	127.21
B. Joint Ventures		
NTPC SAIL Power Company (P) Limited	211.29	77.47
Metaljunction.com (P) Limited	8.47	5.85
Bhilai Electric Supply Company (P) Ltd.	75.79	30.48
Bokaro Power Supply Company (P) Ltd.	275.72	103.64

(Rupees in crores)

Name of the Company	Net carrying cost of investment	Current year share of profit
C. Associate		
Almora Magnesite Limited	0.40	0.18

We further report that in respect of the following Joint Ventures, we did not carry out the audit. The figures of these financial statements are provisional and have been furnished to us by the management, and our opinion, insofar as it relates to the amounts included in respect of Joint Ventures is based solely on these provisional financial statements. Since the financial statements for the financial year ended 31st March 2004, which were compiled by the management of these companies were not audited, any subsequent adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of these Joint Ventures in the consolidated position is not significant in relative terms. The details of total assets and total revenues in respect of these Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:

(Rupees in crores)

Name of the Companies	Total Assets	Total Revenues
SAIL Bansal Service Centre Limited	9.11	7.97
UEC SAIL Information Technology Limited	1.76	3.32
Romelt SAIL (India) Limited	0.04	0.07

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

- i) The Accounts of Bhilai Oxygen Limited, the Company's subsidiary company IISCO-Ujjain Pipe & Foundry Company Ltd, a subsidiary of Indian Iron and Steel Company Ltd. (the Company's subsidiary) and North Bengal Dolomite Ltd., a Joint Venture Company, have not been consolidated in these accounts for the reasons mentioned vide note nos. 2.6, 6.1.1 and 2.5 respectively in Schedule 3.
- ii) As NTPC-SAIL Power Company (P) Ltd., Bokaro Power Supply Company (P) Ltd., and Bhilai Electric Supply Company (P) Ltd. are 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.

- iii) In so far as it relates to the results of operations and financial position of Steel Authority of India Limited included in these consolidated financial statements:
- (a) *The company has not carried out the necessary adjustments arising out of the lowering of interest rate with retrospective effect from 1.4.1998 on unsecured loans taken from Steel Development Fund. The impact of the same on the accounts has not been ascertained and accounted for.*
- iv) In so far as it relates to the results of operations and financial position of Indian Iron and Steel Company Limited included in these consolidated financial statements:
- (a) *As stated in Note No. 7.1.2, the company has not provided for the arrears of pay revision w.e.f. 1.7.1996 in case of colliery employees and 1.1.1997 in case of other employees. However, adhoc amounts paid towards pay revision have been charged in the respective years of payment.*
- (b) *It is not possible to arrive at the exact area of land in respect of which title is unascertained. Certain title deeds were not available for examination.*
- (c) *No provision has been made for Holding tax payable to Asansol Municipal Corporation (AMC) of Rs. 13.19 crores (including Rs. 1.88 crores for current year), on the basis of company's contention that no service was received from AMC. The amount has been shown as contingent liability.*
- v) In so far as it relates to the results of operations and financial position of Maharashtra Elektrosnelt Limited included in these consolidated financial statements:
- (a) *As stated in Note No. 7.1.3, the company has not provided for the arrears of pay revision for the period from 1.1.1997 to 31.12.2000, the liability whereof is unascertainable. However, adhoc adjustable advance/interim relief of Rs. 2.56 crores (including Rs. 0.21 lakhs paid during the year) for the said period have been charged to "Employees Remuneration and Benefits" in the respective years.*

The effect of item nos. (iii) to (v) above on the Group's profit and debit balance in the Profit & Loss Account is not presently ascertainable.

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

- i) in case of consolidated Balance Sheet, of the state of affairs of the SAIL Group as at 31st March, 2004;
- ii) in case of consolidated Profit & Loss Account, of the profit of the SAIL Group for the year ended on that date, and;
- iii) in case of the consolidated Cash Flow Statement, of the cash flows of the SAIL Group for the year ended on that date.

For S.K. Mittal & Co.
Chartered Accountants

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

For Chaturvedi & Co.
Chartered Accountants

Sd/-
(S.C. Chaturvedi)
Partner
(Membership No. 12705)

For P.A. & Associates
Chartered Accountants

Sd/-
(D.K. Agarwalla)
Partner
(Membership No. 55420)

Place : New Delhi

Dated : 9th July, 2004



Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the year	2003-04	2002-03
A. Cash flow from Operating Activities		(Rupees in crores)
Net Profit/Loss (-) before taxation, and extraordinary items	2725.42	(462.99)
Add/(Less) Adjustments for :		
Depreciation	1246.70	1220.32
Interest Expenses	948.28	1395.28
Bad debts written-off	1.30	3.80
Unrealised Foreign Exchange Fluctuation	44.95	94.13
Provision for diminution in value of investments	-0.57	(0.44)
Provision for Gratuity	158.74	340.64
Provision for Accrued Leave Liability	126.91	199.10
Provision for Post Retirement Benefits	172.21	219.94
Provision for Employee Family Benefit Scheme	26.20	53.69
Provision for Voluntary Retirement Scheme	(56.54)	(38.73)
Provision for Pollution Control & Peripheral Development	13.48	15.57
Provision for Exchange Fluctuation	—	(15.93)
Provision for Wage Revision	1216.98	—
Provision for Proposed Dividend	3.52	—
Provision for Tax on Dividend	0.39	0.46
Provision for Others	10.10	30.08
Deferred Revenue Expenditure (Charged during the year)	337.05	352.33
Income Tax (paid)/Refund	(69.70)	6.42
Profit on sale of Fixed Assets	(52.42)	(144.19)
Interest Income	(78.30)	(91.81)
Dividend Income	(8.27)	(2.67)
Operating cash flow before working capital change	6766.43	3175.00
Adjustments for :		
Decrease in Inventories	654.14	338.71
Decrease/ (Increase) in Sundry Debtors	47.40	(189.03)
(Increase) in Loans and Advances	(50.18)	(59.59)
Increase in Current Liabilities	18.96	70.51
Deferred Revenue Expenditure (Additions)	(237.30)	(297.48)
Net Cash from Operating Activities	7199.45	3038.12
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(418.40)	(311.70)
Fixed Assets sold/discarded	46.35	22.98
Sale/Lease of houses	44.53	157.34
Purchase/Sale of investments (net)	(1.42)	(1.27)
Interest received	84.91	94.64
Dividend received	8.27	2.67
Net Cash used in Investing Activities	(235.76)	(35.34)
C. Cash flow from Financing Activities		
Increase/ (Decrease) in Reserves & Surplus	0.30	(0.72)
Repayment of Borrowings (net)	(4355.05)	(1264.97)
Interest and Finance Charges paid	(1107.77)	(1479.81)
Proposed Dividend	(11.52)	(8.00)
Tax on Dividend	(1.47)	(1.02)
Deferred Tax on Last year	—	(0.81)
Loss of associate companies	—	(0.40)
Loss of JV company - Adjusted against Accumulated losses	—	(0.57)
Net Cash used in Financing Activities	(5475.51)	(2756.30)
Net Increase/Decrease (-) in Cash & Cash Equivalents (A+B+C)	1488.18	246.48
Cash & Cash Equivalents (Opening)	717.31	470.83
Cash & Cash Equivalents (Closing) *	2205.49	717.31
(Represented by Cash & Bank Balances)		

Notes :

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

For and on behalf of Board of Directors

Sd/-
(Devinder Kumar)
Secretary

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

Sd/-
(V.S. Jain)
Chairman

In terms of our report of even date

For Chaturvedi & Co.
Chartered Accountants

For P.A. & Associates
Chartered Accountants

For S.K. Mittal & Co.
Chartered Accountants

Sd/-
(Shalini Chaturvedi)
Partner

Sd/-
(D.K. Agarwalla)
Partner

Sd/-
(S.K. Mittal)
Partner

Place : New Delhi
Dated : 9th July, 2004

Principal Executives AS ON 12.08.2004

CORPORATE OFFICE

NEW DELHI

Chairman
V.S. Jain

Directors

Personnel
Ashis Das
Commercial
S.K. Roongta
Finance
G.C. Daga
Technical
K.K. Khanna

Executive Directors

Internal Audit
B.K. Verma
Vipin Puri
Technical & Legal Services
A.K. Shahi
Materials Management
S.K. Sinha
SAILCON
Rajinder Nath
Projects
K.M. Singh
Corporate Planning
V. Shyamsundar
Personnel & Admn.
Raman Kumar
Vigilance
P.K. Gupta
Operations
S.C. Nayak
Coal Import Group
R.P. Rawat
Environment Management
A.K. Jayswal
HRD
R.K. Sarangi
Safety
Shashikant

Chief of Corporate Affairs
Debjit Rath

Company Secretary
Devinder Kumar

STEEL PLANTS

Durgapur Steel Plant

Managing Director
Dr. S.K. Bhattacharyya
Executive Directors
Works
Nilotpal Roy
Materials Management
B.M.K. Singh
Personnel & Admn.
V.K. Gulhati
Finance & Accounts
S.N. Srivastava
Projects
Y.K. Roy
Medical & Health Services
Dr. V.R. Ramanan

Bokaro Steel Plant

Managing Director
U.P. Singh
Executive Directors
Projects
D.P. Sharma
Personnel & Administration
S.M. Mohanty
Works
V.K. Srivastava
Materials Management
K.M. Bhat

Bhilai Steel Plant

Managing Director
R.P. Singh
Executive Directors
Works
S.B. Singh
Personnel & Admn
G. Ojha
Projects
R. Ramaraju
Materials Management
N. Ahmed

Rourkela Steel Plant

Managing Director
Dr. Sanak Mishra
Executive Directors
Personnel & Administration
G. Jagannathan
Management Services
B.B. Mohanty
Materials Management (Addl charge of Projects)
S. Padhi
Works
N.M. Verma
Medical & Health Services
Dr. D.N. Mohapatra

Alloy Steels Plant

Executive Director
N.P. Jayaswal

Salem Steel Plant

Executive Director
M. Roy

Visvesvaraya Iron & Steel Plant

Executive Director
H.K. Roychoudhary

ORGANISATIONS

Research & Development Centre for Iron & Steel

Executive Director I/c
Sudhakar Jha
Executive Director
A.K. Dasgupta

Raw Materials Division

Executive Director I/c
B.N. Singh
Executive Director
R.C. Srivastava

Centre for Engg. & Technology

Executive Director
D.S. Lal

Growth Division

Executive Director
A.K. Sarkar

Central Marketing Organisation

Executive Directors
Marketing - Long Product
Shoeb S. Ahmed
Transport & Shipping
Ranen Nag
Marketing - Flat Product
D. Kobi
Commercial
H. Akhaury
Finance & Accounts
S. Bhattacharya

SUBSIDIARIES

The Indian Iron & Steel Co. Ltd.

Managing Director
H.M.P. Singh

Executive Directors
Projects
P.K. Dutta

Works
A.K. Sinha
Collieries/Mines & Quarries
T.K. Dutta

Maharashtra Elektros melt Ltd.

Executive Director I/c
R.K. Gupta
Executive Director
A.P. Nayak





The Indian Iron
& Steel Company Ltd.

Directors' Report

To

The Members,

The Board of Directors have pleasure in presenting the 87th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL REVIEW

During the year 2003-2004 the Company achieved a turnover of Rs. 1051.26 crores (previous year Rs. 924.21 crores). The Net Profit for the year after charging depreciation of Rs. 23.76 crores (previous year Rs. 23.22 crores) and interest of Rs. 13.77 crores (previous year Rs. 10.33 crores) was Rs. 27.09 crores compared to Net Loss of Rs. 182.23 crores during 2002-2003. The major reasons for improvement in the financial results during the year was higher net sales realization, better techno-economic parameters etc. The Company also got the benefit of waiver of interest on Term Loans from Banks and Financial Institutions to the extent of Rs. 47.35 crores and waiver of JPC dues of Rs. 18.49 Crores.

PRODUCTION REVIEW

Burnpur Works

The production of Hot Metal was 641 thousand tonnes, Pig Iron 222 thousand tonnes, Crude Steel 301 thousand tonnes and Saleable Steel 257 thousand tonnes (including conversion of 16.5 thousand tonnes) during the year. On techno-economic front the Plant achieved best yearly B.F. Coke Yield of 68.9%, Lowest ever Refractory Consumption of 17.4 kg/tcs and lowest yearly Boiler Coal Consumption of 69.4 kg/t of steam.

The operations at Kulti Works were stopped from 01-04-2003.

Collieries

Total coal raising from three captive collieries was 772 thousand tonnes. Clean coal output from Chasnalla Washery was 555.33 thousand tonnes and despatch of clean coal to Burnpur was 515.32 thousand tonnes.

Ore Mines

Total Iron Ore lump production from the two captive mines was 1245 thousand tonnes and despatches were 1239 thousand tonnes. During the year 674 thousand tonnes of fines were despatched from Gua to SAIL Plants.

SALES AND MARKETING REVIEW

During the year, your Company sold 229.4 thousand tonnes of saleable steel, 185.7 thousand tonnes of Pig Iron and 3.4 thousand tonnes of CI Spun Pipes. Besides, export of 8.62 thousand tonnes of saleable steel and 3.88 thousand tonnes of Pig Iron was also recorded.

Capital Schemes Review

During the year, your Company incurred capital expenditure towards fixed assets and capital work-in-progress of Rs. 42.64 crores including on Rehabilitation schemes.

2nd Twin Hearth Furnace (New) was commissioned during the year. At Burnpur Works, 2 nos. of Dumpers and 25 nos. Earth Moving Equipments, namely, Hydraulic Excavators, Dozers, Dumpers & Blast Hole Drillers etc. have been commissioned during the year at Gua Iron Ore Mines, Chasnalla & Ramnagar Collieries.

The scheme for Revamping & Upgradation of Merchant & Rod (M&R) Mill, Installation of Slit Rolling facility for production of 10 & 12 mm dia., Thermo Mechanically Treated bars approved at a cost of Rs. 3.47 crores is expected to be commissioned shortly.

Environment Management

Improvement in environmental performance over last year is evident through reduction in Particulate Matter Emission (5%), reduction in Specific Water Consumption (9.6%), reduction in Specific Effluent Discharge (10%) and increased recycle/reuse of commercial disposal of solid wastes (over 70% utilisation).

Action has been taken to comply with the Corporate Responsibility on Environmental Protection (CREP) as directed by Ministry of Environment & Forest in stipulated time frame.

During the year, various environment awareness programmes, afforestation drives and observance of World Environment Day,

Environment Month etc., have been organised to mark the consciousness towards a better and cleaner environment. In addition, several training programmes have been organised and action has been taken to implement ISO-14001 in Mills Area.

HUMAN RESOURCE MANAGEMENT REVIEW

Your Company gives considerable importance to the development of its Human Resources to improve efficiency and productivity. The manpower strength as on 31st March, 2004 was 16990 comprising 878 executives and 16112 non-executives. There was a reduction of manpower strength by 2481 during the year which included 1506 employees separated through Voluntary Retirement Scheme (VRS). Scheduled Caste/Scheduled Tribes employees were 10.75% and 1.27% respectively of the total manpower as on 31st March, 2004.

The Industrial Relations remained more or less cordial and peaceful during the year. The thrust towards safety and occupational health continued. 3462 regular employees and 2396 contract labourers were trained on various safety aspects. The company undertook various welfare measures like maintenance of houses, education for children, medical facilities, socio-cultural activities and other facilities and spent Rs. 35.61 crores during the year.

The endeavour to make training more result and skill oriented continued. During the year 1951 employees were trained in various fields.

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

During the year, the Company continued to pursue vigorously the implementation of Official Language Policy of the Government. Employees were encouraged to carry out their official work in Hindi and Liberal incentives for such work were given. Official Language fortnight celebrations were organised at Gua Ore Mines. Hindi Scholarships were given to 21 Children of Non-Hindi speaking employees for their better performance in Hindi in their School examinations. Hindi Workshops were organised during the year 2003-04 to encourage and help the employees to carry out their official work in Hindi.

During the year various sports activities were conducted for employees and their dependants. All India Inter Steel Plant Football and Kabaddi Championships were organised at Burnpur. Round the year coaching and training was conducted by qualified and expert coaches in Football, Basketball, Athletics, Cricket, Volleyball, Chess, Weight Lifting, Power Lifting, Kabaddi and Boxing disciplines. IISCO won three All India Inter-Steel Championships in Football, Kabaddi and Bridge and was Runners up in Athletic.

STATUS OF REHABILITATION PACKAGE

The Rehabilitation Package of Rs. 881 crores of IISCO was sanctioned by Govt. of India in June, 2002 and the same was cleared by BIFR on 20-11-2003. Operation of Kulti Works was stopped from 01-04-2003. VRS at Kulti has been implemented with the grant of Rs. 186 crores from Government of India. All the employees of Kulti Works, except 31 employees who have not opted for VR, have been released. A sum of Rs. 64 crores was raised by issue of Government of India guaranteed Redeemable Non-convertible Taxable Bonds on Private Placement Basis which has been utilized as per the revival scheme for funding of VRS and capital expenditure. About 1506 employees of Burnpur, Collieries, Mines and Kolkata Branches were released on VR.

VIGILANCE ACTIVITIES

Interactions between Vigilance Personnel and Line Managers were organised from time to time through Vigilance Awareness Programmes/Seminars to explain the role of Vigilance and the importance of adherence to laid down policies and guidelines and to build confidence across the organization to facilitate decision making. During the year 328 surprise checks were conducted resulting in sizable direct/indirect benefits.

SUBSIDIARY

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



AUDITORS' REPORT

Replies of the Board of Directors to the observations made in the Report of the Statutory Auditors on the Accounts are enclosed at Annexure-1. The comments and review of Accounts by the Comptroller and Auditor General of India along with Management's replies are enclosed at Annexure-II.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2003-2004 and the Profit & Loss Account of the Company for that period;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the Annual Accounts on a going concern basis.

COMPOSITION OF AUDIT COMMITTEE

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

Shri D.V. Singh
Shri Ashis Das
Shri G.C. Daga

Shri D.V. Singh is the Chairman of the Audit Committee.

DIRECTORS

Shri S.C.K. Patne, Director (Technical), Steel Authority of India Ltd., resigned from the part-time Chairmanship and Directorship of the Company w.e.f. 30-04-2004.

Dr. S.K. Bhattacharyya was appointed as Additional Director of the Company on 20.04.2004 and as (part-time) Chairman of the Board of the Company w.e.f. 01-05-2004.

Shri H.M.P. Singh, the then Executive Director (Works), Bokaro Steel Plant, SAIL, was appointed as Additional Director w.e.f. 27-08-2003. He resigned from the Directorship w.e.f. 29-11-2003.

Shri H.M.P. Singh was appointed Managing Director of the Company w.e.f. 15-12-2003.

Dr. S.Y. Quraishi, Addl. Secretary & Financial Adviser, Government of India, Ministry of Steel was appointed as Additional Director w.e.f. 23-09-2003.

Shri K. Kannan was appointed as Special Director by BIFR on the Board of the Company w.e.f. 29-01-2004.

Shri G.C. Daga, Director (Finance), SAIL, was appointed as Additional Director w.e.f. 27-04-2004.

Shri Vipin Puri, resigned from the Directorship of the Company w.e.f. 27-04-2004.

Shri Sunil Mitra retires by rotation and is eligible for re-appointment as Director. As Additional Directors Dr. S.Y. Quraishi and Shri G.C. Daga hold office upto the Annual General Meeting for the year 2003-04 and are eligible for appointment as Directors. Notice has been received from a Member under Section 257 of the Companies Act, 1956 proposing election of Dr. S.Y. Quraishi and Shri G.C. Daga as Directors.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Sd/-

Place: Kolkata
Dated: 9th August, 2004

(Dr. S.K. Bhattacharyya)
Chairman



Balance Sheet AS AT 31ST MARCH, 2004

	Schedule No.		As at 31st March, 2004		As at 31st March, 2003
<i>(Rupees in crores)</i>					
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1.1	387.66		387.66	
Reserves and Surplus	1.2	5.70	393.36	3.46	391.12
Loan Funds					
Secured Loans	1.3	31.05		138.53	
Unsecured Loans	1.4	236.96	268.01	11.46	149.99
			661.37		541.11
APPLICATION OF FUNDS					
Fixed Assets	1.5				
Gross Block		818.83		799.49	
Less: Depreciation		525.52		506.48	
Net Block		293.31		293.01	
Capital Work-in-Progress	1.6	27.89	321.20	6.56	299.57
Investments	1.7		0.07		0.07
Current Assets, Loans & Advances					
Inventories	1.8	147.12		138.43	
Sundry Debtors	1.9	57.61		63.12	
Cash & Bank Balances	1.10	99.74		147.89	
Interest Receivable/Accrued	1.11	0.18		0.14	
Loans & Advances					
Subsidiary Companies	1.12	—		—	
Others	1.13	28.19		26.78	
		332.84		376.36	
Less: Current Liabilities & Provisions					
Current Liabilities	1.14	718.23		842.75	
Provisions	1.15	288.09		271.95	
		1006.32		1114.70	
Net Current Assets			-673.48		-738.34
Miscellaneous Expenditure	1.16		59.01		0.44
(to the extent not written off or adjusted)					
Profit & Loss Account Debit Balance			954.57		979.37
			661.37		541.11
Accounting Policies and Notes on Accounts	3				
Schedules 1 and 3 annexed hereto, form part of the Balance Sheet.					

In terms of our report of even date

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

Sd/-
(S.K. Ganguli)
Partner
Membership No. 6622

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

Sd/-
(I. Pasha)
Partner
Membership No. 13280

For and on behalf of Board of Directors

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(H.M.P. Singh)
Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 25th May, 2004

Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule No.	Year ended 31st March, 2004	Year ended 31st March, 2003
(Rupees in crores)			
INCOME			
Sales	2.1	1051.26	924.21
Less: Excise duty		103.53	97.80
Finished products internally consumed		5.22	3.69
Interest earned	2.2	4.39	0.19
Other revenues	2.3	110.63	82.10
Provisions no longer required written back	2.4	2.11	7.91
Stock transfer to other units		—	—
		122.35	93.89
		1070.08	920.30
EXPENDITURE			
Accretion(-)/Depletion to stocks	2.5	-8.78	33.18
Raw materials consumed	2.6	479.72	483.25
Purchase of semi/finished products		52.38	71.32
Employees Remuneration & Benefits	2.7	339.30	371.96
Stores & Spares Consumed		84.59	92.77
Power & Fuel	2.8	86.71	94.44
Repairs & Maintenance	2.9	18.57	13.13
Freight outward		18.77	22.05
Other expenses	2.10	138.65	128.87
Interest & finance charges	2.11	13.77	10.33
Depreciation		23.76	23.22
Total		1247.44	1344.52
Less : Transferred to Inter Account Adjustments	2.12	209.41	243.05
		1038.03	1101.47
Profit/Loss(-) for the year		32.05	-181.17
Adjustments pertaining to earlier years	2.13	-4.96	-1.06
Net Loss(-)		27.09	-182.23
Balance brought Forward from previous year		-979.37	-797.14
Balance carried-over to Balance Sheet		-952.28	-799.37
APPROPRIATIONS			
Transferred to Bonds Redemption Reserve		2.29	—
Balance carried over to Balance Sheet		-954.57	-799.37
		-952.28	-799.37
Accounting Policies and Notes on Accounts Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account	3		

In terms of our report of even date

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

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

For and on behalf of Board of Directors

Sd/-
(S.K. Ganguli)
Partner
Membership No. 6622

Sd/-
(I. Pasha)
Partner
Membership No. 13280

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(H.M.P. Singh)
Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 25th May, 2004



Schedules

1.1 SHARE CAPITAL	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Authorised		
54,70,00,000 Equity Shares of Rs.10/- each	547.00	547.00
3,00,000 5% Cumulative preference shares of Rs.100/- each	3.00	3.00
Issued, Subscribed & Paid-up*		
36,94,84,257 Equity Shares of Rs.10/- each fully paid-up in cash	369.48	369.48
1,81,81,500 Equity Shares of Rs.10/- each fully paid-up for considerations other than cash (including 1,24,40,899 and 20,73,483 fully paid Bonus Shares allotted by Capitalisation of General Reserves and from Share premium respectively)	18.18	18.18
	387.66	387.66

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

1.2 RESERVES & SURPLUS	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Capital Reserve		
As per last Balance Sheet	3.10	3.15
Less: Adjustment during the year	—	0.05
	3.10	3.10
Share Premium Account		
As per last Balance Sheet	0.36	0.36
Less : Adjustment towards Bond Issue Expenses	0.05	—
	0.31	0.36
Bond Redemption Reserve		
Add : Transferred from Profit & Loss Account	2.29	—
Less : Transferred to Profit & Loss Account	—	—
	2.29	—
	5.70	3.46

1.3 SECURED LOANS	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Working Capital Borrowings from Banks*	29.55	62.81
Term Loans:		
From Banks #	—	13.00
From Financial Institutions #	1.50	17.95
Interest Accrued and due there on:		
Banks	—	21.63
Financial Institutions	—	23.14
	31.05	138.53

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

#Consortium Loan for plant rehabilitation Loan from Consortium (Consisting of Industrial Development Bank of India, United Bank of India, Allahabad Bank, Central Bank of India, Grindlays Bank Ltd., Industrial Financial Corporation of India Ltd., Industrial Credit & Investment Corporation Ltd. and Life Insurance Corporation of India) secured by First Mortgage of the properties and undertakings of the company together with a floating charge on the whole of the undertakings and assets ranking pari-passu interse of the Consortium Members.

1.4 UNSECURED LOANS	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Redeemable Non-Convertible, Taxable Bonds**	64.00	—
Interest Rate	6.4%	
Face Value	Rs.500000/-	
Date of Redemption	15-OCTOBER-2010	
Term Loans From UTI	—	1.00
Interest accrued and due thereon	—	2.16
	—	3.16
Loan from SAIL	169.86	8.30
Interest accrued and due thereon	3.10	—
	172.96	8.30
	236.96	11.46

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

1.5 FIXED ASSETS	GROSS BLOCK (AT COST)			
Description	As at 31st March 2003	Additions/ Adjustments during the year	Less : Sales/ Adjustments during the year	As at 31st March, 2004
(Rupees in crores)				
A. PLANTS, MINES, OTHERS				
Land (including cost of development)				
— Freehold Land	59.41	0.02	-0.01	59.44
— Leasehold Land	0.87	0.05	—	0.92
Right and Patents	6.98	—	—	6.98
Railway Lines & Sidings	4.75	—	—	4.75
Roads, Bridges & Culverts	2.37	—	—	2.37
Buildings	28.51	—	—	28.51
Plant & Machinery				
— Steel Plant	467.86	8.52	3.15	473.23
— Others	89.55	15.57	2.04	103.08
Furniture & Fittings	2.46	—	0.01	2.45
Vehicles	38.43	0.24	0.03	38.64
Water Supply & Sewerage	4.95	—	—	4.95
EDP Equipments	3.56	0.05	-0.01	3.62
Miscellaneous Articles	5.08	0.02	0.07	5.03
Sub-total 'A'	714.78	24.47	5.28	733.97
Figures for the previous year	709.27	10.52	5.01	714.78

B. SOCIAL FACILITIES				
Land (including cost of development)				
— Freehold Land	0.20	—	—	0.20
— Leasehold Land	—	—	—	—
Roads, Bridges & Culverts	3.21	—	—	3.21
Buildings	45.60	—	0.01	45.59
Plant & Machinery—Others	8.44	—	0.01	8.43
Furniture & Fittings	1.28	—	—	1.28
Vehicles	1.69	0.11	-0.01	1.81
Water Supply & Sewerage	19.70	—	—	19.70
EDP Equipments	0.01	—	—	0.01
Miscellaneous Articles	4.58	0.04	-0.01	4.63
Sub-total 'B'	84.71	0.15	—	84.86
Figures for the previous year	84.42	0.28	-0.01	84.71
Total ('A'+ 'B')	799.49	24.62	5.28	818.83
Figures for the previous year	793.69	10.80	5.00	799.49

1.5 FIXED ASSETS (Contd.)

Description	DEPRECIATION			NET BLOCK		
	Up to 31st March, 2003	For the year	Less : On sales/ Adjustments during the year	Upto 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)						
A. PLANTS, MINES, OTHERS						
Land (including cost of development)						
– Freehold Land	—	—	—	—	59.44	59.41
– Leasehold Land	0.20	—	—	0.20	0.72	0.67
Right and Patents	0.19	0.23	—	0.42	6.56	6.79
Railway Lines & Sidings	3.30	0.10	—	3.40	1.35	1.45
Roads, Bridges & Culverts	1.08	0.04	-0.09	1.21	1.16	1.29
Buildings	18.11	0.52	—	18.63	9.88	10.40
Plant & Machinery						
– Steel Plant	344.25	15.86	2.73	357.38	115.85	123.61
– Others	66.95	3.33	1.93	68.35	34.73	22.60
Furniture & Fittings	1.97	0.07	0.02	2.02	0.43	0.49
Vehicles	29.62	1.00	0.05	30.57	8.07	8.81
Water Supply & Sewerage	2.79	0.11	—	2.90	2.05	2.16
EDP Equipments	3.15	0.03	0.01	3.17	0.45	0.41
Miscellaneous Articles	3.00	0.20	0.06	3.14	1.89	2.08
Sub-total 'A'	474.61	21.49	4.71	491.39	242.58	240.17
Figures for the previous year	458.00	20.96	4.35	474.61	240.17	
B. SOCIAL FACILITIES						
Land (including cost of development)						
– Freehold Land	—	—	—	—	0.20	0.20
– Leasehold Land	—	—	—	—	—	—
Roads, Bridges & Culverts	1.07	0.04	-0.01	1.12	2.09	2.14
Buildings	12.64	0.77	—	13.41	32.18	32.96
Plant & Machinery—Others	4.72	0.37	0.01	5.08	3.35	3.72
Furniture & Fittings	0.88	0.06	—	0.94	0.34	0.40
Vehicles	1.40	0.03	0.01	1.42	0.39	0.29
Water Supply & Sewerage	8.11	0.78	—	8.89	10.81	11.59
EDP Equipments	0.01	—	—	0.01	—	—
Miscellaneous Articles	3.04	0.22	—	3.26	1.37	1.54
Sub-total 'B'	31.87	2.27	0.01	34.13	50.73	52.84
Figures for the previous year	29.59	2.26	-0.02	31.87	52.84	
Total ('A'+ 'B')	506.48	23.76	4.72	525.52	293.31	293.01
Figures for the previous year	487.59	23.22	4.33	506.48	293.01	
Note : Allocation of Depreciation					Current Year	Previous Year
(a) Charged to Profit & Loss Account					23.76	23.22
(b) Debited to adjustments pertaining to earlier years					0.29	—
Total					24.05	23.22

* Net Block as on 31.03.2004 includes Rs.0.65 crores being assets retired from active use (Provision there against Rs.0.61 crores held under ' Other Provisions ')

1.6 CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Capital Work-in-progress		
Steel Plants & Units	21.84	6.10
Ore Mines and Quarries	—	6.10
Advances *	9.49	3.90
Less: Provisions	3.44	3.44
	27.89	6.56
Particulars of advances		
Unsecured, Considered Good	6.05	0.46
Unsecured, Considered Doubtful	3.44	3.44
	9.49	3.90

* Includes Rs. 2.34 crores earmarked for low cost housing scheme (Against Capital Reserve)

1.6.1 EXPENDITURE DURING CONSTRUCTION (Pending allocation)

	As at 31st March, 2004	As at 31st March, 2003
(Rupees in crores)		
Expenditure incurred during the year		
Employees Remuneration & Benefits		
Salaries & Wages	0.19	—
Company's contribution to Provident and other Funds	0.02	—
Total	0.21	—
Amount allocated to Fixed Assets/ Capital Work-in-progress	0.21	—

Schedules

1.7 INVESTMENT (AT COST) — Long Term	Number of Fully Paid-up Equity Shares	Face value per Share (Rs.)	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>				
Quoted Investments				
ICICI Bank Ltd.	28600	10	0.05	0.05
(Market Value Rs. 8592870/=: Previous Year Rs. 3845270/=)				
Unquoted Investments				
Trade Investments				
South India Export Co. (P) Ltd.	7500	10	0.01	0.01
India Standard Wagon Company Limited*	130	100	—	—
Hoogly Docking and Engg. Company Limited	1433	100	0.02	0.02
Satna Stone Lime Company Limited	33604	10	0.03	0.06
			0.03	0.06
Other Investments				
Subsidiary Company				
IISCO Ujjain Pipe & Foundry Company Limited (in liquidation)	30,00,000	10	3.00	3.00
Other Companies—				
Bihar State Financial Corporation	500	100	0.01	0.01
Government Securities			0.06	0.06
Shares in Co-operative Societies (1.7.1)			0.05	0.05
			3.23	3.23
Less : Provision for diminution in value of investments			3.16	3.16
			0.07	0.07

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

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

1.8 INVENTORIES	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>		
Stores & spares	60.94	56.86
Add: In-transit	0.74	1.45
	61.68	58.31
Less: Provision	19.32	13.37
	42.36	44.94
Raw materials	17.63	15.49
Add: In-transit	1.72	1.69
	19.35	17.18
Less: Provision	0.11	0.13
	19.24	17.05
Semi/finished products (including scrap)	73.24	67.05
Add: In-transit	8.13	5.32
	81.37	72.37
At book or assessed or realisable value whichever is lower:		
Salvaged/Scrapped fixed assets	11.69	11.33
Less: Provision	7.54	7.26
	4.15	4.07
	147.12	138.43

Note:

i) Valued as per Accounting Policy No. 1.6

ii) As the Semi/Finished products are overlapping, these are not segregated

1.9 SUNDRY DEBTORS	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>		
Debts over six months	39.31	37.82
Other debts	39.06	45.51
	78.37	83.33
Less: Provision for doubtful debts	20.76	20.21
	57.61	63.12
Particulars		
Unsecured, considered good	57.61	63.12
Unsecured, considered doubtful	20.76	20.21
	78.37	83.33

1.10 CASH & BANK BALANCES	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>		
Cash and Stamps on hand	0.10	0.29
Cheques/DDs on hand	2.28	—
With Scheduled Banks:		
Current account*	27.29	143.77
Savings account		—
No lien deposits	0.11	—
Term deposits	68.81	3.00
Remittances-in-transit	1.15	0.83
	99.74	147.89

* Includes :

- Balance with Lloyds Bank Ltd. (Rs. 0.05 lakhs)
& Midland Bank Ltd. (Rs. 0.07 Lakhs) London
(Maximum balance same)
- 29 inoperative accounts Rs.2.53 lakhs (Rs. 2.53 lakhs)
- No lien deposit account Rs. 799.00 lakhs (Rs. 12997.76 lakhs)

1.11 INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>		
Deposits	0.16	0.02
Employees	0.04	0.14
	0.20	0.16
Less Provision for doubtful interest	0.02	0.02
	0.18	0.14
Particulars		
Unsecured, considered good	0.18	0.14
Unsecured, considered doubtful	0.02	0.02
	0.20	0.16

1.12 LOANS AND ADVANCES TO SUBSIDIARY COMPANIES	As at 31st March, 2004	As at 31st March, 2003
<i>(Rupees in crores)</i>		
Loans	2.11	2.11
Other Advances	—	2.11
Less : Provisions	2.11	2.11
	—	—
Particulars		
Unsecured, considered good	—	—
Unsecured, considered doubtful	2.11	2.11
	2.11	2.11

1.13 LOANS & ADVANCES — OTHERS	As at 31st March, 2004	As at 31st March, 2003
---	---------------------------------------	---------------------------------------

(Rupees in crores)

Loans		
Employees	0.07	0.10
Stores issued	0.03	0.10
		0.13
		0.23

**Advances recoverable
in cash or in kind or for
value to be received**

Claims recoverable	10.90	11.64
Contractors & suppliers	10.78	10.97
Employees	5.71	4.35
Advance Income Tax and Tax deducted at source	0.30	0.22
Bills Receivable	0.10	0.10
Others	2.37	2.03
	30.16	29.31

Deposits

Port trust, excise department, Railways, etc.	5.79	5.91
Others	1.83	1.88
	7.62	7.79
	37.88	37.33

Less : Provision for doubtful Loans & Advances	9.69	10.55
	28.19	26.78

**Particulars of Loans &
Advances—Others**

Unsecured, considered good	28.19	26.78
Unsecured, considered doubtful	9.69	10.55
	37.88	37.33

1.14 CURRENT LIABILITIES	As at 31st March, 2004	As at 31st March, 2003
---------------------------------	---------------------------------------	---------------------------------------

(Rupees in crores)

Sundry creditors		
Capital works	7.65	4.34
Small Scale Industrial Undertakings	0.81	0.50
Others	373.54	534.49
Advances from		
Customers	70.74	46.26
Others	0.82	0.63
Security deposits	14.64	13.33
Less : Investment received as security deposit	0.05	0.05
Interest accrued but not due on Loans	1.89	0.43
Non Convertible Bonds	1.89	—
Other loans	—	0.43
Other liabilities	248.19	242.72
	718.23	842.75

1.15 PROVISIONS FOR	As at 31st March, 2004	As at 31st March, 2003
----------------------------	---------------------------------------	---------------------------------------

(Rupees in crores)

Gratuity	202.40	205.59
Accrued Leave Liability	41.55	40.01
Post Retirement Medical Benefit & TA	24.62	9.35
EFBS	18.99	16.47
Others	0.53	0.53
	288.09	271.95

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

	Balance as at 31st March, 2003	Additions during the year	Total	Amount Charged Off during the year	Balance as at 31st March, 2004
(Rupees in crores)					
(i) Development Expenditure					
(a) On Mines	0.06	—	0.06	0.06	—
(b) On New Projects	0.12	—	0.12	0.12	—
Total (i)	0.18	—	0.18	0.18	—
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	0.26	73.77	74.03	15.02	59.01
Total (ii)	0.26	73.77	74.03	15.02	59.01
Total (i+ii)	0.44	73.77	74.21	15.20	59.01
Previous year	11.85	2.48	14.33	13.89	0.44

Charged Off to:

Other Expenses & Provisions	15.20	13.89
Adjustments pertaining to earlier years	0.28	0.17
	15.48	14.06

Schedules

2.1 SALES	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Direct	677.80	598.78
From stockyards	358.78	308.52
Exports	14.35	16.49
Export Incentive	0.33	0.42
	1051.26	924.21

2.2 INTEREST EARNED	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Customers	0.01	0.02
Term Deposits	4.32	0.17
Others	0.06	—
	4.39	0.19

2.3 OTHER REVENUES	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Social amenities—recoveries	9.76	10.11
Sale of empties etc.	0.39	0.32
Liquidated damages	0.40	3.64
Service charges	0.13	0.14
Grant-in-aid	0.02	—
Subsidy	1.96	1.51
Hire charges etc.	0.16	0.10
Claims for finished products (Shortages & missing wagons)	0.29	0.03
Dividend from Other investments	0.02	—
Foreign Exchange Fluctuation (Net)	—	0.03
Waivers of Loan from SDF	—	44.68
Waivers of Dues - JPC Cess	18.49	—
Waivers of Interest by Banks/FIs	47.35	—
Sundries	31.66	21.54
	110.63	82.10

2.4 PROVISIONS NO LONGER REQUIRED WRITTEN BACK	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Loans & advances	0.54	2.89
Sundry debtors	0.33	1.26
Stores & spares	0.78	0.65
Others	0.46	3.11
	2.11	7.91

2.5 ACCRETION (-) / DEPLETION TO STOCK OF SEMI/FINISHED PRODUCTS	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Opening stock	72.37	105.55
Add: Adj. missing wagon	0.22	—
Less : closing stock	81.37	105.55
	-8.78	33.18

2.6 RAW MATERIALS CONSUMED	Year ended 31st March, 2004		Year ended 31st March, 2003	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./crores	Tonnes	Rs./crores
Iron ore	1060757	67.50	1095700	67.42
Indigeneous Coal	1311974	331.15	1315991	308.14
Imported Coal	54544	20.63	80198	28.11
Coke	345	0.10	6490	2.85
Limestone	117810	13.36	99828	12.10
Dolomite	167905	9.08	166984	9.17
Pig Iron	1576	1.10	25499	19.43
Scrap	32018	16.75	42164	19.79
Ferro Manganese	1943	4.66	2850	5.70
Others		15.39		10.54
		479.72		483.25

NOTE: Consumption of raw materials includes shortages Rs. 5.67 crores, (previous year Rs. 3.26 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 0.28 crores. (previous year Rs. 8.36 crores).

2.7 EMPLOYEES' REMUNERATION & BENEFITS	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Salaries & wages	249.82	266.16
Company's contribution to provident fund & other funds	23.85	27.14
Travel concession	0.17	0.33
Welfare expenses	31.80	22.38
Gratuity	33.66	55.95
	339.30	371.96

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

a) Deferred Revenue Expenditure	15.02	0.32
b) Net expenditure on Social Amenities charged to various primary revenue heads	7.42	—
	22.44	0.32

2.8 POWER & FUEL	Year ended 31st March, 2004	Year ended 31st March, 2003
	(Rupees in crores)	
Purchased power	67.48	75.97
Duty on own generation	0.56	0.58
Boiler Coal/Middling	18.66	16.30
Furnace Oil/LSHS/LDO	0.01	—
Others	—	1.59
	86.71	94.44

2.9 REPAIRS & MAINTENANCE	Year ended 31st March, 2004	Year ended 31st March, 2003
	<i>(Rupees in crores)</i>	
Buildings	2.52	3.13
Plant & Machinery	13.02	6.76
Others	3.03	3.24
	18.57	13.13
Note :		
Expenditure on repairs & maintenance not included above and charged to:		
a) Employees' Remuneration & Benefits		
Buildings	8.00	7.95
Plant & Machinery	35.70	42.78
Others	7.30	7.27
	51.00	58.00
b) Stores & Spares		
Buildings	2.10	1.80
Plant & Machinery	23.86	20.52
Others	0.26	0.23
	26.22	22.55
Total (a+b)	77.22	80.55

2.10 OTHER EXPENSES	Year ended 31st March, 2004	Year ended 31st March, 2003
	<i>(Rupees in crores)</i>	
Commission to selling agents	0.10	0.31
Expenses connected with Imports	0.01	0.02
Export sales expenses	0.02	0.13
Handling expenses		
– Handling expenses - Raw Material	47.61	43.00
– Handling expenses - Finished goods	6.68	6.70
– Scrap recovery expenses	3.62	4.35
Insurance	0.87	0.25
Law charges	0.33	0.37
Postage,telegram & telephone	0.73	0.68
Printing & stationery	0.46	0.59
Provisions		
– Doubtful debts & loans and advances	1.06	1.09
– Sundries	7.03	2.69
	8.09	3.78
Rates & Taxes	2.42	1.30
Remuneration to Auditors		
– Audit fees	0.04	0.04
– Tax Audit fees	0.01	0.01
– Out of pocket expenses	0.03	0.03
– In other capacities	—	—
	0.08	0.08
Rent	0.48	0.50
Royalty and cess	9.14	10.29
Security expenses	11.20	10.71
Travelling expenses	5.26	6.91
Write Offs		
– Miscellaneous & Deferred Revenue Expenditure	15.20	13.89
– Advances	—	0.34
– Others	—	—
	15.20	14.23
Training expenses	0.01	0.03
Foreign Exchange Fluctuation (Net)	0.04	—
Water charges & Cess on water pollution	0.09	0.05
Miscellaneous	26.21	24.59
	138.65	128.87

2.11 INTEREST & FINANCE CHARGES	Year ended 31st March, 2004	Year ended 31st March, 2003
	<i>(Rupees in crores)</i>	
Non-Convertible Bonds	1.90	—
Bank borrowings-working capital	5.21	6.30
Others	3.36	3.89
Finance Charges	3.30	0.14
	13.77	10.33

2.12 INTER ACCOUNT ADJUSTMENTS	Year ended 31st March, 2004	Year ended 31st March, 2003
	<i>(Rupees in crores)</i>	
Raw materials	201.42	223.03
Inter plant transfer of stocks/stores	7.50	19.05
Others (Net)	0.49	0.97
	209.41	243.05

2.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS	Year ended 31st March, 2004	Year ended 31st March, 2003
	<i>(Rupees in crores)</i>	
Sales	—	-0.14
Other revenues	—	0.04
Raw materials consumed	5.50	-2.72
Employees' remuneration & benefits	1.54	-0.57
Stores & spares consumed	0.08	0.37
Power & fuel	-0.21	2.57
Excise duty	-0.16	—
Other Expenses & Provisions	0.89	1.51
Interest	-2.97	—
Depreciation	0.29	—
Net Debit/(Credit)	4.96	1.06

*(-) indicate credit items.



Schedules

SCHEDULE 3: ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The Company prepares its accounts on accrual basis under historical cost convention and as per the generally accepted accounting principles as a going concern.

1.2 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

The expenditure on development of land including lease-hold land, is capitalised as a part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs. Expenditure incurred during the trial run period are capitalised till the concerned assets are ready for commercial production.

The Company's contribution/expenditure towards construction/development of assets on land owned by the Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value. Grants-in-aid related to revenue items are netted against the related expenses.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated over the residual useful life of the respective assets. Items of fixed assets that have been retired from active use are exhibited under fixed assets at their book value till the acceptance of disposal proposals there against, and due provisions are made to take care of the shortfall, if any, in their respective realisable value. However, fixed assets that have been retired from active use and whose disposal proposals have been accepted, are de-capitalised and included under "Inventories" at lower of book value and estimated realisable value.

1.3 BORROWING COST

Borrowing cost relating to the acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

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 prospectively over the residual useful life of the asset based on the rates specified in schedule XIV as stated above.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

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

1.5 INVESTMENTS

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies and other long-term and unquoted investments are valued at cost. However, provision for diminution in the value of such investments is made to recognise a decline, other than temporary, on individual investment basis.

1.6 INVENTORIES

Semi/Finished products, are valued at lower of cost and net realisable value of the respective plants.

Raw materials are valued at lower of cost and net realisable value.

Iron scrap and steel/skull scrap at the integrated plants, are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

The stocks of wear scrap lying unconsumed at the plant and mixed coke and middlings/rejects, are valued at the estimated net realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost up to the stage of process.

Stores and spares are valued at cost. However, in the case of non-moving, obsolete/surplus stores and spares items, provision is made on book value

and charged to revenue, as stated below:

i) Not moved for five years or more	-	10%
ii) Not moved for ten years or more	-	50%
iii) Not moved for fifteen years or more	-	75%
iv) Obsolete/surplus stores and spares	-	75%

In respect of inter-unit transfers: the closing stock of (i) semi/finished products is valued at lower of cost or realisable value of the transferor plant. Materials out of inter-plant transfers, lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-plant transferred materials used for capitalisation have, however, been considered at cost (ii) Stores and spares are valued at cost of the transferor plant (iii) Raw materials at plants are valued at lower of cost and net realisable value. Cost is determined based-on the average of purchase cost and transfer price.

Cost is arrived on weighted average basis.

1.7 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

Voluntary retirement compensation incurred by the company is treated as deferred revenue expenditure and the same is written-off in five years.

1.8 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

1.9 RESEARCH & DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

1.10 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are accounted for as and when these are deducted and/or considered recoverable by the Company. These are treated as income on completion of the projects/final settlements.

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

1.11 RETIREMENT BENEFITS

The provisions towards gratuity, leave encashment, post-retirement medical and settlement benefits to employees are made based on the actuarial valuation as at the end of the year.

1.12 EMPLOYEES' FAMILY BENEFIT SCHEME

The provision towards payments to be made in future to the disabled employees/ legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

1.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs. 5.00 lakhs in each case, are treated as income/expenditure of current year.

1.14 SALES

Sales include Excise Duty and are net of rebates/price concessions/sales tax. Materials sold in domestic market are treated as sales on delivery to carriers and endorsement of documents in favour of the customers. Export sales are treated as sales on issue of Bills of lading.

1.15 EXPORT INCENTIVES

Export incentives in the form of Special/Advance Licences, credit earned under Duty Entitlement Pass Book Scheme and duty drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

1.16 TAXATION

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised, subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

1.17 SEGMENT REPORTING

Identification of Segments

The Company has identified that its operating segments are primary segments. The Company's operating businesses are organised and managed separately for all the manufacturing units, with each businesses units representing a strategic segment. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

2.0 NOTES ON ACCOUNTS - 2003-04

2.1 CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31st March, 2004	As at 31st March, 2003
	(Rs. in crores)	
i) Claims against the Company pending appellate/judicial decisions	70.44	84.03
ii) Other claims against the Company not acknowledged as debt	13.19	55.02
iii) Claims of colliery employees	0.96	0.96

3.0 FIXED ASSETS

3.1 Land includes:

- 878.92 acres (As at 31st March 2003 – 894.92 acres) owned/leased/possessed by the Company, in respect of which title/lease deeds are pending for registration.
- 29.04 acres (As at 31st March, 2003 – 29.04 acres) given on lease to various agencies.

- 3.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) – Rs. 2.48 crores (As at 31st March, 2003 – 1.26 crores).

4.0 INVESTMENTS, CURRENT ASSETS, LOANS & ADVANCES AND CURRENT LIABILITIES & PROVISIONS

- 4.1 Sundry creditors, other liabilities, sundry debtors and advances to parties include some old unlinked balances pending reconciliation/confirmation/adjustments. Adequate provisions wherever considered necessary have been made for such old balances. Further adjustments as necessary, will be accounted for in the year of reconciliation/settlement/realisation of the respective balances.

- 4.2 The Central Board of Direct Taxes vide its Notification dated 25th September, 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. The Hon'ble High Court, vide its Order dated 25.1.2002, has directed that the Income Tax calculated on the perquisites shall be deducted kept separately not deposited with the Income Tax Department and vide order dated 30.1.2002 and 23.12.2003, has granted an interim stay restraining the Company from deduction of tax on perquisites on accommodation provided to the employees. The Company has deducted tax on house perquisites w.e.f. 1.4.2003 and other perquisites has w.e.f. 1.10.2001 and kept in separate account.

- 4.3 The amount due to small scale industrial undertakings (as disclosed in schedule 1.14 - Current Liabilities) is to the extent the parties have been identified. There is no S.S.I. unit to whom any amount is due over 30 days.

5.0 PROFIT & LOSS ACCOUNT

- 5.1 The long term agreements for employees' pay revision have expired on 30th June, 1996 in respect of colliery employees and on 31st December, 1996 for employees of other units of the Company. No provision has been made for pay revision and arrears, if any, in view of Government directives applicable to companies under BIFR. Liability, if any, in this regard is unascertainable. However, adhoc amount @ 12% is being paid and provided for, pending final decision.

- 5.2 Pursuant to revival package granted for the Company in June 2002, manufacturing activities at Kulti Works have ceased w.e.f. 1.4.03. However, activities relating to disposal of various stock items and maintenance services are being continued until the entire establishment is close down.

Total depreciated value of various fixed assets stands at Rs. 13.41 crores as on 31.3.04. Market value of fixed assets as assessed by the independent agencies is found to be higher over the corresponding depreciated value and hence no provision in respect thereof was necessary as on 31.3.04. Finished and semi-finished products lying unsold as on 31.03.04 and not backed by demand/order have been being valued at scrap price only.

- 5.3 The excise duty of Rs. 103.53 crores (Previous year – Rs. 97.80 crores) shown as deduction from Sales includes excise duty on internal consumption and closing stock.

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

- 5.5 The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act. Also no provision for minimum alternate tax under section 115 JB of the Income Tax Act, 1961 has been made during the year as the Company is a sick industrial company under section 17(1) of the Sick Industrial Companies Act.

- 5.6 The position of deferred tax assets and liabilities computed in accordance with the requirements of AS-22 on 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, is stated below:

	As on 1.4.2003	During the year	As on 31.3.2004
	(Rs. in crores)		
Deferred tax liabilities			
Depreciation	51.64	0.14	51.78
Total	51.64	0.14	51.78

Deferred tax assets

Unabsorbed depreciation/loss	343.31	-34.50	308.81
Others	153.67	3.78	157.45
Total	496.98	-30.72	466.26
Net Deferred Assets	445.34	-30.86	414.48

The Company as a matter of prudence does not recognise deferred tax assets if these arises after adjustment of deferred tax liabilities. Accordingly, net deferred tax assets amounting to Rs. 414.48 crores have not been accounted for.

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

- 5.8 Waiver of JPC dues amounting to Rs. 18.49 crores approved by the JPC as per the Sanctioned Scheme of the BIFR, has been shown under "Other Revenues" (Schedule No. 2.3).

- 5.9 As per the Sanctioned Scheme of BIFR, the Govt. of West Bengal has agreed to waive past dues on account of Sales Tax, Electricity Duty, RE & PE Cess (both past and future) and also payment of Sales Tax, Electricity Duty and Cess/Royalty for a period of five years. These waivers have not been considered in books of accounts since the Govt. of West Bengal is yet to issue the General Order in this regard.

- 5.10 The Company has a deposit of iron ore fines of approx 34.22 million tonnes generated during mining operations over the years at Gua Ore Mines. In the absence of any Sinter Plant, fines are not having any use at Burnpur Plant, nor there is any certainty in disposal of fines on regular basis. As per AS-4, contingent gains need not be recognized in the financial statement due to nature of contingency. Since despatch of Iron Ore Fines carries elements of uncertainties, the valuation of such fines has not been made. However, the revenue generated from actual despatches is recognized in the books of account in the year in which such despatches are made.

- 5.11 The Company has revised the age profile of non-moving stores & spares, as well as quantum of provision against such stores & spares (Refer Accounting Policy no 1.6). This has resulted in decrease of profit during the year by Rs. 4.46 crores.

- 5.12 By virtue of an arrangement, the principal amount of term loan from banks/financial institutions totaling to Rs. 30.45 crores have been repaid within 31.03.04 in full and final settlement of the total claim and disclosed in the books of accounts accordingly.

6.0 GENERAL

6.1 Segment Reporting

- Business Segment: Steel plant, collieries and mines have been considered as primary business segment 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. The whole of India has been considered as one segment and exports as the other. The disclosures of segment-wise information are given in Annexure-I.

6.2 Related Party

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

Name of the related parties

Joint Venture: Nil
Key Management Personnel: Shri H.M.P. Singh, Managing Director, IISCO Burnpur

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

Sl No.	Nature of transactions	Amount (Rs. Crores)	Ref . Schedule & Account head of the Accounts
1	Managerial Remuneration (from 1.12.2003, date of joining)	0.02	2.7 Employees' Remuneration

- 6.3 A revival package for the Company was sanctioned by the Govt. of India in June 2002 having a total financial package of Rs. 881 crores divided into two parts - grant of Rs. 186 crores for implementation of VR Scheme at Kulti Works and market borrowing of Rs. 695 crores for VR Schemes and Capital Schemes at other units. The revival scheme ultimately got the clearance of BIFR on 20.11.03. With the strength of GOI guarantee a sum of Rs. 64 crores have been raised by issue of Redeemable Non-convertible Taxable Bonds on Private Placement basis and also utilized for funding part of VR and Capital Schemes. The revival schemes for Burnpur Works, mines and collieries are in the process of implementation. The accounts have been prepared on a going concern basis.

- 6.4 Previous year's figures have been re-arranged/re-grouped wherever necessary.



Schedules

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

Own Products	Licensed Capacity	Installed Capacity	Production
			(Quantity : Tonnes)
Steel Ingots	1300000 (1300000)	1000000 (1000000)	301005 * (326698) **
Saleable Steel	1048000 (1048000)	800000 (800000)	241048 *** (264074) ****
Cast Iron Spun Pipes (I & II)	156960 (156960)	156960 (156960)	— (5435)
Cast Iron Spun Pipes (III)	— (—)	9000 (9000)	— (—)
Steel Castings	5484 (5484)	5300 (5300)	— (1028)
Non Ferrous Castings	564 (564)	530 (530)	— (85)
Other Castings	82716 (82716)	77916 (77916)	— (17273)

Note : *^{††} including steel casting — 480 MT
 **^{†††} including steel casting — 520 MT
 ***^{††††} excluding conversion — 16518 MT
 ****^{†††††} excluding conversion — 24381 MT

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

	Opening stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
							(Quantity : Tonnes)	(Value : Rs./crores)
Saleable Steel	7194 (7977)	10.25 (10.97)	— (—)	— (—)	229417 (260735)	458.68 (395.48)	14008 (7194)	27.03 (10.25)
Pig Iron	7162 (9727)	6.35 (7.00)	— (—)	— (—)	185662 (228811)	237.95 (189.88)	14214 (7162)	12.27 (6.35)
Cast Iron Spun Pipes	6255 (8739)	9.21 (11.77)	— (—)	— (—)	3409 (7047)	5.57 (11.48)	2292 (6255)	2.61 (9.21)
Steel Castings	1806 (2607)	5.68 (10.88)	— (—)	— (—)	21 (1553)	0.18 (4.15)	304 (1806)	0.19 (5.68)
Non Ferrous Castings	88 (157)	1.72 (2.68)	— (—)	— (—)	7 (150)	0.23 (2.08)	29 (88)	0.15 (1.72)
Other Castings	3201 (6586)	5.57 (11.58)	— (—)	— (—)	224 (20111)	0.47 (25.78)	720 (3201)	0.38 (5.57)
Others	— (0)	33.59 (50.67)	— (—)	— (—)	293.37 (221.63)	— (—)	— (—)	38.74 (33.59)
TRADING ACTIVITIES								
Indigenous Steel	— (0)	— (—)	22603 (38832)	52.38 (71.32)	22603 (38832)	54.81 (73.73)	— (—)	— (—)
		72.37 (105.55)		52.38 (71.32)		1051.26 (924.21)		81.37 (72.37)

Notes :

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

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

(Quantity : Tonnes)

	Pig Iron	Saleable Steel
Opening Stock	7162 (9727)	7194 (7977)
Production	222300 (279848)	241048 (264074)
Total	229462 (289575)	243242 (272051)
Sales	185662 (228811)	229417 (260735)
Inter Plant Transfers	— (25846)	657 (1374)
Internal Consumption (incl. for capital works)	28530 (15690)	2000 (1574)
Assorted length/Cuttings etc.	— (6711)	3227 (2561)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	— (—)	— (—)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	1056 (5355)	-2057 (-1387)
Closing Stock	14214 (7162)	14008 (7194)
Total	229462 (289575)	248242 (272051)

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

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

8. Earnings in foreign exchange on account of		
	Current Year	Previous Year
	(Rupees in crores)	
Export of goods (Calculated on FOB basis)	9.23	15.74
	<u>9.23</u>	<u>15.74</u>

9. Value of imports during the period (Calculated on CIF basis)		
	Current Year	Previous Year
	(Rupees in crores)	
Raw Materials	19.52	21.30
Capital Goods	—	1.22
Stores, Spares and Components	2.54	3.76
Total	<u>22.06</u>	<u>26.28</u>

10. Value of raw materials consumed during the year				
	Rs./Crores	%	Rs./Crores	%
Imported	20.63	4.30	28.11	5.82
Indigenous	459.09	95.70	455.14	94.18
	<u>479.72</u>	<u>100.00</u>	<u>483.25</u>	<u>100.00</u>

11. Value of stores/spares & components consumed during the year				
	Rs./Crores	%	Rs./Crores	%
Imported	3.12	3.69	3.90	4.20
Indigenous	81.47	96.31	88.87	95.80
	<u>84.59</u>	<u>100.00</u>	<u>92.77</u>	<u>100.00</u>

12. Particulars of Directors' Remuneration				
Salaries			0.02	—

SCHEDULE 4 EXPENDITURE ON PUBLIC RELATIONS DEPARTMENTS

	Current Year	Previous Year
	(Rupees in crores)	
Employees' remuneration & benefits	0.33	0.31
Other items of expenditure under publicity	0.03	0.05
Total	<u>0.36</u>	<u>0.36</u>
Turnover	1051.26	924.21
Percentage	0.03	0.04

SCHEDULE 5 SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & Cultural activities	Co-operative Societies	Transport & Dairy	Total	Previous Year
(Rupees in crores)								
Employees' Remuneration & Benefits								
Salaries & wages	7.43	2.19	8.57	0.54	1.86	1.63	22.22	23.35
Company contribution of PF & other funds	0.67	0.22	0.83	0.05	0.02	0.17	1.96	1.95
Travel concessions	0.28	0.02	0.06	—	—	0.07	0.43	—
Welfare expenses	0.08	0.08	0.11	0.01	—	0.03	0.31	0.32
Consumption of medicine	0.03	0.01	1.46	0.15	—	0.01	1.66	1.68
Coke Subsidy	0.62	—	—	—	—	—	0.62	1.11
Gratuity	0.33	0.25	0.26	—	—	0.15	0.99	0.81
Total	9.44	2.77	11.29	0.75	1.88	2.06	28.19	29.22
Stores & Spares	0.63	—	0.11	—	—	0.02	0.76	0.69
Repair & Maintenance	1.35	—	0.02	—	—	0.13	1.50	1.43
Power & Fuel	6.49	0.16	0.54	0.16	—	—	7.35	9.68
Miscellaneous expenses	2.15	1.37	1.42	0.49	—	0.01	5.44	3.21
Depreciation	1.71	0.06	0.20	0.01	0.01	0.22	2.21	2.22
Total	21.77	4.36	13.58	1.41	1.89	2.44	45.45	46.45
Less: Income	8.18	0.07	1.45	—	—	0.14	9.84	10.40
Net Deficit	13.59	4.29	12.13	1.41	1.89	2.30	35.61	36.05

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

	2	8	1	6
--	---	---	---	---

 State Code

2	1
---	---

Balance Sheet Dated

3	1
---	---

0	3
---	---

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

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

6	4	0	0	0	0
---	---	---	---	---	---

III. Position of Mobilisation and Re-deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

6	5	4	1	1	0	0
---	---	---	---	---	---	---

 Total Assets

6	5	4	1	1	0	0
---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

3	8	7	6	6	0	0
---	---	---	---	---	---	---

 Reserves & Surplus

		5	7	0	0	0
--	--	---	---	---	---	---

Secured Loans

	3	1	0	5	0	0
--	---	---	---	---	---	---

 Unsecured Loans

1	1	4	6	0	0
---	---	---	---	---	---

Application of Funds

Net Fixed Assets

3	2	1	2	0	0	0
---	---	---	---	---	---	---

 Investments

				7	0	0
--	--	--	--	---	---	---

Net Current Assets

-	6	7	3	4	8	0	0
---	---	---	---	---	---	---	---

 Misc.Expenditure

5	9	0	1	0	0
---	---	---	---	---	---

Accumulated Losses

9	5	4	5	7	0	0
---	---	---	---	---	---	---

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

Turnover

1	0	5	1	2	6	0	0
---	---	---	---	---	---	---	---

 Total Expenditure

1	0	2	4	1	7	0	0
---	---	---	---	---	---	---	---

Profit Before Tax

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

 Profit After Tax

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

Earning per share in Rs. (Annualised) (Rs.)

			-	V	E
--	--	--	---	---	---

 Dividend Rate %

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

V. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms)

Item Code No.(ITC Code)

7	2	0	1	1	0		0	0	/	1	2	0
---	---	---	---	---	---	--	---	---	---	---	---	---

Product Description

P	I	G		I	R	O	N					
---	---	---	--	---	---	---	---	--	--	--	--	--

Item Code No. (ITC Code)

7	2	1	6	6	6	0	0	2				
---	---	---	---	---	---	---	---	---	--	--	--	--

Product Description

S	A	L	E	A	B	L	E		S	T	E	E	L
---	---	---	---	---	---	---	---	--	---	---	---	---	---

Item Code No.(ITC Code)

7	3	2	5									
---	---	---	---	--	--	--	--	--	--	--	--	--

Product Description

C	A	S	T	I	N	G	S					
---	---	---	---	---	---	---	---	--	--	--	--	--



Primary Business Segment-wise information for the year ended 31.03.2004

Particulars	Burnpur	Collieries	Ore Mines	Others	Total Segment	(Rupees in crores)	
						Eliminations	Total Enterprise
REVENUE							
External Sales	984.86	44.86	11.48	10.06	1051.26	—	1051.26
Inter segment sales	1.26	138.13	46.26	6.39	192.04	-192.04	0.00
Total Revenue	986.12	182.99	57.74	16.45	1243.30	-192.04	1051.26
RESULT							
Operating profit (+) / loss (-)	66.08	-5.84	-1.77	-22.00	36.47		
Interest expenses	11.76	1.11	0.90	0.00	13.77		
Interest income	1.16	0.04	0.00	3.19	4.39		
Income Taxes	0.00	0.00	0.00	0.00	0.00		
Net Profit (+) / Loss (-)	55.48	-6.91	-2.67	-18.81	27.09		
OTHER INFORMATION							
Segment Assets	533.14	105.51	34.91	39.56	713.12		713.12
Segment Liabilities	703.78	218.08	41.87	42.59	1006.32		1006.32
Capital Expenditure	23.65	13.48	9.07	0.00			46.20
Depreciation	15.13	5.97	1.55	1.11			23.76

Secondary Business Segment-wise (Geographical) information for the year ended 31.03.2004

Particulars	(Rupees in crores)	
	Amount	%
Sales Revenue		
India	1036.91	99.00
Foreign Countries	14.35	1.00
Total	1051.26	100.00



Auditors' Report ANNEXURE-I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLY
To The Members of INDIAN IRON & STEEL COMPANY LTD.	
1. We have audited the attached Balance Sheet of The Indian Iron And Steel Company Limited ("the company") as at 31st March, 2004, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the returns of plants, collieries, mines and one branch office audited by us, and returns from nine branch offices. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.	
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.	
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act") and in terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge & belief, we enclose in the Annexure, a statement on the matters specified in the paragraphs 4 & 5 of the said Order.	
4. (i) Further to our comments in the Annexure referred to above, we report that:	
a) As stated in Note 5.1 to the accounts, no provision has been made for pay revision and arrears though a part of the liability is being paid on an adhoc basis to the employees, the amount of which could not be ascertained at this stage.	The long term agreements for employees' pay revision have expired on 30.06.96 for collieries and on 31.12.96 for other units. Pending finalisation of wage agreements and in view of the Company being under BIFR, no provision towards the pay revision has been made. Liability, if any, in this regard is unascertainable. The position has been appropriately disclosed in Note No 5.1 of Schedule 3-'Notes on Accounts'.
(b) It is not possible to arrive at the exact area of land in respect of which the title is unascertained. Certain title deeds were not available for our examination.	The Land Reform Settlement Operation of the West Bengal State Government is in progress and the records of the Company in respect of ownership deeds of land are being examined. Separately, under section 6(3) of the West Bengal Estate Acquisition Act, proceedings are pending for final hearing. On conclusion of the same, the quantum of land to be recorded and retained in the Company's name, would be known.
(c) As stated in Note 5.4 to the accounts, no provision has been made in these accounts for cess on turnover leviable by Government of India as per section 441A of the Act pending government notification.	All title deeds are available in Estate department excepting some documents which are lying with IDBI in connection with consortium loan for Plant Rehabilitation Scheme. As the entire loan has been repaid, action is being taken to collect the documents from IDBI.
(d) As indicated in Note 6.3 to the accounts, the accumulated losses of the Company is Rs. 95457 lacs and the net worth is negative Rs. 52022 lacs. Accordingly, the financial statements have been drawn up on a going concern basis, which assumes that adequate facilities / benefits will be obtained and the growth in business will be as anticipated.	Section 441A of the Companies Act 1956, provides for levy of cess towards rehabilitation / revival of sick industrial companies, as the Central Government may from time to time specify by notification in the official Gazette. There is no notification as yet. Liability, if any, would be provided in line with the notification, as and when issued.
(e) The working results of the company include the impact of waiver of Cess and interest aggregating Rs. 6584 lacs. These are in the nature of extraordinary items and have been shown under other income as waivers.	Under the revival plan approved by Board for Industrial and Financial Reconstruction, the waiver of JPC cess and interest on term loans from Banks / Financial Institutions have been granted to IISCO. These are not extraordinary items, as these have arisen from the activities undertaken by the Company in the ordinary course of business. However, as per normal accounting practices these have been distinctly disclosed under 'Other Income'.
(f) Other revenues (Schedule 2.3) include Rs. 204.76 lacs of liability written back under "Sundries", which being very old could not be verified by us.	As per the normal accounting practice, old liabilities which were lying in the books for a long period, with no claims there against, were appropriately written back during the year.
(g) An advance of Rs. 88.89 lakhs was made by the Company for the purchase of land against which 24.93 acres of land is in possession of the Company and is also being used but the proportionate cost of land has not been transferred to fixed assets.	The amount of Rs. 88.89 lakhs represent adhoc payment against acquisition of 316.08 acres of land for the purpose of earlier modernization plan. Since the said modernization plan was not implemented, the value of only 24.93 acres of land required for use, pending order from the State Government, has not been transferred to fixed assets.
(h) No confirmation of year end balances in respect of sundry debtors, creditors, deposits and advances were available though letters seeking confirmation were sent to the debtors.	The system of seeking confirmation will be reviewed in the financial year 2004-05.
(i) No provision has been made for Holding tax payable to Asansol Municipal Corporation of Rs. 1319 lakhs (including Rs. 188.37 lakhs for current year), on the basis of the company's contention that no service was received from the AMC. However, the above amount is being taken as contingent liability.	As the demand of holding tax by Asansol Municipal Corporation is being contested and the matter is still pending the demand has been disclosed as contingent liability.



COMMENTS	MANAGEMENT'S REPLY
<p>(j) An amount of Rs. 95.53 lakhs payable to Excise and Sales Tax Authorities has been shown as contingent liability since in the opinion of the company this is likely to be waived against appeal already filed with the excise authorities in respect thereof.</p> <p>(k) Iron Ore Fines being regularly generated at Gua Mines of the Company and also at Burnpur Works has accumulated stocks of fines of large quantity. These are currently saleable in the market at various rates. However, as indicated in Note No. 5.10, the Company is not taking these inventories in the Accounts.</p> <p>(l) The effect of items (a) to (c) and (h) to (k) above on the Accounts of the Company could not be determined and the other observations in clauses above have no impact on the accounts.</p> <p>ii) Subject to the foregoing, we report that :</p> <p>(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.</p> <p>(b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and returns have been received from the 9(nine) branches not visited by us.</p> <p>(c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and with the returns from branches.</p> <p>(d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.</p> <p>(e) The directors of the Company, as per Government circular no.8/2002 dated 22.03.2002, are exempt from the provisions of Section 274(1)(g) of the Act.</p> <p>(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :</p> <p>(i) In the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2004;</p> <p>(ii) In the case of profit and loss account, of the profit for the year ended on that date; and</p> <p>(iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.</p>	<p>The amount of Rs. 95.53 lakhs, was worked out on estimated basis. However, the actual amount of Rs. 87.34 lakhs has been recovered from the defaulting customer towards excise duty (including interest) and sales tax and necessary action is being taken to deposit the same with the concerned authorities.</p> <p>In absence of any regular market, the stock of iron ore fines at Gua Mines has not been valued as per consistent practice, following the conservative accounting principles.</p>
<p>For and on behalf of</p> <p>Gupta & Co. Chartered Accountants</p> <p>Sd/- (S.K. Ganguli) Partner (Membership No. 6622)</p> <p>Place : New Delhi Dated : 25th May, 2004</p>	<p>For and on behalf of the Board of Directors</p> <p>Sd/- (Dr. S.K. Bhattacharyya) Chairman</p> <p>Place : Kolkata Dated : 9th August, 2004</p>



Auditors' Report

ANNEXURE TO AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date)

COMMENTS	MANAGEMENT'S REPLY
<p>1. (a) The Company is maintaining proper records of fixed assets to show full particulars including quantitative details and situation.</p> <p>(b) The Plant and Machinery, furniture and fittings, Vehicles and EDP Equipments of the Company have been physically verified by the management during the year. Office equipments and furniture and fittings have not been verified in case of Ramnagore and Chasnalla Collieries. No physical verification was carried out at Kulti Works. The Company has a regular programme of verification of the aforesaid assets which, in our opinion, is reasonable having regard to the size of the Company and in the nature of its assets except that, all the assets are not physically verified at least once in every three years. No material discrepancies were noticed on such verification.</p> <p>(c) In our opinion, a substantial part of the fixed assets has not been disposed off by the Company during the year.</p> <p>2. (a) The inventory of the Company has been physically verified by the management during the year. We are informed that the inventory lying with the branches have also been physically verified by the Management during the year.</p> <p>(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between physical stocks and the book records were not material.</p> <p>3. (a) The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under section 301 of the Act.</p> <p>(b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the holding company are not prima-facie prejudicial to the interest of the Company.</p> <p>(c) There is a moratorium of 3 years for the repayment of principal. However, the Company has not been regular during the year in the payment of interest.</p> <p>(d) No loans have been taken from or granted to companies, firms or other parties listed in the Register maintained under Section 301 of the Act.</p> <p>4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and with regard to the sale of goods. Further, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid internal control procedures.</p> <p>5. (a) In our opinion, there are no transactions that the Company required to enter in the Register maintained under Section 301 of the Act.</p> <p>(b) In view of the above, this clause is not applicable to the Company.</p> <p>6. The Company has not accepted any deposit from the public during the year and accordingly the provisions of Sections 58A and 58AA of the Act are not applicable to the Company.</p> <p>7. In our opinion, the scope and coverage of the Company's present internal audit system needs to be improved by risk analysis to be commensurate with the size and nature of its business.</p> <p>8. We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(I)(d) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.</p> <p>9. (a) In our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Employees State Insurance, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. However, in respect of Provident Fund there had been some delays up to December 2003 but has subsequently been regular. As indicated in note 5.9 to the Accounts, in view of Government of West Bengal agreeing to waive past dues on account of Rural Employment and Education Cess, Electricity duties, Sales Tax, Royalty and Cess, the question of depositing these amounts does not arise.</p> <p>(b) As at 31st March, 2004, there was no undisputed amounts payable in respect of Wealth Tax, Custom Duty, Excise Duty and Cess which were due for a period of more than six months from the date they became payable. However, in the case of Central Sales Tax Rs.13.26 crores (Rs.2.96 crores for the year) and in the case of West Bengal Sales Tax Rs.28.60 crores (Rs.6.01 crores for the year) were in arrears as at 31st March, 2004 for a period of more than 6 months from the date they became payable in view of the pending General Order as per the sanctioned scheme of BIFR from the Government of West Bengal who agreed to waive these but the confirmation is pending.</p> <p>(c) As at 31st March, 2004, according to the records of the Company the following are the particulars of disputed statutory dues which have not been deposited:- Please see Annexure—A</p> <p>10. The accumulated losses of the Company are more than fifty percent of its net worth, but the Company has not incurred cash losses during the financial year covered by our report though in the immediately preceding financial year the Company incurred cash losses.</p>	<p>After the closure of Kulti Works, the job for valuation and verification of entire assets was carried out by M/S MECON, an independent agency, in December'2003. The observation of audit with respect to physical verification of assets at other units has been noted for compliance.</p> <p>Since the Company had to priorities the available financial resources for payment of statutory and other employee related dues, the payment of interest on the loan granted by the Holding Company, was deferred. Against the total interest due of Rs. 3.10 crores as on 31st March'2004, a sum of Rs. 2.00 crores has since been paid.</p> <p>Steps are being taken to enhance the scope of internal audit by covering more functional areas/department based on risk analysis.</p> <p>Under the approved revival plan, the Govt. of West Bengal is in the process of issuing a general order to grant waivers of mentioned dues of Rs. 41.86 crores.</p> <p>Being disputed, the mentioned statutory dues have not been deposited.</p>

COMMENTS	MANAGEMENT'S REPLY
11. By virtue of BIFR order re-schedulement of repayment of term loan from banks and financial institutions is to commence from 2004-05. The Company has however paid back the amount of term loan amounting to Rs. 30.45 crores by March 2004 except for Rs. 1.50 crores due to a financial institution.	The term loan of Rs. 1.50 crores has been repaid to M/s IFCI in April' 04.
12. In our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.	
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, and therefore, the provisions of clause 4(xiii) of the order are not applicable to the Company.	
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.	
15. The Company has not given during the year any guarantee for the loans taken by others from banks or financial institutions the terms and conditions, whereof, in our opinion are prima facie prejudicial to the interest of the Company.	
16. In our opinion, the term loans have been applied for the purpose for which they were raised.	
17. In our opinion, on an overall examination of the Balance Sheet of the Company, we report that no funds raised on a short term basis have been used for long term investment and no long term funds have been used to finance short term assets except permanent working capital.	
18. In our opinion, 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 during the year.	
19. During the period covered by our audit, the Company has issued 1280 (6.4%) non-convertible redeemable bonds of Rs.5.00 lacs each, which are unsecured.	
20. The Company has not raised during the year any money by public issue.	
21. We have been informed that in a case related to export of iron and steel materials to Bangladesh during 2000-01, the Indian agent of the foreign buyer had reportedly submitted false and fictitious documents to the Company towards proof of exports. The matter is under investigation by the Deputy Commissioner, Detective Department, Kolkata. The amount involved in this case works out to Rs.202.56 lacs out of which Rs. 107.03 lacs has already been recovered during the year. The total outstanding as on 31.3.04 is Rs.79.57 lacs towards penalty and interest on excise and Rs. 15.96 lacs towards interest on sales tax. No other case of fraud has been reported to us nor have we noticed any.	Refer reply to para 4(i)(j) of Auditors' Report.

For and on behalf of

Gupta & Co.
Chartered Accountants

Sd/-
(S.K. Ganguli)
Partner
(Membership No. 6622)

Place : New Delhi
Dated : 25th May, 2004

SRI Associates
Chartered Accountants

Sd/-
(I. Pasha)
Partner
(Membership No. 13280)

For and on behalf of the Board of Directors

Sd/-
(Dr. S.K. Bhattacharyya)
Chairman

Place : Kolkata
Dated : 9th August, 2004

Annexure A [Refer to point No. 9(c)]

Name of the statute	Nature of dues	Amount (Rs./Lakhs)	Period to which the amount relates	From where dispute is pending
1. State and Central Sales Tax Act.	Sales Tax	3.02	1972-73	Deputy Commissioner of Commercial Tax
2. ...Do...	Sales Tax Purchase Tax, Turnover	195.13	1992-93	...Do...
3. ...Do...	Tax and Penalty	74.24	1994-95	...Do...
4. ...Do...	Sales Tax	18.32	1996-97	...Do...
5. ...Do...	Interest on Sales Tax and Penalty	405.96	1997-98	...Do...
6. ...Do...	Sales Tax	1.45	1998-99	...Do...
7. ...Do...	Interest on Sales Tax and Penalty, Sales Tax, Sales Tax Interest on	136.00	1999-2000	...Do...
	Sales Tax and Penalty	50.30	2000-01	...Do...
8. ...Do...	...Do...	884.42		
	Excise Duty	2.80	1988-89	ADJ Authority
	...Do...	32.15	1996-97	Hon'ble High Court, Kolkata
	...Do...	285.00	2000-01	CEGAT, Kolkata
	...Do...	23.52	2001-02	CEGAT, Kolkata
		<u>343.17</u>		

Comments of C&AG ANNEXURE-II TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004

ITEM NO.	COMMENTS	MANAGEMENT'S REPLIES
A.	Net Profit of Rs. 27.09 crore is overstated by Rs. 24 lakh due to valuation of rejected / half rolled ingots at cost price instead of at scrap value. The management has accepted to make rectification in 2004-05 accounts.	No comments.

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

Place : Ranchi
Dated : 27th July, 2004

Place : Durgapur
Dated : 9th August, 2004

For and on behalf of
the Board of Directors

Sd/-
(Dr. S.K. Bhattacharyya)
Chairman



Review of Accounts ANNEXURE-II TO THE DIRECTORS' REPORT

REVIEW OF ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED, FOR THE YEAR ENDED 31ST MARCH, 2004 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note :- Review of Accounts has been prepared without taking into account Comments under Section 619(4) of the Companies Act, 1956 and qualification contained in the Statutory Auditors' Report.

1. FINANCIAL POSITION

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

Description	2001-02	2002-03	2003-04
<i>(Rupees in crores)</i>			
LIABILITIES			
a) Paid-up Capital			
i) Government	0.00	0.00	0.00
ii) Others	387.66	387.66	387.66
b) Reserves & Surplus			
i) Free Reserve & Surplus	0.00	0.00	0.00
ii) Share Premium Account	0.36	0.36	0.31
iii) Specific Reserve	3.15	3.10	5.39
c) Borrowings:			
i) From Govt. Of India	0.00	0.00	0.00
ii) From Financial Institutes/Banks	31.95	31.95	1.50
iii) Foreign Currency Loans	0.00	0.00	0.00
iv) Cash Credit	59.34	62.81	29.55
v) Others	44.68	8.30	233.86
Total Borrowing(i to v)	135.97	103.06	264.91
vi) Interest Accrued and due	43.42	46.93	3.10
d) i) Current Liabilities & Provisions (excluding Gratuity, Accrued Leave, Post Retirement Medical Benefit & TA and EFBS)	651.07	843.28	718.76
ii) Provision for Gratuity, Accrued Leave, Post Retirement Medical Benefit & TA and EFBS	209.14	271.42	287.56
Total	1430.77	1655.81	1667.69
ASSETS			
e) Gross Block	793.74	799.49	818.83
f) Less: Depreciation	487.57	506.48	525.52
g) Net Block	306.17	293.01	293.31
h) Capital Work-in-progress	11.93	6.56	27.89
i) Investments	0.07	0.07	0.07
j) Current Assets, Loans & Advances	303.63	376.36	332.84
k) Miscellaneous Expenditure not written off	11.83	0.44	59.01
l) Accumulated Loss	797.14	979.37	954.57
Total	1430.77	1655.81	1667.69
m) Working Capital {(j-d(i)-c(vi))}	-390.86	-513.85	-389.02
n) Capital Employed (g+m)	-84.69	-220.84	-95.71
o) Net Worth (a+b(i)+b(ii)-k-l)	-420.95	-591.79	-625.61
p) Net Worth per Rupee of Paid-up Capital(in Rs.)	-ve	-ve	-ve

Note: The cumulative losses of Rs. 954.57 crore as on 31st March 2004 represents 246.24% of the paid-up capital. The net worth having become negative, the Company has been declared sick by Board for Industrial and Financial Reconstruction (BIFR) on 17th August 1994.

2. RATIO ANALYSIS

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

	2001-02	2002-03	2003-04
<i>(in percentage)</i>			
A. Liquidity Ratio			
Current Ratio (Current assets to Current Liabilities & Provision and interest accrued & due but excluding provision for Gratuity, Accrued Leave Post Retirement Medical Benefit & T.A. and E.F.B.S.) {j/d(i)+c(iv)}	43	42	46

6. SUNDRY DEBTORS

The following table indicates the sundry debtors and sales during the last three years:

As on 31st March	Sundry Debtors		Total Sundry Debtors	Sales	Percentage of Sundry Debtors to Sales
	Considered good	Considered doubtful			
<i>(Rupees in crores)</i>					
2002	71.86	20.81	92.67	911.94	10.16
2003	63.12	20.21	83.33	924.21	9.02
2004	57.61	20.76	78.37	1051.26	7.45

	2001-02	2002-03	2003-04
<i>(in percentage)</i>			
B. Debt Equity Ratio			
(Long term debt to net worth) {c(i) to v but excluding short term loans} / O}	-ve	-ve	-ve
C. Profitability Ratios			
a) Profit before tax to			
i) Capital Employed	-ve	-ve	-ve
ii) Net Worth	-ve	-ve	-ve
iii) Sales	-ve	-ve	2.58
b) Profit after tax to Equity	-ve	-ve	0.07
c) Earning per share (in Rs.)	-ve	-ve	0.70

3. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.205.08 crores from internal and external sources were realised and utilised during this year as given below :

		<i>(Rupees in crores)</i>
Sources of Funds		
1. Increase in Borrowing		161.85
2. Profit for the year	27.09	
Add increase in provisions for Gratuity, Accrued Leave, EFB, etc.	16.14	
Total		43.23
		205.08
Utilisation of Funds		
1) Increase in Working Capital		124.83
2) Addition to Fixed Assets		21.63
3) Decrease in Reserves & Surplus (Excluding Bond Redemption Reserve)		0.05
4) Increase in Miscellaneous expenditure not written off		58.57
Total		205.08

4. WORKING RESULTS

The table below indicates sales, net loss, etc. during the last three years:-

	2001-02	2002-03	2003-04
<i>(Rupees in crores)</i>			
a) Sales	911.94	924.21	1051.26
b) Net profit/(loss) during the year	(179.87)	(182.23)	27.09*
c) Percentage of net profit/(loss) to sales	(19.72)	(19.72)	2.58

*Net Profit of the year was due to waiver of JPC dues of Rs. 18.49 crore and interest accrued and due to Financial Institutions and Banks of Rs. 47.35 crore.

5. INVENTORY LEVEL

The following table indicates the inventory levels (Net of Provisions) during the last three years :

	2001-02	2002-03	2003-04
<i>(Rupees in crores)</i>			
Stores & Spares	47.30	43.49	41.62
Raw Materials (excluding in-transit)	16.42	15.36	17.52
Semi/Finished Goods (excluding in transit)	101.22	67.05	73.24
Scrap & Others	3.67	4.07	4.15

Place : Ranchi
Date : 27th July, 2004

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

ANNEXURE-III TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. Conservation of Energy:

Specific energy consumption during 2003-2004 was 9.296 Gcal/tcs.

a) Energy conservation measures taken in 2003-2004 are as follows :

- i) Arresting steam leakages by on-line & conventional methods and by installation/replacement of steam traps & valves.
- ii) Periodic cleaning (mechanical & chemical) of Boiler heating surface for better heat transfer.
- iii) On-line sealing of leakages on B.F. Gas and C.O. Gas mains.

b) Additional investments and proposals being implemented for reduction of consumption of energy during 2004-05:

- i) Arresting steam leakages using on-line & conventional methods and by installation/replacement of steam traps and valves.
- ii) Thermal insulation of steam pipelines & hot air ducts.
- iii) Periodic cleaning (mechanical & chemical) of boiler heating surface for better heat transfer.
- iv) Introduction of B.F. Gas firing & augmentation of 'B'-Boiler.
- v) Installation of reactive compensation device at Ilgner House No. 2
- vi) On-line sealing of leakages on B.F. Gas and C.O. Gas Mains.

c) Impact of measures at (a) and (b) above for reduction of energy and cost are as follows :

Measures taken during 2003-2004

- i) 6,994 tonnes of steam (@ 0.8 tph) worth Rs. 28 lakhs was saved due to steam leakage eliminations.
- ii) Savings of coal worth Rs. 25 lakhs achieved due to better heat transfer.
- iii) Gas losses arrested by on-line leak sealing of C.O. Gas & B.F. Gas Mains & Industrial Safety was ensured.

Proposals/Measures Planned to be taken up during 2004-2005:

- i) Steam savings @ 0.45 tonnes/hr by elimination of steam leakages.
- ii) Coal savings worth Rs. 13 lakhs by thermal insulation of steam lines & hot air ducts.
- iii) Coal savings worth Rs. 15 lakhs by periodic cleaning of boiler heating surfaces.
- iv) Savings @ Rs. 8 crore/year on account of reduced power import, coal consumption & boiler maintenance costs.
- v) Projected improvement of power factor from 0.83 to 0.91.
- vi) On-line sealing of leakages on gas pipeline will minimize gas losses and will help to ensure industrial safety.

d) Total energy consumption and energy consumption per unit of production are given in Form "A".

B. Technology Absorption :

e) Efforts made in technology absorption are given in Form "B".

C. Foreign Exchange Earnings and Outgo :

	(Rupees in crores)
(i) Foreign Exchange utilised : CIF value of imports	22.06
(ii) Foreign Exchange earned from exports	9.23

For and on behalf of the Board of Directors

Place: Kolkata
Dated: 9th August, 2004

Sd/-
(Dr. S.K. Bhattacharyya)
Chairman

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	2003-04	2002-03
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BURNPUR WORKS:

A. POWER AND FUEL CONSUMPTION

1. Electricity

a) Purchased Unit	10 ⁶ KWH	104.94	109.51
Total Amount	Rs./Lakhs	3,323.70	3,487.87
Rate/Unit	Rs./KWH	3.17	3.18

b) Own Generation

i) Through Steam Turbine/Generator

Unit	10 ⁶ KWH	123.08	125.25
Unit per litre of fuel oil/gas	KWH/G.Cal	183.84	185.15
Cost/Unit	Rs./KWH	3.41	3.29

2. Coal

a) Coking Coal (Indigenous)

Quantity	Tonnes	1,013,957	979,561
Total Cost	Rs./Lakhs	28,330.46	26,398.87
Average Rate	Rs./Tonne	2,794.05	2,694.97

b) Coking Coal (imported)

Quantity	Tonne	54,544	80,198
Total Cost	Rs./Lakhs	2,063.31	2,811.33
Average Rate	Rs./Tonne	3,782.86	3,505.49

c) Non-Coking Coal

Quantity	Tonne	138,670	127,092
Total Cost	Rs./Lakhs	1,807.96	1,575.09
Average Rate	Rs./Tonne	1,303.79	1,239.33

3. Furnace Oil

Quantity	K. Litres	16.3	6.0
Total Amount	Rs. Lakhs	0.67	0.25
Average Rate	Rs./KL	4,140	4,140

4. Others/Internal Generation — — —

B. CONSUMPTION PER TONNE OF CRUDE STEEL PRODUCTION:

Electricity	kwh/tcs	628.4*	603.3*
Coking Coal	t/tcs	3.550	3.244
Non-Coking Coal	t/tcs	0.461	0.389

* For calculation, Electricity Units (2003-2004 – 38858247 kwh; 2002-2003 – 37652549 kwh) supplied to Employees and others have been excluded.

FORM – B

TECHNOLOGICAL DEVELOPMENTS/ABSORPTION IN IISCO-BURNPUR WORKS

Research & Development

1. Introduction of IN HOUSE Casting of Ingot Moulds with Avg.Mould life of 50 heats. 950 Moulds made in 2003-04
2. IN-HOUSE Casting of Large Bell Hopper for Blast Furnace No. 4
3. Usage of modified enlarged fabricated sleeper to arrest localized subsidence of coke pusher car
4. Installation of modified system in inclined conveyors to avoid rolling back
5. Introduction of mechanized greasing system for ZI.C. Cars
6. Installation of Radio-remote control of crane in ER Shop
7. Installation of Microprocessor based digital controller in Electro Filter at Blast Furnace
8. Installation of TIG-Welding Facility of Traction Motor in E.R. Shop
9. IN-HOUSE manufacture of Slag Pots (Steel): 6 Nos. for THF & 10 Nos. for Blast Furnaces and for supplying to Bhilai Steel Plant
10. Installation and commissioning of Digital Executive communication system in PPC and Hospital Telephone Exchange
11. Introduction of Modified Channel Guide for 100x50 mm Channel in L.S. Mill
12. Unloading of Iron Ore from BOBRN Type Wagons through pneumatic System introduced
13. IN-HOUSE design, fabrication and installation of 2nd Twin Hearth Furnace.



Cash Flow Statement

Cash Flow Statement for the year	2003-04	2002-03
	(Rupees in crores)	
A. Cash Flow from Operating Activities		
Net profit(+) loss(-) before taxation, and extraordinary items	27.09	-182.23
Add: Adjustment for:		
Depreciation	24.05	23.22
Interest Expenses	13.77	10.33
Bad debts written-off	—	0.34
Deferred revenue expenditure (Charged during the year)	15.20	13.89
Less: Adjustment for:		
Waiver of loan	—	44.68
Waiver of interest on F.I.'s & Banks	47.35	—
Interest Income	4.39	0.19
Dividend Income	0.02	—
Operating profit before working capital change	28.35	-179.32
Less: Adjustment for:		
Inventories	8.69	-40.43
Sundry Debtors	-5.51	-8.74
Loans and Advances	1.41	-3.93
Current Liabilities and Provisions (excluding guarantee fee to GOI & Int. on bond)	112.54	-241.13
Deferred Revenue Expenditure (Additions)	73.77	2.48
Net Cash from Operation Activities	-162.55	112.43
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	45.95	5.38
Interest received	-4.43	-0.28
Dividend received	-0.02	—
Net Cash from Investing Activities	41.5	5.1
C. Cash Flow from Financing Activities		
Bond Issue Expenses	-0.05	—
Proceeds from Borrowings (net)	161.85	11.77
Interest and Finance Charges paid	-5.90	-6.82
Net Cash from Financing Activities	155.9	18.59
Net Increase/Decrease(-) in Cash & Cash Equivalents (A-B+C)	-48.15	125.92
Cash & Cash Equivalents (Opening)	147.89	21.97
Cash & Cash Equivalents (Closing)	99.74	147.89
(Represented by Cash & Bank Balances)		

In terms of our report of even date

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

Sd/-
(S.K. Ganguli)
Partner
Membership No. 6622

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

Sd/-
(I. Pasha)
Partner
Membership No. 13280

For and on behalf of the Board of Directors

Sd/-
(A.K. Mukherjee)
Secretary

Sd/-
(H.M.P. Singh)
Managing Director

Sd/-
(G.C. Daga)
Director

Place : New Delhi
Dated : 25th May, 2004





Maharashtra
Elektrosmelt Ltd.

Directors' Report

To

The Members,

The Directors have pleasure in presenting the 31st Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL REVIEW

During the year the Company has achieved a turnover of Rs. 152.98 crores (including conversion income of Rs. 111.41 crores) as compared to Rs. 189.66 crores (including conversion income of Rs. 165.79 crores) in the previous year. The Company has made a turnaround in performance and earned a net profit of Rs. 6.30 crores despite a major fire accident occurred in April, 2003, because of which the Furnace No. 1 was not in operation upto November, 2003. The financial results are summarised below:

	2003-2004	2002-2003
		(Rs. in crores)
Turnover (Gross)	152.98	189.66
Operating Profit/Loss(-)	11.24	8.77
Interest	2.92	5.89
Depreciation	1.82	1.76
Net Profit/Loss (-) before Tax	6.50	1.12
Income Tax Provision	0.20	--
Net Profit/Loss (-) after Tax	6.30	1.12

Though the Company has made a post tax net profit of Rs. 6.30 crores for the year 2003-04, the Directors have not recommended any dividend for the year in view of the accumulated loss of Rs. 41.01 crores as on 31st March, 2004.

PRODUCTION REVIEW

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

Material	2003-2004	2002-2003
		(MT)
High Carbon Ferro Manganese	24531	57849
Silico Manganese	35670	35318
Medium Carbon Ferro Manganese	1443	1939

SALES & MARKETING REVIEW

SAIL STEEL PLANT

During the year the despatches of ferro alloys to SAIL Steel Plants were badly affected on account of fire accident occurred in the transformer of FAD-I. The furnace was down for almost eight months prior to its capital repairs, installation of a new transformer and its commissioning in December, 2003. The despatch of SiMn was maintained at reasonable level. The capital repairs of the furnace producing Silico Manganese is under relining and expected to commence production in the first week of August, 2004. Despatches of ferro alloys during the year were as under :

Material	2003-2004	2002-2003
		(MT)
High Carbon Ferro Manganese	23289	58263
Silico Manganese	34715	35473
Medium Carbon Ferro Manganese	1454	1882

OTHER CUSTOMERS

The Company was able to achieve a phenomenal growth both in terms of volume and sales realisation through sale of ferro alloys to customers other than SAIL Plants. The sale to outside parties was 16.82% of total sales in 2003-04 in comparison to 5.52% in 2002-03. The Company

could generate substantial additional revenue of Rs. 1360 lakhs in 2003-04 with respect to the previous financial year. The details of sales performance in 2003-04 vis-à-vis 2002-03 are as under:

	2003-04		2002-03	
Material	Quantity (MT)	Value (Rs. in Lakhs)	Quantity (MT)	Value (Rs. in Lakhs)
High Carbon Ferro Manganese	3963	1230.97	2622	478.55
Silico Manganese	4311	1170.05	2565	477.85
Medium Carbon Ferro Manganese	330	161.17	187	74.23
Others	—	11.33	—	17.16
Total	8604	2573.52	5374	1047.79
Growth over 2002-03	60.10%	145.61%		

RESEARCH & DEVELOPMENT

Two in-house development projects were undertaken in the area of pollution control.

- Design and installation of dust suppression system at stack of SP-I.
- Design and installation of dust suppression at ground hopper of raw material charging system.

HUMAN RESOURCES MANAGEMENT REVIEW

Human resource is considered as a major factor in the overall working of the Company. The Company has motivated and involved the workforce in production and other activities, which has resulted into better performance of the Company. The training programmes were organised for the executives and non-executives for improvement and development in the skill, knowledge and working of the employees. Under various training programmes of the Company 58 executives and 326 non-executives were trained in the different disciplines. 20 executives and non-executives were given skill development training in key categories of work at RSP/BSP.

Under the Company Suggestion Scheme, several suggestors were awarded for their creative ideas/suggestions. Also 78 employees were given the Best Performance Award.

During the year the Company has implemented a generic designation one each for the four clusters for non-executives in works as well as non-works. There are now four designations each in works and non-works areas respectively. This will bring flexibility in the deployment of employees from works to non-works and vice-versa.

The manpower strength as on 31st March, 2004 was 827 comprising of 129 Executives and 698 Non-Executives, out of which 114 were Scheduled Castes and 37 were Scheduled Tribes. A total of 31 employees were separated under Voluntary Retirement Scheme during the year 2003-2004.

During the year the Industrial Relations continued to remain harmonious and peaceful with full support and co-operation of the Trade Union and Officers' Association.

ENVIRONMENT

Environment Management and Pollution Control occupied top priority in company's activities during the year. To keep environment clean for ecological protection, focused attention was given in the areas of green belt development in and around the plant premises, solid waste management, monitoring of liquid and air effluent for various environmental parameters. 2000 tree saplings were planted during the year besides maintenance of existing teak trees and other trees.

The Spectacular Turnaround

The effluent discharge from the plant after treatment was recirculated for plant operation like slag granulation, sinter plant dust suppressor, jigging operation and SAF-I granulation tank to reduce fresh water consumption.

The dust suppressor system at Raw Materials Yard has been designed and installed in-house to curb dust emission during raw material charging operations.

To control stack emission from Sinter Plant, water spray system has been installed in stack of SP-I. Trials are being conducted at Coal mines, Chandrapur, for using Silico Manganese slag in mine stowing.

TOTAL QUALITY & INDUSTRIAL SAFETY

Quality Assurance System (QAS) addressed to ISO-9002 (1994) International Standard was successfully maintained in the organisation during the year 2003-2004. In addition, the ISO-9001-2000 (QMS) has been implemented on account of revision in ISO-9000 standards.

After obtaining ISO-9001-2000 QMS certification in August, 2002 from M/s. Lloyd's Register of Quality Assurance (LRQA), 3rd Surveillance Audit was conducted and the entire Quality Management System was cleared for satisfactory maintenance.

During the year under review in Industrial Safety, the Company has been awarded the Steel Minister's Trophy for the Best Safety performance for the year 2002 and SAIL Chairman's Silver Plaque for No Fatal Accident for the year 2003.

SICK COMPANY

Reference to BIFR pursuant to the proviso to Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, has been registered as Case No.502/2003. The case is pending before BIFR and hearing is yet to take place. An Appeal No.23/2003 filed before the AAIFR against BIFR order dt. 5/12/2002 for holding BIFR Case No.501/2002 filed by the Company, as time barred, is also pending before the AAIFR. Hearing is yet to take place.

FUTURE PLAN

To achieve the objectives of the Corporate Plan 2005, studies were carried out for utilisation of sludge in sinter and installation of mechanised jigging machine for recovery of metal from metal dust, slag mix.

To get power supply from M/s. Bhilai Electric Supply Company Private Limited (a Joint venture of NTPC & SAIL) to MEL at a competitive tariff is under consideration.

Expansion of capacities for producing ferro alloys is being explored.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS

Shri B.K. Singh superannuated w.e.f. 29th February, 2004.

Shri R.P. Singh has been appointed as Director w.e.f. 16th April, 2004.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared annual accounts on a going concern basis.

CORPORATE GOVERNANCE

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

AUDITORS' REPORT

The Statutory Auditors' Report on Accounts of the Company for the financial year ended 31st March, 2004 alongwith Management's replies are enclosed. The comments of Comptroller and Auditor General of India under the Section 619(4) of the Companies Act, 1956 alongwith review on accounts of the Company for the year ended 31st March, 2004 are also enclosed at Annexure-VII.

ACKNOWLEDGEMENT

The Board of Directors take this opportunity to express their appreciation for the support, Co-operation and loyalty extended by every employee of the Company. They wish to acknowledge the continued support extended by Steel Authority of India Limited. The Directors also greatly appreciate the excellent support the Company received from Shareholders, Auditors, Bankers, Financial Institutions, Central & State Governments, Local Authorities, Maharashtra Electricity Regulatory Commission (MERC), Electricity Board and the Suppliers and Customers.

For & on behalf of the Board

Place : New Delhi
Date : 8th July, 2004

Sd/-
(Ashis Das)
Chairman



Balance Sheet AS AT 31ST MARCH, 2004

	Schedule No.	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)			
SOURCES OF FUNDS			
Share holders' Funds			
Share Capital	1.1	2400.00	2400.00
Reserves & Surplus	1.2	<u>15.00</u>	<u>15.00</u>
		2415.00	2415.00
Loan Funds			
Secured Loans	1.3	899.65	1395.63
Unsecured Loans	1.4	<u>3401.28</u>	<u>2115.88</u>
		4300.93	3511.51
TOTAL :		<u>6715.93</u>	<u>5926.51</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.5	5806.21	5489.03
Less: Depreciation		<u>3119.32</u>	<u>3009.51</u>
Net Block		<u>2686.89</u>	<u>2479.52</u>
Capital Work-in-progress	1.6	<u>7.30</u>	<u>2.94</u>
		2694.19	2482.46
Current Assets, Loans & Advances			
Inventories	1.7	2514.05	2715.43
Sundry Debtors	1.8	1281.69	522.69
Cash and Bank Balances	1.9	24.26	62.87
Interest Receivable/Accrued	1.10	77.24	76.05
Loans and Advances	1.11	<u>1279.50</u>	<u>1223.24</u>
		<u>5176.74</u>	<u>4600.28</u>
Less : Current Liabilities & Provisions			
Current Liabilities	1.12	3719.51	4659.72
Provisions	1.13	<u>1670.83</u>	<u>1336.52</u>
		<u>5390.34</u>	<u>5996.24</u>
Net Current Assets		-213.60	-1395.96
Miscellaneous Expenditure	1.14	<u>134.01</u>	<u>108.35</u>
(To the extent not written off or adjusted)			
Profit & Loss Account		4101.33	4731.66
TOTAL :		<u>6715.93</u>	<u>5926.51</u>
Accounting Policies and Notes on Accounts			
Schedules 1 and 3 annexed hereto, form part of the Balance Sheet.			

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(R.K. Gupta)
Executive Director

Sd/-
(M.A. Gohel)
Partner

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(Ashis Das)
Chairman

Place : New Delhi

Date : 25th May, 2004

The Spectacular
Turnaround

Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule No.	Year Ended 31st March, 2004	Year Ended 31st March, 2003
<i>(Rs. in lakhs)</i>			
INCOME			
Sales	2.1	15297.66	18965.99
Less : Excise duty		<u>2765.26</u>	<u>3295.51</u>
		12532.40	15670.48
Interest earned	2.2	43.13	52.75
Other revenues	2.3	143.54	30.16
Provisions no longer required written back	2.4	<u>2.57</u>	<u>7.11</u>
		189.24	90.02
		<u>12721.64</u>	<u>15760.50</u>
EXPENDITURE			
Accretion(-)/Depletion in stocks	2.5	126.93	630.90
Raw Materials consumed	2.6	1458.69	1201.37
Employees' Remuneration & Benefits	2.7	2168.24	2149.41
Stores & Spares consumed		342.70	386.19
Power & Fuel	2.8	6456.04	9524.45
Repairs & Maintenance	2.9	352.82	33.25
Other expenses	2.10	686.58	956.06
Interest & finance charges	2.11	291.90	588.92
Depreciation		<u>182.01</u>	<u>176.27</u>
		12065.91	15646.82
		<u>12065.91</u>	<u>15646.82</u>
Profit for the year		655.73	113.68
Adjustments pertaining to earlier years	2.12	<u>-5.40</u>	<u>-1.71</u>
Profit before Tax		650.33	111.97
Less : Provision for taxation - Current Tax		<u>20.00</u>	—
Profit after tax		630.33	111.97
Loss brought forward from previous year		<u>- 4731.66</u>	<u>-4843.63</u>
Balance of loss carried over to Balance Sheet		<u>- 4101.33</u>	<u>-4731.66</u>
Accounting Policies and Notes on Accounts	3		
Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account.			

As per our report of even date attached

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(R.K. Gupta)
Executive Director

Sd/-
(M.A. Gohel)
Partner

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(Ashis Das)
Chairman

Place : New Delhi

Date : 25th May, 2004



Schedules

1.1 SHARE CAPITAL	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
Authorised :		
30,000,000 Equity Shares of Rs.10/- each	3000.00	3000.00
Total	3000.00	3000.00
Issued :		
24,000,000 Equity Shares of Rs.10/- each	2400.00	2400.00
Subscribed and Paid-up :		
24,000,000 Equity Shares of Rs.10/- each fully paid-up	2400.00	2400.00
TOTAL	2400.00	2400.00

Note : Of the above, 237,87,935 (237,87,935)
Equity Shares are held by
Steel Authority of India Limited -
Holding Company

1.2 RESERVES & SURPLUS	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
CAPITAL RESERVE :	15.00	15.00
(Represents amount received from Central Government by way of Capital subsidy)		
TOTAL	15.00	15.00

1.5 FIXED ASSETS

Description	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 31st March, 2003	Additions/ Adjustments during the year	Less: Sales / Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	During the year	Less: on Sales/ Adjustments during the year	Upto 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)										
A. PLANTS, MINES, OTHERS										
Land (incl. cost of devp.)										
-Freehold Land	29.79	0.00	0.00	29.79	—	—	—	—	29.79	29.79
Railway Lines & Sidings	108.58	0.00	0.00	108.58	103.15	0.00	0.00	103.15	5.43	5.43
Roads,Bridges & Culverts	18.89	0.00	0.00	18.89	3.04	0.31	0.00	3.35	15.54	15.85
Buildings	665.29	1.48	0.00	666.77	221.95	21.34	0.00	243.29	423.48	443.34
Plant & Machinery										
-Steel Plant	3741.40	414.20	103.70	4051.90	2086.51	130.78	72.19	2145.10	1906.80	1654.89
-Others	456.81	0.00	0.00	456.81	359.96	16.66	0.00	376.62	80.19	96.85
Furniture & Fittings	56.04	0.35	0.00	56.39	46.90	2.47	0.00	49.37	7.02	9.14
Vehicles	54.59	0.00	0.00	54.59	37.68	2.09	0.00	39.77	14.82	16.91
Water Supply & Sewerage	41.66	0.00	0.00	41.66	31.16	1.01	0.00	32.17	9.49	10.50
EDP Equipments	44.74	4.31	0.00	49.05	37.90	1.92	0.00	39.82	9.23	6.84
Miscellaneous Articles	44.43	0.61	0.07	44.97	26.90	1.73	0.01	28.62	16.35	17.53
Sub-total 'A'	5262.22	420.95	103.77	5579.40	2955.15	178.31	72.20	3061.26	2518.14	2307.07
Figures for the previous year	5248.87	14.12	0.77	5262.22	2784.62	172.69	2.16	2955.15	2307.07	
B. SOCIAL FACILITIES										
Land (incl. cost of devp.)										
-Freehold Land	0.00	0.00	0.00	0.00	—	—	—	—	0.00	0.00
Roads,Bridges & Culverts	9.15	0.00	0.00	9.15	2.53	0.15	0.00	2.68	6.47	6.62
Buildings	211.06	0.00	0.00	211.06	49.96	3.44	0.00	53.40	157.66	161.10
Water Supply & Sewerage	6.60	0.00	0.00	6.60	1.87	0.11	0.00	1.98	4.62	4.73
Sub-total 'B'	226.81	0.00	0.00	226.81	54.36	3.70	0.00	58.06	168.75	172.45
Figures for the previous year	222.35	6.34	1.88	226.81	50.78	3.58	0.00	54.36	172.45	
Total ('A'+ 'B')	5489.03	420.95	103.77	5806.21	3009.51	182.01	72.20	3119.32	2686.89	2479.52
Figures for the previous year	5471.22	20.46	2.65	5489.03	2835.40	176.27	2.16	3009.51	2479.52	2635.82

1.3 SECURED LOANS	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
Working Capital		
Borrowings From Banks*	823.71	1287.48
Housing Finance Loan** from Housing Development Finance Corporation Ltd.	75.94	105.66
Add: Interest Accrued and due	0.00	2.49
Total	899.65	1395.63

* Secured by hypothecation of
Company's inventories, Book debts
and are guaranteed by Steel Authority of India Limited -
Holding Company.

** Secured by equitable mortgage of the property of
the employees who have taken advances from the
company for acquiring house properties.

Note : Secured loans repayable within one year

1.4 UNSECURED LOANS	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
Term Loans from Govt. of Maharashtra @@ (Transferred from SICOM to Govt. of Maharashtra)	591.78	591.78
STEEL AUTHORITY OF INDIA LIMITED (HOLDING COMPANY)	2809.50	1524.10
TOTAL :	3401.28	2115.88
@ @ Interest Free loan from Govt. of Maharashtra		
Note : Unsecured Loans repayable within one year.	590.99	231.85

1.6 CAPITAL WORK-IN-PROGRESS	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
Capital work-in-progress		
Ferro Alloy Units	64.72	60.36
Less : Provisions	57.42	57.42
TOTAL :	7.30	2.94

1.7 INVENTORIES	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
(As taken, valued and certified by Management)		
Stores and Spares	429.30	400.24
Add : In-transit	30.25	0.00
	459.55	400.24
Less : Provision	153.65	153.81
	305.90	246.43
Raw Materials	464.29	594.09
Add : In-transit	8.68	9.51
	472.97	603.60
Finished products/ By-products	1174.16	1301.09
Salvaged/Scrapped fixed assets	771.11	774.40
Less : Provision	210.09	210.09
(At book or assessed or realisable value whichever is lower)	561.02	564.31
TOTAL :	2514.05	2715.43

1.8 SUNDRY DEBTORS (UNSECURED)	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
Debts due for more than six months	16.05	16.69
Other debts	1281.68	518.40
	1297.73	535.09
Less : Provision for doubtful debts	16.04	12.40
TOTAL :	1281.69	522.69
PARTICULARS		
Considered good	1281.69	522.69
Considered doubtful	16.04	12.40
TOTAL :	1297.73	535.09
Note :		
Due from Steel Authority of India Limited (Holding Company)	1275.49	496.98

1.9 CASH AND BANK BALANCES	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
Cash on hand	1.57	0.98
Cheques/Drafts on hand	2.29	37.74
With Scheduled Banks in :		
- Current Account	2.19	3.78
- Term Deposit	15.18	12.25
	17.37	16.03
Remittances-in-transit	3.03	8.12
TOTAL :	24.26	62.87

1.10 INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
Employees	55.62	54.57
Others	24.65	24.51
	80.27	79.08
Less : Provision for doubtful Interest	3.03	3.03
TOTAL :	77.24	76.05

1.11 LOANS AND ADVANCES	As at 31st March, 2004	As at 31st March, 2003
		<i>(Rs. in lakhs)</i>
Loans		
Employees		
[Secured Rs.221.84 lakhs (Rs.251.40 lakhs)]	226.26	256.19
Advances recoverable in cash or in kind or for value to be received :		
Claims recoverable	55.58	22.44
Contractors and suppliers	29.21	43.34
Employees	2.00	2.32
Income tax deducted at source	26.01	25.98
Others	198.85	141.47
	311.65	235.55
Deposits :		
Excise Department, Railways, etc.	5.50	0.31
Others	759.36	756.29
	764.86	756.60
	1302.77	1248.34
Less : Provision for doubtful Loans & Advances	23.27	25.10
TOTAL :	1279.50	1223.24
Particulars of Loans & Advances :		
Secured, considered good	221.84	251.40
Unsecured, considered good	1057.66	971.84
Unsecured, considered doubtful	23.27	25.10
TOTAL :	1302.77	1248.34



Schedules

1.12 CURRENT LIABILITIES

	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
CURRENT LIABILITIES		
Sundry Creditors :		
Capital works	82.95	75.30
Small Scale Industrial Undertaking	66.39	96.70
Others	1801.36	3037.92
	1950.70	3209.92
Advances from Customers	100.38	50.98
Others - Holding Company	95.42	—
	195.80	50.98
Security deposits	241.68	226.00
Interest accrued but not due on loans (Hold.Co.)	0.08	105.94
Unclaimed Dividend	0.00	0.24
Other liabilities	1331.25	1066.64
TOTAL :	3719.51	4659.72

1.13 PROVISIONS FOR

	As at 31st March, 2004	As at 31st March, 2003
(Rs. in lakhs)		
Gratuity	834.14	613.67
Accrued Leave Liability	382.87	291.80
Taxation		
Opening Balance	4.36	4.36
Add : Provision during the year	20.00	—
	24.36	4.36
Voluntary Retirement Scheme	127.58	157.17
Employees Family Benefit Scheme	229.49	204.42
Post Retirement Medical & Settlement Benefits	72.39	65.10
TOTAL :	1670.83	1336.52

1.14 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance As at 31.03.2003	Additions during the year	Total	Amount Charged off during the year	Balance As at 31.03.2004
(Rs. in lakhs)					
(i) DEFERRED REVENUE EXPENDITURE					
Voluntary Retirement Compensation	108.35	117.62	225.97	91.96	134.01
TOTAL :	108.35	117.62	225.97	91.96	134.01
Previous year	215.54	125.76	341.30	232.95	108.35

2.1 SALES

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
(Rs. in lakhs)		
Ferro Alloys	4145.05	2370.34
Conversion	11141.28	16578.50
Others	11.33	17.15
TOTAL :	15297.66	18965.99

2.3 OTHER REVENUES

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
(Rs. in lakhs)		
Social amenities-recoveries	9.50	8.99
Sale of empties etc.	23.03	1.46
Liquidated damages	1.14	0.07
Profit on sale of Fixed Assets	0.00	0.01
Sundries *	109.87	19.63
TOTAL :	143.54	30.16

* Includes Insurance claim of Rs. 100.41 lakhs for Assets destroyed by fire.

2.2 INTEREST EARNED

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
(Rs. in lakhs)		
Customers	0.38	3.92
Employees	16.17	16.58
Others *	26.58	32.25
TOTAL :	43.13	52.75

* Tax deducted at source Rs. 5.67 lakhs
(Rs. 5.48 lakhs)

2.4 PROVISION NO LONGER REQUIRED WRITTEN BACK

	Year Ended 31st March, 2004	Year Ended 31st March, 2003
(Rs. in lakhs)		
Loans & advances	2.40	0.37
Stores & spares	0.17	0.00
Others	0.00	6.74
TOTAL :	2.57	7.11

2.5 ACCRETION (-) / DEPLETION IN STOCK OF FINISHED PRODUCTS	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in Lakhs)</i>
Opening Stock	1301.09	1931.99
Less : Closing Stock	1174.16	1301.09
TOTAL :	126.93	630.90

2.6 RAW MATERIAL CONSUMED	Year Ended 31st March, 2004		Year Ended 31st March, 2003	
	Quantity [MT]	Rs. in lakhs	Quantity [MT]	Rs. in lakhs
Manganese Ore	50533	1029.48	29859	798.71
Others		429.21		402.66
TOTAL :		1458.69		1201.37

2.7 EMPLOYEES' REMUNERATION AND BENEFITS	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Salaries and wages	1576.59	1572.80
Company's contribution to provident fund and other funds	162.69	158.13
Welfare expenses	154.75	189.83
Gratuity	274.21	228.65
TOTAL	2168.24	2149.41

2.8 POWER & FUEL	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Purchased power	6441.67	9517.16
Furnance Oil	14.37	7.29
TOTAL :	6456.04	9524.45

2.9 REPAIRS AND MAINTENANCE	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Buildings	23.77	7.22
Plant and machinery**	309.23	15.58
Others	19.82	10.45
TOTAL :	352.82	33.25

** Includes Expenditure on relining of furnance no. 1 Rs. 298.18 lakhs (Rs. Nil)

2.10 OTHER EXPENSES	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Demurrage and wharfage	1.30	0.66
Handling expenses		
Raw material	42.64	58.09
Finished goods	275.12	315.89
	317.76	373.98
Insurance	19.97	16.22
Law charges	3.08	3.74
Loss on sale/scraping of Fixed Assets (Net)	0.05	0.00
Postage, telegram & telephone	11.68	9.95
Printing & stationery	3.59	3.99
Rates & Taxes	39.65	59.90
Remuneration to Auditors:		
- Audit fees	1.11	1.05
- Tax audit fees	0.33	0.32
- Out of pocket expenses	0.61	0.31
- In Other Capacities	0.57	0.29
	2.62	1.97
Rent	19.34	7.93
Travelling expenses	61.26	67.83
Write offs & Provisions		
- Miscellaneous & Deferred Revenue	91.96	232.95
Expenditure		
- Sundry debtors	0.00	8.37
- Doubtful debts & loans and advances	4.21	15.18
- Diminution in the value of fixed assets & materials	0.00	67.81
* Miscellaneous	110.11	85.58
TOTAL :	686.58	956.06

* Includes :

- 1) Rs. 31.50 lakhs towards loss of fixed assets destroyed by fire.
- 2) Donation Rs. 0.05 lakhs (Rs. 0.10 lakhs)

2.11 INTEREST & FINANCE CHARGES	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Bank borrowing - working capital	184.25	217.17
Others	95.58	355.51
Finance Charges	12.07	16.24
TOTAL :	291.90	588.92

2.12 ADJUSTMENTS PERTAINING TO EARLIER YEARS	Year Ended 31st March, 2004	Year Ended 31st March, 2003
		<i>(Rs. in lakhs)</i>
Other Expenses & Provisions	5.40	11.41
Interest	0.00	-9.70
Net Debit	5.40	1.71

Note : (-) indicates credit items



Schedules

SCHEDULE 3 :

ACCOUNTING POLICIES & NOTES ON ACCOUNTS

PART A : ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING:

The company prepares its accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.

1.1 FIXED ASSETS:

All fixed assets are stated at historical cost less depreciation. Fixed assets whose actual costs can not be accurately ascertained are initially capitalised on the basis of estimated cost and final adjustments for cost and depreciation, if any, are made retrospectively on ascertainment of actual cost.

Expenditure incurred during trial run period are capitalised till the concerned assets are ready for commercial production.

Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised.

1.2 DEPRECIATION:

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

Low value items costing Rs. 5000 or below are depreciated fully in the year of its acquisition.

Depreciation on assets installed/disposed off during the year is provided with respect to the month of addition/disposal thereof.

Extra shift depreciation is provided treating a particular plant as one unit.

Machinery spares capitalized and adjustment to fixed assets on account of fluctuations in foreign exchange rates are depreciated over residual useful life of the respective assets.

1.3 GOVERNMENT GRANTS:

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value.

Grants-in-aid related to revenue items are netted against the related expenses.

1.4 BORROWING COST:

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to revenue.

1.5 INVENTORY :

Inventory is valued on the following basis:

Finished Products	: at lower of cost and net realisable value
Raw Material	: at lower of weighted average cost and net realisable value
Stores & Spares	: Weighted average cost. However, in case of non-moving, obsolete/surplus stores & spares item, provision is made on book value and charged to revenue, as stated below :
	i) Not moved for five years and more - 10%
	ii) Not moved for ten years and more - 50%
	iii) Not moved for fifteen years and more - 75%
	iv) Obsolete/surplus stores and spares - 75%
By-products and Process scrap / Mn ore fines / Coke rejects	: Net realisable value

1.6 FOREIGN CURRENCY TRANSACTIONS:

Foreign currency assets and liabilities (other than those covered by forward contracts) as on the Balance Sheet date are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of fixed assets or charged to Profit & Loss Account, as the case may be.

Transactions in foreign currencies other than those covered by forward contracts are recorded at the rates prevailing on the date of transactions.

In case of foreign currency transactions covered by forward contracts, the difference between contract rate and exchange rate prevailing on the date of transactions, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the contract period.

1.7 CLAIMS FOR LIQUIDATED DAMAGES/ ESCALATION:

Claims for liquidated damages are accounted for as and when these are deducted from the Suppliers' bill. These are treated as income on completion of the projects/final settlement.

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

1.8 RETIREMENT BENEFITS:

The provisions towards gratuity, leave encashment, post retirement medical & settlement benefits to employees are made based on the actuarial valuation as at end of the year.

1.9 EMPLOYEES' FAMILY BENEFIT SCHEME:

The provision towards payments to be made in future to the disabled employees / legal heirs of deceased employees under the Employees' Family Benefit Scheme is based on the actuarial valuation as at the end of the year.

1.10 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES:

Income/expenditure relating to prior periods and prepaid expenses, which do not exceed Rs.5.00 lakh in each case, are treated as income/expenditure of the current year.

1.11 SALES:

Materials sold in domestic market are treated as sales on delivery to carriers. Export sales are treated as Sales on issue of Bill of Lading.

"Sales and conversion charges" include packing charges, excise duty but exclude sales tax.

1.12 EXPORT INCENTIVE:

Export incentives in the form of Special/Advance Licenses and credit earned under Duty Entitlement Pass Book Scheme (DEPB) and Duty Drawback, are treated as income in the year of export, at estimated realisable value/actual credit earned on exports made during the year.

1.13 TAXATION:

Provision for income tax comprises of current tax and deferred tax charged or realised. Deferred tax is recognised subject to consideration of prudence on timing differences, being the differences between taxable and accounting income/expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). Deferred tax assets are not recognised unless there is "virtual certainty" that sufficient future taxable income will be available, against which such deferred tax assets will be realised.

1.14 DEFERRED REVENUE EXPENDITURE:

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

In respect of deferred Voluntary Retirement schemes, compensation liability is initially ascertained on actuarial valuation and written-off in five years. Annual increase/decrease to the above liability, actuarially ascertained, is charged to profit & loss account, after adjustment of payments thereof during the year. Incremental amount due to wage revision is charged corresponding to the period for which such expenditure is amortised.

PART B : NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

Contingent Liabilities not provided for -

- 2.1 Claims against the Company pending appellate/judicial decision Rs.190.75 Lakhs (Rs.186.97 lakhs)
- 2.2 Other claims against the Company not acknowledged as debts Rs. 555.54 lakhs (Rs. 270. 92 lakhs)
- 2.3 Probable levy of penal interest by Sales Tax Authority which may amount to Rs.3.65 lakhs (Rs. 3.65 lakhs)
- 2.4 Bills drawn on customers and discounted with Bank Rs.36.36 lakhs (Rs. 55.45 lakhs)
- 2.5 Post Dated Cheques issued (on behalf of the Holding Company) to a supplier Rs.669.50 lakhs (Rs. 99.47 lakhs)
- 2.6 Claims by certain employees and selling agents/ contractors, extent of the same is unascertainable.

3. PROFIT & LOSS ACCOUNT

- 3.1 The total production for the period is 24531 MT (57849 MT) of High Carbon Ferro Manganese and 35670 MT (35318 MT) of Silico Manganese. During the same year 17565 MT (54909 MT) of High Carbon Ferro Manganese and 30111 MT (31670 MT) of Silico Manganese are despatched under conversion arrangement.
- 3.2 Due to the fire, one of the two furnaces was not operational during the period from 27.4.2003 to 25.11.2003. Consequently, the figures of Sales, Raw material consumption and Power & Fuel are not comparable with the corresponding figures of the previous year.
- 3.3 The excise duty of Rs.2765.26 lakhs (Rs. 3295.51 lakhs) shown as deduction from sales includes excise duty on accretion/depletion stock of finished goods amounting to Rs.(-)92.49 lakhs [Rs (-) 87.02 lakhs] .
- 3.4 The long term wage agreements for employees' salaries and wages had expired on 31.12.1996. The company has implemented the revised salaries & wages payment w.e.f. 1.1.2001 with fitment on the basis of notional increment over the period from 1.1.1997 to 31.12.2000 and appropriate adjustment thereof have been carried out in the accounts. However, the issue of wage revision (including other benefits) for the period from 1.1.1997 to 31.12.2000

is to be discussed separately with the employees keeping in view the financial health of the company. Though, representatives of employees have demanded discussions on arrears, they have been informed that the issue would be discussed further after the financial position of the company improves. Liability, if any, in this regard is unascertainable. However, following the past practice, the adhoc adjustable advances/interim relief of Rs.256.12 lakhs (including Rs. 0.21 lakhs paid during the year) for the above period have been charged to "Employees' Remuneration and Benefits" in the respective years.

- 3.5 The Leave Travel Concession (LTC)/Liberalized Leave Travel Concession (LLTC) facility to employees, withdrawn since 1998-99 up to 2002-03, has been restored, effective from the year 2003-04. The expenditure on the same is accounted for on availment of the facility.
- 3.6 Profit and / or loss on sale of coke rejects is not ascertained separately. The sale proceeds thereof have been adjusted to the raw material accounts.
- 3.7 Power & Fuel does not include expenses other than furnace oil for generation of power, which has been included under the primary heads of account.
- 3.8 The classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.
- 3.9 During the year, the company has carried out one time settlement of its past arrears with MSEB. The benefit arising out of one time settlement of Rs. 375.27 lakhs has been accounted for (interest Rs. 291.76 lakhs and Power & fuel Rs. 83.51 lakhs) during the year.
- 3.10 The Company has revised the age profile of non-moving stores and spares, as well as quantum of provision against such spares (Refer Accounting Policy No.1.5). This has resulted in decrease in profit during the year by Rs.7.07 lakhs.
- 3.11 The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation under the Income Tax Act. However, an amount of Rs.20.00 lakhs has been provided as Minimum Alternate Tax under Section 115 JB of the Income Tax Act, 1961.

4. INVENTORY, SUNDRY DEBTORS, LOANS & ADVANCES AND CURRENT LIABILITIES

- 4.1 In accordance with past practice, quantities of inventories of bulk raw materials and finished goods have been taken as per weight-volume-ratio as determined by the Production/Technical Department.
- 4.2 Inventory of finished goods at the year end was physically verified and the surplus quantity of 576 MT (46 MT) valuing Rs. 129.26 lakhs (Rs. 19.25 lakhs) has been accounted for.
- 4.3 The amount due to small scale industrial undertakings (as disclosed in Schedule 1.12- Current Liabilities) is to the extent such parties have been identified. The company has normally made payments to SSI units in due time and also there being no claims from the parties, interest, if any, on overdue payments is unascertainable and thus not provided for. The names of the units to whom outstanding are more than 30 days are as under:

Sl. No	Name of Unit	Amount (in Rs.)
1.	M/s Maharashtra Carbon (P) Ltd.	14,30,526.57
2.	M/s Raigarh Electrode Ltd.	16,93,401.90
3.	M/s Weston Electro Carbon	10,08,670.40
4.	M/s Aditya Air Product	2,45,512.00
5.	M/s Aditya Engineering (P) Ltd.	21,780.00
6.	M/s Bharat Engineering	4,704.00
7.	M/s Howrah Wire Netting Concern	74,495.00
8.	M/s Geetika Engineering Works	10,550.00
9.	M/s P.S. Steel Tubes	26,246.00
10.	M/s Vikas Firex	22,656.00
11.	M/s Jagjivan Enchem	15,122.00
12.	M/s Reva Industries	99,030.00

- 4.4 The Company has retained Rs.101.72 lakhs (Rs.86.40 lakhs) under Employees' Family Benefit Scheme which is exempted under section 58 A of the Companies Act, 1956.
- 4.5 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union/Association of SAIL (our holding company) have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above notification. The Hon'ble High Court, vide its Order dated 30.1.2002 and 23.12.2003, has granted an interim stay restraining from deduction of tax on

7.1(a) LICENSED, INSTALLED CAPACITY AND PRODUCTION :

	*LICENSED CAPACITY (TONNES)	**INSTALLED CAPACITY (TONNES)	#PRODUCTION (TONNES)
	ANNUAL CAPACITY		
High Carbon Ferro Manganese			24,531
	100,000	100,000	(57,849)
Silico Manganese	(100,000)	(100,000)	35,670
			(35,318)
Medium Carbon Ferro Manganese			1,443
			(1,939)

* Re-endorsed capacity.

** As certified by Management and not verified by auditors, being a technical matter.

Including jigged Ferro/Silico Manganese and Metal dust & adjustment relating to excess/shortage on account of physical verification.

perquisite on accommodation provided to the employees. Accordingly, the company has not deducted tax on house perquisites.

- 4.6 As per section 441A of Companies Act, 1956, cess on turnover is leviable. Government of India has not yet framed any rules/guidelines in this regard and hence no amount has been provided and/or paid.
- 4.7 Estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs.Nil (Rs. 1.36 lakhs).

5. ACCOUNTING STANDARDS

- 5.1 In accordance with AS-16 relating to "Borrowing Cost" issued by the Institute of Chartered Accountants of India, an amount of Rs.2.06 lakhs has been capitalized during the year, being the interest on borrowed funds utilized for construction /acquisition of a qualifying asset.
- 5.2 The requirement under Accounting Standard – 17 on Segment Reporting is not applicable since the company is having line of products which are subject to same risks and returns and operating in economic environment subject to same risk & returns.
- Further, since the whole of India has been considered as one geographical segment and exports as other segment, the requirement on segment reporting does not exist, in the absence of any export during the year.
- 5.3 As per Accounting Standard 18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India, the name of the related parties are given below:

Nature of relationship	Name	Nature of Transaction	Amount (Rs. in lakhs)
Key Management Personnel	Shri. R. K.Gupta	Managerial Remuneration	Refer Point No.13 of Schedule No. 3

- 5.4 In terms of Accounting Standard-20 issued by the Institute of Chartered Accountants of India, the calculation of "Earnings Per Share" is given below:

	year ended 31.03.2004	Year ended 31.03.2003
(i) Profit after tax as per Profit & Loss Account (Rs. in lakhs)	630.33	111.97
(ii) Weighted average number of equity shares outstanding	24,000,000	24,000,000
(iii) Basic and diluted EPS. (Rs.) (Not annualised)	2.63	0.46

- 5.5 The position of deferred tax assets and liabilities computed in accordance with the requirements of AS-22 on 'Accounting for taxes on income' by the Institute of Chartered Accountants of India, is as stated below :

	As on 1.4.2003	During the year	As on 31.3.2004
Deferred tax liabilities			
Depreciation	333.24	62.11	395.35
Others	195.32	320.63	515.95
Sub-Total	528.56	382.74	911.30
Deferred tax assets			
Unabsorbed Depreciation/loss	1776.52	0	1776.52
Others	455.94	136.00	591.94
Sub-Total	2232.46	136.00	2368.46
Net Deferred tax assets	1703.90	-246.74	1457.16

The Company as a matter of prudence does not recognise deferred tax asset if these arises after adjustment of deferred tax liabilities. Accordingly net deferred tax assets amounting to Rs.1457.16 lakhs have not been accounted for.

- 5.6 Expenses other than Voluntary Retirement Compensation (Refer point no 1.14 of Accounting Policy), not covered by the definition of "Intangible Assets" as per Accounting Standard 26 issued by Institute of Chartered Accountants of India, incurred after 31.3.2003, is charged to revenue. The impact of this change in accounting policy on the profit for the year is Nil.
6. Figures of the corresponding period of the previous year are given in brackets and these have been re-arranged/regrouped wherever necessary.

Schedules

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

(Qty. in MT, Value in Rs. in lakhs)

	Opening Stock		Sales/Adjustment		Closing Stock	
	Qty.	Value	Qty.	Value	Qty.	Value
High Carbon Ferro Manganese	3,238 (4,096)	716.26 (917.40)	23,289 (58,263)	5,526.24 (9,778.32)	4,067 (3,238)	908.13 (716.26)
Silico Manganese	1,440 (3,236)	313.56 (703.89)	34,715 (35,473)	9,043.06 (8,322.94)	1,101 (1,440)	254.72 (313.56)
Medium Carbon Ferro Manganese	169 (242)	64.24 (93.44)	1,454 (1,882)	717.03 (847.58)	42 (169)	11.31 (64.24)
SUB-TOTAL	4,847 (7,574)	1,094.06 (1,714.73)	59,458 (95,618)	15,286.33 (18,948.84)	5,210 (4,847)	1,174.16 (1,094.06)
Steel	0 (52)	0.00 (1.06)				
Others	38,014 (40,218)	207.03 (217.26)	(2,204)	11.33 (17.16)	(38,014)	(207.03)
TOTAL	42,861 (47,844)	1,301.09 (1,933.05)	59,458 (97,822)	15,297.66 (18,966.00)	5,210 (42,861)	1,174.16 (1,301.09)

7.1(c) FERRO ALLOYS QUANTITATIVE RECONCILIATION :

	Ferro Manganese (MT)	Silico Manganese (MT)	Medium Carbon Ferro Manganese (MT)
Opening Stock	3,238 (4,096)	1,440 (3,236)	169 (242)
Production	24,531 (57,849)	35,670 (35,318)	1,443 (1,939)
TOTAL	27,769 (61,945)	37,110 (38,554)	1,612 (2,181)
Sales/Adjustments	23,289 (58,263)	34,715 (35,473)	1,454 (1,882)
Internal Consumption	413 (444)	1,294 (1,641)	116 (131)
Closing Stock	4,067 (3,238)	1,101 (1,440)	42 (168)
TOTAL	27,769 (61,945)	37,110 (38,554)	1,612 (2,181)

- i) Sales of High Carbon Ferro Manganese and Silico Manganese include conversion.
ii) In case of MCFeMn, "Sales/Adjustment" includes stock adjustment of 2.46 MT.

8. EXPENDITURE IN FOREIGN CURRENCIES :

(Rs. in lakhs)

	Current Year	Previous Year
i) Others	0.00	0.24
TOTAL	0.00	0.24

9. EARNING IN FOREIGN CURRENCIES :

(Rs. in lakhs)

	Current Year	Previous Year
Export of goods on FOB basis	Nil	Nil

10. VALUE OF IMPORTS CALCULATED ON CIF BASIS :

(Rs. in lakhs)

	Current Year	Previous Year
Stores & Spares	19.70	7.15

11. VALUE OF RAW MATERIAL CONSUMED :

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	0.00	0.00	0.00	0.00
Indigenous	1,458.69	100.00	1201.36	100.00
TOTAL	1,458.69	100.00	1201.36	100.00

12. VALUE OF STORES & SPARES CONSUMED :

	Current Year Value (Rs. in lakhs)	%	Previous Year Value (Rs. in lakhs)	%
Imported	39.51	1.53	13.32	3.45
Indigenous	303.19	88.47	372.87	96.55
TOTAL	342.70	100.00	386.19	100.00

13. REMUNERATION TO DIRECTORS :

(Rs. in lakhs)

	Current Year	Previous Year
Remuneration	4.73	4.53
PF Contribution	0.56	0.52
Medical Benefit	0.82	0.51
Retirement Benefit Provisions	0.69	1.32
TOTAL	6.80	6.88

Signature to Schedules 1 to 3
As per our report of even date attached

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(M.A. Gohel)
Partner

Place : New Delhi
Date : 25th May, 2004

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(R.K. Gupta)
Executive Director

Sd/-
(Ashis Das)
Chairman

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1	7	4	0	2
---	---	---	---	---

 of 1974 - 75 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

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

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

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

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

6	7	1	5	9	3
---	---	---	---	---	---

 Total Assets

6	7	1	5	9	3
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

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

 Reserves & Surplus

1	5	0	0
---	---	---	---

Secured Loans

	8	9	9	6	5
--	---	---	---	---	---

 Unsecured Loans

3	4	0	1	2	8
---	---	---	---	---	---

Application of Funds

Net Fixed Assets

2	6	9	4	1	9
---	---	---	---	---	---

 Investments

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

Net Current Assets

-	2	1	3	6	0
---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

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

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

Turnover / Other Income

1	2	7	1	6	4
---	---	---	---	---	---

 Total Expenditure

1	2	0	7	1	3	1
---	---	---	---	---	---	---

Profit Before Tax

	6	5	0	3	3
--	---	---	---	---	---

 Profit After Tax

	6	3	0	3	3
--	---	---	---	---	---

Earning per share in Rs.

2	.	6	3
---	---	---	---

 Dividend Rate %

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

V. Generic Names of Three Principal Products / Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)

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

Product Description

F	E	R	R	O		A	L	L	O	Y	S
---	---	---	---	---	--	---	---	---	---	---	---

For A.K. Jhunjunwala & Co.
Chartered Accountants

Sd/-
(M.A. Gohel)
Partner

Place: New Delhi
Date : 25th May, 2004

For and on behalf of Board of Directors
Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(R.K. Gupta)
Executive Director

Sd/-
(Ashis Das)
Chairman

ANNEXURE - I

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

CONSERVATION OF ENERGY

Major areas of energy conservation include:

- Gainful utilisation of waste gas of Submerged Arc Furnace for generation of Power in 4.2 MW Gas Based Power Plant.
- Stoppage of Air Compressors in Sinter Plant-II and use of Blower for supply of air for Sintering for 30% reduction in specific power consumption.
- Use of alternate reductant to coke to reduce specific power consumption for Silico Manganese production.
- Consumption of water by Recirculation of effluent water after filtration.
- Improvement in quality of inputs with respect to both physical & chemical composition.
- Use of manganese bearing wastes in ferro alloy production.
- Statistical Process Control (SPC) for control of major elements in ferro alloys.
- Maintain unity power factor for improving utilisation of electrical energy.

ANNEXURE - II

FORM 'A' CONSERVATION OF ENERGY

POWER & FUEL CONSUMPTION			2003-2004	2002-2003		
ELECTRICITY						
1.	PURCHASED					
	Unit	Million /kwh	211.21	283.81		
	Total Amount	Rs/Lakhs	6488.46	9403.27		
	Rate	Rs/kwh	3.07	3.31		
2.	OWN GENERATION	Million /kwh	4.89	13.63		
3.	COAL		NIL	NIL		
4.	FURNACE OIL					
	Unit	KL	110.48	63.00		
	Total Amount	Rs./lakhs	14.37	7.29		
	Rate	Rs./KL	13005.05	11573.00		
CONSUMPTION PER UNIT OF PRODUCTION						
	Electricity (Kwh/Tonne)		Furnace Oil (KL)		Coal (Tonne)	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Ferro Manganese	2621	2595	—	—	—	—
Silico Manganese	4203	4099	—	—	—	—
Medium Carbon	1303	1306	—	—	—	—

ANNEXURE – III

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

- SPECIFIC AREA IN WHICH R&D CARRIED OUT BY THE COMPANY**
Two in-house development projects were undertaken in the area of pollution control.
 - Design and installation of dust suppression system at stack of SP-I.
 - Design and installation of dust suppression at ground hopper of raw material charging system.
- BENEFITS DERIVED AS A RESULT OF ABOVE R & D**
Both the systems were successfully commissioned and it has resulted into effective pollution control.
- FUTURE PLAN OF ACTION**
 - Installation of mechanized jigging machine for recovery of metal from metal dust, slag mix.
 - Use of sludge in Sinter Production.
 - Expansion Scheme for enhancing capacities for production of ferro alloys.
- EXPENDITURE ON R&D**
Research work is undertaken jointly with RDCIS, SAIL and as such no specific expenses on R&D are apportionable.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Possibility of use of steam coal as a replacement to charcoal is being explored. This would help in utilisation of locally available coal.

FORM 'C' FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs./Lakhs
EARNINGS	:	NIL
OUTGO	:	NIL

Report on Corporate Governance

ANNEXURE - IV

(a) COMPANY'S PHILOSOPHY

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

(b) BOARD OF DIRECTORS

The Board of Directors at present comprises of non-executive Chairman, whole time Executive Director (WTD) and 4 non-executive Directors (Non-ED). During the year, eight Board Meetings were held on 6/5/2003, 29/5/2003, 28/7/2003, 22/8/2003, 8/10/2003, 30/10/2003, 28/1/2004 and 20/2/2004.

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

Name of the Director	Category of Directorship	Board Meetings Attended (Nos.)	Attendance at last AGM	No. of other Directorship held as on 31/3/2003
Shri B. K. Singh (upto 29/02/04)	Chairman	8	Yes	—
Shri Ashis Das (w.e.f. 16/04/04)	Chairman	6	Yes	5
Shri R. P. Singh (w.e.f. 16/4/04)	Non-ED	—	—	3
Shri Vipin Puri	Non-ED	7	—	3
Shri A. K. Nigote	Non-ED	4	—	—
Shri S. K. Sinha	Non-ED	5	—	2
Shri R.K.Gupta	WTD	8	Yes	—

(c) AUDIT COMMITTEE

(i) Terms of Reference

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its overseeing responsibilities by reviewing the financial reports; the Company's systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting process generally.

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

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

(ii) Composition

The Audit Committee of the Board was formed in January, 2001. The reconstituted Audit Committee consists of three non-executive Directors viz. Shri S.K. Sinha, Shri Vipin Puri and Shri A.K. Nigote. During the last year, the committee met four times and attendance at the Meetings are as follows:

Name of the Director	Status	No. of meetings attended
Shri Ashis Das (upto 22/03/04)	Chairman	3
Shri S. K. Sinha (w.e.f. 16/04/04)	Chairman	—
Shri Vipin Puri	Member	4
Shri A.K.Nigote	Member	3

(d) NOMINATION & COMPENSATION COMMITTEE

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

(ii) The details of remuneration to the whole time director during the year is

given below :

(Rs. in lakhs)

Name of the Director	Salary	Other Benefits & P.F Medical	Retirement/ benefits Provisions P.F. (Actuarial valuation)	Total	
Shri R. K. Gupta	4.73	0.82	0.56	0.69	6.80

(iii) No sitting fee is paid to the Non-Executive Directors for attending Board/ Board Sub-Committee Meetings.

(iv) The salary of the whole time director is fixed and does not include performance linked incentive except amount payable as per the Productivity Linked Incentive Scheme of the Company.

(v) Terms & Conditions

The Executive Director is an employee of Company on transfer from Steel Authority of India Limited. He has been inducted on the Board of the Company as a Director. The appointment may be terminated by either side on three months notice or on payment of three months salary in lieu thereof.

(e) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

(i) A Shareholders/Investors Grievance Committee is constituted under the Chairmanship of a non-executive director. The committee consists of Shri Ashis Das and Shri R.K. Gupta to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

(ii) Name of compliance officer : Shri R. Ashokkumarr, Company Secretary.

(iii) Number of shareholder complaints received during the period from 01/04/2003 to 31/03/2004.

Nature of the Complaint	Source from which complaint was received			
	Direct	SEBI	Exchange	Total
A) Non-receipt of shares after transfer	—	—	—	—
B) Delay in issuing Duplicate share certificates	—	—	—	—
C) Non-receipt of Dividend Warrants	—	—	—	—
D) Complaint-reg Transmission of Shares	—	—	—	—
Total*	—	—	—	—

*Complaints not solved to the satisfaction of shareholders: Nil

(f) GENERAL BODY MEETINGS:

Financial year	Date	Time	Location
2002-2003	22/08/2003	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2001-2002	27/07/2002	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.
2000-2001	20/08/2001	12.00 noon	"Nirmal" 10 th floor, Nariman Point, Mumbai-400 021.

(g) DISCLOSURES

There were no transactions of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions viz-a-viz the company during the year. There were no instances of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

(h) MEANS OF COMMUNICATION

Quarterly results are published in the Newspapers as per the requirements. There is no website of the Company.

(i) GENERAL SHAREHOLDERS INFORMATION

(i) Annual General Meeting is proposed to be held on 6th August, 2004 at 12.00

noon at the Registered Office at "Nirmal" 10th floor, Nariman Point, Mumbai-400 021.

(ii) Date of Book Closure: 30th July, 2004 to 6th August, 2004.

(iii) The shares of the Company are listed at the following stock exchanges:

- (1) The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI-400 001
- (2) The Stock Exchange Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, AHMEDABAD-380 015.

It is confirmed that Annual Listing Fee has been paid to each of the stock exchanges.

(iv) Stock code : 4824

(v) Market price data : High/Low during : No floor trading in the last each month in last financial year. financial year.

vi) Registrar and Transfer Agent : M/s. IIT Corporate Services Limited, Protoprima Chambers, 2nd floor, Suren Road, Andheri (East), Mumbai – 400 093.

(vii) Share transfer system

The Board has delegated powers to the Executive Director for transfer of shares. The shares lodged for transfer are despatched back well within the time limit prescribed in this respect under the listing agreement.

(viii) Distribution of shareholding as on 31st March, 2004 :

Category	No. of Shares held	% age of Holding
A) Promoter's Holding:		
Holding Company-SAIL	2,37,87,935	99.12
Sub-Total	2,37,87,935	99.12
B) Non-Promoter's Holding:		
Banks	300	—
Sub-Total	300	—
C) Others		
Private Corporate Bodies	10,050	0.04
Indian Public	2,01,665	0.84
NRIs	50	—
OCBs	NIL	NIL
Any other - (Please specify)	NIL	NIL
Sub-Total	2,11,765	0.88
Grand Total	2,40,00,000	100

(ix) Dematerialization of shares and liquidity as on 31/3/2004. : Shares are not dematerialised. Tradeable stock is 0.88% only. Thus liquidity is negligible.

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

M/s. Maharashtra Elektrosmet Limited,
Chanda-Mul Road, Chandrapur-442 401.
Fax No. : 07172-255812, 255437 • Phone No. 07172-253693

Management Discussion and Analysis Report (MDAR)

ANNEXURE – V

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

INDUSTRY STRUCTURE & DEVELOPMENT

General Economic Environment

The Index of Industrial Production showed a growth of 6.9% during the financial year 2004 as compared to 5.7% during the previous year. The steel industry started performing well in 2002-2003, has achieved a milestone in the year 2003-2004 due to upsurge in demand for steel. With a steadily growing domestic market and a thriving export market, Indian steel industry is in a highly positive stage to achieve further milestone. Since Ferro alloys are exclusively utilised as raw materials in steel making, the growth in ferro alloy consumption is directly related to the growth in steel consumption. The spurt in the steel industry gave way for good performance of ferro alloys industry.

Demand for ferro alloys in India

The demand for ferro alloys largely depends on the production of steel in the country and export potential. With the present production level of 35 million tonnes of saleable steel in the country, the production of manganese based ferro alloys hovers around 5,00,000 tonnes. The steel industry in Asian region is poised for growth in immediate future and the trend may continue for some more years. The growth rate has been estimated at 9% per year. In line with the growth potential, the steel production in the country is also estimated to reach a level of 40 million tonnes by 2006-07 and 63 million tonnes by 2011-12. Thus, the growth potential for manganese based ferro alloys apart from exports, lies in the range of 70-80% by 2011-12 over the present level.

Capacity for ferro alloys production

As on date, there exists over capacity in the ferro alloys production. With the growing demand of ferro alloys in the domestic as well as export market, new facilities are also likely to be added up. Thus, the industry is likely to operate at its rated capacity utilisation level only if the exports continue to be remunerative and no raw material constraints are faced.

Exports

There was no export of ferro alloys during 2003-04. Anti-dumping measures continue

to be in force in the USA and the European Union and export to these countries still remain largely affected.

Position of MEL

MEL continues to be the largest producer of manganese based ferro alloys in the country with 30% share in the domestic market. It caters mainly to the requirement of its Holding Company viz. SAIL.

OPPORTUNITIES & THREATS FOR MEL

Opportunities

MEL has integrated large-scale facilities for the production of Manganese based ferro alloys which are unique. It has, therefore, competitive edge in terms of specific consumption of inputs and operational efficiency.

MEL has a track record of achieving utilisation of more than 100% of its rated capacity. With the capital repairs and replacement of transformer of SAF-I, the production level has firmed upto 110-120% of capacity through the said furnace.

MEL has got good potential with highly motivated work force and professionals not only to maintain the level of production but also to improve productivity, techno-economic parameters, etc. and supply of ferro alloys of requisite quality for steel plants.

MEL has been accredited with ISO 9001-2000 Certificate for Quality Assurance System. It ensures production and supply of ferro alloys of requisite quality for steel plants.

Abundant and rich reserves of Manganese Ore are available in Maharashtra and Madhya Pradesh region. Nearness to the source of raw material ensures uninterrupted production of ferro alloys at MEL.

The small capacity power plant installed at MEL utilises the waste gas generated from the ferro alloy furnaces. It provides good scope for savings on account of power and fuel expenses apart from containing pollution in the locality.

In order to meet the growing requirement of ferro alloys at SAIL, MEL is exploring feasibility of augmentation in the production capacity.

Management Discussion and Analysis Report (MDAR)

Threats

Power tariff in Maharashtra for ferro alloy industry is higher as compared to its competitors in Andhra Pradesh, Chhattisgarh, West Bengal and Orissa, etc. As the ferro alloy operations are power intensive and it contributes to 55-60% of the cost of production, any increase in power tariff by the state electricity Board will adversely affect the performance of the Company.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

There has been a turnaround improvement in the performance during the year 2003-04 as compared to previous year despite a major fire accident occurred in April, 2003. After replacement of the transformer and capital repairs of the furnace, the production has geared up to 110-120% of the capacity utilisation from the said furnace.

OUT LOOK

With the increase in production of steel in the country, the domestic demand of ferro alloys is expected to increase. SAF-I production has already achieved a level of 110-120% of capacity. Capital repairs of SAF-II have been planned in June, 2004. Thus, MEL is poised for substantial improvement in its performance in the future.

The Company has a good potential with motivated and dedicated work force. It has maintained its quality standard. It has the capacity to cater to the SAIL plants in addition to supply to non-SAIL customers including exports. However, it needs help from State Government in the form of power tariff in line with that provided by the State Government of Chhattisgarh and other States or allow purchase of power from sources other than MSEB at cheaper rates.

RISK AND CONCERNS

Availability of raw materials and power tariff are the two major concerns for MEL.

Due to attractive export market, the production level of manganese based ferro alloys has increased. This calls for increase in the production level of Mn Ores by MOIL to meet the internal demand in the country.

Due to increase in the steel production at Integrated Steel Plants, the availability of coke, which is used as a reductant, is also a major concern. However, efforts are being made to partially replace coke with alternate reductants.

The power tariff for ferro alloys industry in Maharashtra is already higher as compared to the tariff in the states of Andhra Pradesh, Chhattisgarh, Orissa and West Bengal, etc. Any further hike in power tariff will adversely affect the operations at MEL.

INTERNAL CONTROL SYSTEMS

The Company has an adequate system of internal controls implemented by the management towards achieving the following objectives.

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

In MEL, Internal Audit Department reviews, evaluates and appraises the various systems, procedures/policies laid down by the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by

bringing a systematic and disciplined approach to improve the effectiveness of management towards good corporate governance.

The Internal Audit is subjected to overall control environment supervised by Board Level Audit Committee, providing independence to the Internal Audit function, emphasizing transparency in the systems and internal controls with appropriate skill-mix of internal audit personnel etc. Annual Audit Plans are based on identification of key-risk areas with thrust on system/process so as to achieve cost reduction in overall operation of the Company.

The reports containing major IA observations are periodically submitted to the management and Audit Committee of the MEL Board. Audit reports giving details of control factors, identification/ management of risk factors and preventive suggestions are submitted to Management. Further improvement in the system is considered.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year the company has achieved a turnover of Rs. 152.98 crores as against Rs. 189.66 crores in the previous year. Value of earning through conversion arrangement was Rs. 111.41 crores as against Rs. 165.79 crores during the previous year. On the operational front, company has achieved a capacity utilisation of 82%. Sales of ferro alloys during the year was 59458 tonnes as against 95618 tonnes during the previous year.

A major fire accident occurred in April, 2003 had totally damaged the transformer, civil structures, bus bars etc. The Furnace No.I was down for almost eight months prior to its capital repair and installation of new transformer. The Furnace No.I was commissioned in December, 2003. In spite of this and in addition to the increase in cost of raw materials and other inputs including salary & wages, the company has made a turnaround in performance and earned a post tax net profit of Rs. 6.30 crores as against the profit of Rs. 1.12 crores in the previous year. This is due to higher market demand and upheavals in steel industry, improvement in sales to outside customers, improvement in techno-economic parameters, etc.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

Human resource is considered as a major factor in the overall working of the Company. The Company has motivated and involved the workforce in production and other activities, which has resulted in better performance of the Company. Training programmes were organised for the executives and non-executives employees for improvement and development in the skill, knowledge and working of the employees. Personnel activities across the company got reoriented for maximum capacity utilisation, better operational control, quality of products, enlarge the market coverage and cost reduction measures.

The Company has been able to create a favourable work environment that encourages to good results. To motivate employees, suggestions were invited from the employees. 12 suggestors were awarded for their creative ideas/suggestions. Also 78 employees were given the Best Performance Award.

The manpower employed by MEL as on 31st March, 2004 was 827 comprising of 129 executives and 698 non-executives out of which 114 were schedule caste and 37 were scheduled tribes. A total of 31 employees against the target of 26 were separated under Voluntary Retirement Scheme during the year 2003-04.

During the year, the Industrial Relation continued to remain harmonious and peaceful with full support and co-operation of the Trade Union and Officers' Associations.

CERTIFICATE

To

The Members of

Maharashtra Elektros melt Limited

We have examined the compliance of the conditions of corporate governance by Maharashtra Elektros melt Limited for the year ended 31st March, 2004 as stipulated in clause 49 of the Listing Agreement of the said company with the Mumbai and Ahmedabad Stock Exchange.

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

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

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

For A.K. JHUNJHUNWALA & CO.
Chartered Accountants

Place : New Delhi
Date : 25th May, 2004

Sd/-
(M.A. Gohel)
Partner
Membership No.: 038487

ANNEXURE – VI

Auditors' Report

COMMENTS	MANAGEMENT'S REPLIES
<p>To the Members</p> <p>MAHARASHTRA ELEKTROSMELT LIMITED</p> <p>We have audited the attached Balance Sheet of MAHARASHTRA ELEKTROSMELT LIMITED as at 31st March, 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.</p> <p>We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</p> <p>As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order;</p> <p>Further to our comments in the annexure referred to in paragraph '3' above, we report that:-</p> <ol style="list-style-type: none"> We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account of the Company. In our opinion, the said Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956, to the extent applicable. Based on the representations made by the Directors of the Company and information and explanations as made available to us, none of the Director of the Company is disqualified from being appointed as Director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. Pending framing / notification of rules referred to under Section 441A of the Companies Act, 1956, we are unable to comment about the liabilities on account of cess on turnover in respect of the Company (Refer Note No. 4.6 of Schedule '3'). Pending finalisation and ascertainment of the arrear salaries and wages of employees for the period from 01.01.1997 to 31.12.2000, we are unable to comment on the adequacy of the provision of Rs. 256.12 lakhs (including Rs. 0.21 lakhs paid during the year) as referred to in Note No. 3.4 in Schedule "3". <p><i>The effect of the above on the Company's Profit for the year and debit balance in the Profit and Loss Account is not presently ascertainable.</i></p> <ol style="list-style-type: none"> In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and In the case of the Profit and Loss Account, of the Profit for the year ended on that date. and In the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date. <p>For A. K. JHUNJHUNWALA & CO., Chartered Accountants</p> <p>Sd/- (M.A. GOHEL) Partner Membership No. 038487</p> <p>Address : 59, Maker Tower – "F" Cuffe Parade, MUMBAI – 400 005.</p> <p>Place : New Delhi Dated : 25th May, 2004</p> <p>Wage agreements have been finalised with employees, notionally from 01.01.1997 to 31.12.2000 and implemented from 01.01.2001. The liability has been provided accordingly including towards ad hoc advances paid for the period 01.01.1997 to 31.12.2000. Arrears for this period are to be discussed separately, keeping in view the financial health of the company. Liability, if any, will be provided on settlement.</p> <p>For and on behalf of Board of Directors</p> <p>Sd/- (Ashis Das) Chairman</p> <p>Place : New Delhi Dated : 8th July, 2004</p>	

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH '1' OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHARASHTRA ELEKTROSMELT LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004

The Companies (Auditor's Report) Order, 2003 was issued in June, 2003 and came into force on 1st July, 2003. As the order was not in force and certain clauses were not applicable to the Company as at the beginning of the accounting year, the comments given herein below are based on the data compiled by the Company in order to comply with the requirements of the new order from the effective date. On the basis of such checks as we considered appropriate, in terms of the information and explanations given to us, the books and records of the Company examined by us in the normal course of audit and to the best of our knowledge and belief, we state that: -

FIXED ASSETS:

- (i) The Company has maintained proper records, showing full particulars including quantitative details and situation of its Fixed Assets.

COMMENTS	MANAGEMENT'S REPLIES
<p>(ii) As explained to us, all the assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, no discrepancies have been noticed by the management on such physical verification as compared to the book records.</p> <p>(iii) Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.</p>	
INVENTORIES:	
<p>2. (i) According to the information and explanations given to us, the inventories have been physically verified by the management at reasonable intervals during the year. The inventories in the possession and custody of third parties and material in transit as at 31st March 2004 have been verified by the management with reference to confirmations of the third parties or subsequent receipt of materials.</p> <p>The procedures of physical verification of inventories followed by the management, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(ii) According to the records produced to us for our verification, the Company has maintained proper records of inventories and there were no material discrepancies noticed on physical verification of inventories as compared to book records.</p>	
LOANS & ADVANCES:	
<p>3. (i) According to the information and explanations given to us, the Company has not granted or obtained any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of Companies Act, 1956.</p> <p>(ii) The rate of interest and other terms and condition on which the company has obtained an unsecured loans from its holding Company, are, not, in our opinion, prima facie prejudicial to the interest of the Company.</p> <p>Similarly, the rate of interest, where applicable, and other terms and conditions in respect of unsecured loans given by the Company to its employees and others, are, in our opinion, prima facie not prejudicial to the interest of the Company.</p> <p>(iii) According to the information and explanations given to us, the above referred unsecured loan has been taken by the Company without any stipulation as to the repayment of loan and interest thereon.</p> <p>According to the information and explanations given to us, in respect of the unsecured loans given by the Company to its employees and others, where stipulations have been made, they have generally repaid the principal amounts as stipulated and have been regular in payment of interest, where applicable.</p> <p>(iv) In respect of the unsecured loans given and taken by the Company, there were no overdue amounts more than Rs. 1,00,000.</p>	
INTERNAL CONTROLS:	
<p>4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, and according to information and explanations given to us, there is no continuing failure to correct major weakness in internal control.</p>	
RELATED PARTIES:	
<p>5. According to the information and explanations given to us there were no transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.</p>	
FIXED DEPOSITS:	
<p>6. The Company has not accepted any deposits from the public other than the amount retained under Employees' Family Benefit Scheme for which exemption under Section 58A of the Companies Act, 1956 has been obtained.</p>	
INTERNAL AUDIT:	
<p>7. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business. However, the same needs to be strengthened further and its scope needs to be enlarged.</p>	Further strengthening and enhancement in the scope of Internal Audit is being reviewed.
COST RECORDS :	
<p>8. The central Government has not prescribed maintenance of the Cost Records under Section 209 (1)(d) of the Companies Act, 1956.</p>	
STATUTORY LIABILITIES:	
<p>9. (i) According to the information and explanation given to us and on the basis our examination of books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth-tax, Custom Duty, Excise Duty, Cess and any other statutory dues wherever applicable during the year with the appropriate authorities.</p> <p>(ii) According to the information and explanations given to us, no undisputed amount payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty were outstanding as at 31st March, 2004 for a period of more than six months from the date they became payable.</p> <p>(iii) The details of disputed statutory dues are as per "Exhibit A" attached.</p>	
ACCUMULATED LOSSES ETC.:	
<p>10. The accumulated losses of the Company at the end of the financial year are more than 50% of its net worth and the company has made profit in the current financial year as well as in the immediately preceding financial year.</p>	
REPAYMENT OF DUES TO FINANCIAL INSTITUTIONS:	
<p>11. The Company has not defaulted in repayment of dues to financial institutions within the meaning of the explanation to sub-clause (xi) of Rule 2(b) of the Companies (Acceptance of Deposits) Rules, 1975 or Banks during the year. The Company has not issued any Debentures.</p>	
OTHERS:	
<p>12. According to the information and explanation given to us, the Company has not granted any loans and advances on the basis of pledge of shares, debentures and other securities.</p>	
<p>13. According to the information and explanation given to us, the Company is not a Chit fund/nidhi/mutual benefit fund/society.</p>	



COMMENTS	MANAGEMENT'S REPLIES
14. The Company is not dealing or trading in shares, securities, debentures or other investments.	
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.	
16. According to the information and explanations given to us, the Company has not taken any term loan during the year.	
17. According to the information and explanations given to us and on and overall examination of the Balance sheet of the Company as well as the Cash Flow statement attached thereto, we have not come across any instance where funds raised during the year on short-term basis have been used for long-term investment and vice versa.	
18. During the year, the Company has not made any preferential allotment of shares.	
19. The Company did not have outstanding debentures during the year. Accordingly, the question of creating any securities for the same does not arise.	
20. The Company has not raised any money by way of public issues during the year.	
21. According to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the year.	

For A. K. JHUNJHUNWALA & CO.,
Chartered Accountants

For and on behalf of Board of Directors

Place : New Delhi
Dated : 25th May, 2004

Sd/-
(M. A. GOHEL)
Partner
Membership No. 038487

Place : New Delhi
Dated : 8th July, 2004

Sd/-
(Ashis Das)
Chairman

EXHIBIT "A"

DETAILS OF DISPUTED STATUTORY DUES AS ON 31ST MARCH, 2004 REFERRED TO IN PARACRAPH 9 (iii) OF AUDIT REPORT ON THE ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2004

A : EXCISE DUTY

Sl. No.	Period	Amount	Forum where is pending
1.	Financial Year 1996-97	311,247	Commissioner Central Excise (Appeals) - Mumbai
2.	Financial Year 1997-98	7,489,466	Commissioner Central Excise (Appeals) - Nagpur
3.	Financial Year 2000-01	6,500,000	Custom Excise & Service Tax Appellate Tribunal - Mumbai
4.	For the period - July 2000 to December 2001	1,492,357	Joint Commissioner Central Excise - Nagpur
5.	For the period - January 2002 to October 2002	906,650	Joint Commissioner Central Excise - Nagpur
6.	For the period - November 2002 to March 2003	480,983	Asstt. Commissioner Central Excise - Chandrapur
7.	Financial Year 1995-96	981,200	Custom Excise & Service Tax Appellate Tribunal - Mumbai
8.	For the period ended - 2000 February 2004	33,930,629	Asstt. Commissioner Central Excise - Chandrapur
9.	For the period - September 1996 to November 1996	292,377	Custom Excise & Service Tax Appellate Tribunal - Mumbai
Total		52,384,909	

B : SALES TAX

Sl. No.	Period	Amount	Forum where is pending
1.	Financial Year 1994-95	893,695	Maharashtra Sales Tax Tribunal - Mumbai
2.	Financial Year 1995-96	563,578	Maharashtra Sales Tax Tribunal - Mumbai
3.	Financial Year 1996-97	912,308	Maharashtra Sales Tax Tribunal - Mumbai
4.	Financial Year 1998-99	82,785	Maharashtra Sales Tax Tribunal - Mumbai
5.	Financial Year 1999-00	184,738	Maharashtra Sales Tax Tribunal - Mumbai
Total		2,637,104	

C : Municipal Tax

Sl. No.	Period	Amount	Forum where is pending
1.	Financial Year 1983-84 to 2002-03	23,261,930	High Court - Nagpur
Total		23,261,930	

Comments of C&AG

ANNEXURE - VII

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED, CHANDRAPUR, FOR THE YEAR ENDED 31 MARCH, 2004

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956, on the accounts of Maharashtra Elektros melt Limited, Chandrapur, for the year ended 31st March, 2004.

Mumbai
Date : 07 July, 2004

Sd/-
(B.B. PANDIT)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board-I, Mumbai

Review of Accounts

REVIEW ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

(Review of Accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualification contained in Statutory Auditor's Report)

1. FINANCIAL POSITION:

The Table below summarise the financial position of the company under the broad headings for the last 3 years:

	(Rs. in lakhs)		
	2001-2002	2002-2003	2003-2004
LIABILITIES :			
a) Paid up Capital :			
i) Government (SAIL)	2378.79	2378.79	2378.79
ii) Others	21.21	21.21	21.21
b) Reserve and Surplus:			
i) Free Reserve & Surplus	—	—	—
ii) Share Premium Accounts	—	—	—
iii) Capital Reserves	15.00	15.00	15.00
iv) Committed Reserves	—	—	—
c) Borrowings:			
i) From Govt. of India	—	—	—
ii) From Financial Institutions	737.21	697.44	75.94
iii) Foreign Currency Loan	—	—	—
iv) Cash Credit	1563.62	1287.48	823.71
v) Others	905.56	1524.10	3401.28
vi) Interest accrued and due	3.88	2.49	0.00
d) i) Current Liabilities & Provisions	6801.10	5382.57	4556.20
ii) Provision for Gratuity	419.80	613.67	834.14
TOTAL	12846.17	11922.75	12106.27

ASSETS :

e) Gross Block	5471.22	5489.03	5806.21
f) (Less) Depreciation	2835.40	3009.51	3119.32
g) Net Block	2635.82	2479.52	2686.89
h) Capital work-in-progress	11.86	2.94	7.30
i) Investments	—	—	—
j) Current Assets, Loans and Advances	5139.32	4600.28	5176.74
k) Misc. expenditure to the extent not written off	215.54	108.35	134.01
l) Accumulated Loss	4843.63	4731.66	4101.33
TOTAL	12846.17	11922.75	12106.27
m) Working Capital [j-d(i)-c(vi)]	-1665.66	-784.78	620.54
n) Capital employed [g+m]	970.16	1694.74	3307.43
o) Net Worth [a+b(i)+b(ii)-k-l]	-2659.17	-2440.01	-1835.34
p) Net Worth per rupee of paid-up capital in Rs.	—	—	—

2. WORKING RESULTS:

Working results of the Company for last three years are given as under:

Particulars	2001-2002	2002-2003	2003-2004
i) Sales	15564.22	18965.99	15297.66
ii) Less: Excise Duty	2790.43	3295.51	2765.26
iii) Net Sales	12773.79	15670.48	12532.40
iv) Other or Misc. Income	144.11	90.02	189.24
v) Profit/Loss before tax and prior period adjustment	-838.10	113.68	655.73
vi) Prior period adjustment	—	-1.71	-5.40
vii) Profit/Loss before tax	-838.10	111.97	650.33
viii) Tax Provision - earlier years	—	0.00	20.00
ix) Profit/Loss after tax	-838.10	111.97	630.33
x) Proposed Dividend	—	—	—

Due to negative networth, the Company has become Sick Company as per Sick Industrial Companies (Special Provision) Act, 1985.

3. RATIO ANALYSIS:

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

Particulars	2001-2002	2002-2003	2003-2004
A. Liquidity Ratio			
Current assets to current liabilities	0.71:1	0.77:1	0.96:1
B. Debt Equity Ratio	—	—	—
C. Profitability Ratio :			
a) Profit before tax			
(i) Capital Employed	—	0.065:1	0.19:1
(ii) Net Worth	—	—	—
(iii) Sales	—	0.005:1	0.042:1
b) Profit after tax to equity	—	0.046:1	0.262:1
c) Earning per share (in Rupees)	—	0.46	2.63

4. SOURCES AND UTILISATION OF FUNDS:

Funds amounting to Rs. 1529.56 lakhs 1529.56 were generated and utilised during the year as below:

SOURCES OF FUNDS:	(Rs. in lakhs)
Profit for the Year	630.33
Depreciation	182.01
Less: Adjustment	72.2
Increase in Borrowings	109.81
	789.42
	1529.56

APPLICATION OF FUNDS:

Additions to Fixed Assets	317.18
Add : Increase in CWIP	4.36
Increase in deferred revenue expenses	321.54
Increase in working capital	25.66
	1182.36
	1529.56

5. WORKING CAPITAL:

The working capital (i.e. Current Assets, Loans and Advances less Current Liabilities and Provisions including Interest Accrued and Due) of the company at the close of three years ending 31 March 2004 amounted Rs.(-) 1665.66 lakhs, Rs.(-) 784.78 lakhs and Rs. 620.54 lakhs respectively. The sales during three years were Rs. 12773.79 lakhs, Rs. 15670.42 lakhs and Rs. 12532.40 lakhs respectively.

6. INVENTORY LEVEL:

The inventory level at the end of the three years upto 2003-2004 are given below:

	(Rs. in lakhs)		
	2001-2002	2002-2003	2003-2004
(i) Raw Materials	473.45	603.60	472.97
(ii) General Spare Parts	246.36	246.43	305.90
(iii) Stock Under Process	—	—	—
(iv) Finished Products	1932.00	1301.09	1174.16

7(a). SUNDRY DEBTORS:

The position of Sundry Debtors vis-à-vis sales for the last three years ending 31 March, 2004 were as follows:

As on 31st March	Considered Good	Sundry Debtors Considered Doubtful/Bad	Total	Sales (excluding subsidiary & including Excise Duty)	% of Sundry Debtors to Sales
2002	204.46	18.39	2020.39	15564.22	1.43
2003	522.69	12.40	535.09	18965.99	2.82
2004	1281.69	16.04	1297.73	15297.66	8.48

7(b). ANALYSIS OF SUNDRY DEBTORS:

(i) Age-wise analysis of Sundry Debtors is given as below:

(Rs. in lakhs)

Debtors less than 6 months	1280.90
Debtors more than 6 months but less than 1 year	0.79
Debtors more than 1 year but less than 2 years	—
Debtors more than 2 years but less than 3 years	—
Debtors more than 3 years	16.04
	1297.73

(ii) Debts outstanding from:

Government (Central & State)/ Government Department	—
Public Sector Undertakings/Companies	1275.49
Private Companies & Others	22.24
	1297.73

Mumbai
Date : 7th July, 2004

Sd/-
(B.B. PANDIT)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board-1, Mumbai.

Cash Flow Statement FOR THE YEAR ENDED 31ST MARCH, 2004

(Rs. in lakhs)

A. CASH FLOW FROM OPERATING ACTIVITIES :

	2003-04	2002-03
Net profit before Tax and Dividend	650.33	111.97
Adjustment for :		
Depreciation	182.01	176.27
Interest and Finance Charges	291.90	588.92
Provision for Fixed Assets discarded	0.00	59.94
Loss on sale of Fixed Assets	0.05	0.00
Value of damaged Fixed Assets charged to P&L (Net of Accu. Dep)	31.50	0.00
Misc. Expenditure(Deferred) charged during the year	91.96	232.95
Provision for Gratuity	220.47	193.87
Provision for Accrued Leave Liability	91.07	103.69
Provision for Post Retirement Scheme	7.29	65.10
Provision for Employee Family Benefit Scheme	25.07	71.97
Provision for Voluntary Retirement Scheme	-29.59	-41.52
Operating profit before working capital changes	1,562.06	1,563.16
Adjustment for :		
Inventories	198.09	500.69
Sundry Debtors	-759.00	-318.23
Interest Receivable	-1.19	-2.02
Loans and Advances	-56.26	62.31
Current Liabilities and Provisions	-940.21	-1,617.77
Deferred revenue expenditure (Additions)	-117.62	-125.76
Net cash from Operating Activities	-114.13	62.38

B. CASH FLOW FROM INVESTING ACTIVITIES :

Purchase of Fixed Assets	-425.31	-11.05
Sale of Fixed Assets	0.02	0.00
Sale of Salvaged/Scrapped Fixed Assets	3.29	0.00
Net cash from Investing Activities	-422.00	-11.05

C. CASH FLOW FROM FINANCING ACTIVITIES:

Long term borrowings from SAIL (Holding Company)	1,285.40	618.54
Increase/Decrease in utilisation of Working Capital Borrowings	-463.77	-276.14
Other Borrowings	-32.21	-41.16
Interest and Finance Charges	-291.90	-588.92
Net Cash from Financing Activities	497.52	-287.68
Net Increase/(Decrease) in Cash & Cash Equivalents	-38.61	-236.35
Cash & Cash Equivalents (Opening)	62.87	299.22
Cash & Cash Equivalents (Closing)	24.26	62.87

For and on behalf of Board of Directors

For A.K. Jhunjhunwala & Co.
Chartered Accountants

Sd/-
(M.A. Gohel)
Partner

Sd/-
(R. Ashokkumarr)
Company Secretary

Sd/-
(T.K. Gupta)
General Manager (F&A)

Sd/-
(R.K. Gupta)
Executive Director

Sd/-
(Ashis Das)
Chairman

Place : New Delhi
Date : 25th May, 2004

A photograph of a large industrial oxygen storage tank in a blue-painted facility. The tank is a tall, vertical cylinder with a horizontal band near the top. It is surrounded by various pipes, valves, and structural supports. The background shows more of the industrial structure under a clear sky.

Bhilai Oxygen Ltd.

Directors' Report

To

The Members

The Directors have pleasure in presenting the 5th Annual Report of the Company together with audited accounts for the year ended 31st March, 2004.

Financial & Operational Review

As the members are aware that the Company was incorporated with an objective to acquire, promote, develop, establish, own, operate and maintain Oxygen plants of all types and capacities and manufacture, purchase and supply Oxygen, Nitrogen, Acetylene, Hydrogen and other industrial gases to the Steel Plants, other agencies and consumer etc. The company was to take over assets covered under the Business Restructuring of SAIL relating to Oxygen Plant-II of Bhilai Steel Plant. Due to delay in the restructuring process, no asset has been transferred to the Company so far. As such, no commercial activity has been carried out by the company during the period. The Company has, however, spent Rs.11,280/- on various miscellaneous matters during 2003-04. There being no income, loss for the period was also Rs.11,280/-.

SAIL invited the bids from the interested parties to become Strategic Alliance Partner (SAP) in the Company along with SAIL. Detailed discussions were held with the short listed party, which finally failed. SAIL started the efforts afresh for identification and selection of SAP for the Company which also failed. Due to non-receipt of suitable offer despite repeated attempts, SAIL has decided for the closure of divestment process of Oxygen Plant-II.

Auditors' Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2004 is enclosed at Annexure-I. The Comptroller & Auditor General of India has decided not to review the report of the auditors for the year 31st March, 2004 on the accounts of Bhilai Oxygen Ltd. and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non-Review Certificate is placed at Annexure-II.

Report on Conservation of Energy, Technology Absorption, etc.

Since, no commercial activity was carried out by the Company, the disclosure of information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is not applicable.

Particulars of Employees

Since, the Company has no employees, the particulars prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

Directors' Responsibility Statement

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

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the annual accounts on a going concern basis.

Directors

Shri B.K. Singh, MD (BSP), SAIL resigned from the Board on 31st December, 2003.

Shri S.B. Singh, ED (Works), BSP, SAIL resigned from the Board on 31st December, 2003.

Shri M.P. Sharma, APLO, SAIL was appointed as Director on the Board on 9th March, 2004.

Acknowledgement

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by Steel Authority of India Limited. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi
Dated: 6th July, 2004

Sd/-
(Ashis Das)
Chairman

Balance Sheet AS AT 31ST MARCH, 2004

	Schedule No.	As at 31st March, 2004	As at 31st March, 2003
(In Rupees)			
SOURCES OF FUNDS			
Share holders' Fund			
Share Capital	1.1	500000	500000
		<u>500000</u>	<u>500000</u>
APPLICATION OF FUNDS			
Current Assets, Loans and Advances			
Balances with Scheduled Banks		498500	499000
Less : Current Liabilities and Provisions			
Current Liabilities	1.2	64030	53250
		<u>434470</u>	<u>445750</u>
Net Current Assets			
Profit & Loss Account		65530	54250
		<u>500000</u>	<u>500000</u>

Accounting Policies and Notes on Accounts

3

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

In terms of our report of even dateFor and on behalf of Board of Directors
For S. CHATURVEDI & ASSOCIATES
Chartered Accountants

Sd/-
(S.K.Chaturvedi)
Partner

Sd/-
(Ashis Das)
Chairman

Sd/-
(Vipin Puri)
Director

Place : New Delhi.
Dated : 28th May, 2004.

Profit & Loss Account FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule No.	Year ended 31st March, 2004	Year ended 31st March, 2003
(In Rupees)			
INCOME		—	—
EXPENDITURE			
Other Expenses	2.1	11280	22100
Loss for the year		<u>-11280</u>	<u>-22100</u>
Loss brought forward from previous year		-54250	-32150
Loss carried over to Balance Sheet		<u>-65530</u>	<u>-54250</u>

Accounting Policies and Notes on Accounts

3

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

In terms of our report of even dateFor and on behalf of Board of Directors
For S. CHATURVEDI & ASSOCIATES
Chartered Accountants

Sd/-
(S.K.Chaturvedi)
Partner

Sd/-
(Ashis Das)
Chairman

Sd/-
(Vipin Puri)
Director

Place : New Delhi.
Dated : 28th May, 2004.



Schedules

1.1 SHARE CAPITAL

	As at 31st March, 2004	As at 31st March, 2003 (in Rupees)
Authorised		
50,000 Equity shares of Rs. 10/- each	<u>5,00,000</u>	<u>5,00,000</u>
Issued, Subscribed and Paid-up *		
50,000 Equity shares of Rs. 10/- each fully paid-up	<u>5,00,000</u>	<u>5,00,000</u>
* (Out of 50,000 shares, 49,998 shares are held by Steel Authority of India Limited) (Holding Company)		

1.2 CURRENT LIABILITIES

Sundry Creditors	<u>64,030</u>	<u>53,250</u>
------------------	---------------	---------------

2.1 OTHER EXPENSES	Year ended 31st March, 2004	Year ended 31st March, 2003 (in Rupees)
Bank Charges	500	—
Remuneration to Auditors	6,480	6,300
Consultancy Charges	2,500	2,500
ROC Fees	<u>1,800</u>	<u>13,300</u>
	<u>11,280</u>	<u>22,100</u>

SCHEDULE 3 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

- 1.1 The Company prepares its Annual Accounts on accrual basis under historical cost convention as per the generally accepted accounting principles.
- 1.2 The accounts are drawn up following the Mercantile System of Accounting.

2. NOTES ON ACCOUNTS

- 2.1 The Company was incorporated on 9th February, 1999 as a Private Limited Company and was later converted into a deemed Public Limited Company u/s 43A of the Companies Act, 1956 on 24th February, 1999. This is the fifth financial year of the Company.
- 2.2 There are no contingent liabilities.
- 2.3 There are no contracts remaining to be executed on capital account.
- 2.4 In view of the fact that no commercial activity has been carried out during the period under report, the quantitative details and information on licensed/installed capacities etc. are not being given.
- 2.5 No expenses have been incurred in foreign currency.
- 2.6 No managerial remuneration has been paid during the period under report.

In terms of our report of even date
For S. CHATURVEDI & ASSOCIATES
Chartered Accountants

For and on behalf of Board of Directors

Sd/-
(S.K.Chaturvedi)
Partner

Sd/-
(Ashis Das)
Chairman

Sd/-
(Vipin Puri)
Director

Place : New Delhi
Dated : 28th May, 2004

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

9	8	3	0	3
---	---	---	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

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

 State Code

5	5
---	---

Date Month Year

II. Capital raised during the year (Amount in Rs.)

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

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

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.)

Total Liabilities

5	0	0	0	0	0
---	---	---	---	---	---

 Total Assets

5	0	0	0	0	0
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

5	0	0	0	0	0
---	---	---	---	---	---

 Reserves & Surplus

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

Secured Loans

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

 Unsecured Loans

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

Application of Funds

Net Fixed Assets

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

 Investments

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

Net Current Assets

	4	3	4	4	7	0
--	---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

	6	5	5	3	0
--	---	---	---	---	---

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

Turnover / Other Income

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

 Total Expenditure

	1	1	2	8	0
--	---	---	---	---	---

Profit Before Tax

-	1	1	2	8	0
---	---	---	---	---	---

 Profit After Tax

-	1	1	2	8	0
---	---	---	---	---	---

Earning per share (Rs.)

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

 Dividend Rate (%)

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

V. Generic Names of Three Principal Products / Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)

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

Product Description

O	X	Y	G	E	N														
---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item Code No. (ITC Code)

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

Product Description

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

Item Code No. (ITC Code)

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

Product Description

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



Auditors' Report ANNEXURE - I

To

The Members of Bhilai Oxygen Limited

We have audited the attached Balance Sheet of BHILAI OXYGEN LIMITED, as at 31st March, 2004 and the annexed Profit & Loss Account of the Company for the year ended on that date in accordance with the letter of appointment of Comptroller & Auditor General of India. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report as follows :

1. The provisions of CARO, 2003 are not applicable as the company has not carried out any commercial activity.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
3. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
4. The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account.
5. In our opinion, the Profit & Loss Account and the Balance Sheet have been drawn up in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
6. In terms of Government Notification on No.G.S.R 829(E) dated 21st October, 2003, Government companies are exempt from the applicability of provisions of Section 274(1)(g) of the Companies Act, 1956.
7. The said accounts, in our opinion and to the best of our information and according to the explanations given to us, and read with the accounting policies and notes appearing on Schedule 3, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2004
 - and
 - b) in the case of Profit & Loss Account, of the Loss of the Company for the period ended on that date.

For **S. CHATURVEDI & ASSOCIATES**
Chartered Accountants

Sd/-
(S.K.Chaturvedi)
Partner

Place : New Delhi
Dated : 28th May, 2004

Comments of C&AG ANNEXURE - II

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHILAI OXYGEN LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004

The Comptroller & Auditor General of India has decided not to review the report of the Auditors for the year ended 31st March, 2004 on the accounts of Bhilai Oxygen Limited and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

Place : Ranchi
Dated : 24th June, 2004

Sd/-
Pr. Director of Commercial Audit &
Ex-Officio Member Audit Board, Ranchi