



Balance Sheet

As at 31st March, 2008

g) Improvement in working conditions at PH Yard by dust suppression and concreting at various locations.

CORPORATE SOCIAL RESPONSIBILITY

With the underlying philosophy and a credo to make a 'Meaningful difference in people's lives', MEL has been fulfilling its obligations to the Society since inception.

As a part of Corporate Social Responsibility activities, the following initiatives have been taken by the Company during the year.

- i) Distributed school bags, books and stationery to the students of Zilla Parishad Sr. Primary School at Lohara village (162 nos.)
- ii) Co-sponsored a plastic surgery camp under the expertise of World Renowned Surgeon Dr. Sharad Kumar Dicksheet (USA), in November, 2007, at Chandrapur. The camp was organized for surgery upon Cleft Lip, scar on face and squint cases benefiting 238 patients.
- iii) Sponsored the world disabled day programme organized by the National Federation of Blind providing material for self employment, braille books for students white folding sticks and sarees (200 Nos.)
- iv) Provided 10 street light fittings to the Lohara village which is situated near the vicinity of the Company.

TOTAL QUALITY & INDUSTRIAL SAFETY

Quality Management System (QMS) addressed to ISO-9001-2000 International Standard was successfully maintained in the Organization during 2007-08. Fifth Surveillance Audit of MEL's ISO-9001-2000 QMS by certifying agency M/s.LRQA, Mumbai, completed successfully without any non-conformity. The Vigilance Department of MEL has been accredited with Certificate of DIN EN ISO-9001-2000 certified Body M/s. TUV on 25th February, 2008.

In Industrial Safety, the Company has been awarded 'Ispat Surkhsa Puskar' for no fatality during 2005 & 2006 received in December, 2007.

HIGHLIGHTS OF SAFETY PERFORMANCE

- Out of 23 departments, 18 departments maintained "Zero reportable accident" level.
- Six months were celebrated as 'Zero Accident Months' these are February, March, April, August, September and December, 2007.
- Use of 100% crash helmets by two wheeler riders implemented.
- Longest reportable accident free period achieved from 6/1/2007 to 16/6/2007 i.e. 162 days for regular employees and from 1/1/2007 to 14/6/2007 i.e. 165 days for contractual workers.
- Without any major/minor accident 30 Mtrs. height new Chimney was fabricated, erected and commissioned at sinter Plant-II.
- A lecture on Yoga and safety has been made mandatory in all the training programmes organized by HRD which has resulted in improving health, moral and attitude and safety consciousness of employees.
- MEL is playing a leadership role in promoting the 'Safety & Health' in nearby industries by coordinating various activities like safety meets, training programmes and safety competitions through 'Industrial Safety Forum for Chandrapur District' (ISFCD). It is an unique forum of its kind in the country.

MERGER OF MEL WITH SAIL

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

FUTURE PLAN

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

- Installation of one number 33 MVA Submerged Arc Furnace for production of Silico Manganese by December, 2010.
- Construction of compound wall along Plant & Township premises by June, 2008.
- Installation of SRF by June, 2008.
- Construction of additional Bunkers for SAF-I and SAF-II by September, 2008.
- Layer casting of ferro alloys 2nd phase including procurement of 1 No. (2nd) Front End Loader by December, 2008.
- Mechanisation system for processing of layer casting of ferro alloys by December, 2008.
- Computerisation at MEL Phase-II by December, 2008.
- Dust Collection System for SAF-II (South side) by March, 2009.
- Thickner & Hotwell for SAF-II by March, 2009.

Special Projects at MEL:

Iron Ore Mines

Application for 'Prospecting Licence' for Iron Ore has been submitted to the Office of District Mining Officer, Chandrapur.

Manganese Ore Mines

Application for 'Prospecting Licence' for Manganese Ore has been submitted to the Office of District Mining Officer, Chandrapur. MEL is pursuing the matter with District Mining Officers and Director, Geology & Mining, Nagpur, for both the cases.

Installation of 2 x 67.5 MW Power Plant

Techno-economic/ pre-feasibility report for 2 x 67.5 MW Captive Power Plant at MEL, Chandrapur, prepared by MECON, Ranchi, has been received from NSPCL, New Delhi. The same is under study.

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

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

PARTICULARS OF EMPLOYEES

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

DIRECTOR

- Shri S.K. Jain has been appointed as Director w.e.f. 22nd October, 2007.
- Shri V.K. Gulhati, Director, resigned from the Directorship w.e.f. 6th November, 2007.
- Shri Vipin Puri, Director, superannuated w.e.f. 31st March, 2008.
- Shri R. Ramaraju has been appointed as Director w.e.f. 15th May, 2008.
- Shri S. K. Jain Director superannuated w.e.f. 30th June, 2008.
- Shri A. K. Nigote Director superannuated w.e.f. 30th June, 2008.

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 Exchange a report on Corporate Governance is given at Annexure-IV to this report. The Management Discussion & Analysis Report is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI to this report.

AUDITORS REPORT

The Statutory Auditors' Report on Accounts of the Company for the financial year ended 31st March, 2008 along with Management's replies are enclosed. The comments of Comptroller and Auditor General of India under the Section 619(4) of the Companies Act, 1956 on accounts of the Company for the year ended 31st March, 2008 are 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), Maharashtra State Electricity Distribution Company Limited (Maha Vitran) and the Suppliers and Customers.

For & on behalf of the Board

Place: Bhilai
Date : 30th June, 2008

Sd/-
(R. Ramaraju)
Chairman

	Schedule No.	As at 31st March 2008	As at 31st March 2007
(Rupees in lakh)			
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1.1	2400.00	2400.00
Reserves and Surplus	1.2	7136.20	4374.26
		9536.20	6774.26
Loan Funds			
Unsecured Loans	1.3	38.68	98.14
		9574.88	6872.40
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	1.4	6363.84	6107.30
Less: Depreciation		3777.21	3610.86
Net Block		2586.63	2496.44
Capital Work-in-Progress	1.5	288.40	221.17
Deferred Tax Assets (Net)		1362.91	659.95
Current Assets, Loans & Advances			
Inventories	1.6	4219.39	6502.74
Sundry Debtors	1.7	3389.08	1720.74
Cash and Bank Balances	1.8	8610.23	719.43
Interest Receivable/Accrued	1.9	194.47	88.48
Loans and Advances	1.10	1303.30	2072.98
		17716.47	11104.37
Less: Current Liabilities & Provisions			
Current Liabilities	1.11	6792.42	4722.80
Provisions	1.12	5600.37	2936.10
		12392.79	7658.90
Net Current Assets			
Miscellaneous Expenditure	1.13	5323.68	3445.47
(to the extent not written off or adjusted)		13.26	49.37
		9574.88	6872.40

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

Sd/-
(R. Ashokkumarr)
Company Secretary

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

Sd/-
(Ambesh A. Dave)
Partner

Place : Bhilai
Date : May 24th, 2008

For and on behalf of Board of Directors

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

Sd/-
(S. K. Jain)
Director

Sd/-
Debidas Pal
(Executive Director)

Sd/-
(R. Ramaraju)
Chairman

Profit & Loss Account

(For the year ended 31st March, 2008)

	Schedule No.	Year ended 31st March, 2008	Year ended 31st March, 2007 (Rupees in lakh)
INCOME			
Sales	2.1	39641.12	29153.60
Less : Excise duty		7989.07	5966.08
		31652.05	23187.52
Interest earned	2.2	268.28	121.09
Other revenues	2.3	223.34	152.31
Provisions no longer required written back	2.4	15.70	60.86
		507.32	334.26
		32159.37	23521.78
EXPENDITURE			
Accretion to (-)/Depletion in stocks	2.5	1242.11	1377.64
Raw Materials Consumed	2.6	6342.66	2746.62
Employees Remuneration & Benefits	2.7	5503.82	2764.07
Stores & Spares Consumed		706.33	489.54
Power & Fuel	2.8	11391.29	12094.95
Repairs & Maintenance	2.9	139.45	69.29
Other expenses	2.10	1044.49	969.51
Interest & Finance Charges	2.11	11.25	15.54
Depreciation		190.63	169.63
		26571.95	20696.79
Profit for the year		5587.42	2824.99
Adjustments pertaining to earlier years	2.12	0.00	(3.60)
Profit before Tax		5587.42	2821.39
Less : Provision for Taxation			
- Current Tax		2640.00	1050.00
- Fringe Benefit Tax		18.00	15.38
- Deferred Tax		(702.96)	(119.92)
- Earlier years adjustments		-	25.98
Profit after Tax		3632.38	1849.95
Surplus brought Forward from previous year		4034.26	2904.93
Less : Provision towards Long Service Award to employee's upto 31st March' 2006		-	(9.04)
Amount available for appropriation		7666.64	4745.84
APPROPRIATIONS			
Transferred to General Reserve		365.00	150.00
Proposed Dividend		744.00	480.00
Tax on Dividend		126.44	81.58
Balance carried to Balance Sheet		6431.20	4034.26
		7666.64	4745.84
Earnings per Share			
Profit after Tax (Rs. in lakh)		3632.38	1849.95
Average number of equity shares (Face value Rupees 10/- each)		24000000	24000000
Basic & Diluted Earnings Per share (Rupees)		15.13	7.71

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

Sd/-
(R. Ashokkumarr)
Company Secretary

For and on behalf of Board of Directors
Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
Debidas Pal
(Executive Director)

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

Sd/-
(Ambesh A. Dave)
Partner

Sd/-
(S. K. Jain)
Director

Sd/-
(R. Ramaraju)
Chairman

Place : Bhilai
Date : May 24th, 2008

Cash Flow Statement

(For the year ended 31st March, 2008)

	For the year 2007-08	For the year 2006-07 (Rs. in lakh)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and dividend and prior period adjustment	5,587.42	2,824.99
Adjustment for :		
Depreciation	190.63	169.63
Interest and Finance Charges	11.25	15.54
Interest Income	-268.28	-121.09
Misc. Expenditure (Deferred) charged during the year	36.11	49.41
Provisions for Retirement Benefits (net of payment)	2,355.41	160.23
Provisions for Loans & Advances (Others)	1.31	75.67
Provision no longer required written back	-15.70	-60.86
Credit balance written back	-3.17	0.00
Loss on Sale of discharged Fixed Assets	0.14	0.01
Profit on Sale of discharged Fixed Assets	-0.63	-30.48
Amount written off	14.61	1.23
Depreciation on sale of fixed assets written back	-24.28	0.00
Adjustment for prior period item	0.00	-16.45
Prior period Adjustment written back	0.00	12.85
Operating Cash flow before payment of Tax	7,884.82	3,080.68
Payment of Advance Tax	-2,115.00	-915.00
Tax deducted at source	-696.12	-580.05
Payment of fringe benefit tax during the year	-20.00	-15.75
Payment of Income Tax for Previous year	0.00	-226.08
Refund of Income Tax	0.00	70.70
Operating profit before working capital changes	5,053.70	1,414.50
Adjustment for :		
Inventories	2,282.10	237.85
Sundry Debtors	-1,668.34	-1,589.80
Loans and Advances	943.83	-134.96
Current Liabilities & Provisions	2,148.65	-674.13
Net Cash from Operating Activities	8,759.94	-656.45
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	-402.81	-296.71
Sale of Salvage/Scrapped Fixed Assets & Idle Spares	0.88	34.44
Interest Receivable	-105.99	8.83
Interest Income	268.28	121.09
Net Cash from Investing Activities	-239.64	-132.35
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Payment of Dividend	-477.21	-478.69
Payment of Dividend Tax	-81.58	-67.32
Increase/Decrease in utilisation of Working Capital Borrowings	0.00	-1.11
Other Borrowings	-59.46	-108.26
Interest and Finance Charges	-11.25	-15.54
Net Cash from Financing Activities	-629.50	-670.92
Net Increase/(Decrease) in Cash & Cash Equivalents	7,890.80	-1,459.81
Cash & Cash Equivalents (Opening)	719.43	2,179.24
Cash & Cash Equivalents (Closing)	8,610.23	719.43

Sd/-
(R. Ashokkumarr)
Company Secretary

For and on behalf of Board of Directors
Sd/-
(Mahesh Chandra)
General Manager(F&A)

Sd/-
Debidas Pal
(Executive Director)

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

Sd/-
(Ambesh A. Dave)
Partner

Sd/-
(S. K. Jain)
Director

Sd/-
(R. Ramaraju)
Chairman

Place : Bhilai

Schedules

(Forming part of Balance Sheet)

	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
1.1: SHARE CAPITAL		
Authorised		
30,000,000 Equity Shares of Rs.10 each	<u>3000.00</u>	<u>3000.00</u>
	<u>3000.00</u>	<u>3000.00</u>
Issued, Subscribed & Paid-up		
24,000,000 Equity Shares of Rs.10 each fully paid-up	<u>2400.00</u>	<u>2400.00</u>
	<u>2400.00</u>	<u>2400.00</u>
Note : Of the above 237,87,935 (237,87,935) equity shares are held by Steel Authority of India Limited- Holding Company		
1.2 : RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	15.00	15.00
(Represents amount received from Central Government by way of Capital subsidy)		
General Reserve		
As per last Balance Sheet	325.00	175.00
Add : Transferred from Profit & Loss Account	<u>365.00</u>	<u>150.00</u>
	<u>590.00</u>	<u>325.00</u>
Surplus as per Profit & Loss Account	<u>6431.20</u>	<u>4034.26</u>
	<u>7136.20</u>	<u>4374.26</u>
1.3 : UNSECURED LOANS		
Term Loan from Government of Maharashtra (Interest free)	<u>38.68</u>	<u>98.14</u>
(Transferred from SICOM to Govt. of Maharashtra)	<u>38.68</u>	<u>98.14</u>
Note: Unsecured Loans repayable within one year.		
	<u>16.56</u>	<u>59.46</u>

1.4 : FIXED ASSETS

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK			
	As at 31st March, 2007	Additions/ Adjustments during the Year	Less : Sales/ Adjustments during the Year	As at 31st March, 2008	Up to 31st March, 2007	For the Year	Less : On sales / Adjustments during the Year	As at 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2007
(Rupees in lakh)												
A. PLANTS, MINES, OTHERS												
Land (including cost of development)												
-Freehold Land *	29.79	0.00	0.00	29.79	-	-	-	-	29.79	29.79		
Railway Lines & Sidings	108.58	0.00	0.00	108.58	103.15	0.00	0.00	103.15	5.43	5.43		
Roads, Bridges & Culverts	18.89	28.52	0.00	47.41	4.27	0.55	0.00	4.82	42.59	14.62		
Buildings	713.85	18.67	0.00	732.52	303.84	20.45	0.00	324.29	408.23	410.01		
Plant & Machinery												
-Ferro Alloys Plant	4179.84	155.68	78.77	4256.75	2551.07	117.30	24.28	2644.09	1612.66	1628.77		
-Others	471.55	76.65	0.00	548.20	356.94	24.54	0.00	381.48	166.72	114.61		
Furniture & Fittings	57.44	7.35	0.00	64.79	54.12	3.04	0.00	57.16	7.63	3.32		
Vehicles	102.59	4.96	0.00	107.55	55.13	7.12	-	62.25	45.3	47.46		
Water Supply & Sewerage	41.96	0.00	0.00	41.96	34.85	0.79	0.00	35.64	6.32	7.11		
EDP Equipment's	57.57	14.80	0.00	72.37	44.87	5.92	0.00	50.79	21.58	12.70		
Miscellaneous Articles	50.22	16.34	0.00	66.56	31.34	5.53	0.00	36.87	29.69	18.88		
Sub-total 'A'	5832.28	322.97	78.77	6076.48	3539.58	185.24	24.28	3700.54	2375.94	2292.70		
Figures for the Previous Year	5761.34	122.33	51.39	5832.28	3423.29	164.85	48.56	3539.58	2292.70	2338.05		
B. SOCIAL FACILITIES												
Roads, Bridges & Culverts	9.15	0.00	0.00	9.15	3.13	0.15	0.00	3.28	5.87	6.02		
Buildings	243.37	0.20	0.00	243.57	64.21	3.97	0.00	68.18	175.39	179.16		
Furniture & Fittings	2.58	0.50	0.00	3.08	0.51	0.25	0.00	0.76	2.32	2.07		
Water Supply & Sewerage	6.60	9.71	0.00	16.31	2.31	0.19	0.00	2.50	13.81	4.29		
EDP Equipment's	2.72	1.28	0.00	4.00	0.53	0.53	0.00	1.06	2.94	2.19		
Miscellaneous Articles	8.49	0.92	0.00	9.41	0.59	0.30	0.00	0.89	8.52	7.90		
Sub-total 'B'	272.91	12.61	0.00	285.52	71.28	5.39	0.00	76.67	208.85	201.63		
Figures for the Previous Year	253.60	19.85	0.54	273.99	66.66	4.78	0.16	71.28	201.63	186.94		
C. UNSERVICEABLE / OBSOLETE ASSETS												
Net book value or net realisable value whichever is less	2.11	0.12	0.39	1.84	0.00	-	0.00	-	1.84	2.11		
Figures for the Previous Year	3.38	2.11	3.38	2.11	0.00		0.00	0.00	2.11	3.38		
Total ('A'+ 'B'+ 'C')	6107.30	335.70	79.16	6363.84	3610.86	190.63	24.28	3777.21	2586.63	2496.44		
Figures for the Previous Year	6018.32	144.29	55.31	6107.30	3489.95	169.63	48.72	3610.86	2496.44	2528.37		

* Land granted by Govt. of Maharashtra under occupancy rights subject to restrictions agreed upon by the company towards payment of unearned increment on the property transfer as per agreed terms.

Schedules

(Forming part of Balance Sheet)

1.5 : CAPITAL WORK-IN-PROGRESS	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Expenditure during construction pending allocation (Schedule 1.5.1)	21.07	21.07
Capital Work-in-progress		
Ferro Alloys Units	<u>244.36</u>	<u>275.77</u>
	<u>265.43</u>	<u>296.84</u>
Less: Provisions	<u>75.67</u>	<u>75.67</u>
	<u>189.76</u>	
Advances	<u>98.64</u>	
	<u>288.40</u>	<u>221.17</u>
1.5.1: EXPENDITURE DURING CONSTRUCTION (Pending allocation)	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Opening Balance	<u>21.07</u>	<u>21.07</u>
Balance carried forward	<u>21.07</u>	<u>21.07</u>
1.6 : INVENTORIES (As taken, valued and certified by the Management)	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Stores & Spares	553.81	493.57
Add: In-transit	<u>14.33</u>	<u>7.21</u>
	<u>568.14</u>	<u>500.78</u>
Less: Provision	<u>29.79</u>	<u>28.54</u>
	<u>538.35</u>	<u>472.24</u>
Raw materials	1032.15	1937.89
Add: In-transit	<u>71.24</u>	<u>21.83</u>
	<u>1103.48</u>	<u>1959.72</u>
Finished products	<u>2577.56</u>	<u>4070.78</u>
	<u>4219.39</u>	<u>6502.74</u>
1.7 : SUNDRY DEBTORS (Unsecured)	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Debts over six months	0.00	14.32
Other Debts	<u>3389.08</u>	<u>1720.74</u>
	<u>3389.08</u>	<u>1735.06</u>
Less: Provision for doubtful debts	<u>0.00</u>	<u>14.32</u>
	<u>3389.08</u>	<u>1720.74</u>
Particulars		
Considered good	3389.08	1720.74
Considered doubtful	<u>0.00</u>	<u>14.32</u>
	<u>3389.08</u>	<u>1735.06</u>
Note : Due from Steel Authority of India Limited (Holding Company)		
	3389.02	1687.62
1.8 : CASH & BANK BALANCES	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Cash and Stamps on hand	0.97	1.40
Cheques on hand	<u>28.83</u>	<u>0.50</u>
With Scheduled Banks in :		
Current Account	343.47	271.98
Unpaid Dividend Account	<u>2.79</u>	<u>1.31</u>
Term Deposits	<u>7863.50</u>	<u>421.75</u>
Remittances-in-transit	<u>8209.76</u>	<u>695.04</u>
	<u>370.67</u>	<u>22.49</u>
	<u>8610.23</u>	<u>719.43</u>

1.9 : INTEREST RECEIVABLE/ACCRUED	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Employees	34.40	40.61
Others	<u>160.07</u>	<u>47.87</u>
	<u>194.47</u>	<u>88.48</u>
1.10 : LOANS & ADVANCES	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Loans		
Employees	337.73	252.84
[Secured Rs. 324.73 lakhs (Rs. 249.96 lakhs)]		
Advances recoverable in cash or in kind or for value to be received :		
Claims recoverable	64.38	104.07
Contractors and Suppliers	43.40	34.85
Employees	42.81	3.49
Advance Income Tax and Tax deducted at source	628.67	455.55
Others	<u>195.35</u>	<u>205.39</u>
	<u>974.61</u>	<u>803.35</u>
Deposits :		
Excise Department, Railways, etc.	7.78	4.71
Others	<u>4.54</u>	<u>1034.76</u>
	<u>12.32</u>	<u>1039.47</u>
Less : Provision for Doubtful Loans & Advances	<u>1324.66</u>	<u>2095.66</u>
	<u>21.36</u>	<u>22.68</u>
	<u>1303.30</u>	<u>2072.98</u>
Particulars of Loans & Advances		
Secured, considered good	324.73	249.96
Unsecured, considered good	978.57	1823.02
Unsecured, considered doubtful	<u>21.36</u>	<u>22.68</u>
	<u>1324.66</u>	<u>2095.66</u>

1.11 : CURRENT LIABILITIES	As at 31st March, 2008	As at 31st March, 2007
(Rupees in lakh)		
Sundry Creditors :		
Capital works	-	23.56
Small Scale Industrial Undertakings	-	58.95
Others	<u>1538.70</u>	<u>2471.63</u>
Advance from Customers	250.26	80.84
Security Deposits	344.04	273.86
Unclaimed Dividend	2.79	1.31
Other Liabilities	<u>4656.63</u>	<u>1812.65</u>
	<u>6792.42</u>	<u>4722.80</u>

Schedules

(Forming part of Balance Sheet)

1.12 : PROVISIONS FOR	As at 31st March, 2008	As at 31st March, 2007	
			(Rupees in lakh)
Gratuity			
Opening Balance	1296.29	1184.70	
Add : Provision during the year	1033.78	125.92	
Less: Amount utilised/ adjusted during the year	48.59	2281.48	14.33
			1296.29
Accrued Leave Liability			
Opening Balance	612.38	563.03	
Add : Provision during the year	94.37	131.74	
Less: Amount utilised/ adjusted during the year	88.44	618.31	82.39
			612.38
Taxation			
Opening Balance	0.00	127.03	
Add : Provision during the year	2658.00	1091.36	
Less: Amount paid / adjusted during the year	2658.00	0.00	1218.39
			0.00
Proposed Dividend			
Opening Balance	480.00	480.00	
Add : Provision during the year	744.00	480.00	
Less: Amount utilised during the year	480.00	744.00	480.00
			480.00
Tax on Dividend			
Opening Balance	81.58	67.32	
Add : Provision during the year	126.44	81.58	
Less: Amount utilised during the year	81.58	126.44	67.32
			81.58
Voluntary Retirement Scheme			
Opening Balance	56.41	78.33	
Add : Provision during the year	10.18	9.27	
Less: Amount utilised during the year	23.83	42.76	31.19
			56.41
Employee Family Benefit Scheme			
Opening Balance	245.81	276.70	
Add : Provision during the year	74.87	17.08	
Less: Amount utilised during the year	52.06	268.62	47.97
			245.81
Post Retirement Medical and Settlement Benefits			
Opening Balance	96.95	102.49	
Add : Provision during the year	551.32	0.72	
Less: Amount utilised/ adjusted during the year	0.48		6.26
Less: Provision written back during the year	82.08	565.71	0.00
			96.95
Wage Revision			
Opening Balance	61.45	0.00	
Add : Provision during the year	1190.88	61.45	
Less: Amount utilised during the year	304.63		0.00
		947.70	61.45
Long Service Awards to Employees			
Opening Balance	5.23	0.00	
Add : Provision during the year	0.49	9.04	
Less: Amount utilised/ adjusted during the year	0.37		3.81
		5.35	5.23
		5600.37	2936.10

1.13 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	Balance as at 31st March, 2007	Additions during the year	Total	Amount Charged off during the year	Balance as at 31st March, 2008
					(Rupees in lakh)
Deferred Revenue Expenditure					
- Voluntary Retirement Compensation	49.37	0.00	49.37	36.11	13.26
Total	49.37	0.00	49.37	36.11	13.26
Previous year	98.78	0.00	98.78	49.41	49.37

Schedules

(Forming part of Profit & Loss Account)

2.1 : SALES	As at 31st March, 2008	As at 31st March, 2007
		(Rupees in lakh)
Ferro Alloys - Sales	10561.87	4973.42
Ferro Alloys - Conversion	29079.25	24180.18
	39641.12	29153.60
2.2 : INTEREST EARNED	As at 31st March, 2008	As at 31st March, 2007
		(Rupees in lakh)
Customers	0.93	0.30
Employees	13.45	10.74
Term Deposits*	247.28	49.38
Others	6.62	60.67
	268.28	121.09
* Tax deducted at source Rs. 48.35 lakh (Rs. 23.41 lakhs)		
2.3 : OTHER REVENUES	As at 31st March, 2008	As at 31st March, 2007
		(Rupees in lakh)
Social amenities-recoveries	7.67	7.00
Sale of empties etc.	162.96	45.56
Liquidated damages	4.17	13.05
Profit on sale/discard of fixed assets	0.63	30.48
Sundries	47.91	56.22
	223.34	152.31
2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK	As at 31st March, 2008	As at 31st March, 2007
		(Rupees in lakh)
Stores & Spares	0.00	1.84
Capital work-in progress	0.00	57.42
Others	15.70	1.60
	15.70	60.86
2.5 : ACCRETION TO (-) /DEPLETION IN STOCK OF FINISHED PRODUCTS	As at 31st March, 2008	As at 31st March, 2007
		(Rupees in lakh)
Opening stock	4070.78	5667.66
Less : Closing Stock	2577	4070.78
	1493.22	1596.88
Less : Excise Duty on Accretion/ Depletion Stock	251.11	219.24
	1242.11	1377.64

2.6 : RAW MATERIAL CONSUMED	Year Ended 31st March, 2008	Year Ended 31st March, 2007
	Quantity Tonnes	Value Rs./Lakh
	Quantity Tonnes	Value Rs./Lakh
Manganese Ore	53848	5016.37
Others		1326.19
		6342.56
		1743.07
		1003.55
		2746.62

2.7 : EMPLOYEES' REMUNERATION & BENEFITS	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Salaries & Wages	3263.41	2068.14
Company's contribution to provident fund and other funds	213.97	198.53
Travel concession	301.87	251.13
Welfare expenses	690.79	120.35
Gratuity	1033.78	125.92
	5503.82	2764.07
Note :		
Expenditure on Employees' Remuneration and Benefits not included above and charged to: Deferred Revenue Expenditure	36.11	49.41
	36.11	49.41

2.8 : POWER & FUEL	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Purchased Power	11277.93	12045.13
Furnace Oil	113.36	49.82
	11391.29	12094.95

2.9 : REPAIRS AND MAINTENANCE	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Buildings	51.24	25.78
Plant & Machinery	52.83	17.93
Others	35.38	25.58
	139.45	69.29

Schedules

(Forming part of Profit & Loss Account)

2.10 : OTHER EXPENSES	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Demurrage and Wharfage	0.89	4.16
Directors' Fees	1.30	0.45
Handling expenses		
- Raw Material	144.61	116.82
- Finished Goods	368.99	347.48
- Scrap recovery expenses	0.00	0.76
	513.60	465.06
Insurance	8.57	9.39
Law charges	1.45	1.02
Loss on sale/scrapping of Fixed Assets	0.14	0.01
Postage, Telegram & Telephone	15.63	8.83
Printing & Stationery	9.03	5.82
Provisions		
- Doubtful Debts & Loans and Advances	0.06	0.00
- Work-in-progress	0.00	75.67
- Others	1.25	0.00
	1.31	75.67
Rates & Taxes	92.43	66.22
Remuneration to Auditors		
- Audit Fees	1.93	1.63
- Tax Audit Fees	0.64	0.50
- Out of pocket expenses	0.42	0.70
- In other capacities	1.46	1.72
	4.45	4.55
Rent	22.95	20.37
Security expenses	27.88	25.01
Travelling expenses	157.31	120.72
Write Offs		
- Miscellaneous & Deferred Revenue Expenditure	36.11	49.41
- Others	14.61	50.72
	50.72	50.64
Miscellaneous	136.85	111.59
	1044.51	969.51

2.11 : INTEREST & FINANCE CHARGES	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Bank borrowings - working capital	0.18	1.43
Others	0.93	0.00
Finance Charges	10.14	14.11
	11.25	15.54
2.12 : ADJUSTMENTS PERTAINING TO EARLIER YEARS	Year Ended 31st March, 2008	Year Ended 31st March, 2007
		(Rupees in lakh)
Raw Materials Consumed	0.00	5.73
Stores & Spares Consumed	0.00	10.72
Other Expenses & Provisions	0.00	(12.85)
	0.00	3.60

SCHEDULE 3 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

Part-A: SIGNIFICANT ACCOUNTING POLICIES:

1.1 BASIS OF ACCOUNTING:

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

1.2 USE OF ESTIMATES :

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

1.3 FIXED ASSETS:

Fixed Assets are stated at cost of acquisition less depreciation.

Expenditure on development of land, including lease hold land, is capitalised as part of cost of land.

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

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

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

1.4 BORROWING COSTS:

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

1.5 DEPRECIATION:

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

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

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

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

1.6 INVENTORY :

Raw Materials, Stores & spares and finished/semi-finished products are valued at lower of cost and net realisable value. In case of identified obsolete / surplus/ non-moving items, necessary provision is made and charged to revenue.

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

The basis of determining cost is:

Raw Materials and Stores & Spares - Weighted average cost
Materials in-transit - At Cost

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

1.7 GRANTS:

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

1.8 VOLUNTARY RETIREMENT COMPENSATION:

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

1.9 FOREIGN CURRENCY TRANSACTIONS:

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

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets acquired from outside India prior to 1st April 2004, are recognised in the Profit and Loss Account. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and spot rate on the date of the transaction is recognised in the Profit and Loss Account over the period of contract.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities relating to fixed assets arising out of transactions entered prior to 1st April, 2004, are adjusted in the carrying amount of such assets.

1.10 EMPLOYEES' BENEFITS:

The provisions/liabilities towards gratuity, accrued leave, leave travel concession facility, long term service awards, post-retirement medical and settlement benefits, future payments to the disabled employees / legal heirs of deceased employees under the Employees' Family Benefit Scheme, are made based on the actuarial valuation as at the end of the year and charged to the profit and loss account alongwith actuarial gains/losses.

1.11 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES:

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

1.12 REVENUE RECOGNITION:

Sales* include excise duty, packing charges and are net of rebates. Sales in the domestic market are recognised at the time of despatch of materials to the buyers including the cases where delivery documents are endorsed in favour of the buyers. Export sales are recognized:

- on the issue of bill of lading, or
- negotiation of export bills upon expiry of laycan period, in cases where 'realisation of material value without shipment' is provided in the letters of credit of respective contracts, whichever is earlier.

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

*Sales include conversion income.

1.13 CLAIMS FOR LIQUIDATED DAMAGES/ PRICE ESCALATION:

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

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

1.14 DEFERRED TAX

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

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Part-B : NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

Contingent Liabilities not provided for –

	As at 31st March, 2008	As at 31st March, 2007
	(Rs. in Lakhs)	
i) Claims against the Company pending appellate/judicial decision	454.39	451.66
ii) Other claims against the Company not acknowledged as debts	746.93	800.31
iii) Post dated cheques issued in favour of supplier on behalf of SAIL (Holding Company)	8025.30	1332.20

3. PROFIT & LOSS ACCOUNT

3.1 The long-term agreement for wage revision expired on 31st December, 2006 Pending finalisation of fresh agreement w.e.f. 1st January 2007, provision towards wages revision of Rs. 1252.33 Lakhs has been charged to Profit and Loss Account (including Rs. 1190.88 Lakhs during the year) on estimated basis. Further, an ad-hoc adjustable advance amount of Rs. 304.63 Lakhs paid to employees during the year, has been adjusted against the provision towards salaries and wages revision.

3.2 MEL is under conversion arrangement with SAIL, its holding company, in which major raw materials i.e. Manganese Ore and Coke are provided by SAIL for conversion of the same into Ferro Alloys for which conversion charges are paid by SAIL to MEL on negotiated rate.

3.3 The total quantity of Ferro Manganese and Silico Manganese produced during the period as well as total quantity despatched under conversion arrangement are as under:

		(In MT)	
		2007-08	2006-07
Production for the Year	Ferro Manganese	64584	56319
	Silico Manganese	37640	50371
Despatch under conversion	Ferro Manganese	59129	55027
	Silico Manganese	32197	42092

3.4 The Stock of Manganese ore as on 31.03.2008 under conversion account is 28481 MT (18429 MT). Out of the above quantity, the company has consumed 17775 MT (4183 MT) of Manganese ore for its own production for which liabilities of Rs. 3004.23 Lakhs (Rs. 104.30 Lakhs) has been provided for.

3.5 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.

3.6 Power & Fuel includes expenditure on purchased power and furnace oil. The other expenditure for generation of power is included under respective primary heads of account.

4. INVENTORY, SUNDRY DEBTORS, LOANS & ADVANCES AND CURRENT LIABILITIES

4.1 In accordance with past practice, quantities of inventories of bulk raw materials and finished goods have been taken as per weight-volume-ratio as determined by the Production/Technical Department.

4.2 Inventory of finished goods at the period end was physically verified and the net excess quantity of 356 MT (surplus Qty of 420 MT) valuing Rs. 146.30 Lakhs (Rs.68.69 Lakhs) has been accounted for.

4.3 The amount due to Micro and Small Enterprises as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the Company. The disclosures relating to Micro and Small enterprises as at 31st March, 2008 are as under.

Sl. No.	Description	As at 31st March, 2008
1.	The principal amount remaining unpaid to supplier as at the end of accounting year	Nil
2.	The interest due thereon remaining unpaid to supplier as at the end of accounting year	Nil
3.	The amount of interest paid in terms of section 16, alongwith the amount of the payment made to the supplier beyond the appointed day during the year 2007-08	Nil
4.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil
5.	The amount of interest accrued during the year and remaining unpaid at the end of the accounting year	Nil
6.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowance as a deductible expenditure under section 23.	Nil

The previous year's figures are not given, as there were no reported Micro and Small enterprises as at 31st March, 2007.

4.4 The Company has retained Rs. 190.19 Lakhs (Rs. 154.82 Lakhs) as on 31st March, 2008 under Employees' Family Benefit Scheme which is exempted under section 58 A of the Companies Act, 1956.

4.5 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 has revised the rules for computation of certain perquisites. The Employees' Union / Association of SAIL (our holding company) have filed writ petitions with the Hon'ble High Court at Kolkata challenging the above notification. In pursuance of Hon'ble court's orders, Rs. 9.12 Lakhs on account of tax deducted on house perquisites for Financial year 2003-04 and 2004-05 has not been deposited with the Income Tax Department. The amount so deducted has been kept in term deposit. Such deductions and deposits after 31st March, 2005 have been made in accordance with amended law/judicial decisions. However, there is no impact on accounts of the Company as the additional tax, if required, shall be recoverable from the employees.

4.6 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 623.39 Lakhs (Rs. 221.17 Lakhs) as at 31.03.2008.

5. GENERAL

5.1 Employees Benefits

5.1.1 General description of defined benefits schemes :

Gratuity	- Payable on separation @ 15 days pay for each completed year of service to eligible employees who render continuous service of 5 years or more. Maximum amount is Rs. 3.50 lakhs as per Gratuity Act. Maximum amount of Rs. 10 lakhs has been considered for Actuarial valuation based on the recommendations of 6th pay commission for Central Government employees.
Leave Encashment-	Payable on separation to eligible employees who have accumulated earned and half pay leave. Encashment of accumulated earned leave is also allowed upto 30 days once in a financial year.
Provident Fund	- 12% of Basic Pay Plus Dearness Allowance, contributed to the Regional Provident Fund Scheme of Government by the Company.

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Post Retirement Medical Benefits	-	Available to retired employees at Company's hospitals and/or under the health insurance policy.
Post Retirement Settlement Benefits	-	Payable to retiring employees for settlement at their home town.
Employees' Family Benefit Scheme	-	Monthly payments to disabled separated employees/legal heirs of deceased employees in lieu of prescribed deposit till the notional date of superannuation.
Long Term Service Award	-	Payable in kind on rendering minimum 25 years of service and also on superannuation.

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

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

Sl. No.	Particulars	Gratuity	Leave Encashment	Post Retirement Medical Benefits	Post Retirement Settlement Benefits	Long Term Service Award	Employees' Family Benefit Scheme	LTC / LLTC
i)	Present value of projected benefit obligations, as at 1st April, 2007	1296.29	612.38	90.34	6.61	5.23	245.81	0
ii)	Service Cost	54.78	14.15	0	5.12	0	0	0
iii)	Interest Cost	101.43	47.50	0.64	0.50	0.40	17.76	0
iv)	Actuarial gains(-)/losses(+)	877.57	32.72	0.17	(0.25)	0.09	57.11	0
v)	Past Service Cost	0	0	(82.08)*	0	0	0	0
vi)	Benefits paid	48.59	88.44	0.17	0.31	0.37	52.06	0
vii)	Present value of projected benefit obligations as on 31st March, 2008 (i+ii+iii+iv-v-vi)	2281.48	618.31	554.04**	11.67	5.35	268.62	180.56

* Represent earlier provision no longer required on account of Mediclaim Policy introduced during 2007-08.

** Includes amount of Rs. 545.14 lakhs towards accrued liability on account of Mediclaim Actuarial Valuation as on 31.03.2008

(b) **Provident fund** : Company's contribution paid/payable during the year to provident fund are recognised in the Profit & Loss Account. The Company does not anticipate any further obligations in the near foreseeable future.

(c) Expenses recognised in the statement of Profit & Loss Account for the year ended 31st March, 2008 :

Sl. No.	Particulars	Gratuity	Leave Encashment	Post Retirement Medical Benefits	Post Retirement Settlement Benefits	Long Term Service Award	Employees' Family Benefit Scheme	LTC / LLTC
i)	Service Cost	54.78	14.15	0	5.12	0	0	0
ii)	Interest Cost	101.43	47.50	0.64	0.50	0.40	17.76	0
iii)	Actuarial gains(-)/losses	877.57	32.72	0.17	(0.25)	0.09	57.11	0
iv)	Past service cost	0	0	0	0	0	0	0
v)		0	0	*545.14	0	0	0	0
vi)	Total (i+ii+iii+iv-v)	1033.78	94.37	545.95	5.37	0.49	74.87	180.56
-	Amount charged to Employees Remuneration and Benefits							
a)	Charged to P & L Account (Schedule 2.7)	1033.78	94.37	545.95	5.37	0.49	74.87	180.56
b)	Charged to Expenditure during construction	0	0	0	0	0	0	0
-	Charged to Other expenses (Schedule 2.10)	0	0	0	0	0	0	0

* Disclosed as above (a) of 5.1.2

(d) Actuarial Assumptions

Sl. No.	Description	As at 31st March, 2008	As at 1st April, 2007
i)	Discount Rate (per annum)	8%	8%
ii)	Mortality Rate	Indian assured lives mortality (1994-96) (modified) Ultimate	Indian assured lives mortality (1994-96) (modified) Ultimate
iii)	Withdrawal Rates (per annum)	Executives & Non-executives- 0.50% for all age	Executives & Non-executives- 0.50% for all age
iv)	Medical cost trend rates (per annum)	Nil for Medi-claim premium.	Not Applicable
v)	The estimate of future salary increases considered in actuarial valuation, takes into account inflation rate, seniority, promotion and other relevant factors.		

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5.2 The requirement under Accounting Standard – 17 relating to "Segment Reporting" is not applicable since the company is having line of products which are subject to same risks and returns and operating in economic environment subject to same risk & returns.

Further, since the whole of India has been considered as one geographical segment and exports as other segment, the requirement on segment reporting does not exist, in the absence of any export during the year.

5.3 As per Accounting Standard 18 relating to "Related party disclosures", the names of the related parties are given below:

Nature of relationship	Name	Nature of Transaction	Amount (Rs. in Lakhs)
Key Management Personnel	Shri Nawaz Ahmad	Managerial Remuneration	10.22

5.4 In accordance with AS-22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, net deferred tax assets as on 31st March, 2008, has been accounted for, as detailed below:

	As on 31st March, 2008	As on 31st March, 2007
(Rs in Lakhs)		
Deferred tax liabilities		
Difference between book and tax depreciation	354.78	338.41
Sub-Total	354.78	338.41
Deferred tax assets		
Others	1717.69	998.36
Sub-Total	1717.69	998.36
Net Deferred tax assets	1362.91	659.95

5.5 In compliance with AS-28 relating to "Impairment of Assets", the company reviews the carrying amount of its fixed assets by grouping assets of entire plant as Cash Generating Unit (CGU). There was no indication of impairment during the period.

5.6 The company has not remitted any amount in foreign currency on account of interim/final dividend during the year.

5.7 Previous years' figures have been re-arranged / regrouped wherever necessary.

6.1(a) LICENSED, INSTALLED CAPACITY AND PRODUCTION:

	*Licensed Capacity (Tonnes)	**Installed Capacity (Tonnes)	#Production (Tonnes)
(Annual Capacity)			
High Carbon Ferro Manganese			64,584
	100,000	100,00	(56,319)
Silico Manganese	(100,000)	(100,000)	37,640
			(50,371)
Medium / Low Carbon Ferro Manganese			1,941
			(373)

Note : * Re-endorsed capacity
 ** As certified by Management and not verified by auditors, being a technical matter.
 # Including jigged Ferro/Silico Manganese & adjustment relating to excess/shortage on account of physical verification.

6.1(b) OPENING STOCK, SALES AND CLOSING STOCK

(Qty. in MT, Value in Rs. in lakhs)						
Opening Stock		Sales/Adjustment		Closing Stock		
Qty.	Value	Qty.	Value	Qty.	Value	
High Carbon Ferro Manganese	6,003	1,786.23	67,633	21,343.45	2,416	1,177.61
	(10,495)	(3,192.65)	(60,742)	(13,146.80)	(6,003)	(1,786.23)
Silico Manganese	6,462	2,169.55	39,723	16,449.93	2,775	1,255.43
	(6,779)	(2,131.65)	(50,175)	(15,239.95)	(6,462)	(2,169.55)
Medeum / Low Carbon Ferro Manganese	273	115.00	1,791	1,662.59	187	144.52
	(672)	(343.36)	(737)	(544.85)	(273)	(115.00)
SUB-TOTAL	12,738	4,070.78	109,147	39,455.97	5,378	2,577.56
	(17,946)	(5,667.66)	(111,654)	(28,931.60)	(12,738)	(4,070.78)
Others			185.15			
			(222.00)			
TOTAL	12,738	4,070.78	109,147	39,641.12	5,378	2,577.56
	(17,946)	(5,667.66)	(111,654)	(29,153.60)	(12,738)	(4,070.78)

6.1(c) FERRO ALLOYS QUANTITATIVE RECONCILIATION :

	Ferro Manganese (MT)	Silico Manganese (MT)	Medium / Low Carbon Ferro Manganese (MT)
Opening Stock	6,003	6,462	273
	(10,495)	(6,779)	(672)
Production	64,584	37,640	1,941
	(56,319)	(50,371)	(373)
TOTAL	70587	44102	2214
	(66,814)	(57,150)	(1,045)
Sales/ Adjustments	67,633	39,723	1,791
	(60,742)	(50,175)	(737)
Internal Consumption	538	1,604	234
	(69)	(513)	(35)
Closing Stock	2,416	2,775	187
	(6,003)	(6,462)	(273)
TOTAL	70,587	44,102	2,212
	(66,814)	(57,150)	(1,045)

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

7. EXPENDITURE IN FOREIGN CURRENCIES:

	Current Year (Rs. in lakh)	Previous Year (Rs. in lakh)
i) Sundries	0.88	2.48
	0.88	2.48

8. EARNING IN FOREIGN CURRENCIES:

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

9. VALUE OF IMPORTS CALCULATED ON CIF BASIS:

	Current Year (Rs. in lakh)	Previous Year (Rs. in lakh)
Stores & Spares	0.00	27.87

10. VALUE OF RAW MATERIAL CONSUMED:

	Current Year Value (Rs. in lakh)	%	Previous Year Value (Rs. in lakh)	%
Imported	0.00	0.00	0.00	0.00
Indegenous	6,342.56	100.00	2,746.62	100.00
TOTAL	6,342.56	100.00	2,746.62	100.00

11. VALUE OF STORES & SPARES CONSUMED:

	Current Year Value (Rs. in lakh)	%	Previous Year Value (Rs. in lakh)	%
Imported	12.03	1.70	32.34	6.61
Indegenous	694.30	98.30	457.20	93.39
TOTAL	706.33	100.00	489.54	100.00

Signature to Schedule 1 to 3

For and on behalf of Board of Directors

Sd/-
(R. Ashokkumarr)
Company Secretary

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

Sd/-
(Debidas Pal)
Executive Director

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

Sd/-
(S.K. Jain)
Director

Sd/-
(R. Ramaraju)
Chairman

Sd/-
(Ambesh A. Dave)
Partner

Place : Bhilai

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 17402 of 1974-75 State Code 11

Balance Sheet Date 31 03 2008
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue 000NIL Right Issue 000NIL

Bonus Issue 000NIL Private Placement 000NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 957488 Total Assets 957488

Source of Funds

Paid-up Capital 240000 Reserves & Surplus 713620

Secured Loans 000NIL Unsecured Loans 003868

Application of Funds

Net Fixed Assets 287503 Investments 000NIL

Net Current Assets 532368 Misc. Expenditure 001326

Accumulated Losses 000NIL

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

Turnover/Other Income 3215937 Total Expenditure 2657195

Profit Before Tax 558742 Profit After Tax 0363238

Earning per share in Rs. 0015.13 Dividend Rate % 0031

V. Generic Name of Three Principal Products / Services of Company (as per Monetary Terms)

Item Code No. (ITC Code) 72002

Product Description FERRO ALLOYS

For and on behalf of Board of Directors

Sd/- Sd/- Sd/-

(R. Ashokkumarr) (Mahesh Chandra) (Debidas Pal)

Company Secretary General Manager (F&A) Executive Director

In terms of our Report of even date

For Chandabhoy & Jassobhoy

Chartered Accountants

Sd/- Sd/- Sd/-

(Ambesh A. Dave) (S.K. Jain) (R. Ramaraju)

Partner Director Chairman

Place : Bhilai

Date : May 24th, 2008

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:
- Optimization of electric power cost: On representation before Regulatory Authority on additional parameters, load factor incentive was augmented, resulting in saving Rs.383 lakhs during the year.
 - Trial wheeling of Inter-State power from DSP, Durgapur, completed on 22nd & 23rd March, 2008 to establish an alternate route for cheaper power sources other than State Electricity Board, in the near future.
 - Gainful utilisation of waste gas of submerged arc furnace for generation of power through 4.2 MW gas based Power Plant.
 - Use of alternate reductant to coke i.e. charcoal to reduce specific power consumption for Silico-manganese production.
 - Conservation of water by re-circulation after effluent treatment.
 - Improvement in furnace performance and reduction in power consumption.
 - Maintain unity power factor for improving utilisation of electrical energy.
 - Statistical Process Control for control of critical elements in Ferro alloys.
 - Gainful utilization of waste water for mechanized jiggling.

ANNEXURE - II

FORM 'A'					
CONSERVATION OF ENERGY					
POWER & FUEL CONSUMPTION			2007-2008		2006-2007
ELECTRICITY					
1.	PURCHASED				
	Unit	Million/kwh	313.74		337.75
	Total Amount	Rs./Lakhs	11252.42		11944.53
	Rate	Rs./kwh	3.58		3.54
2.	OWN GENERATION	Million/kwh	14.50		8.92
3.	COAL		NIL		NIL
4.	FURNACE OIL				
	Unit	KL	492.20		249.74
	Total Amount	Rs./Lakhs	113.36		49.82
	Rate	Rs./KL	23031.28		19950.13
CONSUMPTION PER UNIT OF PRODUCTION					
Product		Electricity (Kwh/Tonne)	Furnace Oil (KL)		Coal (Tonne)
	2007-08	2006-07	2007-08	2006-07	2007-08
Ferro Manganese	2585	2578	--	--	--
Silico Manganese	3946	3948	--	--	--
Medium Carbon	1194	1087	--	--	--

ANNEXURE - III

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

1. SPECIFIC AREA IN WHICH R&D CARRIED OUT BY THE COMPANY.
- Development of use of Si MnO Slag in Coal Mines to replace sand in sand stoving.
2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D.
- Use of Si MnO Slag in Coal Mines paves way for disposal of Si MnO Slag and conserves sand which is costly and rare material.
3. FUTURE PLAN OF ACTION
- To achieve the objectives of the Corporate Plan 2012, studies were carried out for developing infrastructure facilities & equipment for implementing layer casting of Ferro Alloys, mechanization of product handling/breaking in order to improve the labour productivity and yield.
- Installation of one number 33 MVA Submerged Arc Furnace for production of Silico Manganese by December, 2010.
 - Construction of compound wall along Plant & Township premises by June, 2008.
 - Installation of SRF by June, 2008.
 - Construction of additional Bunkers for SAF-I and SAF-II by September, 2008.
 - Layer casting of ferro alloys 2nd phase including procurement of 1 No. (2nd) Front End Loader by December, 2008.
 - Mechanisation system for processing of layer casting of ferro alloys by December, 2008.
 - Computerisation at MEL Phase-II by December, 2008.
 - Dust Collection System for SAF-II (South side) by March, 2009.
 - Thickner & Hotwell for SAF-II by March, 2009.
4. EXPENDITURE ON R&D
- Research work is undertaken indigenously as such no specific expenses on R&D are apportionable.
- TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION
- Utilisation of iron ore fines for production of iron ore sinter and subsequent usage in SAF-II for SiMn production.
 - Maintain unity power factor and load factor above 80% by optimising utilisation of power.

FORM 'C' FOREIGN EXCHANGE EARNINGS & OUTGO		
		Rs./Lakhs
EARNINGS	:	NIL
OUTGO	:	0.88

Report on Corporate Governance

(a) COMPANY'S PHILOSOPHY

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

(b) BOARD OF DIRECTORS

The Board of Directors at present comprises of Non-Executive Chairman and three Non-Executive Directors (Non-ED). During the year, nine Board Meetings were held on 18/5/2007, 27/6/2007, 23/7/2007, 24/8/2007, 22/10/2007, 30/11/2007, 28/12/2007, 22/1/2008 and 22/2/2008.

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 31/3/2008
Shri V.K. Gulhati	Chairman (upto 6/11/07)	5	Yes	--
Shri Vipin Puri	Chairman (from 31/11/07 to 31/03/08)	8	Yes	--
Shri S.D.M. Nagpal	Non-ED	9	Yes	--
Shri S.K. Jain	Non-ED (22/10/07 to 30/06/08)	5	--	--
Shri A. K. Nigote	Non-ED (upto 30/06/08)	1	--	--

(c) AUDIT COMMITTEE

(1) Terms of Reference

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

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

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

(2) COMPOSITION

The Audit Committee of the Board was formed in January, 2001. The reconstituted Audit Committee consists of four Non-Executive Directors viz. Shri S.D.M. Nagpal, Shri Vipin Puri, Shri S.K. Jain and Shri A.K. Nigote. During the last year, the committee met four times and attendances at the Meetings are as follows:

Name of the Director	Status	No. of Meetings attended
Shri S.D.M. Nagpal	Chairman	4
Shri Vipin Puri	Member	3
Shri S.K. Jain	Member	1
Shri A.K. Nigote	Member	1

(d) NOMINATION & COMPENSATION COMMITTEE

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

(ii) The Non-executive (Independent) Director is paid only sitting fee of Rs.10,000/- for each Board/Board Sub-Committee Meetings attended by him.

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

Name of the Director	No. of Board Meeting attended	Sitting Fee for each meeting (Rs.)	No. of Audit Committee Meeting attended	Sitting Fee for each meeting (Rs.)	Total (Rs.)
Shri S.D.M. Nagpal	9	10,000/-	4	10,000/-	
Total		90,000/-		40,000/-	1,30,000/-

(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 S.K. Jain and Shri A.K. Nigote to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

(ii) Name of compliance officer : Shri R. Ashokkumarr, Secretary.

(iii) Number of shareholder complaints received during the period from 1st April, 2007 to 31st March, 2008.

Number of the Complaint	Source from which complaint was received			
	Director	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
2006-2007	24/08/2007	12.00 noon	"Nirmal" 10th floor, Nariman Point, Mumbai-400021.
2005-2006	25/08/2006	12.00 noon	"Nirmal" 10th floor, Nariman Point, Mumbai-400021.
2004-2005	31/08/2005	12.00 noon	"Nirmal" 10th 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 22nd August, 2008 at 12.00 noon at the Registered Office at "Nirmal" 10th Floor, Nariman Point, Mumbai-400 021.

(ii) Date of Book Closure: 11th July, 2008 to 15th July, 2008.

(iii) The shares of the Company is listed at the following stock exchange:

M/s. Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

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

(iv) Stock code : 4824

(v) Market price data: High/Low during each month in last financial year with the Bombay Stock Exchange Limited.

Month & Year	MEL at BSE	
	HIGH	LOW
April, 2007	--	--
May, 2007	180.00	157.30
June, 2007	180.00	180.00
July, 2007	198.45	158.70
August, 2007	171.10	143.00
September, 2007	375.65	157.25
October, 2007	1045.70	394.40
November, 2007	1971.30	1097.95
December, 2007	1183.45	656.00
January, 2008	1014.40	674.35
February, 2008	760.00	480.00
March, 2008	506.25	351.85

vi) Registrar and Transfer Agent M/s. MCS Limited, Office No. 21/22, Ground Floor, Kashi Ram Jamna Das Building, 5, D. Mello Road (GHADIYAL GODI) Masjid, Mumbai-400 009

(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, 2008:

Scrip Code:

Category Code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in demate-rialised form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(A)	Shareholding of Promotor and Promoter Group Holding Company					
(1)	Indian					
(a)	Individuals/ Hindu Undivided Family					
(b)	Central Government/ State Government(s)					
(c)	Bodies Corporate	9	23787935	-	99.12	
(d)	Financial Institutions/ Banks					
(e)	Any Other (specify)					
	Directors & their Relatives					
	Societies					
	Partnership Firms					
	Reserve Bank of India					
	Employees Welfare Fund					
	ESOP / ESOS					
	Trusts					
	Sub-Total (A)(1)	9	23787935	-	99.12	
(2)	Foreign					
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)					
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (specify)					
	Directors & their Relatives					
	Societies					
	Partnership Firms					
	Employees Welfare Fund					
	Trusts					
	ESOP / ESOS					
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	9	23787935	-	99.12	
(B)	Public shareholding					
(1)	Institutions					
(a)	Mutual Funds/UTI					

(b)	Financial Institutions/ Banks	2	300	-	-	
(c)	Central Govt./ State Govt.(s)					
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign Institutional Investors					
(g)	Foreign Venture Capital Investors					
(h)	Any Other (specify)					
	Foreign Financial Institutions					
	Foreign Mutual Fund					
	Foreign Financial Institutions/Banks					
	Stressed Assets Stabilization Fund					
	State Finance Corporation					
	Sub-Total (B)(1)	2	300	-	-	
(2)	Non-Institutions					
(a)	Bodies Corporate	41	16301	6251	0.07	
(b)	Individuals i) Individual shareholders holding nominal share capital up to Rs.1 lakh. ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	2140	192714	56107	0.81	
(c)	Any Other (specify)					
	Trusts					
	Directors & their Relatives					
	Foreign Nationals					
	Escrow Account					
	Market Maker					
	Non Resident Indians	50	500	-	-	
	Overseas Corporate Bodies					
	Societies					
	Clearing Members					
	Share in transit					
	Hindu Undivided Families	14	2250	-	-	
	NRIs / OCBs					
	Foreign Corporate Bodies					
	Partnership Firm					
	Custodian of Enemy Property					
	Foreign Collaborators					
	ESOP / ESOS / ESPS					
	Sub-Total (B)(2)	2245	211765	62358	0.88	
	Total Public Shareholding (B)=(B)(1)+(B)(2)	2247	212065	62358	0.88	
	TOTAL (A)+(B)	2247	24000000	62358	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	GRAND TOTAL (A)+(B)(C)	2256	24000000	62358	100	100

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

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

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

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

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

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

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

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

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

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

- (ix) Dematerialization of shares : Shares are dematerialised. Tradeable stock and liquidity as on 31/3/2008. is 0.88% only. Thus liquidity is negligible.
- (x) Address for correspondence from shareholders for queries/complaints, if any:

M/s. Maharashtra ElektrosmeIt Limited
Chanda-Mul Road, Chandrapur-442 401.
Fax No. 07172-255812, 255437 Phone No. 07172-253693
(xi)E-mail ID of the grievance redressal division/Compliance Officer, MEL, for registering complaints by the investors.
E-MAIL ID "mcspanvel@yahoo.co.in".



Management Discussion & Analysis Report (MDAR)

ANNEXURE - V

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

INDUSTRY STRUCTURE & DEVELOPMENT General Economic Environment

The upward trend in demand for Iron and Steel products maintained its momentum in financial year 2007-08. This resulted in further improvement in domestic and international prices. Global crude steel output witnessed a growth of 7.5% in 2007 (IISI), scaling a level of 1343 million tonnes. Of this the Asian Region alone accounted for 56%. Ten years ago the Asian Region accounted for 38% only. 2007 was another year of strong growth in steel demand, with global finished steel consumption reaching 1.2 billion tonnes. The forecast for global steel consumption continues to be buoyant with growth rates for 2008 and 2009 expected to exceed 6%.

The finished carbon steel consumption in India for fiscal 2007-08 has been estimated at around 49 million tonnes, a growth of 10.6% over the previous year (provisional estimates of JPC). The strong demand pull resulted record finished steel imports of 6.5 million tonnes, a 46% jump over the previous year. The Indian Steel industry has major expansion plans to meet growing demand.

India produced 53.9 million tonnes of crude steel in fiscal 2007-08, a growth of 6% over previous year's production. India ranks 5th largest steel producer globally, and is set to emerge as the second highest producer and consumer of steel in the world by 2015.

Projection for the GDP growth for India in fiscal 2008-09 indicates a softening of growth process. But the moderation is expected to be relatively mild, with GDP growing between 8 to 8.5% under the influence of robust investment, improved corporate performance, and buoyancy in tax and saving rate. Since ferro alloys are exclusively utilized 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 54 million tonnes of crude steel in the country, the production of manganese based ferro alloys hovers around 5,00,000 tonnes. The steel industry in Asian region is poised for growth in immediate future and the trend may continue for some more years. In line with the growth potential, India's apparent steel use is expected to grow at 7% upto 2010 and 7.7% upto 2015. (Source : IISI). Thus, the growth potential for manganese based ferro alloys apart from exports, lies in the range of 70-80% by 2011-12 over the present level.

Capacity for ferro alloys production

As on date, there exists over capacity in the ferro alloys production. With the growing demand of ferro alloys in the domestic as well as export market, new facilities are also likely to be added up. Thus, the industry is likely to operate at its rated capacity utilisation level only if the exports continue to be remunerative and no raw material constraints are faced.

Exports

There was no export of ferro alloys during 2007-08 as export market was not remunerative.

Position of MEL

MEL continues to be the largest producer of manganese based ferro alloys in the country with 30% share in the domestic market. It caters mainly to the requirement of its Holding Company viz. SAIL.

OPPORTUNITIES & THREATS FOR MEL Opportunities

MEL has integrated large-scale facilities for the production of manganese based Ferro-alloys. It has, therefore, competitive edge in terms of specific consumption of inputs and operational efficiency.

MEL has a track record of achieving furnace capacity utilisation of more than 100% of its rated capacity and achieved capacity utilization of 122% in 2007-08.

In order to meet the growing requirement of Ferro alloys at SAIL, MEL has taken up an ambitious project of installation of another 33 MVA capacity Submerged Arc Furnace to cater the requirement of SAIL Plants.

The 4.2 MW Power Plant is being operated using furnace waste gas as a fuel. This has provided good scope for savings on account of power and fuel expenses.

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

Threats

There has been steep hike in prices of Manganese Ore. The availability of Mn Ore has also decreased substantially. The company may face adversity due to scarcity and high prices of Mn Ore.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The production has been increased during the year and the capacity utilization was 122%.

OUTLOOK

With the increase in production of steel in the country, the domestic demand of Ferro alloys is expected to increase.

The company has a good potential with motivated and dedicated workforce. It has maintained its quality standard. It has the capacity to cater to the SAIL Plants in addition to supply to non-SAIL customers including exports. However, it needs help from State Government by allocating prospecting licenses for Iron Ore & Manganese Ore, which are the major raw materials for the Company's operations. It also needs help from State Govt. in the form of reduction in power tariff in line with that provided by other States and allow purchase of power from sources other than Maharashtra State Electricity Distribution Company Limited at cheaper rates.

RISK AND CONCERNS

Availability and quality of raw materials specially Manganese Ore is the major concern for MEL. The Company's operation may get adversely affected due to scarcity of Manganese Ore and deterioration in its quality.

INTERNAL CONTROL SYSTEMS

The Company has an adequate system of internal controls for achieving the following business objectives of the Company.

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

In MEL, Internal Audit Department reviews, evaluates and appraises the various systems, procedures/policies laid down by the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of management towards good corporate governance.

The Internal Audit is subjected to overall control environment supervised by Board Level Audit Committee, providing independence to the Internal Audit function, emphasizing transparency in the systems and internal controls. Annual Audit Plans are based on identification of key-risk areas with thrust on system/process so as to achieve cost reduction in overall operation of the Company.

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

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

MEL is under a conversion contract with SAIL in which major raw materials i.e. Manganese Ore and Coke are provided by SAIL for conversion of the same into Ferro Alloys, for which charges are paid by SAIL to MEL based on negotiated rate on yearly basis.

During the year the company has achieved a turnover of Rs. 396.41 crores as against Rs. 291.54 crores in the previous year. Value of earning through conversion arrangement was Rs. 290.79 crores as against Rs. 241.80 crores during the previous year.

On the operational front, company has achieved a capacity utilisation of 122%. Sales of ferro alloys (all sizes) during the year was 109146 tonnes as against 111654 tonnes during the previous year.

Despite this and in addition to increase in cost of raw materials, power tariff and other inputs, the company has achieved improved performance and earned a post tax net profit of Rs. 36.32 crores as against the profit of Rs. 18.50 crores in the previous year. This is due to increase in power tariff and employees remuneration and benefits.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Human resource was considered as a major factor in the overall working of the Company. The Company has motivated and involved the workforce in the areas of cost reduction for achieving better techno-economic, system improvement, production and other activities, which has resulted into improved performance of the Company. Training programmes were organised for the executives and non-executives employees for improvement and development in the skill, knowledge and working of the

employees. Personnel activities across the company got reoriented for maximum capacity utilisation, better operational control, quality of products, enlarge the market coverage and cost reduction measures.

MEL continued its contribution to the society as a socially responsive organisation through various initiatives. MEL in association with National AIDS Control Organisation (NACO) has actively participated and promoted the Information, Education and Communication (IEC) under the campaign for HIV/Aids awareness programmes.

The manpower employed by MEL as on 31st March, 2008 was 781 comprising of 130 Executives and 651 Non-Executives, out of which 13.44 percent were Scheduled Castes, 7.17 percent were Scheduled Tribes and 53 percent were Other Backward Castes.

CORPORATE SOCIAL RESPONSIBILITY

As a part of Corporate Social Responsibility, the following social obligation have been carried out by the Company during the year.

- Distributed school bags, books and stationery to the students of Zilla Parishad Sr. Primary School at Lohara village (162 nos.)
- Co-sponsored a plastic surgery camp under the expertise of World Renowned Surgeon Dr. Sharad Kumar Dicksheet (USA), in November, 2007, at Chandrapur. The camp was organized for surgery upon Cleft Lip, scar on face and squint cases benefiting 238 patients.
- Sponsored the world disabled day programme organized by the National Federation of Blind providing material for self employment, braille books for students white folding sticks and sarees (200 Nos.).
- Provided 10 street light fittings to the Lohara village which is situated near the vicinity of the Company.

ANNEXURE - VI

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Members
**Maharashtra Elektros melt Limited
Mumbai.**

We have examined the compliance of conditions of Corporate Governance by Maharashtra Elektros melt Limited for the year ended March 31, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we state that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing 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 and on behalf of
**Chandabhoy & Jassoobhoy
Chartered Accountants**

**Sd/-
Ambesh A. Dave
Partner
Membership No.: F 49289**

Bhilai : 24th May, 2008

Auditor's Report



To the Members of MAHARASHTRA ELEKTROSMELT LIMITED

We have audited the attached Balance Sheet of Maharashtra Elektros melt Limited as at 31st March, 2008, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto.

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

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

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

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 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.
- The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
- In our Opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- The provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to Government Company in terms of Notification No. GSR 829(E) dated 21st October, 2003 issued by the Department of Company Affairs, Ministry of Finance, Government of India.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - in the case of 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 flows for the year ended on that date.

For and on behalf of

Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-

Ambesh A. Dave
Partner

Membership No.: F - 49289

Bhilai : 24th May, 2008

ANNEXURE TO THE AUDITOR'S REPORT ANNEXURE REFERRED IN OUR REPORT OF EVEN DATE

- The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - We are informed that the fixed assets except those held by the employees under Furniture Hire Scheme have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed in respect of verification is reasonable having regard to the size of the Company and the nature of its assets.
 - During the year the Company has not disposed off any substantial part of its fixed assets.
- The inventories have been physically verified by the management at reasonable intervals during the year. The inventories in transit as at 31st March 2008 have been verified by the management with reference to subsequent receipt of materials.
 - The Producers of physical verification of inventories followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
 - The Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification of inventories.
- The Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4 (iii) (b) to (d) of the Order is not applicable to the Company.
 - The Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4 (iii) (f) to (g) of the Order is not applicable to the Company.
- In our opinion and according to the information and explanation given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods & services. During the course of our audit, no major weakness has been noticed in the internal controls.
- In our opinion and according to the information and explanations given to us, there are no contracts and arrangements referred to in Section 301 of the Companies Act, 1956, particulars of which need to be entered into a register maintained under Section 301 of the Act. Accordingly clause 4 (v) (b) of the Order is not applicable to the Company.
- The Company has not accepted any deposits during the year from the public other than the amount retained under Employees' Family Benefit Scheme for which exemption under section 58A of the Companies Act, 1956 has been obtained.
- In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.

- According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- According to the information and explanations given to us and the records of the Company examined by us, the statutory dues applicable to the Company are Provident Fund, Income Tax, Sales tax, Excise Duty, Service Tax, Profession Tax and Cess. The Company is generally regular in depositing the statutory dues with the appropriate authorities.
 - According to the information and explanations given to us, no undisputed dues payable in respect of Provident Fund, Income Tax, Sales Tax, Excise Duty, Service Tax, Profession Tax and Cess were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.
 - According to the information and explanation given to us, above referred statutory dues which have not been deposited on account of any dispute and the forum where dispute is pending are as under :

Sl. No.	PERIOD	Amount (Rs.)	FORUM WHERE DISPUTE IS PENDING
A]	EXCISE DUTY		
	Financial Year:		
	1995-96	9, 81,200	Custom, Excise & Service Tax Appellate Tribunal-Mumbai
	1996-97	2,91,410	Commissioner Central Excise (Appeals) - Nagpur
	1997-98	74,89,466	Commissioner Central Excise (Appeals) - Nagpur
	For the period:		
	July 2000 to Dec 2001	14,92,357	Asstt Commissioner, Central Excise - Nagpur
	July 2000 to Mar 2001	1,62,49,905	Custom, Excise & Service Tax Appellate Tribunal - Mumbai #
	July 2000 to Mar 2001	55,48,000	Custom, Excise & Service Tax Appellate Tribunal- Mumbai #
	Apr 2001 to Mar 2002	6,20,452	Asstt Commissioner, Central Excise - Nagpur
	Apr 2001 to Feb 2004	1,55,79,066	Asstt. Commissioner, Central Excise - Chandrapur
	Jan 2002 to Oct 2002	9,06,650	Asstt. Commissioner, Central Excise - Nagpur
	Nov 2002 to Mar 2003	4,80,983	Asstt. Commissioner, Central Excise - Chandrapur
	Apr 2003 to Feb 2004	4,20,426	Asstt. Commissioner, Central Excise - Chandrapur
	Mar 2004 to Nov 2004	6,38,611	Asstt. Commissioner, Central Excise - Chandrapur
	2000 to December 2004	3,47,65,389	Commissioner, Central Excise - Chandrapur
	July 2000 to Sep 2001	68,92,496	Commissioner, Central Excise - Chandrapur
	Dec 2004 to Mar 2005	4,22,859	Asstt. Commissioner, Central Excise - Chandrapur
	Jan 2005 to Sep 2005	2,38,510	Asstt. Commissioner, Central Excise - Chandrapur
	Apr 2005 to July 2005	4,15,950	Asstt. Commissioner, Central Excise - Chandrapur
	Aug 2005 to June 2006	4,44,680	Asstt. Commissioner, Central Excise - Chandrapur
	Feb 2006 to May 2006	4,31,270	Asstt. Commissioner, Central Excise - Chandrapur
	June 2006 to Sept 2006	4,40,541	Asstt. Commissioner, Central Excise - Chandrapur
	Oct 2006 to Jan 2007	4,64,519	Asstt. Commissioner, Central Excise - Chandrapur
	Feb 2007 to July 2007	4,13,335	Asstt. Commissioner, Central Excise - Chandra pur
	<i># Subject to reconsideration of application by Committee on Dispute, Govt. of India.</i>		
	TOTAL	9,56,28,075	

B]	MUNICIPAL TAX		
	Financial Year1983-84 to 2002-03	1,29,98,650	High Court- Nagpur
	TOTAL	1,29,98,650	

C]	GRAM PANCHAYAT/ZILA PARISHAD CESS		
	1973 74 to 1982-83	5,32,000	Government of Maharashtra
	TOTAL	5,32,000	
	GRAND TOTAL [A+B+C]	10,91,58,725	

- The Company does not have accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Banks and financial institutions. It has not issued any debentures.
- The Company has not granted any loans or advances against security by way of pledge of shares, debentures and other securities.
- The Company is not a chit fund, nidhi, mutual benefit fund or a society. Clause 4 (XXII) of the Order is, therefore, not applicable to the Company.
- In our opinion, the Company is not an investment company dealing or trading in shares, securities, debentures and other investments. Clause 4 (XIV) of the Order is, in our opinion, not applicable to the Company for the year under report.
- According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.



16.

According to the information and explanations given to us the records of the Company examined by us, the Company has not taken any term loan during the year.
17.

On the basis of the records of the Company examined by us and according to the information and explanations given to us, in our opinion, the Company has not raised short term funds for long term investment.
18.

During the year under Audit, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19.

The Company has not issued any debentures. Accordingly Clause 4(xix) of the Order is not applicable to the Company.
20.

The Company has not raised any money by way of public issues during the year. Accordingly Clause 4 (xx) of the Order is not applicable to the Company.
21.

According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of

Chandabhoy & Jassoobhoy
Chartered Accountants

Sd/-
Ambesh A. Dave

Partner
Membership No.: F - 49289

Bhilai : 24th May, 2008

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31 MARCH, 2008.

The preparation of financial statements of Maharashtra Elecktros melt Limited for the year ended 31 March, 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Charter Accountants of India. This is stated to have been done by them vide their Audit Report dated 24 May, 2008.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Maharashtra Elektros melt Limited for the year ended 31 March, 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and/company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's Report under Section 619(4) of the Commpanies Act, 1956.

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

Sd/-
(K. P. Sasidharan)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai
Date : 30 June, 2008

Principal Executives

CORPORATE OFFICE

NEW DELHI

Chairman
S. K. Roongta

Directors
Personnel
G. Ojha
Finance
Soiles Bhattacharya
Commercial
Shoeb S. Ahmed
Technical
V. K. Gulhati

Executive Directors
Internal Audit
V. K. Misra
Operations & SS
P. K. Bajaj
Projects
S. C. Dangayach
Personnel & Administration
Gautam Mukherji
Coal Import Group
R. P. Rawat
SAILCON
N. K. Sudan
Vigilance
Anil Kumar
Corporate Planning
A. K. Jain
Materials Management
C. S. Sharma
Law
P. K. Basu Majumdar
HRD
S. P. Patnaik
Safety
V. K. Dhawan

Environment Management Division
Dr. R. K. Agrawal
Growth Division & Kulti
M. Singh

CCSO
HyderAli

Company Secretary
Devinder Kumar

DGM (Corporate Affairs)
R. K. Singhal

STEEL PLANTS/UNITS

Bhilai Steel Plant
Managing Director
R. Ramaraju

Executive Director
Works
Ashok Kumar
Finance & Accounts
T. K. Gupta
Mines
M. K. Bindu
Materials Management
S. N. P. Singh
Projects
V. K. Arora
Personnel & Administration
P. K. Aggarwal

Durgapur Steel Plant
Managing Director
V. Shyamsundar

Executive Directors
Works
S. N. Singh
Projects
G. C. Mishra
Finance & Accounts
T.C.A.S. Prasad
Materials Management
Asok Kumar Ray

Rourkela Steel Plant
Managing Director
B. N. Singh

Executive Directors
Medical & Health Services
Dr. O. P. Agrawal
Works
N. P. Singh
Materials Management
S. S. Mohanty
Projects
S. S. Verma
Finance & Accounts
V. Nandgopal
Personnel & Administration
Balbir Singh

Bokaro Steel Plant
Managing Director
V. K. Srivastava

Executive Director
Materials Management
K. Sriram Murthy
Works
S. Ranade
Finance & Accounts
D. P. Bajaj
Projects
N. K. Jha
Personnel & Administration
Jeevesh Mishra
Medical & Health Services
Dr. D. N. Mohapatra

IISCO Steel Plant
Managing Director
S. P. Rao

Executive Directors
Materials Management & Mktg.
P. K. Dutta
Collieries
U. P. Singh
Works
A. K. Virmani
Personnel & Administration
R. Tiwari
Projects
H. Suryaprakash

Alloy Steels Plant
Executive Director
A. J. Vijh

Salem Steel Plant
Executive Director
B. B. Singh

Visvesvaraya Iron & Steel Plant
Executive Director
M. K. Bhattacharya

UNITS

Research & Development Centre for Iron & Steel
Executive Director I/c
J. Singh
Executive Director
N. Neogi

Raw Materials Division
Executive Director
K. Kapoor

Centre for Engineering & Technology
Executive Director
A. S. Mathur
Executive Director
R. N. Pandey

Central Marketing Organisation
Executive Directors
Transport & Shipping
Ranen Nag
Marketing-Flat Product
D. Kobi
Marketing - Long Product
V. K. Mehta
Finance & Accounts
A. K. Ghosh
Commercial
S. Banerjee

SUBSIDIARY

Maharashtra Elektros melt Ltd.
Executive Director
D. Pal

Notice

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

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Wednesday, the 10th September, 2008 at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:

- To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2008, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
- To appoint a Director in place of Shri V. Shyamsundar, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Shri B.N. Singh, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Shri V.K. Srivastava, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Shri G. Ojha, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Shri Shyamal Ghosh, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Shri Mohammad Yusuf Khan, who retires by rotation and is eligible for re-appointment.
- To fix the remuneration of the Auditors of the company appointed by the Comptroller & Auditor General of India for the year 2008-2009.
- To declare dividend for the financial year 2007-2008.

SPECIAL BUSINESS

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

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

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

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

- To consider and, if thought fit, to pass with or without modification the following resolution as SPECIAL RESOLUTION:

"**RESOLVED THAT** in accordance with the provisions of Section 396 of the Companies Act, 1956 and other applicable provisions of law, consent and approval of the shareholders be and is hereby accorded to the amalgamation of Bharat Refractories Limited with Steel Authority of India Limited, with effect from April 01, 2007, subject to the sanction of the same by the Ministry of Corporate Affairs, Government of India and such other authorities, if any, as may be required.

RESOLVED FURTHER THAT the draft Scheme of Amalgamation placed before the shareholders be and is hereby approved and the Board of Directors/Chairman of the Company be and is hereby authorized to make alterations and changes therein as may be expedient or necessary for satisfying the requirement or condition imposed, if any, by the Ministry of Corporate Affairs or such other authorities, if any, as may be required.

RESOLVED FURTHER THAT the Chairman of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as may be necessary and expedient, to give effect to this resolution."

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi

Dated: 2nd August, 2008

Registered Office:
Ispat Bhawan, Lodi Road, New Delhi-110003.

Notes:

- The relevant Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos.10 to 12 above are annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ENCLOSED AT THE END OF ANNUAL REPORT.
- Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.
- Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.
- The Register of Members of the Company will remain **closed from 2nd August, 2008 to 20th August, 2008 (both days inclusive)**.

Notice

6. M/s. MCS Limited are acting as the Registrar and Transfer Agent (R&TA) for carrying out the company's entire share related activities viz. Transfer/ transmission/ transposition/ dematerialisation/ rematerialisation/ split/ consolidation of shares, change of address, bank mandate, filing of nomination, dividend payment and allied activities. Shareholders are requested to make all future correspondence related to share transfer and allied activities with this agency only at the following address:

M/s. MCS Limited,
Sri Venkatesh Bhawan,
W-40, Okhla Industrial Area, Phase-II,
New Delhi-110020
Phone No.011-41406149
e-mail: mcsdel@vsnl.com

- 7.(i) Dematerialisation

Securities and Exchange Board of India (SEBI) Regulation provide that equity shares of SAIL are to be compulsorily delivered in the dematerialized form, for the purpose of trading. Though most of the shareholders have converted their holdings into demat form, it is seen that some shareholders still hold their shares in paper form (Physical). In this connection it is advised in their interest, to open a demat account with any depository participant authorized by either National Securities Depository Ltd. or Central Depository Services Ltd and dematerialize their shares.

- ii) Members holding shares in the physical form should notify change in their addresses, if any, to the R&TA specifying full address in block letters with **PIN CODE** of their post offices, which is mandatory. Members holding shares in the Electronic Form (Demat), should inform the change of address to their Depository Participant.

- iii) ECS MANDATE

Shareholders holding shares, whether in Physical or Demat form are advised to opt for Electronic Clearing Services (ECS) for any future payouts from the company. Under the ECS, the payment instruction is issued by the banker (Payer's banker) electronically to the clearing authority (RBI or SBI). The clearing authority provides credit reports to the

payee's Bank, who credits the amount to their respective accounts. It becomes inevitable that the shareholders opting for ECS should provide details of their Bank Name, A/c No., A/c Type, Branch name, 9 digit MICR No. along with their Name and Folio Number (DP-ID/Client ID) to the company if their holding is in Physical form and to the Depository participant, if their holding is in demat form.

8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Shares Department/R&TA enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.

9. The Company has transferred to Investor Education and Protection Fund, unclaimed dividends till financial year 1997-1998. The Company did not declare any dividend for the financial years during 1998-1999 to 2003-2004. The Company has thereafter paid/declared the following dividends:

Year	Interim Dividend (%)	Final Dividend (%)
2004-2005	15.00	18.00
2005-2006	12.50	7.50
2006-2007	16.00	15.00
2007-2008	19.00	-

Shareholders who have not encashed their dividend warrants as above are requested to make their claims to the company.

10. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.

11. **Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**

12. **No Brief case or Bag or mobile phone will be allowed to be taken inside the auditorium.**

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.10

On nomination by the President of India vide Government's Notification No.6(11)/2005-SAIL(PC). Vol.II dated 8th June, 2007, Shri V.K. Gulhati was appointed as an Additional Director of the Company with effect from 1st October, 2007 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri V.K. Gulhati as a candidate for the office of Director of the Company.

Shri V.K. Gulhati is a B.Sc.Engg. (Mechanical) and has rich work experience in a variety of areas in the steel industry. His fields of specialization include management of maintenance and operations of steel plants, projects, and corporate planning.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri V.K. Gulhati, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No.11

On nomination by the President of India vide Government's Notification No.6(7)/2006-SAIL(PC)-Vol.II dated 14th February, 2008, Shri S.P. Rao was appointed as an Additional Director of the Company with effect from 15th February, 2008 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri S.P. Rao as a candidate for the office of Director of the Company.

Shri S.P.Rao is a BE/B.Tech/ME/M.Tech and has rich work experience in a variety of areas in the steel industry. His fields of specialization include management of maintenance, operations, projects, planning and process control in steel plants.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri S.P. Rao, to the extent of his appointment as Director, is concerned or interested in the above resolution.

Item No. 12

The Ministry of Steel, Government of India, vide its Letter Ref. No. F. No. 4 (52)/2005 HSM dated May 2, 2008 has approved the merger of the Bharat Refractories Limited ("BRL", the Transferor Company) with Steel Authority of India Limited ("SAIL", the Transferee Company) in public interest. The amalgamation of BRL with SAIL will be effected by an arrangement embodied in the Scheme of Amalgamation (hereinafter referred to as "the Scheme") under Section 396 of the Companies Act, 1956 (hereinafter referred to as "the said Act"), which has been framed pursuant to the proposals and the conditionalities issued for the same by the Ministry of Steel, Government of India vide its letter mentioned above. A copy of the proposed Scheme is annexed herewith.

A. Background of the two institutions

(a) BRL was incorporated on July 22, 1974 under the Companies Act, 1956 and has its Registered Office at Indira Gandhi Marg, Sector IV, Bokaro Steel City 827 004. The primary objects of BRL have been set out in the Memorandum and Articles of Association of the Transferor Company. Briefly, the BRL is presently engaged in the business of manufacturing, trading and otherwise dealing in refractories. BRL was referred to Board for Industrial and Financial Reconstruction ("BIFR") in August 1992 on the erosion of its net worth due to losses over the years mainly due to technological obsolescence, ageing of plant and equipments, low capacity utilization, lower price realization of finished products and lack of necessary capital investments.

(b) SAIL was incorporated on January 24, 1973 under the Companies Act, 1956 and has its Registered Office at Ispat Bhawan, Lodhi Road, New Delhi 110 003. The primary objects of SAIL have been set out in the Memorandum and Articles of Association. Briefly, SAIL is presently engaged in the business of manufacturing, trading and otherwise dealing in iron and steel.

B. Objectives/Benefits of the Amalgamation

The Board of SAIL sees the following prominent benefits of the proposed amalgamation to the company, as more particularly described in the Scheme:

Strategic Advantage: SAIL being the single most prominent customer of the Transferor Company, purchases approximately 85% of the total production of BRL and upon amalgamation, shall be in a strategic position to meet its enhanced requirement of refractories, in order to meet the huge demand of the steel both in the domestic market as well as in the international market.

Delivery Channels: The manufacturing plants of BRL are located in close proximity of the plants of SAIL which produces locational synergy between SAIL and BRL.

Cost Reduction: The consolidated entity shall provide strategic and competitive advantage especially at the time when many large steel manufacturing companies are integrating vertically by setting up their own capacities for the production of the raw material. The proposed amalgamation of BRL with SAIL is in line with current global trends to achieve size, scale, integration and greater financial strength and flexibility. The consolidated entity is likely to achieve higher long term financial returns than could be achieved individually by SAIL.

C. Salient Features of the Scheme and Valuation

The terms and conditions on which the amalgamation is to be effected are contained in the Scheme of Amalgamation. In brief, some of the important features of the Scheme are:

- (1) With effect from 1st day of April, 2007 (hereinafter referred to as "the Appointed Date") all the assets, liabilities and contracts of BRL shall be transferred to the Transferee Company, as more particularly provided in the Scheme.
- (2) The said amalgamation will be regulated by the provisions of the Section 396 of the said Act and would require the sanction of the Ministry of Corporate Affairs, Government of India, under the said Act.
- (3) All employees of BRL shall become the employees of SAIL on the terms and conditions as provided in the Scheme.

Scheme of Amalgamation

- (4) The compensation payable to the shareholders of BRL other than the Government of India shall be paid in cash only and no shares of SAIL shall be issued to the shareholders of BRL as a part of the Scheme of Amalgamation. The details of the payment of compensation are more particularly provided in the Scheme of Amalgamation.

The Shareholders are requested to read in detail the entire text of the Scheme. As stated above, the aforesaid are only some of the important highlights thereof.

D. Miscellaneous

- In accordance with the provisions of the Listing Agreements, SAIL has filed the Scheme of Amalgamation to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the approval of the said Scheme of Amalgamation.
- The Scheme of Amalgamation is also being filed with the Board for Industrial & Financial Reconstruction (BIFR) for approval.
- The Scheme is conditional and subject to necessary sanctions and approvals as set out in the Scheme.
- The following documents will be open for inspection at the Registered Office of SAIL on any working day, except on 2nd and 4th Saturdays and Sundays, till the date of the meeting between 9.30 am to 11.30 a.m.:
 - Memorandum and Articles of Association of the Transferor Company.
 - Memorandum and Articles of Association of the Transferee Company.
 - Audited Accounts of the BRL and SAIL for the year ended 31-3-2007.
 - Scheme of Amalgamation of BRL with SAIL.
 - Valuation Report received from M/s Axis Bank.

- The Letter Ref. No. F. No. 4 (52)/2005 HSM dated May 2, 2008 issued by Ministry of Steel, Government of India to SAIL approving the merger of Bharat Refractories Limited with Steel Authority of India Limited.
- The Scheme of amalgamation duly approved by Board of Directors and shareholders of SAIL and BRL is required to be submitted to the Ministry of Corporate Affairs for approving the Scheme and issue necessary order to this effect under Section 396 of the Companies Act, 1956. The Scheme has already been approved by Board of Directors of SAIL and BRL.
 - Your directors, therefore, place before you this Scheme of amalgamation of BRL with your Company for approval of shareholders and authorizing Board of Directors/Chairman of the Company for making such alterations as may be required and also to take all necessary steps in connection with filling of application and other such acts as may be necessary for amalgamation of BRL with this Company.
 - All the Directors are deemed to be interested to the extent of their holdings of Equity Shares in SAIL/BRL. Further, Shri B.N. Singh and Shri V.K. Srivastava, being Government nominee directors on the Board of BRL, are interested or concerned in this Resolution.

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi

Dated: 2nd August, 2008

Registered Office: Ispat Bhawan, Lodi Road,
New Delhi-110003

Details of Directors seeking re-appointment in forthcoming Annual General Meeting furnished in terms of clause 49 of Listing Agreements.

Name of the Director	Shri V. Shyamsundar	Shri B.N. Singh	Shri V.K. Srivastava	Shri G. Ojha	Shri Shyamal Ghosh	Shri Mohd. Yusuf Khan
Date of Birth	20.10.1949	18.11.1948	20.07.1950	26.01.1950	03.05.1942	24.06.1944
Date of Appointment	05.06.2006	13.06.2006	13.06.2006	07.07.2006	10.07.2006	10.07.2006
Expertise in Specific functional areas	Management of steel plants	Management of steel plants	Management of steel plants	Personnel	Administration	Banking/ Finance
Qualifications	B.E. (Mechanical)	B.E. (Metallurgy)	B.E. (Mechanical)	M.A., PGD (Sociology)	Post Graduate (Economics), Parvin Fellow(Princeton Univ., USA)	Ph. D (Business Management)
List of Companies in which outside Directorship is held.	Nil	• Bharat Refractories Ltd.(BRL) • Mjunction Services Limited	• Bokaro Jaypee Cement Ltd. • Bharat Refractories Ltd. • Hindustan Steelworks Construction Ltd. • Heavy Engineering Corporation Ltd. (HEC)	• Tata Refractories Limited	• Burn Standard Co. Ltd. (BSCL) • Lagan Engineering Company Ltd. • Spentex Industries Ltd. • Span Diagnostics Ltd. (SDL) • Quippo Telecom Infrastructure Co. Ltd. • IDBI Intech Ltd. • West Bengal State Electricity Distribution Co. Ltd. (WBSEDCL)	• Unitech Corporate Parks Ltd. • Bharat Hotels Ltd. • ETA Star Insurance Ltd. • Zee Entertainment Ltd. • Dhir Assets Ltd. • Taneja Developers Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director.	-	BRL Audit Committee- Chairman	HEC Audit Committee- Chairman	SAIL Shareholders/ Investors Grievance Committee - Member	BSCL Audit Committee-Member SDL Audit Committee-Chairman WBSEDCL Audit Committee-Member	SAIL Audit Committee - Chairman

BHARAT REFRACTORIES LIMITED WITH STEEL AUTHORITY OF INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

This Scheme of Amalgamation (hereinafter referred to as the "Scheme" provides for the amalgamation of **Bharat Refractories Limited**, a Government company incorporated under the provisions of the Companies Act, 1956 and having its registered office at Indira Gandhi Marg, Sector IV, Bokaro Steel City 827 004 (hereinafter referred to as the "Transferor Company") with **Steel Authority of India Limited**, a Government company incorporated under the provisions of the Companies Act, 1956 and having its registered office at Ispat Bhawan, Lodhi Road, New Delhi - 110 003 (hereinafter referred to as the "Transferee Company"), pursuant to Section 396 and the relevant provisions of the Companies Act, 1956 and the dissolution of the Transferor Company without winding up.

1. BACKGROUND

- The Transferee Company, a Government company incorporated under the provisions of the Companies Act, 1956 is one of the largest steel manufacturing companies in India. The Transferee Company is presently engaged in the business of manufacture, processing and sale of steel through 5 (five) main integrated steel plants at Bhilai, Durgapur, Bokaro, Rourkela and Burnpur and three special steel plants at Salem, Durgapur and Bhadravati. All the plants are equipped with modernized facilities available to meet diverse customized requirements in terms of quality, size, grade and delivery for domestic industries and for sale in export markets outside India.
- The Transferor Company, a Government company incorporated under the provisions of the Companies Act, 1956 essentially produces assorted types of refractories used primarily in the manufacture of iron and steel. The Transferor Company has four plants in the districts of Jharkhand and Chattisgarh:
 - Bhandaridah Refractories Plant, Bhandaridah, Jharkhand
 - Ranchi Road Refractories Plant, P.O. Marar, Jharkhand
 - IFICO Refractories Plant, P.O. Marar, Jharkhand
 - Bhilai Refractories Plant, P.O. Maroda, Bhilai, Chattisgarh
- The Transferor Company was referred to Board for Industrial and Financial Reconstruction (BIFR) in August 1992 on the erosion of its net worth due to losses over the years mainly due to technological obsolescence, ageing of plant and equipments, low capacity utilization, lower price realization of finished products and lack of necessary capital investments.
- The Board for Industrial and Financial Reconstruction had earlier appointed IDBI as the operating agency for the Transferor Company. Subsequently vide orders dated September 16, 2004, the Board for Industrial and Financial Reconstruction has appointed SBI as the operating agency for the Transferor Company. Three revival packages for the Transferor Company were implemented in the years 1996, 1999 and 2002. However, the Transferor Company could not

...TRANSFEROR COMPANY

...TRANSFEREE COMPANY

be revived and continues to incur losses and has a negative net worth.

- The Ministry of Steel, Government of India vide Letter Ref. No. F. No. 4 (52)/2005 HSM dated May 2, 2008 has approved the amalgamation of the Transferor Company with the Transferee Company and has permitted the Transferor Company and the Transferee Company to initiate the process of amalgamation under Section 396 of the Companies Act, 1956 and as per the terms and conditions specified therein.
- The Scheme of Amalgamation is being sent to the Ministry of Steel, Government of India for its approval.
- The Transferee Company has pursuant to the provisions of the Listing Agreement applied to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the approval of the draft Scheme of Amalgamation.
- An application is being filed by Transferor Company with the Board for Industrial and Financial Reconstruction (BIFR) for approval of the Scheme of Amalgamation of BRL with SAIL.
- The amalgamation of the Transferor Company with the Transferee Company has been proposed on the basis of the "Rationale for the Scheme" as per Clause 4 herein below.

2. DEFINITIONS

In this Scheme unless repugnant to the meaning or context thereof, the following expressions shall have the meaning as given to them below:

- "Act" means The Companies Act, 1956 and any amendments and/or re-enactment thereof for the time being in force.
- "Appointed Date" means April 1, 2007.
- "Effective Date" means the date on which the last of the approvals and events specified in Clause 14 of this Scheme are obtained or have occurred.
- "Transferee Company" means Steel Authority of India Limited, a Government company incorporated under the provisions of the Act and having its registered office at Ispat Bhawan, Lodhi Road, New Delhi -110 003.
- "Transferor Company" means Bharat Refractories Limited, a Government company incorporated under the provisions of the Act and having its registered office at Indira Gandhi Marg, Sector IV, Bokaro Steel City - 827 004.
- "Scheme" or "The Scheme" means the Scheme of Amalgamation in the present form or with any modification(s) made under Clause 13 of this Scheme.

3. SHARE CAPITAL

- The capital structure of the Transferor Company as on March 31, 2007 is as under:

Authorised:	
Equity Shares	Amount in Rs.
23,30,00,000 Equity Shares of Rs. 10/- each	: 233,00,00,000
Preference Shares	
1,29,00,000 7% Non - Cumulative Redeemable Preference Shares of Rs. 10/- each	: 12,90,00,000
50,000 7.5% Cumulative Redeemable Preference Shares of Rs. 10/- each	: 5,00,000
50,000 9.5% Cumulative Redeemable Preference Shares of Rs. 10/- each	: 5,00,000
Issued, Subscribed and Paid-up :	
Equity Shares	
21,76,90,800 Equity Shares of Rs. 10/- each	: 217,69,08,000
Preference Shares	
1,20,50,000 7% Non - Cumulative Redeemable Preference Shares of Rs. 10/- each (Due for redemption on March 31, 2005)	: 12,05,00,000
13,450 7.5% Cumulative Redeemable Preference Shares of Rs. 10/- each (Due for Redemption on March 31, 2015)	: 1,34,500
40,000 9.5% Cumulative Redeemable Preference Shares of Rs. 10/- each (Due for Redemption on March 31, 2015)	: 4,00,000
3.2 The capital structure of the Transferee Company as on March 31, 2007, is as under:	
Authorised:	
Amount in Rs.	
500,00,00,000 Equity Shares of Rs.10/- each	: 5000,00,00,000
Issued, Subscribed and Paid-up:	
413,04,00,545 Equity Shares of Rs.10/- each	: 4130,40,05,450
4. THE RATIONALE OF THE SCHEME	
The amalgamation of the Transferor Company with the Transferee Company is in the interests of the public and shall result in the following benefits:	
4.1 The interest of the existing employees of the Transferor Company shall be protected with continuity of employment, better utilization of manpower and an opportunity for enhancement of technical knowledge and expertise being provided.	
4.2 The Transferee Company, being the single most prominent customer of the Transferor Company, purchases approximately 85% of the total production of the Transferor Company and upon amalgamation, shall be in a strategic position to meet its enhanced requirement of refractories, in order to meet the huge demand of the steel both in the domestic market as well as in the international market.	
4.3 The plant and machinery and other assets of the Transferor Company which were under utilized, shall be properly, gainfully and efficiently utilized and may be upgraded with new technology. The upgradation of the plant and machinery and induction of new technology of the units of the Transferor Company would augment the asset base and thereby resulting in the optimal utilization of the resources and greater revenue inflow.	

- 4.4 The manufacturing plants of the Transferor Company are located in close proximity of the plants of the transferee company which produces locational synergy between the Transferee Company and the Transferor Company.
- 4.5 The consolidated entity shall provide strategic and competitive advantage especially at the time when many large steel manufacturing companies are integrating vertically by setting up their own capacities for the production of the raw material. The proposed amalgamation of the Transferor Company with the Transferee Company is in line with current global trends to achieve size, scale, integration and greater financial strength and flexibility. The consolidated entity is likely to achieve higher long term financial returns than could be achieved individually by the Transferor Company.
- 4.6 The Transferor Company has about 430.5 acres of land (102.30 acres on lease and 328.20 acres on free hold basis) which would become available to the Transferee Company.
- 4.7 The proposed amalgamation of both the companies will bring administrative and operational rationalization, organizational efficiencies and rationalization in economies of scale and more optimal utilisation of various resources. The managerial expertise of Transferor Company would be combined giving additional thrust to the Transferee Company. Consequently, the Transferee Company will offer a strong financial structure to all creditors including the creditors of the Transferor Company, facilitate resource mobilization and achieve better cash flows. The synergies created by the merger may lower the cost of borrowing, increase operational efficiency and integrate marketing functions. This would contribute towards enhancement of shareholders value of the Transferee Company.
- 4.8 The proposed amalgamation will enable streamlining the activities of the respective companies and will also reduce managerial overlaps, which are necessarily involved in running multiple entities.
- 4.9 The banks and creditors are not affected by the proposed amalgamation as their security is maintained at the existing levels.
- 4.10 The integration of the manufacturing and other facilities of the Transferor Company and the Transferee Company will contribute to the enhanced global competitiveness for the consolidated entity, thereby increasing the ability of Indian steel to compete with aggressive international market conditions.
- 4.11 Consolidation would also enable the Transferee Company to improve its infrastructural backbone, which would be to the benefit of the public at large.
- IN CONSIDERATION OF THE RECIPROCAL PROMISES AND THE ARRANGEMENT, THE SCHEME OF AMALGAMATION AS SET OUT HEREIN HAS BEEN PROPOSED.**
- 5. TERMS OF AMALGAMATION OF COMPANIES**
- 5.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme including in relation to the mode of transfer and vesting, and subject to any corrections and adjustments as may, in the opinion of the board of directors of the Transferee Company be required, the Transferor Company shall dissolve without winding up and whole undertaking including the plants specified in Clause 1.2, all assets and properties of the Transferor Company as on the Appointed Date, and all the debts, liabilities, advances, duties and obligations of the

Transferor Company as on the Appointed Date shall stand transferred to and vested in and/or deemed to be transferred to and vested as a going concern, in the Transferee Company without any further acts of any parties and without the consent of third parties.

- 5.2 Without prejudice to the generality of the aforesaid, the transfer as aforesaid shall include all the reserves, capital works in progress, tax entitlements and liabilities, movable and immovable assets and properties including land whether leased or otherwise, all other assets (whether tangible or intangible) of whatsoever nature, investments and loans and advances including interest thereon, lease and hire purchase contracts, powers, authorities, allotments, approvals, consents, letters of intent, industrial and other government or statutory licensees, registrations, rights, leases, leave and license agreements, titles, interests, benefits and advantages of any nature whatsoever and where so ever situated, belonging to or in the ownership, power or possession and in the control of or vested in or granted in favour of or enjoyed by them, including but without being limited to all patents, patent rights applications, trademarks, service marks, trade names, patents, copyrights and/or any pending applications thereto and other industrial properties and rights of any nature whatsoever and licenses assignments, grants in respect thereof, privileges, liberties, tenancies, easements, advantages, benefits, leases, ownership flats, goodwill, quota rights, permits, approvals, authorizations, right to use and avail telephones, telexes, facsimile and other communication facilities, connections, equipments and installations, utilities, electricity and electronic and all other services of every kind, nature and descriptions whatsoever, earnest monies and/or security deposits, reserves, provisions, funds, benefit of all agreements, arrangements, subsidies, grants, tax credits, sales tax, turnover tax, service tax, customs and all other interests arising to the Transferor Company, the entire business and benefits and advantages of whatsoever nature and where so ever situated belonging to or in the ownership, power or possession and in the control of or vested in or granted in favour of or enjoyed by the Transferor Company, stand transferred to and vested in and/or be deemed to be and stand transferred to and vested as a going concern, in the Transferee Company pursuant to the provisions of Section 396 of the Act so as to become as and from the Appointed Date, the estate, assets, rights, title and interests of the Transferee Company. The mode of vesting of the movable property shall be in accordance with Clause 5.3.
- 5.3 The mode of vesting of the properties referred in 5.1 and 5.2 shall be as under:
- 5.3.1 In respect of such of the said properties as are movable in nature or are otherwise capable of transfer by manual delivery or by endorsement and delivery, the same may be so transferred by the Transferor Company and shall become the property of the Transferee Company without requiring any deed or instrument of conveyance for the same.
- 5.3.2 In respect of such of the said properties other than those referred to in Clause 5.3.1 above the same shall, without any further act, instrument or deed, be and stand transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company as on the Appointed Date.
- 5.3.3 In respect of the movable properties other than those specified in Clause 5.3.1 above, including sundry debtors, outstanding loans, advances recoverable in cash or in kind or for value to be received, bank balances and deposits with

Government, Semi Government, Local and other authorities, bodies etc. the same shall be so transferred by the Transferor Company and shall become the property of the Transferee Company without requiring any deed or instrument of conveyance for the same and the same shall become the property of the Transferee Company and further that it shall not be necessary to obtain the consent of any third party or other person, who is a party to any contract or arrangement by virtue of which such debts, loans or advances have arisen in order to give effect to the provisions of this Clause. The Transferee Company may, if required, give notice in such form as it may deem fit and proper to such person or debtor that pursuant to this Scheme, the said person or debtor should pay the debt, loan or advance or make good the same or hold the same to its account and that the right of the Transferee Company to recover and realize the same is in substitution of the rights of Transferor Company.

- 5.4 Upon coming into effect of the Scheme and with effect from the Appointed Date:
- 5.4.1 All debts, liabilities, duties and obligations of the Transferor Company other than liabilities being extinguished pursuant to the terms of the Scheme, (hereinafter referred to as the "Said Liabilities") shall also be and stand transferred or be deemed to be and stand transferred to the Transferee Company, without any further act, instrument or deed of the Transferee Company, so as to become as and from the Appointed Date, the debts, liabilities, duties and obligations of the Transferee Company and further it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen in order to give effect to the provisions of this Clause. Provided always that nothing in this clause shall or is intended to enlarge the security for any loan, deposit or other indebtedness created by the Transferor Company prior to the Appointed Date which shall be transferred to and be vested in the Transferee Company by virtue of the amalgamation and the Transferee Company shall not be required or obliged in any manner to create any further or additional security therefor after the Appointed Date or otherwise.
- 5.4.2 Any loans or other obligations due between the Transferor Company and the Transferee Company shall stand discharged and there shall be no liability in that behalf from the Appointed Date.
- IT IS CLARIFIED THAT all debts, liabilities, duties and obligations of the Transferor Company as on the start of the business on the Appointed Date provided for in the Books of Accounts and all other liabilities which may accrue or arise on or after the Appointed Date shall be the debts, liabilities, duties and obligations of the Transferee Company.
- IT IS CLARIFIED THAT all assets and receivables whether contingent or otherwise of the Transferor Company as on start of business on the Appointed Date provided for in the Books of Accounts and all other assets or receivables which may accrue or arise on or after the Appointed Date shall be the assets and receivables or otherwise as the case may be of Transferee Company.
- 5.4.3 Upon the coming into effect of this Scheme in accordance with the provisions hereof, the borrowings of the Transferee Company, in terms of Section 293(1) of the Act without any further act or deed on the part of the Transferee Company shall stand enhanced equivalent to the authorised borrowing

limits of the Transferor Company, such limits being incremental to the existing limits of the Transferee Company, and if so required, those limits may be increased from time to time by the Transferee Company, by obtaining shareholders approval in accordance with the provisions of Section 293(1) of the Act.

5.4.4 The Transferee Company may at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute Deeds of Confirmation in favour of any other party to any contract or arrangement to which secured creditors or Transferor Company are party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. Transferee Company shall under the provisions of the Scheme be deemed to be authorised to execute any such writings on behalf of Transferor Company and to implement or carry out all such formalities or compliance referred to above on their part to be carried out or performed.

5.5 Upon the coming into effect of this Scheme, and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements including but not limited to all sales tax exemptions and or deferral benefits and/or any other direct or indirect tax benefits and all other instruments of whatsoever nature to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect against or in favour of the Transferee Company, as the case may be and may be enforced as fully and effectually as if, instead of Transferor Company, the Transferee Company had been party or beneficiary or obligee thereto. The Transferee Company shall, wherever necessary, enter into and/or issue and/or execute deeds, writings or confirmations, enter into any tripartite arrangements, confirmations or novations to which the Transferor Company will, if necessary, also be a party in order to give formal effect to the provisions of this Clause.

5.6 The Transferee Company shall draw up and finalise a consolidated Balance Sheet post-merger as on the Appointed Date (hereinafter the "**Consolidated Balance Sheet**") which shall be the opening Balance Sheet of the Transferee Company as on the Appointed Date.

The accounts of the Transferee Company as on the Appointed Date, as amalgamated in accordance with the terms of the Scheme shall be finalized on the basis of the Consolidated Balance Sheet as on the Appointed Date pursuant to this Scheme.

5.7 All taxes in respect of the profits and gains, including accumulated losses and unabsorbed depreciation and investment allowance of the business carried on by the Transferor Company before the Appointed Date shall be payable by the Transferee Company subject to such concessions and reliefs as may be allowed under the Income Tax Act, 1961 (43 of 1961) as a consequence of the amalgamation.

Without prejudice to the generality of the aforesaid, the Transferee Company is expressly permitted to revise its Income Tax & loss returns and related TDS certificates and to claim refunds, advance tax credits etc., on the basis of the combined accounts of both the companies as reflected in the Consolidated Balance Sheet as on the Appointed Date pursuant to the terms of this Scheme and the right to claim refunds, adjustments, credits, set-offs, advance tax credits

pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

5.8 With effect from the Appointed Date in accordance with the CENVAT Credit Rules, 2004 framed under the Central Excise Act, 1944 as are prevalent at the Effective Date, the CENVAT credit lying unutilized in the Transferor Company, shall stand transferred to the Transferee Company as if the same were the CENVAT credit unutilized in the Transferee Company's accounts. It is declared that the transfer of the CENVAT credit stands allowed as stock of inputs as such or in process, including capital goods are also transferred by the Transferor Company to the Transferee Company. The inputs or capital goods on which the credit has been availed of have been duly accounted for.

6. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

Subject to other provisions contained in the Scheme, all contracts, deeds, bonds, debentures, agreements and other instruments of whatever nature, to which the Transferor Company is a party, subsisting or having effect immediately before the Effective Date, shall remain in full force and effect, against or in favour of the Transferee Company, as the case may be, and may be enforced as fully and as effectually as if, instead of the Transferor Company, the Transferee Company had been a party thereto.

Any inter se contracts between the Transferor Company and the Transferee Company shall stand merged and vest in the Transferee Company upon the sanction of the Scheme and upon the Scheme becoming effective.

7. LEGAL PROCEEDINGS

If any suit, writ petition, appeal, revision or other proceedings of whatsoever nature (hereinafter called "**The Proceedings**") by or against the Transferor Company be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the amalgamation of the Transferor Company or of anything contained in the Scheme, but the Proceedings may be continued, prosecuted and enforced by or against the Transferee Company in the same manner and to the same extent as it would be or might have been continued, prosecuted or enforced by or against the Transferor Company as if the Scheme had not been made. On and from the Effective Date, the Transferee Company shall and may initiate any legal proceedings for and on behalf of the Transferor Company.

8. OPERATIVE DATE OF THE SCHEME

This Scheme, although operative from the Appointed Date, shall become effective from the Effective Date.

9. TRANSFEROR COMPANY'S STAFF, WORKMEN AND EMPLOYEES

All the staff, workmen or employees, in the service of the Transferor Company, on the date immediately preceding the Effective Date of the merger shall become the employees of the Transferee Company on the basis that:

- their service shall have been continuous and shall not have been interrupted by reason of the amalgamation of the Transferor Company;
- every whole time officer, including whole time Director or other employees employed immediately before the Effective Date of merger shall become an officer, employee, as the case may be, of the Transferee

Company and upon the Scheme becoming effective, all the conditions of service and employment of the Transferee Company would be applicable to the employees of the Transferor Company. In order to bring in uniformity, the employees of the Transferor Company shall be absorbed on equivalent scales of pay, taking scales prior to salary/wage revision effective from January 1, 1997 in the Transferee Company with protection of pay (Basic + Dearness Allowance). While doing so, care would be taken not to disturb both the Transferee Company's and the Transferor Company's internal seniority and to ensure that employees are not lowered by more than one grade and under no circumstances, E-0 scale would become non-executive scale. Except for the benefits stated above in this Scheme, the employees and workman of the Transferor Company shall not be entitled to any other benefits whether under any subsisting or expired settlement agreements with any union, association or body of employees or otherwise.

(iii) As far as provident fund, gratuity fund, superannuation fund or any other special fund created or existing for the benefit of the staff, workmen and other employees of the Transferor Company are concerned, upon the Scheme becoming effective, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever related to the administration or operation of such funds or in relation to the obligation to make contributions to the said funds in accordance with the provisions of such funds as per the terms provided in the respective trust deeds. It is the aim and intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such funds shall become those of the Transferee Company and all the rights, duties and benefits of the employees employed in the Transferor Company under such funds and trusts stand protected.

(iv) Without prejudice to the generality of the aforesaid, the Transferee Company shall have the right to transfer the employees of the Transferor Company to any unit, division, profit/cost centre or department of the Transferee Company situated anywhere in India or overseas if warranted and as may be deemed necessary from time to time.

10. TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE

10.1 With effect from the Appointed Date and up to and including the Effective Date:

- The Transferor Company shall be deemed to have been carrying on and shall carry on all their businesses and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all of the assets of Transferor Company for and on account of and in trust for Transferee Company. The Transferor Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.
- Save and except in the ordinary course of business, Transferor Company shall carry on their business and activities with reasonable diligence, business prudence and shall not (without the prior written consent of Transferee Company) alienate, charge, mortgage, encumber or otherwise deal with or dispose off any of their units/undertakings or any part thereof except pursuant to any pre-existing obligation undertaken by Transferor Company prior to the Appointed Date.

(iii) All the profits or income accruing to Transferor Company or expenditure or losses arising or incurred or suffered by Transferor Company shall for all purposes be treated and be deemed to be and accrue as the income or profits or losses or expenditure, as the case may be, of Transferee Company.

(iv) Other than as provided under this Scheme, the Transferor Company shall not make any change in its capital structure either by any increase, (by fresh issue of equity shares whether by way of public issue, private placement, on a rights basis, or issuance of bonus shares, convertible debentures or otherwise) decrease, reduction, reclassification, sub-division or consolidation, re-organisation, or in any other manner which may, in any way, affect the consideration under this scheme, except by mutual consent of the respective Boards of Directors of both the Transferor Company and Transferee Company.

(v) The Transferor Company shall not without the prior approval of the Board of Directors of Transferee Company utilize the profits, if any, for any purpose including of declaring or paying any dividend in respect of the period falling on and after the Appointed Date.

(vi) The Transferor Company shall not vary the terms and conditions of the employment of its employees except in the ordinary course of business; and

(vii) The Transferor Company shall not, without the written consent of the Transferee Company, undertake any new business.

10.2 The transfer and vesting of the whole undertaking including the plants specified in Clause 1.2, all assets and properties of the Transferor Company to the Transferee Company and the continuance of any proceedings by or against the Transferee Company hereof shall not affect any transaction or proceedings already completed by the Transferor Company on and from the Appointed Date to the end and intent that the Transferee Company accepts all acts, deeds and things done and executed by and/or behalf of the Transferor Company as acts, deeds and things done and executed by and on behalf of the Transferee Company.

11. SPECIFIC TERMS OF THE SCHEME

11.1 The financial statements of the Transferor Company shall be restructured in terms of Letter Ref. No. F. No. 4 (52)/2005 HSM dated May 2, 2008 issued by the Ministry of Steel, Government of India:

- Out of the total loan of Rs. 161.49 crores outstanding and due and payable by the Transferor Company to the Government of India on March 31, 2006:
- The non-plan loan of Rs. 145 crores sanctioned in the year 2002-2003, shall stand waived by the Government of India; and
- The Government of India be issued fully paid up equity shares in the Transferor Company at par value for the balance amount of Rs. 16.50 crores approximately.
- 7% Non-cumulative Preference Shares worth Rs. 12.05 crores due for redemption on April 1, 2005 shall stand redeemed by fresh issue of fully paid equity shares at par value of Transferor Company.
- The balance share capital of the Transferor Company after all the waiver/adjustments/set off, held by the Government of India, shall stand transferred to the Transferee Company at a token value of Rupee 1 only.

- (d) The following accumulated losses of the Transferor Company shall stand set off against the paid up equity share capital of Rs.227.19 crores of the Transferor Company (including loans to be converted into equity):
- (i) Rs. 22.31 crores outstanding in the books due to merger of IFICO with the Transferor Company; and
- (ii) Rs. 30.00 crores being the additional loss on account of restructuring of the current assets based on assessment of the Transferee Company; and
- (iii) Rs. 173.73 crores outstanding as the remaining accumulated loss as on March 31, 2006.
- (e) The interest of Rs. 40.91 crores accrued till March 31, 2006 on the Government of India loans shall stand waived by the Government of India.
- (f) The non-plan loan of Rs. 30.46 crores along with the interest thereon, which was provided to the Transferor Company by the Government of India in December, 2006, shall stand waived by the Government of India.
- 11.2 The 13,450, 7.5% Cumulative Redeemable Preference Shares of Rs. 10 each which are due for redemption on March 31, 2015, have been valued, as on March 31, 2007, at Rs.10 per share pursuant to the valuation report received from M/s Axis Bank Ltd. Each shareholder who owns and holds 7.5% Cumulative Redeemable Preference Shares of Rs. 10 each shall be entitled to a compensation of Rs. 10 per share in cash. In addition to this, each such preference shareholder shall be paid in cash the arrears of preference dividend. The total compensation shall be payable within 60 (sixty) days of the Effective Date.
- The 40,000, 9.5% Cumulative Redeemable Preference Shares of Rs. 10 each which are due for redemption on March 31, 2015, have been valued, as on March 31, 2007 at Rs. 10 per share pursuant to the valuation report received from M/s Axis Bank Ltd. Each shareholder who owns and holds 9.5% Cumulative Redeemable Preference Shares of Rs. 10 each, shall be entitled to a compensation of Rs. 10 per share in cash. In addition to this, each such preference shareholder shall be paid in cash the arrears of preference dividend. The total compensation shall be payable within 60 (sixty) days of the Effective Date.
- Every equity shareholder (other than the Government of India) who owns and holds a fully paid equity share of Rs. 10 each in the Transferor Company shall be entitled to a compensation of Rs. 10 per equity share of Rs. 10 each in cash, which value has been arrived pursuant to the decision of the Transferee Company as against the valuation of Rs. 3.31 per equity share arrived by the valuation report received from M/s Axis Bank Ltd. The compensation shall be payable within 60 (sixty) days of the Effective Date.
- 11.3 The Board for Industrial and Financial Reconstruction vide orders dated April 20, 2006 provided as follows:
- (A) Assistance from State Government (Jharkhand and Chhatisgarh)
- (i) To consider to defer sales tax and entry tax dues/arrears over a period of 5 years during the period of rehabilitation.
- (ii) To consider to waive surcharge on delayed payment of electricity dues accrued up to December 31, 2002 in respect of all the four units;
- (B) Assistance from the Central Government (Income Tax Act, 1961)
- (i) To consider to exempt the Company from the applicability of provision under Section 41(1) of the said Act;
- (ii) To consider the Company to be eligible to carry forward the accumulated losses, unabsorbed investment allowance for setting off against the profit of the future years without limiting the period of carry forward and set off as mentioned in Section 72 of the said Act;
- (iii) To consider to exempt the Company from the applicability of Section 115J of the said Act including previous assessment made.
- (C) Assistance from Central Government (Companies Act, 1956)
- (i) To consider to exempt the Company from the applicability of Section 81 (1) of the said Act from issue of further capital in accordance with the rehabilitation scheme
- (ii) To consider to exempt the Company from payment of relevant fee as per Schedule X of the said Act for enhancement of Authorised Share Capital of the Company from Rs. 113 crores to Rs. 300 crores.
- (iii) The Company would comply with the relevant provisions of the said Act and other requirements while augmenting the authorized capital.
- D. Assistance from Central Government (Central Provident Fund Commissioner)
- To consider to waive penal and liquidated damages on delayed payment of PF and Pension Funds.
- The Transferor Company has pursuant to the orders dated April 20, 2006 of the Board for Industrial and Financial Reconstruction, made the following applications:
- (i) Application to the Joint Secretary to the Government of India, Ministry of Corporate Affairs, New Delhi vide Letter No. Coy-1 (7)/ 2006/68 dated July 18, 2006 for seeking exemption of fees payable to the Registrar of Companies for increase in the authorised share capital from Rs. 113 Crore to Rs. 300 crore, in accordance with Schedule X of the Act, in exercise of the power vested with the Central Government under Section 620 or under Section 613 of the Act.
- (ii) Application to the Chief Minister of Jharkhand vide Letter No. CMD/BRL/23/2006/927 dated July 24, 2006 for the deferment of the sales tax for a period of 5 years and the refund/adjustment of surcharge on delayed payments of electricity dues.
- (iii) Application to the Chief Minister of Chhatisgarh vide Letter No. CMD/BRL/23/2006/927 dated July 24, 2006 for the deferment of the sales tax for a period of 5 years and the refund/adjustment of surcharge on delayed payments of electricity dues.
- (iv) Application to The Chairman, Central Board of Trustee, Central Provident Fund Organisation, Employees Provident Fund, New Delhi vide Letter No. BRL/ND/24 (Pt. File)/2007-58 dated February 19, 2007 for the complete waiver of penal and the liquidated damages on the delayed payment of the Provident Fund and Pension Funds by the plants of the Transferor Company as per the order of BIFR.
- (v) Application to The Assistant Director of Income Tax (R), Government of India (Department of Revenue), Directorate of Income Tax (Recovery), New Delhi vide Letter Reference Number BRL/F&A/2007-313 on December 04, 2007, for getting the relief and

concessions incorporated in the BIFR sanctioned scheme and the order as stated above.

Upon the Scheme becoming effective, the said waivers applied for by the Transferor Company shall be deemed to have been granted by the respective authorities and the application of the Transferor Company shall be deemed to have been allowed, in terms of the order of the Board for Industrial and Financial Reconstruction and the liability of the Transferor Company in this regard, shall stand extinguished.

11.4 The employees of the Transferor Company shall not be entitled to any rights, entitlements or benefits in pursuance of the Memorandum of Understanding entered into between the Unions and the Management of the Transferor Company on March 22, 2007 or any such arrangements/agreements entered into by the Transferor Company with any trade union, association or a body of employees including retrospective or prospective wage revision(s).

12. APPLICATIONS TO MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA

The Transferor Company and the Transferee Company hereto shall, within all reasonable time dispatch, make applications under Section 396 of the Act to the Ministry of Corporate Affairs, Government of India at New Delhi for sanctioning the Scheme and for dissolution of the Transferor Company without winding up.

13. MODIFICATIONS/AMENDMENTS TO THE SCHEME

13.1 The Transferor Company (by its Board of Directors or Chairman thereof) and the Transferee Company (by its Board of Directors or Chairman thereof) may assent to any modification or amendment to the Scheme or agree to any terms and/or conditions which the Ministry of Corporate Affairs, Government of India, Courts and/or any other authorities under law may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme and do all acts, deeds and things as may be necessary, desirable or expedient for putting the Scheme into effect.

13.2 For the purpose of giving effect to the Scheme or to any modification thereof, the Board of Directors/Chairman of the Transferor Company and the Transferee Company are hereby authorised to give such directions and/or to take such steps as may be necessary or desirable including any directions for settling any question or doubt or difficulty whatsoever that may arise.

14. SCHEME CONDITIONAL ON APPROVALS/SANCTIONS

14.1 The Scheme though comes into operation from the Appointed Date, shall be conditional upon and subject to the following:

- (a) The Scheme being approved by the respective requisite majority of the shareholders of the Transferor Company and the Transferee Company.
- (b) The approvals of the Public Financial Institutions and Banks, if applicable, under any contracts/agreements entered into with them by the Transferor Company and/or the Transferee Company.

(c) Such other sanctions, permissions, consents and approvals as may be required by the provisions of Section 396 of the Act and any other Law in respect of this Scheme being obtained including those of the relevant Government authorities; and

(d) Notification of the Final Order of Merger in the Official Gazette of Government of India;

(e) The certified copies of the Order of the Ministry of Corporate Affairs being filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana by the Transferee Company and the Registrar of Companies, Patna, Bihar by the Transferor Company.

15. DISSOLUTION OF TRANSFEROR COMPANY

Upon the Scheme being sanctioned the Transferor Company shall stand dissolved without being wound up as on the Appointed Date and no person shall make, assert or take, any claims, demands or proceedings against the Transferor Company, except in so far as may be necessary for enforcing the provisions of this Scheme.

16. EFFECT OF NON-RECEIPT OF APPROVALS/ SANCTIONS

In the event any of the sanctions or approvals referred to in Clause 14 of this Scheme are not obtained on or before September 30, 2009 or within such further period or periods as may be agreed upon between the Transferor Company by its Board of Directors, and the Transferee Company by its Board of Directors, this Scheme shall become null and void and in such an event no rights or liabilities whatsoever shall accrue to or be incurred inter se between the Transferor Company and the Transferee Company.

17. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses of the Transferor Company and the Transferee Company respectively in relation to or in connection with the Scheme and of carrying out and implementing/completing the terms and provisions of the Scheme and/or incidental to the completion of amalgamation of the Transferor Company in pursuance of the Scheme shall be borne and paid solely by the Transferee Company.

18. STAMP DUTY

No stamp duty is payable on the amalgamation of the Transferor Company with the Transferee Company as contemplated herein, as no stamp duty is payable on an order of the Ministry of Corporate Affairs, Government of India, sanctioning a scheme of amalgamation.

19. DISPUTES

Other than as expressly provided under the Act, all disputes and differences arising out of this Scheme shall be referred to the arbitration of the Chairman of the Transferee Company under the Arbitration and Conciliation Act, 1996 whose decision shall be binding on all concerned.

Place : New Delhi

Date : 2nd August, 2008

STEEL AUTHORITY OF INDIA LIMITED

Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

ATTENDANCE SLIP

Folio No:

Name and Address _____

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 36th ANNUAL GENERAL MEETING of the Company to be held on 10th September, 2008 at Air Force Auditorium, Subroto Park, New Delhi-110010.

Member's/Proxy's Name (In Block Letters) _____
Member's/Proxy's Signature _____

Note:

- 1. Please sign this attendance slip and hand over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
- 2. This attendance slip is valid only in case shares are held on the date of meeting.
- 3. The members holding shares in Dematerialised (D Mat) form are advised to bring with them their DP ID and Client ID Numbers.
- 4. REGRET NO GIFTS.

STEEL AUTHORITY OF INDIA LIMITED
Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

PROXY FORM

I/Weof
in the district of
(Write full address)
hereby appointof
(Write full address)
or failing himof
(Write full address)

as my/our proxy and to vote for me/us or my/our behalf at the 36th Annual General Meeting of the Company to be held on 10th September, 2008 at 1030 hours and at any adjournment thereof.

Signed thisday of2008
Signature(s)
Ledger Folio/DP ID & Client ID No.
No. of Shares held

Please
affix
Re. 1
Revenue
Stamp

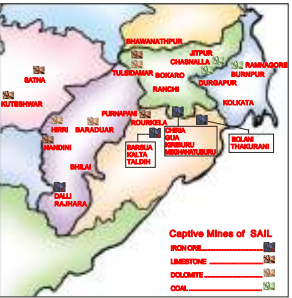
NOTE:

- 1. The Proxy need NOT be a member.
- 2. The Proxy Form signed across Re. 1 revenue stamp should reach the Company's Registered Office atleast 48 hours before the scheduled time of meeting.
- 3. Please fill in full particulars.

THE SAIL NETWORK



CORPORATE OFFICE.....		CMO HEAD QUARTERS		BRANCH SALES OFFICES	
INTEGRATED STEEL PLANTS.....		REGIONAL OFFICES		1. NORTHERN REGION.....	
ALLOY AND SPECIAL STEEL PLANTS.....		DEPARTMENTAL WAREHOUSE.....		2. EASTERN REGION.....	
FERRO ALLOY PLANT.....		CONSIGNMENT AGENCY YARD.....		3. WESTERN REGION.....	
UNITS.....		SHIPPING OFFICE		4. SOUTHERN REGION.....	
				CUSTOMER CONTACT OFFICE.....	



There's a little bit of SAIL in everybody's life