

# Balance Sheet

As at 31st March, 2008

|   | Schedule No. | As at 31st March, 2008 | As at 31st March, 2007 |
|---|--------------|------------------------|------------------------|
| (Rupees in crore)                                 |              |                        |                        |
| <b>SOURCES OF FUNDS</b>                           |              |                        |                        |
| <b>Shareholders' Fund</b>                         |              |                        |                        |
| Share Capital                                     | 1.1          | 4130.40                | 4130.40                |
| Reserves and Surplus                              | 1.2          | 18933.17               | 13182.75               |
|   |              | 23063.57               | 17313.15               |
| <b>Loan Funds</b>                                 |              |                        |                        |
| Secured Loans                                     | 1.3          | 925.31                 | 1556.39                |
| Unsecured Loans                                   | 1.4          | 2119.93                | 2624.13                |
| Deferred Tax Liability ( Net )                    |              | 1568.60                | 1412.66                |
|   |              | 27677.41               | 22906.33               |
| <b>APPLICATION OF FUNDS</b>                       |              |                        |                        |
| <b>Fixed Assets</b>                               |              |                        |                        |
| Gross Block                                       | 1.5          | 30922.73               | 29912.71               |
| Less: Depreciation                                |              | 19351.42               | 18315.00               |
| Net Block   |              | 11571.31               | 11597.71               |
| Capital Work-in-Progress                          | 1.6          | 2389.55                | 1198.52                |
|   |              | 13960.86               | 12796.23               |
| <b>Investments</b>                                |              |                        |                        |
|   | 1.7          | 538.20                 | 513.79                 |
| <b>Current Assets, Loans &amp; Advances</b>       |              |                        |                        |
| Inventories                                       | 1.8          | 6857.23                | 6651.47                |
| Sundry Debtors                                    | 1.9          | 3048.12                | 2314.75                |
| Cash & Bank Balances                              | 1.10         | 13759.44               | 9609.83                |
| Other Current Assets                              | 1.11         | 273.08                 | 152.56                 |
| Loans & Advances                                  | 1.12         | 2379.75                | 1650.01                |
|   |              | 26317.62               | 20378.62               |
| <b>Less: Current Liabilities &amp; Provisions</b> |              |                        |                        |
| Current Liabilities                               | 1.13         | 6400.92                | 5397.77                |
| Provisions  | 1.14         | 6797.83                | 5513.69                |
|   |              | 13198.75               | 10911.46               |
| <b>Net Current Assets</b>                         |              |                        |                        |
| Miscellaneous Expenditure                         | 1.15         | 59.48                  | 129.15                 |
| (to the extent not written off or adjusted)       |              |                        |                        |
|   |              | 27677.41               | 22906.33               |

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

For and on behalf of Board of Directors

|                                       |   |                                     |
|---------------------------------------|---|-------------------------------------|
| Sd/-<br>(Devinder Kumar)<br>Secretary | Sd/-<br>(Soiles Bhattacharya)<br>Director ( Finance ) | Sd/-<br>( S.K.Roongta )<br>Chairman |
|---------------------------------------|---|-------------------------------------|

In terms of our report of even date

|  |  |   |
|--|--|---|
| For Ray & Ray<br>Chartered Accountants | For Dass Maulik Mahendra K Agrawala & co.<br>Chartered Accountants | For T.R.Chadha & Co.<br>Chartered Accountants |
|--|--|---|

|                                   |  |                                   |
|-----------------------------------|--|-----------------------------------|
| Sd/-<br>( B.K. Ghosh )<br>Partner | Sd/-<br>(Mahendra K Agrawala)<br>Partner | Sd/-<br>( Ajesh Tuli )<br>Partner |
|-----------------------------------|--|-----------------------------------|

Place : New Delhi  
Dated : May 16, 2008

# Profit & Loss Account

For the year ended 31st March, 2008

|   | Schedule No. | Year ended 31st March, 2008 | Year ended 31st March, 2007 |
|---|--------------|-----------------------------|-----------------------------|
| (Rupees in crore)   |              |                             |                             |
| <b>INCOME</b>   |              |                             |                             |
| Sales   | 2.1          | 45555.34                    | 39188.66                    |
| Less : Excise duty  |              | 6046.89                     | 5265.54                     |
| Finished products internally consumed   |              | 490.81                      | 410.00                      |
| Interest earned   | 2.2          | 1184.76                     | 752.60                      |
| Other revenues  | 2.3          | 646.27                      | 779.66                      |
| Provisions no longer required written back  | 2.4          | 60.62                       | 58.65                       |
|   |              | 41890.91                    | 35924.03                    |
| <b>EXPENDITURE</b>  |              |                             |                             |
| Accretion( - ) to stocks  | 2.5          | -339.30                     | -242.58                     |
| Raw Materials Consumed  | 2.6          | 13960.14                    | 13271.08                    |
| Purchase of Finished / Semi-finished Goods  |              | 3.63                        | 1.29                        |
| Employees' Remuneration & Benefits  | 2.7          | 7919.02                     | 5084.18                     |
| Stores & Spares Consumed  |              | 3293.90                     | 3002.23                     |
| Power & Fuel  | 2.8          | 2825.56                     | 2574.40                     |
| Repairs & Maintenance   | 2.9          | 552.15                      | 383.43                      |
| Freight Outward   |              | 717.85                      | 692.04                      |
| Other Expenses  | 2.10         | 1836.32                     | 1619.15                     |
| Interest & Finance Charges  | 2.11         | 250.94                      | 332.13                      |
| Depreciation  |              | 1235.48                     | 1211.48                     |
| Total   |              | 32255.69                    | 27928.83                    |
| Less : Inter Account Adjustments  | 2.12         | 1832.22                     | 1444.90                     |
|   |              | 11467.44                    | 9440.10                     |
| Adjustments pertaining to earlier years   | 2.13         | 1.29                        | -17.05                      |
|   |              | 11468.73                    | 9423.05                     |
| <b>Profit before tax</b>  |              |                             |                             |
| Less : Provision for taxation   |              |                             |                             |
| Current tax (including provision for wealth tax Rs. 0.67 crore                            |              | 3745.81                     | 3299.55                     |
| -Previous year Rs. 0.43 crore)  |              |                             |                             |
| Deferred tax  |              | 155.94                      | -71.80                      |
| Fringe benefit tax  |              | 32.90                       | 26.48                       |
| Earlier years   |              | -2.70                       | -33.47                      |
|   |              | 3931.95                     | 3220.76                     |
| <b>Profit after tax</b>   |              |                             |                             |
| Transferred from Bonds Redemption Reserve ( net )   |              | 7536.78                     | 6202.29                     |
| Balance brought forward from last year  |              | 86.39                       | 38.42                       |
| Provision towards long term service awards to employees upto 31st March 2006 (net of tax) |              | 10811.65                    | 6698.84                     |
| Amount available for appropriation  |              | 0.00                        | -14.50                      |
|   |              | 18434.82                    | 12925.05                    |
| <b>APPROPRIATIONS</b>   |              |                             |                             |
| Amount Transferred to General Reserve   |              | 770.00                      | 635.00                      |
| Interim dividend  |              | 784.78                      | 660.86                      |
| Proposed dividend ( Final )   |              | 743.47                      | 619.56                      |
| Tax on Interim dividend   |              | 133.37                      | 92.69                       |
| Tax on Proposed dividend ( Final )  |              | 125.54                      | 105.29                      |
| Balance carried to Balance Sheet  |              | 15877.66                    | 10811.65                    |
|   |              | 18434.82                    | 12925.05                    |
| <b>Earnings per Share ( Face value Rupees 10/- each )</b>                                 |              |                             |                             |
| Profit after tax  |              | 7536.78                     | 6202.29                     |
| Average Number of equity shares   |              | 4130400545                  | 4130400545                  |
| Basic and Diluted Earnings per share ( Rupees )   |              | 18.25                       | 15.02                       |
| Significant Accounting Policies and Notes on Accounts                                     | 3            |                             |                             |
| Schedules 2 and 3 annexed hereto, form part of the Profit & Loss Account.                 |              |                             |                             |

For and on behalf of Board of Directors

|                                       |   |                                   |
|---------------------------------------|---|-----------------------------------|
| Sd/-<br>(Devinder Kumar)<br>Secretary | Sd/-<br>(Soiles Bhattacharya)<br>Director ( Finance ) | Sd/-<br>(S.K.Roongta)<br>Chairman |
|---------------------------------------|---|-----------------------------------|

In terms of our report of even date

|  |  |   |
|--|--|---|
| For Ray & Ray<br>Chartered Accountants | For Dass Maulik Mahendra K Agrawala & Co.<br>Chartered Accountants | For T.R.Chadha & Co.<br>Chartered Accountants |
|--|--|---|

|                                 |  |                                 |
|---------------------------------|--|---------------------------------|
| Sd/-<br>(B.K. Ghosh)<br>Partner | Sd/-<br>(Mahendra K Agrawala)<br>Partner | Sd/-<br>(Ajesh Tuli)<br>Partner |
|---------------------------------|--|---------------------------------|

Place : New Delhi  
Dated : May 16, 2008

# Cash Flow Statement

| Cash Flow Statement for the Year                         | 2007-08          | 2006-07           |
|--|------------------|-------------------|
|  |                  | (Rupees in crore) |
| <b>A. Cash Flow from Operating Activities</b>            |                  |                   |
| <b>Net Profit / Loss ( - ) before taxation</b>           | <b>11468.73</b>  | <b>9423.05</b>    |
| Add / ( Less ) Adjustments for :                         |                  |                   |
| Depreciation   | 1234.33          | 1236.75           |
| Interest Expenses  | 250.94           | 215.25            |
| Bad debts written-off                                    | 2.15             | 4.59              |
| Unrealised Foreign Exchange Fluctuation                  | (22.89)          | (5.61)            |
| Provision for Long Term Service Awards                   | 0.00             | -1.38             |
| Provision for diminution in value of investments         | 0.00             | 3.21              |
| Provision for Others                                     | 1146.55          | (182.35)          |
| Deferred revenue expenditure (Charged during the year)   | 73.34            | 127.34            |
| Profit on Sale of Fixed Assets                           | (49.78)          | (13.93)           |
| Interest Income  | (1184.76)        | (752.60)          |
| Dividend Income  | (14.45)          | (17.34)           |
| <b>Operating Cash Flow before working capital change</b> | <b>12904.16</b>  | <b>10036.98</b>   |
| Adjustments for :-                                       |                  |                   |
| Increase / Decrease in Inventories                       | (205.76)         | (441.41)          |
| Increase / Decrease in Sundry Debtors                    | (735.52)         | (437.61)          |
| Increase / Decrease in Loans and Advances                | (734.35)         | (394.54)          |
| Increase / Decrease in Current liabilities               | 935.90           | 337.90            |
| Deferred revenue expenditure (Additions)                 | (3.67)           | (40.67)           |
| <b>Cash generated from Operations</b>                    | <b>12160.76</b>  | <b>9060.65</b>    |
| Direct Taxes Paid  | (3782.58)        | (3427.74)         |
| <b>Net Cash from Operating Activities</b>                | <b>8378.18</b>   | <b>5632.91</b>    |
| <b>B. Cash Flow from Investing Activities</b>            |                  |                   |
| Purchase of Fixed Assets                                 | (2293.18)        | (1137.66)         |
| Proceeds from sale of Fixed Assets                       | 94.40            | 46.82             |
| Loans to Subsidiary & Other Companies                    | 4.61             | 25.45             |
| Purchase/Sale of investments (net)                       | (24.41)          | (225.00)          |
| Interest received  | 1064.24          | 685.52            |
| Dividend received  | 14.45            | 17.34             |
| <b>Net Cash from / (used in) Investing Activities</b>    | <b>(1139.89)</b> | <b>(587.53)</b>   |

| Cash Flow Statement for the Year                           | 2007-08          | 2006-07           |
|--|------------------|-------------------|
|  |                  | (Rupees in crore) |
| <b>C. Cash Flow from Financing Activities</b>              |                  |                   |
| Increase in Reserve & Surplus                              | 0.80             | 2.35              |
| (Decrease) in Borrowings (net)                             | (1112.39)        | (111.49)          |
| Reversal of Interest on SDF Loans                          | 0.00             | 116.88            |
| Interest and Finance Charges Paid                          | (334.09)         | (509.16)          |
| Dividend Paid  | (1404.34)        | (970.64)          |
| Tax on Dividend  | (238.66)         | (136.13)          |
| <b>Net Cash from / ( used in ) Financing Activities</b>    | <b>(3088.68)</b> | <b>(1608.19)</b>  |
| <b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b> | <b>4149.61</b>   | <b>3437.19</b>    |
| <b>Cash &amp; Cash Equivalents (Opening)</b>               | <b>9609.83</b>   | <b>6172.64</b>    |
| <b>Cash &amp; Cash Equivalents (Closing)</b>               | <b>13759.44</b>  | <b>9609.83</b>    |

(Represented by Cash & Bank balances)

## Notes :

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

For and on behalf of Board of Directors

Sd/-  
(Devinder Kumar)  
Secretary

Sd/-  
(Soiles Bhattacharya)  
Director ( Finance )

Sd/-  
(S.K.Roongta)  
Chairman

In terms of our report of even date

**For Ray & Ray**  
Chartered Accountants

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

**For T.R.Chadha & Co.**  
Chartered Accountants

Sd/-  
(B.K. Ghosh)  
Partner

Sd/-  
(Mahendra K Agrawala)  
Partner

Sd/-  
(Ajesh Tuli)  
Partner

Place : New Delhi

Dated : May 16, 2008

# Schedules

(Forming part of the Balance Sheet)

## 1.1: SHARE CAPITAL

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| <b>Authorised</b>  |                           |  |
| 5,00,00,00,000 equity shares of Rs. 10 each              | <u>5000.00</u>            | <u>5000.00</u>                                 |
| <b>Issued, Subscribed &amp; Paid-up</b>                  |                           |  |
| 4,13,04,00,545 equity shares of Rs.10/- each fully paid. | <u>4130.40</u>            | <u>4130.40</u>                                 |

Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid up for consideration other than cash.

## 1.2 : RESERVES AND SURPLUS

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---------------------------|--|
| <b>Capital Reserve</b>                      | <b>3.14</b>               | 3.14   |
| <b>Prime Minister's Trophy Award Fund</b>   |                           |  |
| As per last Balance Sheet                   | 11.33                     | 8.98   |
| Additions                                   | <u>1.28</u>               | <u>2.77</u>                                    |
|   | <u>12.61</u>              | <u>11.75</u>                                   |
| Less: Utilisation                           | <u>0.48</u>               | <u>0.42</u>                                    |
|   | <b>12.13</b>              | 11.33  |
| <b>Securities Premium</b>                   | <b>235.29</b>             | 235.29   |
| <b>Bond Redemption Reserve</b>              |                           |  |
| As per last Balance Sheet                   | 348.83                    | 387.25   |
| Transferred from Profit & Loss Account      | <u>31.82</u>              | <u>59.40</u>                                   |
| Transferred to Profit & Loss Account        | <u>118.21</u>             | <u>97.82</u>                                   |
|   | <b>262.44</b>             | 348.83   |
| <b>General Reserve</b>                      |                           |  |
| As per last Balance Sheet                   | 1772.51                   | 1137.51  |
| Transferred from Profit & Loss Account      | <u>770.00</u>             | <u>635.00</u>                                  |
|   | <b>2542.51</b>            | 1772.51  |
| <b>Surplus in Profit &amp; Loss Account</b> | <b>15877.66</b>           | 10811.65                                       |
|   | <u>18933.17</u>           | <u>13182.75</u>                                |

# Schedules

(Forming part of the Balance Sheet)

## 1.3 : SECURED LOANS

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| Working Capital Borrowings from Banks  | <b>260.81</b>             | 266.24   |
| Loans from Banks against term deposits | <b>0.00</b>               | 525.00   |
| <b>Non Convertible Bonds</b>           |                           |  |
| Interest Rate                          | Date of Redemption        |  |
| 12.95 %                                | 1st December 2007         | 0.00   |
| 11.60 %                                | 1st June 2008             | 33.95  |
| 7.80 %                                 | 1st September 2008        | 0.15   |
| 11.50%                                 | 1st December 2008         | 0.30   |
| 11.10%                                 | 20th July 2009            | 0.00   |
| 11.50%                                 | 20th July 2009            | 48.65  |
| 9.75%                                  | 1st February 2010         | 0.00   |
| 10.25%                                 | 1st February 2010         | 88.35  |
| 11.50%                                 | 15th April 2010           | 21.00  |
| 8%                                     | 1st September 2010        | 0.70   |
| 13.05 %                                | 1st December 2010         | 59.80  |
| 12.10 %                                | 1st June 2011             | 91.30  |
| 12%                                    | 1st December 2011         | 76.90  |
| 12%                                    | 20th July 2012            | 109.90   |
| 10.75%                                 | 1st February 2013         | 75.30  |
| 8.20%                                  | 1st September 2013        | 58.20  |
|  | <u>664.50</u>             | <u>765.15</u>                                  |
|  | <u>925.31</u>             | <u>1556.39</u>                                 |

- (a) Secured by hypothecation of all current assets  
(b) Secured by charges ranking pari-passu inter-se, on all the present and future immovable property at Mouje-Wadej of City taluka, District Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant.( DSP )  
(c) Redeemed at par by exercising call option  
Note : Amount repayable within one year as at 31.03.2008, Rs.34.40 crore (Previous Year : Rs. 625.05 crore)

## 1.4 : UNSECURED LOANS

|                                  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|----------------------------------|---------------------------|--|
| <b>Government of India</b>       | <b>0.27</b>               | 0.27   |
| Interest accrued and due thereon | <u>0.58</u>               | <u>0.58</u>                                    |
| <b>Steel Development Fund</b>    | <b>204.16</b>             | 204.16   |
| Interest accrued and due thereon | <u>907.37</u>             | <u>888.42</u>                                  |
| <b>Foreign Currency Loans</b>    |                           |  |
| Long Term                        | @ 515.65                  | 512.59   |
| Short Term                       | @ 0.00                    | 23.06  |
| <b>Non convertible Bonds</b>     |                           |  |
| Interest Rate                    | Date of Redemption        |  |
| ( % )                            |                           |  |
| 10.25%                           | 3rd June, 2007            | 0.00   |
| 11.60%                           | 12th March, 2008          | 0.00   |
| 10.50%                           | 1st August,2008           | 35.00  |
| 11.50%                           | 30th March, 2010          | 43.50  |
| 12.45%                           | 1st September, 2010       | 0.00   |
| 12.55%                           | 1st September, 2010       | 39.40  |
| 12.10%                           | 12th March, 2011          | 195.00   |
| 11%                              | 1st August, 2011          | 115.00   |
| 6.4%                             | 15th October, 2010        | 64.00  |
|                                  | <u>491.90</u>             | <u>64.00</u>                                   |
|                                  | <u>2119.93</u>            | <u>995.05</u>                                  |
|                                  |                           | <u>2624.13</u>                                 |

- @ Guaranteed by Government of India /State Bank of India  
# 11.50% Non-convertible Bonds earlier guaranteed by Government of India, have been converted into 11.85% Non-convertible secured bonds w.e.f. 01.04.2008  
\* Redeemed at par by exercising call option  
Note : Amount repayable within one year as at 31.03.2008, Rs. 994.24 crore (Previous Year : Rs. 1422.07 crore)

# Schedules

(Forming part of the Balance Sheet)

## 1.5 : FIXED ASSETS

| GROSS BLOCK (AT COST)                    |                                 |                            |           |                                 |
|--|---------------------------------|----------------------------|-----------|---------------------------------|
| Description                              | As at<br>31st<br>March,<br>2007 | Additional/<br>Adjustments | Deduction | As at<br>31st<br>March,<br>2008 |
| <i>(Rupees in crore)</i>                 |                                 |                            |           |                                 |
| <b>A. PLANTS, MINES, OTHERS</b>          |                                 |                            |           |                                 |
| Land (including cost of development)     |                                 |                            |           |                                 |
| -Freehold Land                           | 117.61                          | 40.56                      | 0.06      | 158.11                          |
| -Leasehold Land                          | 27.07                           | 15.16                      | 0.00      | 42.23                           |
| Railway Lines & Sidings                  | 225.86                          | 0.14                       | 0.33      | 225.67                          |
| Roads, Bridges & Culverts                | 153.94                          | 1.56                       | -0.19     | 155.69                          |
| Buildings                                | 1683.25                         | 23.73                      | -0.13     | 1707.11                         |
| Plant & Machinery                        |                                 |                            |           |                                 |
| -Steel Plant                             | 23574.92                        | 798.70                     | 170.71    | 24202.91                        |
| -Others                                  | 1617.20                         | 93.59                      | 30.06     | 1680.73                         |
| Furniture & Fittings                     | 77.02                           | 4.75                       | 0.14      | 81.63                           |
| Vehicles                                 | 489.63                          | 98.67                      | 10.34     | 577.96                          |
| Water Supply & Sewerage                  | 298.35                          | -0.99                      | -0.02     | 297.38                          |
| EDP Equipment's                          | 199.80                          | 16.11                      | 1.96      | 213.95                          |
| Software (Intangible)                    | 18.51                           | 2.98                       | 0.16      | 21.33                           |
| Mining Rights (Intangible)               | 202.57                          | 105.52                     | 15.80     | 292.29                          |
| Miscellaneous Articles                   | 234.40                          | 12.24                      | 2.76      | 243.88                          |
| Sub-total 'A'                            | 28920.13                        | 1212.72                    | 231.98    | 29900.87                        |
| Figures for the previous year            | 28388.97                        | 674.37                     | 143.21    | 28920.13                        |
| <b>B. SOCIAL FACILITIES</b>              |                                 |                            |           |                                 |
| Land (including cost of development)     |                                 |                            |           |                                 |
| -Freehold Land                           | 9.96                            | 0.03                       | 0.00      | 9.99                            |
| -Leasehold Land                          | 7.09                            | 0.00                       | 0.00      | 7.09                            |
| Roads, Bridges & Culverts                | 50.40                           | 0.00                       | 0.00      | 50.40                           |
| Buildings                                | 558.91                          | 7.90                       | 0.38      | 566.43                          |
| Plant & Machinery-Others                 | 88.31                           | 4.25                       | 0.32      | 92.24                           |
| Furniture & Fittings                     | 15.08                           | 1.46                       | 0.33      | 16.21                           |
| Vehicles                                 | 9.11                            | 1.17                       | 0.50      | 9.78                            |
| Water Supply & Sewerage                  | 115.24                          | 0.81                       | 0.02      | 116.03                          |
| EDP Equipment's                          | 9.55                            | 3.31                       | 0.36      | 12.50                           |
| Software (Intangible)                    | 0.45                            | 0.18                       | 0.00      | 0.63                            |
| Miscellaneous Articles                   | 104.52                          | 14.18                      | 3.66      | 115.04                          |
| Sub-total 'B'                            | 968.62                          | 33.29                      | 5.57      | 996.34                          |
| Figures for the previous year            | 947.07                          | 26.51                      | 4.96      | 968.62                          |
| <b>C. ASSETS RETIRED FROM ACTIVE USE</b> |                                 |                            |           |                                 |
| Unservicable / Obsolete Assets           | 23.96                           | 6.94                       | 5.38      | 25.52                           |
| Figures for the previous year            | 24.41                           | 4.42                       | 4.87      | 23.96                           |
| Total ('A'+ 'B'+ 'C')                    | 29912.71                        | 1252.95                    | 242.93    | 30922.73                        |
| Figures for the previous year            | 29360.45                        | 705.30                     | 153.04    | 29912.71                        |

# Schedules

(Forming part of the Balance Sheet)

## 1.5 : FIXED ASSETS

| DEPRECIATION                             |                                 |                    |                                  | NET BLOCK                       |                                 |                                 |
|--|---------------------------------|--------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Description                              | Up to<br>31st<br>March,<br>2007 | For<br>the<br>year | Less : On sales /<br>Adjustments | Up to<br>31st<br>March,<br>2008 | As at<br>31st<br>March,<br>2008 | As at<br>31st<br>March,<br>2007 |
| <i>(Rupees in crore)</i>                 |                                 |                    |                                  |                                 |                                 |                                 |
| <b>A. PLANTS, MINES, OTHERS</b>          |                                 |                    |                                  |                                 |                                 |                                 |
| Land(including cost of development)      |                                 |                    |                                  |                                 |                                 |                                 |
| -Freehold Land                           | 0.00                            | 0.71               | 0.00                             | 0.71                            | 157.40                          | 117.61                          |
| -Leasehold Land                          | 9.78                            | 8.25               | 0.00                             | 18.03                           | 24.20                           | 17.29                           |
| Railway Lines & Sidings                  | 162.43                          | 6.04               | 0.27                             | 168.20                          | 57.47                           | 63.43                           |
| Roads, Bridges & Culverts                | 45.07                           | 2.60               | -0.01                            | 47.68                           | 108.01                          | 108.87                          |
| Buildings                                | 904.30                          | 46.40              | 0.11                             | 950.59                          | 756.52                          | 778.95                          |
| Plant & Machinery                        |                                 |                    |                                  |                                 |                                 |                                 |
| -Steel Plant                             | 14519.27                        | 1012.52            | 144.19                           | 15387.60                        | 8815.31                         | 9055.65                         |
| -Others                                  | 1168.28                         | 71.35              | 28.14                            | 1211.49                         | 469.24                          | 448.92                          |
| Furniture & Fittings                     | 63.27                           | 4.06               | 0.13                             | 67.20                           | 14.43                           | 13.75                           |
| Vehicles                                 | 365.81                          | 15.35              | 9.79                             | 371.37                          | 206.59                          | 123.82                          |
| Water Supply & Sewerage                  | 222.42                          | 7.97               | 0.01                             | 230.38                          | 67.00                           | 75.93                           |
| EDP Equipment's                          | 161.00                          | 9.82               | 1.83                             | 168.99                          | 44.96                           | 38.80                           |
| Software (Intangible)                    | 15.87                           | 1.55               | 0.16                             | 17.26                           | 4.07                            | 2.64                            |
| Mining Rights (Intangible)               | 65.80                           | 13.56              | 7.61                             | 71.75                           | 220.54                          | 136.77                          |
| Miscellaneous Articles                   | 155.17                          | 9.85               | 2.06                             | 162.96                          | 80.92                           | 79.23                           |
| Sub-total 'A'                            | 17858.47                        | 1210.03            | 194.29                           | 18874.21                        | 11026.66                        | 11061.66                        |
| Figures for the previous year            | 16764.19                        | 1210.96            | 116.68                           | 17858.47                        | 11061.66                        |                                 |
| <b>B. SOCIAL FACILITIES</b>              |                                 |                    |                                  |                                 |                                 |                                 |
| Land(including cost of development)      |                                 |                    |                                  |                                 |                                 |                                 |
| -Freehold Land                           | -                               | -                  | -                                | -                               | 9.99                            | 9.96                            |
| -Leasehold Land                          | 4.73                            | 0.13               | 0.00                             | 4.86                            | 2.23                            | 2.36                            |
| Roads, Bridges & Culverts                | 17.11                           | 1.74               | 0.00                             | 18.85                           | 31.55                           | 33.29                           |
| Buildings                                | 190.83                          | 9.19               | 0.14                             | 199.88                          | 366.55                          | 368.08                          |
| Plant & Machinery-Others                 | 61.28                           | 3.05               | 0.19                             | 64.14                           | 28.10                           | 27.03                           |
| Furniture & Fittings                     | 12.03                           | 0.74               | 0.11                             | 12.66                           | 3.55                            | 3.05                            |
| Vehicles                                 | 6.44                            | 0.36               | 0.46                             | 6.34                            | 3.44                            | 2.67                            |
| Water Supply & Sewerage                  | 89.81                           | 3.33               | 0.02                             | 93.12                           | 22.91                           | 25.43                           |
| EDP Equipment's                          | 3.81                            | 1.58               | 0.12                             | 5.27                            | 7.23                            | 5.74                            |
| Software (Intangible)                    | 0.42                            | 0.01               | 0.00                             | 0.43                            | 0.20                            | 0.03                            |
| Miscellaneous Articles                   | 70.07                           | 4.57               | 2.98                             | 71.66                           | 43.38                           | 34.45                           |
| Sub-total 'B'                            | 456.53                          | 24.70              | 4.02                             | 477.21                          | 519.13                          | 512.09                          |
| Figures for the previous year            | 434.14                          | 25.90              | 3.51                             | 456.53                          | 512.09                          |                                 |
| <b>C. ASSETS RETIRED FROM ACTIVE USE</b> |                                 |                    |                                  |                                 |                                 |                                 |
| Unservicable / Obsolete Assets           | -                               | -                  | -                                | -                               | 25.52                           | 23.96                           |
| Figures for the previous year            | -                               | -                  | -                                | -                               | 23.96                           |                                 |
| Total ('A'+ 'B'+ 'C')                    | 18315.00                        | 1234.73            | 198.31                           | 19351.42                        | 11571.31                        | 11597.71                        |
| Figures for the previous year            | 17198.33                        | 1236.86            | 120.19                           | 18315.00                        | 11597.71                        |                                 |

### Note : Allocation of Depreciation

|  | Current<br>Year | Previous<br>Year |
|--|-----------------|------------------|
| (a) Charged to Profit & Loss Account           | 1235.48         | 1211.48          |
| (b) Charged to expenditure during construction | 0.40            | 0.11             |
| (c) Adjustments pertaining to earlier years    | -1.15           | 25.27            |
| Total  | 1234.73         | 1236.86          |

# Schedules

(Forming part of the Balance Sheet)

## 1.6 : CAPITAL WORK-IN-PROGRESS

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| Expenditure during construction pending allocation (Schedule 1.6.1)  | 16.66                     | 5.51   |
| <b>Capital Work-in-progress</b>  |                           |  |
| Steel Plants & Units   | 1382.69                   | 820.12   |
| Township   | 23.42                     | 10.52  |
| Ore Mines and Quarries   | 3.72                      | 0.00   |
|  | 1409.83                   | 830.64   |
| Less: Provisions   | 56.74                     | 58.89  |
|  | 1353.09                   | 771.75   |
| Capital equipments pending erection, installation and commissioning  | 267.20                    | 194.88   |
| Construction Stores and Spares   | 33.17                     | 23.15  |
| Less: Provision for non-moving items   | 2.18                      | 2.96   |
|  | 30.99                     | 20.19  |
| Advances   | 722.63                    | 207.64   |
| Less: Provision for doubtful advance   | 1.02                      | 1.45   |
|  | 721.61                    | 206.19   |
|  | 2389.55                   | 1198.52  |
| <b>Particulars of advances</b>   |                           |  |
| Unsecured, Considered Good (including advances backed by Bank Guarantees Rs. 59.11 crore) (Previous year Rs. 0.26 crore) | 721.61                    | 206.19   |
| Unsecured, Considered Doubtful   | 1.02                      | 1.45   |
|  | 722.63                    | 207.64   |

### 1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---------------------------|--|
| Opening Balance (a)   | 5.51                      | 4.46   |
| <b>Expenditure incurred during the year</b>                       |                           |  |
| <b>Employees' Remuneration &amp; Benefits</b>                     |                           |  |
| Salaries & Wages  | 47.01                     | 27.86  |
| Company's contribution to Provident fund                          | 3.68                      | 2.64   |
| Travel Concession   | 2.86                      | 0.47   |
| Welfare Expenses  | 0.35                      | 0.14   |
| Gratuity  | 4.76                      | 2.02   |
|   | 58.66                     | 33.13  |
| Technical Consultants' fees & know-how                            | 25.36                     | 6.69   |
| Repairs & Maintenance   | 1.48                      | 0.11   |
| Stores and Spares   | 1.43                      | 1.69   |
| Power & Fuel  | 10.19                     | 5.76   |
| Other expenses  | 8.09                      | 6.38   |
| Interest & Finance charges  | 1.68                      | 0.88   |
| Depreciation  | 0.40                      | 0.11   |
|   | 107.29                    | 54.75  |
| <b>Less: Recoveries</b>   |                           |  |
| Interest Earned   | 1.11                      | 0.00   |
| Liquidated Damages  | 1.53                      | 6.35   |
| Hire Charges  | 1.25                      | 0.37   |
| Sundries  | 0.80                      | 1.08   |
|   | 4.69                      | 7.80   |
| Net expenditure during the year (b)                               | 102.60                    | 46.95  |
| Total (a)+(b)   | 108.11                    | 51.41  |
| Less : Amount allocated to Fixed Assets/ Capital Work-in-progress | 91.45                     | 45.90  |
| Balance carried forward   | 16.66                     | 5.51   |
| Total   |                           |  |

# Schedules

(Forming part of the Balance Sheet)

## 1.7 : INVESTMENTS AT COST – LONG TERM

|   | Number of<br>Fully Paid-up<br>Equity Shares | Face<br>Value per<br>Share<br>(Rs.) | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---|-------------------------------------|---------------------------|--|
| <b>(A) Unquoted</b>   |   |                                     |                           |  |
| <b>Trade Investments</b>  |   |                                     |                           |  |
| <b>Subsidiary Companies</b>                                     |   |                                     |                           |  |
| Maharashtra Elektrosmelt Limited                                | 2,37,87,935                                 | 10                                  | 23.79                     | 23.79  |
| IISCO Ujjain Pipe & Foundry Company Limited (under liquidation) | 30,00,000                                   | 10                                  | 3.00                      | 3.00   |
|   |   |                                     | 26.79                     | 26.79  |
| <b>Joint Venture Companies</b>                                  |   |                                     |                           |  |
| UEC SAIL Information Technology Limited                         | 1,80,000                                    | 10                                  | 0.18                      | 0.18   |
| North Bengal Dolomite Limited                                   | 97,900                                      | 100                                 | 0.98                      | 0.98   |
| NTPC- SAIL Power Company Pvt Limited                            | 39,02,50,050                                | 10                                  | 390.25                    | 390.25   |
| Bokaro Power Supply Company Pvt Limited                         | 8,40,25,000                                 | 10                                  | 84.02                     | 84.02  |
| Bhilai Jaypee Cement Limited                                    | 2,44,07,500                                 | 10                                  | 24.41                     | 0.00   |
| SAIL- Bansal Service Centre Limited                             | 32,00,000                                   | 10                                  | 3.20                      | 3.20   |
| Mjunction Services Limited                                      | 40,00,000                                   | 10                                  | 4.00                      | 4.00   |
| Romelt SAIL ( India ) Limited                                   | 63,000                                      | 10                                  | 0.06                      | 0.06   |
|   |   |                                     | 507.10                    | 482.69   |
| <b>Others</b>   |   |                                     |                           |  |
| Tata Refractories Limited                                       | 22,03,150                                   | 10                                  | 11.35                     | 11.35  |
| Almora Magnesite Limited  | 40,000                                      | 100                                 | 0.40                      | 0.40   |
| Indian Potash Limited   | 3,60,000                                    | 10                                  | 0.18                      | 0.18   |
| Cement & Allied Products (Bihar) Limited                        | 2   | 10                                  | 0.00 *                    | 0.00 *   |
| Chemical & Fertilizer Corporation (Bihar) Limited               | 1   | 10                                  | 0.00 *                    | 0.00 *   |
| Bhilai Power Supply Company Limited                             | 5   | 10                                  | 0.00 *                    | 0.00 *   |
| MSTC Limited  | 20,000                                      | 10                                  | 0.01                      | 0.01   |
| Bihar State Finance Corporation                                 | 500   | 100                                 | 0.01                      | 0.01   |
| Shares in Co.-operative Societies (Schedule 1.7.1)              |   |                                     | 0.18                      | 0.18   |
|   |   |                                     | 12.13                     | 12.13  |
| <b>Total (A)</b>  |   |                                     | 546.02                    | 521.61   |
| <b>(B) Quoted</b>   |   |                                     |                           |  |
| HDFC Limited  | 12,000                                      | 10                                  | 0.01                      | 0.01   |
| HDFC Bank Limited   | 500   | 10                                  | 0.00 *                    | 0.00 *   |
| ICICI Bank Limited  | 28600                                       | 10                                  | 0.05                      | 0.05   |
|   |   |                                     | 0.06                      | 0.06   |
|   |   |                                     | 0.06 @                    | 0.06 @   |
| <b>Total (A+B)</b>  |   |                                     | 546.08                    | 521.67   |
| Less : Provision for diminution in value of investments         |   |                                     | 7.88                      | 7.88   |
|   |   |                                     | 538.20                    | 513.79   |
| @ Market value of quoted investments                            |   |                                     | 5.12                      | 4.31   |
| * Cost being less than Rs. 50,000/-, figures not given.         |   |                                     |                           |  |



# Schedules

(Forming part of the Balance Sheet)

## 1.7.1: SHARES IN CO-OPERATIVE SOCIETIES

|  | Number of<br>Fully Paid-up<br>Shares | Face<br>Value per<br>Share<br>(Rs.) | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|--|--------------------------------------|-------------------------------------|---------------------------|---------------------------|
|  |                                      |                                     |                           | <i>(In Rupees)</i>        |
| Bokaro Steel Employees' Co-operative Credit Society Limited          | 116500                               | 10                                  | <b>1165000</b>            | 1165000                   |
| Bokaro Steel City Central Consumers' Co-operative Stores Limited     | 250                                  | 10                                  | <b>2500</b>               | 2500                      |
| NMDC Meghahatuburu Employees' Consumers Co-operative Society Limited | 25                                   | 100                                 | <b>2500</b>               | 2500                      |
| DSP Employees' Co-operative Society Limited                          | 1377                                 | 100                                 | <b>137700</b>             | 137700                    |
| Bolani Ores Employees' Consumer Co-operative Society Limited         | 200                                  | 25                                  | <b>5000</b>               | 5000                      |
| IISCO Employees Primary Co-operative Stores Limited                  | 23000                                | 20                                  | <b>460000</b>             | 460000                    |
|  |                                      |                                     | <b>1772700</b>            | 1772700                   |

# Schedules

(Forming part of the Balance Sheet)

## 1.8: INVENTORIES\*

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|---------------------------|---------------------------|
|   |                           | <i>(Rupees in crore)</i>  |
| Stores & spares                                     | 1521.04                   | 1391.80                   |
| Add: In-transit                                     | 137.05                    | 130.93                    |
|   | 1658.09                   | 1522.73                   |
| Less: Provision for Non Moving/Obsolete items       | 158.16                    | 160.78                    |
| Raw Materials                                       | 758.79                    | 1201.81                   |
| Add: In-transit                                     | 656.25                    | 580.87                    |
|   | 1415.04                   | 1782.68                   |
| Less: Provision for unusable materials              | 2.71                      | 1.85                      |
|   | 1412.33                   | 1780.83                   |
| Finished / Semi-finished products (including scrap) | 3944.97                   | 3508.69                   |
|   | <b>6857.23</b>            | <b>6651.47</b>            |

\* As certified by the Management and valued as per Accounting Policy No. 1.7 of Schedule 3

## 1.9 : SUNDRY DEBTORS

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|--|---------------------------|---------------------------|
|  |                           | <i>(Rupees in crore)</i>  |
| Debts over six months  | 284.37                    | 274.91                    |
| Other Debts  | 2980.44                   | 2242.12                   |
|  | 3264.81                   | 2517.03                   |
| Less: Provision for Doubtful Debts   | 216.69                    | 202.28                    |
|  | <b>3048.12</b>            | <b>2314.75</b>            |
| <b>Particulars</b>   |                           |                           |
| Unsecured, considered good<br>(Including debts backed by bank guarantees Rs. 864.83 crore, Previous year : Rs. 605.81 crore) | 3048.12                   | 2314.75                   |
| Unsecured, considered doubtful   | 216.69                    | 202.28                    |
|  | <b>3264.81</b>            | <b>2517.03</b>            |

## 1.10 : CASH & BANK BALANCES

|                         | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|-------------------------|---------------------------|---------------------------|
|                         |                           | <i>(Rupees in crore)</i>  |
| Cash and Stamps on hand | 1.57                      | 1.67                      |
| Cheques on hand         | 400.50                    | 418.55                    |
| With Scheduled Banks    |                           |                           |
| Current Account         | 62.22                     | 12.84                     |
| Unpaid Dividend Account | 5.88                      | 4.30                      |
| Term Deposits           | 13289.27                  | 9172.47 *                 |
|                         | <b>13759.44</b>           | <b>9609.83</b>            |

\* Deposits of Rs. 566.50 crore under bank lien against loans

# Schedules

(Forming part of the Balance Sheet)

## 1.11 : OTHER CURRENT ASSETS

|                                       | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---------------------------------------|---------------------------|--|
| <b>Interest Receivable/Accrued</b>    |                           |  |
| Loans to subsidiary company           | 0.58                      | 0.58   |
| Loans to other companies              | 0.00                      | 0.63   |
| Term Deposits                         | 232.78                    | 107.43   |
| Employees                             | 31.25                     | 39.36  |
| Others                                | 12.88                     | 9.68   |
|                                       | <u>277.49</u>             | <u>157.68</u>                                  |
| Less: Provision for doubtful interest | 4.41                      | 5.12   |
|                                       | <u>273.08</u>             | <u>152.56</u>                                  |
| <b>Particulars</b>                    |                           |  |
| Unsecured, considered good            | 273.08                    | 152.56   |
| Unsecured, considered doubtful        | 4.41                      | 5.12   |
|                                       | <u>277.49</u>             | <u>157.68</u>                                  |

## 1.12 : LOANS & ADVANCES

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| <b>Loans</b>   |                           |  |
| Employees  | 339.46                    | 269.02   |
| Subsidiary Company   | 2.38                      | 2.38   |
| Others   | 30.83                     | 35.43  |
|  | <u>372.67</u>             | <u>306.83</u>                                  |
| <b>Advances recoverable in cash or in kind or for value to be received</b> |                           |  |
| Claims   | 779.26                    | 623.50   |
| Contractors & Suppliers  | 158.99                    | 116.56   |
| Employees  | 26.99                     | 19.47  |
| Income tax paid in advance / recoverable                                   | 11.62                     | 10.50  |
| For purchase of shares *   | 18.93                     | 0.00   |
| Export Incentive   | 58.56                     | 107.07   |
| Subsidiary Company   | 14.04                     | 14.04  |
| Others   | 404.20                    | 317.44   |
|  | <u>1472.59</u>            | <u>1208.58</u>                                 |
| <b>Deposits</b>  |                           |  |
| Port Trust, Excise Authorities, Railways, etc.                             | 220.67                    | 108.30   |
| Others   | 478.11                    | 200.18   |
|  | <u>698.78</u>             | <u>308.48</u>                                  |
|  | <u>2544.04</u>            | <u>1823.89</u>                                 |
| Less : Provision for Doubtful Loans & Advances                             | 164.29                    | 173.88   |
|  | <u>2379.75</u>            | <u>1650.01</u>                                 |
| <b>Particulars of Loans &amp; Advances</b>                                 |                           |  |
| Secured, considered good   | 252.21                    | 225.52   |
| Unsecured, considered good   | 2127.54                   | 1424.49  |
| Unsecured, considered doubtful   | 164.29                    | 173.88   |
|  | <u>2544.04</u>            | <u>1823.89</u>                                 |
| Amount due from -Directors   | 0.01                      | 0.01   |
| Maximum amount due at any time during the year from -Directors             | 0.01                      | 0.01   |

\* Includes Rs. 16.43 crore for Joint Venture Companies

# Schedules

(Forming part of the Balance Sheet)

## 1.13: CURRENT LIABILITIES

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---------------------------|--|
| Sundry creditors  |                           |  |
| Micro and small enterprises   | 3.69                      | 0.00   |
| Sundry creditors other than micro and small enterprises   |                           |  |
| Capital works   | 512.16                    | 361.76   |
| Small Scale Industrial Undertakings   | 0.00                      | 10.73  |
| Subsidiary company  | 9.24                      | 12.24  |
| Others  | 2460.15                   | 2160.34  |
|   | <u>2981.55</u>            | <u>2545.07</u>                                 |
| Advances from   |                           |  |
| Customers   | 548.02                    | 615.71   |
| Others  | 95.47                     | 15.97  |
|   | <u>643.49</u>             | <u>631.68</u>                                  |
| Security Deposits   | 243.14                    | 257.83   |
| Less : Investments received as security deposit   | 0.05                      | 0.07   |
|   | <u>243.09</u>             | <u>257.76</u>                                  |
| Interest accrued but not due on Loans   | 115.64                    | 198.79   |
| Stores received on loan (Including Rs. 11.60 crore from subsidiary companies, Previous year: Rs. NIL) | 11.69                     | 0.00   |
| Liability towards Investor Education and Protection Fund, not due                                     |                           |  |
| Unpaid Dividends  | 5.88                      | 4.30   |
| Unclaimed Matured Deposits  | 1.80                      | 2.19   |
| Unclaimed Matured Bonds   | 0.55                      | 0.20   |
| Interest Accrued on unclaimed Deposits / Bonds  | 0.66                      | 0.74   |
|   | <u>8.89</u>               | <u>7.43</u>                                    |
| Other Liabilities *   | 2392.88                   | 1757.04  |
|   | <u>6400.92</u>            | <u>5397.77</u>                                 |

\* Includes an amount of Rs. 0.01 crore credited to Investor's Education & Protection Fund, (Previous year Rs. 0.02 crore)

## 1.14 : PROVISIONS

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---------------------------|--|
| Gratuity  | 718.16                    | 1718.20  |
| Accrued Leave                                   | 1346.70                   | 1371.43  |
| Employee Defined Benefit Schemes                | 832.06                    | 736.26   |
| Taxation  | 38.18                     | 44.75  |
| Pollution Control & Peripheral Development      | 89.05                     | 83.11  |
| Proposed Dividend                               | 743.47                    | 619.56   |
| Tax on Proposed Dividend                        | 125.54                    | 105.29   |
| Voluntary Retirement Scheme                     | 40.15                     | 58.92  |
| Wage Revision                                   | 2459.66                   | 512.58   |
| Mines Afforestation/ restoration / closure etc. | 351.05                    | 223.96   |
| Others  | 53.81                     | 39.63  |
|   | <u>6797.83</u>            | <u>5513.69</u>                                 |

# Schedules

(Forming part of the Balance Sheet)

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

|                                   | Balance<br>as at<br>31st<br>March,<br>2007 | Additions<br>during<br>the<br>year | Total  | Amount<br>Charged<br>Off<br>during the<br>year | Balance<br>as at<br>31st<br>March,<br>2008 |
|-----------------------------------|--|------------------------------------|--------|--|--|
|                                   |  |                                    |        |  | (Rupees in crore)                          |
| Deferred Revenue Expenditure      |  |                                    |        |  |  |
| Voluntary Retirement Compensation | 129.15                                     | 3.67                               | 132.82 | 73.34  | 59.48                                      |
| Total                             | 129.15                                     | 3.67                               | 132.82 | 73.34  | 59.48                                      |
| Previous year                     | 215.82                                     | 40.67                              | 256.49 | 127.34   | 129.15                                     |

|                        | Current<br>year | Previous<br>year |
|------------------------|-----------------|------------------|
| Charged to:            |                 |                  |
| Raw Materials consumed | 0.00            | 3.34             |
| Other Expenses         | 73.34           | 124.00           |
|                        | 73.34           | 127.34           |

# Schedules

(Forming part of the Profit & Loss Account)

## 2.1 : SALES

|                   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|-------------------|--------------------------------|---|
| Domestic          | 44260.14                       | 37894.68  |
| Exports           | 1234.41                        | 1177.12   |
| Export Incentives | 60.79                          | 116.86  |
|                   | 45555.34                       | 39188.66  |

## 2.2 : INTEREST EARNED

|                 | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|-----------------|--------------------------------|---|
| Customers       | 55.02                          | 38.96   |
| Employees       | 15.04                          | 10.89   |
| Term Deposits * | 1105.33                        | 657.60  |
| Others          | 9.37                           | 45.15   |
|                 | 1184.76                        | 752.60  |

\* (Tax deducted at source Rs.3.41 crore –  
Previous Year Rs. 0.00 crore)

## 2.3 : OTHER REVENUES

|                                      | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|--------------------------------------|--------------------------------|---|
| Social amenities-recoveries          | 133.81                         | 133.35  |
| Sale of empties etc.                 | 64.19                          | 58.15   |
| Liquidated damages                   | 26.26                          | 20.67   |
| Service charges ( Gross ) *          | 11.36                          | 10.14   |
| Subsidy, relief and concession       | 53.89                          | 55.30   |
| Dividend                             | 14.45                          | 17.34   |
| Profit on sale of fixed assets (net) | 49.78                          | 13.93   |
| Foreign Exchange Fluctuation (net)   | 112.12                         | 39.78   |
| Reversal of Interest on SDF Loans    | 0.00                           | 116.88  |
| Sundries *                           | 180.41                         | 314.12  |
|                                      | 646.27                         | 779.66  |

\* (Tax deducted at source Rs. 0.04 crore –  
Previous Year : Rs. 0.03 crore)



# Schedules

(Forming part of the Profit & Loss Account)

## 2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

|                  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|------------------|--------------------------------|--------------------------------|
|                  |                                | (Rupees in crore)              |
| Loans & Advances | 15.45                          | 11.10                          |
| Sundry Debtors   | 12.49                          | 20.26                          |
| Stores & Spares  | 10.09                          | 7.06                           |
| Others           | 22.59                          | 20.23                          |
|                  | <u>60.62</u>                   | <u>58.65</u>                   |

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

|   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|---|--------------------------------|--------------------------------|
|   |                                | (Rupees in crore)              |
| Opening stock                                   | 3508.69                        | 3223.48                        |
| Less : Closing stock                            | 3944.97                        | 3508.69                        |
| Accretion(-) to stock (a)                       | -436.28                        | -285.21                        |
| Less : Excise Duty on accretion(-) to stock (b) | -96.98                         | -42.63                         |
| Net accretion ( - ) to stock (a - b)            | <u>-339.30</u>                 | <u>-242.58</u>                 |

## 2.6 : RAW MATERIALS CONSUMED

|                                  | Year ended<br>31st March, 2008 |                    | Year ended<br>31st March, 2007 |                    |
|----------------------------------|--------------------------------|--------------------|--------------------------------|--------------------|
|                                  | Quantity<br>Tonnes             | Value<br>Rs./crore | Quantity<br>Tonnes             | Value<br>Rs./crore |
| Iron Ore                         | 25443849                       | 1725.38            | 24653024                       | 1488.31            |
| Coal                             | 13953945                       | 8242.98            | 13536403                       | 8479.23            |
| Coke                             | 638572                         | 819.28             | 600670                         | 699.44             |
| Limestone                        | 4048296                        | 627.08             | 3926137                        | 567.22             |
| Dolomite                         | 2637143                        | 206.94             | 2560930                        | 170.71             |
| Ferro Manganese                  | 67562                          | 349.30             | 48872                          | 188.61             |
| Ferro Silicon                    | 21329                          | 96.67              | 19277                          | 78.97              |
| Silico Manganese                 | 122174                         | 510.15             | 109594                         | 315.19             |
| Hot Rolled Stainless Steel Coils | 20061                          | 96.06              | 3508                           | 24.89              |
| Intermediary Products            | 22543                          | 293.19             | 47166                          | 478.94             |
| Zinc                             | 7005                           | 112.62             | 8965                           | 156.39             |
| Aluminum                         | 17185                          | 206.03             | 15899                          | 202.05             |
| Others                           |                                | 674.46             |                                | 421.13             |
|                                  |                                | <u>13960.14</u>    |                                | <u>13271.08</u>    |

# Schedules

(Forming part of the Profit & Loss Account)



## 2.7 : EMPLOYEES' REMUNERATION & BENEFITS

|  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|--|--------------------------------|--------------------------------|
|  |                                | (Rupees in crore)              |
| Salaries & Wages   | 6048.57                        | 3700.38                        |
| Company's contribution to Provident Fund                   | 335.59                         | 325.61                         |
| Travel Concession  | 700.87                         | 408.75                         |
| Welfare Expenses   | 336.93                         | 258.32                         |
| Gratuity   | 497.32                         | 391.46                         |
|  | <u>7919.28</u>                 | <u>5084.52</u>                 |
| Less : Grants in Aid received from Government of Karnataka | 0.26                           | 0.34                           |
|  | <u>7919.02</u>                 | <u>5084.18</u>                 |

### Note :

#### Expenditure on Employees'

#### Remuneration and Benefits not

#### included above and charged to:

|   |               |               |
|---|---------------|---------------|
| a) Expenditure During Construction  | 58.66         | 33.13         |
| b) Deferred Revenue Expenditure   | 73.34         | 123.90        |
| c) Net Expenditure on Social Amenities charged to various primary revenue heads | 355.28        | 263.37        |
|   | <u>487.28</u> | <u>420.40</u> |

## 2.8 : POWER & FUEL

|                        | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|------------------------|--------------------------------|--------------------------------|
|                        |                                | (Rupees in crore)              |
| Purchased power        | 2097.00                        | 1971.16                        |
| Duty on own generation | 15.60                          | 18.19                          |
| Boiler Coal/Middlings  | 176.42                         | 156.46                         |
| Furnace Oil/Steam etc. | 536.54                         | 428.59                         |
|                        | <u>2825.56</u>                 | <u>2574.40</u>                 |

### Note :

#### Expenditure on Power & Fuel not included above & charged to:

|                                   |       |      |
|-----------------------------------|-------|------|
| - Expenditure During Construction | 10.19 | 5.76 |
|-----------------------------------|-------|------|

# Schedules

(Forming part of the Profit & Loss Account)

## 2.9 : REPAIRS & MAINTENANCE

|                   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|-------------------|--------------------------------|--------------------------------|
|                   |                                | (Rupees in crore)              |
| Buildings         | 101.86                         | 65.93                          |
| Plant & Machinery | 312.25                         | 212.13                         |
| Others            | 138.04                         | 105.37                         |
|                   | <u>552.15</u>                  | <u>383.43</u>                  |

### Note :

Expenditure on Repairs & Maintenance  
not included above and charged to:

#### a) Employees' Remuneration & Benefits

|                   |        |        |
|-------------------|--------|--------|
| Buildings         | 69.07  | 52.36  |
| Plant & Machinery | 996.91 | 724.03 |
| Others            | 119.59 | 79.10  |

1185.57 855.49

#### b) Stores & Spares

|                   |         |         |
|-------------------|---------|---------|
| Buildings         | 30.56   | 27.64   |
| Plant & Machinery | 1244.71 | 1093.54 |
| Others            | 59.98   | 58.86   |

1335.25 1180.04

#### c) Expenditure during Construction

|  |      |      |
|--|------|------|
|  | 1.48 | 0.11 |
|--|------|------|

Total (a+b+c) 2522.30 2035.64

# Schedules

(Forming part of the Profit & Loss Account)

## 2.10 : OTHER EXPENSES

|  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|--|--------------------------------|--------------------------------|
|  |                                | (Rupees in crore)              |
| Handling expenses  |                                |                                |
| - Raw Material   | 181.59                         | 152.65                         |
| - Scrap recovery   | <u>79.69</u>                   | <u>67.36</u>                   |
| Royalty and cess   | 59.01                          | 51.21                          |
| Conversion charges   | 120.92                         | 83.25                          |
| Excise Duty on inter-plant transfer / internal consumption | 73.31                          | 85.65                          |
| Demurrage & wharfage                                       | 53.54                          | 41.59                          |
| Water charges & Cess on water pollution                    | 35.19                          | 35.10                          |
| Insurance  | 6.30                           | 8.13                           |
| Postage, Telegram & Telephone                              | 18.90                          | 14.60                          |
| Printing & Stationery                                      | 11.02                          | 10.45                          |
| Rates & Taxes  | 39.36                          | 25.25                          |
| Rent   | 21.07                          | 24.28                          |
| Security expenses  | 184.42                         | 117.72                         |
| Travelling expenses  | 205.56                         | 191.88                         |
| Training expenses  | 17.87                          | 10.49                          |
| Directors' Fees  | 0.29                           | 0.18                           |
| Remuneration to Auditors                                   |                                |                                |
| - Audit fees   | 0.88                           | 0.68                           |
| - Tax Audit fees   | 0.31                           | 0.27                           |
| - Out of pocket expenses                                   | 0.90                           | 0.88                           |
| - In other capacities                                      | <u>0.61</u>                    | <u>0.58</u>                    |
| Cost Audit Fees  | 0.02                           | 0.02                           |
| Provisions   |                                |                                |
| - Doubtful Debts, Loans and Advances                       | 30.07                          | 21.38                          |
| - Investments  | 0.00                           | 3.20                           |
| - Stores, Spares and Sundries                              | <u>27.65</u>                   | <u>22.86</u>                   |
| Write-offs   |                                |                                |
| - Deferred Revenue Expenditure                             | 73.34                          | 124.00                         |
| - Miscellaneous  | <u>2.15</u>                    | <u>4.59</u>                    |
| Handling expenses - Finished goods                         | 71.64                          | 71.88                          |
| Cash Discount (net)  | 74.03                          | 49.87                          |
| Commission to selling agents                               | 4.44                           | 9.85                           |
| Export sales expenses                                      | 14.66                          | 23.08                          |
| Miscellaneous  | 427.58                         | 366.22                         |
|  | <u>1836.32</u>                 | <u>1619.15</u>                 |

# Schedules

(Forming part of the Profit & Loss Account)

## 2.11 : INTEREST & FINANCE CHARGES

|                                   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|-----------------------------------|--------------------------------|---|
| Foreign Currency Loans            | 48.33                          | 44.21   |
| Non Convertible Bonds             | 149.49                         | 240.85  |
| Bank Borrowings - working capital | 16.14                          | 3.06  |
| Steel Development Fund Loans      | 22.95                          | 22.88   |
| Others                            | 0.20                           | 4.28  |
| Finance Charges                   | 13.83                          | 16.85   |
|                                   | <u>250.94</u>                  | <u>332.13</u>                                       |

### Note :

**Expenditure on interest & finance charges not included above & charged to:**

#### Expenditure During Construction

|   |             |             |
|---|-------------|-------------|
| Steel Development Fund Loans - Interest | 1.36        | 0.88        |
| Finance Charges                         | 0.32        | 0.00        |
|   | <u>1.68</u> | <u>0.88</u> |

## 2.12 : INTER ACCOUNT ADJUSTMENTS

|                                       | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|---------------------------------------|--------------------------------|---|
| Raw materials                         | 1331.22                        | 1010.26   |
| Departmentally manufactured stores    | 449.12                         | 400.68  |
| Services transferred to capital works | 45.50                          | 28.43   |
| Power and Fuel                        | 3.31                           | 3.03  |
| Others (Net)                          | 3.07                           | 2.50  |
|                                       | <u>1832.22</u>                 | <u>1444.90</u>                                      |

## 2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

|                                    | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|------------------------------------|--------------------------------|---|
| Sales                              | 2.37                           | 0.16  |
| Other Revenues                     | 0.44                           | -6.76   |
| Raw materials consumed             | 0.06                           | 0.31  |
| Stores & spares consumed           | -2.48                          | -1.04   |
| Power & Fuel                       | 0.26                           | -0.06   |
| Employee Remuneration and Benefits | 0.00                           | -0.80   |
| Repair & Maintenance               | 0.25                           | -0.03   |
| Excise Duty                        | 0.16                           | 0.00  |
| Other expenses                     | -1.24                          | 0.00  |
| Depreciation                       | -1.15                          | 25.27   |
| Interest                           | 0.04                           | 0.00  |
| Net Debit                          | <u>-1.29</u>                   | <u>17.05</u>  |
| (-) indicate credit                |                                |   |

# Schedules

## SCHEDULE 3 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 1. Significant Accounting Policies

#### 1.1 Basis of Accounting

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

#### 1.2 Use of Estimates

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

#### 1.3 Fixed Assets

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

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

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

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

Mining rights are treated as intangible assets and all the related costs thereof are amortised over the period (including deemed renewal) of the lease.

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

#### 1.4 Borrowing Costs

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

#### 1.5 Depreciation

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

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

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

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

#### 1.6 Investments

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

#### 1.7 Inventories

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

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

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

The basis of determining cost is:

# Schedules

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

## 1.8 Grants

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

## 1.9 Voluntary Retirement Compensation

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

## 1.10 Foreign Currency Transactions

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

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets acquired from outside India 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 the 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.

## 1.11 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.

## 1.12 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.

## 1.13 Revenue recognition

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

- 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.

## 1.14 Claims for Liquidated Damages/Price Escalation

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

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

## 1.15 Deferred Tax

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

# Schedules

## NOTES ON ACCOUNTS

### 2. CONTINGENT LIABILITIES

|  | As at 31st<br>March, 2008 | As at 31st<br>March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| i) Claims against the Company pending appellate/judicial decisions :   |                           |  |
| a) Excise Duty   | 1277.39                   | 1313.74  |
| b) Sales Tax on inter-state stock transfers from plants to stockyards*.  | 1155.87                   | 1178.18  |
| c) Other sales tax matters   | 100.12                    | 113.70   |
| d) Income Tax  | 0.75                      | 0.71   |
| e) Other duties, cess and levies   | 188.20                    | 159.94   |
| f) Civil matters **  | 201.09                    | 203.46   |
| g) Miscellaneous **  | 251.21                    | 172.03   |
| * No liability is expected to arise, as sales tax has been paid on eventual sales.   |                           |  |
| ** includes claims of Rs. 19.01 crore (As at 31st March 2007 : Rs.19.01 crore), against which there are counter-claims of Rs.25.82 crore (As at 31st March 2007 : Rs.25.82 crore). |                           |  |
| ii) Other claims against the Company not acknowledged as debt:   |                           |  |
| a) Sales Tax   | 9.32                      | 8.06   |
| b) Duties, cess and levies   | 8.26                      | 4.91   |
| c) Civil matters \$  | 35.86                     | 34.05  |
| d) Miscellaneous \$  | 285.69                    | 317.29   |
| \$ includes claims of Rs. 11.80 crore (As at 31st March 2007 Rs.58.65 crore), against which there are counter-claims of Rs.8.98 crore (As at 31st March 2007 Rs. 48.00 crore)      |                           |  |
| iii) Disputed income tax/service tax demand on joint venture company for which company may be contingently liable under the joint venture agreement                                | 121.70                    | 80.70  |
| iv) Guarantees/counter-guarantees given to banks/excise authorities on behalf of a subsidiary company and a joint venture company.   | 31.40                     | 31.40  |
| v) Bills drawn on customers and discounted with banks.   | 72.96                     | 17.01  |
| vi) Price escalation claims by contractors/suppliers and claims by certain employees, extent whereof is not ascertainable  | -                         | -  |
| (Figures in brackets pertain to previous year)   |                           |  |

### 3. FIXED ASSETS

#### 3.1 Land includes:

- 62161.37 acres (62116.84 acres) owned / possessed / taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- 5999.73 acres (5958.95 acres) given on lease to various agencies/ employees/ex-employees.
- 10082.99 acres (9832.99 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/registered.
- 1854.23 acres ( 1854.23 acres) in respect of which title is under dispute.

3.2 Buildings include net block of Rs. 24.67 crore (Rs. 30.83 crore) for which conveyance deed is yet to be registered in the name of the Company.

3.3 Foreign exchange variations aggregating to Rs. 22.89 crore (net debit) [Rs. 5.61 crore (net debit)] have been adjusted in the carrying amount of fixed assets during the year.

3.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 13525.42 crore ( Rs.1970.72 crore).

(Figures in brackets pertain to previous year)

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

4.1 The Central Board of Direct Taxes vide its Notification dated 25th September 2001 revised the rules for computation of certain perquisites. The Employees' Union/Association filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Hon'ble Court's orders, the amount of tax deducted at source on house perquisite w.e.f. 1st April 2003



# Schedules

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

- 4.2 The amount due to Micro and Small Enterprises as defined in the 'The Micro, Small and Medium Enterprises Development Act, 2006', (as disclosed in Schedule 1.13 - Current Liabilities) 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:

| (Rs. in crore) |  |                        |
|----------------|--|------------------------|
| Sl. No.        | Description  | As at 31st March, 2008 |
| 1.             | The principal amount remaining unpaid to supplier as at the end of accounting year   | 3.69                   |
| 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 upto 31st March, 2007.

- 4.3 Balances shown under creditors, debtors, claims recoverable and advances include balances subject to confirmation/reconciliation and consequential adjustment, if any. Reconciliations are carried out on on-going basis. Provisions, wherever considered necessary, have been made.
- 4.4 The Company has stock of iron ore fines of 43.62 million tonnes at various mines of the Company. Since the usage/sale of such iron ore fines, not being readily useable/saleable, involves elements of uncertainties, as a matter of prudence, no valuation of such fines has been made in the accounts. However, the revenue earned from actual disposal thereof during the year has been recognised in the books of accounts.
5. **PROFIT & LOSS ACCOUNT**
- 5.1 The long-term agreement for wage revision expired on 31st December, 2006. Pending finalisation of fresh agreement w.e.f. 1st January 2007, provision towards salaries and wages revision of Rs. 2598.12 crore (Rs. 2428.33 crore for the year) and Rs. 11.39 crore (Rs. 11.12 crore for the year) has been charged to Profit & Loss Account and Expenditure during construction respectively, on estimated basis. Against the provision made, ad-hoc adjustable advance of Rs. 492.37 crore, has been paid and adjusted during the year.
- 5.2 Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.
- 5.3 The Research and Development expenditure charged to Profit & Loss Account and allocated to Fixed Assets, during the year, amount to Rs. 99.62 crore (previous year - Rs. 71.30 crore) and Rs. 2.24 crore (previous year - Rs. 5.55 crore) respectively.
- 5.4 The Company had represented for withdrawal of Joint Plant Committee (JPC) cess on sale of certain steel products in view of decontrol of steel prices in earlier years, which was confirmed by JPC during the year. As a result, an amount of Rs. 17.39 crore provided in earlier years has been written back.
- 5.5 The Company reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant as Cash Generating Unit. On such review as at 31st March, 2008, wherever there was an indication of impairment, no provision is required to be made, as the net realisable value thereof, assessed by an independent agency as at 31st March, 2008, is more than the carrying amount.
- 5.6 The policy relating to accounting of exports sales, hitherto recognised on the basis of issue of bill of lading has been changed during the year, as disclosed in "Schedule 3.1.13: Accounting Policies", resulting in increase in sales and profit for the year by Rs.139.02 crore and Rs.56.84 crore respectively.

# Schedules

## 6. GENERAL

### 6.1 Employee Benefits

#### 6.1.1 General description of defined benefit schemes:

|  |   |
|--|---|
| <b>Gratuity</b>                            | - Payable on separation @15 days pay for each completed year of service to eligible employees who render continuous service of 5 years or more. Maximum amount in the case of executive employees is Rs. 3.50 lakhs as per the scheme. Maximum amount of Rs.10 lakhs has been considered for actuarial valuation based on the recommendations of 6th Pay Commission for Central Government employees. |
| <b>Leave Encashment</b>                    | - 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.   |
| <b>Provident Fund</b>                      | 12% of Basic Pay Plus Dearness Allowance, contributed to the Provident Fund Trusts by the Company.  |
| <b>Post Retirement Medical Benefits</b>    | - Available to retired employees at company's hospitals and/or under the health insurance policy.   |
| <b>Post Retirement Settlement Benefits</b> | - Payable to retiring employees for settlement at their home town.  |
| <b>Employees' Family Benefit Scheme</b>    | - Monthly payments to disabled separated employees/legal heirs of deceased employees in lieu of prescribed deposit till the notional date of superannuation.  |
| <b>Long Term Service Award</b>             | - Payable in kind on rendering minimum 25 years of service and also on superannuation.  |

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

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

| (Rs. in crore) |  |          |                  |                                  |                                    |                         |                                  |
|----------------|--|----------|------------------|----------------------------------|------------------------------------|-------------------------|----------------------------------|
| Sl. No.        | Particulars  | Gratuity | Leave Encashment | Post Retirement Medical Benefits | Post Retirement Settlement Benefit | Long Term Service Award | Employees' Family Benefit Scheme |
| i)             | Present value of projected benefit obligations, as at 1st April, 2007                    | 2468.21  | 1371.43          | 447.95                           | 65.78                              | 20.46                   | 202.06                           |
| ii)            | Service Cost   | 97.85    | 123.42           | 6.69                             | 3.22                               | 0.68                    | 0.00                             |
| iii)           | Interest Cost  | 187.40   | 100.99           | 35.21                            | 5.00                               | 1.51                    | 14.57                            |
| iv)            | Actuarial gains(-) / losses(+)   | 434.75   | -28.43           | 49.90                            | 5.71                               | 3.54                    | 34.77                            |
| v)             | Past service cost  | 0.00     | 0.00             | 0.00                             | 0.00                               | 0.00                    | 0.00                             |
| vi)            | Benefits paid  | 252.11   | 220.71           | 15.76                            | 5.89                               | 3.36                    | 39.98                            |
| vii)           | Present value of projected benefit obligations as on 31st March, 2008 (i+ii+iii+iv-v-vi) | 2936.10  | 1346.70          | 523.99                           | 73.82                              | 22.83                   | 211.42                           |

#### (b) Reconciliation of fair value of assets and obligations:

The company has partly funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is mainly based on the information given by the insurance companies through whom the investments have been made by the Fund. The reconciliation of fair value of assets of the Gratuity Fund and defined benefit Gratuity obligations is as under:

| Sl. No. | Particulars  | Amount (Rs. in crore) |
|---------|--|-----------------------|
| i)      | Fair Value of plan assets as at 1st April, 2007              | 750.00                |
| ii)     | Acquisition adjustment                                       | 0.00                  |
| iii)    | Expected return on plan assets                               | 159.98                |
| iv)     | Actual Company's contribution                                | 1502.05               |
| v)      | Actuarial gain/(loss)  | 57.95                 |
| vi)     | Benefits payments  | 252.04                |
| vii)    | Fair value of plan assets as at 31st March, 2008             | 2217.94               |
| viii)   | Present value of defined benefit obligation [6.1.2 (a)(vii)] | 2936.10               |
| ix)     | Net liability recognised in the Balance Sheet (viii)-(vii) * | 718.16                |

\* The company expects to contribute the amount to the Gratuity Fund during the year 2008-09 after considering the return on the investments.

The defined benefit obligations, other than gratuity, are unfunded.



# Schedules

- (c) **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 having regard to the assets of the funds and return on investment, as confirmed by the actuary.

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

(Rs. in crore)

| Sl. No. | Particulars   | Gratuity | Leave Encashment | Post Retirement Medical Benefits | Post Retirement Settlement Benefit | Long Term Service Award | Employees' Family Benefit Scheme |
|---------|---|----------|------------------|----------------------------------|------------------------------------|-------------------------|----------------------------------|
| i)      | Service Cost  | 97.85    | 123.42           | 6.70                             | 3.22                               | 0.68                    | 0.00                             |
| ii)     | Interest Cost   | 187.40   | 100.99           | 35.21                            | 5.01                               | 1.51                    | 14.57                            |
| iii)    | Actuarial gains(-)/losses   | 376.81   | -28.45           | 49.87                            | 5.70                               | 3.54                    | 34.77                            |
| iv)     | Past service cost   | 0.00     | 0.00             | 0.00                             | 0.00                               | 0.00                    | 0.00                             |
| v)      | Expected return on plan assets                                    | 159.98   | 0.00             | 0.00                             | 0.00                               | 0.00                    | 0.00                             |
| vi)     | Total (i+ii+iii+iv-v)   | 502.08   | 195.96           | 91.78                            | 13.93                              | 5.73                    | 49.34                            |
| vii)    | Employees' Remuneration and Benefits                              |          |                  |                                  |                                    |                         |                                  |
| a)      | Charged to Profit & Loss Account (Schedule 2.7)                   | 497.32   | 195.73           | 91.78                            |                                    | 5.73                    | 49.34                            |
| b)      | Charged to Expenditure during construction                        | 4.76     | 0.23             |                                  |                                    |                         |                                  |
|         | Other Expenses - Charged to Profit & Loss Account (schedule 2.10) |          |                  |                                  | 13.93                              |                         |                                  |
| viii)   | Actual return on plan assets                                      | 217.95   |                  |                                  |                                    |                         |                                  |

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

(Rs. in crore)

| Sl. No. | Particulars  | One percentage point increase in medical inflation rate | One percentage point decrease in medical inflation rate |
|---------|--|---|---|
| i)      | Increase/(decrease) on aggregate service and interest cost of post retirement medical benefits | 20.82   | (17.93)   |
| ii)     | Increase/(decrease) on present value of defined benefit obligations as at 31st March, 2008     | 71.50   | ( 59.73 )   |

- (f) **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 - 0.10% to 0.50% depending upon the age | Executives-2% Non-Executives - 1% to 3% depending on age     |
| iv)     | Medical cost trend rates (per annum)   | 5% for hospital cost and Nil for Mediclaim premium.                 | 5% for hospital cost and Nil for Mediclaim premium.          |
| v)      | Estimated rate of return on plan assets  | 8%  | 8%   |
| vi)     | The estimate of future salary increases considered in actuarial valuation, takes into account inflation rate, seniority, promotion and other relevant factors. |   |  |

## 6.2 Segment Reporting

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

# Schedules

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

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

## 6.3 Related Party

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

| Nature of Relationship   | Name of the related party   |
|--------------------------|---|
| Joint Ventures           | SAIL Bansal Service Centre Limited<br>Mjunction Services Limited<br>UEC-SAIL Information Technology Limited<br>Romelt SAIL (India) Limited<br>N.E. Steel & Galvanising Pvt. Limited<br>Bhilai Jaypee Cement Limited<br>Bokaro Jaypee Cement Limited   |
| Nature of Relationship   | Name of the related party   |
| Key Management Personnel | Shri S.K. Roongta<br>Shri K.K. Khanna (upto 30th September 2007)<br>Shri Nilotpal Roy (upto 31st January 2008)<br>Shri V. Shyamsunder<br>Shri B.N. Singh<br>Shri V.K. Srivastava<br>Shri G. Ojha<br>Shri R. Ramaraju<br>Shri Soiles Bhattacharya<br>Shri S.S. Ahmed (w.e.f. 11th May 2007)<br>Shri V.K. Gulhati (w.e.f. 1st October 2007)<br>Shri S.P. Rao (w.e.f. 15th February 2008)<br>Shri R.K. Sarangi (upto 30th April 2007)<br>Shri P.M. Balasubramanian (upto 31st October 2007)<br>Shri Sushim Banerjee (from 15th May 2007 to 30th Nov. 2007)<br>Shri M.K. Bhattacharya<br>Shri S.P. Patnaik<br>Shri Jagdish Singh<br>Shri.M. Roy<br>Shri R.K. Agarwal<br>Shri A.S. Mathur<br>Shri N. Sudan (from 1st May 2007 to 30th June 2007)<br>Shri B.B. Singh (w.e.f. 1st November 2007)<br>Shri M. Singh (w.e.f. 1st November 2007)<br>Shri A.J. Vijn (w.e.f. 13th November 2007) |

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

(Rs. in crore)

| Sl. No. | Nature of Transaction            | Joint Ventures         |                        | Key Management Personnel |                        | Schedule No. and Account Head |
|---------|----------------------------------|------------------------|------------------------|--------------------------|------------------------|-------------------------------|
|         |                                  | As at 31st March, 2008 | As at 31st March, 2007 | As at 31st March, 2008   | As at 31st March, 2007 |                               |
| i)      | Investments                      | 31.85                  | 7.44                   | -                        | -                      | 1.7: Investments-Long Term    |
| ii)     | Provision for Investment         | 3.44                   | 3.44                   | -                        | -                      |                               |
| iii)    | Other Loans/ Advances            | 1.40                   | 1.39                   | 0.03                     | 0.04                   | 1.12: Loans & Advances-Others |
| iv)     | Advance for purchase of Shares   | 1.43                   | -                      | -                        | -                      |                               |
| v)      | Provision for Loans and Advances | 1.39                   | 1.39                   |                          |                        |                               |

# Schedules

|       |                                  | For the year ended |                  | For the year ended |                  |   |
|-------|----------------------------------|--------------------|------------------|--------------------|------------------|---|
|       |                                  | 31st March, 2008   | 31st March, 2007 | 31st March, 2008   | 31st March, 2007 |   |
| vi)   | Dividends received               | 2.80               | 4.20             | -                  | -                | 2.3: Other Revenues                       |
| vii)  | Managerial Remuneration          | -                  | -                | 2.57               | 1.56             | 2.7: Employees' Remuneration and Benefits |
| viii) | Services received by the Company | 15.14              | 17.16            | -                  | -                | 2.10: Other Expenses                      |
| ix)   | Provision for Investment         | -                  | 3.20             | -                  | -                |   |

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

(Rs. in crore)

|  | As on<br>31st March, 2008 | As on<br>31st March, 2007 |
|--|---------------------------|---------------------------|
| <b>Deferred Tax Liability</b>                |                           |                           |
| Difference between book and tax depreciation | 2559.99                   | 2707.79                   |
| Total  | 2559.99                   | 2707.79                   |
| <b>Deferred Tax Assets</b>                   |                           |                           |
| Retirement Benefits                          | 244.10                    | 584.02                    |
| Others                                       | 747.29                    | 711.11                    |
| Total  | 991.39                    | 1295.13                   |
| <b>Net Deferred Tax Liability</b>            | <b>1568.60</b>            | <b>1412.66</b>            |

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

(Rs. in crore)

| Sl. No. | Name of the Joint Venture Company            | % of Company's ownership interest | Assets  | Liabilities | Income | Expenditure | Contingent Liabilities | Capital Commitments |
|---------|--|-----------------------------------|---------|-------------|--------|-------------|------------------------|---------------------|
| 1.      | NTPC SAIL Power Company Pvt. Limited (**)    | 50                                | 1353.42 | 908.62      | 125.92 | 90.71       | 9.96                   | 193.77              |
| 2.      | Bokaro Power Supply Co. Pvt. Ltd. (\$)       | 50                                | 263.92  | 113.27      | 175.60 | 143.68      | -                      | 140.56              |
| 3.      | Mjunction Services Limited (@)               | 50                                | 38.62   | 24.25       | 34.91  | 22.61       | 0.28                   | -                   |
| 4.      | SAIL Bansal Service Centre Limited (\$)      | 40                                | 8.60    | 7.78        | 15.62  | 16.12       | -                      | -                   |
| 5.      | Romelt SAIL (India) Limited (\$)             | 15                                | -       | 0.04        | 0.01   | 0.03        | -                      | -                   |
| 6.      | UEC SAIL Information Technology Limited (@@) | 40                                | 0.41    | 2.26        | -      | 0.16        | 0.41                   | -                   |
| 7.      | North Bengal Dolomite Limited (*)            | 50                                | 0.28    | 2.08        | 0.21   | 1.28        | 0.01                   | -                   |
| 8.      | N.E. Steel & Galvanising Pvt. Limited (@@)   | 49                                | 1.50    | 0.04        | -      | -           | -                      | -                   |
| 9.      | Bhilai Jaypee Cement Limited (@)             | 26                                | 26.86   | 2.47        | -      | -           | 9.93                   | 79.33               |
| 10.     | Bokaro Jaypee Cement Limited (&)             | 26                                | -       | -           | -      | -           | -                      | -                   |

\*\* Based on Audited Accounts for the year 2007-08  
 @ Based on Unaudited Accounts for the year 2007-08  
 \$ Based on Audited Accounts for the year 2006-07  
 @@ Based on Unaudited Accounts for the year 2006-07  
 \* Operations under suspension and based on Unaudited Accounts for the year 2006-07  
 & Operation not yet started

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

## Brief Description of Provisions :

**Mines afforestation costs** - Payable on renewal (including deemed renewal)/forest clearance of mining leases to Government authorities, towards afforestation cost at mines for use of forest land for mining purposes.

# Schedules

- Mines closure costs** - Estimated liability towards closure of mines, to be incurred at the time of cessation of mining activities.  
**Overburden backlog removal costs** - To be incurred towards removal of overburden backlog at mines over the future years.

(Rs. in crore)

| Movement of Provisions           | Mines affore-<br>station costs | Mines closure<br>costs | Overburden<br>removal costs | Total  |
|----------------------------------|--------------------------------|------------------------|-----------------------------|--------|
| Balance as at 1st April, 2007    | 121.59                         | 41.25                  | 61.12                       | 223.96 |
| Additions during the year        | 104.98                         | 10.85                  | 30.58                       | 146.41 |
| Amounts utilised during the year | 15.80                          | 0.00                   | 3.52                        | 19.32  |
| Balance as at 31st March, 2008   | 210.77                         | 52.10                  | 88.18                       | 351.05 |

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

i) In respect of subsidiary company:

(Rs. in crore)

| Name of the subsidiary Company                                   | Loans and advances in the nature<br>of loans outstanding as on 31st<br>March 2008 | Maximum amount of loans and<br>advances in the nature of loans<br>outstanding during the year 2007-08 |
|--|---|---|
| IISCO Ujjain Pipe and Foundry Co. Limited<br>(under liquidation) | 16.42*<br>(16.42)*  | 16.42<br>(16.42)  |

\* Out of outstanding amount, Rs. 10.42 crore (previous year -Rs. 16.42 crore), being doubtful of recovery, provided for.

- ii) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and  
 iii) There are no loans and advances in the nature of loans, to firms/companies, in which directors are interested.

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

| Own Products               | Installed<br>Capacity  | Production             |
|----------------------------|------------------------|------------------------|
| (Quantity : Tonnes)        |                        |                        |
| <b>Main Steel Plants</b>   |                        |                        |
| Pig Iron                   | 1740000<br>(1740000)   | 410303<br>(451636)     |
| Crude Steel (i)            | 12987000<br>(12987000) | 13648705<br>(13194395) |
| Saleable Steel             | 10990000<br>(10990000) | 12531293<br>(12126799) |
| <b>Alloy Steels Plants</b> |                        |                        |
| Pig Iron                   | 58000<br>(58000)       | 29418<br>(47292)       |
| Crude Steel                | 352000<br>(352000)     | 314894<br>(308744)     |
| Saleable Steel             | 457000<br>(457000)     | 512891<br>(454387)     |

## Notes:

- i) Crude Steel installed capacity is in terms of solid steel as per International Iron & Steel Institute.  
 ii) "Licensed Capacity" Not Applicable(N.A.) in terms of Government of India Notification No.S.O.477(E) dated 25th July, 1991.

# Schedules

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

| Class of Products              | Opening Stock      |                      | Purchases    |                | Sales                  |                        | Closing Stock       |                      |
|--------------------------------|--------------------|----------------------|--------------|----------------|------------------------|------------------------|---------------------|----------------------|
|                                | Quantity           | Value                | Quantity     | Value          | Quantity               | Value                  | Quantity            | Value                |
|                                |                    |                      |              |                |                        |                        | (Quantity : Tonnes) | (Value : Rs./crore)  |
| <b>OWN PRODUCTS</b>            |                    |                      |              |                |                        |                        |                     |                      |
| <b>Main Steel Plants</b>       |                    |                      |              |                |                        |                        |                     |                      |
| Pig Iron                       | 71041<br>(96590)   | 94.24<br>(110.71)    | -<br>(-)     | -<br>(-)       | 307719<br>(379192)     | 622.82<br>(618.34)     | 50529<br>(71041)    | 72.72<br>(94.24)     |
| Steel Ingots                   | 143287<br>(195807) | 234.27<br>(293.62)   | -<br>(-)     | -<br>(-)       | 2921<br>(2716)         | 6.77<br>(5.64)         | 197961<br>(143287)  | 377.65<br>(234.27)   |
| Saleable Steel - Finished      | 685270<br>(570230) | 1457.36<br>(1094.83) | -<br>(-)     | -<br>(-)       | 11871956<br>(11444618) | 40770.19<br>(34626.69) | 605282<br>(685270)  | 1472.56<br>(1457.36) |
| Saleable Steel - Semi Finished | 263540<br>(317019) | 504.29<br>(523.93)   | -<br>(-)     | -<br>(-)       | -<br>(-)               | -<br>(-)               | 248950<br>(263540)  | 510.85<br>(504.29)   |
| <b>ALLOY STEELS PLANTS</b>     |                    |                      |              |                |                        |                        |                     |                      |
| Pig Iron                       | 2628<br>(4630)     | 4.47<br>(6.62)       | -<br>(-)     | -<br>(-)       | 24292<br>(43978)       | 49.95<br>(69.88)       | 5021<br>(2628)      | 10.02<br>(4.47)      |
| Steel Ingots                   | 11992<br>(10253)   | 49.78<br>(45.02)     | -<br>(-)     | -<br>(-)       | 0<br>(0)               | 0.00<br>(0.00)         | 15605<br>(11992)    | 52.12<br>(49.78)     |
| Saleable Steel - Finished      | 64190<br>(79730)   | 401.08<br>(407.45)   | -<br>(-)     | -<br>(-)       | 442575<br>(425100)     | 2534.32<br>(2387.37)   | 79297<br>(64190)    | 544.58<br>(401.08)   |
| Saleable Steel - Semi Finished | 24633<br>(36995)   | 183.79<br>(230.73)   | -<br>(-)     | -<br>(-)       | -<br>(-)               | -<br>(-)               | 34345<br>(24633)    | 242.13<br>(183.79)   |
| <b>SUNDRIES</b>                |                    |                      |              |                |                        |                        |                     |                      |
| Calcium Ammonium               | 1023               | -                    | -            | -              | -                      | -                      | 1023                | -                    |
| Nitrate (In term as 25% N)     | (4993)             | -                    | (-)          | (-)            | (3970)                 | (0.16)                 | (1023)              | -                    |
| Middlings / Rejects            | 175273<br>(91584)  | 5.70<br>(2.38)       | -<br>(-)     | -<br>(-)       | 131472<br>(81173)      | 10.50<br>(5.15)        | 294503<br>(175273)  | 6.12<br>(5.70)       |
| Others (By-products etc.)      |                    | 573.70<br>(507.90)   |              | -<br>(-)       |                        | 1558.32<br>(1474.47)   |                     | 654.42<br>(573.70)   |
| <b>TRADING ACTIVITIES</b>      |                    |                      |              |                |                        |                        |                     |                      |
| Saleable Steel                 | 0<br>(0)           | 0.01<br>(0.29)       | 1132<br>(90) | 3.63<br>(1.29) | 653<br>(90)            | 2.47<br>(0.96)         | 479<br>(0)          | 1.80<br>(0.01)       |
|                                |                    | 3508.69<br>(3223.48) |              | 3.63<br>(1.29) |                        | 45555.34<br>(39188.66) |                     | 3944.97<br>(3508.69) |

### Note:

- i) The classification of the company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No.3/19/80-CL VI dated 16th July 1980.

# Schedules

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

|   | Pig Iron            |                       | Saleable Steel         |                       |
|---|---------------------|-----------------------|------------------------|-----------------------|
|   | (Main Steel Plants) | (Alloy Steels Plants) | (Main Steel Plants)    | (Alloy Steels Plants) |
|   |                     |                       | (Quantity : Tonnes)    |                       |
| Opening Stock   | 71041<br>(96590)    | 2628<br>(4630)        | 685270<br>(570230)     | 64190<br>(79730)      |
| Production  | 410303<br>(451636)  | 29418<br>(47292)      | 12531293<br>(12126799) | 512891<br>(454387)    |
| Total   | 481344<br>(548226)  | 32046<br>(51922)      | 13216563<br>(12697029) | 577081<br>(534117)    |
| Sales   | 307719<br>(379192)  | 24292<br>(43978)      | 11871956<br>(11444618) | 442575<br>(425100)    |
| Inter Plant Transfers   | 20544<br>(47550)    | 0<br>(0)              | 535836<br>(419080)     | 52554<br>(39640)      |
| Internal Consumption (incl. for capital works)  | 86159<br>(58488)    | 2418<br>(5960)        | 79177<br>(79518)       | 385<br>(673)          |
| Assorted length/Cuttings/Ingot etc.   | 1171<br>(0)         | 0<br>(0)              | 69799<br>(95226)       | 4957<br>(3422)        |
| Depletion/Accretion (-) in  | 13081               | 0                     | 29119                  | -4152                 |
| In-process stock (including of inter plant transfers)                                 | (-11639)            | (0)                   | (-33821)               | (27)                  |
| Shortages/excesses(-) due to sectional weight variation transportation, handling etc. | 2141<br>(3594)      | 315<br>(-644)         | 25394<br>(7138)        | 1465<br>(1065)        |
| Closing Stock   | 50529<br>(71041)    | 5021<br>(2628)        | 605282<br>(685270)     | 79297<br>(64190)      |
| Total   | 481344<br>(548226)  | 32046<br>(51922)      | 13216563<br>(12697029) | 577081<br>(534117)    |

Opening and closing stock of Saleable Steel pertain to finished products

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

# Schedules

|   | Current<br>Year | Previous<br>Year |
|---|-----------------|------------------|
| (Rupees in crore)   |                 |                  |
| <b>8. Expenditure incurred in foreign currency on account of</b>  |                 |                  |
| Know - how  | 35.41           | 42.21            |
| Interest  | 40.32           | 44.44            |
| Training expenses & payments to Foreign Technicians   | 11.98           | 9.41             |
| Others  | 1.53            | 1.97             |
| Total   | 89.24           | 98.03            |
| <b>9. Earnings in foreign exchange on account of</b>  |                 |                  |
| Export of goods(Calculated on FOB basis)  | 1233.99         | 1169.48          |
| Royalty, Know - how, professional and consultation fees   | 0.00            | 0.07             |
|   | 1233.99         | 1169.55          |
| <b>10. Value of imports (Calculated on CIF basis)</b>   |                 |                  |
| Raw materials   | 6192.93         | 6782.50          |
| Capital goods   | 350.47          | 111.70           |
| Stores, Spares and Components   | 279.97          | 386.97           |
| Total   | 6823.37         | 7281.17          |
| <b>11. Value of raw materials consumed</b>  |                 |                  |
|   | Rs/crore        | %                |
| Imported  | 7110.26         | 50.93            |
| Indigenous  | 6849.88         | 49.07            |
|   | 13960.14        | 100.00           |
|   | Rs/crore        | %                |
| Imported  | 276.01          | 9.19             |
| Indigenous  | 2727.91         | 90.81            |
|   | 3003.92         | 100.00           |
| <b>12. Value of stores/spares &amp; components consumed</b>   |                 |                  |
| Imported  | 300.43          | 9.12             |
| Indigenous  | 2994.90         | 90.88            |
|   | 3295.33         | 100.00           |
| <b>13. Remittance in foreign currencies for dividends :</b>   |                 |                  |
| The Company has not remitted any amount in foreign currencies on account of interim / final dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of interim/ final dividends have been made by / on behalf of non-resident shareholders. The particulars of final dividend for the year 2006-07 and interim dividend for the year 2007-08 on account of non-resident shareholders are as under :- |                 |                  |
|   | Current<br>Year | Previous<br>Year |
| Final Dividend (2006-07)  |                 |                  |
| a) Number of non-resident shareholders  | 1315            | 1501             |
| b) Number of ordinary shares held by them   | 277967646       | 219860619        |
| c) Amount of Dividend (Rs.'crore)   | 41.70           | 16.49            |
| Interim Dividend (2007-08)  |                 |                  |
| a) Number of non-resident shareholders  | 1879            | 1141             |
| b) Number of ordinary shares held by them   | 227336520       | 258779724        |
| c) Amount of Dividend (Rs.'crore)   | 43.19           | 41.40            |
| <b>14. Particulars of Directors' Remuneration*</b>  |                 |                  |
| Salaries  | 0.76            | 0.62             |
| Company's contribution to provident fund & other funds  | 0.08            | 0.08             |
| Leave Travel Concession   | 0.03            | 0.00             |
| Medical benefits  | 0.06            | 0.05             |
| Provision for gratuity / accrued Leave  | 0.47            | 0.15             |
| Estimated value of perquisites  | 0.10            | 0.05             |
| (Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable).   |                 |                  |
| Total   | 1.50            | 0.95             |

\* Excluding sitting fee to independent directors and provision for wage revision

15. Previous years' figures have been re-arranged / re-grouped / re-cast, wherever necessary.

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.  State Code

Balance Sheet Dated

### II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Lakh)

Public Issue  Rights Issue

Bonus Issue  Private Placement

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Lakh)

Total Liabilities  Total Assets

#### Source of Funds

Paid-up Capital  Reserves & Surplus

Secured Loans  Unsecured Loans

#### Application of Funds

Net Fixed Assets  Investments

Net Current Assets  Misc. Expenditure

Accumulated Losses

### IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Lakh)

Turnover/Other Income  Total Expenditure

Profit Before Tax  Profit After Tax

Earnings per share (Rs.)  Dividend Rate (%)

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

Item Code No. (ITC Code)

Product Description HOT ROLLED COILS

Item Code No. (ITC Code)

Product Description PLATES

Item Code No. (ITC Code)

Product Description RAILS

## Segment Information for the year ended 31st March, 2008

## Annexure - I

### A. BUSINESS SEGMENT

|                          |            |           |           |            |           |          |           |          |          |                     | (Rs. in crore) |
|--------------------------|------------|-----------|-----------|------------|-----------|----------|-----------|----------|----------|---------------------|----------------|
| PARTICULARS              | BSP        | DSP       | RSP       | BSL        | ISP       | ASP      | SSP       | VISL     | Others   | Inter Segment Sales | SAIL           |
| REVENUE                  |            |           |           |            |           |          |           |          |          |                     |                |
| - External Sales         |            |           |           |            |           |          |           |          |          |                     |                |
| Current year             | 16517.81   | 5274.73   | 7321.66   | 12037.57   | 1715.82   | 551.14   | 1374.27   | 732.61   | 29.73    |                     | 45555.34       |
| Previous year            | (13526.31) | (4287.68) | (6335.90) | (11004.69) | (1482.37) | (531.90) | (1299.27) | (711.75) | (8.79)   |                     | (39188.66)     |
| - Internal Segment Sales |            |           |           |            |           |          |           |          |          |                     |                |
| Current year             | 191.43     | 368.10    | 63.19     | 719.47     | 124.44    | 500.31   | 22.86     | 53.53    | 677.42   | -2720.75            | 0.00           |
| Previous year            | (341.56)   | (200.39)  | (59.11)   | (514.52)   | (108.19)  | (240.10) | (5.97)    | (36.74)  | (554.86) | (-2061.44)          | (0.00)         |
| - Total Revenue          |            |           |           |            |           |          |           |          |          |                     |                |
| Current year             | 16709.24   | 5642.83   | 7384.85   | 12757.04   | 1840.26   | 1051.45  | 1397.13   | 786.14   | 707.15   | -2720.75            | 45555.34       |
| Previous year            | (13867.87) | (4488.07) | (6395.01) | (11519.21) | (1590.56) | (772.00) | (1305.24) | (748.49) | (563.65) | (-2061.44)          | (39188.66)     |

### RESULT

|  |           |          |           |           |           |         |          |          |          |  |           |
|--|-----------|----------|-----------|-----------|-----------|---------|----------|----------|----------|--|-----------|
| - Operating Profit / (-) Loss (Before Interest Expenses) |           |          |           |           |           |         |          |          |          |  |           |
| Current year   | 5425.28   | 1036.34  | 1480.98   | 2870.84   | -280.06   | 8.35    | 107.69   | -52.05   | 1122.30  |  | 11719.67  |
| Previous year  | (4286.24) | (639.23) | (1369.20) | (2771.13) | (-245.37) | (22.73) | (123.55) | (-29.80) | (818.27) |  | (9755.18) |
| - Interest expenses                                      |           |          |           |           |           |         |          |          |          |  |           |
| Current year   |           |          |           |           |           |         |          |          |          |  | 250.94    |
| Previous year  |           |          |           |           |           |         |          |          |          |  | (332.13)  |
| - Income Tax   |           |          |           |           |           |         |          |          |          |  |           |
| Current year   |           |          |           |           |           |         |          |          |          |  | 3931.95   |
| Previous year  |           |          |           |           |           |         |          |          |          |  | (3220.76) |
| - Net Profit / Loss ( - )                                |           |          |           |           |           |         |          |          |          |  |           |
| Current year   |           |          |           |           |           |         |          |          |          |  | 7536.78   |
| Previous year  |           |          |           |           |           |         |          |          |          |  | (6202.29) |

### OTHER INFORMATION

|                       |           |           |           |           |           |          |          |          |            |  |            |
|-----------------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|------------|--|------------|
| - Segment Assets      |           |           |           |           |           |          |          |          |            |  |            |
| Current year          | 5289.51   | 3587.01   | 4335.81   | 4509.56   | 1602.14   | 868.88   | 861.17   | 697.32   | 19124.76   |  | 40876.16   |
| Previous year         | (4650.83) | (3662.67) | (4318.70) | (4367.50) | (941.08)  | (707.13) | (742.81) | (628.70) | (13835.89) |  | (33855.31) |
| - Segment Liabilities |           |           |           |           |           |          |          |          |            |  |            |
| Current year          | 3078.15   | 1177.00   | 1612.00   | 2895.37   | 1519.90   | 325.69   | 172.42   | 250.28   | 2167.94    |  | 13198.75   |
| Previous year         | (2208.71) | (918.80)  | (1193.01) | (2207.05) | (1178.46) | (249.78) | (137.52) | (183.80) | (2671.85)  |  | (10948.98) |
| - Capital Expenditure |           |           |           |           |           |          |          |          |            |  |            |
| Current year          | 566.09    | 134.95    | 332.16    | 471.76    | 665.28    | 25.88    | 72.86    | 8.33     | 166.67     |  | 2443.98    |
| Previous year         | (459.40)  | (126.40)  | (126.21)  | (213.32)  | (147.51)  | (39.46)  | (14.66)  | (8.84)   | (47.60)    |  | (1183.40)  |
| - Depreciation        |           |           |           |           |           |          |          |          |            |  |            |
| Current year          | 216.68    | 301.26    | 304.37    | 246.70    | 29.42     | 10.66    | 43.65    | 11.21    | 71.53      |  | 1235.48    |
| Previous year         | (223.43)  | (299.90)  | (291.92)  | (241.09)  | (23.18)   | (9.43)   | (43.36)  | (11.01)  | (68.16)    |  | (1211.48)  |

### B. GEOGRAPHICAL SEGMENT

| Particulars          | Current year    | Previous year     |
|----------------------|-----------------|-------------------|
| <b>Sales Revenue</b> |                 | (Rupees in crore) |
| India                | 44320.93        | 38011.54          |
| Foreign Countries    | 1234.41         | 1177.12           |
| <b>Total</b>         | <b>45555.34</b> | <b>39188.66</b>   |

#### Note :

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

## SOCIAL AMENITIES

| Expenses                                 | Township      | Education     | Medical       | Social & Cultural Activities | Co-operative Societies | Transport & Dairy | (Rupees in crore) |               |
|--|---------------|---------------|---------------|------------------------------|------------------------|-------------------|-------------------|---------------|
|  |               |               |               |                              |                        |                   | Total             | Previous Year |
| - Salaries & Wages                       | 163.52        | 102.07        | 188.69        | 5.86                         | 3.25                   | 18.41             | 481.80            | 334.78        |
| - Company contribution to Provident Fund | 11.19         | 7.44          | 13.16         | 0.46                         | 0.04                   | 1.33              | 33.62             | 32.06         |
| - Travel concessions                     | 20.90         | 9.54          | 19.92         | 0.57                         | 0.00                   | 1.65              | 52.58             | 37.11         |
| - Welfare expenses                       | 9.93          | 5.83          | 26.98         | 2.81                         | 0.00                   | 1.11              | 46.66             | 39.51         |
| - Consumption of medicines               | 0.00          | 0.00          | 51.89         | 0.67                         | 0.00                   | 0.00              | 52.56             | 48.16         |
| - Gratuity                               | 11.20         | 9.21          | 9.40          | 0.34                         | 0.21                   | 1.56              | 31.92             | 26.32         |
| <b>Total</b>                             | <b>216.74</b> | <b>134.09</b> | <b>310.04</b> | <b>10.71</b>                 | <b>3.50</b>            | <b>24.06</b>      | <b>699.14</b>     | <b>517.94</b> |
| Stores & Spares                          | 23.12         | 0.19          | 2.61          | 0.34                         | 0.00                   | 1.78              | 28.04             | 25.16         |
| Repair & Maintenance                     | 87.91         | 0.21          | 5.16          | 0.19                         | 0.00                   | 0.11              | 93.58             | 69.19         |
| Power & Fuel                             | 252.81        | 1.86          | 5.42          | 1.77                         | 0.33                   | 0.30              | 262.49            | 231.36        |
| Miscellaneous expenses                   | 43.84         | 9.30          | 17.89         | 1.70                         | 0.00                   | 7.55              | 80.28             | 45.11         |
| Depreciation                             | 19.89         | 0.92          | 3.29          | 0.16                         | 0.01                   | 0.43              | 24.70             | 25.90         |
| <b>Total</b>                             | <b>644.31</b> | <b>146.57</b> | <b>344.41</b> | <b>14.87</b>                 | <b>3.84</b>            | <b>34.23</b>      | <b>1188.23</b>    | <b>914.66</b> |
| Less: Income                             | 94.80         | 5.69          | 32.36         | 0.09                         | 0.00                   | 0.87              | 133.81            | 133.35        |
| <b>Net Deficit</b>                       | <b>549.51</b> | <b>140.88</b> | <b>312.05</b> | <b>14.78</b>                 | <b>3.84</b>            | <b>33.36</b>      | <b>1054.42</b>    | <b>781.31</b> |



# Auditors' Report

Annexure-I to the Directors' Report



## COMMENTS

## MANAGEMENT'S REPLIES

To  
The Members of Steel Authority of India Limited

We have audited the attached Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, as on 31st March 2008, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto, in which are incorporated the accounts of Plants, Units, Branches and other Offices audited by the Branch Auditors in accordance with the letter of appointment of Comptroller & Auditor General of India. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The branch auditors' reports have been forwarded to us and have been appropriately dealt with.
3. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited returns from the branches.
4. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

## COMMENTS

## MANAGEMENT'S REPLIES

5. In terms of Government of India, Department of Company Affairs Notification No. GSR 829(E) dated 21st October, 2003 Government companies are exempt from the applicability of provisions of section 274(1)(g) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes on accounts appearing in Schedule 3, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in case of Balance Sheet, of the state of affairs of the Company as on 31st March 2008;
- ii) in case of Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
- iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Ray & Ray**  
Chartered Accountants  
Sd/-  
**[B.K. Ghosh]**  
Partner  
(M.No. 51028)  
**T.R. Chadha & Co.**  
Chartered Accountants  
Sd/-  
**(Ajesh Tuli)**  
Partner  
(M. No.86424)

**For Dass Maulik Mahendra K Agrawala & Co.**  
Chartered Accountants  
Sd/-  
**[Mahendra K. Agrawala]**  
Partner  
(M.No.51764)

**For and on behalf of the Board of Directors**  
Sd/-  
**(S.K. Roongta)**  
Chairman

Place : New Delhi  
Dated : 16th May, 2008

Place : New Delhi  
Dated : 21st July, 2008

# Annexure to the Auditors' Report

Referred to in our Report of even date

## COMMENTS

- The Company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets.
  - The fixed assets of the company have been physically verified by the management at reasonable intervals in a phased manner so as to cover each asset at least once in three years. As informed to us, no material discrepancies have been noticed on such verification wherever reconciliation has been carried out and the same have been adjusted in the books. In few cases of fixed assets, verified but not reconciled, the discrepancies are yet to be ascertained.
  - In our opinion and according to the information and explanations given to us, there is no substantial disposal of fixed assets during the year.
- The inventories have been physically verified by the management with reasonable frequency during the year. In certain cases, the stocks of scraps, middlings and rejects have been verified on the basis of visual survey/estimates.
  - In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are generally reasonable and adequate in relation to the size of the company and the nature of its business.
  - In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventory. The discrepancies between physical stocks and book records arising out of physical verification, which were not material for the Company as a whole, have been dealt with in the books of account.
- According to information and explanations given to us:
  - The Company has not granted any loans, secured or unsecured, to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major failures in the internal control system.
- According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act 1956, and aggregating during the year to Rs.5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which such transactions for similar goods or services have been made with other parties.
- The Company has not accepted any public deposits during the year. In respect of public deposits accepted in earlier years, there are no unmatured outstanding deposits.
- In our opinion, the company's internal audit system, generally commensurate with the size and nature of its business, is required to be strengthened with regard to enlarging the scope and frequency of coverage.
- We have broadly reviewed the records maintained by the Plants for production of Fertilisers (Ammonium Sulphate), Chemicals (Benzene & Toluene), Industrial gases and Steel products pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether these are accurate and complete.
- According to the information and explanations given to us in respect of statutory and other dues:
  - The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues, with appropriate authorities.

## MANAGEMENT'S REPLIES

Physical verification of fixed assets and its reconciliation with the books is a continuous process.

Internal Audit Plan for the year 2008-09, approved by Audit Committee, takes care of the observation.

## COMMENTS

- According to the information and explanations given to us, there are no undisputed statutory dues outstanding for a period of more than six months from the date they became payable, as per books of accounts as at 31st March, 2008.
- According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given herein below:

| Statutes                    | Nature of Dues                           | Amount<br>(Rs. In crore) | Forum where<br>disputes are pending |
|-----------------------------|--|--------------------------|-------------------------------------|
| Sales Tax                   | Demand by<br>Appellate<br>Authorities    | 4.73                     | Supreme Court                       |
|                             |  | 107.99                   | High Courts                         |
|                             |  | 260.35                   | Sales Tax Tribunals                 |
|                             |  | 755.06                   | Sales Tax Departments               |
|                             |  | <b>1128.13</b>           |                                     |
| Central Excise<br>Act, 1944 | Excise duty                              | 641.14                   | Supreme Court                       |
|                             |  | 20.05                    | High Courts                         |
|                             |  | 448.49                   | CESTAT                              |
|                             |  | 130.81                   | Department of Excise                |
|                             |  | 0.32                     | Settlement Commission               |
|                             |  | <b>1240.81</b>           |                                     |
| Income Tax Act, 1961        | TDS on perks                             | <b>122.51</b>            | High Courts                         |
| Customs Act                 | Custom duty                              | <b>0.12</b>              | Department of Customs               |
| Other Statutes              | Other statutory dues<br>(including cess) | 4.38                     | Supreme Court                       |
|                             |  | 272.26                   | High Courts                         |
|                             |  | 27.69                    | Lower Courts                        |
|                             |  | 7.09                     | State Government                    |
|                             |  | 8.93                     | Concerned Department                |
|                             |  | <b>320.35</b>            |                                     |
|                             |  | <b>2811.92</b>           |                                     |

- There are no accumulated losses of the company as at the end of the year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- The company is not a chit fund or a Nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order, are not applicable to the company.
- The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the company.
- According to the information and explanations given to us, the terms and conditions of the guarantees given by the company for loans taken by others from banks or financial institutions are not prima-facie prejudicial to the interest of the company.
- To the best of our knowledge and belief, and according to the information and explanations given to us, the Company has not raised any term-loans during the year under audit. Hence, paragraph 4 (xvi) of the Order is not applicable.
- According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment of the company.
- According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- According to the information and explanations given to us and records examined by us, securities have been created in respect of secured bonds issued.
- The company has not raised any money by public issue during the year.
- To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the company has been noticed or reported during the year. As regards fraud on the company, the following cases have been noticed or reported during the year, according to the information and explanations given to us.

# Comments of C&AG

Annexure-II to the Directors' Report

| COMMENTS |  |                                   | MANAGEMENT'S REPLIES   |
|----------|--|-----------------------------------|--|
| Sl. No.  | Brief Description of the case              | Amount involved<br>(Rs. in crore) |  |
| 1.       | Misuse of township facilities by employees | 0.01                              | These cases relate to under recoveries and are being followed up for recoveries. |
| 2.       | Misuse of township facilities by others    | 0.03                              |  |
|          |  | 0.04                              |  |

**For Ray & Ray**  
Chartered Accountants

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

**T.R. Chadha & Co.**  
Chartered Accountants

Sd/-  
**(Ajesh Tuli)**  
Partner  
(M. No.86424)

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

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

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

Sd/-  
**(S.K. Roongta)**  
Chairman

Place : New Delhi  
Dated : 16th May, 2008

Place : New Delhi  
Dated : 21st July, 2008

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

The preparation of financial statements of STEEL AUTHORITY OF INDIA LIMITED for the year ended 31st 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 auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16th May, 2008.

I on the behalf of the Controller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of STEEL AUTHORITY OF INDIA LIMITED for the year ended 31st March, 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. 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 Auditors' Report under Section 619(4) of the Companies Act, 1956.

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

Sd/-  
**(Rakesh Mohan)**  
Principal Director of Commercial Audit

Place: Ranchi  
Date: 20th June, 2008

Annexure-III to the Directors' Report

**A. Energy Conservation**

**(a) Measures taken**

The overall specific energy consumption in SAIL (5 integrated steel plants) during 2007-08 has been 6.95 G.cal/ tcs, which is less than previous year figure of 7.16 G.cal/ tcs. Few important energy conservation schemes implemented during the year 2007 - 08 are listed below:

**(i) Bhilai Steel Plant (BSP)**

- (a) VVVF drive installed in Sinter cooler & Drum feeder of machine # 4 of SP-II
- (b) Multi-slit burners commissioned in machine #1 and #2 of SP- II
- (c) Coal dust injection rates at BF #I, BF#V and BF-VII enhanced
- (d) VVF Drives for ID Fans I & II and booster Fans I, II & III of converter shop commissioned
- (e) Oxygen line from SMS-I to OP-I commissioned to utilize low purity oxygen for cold blast enrichment in Blast Furnace.

**(ii) Durgapur Steel Plant (DSP)**

- (a) Thyristorization of intermediate stand drives at Section mill
- (b) On-line sealing of steam, blast and gas leakages
- (c) Insulation of steam line and other hot surfaces

**(iii) Rourkela Steel Plant (RSP)**

- (a) Recuperator of Plate mill repaired
- (b) Thyristorization of PM main drive
- (c) Damaged skid pipe of RH Furnace-VI of HSM repaired and insulated

- (d) Battery-I mixing station stabilized

**(iv) Bokaro Steel Plant (BSL)**

- (a) Commissioning of Coke Oven battery # 5 after rebuilding
- (b) Changeover of battery # V from CO gas to Mixed gas
- (c) Supply of Mixed gas in stoves of 3 blast furnaces
- (d) Minimization of operation of old pusher type furnace in HS Mill

**(v) IISCO Steel Plant (ISP)**

- (a) Commissioning of Blast Furnace # II after rebuilding
- (b) Capital repair of Blast Furnace # III
- (c) Relining of Stoves of BF No. IV

**(b) Additional investment and proposal, if any**

**(i) Bhilai Steel Plant (BSP)**

- (a) Waste heat recovery from sinter cooler for hot water generation at SP # III
- (b) Multi-slit burners in Machines # 3 & 4 of SP- II
- (c) 10000 meter steam pipe line insulation
- (d) Use of electronic blasts in place of conventional blasts

**(ii) Durgapur Steel Plant (DSP)**

- (a) Introduction of Multi Slit burner in SP # II
- (b) Use of solar power for illumination of few major office building & power distribution of sub-station and for battery charging at telephone exchange

- (c) Insulation of steam line and other hot surfaces (5000 m<sup>2</sup>)
- (d) On-line sealing of steam and blast leakages (2000 bolts)

**(iii) Rourkela Steel Plant (RSP)**

- (a) Phase II computerization of Energy Centre to facilitate more signals to enable better monitoring and control of fuel gases & utilities
- (b) Maintaining LD Gas recovery above 100 Nm<sup>3</sup>/TCS after commissioning of the LD gas holder
- (c) Avoidance of continuous bleeding of 'CO' gas for maintaining grid safety after re-commissioning of 'CO' gas holder
- (d) Provision of high emissivity coating in W.B. furnace of Plate Mill
- (e) Commissioning of new coke oven battery # I with zero leak doors, on-main charging and computerized combustion control.

**(iv) Bokaro Steel Plant (BSL)**

- (a) Running of 2 hammer crushers in place of 3 in Coal Handling Plant of Coke Oven by-product
- (b) Commissioning of CDI in BF # II & III
- (c) Capital repair of Stove # 3 of BF # III
- (d) Commissioning of new BF gas line to CPP to use surplus CO gas

**(v) IISCO Steel Plant (ISP)**

- (a) Capital repair of Blast Furnace # IV
- (b) Battery # 10 under rebuilding

**(c) Impact of measures on energy consumption**

The overall energy consumption for the year decreased by about 3.0 % as compared to previous year.

**(d) Total Energy Consumption & Energy Consumption per unit of production.**

Form 'A' enclosed.

**B. Technology Absorption**

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

**C. Foreign Exchange Earnings and Outgo**

|  | (Rs. in crore) |
|--|----------------|
| i) Foreign exchange earned from exports and other activities | 1233.99        |
| ii) Foreign exchange used:                                   |                |
| a) CIF Value of import                                       | 6823.37        |
| b) Other expenditure in foreign currency                     | 89.24          |

For and on behalf of Board of Directors

Sd/-  
(S.K.Roongta)  
Chairman

Place: New Delhi  
Dated: 31st July, 2008

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

| Particulars  | 2007-08 | 2006-07 |
|--|---------|---------|
| <b>A. POWER &amp; FUEL CONSUMPTION</b>               |         |         |
| <b>1. ELECTRICITY</b>                                |         |         |
| <b>a) Total Power Purchased (including JV Power)</b> |         |         |
| Units (Million KWH)                                  | 6483    | 6291    |
| Total Amount (Rs. crore)                             | 2032    | 1899    |
| Average Rate per Unit (Rs./KWH)                      | 3.13    | 3.02    |
| <b>b) Own Generation</b>                             |         |         |
| Through Steam Turbine/Generator                      |         |         |
| Units (Million KWH)                                  | 895     | 948     |
| Units per Gega Calories of energy input              | 229     | 228     |
| Average Rate per Unit (Rs./KWH)                      | 3.67    | 3.12    |
| <b>2. COAL</b>                                       |         |         |
| i) Coking Coal                                       |         |         |
| Quantity (Million Tonne)                             | 13.95   | 13.55   |
| Total Cost (Rs. crore)                               | 8243    | 8483    |
| Average Rate (Rs. per tonne)                         | 5907    | 6259    |
| ii) Non-Coking Coal                                  |         |         |
| Quantity (Million Tonne)                             | 0.976   | 0.956   |
| Total Cost (Rs. crore)                               | 176     | 156     |
| Average Rate (Rs. per tonne)                         | 1807    | 1637    |
| <b>3. FUEL OILS</b>                                  |         |         |
| Quantity ('000 Kilo Litres)                          | 65      | 51      |
| Total Cost (Rs. Crore)                               | 154     | 108     |
| Average Rate (Rs./Kilo Litres)                       | 23801   | 21285   |
| <b>4. OTHERS</b>                                     |         |         |
| i) Coke  |         |         |
| Quantity ('000 Tonnes)                               | 639     | 601     |
| Total Cost (Rs. Crore)                               | 819     | 699     |
| Average Rate (Rs. Per tonne)                         | 12830   | 11644   |
| ii) Misc. (LPG, Gases, Process Steam etc.)           | 377     | 316     |
| Total Cost (Rs. Crore)                               |         |         |

**B. CONSUMPTION PER TONNE OF SALEABLE STEEL PRODUCTION**

|                             | 2007-08 | 2006-07 |
|-----------------------------|---------|---------|
| Purchased Electricity (KWH) | 498     | 483     |
| Fuel oils (litres)          | 5       | 4       |
| Coking Coal (kgs)           | 1087    | 1056    |
| Coke (kgs.)                 | 50      | 47      |
| Non-coking Coal (kgs)       | 76      | 74      |

**Note:** 1. Purchased Electricity quantity includes power from Joint Venture also.  
2. Proportionate pig iron production is added to saleable steel production for above calculation.



## FORM 'B'

### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

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

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

#### 2. Benefits Derived as a result of R & D efforts (2007-2008)

##### Cost Reduction

##### • Improvement in Coke Quality with respect to Moisture and M40 at ISP

Electrical control systems have been installed in COB # 8 at ISP for better control of the quenching time and also providing compulsory drainage time and thereby achieve uniform coke moisture (5-6%). Pilot oven campaigns with 7 blends for ISP were conducted which has helped in assessing the quality parameters of the incoming coals and finally determining the desired coal blend composition. Satisfactory performance of washery circuit has been ensured by implementing the recommended operating parameters. Trials with new coal crushing hammers, made of new steel (50MoCr4), showed ~10% life improvement of the hammers.

##### • Improvement in Plant Productivity and Product Quality at Old Sinter Plants at BSP

Completion of sintering process on strand was ensured with the introduction of steam injection into sinter bed at Sinter Plant # 1 and the strength index of sinter was improved from 69.5 to 70.7%. At Sinter Plant # 2, a number of technological measures were introduced viz. changing angle of loading chute from 54 to 60° (to the horizontal), incorporation of single gate system of the intermediate bunker for uniform sinter mix feeding to sinter machine width wise, mapping of air infiltration to suction system for development of preventive measures for reduction of air leakages and installation of polymer liners with lifters for intensive mixing of sinter mix in primary mixing drum. These measures have resulted in improvement of productivity from a level of 1.11 to 1.21 t/m<sup>2</sup>/hr.

##### • Investigation into reasons for high CO/CO<sub>2</sub> ratio in BF #2 at RSP

With the burden distribution adjustments made through Bell Less Top (BLT), central gas flow has been enhanced by charging the coke centrally which has led to improvement in gas utilization from 37 to 43.5 % and reduction in coke rate by 22 kg/thm. CO/CO<sub>2</sub> ratio has been lowered from 1.7 to 1.25.

##### • Improvement in Performance of BF # 4 at BSP

The presence of scaffold, which was the reason for poor performance, was dislodged and furnace wind acceptability was improved with a number of process modification measures, e.g. sector charging of coke in the affected areas; charging of heavy coke bunch of 50 t once and 100 t two times along with required amount of LD slag, quartzite and Mn-ore; periodic practice of lean-slag to flush-out accumulated alkalis in the furnace; and enhancement of screening efficiency through regular cleaning of screen mats of sinter and coke. All these measures helped in improving the furnace productivity by about 4% and coke rate could be decreased by about 10 kg/thm.

##### • Improvement in Productivity and Quality at SMS I through Introduction of On-line Purging System at RSP

On-Line Purging (OLP) system was designed and commissioned in both the converters for purging of liquid steel during tapping, and before transfer for secondary refining, with a view to assist shop in achieving increased production target of 0.40 mt of crude steel per annum. A ferro-alloy addition system was also installed in converter # 5. The modified practice resulted in improved deoxidation, desulphurisation and better alloy recovery at LHF and thereby a significant reduction in overall consumption of ferro-alloys was achieved. The overall treatment time could be reduced to about 35 minutes for both low and high-grade heats as against more than 100 minutes.

##### • Optimisation of VAD Process Parameters for Enhanced Production of Special Quality Slabs in SMS II at BSP

Formation of high sulphide capacity refining slag, through addition of fused calcium aluminate synthetic flux, resulted in considerable reduction in VAD treatment time by 40-90 minutes with final sulphur content in the range of 0.004 to 0.01%. The developed practice also resulted in improvement of product quality through reduction in NDT failure from 13.2 to 7.6%, and reduction in rejection due to NMI from 1.13 to 0.36%. The modified practice has been implemented for regular production of slabs through BOF-ARU-VAD route.

##### • Modification of Gas Purging System in Steel Ladle in SMS II at BSL

Hood jamming in Ladle Furnace (LF) was sorted out by implementing a number of process modifications, which were based on computational fluid dynamic simulations. The purging gas pressure and flow rate suiting to BSL conditions were optimised. The porous plug locations were also modified from adjacent quadrant to diagonal quadrant. These modifications resulted in: reduction

in aluminium consumption by 8.2% in LF and 7.2% in LRS; reduction in stirring gas consumption by 10.36% in LF and 14.7% in LRS; significant reduction of metal splashing and slag roof formation; uniform ladle lining erosion; a record well block and mid-repair life of 56 heats; and improvement in avg. ladle life from 78 to 96 heats.

##### Quality Improvement

##### • Revamping of Slime Beneficiation System to Decrease Silica Control in Iron Ores Fines at CSW Plant at Dalli Mines, BSP

The slime beneficiation unit was revamped by installing a newly designed system consisting 'Fluidised Bed Classifier (FBC)' coupled with 'hydro-cyclone' for removal of silica and aluminous gangue respectively. The product concentrate was de-watered by 'Slow Speed Spiral Classifier (SSSC)' unit and mixed with sinter fines. Three entry points in SSSC and teeter bed classifying in FBC were novel in the system. This new system has resulted in: enrichment of the slime from 49% Fe, 15% SiO<sub>2</sub> & 9% Al<sub>2</sub>O<sub>3</sub> to 63.2-65% Fe, 3.2-4.6% SiO<sub>2</sub> and 1.9-2.4% Al<sub>2</sub>O<sub>3</sub> and nearly at the rate of 30 t/hr, this concentrate was recovered through this system and mixed with sinter fines. The chemical composition of the composite ore fines improved from 62.59% Fe, 4.93% SiO<sub>2</sub>, and 2.87% Al<sub>2</sub>O<sub>3</sub> to 63.11% Fe, 4.47% SiO<sub>2</sub> and 2.65% Al<sub>2</sub>O<sub>3</sub>. The thickener operation was also made smoother by reduction of the faster settling iron ore particles from its feed.

##### • Enhancement of Cast Billet Quality and Caster Productivity for 125 mm Square Billet at DSP

Acute problem of macro quality in terms of off-corner crack, rhomboidity and centreline pipe, faced by DSP while casting 125 mm square billet at 2.2 m/min speed, was solved by introducing a number of modifications in the operating parameters. Mn/S ratio: 25 (min); Mould cooling: 1400 lpm; EMS current: 350 A at 8 Hz; and Superheat: 45 C (max) were followed. Modification of oscillator stroke from 12 to 11 mm, installation of foot rolls and spray ring were also carried out. The acceptability of special quality billet had increased to > 90% with almost complete elimination of off-corner crack. In addition, breakout frequency reduced significantly from the earlier level of 1% to about 0.5% / strand.

##### • Improvement in Productivity and Quality of CR Coils through PL1-CR1 Route at RSP

Pickling bath parameters were optimised to increase the pickling rate and a new inhibitor was identified. Line speed could be increased from 25.0 to 35.0 m/min, leading to increased production of CR coils by 25.5% (from 9100 to 12,200 t/ month). Improvement in the quality of CR coils were achieved through the implementation of measures like: installation and commissioning of hot water rinsing system leading to improvement in the brightness of coils (% reflectance enhanced from 70 to 83); introduction of an in-house designed strip guide system for preventing side tracking of coils; introduction of a new wiper system to eliminate acid and water carry-over from the line. Furthermore, modified roll cooling system installed in CR1, along with roll crown modification, resulted in improvement in strip shape (wedge reduced from 60 to 30μ).

##### • Improvement of Coating Adherence of Galvanized Products at BSL

Quality deficiency like bare spots in the galvanized sheets from BSL (~1% diversion) was related to the presence of an undesired level of carbon residue on the surface and incomplete burn off of rolling emulsion at DFF. As a remedial measure, the gas supply was raised from 3100 to 3700 m<sup>3</sup>/hr in DFF and the furnace insulation was also improved. It led to improved strip heating and prevention of bare spots, especially in thicker coils (0.75 1.5 mm).

##### Energy Conservation

##### • Introduction of Curtain Flame Ignition System in one of the Machines of Sinter Plant II at BSP

A new ignition system, using the mixed gas available at the shop for main burner modules fixed on rooftop for sinter mix ignition purposes and for two numbers of pilot burners mounted on sidewalls, was installed by modifying Zone-1 of the ignition hearth in machine # 1 of SP-2. Low moisture castable (LMC) was used as hood-roof and for charging side-door. The new system is in regular operation and benefits, accrued are: specific gas consumption reduced by ~ 30%; reduction in furnace start up time from 90 to 15 minutes; auto ignition when the machine starts with the help of pilot burners; minimisation of overheating of pallet side plates.

##### • Modified Duplex Burner for Rotary Kiln of RMP-II at BSP

Duplex burner was introduced long back by RDCIS in the rotary kiln of Refractory Material PlantII to fire coke oven (CO) gas as well as Pitch Creosote Mixture (PCM) in any proportion depending upon the fuel availability to maximise use of cheaper CO gas. To further improve the performance of this duplex burner, the burner was again commissioned with a modified design. The flame characteristics have improved, resulting in better quality of lime and complete elimination of localized heating of refractory lining. CO gas firing rate has increased from 3000 to 5000 Nm<sup>3</sup>/hr. Production target of the shop could also be met with only CO gas firing in place of costlier PCM.

##### Product Development and Application

##### • Armour Quality Steel Plates for T-90 MBT & Rail Wagons at RSP

Armour quality thicker plates (130 mm) with guaranteed NDT properties have been processed from 250mm CC slabs by adhering to specially designed reheating cycle for slab as well as a new roll pass schedule. Based on successful ballistic test performance at PXE, Chandipur using Fin Stabilized Armour Piercing Discard Sabot (FSAPDS) ammunition, Defence has accepted the product for regular use and accordingly has given necessary clearance for regular production of these plates at RSP.

##### • Ti bearing LPG and Medium Carbon Steels at RSP

With small addition of Ti (0.02-0.03 wt %) along with suitable modifications of C & N contents in the steel, formability of conventional plain C-Mn LPG steel was improved. Optimisation of hot rolling parameters has resulted in the desired mechanical



properties with consistent gauge control in HR coils. Attainment of strain aging index value at 10% max. has completely eliminated cracking problem of cold formed halved cylinders and thereby increased the average yield (no of cylinders per tonne of HR coil) by 3% at the customers end. During the year, more than 7500 tonnes of materials have been marketed through various customers.

The chemistry of steel of medium carbon HR coils (MC 11 and SAE 1040) grades, used for manufacturing chain link, rolling shutter etc., was optimised to restrict UTS value at 680 MPa max, which in turn ensured adequate cold reducibility of HR coils at the customers' end. During the year, more than 6000 tonnes of material have been marketed for a variety of applications.

- **Low Carbon EDD HR / CR Steels for Auto bodies at BSL**

Technological measures like addition of ~0.01 % Ti and optimization of load during skin pass rolling were introduced in order to meet the demands for EDD hot rolled as well as cold rolled steels with improved elongation. Strain aging, as measured by Strain Aging Index (SAI) substantially decreased from ~8 % (in case of conventional cold rolled and annealed EDD coils) to ~ 2% in the Ti micro-alloyed coils, which has contributed to > 2% (from 39 to 41.4%) improvement in elongation level. The HR coils were cold reduced and annealed for manufacture of various auto components and the CR coils have been successfully used to manufacture critical automotive components such as fuel tank, bottom shell etc.

- **Development of SAILMA 550 HI Plate at BSP**

A new process technology for production of high strength steel plates of yield strength 550 MPa min. in asrolled condition was developed for the first time in India and marketed under the brand name of SAILMA 550 HI which are used for fabricating penstocks, earthmovers, sluice gate for dams, impellers, bridges etc. Stipulated properties were achieved by adhering to a specially designed steel chemistry and hot rolling of concast slabs through Thermo Mechanical Controlled Processing (TMCP), maintaining finish rolling temperature at 800 C. BSP has produced more than 1800 tonnes of SAILMA 550 HI plates and supplied to M/s. PES Engineers Ltd. Chandigarh, for fabrication of penstocks. The success of SAILMA 550 HI plates has triggered demand of this product from other customers as well, such as M/s. Tratec Engineers, Faridabad and M/s. Texmaco, Kolkata.

- **Boron Treated Al Killed Low Carbon Steel at BSL**

For the first time, boron treated low carbon steel has been developed with improved cold reducibility and formability properties. A good combination of low work hardening exponent 'n' with higher % elongation (43-45 %) was achieved in steel with base chemistry of C:0.06 max, Mn:0.25 max, treated with B (~20 ppm). Further, this developmental work has been utilised to replace Ti by B in LPG grade steel, which led to reduction in cost of production (Rs. 125/tonne). The mechanical properties of B-treated LPG steel are found to be comparable to those of Ti-bearing LPG steel. More than 18000 tonnes of B-treated Al-killed low carbon steel (including LPG steel) has been supplied to major customers in all regions.

- **Vanadium Micro-alloyed Rail at BSP**

In view of Indian Railways introducing heavier axle loads, larger traffic volume and higher vehicle speeds for goods traffic movement, a new rail steel chemistry was developed by micro alloying with vanadium and experimental heats were made through BOF-LF-RH-CC route. Requisite property requirements against YS/UTS ratio, YS, UTS, % EL, fracture toughness, fatigue strength, impact strength and hardness of these new rails have been attained. As against a trial order of 500t from Indian Railways, rails were manufactured and supplied to SER for field trial.

#### Automation

- **Development of Performance Monitoring System for Critical Stand Motors of Rail & Structural Mill at BSP**

A high speed on-line performance monitoring system was installed & commissioned at Rail Mill. The system acquires critical performance parameters such as armature current, voltage, motor speed, field current etc. for motors of Roughing, Intermediate & Finishing stands. A programme was developed to plot frequency spectrum & power spectral density charts for analysis of the data. Abnormalities in motor drive parameters, stands and rolling practices through time and frequency domain spectrum are now being analysed by the system.

- **Development of Modified Hydraulic Scheme for Improvement in Productivity of DCR Mill, CRM at BSL**

Frequent failures of the Edge Guide System (EGS) at uncoiler side at Double Cold Reduction Mill at CRM led to frequent stoppages of the mill, causing loss of production. Existing centralized hydraulic system was modified and a dedicated hydraulic system was installed to ensure the consistent supply of clean hydraulic oil at an optimum pressure and flow rate to the EGS. Smooth operation of EGS has virtually eliminated the mill delay due to its failure; 300 tons/day (avg) of sheet gauge coils are now being rolled with good profile.

### 3. Future Plan of Action

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

| Technology Areas       | Objectives   |
|------------------------|--|
| Coal, Coke & Chemicals | Improvement in coal carbonization practice and introduction of process automation for improvement in coke quality and reduction in energy consumption; Improvement in coal charge preparation for optimization of cost of coal blends.   |
| Iron & Sinter          | Development of intensive beneficiation schemes through lab/pilot studies and technological upgradation of beneficiation plants; Improvement in sintering technology; introduction of pelletisation technologies; maximizing of BF productivity through in-furnace investigation with probes and use of simulation models; Reduction in coke rate; Introduction and stabilization of alternate fuel injection technologies. |

#### Steel Making & Casting

Improve productivity and reduce level of metallic inputs in BOF and secondary refining units through use of process model; Application of process simulation for enhancement of caster productivity including improved sequence length and tundish life and reduction in level of non-metallic residuals; Process automation through model development for improved turndown control.

#### Refractories

Improvement in lining life of ladles and BOF through zonal lining and use of better refractory material; Development and application of low / ultra low cement and self flow castables; Development of shotcrete monolithic lining for steel ladles.

#### Rolling Technology

Productivity improvement in Rolling Mills; Improvement in quality of rails and introduction of round ingot technology in wheel production; Production of banitic / micro-alloyed rails and wheels; Control of surface defects and gauge variation in HR and CR coils; Micro-structural modelling of HR coils.

#### Product Development

Development of new coated products using simulators; Development and promotion of special steel grades for cold reducing, automobile, oil and construction sectors; Corrosion resistant rail steel; Earthquake resistant steel; High strength LPG steels; High strength steels for construction segment.

#### Energy Conservation

Development and introduction of fuel-efficient burners; Optimization of heating, rolling and heat treatment regime for reduction in energy consumption; Energy conservation using computerized process and combustion control system.

#### Automation & Computerization

Introduction of automation and control systems and development of softwares for productivity, yield and quality improvement in Reheating Furnaces, Heat Treatment Furnaces and Finishing Lines of Rolling Mills; PLC based mill monitoring system; Development of integrated communication and instrumentation system; Intelligent mill set up model development for control of variation in plate thickness; Development of on-line surface inspection system for hot rolled flat products.

#### Environment & Pollution Control

Assessment of PAH in coke oven work zone; Environmental Life cycle Assessment of Iron & Steel making; Development of process for recycling/reuse of BF/BOF mill sludge/slag and improvement in water quality and recycling; Control of coke oven effluent discharge.

### 4. Expenditure on R&D

|               | (Rs. in crore) |
|---------------|----------------|
| Capital       | 2.24           |
| Revenue       | 99.62          |
| Total         | 101.86         |
| % of Turnover | 0.25           |

### TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

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

#### Area: Coke Making

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

#### Area: Sinter Making

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

# Corporate Governance

## Annexure 'IV' to the Directors' Report

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

### Area: Iron Making

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

### Area: Steel Making

- Hot Metal Desulphurisation system after mixer for charging low sulphur hot metal in the BOF converters for improved steel quality at RSP & BSP.
- Three new state of the art steel melting facilities at ISP, BSL & BSP
- Introduction of combined blowing technology (for improved product quality) in SMS-II, BSL
- Introduction of RH Degassing of improved rail steel product quality in SMS-II of BSP
- Introduction of Electro-magnetic stirring (for improved product quality) in the continuous casting machines at VISL, DSP, ASP and BSP
- Introduction of thin slab casting & direct rolling at BSL

### Area: Rolling & Finishing (Long Products)

- Ultrasonic testing of plates in Plate Mill (for quality assurance of plates) at BSP
- Ultrasonic testing and Eddy current testing facilities (for quality assurance of rails) at BSP
- Long rail finishing technology at Rail & Structural Mill, BSP
- Slit rolling in Merchant Mill (for increased productivity and broad product range) in Merchant Mill of DSP
- Hydraulic Automatic Gauge Control in Plate Mill (for achieving close thickness tolerances) at BSP
- State of the art Bar & Rod Mill and Universal Rail & Beam Mills at DSP, ISP & BSP
- Installation of Walking Beam Reheating Furnace (for improved product quality, yielding and reductions in energy consumption) in Blooming Mill of DSP.

### Area: Rolling & Finishing (Flat Products)

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

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

#### (a) Company's Philosophy

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

#### (b) Board of Directors

As on 31<sup>st</sup> March, 2008, the Board of Directors comprised a full time Chairman, 9 whole-time Directors (WTD) and 12 non-executive Directors (Non-ED) (including 10 independent Directors). During the year, 15 Board meetings were held on 03.04.2007, 21.05.2007, 26.05.2007, 06.07.2007, 25.07.2007, 07.08.2007, 28.08.2007, 05.09.2007, 20.09.2007, 30.10.2007, 11.12.2007, 29.01.2008, 31.01.2008, 22.02.2008 and 14.03.2008.

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

| Name of the Director                    | Category of Directorship | No. of Board meetings attended during 2007-08 | Attendance at last AGM | No. of other directorship held as on 31.3.2008 * |
|---|--------------------------|---|------------------------|--|
| Shri S.K. Roongta                       | WTD                      | 15  | Yes                    | Nil  |
| Shri K.K. Khanna (upto 30.09.2007)      | WTD                      | 9   | Yes                    | -  |
| Shri Arun Kumar Rath. (upto 16.11.2007) | Non-ED                   | 10  | --                     | -  |
| Dr. S.C. Jain                           | Non-ED                   | 14  | --                     | Nil  |
| Prof. R.P. Sengupta                     | Non-ED                   | 6   | --                     | Nil  |
| Dr. Velu Annamalai                      | Non-ED                   | 14  | Yes                    | Nil  |
| Shri Siddharth Kak                      | Non-ED                   | 14  | --                     | 1  |
| Shri Nilotpal Roy (upto 31.01.2008)     | WTD                      | 13  | Yes                    | -  |
| Shri G. Elias                           | Non-ED                   | 14  | --                     | 1  |
| Shri V. Shyamsundar                     | WTD                      | 14  | Yes                    | Nil  |
| Shri B.N. Singh                         | WTD                      | 12  | Yes                    | 1  |
| Shri V.K. Srivastava                    | WTD                      | 14  | Yes                    | 3  |
| Shri G. Ojha                            | WTD                      | 14  | Yes                    | 1  |
| Shri Shyamal Ghosh                      | Non-ED                   | 14  | Yes                    | 7  |
| Shri S.N. P.N. Sinha (upto 27.06.2007)  | Non-ED                   | 2   | N.A.                   | -  |
| Shri Mohammad Yusuf Khan                | Non-ED                   | 7   | Yes                    | 3  |
| Prof. Deepak Nayyar                     | Non-ED                   | 10  | -                      | 1  |
| Shri R. Ramaraju                        | WTD                      | 15  | Yes                    | 3  |
| Prof. Javaid Akhtar                     | Non-ED                   | 11  | Yes                    | Nil  |
| Shri P.K. Sengupta                      | Non-ED                   | 14  | Yes                    | Nil  |
| Dr. Vinayshil Gautam                    | Non-ED                   | 14  | Yes                    | 3  |
| Shri Soiles Bhattacharya                | WTD                      | 15  | Yes                    | Nil  |
| Shri S.S. Ahmed (w.e.f. 11.05.2007)     | WTD                      | 13  | Yes                    | Nil  |
| Shri V.K. Gulhati (w.e.f. 01.10.2007)   | WTD                      | 5   | N.A.                   | 2  |
| Shri B.S. Meena (w.e.f. 20.12.2007)     | Non-ED                   | 4   | N.A.                   | 6  |
| Shri S.P. Rao (w.e.f. 15.02.2008)       | WTD                      | 2   | N.A.                   | Nil  |

\* Includes Directorship in Private companies.

#### (c) Audit Committee:

##### 1. Terms of reference:

The primary function of the Audit Committeee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports; the Company's systems of internal controls

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

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

The minutes of the Audit Committee meetings are circulated to the Board, discussed and taken note of.

##### 2. Composition:

The Audit Committee of the Board was formed in 1998. However, in pursuance to SEBI's requirements, the Audit Committee was reconstituted on 21<sup>st</sup> March, 2001 with only Non-Executive Directors as members. The present Audit Committee was reconstituted on 11.06.2007 and consists of Shri Mohd. Yusuf Khan, Shri Siddharth Kak, Shri P.K. Sengupta and Dr. Vinayshil Gautam as members.

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

| Name of the Director                      | Status   | No. of meetings attended |
|---|----------|--------------------------|
| Shri Mohammad Yusuf Khan (w.e.f. 11.6.07) | Chairman | 4                        |
| Shri Siddharth Kak                        | Member   | 7                        |
| Shri P.K. Sengupta (w.e.f. 11.6.2007)     | Member   | 5                        |
| Dr. Vinayshil Gautam (w.e.f. 11.6.2007)   | Member   | 5                        |
| Prof. R.P. Sengupta (upto 10.6.2007)      | Chairman | 2                        |
| Shri Shyamal Ghosh (upto 10.6.2007)       | Member   | 2                        |

#### (d) Nomination & Compensation Committee

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

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

| Name of the Director              | Salary         | Retirement & other Benefits | Total           |
|-----------------------------------|----------------|-----------------------------|-----------------|
| Shri S.K. Roongta                 | 723354         | 884940                      | 1608294         |
| Shri K.K. Khanna (upto 30.09.07)  | 340517         | 443113                      | 783630          |
| Shri Nilotpal Roy (upto 31.01.08) | 513782         | 205202                      | 718984          |
| Shri V. Shyamsundar               | 939401         | 817876                      | 1757277         |
| Shri B.N. Singh                   | 771363         | 811576                      | 1582939         |
| Shri V.K. Srivastava              | 729029         | 619166                      | 1348195         |
| Shri G. Ojha                      | 768577         | 831804                      | 1600381         |
| Shri R. Ramaraju                  | 831228         | 773442                      | 1604670         |
| Shri Soiles Bhattacharya          | 859342         | 772089                      | 1631431         |
| Shri S.S. Ahmed                   | 622746         | 676308                      | 1299054         |
| Shri V.K. Gulhati                 | 481523         | 436685                      | 918208          |
| Shri S.P. Rao                     | 57657          | 91695                       | 149352          |
| <b>Total</b>                      | <b>7638519</b> | <b>7363896</b>              | <b>15002415</b> |

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

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

##### v) Terms & Conditions

The Whole Time Directors are nominated by Government of India for appointment as Director for a period of 5 years or till the age of



Superannuation or until further order, whichever is the earliest. They are initially appointed by the Board of Directors as Additional Directors and thereafter by the Shareholders in the Annual General Meeting in terms of the provisions of the Companies Act, 1956.

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

(e) **Shareholders/Investors Grievance Committee**

- (i) A Shareholders/Investors Grievance Committee under the Chairmanship of an Independent Director namely Prof. Deepak Nayyar and comprising another independent director, namely Prof. Javaid Akhtar, and two Whole Time Directors, i.e. Director (Personnel) and Director (Finance), as members is functioning to look into the redressal of shareholders and investors complaints like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

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

- (iii) There was one complaint pending redressal as on 31.03.2007. Number of shareholders complaints received during the period from 01.04.2007 to 31.03.2008 were 50. During the year, 50 complaint were resolved and only one complaint was pending for redressal as on 31.03.2008, which has also been resolved subsequently.

(f) **General Body Meetings:**

Location and time where last three AGMs held:

| Financial Year | Date       | Time       | Location  |
|----------------|------------|------------|---|
| 2006-2007      | 20.09.2007 | 10.30 a.m. | Air Force Auditorium Subroto Park, New Delhi.     |
| 2005-2006      | 22.09.2006 | 10.30 a.m. | NDMC Indoor Stadium, Talkatora Garden, New Delhi. |
| 2004-2005      | 23.09.2005 | 10.30 a.m. | NDMC Indoor Stadium, Talkatora Garden, New Delhi. |

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

(g) **Disclosures:**

There were no transactions by the Company of material nature with Promoters, Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. The Non-Executive Directors had no pecuniary relationships or transactions vis-à-vis the company during the year except receipt of sitting fee for attending the meetings of the Board/Board Sub-Committee. None of the Non-Executive Directors held any share/convertible instrument of the company.

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

The Central Vigilance Commission (CVC) has informed that as per the Hon'ble Supreme Court orders and Government of India Resolution on

"Public Interest Disclosure & Protection of Informer" only CVC can act as the designated agency to receive Whistle Blower Complaint. No other agency is empowered/can be nominated to deal with the matter. As such, CVC has not permitted SAIL to formulate the Whistle Blower Policy at this stage. Accordingly, the Company has not adopted Whistle Blower Policy. However, the Company has not denied access to any personnel to approach the Management on any issues.

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchange and the guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises, Government of India. Further, the company has not adopted non-mandatory requirement of the said clause 49.

(h) **Means of Communication:**

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

|                     |            |            |            |
|---------------------|------------|------------|------------|
| Quarter ending      | 30.06.2007 | 30.09.2007 | 31.12.2007 |
| Date of publication | 26.07.2007 | 31.10.2007 | 30.01.2008 |

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

The Management's Discussion & Analysis Report forms part of the Annual Report.

(i) **General Shareholders Information:**

- i) Annual General Meeting is proposed to be held on 10<sup>th</sup> September, 2008 at Air Force Auditorium, Subroto Park, New Delhi-110010.

- ii) Financial year: 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2008

- iii) Date of Book Closure: 2<sup>nd</sup> August, 2008 to 20<sup>th</sup> August, 2008 (Both days inclusive).

- iv) The Board of Directors of the Company has recommended payment of final Dividend of 18% for the Financial Year ended March 31<sup>st</sup>, 2008 in addition to the Interim Dividend of 19% paid on 5<sup>th</sup> February, 2008. The Final Dividend, if declared at the ensuing AGM, will be paid to those Shareholders whose names appear in the Company's Register on the record date i.e. 1<sup>st</sup> August, 2008 (end of business hours).

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

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

The National Stock Exchange of India Limited,  
Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E).  
Mumbai- 400051 (ISIN No. INE 114A01011)

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

The Annual Listing Fee for 2007-08 has been paid to each of the stock exchanges.

- vi) The monthly high and low quotation of the Company's shares during each month in the last financial year at the Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange (NSE) during the year 2007-08 are indicated below:

| MONTH & YEAR | SENSEX   |          | SAIL at BSE |        | NIFTY   |         | SAIL at NSE |        |
|--------------|----------|----------|-------------|--------|---------|---------|-------------|--------|
|              | HIGH     | LOW      | HIGH        | LOW    | HIGH    | LOW     | HIGH        | LOW    |
| APR '07      | 14383.72 | 12425.52 | 137.70      | 106.10 | 4217.90 | 3617.00 | 137.90      | 106.05 |
| MAY '07      | 14576.37 | 13554.34 | 149.95      | 131.90 | 4306.75 | 3981.15 | 149.95      | 124.10 |
| JUN '07      | 14683.36 | 13946.99 | 141.90      | 123.75 | 4300.70 | 4161.80 | 141.70      | 123.00 |
| JUL '07      | 15868.85 | 14638.88 | 167.10      | 128.15 | 4647.95 | 4304.00 | 167.20      | 128.10 |
| AUG '07      | 15542.40 | 13779.88 | 172.75      | 136.00 | 4528.85 | 4165.70 | 172.80      | 135.10 |
| SEP '07      | 17361.47 | 15323.05 | 209.35      | 163.10 | 5055.80 | 4445.55 | 209.75      | 162.10 |
| OCT '07      | 20238.16 | 17144.58 | 280.90      | 184.00 | 5976.00 | 5000.95 | 280.00      | 185.00 |
| NOV '07      | 20204.21 | 18182.83 | 273.15      | 218.65 | 6011.95 | 5394.35 | 273.00      | 225.25 |
| DEC '07      | 20498.11 | 18886.40 | 292.50      | 250.10 | 6185.40 | 5676.70 | 293.00      | 250.00 |
| JAN '08      | 21206.77 | 15332.42 | 288.70      | 165.00 | 6357.10 | 4448.50 | 290.40      | 165.00 |
| FEB '08      | 18895.34 | 16457.74 | 262.00      | 180.70 | 5545.20 | 4803.60 | 263.00      | 180.10 |
| MAR '08      | 17227.56 | 14677.24 | 250.00      | 181.50 | 5222.80 | 4468.55 | 250.00      | 181.15 |

vii) **Registrar and Share Transfer Agent**

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

viii) **Share Transfer System:**

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

ix) **Distribution of Shareholdings as on 31<sup>st</sup> March, 2008**

| Shareholding | Shareholders |            | Amount      |            |
|--------------|--------------|------------|-------------|------------|
|              | Number       | % to Total | In Rupees   | % of Total |
| (1)          | (2)          | (3)        | (4)         | (5)        |
| Upto 500     | 266133       | 92.11      | 326758810   | 0.79       |
| 501-1000     | 12343        | 4.27       | 103967250   | 0.25       |
| 1001-2000    | 5187         | 1.80       | 81253860    | 0.20       |
| 2001-3000    | 1666         | 0.58       | 43436390    | 0.10       |
| 3001-4000    | 778          | 0.27       | 28453140    | 0.07       |
| 4001-5000    | 764          | 0.26       | 36707330    | 0.09       |
| 5001-10000   | 937          | 0.32       | 69985340    | 0.17       |
| 10001-50000  | 692          | 0.24       | 149974240   | 0.36       |
| 50001-100000 | 114          | 0.04       | 80847670    | 0.20       |
| Above 100000 | 329          | 0.11       | 40382621420 | 97.77      |
| Total        | 288943       | 100.00     | 41304005450 | 100.00     |

x) **Shareholding pattern as on 31<sup>st</sup> March, 2008**

| Category   | No. of Shares held | %age of Shareholding |
|--|--------------------|----------------------|
| <b>A. Promoters' Holding</b>   |                    |                      |
| 1. Promoters   |                    |                      |
| - Indian Promoters viz, the Govt. of India   | 3,544,690,285      | 85.82                |
| - Foreign Promoters  | -                  |                      |
| 2. Persons acting in Concert   | -                  |                      |
| <b>Sub-Total</b>   | 3,544,690,285      | 85.82                |
| <b>B. Non-Promoters Holding</b>  |                    |                      |
| 3 Institutional Investors  |                    |                      |
| a. Mutual Funds and UTI  | 5,84,21,505        | 1.42                 |
| b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions) | 19,95,19,704       | 4.83                 |
| c.Foreign Institutional Investors (FIIs)   | 223582002          | 5.41                 |
| <b>Sub-Total</b>   | 48,15,23,211       | 11.66                |
| 4 Others   |                    |                      |
| a Private Corporate Bodies   | 2,43,91,190        | 0.59                 |
| b Indian Public  | 7,70,24,899        | 1.86                 |
| c NRIs/OCBs  | 19,83,910          | 0.05                 |
| d Any other (Please specify) - GDR   | 7,87,050           | 0.02                 |
| <b>Sub-Total</b>   | 10,41,87,049       | 2.52                 |
| <b>GRAND TOTAL</b>   | 4,130,400,545      | 100.00               |

xi) **Status of dematerialization as on 31.03.2008**

| Particulars                    | No. of Shares         | % of capital  | No. of Accounts |
|--------------------------------|-----------------------|---------------|-----------------|
| NSDL                           | 56,39,34,570          | 13.65         | 180672          |
| CDSL                           | 1,35,82,505           | 0.33          | 57732           |
| <b>Total Dematerialised</b>    | <b>57,75,17,075</b>   | <b>13.98</b>  | <b>238404</b>   |
| Physical - Government of India | 3,54,46,90,285        | 85.82         | 4               |
| Physical - Other Shareholders  | 81,93,185             | 0.20          | 50535           |
| <b>Total</b>                   | <b>4,13,04,00,545</b> | <b>100.00</b> | <b>288943</b>   |

The Government of India holds shares in physical form. Out of the balance equity capital of the company, 98.60% have already been dematerialised by 31.03.2008.

xii) **CODE OF CONDUCT**

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and that the same has been hosted on the Company's website. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct, as on 31<sup>st</sup> March, 2008.

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

**STEEL PLANTS**

- Bhilai Steel Plant, Bhilai-490001, Chhattisgarh
- Durgapur Steel Plant, Durgapur-713203, West Bengal
- Rourkela Steel Plant, Rourkela-769011, Orissa
- Bokaro Steel Plant, Bokaro Steel City-827001, Jharkhand
- IISCO Steel Plant, Bumpur-713325, West Bengal
- Alloy Steels Plant, Durgapur-713208, West Bengal
- Salem Steel Plant, Salem-636013, Tamil Nadu
- Visvesvaraya Iron & Steel Plant, Bhadravati-577031, Karnataka

**UNITS**

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

**SUBSIDIARIES**

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

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

M/s. MCS Limited,  
Sri Venkatesh Bhawan,  
W-40, Okhla Industrial Area  
Phase-II, New Delhi-110020  
Phone No.011-41406149  
Fax No. 011-41709881  
E-mail [mcsdel@vsnl.com](mailto:mcsdel@vsnl.com)

# Corporate Governance Certificate

Annexure-V to the Directors' Report



To

The Members of  
**Steel Authority of India Limited**

We have examined the compliance of the conditions of corporate governance by **Steel Authority of India Limited** for the year ended 31st March, 2008, as stipulated in clause 49 of the Listing Agreements of the said company with the various stock exchanges and the Guidelines on Corporate Governance for Central Public Sector Enterprises, issued by the Government of India, Department of Public Enterprises (DPE).

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

We certify that, in our opinion, and to the best of our information and according to explanations given to us, the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements and DPE's guidelines. However, there were 10 independent directors on the Board of Directors of the company as against the requirement of 12 independent directors. As regards compliance with DPE's Guidelines, besides the position relating to the requirements of independent directors as stated above, the Company is submitting the details of related party transactions for review by the Audit Committee on half yearly basis, instead of pre-approval by the Audit Committee required by the above Guidelines.

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 Ray & Ray**  
Chartered Accountants

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

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

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

**For T.R. Chadha & Co.**  
Chartered Accountants

Sd/-  
**(Ajesh Tuli)**  
Partner  
(M. No.86424)

**Place :** New Delhi  
**Dated :** 15th July, 2008

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

| NAME OF THE SUBSIDIARY COMPANY   | MAHARASHTRA ELEKTROSMELT LIMITED                        |
|--|---|
| 1. Financial year of the subsidiary ended  | 31st March, 2008  |
| 2. Date from which they became subsidiary  | 18th October, 1986                                      |
| 3. Share of the subsidiary held by the Company as on 31st March, 2008  |   |
| a) Number & face value   | 2,37,87,935 equity shares of Rs.10/- each fully paid up |
| b) Extent of holding   | 99.12%  |
| 4. The Net aggregate amount of the subsidiary Company profit/(loss) so far as it concerns the member of the holding company: | (Rupees in Crore)                                       |
| a) Not dealt with in the holding Company's accounts.   |   |
| i) For the financial year ended 31st March, 2008   | 36.00   |
| ii) Upto the previous financial years of the subsidiary company  | 39.99   |
| b) Dealt with in the holding Company's accounts.   |   |
| i) For the financial year ended 31st March, 2008.  | Nil   |
| ii) For the previous financial years of the subsidiary company since they became the holding company's subsidiaries.         | Nil   |

### Note:

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

For and on behalf of Board of Directors

Sd/-  
**(Devinder Kumar)**  
Secretary

Sd/-  
**(Soiles Bhattacharya)**  
Director (Finance)

Sd/-  
**(S.K. Roongta)**  
Chairman

**Place :** New Delhi  
**Date :** 21st July, 2008

# Consolidated Balance Sheet

As at 31st March, 2008

Annexure-VI to the Directors' Report

|   | Schedule<br>No. | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|-----------------|---------------------------|---------------------------|
| (Rupees in crore)                                 |                 |                           |                           |
| <b>SOURCES OF FUNDS</b>                           |                 |                           |                           |
| <b>Shareholders' Fund</b>                         |                 |                           |                           |
| Share Capital                                     | 1.1             | 4130.40                   | 4130.40                   |
| Reserves and Surplus                              | 1.2             | 19156.87                  | 13348.61                  |
| Share Application Money pending allotment         |                 | 1.50                      | 10.40                     |
| <b>Loan Funds</b>                                 |                 |                           |                           |
| Secured Loans                                     | 1.3             | 1767.28                   | 2013.75                   |
| Unsecured Loans                                   | 1.4             | 2120.36                   | 2625.15                   |
| Deferred Tax Liability ( Net )                    |                 | 1564.35                   | 1416.88                   |
| <b>Minority Interest</b>                          |                 |                           |                           |
|   | 1.16            | 0.43                      | 0.18                      |
|   |                 | 28741.19                  | 23545.37                  |
| <b>APPLICATION OF FUNDS</b>                       |                 |                           |                           |
| <b>Fixed Assets</b>                               |                 |                           |                           |
| Gross Block                                       | 1.5             | 31679.85                  | 30622.81                  |
| Less: Depreciation                                |                 | 19739.02                  | 18651.77                  |
| Net Block   |                 | 11940.83                  | 11971.04                  |
| Capital Work-in-Progress                          | 1.6             | 3486.65                   | 1791.51                   |
| <b>Investments</b>                                |                 |                           |                           |
|   | 1.7             | 35.79                     | 36.99                     |
| <b>Current Assets, Loans &amp; Advances</b>       |                 |                           |                           |
| Inventories                                       | 1.8             | 6954.08                   | 6756.37                   |
| Sundry Debtors                                    | 1.9             | 3110.27                   | 2353.60                   |
| Cash & Bank Balances                              | 1.10            | 13933.08                  | 9810.75                   |
| Other Current Assets                              | 1.11            | 276.37                    | 154.80                    |
| Loans & Advances                                  | 1.12            | 2488.96                   | 1742.47                   |
|   |                 | 26762.76                  | 20817.99                  |
| <b>Less: Current Liabilities &amp; Provisions</b> |                 |                           |                           |
| Current Liabilities                               | 1.13            | 6644.96                   | 5631.87                   |
| Provisions  | 1.14            | 6899.54                   | 5569.97                   |
|   |                 | 13544.50                  | 11201.84                  |
| <b>Net Current Assets</b>                         |                 |                           |                           |
|   |                 | 13218.26                  | 9616.15                   |
| <b>Miscellaneous Expenditure</b>                  |                 |                           |                           |
| (to the extent not written off or adjusted)       | 1.15            | 59.66                     | 129.68                    |
|   |                 | 28741.19                  | 23545.37                  |

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

For and on behalf of Board of Directors

|                                       |   |                                     |
|---------------------------------------|---|-------------------------------------|
| Sd/-<br>(Devinder Kumar)<br>Secretary | Sd/-<br>(Soiles Bhattacharya)<br>Director ( Finance ) | Sd/-<br>( S.K.Roongta )<br>Chairman |
|---------------------------------------|---|-------------------------------------|

In terms of our report of even date

|   |  |  |
|---|--|--|
| For Ray & Ray<br>Chartered Accountants<br>Sd/-<br>( B.K. Ghosh )<br>Partner | For Dass Maulik Mahendra K Agrawala & co.<br>Chartered Accountants<br>Sd/-<br>(Mahendra K Agrawala)<br>Partner | For T.R.Chadha & Co.<br>Chartered Accountants<br>Sd/-<br>( Ajesh Tuli )<br>Partner |
|---|--|--|

Place : New Delhi  
Dated : July 14, 2008

# Consolidated Profit & Loss Account

For the year ended 31st March, 2008

|   | Schedule<br>No. | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |
|---|-----------------|--------------------------------|--------------------------------|
| (Rupees in crore)   |                 |                                |                                |
| <b>INCOME</b>   |                 |                                |                                |
| Sales   | 2.1             | 45654.44                       | 39236.78                       |
| Less : Excise Duty  |                 | 6087.16                        | 5286.31                        |
| Finished products internally consumed   |                 |                                | 490.81                         |
| Interest earned   | 2.2             | 1191.25                        | 757.51                         |
| Other revenues  | 2.3             | 661.85                         | 792.22                         |
| Provisions no longer required written back  | 2.4             | 61.27                          | 59.46                          |
|   |                 | 41972.46                       | 35969.66                       |
| <b>EXPENDITURE</b>  |                 |                                |                                |
| Accretion ( - ) in stocks   | 2.5             | -330.53                        | -216.06                        |
| Raw Materials Consumed  | 2.6             | 14031.88                       | 13312.84                       |
| Purchase of finished / semi-finished products   |                 | 3.63                           | 1.29                           |
| Employees' Remuneration & Benefits  | 2.7             | 8014.32                        | 5141.03                        |
| Stores & Spares Consumed  |                 | 3316.70                        | 3030.29                        |
| Power & Fuel  | 2.8             | 2702.72                        | 2466.48                        |
| Repairs & Maintenance   | 2.9             | 595.31                         | 419.79                         |
| Freight outward   |                 | 717.85                         | 692.12                         |
| Other expenses  | 2.10            | 1881.24                        | 1651.70                        |
| Interest & finance charges  | 2.11            | 259.39                         | 344.37                         |
| Depreciation  |                 | 1283.52                        | 1261.53                        |
| Total   |                 | 32476.03                       | 28105.38                       |
| Less : Inter Account Adjustments  | 2.12            | 2089.63                        | 1670.55                        |
|   |                 | 11586.06                       | 9534.83                        |
| Adjustments pertaining to earlier years   | 2.13            | -1.48                          | -16.01                         |
| <b>Profit before tax</b>  |                 | 11584.58                       | 9518.82                        |
| Less : Provision for taxation :   |                 |                                |                                |
| - Current tax   |                 | 3809.39                        | 3341.44                        |
| - Deferred tax  |                 | 147.42                         | -80.44                         |
| - Fringe benefit tax  |                 | 33.69                          | 27.07                          |
| - Earlier years adjustments   |                 | -2.70                          | -33.04                         |
| <b>Profit after tax</b>   |                 | 7596.78                        | 6263.79                        |
| Share of profit of associate  |                 | 0.09                           | 0.00                           |
| Minority Interest   |                 | 0.25                           | 0.12                           |
|   |                 | 7596.62                        | 6263.67                        |
| Balance brought forward   |                 | 10966.80                       | 6798.54                        |
| Amount transferred from Bonds Redemption Reserve ( net )                                  |                 | 86.39                          | 38.42                          |
| Provision towards long term service awards to employees upto 31st March 2006 (net of tax) |                 | 0.00                           | -14.59                         |
| Amount Available for Appropriation  |                 | 18649.81                       | 13086.04                       |
| <b>APPROPRIATIONS</b>   |                 |                                |                                |
| Transferred to General Reserve  |                 | 773.65                         | 638.50                         |
| Interim dividend  |                 | 784.78                         | 660.86                         |
| Proposed dividend   |                 | 743.54                         | 619.60                         |
| Tax on Interim Dividend   |                 | 133.62                         | 93.22                          |
| Tax on Proposed Dividend  |                 | 127.31                         | 107.06                         |
| Balance carried to Balance Sheet  |                 | 16086.91                       | 10966.80                       |
|   |                 | 18649.81                       | 13086.04                       |
| <b>Earnings per Share ( Face value Rupees 10/- each )</b>                                 |                 |                                |                                |
| Profit after tax  |                 | 7596.62                        | 6263.67                        |
| Average Number of equity shares   |                 | 4130400545                     | 4130400545                     |
| Basic and Diluted Earnings per share ( Rupees )   |                 | 18.39                          | 15.16                          |
| Accounting Policies and Notes on Accounts   | 3               |                                |                                |
| Schedules 2 and 3 annexed hereto, form part of the Consolidated Profit & Loss Account.    |                 |                                |                                |

For and on behalf of Board of Directors

|                                       |   |                                   |
|---------------------------------------|---|-----------------------------------|
| Sd/-<br>(Devinder Kumar)<br>Secretary | Sd/-<br>(Soiles Bhattacharya)<br>Director (Finance) | Sd/-<br>(S.K.Roongta)<br>Chairman |
|---------------------------------------|---|-----------------------------------|

In terms of our report of even date

|   |  |  |
|---|--|--|
| For Ray & Ray<br>Chartered Accountants<br>Sd/-<br>(B.K. Ghosh)<br>Partner | For Dass Maulik Mahendra K Agrawala & Co.<br>Chartered Accountants<br>Sd/-<br>(Mahendra K Agrawala)<br>Partner | For T.R.Chadha & Co.<br>Chartered Accountants<br>Sd/-<br>(Ajesh Tuli)<br>Partner |
|---|--|--|

Place : New Delhi  
Dated : July 14, 2008



# Consolidated Cash Flow Statement

# Schedules



(Forming part of the Consolidated Balance Sheet)

| Consolidated Cash Flow Statement for the Year                           | 2007 - 08        | 2006 - 07         |
|---|------------------|-------------------|
|   |                  | (Rupees in crore) |
| <b>A. Cash flow from Operating Activities</b>                           |                  |                   |
| Net Profit before taxation  | 11584.58         | 9518.82           |
| Add / ( Less ) Adjustments for :  |                  |                   |
| Minority Interest   | (0.25)           | (0.12)            |
| Opening balance of Long Term Service Award                              | 0.00             | (21.94)           |
| Depreciation  | 1282.37          | 1286.80           |
| Interest Expenses   | 259.39           | 227.49            |
| Bad debts written-off   | 2.30             | 4.61              |
| Unrealised Foreign Exchange Fluctuation                                 | (22.89)          | (5.61)            |
| Provision for Others  | 1178.05          | (158.45)          |
| Deferred revenue expenditure (Charged during the year)                  | 73.70            | 127.84            |
| Profit on sale of Fixed Assets  | (48.72)          | (14.00)           |
| Interest Income   | (1191.25)        | (757.51)          |
| Dividend Income   | (3.48)           | (12.77)           |
| <b>Operating cash flow before working capital change</b>                | <b>13113.80</b>  | <b>10195.16</b>   |
| Adjustments for :-  |                  |                   |
| ( Increase ) / Decrease in Inventories                                  | (197.71)         | (434.54)          |
| ( Increase ) / Decrease in Sundry Debtors                               | (758.97)         | (446.35)          |
| ( Increase ) / Decrease in Loans and Advances                           | (728.14)         | (425.45)          |
| Increase / ( Decrease ) in Minority Interest                            | 0.25             | 0.12              |
| Increase / ( Decrease ) in Current liabilities                          | 955.23           | 371.04            |
| Deferred revenue expenditure (Additions)                                | (3.68)           | (40.67)           |
| <b>Cash generated from Operations</b>                                   | <b>12380.78</b>  | <b>9219.31</b>    |
| Direct Taxes Paid   | (3831.92)        | (3445.27)         |
| <b>Net Cash from Operating Activities</b>                               | <b>8548.86</b>   | <b>5774.04</b>    |
| <b>B. Cash flow from Investing Activities</b>                           |                  |                   |
| Purchase of Fixed Assets  | (2842.49)        | (1485.51)         |
| Fixed Assets sold /discarded  | 82.46            | 45.86             |
| Loans to Other Companies  | 4.54             | 26.38             |
| Purchase/Sale of investments (net)                                      | 1.69             | (16.86)           |
| Interest received   | 1069.68          | 689.99            |
| Dividend received   | 3.48             | 12.77             |
| <b>Net Cash used in Investing Activities</b>                            | <b>(1680.64)</b> | <b>(727.37)</b>   |
| <b>C. Cash flow from Financing Activities</b>                           |                  |                   |
| Share Application Money   | (8.90)           | 9.00              |
| Increase / ( decrease ) in Reserve & Surplus                            | 0.80             | 2.27              |
| Increase / ( Decrease ) in Borrowings (net)                             | (751.26)         | 31.84             |
| Reversal of Interest on SDF Loans                                       | 0.00             | 116.88            |
| Interest and Finance Charges paid                                       | (340.08)         | (521.28)          |
| Dividend Paid   | (1405.50)        | (980.59)          |
| Tax on Dividend   | (240.95)         | (137.71)          |
| <b>Net Cash used in Financing Activities</b>                            | <b>(2745.89)</b> | <b>(1479.59)</b>  |
| <b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b> | <b>4122.33</b>   | <b>3567.08</b>    |
| <b>Cash &amp; Cash Equivalents (Opening)</b>                            | <b>9810.75</b>   | <b>6243.67</b>    |
| <b>Cash &amp; Cash Equivalents (Closing)</b>                            | <b>13933.08</b>  | <b>9810.75</b>    |
| (Represented by Cash & Bank Balances)                                   |                  |                   |

## Notes :

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

Sd/-  
(Devinder Kumar)  
Secretary

For and on behalf of Board of Directors

Sd/-  
(Soiles Bhattacharya)  
Director (Finance)

For Ray & Ray  
Chartered Accountants

Sd/-  
(B.K. Ghosh)  
Partner

For DASS MAULIK MAHENDRA K AGRAWALA & Co.  
Chartered Accountants

Sd/-  
(Mahendra K Agrawala)  
Partner

Sd/-  
(S.K.Roongta)  
Chairman

For T.R.Chadha & Co.  
Chartered Accountants

Sd/-  
(Ajesh Tuli)  
Partner

Place : New Delhi  
Dated : July 14, 2008

## 1.1. : SHARE CAPITAL

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|---------------------------|---------------------------|
|   |                           | (Rupees in crore)         |
| <b>Authorised</b>   |                           |                           |
| 5,00,00,00,000 equity shares of Rs. 10 each               | 5000.00                   | 5000.00                   |
| <b>Issued, Subscribed &amp; Paid-up</b>                   |                           |                           |
| 4,13,04,00,545 equity shares of Rs. 10/- each fully paid. | 4130.40                   | 4130.40                   |

Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid up for consideration other than cash.

## 1.2 : RESERVES AND SURPLUS

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|---------------------------|---------------------------|
|   |                           | (Rupees in crore)         |
| Capital Reserve                             | 3.29                      | 3.29                      |
| <b>Prime Minister's Trophy Award Fund</b>   |                           |                           |
| As per last Balance Sheet                   | 11.33                     | 8.98                      |
| Additions                                   | 1.28                      | 2.77                      |
|   | 12.61                     | 11.75                     |
| Utilisations                                | 0.48                      | 0.42                      |
|   | 12.13                     | 11.33                     |
| <b>Securities Premium</b>                   | <b>235.29</b>             | <b>235.29</b>             |
| <b>Bond Redemption Reserve</b>              |                           |                           |
| As per last Balance Sheet                   | 348.83                    | 387.25                    |
| Transferred from Profit & Loss Account      | 31.82                     | 59.40                     |
| Transferred to Profit & Loss Account        | 118.21                    | 97.82                     |
|   | 262.44                    | 348.83                    |
| <b>General Reserve</b>                      |                           |                           |
| As per last Balance Sheet                   | 1783.07                   | 1144.65                   |
| Add: Transferred from Profit & Loss Account | 773.65                    | 638.50                    |
| Add: Adjustment during the year             | 0.09                      | -0.08                     |
|   | 2556.81                   | 1783.07                   |
| Surplus as per Profit & Loss Account        | 16086.91                  | 10966.80                  |
|   | 19156.87                  | 13348.61                  |

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.3 : SECURED LOANS

|   |       | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|-------|---------------------------|--|
| Working Capital Borrowings from Banks<br>( Including Foreign currency demand loans<br>of Rs. 0.00 crores ; Previous year Rs. 28.02 crores ) | ( a ) | 267.98                    | 271.10   |
| Term Loan from Banks  |       | 834.62                    | 977.50   |
| Interest accrued and due thereon  |       | 0.18                      | 0.00   |
| <b>Non Convertible Bonds</b>  | ( b ) |                           |  |
| Interest Rate      Date of Redemption   |       |                           |  |
| 12.95 %      1st December 2007  |       | 0.00                      | 100.05   |
| 11.60 %      1st June 2008  |       | 33.95                     | 33.95  |
| 7.80 %      1st September 2008  |       | 0.15                      | 0.15   |
| 11.10 %      1st December 2008  |       | 0.30                      | 0.30   |
| 11.10 %      20th July 2009   | ( c ) | 0.00                      | 0.50   |
| 11.50 %      20th July 2009   |       | 48.65                     | 48.65  |
| 9.75 %      1st February 2010   | ( c ) | 0.00                      | 0.10   |
| 10.25 %      1st February 2010  |       | 88.35                     | 88.35  |
| 11.50%      15th April 2010   |       | 21.00                     | 21.00  |
| 8.00%      1st September 2010   |       | 0.70                      | 0.70   |
| 13.05 %      1st December 2010  |       | 59.80                     | 59.80  |
| 12.10 %      1st June 2011  |       | 91.30                     | 91.30  |
| 12.00 %      1st December 2011  |       | 76.90                     | 76.90  |
| 12.00 %      20th July 2012   |       | 109.90                    | 109.90   |
| 10.75 %      1st February 2013  |       | 75.30                     | 75.30  |
| 8.20%      1st September 2013   |       | 58.20                     | 58.20  |
|   |       | <b>664.50</b>             | 765.15   |
|   |       | <b>1767.28</b>            | 2013.75  |

- (a) Secured by hypothecation of all current assets  
 (b) Secured by charges ranking pari-passu inter-se, on all the present and future immovable property at Mouje-Wadej of City taluka, District Ahmedabad, Gujarat and Company's Plant & Machinery, including the land on which it stands, pertaining to Durgapur Steel Plant.( DSP )  
 (c) Redeemed at par by exercising call option

**Note :** Secured Loans repayable within one year as at 31.03.2008, Rs.90.96 crore ( 31.03.2007 : Rs. 625.05 crore)

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.4 : UNSECURED LOANS

|   |     | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|-----|---------------------------|--|
| <b>Government of India</b>                                |     | 0.27                      | 0.27   |
| Interest accrued and due thereon                          |     | 0.58                      | 0.58   |
| <b>Steel Development Fund</b>                             |     | 204.16                    | 204.16   |
| Interest accrued and due thereon                          |     | 907.37                    | 888.42   |
| <b>Foreign Currency Loans</b>                             |     |                           |  |
| Long Term   | (@) | 515.65                    | 512.59   |
| Short Term  |     | 0.00                      | 23.06  |
| Term Loans From Government of Maharashtra (Interest free) |     | 0.39                      | 0.98   |
| <b>Non Convertible Bonds</b>                              | (@) |                           |  |
| Interest Rate      Date of Redemption                     |     |                           |  |
| 10.25 %      3rd June 2007                                |     | 0.00                      | 450.00   |
| 11.60 %      12th March 2008                              |     | 0.00                      | 15.00  |
| 10.50 %      1st August,2008                              |     | 35.00                     | 35.00  |
| 11.50 %      30th March 2010                              | #   | 43.50                     | 43.50  |
| 12.45 %      1st September 2010                           | *   | 0.00                      | 38.15  |
| 12.55 %      1st September 2010                           |     | 39.40                     | 39.40  |
| 6.4%      15th October 2010                               |     | 64.00                     | 64.00  |
| 12.10 %      12th March 2011                              |     | 195.00                    | 195.00   |
| 11.00 %      1st August, 2011                             |     | 115.00                    | 115.00   |
| <b>Others</b>   |     | 491.90                    | 995.05   |
| Inter Corporate Loans - Short term                        |     | 0.04                      | 0.04   |
|   |     | <b>2120.36</b>            | 2625.15  |

(@) Guaranteed by Government of India /State Bank of India

# 11.50% Non Convertible bonds earlier guaranteed by Government of India, have been converted into 11.85% Non convertible secured bonds w.e.f. 01.04.2008

\* Redeemed at par by exercising call option

**Note :** Unsecured Loans repayable within one year as at 31.03.2008, Rs. 994.41 crore ( 31.03.2007 : Rs. 1422.66 crore)

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.5 : FIXED ASSETS

| Description                              | GROSS BLOCK (AT COST)  |                         |           |                        |
|--|------------------------|-------------------------|-----------|------------------------|
|  | As at 31st March, 2007 | Additional/ Adjustments | Deduction | As at 31st March, 2008 |
| (Rupees in crore)                        |                        |                         |           |                        |
| <b>A. PLANTS, MINES, OTHERS</b>          |                        |                         |           |                        |
| Goodwill *                               | 27.11                  | 0.00                    | 0.00      | 27.11                  |
| Land(including cost of development)      |                        |                         |           |                        |
| -Freehold                                | 128.05                 | 41.04                   | 10.20     | 158.89                 |
| -Leasehold                               | 61.74                  | 16.73                   | -19.33    | 97.80                  |
| Railway Lines & Sidings                  | 227.53                 | 0.14                    | 0.33      | 227.34                 |
| Roads, Bridges & Culverts                | 155.15                 | 3.49                    | -0.19     | 158.83                 |
| Buildings                                | 1783.68                | 25.07                   | -0.20     | 1808.95                |
| Plant & Machinery                        |                        |                         |           |                        |
| -Steel Plant                             | 24085.99               | 825.88                  | 168.64    | 24743.23               |
| -Others                                  | 1621.92                | 94.52                   | 27.07     | 1689.37                |
| Furniture & Fittings                     | 81.76                  | 5.67                    | 0.18      | 87.25                  |
| Vehicles                                 | 491.24                 | 99.05                   | 10.42     | 579.87                 |
| Water Supply & Sewerage                  | 299.07                 | -0.96                   | -0.08     | 298.19                 |
| EDP Equipment's                          | 203.41                 | 16.85                   | 2.09      | 218.17                 |
| Software (Intangible)                    | 18.88                  | 3.03                    | 0.14      | 21.77                  |
| Mining Rights (Intangible)               | 202.57                 | 105.52                  | 15.80     | 292.29                 |
| Miscellaneous Articles                   | 235.60                 | 12.62                   | 2.75      | 245.47                 |
| Sub-total 'A'                            | 29623.70               | 1248.65                 | 217.82    | 30654.53               |
| Figures for the previous year            | 29082.56               | 684.96                  | 143.82    | 29623.70               |
| <b>B. SOCIAL FACILITIES</b>              |                        |                         |           |                        |
| Land(including cost of development)      |                        |                         |           |                        |
| -Freehold                                | 9.96                   | 0.03                    | 0.00      | 9.99                   |
| -Leasehold                               | 7.09                   | 0.00                    | 0.00      | 7.09                   |
| Roads, Bridges & Culverts                | 50.49                  | 0.00                    | 0.00      | 50.49                  |
| Buildings                                | 561.40                 | 7.90                    | 0.39      | 568.91                 |
| Plant & Machinery-Others                 | 90.70                  | 4.25                    | 2.71      | 92.24                  |
| Furniture & Fittings                     | 15.10                  | 1.47                    | 0.32      | 16.25                  |
| Vehicles                                 | 9.11                   | 1.17                    | 0.50      | 9.78                   |
| Water Supply & Sewerage                  | 115.31                 | 0.90                    | 0.02      | 116.19                 |
| EDP Equipment's                          | 9.58                   | 3.33                    | 0.36      | 12.55                  |
| Software (Intangible)                    | 0.45                   | 0.18                    | 0.00      | 0.63                   |
| Miscellaneous Articles                   | 105.94                 | 14.19                   | 4.47      | 115.66                 |
| Sub-total 'B'                            | 975.13                 | 33.42                   | 8.77      | 999.78                 |
| Figures for the previous year            | 953.39                 | 26.71                   | 4.97      | 975.13                 |
| <b>C. ASSETS RETIRED FROM ACTIVE USE</b> |                        |                         |           |                        |
| Unserviceable / Obsolete Assets          | 23.98                  | 6.93                    | 5.37      | 25.54                  |
| Figures for the previous year            | 24.44                  | 4.44                    | 4.90      | 23.98                  |
| Total ('A'+ 'B'+ 'C')                    | 30622.81               | 1289.00                 | 231.96    | 31679.85               |
| Total - Previous year                    | 30060.39               | 716.11                  | 153.69    | 30622.81               |

\* Arising out of consolidation of Subsidiary Accounts.

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.5 : FIXED ASSETS

| Description                              | DEPRECIATION           |              |                               | NET BLOCK              |                        |                        |
|--|------------------------|--------------|-------------------------------|------------------------|------------------------|------------------------|
|  | Up to 31st March, 2007 | For the year | Less : On Sales / Adjustments | Up to 31st March, 2008 | As at 31st March, 2008 | As at 31st March, 2007 |
| (Rupees in crore)                        |                        |              |                               |                        |                        |                        |
| <b>A. PLANTS, MINES, OTHERS</b>          |                        |              |                               |                        |                        |                        |
| Goodwill *                               | 27.11                  | 0.00         | 0.00                          | 27.11                  | 0.00                   | 0.00                   |
| Land(including cost of development)      |                        |              |                               |                        |                        |                        |
| -Freehold                                | 0.00                   | 0.71         | 0.00                          | 0.71                   | 158.18                 | 128.05                 |
| -Leasehold                               | 11.11                  | 9.68         | -0.29                         | 21.08                  | 76.72                  | 50.63                  |
| Railway Lines & Sidings                  | 163.96                 | 6.10         | 0.27                          | 169.79                 | 57.55                  | 63.57                  |
| Roads, Bridges & Culverts                | 45.35                  | 2.63         | -0.01                         | 47.99                  | 110.84                 | 109.80                 |
| Buildings                                | 939.39                 | 52.38        | 0.13                          | 991.64                 | 817.31                 | 844.29                 |
| Plant & Machinery                        |                        |              |                               |                        |                        |                        |
| -Steel Plant                             | 14779.70               | 1053.52      | 144.18                        | 15689.04               | 9054.19                | 9306.29                |
| -Others                                  | 1171.85                | 71.74        | 27.56                         | 1216.03                | 473.34                 | 450.07                 |
| Furniture & Fittings                     | 65.02                  | 4.53         | 0.14                          | 69.41                  | 17.84                  | 16.74                  |
| Vehicles                                 | 366.62                 | 15.50        | 9.85                          | 372.27                 | 207.60                 | 124.62                 |
| Water Supply & Sewerage                  | 222.89                 | 8.02         | 0.01                          | 230.90                 | 67.29                  | 76.18                  |
| EDP Equipment's                          | 163.14                 | 10.51        | 1.96                          | 171.69                 | 46.48                  | 40.27                  |
| Software (Intangible)                    | 16.04                  | 1.67         | 0.16                          | 17.55                  | 4.22                   | 2.84                   |
| Mining Rights (Intangible)               | 65.80                  | 13.56        | 7.61                          | 71.75                  | 220.54                 | 136.77                 |
| Miscellaneous Articles                   | 155.70                 | 10.04        | 2.06                          | 163.68                 | 81.79                  | 79.90                  |
| Sub-total 'A'                            | 18193.68               | 1260.59      | 193.63                        | 19260.64               | 11393.89               | 11430.02               |
| Figures for the previous year            | 17050.81               | 1262.33      | 119.46                        | 18193.68               | 11430.02               |                        |
| <b>B. SOCIAL FACILITIES</b>              |                        |              |                               |                        |                        |                        |
| Land(including cost of development)      |                        |              |                               |                        |                        |                        |
| -Freehold                                | -                      | -            | -                             | -                      | 9.99                   | 9.96                   |
| -Leasehold                               | 4.73                   | 0.13         | 0.00                          | 4.86                   | 2.23                   | 2.36                   |
| Roads, Bridges & Culverts                | 17.14                  | 1.74         | 0.00                          | 18.88                  | 31.61                  | 33.35                  |
| Buildings                                | 191.48                 | 9.23         | 0.14                          | 200.57                 | 368.34                 | 369.92                 |
| Plant & Machinery-Others                 | 61.51                  | 3.05         | 0.42                          | 64.14                  | 28.10                  | 29.19                  |
| Furniture & Fittings                     | 12.03                  | 0.74         | 0.10                          | 12.67                  | 3.58                   | 3.07                   |
| Vehicles                                 | 6.44                   | 0.36         | 0.46                          | 6.34                   | 3.44                   | 2.67                   |
| Water Supply & Sewerage                  | 89.83                  | 3.33         | 0.02                          | 93.14                  | 23.05                  | 25.48                  |
| EDP Equipment's                          | 3.82                   | 1.59         | 0.12                          | 5.29                   | 7.26                   | 5.76                   |
| Software (Intangible)                    | 0.42                   | 0.01         | 0.00                          | 0.43                   | 0.20                   | 0.03                   |
| Miscellaneous Articles                   | 70.69                  | 4.70         | 3.33                          | 72.06                  | 43.60                  | 35.25                  |
| Sub-total 'B'                            | 458.09                 | 24.88        | 4.59                          | 478.38                 | 521.40                 | 517.04                 |
| Figures for the previous year            | 435.66                 | 25.95        | 3.52                          | 458.09                 | 517.04                 |                        |
| <b>C. ASSETS RETIRED FROM ACTIVE USE</b> |                        |              |                               |                        |                        |                        |
| Unserviceable / Obsolete Assets          | -                      | -            | -                             | -                      | 25.54                  | 23.98                  |
| Figures for the previous year            | -                      | -            | -                             | -                      | 23.98                  |                        |
| Total ('A'+ 'B'+ 'C')                    | 18651.77               | 1285.47      | 198.22                        | 19739.02               | 11940.83               | 11971.04               |
| Total - Previous year                    | 17486.47               | 1288.28      | 122.98                        | 18651.77               | 11971.04               |                        |

\* Arising out of consolidation of subsidiary accounts

### Note : Allocation of Depreciation

|  | Current Year | Previous Year |
|--|--------------|---------------|
| (a) Charged to Profit & Loss Account                   | 1283.52      | 1261.53       |
| (b) Charged to expenditure during construction         | 3.10         | 1.48          |
| (c) Debited to adjustments pertaining to earlier years | -1.15        | 25.27         |
| Total  | 1285.47      | 1288.28       |

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.6 : CAPITAL WORK-IN-PROGRESS

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|--|---------------------------|--|
| Expenditure during construction pending allocation (Schedule 1.6.1)              | 35.51                     | 18.67  |
| <b>Capital Work-in-progress</b>  |                           |  |
| Steel Plants & Units   | 2208.95                   | 1201.96  |
| Township   | 23.42                     | 10.52  |
| Ore Mines and Quarries   | 3.72                      | 0.00   |
|  | <u>2236.09</u>            | <u>1212.48</u>                                 |
| Less: Provisions   | 57.50                     | 59.65  |
| Capital equipments pending erection, installation, commissioning and adjustments | 280.18                    | 1152.83  |
| Construction Stores and Spares   | 86.73                     | 111.38   |
| Less: Provisions   | 2.18                      | 2.96   |
| Advances   | 908.84                    | 318.11   |
| Less: Provisions   | 1.02                      | 1.45   |
|  | <u>907.82</u>             | <u>316.66</u>                                  |
|  | <u>3486.65</u>            | <u>1791.51</u>                                 |
| <b>Particulars of advances</b>   |                           |  |
| Secured, Considered Good   | 1.41                      | 1.82   |
| Unsecured, Considered Good   | 906.41                    | 314.84   |
| (including advances backed by Bank Guarantees Rs. 77.46 crores)                  |                           |  |
| (Previous year: Rs. 0.26 crores)   |                           |  |
| Unsecured, Considered Doubtful   | 1.02                      | 1.45   |
|  | <u>908.84</u>             | <u>318.11</u>                                  |

### 1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

|   | As at<br>31st March, 2008 | As at<br>31st March, 2007<br>(Rupees in crore) |
|---|---------------------------|--|
| Opening Balance (a)   | 18.67                     | 14.71  |
| <b>Expenditure incurred during the year</b>                   |                           |  |
| <b>Employees' Remuneration &amp; Benefits</b>                 |                           |  |
| Salaries & Wages  | 47.16                     | 27.88  |
| Company's contribution to Provident and other Funds           | 3.68                      | 2.64   |
| Travel Concession   | 2.88                      | 0.47   |
| Welfare Expenses  | 0.39                      | 0.14   |
| Gratuity  | 4.76                      | 2.02   |
|   | <u>58.87</u>              | <u>33.15</u>                                   |
| Technical Consultants' fees & know-how                        | 25.36                     | 7.79   |
| Repairs & Maintenance   | 1.50                      | 0.12   |
| Stores and Spares   | 1.43                      | 1.69   |
| Power & Fuel  | 10.23                     | 5.76   |
| Rent  | 0.02                      | 0.00   |
| Rates & Taxes   | 0.30                      | 0.00   |
| Other expenses  | 58.35                     | 35.28  |
| Interest & Finance charges                                    | 1.82                      | 0.88   |
| Depreciation  | 3.10                      | 1.48   |
|   | <u>160.98</u>             | <u>86.15</u>                                   |
| <b>Less: Income</b>   |                           |  |
| Interest Earned   | 1.17                      | 0.01   |
| Liquidated Damages  | 1.53                      | 6.35   |
| Hire Charges  | 1.25                      | 0.37   |
| Sundries  | 0.80                      | 1.08   |
|   | <u>4.75</u>               | <u>7.81</u>                                    |
| Net expenditure during the year (b)                           | <u>156.23</u>             | <u>78.34</u>                                   |
| Total (a)+(b)   | <u>174.90</u>             | <u>93.05</u>                                   |
| Amount allocated to Fixed Assets/<br>Capital Work-in-progress | 139.39                    | 74.38  |
| Balance carried forward                                       | <u>35.51</u>              | <u>18.67</u>                                   |

# Schedules

(Forming part of the Consolidated Balance Sheet)

## 1.7: INVESTMENTS AT COST - Long Term

|   | Number of<br>Fully paid-up<br>Equity Shares | Face<br>Value per<br>Share<br>(Rs.) | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|---|-------------------------------------|---------------------------|---------------------------|
|   |   |                                     |                           | (Rupees in crore)         |
| <b>(A) Unquoted</b>   |   |                                     |                           |                           |
| <b>Trade Investments</b>  |   |                                     |                           |                           |
| <b>Subsidiary Companies</b>                                       |   |                                     |                           |                           |
| IISCO Ujjain Pipe & Foundary Company Limited (Refer Note No. 3.6) | 30,00,000                                   | 10                                  | 3.00                      | 3.00                      |
| <b>Others</b>   |   |                                     |                           |                           |
| Almora Magnesite Limited  | 40,000                                      | 100                                 | 0.40                      | 0.40                      |
| Add : Share of post acquisition profit                            |   |                                     | 0.09                      | 0.49                      |
| North Bengal Dolomite Limited                                     | 97,900                                      | 100                                 | 0.98                      | 0.98                      |
| Tata Refractories Limited   | 22,03,150                                   | 10                                  | 11.35                     | 11.35                     |
| Indian Potash Limited   | 360000                                      | 10                                  | 0.18                      | 0.18                      |
| Cement & Allied Products (Bihar) Limited                          | 2   | 10                                  | 0.00 *                    | 0.00 *                    |
| Chemical & Fertilizer Corporation (Bihar) Limited                 | 1   | 10                                  | 0.00 *                    | 0.00 *                    |
| Bhilai Power Supply Company Limited                               | 5   | 10                                  | 0.00 *                    | 0.00 *                    |
| MSTC Limited  | 20,000                                      | 10                                  | 0.01                      | 0.01                      |
| Bihar State Financial Corporation                                 | 500   | 100                                 | 0.01                      | 0.01                      |
| Shares in Co-operative Societies (1.7.1)                          |   |                                     | 0.18                      | 0.20                      |
| <b>Unquoted Current Investments</b>                               |   |                                     |                           |                           |
| Units of Mutual Fund  |   |                                     | 23.57                     | 25.26                     |
| <b>Total (A)</b>  |   |                                     | <u>39.77</u>              | <u>41.37</u>              |
| <b>(B) Quoted</b>   |   |                                     |                           |                           |
| HDFC Limited  | 12000                                       | 10                                  | 0.01                      | 0.01                      |
| HDFC Bank Limited   | 500   | 10                                  | 0.00                      | 0.00 *                    |
| ICICI Bank Ltd  | 28600                                       | 10                                  | 0.05                      | 0.05                      |
| <b>Total (B)</b>  |   |                                     | <u>0.06 @</u>             | <u>0.06 @</u>             |
| <b>Total (A+B)</b>  |   |                                     | <u>39.83</u>              | <u>41.43</u>              |
| Less : Provision for diminution in value of investments           |   |                                     | 4.04                      | 4.44                      |
|   |   |                                     | <u>35.79</u>              | <u>36.99</u>              |
| @ Market value of quoted investments                              |   |                                     | 5.12                      | 4.31                      |

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

# Schedules

(Forming Part of the Consolidated Balance Sheet)

## 1.7.1: SHARES IN CO-OPERATIVE SOCIETIES

|   | Number of<br>Fully Paid<br>Shares | Face<br>Value per<br>Share<br>(Rs.) | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|---|-----------------------------------|-------------------------------------|---------------------------|---------------------------|
|   |                                   |                                     |                           | (In Rupees)               |
| Bokaro Steel Employees'<br>Co-operative Credit Society Limited          | 116500                            | 10                                  | 1165000                   | 1165000                   |
| Bokaro Steel City Central Consumers'<br>Co-operative Stores Limited     | 250                               | 10                                  | 2500                      | 2500                      |
| NMDC Meghahatuburu Employees'<br>Consumers Co-operative Society Limited | 25                                | 100                                 | 2500                      | 2500                      |
| DSP Employees' Co-operative<br>Society Limited                          | 1377                              | 100                                 | 137700                    | 137700                    |
| Bolani Ores Employees' Consumer<br>Co-operative Society Limited         | 200                               | 25                                  | 5000                      | 5000                      |
| IISCO Employees Primary<br>Co-operative Stores Limited                  | 23000                             | 20                                  | 460000                    | 460000                    |
|   |                                   |                                     | <b>1772700</b>            | <b>1772700</b>            |

# Schedules

(Forming Part of the Consolidated Balance Sheet)

## 1.8 : INVENTORIES\*

|  | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |
|--|------------------------------|------------------------------|
|  |                              | (Rupees in crore)            |
| Stores & Spares  | 1579.85                      | 1434.16                      |
| Add: In-transit  | 138.67                       | 131.66                       |
|  | 1718.52                      | 1565.82                      |
| Less: Provision for Non<br>moving/Obsolete items       | 158.48                       | 161.10                       |
|  | 1560.04                      | 1404.72                      |
| Raw Materials  | 744.52                       | 1201.29                      |
| Add: In-transit  | 656.10                       | 581.09                       |
|  | 1400.62                      | 1782.38                      |
| Less: Provision for<br>Unusable materials              | 2.71                         | 1.85                         |
|  | 1397.91                      | 1780.53                      |
| Finished / Semi-finished<br>Products (including scrap) | 3996.13                      | 3571.12                      |
|  | 6954.08                      | 6756.37                      |

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

## 1.9 : SUNDRY DEBTORS

|  | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |
|--|------------------------------|------------------------------|
|  |                              | (Rupees in crore)            |
| Debts over six months  | 285.44                       | 275.65                       |
| Other Debts  | 3041.62                      | 2280.47                      |
|  | 3327.06                      | 2556.12                      |
| Less: Provision for<br>doubtful Debts  | 216.79                       | 202.52                       |
|  | 3110.27                      | 2353.60                      |
| <b>Particulars</b>   |                              |                              |
| Unsecured, considered good<br>(Including debts backed by<br>bank guarantees Rs. 864.83 crores)<br>Previous year Rs. 605.81 crores) | 3110.27                      | 2353.60                      |
| Unsecured, considered doubtful   | 216.79                       | 202.52                       |
|  | 3327.06                      | 2556.12                      |

## 1.10 : CASH & BANK BALANCES

|                         | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |
|-------------------------|------------------------------|------------------------------|
|                         |                              | (Rupees in crore)            |
| Cash and Stamps on hand | 1.61                         | 1.71                         |
| Cheques on hand         | 400.81                       | 418.56                       |
| With Scheduled Banks    |                              |                              |
| Current Account         | 71.07                        | 19.09                        |
| Unpaid Dividend Account | 5.91                         | 4.31                         |
| Margin Money Account    | 0.02                         | 0.01                         |
| Term Deposits           | 13449.95                     | 9366.85                      |
|                         | 13526.95                     | 9390.26                      |
| Remittances-in-transit  | 3.71                         | 0.22                         |
|                         | 13933.08                     | 9810.75                      |

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

## 1.11 : OTHER CURRENT ASSETS

|   | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |
|---|------------------------------|------------------------------|
|   |                              | (Rupees in crore)            |
| Interest Receivable / Accrued<br>Loans to subsidiary company<br>(Refer Note No.3.6 of Schedule 3) | 0.58                         | 0.58                         |
| Loans to other companies  | 0.00                         | 0.63                         |
| Deposits  | 234.13                       | 108.78                       |
| Employees   | 31.59                        | 39.78                        |
| Others  | 14.48                        | 10.15                        |
|   | 280.78                       | 159.92                       |
| Less : Provision for Doubtful Interest  | 4.41                         | 5.12                         |
|   | 276.37                       | 154.80                       |
| <b>Particulars</b>  |                              |                              |
| Unsecured, considered good  | 276.37                       | 154.80                       |
| Unsecured, considered doubtful  | 4.41                         | 5.12                         |
|   | 280.78                       | 159.92                       |



# Schedules

(Forming Part of the Consolidated Balance Sheet)

## 1.12: LOANS & ADVANCES

|  | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |         |
|--|------------------------------|------------------------------|---------|
| (Rupees in crore)  |                              |                              |         |
| Loans  |                              |                              |         |
| Employees  | 346.47                       | 274.66                       |         |
| Subsidiary company   | 2.38                         | 2.38                         |         |
| Others   | 29.41                        | 33.95                        | 310.99  |
| <b>Advances recoverable in cash or in kind or for value to be received</b> |                              |                              |         |
| Claims recoverable   | 784.50                       | 624.66                       |         |
| Contractors & suppliers  | 161.46                       | 117.78                       |         |
| Employees  | 30.73                        | 20.56                        |         |
| Income tax paid in advance/ recoverable                                    | 102.32                       | 74.73                        |         |
| For purchase of shares   | 3.93                         | 0.00                         |         |
| Export Incentive   | 58.56                        | 107.07                       |         |
| Subsidiary company   | 14.04                        | 14.04                        |         |
| Others   | 421.21                       | 326.93                       | 1285.77 |
| Deposits   |                              |                              |         |
| Port Trust, Excise   | 220.78                       | 108.35                       |         |
| Authorities, Railways, etc.  |                              |                              |         |
| Others   | 482.22                       | 211.47                       | 319.82  |
|  | 703.00                       | 1916.58                      |         |
| Less : Provision for doubtful Loans & Advances                             | 169.05                       | 174.11                       |         |
|  | 2488.96                      | 1742.47                      |         |
| <b>Particulars of Loans &amp; Advances - Others</b>                        |                              |                              |         |
| Secured, considered good   | 255.46                       | 228.02                       |         |
| Unsecured, considered good   | 2233.50                      | 1514.45                      |         |
| Unsecured, considered doubtful   | 169.05                       | 174.11                       |         |
|  | 2658.01                      | 1916.58                      |         |
| Amount due from  |                              |                              |         |
| -Directors   | 0.01                         | 0.01                         |         |
| -Officers  | 0.20                         | 0.10                         |         |
| Maximum amount due at any time during the year from                        |                              |                              |         |
| -Directors   | 0.01                         | 0.01                         |         |
| -Officers  | 0.23                         | 0.12                         |         |

## 1.13: CURRENT LIABILITIES

|   | As at<br>31st March,<br>2008 | As at<br>31st March,<br>2007 |         |
|---|------------------------------|------------------------------|---------|
| (Rupees in crore)   |                              |                              |         |
| Sundry creditors  |                              |                              |         |
| Micro and small enterprises                                       | 3.69                         | 0.00                         |         |
| Sundry creditors other than micro and small enterprises           |                              |                              |         |
| Capital works   | 596.33                       | 457.78                       |         |
| Small Scale Industrial Undertaking                                | 0.00                         | 11.32                        |         |
| Others  | 2477.63                      | 2196.72                      | 2665.82 |
| Advances from   |                              |                              |         |
| Customers   | 551.93                       | 616.75                       |         |
| Others  | 96.87                        | 16.64                        | 633.39  |
| Security Deposits   | 270.09                       | 275.68                       |         |
| Less : Investments received as Security Deposit                   | 0.05                         | 0.07                         | 275.61  |
| Interest accrued but not due on Loans                             | 118.40                       | 199.09                       |         |
| Stores received on loan   | 0.09                         | 0.00                         |         |
| Liability towards Investor Education and Protection Fund, not due |                              |                              |         |
| Unpaid Dividends  | 5.91                         | 4.31                         |         |
| Unclaimed Matured Deposits  | 1.80                         | 2.19                         |         |
| Unclaimed Matured Bonds   | 0.55                         | 0.20                         |         |
| Interest Accrued on unclaimed Deposits / Bonds                    | 0.66                         | 0.74                         |         |
| Other Liabilities*  | 2521.06                      | 1850.52                      |         |
|   | 6644.96                      | 5631.87                      |         |

\* Includes an amount of Rs 0.01 crores credited to Investor's Education & Protection Fund (Previous year Rs. 0.02 crores)

# Schedules

(Forming Part of the Consolidated Balance Sheet)

## 1.14: PROVISIONS

|  | As at<br>31st March, 2008 | As at<br>31st March, 2007 |
|--|---------------------------|---------------------------|
| (Rupees in crore)                                |                           |                           |
| Gratuity   | 744.44                    | 1734.63                   |
| Accrued Leave                                    | 1355.60                   | 1380.18                   |
| Employee Defined Benefit Schemes                 | 851.70                    | 743.63                    |
| Taxation   | 72.11                     | 63.65                     |
| Pollution Control & Peripheral Development       | 89.05                     | 83.11                     |
| Proposed Dividend                                | 743.47                    | 620.72                    |
| Tax on Proposed Dividend                         | 127.31                    | 107.33                    |
| Voluntary Retirement Scheme                      | 40.57                     | 59.48                     |
| Wage Revision                                    | 2469.14                   | 513.19                    |
| Mines afforestation / restoration / closure etc. | 351.05                    | 223.96                    |
| Others   | 55.03                     | 40.09                     |
| <b>Total</b>                                     | <b>6899.47</b>            | <b>5569.97</b>            |

## 1.15 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

|                                       | Balance<br>as at<br>31st<br>March,<br>2007 | Additions<br>during<br>the<br>year | Total         | Amount<br>Charged<br>Off<br>during the<br>year | Balance<br>as at<br>31st<br>March,<br>2008 |
|---------------------------------------|--|------------------------------------|---------------|--|--|
| (Rupees in crore)                     |  |                                    |               |  |  |
| (i) Development Expenditure           |  |                                    |               |  |  |
| (a) On New Projects                   | 0.00                                       | 0.01                               | 0.01          | 0.00   | 0.01                                       |
| <b>Total (i)</b>                      | <b>0.00</b>                                | <b>0.01</b>                        | <b>0.01</b>   | <b>0.00</b>                                    | <b>0.01</b>                                |
| (ii) Deferred Revenue Expenditure     |  |                                    |               |  |  |
| (a) Voluntary Retirement Compensation | 129.64                                     | 3.67                               | 133.31        | 73.70  | 59.61                                      |
| (b) Others                            | 0.04                                       | 0.00                               | 0.04          | 0.00   | 0.04                                       |
| <b>Total (ii)</b>                     | <b>129.68</b>                              | <b>3.67</b>                        | <b>133.35</b> | <b>73.70</b>                                   | <b>59.65</b>                               |
| <b>Total (i+ii)</b>                   | <b>129.68</b>                              | <b>3.68</b>                        | <b>133.36</b> | <b>73.70</b>                                   | <b>59.66</b>                               |
| Previous year                         | 216.85                                     | 40.67                              | 257.52        | 127.84   | 129.68                                     |
| <b>Charged Off to:</b>                |  |                                    |               | <b>Current Year</b>                            | <b>Previous Year</b>                       |
| Raw Materials                         |  |                                    |               | 0.00   | 3.34                                       |
| Other Expenses & Provisions           |  |                                    |               | 73.70  | 124.50                                     |
|                                       |  |                                    |               | <b>73.70</b>                                   | <b>127.84</b>                              |

## 1.16 : MINORITY INTEREST

|  | Current<br>Year | Previous<br>Year |
|--|-----------------|------------------|
| Balance of Equity as on the date of Investment   | -0.43           | -0.43            |
| Add : Movement in Equity and proportionate share of Profit / losses from the date of investment up to 31.03.2008 | 0.86            | 0.61             |
|  | <b>0.43</b>     | <b>0.18</b>      |

# Schedules

(Forming part of the Consolidated Profit & Loss Account)

## 2.1 : SALES

|                          | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|--------------------------|--------------------------------|---|
| Domestic - Iron & Steel, |                                |   |
| By-products, others      | 44359.15                       | 37942.60  |
| Exports - Iron & Steel   | 1234.41                        | 1177.12   |
| Export Incentives        | 60.79                          | 116.86  |
| Conversion charges       | 0.09                           | 0.20  |
|                          | <u>45654.44</u>                | <u>39236.78</u>                                     |

## 2.2: INTEREST EARNED

|               | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|---------------|--------------------------------|---|
| Customers     | 55.03                          | 38.96   |
| Employees     | 15.38                          | 11.18   |
| Term Deposits | 1110.83                        | 660.71  |
| Others *      | 10.01                          | 46.66   |
|               | <u>1191.25</u>                 | <u>757.51</u>                                       |

\* (Tax deducted at source Rs. 3.64 crores)  
(previous year : Rs. 0.85 crores)

## 2.3: OTHER REVENUES

|                                      | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|--------------------------------------|--------------------------------|---|
| Social amenities-recoveries          | 133.88                         | 133.42  |
| Sale of empties etc.                 | 65.82                          | 58.61   |
| Liquidated damages                   | 26.30                          | 20.80   |
| Service charges ( Gross ) *          | 36.68                          | 26.56   |
| Subsidy                              | 15.40                          | 55.30   |
| Dividend (gross) from investments    | 3.48                           | 12.77   |
| Profit on sale of fixed assets (net) | 48.72                          | 14.00   |
| Profit on sale of current Investment | 0.55                           | 0.59  |
| Foreign Exchange Fluctuation ( Net ) | 112.12                         | 39.78   |
| Reversal of Interest on SDF Loans    | 0.00                           | 116.88  |
| Waivers of Dues                      | 38.62                          | 0.00  |
| Sundries *                           | 180.28                         | 313.51  |
|                                      | <u>661.85</u>                  | <u>792.22</u>                                       |

\* (Tax deducted at source Rs. 0.04 crores,  
Previous year : Rs. 0.03 crores)

## 2.4 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

|                  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|------------------|--------------------------------|---|
| Loans & Advances | 15.45                          | 11.10   |
| Sundry Debtors   | 12.49                          | 20.26   |
| Stores & Spares  | 10.09                          | 7.08  |
| Investments      | 0.40                           | 0.00  |
| Others           | 22.84                          | 21.02   |
|                  | <u>61.27</u>                   | <u>59.46</u>  |

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

|   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|---|--------------------------------|---|
| Opening Stock                               | 3571.12                        | 3314.62   |
| Less : Closing Stock                        | 3996.12                        | 3571.12   |
| Accretion ( - ) to Stock                    | -425.00                        | -256.50   |
| Less : Excise Duty on accretion(-) to Stock | -94.47                         | -40.44  |
| Net accretion ( - ) to Stock                | <u>-330.53</u>                 | <u>-216.06</u>                                      |

## 2.6 : RAW MATERIALS CONSUMED

|                                  | Year ended<br>31st March, 2008 |           | Year ended<br>31st March, 2007 |           |
|----------------------------------|--------------------------------|-----------|--------------------------------|-----------|
|                                  | Quantity                       | Value     | Quantity                       | Value     |
|                                  | Tonnes                         | Rs./crore | Tonnes                         | Rs./crore |
| Iron ore                         | 25443849                       | 1725.38   | 24653024                       | 1488.31   |
| Coal                             | 13953945                       | 8242.98   | 13536403                       | 8479.23   |
| Coke                             | 638572                         | 819.28    | 600670                         | 699.44    |
| Limestone                        | 4048296                        | 627.08    | 3926137                        | 567.22    |
| Dolomite                         | 2637143                        | 206.94    | 2560930                        | 170.71    |
| Ferro Manganese                  | 67562                          | 349.30    | 48872                          | 188.61    |
| Ferro Silicon                    | 21329                          | 96.67     | 19277                          | 78.97     |
| Silico Magenese                  | 122174                         | 510.15    | 109594                         | 315.19    |
| Hot Rolled Stainless Steel Coils | 20061                          | 96.06     | 3508                           | 24.89     |
| Intermediary Products            | 22543                          | 293.19    | 47166                          | 478.94    |
| Zinc                             | 7005                           | 112.62    | 8965                           | 156.39    |
| Aluminium                        | 17185                          | 206.03    | 15899                          | 202.05    |
| Others                           |                                | 746.20    |                                | 462.89    |
|                                  |                                | 14031.88  |                                | 13312.84  |

# Schedules

(Forming part of the Consolidated Profit & Loss Account)

## 2.7 : EMPLOYEES' REMUNERATION & BENEFITS

|  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|--|--------------------------------|---|
| Salaries & Wages   | 6111.60                        | 3743.28   |
| Company's contribution to provident fund & other funds     | 340.82                         | 329.28  |
| Travel concession  | 703.88                         | 411.26  |
| Welfare expenses   | 350.23                         | 264.25  |
| Gratuity   | 508.05                         | 393.30  |
|  | <u>8014.58</u>                 | <u>5141.37</u>                                      |
| Less : Grants in Aid received from Government of Karnataka | 0.26                           | 0.34  |
|  | <u>8014.32</u>                 | <u>5141.03</u>                                      |

Note :  
Expenditure on Employees' Remuneration and Benefits not included above and charged to:  
a) Expenditure During Construction 58.87 33.15  
b) Deferred Revenue Expenditure 73.70 124.40

|  |               |               |
|--|---------------|---------------|
|  | <u>132.57</u> | <u>157.55</u> |
|--|---------------|---------------|

## 2.8 : POWER & FUEL

|                        | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|------------------------|--------------------------------|---|
| Purchased power        | 1819.72                        | 1804.65   |
| Duty on own generation | 15.60                          | 18.19   |
| Boiler Coal/Middlings  | 320.30                         | 208.77  |
| Furnace Oil/Steam etc. | 547.10                         | 434.87  |
|                        | <u>2702.72</u>                 | <u>2466.48</u>                                      |

Note :  
Expenditure on Power & Fuel not included above & charged off to:  
- Expenditure During Construction 10.23 5.76

## 2.9 : REPAIRS & MAINTENANCE

|                   | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007<br>(Rupees in crore) |
|-------------------|--------------------------------|---|
| Buildings         | 102.93                         | 66.89   |
| Plant & Machinery | 353.00                         | 246.19  |
| Others            | 139.38                         | 106.71  |
|                   | <u>595.31</u>                  | <u>419.79</u>                                       |

Note :  
Expenditure on repairs & maintenance not included above and charged to:

|                                       |                |               |
|---------------------------------------|----------------|---------------|
| a) Employees' Remuneration & Benefits |                |               |
| Buildings                             | 69.07          | 52.36         |
| Plant & Machinery                     | 996.91         | 724.03        |
| Others                                | 119.59         | 79.10         |
|                                       | <u>1185.57</u> | <u>855.49</u> |

|                    |                |                |
|--------------------|----------------|----------------|
| b) Stores & Spares |                |                |
| Buildings          | 30.56          | 27.64          |
| Plant & Machinery  | 1244.71        | 1093.54        |
| Others             | 59.98          | 58.86          |
|                    | <u>1335.25</u> | <u>1180.04</u> |

|                                    |             |             |
|------------------------------------|-------------|-------------|
| c) Expenditure during Construction | 1.50        | 0.12        |
|                                    | <u>1.50</u> | <u>0.12</u> |

|                 |                |                |
|-----------------|----------------|----------------|
| Total ( a+b+c ) | <u>2522.32</u> | <u>2035.65</u> |
|-----------------|----------------|----------------|

# Schedules

(Forming part of the Consolidated Profit & Loss Account)

## 2.10 : OTHER EXPENSES

|   | Year ended<br>31st March,<br>2008 | Year ended<br>31st March,<br>2007 |                   |
|---|-----------------------------------|-----------------------------------|-------------------|
|   |                                   |                                   | (Rupees in crore) |
| Commission to selling agents              | 4.46                              | 9.87                              |                   |
| Directors' Fees                           | 0.30                              | 0.20                              |                   |
| Export sales expenses                     | 14.66                             | 23.08                             |                   |
| Excise Duty on IPT / Internal Consumption | 73.33                             | 85.68                             |                   |
| Handling expenses                         |                                   |                                   |                   |
| - Raw Material                            | 183.04                            | 153.82                            |                   |
| - Finished goods                          | 75.33                             | 75.35                             |                   |
| - Scrap recovery expenses                 | 79.69                             | 67.37                             | 296.54            |
| Insurance                                 | 7.22                              | 9.52                              |                   |
| Postage, Telegram & Telephone             | 20.21                             | 15.45                             |                   |
| Printing & Stationery                     | 11.56                             | 10.87                             |                   |
| Provisions                                |                                   |                                   |                   |
| - Doubtful debts, loans and advances      | 30.07                             | 21.40                             |                   |
| - Stores, Spares and Sundries             | 32.24                             | 23.67                             | 45.07             |
| Rates & Taxes                             | 40.43                             | 26.06                             |                   |
| Remuneration to Auditors                  |                                   |                                   |                   |
| - Audit fees                              | 0.91                              | 0.71                              |                   |
| - Tax Audit fees                          | 0.32                              | 0.29                              |                   |
| - Out of pocket expenses                  | 0.91                              | 0.89                              |                   |
| - In other capacities                     | 0.62                              | 0.59                              | 2.48              |
| Cost Audit Fees                           | 0.02                              | 0.02                              |                   |
| Rent                                      | 22.03                             | 25.18                             |                   |
| Royalty and cess                          | 59.01                             | 51.21                             |                   |
| Security expenses                         | 186.73                            | 119.43                            |                   |
| Travelling expenses                       | 209.71                            | 195.33                            |                   |
| Write Offs                                |                                   |                                   |                   |
| - Miscellaneous & Deferred Revenue        |                                   |                                   |                   |
| - Expenditure                             | 73.70                             | 124.50                            |                   |
| - Doubtful debts, advances etc.           | 2.30                              | 4.60                              | 129.10            |
| Cash Discount                             | 74.03                             | 49.87                             |                   |
| Training expenses                         | 18.77                             | 11.03                             |                   |
| Conversion charges                        | 120.29                            | 82.70                             |                   |
| Water Charges & Cess on water pollution   | 53.57                             | 51.12                             |                   |
| Miscellaneous                             | 485.78                            | 411.89                            |                   |
|   | 1881.24                           | 1651.70                           |                   |

## 2.11 : INTEREST & FINANCE CHARGES

|  | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |                   |
|--|--------------------------------|--------------------------------|-------------------|
|  |                                |                                | (Rupees in crore) |
| Foreign Currency Loans                                   | 48.33                          | 44.21                          |                   |
| Non Convertible Bonds                                    | 149.49                         | 240.85                         |                   |
| Bank borrowings - working capital                        | 16.15                          | 3.09                           |                   |
| Steel Development Fund (SDF) Loans                       | 22.95                          | 22.88                          |                   |
| Others   | 8.49                           | 16.17                          |                   |
| Finance Charges  | 13.98                          | 17.17                          |                   |
|  | 259.39                         | 344.37                         |                   |
| Note :   |                                |                                |                   |
| Expenditure on interest not included above & charged to: |                                |                                |                   |
| Expenditure During Construction                          |                                |                                |                   |
| Steel Development Fund Loans                             | 1.36                           | 0.88                           |                   |
| Finance Charges  | 0.32                           | 0.00                           |                   |
|  | 1.68                           | 0.88                           |                   |

## 2.12 : INTER ACCOUNT ADJUSTMENTS

|                                       | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |                   |
|---------------------------------------|--------------------------------|--------------------------------|-------------------|
|                                       |                                |                                | (Rupees in crore) |
| Raw Materials                         | 1588.63                        | 1235.91                        |                   |
| Departmentally manufactured stores    | 449.12                         | 400.68                         |                   |
| Services transferred to capital works | 45.50                          | 28.43                          |                   |
| Power and Fuel                        | 3.31                           | 3.03                           |                   |
| Others (Net)                          | 3.07                           | 2.50                           |                   |
|                                       | 2089.63                        | 1670.55                        |                   |

## 2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

|                                    | Year ended<br>31st March, 2008 | Year ended<br>31st March, 2007 |                   |
|------------------------------------|--------------------------------|--------------------------------|-------------------|
|                                    |                                |                                | (Rupees in crore) |
| Sales                              | 2.37                           | 0.16                           |                   |
| Other revenues                     | 0.36                           | -6.98                          |                   |
| Raw materials consumed             | 0.06                           | 0.37                           |                   |
| Employees' remuneration & benefits | 0.00                           | -0.80                          |                   |
| Stores & Spares consumed           | -2.48                          | -0.93                          |                   |
| Power & Fuel                       | 0.26                           | -0.06                          |                   |
| Repairs & Maintenance              | 0.23                           | -0.03                          |                   |
| Excise Duty                        | 0.16                           | 0.00                           |                   |
| Other Expenses & Provisions        | 1.63                           | -0.99                          |                   |
| Interest                           | 0.04                           | 0.00                           |                   |
| Depreciation                       | -1.15                          | 25.27                          |                   |
| Net Debit                          | 1.48                           | 16.01                          |                   |
| (-) indicate credit items          |                                |                                |                   |

# Schedules

## SCHEDULE 3 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 1. Significant Accounting Policies

#### 1.1 Basis of Accounting

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

#### 1.2 Use of Estimates

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

#### 1.3 Fixed Assets

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

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

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

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

Mining rights are treated as intangible assets and all the related costs thereof are amortised over the period (including deemed renewal) of the lease.

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

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

#### 1.4 Borrowing Costs

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

#### 1.5 Depreciation

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

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

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

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

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

#### 1.6 Investments

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

#### 1.7 Inventories

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

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

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

The basis of determining cost is:

Raw materials and Stores & spares — weighted average cost

Materials in-transit — at cost

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

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

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

#### 1.8 Grants

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

#### 1.9 Voluntary Retirement Compensation

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

#### 1.10 Foreign Currency Transactions

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



# Schedules

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 the 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.

## 1.11 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.

## 1.12 Adjustments pertaining to earlier years and prepaid expenses

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

## 1.13 Revenue recognition

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

- 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.

## 1.14 Claims for Liquidated Damages/Price Escalation

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

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

## 1.15 Deferred Tax

The deferred tax on timing differences between book profit and taxable profit for the year is accounted for applying the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent

there is a reasonable certainty that the assets can be realised in future.

## NOTES ON ACCOUNTS

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

| Sl. No.                           | Name of the Company                                 | Proportion (%) of Company's ownership interest (As on 31st March, 2008) |
|-----------------------------------|---|---|
| <b>A. Subsidiary Company</b>      |   |   |
|                                   | Maharashtra Elektrosnelt Ltd. (MEL)                 | 99.12   |
| <b>B. Joint Venture Companies</b> |   |   |
|                                   | NTPC SAIL Power Company Private Limited (NSPCL)     | 50  |
|                                   | Bokaro Power Supply Company Private Limited (BPSCL) | 50  |
|                                   | Mjunction Services Limited (MSL)                    | 50  |
|                                   | SAIL Bansal Service Centre Limited (BSCL)           | 40  |
|                                   | UEC SAIL Information Technology Limited (USIT)      | 40  |
|                                   | N.E Steel & Galvanising Private Limited             | 49  |
|                                   | Romelt SAIL (India) Limited                         | 15  |
|                                   | Bhilai Jaypee Cement Limited                        | 26  |
| <b>C. Associate Company</b>       |   |   |
|                                   | Almora Magnesite Limited (AML)                      | 20  |

## 3. Principles of consolidation of Financial Statements

- The consolidated financial statements of Steel Authority of India Ltd. (SAIL) and its Subsidiary, Joint Ventures and Associate Companies are prepared in accordance with Accounting Standard (AS) - 21 on "Consolidated financial statements", AS-23 on "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 on "Financial reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and are presented to the extent possible in the same manner as the Company's separate financial statement.
- The financial statements of SAIL and MEL are consolidated as per AS-21 on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra group balances/transactions and any unrealised profit/loss included therein. However, materials lying in stock against intra-group transfers and profit margins included therein, the quantum whereof is insignificant, have been accounted for based on the management certificates.
- The interest in the Joint Venture Companies has been accounted by using the proportionate consolidation method as per AS-27, after eliminating intra group transactions. However, intra group receivables/payables as on Balance Sheet date, relating to joint ventures have not been eliminated, as the details of the same were not available. The impact of such items on the financial statements is not likely to be material.
- Investment in Associate Company has been accounted for using "equity method" as prescribed by AS 23 whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post-acquisition change in

# Schedules

the Company's share of net assets of the Associate. The provision for investment in Associate company of Rs.0.40 crore by SAIL has been written back in the preparation of consolidated financial statements.

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

- The excess of cost to SAIL, of its investment in its Subsidiary, Joint Ventures and Associate Companies, over its portion of equity is recognised in the financial statements as Goodwill. The excess of SAIL portion of equity of the Subsidiary, Joint Ventures and Associate Companies over cost of its investment is treated as Capital Reserve. This has been calculated, presuming such acquisitions to be on the last date of the respective years, irrespective of the actual date of such acquisition.
- The accounts of IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary company of SAIL have not been consolidated, being under liquidation.
- The accounts of North Bengal Dolomite Limited, a joint venture company of SAIL have not been consolidated, as the operations of the said company are under suspension.

## 4. CONTINGENT LIABILITIES

|  | (Rs. in crore)         |                        |
|--|------------------------|------------------------|
|  | As at 31st March, 2008 | As at 31st March, 2007 |
| i) Claims against the Group pending appellate/judicial decisions against which the Group has counter claims of Rs.25.82 crores (Rs.25.82 crores)   | 3179.20 *              | 3146.60*               |
| * includes sales tax on inter-state stock transfers from SAIL plants to stockyards - Rs. 1155.87 crores (Rs.1178.18 crores) for which no liability is expected to arise, as sales tax has been paid on eventual sales. |                        |                        |
| ii) Other claims against the Group not acknowledged as debts against which the Group has counter-claims of Rs.8.98 crores (Rs.48.00 crores)  | 356.56                 | 376.46                 |
| iii) Disputed income tax/service tax demand for which Group may be contingently liable   | 121.70                 | 80.70                  |
| iv) Guarantees/Counter-guarantees given to banks   | 28.85                  | 28.85                  |
| iv) Guarantees given to third parties  | 0.25                   | 0.00                   |
| v) Bills drawn on customers and discounted with banks  | 72.96                  | 17.01                  |
| vi) Price escalation claims by Contractors/Suppliers and claims by certain employees, extent whereof is not ascertainable  |                        |                        |

Figures in brackets pertain to previous year.

## 5. FIXED ASSETS

### 5.1 In case of SAIL, land includes:

- 62161.37 acres (62116.84 acres) owned / possessed / taken on lease by the Company, in respect of which title/lease deeds are pending for registration.
- 5999.73 acres (5958.95 acres) given on lease to various agencies/ employees/ex-employees.
- 10082.99 acres (9832.99 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/registered.
- 1854.23 acres ( 1854.23 acres) in respect of which title is under dispute.

Buildings include net block of Rs.24.67 crore (Rs. 30.83 crore) for which conveyance deed is yet to be registered in the name of the SAIL.

In respect of SAIL, Foreign exchange variations aggregating to Rs. 22.89 crore (net debit) [Rs. 5.61 crore (net debit)] have been adjusted in the carrying amount of fixed assets during the year.

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.13869.76 crore (Rs.2622.33 crore).

Figures in brackets pertain to previous year.

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

- The Central Board of Direct Taxes vide its Notification dated 25th September 2001 revised the rules for computation of certain perquisites. The Employees' Union/Association filed writ petitions with the Hon'ble High Court at Kolkata challenging the above Notification. In pursuance of Hon'ble Court's orders, the amount of tax deducted at source by SAIL and MEL on house perquisite w.e.f. 1st April 2003 and other perquisites w.e.f. 1st October 2001, upto 31st March 2005 has been kept separately as term deposits with banks, pending final decision of the Hon'ble Court. Such deductions and deposits after 31st March 2005, have been made in accordance with amended law/judicial decisions. However, there is no impact on accounts of the company as the additional tax, if required, shall be recoverable from the employees.
- The amount due to Micro and Small Enterprises as defined in the 'The Micro, Small and Medium Enterprises Development Act, 2006', (as disclosed in Schedule 1.13 Current liabilities) 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:

| (Rs. in crore) |  |                        |
|----------------|--|------------------------|
| Sl. No.        | Description  | As at 31st March, 2008 |
| 1.             | The principal amount remaining unpaid to supplier as at the end of accounting year     | 3.69                   |
| 2.             | The interest due thereon remaining unpaid to supplier as at the end of accounting year | NIL                    |

# Schedules

3. The amount of interest paid in terms of section 16, along with 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 upto 31st March, 2007.
- 6.3** Balances shown under creditors, debtors, claims recoverable and advances include balances subject to confirmation/reconciliation and consequential adjustment, if any. Reconciliations are carried out on on-going basis. Provisions, wherever considered necessary, have been made.
- 6.4** In respect of SAIL, the Company has stock of iron ore fines of 43.62 million tonnes at various mines of the Company. Since the usage/sale of such iron ore fines, not being readily useable /saleable, involves elements of uncertainties, as a matter of prudence, no valuation of such fines has been made in the accounts. However, the revenue earned from actual disposal thereof during the year has been recognised in the books of accounts.
- 7. PROFIT & LOSS ACCOUNT**
- 7.1** In respect of SAIL, MEL and NTPC-SAIL Power Company Private Limited, 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 salaries and wages revision of Rs. 2616.31 crore (Rs. 2444.76 crore for the year) and Rs. 11.39 crore (Rs. 11.12 crore for the year) has been charged to Profit & Loss Account and Expenditure during construction respectively, on estimated basis. Against the provision made, ad-hoc adjustable advance of Rs. 495.42 crore, has been paid and adjusted during the year.
- 7.2** Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account.
- 7.3** In case of SAIL, the Research and Development expenditure charged to Profit & Loss Account and allocated to Fixed Assets, during the year, amount to Rs. 99.62 crore (previous year - Rs. 71.30 crore) and Rs. 2.24 crore (previous year - Rs. 5.55 crore) respectively.

- 7.4** SAIL had represented for withdrawal of Joint Plant Committee (JPC) cess on sale of certain steel products in view of decontrol of steel prices in earlier years, which was confirmed by JPC during the year. As a result, an amount of Rs.17.39 crore provided in earlier years has been written back.
- 7.5** SAIL reviews the carrying amount of its fixed assets on each balance sheet date for the purpose of ascertaining impairment, if any, by considering assets of entire one plant as Cash Generating Unit. On such review as at 31st March, 2008, wherever there was an indication of impairment, no provision is required to be made, as the net realisable value thereof, assessed by an independent agency as at 31st March, 2008, is more than the carrying amount.
- 7.6** In case of SAIL, the policy relating to accounting of exports sales, hitherto recognised on the basis of issue of bill of lading has been changed during the year, as disclosed in "Schedule 3.1.13: Accounting Policies", resulting in increase in sales and profit for the year by Rs.139.02 crore and Rs.56.84 crore respectively.

## 8. GENERAL

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

## 8.2 Segment Reporting

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

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

## 8.3 Related Party

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

| Nature of Relationship          | Name of the related party                  |
|---------------------------------|--|
| <b>Key Management Personnel</b> | Shri S.K.Roongta                           |
|                                 | Shri K.K.Khanna (upto 30th September 2007) |
|                                 | Shri Nilotpal Roy (upto 31st January 2008) |
|                                 | Shri V.Shyamsunder                         |
|                                 | Shri B.N.Singh                             |
|                                 | Shri V.K.Srivastava                        |
|                                 | Shri G.Ojha                                |
|                                 | Shri R.Ramaraju                            |
|                                 | Shri Soiles Bhattacharya                   |
|                                 | Shri S.S.Ahmed (w.e.f. 11th May 2007)      |
|                                 | Shri V.K.Gulhati (w.e.f. 1st October 2007) |

# Schedules

Shri S.P. Rao (w.e.f. 15th February 2008)  
Shri R.K. Sarangi (upto 30th April 2007)  
Shri P.M. Balasubramanian (upto 31st October 2007)  
Shri Sushim Banerjee (from 15th May 2007 to 30th Nov. 2007)  
Shri M.K. Bhattacharya  
Shri S.P. Patnaik  
Shri Jagdish Singh  
Shri.M. Roy  
Shri R.K. Agarwal  
Shri A.S. Mathur  
Shri N. Sudan (from 1st May 2007 to 30th June 2007)  
Shri B.B. Singh (w.e.f. 1st November 2007)  
Shri M. Singh (w.e.f. 1st November 2007)  
Shri A.J. Vijn (w.e.f. 13th November 2007)  
Shri Nawaz Ahmad  
Shri Viresh Oberoi  
Shri Harsh Bansal  
Shri Manoj Gaur  
Shri B.K. Prasad

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

| (Rs. in crores)         |                                       |   |
|-------------------------|---------------------------------------|---|
| Nature of transaction   | Key Management Personnel for the year | Schedule No.and Account head            |
| Managerial Remuneration | 2.99 (1.97)                           | 2.7: Employee Remuneration and Benefits |

Figures in brackets pertain to previous year

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

| (Rs. in crore)                               |                        |                        |
|--|------------------------|------------------------|
| Particulars                                  | As on 31st March, 2008 | As on 31st March, 2007 |
| <b>SAIL</b>                                  |                        |                        |
| <b>Deferred Tax Liability</b>                |                        |                        |
| Difference between book and Tax Depreciation | 2559.99                | 2707.79                |
| Total  | 2559.99                | 2707.79                |
| <b>Deferred Tax Assets</b>                   |                        |                        |
| Retirement Benefits                          | 244.10                 | 584.02                 |
| Others                                       | 747.29                 | 711.11                 |
| Total  | 991.39                 | 1295.13                |
| <b>Net Deferred Tax Liability</b>            | 1568.60                | 1412.66                |

| (Rs. in crore)                               |                        |                        |
|--|------------------------|------------------------|
| Particulars                                  | As on 31st March, 2008 | As on 31st March, 2007 |
| <b>MEL</b>                                   |                        |                        |
| <b>Deferred Tax Liability</b>                |                        |                        |
| Difference between book and Tax Depreciation | 3.55                   | 3.38                   |
| Total  | 3.55                   | 3.38                   |
| <b>Deferred Tax Assets</b>                   |                        |                        |
| Others                                       | 17.18                  | 9.98                   |
| Total  | 17.18                  | 9.98                   |
| <b>Net Deferred Tax Assets</b>               | 13.63                  | 6.60                   |

| (Rs. in crore)                               |                        |                        |
|--|------------------------|------------------------|
| Particulars                                  | As on 31st March, 2008 | As on 31st March, 2007 |
| <b>NSPCL</b>                                 |                        |                        |
| <b>Deferred Tax Liability</b>                |                        |                        |
| Difference between book and Tax Depreciation | 22.33                  | 27.77                  |
| <b>Deferred Tax Assets</b>                   |                        |                        |
| Retirement Benefit                           | 1.94                   | 0.77                   |
|  | 20.39                  | 27.00                  |
| Less : Recoverable from Customer             | 20.39                  | 27.00                  |
| <b>Net Deferred Tax Liability</b>            | NIL                    | NIL                    |

## mjunction services limited

| (Rs. in crore)                               |                                      |                                 |                                       |                                      |
|--|--------------------------------------|---------------------------------|---------------------------------------|--------------------------------------|
| Particulars                                  | Deferred tax assets as at 01.04.2007 | Current Period (charge)/ Credit | Amount (charge)/ Credited to Reserves | Deferred tax assets as at 31.03.2008 |
| <b>Deferred tax liability</b>                |                                      |                                 |                                       |                                      |
| Difference between book and tax depreciation | 0.18                                 | (0.05)                          | -                                     | 0.13                                 |
| Provision for Leave Salary                   | 0.09                                 | (0.01)                          | (0.05)                                | 0.03                                 |
| Provision for doubtful debts                 | 0.01                                 | 0.00                            | -                                     | 0.01                                 |
| Provision for doubtful claims receivable     | -                                    | 1.55                            | -                                     | 1.55                                 |
| Provision for Gratuity                       | 0.00                                 | -                               | -                                     | 0.00                                 |
| <b>Total</b>                                 | <b>0.28</b>                          | <b>1.49</b>                     | <b>(0.05)</b>                         | <b>1.72</b>                          |

In respect of other Joint Venture Companies, the details of deferred Tax Assets/Liabilities have not been disclosed in the accounts of respective companies.

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



## Segment Information for the year ended 31st March, 2008

## Annexure - I

### A. BUSINESS SEGMENT

|  |            |           |           |            |           |          |           |          |          |                 |            |                          |            | (Rs. in crore) |
|--|------------|-----------|-----------|------------|-----------|----------|-----------|----------|----------|-----------------|------------|--------------------------|------------|----------------|
| PARTICULARS  | BSP        | DSP       | RSP       | BSL        | ISP       | ASP      | SSP       | VISL     | MEL      | Power Companies | Others     | Inter Segment Adjustment | SAIL Group |                |
| REVENUE  |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| - External Sales   |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 16517.81   | 5274.73   | 7321.66   | 12037.57   | 1715.82   | 551.14   | 1374.27   | 732.61   | 88.18    | 390.12          | 41.28      |                          | 46045.19   |                |
| Previous year  | (13526.31) | (4287.68) | (6335.90) | (11004.69) | (1482.37) | (531.90) | (1299.27) | (711.75) | (30.74)  | (286.96)        | (26.72)    |                          | (39524.29) |                |
| - Internal Segment Sales                                 |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 191.43     | 368.10    | 63.19     | 719.47     | 124.44    | 500.31   | 22.86     | 53.53    | 308.23   |                 | 677.42     | 3028.98                  | 0.00       |                |
| Previous year  | (341.56)   | (200.39)  | (59.11)   | (514.52)   | (108.19)  | (240.10) | (5.97)    | (36.74)  | (260.80) |                 | (554.86)   | (-2322.24)               | (0.00)     |                |
| - Total Revenue  |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 16709.24   | 5642.83   | 7384.85   | 12757.04   | 1840.26   | 1051.45  | 1397.13   | 786.14   | 396.41   | 390.12          | 718.70     | -3028.98                 | 46045.19   |                |
| Previous year  | (13868.87) | (4488.07) | (6395.01) | (11519.21) | (1590.56) | (772.00) | (1305.24) | (748.49) | (291.54) | (286.96)        | (581.58)   | (-2322.24)               | (39524.29) |                |
| RESULT   |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| - Operating Profit / (-) Loss (Before Interest Expenses) |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 5425.28    | 1036.34   | 1480.98   | 2870.84    | -280.06   | 8.35     | 107.69    | -52.05   | 56.00    | 72.91           | 1117.69    |                          | 11843.97   |                |
| Previous year  | (4286.24)  | (639.23)  | (1369.20) | (2771.13)  | (-245.37) | (22.73)  | (123.55)  | (-29.80) | (28.37)  | (74.22)         | (828.54)   |                          | (9868.04)  |                |
| - Interest expenses                                      |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   |            |           |           |            |           |          |           |          |          |                 |            |                          | 259.39     |                |
| Previous year  |            |           |           |            |           |          |           |          |          |                 |            |                          | (344.37)   |                |
| - Net Profit / Loss ( - )                                |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   |            |           |           |            |           |          |           |          |          |                 |            |                          | 11584.58   |                |
| Previous year  |            |           |           |            |           |          |           |          |          |                 |            |                          | (9523.67)  |                |
| OTHER INFORMATION  |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| - Segment Assets   |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 5289.51    | 3587.01   | 4335.81   | 4509.56    | 1602.14   | 868.88   | 861.17    | 697.32   | 206.06   | 1716.06         | 18625.22   |                          | 42298.74   |                |
| Previous year  | (4650.83)  | (3662.67) | (4318.70) | (4367.50)  | (941.08)  | (707.13) | (742.81)  | (628.70) | (138.71) | (1262.36)       | (13364.24) |                          | (34784.73) |                |
|  |            |           |           |            |           |          |           |          |          |                 | 12892.59   |                          |            |                |
| - Segment Liabilities                                    |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 3078.15    | 1177.00   | 1612.00   | 2895.37    | 1519.90   | 325.69   | 172.42    | 250.28   | 123.92   | 239.87          | 2162.95    |                          | 13557.55   |                |
| Previous year  | (459.40)   | (918.80)  | (1193.01) | (2207.05)  | (1178.46) | (249.78) | (137.52)  | (183.80) | (76.59)  | (206.68)        | (2689.75)  |                          | (11250.15) |                |
| - Capital Expenditure                                    |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 566.09     | 134.95    | 332.16    | 471.76     | 665.28    | 25.88    | 72.86     | 8.33     | 4.03     | 517.86          | 184.94     |                          | 2984.14    |                |
| Previous year  | (2208.71)  | (126.40)  | (126.21)  | (213.32)   | (147.51)  | (39.46)  | (14.66)   | (8.84)   | (2.78)   | (408.51)        | (49.00)    |                          | (1596.09)  |                |
| - Depreciation   |            |           |           |            |           |          |           |          |          |                 |            |                          |            |                |
| Current year   | 216.68     | 301.26    | 304.37    | 246.70     | 29.42     | 10.66    | 43.65     | 11.21    | 1.90     | 45.22           | 72.45      |                          | 1283.52    |                |
| Previous year  | (223.43)   | (299.90)  | (291.92)  | (241.09)   | (23.18)   | (9.43)   | (43.36)   | (11.01)  | (1.70)   | (47.51)         | (69.00)    |                          | (1261.53)  |                |

### B. GEOGRAPHICAL SEGMENT

| Particulars          | Current year    | Previous year  |
|----------------------|-----------------|----------------|
| <b>Sales Revenue</b> |                 | (Rs. in crore) |
| India                | <b>44810.78</b> | 38347.17       |
| Foreign Countries    | <b>1234.41</b>  | 1177.12        |
| <b>Total</b>         | <b>46045.19</b> | 39524.29       |

#### Note :

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

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

We have examined the attached Consolidated Balance Sheet of STEEL AUTHORITY OF INDIA LIMITED, and its subsidiary company, Joint Ventures and Associate Company (SAIL Group) as on 31st March 2008 and the annexed Consolidated Profit & Loss Account for the year ended on that date and the consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that :

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

| (Rupees in crore)                       |         |          |
|---|---------|----------|
| Name of the Company                     | Assets  | Revenues |
| <b>A. Subsidiary</b>                    |         |          |
| Maharashtra Elektrosnelt Limited        | 219.56  | 321.60   |
| <b>B. Joint Ventures</b>                |         |          |
| NTPC SAIL Power Company Private Limited | 1353.42 | 125.92   |
| Bhilai Jaypee Cement Limited            | 26.87   | -        |

2. In respect of the following Joint Ventures, we did not carry out the audit. Our opinion, insofar as it relates to the assets and revenues included in respect of these Joint Ventures, is based solely on the provisional financial statements as furnished to us by the management. Since the financial statements of these joint ventures for the financial year ended 31st March 2008, were not audited, any subsequent adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of the Joint Ventures in the consolidated position is not significant in relative terms.

| (Rupees in crore)                           |        |          |
|---|--------|----------|
| Name of the Company                         | Assets | Revenues |
| SAIL Bansal Service Centre Limited          | 9.56   | 10.25    |
| Mjunction Services Limited                  | 38.62  | 34.90    |
| UEC SAIL Information Technology Limited     | 0.21   | -        |
| Bokaro Power Supply Company Private Limited | 362.64 | 271.74   |
| N.E. Steel & Galvanising Private Limited    | 1.51   | -        |
| Romelt-SAIL (India) Limited                 | -      | 0.01     |

3. The Accounts of IISCO-Ujjain Pipe & Foundry Company Limited, a subsidiary company of SAIL have not been consolidated as the said company is under liquidation.
4. The accounts of North Bengal Dolomite Limited, a joint venture company of SAIL, have not been consolidated, as the operations of the said company are under suspension.
5. The consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", AS-23, "Accounting for Investments in Associates in Consolidated financial statements" and AS-27, "Financial reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Steel Authority of India Limited and its subsidiary, Joint Ventures and Associates included in the consolidated financial statements.
6. Bokaro Power Supply Company Private Limited, a Joint Venture Company is governed by the Electricity Act, 2003. The provisions of the said Act read with rules thereunder have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.

7. Subject to paras 3 & 4 above, we report that on the basis of the information and explanations given to us and on the consideration of the individual audited financial statements as stated in para 1 above, and provisional financial statements as stated in para 2 above, of the SAIL group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- in case of consolidated Balance Sheet, of the state of affairs of the SAIL Group as at 31st March 2008;
  - in case of consolidated Profit & Loss Account, of the Profit of the SAIL Group for the year ended on that date; and
  - in case of the consolidated Cash Flow Statement, of the cash flows of the SAIL Group for the year ended on that date.

**For Ray & Ray**  
Chartered Accountants

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

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

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

**T.R. Chadha & Co.**  
Chartered Accountants

Sd/-  
**(Ajesh Tuli )**  
Partner  
(M. No.86424)

**Place :** New Delhi  
**Dated :** 14th July, 2008

To  
The Members,  
The Directors have pleasure in presenting the 35<sup>th</sup> Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2008.

## FINANCIAL REVIEW

During the year the Company has achieved a turnover of Rs. 396.41 crores (including conversion income of Rs. 290.79 crores) as compared to Rs. 291.54 crores (including conversion income of Rs.241.80 crores) in the previous year. The Company has achieved an improved performance in terms of financial results and earned a net profit (before tax) of Rs. 55.87 crores despite the increase in power tariff and employees remuneration and benefits. The financial results are as summarized below:

|                               | 2007-2008     | (Rs.in crores)<br>2006-2007 |
|-------------------------------|---------------|-----------------------------|
| Turnover (Gross)              | <b>396.41</b> | 291.54                      |
| Operating Profit/Loss (-)     | <b>57.89</b>  | 30.07                       |
| Interest                      | <b>0.11</b>   | 0.16                        |
| Depreciation                  | <b>1.91</b>   | 1.70                        |
| Net Profit/Loss(-) before Tax | <b>55.87</b>  | 28.21                       |
| Income Tax Provision          | <b>19.55</b>  | 9.71                        |
| Net Profit/Loss(-) after Tax  | <b>36.32</b>  | 18.50                       |
| Proposed Dividend             | <b>7.44</b>   | 4.80                        |
| Tax on proposed Dividend      | <b>1.26</b>   | 0.82                        |

Considering the consistency in performance of the Company, the Directors have recommended dividend @ 31% of net profit subject to approval of the Shareholders. A sum of Rs.3.65 crores has been transferred to the General Reserve during the year.

## PRODUCTION REVIEW

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

| Material                          | 2007-08<br>(MT) | 2006-07<br>(MT) |
|-----------------------------------|-----------------|-----------------|
| High Carbon Ferro Manganese       | <b>64584</b>    | 56319           |
| Silico Manganese                  | <b>37640</b>    | 50371           |
| Medium/Low Carbon Ferro Manganese | <b>1941</b>     | 373             |

Company had to operate Furnace-II for ten months for Silico Manganese production. In order to meet enhanced demand for SAIL Plants. Furnace-I was operated for producing Ferro Manganese for twelve months and Furnace-II for two months for producing Ferro Manganese.

## SALES & MARKETING REVIEW

### SAIL STEEL PLANTS

During the year the Company continued conversion arrangements with SAIL Steel Plants in order to have secured market. Vigorous efforts were made by the Company to find market outside SAIL. Despatches of ferro alloys to SAIL Steel Plants under conversion arrangements and direct sales during the year were as under:

| Material                          | 2007-08<br>(MT) | 2006-07<br>(MT) |
|-----------------------------------|-----------------|-----------------|
| High Carbon Ferro Manganese       | <b>59129</b>    | 55444           |
| Silico Manganese                  | <b>32197</b>    | 44848           |
| Medium/Low Carbon Ferro Manganese | <b>1554</b>     | 613             |

## OTHER CUSTOMERS

The Company continued to achieve a growth in terms of sales realisation through sale of ferro alloys to customers other than SAIL Plants. The details of sales performance in 2007-08 vis-à-vis 2006-07 are as under:

| Material                      | 2007-08          |                       | 2006-07          |                        |
|-------------------------------|------------------|-----------------------|------------------|------------------------|
|                               | Quantity<br>(MT) | Value<br>(Rs.in Lakh) | Quantity<br>(MT) | Value<br>(Rs. in Lakh) |
| High Carbon Ferro Manganese   | <b>8504</b>      | <b>4918.45</b>        | 5298             | 1508.02                |
| Silico Manganese              | <b>7525</b>      | <b>3795.68</b>        | 5327             | 1543.90                |
| Medium Carbon Ferro Manganese | <b>237</b>       | <b>218.62</b>         | 124              | 56.03                  |
| Others (Slag & others)        | <b>--</b>        | <b>185.15</b>         | --               | 222.00                 |
| <b>Total</b>                  | <b>16266</b>     | <b>9117.90</b>        | 10749            | 3329.95                |

## RESEARCH & DEVELOPMENT

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

- Installation & commissioning of additional unit of Gas Cleaning Plant (GCP) for SAF-II which helped in augmenting gas availability to Power Plant and resulted in higher power generation from the captive power plant.
- Commissioning of Mud Gun & Tap Hole Drill Machine for SAF-I to prolong taphole lining life.
- Installation of Maximum Demand controller for better energy management.

## Layer casting of Ferro Alloys:

In Phase-I construction of RCC compartments at SAF-II are completed and 100% Layer casting at SAF-II has been implemented in June'07 with the help of new front end wheel loader.

- Plant-wide communication network of computers.
- Public Announcement system installed at Bunker House No.1 & 2, Screen House and Ground Hopper for communication among the operators, operating the raw material charging system, for flawless charging of the raw material.
- Ultrasonic level switches installed at 12 locations of raw material bins at SAF-II. This helps in monitoring bin level.
- Saving in demurrage & unloading time by constructing BG siding for 60M with the existing BG siding to accommodate 40 BCX/BCN Wagons at a time.

## HUMAN RESOURCES MANAGEMENT REVIEW

Human Resource has been MEL's greatest strength. Considering the increased activities the focus and thrust has been on optimum manpower utilization and improvement in production and productivity. Redeployment of employees has been carried out during the year considering the cross sectional requirement in the Company.

The Human Resource Development (HRD) activities has been focusing on enhancement of Technical and Managerial skills with thrust on multi-skill training and exposure to modern management techniques. During the year 446 employees were trained in various areas.

The Company continuous to recognize excellence in performance and innovation and has awarded 3 Executives and 33 Non-Executives, for their individual contribution with 6 groups awards on Republic Day, 2008.

The Company's Scholarship for Meritorious wards have been awarded to 4 children during the year. The Company has also motivated 64 Bright Pupils by honoring them with an award for their Best Performance in academics.

Long Service Awards for their 25 years of service to the company has been awarded to 13 employees.

The Company in association with the National AIDS Control Organisation (NACO) has actively participated and promoted the Information, Education and Communication (IEC) under the campaign for HIV/Aids awareness programme.

The manpower strength as on 31<sup>st</sup> March, 2008 was 781 comprising 651 Non-executives and 130 Executives.

The Presidential directives for Scheduled Caste and Scheduled Tribe continued to be implemented and monitored on regular basis. Out of the total manpower, 13.44% were Scheduled Caste, 7.17% Scheduled Tribes and 53% Other Backward Castes.

The Company has been continuing thrust on the implementation of Official Language Policy of Government of India.

The Company has been continuously focusing on improving safety standards in the company by conducting safety workshop/programme to inculcate safety awareness amongst the employee and workers in the factory premises. Several safety measures have been introduced with intensive safety awareness drives to make the work place safe and hazard free.

Hormonious Industrial Relations has been the support behind the high production and high productivity. During the year the Industrial Relation remained harmonious and peaceful with full support and co-operation of the Trade Union and Officers' Association.

## ENVIRONMENT

Environment Management & Pollution Control is always accorded top priority in company's activities. To keep environment clean for ecological protection, focussed attention was given in the areas of green belt development in and around the plant premises, solid waste management, monitoring of liquid effluent and air ambient for various environmental parameters.

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

- Completed plantation of 2000 saplings.
- Installation of Gas Cleaning Plant in SAF-II leading to reduction in emission of dust laden & green house gases to the atmosphere by 13.8 million NM3 and by utilizing the gases in boiler for power generation, generating 6.35 million KWH of additional power over previous year.
- Reduction in noise from Boiler Vent pipe by carrying out modification i.e. putting it in steam expander in Power Plant.
- Field trials for stowing of SiMn granulated slag in underground mines of WCL, for first time in country is being conducted in consultation with CMRI, Dhanbad. Successful acceptance of the same by Coal India will be as landmark for ferro alloy industry's effort in solid waste management.
- Weather Monitoring Station has been installed.
- Various pollution control schemes have been identified to improve environment condition in raw material yard, sinter plants, 1 MVA Arc Furnace, etc. and preparation TS and estimate is assigned to CET, Ranchi.