

32nd ANNUAL REPORT

2013-2014

BSIL
BIHAR SPONGE IRON LIMITED

Board of Directors

Mr. Umesh Kumar Modi
Mr. Sudhir Kumar
Mrs. Kum Kum Modi
Mr. Abhishek Modi
Mr. Jayesh Modi
Mr. J.C. Chawala
Mr. Satish Kumar Gupta
Mr. B.D. Garg
Mr. G.C. Jain
Dr. Shyam Vyas
Mr. G.W. Elsenheimer

Chairman & Director
Nominee of BSIDC

Executive Director (Works)

Alternate Directors

Mr. J.N. Khurana (To Mr. G.W. Elsenheimer)

Chief Financial Officer

Mr. B.K. Goel

Company Secretary

Mr. Manoj Kumar

Statutory Auditors

M/s Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
[FRNo. 000038N]
221-223, Deen Dayal Marg,
New Delhi-110002.

Cost Auditors

M/s M.K. Singhal & Co.
Cost Accountants
Panchvati, Opp. M.M. College
Modinagar-201204 (U.P.)

Audit Committee

Mr. G.C. Jain
Mr. J.C. Chawala
Dr. Shyam Vyash

Chairman

Registered Office & Plant Site

Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401, Jharkhand
email: companysecretary@bsil.org.in / Web : www.bsil.org.in
CIN - L27106JH1982PLC001633

Bankers

UBI, SBI, HDFC Bank, ICICI Bank

Registrars and Share Transfer Agents

M/s Beetal Financial & Computer Services Pvt. Ltd.
Beetal House, 99, Madangir, Behind Local Shopping Complex,
New Delhi-110062

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DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 32nd Annual Report of the Company along with audited accounts for the year ended 31st March, 2014.

	(Rs. Lacs)	
Financial Parameters	2013-14	2012-13
Sales (Net of Excise Duty)	1909.70	12054.16
Other Income	275.60	146
Profit / (Loss) before Interest, Depreciation & Exceptional Items	(938.48)	(1759.86)
Interest & Finance Charges	389.43	977.56
Depreciation	342.98	346.27
Profit/(Loss) for the year before Exceptional Items	(1670.89)	(3083.69)
Exceptional Items-income/(expenditure)	(103.41)	476.12
Provision for Tax	-	-
Profit / (Loss) for the year carried to Balance Sheet	(1774.30)	2607.57

OPERATIONS

During the year under review production of sponge iron was 9634 MT as against 60,873 M.T. in the previous year. The Company could not achieve full production due to sudden closure as a result of non supply of coal from Central Coalfields Limited, as the Company was getting the supply of coal from CCL under a Fuel Supply Agreement. Ministry of Coal, Government of India vide its letter No. 38011 / 2 / 2007 – CA – 1 dated 5th August 2008, has allocated Macherkunda Coal Block to the Company in the area of Central Coalfields Limited for captive mining of coal. However, due to events beyond the control of the company, the Central Government cancelled the allocation of Coal Block by its letter dated 20th November, 2012. The company has since challenged the de-allocation of Coal Block by filing a Writ Petition being W.P.(C) No.7331 of 2012 before the Hon'ble Jharkhand High Court in which an interim order was passed on 12th December 2012. The interim order continues to operate in this matter.

The allocation and subsequent de-allocation of coal block has adversely affected the existing coal linkage of the company due to confusion arising out of Tapering Linkage Policy dated 26th February, 2010 issued by the Ministry of Coal (MoC). The company's stand is that it is entitled to receive coal as per their existing Coal Linkage. Disputes arose between the company, Ministry of Coal and CCL on the interpretation of the Policy which resulted in another Writ Petition before the Hon'ble Jharkhand High Court being W.P.(C) No.1660 of 2013. Pursuant to an Order dated 26th June, 2014 passed by Hon'ble High Court in the aforesaid Writ Petition, the company has filed an application for execution of a fresh Fuel Supply Agreement (FSA) on which CCL is to take an informed decision which has not yet happened.

Thereafter, the company has also filed an Application before the Hon'ble High Court being I.A No.6999 of 2013 praying for urgent directions upon CCL to supply coal and also execute a fresh FSA. The said application is still pending. Owing to the aforesaid reasons, the company was forced to shut down the Plant and operations have been suspended since 9th August, 2013 due to lack of supply of coal.

Vide Office Memorandum a "Inter-Ministerial Committee" constituted by Government of India, Ministry of Coal, New Delhi has recommended supply of coal on priority basis to End-Use Plants which are having long term linkage and their existing

linkage was converted into Tapering Linkage consequently upon allocation of Coal Block.

Ministry of Steel, Govt. of India, New Delhi has informed that issues related with our Company has been noted by the Ministry and would be included for discussion with Chief Secretary, Jharkhand during the forthcoming meeting scheduled in the near future.

They have also informed that a Project Monitoring Group (PMG) under the Cabinet Secretariat is functioning for taking up such issues for resolution and advised us to upload our issues at the web portal of PMG. As per their advise, we have uploaded our issue at PMG web portal.

We hope CCL, Ranchi will restore our Fuel Supply Agreement and will start supplying coal against our linkage very soon. As and when the Company starts getting coal supplies from CCL, Ranchi the Plant will start its operation.

IRON ORE MINE ;

The Company was allotted Ghatkuri Iron Ore Mine in April, 2007 in the State of Jharkhand with 406.40 hectares of land and consisting of reserves estimated at 35.65 million tons. However, the Geological Survey was conducted by Department of Geology, Ministry of Mines, Govt. of Jharkhand and report was released in February, 2012 wherein they have assessed the iron ore reserve to be about 11.00 Million Tons. The Company has requested for the allocation for an additional Iron ore mine to compensate the difference in allocated quantity and for revised geological reserves. The draft Mining Plan prepared by MECON is already submitted with Ministry of Mines on 3rd September, 2012 based on the revised reserves of 11.00 million tons. The Company expects a total capital investment of around Rs.45.00 Crores for the development and anticipates the commencement of production of iron ore by 2016.

COAL MINE

Ministry of Coal, Government of India vide its letter No. 38011 / 2 / 2007 – CA – 1 dated 5th August 2008, has allocated Macherkunda Coal Block to the Company for captive mining of coal to meet its coal requirement. The allocation of the aforesaid coal block was subject to certain conditions together with milestones that were required to be achieved by the Company as fixed by the Ministry of Coal. However, notwithstanding all bonafide effort by the Company and due to inter departmental issues within the Government which were beyond the power and control of the Company, there was a delay in achieving the milestones. Thereafter the Central Government, without affording any opportunity of hearing to the Company, proceeded to accept the recommendations purported to have been made by the Inter Ministerial Group (IMG) and consequently vide an order dated 20th November 2012, communicated its decision to de-allocate the Macherkunda Coal Block.

Upon the de-allocation of the Macherkunda coal block, the Company had filed a Writ Petition before the Jharkhand High Court, being W.P.(C) No. 7331 of 2012 challenging the decision of the Ministry of Coal to de-allocate the coal block. The Hon'ble Jharkhand High Court, by an order dated 12th December 2012 has been pleased to pass the following interim order: "Until further order, no coercive steps shall be taken against the Petitioners pursuant to the impugned order".

5 MW POWER PLANT / STEEL PLANT

The Company from the existing power plant generates 5 MW Power based on dolo char being produced in the manufacturing of sponge iron. Since the Company is not able to consume the total dolo char, the Company has entered into an agreement with G.S. Phambutor Pvt. Limited (GSP) to install a 5 MW Power Plant. Whenever the existing power plant goes under regular maintenance, the Company has to generate power from DG Set, which is highly uneconomical. During such time the Company will take the power from GSP and for the rest of the period GSP will

consume the power in induction furnace to produce pencil ingot. It is expected that the 5 MW power plant and induction furnace will be commissioned by June, 2014.

FIXED DEPOSITS:

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58 A of the Companies Act, 1956 during the year under review.

BOARD OF DIRECTORS:

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors:

Mr. U.K. Modi seized to be the Managing Director of the Company w.e.f. 28th February, 2014 and shall continue to be the Chairman of the Company.

Mr. B. K. Thakur was appointed as additional Director and then Whole-time Director of the Company designated as Director- Finance, w.e.f. 20th December, 2013 has resigned w.e.f. 20-12-2013.

Mr. K. K. Jain has resigned as director of the Company w.e.f. 28th May, 2013.

Mr. Satish Kumar Gupta was appointed as additional director and was later appointed as Whole Time Director designated as Executive Director (Works) of the Company w.e.f. 13-12-2013.

In accordance with the provisions of 160 of the Companies Act, 2013 and Article 128 of the Articles of Association of the Company, Mrs. Kumkum Modi, Mr. Jayesh Modi retires by rotation and are eligible for re-appointment.

Mr. G. C. Jain, Mr. B. D. Garg, Mr. J. C. Chawla, Dr. Shyam Vyas and Mr. G. W. Eisenheimer the independent directors of the Company shall pursuant to section 149 (10) of the Companies Act, 2013 hold the office as directors for a term of 5 years w.e.f. 29th May, 2014.

None of the directors of the Company are disqualified under Section 164 (2) of the Companies Act, 2013. Your directors have made necessary disclosures as required under various provisions of the Companies Act, 2013.

AUDITORS:

- i. M/s. Thakur, VaidyanathAiyar and Co., Chartered Accountants (Firm Registration No.000038N), Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made would be within the prescribed limits under Section 139 of the Company Act, 2013 and the Audit Committee of the Company has recommended their appointment as statutory Auditors of the Company.
- ii. M/s M.K. Singhal & Co., Cost Accountants has been appointed by the Board of 8th February, 2014 and Directors of the Company on the recommendation of the Audit Committee, as Cost Auditors of the Company for the Financial Year 2013-14. The Company has received a letter from them to the effect that their appointment, if made would be within the prescribed limits under Section 139 of the Company Act, 2013. The Certificate of independence and arms length relationship with the Company and are not disqualified for such appointment within the meaning of Section 141/148 of the Companies Act, 2013 has been received.

ACCOUNTS AND AUDIT REPORT:

The Notes to Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments. However the following has not been recognized as explained below:

- Rs. 2754.09 lacs against currency rate fluctuation of Foreign Currency Loan has not been recognized as the same is pending before Court and the Company is hopeful that the decision will be in favour of the Company.
- Penalty of Rs. 215.28 lacs recovered by South Eastern Coalfields Ltd. for short lifting of coal, has not been recognized as the same is pending before

Court and the Company is hopeful that the decision will be in favour of the Company.

- Rs. 171.79 forfeited by CCL as additional price under tapering linkage policy has not recognized, as the 40 % increase in price of coal was illegal and the Company has made representation before the Ministry of Coal for release of forfeited amount.

Interest on unsecured loan amounting to Rs. 6863.90 lacs has not been taken recognized as the Company had applied to the unsecured lenders for the waiver of the interest.

Interest on soft loan amounting to Rs. 305.26 lacs has not been provided as the Company will apply for waiver of interest on soft loan when the Company re-start operation.

The salary and wages from 10th August, 2013 has not been provided in view of shutdown of plant and suspension of operation from 10th August, 2013.

Further due to low production as a result of non-availability of coal from CCL against linkage resulting to shut down of the plant & suspension of the operation from 9th August, 2013, the various dues could not be paid on due dates. Necessary steps for the payment of such dues along with interest for the delayed period are being taken.

SUBSIDIARY COMPANY

Chandil Power Limited has become a subsidiary company of the Company pursuant to Section 4 (1) (a) of the Companies Act, 1956 and Section 2(87) of the Companies Act, 2013 and in accordance with the general circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India the balance sheet, profit and loss account and other documents as required to be attached with balance sheet are not attached with the balance sheet of the Company. The same will be made available to any member of the Company, who may be interested in obtaining the same. The Annual accounts and related documents of the subsidiary company will also be kept open for inspection at the registered office of the Company. Further the consolidation of accounts is not required as Chandil Power has become subsidiary by virtue of control on of composition of Board of Directors of Chandil Power Limited and the Company do not hold any shares in Chandil Power Limited.

MANAGEMENT DISCUSSION ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report is annexed and form part of this report.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 and Section 134 of the Companies Act, 2013 the Directors of your Company declare as under:

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

DIVIDEND

In view of the loss incurred by the Company, no dividend has been proposed for the financial year ended 31st March, 2014.

CORPORATE GOVERNANCE :

A separate report on Corporate Governance is attached as Annexure to the Annual Report. The Auditors' Certificate confirming compliance of conditions of Corporate Governance is included in the said Corporate Governance Report.

LISTING IN STOCK EXCHANGE:

The equity shares of the Company continues to be listed in the Bombay Stock Exchange and listing fee for the Financial Year 2014-15 has been paid.

PARTICULARS OF EMPLOYEES :

None of the employee of the Company fall under the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and Section 134 of the Companies Act, 2013 and Rules made there under.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) and Section 134 of the Companies Act, 2013 and rules made there under, a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is annexed hereto as Annexure-A and form part of this report.

ACKNOWLEDGEMENT :

Your Directors take this opportunity to place on record their sincere thanks to all stakeholders, various departments of Central Government, the Government of Bihar and Jharkhand, Financial Institutions and Banks for their valuable assistance. Your Directors equally acknowledge the trust reposed by you in the Company. The Directors also wish to place on record their appreciation for the all round support and co-operation received from the employees at all levels.

For & on behalf of the Board

Place : New Delhi
Dated : 29-05-2014

**Umesh K. Modi
(Chairman)**

ANNEXURE TO THE DIRECTORS' REPORT STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY :

	Current Year (2013-14)	Previous Year (2012-13)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
A) PURCHASED		
Unit	Nil	Nil
Amount(Rs.)	Nil	Nil
Rate/Unit (Rs.)	Nil	Nil
B) OWN GENERATION		
1. Through Diesel Generator		
Unit	192531	799510
Unit per liter of HSD	2.98	2.93
Cost/Unit (Rs.)	17.09	15.37

2. Through steam turbine		
Unit	6796783	2,18,04,700
Unit per M.T of fuel	574	875
Cost/Unit (Rs.)	3.80	2.73

2. COAL		
Quantity (M.T)	12204	1,15,501
Cost (Rs.)	66646995	30,77,13,248
Average Rate (Rs./M.T)	4561	2,664.16

B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)

1. Electricity (Unit)	725	371
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	1.27	1.90
4. Others – HSD (Liter)	6.72	4.49

TECHNOLOGY ABSORPTION :**(A) Research and Development.**

1. Specific areas in which R & D is carried out by the Company	:	Nil
2. Benefits derived as a result of the above R & D	:	Does not arise
3. Future plan of action	:	Not yet decided
4. Expenditure on R & D	:	Nil

(B) Technology absorption, adaptation & innovation.

1. Efforts in brief made towards technology absorption, adaptation & innovation	
— Technology transfer is complete.	
2. Benefits derived as a result of above efforts :The company achieves the metallization acceptable to the user industry. Sponge Iron produced by the Company has helped the country in saving outgo of scarce foreign exchange resources by way of import substitution.	

TECHNOLOGY IMPORTED

(a) Lurgi SL/RN process for the direct reduction of Iron Ore in a rotary kiln.	
(b) Year of import :	1986-89 (plant construction period)
(c) Has the technology been fully absorbed?	Yes
(d) If not fully absorbed, areas where this has not been taken place, reasons Thereof, and future plans of action	N.A

OREIGN EXCHANGE EARNINGS & OUTGO:

	(Rs. Lacs)	
	2013-2014	2012-2013
1 EARNING		
Export of Goods on F.O.B OUTGO	—	—
2. EXPENDITURE		
a) Interest	—	—
b) Import on CIF Basis Stores & Spares	—	—

For & on behalf of the Board

Place : New Delhi
Dated : 29-05-2014

**Umesh K. Modi
(Chairman)**

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

At Bihar Sponge Iron Limited, Corporate Governance is an integral part of the Company's values, ethics, business practices and norms. Towards this, the Company consistently evaluates and defines its management practices aimed at enhancing its commitment and delivery of the basic tenets of the Corporate Governance.

BOARD OF DIRECTORS:

The Company has non-executive Chairman and the number of independent directors are not less than half of the total number of directors. None of the Directors on the Board is a Member of more than 10 committees and Chairman of more than 5 Committees (as specified in Clause-49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at the Board Meetings during the year and at the last Annual General Meeting and also the number of Directorships and Committee Memberships held by them in other companies are given below:

Number of Directorships and Committee Memberships held by them in other companies are given below:

Name of the Directors	Executive/Independent/ Non-Executive	No. of meetings attended(+)	Attendance at previous AGM on 2nd August, 2013	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee Chairman Membership	
Mr. Umesh K. Modi #	Chairman	4	Not Present	7	Nil	Nil
Mr. Sudhir Kumar	Nominee Director	Nil	Not Present	Nil	Nil	Nil
Mrs. Kum Kum Modi	Non Executive Director	Nil	Not Present	2	Nil	Nil
Mr. Abhishek Modi	Non Executive Director	4	Not Present	6	Nil	Nil
Mr. Jayesh Modi	Non Executive Director	Nil	Not Present	4	Nil	Nil
Mr. B. D. Garg	Independent Director	4	Not Present	2	Nil	Nil
Mr. Satish Kumar Gupta (**)	Whole-time Director	Nil	Not Present	1	Nil	Nil
Mr. G.C. Jain	Independent Director	5	Present	6	5	1
Dr. Shayam Vyas	Independent Director	1	Not Present	Nil	Nil	3
Mr. J. C. Chawla	Independent Director	5	Present	Nil	Nil	3
Mr. B. K. Thakur(***)	Whole Time director	2	Present	Nil	Nil	Nil
Mr. G.W. Elsenheimer	Independent Director	Nil	Not Present	Nil	Nil	Nil
Mr. J. N. Khurana(****)	Independent Director	4	Not Present	2	Nil	Nil

(+) Attendance at Board Meetings relevant to the period remained as Director of the Company.

(*) Directorship in companies registered under the Companies Act, 1956, excluding Directorships in Private Limited Companies, Companies under Section 8 of the Companies Act, 2013 and Alternate Directorships.

(**) Mr. Satish Kumar Gupta, was appointed as Whole-time Director, designated as Director –Works of the Company w.e.f. 13th December, 2013.

(***) Mr. B. K. Thakur was appointed as whole time director on 20th December, 2012 and has resigned on 13th December, 2013.

(****) Mr. J.N. Khurana is an alternate director to Mr. G.W. Elsenheimer.

Mr. K.K. Jain has resigned as director of the Company w.e.f. 28th May, 2013.

Mr. U. K. Modi seized to be the managing director of the Company w.e.f. 28th February, 2014 and continues to be the Chairman & Director of the Company.

Mrs. Kum Kum Modi is related to Mr. Umesh Kumar Modi as wife Mr. Abhishek Modi and Mr. Jayesh Modi are related to Mrs. Kum Kum Modi & Mr. Umesh K. Modi as sons and mother & father respectively.

Five Board Meetings were held during the year on 28th May, 2013, 18th July, 2013, 14th August, 2013, 13th December, 2013 and 22nd March, 2014.

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

The Company has adopted the Code of Conduct for the Directors and Senior Management of the Company. The Company has received confirmations from both the Directors as well as Senior Management regarding compliance of the Code of Conduct for the year ended 31st March, 2014. The Code is posted on the website of the Company i.e. www.bsil.org.in

INFORMATION REGARDING REAPPOINTMENT OF DIRECTORS:

Mr. Jayesh Modi, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. Jayesh Modi is a Non-Executive director. He has imbibed entrepreneurship skills from family business and has experience in the area of administration and business management. He is also a Director in SBEC Sugar Limited, SBEC Bio-energy Limited, Chandil Power Limited, and Modi Hitech India Limited.

Mr. Kum Kum Modi, Director of the Company retires by rotation and being eligible, offers herself for re-appointment. Mrs. Kum Kum Modi is a Non-Executive director. She is a Post graduate from Delhi University and has experience in the area administration and business management. She is also a Director in SBEC Sugar Limited and ModiHitech India Limited.

AUDIT COMMITTEE:

Composition of Audit Committee is in accordance with the requirements prescribed by the Code of Corporate Governance. Audit Committee has following directors:

- i). Mr. G.C. Jain, Chairman, ii) Mr.J. C. Chawla, iii) Dr. Shyam Vyas.

All the Members of the Audit Committee are Non-executive & Independent Directors and also financially literate. The Company Secretary of the Company acts as a Secretary to the Committee. A representative of Thakur, Vaidyanath Aiyar & Co., the Statutory Auditors and a representative of Thakur & Co., Concurrent Auditors are permanent invitees to the Audit Committee meetings and the Cost Auditors are invited at the meeting as and when required.

Four meetings of Audit Committee were held during the year on 28th May, 2013, 14th August, 2013, 14th November, 2013 and 12th February, 2014.

Attendance at meetings during the year:

Director	No. of meetings attended
Mr. G.C. Jain	4
Dr. Shyam Vyas	1
Mr. J.C. Chawla	4

The terms of reference of the Audit Committee are in conformity with the revised requirements of Clause 49 of the Listing Agreement read in conjunction with Section 292A of the Companies Act, 1956 and section 77 of Companies Act, 2013. The functions of the Audit Committee broadly cover the following:

- a) to investigate any activity within its terms of reference;
- b) to seek information from any employee;
- c) to obtain outside legal or professional advice;
- d) to secure attendance of outsiders with relevant expertise, if it considers it so necessary;
- e) to oversee the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- f) to recommend the appointment and removal of the external auditor, fixation of audit fees and also approval for payment of any other services;
- g) reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions, i.e transactions of the company of material nature with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large;
- h) reviewing with the management, external and internal auditors, the adequacy of internal control system;
- i) reviewing with the management the quarterly financial statements before submission to the Board;
- j) reviewing the adequacy of internal audit function, reporting coverage and frequency of internal audit;
- k) discussion with internal auditors on any significant findings and follow up thereon;
- l) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- m) discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern;
- n) reviewing the company's financial and risk management policies;
- o) to look into the reasons for substantial defaults, if any, in the payment to creditors etc.

The Audit Committee shall also mandatory review the following:

- a) Management discussion and analysis of financial condition and results of operations;
- b) Statement of significant related party transactions (as defined by the audit committee) submitted by management;
- c) Management letters/letters of internal control weakness issued by the statutory auditors;
- d) Internal audit report relating to internal control weakness;
- e) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

The Audit Committee shall in pursuance to Section 177 of the Companies Act, 2013 act within the term of reference specified in writing by the Board which shall *inter alia* include the following:

- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;

- (iii) examination of the financial statement and the auditors' report thereon;
- (iv) approval or any subsequent modification of transactions of the company with related parties;
- (v) scrutiny of inter-corporate loans and investments;
- (vi) valuation of undertakings or assets of the company, wherever it is necessary;
- (vii) evaluation of internal financial controls and risk management systems;
- (viii) monitoring the end use of funds raised through public offers and related matters.

STAKEHOLDER RELATIONSHIP COMMITTEE:

The Investors'/Shareholders Grievance Redressal Committee was first constituted on 11th September, 2001. The investors'/Shareholders Grievance Redressal Committee was dissolved and Stakeholder Relationship Committee is constituted in its place pursuant to Section 178 (5) of the Companies Act, 2013.

The Stakeholder Relationship Committee has following independent directors:

- i) Mr. G.C. Jain ii) Mr. J. C. Chawla, ii) Dr. Shyam Vyas and the Company secretary of the Company acts as a Secretary to the Committee.

BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, re-materialization, complaints of shareholders etc. During the year under review, the Committee met four times on 28th May, 2013, 14th August, 2013, 14th November, 2013 and 12th February, 2014.

Details of complaints received and addressed during the year under review are given below:

	Direct	Number of complaints received				Number of total complaints (Share Transfers/ Annual Reports etc.)
		Stock Exchanges	Investor Associations	SEBI	Deptt. of Company Affairs	
(2013-2014)						
1. Received	3	Nil	Nil	Nil	Nil	3
2. Replied	3	Nil	Nil	Nil	Nil	3
3. Pending	Nil	Nil	Nil	Nil	Nil	Nil

COMPLIANCE OFFICER:

Mr. Manoj Kumar, Company Secretary of the Company is the Compliance Officer of the Company.

NOMINATION AND REMUNERATION COMMITTEE:

The Remuneration Committee was constituted by the Board in March, 2006. The Committee has been reconstituted on 22nd August, 2012. The Remuneration Committee was dissolved on and Nomination and remuneration Committee was constituted on 29th May, 2014

The following persons are the Members of the Committee:

- i). Mr. G.C. Jain, Chairman, ii) Mr. J. C. Chawla, iii) Dr. Shyam Vyas

The Company Secretary acts as a Secretary to the Committee.

One Remuneration Committee were held during the year on 12th December, 2013 and two members of the Committee were present at the meeting.

The terms of appointment and remuneration of the executive directors are reviewed by the Remuneration Committee keeping in view the performance, industry practice, present compensation package, etc and then recommend the same for the approval of the Board of Directors and the shareholders.

Details of Remuneration paid to Directors for the year ended on 31st March, 2014.

The non-executive Directors (NEDs) are paid remuneration by way of Sitting Fee of Rs. 1,000/- per meeting for attending the meetings of Board and/or Committees thereof.

The details of Remuneration paid to the Directors during the year ended 31st March, 2014 are as under:-

S. NO.	NAME	SALARY	PERQUISITES AND OTHER BENEFITS	SITTING FEES (Rs.)	TOTAL (Rs.)
Executive Directors:					
1	Mr. U. K. Modi	8,58,064	7,33,970	—	15,92,034
2	Mr. B. K. Thakur (Resigned w.e.f. 20-12-2013)	6,93,774	5,33,041	—	12,26,815
3	Mr. S. K. Gupta	270,290	54,950	—	3,25,240
Non-Executive Directors:					
1	Mr. B. D. Garg	—	—	10,000	10,000
2	Mr. G.C. Jain	—	—	14,000	14,000
3	Mr. Shyam Vyas	—	—	4,000	4,000
4	Mr. J. C. Chawla	—	—	41,000	41,000
5	Mr. J. N. Khurana	—	—	4,000	4,000

ANNUAL GENERAL MEETING:

Date, Place & Time for the last three Annual General Meetings (AGM) :

Year	Date	Venue	Time	Special Resolution Passed (Yes / No)
2013	02.08.2013	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	11.00 A.M.	Yes
2012	29.09.2012	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes
2011	30.09.2011	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes

POSTAL BALLOT :

No resolution requiring a postal ballot was proposed at the last Annual General Meeting of the Members.

No resolution which requires approval of Members by postal ballot is being proposed at the ensuing Annual General Meeting.

DISCLOSURE:

There were no materially significant related party transactions (ie. Transaction of the Company of the material nature) that may have potential conflict with the interest of the Company at large. However, related party transactions during the year are mentioned in Note no 3 under "Notes Related to Accounting Standards" under Annexure -1 of Annual Accounts.

There has not been any non compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets during the last three years.

MEANS OF COMMUNICATIONS:**Half Yearly Report to Each Household of Shareholders:**

The Company has not yet started sending the half yearly report to each household of shareholders but if any shareholder seeks any information then the same is provided by the Company.

Quarterly Results:

In compliance to the Clause 41 of the Listing Agreement the Company regularly intimate the un-audited financial results to the stock exchange, immediately after the same is taken on record by the Board/Committee of Directors of the Board and are published in widely circulated English daily "The Financial Express" and Hindi daily "Naya India" as is required under the Listing Agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the Company is listed and also displayed on the website of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS IS REPORTED IN THIS ANNUAL REPORT SEPARATELY.**CEO/CFO CERTIFICATION ON THE FINANCIAL STATEMENT:**

Pursuant to Clause 49 of the Listing Agreement, the Chief Executive Officer/Director Finance have submitted the desired certificate to the Board of Directors and the same have been taken on record by the Board of Directors in their meeting held on 29th May, 2014.

GENERAL SHAREHOLDER INFORMATION:

32nd Annual General Meeting is scheduled to be held on 29th day of September 2014 at 11.00 AM at the Registered Office of the Company, Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan – 832401, Jharkhand (Jharkhand) as per notice enclosed with the Annual Report.

Financial Calendar for taking on record financial results for next financial year ending 31st March, 2015.

Particulars	Date
For First Quarter UFR ended 30.06.2014:	By 14 th August, 2014
For Second Quarter UFR ended 30.09.2014:	By 15 th November, 2014
For Third Quarter UFR ended 31.12.2014:	By 15 th February, 2014
For Audited Financial results for the year ended 31.03.2015:	By 30 th May, 2015

Book Closure:

Monday the 22nd day of September 2014 to Monday the 29th day of September 2014 (both days inclusive)

Dividend payment date:

In view of losses incurred by the Company, no dividend has been recommended by the Board of Directors for the year ended 31st March, 2014.

LISTING ON STOCK EXCHANGES:

Your Company is listed at Bombay Stock Exchange Limited, the address of which is given below:

Stock Exchange	Stock Code
Bombay Stock Exchanges Limited, PhirozJeejeebhoy Towers, 25 th Floor, Dalal Street, Fort, Mumbai-400001	500058

On 21st March, 1998, the Company after complying with the conditions of Circular No. 6/9/SE/78 dated 26th June, 1979 issued by Ministry of Finance, Department of Economic Affairs, Stock Exchange Division, applied to Ahmedabad, Calcutta, Delhi and Madras Stock Exchanges for de-listing of Equity Shares. The Company has received the letter of confirmation of de-listing from Madras Stock Exchange Association Limited only, matter is pending with others stock exchanges. The Company vide its letter dated 25th September, 2007 applied for voluntary de-listing of Shares from Magadh Stock Exchange, the matter is pending with the Exchange.

The Company has paid listing fee for the financial year 2014-2015 to Bombay Stock Exchange Limited only.

Market Price Data:

High/Low of market price of the Company's shares traded on Bombay Stock Exchange Limited during the financial year 2013-2014 is furnished below:

Month	High Price	Low Price	No. of Shares
Apr 13	4.25	2.52	54,785
May 13	3.50	2.45	61,261
Jun 13	2.78	2.10	48,926
Jul 13	2.96	1.97	79,938
Aug 13	2.47	1.70	60,861
Sep 13	3.09	2.21	25,678
Oct 13	2.70	2.11	44,618
Nov 13	2.39	2.00	40,203
Dec 13	2.89	2.16	47,439
Jan 14	2.53	2.15	87,869
Feb 14	2.48	2.09	82,978
Mar 14	2.35	1.95	1,35,549

Registrar and Transfer Agents:

M/s. Beetal Financial & Computer Services Pvt. Limited is the Registrar and Share Transfer Agent of the Company. The physical transfer of Equity Shares and Electronic connectivity for the depository mode for both NSDL and CDSL is being provided by M/S Beetal Financial & Computer Services Pvt. Limited whose address given below:

M/s. Beetal Financial & Computer Services Pvt. Limited,

99, Madangir, Behind Local Shopping Centre, New Delhi - 110062 Telephone no(s) 011-29961281, 282, 283, Fax: 011-29961284 E-mail : beetalrta@gmail.com

Share Transfer System:

The Company, in compliance of SEBI circular no. 15/2002 dated 27th December, 2002, has appointed M/S Beetal Financial & Computer Services Pvt. Limited, (Category-I SEBI registered Registrar & Share Transfer Agents) as Share Transfer Agent who follows the Share Transfer System as prescribed by the Securities & Exchange Board of India (SEBI). The share transfer requests in physical form sent by shareholders are manually checked. If the transfer deed and the enclosures are valid, the shares are transferred within 15th days, otherwise objection memo is sent to the Transferor with necessary advice to take the required steps. The Share Transfer Committee generally approves once in a fortnight the applications received from members.

Distribution of Share holding as on 31st March, 2014:

	No. of Shares	No. of Shareholders	% age to total shares
Up to 5000	53,626	81,19,743	9.00
5001 to 10000	3,102	25,19,100	2.80
10001 to 20000	1,251	19,48,027	2.16
20001 to 30000	344	8,92,353	0.98
30001 to 40000	186	6,79,107	0.76
40001 to 50000	172	8,31,739	0.92
50001 to 100000	250	18,96,929	2.10
100001 and above	225	7,33,18,405	81.28
Total	59,156	9,02,05,403	100.00

Shareholding pattern as on 31st March, 2014:

Particulars	No. of Shares Held	%age of Shares Held
1. Promoters	6,25,52,579	69.34
2. Mutual Funds & UTI	64,550	00.07
3. Banks, Financial Institution & Insurance Companies	1,15,820	00.13
4. Foreign Financial Investors	6,68,584	0.74
5. Private Corporate Bodies	30,43,786	3.38
6. Indian Public	2,31,13,358	25.62
7. NRI/OCBs	6,36,641	00.71
8. Any Other (Clearing Members & Trust)	10,085	0.01
Total	9,02,05,403	100.00

Dematerialization of shares:

The equity shares of the Company are available for dematerialization. The Securities Identification Number (ISIN) of the Company is INE 819C01011. The equity shares are now tradable only in dematerialized mode.

Share held in physical and dematerialized from:

As on 31st March, 2014, 55.83 % of Equity Shares were held in dematerialized form and the rest were in physical form.

Outstanding GDRs /ADRs /Warrants or any convertible instruments, conversion date and likely impact on equity:

The Company has no GDRs/ADRs or any convertible instrument.

Plant location of the Company:

Umesh Nagar, Chandil, District SaraikelaKharsawan 832401 (Jharkhand)

Address for correspondence:

All the queries of investors regarding the Company's shares may be sent at the following address:

BIHAR SPONGE IRON LIMITED

Umesh Nagar, Chandil, District SaraikelaKharsawan 832401 (Jharkhand) Website: www.bsil.org.in, Email: companysecretary@bsil.org.in

Nomination Facility:

Shareholders desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to submit to the Company in prescribed Form SH-13 for this purpose.

AUDITOR'S CERTIFICATE

The Members of BIHAR SPONGE IRON LTD.

We have examined the compliance of conditions of Corporate Governance of Bihar Sponge Iron Limited (the company) for the year ended 31st March, 2014 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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

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

We state that no investor grievances are pending for the period exceeding one month against the Company as per 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 Thakur, VaidyanathAiyar & Co.
Chartered Accountants
[FRNo. 000038N]

Place : New Delhi
Dated : 29th May, 2014

M.P. Thakur
(Partner)
Membership No. 052473

MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company produces sponge iron from three kilns with an installed capacity of 2,10,000 MT per annum. The Company's primary product, sponge iron, is a high quality pre-reduced ferrous material and, therefore is preferred to most other materials in place of steel scrap by secondary steel producers operating induction and electric arc furnaces for producing long products for meeting the demand of the construction and infrastructure sectors.

Since the price of sponge iron is purely market driven in the present economy, the Company continuously makes efforts for reducing the cost of production to sustain its margins. The principal cost components of sponge iron consist of coal, iron ore and capital service charges. With the continuous and successful operation of its captive 5.0 MW power plant, the power cost of the Company has reduced significantly.

2. OPPORTUNITIES AND THREATS

Coal and iron ore are the two major raw-materials for producing sponge iron. The price of both iron ore and coal are quite volatile and on most of the times increased by the suppliers, which adversely affects Company margins. Therefore, the Company has been exploring various avenues for procuring good quality iron ore and sufficient coal.

IRON ORE:

Iron ore is one of the major raw material for the production of sponge iron and due to fast growth of small sponge iron plants in Orissa and Jharkhand, there has been an acute shortage of iron ore in the market. The Company could not make long term arrangement for its iron ore requirement due to shortage of working capital. In addition, the following factors have further compounded problems faced by the Company :

1. Due to political uncertainty in the State of Jharkhand and increase in social unrest activities, their calls for Jharkhand Bandhs from time to time, also adversely affected the transportation of material to the Plant.
2. Govt. of Orissa in its action to stop illegal iron ore mining, have seized materials lying at various railway sidings and asked the Miners to produce mining/royalty documents. Large number of owners were not able to submit the proper documents. Further Government of Orissa directed Mines/Railway Siding to observe all environment norms. As a result 60% of the Mines were closed for want of environmental clearance.

The supplies of iron ore are expected to be normalized soon. It is expected that in the near future the requirement of iron ore will be met with the availability of iron ore pellets due to new iron ore pellets plants are coming up near Company's plant.

COAL:

Ministry of Coal, Government of India has allocated Macherkunda Coal Block to the Company for captive mining of coal to meet its coal requirement. The allocation of the aforesaid coal block was subject to certain conditions together with milestones that were required to be achieved by the Company as fixed by the Ministry of Coal. One of the condition to the allocation of said coal mine was the Coal Tapering Linkage Policy issued by the Ministry of Coal (MoC) (Notification being No. 23011/39/2008-CPD dated 26th February 2010) by virtue of which the Company's existing linkage of coal would be tapered on and from 5th February 2013 (being the normative date of production from the coal mine allocated) in the forthcoming 4 years by 25 % in each year and an additional price of 40% over the notified basic price of coal would be charged.

The Company had linkages with Central Coalfields Limited (CCL) for supply 1,21,500 MT. of B/C grade coal and 1,30,500 MT of E/F grade coal per annum. CCL has stopped supplying the linkage coal to the Company from 5th February, 2013 on the basis of said Coal Linkage policy.

Since the allocated Macherkunda coal block has been de-allocated by Ministry of Coal vide their letter dated 20th November, 2012 the tapering policy do not apply to the Company. The Company has challenged the aforesaid action of the MoC, Coal India Limited and CCL by filing a writ petition before the Hon'ble Jharkhand High Court. In the last hearing held on 14th May, 2013 the Hon'ble Court granted one last opportunity and directed the Union of India to file its counter affidavit, failing which the officer concerned will have to appear before the Court to answer as to why the counter affidavit is not being filed in spite of directions. The Court has also directed CCL to file its response.

Vide Office Memorandum a "Inter-Ministerial Committee" constituted by Government of India, Ministry of Coal, New Delhi has recommended supply of coal on priority basis to End-Use Plants which are having long term linkage and their existing linkage was converted into Tapering Linkage consequently upon allocation of Coal Block.

Ministry of Steel, Govt. of India, New Delhi has informed that issues related with our Company has been noted by the Ministry and would be included for discussion with Chief Secretary, Jharkhand during the forthcoming meeting scheduled in the near future. They have also informed that a Project Monitoring Group (PMG) under the Cabinet Secretariat is functioning for taking up such issues for resolution and advised us to upload our issues at the web portal of PMG. As per their advise, we have uploaded our issue at PMG web portal. We hope CCL, Ranchi will restore our Fuel Supply Agreement and will start supplying coal against our linkage very soon. As and when the Company starts getting coal supplies from CCL, Ranchi the Plant will start its operation.

IRON ORE MINE ;

The Company was allotted Ghatkuri Iron Ore Mine in April, 2007 in the State of Jharkhand with 406.40 hectares of land and consisting of reserves estimated at 35.65 million tons. However, the Geological Survey was conducted by Department of Geology, Ministry of Mines, Govt. of Jharkhand and report was released in February, 2012 wherein they have assessed the Ore reserve to be about 11.00 Million Tons.

The Company has requested for the allocation for an additional Iron Ore Mine to compensate the difference in allocated quantity and for revised geological reserves. The draft Mining Plan prepared by MECON is already submitted with Ministry of Mines on 3rd September, 2012 based on the revised reserves of 11.00 million tons. The Company expects a total capital investment of around Rs.45.00 Crores for the development and anticipates the commencement of production of iron ore by 2015.

COAL MINE

Ministry of Coal, Government Of India vide its letter No. 38011 / 2 / 2007 – CA – 1 dated 5th August 2008, has allocated Macherkunda Coal Block to the Company for captive mining of coal to meet its coal requirement. The allocation of the aforesaid coal block was subject to certain conditions together with milestones that were required to be achieved by the Company as fixed by the Ministry of Coal. However, notwithstanding all bonafide effort by the Company and due to inter departmental issues within the Government which were beyond the power and control of the Company, there was a delay in achieving the milestones. Thereafter the Central Government, without affording any opportunity of hearing to the Company, proceeded to accept the recommendations purported to have been made by the Inter Ministerial Group (IMG) and consequently vide an order dated 20th November 2012, communicated its decision to de-allocate the Macherkunda Coal Block.

Upon the de-allocation of the Macherkunda coal block, the Company had filed a Writ Petition before the Jharkhand High Court, being W.P. (C) No. 7331 of 2012 challenging the decision of the Ministry of Coal to de-allocate the coal block. The Hon'ble Jharkhand High Court, by an order dated 12th December 2012 has been pleased to pass the following interim order: "Until further order, no coercive steps shall be taken against the Petitioners pursuant to the impugned order".

5 MW POWER PLANT / STEEL PLANT

The Company from the existing power plant generates 5 MW Power based on dolo char being produced in the manufacturing of sponge iron. Since the Company is not able to consume the total dolo char, the Company has entered into an agreement with G.S. Phambutor Pvt. Limited (GSP) to install a 5 MW Power Plant. Whenever the existing power plant goes under regular maintenance, the Company has to generate power from DG Set, which is highly uneconomical. During such time the Company will take the power from GSP and for the rest of the period GSP will consume the power in induction furnace to produce pencil ingot. It is expected that the 5 MW power plant and induction furnace will be commissioned by June, 2014.

3. SEGMENTWISE/ PRODUCTWISE PERFORMANCE

During the year, the Company was engaged mainly in the segment of manufacturing and selling of sponge iron.

4. OUTLOOK

The Government is going ahead with the economic reforms process albeit at slower pace. The main thrust is on developing rural economy and agriculture flowing of funds through budget and plan towards the vast rural area will increase the income levels of the country's huge rural population and spurt demand. The increase in disposable income of the rural economy will be utilized in housing construction which is the biggest user of mild steel. Sponge Iron is basic raw material used by induction furnaces to produce mild steel. Thus there will be a huge demand for Sponge Iron.

5. RISKS AND CONCERNS

The Management periodically carries out risk assessment exercises. Risk factors are also discussed in Audit Committee Meetings. Wherever possible and necessary, insurance cover is taken for risk mitigation. However, an economic slowdown can adversely affect the demand-supply equation in the sponge iron industry. The price of sponge iron is sensitive to the demand-supply position of steel scrap in the country and also to the selling prices of long products. On the financial front, the Company's debt had been restructured pursuant to the rehabilitation scheme sanctioned by Hon'ble BIFR is over on 30th September, 2011 and the net worth of the Company has not turned positive. All the installments of principal and interest thereon has already been paid under the scheme, except for the exchange fluctuation on foreign currency loan and interest thereon in respect of which PLA has been filed with High Court of Jharkhand, Ranchi. In addition the entire rehabilitation loan along with the interest is due for payment to Government of Jharkhand, for which the Company has proposed re-schedulement for payment of such loan in the draft MDRS. As the net worth of the Company has not become positive by 30th September, 2011, the BIFR vide its order dated 30th May, 2012 had directed the company to file Modified Draft Rehabilitation Scheme (MDRS). The MDRS has been filed on 3rd December, 2012. In the hearing held on 6th December, 2012 the Hon'ble BIFR has allowed 4 months to Monitoring Agency (IFCI Ltd.) for finalizing the MDRS.

In the review hearing held on 20th January, 2014 the Hon'ble BIFR has made following directions:

1. Ministry of Coal, Central Coalfields Ltd. and Coal India Ltd. to extend regular supply of coal as per the existing coal linkage with CCL, as envisaged in the sanctioned scheme, and submit its report to the Board, with copy to IFCI (MA), within one month.
2. The company to update the status of Writ Petition filed before Hon'ble Jharkhand High Court, Ranchi, as and when any final decision is arrived at. The hearing fixed on 29.04.2014 was postponed and the date is yet to be fixed.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes and Corporate policies are duly complied with. The Company has appointed M/s. Thakur & Co., Chartered Accountants as Concurrent Auditors, who conduct audit of various departments and areas. In line with international trend, planning and conduct is oriented towards a review of controls in the management of risks and opportunities in the Company's activities. The annual audit program is developed by the Concurrent Auditors and approved by the Audit Committee of the Board. The Concurrent Auditors' Report is placed before the Audit Committee which met four times during the year to review the audit observations and to follow up implementation of corrective actions.

The Committee also consults the company's statutory auditors to ascertain their views on the adequacy of the internal control systems in the Company. The Audit Committee has majority of independent directors to maintain the objectivity.

6. FINANCIAL PERFORMANCE

Turnover (Net of Excise Duty) for the year under review amounted to Rs1909.70 lacs against Rs. 12054 lacs for the previous year. The net loss for the year under review is Rs.1774.30 lacs as compared to previous year loss of Rs. 2607 lacs. The loss has been due to low production as a result of non-availability of sufficient quantity of iron ore, coal and working capital shortage and clouser of plant from 19th August, 2013.

7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company, at the year ended 31st March, 2014 had 513 employees as compared to 617 in the previous year and industrial relations remained cordial during the year.

8. CAUTIONARY STATEMENT

The above Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include external economic conditions affecting demand/supply influencing price conditions in the market in which the Company operates, Changes in the Government regulations statutes, tax laws and other incidental factors.

29th May, 2014

The Board of Directors,
Bihar Sponge Iron Limited
Umesh Nagar,
Chandil, District Saraikela- Kharsawan, Jharkhand

We, Satish Kumar Gupta and B. K. Goel (CFO) of Bihar Sponge Iron Limited both certify to the Board that we have reviewed the Balance Sheet, Statement of Profit & Loss account and Notes on Accounts as well as Cash Flow Statement and the Directors' Report of the company for the year ended 31st March, 2014. To the best of our knowledge, we certify that:

1. The Statements do not contain materially untrue and misleading statements; that the statements present a true and fair view of the company's affairs; that they are made in accordance with the accounting standards and applicable laws and regulations.
2. There are no fraudulent or illegal transactions or violation of the Company's code of conduct.
3. For the purpose of financial reporting, we accept the responsibility for establishing and maintaining internal controls which are monitored by the company's Concurrent Auditors and have evaluated based on feedbacks received from them, the effectiveness of the internal controls and have reported to the Auditors and Audit Committee, the deficiencies, if any, in the internal controls.
4. We have indicated to the Auditors and Audit Committee significant changes in the internal controls; accounting policies. There are no instances of fraud, of which we are aware during the period:

S. K. Gupta
Executive Director (Works)

B.K. Goel
CFO

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
BIHAR SPONGE IRON LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of BIHAR SPONGE IRON LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The management has prepared the financial statements on the basis of going concern perhaps based on the facts that the Modified Draft Rehabilitation Scheme has been submitted by the company on 03.12.2012 and still under the consideration BIFR. In our opinion the going concern concept is likely to be appropriate only if the modified rehabilitation scheme referred to above is approved by the BIFR with or without modifications.

In the meanwhile following liabilities may or may not materialised depending upon the final outcome of the dispute, have not been provided :-

- i. Non recognition of liability on account of currency fluctuations on foreign currency loan and interest thereon (as required under Accounting Standard – 11, Revised) amounting to Rs. 2754.09 lacs as provided in the BIFR Scheme dt. 29.07.2004 and also confirmed by AAIFR/ Single Bench of Jharkhand High Court, Ranchi since the company against the order of Single Bench of High court, has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi (Note No. 3(ii) appearing in Annexure I).
- ii. Non recognition penalty of Rs. 215.28 lacs recovered by South Eastern Coal Fields Ltd. on account of short lifting of coal quantity in terms of Fuel Supply Agreement since the matter has been disputed by the Company before the Chhattisgarh High Court (refer note no. 5 of Annexure I).
- iii. Non recognition of Rs. 171.79 lacs forfeited by CCL for additional price under tapering linkage policy for which company has filed Writ Petition(C) before the Jharkhand High Court (refer note no. 7 of Annexure I)
- iv. No provision has been made in the books of accounts in respect of the undernoted items of expense in view of shutdown of the plant & suspension of operations since 10th August 2013 as well as other reasons contended by the company :-
 - a. Interest on unsecured loan from Promoters and other parties from 10.08.2013 to 31.03.2014 (amount unascertained) (refer note 8 (a) of Annexure I).
 - b. Interest on Soft Loan taken from the Government of Jharkhand under and Industrial Rehabilitation Scheme 2003 amounting to Rs. 305.26 lacs from 10.08.2013 to 31.03.2014 which is subject to representations for waiver (refer note 8 (b) of Annexure I).
 - c. Salaries, Wages, Allowances as well as employee benefit expenses w.e.f.10.08.2013 to 31.03.2014, (amount unascertained) (refer note 8 (c) of Annexure I).

Taking into consideration non provision of likely liabilities mentioned paragraph I, II, III and iv (a) above

- a. Loss for the year would be more by Rs. 3446.42 lacs as compared to the disclosed loss of Rs.1774.30 lacs.
- b. Accumulated losses would be Rs.24644.34 lacs as compared to disclosed losses of Rs. 21197.92.
- c. The above losses is however subject to ascertainment of liabilities mentioned in Para iv (a) and iv (c).

Opinion

In our opinion and to the best of our information and according to the explanations given to us, subject to the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to note no. 9 of Annexure I to the financial statements regarding managerial remuneration aggregating to Rs. 3.25 lakhs paid / provided for a whole time director of the company during the year in respect of which Special Resolution at the General Meeting and Central Government approval are yet to be obtained in accordance with the requirements of Schedule XIII and other applicable provisions of the Companies Act, 1956. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order to the extent applicable to the company.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. Except for the effects of the matter described in the basis of Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the Director (except one Director who is in the service of the Government of Bihar and is the nominee of the BSIDC and on the board of the Company) other than Government Nominee Director, as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. The said Director of BSIDC, in the opinion of the Board is stated to be covered by the exemption granted for the Director u/s 274(1) (g) of the Companies Act, 1956.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
FRN: 000038N

Place: New Delhi
Date : 29.05.2014

(M.P. Thakur)
Partner
M. No. : 052473

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of Independent Auditors' Report of even date in the matters of Bihar Sponge Iron Limited ("the Company") on the Financial Statements for the year ended March 31, 2014

i) Fixed Assets

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The Company has a programme of verifying all of the fixed assets over a period of three years, which in our opinion is reasonable, having regard to the size of the Company and nature of assets. Discrepancies noticed on physical verification of the fixed assets conducted during the year are not material and have been properly dealt with in the books of account.
- c) The Company has not disposed off substantial part of its fixed assets during the year, which may have any impact on the going concern nature of the Company.

ii) Inventories

- a) The stock of finished goods, stores, spare parts and raw materials have not been physically verified by the management at reasonable intervals during the year /at the yearend since the plant has been under shut down and operations suspended w.e.f. 10.08.2014.
- b) The company has the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business, however no physical verification has been carried out during the year ended 31.03.2014 in view of the fact stated at (ii) a) above.
- c) The company has maintained proper records of inventory showing full details regarding quantity of receipts, issues, balances and dates of transactions. Since no physical verification of inventories were carried out during the year hence the question of discrepancies, if any, observed and their adjustment in the books of account does not arise.

iii) Transactions with parties u/s 301 of the Companies Act, 1956

- a) The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
In view of (a) above, Para (b), (c) & (d) of clause 4 (iii) are not applicable
- b) The Company had taken unsecured loan amounting to Rs. 38.03 lakhs during the year from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, however the amount outstanding comes to Rs. 4204.10 lakhs from four parties (including opening balance and net of repayment) as at 31.03.2014 (Rs. 4166.07 lacs from four parties including Opening balance as at 31.03.2013).
- c) The rate of interest and other terms and conditions of such loans taken by the company are not prima facie prejudicial to the interest of the company.
- d) Since there is no stipulation for the repayment of the principal amount and interest due thereon, we are unable to offer any comment.

iv) Internal Control

In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets, sale of goods and services. However, there is a need of strengthening internal control with respect to obtaining of confirmation of balances from major parties.

There are no continuing failures to correct matters in respect of lack of adequacy of internal controls brought to the notice.

- v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.

vi) Fixed Deposits

The Company has not accepted any deposits from the public which are covered under the directives issued by the Reserve Bank of India and the provisions of sections 58A and section 58AA or any other relevant provisions of the Act and the rules framed thereunder.

vii) Internal Audit System

The Company has an adequate internal audit system commensurate with its size and nature of its business.

viii) Cost Records

We have broadly reviewed the Cost Records maintained by the Company pursuant to the Companies (Cost Accounting records) Rule 2011 prescribed by the Central Government under 209(1)(d) of the Companies Act 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

ix) Statutory Dues

- a) According to the books and records, examined by us and information and explanations given to us, except the Sales tax, VAT, Electricity duty and Cess etc., company has not been regular in depositing the undisputed statutory dues with the appropriate authorities including Provident Fund, Income Tax (TDS & TCS), Service Tax, Excise Duty and other applicable statutory dues during the year under audit.

The arrears on account of such dues outstanding at the end of the financial year for a period more than six months from the date they become payable are Excise Duty Rs. 84.48 lakhs, Service Tax Rs. 14.85 lakhs, Provident Fund Rs. 50.46 lakhs, Family Pension Fund Rs. 4.49 lakhs, Income Tax (tds/tcs) Rs. 23.08 lakhs, Electricity Duty Rs. 3.20 lakhs, Cess Rs. .01 lakh

b) The details of dues of sales tax, custom duty, excise duty, trade tax and cess etc. which have not been deposited on account of dispute are given hereunder:

Name of the Statute	Forum where Dispute pending	Nature of dues	Period of Dispute	Amount Rs. lacs
1. The Customs Act, 1962	CESTAT, Kolkata	Custom Duty on rate diff. on account of classification of items on imported plant & machinery	1987-89	106.92
2. The Customs Act, 1962	CESTAT, Kolkata	Custom Duty & Demurrage Charges and interest on imported Stores & spare parts	1991-92 1994-95	104.27 50.32
3. JVAT Act, 2005	Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur, who has recommended case on 08.10.2013 to DCIT to verify and allow credit for taxes, if any, paid earlier.	Tax on non-submission of JVAT Forms	2006-07	23.97
4. The Central Sales Tax Act, 1956	Jt. Commissioner of Commercial Taxes (Appeals).	Tax on non-submission of 'C' Forms	2006-07	3.11
5. JVAT Act, 2005	Disputed demand for JVAT for the F.Y. 2010-11 u/s 70(5)(b) under appeal before the Jt. Comm. of Commercial Taxes (Appeals), Jsr: However stay has been granted on 20.01.2012 (Amount paid on appeal Rs. 5.88 lacs)	Tax on JVAT	2010-11	58.79
	Demand raised by DCCT, Jsr for tax due and/penalty imposed or interest payable under JVAT Act, 2005 of the F.Y. 2010-11 under dispute before JCCT, Jsr (Amount paid on appeal Rs. 15 lacs on 19.10.2012)	Tax on JVAT	2010-11	247.86
6. Finance Act, 1994	The Commissioner of Appeals Central Excise & Service Tax, Ranchi	Recovery of Irregular Cenvat Credit, Cess availed and Penalty thereon	2009-10	1.23
7. Income Tax Act, 1961	The Commissioner of Income Tax (Appeals), JSR	Short Deduction/ Collection of Tax at Source with interest and penalty	2004-05 to 2008-09	83.34

- x) The accumulated losses of the company at the end of the financial year March 31, 2014 substantially exceeds its net worth and the company was declared as Sick industrial undertaking in 1996. Further the Company has incurred cash losses during the current financial year and in the immediately preceding financial year.
- xi) The company has not defaulted in payment of dues to financial institutions/Banks. There has been no debenture in the company.
- xii) The Company has not granted loans and advances, on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, the provision of clause 4 (xiii) (a) to (d) for the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- xiv) The Company has not dealt or traded in shares, securities, debentures, and other investments during the year and accordingly the provisions of Companies (Auditor's Report) order 2003 are not applicable.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) The term loans taken by the Company have been applied for the purpose for which they were obtained, however there has been no term loans obtained during the year under audit.
- xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company as at the end of the year, funds raised on short term basis has not been used for long term investment.
- xviii) 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 during the year.
- xix) The Company has not issued debentures hence the question of pending creation of security does not arise.
- xx) The company has not raised any money by public issue during the year and hence disclosure for end use does not arise.
- xxi) Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the year under audit.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
FRN: 000038N

Place: New Delhi
Date : 29.05.2014

(M.P. Thakur)
Partner
M. No. : 052473

BALANCE SHEET AS AT 31ST MARCH, 2014

Rs. Lacs

PARTICULARS	Note. No.	As at 31.03.2014	As at 31.03.2013
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	9,025.31	9,025.31
(b) Reserves and Surplus	2	(14706.37)	(12685.25)
		<u>(5681.06)</u>	<u>(3659.94)</u>
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	6863.90	4166.08
(b) Other Long Term Liabilities	4	81.21	84.46
(c) Long Term Provisions	5	451.24	476.18
		<u>7396.35</u>	<u>4726.72</u>
(3) Current Liabilities			
(a) Trade Payables	6	2038.34	4793.79
(b) Other Current Liabilities	7	7813.80	7517.95
(c) Short-Term Provisions	8	19.02	54.91
		<u>9871.16</u>	<u>12366.65</u>
Total		<u>11586.45</u>	<u>13433.43</u>
II ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	8238.42	8825.25
(ii) Intangible Assets	10	2.69	5.16
(iii) Capital Work in Progress	11	273.54	335.06
(iv) Intangible Assets under development	12	56.19	55.99
		<u>8570.84</u>	<u>9221.46</u>
(b) Deferred Tax Assets (net)	13	-	-
(c) Long term Loans and Advances	14	389.27	399.19
		<u>389.27</u>	<u>399.19</u>
(2) Current Assets			
(a) Inventories	15	763.52	1834.51
(b) Trade Receivables	16	46.60	231.85
(c) Cash and Cash Equivalents	17	1098.65	1152.07
(d) Short-term Loans and Advances	18	648.55	477.93
(e) Other Current Assets	19	69.02	116.42
		<u>2626.34</u>	<u>3812.78</u>
Total		<u>11586.45</u>	<u>13433.43</u>

Notes No. 1 to 29 and Annexure I containing Accounting Policies and General Notes forming Part of the Financial Statements As per our report of even date attached.

for Thakur, Vaidyanath Aiyar & Co. Umesh K. Modi
Chartered Accountants (Chairman)
[FRNo. 000038N] [DIN 00002757]

S.K. Gupta
(Executive Director- Works)
[DIN 03537417]

Directors
B.D. Garg - [DIN 00002792]
G.C. Jain - [DIN 00002696]
J.N. Khurana - [DIN 00003817]
J.C. Chawla - [DIN 05316202]
Sudhir Kumar - [DIN 05359775]

M.P. Thakur
(Partner)
Membership no. 052473

B.K. Goel
(Chief Financial Officer) Manoj Kumar
(Company Secretary)

Place : New Delhi
Date : 29.05.2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

Rs. Lacs

PARTICULARS	Note. No.	Year Ended 31.03.2014	Year Ended 31.03.2013
I Revenue from operations	20	1,909.70	12,054.16
II Other Income	21	275.60	146.00
III Total Revenue (I +II)		2,185.30	12,200.16
IV Expenses:			
Cost of materials consumed	22	1,212.07	8,603.38
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	23	477.14	1,364.54
Employee benefits expense	24	667.91	1,781.16
Finance costs	25	389.43	977.56
Depreciation and amortization expense	26	342.98	346.27
Other expenses	27	766.66	2,210.94
Total Expenses (IV)		3,856.19	15,283.85
V Profit / (Loss) before exceptional and extraordinary items and tax (III - IV)		(1,670.89)	(3,083.69)
VI Exceptional items Income/(Expenses)	28	(103.41)	476.12
VII Profit/(Loss) before extraordinary items and tax (III-IV)		(1,774.30)	(2,607.57)
VIII Extraordinary Items		-	-
IX Profit / (Loss) before tax (VII - VIII)		(1,774.30)	(2,607.57)
X Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
Total		-	-
XI Profit/(Loss) for the year		(1,774.30)	(2,607.57)
XVI Earning per equity share:	29		
(1) Basic		(1.97)	(2.89)
(2) Diluted		(1.97)	(2.89)

Notes No. 1 to 29 and Annexure I containing Accounting Policies and General Notes forming Part of the Financial Statements As per our report of even date attached.

for Thakur, Vaidyanath Aiyar & Co. Umesh K. Modi
Chartered Accountants (Chairman)
[FRNo. 000038N] [DIN 00002757]

S.K. Gupta
(Executive Director-Works)
[DIN 03537417]

Directors
B.D. Garg - [DIN 00002792]
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Sudhir Kumar - [DIN 05359775]

M.P. Thakur
(Partner)
Membership no. 052473

B.K. Goel
(Chief Financial Officer) Manoj Kumar
(Company Secretary)

Place : New Delhi
Date : 29.05.2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

Rs. Lacs

	As at March 31, 2014	As at March 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax and extraordinary items	(1,774.30)	(2,607.57)
Adjustments for :		
Depreciation	342.98	346.27
Interest Expense	389.43	977.56
Interest Income	(64.32)	(85.10)
(Profit)/Loss on sales of fixed assets	-	1.53
Provision for no long required written back	(17.07)	(2.78)
Debit / Credit Balances writtenoff	(20.77)	(41.97)
Exceptional Items (Income) / Expenses	103.41	(477.65)
	<u>733.66</u>	<u>717.86</u>
Operating profit/(Loss) before working capital changes	(1,040.63)	(1,889.71)
Change in Working Capital :		
(Increase) / Decrease in Trade Receivables/long/short term loans and advances	29.46	671.15
(Increase) / Decrease in Inventories	1,036.87	1,434.58
(Increase) / Decrease in Trade Payable and Provisions	(190.52)	(261.49)
	<u>875.81</u>	<u>1,844.24</u>
Cash (used in) / generated from operations	(164.82)	(45.47)
Income Tax paid / (Refund)	(4.91)	(4.47)
Net Cash (used in) / generation from operating activities	(169.73)	(49.94)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	111.72	8.51
Purchase of fixed assets (including WIP)	(8.47)	(69.82)
Proceeds from Sales of fixed assets	-	0.75
Net Cash (used in)/flow from investing activities	103.25	(60.56)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long/Short term borrowings	38.02	343.35
Interest paid	(24.96)	(283.28)
Repayment of long/short term borrowings	-	(10.00)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	13.06	50.07
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(53.42)	(60.43)
Cash and Cash equivalents at beginning of period	1,152.07	1,212.50
Cash and Cash equivalents at end of the period	1,098.65	1,152.07

Note No.17

Notes:-

- The above Cash Flow Statement has been prepared pursuant to clause-32 of listing agreement with stock Exchange and under the indirect method set out in AS-3 issued by ICAI.
- Figures in bracket indicate cash outflow.

Umesh K. Modi
(Chairman)
[DIN 00002757]

S.K. Gupta
(Executive Director- Works)
[DIN 03537417]

Directors
B.D. Garg - [DIN 00002792]
G.C. Jain - [DIN 00002696]
J.N. Khurana - [DIN 00003817]
J.C. Chawla - [DIN 05316202]
Sudhir Kumar- [DIN 05359775]

Place : New Delhi
Date : 29.05.2014

B.K. Goel
(Chief Financial Officer)

Manoj Kumar
(Company Secretary)

Auditor's Certificate

We have certified the above consolidated Cash Flow Statement of Bihar Sponge Iron Limited, Registered Office, Umesh Nagar, Chandil, Distt Saraikela Kharsawan, Jharkhand, Derived from the audited Statement for the year ended 31st March, 2014 and other records and found the same to be drawn in accordance there with and also with the requirements of Clause 32 of the Listing Agreements with the Stock Exchanges.

for Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
[FRNo. 000038N]

Place : New Delhi
Date : 29.05.2014

M.P. Thakur
Partner
Membership no. 052473

Notes to Financial Statements for the Year Ended 31st March, 2014

NOTE - 1 : SHARE CAPITAL

PARTICULARS	Rs. Lacs	
	As at 31.03.2014	As at 31.03.2013
Authorised Capital		
100,000,000 Equity Shares of Rs. 10 each (P.Y. 100,000,000)	10,000.00	10,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
Issued, Subscribed and Paid Up Capital		
90,205,403 Equity Shares of Rs. 10/- each fully paid in cash (P.Y. 90,205,403)	9,020.54	9,020.54
Add: Forefeited Shares (amount originally paid-up)	4.77	4.77
Total	<u>9,025.31</u>	<u>9,025.31</u>

- a) There has been no change in the Issued, Subscribed and Paid up Share Capital.
- b) *Terms / Rights attached to equity shares.*
The company has only one class of equity share having a par value of Rs.10/- per share. Each share holder of equity share is entitled to dividends approved by the shareholders.
In the event of liquidation of the company, the holders of equity share will be entitled to receive remaining assets of the Company after distribution to creditors and all preferential amount. The distribution will be in proportion to the number of equity shares held by each shareholder.
- c) Shareholders holding more than 5% of aggregate shares in the Company :

Particulars	31 st March, 2014		31 st March, 2013	
	No. of shares	% held	No. of shares	% held
Moderate Leasing & Capital Services Ltd	44,293,633	49.10%	44,293,633	49.10%
Bihar State Industrial Development Corpn. Ltd.	6,759,960	7.49%	6,759,960	7.49%

NOTE - 2 : RESERVES AND SURPLUS

PARTICULARS	Rs. Lacs	
	As at 31.03.2014	As at 31.03.2013
Capital Reserve:		
Opening balance	15.00	15.00
Securities Premium Reserve		
Opening balance	2,363.38	2,363.38
Revaluation Reserve		
As per last account	4,359.99	4,606.81
Less: Trfd to Statement of Profit & Loss	246.82	246.82
Closing balance	<u>4,113.17</u>	<u>4,359.99</u>
Surplus		
Loss at the beginning of the year	(19,423.62)	(16,816.05)
Loss as per Statement of Profit & Loss	(1,774.30)	(2,607.57)
Closing balance	<u>(21,197.92)</u>	<u>(19,423.62)</u>
Total	<u>(14,706.37)</u>	<u>(12,685.25)</u>

NOTE - 3: LONG TERM BORROWINGS

Secured :		
Term Loan - Foreign Currency		
- Refer (a) below	—	—
Unsecured:		
Deposits		
Loans & Advances From Related Parties		
- Body Corporates	4,162.10	4,124.08
- Others	42.00	42.00
Other Loans & Advances		
- Body Corporates	2,659.80	-
Total	<u>6,863.90</u>	<u>4,166.08</u>

- a) Disputed liability amounting to Rs.2754.09 lacs (P.Y. Rs.2251.93 Lacs) on account of currency fluctuations on Foreign currency loans obtained by the Company and interest thereon, as per BIFR scheme dated 29.07.2004 and also confirmed by AAIFR/Single Bench of Jharkhand High Court, has not been provided by the Company pending disposal of Letters Patent Applet Jurisdiction (LPA) filed before the divisional bench of the Jharkhand High Court, Ranchi, against the above order.
- b) The Term Loans (Rupee and Foreign Currency) from Indian and Foreign Financial Institutions and Banks are secured by first mortgage on all the Company's immovable properties, both present and future and a first charge by hypothecation of all the movable assets of the Company, save and except book debts, but including movable machinery, machinery spares, tools and accessories, both present and future, subject to the prior charges created / to be created in favour of the Company's Bankers on the Company's stocks of raw materials, semi-finished and finished goods, consumable stores, book debts and such other movables as may be agreed by the Financial Institutions and Commercial Banks for securing borrowings for working capital requirements in the ordinary course of business of the Company ranking pari-passu inter se.
- c) Working Capital Loans from Banks are secured by first charge by way of Hypothecation of all the stocks of the raw materials, semi finished and finished goods, consumable stores, spares, book debts etc. ranking pari-passu.

- d) Soft Loan (including interest thereon) under Jharkhand Industries Rehabilitation Scheme, 2003 from the State Government of Jharkhand are secured by
- (i) A mortgage of all immovable properties both present and future; and a charge by way of hypothecation in favour of the lender of all the movable, including movable machinery, machinery spares, tools and accessories, present and future, stock of raw materials, semi-finished goods, consumable stores and such other movables as may be agreed upon
- (ii) Additionally secured by way of pledge of new equity share capital of Rs.3,250 lacs allotted to the private promoter.
- The mortgage and charge referred to in (i) and (ii) mentioned above; shall be in terms of the Rehabilitation Scheme 2003 of the Government of Jharkhand Sanctioned by the BIFR and be subject and subservient to the mortgages and charges created and / or to be created in favour of the secured creditors.
- e) The amount of term loans (included foreign currency loans) of Rs.7,000 lacs as per BIFR scheme dated 29.04.2004 was repayable in 30 quarterly instalments of Rs.233 lacs each commencing from 15th July 2004 to 30th September, 2011 which has been fully repaid .
- f) As per para 8.4 of the sanctioned BIFR Scheme dated 29.07.2004, the interest on Soft loan under Rehabilitation Scheme, 2003 from Govt. of Jharkhand shall be funded over the entire rehabilitation period i.e. upto 30.09.2011. The Soft loan and the funded interest is repayable after 30.09.2011 and the defaulted amount of Principal and interest as on 31.03.2014 comes to Rs.3,250 lacs and Rs.3,051.45 Lacs (inclusive of unprovided interest of Rs. 305.26 Lacs from 10th August, 2013 to 31st March, 2014) respectively, for which the company has approached Government of Jharkhand for reschedulement which has also been proposed in the Modified Draft Rehabilitation Scheme filed before the BIFR.
- g) A sum of Rs. 2,659.80 Lacs payable against the acceptance as on 31.03.2013 has been transferred to long term borrowing as per Party ledger wide dated 24.09.2013 which carry interest @8% p.a. Since there is no stipulation regarding repayment, no disclosure has been made for an amount of an instalment due.
- h) There has been no stipulation for repayment of unsecured loans & advances from related parties and other loans & advances.

NOTE - 4 : OTHER LONG TERM LIABILITIES

Rs. Lacs

PARTICULARS	As at 31.03.2014	As at 31.03.2013
Others		
Security Deposit from Transporters / Contractors	7.44	10.89
Security Deposit - Sales Tax	73.77	73.57
Total	81.21	84.46

NOTE - 5 : LONG TERM PROVISIONS

Provision for Employee Benefits :

(a) Provision for Gratuity	397.90	409.77
(b) Provision for Leave Encashment	53.34	66.41
Total	451.24	476.18

NOTE - 6: TRADES PAYABLES

Acceptances (Refer Note no. 3 (g))	-	2,659.80
Due to units under MSME (Refer note 8 of Annexure-1)	7.59	4.05
Others	2,030.75	2,129.94
Total	2,038.34	4,793.79

NOTE - 7 : OTHER CURRENT LIABILITIES

Current maturities on long term debts

(Refer Note 3 for nature of Securities)

- Term Loan from Government of Jharkhand (under Rehabilitation Scheme 2003)	3,250.00	3,250.00
- Interest accrued due on borrowings	2,746.19	2,584.67
Interest accrued and due on borrowings/acceptances	962.83	783.76
Other Interest accrued	43.65	19.77
Advances from Customers	68.60	73.56
Other Payables		
- Statutory Dues	115.19	180.31
- Other Collections, pending remittance	112.37	120.29
- Due to Employee Benefits	284.84	232.15
- Due for expenses incurred	229.84	212.17
- Book Overdraft	-	61.11
- Other Deposit	0.29	0.16
Total	7,813.80	7,517.95

NOTE - 8 : SHORT TERM PROVISIONS

Provision For Employees Benefit :

Provision for Gratuity	17.09	50.50
Provision for Leave Encashment	1.93	4.41
Total	19.02	54.91

NOTE - 9 : TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	Rs. Lacs		
	As at 01.04.2013	Additions	Deductions/ Disposal	As at 31.03.14	As at 01.04.2013 Year	For the	Deduction / Adjustment	Upto 31.03.14	As at 31.03.14	As at 31.03.13	As at 31.03.2014
LAND:											
Freehold land**	31.00	-	-	31.00	-	-	-	-	31.00	31.00	24.15
Leasehold land	388.83	-	-	388.83	58.62	4.96	-	63.58	325.25	330.21	310.16
Building	3,658.05	-	-	3,658.05	1,643.46	94.28	-	1,737.74	1,920.31	2,014.59	1,088.20
Plant and Equipment	25,466.40	-	-	25,466.40	19,571.90	447.91	-	20,019.81	5,446.59	5,894.50	2,282.78
Furniture & Fixtures	97.21	0.14	-	97.35	73.54	1.95	-	75.49	21.86	23.67	-
Vehicles ***	125.07	-	-	125.07	95.76	5.37	-	101.13	23.94	29.31	-
Office Equipments	92.99	0.36	-	93.35	69.11	5.56	-	74.67	18.68	23.88	-
Railway Siding	1,643.35	-	-	1,643.35	1,165.26	27.30	-	1,192.56	450.79	478.09	407.88
Total	31,502.90	0.50	-	31,503.40	22,677.65	587.33	-	23,264.98	8,238.42	8,825.25	4,113.17
(Previous Year)	31,507.80	0.35	5.25	31,502.90	22,090.00	590.62	2.97	22,677.65	8,825.25	-	4,359.98

* Revaluation was done on March 31, 2003

** Free hold land includes at Rs.5.93 lakhs (Previous year Rs.5.93 lakhs)for which registration in favour of the Company is pending for want of mutation from competent authorities.

*** Vehicles includes Rs. 9.81 lakhs(Previous Year Rs.9.81 lakhs)which are yet to be transferred in the name of the Company

NOTE - 10 : INTANGIBLE ASSETS

PARTICULARS	As at 01.04.2013	Additions	Deductions/ Disposal	As at 31.03.14	As at 01.04.2013 Year	For the	Deduction / Adjustment	Upto 31.03.14	NET BLOCK	As at 31.03.13	As at 31.03.2014
EDP software	15.27	-	-	15.27	10.11	2.47	-	12.58	2.69	5.16	-
(Previous Year)	15.27	-	-	15.27	7.64	2.47	-	10.11	5.16	-	-

NOTE - 11 : CAPITAL WORK IN PROGRESS

PARTICULARS	Cost				Rs. Lacs
	As at 01.04.2013	Addition	Transfer for	Written off	As at 31.03.14
Plant & Machinery	335.06	7.77	-	69.29	273.54
(Previous Year)	272.90	62.16	-	-	335.06

NOTE - 12 : INTANGIBLE ASSETS UNDER DEVELOPMENT

Mining Development Expenditure	As at 01.04.2013	Addition	Transfer for	Written off	As at 31.03.14
- Iron Ore Block	47.05	0.20	-	-	47.25
- Coal Block (Refer note 6 (1) of Annexure-I)	8.94	-	-	-	8.94
Total	55.99	0.20	-	-	56.19
(Previous Year)	48.68	7.31	-	-	55.99

NOTE - 13 : DEFERRED TAX ASSETS (NET)

Particulars	As at 31.03.2013	For the Year	As at 31.03.2014
Deferred Tax Assets			
Unabsorbed Tax Depreciation	4,469.24	355.86	4,825.10
Unabsorbed Assessed Business Loss	2,080.79	553.35	2,634.14
Provision disallowed under Income Tax	157.12	(16.44)	140.68
Disallowed u/s 43B of Income Tax Act	46.78	44.76	91.54
Total	6,753.93	937.53	7,691.46
Deferred Tax Liability			
Difference between book & tax depreciation	765.24	14.56	779.80
Net Deferred Tax Assets	5,988.69	922.97	6,911.66

Deferred Tax Liability has been calculated in accordance with the Return of Income filed / assessment made.

As required by the Accounting Standard 22, on conservative basis, the Deferred Tax Assets and Deferred Tax Liabilities have not been recognised in absence of virtual certainty supported by convincing evidence that future taxable income against deferred tax liabilities / assets will be available / realised.

NOTE -14 : LONG TERM LOANS AND ADVANCES

Rs. Lacs

Particulars	As at 31.03.2014	As at 31.03.2013
<i>(Unsecured, & Considered Good unless otherwise stated)</i>		
Advances Recoverable (including Capital Advance Rs. 18.05 lacs, P.Y. 18.05 lacs)	233.33	233.33
Security Deposit with Govt & Other Parties	28.77	28.69
Sales Tax / VAT recoverable (including Sales Tax / VAT Paid under protest & Entry Tax)	127.17	137.17
Total	389.27	399.19

NOTE -15 : INVENTORIES

(Valued at lower of cost or net realisable value)

Raw Materials*	25.65	572.25
Work-in-Progress	-	-
Finished Goods	21.57	498.71
Stores & Spares	716.30	758.20
Goods-in-transit (Stores & Spares)	-	5.35
Total	763.52	1,834.51

*includes iron ore valued Nil (Previous Year Rs. 34.51 lacs) lying at Rly Siding.

NOTE -16 : TRADE RECEIVABLES

Unsecured, Considered Good unless otherwise stated:

Outstanding for more than six months	46.60	5.50
Others	-	226.35
Total	46.60	231.85

NOTE -17 : CASH & CASH EQUIVALENTS

Cash and Bank Balances

Balance with Scheduled Bank - in Current Account	31.53	33.17
Cash in hand	1.62	3.79
Other Bank Balances	-	-
Fixed Deposits with maturity of more than 12 months*	1,065.50	1,115.11
Total	1,098.65	1,152.07

* Include margin money of Rs.735.89 Lacs (P.Y. Rs.792.19 Lacs) pledged against bank guarantee and LCs issued in favour of Coal India Ltd South Eastern Railway Rs.26.39 Lacs (P.Y. Rs.22.38 Lacs), Jharkhand State Pollution Control Board Rs.4.83 Lacs (P.Y.Rs. 4.54 Lacs) and Rs.17.39 Lacs (P.Y. Rs.15.00 Lacs) pledged with Sales Tax Authorities.

The above include FDR valued Rs.281 Lacs held in the name of thirty party which has been pledged with Ministry of Coal, GOI.

NOTE -18 : SHORT TERMS LOANS AND ADVANCES

(Unsecured, Considered Good unless otherwise stated)

Others:

Advance recoverable in cash or in kind or for value to be received (including from related parties Rs. 25.03 Lacs) (P.Y. Rs. 44.25 Lacs)	487.23	327.83
Balance with Revenue Authorities :		
- Excise / Cenvat and Service Tax recoverable	51.58	18.55
- Sales Tax recoverable	84.76	111.48
- Income Tax refund	12.97	10.42
- Tax Deducted at Source	12.01	9.65
Total	648.55	477.93

NOTE -19 : OTHER CURRENT ASSETS

Interest accrued on fixed deposit	68.41	115.81
Claims receivable	0.61	0.61
Total	69.02	116.42

NOTE -20 : REVENUE FROM OPERATIONS

Particulars	Rs. Lacs	
	Year ended 31.03.2014	Year ended 31.03.2013
Sales		
Gross Sales	2,078.33	13,156.61
Less:Excise duty	168.63	1,102.45
Total	1,909.70	12,054.16

NOTE - 21 : OTHER INCOME

Interest on Fixed Deposits & Others*	64.32	85.10
Other non-operating income		
a. Sales of Waste and Scrap	82.55	15.40
b. Rent recovery from staff/others*	39.21	0.75
c. Reversal of excess provisions made in earlier year	17.07	2.78
d. Misc. Income	34.97	-
e. Loading Charges Recovered	16.71	-
f. Debit/Credit balance written back (net)	20.77	41.97
Total	275.60	146.00

* Includes Tax Deducted at Source Rs.12.01 lacs (P.Y.Rs.9.98 lacs)

NOTE - 22 : COST OF MATERIALS CONSUMED

Raw materials:		
Iron ore	539.62	5,488.52
Coal	666.47	3,077.13
Dolomite	5.98	37.73
Total	1,212.07	8,603.38

NOTE - 23 : CHANGED IN INVENTORIES OF FINISHED GOODS & WORK IN PROGRESS

Opening Stock		
Finished Goods	498.71	1,830.24
Work-in-progress	-	33.01
Closing Stock		
Finished Goods	21.57	498.71
Work-in-progress	-	-
Net changes		
Finished Goods	477.14	1,331.53
Work-in-progress	-	33.01
Net Decrease	477.14	1,364.54

NOTE - 24 : EMPLOYEE BENEFIT EXPENSES

Salaries,Wages and Allowances*	549.66	1,473.33
Gratuity	40.76	83.66
Leave Encashment	-	9.56
Contribution to Provident Fund	43.48	112.70
Inspection charges Provident Fund	0.59	1.80
Staff Welfare Expenses	33.42	100.11
Total	667.91	1,781.16

*includes directors remuneration Rs.31.45 lacs (Previous year Rs. 65.91 lacs)

NOTE - 25 : FINANCE COST

Interest :		
a) On long term borrowings	360.49	745.90
b) Interest on Taxes		
- Excise duty/Service Tax / I.Tax /Sales Tax	25.40	13.70
c) Other Interest (Security Deposit & Others)	1.49	1.30
Bank & Other Charges	2.05	5.69
Bill discounting charges / Finance charges	-	210.97
Total	389.43	977.56

NOTE - 26 : DEPRECIATION & AMORTIZATION EXPENSES

Rs. Lacs

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Depreciation & Amortization	589.80	593.09
Less: Amount transfer from Revaluation Reserve (Note no.2)	(246.82)	(246.82)
Total	342.98	346.27

NOTE - 27 : OTHER EXPENSES

Consumption of Stores & Spare parts	8.59	40.85
Excise Duty on Increase/(Decrease) of stock	(52.49)	(126.19)
Power & Fuel	441.64	850.14
Handling Charges	17.69	187.15
Water Charges	17.66	36.09
Repair & Maintenance:		
- Building	0.14	1.14
- Plant and Machinery	109.61	519.30
- Railway Siding	6.06	16.50
- Others	7.45	19.30
Rent	21.83	22.66
Rates & Taxes incl. wealth tax	1.98	3.97
Insurance	11.78	24.19
Director's Sitting Fee	0.73	1.11
Printing & Stationery	7.98	11.16
Telephone, Telex and Postage	10.73	23.55
Vehicle Running & Maint.	37.65	109.74
Travelling & Conveyance	18.60	32.19
Legal & Professional	25.91	95.77
Auditor's Remuneration		
- As Audit Fee	5.00	5.00
- As Tax Audit	0.40	0.40
- Certification and Company Law	2.43	2.65
- Expenses Reimbursement	0.28	0.85
Repair & Maintenance	4.90	29.25
Social Development Expenses	8.50	33.42
Miscellaneous Expenses	30.16	40.29
Prior Period Items (net)	0.54	0.06
Sales Tax Expenses	0.06	18.84
Advertisement and Sales Promotion	2.50	4.94
Packing, Freight & Forwarding	17.06	204.14
Commission on Sales	1.29	2.48
Total	766.66	2,210.94

NOTE - 28 : EXCEPTIONAL ITEMS INCOME / (EXPENDITURE)

Profit/(Loss) on sale of fixed assets (net)	-	(1.53)
Reversal of Provision of Excise Duty on freight from factory to depot as per Trade Notice of 1996, dismissed by the Jharkhand High Court, Ranchi	-	373.06
Reversal of excess provision of Accrued Interest as per One Time Settlement (OTS) before the BIFR on 14.05.2012 between the Company and a party.	-	104.59
Raw Materials Written off	(34.12)	-
Project Expenditure for Kiln IV and Gas based Power Plant written off	(69.29)	-
Total	(103.41)	476.12

NOTE - 29 : EARNING PER SHARE (EPS)EPS has been computed in accordance with Accounting Standard AS-20 :

Profit /(Loss) after tax for the year	(1,774.30)	(2,607.57)
Weighted Average number of equity shares of Rs. 10/- each fully paid up	90,205,403	90,205,403
Basic & Diluted Earnings per share	(1.97)	(2.89)

ANNEXURE 1 : ACCOUNTING POLICIES & GENERAL NOTES**I. Accounting Policies****1. Basis of preparation of Financial Statements**

The financial statements have been prepared on the historical cost convention basis (except for revaluation of certain fixed assets and providing for depreciation on revalued amounts) on accrual basis of accounting. The generally accepted accounting principles and the Accounting Standards referred under section 211(3C) of the Companies Act, 1956 have been adopted by the company and the disclosures made in accordance with the requirements of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards.

2. Use of Estimates

The Preparation of Financial Statements requires some estimates and assumptions which affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the year. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

3. Inventory valuation

- a) Stocks of raw materials and stores and spares are valued at weighted average cost or net realisable value whichever is lower. The cost being exclusive of cessable excise duty and set offs of VAT, if any.
- b) The material in transit is valued at invoice cost.
- c) Closing stock of finished goods is valued at lower of cost or estimated realisable value. For this purpose, cost includes depreciation and direct expenses to the point of stocking and excise duty but excludes interest, administrative and selling expenses.
- d) Work-in-progress is valued at lower of cost or net realisable value; for this purpose cost does not include excise duty.

4. Fixed Assets:

- a) Fixed Assets are stated at cost or revalued cost; cost includes taxes, duties (net of CENVAT and set off) and expenditure during construction and installation where applicable. Indirect expenses are not capitalised alongwith fixed assets.
- b) Gross block of Fixed Assets, which are revalued, are stated at the amounts revalued; base for revaluation being the replacement cost method at the time of revaluation of the depreciated value of assets as at the end of the year.
- c) An impairment loss is recognized wherever the carrying value of assets exceeds its net selling price or value in use, whichever is higher.
- d) The cost of stores and materials at the time of issue is debited to CWIP.

5. Expenditure during Construction:

In respect of new projects, all expenses including interest incurred up to the date of commencement of commercial production are capitalized.

In respect of substantial expansion of business, at existing locations, only direct costs are capitalized together with interest on the funds relating to them up to the date of commercial production.

6. Depreciation:

- a) Depreciation is provided on straight line method on Tangible assets at the rates and in the manner as prescribed in Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the lease period.
- b) Depreciation on re-alignment of value of assets as a result of foreign exchange variations is amortised over the unexpired life of the assets.
- c) The value added on revaluation of assets is depreciated over the remaining useful life of the assets. The additional depreciation thereon for the year is withdrawn from the revaluation reserve and credited to the Profit & Loss Account.
- d) Intangible assets are being amortised over their useful life of 6 years.

7. Foreign Currency Translation:

- a) Transactions in Foreign Currencies are recorded at the exchange rate prevailing on the date of transactions.
- b) Foreign Currency Loans and other Liabilities are stated at the exchange rate prevailing as on date of the Balance sheet.
- c) Exchange variation arising as a result of the translation of foreign currency loans are Capitalized / de-capitalized to relating plant & machinery / assets.
- d) Exchange variations arising as a result of translation of interest on foreign currency loans accrued but not due are treated as income on exchange.

8. Revenue Recognition:

- a) Sales are accounted for based on despatch of finished goods to the customers from various stocking points, and includes excise duty but exclusive of VAT / CST and is net of trade discounts.
- b) Other miscellaneous revenues are recognized when the amount and the collectability are certain. Accordingly insurance claims are accounted for on settlement.

9. Raw Material consumption is accounted for after ascertaining the year end closing stock of the raw materials by an independent Surveyor from the total of the opening stocks and purchases.

10. Salaries and wages on repairs and maintenance of plant & machinery, where carried out internally, are charged to salaries and wages account.

11. Extraordinary Items:

Extraordinary items of income & expenditure as covered by AS-5, are disclosed separately.

12. Borrowing cost

Borrowing cost attributable to the acquisition or construction of a qualifying assets are capitalized as part of cost of that asset. Other borrowing costs are recognized as expense in the period to which they relate.

13. Employee Benefits

Retirement benefits have been recognized in accordance with Revised Accounting Standard 15 issued by the ICAI accordingly:-

- (a) Short Term Employee Benefits
Short Term employee benefits are recognized in the period during which the services have been rendered.
- (b) Long Term Employee Benefits
 - (i) Defined Contribution Plan

Provident Fund

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both Employee and employer make monthly contribution to the plan at a predetermined rate of employee's basic salary. Contribution to Provident Fund are administered and managed by a separate fund. Contributions to Provident Fund are expensed in the Profit and Loss account.

(ii) Defined Benefits plan**(a) Leave encashment**

The liability on account of un-availed earned leave at the year end is fully provided for on actuarial valuation basis.

(b) Gratuity

The Company provides for gratuity, a defined benefit plan (the 'Gratuity Plan') covering all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, deaths incapacitation or termination of employment. Liabilities with regards to

the Gratuity Plan are determined by actuarial valuation as of balance sheet date and are expensed in the Profit and Loss account.

(iii) The actuarial valuation takes note of actuarial gains and losses.

14. **Contingent Liabilities**

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debt, are disclosed by way of a note.

15. **Earning Per Share**

The earnings considered in accounting the Company's Earning Per Share (EPS) comprise the net profit after tax and includes the post tax effect of any extraordinary items. The number of shares used in computing basic & diluted EPS is the weighted average number of shares outstanding during the periods and adjusted for all events.

The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive shares.

16. **Taxation**

a) Provision for current tax is made on the basis of applicable Income Tax Act, 1961.

b) Deferred tax assets and liabilities are accounted for in accordance with AS-22 issued by the Institute of Chartered Accountants of India.

II. **NOTES RELATED TO ACCOUNTING STANDARDS**

1. **Employee Benefits.**

The disclosure of 'Employee Benefits' as defined in Accounting Standard 15 (revised) are as under :

Expenses recognized in the statement of Profit & Loss

			Rs. Lacs	
	Current Year	Previous Year	Current Year	Previous Year
i) Defined Contribution Plan				
Employer's Contribution to Provident Fund (Refer Note No. 24)			43.48	112.70
ii) Defined Benefits Plans			(Rs. Lacs)	
	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Current service cost	25.64	31.25	4.79	7.88
Interest cost	36.82	32.05	5.67	5.39
Expected Return on Plan Assets	-	-	-	-
Net Actuarial (gain)/loss	(21.70)	20.37	(12.02)	(3.71)
Past service cost	-	-	-	-
Curtailement and Settlement Cost/(credit)	-	-	-	-
Expenses recognized in the statement of Profit & Loss	40.76	83.67	(1.56)	9.56

(a) The assumptions used to determine the benefit obligations:

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	8.50%	8.00%	8.50%	8.00%
Expected Rate of increase in Compensation Levels	6.00%	5.50%	6.00%	5.50%
Expected Rate of Return on Plan Assets	NA	NA	NA	NA
Expected Average remaining working lives of employees (years)	16.96 years	17.81 years	16.96 years	17.81 years

(b) Reconciliation of Opening and Closing balances of benefit obligations:

	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Benefit obligation at beginning of the year	460.27	400.64	70.82	67.32
Current service cost	25.64	31.25	4.79	7.88
Interest Cost	36.82	32.05	5.67	5.39
Benefits paid	(86.04)	(24.04)	(14.00)	(6.06)
Curtailement and Settlement cost	-	-	-	-
Contribution by plan participants	-	-	-	-
Past service cost	-	-	-	-
Actuarial (gain)/ loss	(21.70)	20.37	(12.02)	(3.71)
Projected benefit obligation at end of the year	(414.99)	(460.27)	(55.26)	(70.82)
Net amount recognized in the balance sheet as at 31.3.2014	(414.99)	(460.27)	(55.26)	(70.82)

(c) There is no plan assets at the beginning and at the closing of the year.

(d) Enterprise best estimate of contribution payable for the next year the gratuity plan is Rs. 88.77 lacs and for earned leave liability for Rs.10.22 lacs.

2. **Segmental Reporting**

The company is a single location single product company and hence the requirements of AS - 17 on Segment Reporting are not relevant.

3. Related Party Transactions - AS 18

As per AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties transactions with them are disclosed below:

(a) By virtue of control

Moderate Leasing & Capital Services Ltd.

(b) Key Management Personnel and their relatives

Key Managerial Personal:

Shri U K Modi - Chairman & Managing Director upto 28.02.2014 and Chairman & Director w.e.f. 01.03.2014.

Shri B.K. Thakur - Director Finance up to 19.12.2013

Shri Satish Kumar Gupta - Whole Time Director designated as Director (Works) w.e.f. 20.12.2013.

Relatives to Key Managerial Persons:

Mrs. Kum Kum Modi, Director, Shri Abhishek Modi, Director and Shri Jayesh Modi, Director are related to Shri U.K. Modi.

(c) Enterprises over which (b) above have significant influence and with whom transactions have taken place.

- (i) SBEC Sugar Ltd.
- (ii) SBEC Bio-Energy Ltd.
- (iii) Modi Industries Limited
- (iv) Modi Mundipharma Pvt. Ltd.
- (v) Modi Revlon Pvt. Ltd.
- (vi) Modi Line Travel Services Pvt. Ltd.
- (vii) Win Medicare Pvt. Ltd.
- (viii) Modi Motors Pvt. Ltd.
- (ix) Modi Senator India Pvt. Ltd
- (x) Modi Hitech India Ltd.
- (xi) M.G. Mobiles India Pvt. Ltd.
- (xii) H.M. Tube & Containers Pvt. Ltd.
- (xiii) Chandil Power Ltd.
- (xiv) Longwell Investment Pvt Ltd.
- (xv) A to Z Holdings Pvt Ltd.
- (xvi) Jayesh Tradex Pvt. Ltd.

Transactions with related Parties (As identified by the Management)

(Rs. Lacs)

Nature of Transactions	By virtue of control		Enterprises where influence exist		Key Managerial Personnel	
	Current Year	Previous Year	Current year	Previous Year	Current year	Previous Year
Rent Recovered	-	-	16.96	17.97	-	-
Rent Paid	-	-	10.93	33.71	-	-
Misc Exp. Recovered	-	-	1.10	6.28	-	-
Misc. Exp. Reimbursed/paid	-	-	125.77	29.06	-	-
Purchase of Stores	-	-	2.63	7.36	-	-
Acceptances taken	-	-	-	245.00	-	-
Acceptances repaid	-	-	-	164.00	-	-
Interest and Financial charges paid	103.33	265.02	17.73	56.23	1.55	3.88
Loan taken	38.03	343.35	-	-	-	-
Loan repaid	-	10.00	-	-	-	-
Remuneration to Mg Director	-	-	-	-	15.92	45.99
- Executive Director	-	-	-	-	-	15.11
- Finance Director	-	-	-	-	12.27	4.81
- Works Director	-	-	-	-	3.25	-
- Sitting Fee to Non-Executive Directors	-	-	-	-	0.73	1.11
Outstanding balances as on	31.3.14	31.3.13	31.3.14	31.3.13	31.3.14	31.3.13
- Receivable	-	-	25.03	44.25	-	-
- Acceptances	-	-	-	-	-	-
- Payable	-	-	153.42	59.37	-	-
- Unsecured Loan	3679.11	3641.08	483.00	483.00	42.00	42.00
- Int on unsecured loan	331.32	238.52	67.10	51.14	5.95	4.56

4. The management is of the opinion that except the assets written off during the year and the assets retired from active use, there is no further impairment of assets as at 31-3-2014 as contemplated in the Accounting Standard (AS) 28.

5. Operating Leases

The company's leasing arrangements are in respect of premises (for office, godown and accommodation of company's officer & directors). These arrangements are both cancelable and non-cancelable in nature and ranging between one to three years as at 31st March, 2014.

Disclosure related to operating lease as lessee as per the Accounting Standard-19 are as under:

Sl.No.	Particulars	Rs. Lacs	
		As at 31.03.2014	As at 31.03.2013
A	Total of future minimum lease payments under non-cancelable operating leases for each of the following periods		
	- Not later than one year	10.00	33.71
	- Later than one year and not later than five years	14.91	27.50
	- Later than five years	-	-
B	Lease rent recognized as expenses in P&L A/c	24.91	53.81

III : OTHER NOTES REQUIRED BY PART I & PART II OF SCHEDULE VI

(Rs. Lacs)

	As at 31.3.14	As at 31.3.13
1. Contingent Liabilities:		
Claims not acknowledged as debts are as under: -		
(i) Custom Duty on Plant & Machinery	106.92	106.92
(ii) Custom duty and interest on Imported Stores & Spares	154.59	154.59
(iii) (a) JVAT Demand under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Asst. Year 2006-07. (excludes amount Rs.23.07 lacs and paid by the company but not considered as credit by dept.) Jt. Commissioner (Appeal) Commercial Taxes, Jsr. Vide order no. 740 dt. 08.10.2013 remanded the case to DCIT, Adityapur to verify and allow the credit for the amount of Rs. 23.07 lacs paid by the company against the demand.	23.97	23.97
(b) Central Sales Tax demand (including interest) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Financial Year 2006-07	3.11	3.11
(c) Disputed demand for JVAT for the F.Y. 2010-11 u/s 70(5)(b) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals), Jsr. However stay has been granted on 20.01.2012 (Amount paid as advance on appeal Rs. 5.87 Lacs previous year Rs. 5.87 Lacs).	58.79	58.79
(d) Demand raised by DCCT, Jsr for tax due and penalty imposed or interest payable under JVAT Act 2005 of the F.Y. 2010-11 under dispute before JCCT(Appeals), Jamshedpur. Stay has been granted on 06-10-2012 till final disposal(Adv paid on appeal Rs.15 lacs on 19.10.2012)	247.86	247.86
(iv) Demand for water charges and interest thereon disputed under writ petition before Jharkhand High Court, Ranchi	2119.75	2193.91
(v) Railway Authorities has imposed penalty on the Company earlier which was dismissed by the Jharkhand High Court, Ranchi. Railway Authority has now filed a petition before Supreme Court, Delhi.	56.00	56.00
(vi) (a) Disputed liability on account of currency fluctuation on foreign currency loans and interest thereon, pending before the Hon'ble High Court, Jharkhand, Ranchi.	2754.09	2251.93
(b) Liability on account of currency fluctuation on upfront payment of foreign currency loan and additional 2% interest rate in lieu of guarantee of Govt. of Jharkhand matter pending in SLP before the Hon'ble Supreme Court, Delhi	2797.53	2027.06
(vii) Disputed Income Tax demand including interest and penalty for short deduction/collection or Tax at source based on NSDL report for the F.Y. 2004-05 to 2008-09 u/s 156 raised by DCIT, JSR under appeal before the CIT (Appeal), JSR under section 246A (1) Of the Income Tax Act, 1961.	83.34	83.34
(viii) Liability for price difference / other claims net of counter claims, if any, arising on account of procurement of raw materials under a contract (since terminated) pending before an Arbitrator / High Court.	Not ascertained	Not ascertained
(ix) (a) The company has received a show cause notice to explain as to why the production of Sponge Iron was low in comparison to iron ore consumed. The company has furnished its reply, justifying consumption of iron ore viz a viz Sponge iron production. The Matter is still pending.	Not ascertained	Not ascertained
(b) Demand for recovery of irregular Cenvat Credit for Service Tax and education cess for F.Y. 2010-11 under Rule 15(4) of CCR 2004 read with section 78 of the Finance Act 1994 under appeal before The Appellate Tribunal Central Excise & Service Tax, Kolkata	1.23	1.23
(x) 40% additional price over the prevailing price of Coal pending before Hon'ble High Court Jharkhand.	171.79	171.79
(xi) Disputed penalty recovered by SECL for short lifting of Coal quantity as per Linkage.	215.28	215.28
(xii) Liability on account of Bank Guarantees	975.22	1058.67

2. COMMITMENTS :**2.1 Capital Commitments:**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 48.56 lacs (Previous Year Rs. 48.56 lacs).

2.2 Other Commitments: Rs. Nil (P.Y. 3.00 Lacs)**3. Rehabilitation Scheme:**

- (I) The company was declared a Sick Industrial Company within the meaning of clause (0) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985 by the Hon'ble BIFR vide its order dated 19.12.1996. The Hon'ble BIFR vide its order dated 29th July, 2004 had sanctioned the Rehabilitation Scheme. The said scheme envisaged a total payment of Rs. 13500 lacs, out of which Rs.6500 lacs was to be paid as upfront payment and the balance Rs. 7000 lacs was to be paid in 30 quarterly installments effective from 15th July, 2004. The Rehabilitation Scheme is under implementation.
- (II) In the review hearing held on 3rd September, 2007 & 22nd September, 2010, the BIFR, by exercising powers under Section 18 (5) and 18 (9) of the SICA, clarified / directed that the Company shall make payment of the due installments to its foreign lenders in 'Euro' as per the amount reflected in Euro in the statement annexed to the sanctioned scheme along with the applicable interest i.e. LIBOR plus 1% per annum (LIBOR + 3% in case of delay/ default in payment of installments). The Company has filed appeal before the Appellate Tribunal for Industrial and Financial Reconstruction (AAIFR) challenging the above said order. AAIFR in its order dated 23-12-2011 has dismissed the appeal. The above order of AAIFR was challenged by the Company by filing Writ Petition in Jharkhand High Court on 06.02.2012. In the hearing held on 22nd February, 2012, the Appeal was dismissed. The Company has not recognized Rs.2754.09 lacs the liability on account of foreign currency fluctuation in Euro on foreign currency loans installments and interest thereon as per the BIFR Scheme. The Company has filed a Letters Patent Appellate Jurisdiction (LPA) on 27th July, 2012 before the higher bench in the High Court of Jharkhand, Ranchi against the order of the Single Judge.
- (III) The Net worth of the Company could not become positive during the implementation of BIFR Scheme till 30-09-2011. As per Order date 5th May 2012, BIFR directed to the company to submit Modified Draft Rehabilitation Scheme (MDRS) within four months from the said date.
- (IV) The Modified Draft Rehabilitation Scheme of the company was filed before the Hon'ble BIFR on 3rd December 2012. The modified scheme is under consideration of the BFIR.
4. The demand of water charges Rs. 2258.14 lacs (inclusive of interest on arrear of water bills of Rs.226.81 lacs) as on 31.03.2014 (P.Y. Rs.2314.94 lacs inclusive of interest of Rs.205.28 lacs as on 31.3.2013) raised by Chief Engineer, Subarnarekha Multipurpose Project, Chandil has been disputed by the company under a Writ Petition with Jharkhand High Court, Ranchi. However, pending disposal of Writ Petition, the company based on its own estimate of liability has made total provision for Rs. 138.69 lacs up to 31st March, 2014, (Rs.121.03 lacs as on 31.3.2013.)
5. No provision has been made for penalty recovered by South Eastern Coalfields Ltd. for Rs. 215.28 lacs in the F.Y. 2011-2012 on account short lifting of coal quantity in terms of Fuel Supply Agreement (FSA) since the matter is pending before the Hon'ble High Court of Chhattisgarh, Bilaspur. However the penalty recover of Rs. 215.28 lacs is shown under Long Term Loan and Advances.
6. The company has been allotted for captive use a Coal Block in the Macherkunda Coal Block in the State of Jharkhand on 5th August 2008 by the Ministry of Coal, Government of India. The Ministry of Coal vide letter date 20.11.2012 deallotted the above coal block on the ground that the company has failed to develop the coal block allotted within the prescribed milestone/time frame. On being aggrieved with the above order, the company has filed a Writ Petition (C) vide no. 7331 of 2012 before the Jharkhand High Court, challenging the decision of the Ministry of Coal to de-allocate the Coal block. The Hon'ble High Court, by an order dated 12th December 2012 has passed the interim order that until further order, no coercive steps shall be taken against the petitioner pursuant to the impugned order.
7. In respect of Coal supplied under Coal linkage for the month of January 2013, the CCL has charged 40% additional price on the prevailing price of coal by applying tapering linkage policy amounting to Rs. 171.79 Lacs and recovered the said amount out of the advance payment for supply of coal and forfeited the bank guarantee. In view of the dispute for applying tapering linkage policy, the Company has not recognized the additional cost of coal. The sum of Rs. 171.79 lacs appear as short term loans and advance.

8. Shut down of Plant and suspension of operations.

Central Coalfields Ltd has stopped supply of linkage coal as per existing Fuel Supply Agreements to the Company w.e.f. 5th February 2013 for reason stated at para 7 above. Due to non-supply of Coal by CCL, the operations of the company has been shutdown and operation suspended w.e.f. 9th August 2013. The aforesaid action of Coal India Ltd, Central Coalfields Ltd and the Ministry of Coal, GOI, has been challenged by the company by way of Writ Petition (C) vide No. 1660 of 2013 before the Hon'ble Jharkhand High Court and the same is still pending.

In view of the above, provision for the undernoted items of expense have not been made in the accounts for the period from 10th August, 2013 to 31st March, 2014:

- (a) Interest on Unsecured Loans of Rs. 6863.90 lacs taken from Promoters and other Parties (amounts unascertained),
 (b) Interest on Soft Loan from Government of Jharkhand under Jharkhand Industrial Rehabilitation Scheme 2003 amounting to Rs. 305.26 lacs which is subject to representations for waiver, and
 (c) Salaries, Wages and allowances as well as employee benefits expenses (amount unascertained).
- 9. Shri Satish Kumar Gupta** has been appointed as an Additional Director and then as the Whole time Director of the Company w.e.f. 20.03.2013 and designated as Director (Works). The remuneration paid/payable to Shri Satish Kumar Gupta as Whole time Director amounting to Rs. 3.25 lacs for the period from 20.12.2013 to 31.03.2014 is subject to the approval of the Shareholders of the Company in their General Meeting and the Central Government in terms of the provisions of Sections 198, 269, 309 and Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956.
- 10. Dues to Micro Small and Medium Enterprises:**

The disclosure of dues to enterprises covered under Micro, Small and Medium Enterprises Development Act 2006 who have filed a memorandum with the appropriate authority, to the extent the information are available with the Company, are as under :

		Rs. Lacs	
		As at 31.3.2014	As at 31.3.2013
a)	(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year.	7.59	4.05
	(ii) Interest due thereon.	1.49	1.30
b)	(i) The amount of interest paid in terms of Sec.16 of MSMED Act, 2006 beyond the respective due date during the year.	Nil	Nil
	Amount of interest not claimed & written back.	Nil	0.27
	(ii) The amount of principal paid beyond the due date during the year.	Nil	Nil
c)	The amount of interest due and payable for delay period (where principal has already been paid after due date)	Nil	Nil
d)	The amount of interest accrued and remaining unpaid as at the end of the accounting year.	2.79	1.30
e)	The amount of further interest remaining due and payable even in the succeeding years for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED Act, 2006.	1.49	1.30

11. Confirmation / reconciliation of balances at the year end from lenders, creditors, debtor and advances except for some parties have not been obtained.

12. In the opinion of the Board, Current Assets have a realizable value equivalent to the amount at which they are stated in the Balance Sheet and the provision for all known liabilities have been made except to the extent as appearing in other notes.

		Rs. Lacs	
		Current Year	Previous Year
13.	Value of Imports calculated on CIF basis during the Financial Year:		
	Component & Spare Parts	Nil	Nil
14.	Expenditure in Foreign currency during the Financial Year:		
	Interest	Nil	Nil

		Rs. Lacs			
		Value		%	
		Value	%	Value	%
15.	Value of imported and indigenous raw materials and components consumed and percentage of each to total Consumption :				
	Raw Material:				
	- Indigenous	1212.07	100	8603.38	100
	- Imported	-	-	-	-
		1212.07	100	8603.38	100
	Stores & Spares				
	- Indigenous	80.91	100	385.45	100
	- Imported	-	-	-	-
	Total	80.91	100	385.45	100

16. Repairs & Maintenance to Plant include stores and spare parts consumed as under: (Rs.Lacs)

		Current year	Previous year
Particulars			
	Plant & Machinery	71.46	339.82
	Railway Siding	-	1.89
	Others	0.86	2.89

17. Earning in Foreign Currency: Nil

18. Subsidiary Company:

Since the Company does not have Share holding interest in the Subsidiary Company, hence the discolouser w.r.t. the subsidiary company in terms of Sec 212 (1)(f) read with section 212 (3) of the Companies Act 1956 is not required.

19. Previous year figures have been recast / restated to conform to the classification required by the Revised Schedule VI Notes 1 to 29 and Annexure - I containing Accounting Policies and General Notes form part of the Financial Statements.

As per our report of even date attached.

for Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
(FRNo. 000038N)

Umesh K. Modi
(Chairman)
[DIN 00002757]

S.K. Gupta
(Executive Director- Works)
[DIN 03537417]

Directors
B.D. Garg - [DIN 00002792]
G.C. Jain - [DIN 00002696]
J.N. Khurana - [DIN 00003817]
J.C. Chawla - [DIN 05316202]
Sudhir Kumar - [DIN 05359775]

M.P. Thakur
(Partner)
Membership no. 052473

B.K. Goel
(Chief Financial Officer)

Manoj Kumar
(Company Secretary)

Place : New Delhi
Date : 29.05.2014

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