

**35<sup>th</sup> ANNUAL REPORT  
2016-2017**

**BSIL  
BIHAR SPONGE IRON LIMITED**

**Board of Directors**

Mr. Umesh Kumar Modi	Chairman & Director
Mr. Subbiah Siddharth	Nominee of BSIDC
Mrs. Kumkum Modi	
Mr. Abhishek Modi	
Mr. Jayesh Modi	
Mr. Satish Kumar Gupta	Director (Works)
Mr. Jagdish Chander Chawla	
Mr. Brajeshwar Dayal Garg	
Mr. Rajeev Kumar Agarwal	
Dr. Shyam Babu Vyas	
Mr. Madan Lal	
Mr. Jagan Nath Khurana	
Dr. Rohit Garg	

**Chief Financial Officer**

Mr. Anil Kumar Sinha

**Company Secretary**

CS Shubhangi Varshney

**Statutory Auditors**

M/s Thakur, Vaidyanath Aiyar & Co.  
Chartered Accountants  
[F.R. No. 000038N]  
221-223, Deen Dayal Marg,  
New Delhi-110002.

**Internal Auditors**

M/s Sarat Jain & Associates  
Chartered Accountants  
[F.R. No. 014793C]  
C-99B, Sector-44,  
Noida, U.P.-201301

**Audit Committee**

Mr. Rajeev Kumar Agarwal	Chairman
Mr. Jagdish Chander Chawla	
Dr. Shyam Babu Vyas	
Mr. Madan Lal	

**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 Agent**

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 35<sup>th</sup> Annual Report of the Company along with audited accounts for the year ended 31<sup>st</sup> March, 2017.

	(Rs. Lacs)	
Financial Parameters	2016-17	2015-16
Sales (Net of Excise Duty)	-	3.48
Other Income	242.62	231.22
Loss before Interest, Depreciation & Exceptional Items	28.57	135.84
Interest & Finance Charges	14.97	13.45
Depreciation	434.55	437.77
Loss for the year before Exceptional Items	478.09	587.06
Exceptional Items (Net expenditure/ (income))	(101.50)	-
Provision for Tax	-	-
Loss for the year carried to Balance Sheet	376.59	587.06

### OPERATIONS

The Plant is under shut since 9<sup>th</sup> August, 2013 on account of sudden stoppage of coal supply by Central Coalfields Limited, a Unit of Coal India Limited against long term Fuel Supply Agreement. The Company is pursuing with Jharkhand State Mineral Development Corporation Ltd. (JSMDC) for supply of coal. JSMDC vide letter No. 1194 dated 15<sup>th</sup> October, 2014 approved the supply of 30,000 ton of Coal per month from Sikni Coal Mine to the Company. It was further informed by the JSMDC vide letter No. 1088 dated 20<sup>th</sup> July, 2015 that they have reduced the proposed supply to 10,000 ton of Coal per month initially which is highly insufficient for the operations of the plant at breakeven level. Representations have been made to various authorities under Ministry of Coal, Government of India, Coal India Limited and Central Coalfields Limited for supply of sufficient coal quantity to enable the Company to run the plant smoothly at the requisite operational level.

Currently the steel market is reviving but the same is not yet stable. The Management expects that the recession phase of the steel market will be over, soon. Some of the sponge iron manufacturing units have started using imported coal for higher productivity. The Company is exploring viability in different combinations and aspects to restart the plant as and when the sponge iron market further improves and the economy in production of sponge iron is visible like optimum combination of using local coal and/or imported coal, whether to operate two small kilns with capacity of 100 MT per day each or one big kiln with capacity of 500MT per day as well as to restart the plant by the Company or on contract basis, to minimize the overall cost to diversify the business activity in the areas of manufacturing of electrode, wire drawing projects, etc.

In view of the current market development, the Company has entered into a facility user agreement on 1<sup>st</sup> April, 2017 with G S Phambutor Pvt. Ltd., a company specialized in contract manufacturing, wherein part of the plant and machinery shall be operated by the said Company. The said contract manufacturing company is considering to re-start the operations of the Company and evaluating all the options available under present circumstances.

### 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 having estimated reserves of 35.65 million tons. However, the Department of Geology, Ministry of Mines, Government of Jharkhand has conducted the survey and assessed the reserve to be about 11.00 Million tons in its report of February, 2012.

The Terms of Reference (ToR) for Ghatkuri Iron Ore Mine expired on 13<sup>th</sup> May, 2016 and therefore the company made an online application for extension of ToR for one year (i.e. up to 13<sup>th</sup> May, 2017) on MOEFCC'S Portal.

Ministry of Environment, Forest and Climate Change Impact Assessment Division (MOEFCC) called a meeting on 21-02-2016. The Company has made a representation through MECON to explain the necessity of ToR extension. MOEFCC vide letter dt. 12-04-2016 intimated that the proposal is deferred and be considered after carrying capacity study is completed by Indian Council of Forestry Research and Education (ICFRE).

### 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 entire dolo char, the Company has entered into an agreement with G S Phambutor Pvt. Ltd. (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. The 5 MW power plant is ready to be commissioned. The Company has been informed that once the sponge iron plant starts its operations, the said power plant will be commissioned and steps for setting up induction furnace will be initiated.

### CORPORATE SOCIAL RESPONSIBILITY

The Company has been receiving constant demands from employees and local residents for establishment of a higher educational institution, for the development of the area and to create employment opportunities for the residents. Due to lack of basic infrastructural facilities like institutions imparting higher education at Chandil, the attrition of employees was quite high, resulting in substantial loss to the Company. Considering the necessity of providing higher and technical education, the Company has decided to set up a trust for establishment of educational institution for providing higher and technical education. The Company is not covered under Section 135 of the Companies Act, 2013 and rules made thereunder during the F. Y. 2016-17, this step has been taken by the company voluntarily.

### DIVIDEND

In view of the loss incurred by the Company, no dividend has been proposed for the financial year ended 31<sup>st</sup> March, 2017.

### FIXED DEPOSITS

During the year under review, your Company did not accept any deposits within the meaning of provisions of Chapter V – Acceptance of Deposits by Companies of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186.

The Company has not given any loans, guarantees or made any investments under Section 186 of Companies Act, 2013 during the financial year 2016-17.

### INTERNAL CONTROL SYSTEM

The Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures.

### NOMINATION AND REMUNERATION POLICY OF THE COMPANY

Pursuant to Section 178 of the Companies Act, 2013 and Part D of Schedule II to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of the Company has approved and adopted the Company's Nomination and Remuneration policy. Members interested may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy. The same is also disclosed on the Company's website [www.bsil.org.in](http://www.bsil.org.in). Details of the Committee is provided in the corporate governance report annexed with this report.

### WHISTLE BLOWER POLICY

In compliance of Section 177 (9) & (10) of the Companies Act, 2013 and in terms of Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has set up a whistle blower policy which can be viewed on the Company's website [www.bsil.org.in](http://www.bsil.org.in). In terms of the said policy, the Directors and employees are given direct access to the Chairman of the Audit Committee to report on alleged wrong doings. Your Company hereby affirms that no Director/ employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year.

### PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

Transactions entered by the Company with Related Parties were in the ordinary course of business and at Arm's Length Price. The Audit Committee granted omnibus approval for the transactions (which are repetitive in nature) and the same was reviewed by the Audit Committee and the Board of Directors.

The materially significant transactions with Related Parties during the financial year 2016-17 were within the limits approved by the Shareholders in 33<sup>rd</sup> Annual General Meeting of the Company. Suitable disclosures as required under AS-18 have been made in the Notes to the financial statements.

The policy on Related Party Transactions has been uploaded on the Company's website: [www.bsil.org.in](http://www.bsil.org.in). Member may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

The particulars of contract and arrangements entered into by the Company with

related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 read with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are disclosed separately in Form No. AOC -2 as **Annexure – D** and forms part of this report.

#### EXTRACT OF THE ANNUAL RETURN

The extract of the Annual Return for 2016-17 in Form No. MGT – 9 is given separately as **Annexure - E**, which form part of the Board's report.

#### MANAGERIAL REMUNERATION

The particulars of employees are given in **Annexure – F** to this report as required under Section 197 (12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### SECRETARIAL AUDIT

The Board of Directors of the Company have appointed M/s. R. Singhal & Associates, Company Secretaries (PCS Registration No. 10699) as the Secretarial Auditor of the Company in relation to the financial year 2016-17, in terms of Section 204 of the Companies Act, 2013. The Secretarial Audit Report for financial year 2016-17 is in **Annexure – G** with this report and is available on the Company's website www.bsil.org.in.

The observation in secretarial audit report are self explanatory and therefore do not call for any further explanation. Further due to shutdown of the plant and suspension of operations since 09.08.2013 various dues could not be paid on due dates. Necessary steps are being taken to re-start the Company and payment of all such dues shall be made after re-start of operation of the Company.

#### DIRECTORS :

##### A) CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

Since last reported, the following changes have taken place in the Board of Directors:

In accordance with the provisions of Section 152 of the Companies Act, 2013 and Article 128 of the Articles of Association of the Company, Mrs. Kumkum Modi (DIN: 00522904) retires by rotation and is eligible for re-appointment.

Mrs. Anshuli Arya cease to hold office of Nominee Director pursuant to section 167 (1) (b) of the Companies Act, 2013, w.e.f. 12<sup>th</sup> August, 2016. Bihar State Industrial Development Corporation Limited (BSIDC) further nominated Mrs. Anshuli Arya (DIN: 02753144) vide their letter no. 181/G dated 23<sup>rd</sup> August, 2016.

Bihar State Industrial Development Corporation has nominated Mr. Subbiah Siddharth (DIN: 01208759) and withdrawn the nomination of Mrs. Anshuli Arya (DIN: 02753144) vide their letter no. 163/G dated 19<sup>th</sup> July, 2017.

Dr. Rohit Garg, was appointed as an Additional Independent Director on 14<sup>th</sup> November, 2016 by the Board who shall hold the office of Independent Director for a term of 5 years w.e.f. 14<sup>th</sup> November, 2016 pursuant to section 149 (10) of the Companies Act, 2013 subject to the shareholders approval in 35<sup>th</sup> Annual General Meeting of the Company.

Mr. Bal Kishan Goel resigned from the post of Chief Financial Officer (CFO) of the Company w.e.f. 5<sup>th</sup> March, 2017.

Mr. Anil Kumar Sinha was appointed as Chief Financial Officer (CFO) of the Company w.e.f. 29<sup>th</sup> March, 2017.

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.

##### B) DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration by all Independent Director(s) that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013. The declaration received from the independent directors were placed at the meeting of the Board of Directors of the Company held on 29<sup>th</sup> May, 2017.

##### C) FORMAL ANNUAL EVALUATION

Pursuant to the provisions of Section 134 of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Independent Directors at their meeting without the

participation of the Non-Independent Directors and Management, considered/evaluated the Boards' performance, Performance of the Chairman and other Non-Independent Directors.

The Board subsequently evaluated the performance of Independent Directors as per the criteria laid down and has recommended their continuation on the Board of the Company. The working of its Committees (Audit, Nomination and Remuneration and Stakeholders Relationship Committee) and Independent Directors (without participation of the Director being evaluated) were also evaluated. The criteria for performance evaluation have been provided in the Corporate Governance Report which is attached as **Annexure- B** to this Report.

##### D) NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The Board of the Company met for four times, i.e., on 25<sup>th</sup> May, 2016; 12<sup>th</sup> August, 2016; 14<sup>th</sup> November, 2016 and 13<sup>th</sup> February, 2017 during financial year 2016-17.

##### E) DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134 (5) of the Companies Act, 2013 the Directors of your Company declare as under:

- that in the preparation of the annual accounts, the applicable accounting standard had been followed along with proper explanation relating to material departures;
  - that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
  - the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
  - that the directors had prepared the annual accounts on a going concern basis; and
  - that the directors, had laid down and implemented internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- Explanation—For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information; and
- That the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

##### AUDIT COMMITTEE

The composition of Audit Committee is disclosed in the corporate governance report annexed with this report and forms part of it. Further there has not been any instance where the Board had not accepted any recommendation of the Audit Committee.

##### AUDITORS

M/s. Thakur Vaidyanath Aiyar and Co., Chartered Accountants (Firm Registration No. 000038N) Statutory Auditors of the Company shall retire as Statutory Auditors in the 35<sup>th</sup> Annual General Meeting, pursuant to Section 139 of the Companies Act, 2013 read with rules made thereunder.

The Board has proposed the appointment of M/s. K. K. Jain & Co., Chartered Accountants (Firm Registration No. 002465N) on the recommendation of Audit Committee in 35<sup>th</sup> Annual General Meeting of the Company till the conclusion of 40<sup>th</sup> Annual General Meeting subject to ratification by members at every annual general meeting. 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 Companies Act, 2013.

##### ACCOUNTS AND AUDIT

Notes to accounts referred to in the Auditor's Report are self-explanatory and therefore, do not require call for any further explanation. However the following has not been not been recognized as explained below:

- a. Rs. 2,58,213 thousand against currency fluctuation of foreign currency loan has not been recognized as the Company has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi and it is hopeful that the decision will be in favour of the Company.
- b. Rs. 21,528 thousands recovered by South Eastern Coal Fields Ltd as penalty on account of short lifting of coal quantity in terms of Fuel Supply Agreement as the matter has been disputed by the Company under writ petition filed before the Hon'ble High Court of Chhattisgarh. It is hopeful that the Company would get the order in its favour.
- c. Interest on unsecured loan taken from Promoters and other parties from 10.08.2013 to 31.03.2017 has not been taken on accounts as the Company has applied to the lenders for the waiver of the interest on unsecured loan.
- d. Interest on Soft Loan taken from the Government of Jharkhand under the Industrial Rehabilitation Scheme 2003 amounting to Rs. 1,96,365 thousands from 10.08.2013 to 31.03.2017 has not been provided as the Company will make representation for waiver on re-start of the Company's operations.
- e. Salaries, Wages, Allowances, Provident Fund (PF) including interest on overdue amount as well as employee benefit expenses w.e.f. 10.08.2013 to 31.03.2017 has not been provided in view of the shutdown of the plant and suspension of operation from 9<sup>th</sup> August, 2013.
- f. Interest on unpaid statutory dues such as PF and Family Pension Fund as per the respective acts is not ascertained.

Further due to shut down of the plant and suspension of operation from 9<sup>th</sup> August, 2013 various dues could not be paid on due dates. Necessary steps are being taken to re-start the Company and payment of such dues shall be made after re-start of operation of the Company.

#### SUBSIDIARY COMPANY

As per Section 2(87) of the Companies Act, 2013 the Company does not have any subsidiary in the financial year 2016-2017.

#### CORPORATE GOVERNANCE:

A separate report on Corporate Governance is attached as **Annexure B** to this report. The Auditors' Certificate confirming compliance of conditions of Corporate Governance as required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is included in the said Corporate Governance Report.

#### MANAGEMENT DISCUSSION ANALYSIS REPORT

In terms of Regulation 34 read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Management Discussion and Analysis Report is annexed as **Annexure – C** and forms part of this 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 2017-18 has been paid.

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

Information pursuant to 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  
Date: 29<sup>th</sup> July, 2017

S. K. Gupta  
(Director-Works)  
DIN: 03537417

R. K. Agarwal  
(Director)  
DIN: 00298252

#### ANNEXURE A TO THE DIRECTORS' REPORT STATEMENT PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2013 READ WITH RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014.

#### CONSERVATION OF ENERGY :

	Current Year (2016-17)	Previous Year (2015-16)
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
A) PURCHASED		
Unit	Nil	Nil
Amount(Rs.)	Nil	Nil
Rate/Unit (Rs.)	Nil	Nil
B) OWN GENERATION		
1. Through Diesel Generator		
Unit	Nil	Nil
Unit per liter of HSD	Nil	Nil
Cost/Unit (Rs.)	Nil	Nil
2. Through steam turbine		
Unit	Nil	Nil
Unit per M.T of fuel	Nil	Nil
Cost/Unit (Rs.)	Nil	Nil
3. Coal		
Quantity (M.T)	Nil	Nil
Cost (Rs.)	Nil	Nil
Average Rate (Rs./M.T)	Nil	Nil
<b>B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)</b>		
1. Electricity (Unit)	Nil	Nil
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	Nil	Nil
4. Others – HSD (Liter)	Nil	Nil

#### TECHNOLOGY ABSORPTION :

##### (A) Research and Development.

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

##### (B) Technology absorption, adaptation & innovation.

- Efforts in brief made towards technology absorption, adaptation & innovation: — Technology transfer is complete.
- 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

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

#### FOREIGN EXCHANGE EARNINGS & OUTGO:

	(2016-17)	(2015-16)
1. EARNING	—	—
2. EXPENDITURE	—	—
Import on CIF Basis Stores & Spares	—	—

For & on behalf of the Board

Place: New Delhi  
Date: 29<sup>th</sup> July, 2017

S. K. Gupta  
(Director-Works)  
DIN: 03537417

R. K. Agarwal  
(Director)  
DIN: 00298252

**CORPORATE GOVERNANCE REPORT****COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

In 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 is 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 Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015), across all the companies in which he/she 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:

Name of the Directors	Executive/Independent/ Non-Executive	No. of meetings attended(+)	Attendance at previous AGM on 15 <sup>th</sup> September, 16	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee	
					Chairman	Membership
Mr. Umesh K. Modi	Chairman	2	Not Present	5	Nil	Nil
Mrs. Anshuli Arya(**)	Nominee Director	Nil	Not Present	3	Nil	Nil
Mrs. Kumkum Modi	Non Executive Director	2	Not Present	2	Nil	Nil
Mr. Abhishek Modi	Non Executive Director	3	Not Present	4	Nil	Nil
Mr. Jayesh Modi	Non Executive Director	3	Not Present	3	Nil	Nil
Mr. S. K. Gupta	Whole-time Director	1	Present	0	Nil	Nil
Mr. B. D. Garg	Independent Director	3	Not Present	1	Nil	Nil
Dr. S. B. Vyas	Independent Director	1	Not Present	2	Nil	1
Mr. J. C. Chawla	Independent Director	4	Not Present	3	1	4
Mr. Madan Lal	Independent Director	4	Not Present	4	3	3
Mr. J. N. Khurana	Independent Director	4	Not Present	2	Nil	Nil
Mr. R. K. Agarwal	Independent Director	4	Present	7	3	4
Dr. Rohit Garg(***)	Additional Director	Nil	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, 2013, excluding Directorships in Private Limited Companies, Foreign Companies, Companies under Section 8 of the Companies Act, 2013 and Alternate Directorships.

(\*\*) Mrs. Anshuli Arya ceased to hold office as a Nominee Director, w.e.f., 12<sup>th</sup> August, 2016 pursuant to section 167(1)(b) of the Companies Act, 2013. She was further nominated by the Bihar State Industrial Development Corporation Limited which was approved w.e.f. 14<sup>th</sup> November, 2016.

(\*\*\*) Dr. Rohit Garg was appointed as an Additional Director and Independent Director by the Board, w.e.f. 14<sup>th</sup> November, 2016, which is subject to regularization in 35<sup>th</sup> Annual General Meeting.

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

Four Board Meetings were held during the year on 25<sup>th</sup> May, 2016; 12<sup>th</sup> August, 2016; 14<sup>th</sup> November, 2016 and 13<sup>th</sup> February, 2017.

**CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT**

The Company has adopted the Code of Conduct for the Directors and Senior Management Personnel 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 31<sup>st</sup> March, 2017. The Code is posted on the website of the Company i.e. [www.bsil.org.in](http://www.bsil.org.in)

**INFORMATION REGARDING REAPPOINTMENT OF DIRECTORS**

Mrs. Kumkum Modi, Director of the Company retires by rotation and being eligible, offers herself for re-appointment. Mrs. Kumkum Modi is a Non-Executive director. She has completed post-graduation from University of Delhi and has vast experience in the area of administration, business management and corporate social activities. She is also Director in certain other manufacturing, public listed companies, etc..

**PERFORMANCE EVALUATION OF DIRECTORS**

The Nomination and Remuneration Committee of the Board laid down the criteria for performance evaluation of all Directors. The performance evaluation has been done of the entire Board of Directors, except the Director concerned being evaluated. The criteria for performance evaluation are as follows:

**Role & Accountability**

- Understanding the nature and role of Directors' position.
- Understanding of risks associated with the business.
- Application of knowledge for rendering advice to management for resolution of business issues.
- Active engagement with the management and attentiveness to progress of decisions taken.

**Objectivity**

- Own recommendations given professionally without tending to majority or popular views.

**Leadership & Initiative**

- Heading Board 's Sub-committees.
- Driving any function or identified initiative based on domain knowledge and experience.

**Personal Attributes**

- Commitment to role & fiduciary responsibilities as a Board member.
- Attendance and active participation.
- Proactive, strategic and lateral thinking.

**Meeting of Independent Directors**

During the year, meeting of Independent Directors was held on 13<sup>th</sup> February, 2017 to review the performance of the Board as a whole and Chairman on parameters of effectiveness and to assess the quality, quantity and timeliness of flow of information between the management and the Board.

**Familiarisation Programme**

Your Company follows a structured orientation and familiarisation programme which aims to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company. The details of the same are available on the Company's website, i.e., [www.bsil.org.in](http://www.bsil.org.in)

**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. R. K. Agarwal - Chairman
- ii) Mr. J. C. Chawla
- iii) Dr. S. B. Vyas.
- iv) Mr. Madan Lal

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 Sarat Jain & Associates, Internal Auditors are permanent invitees to the Audit Committee meetings.

Four meetings of Audit Committee were held during the year on 25<sup>th</sup> May, 2016; 12<sup>th</sup> August, 2016; 14<sup>th</sup> November, 2016 and 13<sup>th</sup> February, 2017.

Attendance at meetings during the year:

Director	No. of meetings attended
Mr. R. K. Agarwal	4
Dr. S. B. Vyas	1
Mr. J. C. Chawla	4
Mr. Madan Lal	4

The terms of reference of the Audit Committee are in conformity with the Regulation 18 read with Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013. The functions of the Audit Committee broadly covers the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company, including review and monitor the auditor's independence, performance and effectiveness of audit process.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Modified opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. 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;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the whistle blower mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**The Audit Committee shall also mandatorily 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 shall be subject to review by the audit committee.
- f) Statement of deviations:
- (i) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
- (ii) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

#### STAKEHOLDER RELATIONSHIP COMMITTEE

The Stakeholder Relationship Committee has been duly constituted pursuant to Section 178 (5) of the Companies Act, 2013 and relevant provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

The Stakeholder Relationship Committee has following independent directors:

- i) Mr. R. K. Agarwal
- ii) Mr. J. C. Chawla
- iii) Dr. S.B. Vyas
- iv) Mr. B. D. Garg
- v) Mr. Madan Lal

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with particular reference to transfer, dematerialization, re-materialization, complaints of shareholders etc. During the year under review, the Committee met four times on 25<sup>th</sup> May, 2016; 12<sup>th</sup> August, 2016; 14<sup>th</sup> November, 2016 and 13<sup>th</sup> February, 2017.

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

	Number of complaints received					Number of total complaints (Share Transfers/ Annual Reports etc.)
	Direct to the Company or through RTA	Stock Exchanges	SCORES	SEBI	Ministry of Company Affairs	
<b>(2016-2017)</b>						
Received	23	Nil	Nil	Nil	Nil	23
Replied	23	Nil	Nil	Nil	Nil	23
Pending	Nil	Nil	Nil	Nil	Nil	Nil

#### COMPLIANCE OFFICER:

Ms. Shubhangi Varshney, Company Secretary, is the Compliance Officer of the Company.

#### NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee has been duly constituted pursuant to Section 178 (1) of the Companies Act, 2013 and relevant provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

The following persons are the Members of the Committee:

- i) Mr. R.K. Agarwal - Chairman
- ii) Mr. J. C. Chawla
- iii) Dr. S. B. Vyas
- iv) Mr. B. D. Garg
- v) Mr. Madan Lal

The Company Secretary acts as a Secretary to the Committee.

Two Nomination and Remuneration Committee meetings were held during the year on 25<sup>th</sup> May, 2016, 14<sup>th</sup> November, 2016.

Attendance at the meeting during the years :

Director	No. of Meetings attended
Mr. R. K. Agarwal	2
Dr. S. B. Vyas	Nil
Mr. J. C. Chawla	2
Mr. B. D. Garg	1
Mr. Madan Lal	2

The terms of appointment and remuneration of the directors are reviewed by the Nomination and Remuneration Committee keeping in view the performance, industry practice, present compensation package, etc and then recommends the same for the approval of the Board of Directors and the shareholders. Committee has also approved a policy on Nomination & Remuneration of Directors, Key Managerial Personnel and Senior Managerial Personnel which has been placed on the website of the company: [www.bsil.org.in](http://www.bsil.org.in)

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 31<sup>st</sup> March, 2017 are as under:-

S. No.	NAME	SALARY	PERQUISITES AND OTHER BENEFITS	SITTING FEES (Rs.)	TOTAL (Rs.)
Executive Directors:					
1	Mr. S. K. Gupta*	7,98,000	77,273	--	8,75,273
Non-Executive Directors:					
1	Mr. B. D. Garg	--	--	10,000	10,000
2	Mr. R. K. Agarwal	--	--	19,000	19,000
3	Dr. S. B. Vyas	--	--	5,000	5,000
4	Mr. J. C. Chawla	--	--	33,000	33,000
5	Mr. J. N. Khurana	--	--	5,000	5,000
6	Mr. Madan Lal	--	--	33,000	33,000

\*Mr. S. K. Gupta has waived off his remuneration w.e.f. 1<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017

#### ANNUAL GENERAL MEETING

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

Year	Date	Venue	Time	Special Resolution Passed (Yes / No)
2016	15.09.2016	Company Guest House, Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	03.00 P.M.	No
2015	19.08.2015	Company Guest House, Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	11.00 A.M.	Yes
2014	29.09.2014	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	11.00 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.

#### 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 provisions the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company regularly intimate the un-audited/audited financial results to the stock exchange, immediately after the same is taken on record by the Board and are published in widely circulated English daily "The Financial Express" and Hindi daily "Naya India" as is required under the said regulations. The same are also displayed on the website of the Company.

#### CEO/CFO CERTIFICATION

In terms of Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Director-Works and the CFO of the Company have given compliance certificate stating therein matters prescribed under Part B of Schedule II of the said regulations.

In terms of Regulation 33 (2) (a) of the said regulations, the Director-Works and the CFO certified the quarterly financial results while placing the financial results before the Board.

#### GENERAL SHAREHOLDER INFORMATION

35<sup>th</sup> Annual General Meeting is scheduled to be held on Tuesday, 19<sup>th</sup> day of September, 2017 at 02:00 P.M. at the Company's Guest House, Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan – 832401, Jharkhand as per notice.

#### Financial Calendar for taking on record financial results for next financial year ending 31<sup>st</sup> March, 2018

Particulars	Date
For First Quarter UFR ended 30.06.2017:	By 14 <sup>th</sup> September, 2017
For Second Quarter UFR ended 30.09.2017:	By 14 <sup>th</sup> December, 2017
For Third Quarter UFR ended 31.12.2017:	By 14 <sup>th</sup> February, 2018
For Audited Financial results for the year ended 31.03.2018:	By 30 <sup>th</sup> May, 2018

#### Book Closure

Wednesday the 13<sup>th</sup> September, 2017 to Tuesday the 19<sup>th</sup> September, 2017 (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 31<sup>st</sup> March, 2017.

#### LISTING ON STOCK EXCHANGES

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

Stock Exchange	Stock Code
Bombay Stock Exchanges Limited, Phiroz Jeejeebhoy Towers, 25 <sup>th</sup> Floor, Dalal Street, Mumbai-400001	500058

On 21<sup>st</sup> March, 1998, the Company after complying with the conditions of Circular No. 6/9/SE/78 dated 28<sup>th</sup> 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 25<sup>th</sup> September, 2007 applied for voluntary de-listing of Shares from Magadh Stock Exchange, the matter is pending with the Exchange.

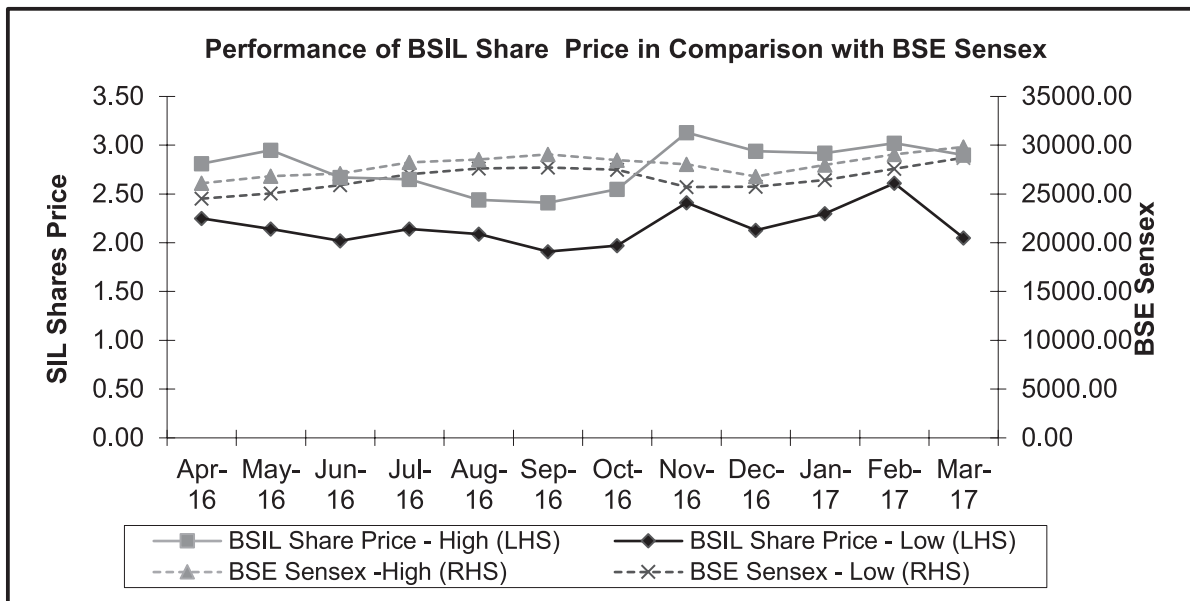
The Company has paid listing fee for the financial year 2017-2018 to Bombay Stock Exchange Limited only.

**Market Price Data**

High/Low of market price of the Company's shares traded on BSE during the financial year 2016-2017 is furnished below:

Month	High Price	Low Price	No. of Shares
Apr 16	2.81	2.25	54,956
May 16	2.95	2.14	1,34,197
Jun 16	2.67	2.02	1,27,647
Jul 16	2.65	2.14	1,55,636
Aug 16	2.44	2.09	69,338
Sep 16	2.41	1.91	76,139
Oct 16	2.55	1.97	2,14,126
Nov 16	3.13	2.41	1,17,980
Dec 16	2.94	2.13	81,739
Jan 17	2.92	2.30	96,792
Feb 17	3.02	2.61	1,59,282
Mar 17	2.90	2.05	1,67,408

**Performance in comparison to broad based indices**



**Registrar and Transfer Agents**

M/s. Beetal Financial & Computer Services Pvt. Ltd. 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. Ltd. 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 27<sup>th</sup> 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 15 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 Shareholding as on 31<sup>st</sup> March, 2017:

No. of Shares	No. of Shareholders	No. of Shares	% age to total shares
Up to 5000	51,589	77,22,043	8.56
5001 to 10000	2,903	23,49,475	2.60
10001 to 20000	1,117	18,26,264	2.02
20001 to 30000	323	8,33,089	0.92
30001 to 40000	174	6,28,825	0.70
40001 to 50000	188	9,05,245	1.00
50001 to 100000	251	18,62,260	2.06
100001 and above	224	74,078,202	82.12
Total	56,829	9,02,05,403	100.00

Shareholding Pattern as on 31<sup>st</sup> March, 2017:

Particulars	No. of Shares Held	% age to Shares Held
1. Promoters	6,27,88,949	69.61
2. Mutual Funds & UTI	62,350	00.07
3. Banks, Financial Institution, Insurance Companies & Central Government/State Government	1,18,020	00.13
4. Foreign Financial Investors	4,82,210	00.53
5. Private Corporate Bodies	26,03,531	02.89
6. Indian Public	2,27,50,787	25.22
7. NRI/OCBs	8,03,703	00.89
8. Any Other (Clearing Members & Trust)	5,95,853	00.66
Total	9,02,05,403	100.00

## Dematerialization of shares

The equity shares of the Company are available for dematerialization. The International Securities Identification Number (ISIN) of the Company is INE819C01011. The equity shares are now tradable only in dematerialized mode.

## Share held in physical and dematerialized form

As on 31<sup>st</sup> March, 2017, 56.01 % 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 Saraikela Kharsawan- 832401 (Jharkhand)

## Address for correspondence:

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

Umesh Nagar, Chandil, District Saraikela Kharsawan 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.

## OTHER DISCLOSURE

## 1. Materially Significant Related Party Transactions

Details related to related party transactions during the year under review has been enclosed as **Annexure- D** to this report.

## 2. Details of Non-compliance

The Company had no occasions to disclose regarding non-compliance during the last three years. There were no penalties, strictures imposed by stock exchange or the board of any statutory authority on any matter related to capital markets during the last three years.

## 3. Vigil Mechanism

In compliance of Section 177 (9) & (10) of the Companies Act, 2013 and in terms of Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has set up a whistle blower policy which can be viewed on the Company's website www.bsil.org.in. In terms of the said policy the Directors and employees are given direct access to the Chairman of the Audit Committee to report on alleged wrong doings. Your Company hereby affirms that no Director/ employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year.

## 4. Compliance with the Mandatory and Non-Mandatory Requirements

The Company has complied with all the Mandatory requirements stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has also adopted the non-mandatory requirements to the extent and in the manner as stated herein above.

5. The Company does not have any subsidiary company during the financial year ended 31<sup>st</sup> March, 2017.

## 6. Policy on Related Party Transactions

The Company has formulated a policy on Related Party Transactions in terms of Regulation 23 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Audit Committee accorded its omnibus approval for the said related party transactions at its meeting held on 25<sup>th</sup> May, 2016 in terms of Regulation 23 (3) of the said Regulations. The said policy has been uploaded in the Company's website viz. www.bsil.org.in. The transactions with the related parties are being placed before the audit committee and the board on a quarterly basis for it to review the same in terms of Regulation 23 (3) (d) of the said Regulations.

The particulars of contract and arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 read with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is disclosed separately in Form No. AOC -2 as Annexure - D and forms part of this report. The related party transactions during the year are also mentioned in Note no III under "Notes Related to Accounting Standards" under Annexure -1 of Accounting Policies & General Notes.

For & on behalf of the Board

Place : New Delhi  
Date : 29<sup>th</sup> July, 2017

S.K. Gupta  
(Director-Works)  
DIN: 03537417

R.K. Agarwal  
(Director)  
DIN: 00298252

**Independent Auditor's Certificate on Corporate Governance****The Members of BIHAR SPONGE IRON LTD.**

1. We, the Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, the Statutory Auditors of Bihar Sponge Iron Limited (the Company), have examined the compliance of conditions of Corporate Governance by Bihar Sponge Iron Limited ("the company"), for the year ended on March 31, 2017 as stipulated in the relevant Regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and Para C and D of Schedule V of the Listing (Obligations & Disclosure Requirements) Regulations, 2015 for the period from April 1, 2016 to March 31, 2017.

**Management's Responsibility**

2. The compliance of conditions of Corporate Governance is the responsibility of the Company's management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

**Auditor's Responsibility**

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.
4. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143 (10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

**Opinion**

6. 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 Regulations to the extent applicable to it during the year ended March 31<sup>st</sup>, 2017.
7. We 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, Vaidyanath Aiyar & Co.**  
**Chartered Accountants**  
**[FRNo. 000038N]**

**Place : New Delhi**  
**Date : 29<sup>th</sup> July, 2017**

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

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**Declaration regarding Code of Conduct pursuant Clause D of Schedule V of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015**

To the Members,

I, Satish Kumar Gupta, Director-Works of the Bihar Sponge Iron Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of Board of Director and Senior Management for the year ended 31<sup>st</sup> March, 2017.

**Place : New Delhi**  
**Dated : 29<sup>th</sup> July, 2017**

**Satish Kumar Gupta**  
**(Director- Works)**  
**[DIN: 03537417]**

**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 successful operation of its captive 5.0 MW power plant, the power cost of the Company is expected to be 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's margin. Therefore, the Company has been exploring various avenues for procuring good quality iron ore and sufficient coal.

**3. SEGMENT WISE/ PRODUCT WISE PERFORMANCE**

The Company is engaged only 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 30<sup>th</sup> 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 LPA 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 will make representation for waiver of interest on re-start of Company's operations. As the net worth of the Company has not become positive by 30<sup>th</sup> September, 2011, the BIFR vide its order dated 30<sup>th</sup> May, 2012 had directed the company to file Modified Draft Rehabilitation Scheme (MDRS).

The Company filed the MDRS before the Hon'ble BIFR on 3<sup>rd</sup> December, 2012. In the last review hearing held on 20<sup>th</sup> January, 2014, the Hon'ble BIFR issued directions to the Ministry of Coal, Central Coal Field Ltd and Coal India Ltd to extend regular supply of coal as coal linkage with CCL and submit report within a month. Further, the company was directed to update the position of Writ Petition filed before the Hon'ble Jharkhand, High Court Ranchi as and when the final decision is arrived at. Consequent upon repealing of SICA, w.e.f., 1<sup>st</sup> December, 2016 the proceedings before BIFR / AAIFR came to an end.

The company was pursuing with Jharkhand State Mineral Development Corporation Ltd (JSMDC) for supply of coal to the company. JSMDRC vide letter no.1194 dated 15-10-2014 approved the supply of 30,000 ton of coal per month from Sikni Coal Mine to the company. However vide another letter no.1088 dated 20-07-2015 has reduced the proposed supply to 10,000 ton of coal per month initially. The company is pursuing the matter for supply of sufficient coal quantity to run the plant smoothly at the desired operational level.

Currently the steel market is reviving and the same is not yet stable. In view of the current market development, the Company has entered into a facility user agreement on 1<sup>st</sup> April, 2017 with M/s G S Phrambutor Pvt. Ltd; a Company specialized in contract manufacturing, wherein part of the plant and machinery shall be operated by the said Company. The Company is considering to re-start the operations of the Company and evaluating all the options available under present circumstances.

The Management of the Company expects that the recession phase of the steel market will be over soon and is considering to re-start the operations and evaluating all the options available to them under present circumstances.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures. 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 programme is developed by the Internal Auditors and approved by the Audit Committee of the Board. The Concurrent Auditors' Report is placed before the Audit Committee which met at least 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.

**7. FINANCIAL PERFORMANCE**

The Plant has been under shut from 9<sup>th</sup> August, 2013 as a result of non-supply of coal by Central Coalfields Limited. The loss has been due to non- production as a result of non-availability of coal.

**8. HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The Company, at the year ended 31<sup>st</sup> March, 2017 had approximately 397 employees.

**9. 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.

For & on behalf of the Board

Place : New Delhi  
Date : 29<sup>th</sup> July , 2017

S.K. Gupta  
(Director-Works)  
DIN: 03537417

R.K. Agarwal  
(Director)  
DIN: 00298252

## ANNEXURE - D

## FORM NO. AOC - 2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]  
Form for disclosure of particulars of contracts / arrangements entered into by the Company with the related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms-length transactions under third proviso thereto.

## 1. Details of contracts or arrangements or transactions not at arm's length basis:

S.No.	Name of Related Party	Nature of Relationship	Nature and Duration of the contracts/arrangements/ transactions	Salient terms of the contracts/arrangements/ transactions including the value, if any	Justification for entering into such contracts/arrangements/ transactions	Date of approval by the Board	Amount paid as advances, if any	Date on which the OR was passed in GM
Not Applicable								

## 2. Details of contracts or arrangements or transactions at Arm's length basis

S.No.	Name of Related Party	Nature of Relationship	Nature and Duration of the contracts/arrangements/ transactions	Salient terms of the contracts/ arrangements/ transactions including the value, if any	Date of approval by the Board	Amount paid as advances, if any
1.	Modi-Hitech India Ltd.	Mr. U. K. Modi, Mrs. Kumkum Modi, Mr. Abhishek Modi, Mr. Jayesh Modi, Mr. B. D. Garg and Mr. R.K. Agarwal are common directors.	01-04-2016 to 31-03-2017	Rent received at arm's length basis of Rs. 18.30 lacs.	22-03-2014	Nil
2.	G S Pharambutor Pvt. Ltd.	G S Pharambutors Pvt. Ltd. holds more than 20 % shares in Moderate Leasing and Financial Services Limited which is a promoter group company and holds 49 .10 % shares of the Company. Mr. R.K. Agarwal is a common director.	01-04-2016 to 31-03-2017	Rent and other expenses recovered of Rs. 137.87 Lacs. All receipts are made at arm's length basis.	22-03-2014	Nil
3.	Modi Motors Pvt. Ltd.	Mrs. Kumkum Modi is common director and Mr. U.K. Modi, Mr. Abhishek Modi and Mr. Jayesh Modi as relative of directors.	01-04-2016 to 31-03-2017	Printing of Annual Reprint at an arm's length basis of Rs. 3.76 Lacs.	22-03-2014	Nil
4.	Modiline Travel Service. Pvt. Ltd.	Mrs. Kumkum Modi and Mr. Abhishek Modi are common directors and Mr. U.K. Modi, Mr. Jayesh Modi as relative of directors.	01-04-2016 to 31-03-2017	Support services at arm's length basis of Rs. 0.47 lacs.	22.03.2014	Nil

For &amp; on behalf of the Board

Place : New Delhi  
Date : 29<sup>th</sup> July, 2017

S.K. Gupta  
(Director-Works)  
DIN: 03537417

R.K. Agarwal  
(Director)  
DIN: 00298252

## ANNEXURE - E

## Form No. MGT - 9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS:

i) CIN:-	L27106JH1982PLC001633
ii) Registration Date	16.04.1982
iii) Name of the Company	BIHAR SPONGE IRON LIMITED
iv) Category/Sub-Category of the Company	COMPANY LIMITED BY SHARES/ NON-GOVERNMENT COMPANY
v) Address of the Registered office and contact details	UMESH NAGAR, CHANDIL, DISTT. SARAIKELA- KHARSAWAN, JHARKHAND-832401 email: companysecretary@bsil.org.in / Web: www.bsil.org.in
vi) Whether listed company	YES
vii) Name, Address and Contact details of Registrar and Transfer Agent	M/s BEETAL FINANCIAL & COMPUTER SERVICES PRIVATE LIMITED BEETAL HOUSE, 99, MADANGIR, BEHIND LOCAL SHOPPING COMPLEX, NEW DELHI-110062

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl.No.	Name and Description of main products/ services	NIC Code of the Product/ service	% of total turnover of the company
1	SPONGE IRON	27120	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl.No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiaries/ Associate	% of shares held	Applicable Section
NIL					

## IV. SHARE HOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

## i) Category-wise Shareholding

Category of	No. of Shares held at the beginning of the year				No. of Shares held at the end of the years				% change
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>A. Promoters</b>									
<b>(1) Indian</b>									
(a) Individual / HUF	NIL	25850	25850	0.03	NIL	25850	25850	0.03	NIL
b) Central Govt	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt(s)	6759960	NIL	6759960	7.49	6759960	NIL	6759960	7.49	NIL
d) Bodies Corp.	19527305	32500300	52027605	57.68	19527305	32500300	52027605	57.68	NIL
e) Banks/FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(f) Any other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub - total (A) (1):-</b>	<b>26287265</b>	<b>32526150</b>	<b>58813415</b>	<b>65.20</b>	<b>26287265</b>	<b>32526150</b>	<b>58813415</b>	<b>65.20</b>	<b>NIL</b>
<b>(2) Foreign</b>									
(a) NRIs - Individuals	3739164	NIL	3739164	4.14	3975534	NIL	3975534	4.41	0.27
(b) Other - Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c) Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d) Banks/ FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e) Any Other...	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub - total (A) (2):-</b>	<b>3739164</b>	<b>NIL</b>	<b>3739164</b>	<b>4.14</b>	<b>3975534</b>	<b>NIL</b>	<b>3975534</b>	<b>4.41</b>	<b>0.27</b>
<b>Total shareholding of Promoter</b>									
<b>(A) = (A)(1) + (A)(2)</b>	<b>30026429</b>	<b>32526150</b>	<b>62552579</b>	<b>69.34</b>	<b>30262799</b>	<b>32526150</b>	<b>62788949</b>	<b>69.61</b>	<b>0.27</b>
<b>B. Public Shareholding (s)</b>									
<b>1. Institutions</b>									
a) Mutual Funds	38070	24280	62350	0.07	38070	24280	62350	0.07	NIL
b) Banks/FI	1100	2220	3320	0.00	1100	2220	3320	0.00	NIL
c) Central Govt/State Govt.	NIL	2200	2200	0.00	NIL	2200	2200	0.00	NIL
e) Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Insurance Companies	112500	NIL	112500	0.12	112500	NIL	112500	0.12	NIL
g) FIs	482210	NIL	482210	0.53	482210	NIL	482210	0.53	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) Others (specify)									
Foreign Financial Institution/bank	36374	NIL	36374	0.04	NIL	NIL	NIL	NIL	(0.04)
<b>Sub-total (B)(1):-</b>	<b>670254</b>	<b>28700</b>	<b>698954</b>	<b>0.77</b>	<b>633880</b>	<b>28700</b>	<b>662580</b>	<b>0.73</b>	<b>(0.04)</b>
<b>2. Non- Institutions</b>									
a) Bodies Corp.	2759250	133950	2893200	3.21	2469581	133950	2603531	2.89	(0.32)
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	8398490	6592614	14991104	16.62	8293488	6562114	14855602	16.47	(0.15)
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	7657610	82483	7740093	8.59	7812702	82483	7895185	8.75	0.16
c) Others (specify)									
Trusts	1120	NIL	1120	0.00	1120	NIL	1120	0.00	NIL
Foreign Nationals	NIL	NIL	NIL	0.00	NIL	NIL	NIL	0.00	NIL
NRI	368492	346615	715107	0.79	457438	346265	803703	0.89	0.10
Clearing Members	56658	NIL	56658	0.06	8565	NIL	8565	0.01	(0.05)
HUF	556588	NIL	556588	0.62	586168	NIL	586168	0.65	0.03
<b>Sub-tota l(B)(2):-</b>	<b>19798208</b>	<b>7155662</b>	<b>26953870</b>	<b>29.89</b>	<b>19629062</b>	<b>7124812</b>	<b>26753874</b>	<b>29.66</b>	<b>(0.23)</b>
Total Public Shareholding									
<b>(B) = (B) (1)+ (B) (2)</b>	<b>20468462</b>	<b>7184362</b>	<b>27652824</b>	<b>30.66</b>	<b>20262942</b>	<b>7153512</b>	<b>27416454</b>	<b>30.39</b>	<b>(0.27)</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Grand Total (A+B+C)</b>	<b>50494891</b>	<b>39710512</b>	<b>90205403</b>	<b>100.00</b>	<b>50525741</b>	<b>39679662</b>	<b>90205403</b>	<b>100.00</b>	<b>NIL</b>

**(ii) Shareholding of Promoters**

S.N. Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
	No. of Shares	% of total Shares of the Co.	% of shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the Co.	% of shares Pledged/ encumbered to total shares	% change in shareholding during the year
1 Abhishek Kumar Modi	1100	0.00	0	1100	0.00	0	NIL
2 Himani Modi	1100	0.00	0	1100	0.00	0	NIL
3 Seth Umesh Kumar Modi (HUF)	2750	0.00	0	2750	0.00	0	NIL
4 Kumkum Modi	5500	0.01	0	5500	0.01	0	NIL
5 Meghna Modi	15400	0.02	0	15400	0.02	0	NIL
6 Umesh Kumar Modi	3739164	4.14	0	3975534	4.41	0	0.27
7 Bihar State Industrial Development Corp. Ltd.	6759960	7.49	0	6759960	7.49	0	NIL
8 Abhikum Leasing and Investment Pvt Ltd.	500	0.00	0	500	0.00	0	NIL
9 A to Z Holding Pvt. Ltd.	1700500	1.89	0	1700500	1.89	0	NIL
10 Modi Industries Limited	1999960	2.22	0	1999960	2.22	0	NIL
11 Longwell Investment Pvt. Ltd.	4033012	4.47	0	4033012	4.47	0	NIL
12 Moderate Leasing and Capital Services Ltd.	44293633	49.10	36.03	44293633	49.10	36.03	NIL
Total	62552579	69.34	36.03	62552579	69.61	36.03	0.27

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sl.No.	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total turnover of the company	No. of shares	% of total turnover of the company
1 Umesh Kumar Modi*				
At the beginning of the year	3739164	4.14		
14/10/2016 Transfer	(+) 236370	(+) 0.27	3975534	4.41
At the end of the year	3975534	4.41	3975534	4.41

\*There is no other change in Promoters' Shareholding during the Financial Year 2016-17.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors ,Promoters and Holders of GDRs and ADRs):**

Sl. No.	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1 Bishwanath Prasad Agarwal				
At the beginning of the year	878230	0.97	878230	0.97
At the end of the year			878230	0.97
2 Satish Chandar Gangwar				
At the beginning of the year	722697	0.80	722697	0.80
16/09/2016 Transfer	(+) 2304	0.00	725001	0.80
At the end of the year			725001	0.80
3 Modi Rubber Limited				
At the beginning of the year	680001	0.75	680001	0.75
At the end of the year			680001	0.75
4 Hansa Radai				
At the beginning of the year	673419	0.75	673419	0.75
At the end of the year			673419	0.75
5 Khubchand T Jivanani				
At the beginning of the year	457851	0.51	457851	0.51
3/6/2016 Transfer	(+) 7119	0.00	464970	0.51
10/6/2016 Transfer	(+) 4610	0.01	469580	0.52
15/07/2016 Transfer	(+) 1941	0.00	471521	0.52
29/07/2016 Transfer	(+) 2650	0.00	474171	0.52
5/8/2016 Transfer	(+) 6600	0.01	480771	0.53
25/11/2016 Transfer	(+) 9228	0.01	489999	0.54
13/01/2017 Transfer	(+) 10000	0.01	499999	0.55
At the end of the year			499999	0.55
6 Deutsche Securities Maritius Limited				
At the beginning of the year	482210	0.53	482210	0.53
At the end of the year			482210	0.53
7 Rekha Mody				
At the beginning of the year	413199	0.46	413199	0.46
At the end of the year			413199	0.46
8 Mahendra Girdharilal				



	At the beginning of the year		238157	0.26	238157	0.26
	At the end of the year				238157	0.26
9	Indian Sulphacid Industries Limited					
	At the beginning of the year		234693	0.26	234693	0.26
	At the end of the year				234693	0.26
10	Reshmi Trexim Private Limited					
	At the beginning of the year		193999	0.21	193999	0.21
	17/06/2016	Transfer	(+) 11000	0.01	204999	0.22
	2/12/2016	Transfer	(+) 5000	0.01	209999	0.23
	13/01/2017	Transfer	(+) 1000	0.00	210999	0.23
	20/01/2017	Transfer	(+) 5000	0.00	215999	0.23
	At the end of the year				215999	0.23

**(v) Shareholding of Directors and Key Managerial Personnel:**

S.No.	Shareholding at the beginning of the year			Cumulative Shareholding during the year	
	For Each of the Director and KMP*	No. of Shares	% of total shares of the Co.	No. of Shares	% of total shares of the Co.
1	<b>Umesh K. Modi, Director &amp; Chairman</b>				
	At the beginning of the year	3739164	4.14		
	14/10/2016 Transfer	(+) 236370	(+) 0.27	3975534	4.41
	At the end of the year (14/10/2016)	3975534	4.41	3975534	4.41
2	<b>Satish Kumar Gupta, Director (Works) &amp; KMP</b>				
	At the beginning of the year	400	0.00		
	Date wise increase/decrease in shareholding during the year	NIL	NIL		
	At the end of the year	400	0.00		
3	<b>Kumkum Modi, Director</b>				
	At the beginning of the year	5500	0.01		
	Date wise increase/decrease in shareholding during the year	NIL	NIL		
	At the end of the year	5500	0.01		
4	<b>Abhishek Modi, Director</b>				
	At the beginning of the year	1100	0.00		
	Date wise increase/decrease in shareholding during the year	NIL	NIL		
	At the end of the year	1100	0.00		
5	<b>Jagan Nath Khurana, Director</b>				
	At the beginning of the year	710	0.00		
	Date wise increase/decrease in shareholding during the year	NIL	NIL		
	At the end of the year	710	0.00		

\* During the financial year ended on 31<sup>st</sup> March, 2017, no other Director and/or KMP's of the Company hold any shares in the Company.

**V. INDEBTEDNESS****Indebtedness of the Company including interest outstanding / accrued but not due for payment**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness	
<b>Indebtedness at the beginning of the financial year</b>					
i)	Principal Amount	325000000	657900559	NIL	982900559
ii)	Interest due but not paid	274619219	91626793	NIL	366246012
iii)	Interest accrued but not due	NIL	NIL	NIL	NIL
	<b>Total (i+ii+iii)</b>	599619219	749527352	NIL	1349146571
<b>Change in Indebtedness during the financial year</b>					
	· Addition	NIL	3819	NIL	3819
	· Reduction	NIL	42000000	NIL	42000000
	<b>Net Change</b>	NIL	(41996181)	NIL	(41996181)
<b>Indebtedness at the end of the financial year</b>					
i)	Principal Amount	325000000	615900559	NIL	940900559
ii)	Interest due but not paid	274619219	91630612	NIL	366249831
iii)	Interest accrued but not due	NIL	NIL	NIL	NIL
	<b>Total (i+ii+iii)</b>	599619219	707531171	NIL	1307150390

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Mr. Satish K. Gupta, Director- Works (Whole-Time Director & Key Managerial Personnel) :**

Sl. No.	Particulars of Remuneration	Satish Kumar Gupta, Director (Works) Whole-Time Director & Key Managerial Personnel	Total Amount
<b>1</b>	<b>Gross salary</b>		
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,98,000	7,98,000
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	77,273	77,273
	Total (A)	875,273	8,75,273
	Ceiling as per the Act Rs. 30,00,000 (Section 196, 197 and 203 read with Schedule V of the Companies Act, 2013)		
	* Mr. Satish Kumar Gupta has waived off his remuneration w.e.f. 1 <sup>st</sup> April, 2016 to 31 <sup>st</sup> March, 2017.		

**B. Remuneration to other directors:**

2. Independent Directors	B. D. GARG	J. C. CHAWLA	J. N. KHURANA	S. B. VYAS	R.K. AGARWAL	MADAN LAL	TOTAL
Fee for attending board / committee meetings	10,000	33,000	5,000	5,000	19,000	33,000	105,000

**3. Other Non-Executive Directors**

No other fee or commission was paid to Non-Executive Directors during the year

\* Company provides Rs. 1000 per meeting as a sitting fee to Independent Directors only according to their presence in the meeting.

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/ MANAGER/ WTD**

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		B. K. Goel (CFO)	Shubhangi Varshney (CS)	Total
<b>1.</b>	<b>Gross salary</b>			
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3,13,600	2,43,000	5,56,600
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	2,79,915	1,42,552	4,22,467
	Total	5,93,515	3,85,552	9,79,067

**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment compounding fees imposed	Authority (RD/NCLT Court)	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>B. DIRECTORS</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

**ANNEXURE - F****Particulars under Section 197(12) of the Companies Act, 2013 and the Rules made thereunder.**

(i)	Ratio of each director's remuneration to median remuneration of Employees.*				
(ii)	% increase in remuneration	2016-17	2015-16	Difference	%
	Director (Works)**	-	-	-	-
	CFO (***)	5,93,515	6,50,709	-	-
	CS	3,85,552	61,784	-	-
(iii)	Percentage increase in median the median remuneration of employees.*				
(iv)	No. of permanent employees on the rolls of Company.*				
(v)	Average percentile increase of employees other than managerial personnel in the last FY and its comparison with percentile increase/decrease in managerial remuneration.*				
(vi)	It is affirmed that the remuneration is as per the remuneration policy of the Company.				

\*The information could not be provided as the plant is under shut and the operation has been suspended since 9<sup>th</sup> August, 2013 thereby the salary, wages and allowances of the employees is unascertained.

\*\* Director (Works) voluntarily waived off his remuneration from 1<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017.

\*\*\*Chief Financial Officer (CFO) resigned w.e.f. 5<sup>th</sup> March, 2017

In terms of the provisions of Section 197 (12) of the Companies Act, 2013 read with Rules, 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, no employee was in receipt of remuneration in excess of the limits set out in the said rules from the Company.

For & on behalf of the Board

Place : New Delhi  
Date : 29<sup>th</sup> July , 2017

S.K. Gupta  
(Director-Works)  
DIN: 03537417

R.K. Agarwal  
(Director)  
DIN: 00298252

**SECRETARIAL AUDIT REPORT**For The Financial Year Ended On 31<sup>st</sup> March, 2017

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,  
The Members  
**BIHAR SPONGE IRON LTD.**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by BIHAR SPONGE IRON LTD (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31<sup>st</sup> March, 2017 according to the provisions of undernoted Acts, Regulations and Guidelines applicable on the Company

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) OTHER APPLICABLE ACTS :
  - (a) The Factories Act, 1948
  - (b) The Payment of Wages Act, 1936, and rules made thereunder,
  - (c) The Minimum Wages Act, 1948, and rules made thereunder,
  - (d) The Payment of Gratuity Act, 1972
  - (e) The Employees Provident Fund & Miscellaneous Provisions Act, 1952.
  - (f) The Payment of Bonus Act, 1965, and rules made thereunder,
  - (g) The Industrial Disputes Act, 1947
  - (h) The Water (Prevention & Control of Pollution) Act, 1974, read with Water (Prevention & Control of Pollution) Rules, 1975,
  - (i) The Sick Industrial Companies (Special Provisions) Act, 1985
  - (j) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above except to the extent as mentioned below:

1. That the Plant has been in closed position since 09.08.2013 and there was restriction in entry to factory premises because of labour unrest due to which certain registers/records including fixed assets register could not be produced for verification. Hence, information/documents were verified to the extent possible.
2. That the IFC audit has pointed out inadequacy of Internal Financial Control over Financial Reporting in the areas including reconciliation of physical balance of fixed assets, stock & spares with book balances and confirmations.

It is recommended that the Company should strengthen IFC in all areas placing special emphasis on areas like recording and verification of Fixed Assets, Stores and Spares, Employees Data, Debt Management, Recording of sale of scrap, Reconciliation and confirmations of the receivables and payables and control and follow up on the litigation and proceedings under various Acts.

3. That in accordance to the audited Financial Statements of the Company and the Charge Register maintained by them, the Company has secured liability of Indian and Foreign Financial Institutions and Banks existing as on the date of audit its term loan including Working Capital Loans outstanding in terms of BIFR Scheme dated 29.04.2004 have been repaid by the Company in full except the disputed liability on account of currency fluctuation on Foreign Currency Term Loan. However, as informed by the management, the Company has yet to file modification/satisfaction of the charge due to non-receipt of No Objection Certificate from the said Banks and Financial Institutions.

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exist for seeking and obtaining further information and clarifications on agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report as under:

1. The Company was declared Sick Industrial Company in terms of section 3(1) clause (o) of The Sick Industrial Companies (Special Provisions) Act, 1985 by the Hon'ble Board of Industrial & Financial Reconstruction (BIFR) vide case no. 69/1996 on 19.12.1996. The latest status as informed by the company is that it had paid all installments on principle and interest in terms of the sanctioned Rehabilitation Scheme dated 29<sup>th</sup> July, 2004 by Hon'ble Board for Industrial and Financial Reconstruction (BIFR). However, in the review meeting held on 03.09.2007 and 22.09.2010, BIFR passed order that the installment payment to foreign lenders during the period from July, 2004 to September, 2011 will be serviced by the Company in EURO. The exchange difference to be borne by the Company.

The Company filed appeal before the Appellate Tribunal for Industrial and Financial Reconstruction (AAIFR) challenging the above said order. AAIFR vide 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 22<sup>nd</sup> February, 2012, the Appeal was dismissed. The Company has filed a Letters Patent Appellate Jurisdiction (LPA) on 27<sup>th</sup> July, 2012 before the higher bench in the High Court of Jharkhand, Ranchi against the order of the Single Judge which is still pending.

As per Order dated 5<sup>th</sup> May 2012, BIFR directed the company to submit Modified Draft Rehabilitation Scheme (MDRS) within four months for the rehabilitation of the Company, which was filed with the Hon'ble BIFR on 3<sup>rd</sup> December, 2012. In the last review hearing held on 20<sup>th</sup> January 2014, the Hon'ble Bench of BIFR issued directions to the Ministry of Coal, Central Coalfields Ltd. and Coal India Ltd. to extend regular supply of coal as per Coal Linkage with CCL and submit report within a month and the Company was directed to update the position of Writ Petition filed before Hon'ble Jharkhand High Court, Ranchi as and when the final decision is arrived at.

Further it may be taken on record that in terms of provisions of Insolvency and Bankruptcy Code, 2016, SICA w.e.f. 01.12.2016 stands repealed and the Board for Industrial and Financial Reconstruction (BIFR) and the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) stands dissolved. The Companies under BIFR had option to file reference with NCLT within 180 days w.e.f. 01.12.2016 i.e. by 29.05.2017 in terms of provisions of Insolvency and Bankruptcy Code, 2016. Since, the said option was not availed by the Company, it is no longer under the protective umbrella of SICA.

2. On 1<sup>st</sup> April, 2017 the Company has entered into Facility User Agreement with a Company specializing in contract manufacturing. This may result in restarting part of the plant & machinery of the Company. The management believes that gradually the Company's losses will be wiped off after which the normal operations of the Company can commence.

Note: This report is to be read with the note given below which forms an integral part of this report.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have relied on the audited financial statements for the year ended on 31.03.2017 for the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. That the details of disputed liabilities and demands raised by various authorities including Excise & Customs, Jharkhand VAT, Central Sales Tax, Dy/Asstt Commissioner for Electricity and Water Charges, Railway Authorities, SECL, Income Tax Authorities, Bank Guarantees, disputed liability on account of Currency Fluctuation that have not been acknowledged as debts by the company have been detailed in Note III being 'Other Notes Required By Part I & Part II of Schedule III' under the sub head 1. Contingent Liabilities. We have relied on the statement issued by the company and as incorporated in the audited Financial Statements for the year ending 31.03.2017.
7. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For R. Singhal & Associates  
Company Secretaries**

**(Rahul Singhal)  
Prop.  
M. No. 29599**

**PLACE: NEW DELHI  
DATED: 29<sup>th</sup> May, 2017**

## 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 31<sup>st</sup> March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 qualified audit opinion on the financial statements.

#### Basis for Qualified Opinion

As explained in the Notes to the financial statement, the company has not provided under noted liabilities:

- 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. 2,58,213 thousands 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 (refer other note no. 3(ii) appearing in Annexure I)
- ii. Non recognition of penalty of Rs. 21,528 thousands 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 under writ petition filed before the Hon'ble High Court of Chhattisgarh (refer other note no 5 of Annexure I).
- iii. 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 10<sup>th</sup> August, 2013 as well as other reasons contented by the company:-
  - a) Interest on unsecured loan taken from Promoters and other parties from 10.08.2013 to 31.03.2017 (amount unascertained) {refer note 7(i)(a) of Annexure I}.
  - b) Interest on Soft Loan taken from the Government of Jharkhand under the Industrial Rehabilitation Scheme 2003 amounting to Rs. 1,96,365 thousands from 10.08.2013 to 31.03.2017 which is subject to representation from the company for waiver and approval thereof by the lender {refer note 7(i)(b) of Annexure I}.
  - c) Salaries, Wages, Allowances, Provident Fund including interest on overdue amount as well as employee benefits expense w.e.f. 10.08.2013 to 31.03.2017, (amount unascertained) {refer note 7(i)(c) of Annexure I}.
  - d) Interest on unpaid statutory dues such as Provident Fund, Family Pension Fund as per the respective Acts (amount unascertained) {refer note 7(i) (d) of Annexure I}.

Taking into consideration non provision of likely liabilities mentioned paragraph i, ii, iii (b) & (e) above

- a) Loss for the year would have been more by Rs. 4,76,106 thousands as compared to the disclosed loss of Rs. 37,659 thousands.
- b) Accumulated losses would have been Rs.28,92,795 thousands as compared to disclosed losses of Rs. 24,16,689 thousands.
- c) The above losses is however subject to ascertainment of liabilities as mentioned in Para iii (a), (c) and (d).

#### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, the aforesaid 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, 2017;
- 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 Matters

We draw attention to Note No. 3 (X) of part III of Annexure I of the financial statements on "Rehabilitation Scheme of the Company", the management has explained its reasons for preparing financial statements on 'going concern basis'. The explanation is as under:-

With the revival of the steel industry, considering the substantial accumulated losses, full erosion of working capital and the liabilities including long term borrowings having matured fully along with interest having fallen due. The company has initiated requisite steps for making the plant ready for operations and has in this direction, with a view to generate revenue and make the plant operational, the company has, on 01-04-2017 entered in to a Facility User Agreement with a company specializing in contract manufacturing. Under the said agreement, part of the plant and machinery shall be operated by the said company. With the restart of the plant by them, the management believes that the company shall gradually start earning surplus and losses incurred in past will get wiped out in due course and there after the company will be able to operate in normal course of its business. The financial statements, as such have been prepared on going concern basis on the strength of management's plan of revival including restructuring of liabilities, providing the adequate finance for the operations and reorganization of business of the company.

Our opinion is not modified in respect of this matter since the company contemplates, as explained above, to run and operate the company on going concern basis.

#### Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the

Companies Act 2013, we give in the Annexure A statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable to the company. As required by section 143(3) of the Act, we report that:

- a) We have sought & obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) Except for the effects of the matter described in the Basis for Qualified Opinion Paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet, the 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 above, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014.
- e) The matter described in the basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the company.
- f) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2017 taken on record by the Board of Directors, we report that none of directors is disqualified as on 31<sup>st</sup> March, 2017 from being appointed as a director in terms of section 164 (2) of the Act.
- g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- h) The company has laid down adequate internal financial controls over financial reporting system, however in some of areas, the internal financial control over financial reporting system is not operating effectiveness of such controls, refer to our separate report in Annexure 'B'.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies(Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The company has disclosed the possible impact of pending litigations on its financial position in its financial statements –Refer other notes III of Annexure I (1) (i) to (xii) to the financial statements;
  - ii. The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.
  - iv. The company has provided requisite disclosures in the financial statements as to the holdings as well as dealings in Specified bank Notes during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with the books of accounts maintained by the company and as produced to us by the management (refer note no. 18 of other Note in Annexure I).

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

(M.P. Thakur)  
Partner

M. No. : 052473

Place: New Delhi  
Date: 29<sup>th</sup> May, 2017

#### Annexure "A" to Independent Auditors' Report

Referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" even date on the financial statements of Bihar Sponge Iron Limited for the year ended March 31, 2017.

##### 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 had a programme of verifying all of the fixed assets over a period of three years, having regard to the size of the Company and nature of assets till 31<sup>st</sup> March, 2013 which in our opinion was reasonable. However, no physical verification of Fixed Asset have been carried out by the management since last four years i.e. F.Y. 2013-14, to 2016-17 as the plant is under shutdown and suspension of production, hence discrepancies, if any, between the physical balance and book balance and their adjustment in the books of accounts at the year end has not been dealt in the books of accounts.
- c) The title deeds of immovable properties are held in the name of the company except in respect of the freehold land having value of Rs 593 thousands (Previous year Rs 593 thousand) for which registration in favour of the company is pending for want of mutation from competent authorities. The gross and net carry value of such fixed asset as on 31.03.2017 is Rs 3100 thousands.

##### ii) Inventories

The stock of raw materials, stores & spare parts and finished goods have not been physically verified by the management at reasonable intervals i.e. year end during the last four years since the plant is under shut down and operations suspended w.e.f. 10.08.2013. As no physical verification of inventories were carried out during the end of last four financial year, the discrepancies between book balance & physical balance, if any, have neither been ascertained nor the same have been properly dealt in the books of accounts.

##### iii) Transactions with parties u/s 189 of the Companies Act, 2013

The company has not granted any loans secured or unsecured to companies, firms, Limited Liability Partnerships or other parties during the year or in earlier years covered in the register maintained under section 189 of the Companies Act, 2013 as such para (a), (b) & (c) of clause are not applicable.

##### iv) Loans, Investments Guaranties & Securities etc. covered u/s 185 & 186 of the Act.

The company has neither given any loans, investments, guarantees and security covered under section 185 and 186 of the Act during the year under audit nor in earlier year.

##### v) Deposits

The Company has not accepted any deposits during the year or in earlier years which are covered under the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder.

##### vi) Cost Records

The maintenance of cost records has been specified by the Central Government under sub section (1) of Section 148 of the Companies Act, 2013. Since there have been no operations since 10.08.2013 till date, no records have been made & maintained by the company.

##### vii) Statutory Dues

- a) According to the books and records, examined by us and information and explanations given to us, the company is not regular in depositing the undisputed statutory dues including Provident Fund, employees' state insurance, income-tax (tax deducted at source & tax collected at source), sales-tax, service tax, cess & any other applicable statutory dues to the appropriate authorities during the year.

The arrears on account of such statutory dues as at the end of the financial year 31<sup>st</sup> March 2017 for a period of more than six months from the date they become payable are Service Tax: Rs 4,741 thousands, Provident fund: Rs 7,752 thousands: Family Pension Scheme: Rs. 1,531 thousands, Income Tax (TDS/TCS) Rs. 9,473 thousands (including Rs. 8,242 thousands unprovided liabilities), Electricity Duty: 320 thousands and Iron Ore Cess Rs. 1 thousand.

- b) The details of dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax, 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. '000)
1.	The Customs Act, 1962	CESTAT, Kolkata	Custom Duty & Demurrage Charges and interest on imported Stores & spare parts.	1991-92 1994-95	10,427 5,032
2.	JVAT Act, 2005	Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur,	Tax on Non –submission of JVAT forms	2006-07	2,397
3.	The C.S.T. Act, 1956	Jt. Commissioner of Commercial Taxes (Appeals), JSR	Tax on Non-Submission of "C" Forms	2006-07	311
4.	JVAT Act, 2005	Jt. Comm. of Commercial Taxes (Appeals), Jsr. (Amt. paid on appeal Rs. 587 thousands).	Tax on JVAT.	2010-11	5,879
5.	JVAT Act, 2005	Jt. Comm. of Commercial Taxes (Appeals), Jsr (Amt. paid on appeal Rs.1500 thousands on 19.10.2012)	Tax on JVAT.	2010-11	24,786
6.	JVAT Act, 2005	Commissioner of Commercial Taxes Jharkhand, Ranchi.	Tax on JVAT.	2010-11	8,140
7.	JVAT Act, 2005	Commissioner of Commercial Taxes, Jharkhand Ranchi.	Central Sales Tax	2010-11	3,096
8.	JVAT Act, 2005	Commissioner of Commercial Taxes, Jharkhand Ranchi.	Central Sales Tax	2011-12	70,549
9.	JVAT Act, 2005	Commissioner of Commercial Taxes, Jharkhand Ranchi.(amount recovered by DCCT Rs. 175 thousands from Company's Bank Account in 2016-17)	Tax on JVAT	2011-12	13,977
10.	JVAT Act, 2005	Joint Commissioner of commercial Taxes, Ranchi	Tax on JVAT	2012-13	778
11.	The C.S.T. Act, 1956	Joint Commissioner of commercial Taxes, Ranchi	Central Sales Tax	2012-13	118
12.	Central Excise Act, 1944	The Commissioner of Central Excise (Appeals) (Amount paid Rs. 176 thousands on appeal)	Excise Duty	2014-15	4,706
13.	Central Excise Act, 1944	The Commissioner of Central Excise (Appeals) (Amount paid Rs. 487 thousands on appeal)	Excise Duty of Rs. 6499 thousands and Penalty demand of Rs. 6499 thousands raised in F.Y. 2016-17	2006-07 2007-08 2008-09	12,998

- viii) The company has not defaulted in repayment of loans to a financial institutions & banks except the liability on account of currency fluctuation on foreign currency loan and interest thereon amounting to Rs 2,58,213 thousands disputed by the company and pending before the Hon'ble High Court ,Jharkhand, Ranchi. Further, Soft loan obtained under Rehabilitation Scheme , 2003 from Government of Jharkhand amounting to Rs 3,25,000 thousands principal and interest of Rs 47,09,984 thousands (inclusive of unprovided interest of Rs 1,96,365 thousands upto 31.03.2017)which was due after 30.09.2011 as per BIFR Scheme {also refer note 3(f)}. There is no debenture in the Company.
- ix) The Company has not raised any money by way of initial public offer or further public offer (including debts instruments) and term loans and hence the application of such money for the specified purposes does not arise.
- x) Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year under audit.
- xi) The managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii) The company is not a Nidhi Company and hence the clause is not applicable.
- xiii) According to the records of the company and information and explanation provided to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements, as required by the applicable accounting standards.
- xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review as such the requirement of Section 42 of the Companies Act as covered under the clause is not applicable to the company.
- xv) As per the records of the company and information and explanation provided to us, the company has not entered into any non-cash transactions with directors or persons connected with him and hence the clause is not applicable.
- xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

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

Place: New Delhi  
Date: 29<sup>th</sup> May, 2017

**Annexure 'B' to Independent Auditors' Report**

(Referred to in paragraph (2)(h) under the head 'Report on Other Legal and Regulatory Requirements' of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, ("the Act") to the members of Bihar Sponge Iron Ltd. on the financial statements for the year ended March 31, 2017

1. We have audited the internal financial controls over financial reporting of Bihar Sponge Iron Ltd. ("the Company") as of March, 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Qualified Opinion**

8. According to the information and explanation given to us and based on our audit, the following material weakness have been identified as at March 31, 2017: a) The company's internal control system with respect to physical verification of Stores & Spares parts and Fixed Assets have not been operated effectively since neither physical verification was carried out nor adjustment for discrepancies (including deterioration/ obsolescence for fixed assets), if any, between the physical balance and book balance at the year end 31.03.2017 have been dealt in the books of accounts. b) Confirmation of balance and reconciliation of Sundry Creditors & Suppliers, Service Providers / Contractors, Lenders and Advances etc. are pending since last 3 years at the year end.

In our opinion, because of the possible effects of the material weakness as described above on the achievements of the objectives of internal control criteria, the company has not maintained adequate internal financial control over financial reporting and such internal financial controls over financial reporting were not operating effectively with respect to inventories and fixed assets as on March 31, 2017 ; and

We have considered the material weaknesses identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the year ended March 31, 2017 financial statements of the company and these material weaknesses don't affect our opinion on the financial statements of the company.

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

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

Place: New Delhi  
Date: 29<sup>th</sup> May, 2017



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2017**

Rs. 000'

PARTICULARS	Note. No.	As at 31.03.2017	As at 31.03.2016
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	<b>902,531</b>	902,531
(b) Reserves and Surplus	2	<b>(1,767,534)</b>	(1729,875)
		<b>(865,003)</b>	(827,344)
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	<b>615,901</b>	657,901
(b) Other Long Term Liabilities	4	<b>8,155</b>	8,097
(c) Long Term Provisions	5	<b>37,536</b>	48,397
		<b>661,592</b>	714,395
<b>(3) Current Liabilities</b>			
(a) Trade Payables	6		
Total Outstanding dues of Micro and small Enterprises		<b>759</b>	759
Total Outstanding dues of creditors other than Micro and Small Enterprises		<b>167,099</b>	195,400
		<b>167,858</b>	196,159
(b) Other Current Liabilities	7	<b>763,442</b>	770,510
(c) Short-Term Provisions	8	<b>1,717</b>	2,409
		<b>933,017</b>	969,078
<b>Total</b>		<b>729,606</b>	856,129
<b>II ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	9	<b>565,315</b>	608,797
(ii) Intangible Assets	10	-	-
(iii) Capital Work in Progress	11	<b>28,128</b>	28,128
(iv) Intangible Assets under Development	12	<b>4,725</b>	4,725
		<b>598,168</b>	641,650
(b) Deferred Tax Assets (net)	13	-	-
(c) Long term Loans and Advances	14	<b>37,972</b>	38,697
(d) Other Current Assets	15	<b>853</b>	6,355
		<b>38,825</b>	45,052
<b>(2) Current Assets</b>			
(a) Inventories	16	<b>64,580</b>	71,770
(b) Trade Receivables	17	-	-
(c) Cash and Cash Equivalents	18	<b>7,693</b>	71,360
(d) Short-term Loans and Advances	19	<b>20,340</b>	26,297
		<b>92,613</b>	169,427
<b>Total</b>		<b>729,606</b>	856,129

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.  
Chartered Accountants  
[FRNo. 000038N]

U. K. Modi  
(Chairman & Director)  
[DIN00002757]

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

**Directors**  
B. D. Garg - [00002792]  
J. C. Chawla - [05316202]  
J. N. Khurana - [00003817]  
Madan Lal - [00272672]  
R. K. Agarwal - [00298252]

M. P. Thakur  
(Partner)  
Membership no. 052473  
Place : New Delhi  
Date : 29<sup>th</sup> May, 2017

Shubhangi Varshney  
(Company Secretary)  
M.No. A43431

A. K. Sinha  
(Chief Financial Officer)

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2017

Rs. 000'

PARTICULARS	Note. No.	Year Ended 31.03.2017	Year Ended 31.03.2016
I Revenue from operations	20	-	348
II Other Income	21	24,262	23,122
III <b>Total Revenue (I +II)</b>		<b>24,262</b>	<b>23,470</b>
IV <b>Expenses:</b>			
Cost of materials consumed	22	-	-
Changes in inventories of finished goods,work-in-progress and Stock-in-Trade	23	27	1,890
Employee benefits expense	24	16,633	17,627
Finance costs	25	1,497	1,345
Depreciation and amortization expense	26	43,455	43,777
Other expenses	27	10,460	17,537
<b>Total Expenses (IV)</b>		<b>72,071</b>	<b>82,176</b>
V Profit / (Loss) before exceptional and extraordinary items and tax (III - IV)		(47,809)	(58,706)
VI Exceptional items Income/(Expenses)	28	10,150	-
VII Profit/(Loss) before extraordinary items and tax (V-VI)		(37,659)	(58,706)
VIII Extraordinary Items		-	-
IX Profit / (Loss) before tax (VII - VIII)		(37,659)	(58,706)
X <b>Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		-	-
Total		-	-
XI Profit/(Loss) for the year		(37,659)	(58,706)
XII Earning per equity share:	29		
(1) Basic		(0.42)	(0.65)
(2) Diluted		(0.42)	(0.65)

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.  
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[FRNo. 000038N]

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A. K. Sinha  
(Chief Financial Officer)

Place : New Delhi  
Date : 29<sup>th</sup> May, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2017

Rs. 000'

	As at March 31, 2017	As at March 31, 2016
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit/(Loss) before tax and extraordinary items	(37,659)	(58,706)
Adjustments for :		
Depreciation	43,455	43,777
Interest Expense	1,497	1,345
Interest Income	(1,436)	(6,398)
Fixed Assets Retired & Written Off	90	-
Doubtful Advances / Bad Debts Written Off	-	2,527
Reversal of excess provisions made in earlier year	(3,846)	(1,160)
Debit / Credit Balances writtenoff	(3,039)	(156)
Stores & Spare obsolete items Written off	-	-
Entry Tax for Earlier years	-	230
Unclaim Service Tax Receivable	162	3,311
Exceptional Items (Income- Write Back of Provisions)	(17,299)	-
Exceptional Items- (Expenses - Write Down in Value of Inventories)	7,149	-
	<u>26,731</u>	<u>43,476</u>
<b>Operating profit/(Loss) before working capital changes</b>	<b>(10,926)</b>	<b>(15,230)</b>
Change in Working Capital :		
(Increase) / Decrease in Trade Receivables/long/short term loans and advances excluding TDS	4,609	1,771
(Increase) / Decrease in Inventories except Write Down in Value	41	2,711
(Increase) / Decrease in Trade Payable and Provisions	(23,831)	4,107
	<u>(19,181)</u>	<u>8,589</u>
<b>Cash (used in) / Generated from operations</b>	<b>(30,107)</b>	<b>(6,641)</b>
Income Tax / TDS paid / Refund	2,074	(1,547)
<b>Net Cash (used in) / generation from operating activities</b>	<b>(28,034)</b>	<b>(8,188)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	6,938	7,794
Purchase of fixed assets (including WIP)	(62)	(60)
Proceeds from Sales of fixed assets	-	-
<b>Net Cash (used in)/flow from investing activities</b>	<b>6,876</b>	<b>7,734</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long/Short term borrowings	-	-
Interest paid	(510)	(1,664)
Repayment of long/short term borrowings	(42,000)	(28,100)
<b>NET CASH FLOWS FROM /(USED IN) FINANCING ACTIVITIES</b>	<b>(42,510)</b>	<b>(29,764)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(63,667)</b>	<b>(30,218)</b>
Cash and Cash equivalents at beginning of period	71,360	101,578
<b>Cash and Cash equivalents at end of the period</b>	<b>7,693</b>	<b>71,360</b>

Note No.18

\* Figures in bracket indicate cash outflow.

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.

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(Company Secretary)  
M.No. A43431

A. K. Sinha  
(Chief Financial Officer)

Place : New Delhi  
Date : 29<sup>th</sup> May, 2017

Notes to Financial Statements for the Year Ended on 31<sup>st</sup> March, 2017

## NOTE - 1 : SHARE CAPITAL

Rs. 000'

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<b>Authorised Capital</b>		
100,000,000 Equity Shares of Rs. 10 each (P.Y. 100,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued, Subscribed and Paid Up Capital</b>		
90,205,403 Equity Shares of Rs. 10/- each fully paid in cash (P.Y. 90,205,403)	<u>902,054</u>	<u>902,054</u>
Add: Forefeited Shares (amount originally paid-up)	<u>477</u>	<u>477</u>
<b>Total</b>	<u>902,531</u>	<u>902,531</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 :

Name of Shareholders	31 <sup>st</sup> March, 2017		31 <sup>st</sup> March, 2016	
	No. of shares	% held	No. of shares	% held
Moderate Leasing & Capital Services Ltd	<b>44,293,633</b>	<b>49.10%</b>	44,293,633	49.10%
Bihar State Industrial Development Corpn. Ltd.	<b>6,759,960</b>	<b>7.49%</b>	6,759,960	7.49%

## NOTE - 2 : RESERVES AND SURPLUS

Rs. 000'

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<b>Capital Reserve:</b>		
Opening balance	<u>1,500</u>	<u>1,500</u>
<b>Securities Premium Reserve</b>		
Opening balance	<u>236,338</u>	<u>236,338</u>
<b>Revaluation Reserve</b>		
Opening balance	<u>411,317</u>	<u>411,317</u>
<b>Surplus</b>		
Loss at the beginning of the year	<u>(2,379,030)</u>	<u>(2,320,324)</u>
Loss as per Statement of Profit & Loss	<u>(37,659)</u>	<u>(58,706)</u>
Closing balance	<u>(2,416,689)</u>	<u>(2,379,030)</u>
<b>Total</b>	<u>(1,767,534)</u>	<u>(1,729,875)</u>

## NOTE - 3: LONG TERM BORROWINGS

## Secured :

## Term Loan - Foreign Currency

- Refer (a) below

## Unsecured:

Loans & Advances From Related Parties

- Body Corporates

- Directors

Loan & Advances from other than Related Parties

- A Body Corporates

**Total**

- a) Disputed liability amounting to Rs. 2,58,213 thousands (P.Y. Rs. 2,73,110 thousands) 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 Appeal 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. There has been no balance of working capital loans since earlier years.
- d) Soft Loan (including interest thereon) under Jharkhand Industries Rehabilitation Scheme, 2003 from the State Government of Jharkhand are secured by :
- 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
  - Additionally secured by way of pledge of equity share capital of Rs. 325,000 thousands allotted to the private promoter (MLCSL), and Corporate guarantee given to Govt. of Jharkhand against such soft loan together with the interest thereon by SBECS Sugar Ltd.
- 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 (including foreign currency loans) of Rs.7,00,000 thousands as per BIFR scheme dated 29.04.2004 was repayable in 30 quarterly instalments of Rs. 23,333 thousands each commencing from 15<sup>th</sup> July 2004 to 30<sup>th</sup> September, 2011 which has been fully repaid except the element of disputed liability on account of currency fluctuation as stated (a) above. The modification/satisfaction of the charges to this extent is still in the process of filing with ROC.
- 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 31.03.2017 comes to Rs. 3,25,000 thousands and Rs. 4,70,984 thousands including unprovided interest of Rs. 1,96,365 thousands (P/Y Rs. 3,25,000 thousands and Rs. 4,10,366 thousands including unprovided interest of Rs. 1,35,747 thousands) respectively inclusive of unprovided interest of Rs. 1,96,365 thousands from 10<sup>th</sup> August, 2013 to 31<sup>st</sup> March, 2017 (Rs. 1,35,747 thousands upto 31.03.2016), for which the company has approached Government of Jharkhand for rescheduling proposed in the Modified Draft Rehabilitation Scheme filed before the BIFR in 2012.
- g) There has been no stipulation for repayment of unsecured loans & advances from related parties and hence no disclosure has been made.

Rs. 000'

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<b>NOTE - 4 : OTHER LONG TERM LIABILITIES</b>		
<b>Others</b>		
Security Deposit from Transporters / Contractors	778	721
Security Deposit - Sales Tax	7,377	7,376
<b>Total</b>	<b>8,155</b>	<b>8,097</b>
<b>NOTE - 5 : LONG TERM PROVISIONS</b>		
Provision for Employee Benefits :		
(a) Provision for Gratuity	33,701	43,254
(b) Provision for Leave Encashment	3,835	5,143
<b>Total</b>	<b>37,536</b>	<b>48,397</b>
<b>NOTE - 6: TRADE PAYABLE</b>		
Due to units under MSME	759	759
(Refer note 9 of Annexure-1) (III)		
Others	1,67,099	1,95,400
<b>Total</b>	<b>1,67,858</b>	<b>1,96,159</b>
<b>NOTE - 7 : OTHER CURRENT LIABILITIES</b>		
Current maturities on long term debts (Refer Note 3 for nature of Securities)		
- Term Loan from Government of Jharkhand (under Rehabilitation Scheme 2003)	3,25,000	3,25,000
- Interest accrued due on borrowings (to the extent provided for, also refer note no (f) of Note 3)	2,74,619	2,74,619
Interest accrued and due on borrowings/acceptances	91,632	91,627
Other Interest accrued	6,503	5,521
Advances from Customers	6,358	7,847
<i>Other Payables</i>		
- Statutory Dues	11,820	10,020
- Other Collections, pending remittance	6,236	3,776
- Due to Employee Benefits	22,305	30,976
- Due for expenses incurred	18,940	21,094
- Other Deposit	29	29
<b>Total</b>	<b>7,63,442</b>	<b>7,70,510</b>
<b>NOTE - 8 : SHORT TERM PROVISIONS</b>		
Provision For Employees Benefits :		
Provision for Gratuity	1,547	2,206
Provision for Leave Encashment	170	203
<b>Total</b>	<b>1,717</b>	<b>2,409</b>

**NOTE - 9 : TANGIBLE ASSETS**

Rs.000'

Particulars	Gross			Depreciaton			Net Carrying Amount			
	As at 01.04.16	Additions	Deductions/ Disposal	As at 31.03.17	As at 01.04.16	For the year	Deduction/ Adjustment	Upto 31.03.17	As at 31.03.17	As at 31.03.16
LAND										
Freehold land*	3,100	-	-	3,100	-	-	-	-	3,100	3,100
Leasehold land	38,883	-	-	38,883	7,244	443	-	7,687	31,196	31,639
Building	3,65,805	-	-	3,65,805	2,07,379	16,802	-	2,24,181	1,41,624	1,58,426
Plant and Equipment	2,46,640	-	-	25,46,640	21,41,970	25,497	-	2,167,467	3,79,173	4,04,670
Furniture & Fixtures	9,363	12	1,275	8,100	8,468	203	1,213	7,458	642	895
Vehicles **	12,507	-	-	12,507	11,184	428	-	11,612	895	1,323
Office Equipments	8,448	50	557	7,941	7,921	82	530	7,473	468	527
Railway siding	1,64,335	-	-	1,64,335	1,56,118	-	-	1,56,118	8,217	8,217
<b>Total</b>	<b>31,49,081</b>	<b>62</b>	<b>1,832</b>	<b>31,47,311</b>	<b>25,40,284</b>	<b>43,455</b>	<b>1,743</b>	<b>25,81,996</b>	<b>5,65,315</b>	<b>6,08,797</b>
(Previous Year)	31,49,021	60	-	31,49,081	24,96,583	43,701	-	25,40,284	6,08,797	

\* Free hold land includes at Rs. 593 Thousands (Previous year Rs.593 Thousands)for which registration in favour of the company is pending for want of mutation from competent authorities.

\*\* Vehicles includes Rs. 981 Thousands (Previous Year Rs.981 Thousands)which are yet to be transferred in the name of the company.

**NOTE -10 : INTANGIBLE ASSETS**

Rs.000'

Particulars	Gross			Depreciaton			Net Carrying Amount			
	As at 01.04.16	Additions	Deductions/ Disposal	As at 31.03.17	As at 01.04.16	For the year	Deduction/ Adjustment	Upto 31.03.17	As at 31.03.17	As at 31.03.16
EDP software	1,527	-	-	1,527	1,527	-	-	1,527	-	-
<b>(Previous Year)</b>	1,527	-	-	1,527	1,451	76	-	1,527	-	-

**NOTE - 11 : CAPITAL WORK IN PROGRESS**

Rs. 000'

PARTICULARS	Cost			As at 31.03.17
	As at 01.04.2016	Addition	Transfer or Written off	
Plant & Machinery	28,128	-	-	<b>28,128</b>
<b>(Previous Year)</b>	28,128	-	-	<b>28,128</b>

**NOTE - 12 : INTANGIBLE ASSETS UNDER DEVELOPMENT**

Rs. 000'

PARTICULARS	As at 01.04.2016	Addition	Transfer or Written off	As at 31.03.17
<b>Mining Development Expenditure</b>				
- Iron Ore Block	4,725	-	-	<b>4,725</b>
<b>(Previous Year)</b>	<b>4,725</b>	-	-	<b>4,725</b>

**NOTE - 13 : DEFERRED TAX ASSETS (NET)**

Rs. 000'

Particulars	As at 31.03.2016	For the Year	As at 31.03.2017
<b>Deffered Tax Assets</b>			
Unabsorbed Tax Depreciation	497,912	(7,101)	<b>490,811</b>
Unabsorbed Assessed Business Loss	260,926	(3,930)	<b>256,996</b>
Provision disallowed under Income Tax	17,111	(4,667)	<b>12,444</b>
Disallowed u/s 43B of Income Tax Act	7,608	1,140	<b>8,748</b>
<b>Total</b>	<b>783,557</b>	<b>(14,558)</b>	<b>768,999</b>
<b>Deffered Tax Liabilities</b>			
Difference between book & tax depreciation	22,984	(21,822)	<b>22,984</b>
<b>Net Deffered Tax Assets</b>	<b>760,573</b>	<b>7,264</b>	<b>760,837</b>

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 Liabilites 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. 000'

Particulars	As at 31.03.2017	As at 31.03.2016
<b>(Unsecured, &amp; Considered Good unless other wise stated)</b>		
Capital Advances	1,805	1,805
Advances Recoverable (Refer note 5 of Ann. I (III)) (other than related parties)	21,528	21,528
Security Deposit with Govt & Other Parties	2,152	2,877
Sales Tax / VAT recoverable (including Sales Tax / VAT Paid under protest & Entry Tax)	12,487	12,487
<b>Total</b>	<b>37,972</b>	<b>38,697</b>

**NOTE -15 : OTHER NON CURRENT ASSETS**

Interest accrued on fixed deposit	853	6,355
<b>Total</b>	<b>853</b>	<b>6,355</b>

**NOTE -16 : INVENTORIES**

(Valued at lower of cost or net realisable value)

Raw Materials	2,308	2,565
Work-in-Progress	-	-
Finished Goods	240	267
Stores & Spares	62,032	68,938
<b>Total</b>	<b>64,580</b>	<b>71,770</b>

Particulars	Rs. 000*	
	Year ended 31.03.2017	Year ended 31.03.2016
<b>NOTE -17 : TRADE RECEIVABLES</b>		
<b>Unsecured, Considered Good unless otherwise stated:</b>		
<i>Outstanding for more than six months</i>	4,585	4,585
<i>Less : Provision for Doubtful Debts</i>	4,585	4,585
<b>Total</b>	-	-
<b>NOTE -18 : CASH &amp; CASH EQUIVALENTS</b>		
<i>Cash and Bank Balances</i>		
Balance with Scheduled Bank		
- in Current Account	3,025	1,065
Cash in hand	29	333
<i>Other Bank Balances</i>		
Fixed Deposits with maturity of more than 12 months*	4,640	69,962
<b>Total</b>	<b>7,693</b>	<b>71,360</b>
* Represents margin money of Rs. Nil (P.Y. Rs, 65,322 Thousand) pledged against bank guarantee issued in favour of Coal India Ltd., South Eastern Railway Rs. 2,639 Thousands (P.Y. Rs. 2,639 Thousand) and Rs. 2,001 Thousand (P.Y. Rs. 2,001 Thousand) pledged with Sales Tax Authorities.		
<b>NOTE -19 : SHORT TERMS LOANS AND ADVANCES</b>		
<b>(Unsecured, Considered Good unless otherwise stated )</b>		
<b>Others:</b>		
Advance recoverable in cash or in kind or for value to be received		
- Related Parties	2,174	2,174
- Others	8,117	12,501
Balance with Revenue Authorities :		
- Excise / Cenvat and Service Tax recoverable	13	52
- Excise Duty / Sales Tax deposited under protest	540	-
- Sales Tax recoverable	8,476	8,476
- Tax Deducted at Source	1,020	3,094
<b>Total</b>	<b>20,340</b>	<b>26,297</b>
<b>NOTE -20 : REVENUE FROM OPERATIONS</b>		
Sales		
Gross Sales	-	392
Less:Excise duty	-	44
<b>Total</b>	<b>-</b>	<b>348</b>
<b>NOTE - 21 : OTHER INCOME</b>		
Interest on Fixed Deposits & Others*	1,234	6,398
Other non-operating income		
a. Sales of Waste and Scrap (Net of Excise duty)	2,553	1,819
b. Rent recovery from others*	7,949	7,949
c. Reversal of excess provisions	3,846	1,160
d. Misc. Income*	5,640	5,640
f. Debit/Credit balance written back (net)	3,039	156
<b>Total</b>	<b>24,262</b>	<b>23,122</b>
* Includes Tax Deducted at Source Rs.1,020 Thousands (P.Y.Rs. 1,553 Thousand)		
<b>NOTE - 22 : COST OF MATERIALS CONSUMED</b>		
<u>Raw materials:</u>		
Iron ore	-	-
Coal	-	-
Dolomite	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>NOTE - 23 : CHANGED IN INVENTORIES OF FINISHED GOODS &amp; WORK IN PROGRESS</b>		
<u>Opening Stock</u>		
Finished Goods	267	2,157
Work-in-progress	-	-
<u>Closing Stock</u>		
Finished Goods	240	267
Work-in-progress	-	-
<u>Net changes</u>		
Finished Goods	27	1,890
Work-in-progress	-	-
<b>Net Decrease</b>	<b>27</b>	<b>1,890</b>

Particulars	Rs. 000*	
	Year ended 31.03.2017	Year ended 31.03.2016
<b>NOTE - 24 : EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, Wages and Allowances	11,147	12,160
Gratuity	3,569	3,389
Leave Encashment	356	137
Contribution to Provident Fund	1,223	1,559
Inspection charges Provident Fund	24	-
Staff Welfare Expenses	314	382
<b>Total</b>	<b>16,633</b>	<b>17,627</b>
<b>NOTE - 25 : FINANCE COST</b>		
Interest :		
a) On long term borrowings	-	-
b) Interest on Taxes		
- Excise duty / Service Tax / I. Tax / Sales Tax / Tax Deducted at sources	945	939
c) Other Interest (Security Deposit & Others)	417	332
Bank & Other Charges	135	74
<b>Total</b>	<b>1,497</b>	<b>1,345</b>
<b>NOTE - 26 : DEPRECIATION &amp; AMORTIZATION EXPENSES</b>		
Depreciation & Amortization	43,455	43,777
(Including on revaluation reserve Rs. 21,364 thousands (PY 21,364 thousands))	-	-
<b>Total</b>	<b>43,455</b>	<b>43,777</b>
<b>NOTE - 27 : OTHER EXPENSES</b>		
Excise Duty on Increase/(Decrease) of stock	-	(208)
<b>Repair &amp; Maintenance:</b>		
- Railway Siding	79	75
- Others	213	118
Rent	1,688	1,683
Rates & Taxes	594	265
Insurance	735	708
Director's Sitting Fee	105	137
Printing & Stationery	507	507
Telephone, Telex and Postage	1,246	1,880
Vehicle Running & Maint.	134	225
Traveling & Conveyance	310	168
Legal & Professional	1,148	1,094
Auditor's Remuneration		
- As Audit Fee	299	298
- As Tax Audit	69	69
- Certification and Company Law	237	257
- Expenses Reimbursement	35	15
Repair & Maintenance	149	270
Social Development Expenses	379	399
Miscellaneous Expenses	2,380	2,513
Fixed Assets Retired & Written off	90	-
Prior Period Items (net)*	(40)	3,606
Stores & Spare obsolete items Written off	-	800
Advertisement and Sales Promotion	102	131
Unrecoverable Advances Written off	-	2,527
<b>Total</b>	<b>10,460</b>	<b>17,537</b>
<b>* The details of prior period items (net) are as Under :</b>		
Expenditure :		
Entry Tax for earlier years	-	43
Unclaimed Service Tax Receivable / Payable	-	230
Unclaimed Service Tax Receivable	162	3,311
House Rent	-	22
<b>Total</b>	<b>162</b>	<b>3,606</b>
Income :		
Interest on FDRs for earlier years	(202)	-
Prior Period Items (net)	(40)	3,606
<b>NOTE - 28 : EXCEPTIONAL ITEMS INCOME / (EXPENDITURE)</b>		
Write Back/Reversal of Provisions earlier made for the liabilities towards Gratuity Leave encashment, Bonus and Salaries etc. as per the proposal of some of the employees resigned & whose full and final settlements were made during the year.	17,299	-
Write Down of inventories in Raw Materials and Stores & Spares to net realisable value	(7,149)	-
<b>Total</b>	<b>10,150</b>	<b>-</b>



Particulars	Rs. 000"	
	Year ended 31.03.2017	Year ended 31.03.2016

**NOTE - 29 : EARNING PER SHARE (EPS)**

EPS has been computed in accordance with Accounting Standard AS-20 :

Profit /(Loss) after tax for the year	(37,659)	(58,706)
Weighted Average number of equity shares of Rs. 10/- each fully paid up	90,205,403	90,205,403
Basic & Diluted Earnings per share	(0.42)	(0.65)

**ANNEXURE 1 : ACCOUNTING POLICIES & GENERAL NOTES FORMING PART OF THE FINANCIAL INFORMATION****I. Corporate Information**

1. Bihar Sponge Iron Ltd (refereed to as 'BSIL' "the company" established in the year 1982 and having its registered office at Umesh Nagar, Chandil, District, Saraikela – Kharsawan, Jharkhand – 832401 is engaged in manufacture, producing, purchase, export, sale and deal of pre-reduced form of Iron such as sponge iron.

**II. Significant Accounting Policies****1. Basis of preparation of financial information**

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India ('Indian GAAP') to company with the accounting standard specified under section 133 of the Companies Act, 2013 read with rule 7 of The Companies (Accounts) Rules 2014 and the relevant provision of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis (except for revaluation of certain fixed assets).

**2. Use of Estimates**

The preparation of financial statements require the management to make some estimates and assumptions which affect the reported amount of assets and liabilities and the disclosures relating the contingent liabilities as at the date of the financial statements and the reported amount of income and expense during the year. Examples of such estimates include provisions for doubtful receivables, employee benefit, provision for tax & duties (including interest on arrear statutory dues/liabilities), the useful lives of depreciable fixed assets and provisions for impairment. Future results could differ due to change in these estimates and the difference between the actual result and the estimates are recognized in the period in which the results are known/materialised.

**3. Inventories**

- a) Stocks of raw materials and stores and spares and consumables are valued at lower of weighted average cost or net realisable value. The cost being exclusive of cenvatable 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 net 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 carried at the 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, less accumulated depreciation/amortization. Costs include taxes duties (net of CENVAT and set off), cost of stores materials issued and expenditure incurred during construction and installation where applicable. Indirect expenses are not capitalised alongwith the fixed assets.
- b) All assets are reviewed for impairment; wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. An impairment loss, if any, is charged to statement of Profit and Loss in the year in which the assets are identified as impaired.

**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 / Amortization**

- a) Depreciation on tangible fixed assets other than land is charged on straight line method so as to write off the cost/carrying amount of assets (including revalued amount) as on 1-04-2014 over the useful life of assets as per Schedule II of the Companies Act, 2013. For assets acquired or sold during the year, the depreciation is calculated on pro-rata basis from the date of addition or upto the date of sale or discarded.
- b) Lease hold land is depreciated over the lease period.
- c) Intangible assets are being amortised over their useful life / licenses period.

**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 the 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 or expense.

**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) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest on tax refund is accounted for on receipt basis.
- c) 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**

Employee benefits have been recognized in accordance with Accounting Standard 15 (Revised) 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 Statement of Profit and Loss.

(iii) **The actuarial valuation takes note of actuarial gains and losses.**14. **Provisions 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. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

15. **Cash and Cash Equivalent**

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash at Bank, cash in hand and demand deposits with bank with an original maturity of three months or less than the date of acquisition.

16. **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.

17. **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.

18. **Leases**

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as Operating Leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the Statement of Profit and Loss on a straight line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of Profit and Loss.

19. **Cash Flow Statement**

Cash flow are reported using the indirect method, whereby profit before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments and item of income or expenses associated with investing or financing cash flows.

The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

**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. 000)

	Current Year	Previous Year
i) <b>Defined Contribution Plan</b>		
Employer's Contribution to Provident Fund (Refer Note No. 24)	1223	1559

ii) **Defined Benefits Plans**

(Rs. 000)

	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current year	Previous Year
Current service cost	1,948	2,490	265	356
Interest cost	3,637	3,436	427	427
Expected Return on Plan Assets	-	-	-	-
Net Actuarial (gain)/loss	(11,879)	(2,537)	(1,729)	(646)
Past service cost	-	-	-	-
Curtailment and Settlement Cost/(credit)	-	-	-	-
Expenses recognized in the statement of Profit & Loss	(6,294)	3,389	(1,037)	137

\*Current year figure is net of write back for Gratuity Rs. 9,863 thousands and Rs. 1,393 thousands for Leave Encashment included in Note No. 28.

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

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	7.37%	8.00%	7.37%	8.00%
Expected Rate of increase in Compensation Levels	5.50%	5.50%	5.50%	5.50%
Expected Rate of Return on Plan Assets	NA	NA	NA	NA
Expected Average remaining working lives of employees (years)	15.53 years	15.15 years	15.53 years	15.15 years

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

(Rs. 000")

	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Benefit obligation at beginning of the year	45,460	44,338	5,346	5,513
Current service cost	1,948	2,490	265	356
Interest Cost	3,637	3,436	427	427
Benefits paid	(3,918)	(2,267)	(304)	(304)
Curtailment and Settlement cost	-	-	-	-
Contribution by plan participants	-	-	-	-
Past service cost	-	-	-	-
Actuarial (gain)/ loss	(11,879)	(2,537)	(1,729)	(646)
Projected benefit obligation at end of the year	(35,248)	(45,460)	(4,005)	(5,346)
Net amount recognized in the balance sheet as at 31.3.2017	(35,248)	(45,460)	(4,005)	(5,346)

- (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. 6,502 Thousands for earned leave liability for Rs.660 Thousands.
- 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**  
The transactions with related parties as per the Accounting Standard 18 issued by ICAI and in terms of the provision of Section 2 (76) of the Companies Act, 2013 to the extent applicable are given below:
- (a) By virtue of control  
(i) Moderate Leasing & Capital Services Ltd.  
(ii) Shri U. K. Modi, Chairman and Director by virtue of article 100 of Articles of Association.  
Smt. Kumkum Modi, Director, Shri Abhishek Modi, Director and Shri Jayesh Modi, Director are related to Shri U.K. Modi, Chairman & Director.
- (b) Key Management Personnel  
(i) Shri Satish Kumar Gupta - Whole time director  
(ii) Ms. Shubhangi Varshney - Company Secretary  
(iii) Shri Bal Kishan Goel - Chief Finance Officer upto 05.03.2017  
(iv) Shri Anil Kumar Sinha - Chief Financial Officer w.e.f. 29-05-2017
- (c) There has been no Subsidiaries / Associates Company.
- (d) Enterprises over which (a)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-Mundipharma Beauty Products Pvt. Ltd. (earlier known as Modi Revlon Pvt. Ltd.)  
(vi) Modiline Travel Services Pvt. Ltd.  
(vii) Win-Medicare Pvt. Ltd.  
(viii) Modi Motors Pvt. Ltd.  
(ix) Modi Hitech India Ltd.  
(x) M.G. Mobiles India Pvt. Ltd.  
(xi) Longwell Investment Pvt Ltd.  
(xii) A to Z Holdings Pvt Ltd.  
(xiii) Jayesh Tradex Pvt Ltd.  
(xiv) G S Pharmbutor Pvt. Ltd.
- (xvi) Transactions with related Parties (As identified by the Management)

(Rs. 000')

Nature of Transactions	By virtue of control		Enterprises where influence exit		Key Managerial Personnel	
	Current Year	Previous Year	Current year	Previous year	Current Year	Previous Year
Rent Recovered (incl. Service Tax)	-	-	8,313	9,055	-	-
Misc Exp. Recovered	-	-	7,304	6,434	-	-
Misc. Exp. Reimbursed/ Paid	-	-	423	450	-	-
Purchase of Stores/Fixed Assets	-	-	-	49	-	-
Other Income *	-	-	-	-	875	1,160
Loan taken	4	-	-	-	-	-
Loan repaid	6,000	28,100	-	-	-	-
Remuneration to KMP Director						
- Works	-	-	-	-	875	873
- Company Secretary	-	-	-	-	-	294
Manoj Kumar	-	-	-	-	-	62
Subhangi Varshney	-	-	-	-	385	62
- Chief Finance Officer	-	-	-	-	593	651
Director	-	-	-	-	-	-
-Sitting Fee to Non-Exec. Directors	-	-	-	-	105	137
Outstanding balances as on	31.3.17	31.3.16	31.3.17	31.3.16	31.3.17	31.3.16
- Receivable	-	-	2,174	2,174	-	-
- Payable	-	-	12,597	35,164	-	-
- Unsecured Loan	3,33,826	3,39,826	2,78,280	3,14,280	3,795	3,795
- Intt on unsecured loan	32,594	32,590	59,036	59,036	-	-

\* represent amount of remuneration waived by the Director works.

**4. Operating Leases**

The company's leasing arrangements are in respect of premises (for office 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 31<sup>st</sup> March, 2017.

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

(Rs. 000')

Sl.No.Particulars	As at	As at
	31.03.2017	31.03.2016
A Total of future minimum lease payments under non-cancelable operating leases for each of the following periods		
- Not later than one year	1,687	1,683
- Later than one year and not later than five years	3,282	3,366
- Later than five years	-	-
B. Lease rent recognized as expense in P&L A/c	1,687	1,683
C. Total of future minimum lease payment expected to be received under the non-cancelable sublease at the balance sheet data.	37,949	7,949
D. Lease payments received & recognized in the statement of profit & loss account.	7,949	7,949

## III: OTHER NOTES REQUIRED BY PART I &amp; PART II OF SCHEDULE III

(Rs. 000')

Sl.No.Particulars	As at 31.03.2017	As at 31.03.2016
<b>1. Contingent Liabilities:</b>		
<b>Claims not acknowledged as debts are as under: -</b>		
(i) Custom duty and interest on Imported Stores & Spares disputed before the CESTAT, Kolkata.	15,459	15,459
(ii) (a) JVAT Demand under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Financial Year 2006-07. (excludes Rs.2307 thousands paid by the company but not considered as credit by deptt.).	2,397	2,397
(b) Central Sales Tax demand F.Y. 2006-07 (including interest) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur.	311	311
In respect of item (a) & (b) above, JCCT (Appeals) vide order no. 740 dt. 08-10-2013 has disposed off the matter and directed the ACCT to give effect of the appellate order which is still pending.		
(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. 587 thousands (P.Y. Rs. 587 thousands).	5,879	5,879
(d) Demand raised for the F.Y. 2010-11 by DCCT, JSR for tax due, penalty imposed and interest payable under JVAT Act 2005 under dispute before JCCT (Appeals), Jamshedpur.	24,786	24,786
Stay granted on 06-10-2012 till final disposal of appeal(Adv paid on appeal Rs.1500 thousands on 19.10.2012)		
(e) JVAT demand for FY 2010-11 for the assessed tax and penalty vide demand notice No.18872 dt.28.03.2014 (order dt.12.03.2014) raised by the Dy. Commissioner of Commercial Taxes, Adityapur, JSR (net of amount paid Rs.13489 thousands). The Company has filed appeal before the Commissioner of Commercial Taxes Jharkhand Ranchi on 29.05.2015 (Misc. Provision u/s 80(4) of JVAT Act.	8,140	8,140
(f) CST Demand for FY 2010-11 for assessed tax and penalty vide demand notice dt.28.03.2014 (vide order dt.12.03.2014) raised by the Dy. Commissioner of Commercial Taxes, Adityapur, JSR (net of amount paid Rs.3055 thousands). The Company has filed appeal before the Commissioner of Commercial Taxes, Jharkhand Ranchi (Misc. Provision u/s 80(4) of JVAT Act dt.29.05.2015.)	3,096	3,096
(g) JVAT Demand for assessed tax and penalty vide demand notice dt.24.03.2015 for the F.Y. 2011-12 vide order dt.20.03.2015 by Dy. Commissioner of Commercial Tax, JSR (net of amount paid Rs.3060 thousands). The Company has filed appeal before the Commissioner of Commercial Taxes, Jharkhand Ranchi (Misc. Provision u/s 80(4) of JVAT Act dt.29.05.2015.)	13,977	13,977
(h) CST Demand for assessed tax and penalty vide demand notice dt.24.03.2015 for the F.Y. 2011-12 vide order dt.20.03.2015 by the Dy. Commissioner of Commercial Tax, JSR is (net of amount paid Rs.2353 thousands. The Company has filed appeal before the Commissioner of Commercial Taxes, Jharkhand Ranchi (Misc. Provision u/s 80(4) of JVAT Act dt.29.05.2015.) DCCT vide Memo No. 963 dt. 23-11-2016 has directed the company u/s 46 of JVAT 2005 to pay the dues of F.Y. 2011-12 in Government Treasury an amount of Rs. 1127.89 thousands (including dues of Rs. 28,263 thousands as per audit) with reference to earlier demand raised as per (g) & (h) above and appropriated/ recovered Rs. 175 thousands from company's Current Account with SBI, JSR, A/c No. 8730028 and marked the lien recovery of Rs. 1,125.26 thousands in future out of such bank account towards the dues.	70,549	70,549
(i) JVAT demand for FY 2012-13 for assessed tax and penalty vide demand notice dated 27-05-2016 raised by ACCT, AP, Circle Jamshedpur u/s 35(6) of JVAT (net of amount paid Rs2290 thousands). The company has filed appeal before the Jt. Commissioner of Commercial Taxes, Ranchi, Jharkhand and u/s 79 of the JVAT )	778	Nil
(j) CST Demand for FY 2012-13 towards assessed tax and penalty vide demand notice dated 27-05-2016 (order dt 31-03-00) by ACCT Circle, Jamshedpur (net of amount paid Rs. 7.27 thousands). The company has filed appeal before the Jt Commissioner of Commercial Taxes, Jharkhand u/s 79 of JVAT Act, 2005 on 22/07/2016.	118	Nil
(k) Demand for electricity duty charges raised by the Dy. Commissioner / Asstt. Commissioner under Electricity Duty Rules (Rule 14) vide Order No.18431 dt.18.03.2014 for Rs.1271 thousands (F.Y. 2012-13) for Rs.1011 thousands (F.Y. 2011-12), the Company is seeking details for examining the merits of demand in order to consider filing of appeal with the appelliant authority.	2,281	2,281
(iii) Demand for water charges and interest thereon disputed under Writ petition before Jharkhand High Court, Ranchi.	3,09,308	2,78,675
(iv) 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.	5,600	5,600
(v)(a) Disputed liability on account of currency fluctuation on foreign currency loans and interest thereon, pending before the Hon'ble High Court, Jharkhand, Ranchi.	2,58,213	2,73,110
(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. The matter is pending under SLP before the Hon'ble Supreme Court, Delhi.	2,27,756	2,39,436
(vi) Disputed Income Tax Demand for short deduction/collection of tax at source of Rs.4949 thousand and interest & penalty of Rs.3293 thousands based on the NSDL Report by DCIT, JSR U/s 156 raised for the Assessment Year 2004-05, 2005-06 & 2008-09 was under appeal before CIT (Appeal). CIT (Appeal) vide Order dt.28.03.2016 has dismissed the appeal filed by the Company. The Company is in the process of filing appeal before the ITAT, Patna.	8,242	8,242
(vii) 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

(viii)	Disputed penalty recovered by SECL in FY 2011-12 for short lifting of Coal quantity as per Linkage. The matter is pending under Writ Petition filed by the Company before the Hon'ble High Court of Chattisgarh, Bilaspur.	21,528	21,528
(ix)	Excise Duty (including Education Cess and SHE) demand of Rs.2353 thousands with interest and penalty of Rs.2353 thousands raised by Asstt. Commissioner, Central Excise, Div IV JSR vide order dt. 29-12-2016 for availing irregular claim of Cenvat in ER-6 in Dec 2014 on Supplementary invoices and on ineligible documents as per Rule 4(1), 9(1) and 9(2) of Cenvat Credit Rules. The matter is under Appeal before the Commissioner (Appeals) Customs and Central Excise & Service Tax, Ranchi (u/s 35 of CE Act 1944) filed on 27/02/2017 and deposited Rs.176 thousands on 21/02/2017.	4,706	2,353
(X)	Excise Duty (including Education Cess & SHE) demand of Rs. 6499 thousands with interest and Penalty of Rs. 6499 thousands raised by Addl Commissioner, Central Excise, Jamshedpur vide order No. 71/ADC/2017 dt. 22-03-2017 on dutiable sale of scrap and waste during the FY 2006-07, 2007-08 & 2008-09. The matter is under Appeal Before the Commissioner of Central Excise (Appeals), Ranchi (filed on 22-05-2017). Amount deposited on appeal Rs. 487 thousands (on 18-05-2017)	12,998	Nil
(xii)	Liability on account of Bank Guarantees issued to CIL, SE Railway & Sales Tax Authorities.	4,026	69,523
(xiii)	Claims against the Company not acknowledged as debts pertaining to services rendered under contracts between the Company and a Party under the Civil Court, Saraikela, Jharkhand (net of provision of 210.95 thousands).	7,923	7,923

## 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. Nil (P.Y. Nil).

### 2.2 Other Commitments: Rs. Nil (P.Y. Nil)

## 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 29<sup>th</sup> July, 2004 had sanctioned the Rehabilitation Scheme. The said scheme envisaged a total payment of Rs. 1,350,000 Thousands, Rs.650,000 Thousands was to be paid as upfront payment and the balance Rs. 7,00,000 Thousands was to be paid in 30 quarterly installments effective from 15<sup>th</sup> July, 2004.
  - (II) In the review hearing held on 3<sup>rd</sup> September, 2007 & 22<sup>nd</sup> 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 had filed appeal before the Appellate Tribunal for Industrial and Financial Reconstruction (AAIFR) challenging the above said order. AAIFR vide 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 22<sup>nd</sup> February, 2012, the Appeal was dismissed. The Company has not recognized Rs.2,58,213 Thousands as on 31-03-2017 (Rs. 2,73,110 Thousands as on 31-03-2016) being 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 27<sup>th</sup> July, 2012 before the higher bench in the High Court of Jharkhand, Ranchi against the order of the Single Judge which is still pending.
  - (III) The Net worth of the Company could not become positive during the implementation of BIFR Scheme till 30-09-2011. As per Order dated 5<sup>th</sup> May 2012, BIFR directed the company to submit Modified Draft Rehabilitation Scheme (MDRS) within four months for the rehabilitation of the Company.
  - (IV) The Modified Draft Rehabilitation Scheme of the company was filed before the Hon'ble BIFR on 3<sup>rd</sup> December 2012. In the last review hearing held on 20<sup>th</sup> January 2014, the Hon'ble Bench of BIFR issued directions to the Ministry of Coal, Central Coal Field Ltd and Coal India Ltd to extend regular supply of coal as coal linkage with CCL and submit report within a month and the company was directed to update the position of Writ Petition filed before the Hon'ble Jharkhand , High Court Ranchi as and when the final decision is arrived at.
  - (V) The company's Fuel Supply Agreement (FSA) with the existing terms and conditions with CCI has expired on 30<sup>th</sup> April 2013 and CCI has refused to enter fresh FSA with existing terms & conditions and proposed to enter into FSA under tapering basis coal linkage which the company refused to sign since its coal block was already de-allocated and rationale of tapering coal linkage did not exist. This has resulted into shut down of plant and suspension of production w.e.f. 10.08.2013.
  - (VI) Ministry of Coal, Government of India vide Notification No. 23011/51/2015-CPD dated 04-06-2015 has circulated Draft Paper for Auction of Coal linkages for non-regulated sector, however coal policy is yet to be announced. This has deprived the company to enter into the FSA with the CCA for supply of coal and resume its operations.
  - (VII) The company was pursuing with Jharkhand State Mineral Development Corporation Ltd (JSMDC) for supply of coal to the company. JSMDC vide letter no. 1194 dated 15-10-2014 had approved the supply of 30,000 ton of coal per month from Sikni Coal Mine to the company. However vide another letter no. 1088 dated 20-07-2015 has reduced the proposed supply to 10,000 ton of coal per month initially. The company is pursuing the matter for supply of sufficient coal quantity to run the plant smoothly at the desired operational level.
  - (VIII) The steel market had been facing a very challenging phase for quite some time as the market rate of sponge iron had been fluctuating. Of late there has been change in the market scenario and the prices of sponge iron have started looking up. The management expects that the recession phase of the steel market would be soon over.
  - (IX) Consequent upon repealing of SICA w.e.f. 01-12-2016, the proceedings pending before BIFR/ AAIFR have come to an end. Company proposes to take appropriate steps to comply with the statutory provisions in this regard.
  - (X) With the revival of the steel industry, considering the substantial accumulated losses, full erosion of working capital and the liabilities including long term borrowings having matured fully along with interest having fallen due. The company has initiated requisite steps for making the plant ready for operations and has in this direction, with a view to generate revenue and make the plant operational, the company has, on 01-04-2017 entered in to a Facility User Agreement with a company specializing in contract manufacturing. Under the said agreement, part of the plant and machinery shall be operated by the said company. With the restart of the plant by them, the management believes that the company shall gradually start earning surplus and losses incurred in past will get wiped out in due course and there after the company will be able to operate in normal course of its business. The financial statements, as such have been prepared on going concern basis on the strength of management's plan of revival including reorganization of business and providing the adequate finance for the operations.
4. The demand of water charges Rs. 3,09,308 thousands (inclusive of interest on arrear of water bills of Rs. 30,399 thousands) as on 31.03.2017 (P.Y. Rs. 2,78,675 thousands inclusive of interest of Rs. 27,728 thousands as on 31.3.2016) raised by Chief Engineer, Subernarekha 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. 13,869 thousands up to 31<sup>st</sup> March, 2017, (Rs.13,869 thousands as on 31.3.2016).
  5. South Eastern Coalfield Ltd. has imposed and recovered a penalty by encashment the bank guarantee of Rs. 21,528 Thousands in 2011-12 on account of short lifting of coal quantity in terms of Fuel Supply Agreement (FSA) dated 02.05.2008. The Company has taken up the matter with Coal India Limited/ South Eastern Coalfield Ltd. for refund of the said amount as settlement of dispute under clause 15.3 of the FSA. No provision has been made for penalty recovered since the matter is pending under writ petition filed by the Company before the Hon'ble High Court of Chattisgarh, Bilaspur.
  6. During the financial year 2016-17 Rs. 875 thousands is due for remuneration to Shri S K Gupta Director-Works. However, Shri S. K. Gupta vide letter dated 08-02-2017 has voluntarily waived off his entire remuneration for the F.Y. 2016-17 and accordingly no provision for remuneration of Rs. 875 thousands has been made in the accounts.

**7. Shut down of Plant and suspension of operations.**

- (i) Central Coalfields Ltd has stopped supply of linkage coal as per Fuel Supply Agreements (expired in April, 2013 & not renewed) to the Company w.e.f. 5<sup>th</sup> 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. 9<sup>th</sup> 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 10<sup>th</sup> August, 2013 to 31<sup>st</sup> March, 2017:

- (a) Interest on Unsecured Loans of Rs. 6,15,901 thousands (P.Y. Rs. 6,57,901 thousands) 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. 1,96,365 Thousands (Rs. 1,35,747 thousands upto March 31, 2017) which is subject to representations for waiver, and  
 (c) Salaries, Wages and allowances, provident fund including as well as employee benefits expense except for KMP (amount unascertained).  
 (d) Provision for interest on unpaid statutory dues as per books of accounts on P.F. and Family Pension dues as per the respective acts (amount unascertained).

**(ii) Inventories**

No physical verification of inventories of Raw-Materials and Stores & Spare Parts have been conducted during the financial year or as at the end of the year since the Plant is under shut down & suspension of production w.e.f. 09.08.2013, as such no adjustment for discrepancies, if any, between the book records and the physical verification have been made in the accounts.

The valuation of stores and spare parts & raw materials inventories have been done based on the cost carried in the books of accounts in absence of any items purchase during the year instead of on the basis of lower of cost or net realizable as contemplated in AS-2, however write down in the value of Stores & Spares parts & Raw Materials have been made @10% for obsolescence amounting to Rs. 7,149 thousands (including for Raw Materials Rs.257 thousands).

**(iii) Fixed Assets & Impairments of Assets**

- (a) No physical verification of Tangible Assets have been carried out during the year or at the end of the financial Year 2016-17 in view of the shutdown accordingly neither the discrepancies between the physical stock and book balance, if any, ascertained nor carried out in the books of account as at the end of the financial year. However, in the opinion of management, this would not have material effects on the financial statements.

- (b) The impact of impairment between the carrying value of tangible assets including suspended capital work in progress and achievement of future projections based on reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of tangible assets as contemplated under AS-28 have neither been ascertained at the end of the financial year 31.03.2017 nor any provision for impairment has been made in the accounts since company is in the process of resumption of operations in F.Y. 2017-18.

**(c) Iron Ore Mine**

The Company was allotted Ghotkuri Iron Ore Mine in April, 2007 in the state of Jharkhand with 406.40 hectares of land having estimated reserves of 35.65 million tons. However, the Department of Geology, Ministry of Mines, GOJ has conducted the survey and assessed the reserve to be about 11.00 Million tons in its report of February, 2012.

The terms of reference (TOR) for Ghatkuri Iron Ore Mine has expired on 13<sup>th</sup> May, 2016. The company has made an online application for extension of TOR for one year (i.e. 13<sup>th</sup> May, 2017) on MOEFCC'S Portal.

Ministry of Environment, Forest and Climate Change Impact Assessment Division (MOEFCC) called a meeting on 21-02-2016. The Company has made a representation through MECON to explain the necessity of TOR extension. MOEFCC vide letter dt. 12-04-2016 intimated that the proposal is deferred and be considered after carrying capacity study is completed by ICFRE.

In view of the above, the mining development expenditure has not been considered for impairment/ write off.

8. Related Party Transactions (RPT) in respect of renting of the office of the Company is Rs.8,313 thousands (P.Y. 9,055 thousands including service tax) and the availing or rendering of services amounting to Rs.7,718 thousands (P.Y. 6,884 thousands) as covered under section 188 (1) (c) and (d) respectively and Rules made thereunder and is within the overall limits of Rule 15 of the Companies (Meetings of Board and its Power) Rules, 2014.

9. Outstanding dues to Micro, Small and Medium Enterprises:

The disclosure of dues details relating to enterprises covered under Micro, Small and Medium Enterprises Development Act 2006, to the extent the information are available with the Company, are as under:

		Rs.000'	
		As at 31.3.2017	As at 31.3.2016
a)	(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year.	759	579
	(ii) Interest due thereon.	876	544
b)	(i) The amount of interest paid in terms of Sec.16 of MSMED Act, 2006 beyond the respective due date during the year.	-	-
	(ii) The amount of principal paid beyond the due date during the year.-	-	-
c)	The amount of interest due and payable for delay period (where principal has already been paid after due date).	-	-
d)	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.	417	332
e)	The amount of interest accrued and remaining unpaid as at the end of the accounting year.	1293	876

10. (a) Income Tax assessment of the Company for the Asstt. Year 2012-13 has been completed under Section 143 (3) of the Act vide order dt.24.03.2015 by the Asstt. Commissioner of Income Tax, JSR. The Assessing Officer disallowed certain expenditure and the Returned loss of Rs.202,230 lakhs on the ground that the company has not furnished the required information, documents, books of accounts and records inspite of questionnaire & the various reminders / show cause notice given / issued to the assessee. Since the plant was under shut down of plant and laborers did not allow the entry to staff / officer in the factory premises and hence the information / documents / original papers were produced to the extent possible. On being aggrieved with the said order, the Company has filed an appeal before the CIT (Appeal-3), Patna on 27.04.2015.

- (b) ACIT, Central Circle JSR vide Asstt. Order u/s 143(3) dt. 31.03.2016 for the AY 2013-14 has passed the order by reducing the returned loss from Rs.242,429 thousands to Rs.174,015 thousands by disallowing the cost of Raw material consumption of Rs.68,414 lakhs due to excess consumption as compared to average of Rs.5.2% of the sales value and issued notice of demand u/s 156 of the Act for levy of Penalty u/s 271(1) (c).

Aggrieved by the said order, the Company filed appeal u/s 246 A of the ITax Act before the Commissioner of Income Tax (Appeals)-3, Patna on 2.5.2016 for drop of disallowance and dismissal of Penalty proceedings.

- (c) ACIT, Central Circle JSR vide Asstt. Order U/S 143(3) dt 30-09-2016 has reduced the returned loss from Rs.122,069 thousand to Rs.56,208 thousands by disallowing the cost of raw material Rs.1454 thousands, personnel cost Rs.36,994 thousands and depreciation of Rs.14,319 thousand and issued notice of demand u/s 156 of the Act for levy of penalty u/s 271(1)(c) of the Act.

Aggrieved by the said order, the company has filed appeal u/s 246A of the Act before the Commissioner of Income Tax, Appeal Patna on 05-11-2016 for drop of disallowances and penalty proceedings.

11. Credit/Debit balances of the Creditors, Lenders, Debtors and Advances as well as Bank Balances in some cases are subject to reconciliation/confirmation at the year end on 31.03.2017 & in earlier years.
12. In the opinion of the Board, any assets other than fixed assets have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the balance sheet.

	(Rs. 000')	
	Current Year	Previous Year
13. Value of Imports calculated on CIF basis : Component & Spare Parts	Nil	Nil
14. Expenditure in Foreign currency Interest	Nil	Nil

(Rs. 000')				
Particulars	Current year		Previous year	
	Value	%	Value	%
Raw Material:				
- Indigenous	Nil	-	Nil	-
- Imported	Nil	-	Nil	-
	Nil	-	Nil	-
Stores & Spares				
- Indigenous	Nil	-	Nil	-
- Imported	Nil	-	Nil	-
Total	Nil	-	Nil	-

16. Repairs & Maintenance to Plant include stores and spare parts consumed : - - Nil Nil
17. Earning in Foreign Currency : Nil
18. In terms of notification No. GSR 308 (E) dated 30<sup>th</sup> March, 2017 issued by Ministry of Corporate Affairs, Govt. of India, the Company is required to disclose the details of Specified Bank Notes (SBN) of Rs. 500 and Rs. 1000 which were demonitised vide Notification No. S.O. 3407 (E) dt. 08.11.2016 by Ministry of Finance, Department of Economic Affairs, held and transacted during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016. The said information is provided in the table below:-

	SBNs	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	--	16	16
(+) Permitted receipts	--	518	518
(-) Permitted payments	--	194	194
(-) Amount deposited in Banks	--	200	200
Closing cash in hand as on 30.12.2016	-	140	140

19. Previous year figures have been recast / restated.

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]

U. K. Modi  
(Chairman & Director)  
[DIN 00002757]

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

**Directors**

B. D. Garg - [00002792]  
J. C. Chawla - [05316202]  
J. N. Khurana - [00003817]  
Madan Lal - [00272672]  
R. K. Agarwal - [00298252]

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

Shubhangi Varshney  
(Company Secretary)  
[M.No. A43431]

A. K. Sinha  
(Chief Financial Officer)

Place : New Delhi  
Date : 29<sup>th</sup> May, 2017

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Umesh Nagar, Chandil,

Dist. Saraikela-Kharsawan-832401

Jharkhand