

31ST ANNUAL REPORT 2012-2013

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Chairman & Managing Director
 Member - BSIG

Director - Finance

Board of Directors
 Mr. Umesh Kumar Mishra
 Mr. Sushil Kumar IAS
 Mr. K. M. Mohi
 Mr. Abhishek Mishra
 Mr. Jayesh Mishra
 Mr. B. D. Gang
 Mr. G. O. Jain
 Mr. B. K. Tripathi
 Mr. J. C. Choudhary
 Dr. Shyam Vyas
 Mr. G. W. Bhatnagar

Alternate Director
 Mr. J. K. Mishra

Company Secretary
 Mr. Manoj Kumar

Cost Auditor
 Mr. M. K. Singh & Co.
 Cost Accountants
 Taxation Dept. M.M. College
 Madhupur-727004 (U.P.)

Statutory Auditor
 Mr. T. R. Venkatesh Nayar & Co.
 Chartered Accountants
 (Firm No. 0000291)
 221-222, Dwar Dwar Marg,
 New Delhi-110002

Audit Committee
 Mr. G. O. Jain
 Mr. J. C. Choudhary
 Dr. Shyam Vyas

Registered Office & Print Site
 Umesh Nagar, Chandi, Dist. Samastipur, Bihar-726001, India

Bankers
 UBI, SBI, HDB, ICICI Bank

Registrar and Share Transfer Agent
 M/s. Bhatnagar & Company Services Pvt. Ltd.
 Bhatnagar House, 28, Keshavnagar, Behind Laxmi Building, Gurgaon,
 New Delhi-110025

BSIL

BIHAR SPONGE IRON LIMITED

Board of Directors

Mr. Umesh Kumar Modi	Chairman & Managing Director
Mr. Sudhir Kumar, IAS	Nominee - BSIDC
Mrs. Kum Kum Modi	
Mr. Abhishek Modi	
Mr. Jayesh Modi	
Mr. B.D. Garg	
Mr. G.C. Jain	
Mr. B.K. Thakur	Director- Finance
Mr. J.C. Chawla	
Dr. Shyam Vyas	
Mr. G.W. Elsenheimer	

Alternate Director

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

Mr. Manoj Kumar

Statutory Auditors

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

Cost Auditors

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

Audit Committee

Mr. G.C. Jain	Chairman
Mr. J.C. Chawla	
Dr. Shyam Vyas	

Registered Office & Plant Site

Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401, Jharkhand

Bankers

UBI, SBI, HDFC Bank, ICICI Bank

Registrars and Share Transfer Agents

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

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NOTICE

Notice is hereby given that 31st Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Friday 2nd day of August, 2013 at 11:00 AM at the Registered Office of the Company at Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan – 832401, Jharkhand to transact the following businesses:-

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2013 and Statements of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Kum Kum Modi, who retires from office by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. B.D.Garg, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G. C. Jain, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration. M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, [Firm Registration No. 000038N] the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution with or without modification, as an Ordinary Resolution:

"RESOLVED THAT Mr. Bhuwanesh Kumar Thakur who was appointed as an additional director by the Board of Directors on 20th December, 2012 and whose term of office pursuant to the provisions of Section 260 of the Companies Act, 1956 expires at this Annual General Meeting and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature as a Director of the Company be and is hereby appointed as Director of the Company.

6. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Financial Institutions, Central Government and such other approvals as may be necessary, the Company hereby approves the appointment of Mr. Bhuwanesh Kumar Thakur as Whole-time Director, designated as Director-Finance of the Company for a period of 1 year with effect from 20th December, 2012 on the terms and conditions contained in item no. 7 of this notice"

7. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 309 and 310 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government and such other approvals as may be necessary Mr. Bhuwanesh Kumar Thakur, Whole-time Director, designated as Director-Finance of the Company be paid the following remuneration for a period of one year with effect from 20th December, 2012.

- 1) **Basic Salary** - Rs. 80,250/- per month
- 2) **Perquisites & Allowances:**
 - a) **Housing** - Company Lease Accommodation (lease rent not to exceed 60% of the Basic Salary.)

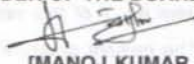
- b) **Conveyance**
 - i) Company's car, with actual petrol and repair & maintenance.
 - ii) Driver's salary Rs. 4500/- per month to a maximum.
- c) **Telephone** - Telephone expenses as per actual.
- d) **Medical Reimbursement** - Expenses incurred for him and the family subject to a maximum of five percent of the basic salary per month.
- e) **Leave Travel Allowance** - One month basic salary per annum.
- f) **Bonus/Ex-gratia** - One month basic salary per annum
- g) **Club Membership** - 1000/ month
- h) **News Paper** - 100/- per month
- i) **Contribution to Provident fund, Superannuation fund or Annuity fund** - As per the rules of the Company which shall not be computed for the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- j) **Gratuity** - Gratuity payable shall not exceed half month's salary for each completed year of service.
- K) **Sitting Fee** - Mr. B.K. Thakur will not be entitled for sitting fees for attending the meetings of the Board or Committees thereof
- l) **Minimum Remuneration** - In the event of inadequacy or absence of profit in any financial year during his tenure, Mr. B.K.Thakur will be entitled to remuneration along with the perquisites/benefits mentioned above by way of minimum remuneration in terms of Schedule XIII of the Companies Act, 1956.

Note: All the perquisites will be interchangeable i.e. any excess in a particular perquisite may be permissible by a corresponding reduction in one or more of the other perquisites(s)

3) Other Terms:

- i. **Leave:** As per the rules of the Company.
- ii. **Reimbursement of entertainment expenses:** Mr. B.K. Thakur will be entitled to reimbursement of entertainment and other expenses incurred in the course of legitimate business purpose of the Company.

BY ORDER OF THE BOARD


[MANOJ KUMAR]
COMPANY SECRETARY

Place : New Delhi
Dated : 28th May, 2013

NOTES:

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER. SUCH PROXIES DULY COMPLETED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

1. Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of Special Business are annexed hereto.
2. All documents referred to in Notice are open for inspection at the Registered Office of the Company between 11.00 A.M to 1.00 P.M on any working day prior to the date of meeting and also at the Meeting.

3. The Register of Members and Share Transfer Books of the Company will remain close from 26th July, 2013 to 2nd August, 2013 (both days inclusive).
4. Non-resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
5. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to individuals holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Shares Department of the Company.
6. Members are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.
7. Members desiring any information as regards to accounts are requested to address their questions to the Secretary of the Company at least 7 days before the date of the Meeting so that the required information is made available at the Meeting.

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

ITEM NO. 5

Mr. Bhuwanesh Kumar Thakur is a fellow member of Institute of Chartered Accountants of India, New Delhi and has experience of more than 15 years and has worked at various levels. He was appointed as CFO of the Company from 4th June, 2011. His experience is in area of finance, accounts, taxation, administration and operations of the Company's business. The Board appointed him as the Additional Director of the Company at the Board meeting held on 20th December, 2012 and as per the provisions of Section 260 of the Companies Act, 1956 Mr. Bhuwanesh Kumar Thakur holds the office of director only up to the date of this Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500, proposing the candidature of Mr. Bhuwanesh Kumar Thakur as Director of the Company.

The Board recommends this resolution to be passed as an ordinary resolution.

None of the Directors are interested or concerned in the resolution except Mr. Bhuwanesh Kumar Thakur.

ITEM NO. 6

Mr. Bhuwanesh Kumar Thakur is a fellow member of Institute of Chartered Accountants of India, New Delhi and has experience of more than 15 years and has worked at various levels. He was appointed as CFO of the Company from 4th June, 2011. His experience is in area of finance, accounts, taxation, administration and operations of the Company's business. The Board has subject to your approval and other approvals as may be required appointed him as the Whole-time director, designated as Director -Finance of the Company w.e.f. 20th December, 2012 for a period of one year on the remuneration and perquisites as contained in item no. 7 of this notice.

The present proposal is to seek the member's approval for appointment of Mr. Bhuwanesh Kumar Thakur as the Whole-time director, designated as the Director-Finance in terms of the applicable provisions of Companies Act, 1956. The Board therefore recommends this resolution for your approval as special resolution.

The term of appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Whole-time Director u/s 302 of the Companies Act, 1956.

None of the Directors except Mr. Bhuwanesh Kumar Thakur are interested or concerned in the resolution.

ITEM NO. 7

Mr. Bhuwanesh Kumar Thakur is a fellow member of Institute of Chartered Accountants of India, New Delhi and has experience of more than 15 years and has worked at various levels. He was appointed as CFO of the

Company from 4th June, 2011. His experience is in area of finance, accounts, taxation, administration and operations of the Company's business. The Board has subject to your approval and other approvals as may be required appointed him as the whole time director, designated as Director -Finance of the Company w.e.f. 20th December, 2012 for a period of one year on the remuneration and perquisites as contained in item no. 7 of the notice hereof.

Considering the above facts, other relevant factors and the comparative remuneration in the industry, the Remuneration Committee, pursuant to Schedule XIII of the Companies Act, 1956 approved and recommended to the Board for payment of such remuneration as mentioned in Item No. 7 of this notice, to Mr. Bhuwanesh Kumar Thakur for a period of one year w.e.f. 20th December, 2012. The Board in their meeting held on 20th December, 2012 had approved payment of such remuneration to him subject to your approval.

The information as required under Schedule XIII to the Companies Act, 1956 is given herein under:

I. GENERAL INFORMATION:

- (1) Nature of Industry : Sponge Iron
- (2) Date or expected date of commencement of commercial production : The Company commenced commercial production on 1st July, 1989
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable
- (4) Financial performance based on given indicators: (Rs. in Lacs)

Financial Parameters	2012-13	2011-12
Sales (Net of Excise Duty)	12,054.16	17,146.42
Other Income	146.00	85.78
Profit / (Loss) before Interest,		
Depreciation & Exceptional Items	(1,759.86)	(710.85)
Interest & Finance Charges	977.56	1,011.68
Depreciation	346.27	347.98
Profit/(Loss) for the year before		
Exceptional Items	(3,083.69)	(2,070.51)
Exceptional Items-income/(expenditure)	476.12	(0.08)
Provision for Tax	-	-
Profit / (Loss) for the year carried to Balance Sheet	(2,607.57)	(2,070.59)

- (5) Export performance and net foreign exchange collaborations: None
- (6) Foreign investments or collaborators, if any: None

II. INFORMATION ABOUT THE APPOINTEE:

- (1) **Background details:** Mr. Bhuwanesh Kumar Thakur is a fellow member of Institute of Chartered Accountants of India, New Delhi. He has been associated with the industry for more than 15 years and has worked at various level.
- (2) **Past remuneration:** The Board appointed Mr. Bhuwanesh Kumar Thakur as Chief Financial Officer of the Company on the basic salary of Rs. 80,250/- per month plus perquisites on 4th June, 2011 and was later appointed as Director - Finance w.e.f. 20th December, 2012 on the same salary.
- (3) **Recognition or awards :** None.

- (4) **Job profile and his suitability :** He joined as the GM Finance and was later appointed as the Chief Financial Officer of the Company w.e.f. 4th June, 2011 and was appointed as Whole Time Director designated as Director - Finance of the Company w.e.f 20th December, 2012 for a period of one year. He has vast experience in the area of finance, accounts, taxation, administration and operations of the Company's business.
- (5) **Remuneration proposed:** Details of proposed remuneration is given in Item No. 7 of the Notice convening the 31st Annual General Meeting.
- (6) **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:** In the similar sized sponge iron units, remuneration is ranging between Rs. 20 lacs to Rs. 30 lacs per annum.
- (7) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** He does not have pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel except drawing salary from the Company.

III. OTHER INFORMATION:

Reasons of loss or inadequate profits:

The basic reasons for loss is due to low production of Sponge Iron as against the installed capacity. The Company could not achieve full production due to unprecedented low availability of Iron Ore, Coal and working capital shortage.

Steps taken or proposed to be taken for improvement:

IRON ORE MINE ;

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

The Company has requested for the allocation for an additional Iron Ore Mine to compensate the difference in allocated quantity and for revised geological reserves.

The draft Mining Plan prepared by MECON is already submitted with Ministry of Mines on 3rd September, 2012 based on the revised reserves of 11.00 million tons. The Company expects a total capital investment of around Rs.45.00 Crores for the development and anticipates the commencement of production of iron ore by 2015.

COAL MINE

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

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

20 MW POWER PLANT:

Your Company has entered into an Agreement with Chandil Power Ltd.(CPL) for the sale of hot gases being generated by the Company during production of sponge iron, which at present is a waste and being discharged into the air. The sale price of hot gas will be based on its calorific value. The hot gases will be used by CPL for generating power in its proposed 20MW WHRSG based Power Plant. The Company will get additional revenue from the sale of hot gases and will also get benefit of carbon credit.

CPL has applied for various Govt. approvals necessary for putting up the Plant. The Company has also applied to Govt. of Jharkhand for their permission to sub-lease 22.36 acres of land to Chandil Power Ltd. required for the Power Plant as the same has to set up in the vicinity of BSIL for smooth flow of hot gases. The necessary permission is under consideration of Govt. of Jharkhand.

Further, the term loan sanctioned by Indian Renewable Energy Development Agency Limited ("IREDA") to Chandil Power Ltd. on 30th September 2010 for setting up of the 20 MW Power Plant has now been sought to be closed on the basis that NOC for the sub-lease of the land has not been submitted by the Company till date. Chandil Power Limited shall apply for fresh loan to IREDA after BSIL to CPL receives the permission from Government of Jharkhand to sub-lease the land to CPL.

5 MW POWER PLANT / STEEL PLANT

The Company from the existing power plant generates 5 MW Power based on dolo char being produced in the manufacturing of sponge iron. Since the Company is not able to consume the total Dolo Char, the Company has entered into an agreement with G.S. Phambutor Pvt. Limited (GSP) to install a 5 MW Power Plant. Whenever the existing power plant goes under regular maintenance, the Company has to generate power from DG Set, which is highly uneconomical. During such time the Company will take power from GSP and for the rest of the period GSP will consume the power in induction furnace to produce pencil ingot. It is expected that the 5 MW power plant and induction furnace will be commissioned by June, 2013.

The above measures being taken by the Company will definitely improve the performance of the Company in terms of profitability.

Since payment of remuneration to the Whole-time Director requires approval of the shareholders by way of a special resolution in terms of the provisions of Schedule XIII of the Companies Act, 1956, therefore, the Board recommends this resolution to be passed as a special resolution.

The terms of appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Whole-Time Director u/s 302 of the Companies Act, 1956.

None of the Directors except Mr. Bhuvanesh Kumar Thakur are interested or concerned in the resolution.

INFORMATION REGARDING REAPPOINTMENT OF DIRECTORS:

Mrs. Kum Kum Modi, Mr. B. D. Garg and Mr. G. C. Jain Directors of the Company retire by rotation and being eligible, offers themselves for re-appointment.

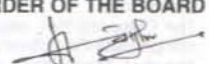
Mrs. Kum Kum Modi is Post graduate from Delhi University and has experience in the area administration and business management.

Mr. B. D. Garg is an Engineering graduate from Banaras Hindu University and has more than 36 years of experience in the area of administration, operations and technical aspects of the industry.

Mr. G. C. Jain is a fellow member of the Institute of Chartered Accountants of India and Law Graduate from Rajasthan University and has more than 37 years of experience in accounts, audit, taxation and company law matters.

BY ORDER OF THE BOARD

Place : New Delhi
Dated : 28th May, 2013


[MANOJ KUMAR]
COMPANY SECRETARY

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 31st Annual Report of the Company along with audited accounts for the year ended 31st March, 2013.

Financial Parameters	(Rs. in Lacs)	
	2012-13	2011-12
Sales (Net of Excise Duty)	12,054.16	17,146.42
Other Income	146.00	85.78
Profit / (Loss) before Interest, Depreciation & Exceptional Items	(1,759.86)	(710.85)
Interest & Finance Charges	977.56	1,011.68
Depreciation	346.27	347.98
Profit/(Loss) for the year before Exceptional Items	(3,083.69)	(2,070.51)
Exceptional Items-income/(expenditure)	476.12	(0.08)
Provision for Tax	-	-
Profit / (Loss) for the year carried to Balance Sheet	(2,607.57)	(2,070.59)

OPERATIONS

During the year under review production of sponge iron was 60,873 M.T. as against 83,495 M.T. in the previous year. The Company could not achieve full production due to unprecedented low availability of iron ore, coal and working capital shortage.

IRON ORE:

Iron ore is one of the major raw material for the production of sponge iron and due to fast growth of small sponge iron plants in Odisha and Jharkhand, there has been an acute shortage of iron ore in the market.

Further Govt. of Odisha introduced online registration under the guidance of Indian Bureau of Mines, which almost stopped the mining activities in the State of Odisha. Moreover Sponge Iron manufacturers were asked to submit details of yearly iron ore procurement data, along with the production compilation of the data for verification, which took long time. Thereafter hindrance in supply of iron ore again appeared due to demand of forest clearance from mines owner by Odisha Govt. As a result 60% of the mines were closed for the want of environmental clearance.

COAL:

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

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

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

Further, the MoC has also constituted a Committee under the Chairmanship of Additional Secretary of Coal, to look into the matter, we are hopeful that the issue would be resolved soon.

Further during the period under review insufficient coal rakes were supplied by CCL due to non availability of rakes caused as a reason of priority being given to Power Sector.

IRON ORE MINE :

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

The Company has requested for the allocation for an additional Iron ore mine to compensate the difference in allocated quantity and for revised geological reserves. The draft Mining Plan prepared by MECON is already submitted with Ministry of Mines on 3rd September, 2012 based on the revised reserves of 11.00 million tons.

The Company expects a total capital investment of around Rs.45.00 Crores for the development and anticipates the commencement of production of iron ore by 2015.

COAL MINE

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

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

20 MW POWER PLANT:

Your Company has entered into an Agreement with Chandil Power Ltd.(CPL) for the sale of hot gases being generated by the Company during production of sponge iron, which at present is a waste and being discharged into the air. The sale price of hot gas will be based on its calorific value. The hot gases will be used by CPL for generating power in its proposed 20MW WHRS based Power Plant. The Company will get additional revenue from the sale of hot gases and will also get benefit of carbon credit.

CPL has applied for various Govt. approvals necessary for putting up the Plant. The Company has also applied to Govt. of Jharkhand for their permission to sub-lease 22.36 acres of land to Chandil Power Ltd. required for the Power Plant as the same has to set up in the vicinity of BSIL for smooth flow of hot gases. The necessary permission is under consideration of Govt. of Jharkhand.

Further, the term loan sanctioned by Indian Renewable Energy Development Agency Limited ("IREDA") to Chandil Power Ltd. on 30th September 2010 for setting up of the 20 MW Power Plant has now been sought to be closed on the basis that NOC for the sub-lease of the land has not been submitted by the Company till date. Chandil Power Limited shall apply for fresh loan to IREDA after the Company receives the permission from Government of Jharkhand to sub-lease the land.

5 MW POWER PLANT / STEEL PLANT

The Company from the existing power plant generates 5 MW Power based on dolo char being produced in the manufacturing of sponge iron. Since the Company is not able to consume the total dolo char, the Company has entered into an agreement with G.S. Phambutor Pvt. Limited (GSP) to install a 5 MW Power Plant. Whenever the existing power plant goes under regular maintenance, the Company has to generate power from DG Set, which is highly uneconomical. During such time the Company will take the power from GSP and for the rest of the period GSP will consume the power in induction furnace to produce pencil ingot. It is expected that the 5 MW power plant and induction furnace will be commissioned by June, 2013.

FIXED DEPOSITS:

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

BOARD OF DIRECTORS:

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

Mr. B. K. Thakur was appointed as additional Director and then Whole-time Director of the Company designated as Director- Finance, w.e.f. 20th December, 2013. Mr. B.K. Luthra resigned as Director of the Company with effect from 23rd August, 2012.

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

Bihar State Industrial Development Corporation (BSIDC) had withdrawn the nomination of Mr. Dipak Kumar Singh and has nominated Mr. Sudhir Kumar vide their letter dated No. 133/G dated 15th April, 2013.

In accordance with the provisions of section 257 of the Companies Act, 1956 and Article 128 of the Articles of Association of the Company, Mrs. Kum Kum Modi, Mr. B. D. Garg and Mr. G. C. Jain retires by rotation and are eligible for re-appointment. None of the directors of the Company are disqualified under Section 274 (1) (g) of the Companies Act, 1956. Your directors have made necessary disclosures as required under various provisions of the Companies Act, 1956.

AUDITORS:

M/s. Thakur, Vaidyanath Aiyar and Co., Chartered Accountants (Firm Registration No.000038N), Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made would be within the prescribed limits under Section 224 (1B) of the Company Act, 1956.

- ii. M/s M.K. Singhal & Co., Cost Accountants has been appointed by the Board of Directors of the Company on the recommendation of the Audit Committee, as Cost Auditors of the Company for the Financial Year 2012-13. The Company has received a letter from them to the effect that their appointment, if made would be within the prescribed limits under Section 224 (1B) of the Company Act, 1956. The Certificate of independence and arms length relationship with the Company and are not disqualified for such appointment within the meaning of Section 226/233-B (5) of the Companies Act, 1956 has been received.

ACCOUNTS AND AUDIT REPORT:

The Notes to Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments. However, in respect of delays/non-payment of part of statutory dues the Board of Directors wish to explain as under:

Due to low production as a result of non-availability of coal from CCL, the said dues could not be paid on due dates. Necessary steps for the payment of such dues along with interest for the delayed period are being taken.

SUBSIDIARY COMPANY

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

MANAGEMENT DISCUSSION ANALYSIS REPORT

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

DIRECTORS RESPONSIBILITY STATEMENT:

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

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

CORPORATE GOVERNANCE :

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

PARTICULARS OF EMPLOYEES :

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

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

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) 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

Umesh K. Modi
(Chairman & Managing Director)

Place New Delhi
Dated: 28-05-2013

Annexure A:

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

CONSERVATION OF ENERGY :

	Current Year (2012-13)	Previous Year (2011-12)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
A) PURCHASED		
Unit	Nil	Nil
Amount(Rs.)	Nil	Nil
Rate/Unit (Rs.)	Nil	Nil
B) OWN GENERATION		
1. Through Diesel Generator		
Unit	7,99,510	6,01,505
Unit per liter of HSD	2.93	2.40
Cost/Unit (Rs.)	15.37	17.19
2. Through steam turbine		
Unit	2,18,04,700	2,48,44,900
Unit per M.T of fuel	875	914
Cost/Unit (Rs.)	2.73	2.70
2. COAL		
Quantity (M.T)	1,15,501	1,47,577
Cost (Rs.)	30,77,13,248	37,89,41,768
Average Rate (Rs./M.T)	2,664.16	2,567.75
B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)		
1. Electricity (Unit)	371	305
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	1.90	1.77
4. Others - HSD (Liter)	4.49	3.00

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:

	2012-2013	2011-2012
1. EARNING		
Export of Goods on F.O.B OUTGO	—	—
2. EXPENDITURE		
a) Interest	—	7.21
b) Import on CIF Basis Stores & Spares	—	0.24

For & on behalf of the Board

Umesh K. Modi
(Chairman & Managing Director)

Place: New Delhi
Date : 28-05-2013

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

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

BOARD OF DIRECTORS:

The Company has an Executive Chairman and the number of Independent Directors are equal to half of the total number of Directors. None of the Directors on the Board is a Member of more than 10 committees and Chairman of more than 5 Committees (as specified in Clause-49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

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

Name of the Directors	Executive/Independent/ Non-Executive	No. of meetings attended(+)	Attendance at previous AGM on 29th Sept., 2012	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee	
					Chairman	Membership
Mr. Umesh K. Modi	Chairman & Managing Director	4	Not Present	7	Nil	Nil
Mr. Dipak Kumar Singh @	Nominee Director	Nil	Not Present	Nil	Nil	Nil
Mrs. Kum Kum Modi	Non Executive Director	Nil	Not Present	2	Nil	Nil
Mr. Abhishek Modi	Non Executive Director	2	Not Present	7	Nil	Nil
Mr. Jayesh Modi	Non Executive Director	1	Not Present	4	Nil	Nil
Mr. B. D. Garg	Independent Director	4	Not Present	2	Nil	Nil
Mr. K.K. Jain (ii)	Independent Director	4	Not Present	1	Nil	2
Mr. G.C. Jain	Independent Director	4	Present	6	4	Nil
Mr. B.N. Nayak (iii)	Nominee Director	Nil	NA	Nil	1	2
Dr. Shyam Vyas (iv)	Independent Director	1	Not Present	Nil	Nil	Nil
Mr. J. C. Chawla (v)	Independent Director	3	Present	Nil	Nil	Nil
Mr. G.W. Elsenheimer	Independent Director	Nil	Not Present	Nil	Nil	Nil
Dr. Wolfgang Janke (vi)	Independent Director	1	NA	Nil	Nil	Nil
Mr. B. K. Thakur (vii)	Whole Time Director	1	NA	Nil	Nil	Nil
Mr. B.K.Luthra (viii)	Whole time Director	2	NA	5	Nil	Nil
Mr. Vijay K Modi (ix)	Alternate to Dr. Wolfgang Janke	Nil	NA	1	1	Nil
Mr.J.N. Khurana	Alternate to Mr. G. W. Elsenheimer	4	Not Present	2	1	Nil

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

(*) Directorship in companies registered under the Companies Act, 1956, excluding Directorships in Private Limited Companies, Companies under section 25 of the Companies Act and Alternate Directorships.

(i) Bihar State Industrial Development Corporation had withdrawn nomination of Mr. Dipak Kumar Singh and has nominated Mr. Sudhir Kumar in his place w.e.f 28th May, 2013.

(ii) Mr. K. K. Jain has resigned w.e.f. 28th May, 2013.

(iii) IFCI Ltd. has withdrawn nomination of Mr. B. N. Nayak w.e.f 17th May, 2012.

(iv) Dr. Shyam Vyas was appointed as an additional director of the Company w.e.f. 5th May, 2012 and was appointed as director at the 30th Annual General Meeting of the Company.

(v) Mr. Jagdish Chander Chawla was appointed as an additional director on 22nd August, 2012 and was appointed as director at the 30th Annual General Meeting of the Company.

(vi) Dr. Wolfgang Janke has resigned as director of the Company w.e.f. 5th May, 2012 and hence Mr. Vijay K Modi, alternate director to Dr. W.Janke ceased to hold office from that date.

(vii) Mr. B. K. Thakur was appointed as whole time director on 20th December, 2012.

(viii) Mr. B. K.Luthra has resigned as director of the Company w.e.f.23rd August, 2012.

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

Four Board Meetings were held during the year on 05-5-2012, 22-08-2012, 20-12-2012 and 30-03-2013.

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

The Company has adopted the Code of Conduct for the Directors and Senior Management of the Company. The Company has received confirmations from both the Directors as well as Senior Management regarding compliance of the Code of Conduct for the year ended 31st March, 2013. The Code is posted on the website of the Company i.e. www.bsil.org.in

INFORMATION REGARDING REAPPOINTMENT OF DIRECTORS:

Mr. B. D. Garg, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. B. D. Garg is a Non-Executive Director. He is an engineering graduate from Banaras Hindu University and has more than 36 years of experience in Administration, operations and technical aspects of the industry. He is also a Director in Modi Hitech India Limited and Chandil Power Limited.

Mr. G. C. Jain, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. G. C. Jain is a Non-Executive and Independent Director. He is a fellow member of the Institute of Chartered Accountants of India and Law Graduate from Rajasthan University and has more than 37 years of experience in Accounts, Audit, Taxation and Company Law matters. He is also a Director in SBEC Sugar Limited, SBEC Systems (India) Limited, SBEC Bioenergy Limited, OWN Investment (India) Limited, SBEC Stock Holding and Investment Limited and Modi Gourmet Limited.

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

AUDIT COMMITTEE:

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

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

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

IFCI Ltd. has withdrawn nomination of Mr. B.N.Nayak from the Board of the Company w.e.f. 17th May, 2012 and hence also ceased to be a member of Audit committee from that date. Mr. B. K. Luthra has resigned w.e.f 23rd August, 2012, hence ceased to be the member of Audit Committee from that date. Mr. K. K. Jain has resigned w.e.f. 28th May, 2013 and hence ceased to be a member of the Committee from that date.

Mr. J.C. Chawla and Dr. Shyam Vyas both being independent non-executive directors has been adopted as a members of audit committee.

Four meetings of Audit Committee were held during the year on 14th May, 2012, 11th August, 2012, 10th November, 2012 and 14th February, 2013.

Attendance at meetings during the year:

Director	No. of meetings attended	Director	No. of meetings attended
Mr. G.C. Jain	4	Mr. J.C. Chawla	2
Mr. K.K. Jain	4	Dr. Shyam Vyas	1
Mr. B.N. Nayak	1		
Mr. B.K. Luthra	1		

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

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

The Audit Committee shall also mandatory review the following:

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

INVESTORS' GRIEVANCE REDRESSAL COMMITTEE:

The Investors'/Shareholders Grievance Redressal Committee was first constituted on 11th September, 2001.

The Investors' Grievance Committee has following independent directors:

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

IFCI Ltd. has withdrawn nomination of Mr. B.N.Nayak from the Board of the Company w.e.f. 17th May, 2012 and hence he ceased to be the member of Investors'/Shareholders Grievance Redressal Committee and has not nominated any other person in his place on the Board of the Company.

Mr. J.C. Chawla and Dr. Shyam Vyas both being independent non-executive directors has been adopted as a member of the committee.

Mr. K. K. Jain has resigned w.e.f 28th May, 2012, hence ceased to be member of the committee from that date.

BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, re-materialization, complaints of shareholders etc. During the year under review, the Committee met four times on 14th May, 2012, 11th August, 2012, 10th November, 2012 and 14th February, 2013.

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	Stock Exchanges	Investor Associations	SEBI	Deptt. of Company Affairs	
(2012-2013)						
1. Received	3	Nil	Nil	1	Nil	4
2. Replied	3	Nil	Nil	1	Nil	4
3. Pending	Nil	Nil	Nil	Nil	Nil	Nil

COMPLIANCE OFFICER:

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

REMUNERATION COMMITTEE:

The Remuneration Committee was constituted by the Board in March, 2006. The Committee has been reconstituted on 22nd August, 2012.

The following persons are the Members of the Committee:

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

The Company Secretary acts as a Secretary to the Committee.

Two meetings of Remuneration Committee were held during the year on 5th May, 2012 and 20th December, 2012 and all the members of the Committee were present at the meeting. IFCI Ltd. has withdrawn nomination of Mr. B.N.Nayak from the Board of the Company w.e.f. 17th May, 2012. Mr. J.C. Chawla and Mr. Shyam Vyas being independent non-executive directors has been adopted as a members of committee from that date.

Mr. K. K. Jain has resigned as director of the Company w.e.f. 28th May, 2013 and hence ceased to be member of the Committee from that date.

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

Details of Remuneration paid to Directors for the year ended on 31st March, 2013. The non-executive Directors (NEDs) are paid remuneration by way of Sitting Fee of Rs. 1,000/- per meeting for attending the meetings of Board and/or Committees thereof.

The details of Remuneration paid to the Directors during the year ended 31st March, 2013 are as under:-

S. NO.	NAME	SALARY	PERQUISITES AND OTHER BENEFITS	SITTING FEES (Rs.)	TOTAL (Rs.)
Executive Directors:					
1	Mr. U. K. Modi	24,00,000	20,23,617	—	45,99,101
2	Mr. B.K.Luthra (Resigned w.e.f. 23-08-2012)	6,36,368	7,42,618	—	15,10,583
3	Mr. B. K. Thakur (Appointed w.e.f. 20-12-2012)	2,71,815	2,09,297	—	4,81,112
Non-Executive Directors:					
1	Mr. K.K. Jain	—	—	48,000	48,000
2	Mr. B. D. Garg	—	—	6,000	6,000
3	Mr. G.C. Jain	—	—	15,000	15,000
4	Mr. Shyam Vyas	—	—	5,000	5,000
5	Mr. J. C. Chawla	—	—	30,000	30,000
6	Mr. B.N. Nayak	—	—	3,000	3,000
7	Mr. J.N. Khurana	—	—	4,000	4,000

ANNUAL GENERAL MEETING:

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

Year	Date	Venue	Time	Special Resolution Passed (Yes / No)
2012	29.09.2012	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes
2011	30.09.2011	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	Yes
2010	29.09.2010	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.	No

POSTAL BALLOT :

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

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

DISCLOSURE:

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

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

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

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

Quarterly Results:

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

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

Pursuant to Clause 49 of the Listing Agreement, the Chief Executive Officer/Director Finance have submitted the desired certificate to the Board of Directors and the same have been taken on record by the Board of Directors in their meeting held on 28th May, 2013.

GENERAL SHAREHOLDER INFORMATION:

31st Annual General Meeting is scheduled to be held on Friday 2nd day of August, 2013 at 11:00 AM at the Registered Office of the Company, Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan - 832401, Jharkhand (Jharkhand) as per notice enclosed with the Annual Report.

Financial Calendar for taking on record financial results for next financial year ending 31st March, 2014.

Particulars	Date
For First Quarter UFR ended 30.06.2013:	By 14 th August, 2013
For Second Quarter UFR ended 30.09.2013:	By 15 th November, 2013
For Third Quarter UFR ended 31.12.2013:	By 15 th February, 2013
For Audited Financial results for the year ended 31.03.2014: (UFR: un-audited financial results)	By 30 th May, 2014

Book Closure:

26th day of July, 2013 to 2nd day of August, 2013 (both days inclusive)

Dividend payment date:

In view of losses incurred by the Company, no dividend has been recommended by the Board of Directors for the year ended 31st March, 2013.

LISTING ON STOCK EXCHANGES:

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

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

On 21st March, 1998, the Company after complying with the conditions of Circular No. 6/9/SE/78 dated 28th June, 1979 issued by Ministry of Finance, Department of Economic Affairs, Stock Exchange Division, applied to Ahmedabad, Calcutta, Delhi and Madras Stock Exchanges for de-listing of Equity Shares. The Company has received the letter of confirmation of de-listing from Madras Stock Exchange Association Limited only, matter is pending with others stock exchanges. The Company vide its letter dated 25th September, 2007 applied for voluntary de-listing of Shares from Magadh Stock Exchange, the matter is pending with the Exchange.

The Company has paid listing fee for the financial year 2013-2014 to Bombay Stock Exchange Limited only.

Market Price Data:

High/Low of market price of the Company's shares traded on Bombay Stock Exchange Limited during the financial year 2012-2013 is furnished below:

Month	High Price	Low Price	No. of Shares
Mar 12	7.08	5.77	1,93,827
Apr 12	6.96	5.47	1,40,421
May 12	5.49	4.41	1,99,023
Jun 12	4.80	4.23	1,17,198
Jul 12	6.18	4.13	1,96,403
Aug 12	6.21	4.03	3,04,864
Sep 12	6.70	5.50	4,24,642
Oct 12	6.19	4.27	2,53,119
Nov 12	5.25	4.16	1,79,896
Dec 12	4.95	4.33	1,31,072
Jan 13	5.20	4.01	1,92,754
Feb 13	4.49	3.40	1,09,227
Mar 13	4.44	2.90	1,10,037

Registrar and Transfer Agents:

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

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

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

Share Transfer System:

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

Distribution of Share holding as on 31st March, 2013:

No. of Shares	No. of Shareholders	No. of Shares	% age to total shares
Up to 5000	54,063	82,01,703	9.09
5001 to 10000	3,159	25,67,526	2.85
10001 to 20000	1,259	19,73,426	2.18
20001 to 30000	344	8,87,260	0.98
30001 to 40000	178	6,46,899	0.72
40001 to 50000	182	8,80,693	0.98
50001 to 100000	345	18,54,597	2.06
100001 and above	225	7,31,93,299	81.14
Total	59,655	9,02,05,403	100.00

Shareholding pattern as on 31st March, 2013:

Particulars	No. of Shares Held	% age of shares held
1. Promoters	6,25,52,579	69.34
2. Mutual Funds & UTI	64,550	00.07
3. Banks, Financial Institution & Insurance Companies	1,15,820	00.13
4. Foreign Financial Investors	6,68,584	00.74
5. Private Corporate Bodies	3174591	3.52
6. Indian Public	22979361	25.48
7. NRI/OCBs	648537	0.72
8. Any Other (Clearing Members & Trust)	181	0.00
Total	9,02,05,403	100.00

Dematerialization of shares:

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

Share held in physical and dematerialized form:

As on 31st March, 2013, 55.78 % 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:

BIHAR SPONGE IRON LIMITED

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 109A of the Companies Act, 1956, are requested to submit to the Company in prescribed Form 2B for this purpose.

AUDITOR'S CERTIFICATE**The Members of BIHAR SPONGE IRON LTD.**

We have examined the compliance of conditions of Corporate Governance of Bihar Sponge Iron Limited (the company) for the year ended 31st March, 2013 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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

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

We state that no investor grievances are pending for the period exceeding one month against the Company as per records maintained by the Shareholders/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place : New Delhi
Dated : 28th May, 2013

[M.P. Thakur]
Partner
Membership No. : 052473

MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

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

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

2. OPPORTUNITIES AND THREATS

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

IRON ORE:

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

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

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

COAL:

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

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

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

Further, the MoC has also constituted a Committee under the Chairmanship of Additional Secretary of Coal, to look into the matter, we are hopeful that the issue would be resolved soon.

IRON ORE MINE :

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

The Company has requested for the allocation for an additional Iron Ore Mine to compensate the difference in allocated quantity and for revised geological reserves.

The draft Mining Plan prepared by MECON is already submitted with Ministry of Mines on 3rd September, 2012 based on the revised reserves of 11.00 million tons. The Company expects a total capital investment of around Rs.45.00 Crores for the development and anticipates the commencement of production of iron ore by 2015.

COAL MINE

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

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

20 MW POWER PLANT:

Your Company has entered into an Agreement with Chandil Power Ltd.(CPL) for the sale of Hot Gases being generated by the Company during production of sponge iron, which at present is a waste and being discharged into the air. The sale price of hot gas will be based on its calorific value. The hot gases will be used by CPL for generating power in its proposed 20MW WHRSG based Power Plant. The Company will get additional revenue from the sale of Hot Gases and will also get benefit of carbon credit. CPL has applied for various Govt. approvals necessary for putting up the Plant. The Company has also applied to Govt. of Jharkhand for their permission to sub-lease 22.36 acres of land to Chandil Power Ltd. required for the Power Plant as the same has to set up in the vicinity of BSIL for smooth flow of hot gases. The necessary permission is under consideration of Govt. of Jharkhand.

Further, the term loan sanctioned by Indian Renewable Energy Development Agency Limited ("IREDA") to Chandil Power Ltd. on 30th September 2010 for setting up of the 20 MW Power Plant has now been sought to be closed on the basis that NOC for the sub-lease of the land has not been submitted by the Company till date. Chandil Power Limited shall apply for fresh loan to IREDA after the Company receives the permission from Government of Jharkhand to sub-lease the land.

5 MW POWER PLANT / STEEL PLANT

The Company from the existing power plant generates 5 MW Power based on dolo char being produced in the manufacturing of sponge iron. Since the Company is not able to consume the total dolo char, the Company has entered into an agreement with G.S. Phambutor Pvt. Limited (GSP) to install a 5 MW Power Plant. Whenever the existing power plant goes under regular maintenance, the Company has to generate power from DG Set, which is highly uneconomical. During such time the Company will take the power from GSP and for the rest of the period GSP will consume the power in induction furnace to produce pencil ingot. It is expected that the 5 MW power plant and induction furnace will be commissioned by June, 2013.

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3. SEGMENTWISE/ PRODUCTWISE PERFORMANCE

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

4. OUTLOOK

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

5. RISKS AND CONCERNS

The Management periodically carries out risk assessment exercises. Risk factors are also discussed in Audit Committee Meetings. Wherever possible and necessary, insurance cover is taken for risk mitigation. However, an economic slowdown can adversely affect the demand-supply equation in the sponge iron industry. The price of sponge iron is sensitive to the demand-supply position of steel scrap in the country and also to the selling prices of long products. On the financial front, the Company's debt had been restructured pursuant to the rehabilitation scheme sanctioned by Hon'ble BIFR is over on 30th September, 2011 and the net worth of the Company has not turned positive. All the installments of principal and interest thereon has already been paid under the scheme, except for the exchange fluctuation on foreign currency loan and interest thereon in respect of which PLA has been filed with High Court of Jharkhand, Ranchi. In addition the entire rehabilitation loan along with the interest is due for payment to Government of Jharkhand, for which the Company has proposed re-scheduling for payment of such loan in the draft MDRS. As the net worth of the Company has not become positive by 30th September, 2011, the BIFR vide its order dated 30th May, 2012 had directed the company to file Modified Draft Rehabilitation Scheme (MDRS). The MDRS has been filed on 3rd December, 2012. In the hearing held on 6th December, 2012 the Hon'ble BIFR has allowed 4 months to Monitoring Agency (IFCI Ltd.) for finalizing the MDRS. Hon'ble BIFR in its hearing held on 14th April, 2013 issued the following directions:

- (i) Ministry of Coal (MoC), Central Coalfields Ltd. (CCL) and Coal India Ltd. (CIL) to ascertain the status of the company's application for regular supply of coal as per the existing coal linkage with CCL, and submit report to the Board, with copy to IFCI (MA), within a week.
- (ii) Representatives from Ministry of Coal, Central Coalfields Ltd and Coal India Ltd to be present in the next hearing.
- (iii) Govt of Jharkhand (GoJ) to file progress report regarding permission to sub-lease of 22.36 acres of land of the Company to Chandil Power Limited for putting up 20 MW Waste Heat Recovery Power Plant.
- (iv) The Bench fixed the next DOH on 23 April 2013 which was postponed to 16th May, 2013.

No representation were made by MoC, GoJ, CIL and CCL on the hearing held on 16th May, 2013. The Hon'ble BIFR at the hearing held on 16th May, 2013 has directed to issue notice to the above parties under Section 33 of the SICA.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

7. FINANCIAL PERFORMANCE

Turnover (Net of Excise Duty) for the year under review amounted to Rs 12,054.16 lacs against Rs. 17,146.42 lacs for the previous year. The net loss for the year under review is Rs. 2,607.57 lacs as compared to previous year loss of Rs. 2,070.59 lacs. The loss has been due to low production as a result of non-availability of sufficient quantity of iron ore, coal and working capital shortage.

8. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company, at the year ended 31st March, 2012 had 606 employees as compared to 617 in the previous year and industrial relations remained cordial during the year.

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 Government regulations, statutes, tax laws and other incidental factors.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

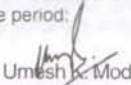
28th May, 2013

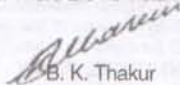
The Board of Directors,
Bihar Sponge Iron Limited
Umesh Nagar,

Chandil, District Saraikela Kharsawan, Jharkhand

We, Umesh K. Modi, Chairman & Managing Director (CEO) and B.K.Thakur, Director- Finance (CFO) of Bihar Sponge Iron Limited both certify to the Board that we have reviewed the Balance Sheet, Statement of Profit & Loss account and notes on accounts as well as cash flow statement and the Directors' report of the company for the year ended 31st March, 2013. To the best of our knowledge, we certify that:

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


Umesh K. Modi
Chairman & Managing Director
(CEO)


B. K. Thakur
Director - Finance
(CFO)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
BIHAR SPONGE IRON LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Bihar Sponge Iron Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Attention is drawn to Note No. 3(a) appearing in Annexure I to the financial statements regarding 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. 2251.93 lacs as provided in the BIFR Scheme dt. 29.07.2004 and also confirmed by AAIFR/ Single Bench of Jharkhand High Court, Ranchi since the company against the order of Single Bench of High court, has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi. Accordingly the net loss for the year and current liabilities at the year end would have been increased and the shareholder's funds have been further reduced by Rs. 2251.93 lacs.

Opinion

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

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to note no. 7 of Annexure I to the financial statements regarding managerial remuneration aggregating to Rs. 4.81 lakhs paid to a whole time director of the company during the year in respect of which Special Resolution at the general meeting and Central Government approval are yet to be obtained in accordance with the requirements of Schedule XIII and other applicable provisions of the Companies Act, 1956. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - Except for the effects of the matter described in the basis of Qualified Opinion paragraph*, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - On the basis of written representations received from the Director (except one Director who is in the service of the Government of Bihar and is the nominee of the BSIDC and on the board of the Company) other than Government Nominee Director, as on March 31, 2013, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. The said Director of BSIDC, in the opinion of the Board is stated to be covered by the exemption granted for the Director u/s 274(1) (g) of the Companies Act, 1956.
 - Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

Place : New Delhi
Dated : 28-05-2013

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

**Annexure referred to in paragraph 1 under the heading
"Report on Other Legal and Regulatory Requirements" of even date**

i) Fixed Assets

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

ii) Inventories

- a) The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals during the year.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of inventory showing full details regarding quantity of receipts, issues, balances and dates of transactions. The discrepancies, noticed on the aforesaid verification, between the physical stocks and stocks as per the books have been properly dealt with in the books of accounts.

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

- a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b,c)&d) In view of (a) above, Para (b), (c) & (d) of clause 4 (iii) are not applicable.
- e) The Company had taken unsecured loan amounting to Rs. 343.35 lacs from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, however the amount outstanding comes to Rs. 4166.08 lacs (including opening balance and net of repayment) as at 31.03.2013.
- f) The rate of interest and other terms and conditions of such loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- g) The payment of principal amount and interest of such loan are regular wherever specified.

iv) Internal Control

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

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

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

vi) Fixed Deposits

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

vii) Internal Audit System

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

viii) Cost Records

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

ix) Statutory Dues

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

The arrears on account of such dues outstanding at the end of the financial year for a period more than six months from the date they become payable are Rs. 2.72 lacs for Service Tax and Rs. 0.25 lacs for Income Tax(TCS).

- b) The details of dues of Sales Tax, Custom Duty, Excise Duty, Trade Tax and Cess etc. which have not been deposited on account of dispute are given hereunder:

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

- x) The Company has accumulated losses at the end of the financial year 31st March 2013 that are more than the net worth of the company. Further the Company has incurred cash losses during the current financial year and in the immediately preceding financial year.
- xi) The Company has not defaulted in payment of dues to financial institutions/banks. There has been no debenture in the Company.
- xii) The Company has not granted loans and advances, on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, the provision of clause 4 (xiii) (a) to (d) for the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- xiv) The Company has not dealt or traded in shares, securities, debentures, and other investments during the year.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) The term loans taken by the Company have been applied for the purpose for which they were obtained, however there has been no term loans obtained during the year under audit.
- xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the Company as at the end of the year, funds raised on short term basis has not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act during the year.
- xix) The Company has not issued debentures hence the question of pending creation of security does not arise.
- xx) The Company has not raised any money by public issue during the year and hence disclosure for end use does not arise.
- xxi) Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the year under audit.

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

Place : New Delhi
Dated : 28.05.2013

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

BALANCE SHEET AS AT 31ST MARCH, 2013

Rs. Lacs

PARTICULARS	Note. No.	As at 31.03.2013	As at 31.03.2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	9,025.31	9,025.31
(b) Reserves and Surplus	2	(12,685.25)	(9,830.86)
		<u>(3,659.94)</u>	<u>(805.55)</u>
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	4,166.08	3,832.73
(b) Other Long Term Liabilities	4	84.46	94.92
(c) Long Term Provisions	5	471.77	400.27
		<u>4,722.31</u>	<u>4,327.92</u>
(3) Current Liabilities			
(a) Trade Payables	6	4,793.79	5,013.67
(b) Other Current Liabilities	7	7,517.95	7,440.35
(c) Short-Term Provisions	8	59.32	67.70
		<u>12,371.06</u>	<u>12,521.72</u>
Total		<u>13,433.43</u>	<u>16,044.10</u>
II ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	8,825.25	9,417.80
(ii) Intangible Assets	10	5.16	7.63
(iii) Capital Work in Progress	11	335.06	272.90
(iv) Intangible Assets under development	12	55.99	48.68
		<u>9,221.46</u>	<u>9,747.01</u>
(b) Deferred Tax Assets (net)	13	-	-
(c) Long term Loans and Advances	14	399.19	392.54
		<u>399.19</u>	<u>392.54</u>
(2) Current Assets			
(a) Inventories	15	1,834.51	3,269.10
(b) Trade Receivables	16	231.85	126.89
(c) Cash and Cash Equivalents	17	1,152.07	1,212.50
(d) Short-term Loans and Advances	18	477.94	1,256.84
(e) Other Current Assets	19	116.42	39.22
		<u>3,812.79</u>	<u>5,904.55</u>
Total		<u>13,433.43</u>	<u>16,044.10</u>

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

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

Umesh K. Modi
(Chairman &
Managing Director)

B.K. Thakur
(Director - Finance)

Directors
B.D. Garg
G.C. Jain
J.N. Khurana
J.C. Chawla

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

Manoj Kumar
(Company Secretary)

Place : New Delhi
Date : 28.05.2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2013 Rs. Lacs

PARTICULARS	Note. No.	Year Ended 31.03.2013	Year Ended 31.03.2012
I Revenue from operations	20	12,054.16	17,146.42
II Other Income	21	146.00	85.78
III Total Revenue (I +II)		<u>12,200.16</u>	<u>17,232.20</u>
IV Expenses:			
Cost of materials consumed	22	8,603.38	13,276.27
Changes in inventories of finished goods,work-in-progress and Stock-in-Trade	23	1,364.54	87.15
Employee benefits expense	24	1,781.16	1,679.07
Finance costs	25	977.56	1,011.68
Depreciation and amortization expense	26	346.27	347.98
Other expenses	27	2,210.94	2,900.56
Total Expenses (IV)		<u>15,283.85</u>	<u>19,302.71</u>
V Profit / (Loss) before exceptional and extraordinary items and tax (III - IV)		<u>(3,083.69)</u>	<u>(2,070.51)</u>
VI Exceptional items	28	476.12	(0.08)
VII Profit/(Loss) before extraordinary items and tax (V-VI)		<u>(2,607.57)</u>	<u>(2,070.59)</u>
VIII Extraordinary Items		-	-
IX Profit / (Loss) before tax (VII - VIII)		<u>(2,607.57)</u>	<u>(2,070.59)</u>
X Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
Total		-	-
XI Profit/(Loss) for the year		<u>(2,607.57)</u>	<u>(2,070.59)</u>
XVI Earning per equity share:	29		
(1) Basic		(2.89)	(2.30)
(2) Diluted		(2.89)	(2.30)

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]

Umesh K. Modi
(Chairman &
Managing Director)

B.K. Thakur
(Director - Finance)

Directors
B.D. Garg
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J.N. Khurana
J.C. Chawla

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

Manoj Kumar
(Company Secretary)

Place : New Delhi
Date : 28.05.2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Rs. Lacs

	As at March 31, 2013	As at March 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax and extraordinary items	(2,607.57)	(2,070.59)
Adjustments for :		
Depreciation	346.27	347.98
Interest Expense	977.56	1,011.68
Interest Income	(85.10)	(51.51)
(Profit)/Loss on sales of fixed assets	1.53	0.08
Provision for no long required written back	(2.78)	(4.77)
Debit / Credit Balances writtenoff	(41.97)	(3.84)
Exceptional Items-Income	(477.65)	—
	<u>717.86</u>	<u>1,299.62</u>
Operating profit/(Loss) before working capital changes	(1,889.71)	(770.97)
Change in Working Capital :		
(Increase)/Decrease in Trade Receivables/long/short term loans and advances	671.15	(763.21)
(Increase)/Decrease in Inventories	1,434.58	621.83
Increase/(Decrease) in Trade Payable and Provisions	(261.49)	2,812.77
	<u>1,844.24</u>	<u>2,671.39</u>
Cash (used in) / generated from operations	(45.47)	1,900.42
Income Tax paid / (Refund)	(4.47)	(3.67)
Net Cash (used in) / generation from operating activities	(49.94)	1,896.75
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8.51	63.68
Purchase of fixed assets (including WIP)	(69.82)	(284.17)
Proceeds from Sales of fixed assets	0.75	2.37
Net Cash (used in)/flow from Investing activities	(60.56)	(218.12)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long/Short term borrowings	343.35	1,486.96
Interest paid	(283.28)	(407.23)
Repayment of long/short term borrowings	(10.00)	(2,395.22)
	<u>50.07</u>	<u>(1,315.49)</u>
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	50.07	(1,315.49)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(60.43)	363.14
Cash and Cash equivalents at beginning of period	1,212.50	849.36
Cash and Cash equivalents at end of the period	1,152.07	1,212.50

Note No.17

Notes:-

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

Umesh K. Modi
(Chairman &
Managing Director)

B.K. Thakur
(Director - Finance)

Manoj Kumar
(Company Secretary)

Directors
B.D. Garg
G.C. Jain
J.N. Khurana
J.C. Chawla

Auditor's Certificate

We have certified the above consolidated Cash Flow Statement of M/s Bihar Sponge Iron Limited, Registered Office, Umesh Nagar, Chandil, Distt Saraikela Kharsawan, Jharkhand, Derived from the audited Statement for the year ended 31st March, 2013 and other records and found the same to be drawn in accordance there with and also with the requirements of Clause 32 of the Listing Agreements with the Stock Exchanges.

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

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

Place : New Delhi
Date : 28.05.2013

- 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 new equity share capital of Rs.3,250 lacs allotted to the private promoter.
- The mortgage and charge referred to in (i) and (ii) mentioned above; shall be in terms of the Rehabilitation Scheme 2003 of the Government of Jharkhand Sanctioned by the BIFR and be subject and subservient to the mortgages and charges created and / or to be created in favour of the secured creditors.
- e) The amount of term loans (included foreign currency loans) of Rs.7,000 lacs as per BIFR scheme dated 29.04.2004 was repayable in 30 quarterly instalments of Rs.233 lacs each commencing from 15th July 2004 to 30th September, 2011 which has been fully repaid.
- f) As per para 8.4 of the sanctioned BIFR Scheme dated 29.07.2004, the interest on Soft loan under Rehabilitation Scheme, 2003 from Govt. of Jharkhand shall be funded over the entire rehabilitation period i.e. upto 30.09.2011. The Soft loan and the funded interest is repayable after 30.09.2011 and the defaulted amount of Principal and interest as on 31.03.2013 comes to Rs.3,250 lacs and Rs.2,584.67 Lacs respectively, for which the company has approached Government of Jharkhand for rescheduling which has also been proposed in the Modified Draft Rehabilitation Scheme filed before the BIFR.

NOTE - 4 : OTHER LONG TERM LIABILITIES

PARTICULARS	As at 31.03.2013	Rs. Lacs As at 31.03.2012
Others		
Security Deposit from Transporters / Contractors	10.89	14.27
Security Deposit - Sales Tax	73.57	80.65
Total	84.46	94.92

NOTE - 5 : LONG TERM PROVISIONS

Provision for Employee Benefits :		
(a) Provision for Gratuity	409.77	349.43
(b) Provision for Leave Encashment	62.00	50.84
Total	471.77	400.27

NOTE - 6: TRADES PAYABLES

Acceptances	2,659.80	2,659.49
Due to units under MSME (Refer note 8 of Annexure-1)	4.05	4.94
Others	2,129.94	2,349.24
Total	4,793.79	5,013.67

NOTE - 7 : OTHER CURRENT LIABILITIES

Current maturities on long term debts (Refer Note 3 for nature of Securities)		
- Term Loan from Government of Jharkhand (under Rehabilitation Scheme 2003)	3,250.00	3,250.00
- Interest accrued due on borrowings	2,584.67	2,152.93
Interest accrued and due on borrowings/acceptances	783.76	464.57
Other Interest accrued	19.77	181.02
Advances from Customers	73.56	236.54
Other Payables		
- Statutory Dues	180.31	585.76
- Other Collections, pending remittance	120.29	156.24
- Due to Employee Benefits	232.15	222.82
- Due for expenses incurred	212.17	176.23
- Book Overdraft	61.11	0.73
- Other Deposit	0.16	13.51
Total	7,517.95	7,440.35

NOTE - 8 : SHORT TERM PROVISIONS

Provision For Employees Benefit :		
Provision for Gratuity	50.50	51.22
Provision for Leave Encashment	8.82	16.48
Total	59.32	67.70

NOTE - 9 : TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		REVALUATION RESERVE*	
	As at 01.04.2012	Additions	Deductions/ Disposal	As at 31.03.13	As at 01.04.2012	For the Year	Deduction/ Adjustment	Upto 31.03.13	As at 31.03.13	As at 31.03.12	As at March 31, 2013
	Rs. Lacs										
LAND : Freehold land**	31.00	-	-	31.00	-	-	-	-	31.00	31.00	24.15
Leasehold land	388.83	-	-	388.83	53.66	4.96	-	58.62	330.21	335.17	315.02
Building	3,658.05	-	-	3,658.05	1,549.18	94.28	-	1,643.46	2,014.59	2,108.87	1,131.72
Plant and Equipment	25,466.40	-	-	25,466.40	19,123.99	447.91	-	19,571.90	5,894.50	6,342.41	2,454.01
Furniture & Fixtures	96.94	0.27	-	97.21	71.60	1.94	-	73.54	23.67	25.34	-
Vehicles ***	130.32	-	5.25	125.07	90.39	8.34	2.97	95.76	29.31	39.93	-
Office Equipments	92.91	0.08	-	92.99	63.22	5.89	-	69.11	23.88	29.69	-
Railway Siding	1,643.35	-	-	1,643.35	1,137.96	27.30	-	1,165.26	478.09	505.39	435.06
Total	31,507.80	0.35	5.25	31,502.90	22,090.00	590.62	2.97	22,677.65	8,825.25	9,417.80	4,359.96
(Previous Year)	31,394.26	117.16	3.62	31,507.80	21,498.85	592.33	1.18	22,090.00	9,417.80		4,606.80

* Revaluation was done on March 31,2003

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

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

NOTE - 10 : INTANGIBLE ASSETS

PARTICULARS	As at 01.04.2012	Additions	Deductions/ Disposal	As at 31.03.13	As at 01.04.2012	For the Year	Deduction/ Adjustment	Upto 31.03.13	As at 31.03.13	As at 31.03.12	As at March 31, 2013
EDP software	15.27	-	-	15.27	7.64	2.47	-	10.11	5.16	7.63	-
(Previous Year)	15.27	-	-	15.27	5.17	2.47	-	7.64	7.63		-

NOTE - 11 : CAPITAL WORK IN PROGRESS

PARTICULARS	Cost			
	As at 01.04.2012	Addition	Transfer to Tangible Assets	As at 31.03.13
Plant & Machinery	272.90	62.16	-	335.06
(Previous Year)	106.14	166.76	-	272.90

NOTE - 12 : INTANGIBLE ASSETS UNDER DEVELOPMENT

Mining Development Expenditure			
- Iron Ore Block	39.74	7.31	47.05
- Coal Block (Refer note 6 (1) of Annexure-I)	8.94	-	8.94
Total	48.68	7.31	55.99
(Previous Year)	48.44	0.24	48.68

NOTE : 13 DEFERRED TAX ASSETS (NET)

Particulars	As at 31.03.2012	For the Year	As at 31.03.2013
Deferred Tax Assets			
Unabsorbed Tax Depreciation	4,568.19	(98.95)	4,469.24
Unabsorbed Assessed Business Loss	1,447.78	633.01	2,080.79
Provision disallowed under Income Tax	128.52	28.60	157.12
Disallowed u/s 43B of Income Tax Act	308.67	(261.89)	46.78
Total	6,453.16	300.77	6,753.93
Deferred Tax Liability			
Difference between book & tax depreciation	915.73	(150.49)	765.24
Net Deferred Tax Assets	5,537.43	451.26	5,988.69

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

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

NOTE : 14 LONG TERM LOANS AND ADVANCES

Particulars	Rs. Lacs	
	As at 31.03.2013	As at 31.03.2012
<i>(Unsecured, & Considered Good unless other wise stated)</i>		
Advances Recoverable (including Capital Advance Rs. 18.05 lacs, P.Y. 18.05 lacs)	233.33	233.33
Security Deposit with Govt & Other Parties	28.69	18.72
Sales Tax / VAT recoverable (including Sales Tax / VAT Paid under protest & Entry Tax)	137.17	140.49
Total	399.19	392.54

NOTE : 15 INVENTORIES

(Valued at lower of cost or net realisable value)

Raw Materials*	572.25	612.81
Work-in-Progress	-	33.01
Finished Goods	498.71	1,830.23
Stores & Spares	758.20	778.16
Goods-in-transit (Stores & Spares)	5.35	14.89
Total	1,834.51	3,269.10

*includes iron ore valued Rs. 34.51 lacs lying at Rly Siding.

NOTE : 16 TRADE RECEIVABLES

Unsecured, Considered Good unless otherwise stated:

Outstanding for more than six months	5.50	-
Others	226.35	126.89
Total	231.85	126.89

NOTE : 17 CASH & CASH EQUIVALENTS

Cash and Bank Balances

Balance with Scheduled Bank		
- in Current Account	33.17	72.90
Cheque / Draft in hand	-	-
Cash in hand	3.79	24.79
Other Bank Balances		
Fixed Deposits with maturity of more than 12 months*	1,115.11	1,114.81
Total	1,152.07	1,212.50

* Include margin money of Rs.792.19 Lacs (P.Y. Rs.792.19 Lacs) pledged against bank guarantee and LCs issued in favour of Coal India Ltd South Eastern Railway Rs.22.38 Lacs (P.Y. Rs.22.38 Lacs), Jharkhand State Pollution Control Board Rs.4.54 Lacs (P.Y.Rs. 4.24 Lacs) and Rs.15.00 Lacs (P.Y. Rs.15.00 Lacs) pledged with Sales Tax Authorities.
The above include FDR valued Rs.281 Lacs held in the name of thirty party which has been pledged with Ministry of Coal, GOI.

NOTE :18 SHORT TERMS LOANS AND ADVANCES*(Unsecured, Considered Good unless otherwise stated)***Others:**

Advance recoverable in cash or in kind or for value to be received (including from related parties Rs. 44.25 Lacs) (P.Y. Rs. 31.97 Lacs)	327.84	1,200.32
Balance with Revenue Authorities :		
- Excise / Cenvat and Service Tax recoverable	18.55	37.48
- Sales Tax recoverable	111.48	3.44
- Income Tax refund	10.42	8.51
- Tax Deducted at Source	9.65	7.09
Total	477.94	1,256.84

NOTE :19 OTHER CURRENT ASSETS

Interest accrued on fixed deposit	115.81	39.22
Claims receivable	0.61	-
Total	116.42	39.22

NOTE : 20 REVENUE FROM OPERATIONS

Particulars	Rs. Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Sales		
Gross Sales	13,156.61	18,524.78
Less:Excise duty	1,102.45	1,378.36
Total	12,054.16	17,146.42

NOTE : 21 OTHER INCOME

Interest on Fixed Deposits & Others*	85.10	51.51
Other non-operating income		
a. Sales of Waste and Scrap	15.40	24.88
b. Rent recovery from staff	0.75	0.78
c. Reversal of excess provisions made in earlier year	2.78	4.77
d. Debit/Credit balance written back (net)	41.97	3.84
Total	146.00	85.78

* Includes Tax Deducted at Source Rs.9.98 lacs (P.Y.Rs.7.09 lacs)

NOTE : 22 COST OF MATERIALS CONSUMED

Raw materials:		
Iron ore	5,488.52	9,444.30
Coal	3,077.13	3,789.42
Dolomite	37.73	42.55
Total	8,603.38	13,276.27

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

Opening Stock		
Finished Goods	1,830.24	1,922.33
Work-in-progress	33.01	28.07
Closing Stock		
Finished Goods	498.71	1,830.24
Work-in-progress	-	33.01
Net changes		
Finished Goods	1,331.53	92.09
Work-in-progress	33.01	(4.94)
Net Decrease	1,364.54	87.15

NOTE : 24 EMPLOYEE BENEFIT EXPENSES

Salaries,Wages and Allowances	1,473.33	1,398.01
Gratuity	83.66	66.79
Leave Encashment	9.56	9.63
Contribution to Provident Fund	112.70	106.23
Inspection charges Provident Fund	1.80	1.70
Staff Welfare Expenses	100.11	96.71
Total	1,781.16	1,679.07

*includes directors remuneration Rs.65.91 lacs (Previous year Rs. 76.08 lacs)

NOTE :25 FINANCE COST

Interest :		
a) On long term borrowings	745.90	666.91
b) Interest on Taxes		
- Excise duty/Service Tax / I.Tax /Sales Tax	13.70	17.60
c) Other Interest (Security Deposit & Others)	1.30	8.34
Bank & Other Charges	5.69	4.26
Bill discounting charges / Finance charges	210.97	314.57
Total	977.56	1,011.68

NOTE - 26 : DEPRECIATION & AMORTIZATION EXPENSES

Rs. Lacs

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Depreciation & Amortization	593.09	594.80
Less: Amount transfer from Revaluation Reserve (Note no.2)	(246.82)	(246.82)
Total	346.27	347.98

NOTE - 27 : OTHER EXPENSES

Consumption of Stores & Spare parts	40.85	44.96
Excise Duty on Increase/(Decrease) of stock	(126.19)	(51.74)
Power & Fuel	850.14	891.33
Handling Charges	187.15	198.60
Water Charges	36.09	38.70
Repair & Maintenance:		
- Building	1.14	4.34
- Plant and Machinery	519.30	717.61
- Railway Siding	16.50	17.85
- Others	19.30	22.82
Rent	22.66	25.96
Rates & Taxes incl. wealth tax	3.97	4.27
Insurance	24.19	26.33
Director's Sitting Fee	1.11	0.87
Printing & Stationery	11.16	10.60
Telephone, Telex and Postage	23.55	25.93
Vehicle Running & Maint.	109.74	110.04
Travelling & Conveyance	32.19	31.07
Legal & Professional	95.77	64.48
Auditor's Remuneration		
- As Audit Fee	5.00	5.00
- As Tax Audit	0.40	0.40
- Certification and Company Law	2.65	2.35
- Expenses Reimbursement	0.85	0.71
Repair & Maintenance	29.25	24.78
Social Development Expenses	33.42	33.92
Miscellaneous Expenses	40.29	38.09
Prior Period Items (net)	0.06	0.13
Sales Tax Expenses	18.84	-
Advertisement and Sales Promotion	4.94	4.83
Packing, Freight & Forwarding	204.14	584.97
Commission on Sales	2.48	21.36
Total	2,210.94	2,900.56

NOTE - 28 : EXCEPTIONAL ITEMS

Profit/(Loss) on sale of fixed assets (net)	(1.53)	(0.08)
Reversal of Provision of Excise Duty on freight from factory to depot as per Trade Notice of 1996, dismissed by the Jharkhand High Court, Ranchi	373.06	-
Reversal of excess provision of Accrued Interest as per One Time Settlement (OTS) before the BIFR on 14.05.2012 between the Company and a party.	104.59	-
Total	476.12	(0.08)

NOTE - 29 : EARNING PER SHARE (EPS)

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

Profit/(Loss) after tax for the year	(2,607.57)	(2,070.59)
Weighted Average number of equity shares of Rs. 10/- each fully paid up	90,205,403	90,205,403
Basic & Diluted Earnings per share	(2.89)	(2.30)

ANNEXURE 1 : ACCOUNTING POLICIES & GENERAL NOTES

1. Accounting Policies

1. Basis of preparation of Financial Statements

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

2. Use of Estimates

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

3. Inventory valuation

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

4. Fixed Assets:

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

5. Expenditure during Construction:

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

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

6. Depreciation:

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

7. Foreign Currency Translation:

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

8. Revenue Recognition:

- 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.
- Other miscellaneous revenues are recognized when the amount and the collectability are certain. Accordingly insurance claims are accounted for on settlement.

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

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

11. Extraordinary Items:

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

12. Borrowing cost

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

13. Employee Benefits

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

(a) Short Term Employee Benefits

Short Term employee benefits are recognized in the period during which the services have been rendered.

(b) Long Term Employee Benefits**(i) Defined Contribution Plan****Provident Fund**

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

(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 & Loss account.

(iii) The actuarial valuation takes note of actuarial gains and losses.**14. Contingent Liabilities**

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

15. Earning Per Share

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

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

15 Taxation

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

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

II. NOTES RELATED TO ACCOUNTING STANDARDS**1. Employee Benefits.**

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

Expenses recognized in the statement of Profit & Loss

Rs. Lacs

	Current Year		Previous Year	
i) Defined Contribution Plan				
Employer's Contribution to Provident Fund (Refer Note No. 24)		112.70		106.23
ii) Defined Benefits Plans	(Rs. Lacs)			
	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Current service cost	31.25	23.64	7.88	9.37
Interest cost	32.05	28.89	5.39	5.10
Expected Return on Plan Assets	—	—	—	—
Net Actuarial (gain)/loss	20.37	14.26	(3.71)	(4.85)
Past Service cost	—	—	—	—
Curtailment and Settlement Cost/(credit)	—	—	—	—
Expenses recognized in the statement of Profit & Loss	83.67	66.79	9.56	9.62

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

Rs. Lacs

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate	8.00%	8.50%	8.00%	8.50%
Expected Rate of increase in Compensation Levels	5.50%	6.00%	5.50%	6.00%
Expected Rate of Return on Plan Assets	NA	NA	NA	NA
Expected Average remaining working lives of employees (years)	17.81 years	15.96 years	17.81 years	18.56 years

(b) Reconciliation of opening and closing balances of benefit obligations :

(Rs. Lacs)

	Gratuity Unfunded		Leave Encashment Unfunded	
	Current Year	Previous Year	Current Year	Previous Year
Benefit obligation at beginning of the year	400.64	339.88	67.32	60.02
Current service cost	31.25	23.64	7.88	9.37
Interest Cost	32.05	28.89	5.39	5.10
Benefits paid	(24.04)	(6.03)	(6.06)	(2.33)
Curtailement and Settlement cost	-	-	-	-
Contribution by plan participants	-	-	-	-
Past service cost	-	-	-	-
Actuarial (gain)/ loss	20.37	14.26	(3.71)	(4.85)
Projected benefit obligation at end of the year	(460.27)	(400.64)	(70.82)	(67.32)
Net amount recognized in the balance sheet as at 31.3.2013	(460.27)	(400.64)	(70.82)	(67.32)

(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. 116.24 lacs and for earned leave liability for Rs.12.49 lacs.

2. Segmental Reporting

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

3. Related Party Transactions - AS 18

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

(a) By virtue of control

Moderate Leasing & Capital Services Ltd.

(b) Key Management Personnel and their relatives

Shri U K Modi Chairman and Managing Director, Shri B.K. Luthra, Executive Director (Works) upto 23-08-2012 and Shri B.K. Thakur Director-Finance w.e.f 20-12-2012 are the Key Management Personnel.

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

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

(i) SBEC Sugar Ltd.

(ii) SBEC Bio-Energy Ltd.

(iii) Modi Industries Limited

(iv) Modi Mundipharma Pvt. Ltd.

(v) Modi Revlon Pvt. Ltd.

(vi) Modi Line Travel Services Pvt. Ltd.

(vii) Win Medicare Pvt. Ltd.

(viii) Modi Motors Pvt. Ltd.

(ix) Modi Senator India Pvt. Ltd

(x) Morgardshammar (India) Ltd.

(xi) M.G. Mobiles India Pvt. Ltd.

(xii) H.M. Tube & Containers Pvt. Ltd.

(xiii) Chandil Power Ltd.

(xiv) G.S. Pharmbutors Pvt Ltd.

(xv) A to Z Holdings Pvt Ltd.

Transactions with related Parties (As identified by the Management)

(Rs. Lacs)

Nature of Transactions	By virtue of control		Enterprises where influence exist		Key Managerial Personnel	
	Current Year	Previous Year	Current year	Previous Year	Current year	Previous Year
Sale of Fixed Assets	-	-	-	2.07	-	-
Rent Recovered	-	-	17.97	19.19	-	-
Rent Paid	-	-	33.71	30.00	-	-
Misc Exp. Recovered	-	-	6.28	12.92	-	-
Misc. Exp. Reimbursed/paid	-	-	29.06	15.15	-	-
Purchase of Fixed Assets	-	-	-	34.91	-	-
Purchase of Stores	-	-	7.36	5.80	-	-
Acceptances taken	-	-	245.00	4,732.50	-	-
Acceptances repaid	-	-	164.00	2,171.36	-	-
Interest and Financial charges paid	265.02	250.96	56.23	328.00	3.88	1.19
Loan taken	343.35	711.00	-	483.00	-	42.00
Loan repaid	10.00	1,570.86	-	-	-	-
Remuneration to Mg Director	-	-	-	-	45.99	44.15
- Executive Director	-	-	-	-	15.11	31.93
- Finance Director	-	-	-	-	4.81	-
- Sitting Fee to Non-Executive Directors	-	-	-	-	1.11	0.87
Outstanding balances as on	31.3.13	31.3.12	31.3.13	31.3.12	31.3.13	31.3.12
- Receivable	-	-	44.25	31.97	-	-
- Acceptances	-	-	-	2,875.71	-	-
- Payable	-	-	59.37	132.69	-	-
- Unsecured Loan	3,614.08	3,307.73	483.00	483.00	42.00	42.00
- Int on unsecured loan	238.52	236.35	51.14	10.94	4.56	1.07

4. The management is of the opinion that except the assets written off during the year and the assets retired from active use, there is no further impairment of assets as at 31-3-2013 as contemplated in the Accounting Standard (AS) 28.

5. Operating Leases

The Company's leasing arrangements are in respect of premises (for office, godown and accommodation of Company's officer & directors). These arrangements are both cancelable and non-cancelable in nature and ranging between one to three years as at 31st March, 2013.

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

Sl.No.	Particulars	Rs. Lacs	
		As at 31.03.2013	As at 31.03.2012
A	Total of future minimum lease payments under non-cancelable operating leases for each of the following periods		
	- Not later than one year	33.71	30.00
	- Later than one year and not later than five years	27.50	27.50
	- Later than five years	-	-
B	Lease rent recognized as expenses in P&L A/c	53.81	61.26

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

(Rs. Lacs)

	As at 31.3.13	As at 31.3.12
1. Contingent Liabilities:		
Claims not acknowledged as debts are as under: -		
(i) Custom Duty on Plant & Machinery	106.92	106.92
(ii) Custom Duty and interest on Imported Stores & Spares	154.59	154.59
(iii) (a) JVAT Demand under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Asst. Year 2006-07. (excludes amount Rs.23.07 lacs and paid by the company but not considered as credit by deptt.)	23.97	23.97
(b) Central Sales Tax demand (including interest) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals) Jamshedpur for the Financial Year 2006-07	3.11	3.11
(c) Disputed demand for JVAT for the F.Y. 2010-11 u/s 70(5)(b) under appeal before the Jt. Commissioner of Commercial Taxes (Appeals), Jsr. However stay has been granted on 20.01.2012 and amount paid as advance on appeal of Rs.5.87 lacs previous year Rs. 5.87 lacs).	58.79	58.79
(d) Demand raised by DCCT, Jsr for tax due and penalty imposed or interest payable under JVAT Act 2005 of the F.Y. 2010-11 under dispute before JCCT(Appeals), Jamshedpur.Stay has been granted on 06-10-2012 till final disposal (Adv paid on appeal Rs.15 lacs on.19.10.2012)	247.86	247.86
(iv) Demand for water charges and interest thereon disputed under writ petition before Jharkhand High Court, Ranchi	2,193.91	1,738.78
(v) Railway Authorities has imposed penalty on the Company earlier which was dismissed by the Jharkhand High Court, Ranchi. Railway Authority has now filed a petition before Supreme Court, Delhi.	56.00	56.00
(vi) (a) Disputed liability on account of currency fluctuation on foreign currency loans and interest thereon, pending before the Hon'ble High Court, Jharkhand, Ranchi.	2,251.93	2,142.17
(b) Liability on account of currency fluctuation on upfront payment of foreign currency loan and additional 2% interest rate in lieu of guarantee of Govt. of Jharkhand matter pending in SLP before the Hon'ble Supreme Court, Delhi	2,027.06	1,995.43
(vii) Disputed Income Tax demand including interest and penalty for short deduction/collection or Tax at source based on NSDL report for the F.Y. 2004-05 to 2008-09 u/s 156 raised by DCIT, JSR under appeal before the CIT (Appeal), JSR under section 246A (1) of the Income Tax Act,1961.	83.34	83.34
(viii) Liability for price difference / other claims net of counter claims, if any, arising on account of procurement of raw materials under a contract (since terminated) pending before an Arbitrator / High Court.	Not ascertained	Not ascertained
(ix) (a) The Company has received a show cause notice to explain as to why the production of Sponge Iron was low in comparison to iron ore consumed. The company has furnished its reply, justifying consumption of iron ore viz a viz Sponge Iron production. The Matter is still pending.	Not ascertained	Not ascertained
(b) Demand for recovery of irregular Cenvat Credit for Service Tax and education cess for financial year 2010-11 under Rule 15(4) of CCR 2004 read with section 78 of the Finance Act 1994 under appeal before The Appellate Tribunal Central Excise & Service Tax, Kolkata	1.23	1.23
(x) 40% additional price over the prevailing price of Coal pending before Hon'ble High Court Jharkhand	171.79	-
(xi) Disputed penalty recovered by SECL for short lifting of Coal quantity as per Linkage.	215.28	215.28
(xii) Liability on account of Bank Guarantees	1,058.67	1,073.19

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

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

2.2 Other Commitments: Rs. 3.00 Lacs (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 29th July, 2004 had sanctioned the Rehabilitation Scheme. The said scheme envisaged a total payment of Rs. 13,500 lacs, Rs.6,500 lacs was to be paid as upfront payment and the balance Rs. 7,000 lacs was to be paid in 30 quarterly installments effective from 15th July, 2004. The Rehabilitation Scheme is under implementation.

- (II) In the review hearing held on 3rd September, 2007 & 22nd September, 2010, the BIFR, by exercising powers under Section 18 (5) and 18 (9) of the SICA, clarified / directed that the Company shall make payment of the due installments to its foreign lenders in 'Euro' as per the amount reflected in Euro in the statement annexed to the sanctioned scheme along with the applicable interest i.e. LIBOR plus 1% per annum (LIBOR + 3% in case of delay/ default in payment of installments).

The Company has filed appeal before the Appellate Tribunal for Industrial and Financial Reconstruction (AAIFR) challenging the above said order.

AAIFR in its order dated 23-12-2011 has dismissed the appeal. The above order of AAIFR was challenged by the Company by filling Writ Petition in Jharkhand High Court on 06.02.2012. In the hearing held on 22nd February, 2012, the Appeal was dismissed.

The Company has not recognized Rs.2,251.93 lacs the liability on account of foreign currency fluctuation in Euro on foreign currency loans installments and interest thereon as per the BIFR Scheme. The Company has filed a Letters Patent Appellate Jurisdiction (LPA) on 27th July, 2012 before the higher bench in the High Court of Jharkhand, Ranchi against the order of the Single Judge.

- (III) The Net worth of the Company could not become positive during the implementation of BIFR Scheme till 30-09-2011. As per Order date 5th May 2012, BIFR directed to the company to submit Modified Draft Rehabilitation Scheme (MDRS) within four months for the rehabilitation of the Company.

- (IV) The Modified Draft Rehabilitation Scheme of the company was filed before the Hon'ble BIFR on 3rd December 2012. The modified scheme is under consideration of the BIFR.

4. The demand of water charges Rs. 2,314.94 lacs (inclusive of interest on arrear of water bills of Rs.205.28 lacs) as on 31.03.2013 (P.Y. Rs.1,843.73 lacs inclusive of interest of Rs.161.29 lacs as on 31.3.2012) 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. 121.03 lacs up to 31st March, 2013, (Rs.104.94 lacs as on 31.3.2012.)

5. South Eastern Coalfield Ltd. has imposed a penalty of Rs.215.28 lacs in 2011-12 on account of short lifting of coal quantity in terms of Fuel Supply Agreement (FSA) dated 02.05.2008 and recovered the same by encashment of the bank guarantee. 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. The matter is still under process as such no provision has been made.

6. (i) Coal Block :

The Company has been allotted for captive use a Coal Block in the Macherkunda Coal Block in the State of Jharkhand on 5th August 2008 by the Ministry of Coal, Government of India. The Ministry of Coal vide letter date 20.11.2012 deallocated the above coal block on the ground that the Company has failed to develop the coal block allotted within the prescribed milestone/time frame.

On being aggrieved with the above order, the Company has filed a Writ Petition before the Jharkhand High Court, challenging the decision of the Ministry of Coal to de-allocate the Coal block. The Hon'ble High Court, by an order dated 12th December 2012 has passed the interim order that until further order, no coercive steps shall be taken against the petitioner pursuant to the impugned order.

(ii) Coal Tapering Linkage Policy:

- a) CCL by applying the Tapering Linkage Policy have stopped supplying Coal to the Company w.e.f 05.02.2013 and insisting upon the Company to execute a Side Agreement with it for future supply of the coal with the following conditions;

- Coal quantity to be supplied to the BSIL would be reduced to zero in the fourth year i.e. reduction of 25%, 50%, 75% during the 1st, 2nd, and 3rd respectively.
- A 40% additional price on the prevailing coal price of Coal India Limited would be payable by the Company.

The Company has filed a Writ Petition before the Jharkhand High Court against the CCL's decision to apply the tapering linkage policy even though the coal block earlier allotted to the Company has been deallocated. The matter is pending before the High Court.

- (b) In respect of Coal supplied under Coal linkage for the month of January 2013, the CCL has charged 40% additional price on the prevailing price of coal by applying tapering linkage policy amounting to Rs. 171.79 Lacs and adjusted the advance payment of Rs. 80.08 Lacs against the supply of coal for the month of February 2013. In view of the dispute for applying tapering linkage policy, the Company has not recognized the additional cost of coal.

7. Shri B.K.Thakur, Chartered Accountant was working as Chief Financial Officer of the Company w.e.f. 04.06.2011. He was appointed a Additional Director and then as the Whole-time Director of the Company w.e.f 20th December 2012 and designated as Director Finance of the Company. The remuneration paid to Shri B.K.Thakur as Director Finance amounting to Rs.4.81 lacs w.e.f.20th December, 2012 till 31st March 2013 is subject to the approval of Shareholders of the Company in their General Meeting and the Central Government in terms of the provisions of sec 198,269,309, Schedule XIII and other applicable provisions of the Companies Act, 1956.

8. Dues to Micro Small and Medium Enterprises:

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

		As at 31.3.2013	As at 31.3.2012
a)	(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year.	4.05	4.94
	(ii) Interest due thereon.	1.30	0.27
b)	(i) The amount of interest paid in terms of Sec.16 of MSME Act, 2006 beyond the respective due date during the year.	Nil	Nil
	Amount of interest not claimed & written back.	0.27	0.87
	(ii) The amount of principal paid beyond the due date during the year.	Nil	Nil
c)	The amount of interest due and payable for delay period (where principal has already been paid after due date)	Nil	Nil
d)	The amount of interest accrued and remaining unpaid as at the end of the accounting year.	1.30	0.27
e)	The amount of further interest remaining due and payable even in the succeeding years for the purpose of disallowance as a deductible expenditure under Section 23 of MSME Act, 2006.	1.30	0.27

9. Credit/Debit balances of some of the Creditors, Lenders, Debtors and advances are subject to reconciliation/confirmation at the year end.

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

		Current Year	Previous Year
11.	Value of Imports calculated on CIF basis during the Financial Year: Component & Spare Parts	Nil	0.24
12.	Expenditure in Foreign currency during the Financial Year: Interest	Nil	7.21

13. Value of imported and indigenous raw materials and components consumed and percentage of each to total Consumption :

		Rs. Lacs	
		Value	%
Raw Material:			
-	Indigenous	8,603.38	100
-	Imported	-	-
		8,603.38	100
Stores & Spares			
-	Indigenous	385.45	100
-	Imported	-	-
		385.45	100

14. Repairs & Maintenance to Plant include stores and spare parts consumed as under:

		(Rs.Lacs)	
		Current year	Previous year
Particulars			
Plant & Machinery		339.82	492.20
Railway Siding		1.89	3.39
Others		2.89	3.58

15. Earning in Foreign Currency: Nil

16. Subsidiary Company:

Chandil Power Limited (CPL) has become subsidiary of the Company under Section 4(1)(a) of the Companies Act 1956 w.e.f 17th August 2011. CPL's project is still under development stage and hence no consolidation has been done in line with the provision of AS -21.

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

17. Previous year figures have been recast / restated to conform to the classification required by the Revised Schedule VI:

Notes 1 to 29 and Annexure - I containing Accounting Policies and General Notes form part of the Financial Statements.

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]

M.P. Thakur
(Partner)

Membership no. 052473

Place : New Delhi

Date : 28.05.2013

Umesh K. Modi
(Chairman &
Managing Director)

Manoj Kumar
(Company Secretary)

B.K. Thakur
(Director - Finance)

Directors

B.D. Garg
G.C. Jain
J.N. Khurana
J.C. Chawla

GREEN INITIATIVE

FOR THE KIND ATTENTION OF MEMBERS

As a responsible corporate citizen, your Company welcomes and supports the '**Green Initiative**' taken by the Ministry of Corporate Affairs (MCA), Government of India, vide its Circular No. 17/2011 dated 21st April 2011 and 18/2011 dated 29th April 2011.

The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of Annual Reports and other documents of your Company.

In terms of enabling provisions of these Circulars, the Company will henceforth effect electronic delivery of documents including Annual Report, Notice of Meeting/ Postal Ballot, other shareholder communications, etc. to the members at their e-mail addresses available / registered with the Company.

For supporting this green initiative, if you hold the shares in:

- a. **Electronic form**, please intimate your e-mail address to your Depository Participant (DP). The same will be deemed to be your registered e-mail address for serving notices/ documents including those covered under Section 219 of the Companies Act, 1956.
- b. **Physical form**, please send a duly signed letter quoting the name of First / sole holder and Registered Folio addressed to the Company Secretary of the Company or the Registrar & Share Transfer Agent at :

<p>Company Secretary Bihar Sponge Iron Ltd. Umesh Nagar, Chandil Distt. Saraikela Kharsawan - 832401 Jharkhand.</p>	<p>M/s Beetal Financial & Computer Services Ltd. Beetal House, 3rd Floor, Behind Local Shopping Complex 99, Madangir, New Delhi-110062</p>
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Kindly note that if you desire, a physical copy of the Annual Report and other communication/ documents will be sent to you free of cost, as per the current practices. Such documents will also be displayed on the Company's website : www.bsil.org

We strongly urge you to support this '**Green Initiative**' by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.

In case, your shares are in physical form, we urge you to have your shares dematerialized by approaching Depository Participant (DP) of your choice.

BIHAR SPONGE IRON LTD.

REGISTERED OFFICE

Umesh Nagar, Chandil, Dist Saraikela-Kharsawan-832401 Jharkhand

ATTENDANCE SLIP

(THIS ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTERANCE OF THE MEETING HALL)

L.F.NO. (s)	
D.P. ID No.	

CLIENT ID NO.	
NO. OF SHARES HELD	

Name of the attending Member
(in Block Letters)

Name of Proxy(s) (in Block Letters).....
(to be filled in if the Proxy attends instead of the member)

I hereby record my presence at the 31st Annual General Meeting of the Company held on Friday, the 2nd day of August, 2013 at 11.00 A.M. at Umesh Nagar, Chandil, Dist Saraikela-Kharsawan-832401 Jharkhand.

.....
Member's/Proxy's Singnature
(To be signed at the time
of handing over this slip)

.....PLEASE TEAR HERE.....

BIHAR SPONGE IRON LTD.

REGISTERED OFFICE

Umesh Nagar, Chandil, Dist Saraikela-Kharsawan-832401 Jharkhand

PROXY FORM

L.F.NO. (s)	
D.P. ID No.	

CLIENT ID NO.	
NO. OF SHARES HELD	

I/We.....
of.....
being member(s) of BIHAR SPONGE IRON LIMITED, hereby appoint.....
.....of in the district of.....
.....or failing him/her.....
.....of in the district of

as my/our Proxy to attend and vote for me/us, on my/our behalf at the 31st Annual General Meeting of the Company to be held on Friday, the 2nd day of August, 2013 at 11.00 A.M. at Umesh Nagar, Chandil, Distt. Saraikela Kharsawan-832401 Jharkhand and at any adjournment thereof.

AS WITNESS my/our hand(s) this day of..... 2013.

Affix a
Revenue
Stamp

- Note : i) The Proxy must be sent so as to reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.
ii) The Proxy need not be a member of the company.

Signature(s)

BOOK POST

BIHAR SPONGE IRON LTD.

REGISTERED OFFICE

Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401 Jharkhand

ATTENDANCE

(THE ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING)

L.F.NO. (s)	
D.P. ID No.	

CLIENT ID NO.	
NO. OF SHARES HELD	

Name of the attending Member
(in Block Letters)

Name of Proxy (in Block Letters)
to be filled in if the Proxy attends instead of the member.

The meeting will be held at 11:00 A.M. at Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401, Jharkhand, on Friday, the 3rd day of August, 2013.

Member's Signature
(To be signed at the time
of handing over this slip)

PLEASE TEAR HERE

BIHAR SPONGE IRON LTD.

REGISTERED OFFICE

Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401 Jharkhand

PROXY FORM

L.F.NO. (s)	
D.P. ID No.	

CLIENT ID NO.	
NO. OF SHARES HELD	

I, _____ of _____ in the district of _____ do hereby proxy to attend and vote for me/us, on my/our behalf at the 31st Annual General Meeting of the Company to be held on Friday, the 3rd day of August, 2013 at 11:00 A.M. at Umesh Nagar, Chandil, Dist. Saraikela-Kharsawan-832401, Jharkhand and at any adjournment thereof.

AS WITNESSES my/our hand(s) this _____ day of _____ 2013.

The Proxy Form shall be valid only if it is filled in the registered office of the company and the Proxy Form is received before the time for holding the aforesaid meeting.

Place
Reserve
Stamp

If undelivered, please return to:-
BIHAR SPONGE IRON LTD.
Umesh Nagar, Chandil,
Dist. Saraikela-Kharsawan-832401
Jharkhand