



A GLOBAL SOURCE FOR CORE SECTOR

BALASORE ALLOYS LIMITED

26th Corporate Report 2013-14



BALASORE ALLOYS LIMITED

CIN: L27101OR1984PLC001354

BOARD OF DIRECTORS

CHAIRMAN

Mr Pramod Kumar Mittal

EXECUTIVE DIRECTORS

Mr Anil Sureka, *Managing Director*

Mr R K Parakh, *Director-Finance*

NON-EXECUTIVE DIRECTORS

Mr Mahesh Trivedi

Mr S Mohapatra

Mr S K Pal

Dr A K Bhattacharyya

Prof S K Majumdar

Mr K P Khandelwal

Ms Vartika Mittal

VP & COMPANY SECRETARY

Mr Trilochan Sharma

AUDITORS

M/s Chaturvedi & Shah
Chartered Accountants
714-715, Tulsiani Chambers,
212, Nariman Point,
Mumbai - 400 021, India.
Tel.No.+91-22-3021-8500

INTERNAL AUDITORS

M/s Das & Prasad
Chartered Accountants
Diamond Chambers,
4, Chowringhee Lane,
8th Floor, Room No. 8F, Block - 3rd,
Kolkata - 700 016, India
Tel. No. +91-33-2252-1911 (3 Lines)

COST AUDITORS

M/s Shome & Banerjee
Cost Accountants
5A, Nurulla Doctor Lane, 2nd Floor,
Kolkata 700 017
Tel.No.+91-33-2287-9722
+91-33-6456-6720 / 6722

BANKERS

State Bank of India
State Bank of Hyderabad
Allahabad Bank

REGISTRARS & TRANSFER AGENT

MCS Limited
Unit : Balasore Alloys Ltd.
77/2A, Hazra Road,
Kolkata - 700 029, India
Tel No. + +91-33-4072 4051/4052/4053
Fax No. +91-33-4072 4050
E-mail : mcskol@rediffmail.com

REGISTERED OFFICE & WORKS

Balgopalpur - 756 020
Dist. Balasore, Odisha, India
Tel. Nos. +91-6782-275781-85
Fax No. +91-6782-275724
E-mail: mail@balasorealloys.com
investorshelpline@balasorealloys.com
Website : www.balasorealloys.com

ADMINISTRATIVE OFFICE

Park Plaza, 71, Park Street, 1st Floor,
Kolkata - 700 016
Phone No. + 91-33-4029 7000
Fax No. + 91-33-2229 5693
E-mail: mail@balasorealloys.com
investorshelpline@balasorealloys.com
Website : www.balasorealloys.com

MINES OFFICE

Kaliapani Chromite Mine
At\PO : Kaliapani - 755 047
Dist. : Jajpur, Odisha



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BALASORE ALLOYS LIMITED

CIN: L27101OR1984PLC001354

Registered Office: Balgopalpur - 756020, Dist. Balasore, Odisha.

Website : www.balasorealloys.com; Email: mail@balasorealloys.com

Phone: +91-6782-275781-85 Fax: +91-6782-275724

NOTICE

Notice is hereby given that the Twenty-Sixth Annual General Meeting of the Members of Balasore Alloys Limited will be held at the Registered Office of the Company at Balgopalpur - 756 020, Dist. Balasore, Odisha, on **Thursday, 25th day of September, 2014 at 9.30 A.M.** to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Ms. Vartika Mittal (DIN: 02451225) who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED that pursuant to provision of Sections 139 and 142 and other applicable provisions, if any, of the Companies Act 2013, and Rules made thereunder, and pursuant to the recommendations of Audit Committee of the Board of Directors, M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration No. 101720W) be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the thirtieth Annual General Meeting of the Company, subject to ratification by the shareholders annually, on such remunerations as shall be fixed by the Board of Directors from time to time in consultation with the Auditors plus applicable service tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit.”

SPECIAL BUSINESS

5. **Appointment of Mr. Mahesh Trivedi as an Independent Director for a term of five years.**

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

“RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Mahesh Trivedi (DIN: 00050785), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation.”

6. **Appointment of Mr. Shantanu Mohapatra as an Independent Director for a term of five years.**

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

“RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Shantanu Mohapatra (DIN: 00176836), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation.”

7. **Appointment of Mr. Sujit Kumar Majumdar as an Independent Director for a term of five years.**

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

“RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force)



NOTICE - (Contd.)

read with Schedule IV of the Companies Act, 2013, Mr. Sujit Kumar Majumdar (DIN: 00177344), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation."

8. Appointment of Mr. Susil Kumar Pal as an Independent Director for a term of five years.

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

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Susil Kumar Pal (DIN: 00268527), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation."

9. Appointment of Mr. Kashi Prasad Khandelwal as an Independent Director for a term of five years.

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

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Kashi Prasad Khandelwal (DIN: 00748523), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation."

10. Appointment of Mr. Asish Kumar Bhattacharyya as an Independent Director for a term of five years.

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

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Asish Kumar Bhattacharyya (DIN: 00799039), whose period of office was liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing in terms of section 160 of the Act from a member proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of directors by rotation."

11. Revision of remuneration of Mr. R K Parakh, Director-Finance

To consider, and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

"RESOLVED that pursuant to the provisions of Section 196, 197, Schedule V and all other applicable provisions of the Companies Act, 2013 including any statutory modification(s) or re-enactment thereof for the time being in force read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Agreement dated 17th November, 2011 and based on the recommendations of Nomination and Remuneration Committee, the consent of the Company be and is hereby given to the revision in basic salary of Mr. R K Parakh (DIN: 00459699), Director-Finance of the Company from existing Rs. 1,50,000/- (Rupees One lac fifty thousand only) to Rs. 2,00,000/- (Rupees Two Lacs only) per month, effective from 1st April, 2014 till the remainder of his tenure; provided however that the Perquisites and Allowances as are payable to him shall also stand consequently revised, subject to them not exceeding 125% of his annual salary."

12. Ratification of remuneration of Cost Auditor of the Company for the financial year 2014-15

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

"RESOLVED that pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (Including any statutory modifications) or re-enactment thereof, for the time being in force, the consent of the Company be and is hereby given for payment of remuneration of Rs. 1,50,000/- (Rupees one lac fifty thousand only) (net of Service Tax) plus reimbursement of travelling and other out of pocket expenses incurred to conduct the audit of the cost records of the company for the financial year ending March 31, 2015 as may be applicable on the



NOTICE - (Contd.)

Company to M/s Shome & Banerjee, Cost Accountants who were appointed as the Cost Auditors of the Company by the Board of Directors at its meeting held on 20th May, 2014.”

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

13. Approval for revision in mortgaging of properties of the Company under Section 180(1)(a) of the Companies Act, 2013.

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

“RESOLVED that in supersession of the resolution passed under Section 293(1)(a) of the Companies Act, 1956, at the 20th Annual General Meeting of the Company held on 25th September, 2008 and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) of such mortgages, charges, hypothecations, lien and / or pledge as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board / Committee of the Board may direct, to or in favour of financial institutions, foreign financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, other bodies corporate (hereinafter referred to as the “Lending Agencies”) and Trustees for the holders of debentures/ bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an outstanding aggregate value not exceeding Rs. 1500 crores (Rupees One thousand five hundred crores only) together with interest thereon at the agreed rates of interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements / Loan Agreements / Debenture Trust Deeds entered / to be entered into by the Company in respect of the said borrowings.”

“RESOLVED FURTHER that the Board be and is hereby authorized to finalize with the Lending Agencies / Trustees, the documents for creating the aforesaid mortgages, charges, hypothecations, lien and / or pledge and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to this resolution.”

14. Approval for revising borrowing limit of the Company under Section 180(1)(c) of the Companies Act, 2013

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

“RESOLVED that in supersession of the resolution passed under Section 293(1)(d) of the Companies Act, 1956 at the 20th Annual General Meeting of the Company held on 25th September, 2008 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) for borrowing from time to time, any sum or sums of monies, which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total outstanding amount so borrowed shall not at any time exceed the limit of Rs. 1500 crores (Rupees One thousand five hundred crores only).”

“RESOLVED FURTHER that the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to interest, repayment, security or otherwise whatsoever as it may think fit and to do all such acts, deeds and things as they may deem necessary to give effect to the above resolution including but not limited to the appointment of any manager/consultant or any other intermediary in respect of the above offerings and/or to execute all such documents, instruments and writings as may be required.”

By Order of the Board

Kolkata
7th August, 2014

Trilochan Sharma
VP & Company Secretary



NOTICE - (Contd.)

IMPORTANT NOTES:

1. The Register of Members and the Share Transfer books of the Company will remain closed from 19th September, 2014 to 25th September, 2014 (both days inclusive) for annual closing and determining the entitlement of the shareholders to the dividend for the financial year 2013-14.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.**

A person can act as proxy on behalf of member or members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution / authority, as applicable.

4. The dividend of Rs. 0.60 per share has been recommended by the Board of Directors for the year ended 31st March, 2014 and subject to the approval of the shareholders at the ensuing Annual General Meeting, is proposed to be paid on and after 30th September, 2014.
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Company.
6. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
7. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/ re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
8. Electronic copy of the Notice of the 26th Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company / Depository Participant(s) for communication purposes. For members who have not registered their email address, physical copies of the Notice of the 26th Annual General Meeting of the Company inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
9. Members may also note that the Notice of the 26th Annual General Meeting and the Annual Report for the year 2013-14 will also be available on the Company's website www.balasorealloys.com for their download. The physical copies of the aforesaid documents will also be available at the Company's administrative Office in Kolkata for inspection during normal business hours (1.00 P.M. to 5.00 P.M.) on all working days except Saturdays. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same. For any communication, the shareholders may also send requests to the Company's investor email id: investorshelpline@balasorealloys.com
10. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the administrative Office of the Company in Kolkata during normal business hours (1.00 PM to 5.00 PM) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.
11. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to inform that all the resolutions as stated in the notice can be transacted by electronic voting system and the company has provided to the members, facility to exercise their right to vote at the 26th Annual General Meeting (AGM) by electronic means through e-Voting Services provided by Central Depository Services (India) Ltd.



NOTICE - (Contd.)

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item No. 5 to 10

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors which came into effect from April 1, 2014, the Independent Directors shall be appointed for not more than two terms of five years each and shall not be liable to retire by rotation.

The Board of Directors of the Company have decided to adopt the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the amended Listing Agreement.

Accordingly, Mr. Mahesh Trivedi, Mr. Shantanu Mohapatra, Mr. Sujit Kumar Majumdar, Mr. Susil Kumar Pal, Mr. Kashi Prasad Khandelwal and Mr. Asish Kumar Bhattacharyya, the existing Independent Directors are proposed to be appointed as Independent Directors of the Company by the shareholders of the Company at the 26th Annual General Meeting of the Company for a term upto 31st March, 2019 and whose offices shall not, henceforth, be liable to retire by rotation. Notices have been received from members proposing their candidature for the office of Directors of the Company.

In the opinion of the Board, all the above Independent Directors fulfil the conditions specified in the Companies Act, 2013 and rules made thereunder for their appointment as Independent Directors of the Company and are independent of the management. The Independent Directors have also given to the Board, a declaration of their meeting the criteria of independence as provided in section 149(6) of the Companies Act, 2013. Copy of the draft letters for appointment of all the above persons as Independent Directors would be available for inspection without any fee by the members at the administrative Office of the Company in Kolkata during normal business hours (1.00 P.M. to 5.00 P.M.) on all working days except Saturdays.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of all the above Independent Directors. Accordingly, the Board recommends the resolutions in relation to appointment of all the above persons as Independent Directors, for the approval by the shareholders of the Company. A brief profile of proposed Independent Directors, including nature of their expertise, is provided as Annexure to the Notice.

Your Directors seek your approval to the resolutions as set out at Item Nos. 5 to 10. None of the Directors or Key Managerial Personnel of the Company and their relatives, other than Independent Directors for their respective appointment, are concerned or interested, financially or otherwise, in these resolutions.

Item No. 11

Mr. R K Parakh was appointed as Director-Finance with effect from 17th November, 2011 for a period of three years. The said appointment was duly approved by the shareholders at their meeting held on 26th September, 2012. The Board of Directors of the Company at their meeting held on 20th May, 2014, based on the recommendations of Nomination and Remuneration Committee, have revised the remuneration payable to Mr. Parakh by increasing his basic salary from Rs. 1,50,000/- (Rupees One lac fifty thousand only) to Rs. 2,00,000/- (Rupees Two Lacs only) per month. The Perquisites and allowances payable to him shall also undergo consequential changes. Such increase in remuneration of Mr. Parakh is in accordance with the Agreement entered into between the Company and Mr. Parakh on 17th November, 2011.

The revised remuneration payable to Mr. Parakh is within the limits prescribed in Section 197 and Section I of Part II of Schedule V of the Act. The revised remuneration is also in accordance with the Agreement dated 17th November, 2011, which agreement was specifically approved by the shareholders at the AGM held on 26th September, 2012. In terms of Section 196(4) payment of remuneration to managerial personnel requires approval of shareholders in a general meeting of the company.

None of the Directors or Key Managerial Personnel of the company and their relatives, except Mr. R K Parakh is concerned or interested, financial or otherwise in the resolution set out at Item No. 11.



BALASORE ALLOYS LIMITED

NOTICE - (Contd.)

Item No. 12

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s Shome & Banerjee, Cost Accountants as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015 at a remuneration of Rs. 1,50,000/- (Rupees One lac fifty thousand only) (net of Service Tax) plus reimbursement of travelling and other out of pocket expenses incurred to conduct the audit of the cost records.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

The Board therefore, submits the proposed resolution for your consideration and recommends it to be passed as an ordinary resolution.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 12.

Item no. 13 & 14

The members at the Annual General Meeting of the Company held on 25th September, 2008, had accorded their consent to the Board of Directors for borrowings up to Rs. 1000 Crores under section 293(1)(d) of the Companies Act, 1956. In order to secure the borrowings made by the Company by suitable mortgage/charge on all or any of the moveable and/or immovable properties of the Company, the Company in its Annual General Meeting held on 25th September, 2008 has granted necessary authorisation to the Board of Directors under Section 293(1)(a) of the Companies Act 1956.

The Company is expanding its business activities which entail deployment of huge funds. It is in the process of setting up Sixth Arc furnace and has also commenced its underground mining project. The expansion programme is likely to result in increased production and higher profitability to the Company. Accordingly, it would be necessary for the Company to borrow more funds from various lending agencies, much in excess of its existing limits of Rs. 1000 crores.

It is, therefore, necessary for the members to pass Special Resolutions under Section 180(1)(a) and Section 180(1)(c) of the Companies Act, 2013, as set out at Item No. 13 and 14 of the Notice, to enable the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company and for creation of security on assets. Approval of members is being sought to borrow money upto Rs 1,500 Crores (Rupees One thousand five hundred crores only) in excess of the aggregate of the paid up share capital and free reserves of the Company and to create security on assets of the Company.

Your directors recommend the resolutions at item no. 13 and 14 for approval of the shareholders.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolutions set out at Item Nos. 13 and 14.

Kolkata
7th August, 2014

By Order of the Board

Trilochan Sharma
VP & Company Secretary



**ANNEXURE TO NOTICE
DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE 26TH ANNUAL GENERAL MEETING.
(Pursuant to Clause 49 of the Listing Agreement)**

| Name of Director | Mr. Sujit Kumar Majumdar |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Date of Birth | 04.10.1946 |
| Date of Appointment | 29.01.2005 |
| Qualifications | BE (Metallurgical) CU, PG-Diploma - SQC & OR, Phd (Engineering) IIT Kharagpur |
| Expertise in specific functional areas | Expertise in Quality & Risk Management, Operation Research and Reliability Modelling |
| List of Companies in which outside Directorship held | Nil |
| Chairman/Member of the committees of the Board of other Companies in which he is a Director | Nil |
| Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company. | Nil |
| Disclosure in terms of Clause 49(V)(G)(ia) of the Listing Agreement: Disclosure of relationships between directors inter-se | Nil |

| Name of Director | Mr. Shantanu Mohapatra |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Date of Birth | 06.01.1936 |
| Date of Appointment | 27.06.2001 |
| Qualifications | B.Sc. - Tech (Hons), I.I.T. Kharagpur - Applied Geology & Geo-physics. |
| Expertise in specific functional areas | Retired Ex-Director of Mining & Geology Government of India, having rich experience of mining & exploration. |
| List of Companies in which outside Directorship held | Loyds Steel India Ltd. |
| Chairman/Member of the committees of the Board of other Companies in which he is a Director | Audit Committee Loyds Steel India Ltd. - Chairman |
| Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company. | Nil |
| Disclosure in terms of Clause 49(V)(G)(ia) of the Listing Agreement: Disclosure of relationships between directors inter-se | Nil |

| Name of Director | Mr. Mahesh Trivedi |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of Birth | 01.12.1940 |
| Date of Appointment | 15.01.1992 |
| Qualifications | M.A (English) |
| Expertise in specific functional areas | Having rich experience in managing large projects & steel plants. |
| List of Companies in which outside Directorship held | Gontermann-Peipers (India) Limited |
| Chairman/Member of the committees of the Board of other Companies in which he is a Director | Audit Committee Gontermann-Peipers (India) Ltd. - Chairman Stakeholders Relationship Committee Gontermann-Peipers (India) Ltd. - Chairman Nomination and Remuneration Committee Gontermann-Peipers (India) Ltd. - Chairman Finance Committee Gontermann-Peipers (India) Ltd. - Chairman |
| Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company. | 252 shares held in his name |
| Disclosure in terms of Clause 49(V)(G)(ia) of the Listing Agreement: Disclosure of relationships between directors inter-se | Nil |

| Name of Director | Ms. Vartika Mittal |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of Birth | 24.06.1984 |
| Date of Appointment | 26.05.2011 |
| Qualifications | Graduated in BSc Business Studies with a focus in finance from Cass Business School, City University, London. Graduate Diploma in Law from the College of Law, London. |
| Expertise in specific functional areas | Experience in Iron and Steel making, Coke, Mining, Minerals and Metals as well as Marketing, Finance and Legal. |
| List of Companies in which outside Directorship held | Private Company Navoday Niketan Private Limited Navoday Highrise Private Limited Navoday Commercial Company Private Limited Navoday Mercantile Private Limited Navoday Tracom Private Limited Foreign Company Direct Investment Limited Global Technical & Management Services Limited Drum International Inc. Spruce Technology Limited Ispat Enterprises Limited Indethal Holdings Limited Securex Holdings Limited GHSL Brazil Mineracao S.A. Global Resources Europe Limited |
| Chairman/Member of the committees of the Board of other Companies in which he is a Director | Nil |
| Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company. | Nil |
| Disclosure in terms of Clause 49(V)(G)(ia) of the Listing Agreement: Disclosure of relationships between directors inter-se | Ms. Vartika Mittal is the daughter of Mr. Pramod Kumar Mittal, Director of the Company. |

ANNEXURE TO NOTICE (Contd.)

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE 26TH ANNUAL GENERAL MEETING. (Pursuant to Clause 49 of the Listing Agreement)



| | | | | |
|-----------------------------------------------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Director | : | Mr. Susil Kumar Pal | Mr. Kashi Prasad Khandelwal | Mr. Asish Kumar Bhattacharyya |
| Date of Birth | : | 03.01.1943 | 04.03.1951 | 11.04.1950 |
| Date of Appointment | : | 27.06.2003 | 30.04.2008 | 30.06.2004 |
| Qualifications | : | B.Sc (Hons), M.Tech. (Chem. Engg & Chem. Technology) | B.Com(H), LLB, FCA, DISA, CAAT (The Institute of Chartered Accountant of India) | B.Com (Honours), M.Com, FCA, FCMA, ACMA (UK), Diploma in Management Accountancy, D.Phil. |
| Expertise in specific functional areas | : | Has a long term profile and experience in Finance, Risk Management. He is a retired General Manager (Credit) Allahabad Bank. | Practicing CA for more than 36 yrs. with wide experience of Audit, Taxation, Finance & Banking. Ex-member of Centre Council of the Institute of Chartered Accountants of India (ICAI). | Ex-Director, International Management Institute (IMI) Kolkata, Ex-Professor of Finance and Control, Indian Institute of Management Calcutta (IIMC), Member- National Group of the Accounting Standard Board of the Institute of Chartered Accountants of India, Member- Cost Accounting Standard Board, Member- Standing Committee of Accounting of the Insurance Regulatory and Development Authority (IRDA) and Member- Thesis Advisory Committee of West Bengal University of Technology. |
| List of Companies in which outside Directorship held | : | Greenply Industries Ltd. Metsil Exports Pvt. Ltd. | Ashika Credit Capital Ltd. Kesoram Industries Ltd. | Escorts Asset Management Ltd. Punjab Communications Ltd. Riverside Management Academy (P) Ltd. |
| Chairman/Member of the committees of the Board of other Companies in which he is a Director | : | Audit Committee Greenply Industries Ltd.- Chairman Stakeholders Relationship Committee Greenply Industries Ltd.- Member Nomination and Remuneration Committee Greenply Industries Ltd.- Member Operational Committee Greenply Industries Ltd.- Member | Audit Committee Ashika Credit Capital Ltd., Member Kesoram Industries Ltd.- Member Nomination and Remuneration Committee Ashika Credit Capital Ltd., Chairman Kesoram Industries Ltd.- Member Stakeholders Relationship Committee Ashika Credit Capital Ltd., Member Kesoram Industries Ltd.- Member Share Transfer & Finance Committee Kesoram Industries Ltd.- Member | Audit Committee Escorts Asset Management Ltd.- Chairman |
| Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company. | : | Nil | Nil | Nil |
| Disclosure in terms of Clause 49(V)(G)(ia) of the Listing Agreement: Disclosure of relationships between directors inter-se | : | Nil | Nil | Nil |

**DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present the 26th Annual Report together with the Audited financial statements of your Company for the financial year ended 31st March, 2014.

FINANCIAL RESULTS

The financial performance of the Company, for 2013-2014, is summarized below:

| | Financial year ended 31st March, 2014 | (Rs. in Lacs) Financial year ended 31st March, 2013 |
|-------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------|
| 1 Sales/Income from operations | 81,191.91 | 71,531.58 |
| Less: Excise Duty | 2931.16 | 2,918.67 |
| | 78,260.75 | 68,612.91 |
| 2 Other Income | 867.96 | 1,664.20 |
| 3 Total Income (1+2) | 79,128.71 | 70,277.11 |
| 4 Total expenditure | 65,970.99 | 59,024.60 |
| 5 Profit before Interest & Finance charges and Depreciation (3-4) | 13,157.72 | 11,252.51 |
| 6 Interest and Finance Charges | 4,119.07 | 4,430.86 |
| 7 Depreciation / Amortisation | 1,884.54 | 1,749.05 |
| 8 Profit before Taxes (5-6-7) | 7,154.11 | 5,072.60 |
| 9 Provision for Taxes | | |
| – Current Tax | 2,319.82 | 1,873.89 |
| – Deferred Tax Charge | 244.43 | 320.26 |
| – Taxation of earlier years | (10.43) | – |
| 10 Profit After tax (8-9) | 4,600.29 | 2,878.45 |
| 11 Surplus brought forward | 18,472.22 | 15,967.37 |
| 12 Surplus Available (10+11) | 23,072.51 | 18,845.82 |
| 13. Appropriations: | | |
| – Proposed Dividend | 385.74 | 321.45 |
| – Tax on Proposed Dividend | 65.56 | 52.15 |
| – Transfer to General Reserve | 115.01 | – |
| | 566.31 | 373.60 |
| Surplus carried to the Balance Sheet (12-13) | 22,506.20 | 18472.22 |

FINANCIAL REVIEW

Your Company's strong business model stood the test of challenges for another year. Despite the economic slowdown, policy paralysis and inflationary pressure which dampened industry prospects, your Company strengthened its growth momentum.

Your Company's ability in consistently delivering on customer aspiration resulted in a 13.51% growth in turnover, from Rs. 71,531.58 Lacs in 2012-13 to Rs. 81,191.91 Lacs in 2013-14. Its painstaking efforts in streamlining costs facilitated in a 16.93% increase in EBITDA from Rs. 11,252.51 Lacs in 2012-13 to 13,157.72 Lacs in 2013-14.



DIRECTORS' REPORT (Contd.)

Profit after tax increased from Rs. 2,878.45 Lacs to Rs. 4,600.29 Lacs, a 59.82% growth over the previous year. The Basic earnings per share increased from Rs. 4.48 to Rs 7.16 per share during the same period.

DIVIDEND

Your Board needed to strike a prudent balance between dividend payout and reinvestment of business surplus for organisational growth. But considering robust business growth and improved profitability, the Board of Directors recommended a 12% dividend on equity shares (Re. 0.60 per equity share, face value of Rs. 5/- each) subject to the approval of Shareholders at the ensuing Annual General Meeting and necessary approval from Lenders.

OPERATIONS

Fiscal Year 2013-14 is an important milestone in the your Company's existence as, we achieved the highest ever production of ferro alloys at 1,04,550 MT against 98,466 MT in 2012-13, an increase of 6.18% over the previous year.

This achievement was the result of the untiring efforts of the entire team in successfully implementing numerous projects (using the TPM, Six Sigma, Lean JIT and BAL Q1 techniques) which also contributed immensely in optimizing operational costs. In addition, accurate supply chain strategies and innovative customer relationship management practices facilitated in surpassing the forecasted business plan targets.

In keeping with its commitment to saving the environment, your Company undertook a number of green initiatives as :

- In-plant measures towards energy conservation, optimized power and fuel consumption
- The Company sold 1,08,489 MT of slag which facilitated in conserving granite stone otherwise used in construction activities

Going forward, your Company plans to implement a volume-drive and value-led growth strategy. On the one hand, your Company is seeking novel ways of upping its annual production capacity to about 1,45,000 MT while on the other, the team is working on increasing the production of value-added products namely low-silicon, low-phosphorous, low-carbon and high-chromium, among others, to maximise value-addition. In addition, your Company is focused on maximizing its net realization through accurate market segmentation in the domestic and international markets.

Further, Your Company is working on expanding the capacity by acquisition of plants lying idle in close proximity to its existing mines and manufacturing facility.

EXPORT

Your Company exported 70,675 MT valued at Rs. 54,329.80 Lacs during the year under review as against 61,385 MT valued at Rs. 44,769.06 Lacs during the previous year 2012-13. As a result, exports constituted 67.10% of your Company's turnover in 2013-14.

MINES

Your Company owns large natural resource assets namely chromite ore mines located at Sukinda Valley, Jajpur, Odisha.

Your Company's management is concerned with the reality that the available reserve for open cast mining in the Sukinda mines would exhaust in the next few years. For sustained business operations, the management is developing underground mining in Sukinda mine. A reputed international consultant has been appointed for undertaking a threadbare analysis of the underground mining project. A reputed International Design Institute has been engaged for preparation of detailed design and engineering for underground mining project.

Your Company also envisages setting up a Ferro Chrome production unit commensurate with the mine output. Your Company expects to commence construction activities for underground mining in next year.

The project is expected to strengthen business productivity and organizational sustainability over the long-term.

MANAGEMENT INITIATIVES

During the year, your Company has institutionalized all four verticals of the Business Excellence functions namely TPM, Lean Management, Six Sigma and BAL Q1 Quality Management System. Extensive in-class and shop-floor training was imparted to the entire team on the relevance and processes of all the aforementioned tools.

The team's efforts in implementing these quality management techniques have yielded heartening results. Product quality variations have reduced considerably, wastages have been marginalized and equipment health has improved significantly leading to improved product quality and man-machine productivity. Your Company has also bagged national and regional awards in Quality Circle competitions.



DIRECTORS' REPORT (Contd.)

In addition, your Company successfully implemented 11 modules of SAP. This is resulting into accurate and real-time data capture facilitating faster and more accurate decision making. Your management plans to extend this platform to address Business Integration and Optimization.

FUTURE OUTLOOK

2013 proved to be a year of expansion for the chrome industry, after the low performance of 2012 for both chrome ore and ferro chrome. Global ferro chrome output reached a record high last year at 10.8 Million Tonne, in tandem with the global stainless steel production which also touched a new high. Ferro chrome output volume expanded sharply in China, which confirmed its position of the world's largest ferro chrome producer. South Africa also increased its ferro chrome production.

Despite the increase in production volumes, the profitability of the Ferro chrome industry did not improve due to several impediments namely rising costs, infrastructural constraints and over-capacity.

Going forward, with developed economies namely the US and Europe expected to report a healthy economic growth numbers, the demand for stainless steel and consequently ferro chrome is expected to improve.

But the growing ferro-chrome demand is unlikely to translate into superior realizations in the short-term, due to planned capacity expansions in China, Finland, Kazakhstan, Oman and South Africa, resulting in a potential over-supply. Over the longer-term, the ferro-chrome market is forecast to move into balance.

ALLOTMENT OF SHARES PURSUANT TO CONVERSION OF WARRANTS

The Committee for Preferential Issue of Warrants has allotted 33,00,000 (Thirty Three Lakhs) Equity Shares each to Dankuni Investment Ltd. and Navoday Consultants Ltd., being Promoter Group companies on preferential basis at Rs. 5/- each at a premium of Rs. 11/- each on 16th April, 2014 pursuant to conversion of equivalent number of Warrants.

AWARD AND RECOGNITION

Your Company has received many awards from various organizations in recognition of its outstanding performance and contribution to the industry and society. Some of the awards received for Mines and Balasore Plant during the financial year 2013-14 are mentioned below:

- 1) All India Odisha Quality Circle Convention Prizes from NALCO:
 - TPM Circle competition – two awards of Good Performer
 - TPM Circle competition – one award of Runner Up
- 2) Our Chromite Ore Mines secured the following Awards in **Odisha Metalliferous Mines Safety Week Celebration 2013-14** under the aegis of Director of Mines Safety (DGMS), Bhubaneswar Region in January 2014.
 - Best Award on implementation of 10th Conference on Safety in Mines guidelines - First Prize
 - Best Award on Electrical Installations in Mines - 2nd Prize
 - Best Drill Operator - 3rd Prize
- 3) Our Chromite Mines has bagged two Nos. of prizes during Mining Environment and Mineral Conservation week, 2013-14, celebrated under aegis of Indian Bureau of Mines, Bhubaneswar Region.
 - 2nd Prize in Installation and use of mechanical beneficiation
 - 2nd prize in Noise and vibration study

CORPORATE DEBT RESTRUCTURING

Your Company is currently under CDR mechanism. Your management has showcased the Company's continued superior financial performance against the projections made under the CDR scheme, to its Lenders for an early exit from CDR mechanism.

BOARD OF DIRECTORS

The Companies Act, 2013 ("the Act") provides for appointment of Independent Directors. Section 149 of the Act (effective from April 1, 2014) provides that Independent Directors shall not hold office for more than two consecutive terms of upto five years each, provided that the Director is re-appointed by passing a special resolution on completion of his first term. Independent Directors are no longer liable to retire by rotation. Further, as per explanation provided under Section 149 of the Act, any term of an Independent Director on the date of commencement of this Section, i.e., April 1, 2014 shall not be counted as a term.



BALASORE ALLOYS LIMITED

DIRECTORS' REPORT (Contd.)

The Board of Directors of the Company has decided to adopt the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Act and the revised Listing Agreement.

Accordingly, Mr. Mahesh Trivedi, Mr. Shantanu Mohapatra, Mr. Sujit Kumar Majumdar, Mr. Susil Kumar Pal, Mr. Kashi Prasad Khandelwal and Mr. Asish Kumar Bhattacharyya, the existing Independent Directors are proposed to be appointed as Independent Directors of the Company by the shareholders of the Company at the Annual General Meeting of the Company for a term upto 31st March, 2019 and whose offices shall not, henceforth, be liable to retire by rotation.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement with the Stock Exchanges.

In accordance with the provisions of the Act and Article 149 of the Articles of Association of the Company, Ms. Vartika Mittal, Director, retire by rotation at the ensuing Annual General Meeting and being eligible offer herself for reappointment.

The Board recommends the appointment of above directors with a view to avail their valuable advices and wise counsel. Brief resume of the Directors seeking appointment, reappointment, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement, are provided as annexure to the Notice calling the Annual General Meeting forming part of this Annual Report.

SUBSIDIARY COMPANY

MILTON HOLDINGS LIMITED (MHL)

Milton Holdings Limited (MHL), Mauritius, a wholly-owned subsidiary, had invested through joint venture in Manganese-ore mining projects in Brazil. As at the date of Balance Sheet, the Company has an investment in shares of MHL, aggregating in value to USD 4.7351 million (Equivalent to Rs 2194.83. Lacs).

BALASORE METALS PTE. LIMITED

Balasore Metals Pte. Limited, Singapore, a wholly-owned subsidiary of the Company. As at the date of Balance Sheet, the Company has an investment in share of Balasore Metals PTE. Limited aggregating, in value, to USD \$ 1.00.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Annual Reports for the financial year 2013-14 of the aforesaid subsidiaries will be made available to the shareholders of the Company upon receipt of written requests from them. The Annual Reports for the financial year 2013-14 of the aforesaid subsidiary companies will also be kept open for inspection by the shareholders at the Registered Office of your Company and of the subsidiaries concerned between 10.30 a.m. to 1.30 p.m. on any working day.

In compliance with the requirements of the MCA Circular, a Statement showing relevant details for the year ended March 31, 2014 of the subsidiaries have been included in the Consolidated Financial Statements of the Company which forms part of this Annual Report.

Statement pursuant to Section 212(3) of the Companies Act, 1956 relating to MHL & Balasore Metals PTE. Ltd as at 31st March, 2014 is also annexed to this Report.

CONSOLIDATED FINANCIAL STATEMENT

The Consolidated Financial Statements of the Company and its subsidiary, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i. In the preparation of the annual accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed and there have been no material departures;
- ii. The Directors have 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 of the Company for that year;



DIRECTORS' REPORT (Contd.)

- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The Directors have prepared the annual accounts for the financial year ended 31st March, 2014 on a going concern basis.

AUDITORS

The Company's Auditors M/s Chaturvedi & Shah, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to be reappointed.

Pursuant to provision of Sections 139 and 142 and other applicable provisions, if any, of the Act and Rules made thereunder, M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration No. 101720W) are proposed to be appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the thirtieth Annual General Meeting of the Company.

The Company has obtained a letter from the Auditors to the effect that reappointment, if made, shall be in accordance with the provision of Section 139 and also satisfies the criteria provided in Section 141 of the Act.

AUDITORS' REPORT

In relation to the matters dealt with by the Auditors in their Audit Report, we have to state that:

1. North Eastern Electricity Supply Company of Orissa Limited (NESCO) has revoked the waiver of dues granted under a settlement in an earlier year and disputed on take or pay benefit claimed earlier. The Company has paid and, on conservation basis, provided Rs 3,400 lacs towards such claims upto 31st March, 2014. The matter is pending with Honorable High Court of Orissa & Appellate Tribunal respectively. The company is actively pursuing the matter legally and hence no further liability has been accounted for in this financial result.
2. The computation of recompense amount for the period from 1st April, 2007 to present date is being computed by the Consortium bankers and they are in process to crystallize the same. On finalization of the recompense amount, necessary action will be taken.
3. The Company has taken necessary steps to regularize the matter in regard to use of short term funds to the extent of Rs. 11,643.04 Lacs for long term investment as referred to in the point no. 17 of Annexure to the Auditors' Report. It was necessitated to meet certain long term requirements and future growth of the Company.

FIXED DEPOSITS

During the year, your Company has not accepted any Deposits under Section 58A and Section 58AA of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with Stock Exchanges, the Management Discussion and Analysis and Corporate Governance Report together with the Certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance form a part of the Annual Report.

Your Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

CODE OF CONDUCT

The Code of Conduct for the Directors and Senior Management Personnel has been made applicable to all the Directors whether executive or non-executive including all Senior Management Personnel of the Company. The Board members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year and no violation of the same was reported. The Code of Conduct is also posted on the Company's web-site.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement with Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.



DIRECTORS' REPORT (Contd.)

CEO AND CFO CERTIFICATION

In accordance with the provisions of the Listing Agreement pertaining to corporate governance norms, Mr. Anil Sureka, Managing Director of the Company and Mr. R K Parakh, CFO of the Company have certified inter-alia, about review of financial statements and establishing & maintaining internal control to the financial reporting for the year ended 31st March, 2014. The said certificate forms an integral part of annual report.

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

The statement of particulars 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, is annexed hereto and forms part of the report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES FRAMED THEREUNDER

The statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is annexed hereto and forms part of the report.

COST AUDITORS

Pursuant to the Cost Audit Order dated January 24, 2012 issued by the Ministry of Corporate Affairs (MCA), and based on the Audit Committee recommendations, the Board of Directors at its meeting held on May 20, 2014, has approved the re-appointment of M/s. Shome & Banerjee as the Cost Auditors of the Company for the Financial Year 2014-15 to conduct audit of the Cost Records, maintained by the company in respect of its ferro chrome / charge chrome manufacturing plant at Balgopalpur - 756 020 Dist. Balasore, Odisha.

The Cost Audit Report for the Financial Year ended March 31, 2013 was filed on 27th September, 2013 i.e. within the due date by the Cost Auditor of the Company. The Report of the Cost Auditors for the Financial Year ended March 31, 2014 is under finalization and will be filed with the MCA within the prescribed period.

INTERNAL AUDITORS

Pursuant to the provisions of Section 138 of the Act read with Rule 13 of 'The Companies (Accounts) Rules 2014' and based on the Audit Committee recommendations, the Board of Directors of the Company at its meeting held on May 20, 2014, has approved the appointment of M/s Das & Prasad, as the Internal Auditor of the Company for the financial year 2014-15 to conduct the internal audit of the Company.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Act the Board of Directors at its meeting held on May 20, 2014, has approved the appointment of M/s MKB & Associates as the Secretarial Auditor of the Company for the financial year 2014-15 to conduct the secretarial audit of the Company.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to section 135 of the Act and Companies (Corporate Social Responsibility Policy) Rules 2014, Board have constituted the Corporate Social Responsibility (CSR) Committee comprising Mr. M Trivedi as the Chairman and Prof. S K Majumdar, Mr. K P Khandelwal, Mr. Anil Sureka and Mr. R K Parakh as other members.

The Board in its meeting held on 20th May, 2014 has approved the CSR Policy as formulated and recommended by the CSR Committee pursuant to the requirements of the Act and rules made there under.

VIGIL MECHANISM / WHISTLE BLOWER POLICY OF THE COMPANY

Pursuant to Section 177 of the Act and revised Clause 49 of the Listing Agreement the Board of Directors at its meeting held on May 20, 2014, has approved and adopted Vigil Mechanism / Whistle Blower Policy for the directors and employees to report to the management, instances of unethical behaviour, actual or suspected fraud or violation of the company's code of conduct.

**DIRECTORS' REPORT (Contd.)****INITIATIVE TO PREVENT SEXUAL HARASSMENT OF WOMEN AT WORKPLACE**

Sexual harassment of women at the workplace continues to plague corporate India. Considering the need of the society, the Government of India, has enacted, The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to provide protection against sexual harassment of women at workplace. This Act came into force with effect from 9th December, 2013. The enacted act prescribes a range of measures to be compulsorily adopted by employers for creating a sexual harassment free workplace environment.

Your Company has adopted the policy against Sexual Harassment of Women at Workplace, for the purpose of preventing, prohibiting and redressing sexual harassment of female employees including permanent, temporary, on training and on contract basis at all the workplace within the company, which are based on fundamental principles of justice and fair play.

Further, an Internal Complaints Committee (ICC) has been constituted which shall be responsible for redressal of complaints related to sexual harassment. The Company has put in place suitable processes and mechanisms to ensure issues of sexual harassment, if any, are effectively addressed. During the year, no complaints of sexual harassment were received.

REMUNERATION POLICY FOR THE MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT

The Board of the Directors of the Company in its meeting held on 20th May, 2014, has adopted a policy for remuneration of the Board Members, Key Managerial Personnel (KMPs) & Senior Management Personnel (SMPs) in adherence with the provisions of revised clause 49 of the listing agreement, Section 178 of the Act and Rules made there under.

PERSONNEL

Your company is continuing the tradition of excellence in human capital management by adopting all modern tools and techniques of human management. The pragmatic and proactive approach of management has contributed in enhancing the job satisfaction of employees. The cordial industrial relations continue to remain the core strength of the company. The signing of long term settlement with the recognized union for three years in peaceful atmosphere is another milestone in the journey of maintaining cordial industrial relations. It will remain in force till 31st December, 2015. The continuous dialogue sessions with the office bearers of union, prompt grievance redressal and implementation of employees' friendly welfare scheme has been institutionalized. A congenial productive atmosphere has been created through mutual trust and transparency between the management and the union. Your company always remains vigilant to capitalize on talent pool in order to promote performance driven work culture, both within and outside the organization.

ACKNOWLEDGEMENT

Your Directors express their sincere appreciation for the continued co-operation and support extended to the Company by the Central Government, the Government of Odisha, Government Agencies, Company's Bankers, Business Associates, Shareholders and the Community at large. Your Directors also express their warm appreciation to all employees for their diligence and contribution.

Kolkata
20th May, 2014

For and on behalf of the Board

Anil Sureka
Managing Director
DIN: 00058228

M Trivedi
Director
DIN:00050785

**ANNEXURE TO THE DIRECTORS' REPORT****PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT****A. CONSERVATION OF ENERGY****a) Energy conservation measures taken:**

- i) Replacement of Cast Aluminium Blade by FRP Blade in All Furnace Bottom Cooling Blowers.
- ii) Replacing 36 watt florescent tubes by T5.
- iii) Installation of VFD in Screw compressor.
- iv) Replacement of reciprocating compressor by Screw compressor.
- v) Installation of lighting transformer to reduce lighting voltage in administrative building & MRP.

b) Additional investments and proposals, if any, being implemented for Energy conservation:

- i) Installation of VFD in ID fan of Furnace-5 Gas cleaning plant. (Investment Rs. 10 Lacs).
- ii) Replacement of Cast Aluminium Blade by FRP Blade for Furnace-4 cooling Tower (fan-1 & 2) Investment Rs 3 lacs.
- iii) Replacement of Cast Aluminium Blade by FRP Blade in Axial Flow fan of Furnace- 1 & 2 GCP (Investment Rs 5 Lacs)

c) Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production:

- i) SI No-1 Annual saving 140160 KWH @Rs 5.6/KWH = Rs. 7,84,896.
- ii) SI No-2 Expected Annual saving after implementation all projects (244512 Kwh)- Rs. 13,69,267 Impact on cost of production/MT on account of reduction in auxiliary power consumption will be Rs 21.54 (considering production volume of 1,00,000MT/annum).

d) Total energy consumption and energy consumption per unit of production.

The required data with regard to conservation of Energy as applicable to our Industry is furnished below:

| | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|---------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Power & Fuel Consumption | | |
| 1) Electricity | | |
| a) Purchased Units (in '000') | 3,87,827 | 3,56,899 |
| Total Amount (Rs in Lacs) | 21,815 | 16,870 |
| Rate/Unit (Rs) | 5.62 | 5.08 |
| b) Own Generation through | | |
| Diesel Generator Units (in '000') | Nil | Nil |
| Unit per ltr of LDO/Furnace oil | Nil | Nil |
| Cost/Unit(Rs) | Nil | Nil |
| 2) Coal & Coke(Low Ash Coal used in process) | | |
| Quantity (MT) | 58,295 | 70,893 |
| Total cost (Rs in Lacs) | 10,595 | 13,530 |
| Average Rate (Rs / MT) | 18,175 | 19,085 |
| 3) Furnace Oil / LDO | | |
| Quantity (Ltr. in '000') | 1,415 | 1,000 |
| Total Amount (Rs in Lacs) | 626 | 418 |
| Average Rate (Rs / Ltr) | 44.24 | 41.75 |
| Consumption per MT of production | | |
| Electricity (Unit) | 3,709 | 3,625 |
| Coal (MT) | 0.56 | 0.72 |



ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

B. TECHNOLOGY ABSORPTION

1) Research & Development (R & D)

a) Specific areas in which R & D was carried out by the Company

1. Installation of sand dryer for reducing moisture from sand thereby improving the quality of casting.
2. Mud gun and drilling machine to be installed in Furnace- 1,2,4 & 5.
3. Installation of on Line hot metal weighing system in EOT Crane.
4. Installation of PLCC in 132 kv switch yard and at Balasore grid for power trading

b) Benefit derived as a result of the above R & D

The R & D efforts helped in reduction of cost of production, improvement in production process and metal recovery.

c) Future plans of action

- i) Feasibility of Production of Value Added Products like Low Carbon, Low Silicon Ferro Chrome.
- ii) Automation of Briquetting Plant.
- iii) Use of Fuel catalyst for optimising consumption of FO in dryer.

d) Expenditure on R & D

- | | | |
|------------------------------------------------------|---|---------------------------------------------------------------------------------|
| i) Capital | } | Expenses incurred are charged to respective heads and not allocated separately. |
| ii) Recurring | | |
| iii) Total | | |
| iv) Total R & D Expenditure (% of total turnover) : | | Not determinable. |

2) Technology Absorption, Adaptation & Innovation

a) Efforts, in brief, made towards technology absorption, adaptation and innovation.

- i) Installation of Mud gun and Tap hole drilling machine in furnace-3.
- ii) Ladle Preheating system.
- iii) Pneumatic lime handling system in briquetting Plant.

b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

The above efforts have helped in cost reduction.

c) Future plans of action

- i) Development of Underground Chrome Mines.
- ii) Built up Ferro Chrome production capacity.

d) Particulars of technology imported during the last five years

Not applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Exports, Initiatives taken to increase Exports to new export markets for our products and Export Plan.

i) Activities relating to Exports

The Company has exported 70,675 MT valued at Rs. 54,329.80 Lacs during the financial year ended 31st March, 2014. Special emphasis has been given on timely shipment and strict adherence to all quality and product norms of customers.

ii) Initiatives taken to increase exports

- a) **Expand Product basket** : Various special grade of High Carbon Ferro Chrome is developed to meet niche customers/market requirement in close coordination with Production, PPIC, SCM and CRM department.
- b) **Flexible payment terms**: To minimise financial costs of the customer, company is working with ECGC and various banks to extend flexible payment terms convenient to the customers.



ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

- c) **JIT Delivery** : To minimise inventory costs of the customer, facilitating staggered deliveries as per requirements of the customers and also working further on stock and sale to various long distance market where transit time is high for the buyers.
 - d) **Quality Assurance** : Apart from our own Quality assurance Certification, Company is arranging inspection by an Neutral surveyor at load port for all export shipment. Material is moved from plant to port duly packed and sealed bags and trucks to avoid any in-transit theft and pilferage. Any customer complaint is accorded highest priority.
 - e) **Customer service**: A single window service on 24x7 basis is provided to customers for all matters related to their orders.
 - f) **Technical service**: A Technical team has been developed to provide full technical support to the customer regarding usage of our product in their production process. Technical team is visiting customers from time to time to understand their need and process innovation.
 - g) **Customer Visits**: Regular visits has been initiated to customer's place. Customer's are also invited to visit our plant and mines in order to make a bonding with the customers.
 - h) **Expand Customer basket** : Global demand mapping has been done to understand the customer's need and target various untapped countries and attracting OEMs to expand our market reach and at the same time retain reliable and sustainable customers to increase customer base.
 - i) **Customer Satisfaction Survey**: Conducting Customer Satisfaction Survey at regular intervals by an Independent Agency to get true and fair feedback of the customers on the quality and services. Voice of the customers are captured for identifying opportunities for improvement in order to meet Industry bench mark for customer satisfaction by continual improvement in quality of products and services.
 - j) **Long term Off Take Agreement**: Entering into long term off take agreement with various customers to develop regular and stable buyers.
- iii) **Development of new export markets for products**: To promote our product in different parts of the world, new customers and special grade of FeCr are identified by participating in seminars and customer visits in different regions/areas.

2. Total Foreign Exchange used and earned

| | | (Rs in Lacs) |
|---|----------------------------------------------|--------------|
| – | Foreign Exchange Earnings (on Accrual Basis) | |
| | FOB Value of Exports | 48,827.40 |
| – | Foreign Exchange Outgo | |
| | 1. CIF Value of Imports | |
| | – Raw Materials | 3,801.74 |
| | – Stores & Spares | – |
| | 2. Other Expenditure | 1,198.91 |

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report

| Name | Age (Years) | Designation/ Nature of Duties | Gross Remuneration (Rs) | Net Remuneration (Rs) | Qualification | Experience (Years) | Date of Commencement of Employment | Last Employment |
|-------------|-------------|----------------------------------|-------------------------|-----------------------|----------------------------|--------------------|------------------------------------|---------------------|
| Anil Sureka | 58 | Managing Director | 1,32,65,670/- | 86,13,356/- | B. Com & Company Secretary | 41 | 17.04.2012 | JSW Ispat Steel Ltd |

- Notes:
1. Gross remuneration comprises salary, allowances, medical reimbursement, production incentive, leave travel assistance, contribution to provident fund, monetary value of other perquisites, etc.
 2. Net Remuneration is after Income Tax, Professional Tax, Employee's own contribution to Provident Fund and recreation club membership.
 3. The nature of employment is contractual. The employee is not a relative of any Director of the Company.

Kolkata
20th May, 2014

For and on behalf of the Board

Anil Sureka
Managing Director
DIN: 00058228

M Trivedi
Director
DIN:00050785



MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The world economy reported subdued growth of 3% in 2013 against 3.1% in 2012 primarily due to the continuing economic volatility in the first half of the year.

While most developed economies continued to address the challenge of taking appropriate fiscal policy actions in the aftermath of the financial crisis, a number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new domestic and international headwinds during the period.

Prospects: Global activity has broadly strengthened and is expected to improve further in 2014-15, with the global economic growth projected to strengthen to 3.6% in 2014 and 3.9% in 2015 much of the impetus is expected to come from advanced economies. Within Advanced Economies, growth is likely to be strongest in the US, at about 2.8% in 2014 driven by supportive monetary conditions and lower impact on account of fiscal consolidation. Euro area growth is likely to be varied with the core Euro countries expected to register stronger growth. Inflation in these economies, however, has undershot projections, reflecting still-large output gaps and recent commodity price declines. Activity in many emerging market economies has disappointed in a less favourable external financial environment, although they continue to contribute more than two-thirds of global growth. Their output growth is expected to be lifted by stronger exports to advanced economies.

Challenges: Global recovery still remains subdued despite improved prospects due to downside risks. Among existing risks, those related to emerging market economies increased. The rapid normalisation of the American monetary policy and a renewed tendency to avoid risks on the part of investors could complicate things further (*Source: IMF, April 2014*). Besides, new geopolitical risks emanating from the Ukrainian crisis, continuing concerns of deflationary conditions and weak sovereign balance sheets in the Euro Area and weakening growth in China are some of the other key impediments to economic progress in the current year.

INDIAN ECONOMY

India's economic growth rate in FY14 has been estimated at 4.7%, marginally higher than 4.5% in the previous year following an improved performance in its agriculture and allied sectors (source: CSO). The higher headline number was reported on the back of a lower base of 4.5% in 2012-13, indicating that there was no significant improvement in economic activities during the year under review.

High borrowing costs and delays in securing mandatory government approvals staggered corporate investments and moderated cash flows, while inflation and slower hiring shook consumer confidence.

This resulted in the lacklustre performance by the Industrial section, which grew by 0.7% during the year; the manufacturing sector (55% of the Industrial sector) 55% of de-grew by 0.2%

Despite the aforementioned challenges, there were a number of factors that raised hopes regarding India's resurgence:

- The current account deficit contracted; the fiscal deficit target was met
- India implemented concrete measures to narrow external and fiscal imbalances, tighten its monetary policy, usher structural reforms and address market volatility
- India built upon its foreign exchange reserves to reduce vulnerability

The Indian economy is placed better than it was in 2013. A dynamic government at the centre strengthens optimism of robust economic growth which is projected at 5.6% in 2014, rising to 6.0% in 2015 (*Source: RBI*).

CHROME ORE SECTOR

Global Chrome Ore Sector

Global chrome ore production in 2013 continued its expansion last year, pulled by an expanding ferrochrome production. About 20 nations especially South Africa, Finland, Oman and Kazakhstan (with the exception of America, Asia and Australia) contributed to produce 30.3 MT of chrome ore and concentrate last year, including metallurgical, chemical, refractory grades, foundry sands and UG2-concentrate. This is 9% more than in 2012, and a new record high.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Production of high-carbon ferrochrome/charge chrome stood at 10.2 MT in 2013, up by 14.5% from the previous year. And that of low- and medium-carbon ferrochrome totalled 5,51,000 tonnes last year, compared to 8,67,000 tonnes in 2012. Accordingly, the output volume of ferro-silico-chrome, which is mostly used to manufacture low-carbon ferrochrome, decreased as well, amounting 3,15,000 tonnes, from 4,47,000 tonnes in 2012.

Increased demand from the steel sector ensured a balance between production and consumption of chrome ore and concentrate, as a result stocks of the mineral decreased. This improvement in the chrome ore industry resulted in a recovery of prices: South Africa's chrome concentrate price remained stable, and price for chrome ore from Oman and Turkey increased in 2013. The recovering stainless steel industry in Europe and the USA, and better expectations for the future, explain the growth of global ferrochrome production in 2013.

Indian Chrome Ore Sector

Despite being one of the world's largest chrome ore producers, India is the world's second largest chrome ore importer, after China. India imported around 0.25 MT of chrome ore in 2013, mainly lump-ore from Oman, Sudan and Turkey and concentrate from South Africa. Interestingly, India also exported almost 2,23,000 tonnes of chrome ore in 2013, mostly to China.

Historically, a large exporter of chrome ore, India's priority today is the conservation of its chrome ore reserves for sustaining the competitive advantage of the nation's ferro chrome and stainless steel sectors over the long-term.

GLOBAL FERRO CHROME SECTOR

Performance in 2013: In 2013, the global ferrochrome production increased by 10% over the previous year (contributed by China and South Africa) following a 7.8% increase in stainless steel production during the same period. Global ferrochrome consumption also increased in 2013, which heralds good prospects for the chromium industry over the coming years.

Outlook: The prospects of the global ferrochrome industry in the foreseeable future depends on numerous, including China's growth rate, South Africa's energy supply, the fiscal cliff in the US, the recovery in Europe and geopolitical issues in the Middle East and Asia. Ferrochrome producers are expected to witness several challenges which include a production cost increase, energy supply stress and stricter environmental regulations.

China - yesterday and tomorrow: China dominates the global ferro chrome industry, trade and hence prices. China is the largest producer and consumer of ferro chrome and the largest importer of chrome ore from across the globe.

The Chinese economy decelerated as industrial activity remained subdued in 2012-2013. Industrial production and external trade indicators, two main drivers of China's economy, slowed as did structural indicators, such as electricity and cement consumption. As a result, investments into China reduced to a trickle, adversely impacting the progress of the investment-driven Chinese economy.

With the Chinese economy expected to hover around the 7% mark with no policy measures for a sustained economic revival, structural progress is expected to remain restrained. This could have an adverse impact on the prospects of the global ferro chrome sector.

INDIAN FERRO CHROME SECTOR

Overview: India is the fourth largest ferrochrome producer globally. The country's ferro chrome market is fragmented, involving several small and medium-sized players, a few large ferro chrome companies and fully integrated players. Fully integrated players, represent around 25% of the industry's output and benefit from captive minerals and energy sources. About 50% of India's ferro chrome output is produced by partially integrated players. India's ferrochrome industry mostly produces high-carbon ferrochrome. No low- and medium-carbon ferrochrome production has been reported in the recent past.

Production: India's ferrochrome output volume remained stable over the last 4 years, at around 1 million tonnes. In 2013, it was 0.97 MT, up 2.8% from 2012. After Indian ferrochrome producers reduced their production during the first half of last year in keeping with India's economic slowdown, they expanded production in the second half of 2013. India's share of the world's ferrochrome output volume now reaches 9%.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Consumption: Around half of India's ferrochrome production is exported overseas, largely to China. Other key export destinations are South Korea and Japan. India's ferro chrome exports, which had declined sharply in 2012 against 2011, regained the 2011 levels benefitting from the weakening rupee against the dollar. Domestic consumption remained moderate despite the rising demand for stainless steel - according to the ISSF in 2013, India's stainless steel output was 2.4 million tonnes, up by 5.5% from the previous year.

Prospects: In the short-term the Indian ferro chrome producers are expected to witness challenging times as India's main ferrochrome customer, China is increasingly becoming self-sufficient in terms of ferrochrome supply.

Over the medium-term, the prospects of the Indian ferro chrome sector appear bright, for an important reason. Credible sources report that India's stainless steel per capita consumption at over 2kg/year in 2013 was one of the lowest in developing countries. Increasing disposable income in the hands of the average Indian and growing urbanisation is expected to up this number towards the global per capita consumption benchmark, significantly expanding stainless steel demand and capacity. As a result, India could become a ferrochrome net importing country and change the global supply/demand balance.

With domestic stainless steel capacity due to go up to 3 million tonne annually, the demand for ferrochrome is also slated to rise in the coming years.

OPPORTUNITIES AND THREATS

Opportunity

- South Africa's power problem has jeopardised the prospects of its ferro chrome industry. This has forced its customers to seek for alternative supply source. This provides India with a good opportunity to fill in the gap. This also helps in de-risking the growth prospects of the ferro chrome industry from an over dependence on China for exports.
- The pro-business Government's thrust on implementing stuck infrastructural projects and initiating new projects is expected to drive the demand for steel which augurs well for the ferro chrome industry.
- The depreciation of Indian Rupee is also helping in strengthening the profitability of companies.

Threats

- India's chrome ore depleting reserves is a major concern for the Industry. Therefore immediate efforts are required for underground mining as well as step up R&D activities to develop techno-commercially feasible techniques of low grade ore beneficiation.
- Rising power rates in the state of Odisha, rising production of ferro chrome in China and depreciation of South African Currency (Rand) are key concerns which could impede the growth of the domestic industry.

FUTURE PROSPECTS AND THE COMPANY'S STRATEGIES

While stainless steel output continues to increase primarily due to the growth emerging out of China, the ferro chrome industry is likely to maintain a balance on supply side.

The traditional powerhouse in the ferro chrome space, South Africa, has been upstaged by China, but will continue to be a significant player. India's role as a niche producer is well established but requires a pragmatic strategy to value-add to captive ore resources and finally emerge a net importer of chrome ore on a sustained basis.

In the global ferro chrome sector the over-capacity scenario is expected to persist. But the excess volumes available would be lesser than the planned addition as unviable operating units would face closure or consolidation.

The market for both chromite and ferro-chrome would be significantly affected by any restrictions placed on future South African chromite exports. However, an introduction of export duties or quotas on the supply of chromite raw materials to Chinese ferro-chrome producers would exert upward pressure on prices.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

In the view of the above, the Company has planned to expand its market segmentation - catering to special steel manufacture sector with value added products. This will expand the Company's global footprint, particularly in Europe, USA and South America.

OPERATIONAL PERFORMANCE

Highlights, 2013-14

- Production grew by 106% from 98,466 MT in 2012-13 to 1,04,550 MT in 2013-14
- Exports stood at 70,675 MT (Rs 54,329.80 Lacs) in 2013-14 against 61,385 MT (Rs. 44,769.06 Lacs) in 2012-13
- Sold 1,08,489MT of slag thereby conserving the natural resources (granite stone) used in construction

Business-Strengthening Initiatives

The Company successfully implemented a number of initiatives at the shop-floor and in the market space which is expected to strengthen, sustain profitable business operations over the long-term:

- Restructured the marketing strategy for accurate segmentation in the domestic and international markets which is expected to improve net realisations
- Focusing on arriving at an optimum quantity-quality mix through intelligent production planning for maximising value addition
- Continued the efforts towards achieving overall plant effectiveness which is facilitating in maximising asset utilisation
- Implemented numerous projects adopted towards energy conservation across the shop-floor which optimised energy and fuel consumption
- Undertook upgradation projects in areas like tap hole drilling machine, automation level, energy saving measures with consultation and assistance of leaders in the domain area.
- Strategic Planning in Supply Chain Management and Customer Relationship Management along with aggressive use of modern management initiatives namely TPM, Six Sigma, Lean JIT and BAL Q1 practices has contributed in minimising operating cost and improving shop-floor productivity.
- Initiated a project which will facilitate in underground mining for ore with the adoption of latest technology which is expected to increase ore output, improve productivity and profitability of the organization. More importantly, it promises long-term business sustainability.

Road Ahead

In the current year, the Company will focus on enhancing plant capacity (by changing of furnace transformer to higher capacity and executing lining of furnaces) and introducing value-added products (low silicon, low phosphorous, low carbon, high chromium etc). Further, the management is also analysing acquisition opportunities of idle capacities proximate to the Company's mines and plant. The Company has set itself a target of producing about 1,45,000 MT of ferro alloy in 2015-16 in addition to maximising the value addition.

QUALITY ASSURANCE

The ISO 9001: 2008 and ISO 14000 accreditation showcases the Company's commitment to quality, technology excellence and environment management systems and provides an important watermark to the Company's adherence to stringent global standards in these areas.

In 2013-14, the company successfully cleared the surveillance and renewal audit conducted by senior auditors of BIS. In keeping with its commitment to maintaining the highest quality of its products, the Company installed one Wave length dispersive X-ray-Fluorescence (WDXRF) for better testing accuracy. In addition to reducing the testing time, this equipment will reduce the chemical consumption in testing, making the testing-process more environment friendly.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

ENVIRONMENTAL AND SAFETY MEASURES

Your company continues to accord the highest priority for safety and environmental protection.

Environment management: The Company has institutionalised a structured environmental management system that takes care of all the environmental aspects. The team ensures that the Company continues to maintain discharge norms far below the stipulated statutory norms. In terms of liquid waste management, the Company's plant operates on a zero-discharge model. The entire waste water is recycled within the system and used for horticulture purposes. The solid waste is utilized as a good replacement of stone chips used in construction activity.

Green cover: The Company continued its plantation programme at local villages to enhance the green cover with the objective of better environmental balance. It has also strengthened its effort with massive plantation activity at the mines.

Safety: The Company has left no stone unturned to ensure the safety of employees, visitors and local people. The safety team, through periodic review and audit, identifies and eliminates all unsafe conditions and practices, thereby sustaining the safety commitment of the Company. Round the clock ambulance and fire tender service are maintained to meet any emergency in the factory or the neighbouring areas. Your company has taken some new initiatives for preventing accidents & incidents, including stringent monitoring of safety circles and implementations LOTO (Lock out and Tag Out) for energy isolation during shut down work. Also implemented different safety check sheets for equipment (EOT Crane, conveyer belt & fire Extinguisher) which is to be inspected periodically.

THE OPERATIONAL EXCELLENCE JOURNEY

Keeping in mind the 3Ps (People / Planet / Profit) of socially responsible way of doing business, the Company has adopted a Business Excellence Model which addresses all stakeholders. These initiatives have been championed by various head of functions and the results have enabled it gather momentum under the Business Excellence approach. Active involvement of employees across the organisation and structured review mechanisms put in place at the apex level has made these initiatives conducive to operational excellence and sustainable growth of the organization.

The practice allows managers/leaders to understand the cause and effect relationship between the activities and the achieved results. Systematic use of quality management principles and tools has contributed in achieving the objectives of improvement in performance, customer satisfaction, stakeholder value and process management. The different initiatives functioning under the umbrella of Business Excellence are:

Six Sigma: The Six Sigma initiative has significantly contributed in transforming business by breaking myths of conventional wisdom. The re-designing of business process and standard operating practices in line with Six Sigma technique has resulted in breakthrough improvements and enhanced bottom line.

Total Productive Maintenance (TPM): The TPM Program was initiated to create a preventive philosophy, total employees participation and to build a profitable culture. We started with the basic concept of eight pillars (Autonomous Maintenance, Kobetsu Kaizen, Planned Maintenance, Education & Training, Safety, Health & Environment, Office TPM, Initial Flow Control and Quality Maintenance) for internal improvements. To widen the TPM culture across the organization, two more pillars i.e. Sales & Marketing and Supply Chain Management were initiated. The Company identified and initiated 30 improvement projects in 2013-14; their progress is being monitored periodically.

Lean Management: Implementation of the Lean Management practices resulted in lead time reduction, inventory reduction, elimination of non value-added activities across the supply chain.

Supply Chain Management: This initiative has facilitated in reduced cost and risk of inputs, reduced logistic cost, optimized product mix and input feed mix through streamlined processes and scientific inventory management practices.

Performance Management System (PMS): The Company completed the first level exercise of this technique which was aimed at optimizing performance of the employees and bringing sharper accountability. This initiative is expected to focus on redefining the roles and responsibilities for key positions, realigning the organization structure to emerge as a highly performance oriented outfit and removing structural anomalies for seamless business control.

BAL Q1: During the year, BAL Q1 standards were initiated to strengthen all processes. Material management operating guidelines were adopted to enhance customer confidence. New tools like APQP, PPAP, 8D, MSA, among others, have been leveraged to pre-empt process and product failures.

**MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)****FINANCIAL PERFORMANCE**

| | Financial year ended 31st March, 2014 | (Rs in Lacs) Financial year ended 31st March, 2013 |
|----------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------|
| 1. Turnover (Gross) | 81,191.91 | 71,531.58 |
| 2. Total Income | 79,128.71 | 70,277.11 |
| 3. Profit before Interest & Finance charges and Depreciation (PBDIT) | 13,157.72 | 11,252.51 |
| 4. Profit before Taxes | 7,154.11 | 5,072.60 |
| 5. Profit after Taxes | 4,600.29 | 2,878.45 |

The net profit for the year is at Rs 4600.29 Lacs and the Company has announced a dividend of 12% for the year.

The Company achieved impressive performance with the improvements across key parameters. The turnover achieved for the year ended March 31, 2014, Rs 81,191.91 Lacs was registering a growth of 13.51% over the previous year. During the year the company's main focus was exports and book sales of Rs 54,329.80 Lacs higher by 21.36% over the last year.

The cost of consumption of raw materials decreased by 9.36% from Rs 25,614.74 Lacs to Rs 23,216.58 Lacs. Power and fuel cost increased by 8.44% - from Rs 20,116.23 Lacs to Rs 21,814.65 Lacs, because of increased volume of production as compared to the previous year.

PBDIT stood at Rs 13,157.72 Lacs against Rs 11,252.51 Lacs over corresponding financial year.

Interest and finance charges decreased by 7.04% from Rs 4,430.86 Lacs to Rs 4,119.07 Lacs. The decrease was mainly due to the effect of repayment of term loan during the year.

PBT stood at Rs 7,154.11 Lacs as against Rs 5,072.60 Lacs for the previous year, showing an increase of 41.03%. PAT stood at Rs 4,600.29 Lacs as against Rs 2,878.45 Lacs for the previous year. The Basic Earnings per Share (EPS) for the year was Rs 7.16 as against Rs 4.48 and the Diluted Earnings per Share (EPS) for the year was Rs 6.61 as against Rs 4.30 for the previous year.

Shareholders' funds (Net worth) increased from Rs 31,872.93 Lacs to Rs 36,021.91 Lacs as on March, 2014 registering a growth of 13.02% over the previous year.

HUMAN RESOURCES

Balasure Alloys's competitive advantage in its business space is built around the foundation of its intellectual capital. This capital comprises a rich mix of experience and youthfulness with the objective to create a '*centre of excellence*'.

This has been achieved due to the Company's human resource philosophy that facilitates in fostering performance, transparency, team work, fairness and empowerment at all levels. This is complemented with the Company's established systems and procedures that have been instrumental in realizing the full potential of its human capital

The Company's focus on growing the knowledge curve of its people has facilitated in developing a vibrant workforce capable of meeting the present and future requirement.

In 2013-14, the Company completed the competency assessment process (for the management team) through external consultants. In addition, process competency rating has been completed for other employees as well, as per the designed process based Organogram and the findings have been forwarded to the Training & Development sections for necessary action.

The management has accorded special focus to areas like role clarity, organizational development, employee engagement and team work to facilitate a performance driven culture. In addition, the Company is working on identifying the star-performers within the organisation to create a robust leadership-pipeline which can spearhead the Company's growth over the medium term.

The Board records its appreciation for the support of employees at all levels and looks forward to their total involvement in the growth process of the Company.

INTERNAL CONTROL SYSTEMS

Control ensures that freedom of management is exercised within a framework of checks and balances and is designed to prevent misuse of power, facilitate timely management of change and ensure effective management of risk.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Based on that premise, the Company remained committed to ensure the prevalence of an effective internal control environment, commensurate with its size and nature of business that provides reliable financial and operational information, to ensure compliance of corporate policies and applicable statutory regulations and safeguard Company's assets. The internal audit process includes review and evaluation of effectiveness of the existing processes, controls and compliances. It also ensures adherence to policies and systems and mitigation of the operational risks perceived for each area under audit.

For effective business control, there is a full-fledged internal audit function, which is headed by a firm of independent Chartered Accountants to monitor adherence to all internal policies and procedures as well as compliance with all external regulatory guidelines. The Company has an elaborate financial reporting process, which ensures timely review of all financial information. Periodic reviews are undertaken through internal and external audit teams to monitor efficacy of the prevalent systems. Independence of the audit and compliance function is ensured by a direct line of reporting to the Audit Committee comprising of all Independent Directors as members to maintain the objectivity.

The Audit Committee of the Board provides re-assurance to the Board on the existence of effective internal control environment that ensures:

- Efficacy and effectiveness of operations
- Compliance with the relevant statutes
- Safeguarding of assets and adequacy of provisions towards all liabilities
- Reliability of financial and management information along with adequacy of disclosures
- All significant audit observations and follow-up actions are reported to the Audit Committee. The Audit Committee's observations and suggestions are acted upon, timely, by the Management.

MANAGING RISKS AND CONCERNS

Risk and its management: Risk accompanies prospects. As a responsible corporate, it is the endeavour of the management to minimise the risks inherent in the business with the view to maximise returns from business situations.

The architecture: At the heart of the Company's risk mitigation strategy is a comprehensive and integrated risk management framework that comprises prudential norms, structured reporting and control. This approach ensures that the risk management discipline is centrally initiated by the senior management but prudently decentralised across the organisation, percolating to managers at various organisational levels helping them mitigate risks at the transactional level.

The discipline: The Company has clearly identified and segregated its risks into separate components, namely potential, operational, financial, strategic and growth execution. All the identified risks are inter-linked with the Annual Business Plans of the Company, so as to facilitate Company-wide reviews.

The review: A Risk Management Committee of the Board of Directors, comprising Board Members, has been constituted to review periodically updates on identified risks, implementation of mitigation plans and adequacy thereof, identification of new risk areas etc. The Board of Directors also reviews the Risk identification process and mitigation plans regularly. Further, the Company has engaged a reputed consultant to revisit / reassess the Risk Management framework of the Company to identify the method / process of identification and mitigation of the risks and to assure their adequacy in the ever-evolving business environment.

Key counter measures: The Company has institutionalised certain risk mitigation procedures outline as under:

- Wherever possible and necessary, appropriate insurance cover is taken for financial risk mitigation. Confirmation of compliance with applicable statutory requirements are obtained from the respective unit/divisions and subjected to an elaborate verification process.
- Quarterly reports on statutory compliances, duly certified, are submitted to the Audit Committee as well as the Board of Directors for review.
- Compliance(s) with exception(s), if any, are duly reported to the Audit Committee and the Board of Directors.
- Status of Demand/Notices on the Company, under various Acts and Rules, as well as status of litigations are reported to the Board of Directors every quarter.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

CORPORATE SOCIAL RESPONSIBILITY

Balasure Alloys has been at the forefront in extending benefits to the local communities in and around its projects. We have always believed in the sustainable development of the society. We have earned the trust of the local community over the years through our community services, on a regular basis, throughout the year.

Some of the activities undertaken during the year are as follows:

1) Environment Conservation & Tourism (Chandipur Sea Beach Cleaning)

The organised 'Chak Chak Chandipur' - a programme to clean the world famous Chandipur Beach in Balasure district. The programme was initiated by Youth Development Foundation (YDF); Balasure Alloys took the lead role in implementing the programme. This initiative was appreciated by the masses in the Balasure district. The representatives of Local Hotel & Restaurant Association, Local Fisherman Association and many tourists broadly participated in this programme. Every member of the YDF, along with local people and NSS members from various schools cleaned the sea beach. A sand art was organized by the eminent sand artist Kesu Das.

2) Basic Infrastructure (Drinking water facility in the nearby villages)

- Installed tube wells at Rasalpur and Purusottampur villages of Balgopalpur and Ganipur Panchayat. More than 1,000 people were benefited by these projects.
- Installed street lights at Mukhura and Patripal Panchayat of Remuna Block.

3) Facilitation in times of emergency (Floods and cyclone)

- Donated Rs. 11 lac to the Chief Minister Relief Fund for funding flood relief activities in Odisha.
- Distributed clothing, polythene, candle etc. to the flood affected people in the villages near our plant.
- Distributed blankets, polythene and clothing to the 150 physically-challenged people at Baliapal Block as part of flood relief efforts by the Company.

4) Distribution of blankets in winter season

- Blankets were distributed to the poor and needy people of the nearby villages like Nuapardhi, Partipal, Mukhura and Nuagaon of Remuna Block.
- Distributed blankets to the poor and needy SC & ST school students of Sunita Memorial Harijan Adibasi Abasik (Ashram) School, Bhograi, Balasure.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis report detailing the Company's objectives, projections, estimates, expectations or predictions 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 global and Indian demand supply conditions, raw material prices, finished goods prices, cyclical demand and pricing in the Company's products and their principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries with which the Company conducts business and other factors such as litigation and/or labour negotiations.



REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

Sound Corporate Governance practices are guided by culture, conscience and mindset of an organization and are based on principles of openness, fairness, professionalism, transparency and accountability with an aim to building confidence of its various stakeholders and paving way for its long-term success. In Balasore Alloys Limited, Corporate Governance is defined as a systematic process by which companies are directed and controlled keeping in mind the long-term interests of all their stakeholders. Achievement of excellence in good Corporate Governance practices requires continuous efforts and focus on its resources, strengths and strategies towards ensuring fairness and transparency in all its dealings with its stakeholders including society at large. Corporate Governance has indeed assumed greater significance as the world has moved towards closer integration and free trade.

COMPANY'S PHILOSOPHY ON GOVERNANCE:

Your Company's philosophy on the Corporate Governance is founded upon a rich legacy of fair and transparent governance practices which are essentially aimed at ensuring transparency in all dealings and hence seeks to focus on enhancement of long-term shareholder value without compromising on integrity, social obligations and regulatory compliances. Your Company has continued its pursuit of achieving these objectives through the adoption and monitoring of corporate strategies and prudent business plans, thereby ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities. The Company's comprehensive written code of conduct serves as a guide for your company and its employees on the standards of values, ethics and business principles, which should govern their conduct. Your company operates within accepted standards of propriety, fair play and justice and aims at creating a culture of openness in relationships between itself and its stakeholders. Even in a fiercely competitive business environment that the Company is operating in, the management and employees of your Company are committed to uphold the core values of transparency, integrity, honesty and accountability, which are fundamental to the Company and for achieving Corporate Excellence.

CORPORATE GOVERNANCE PRACTICES:

The Company's Corporate Governance practices seek to go beyond the regulatory requirements and with a view to ensuring commitment to transparent, law abiding behaviour and good Corporate Governance, the Company has put in place the following practices:-

- a) **Code of Conduct:** The Company's Code of Conduct is based on the principle that business should be conducted in a professional manner with honesty and integrity and thereby enhancing the reputation of the Company. The Code ensures lawful and ethical conduct in all affairs and dealings of the Company.
- b) **Business Policies:** The Business Policies of Company ensures transparency and accountability to its stakeholders. The policies provide motivation and support for professional development of employees, fair market practices and high level of integrity in financial reporting. The policies recognize Corporate Social Responsibility of the Company and also seek to promote health, safety and quality of environment.
- c) **Prohibition of Insider Trading:** The Code on prevention of Insider Trading, which applies to the Board Members and all officers and employees, seeks to prohibit trading in the securities of the Company based on unpublished price sensitive information. Trading window remains closed so long unpublished price sensitive information is not made public.
- d) **Risk Management:** The Company has developed and implemented a comprehensive Enterprise risk management framework for risk identification, assessment, minimization and mitigation procedure. The risk management procedures are clearly defined and periodically reviewed by the Board of Directors with a view to strengthen the risk management framework and to continuously review and reassess the risk that the Company may confront with.
- e) **Safety, Health and Environment Policy:** The Company is committed to conduct its business in a manner that values the environment and helps in ensuring the safety and health of all its employees and society at large. The policy is aimed towards strengthening pollution prevention and control measures.
- f) **Equal Employment Opportunity:** The employment policy of the Company assure that there shall be no discrimination or harassment against an employee or applicant on the grounds of race, colour, religion, gender, age, marital status, disability, national origin or any other factor made unlawful by applicable laws and regulations. The policy also ensures fair and respectful treatment of all fellow employees.
- g) **Whistle Blower / Vigil Mechanism:** The Company has established a Whistle Blower / Vigil mechanism for its directors and employees to report the concerns about unethical behaviour, actual and suspected fraud or violation of the Company's Code of Conduct.

**REPORT ON CORPORATE GOVERNANCE (Contd.)****2. Board of Directors****Board Composition and Category of Directors**

The Company has optimum composition of Executive and Non-Executive Directors in conformity with Clause 49 of the Listing Agreement with the Stock Exchanges. The Board as on 31st March, 2014, consists of 10 directors out of which 6 directors are Independent Directors. The composition and category of the directors on the Board are as follows:-

| Category | Name of the Director |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Promoter Directors | Mr Pramod Kumar Mittal, Chairman Ms Vartika Mittal |
| Executive Directors | Mr Anil Sureka, Managing Director Mr R K Parakh, Director- Finance |
| Non-Executive Independent Directors | Mr M Trivedi Mr S Mohapatra Mr S K Pal Dr A K Bhattacharyya Prof S K Majumdar Mr K P Khandelwal |

Details of the Board Meetings

Five Board meetings were held during the period from 01.04.2013 to 31.03.2014. The Company has held at least one Board Meeting in every three months and the gap between such two meetings was not more than four months. The dates on which the Board meetings were held are as follows:-

23.04.2013, 30.05.2013, 14.08.2013, 30.10.2013 and 30.01.2014.

Attendance at aforesaid Board Meetings, at the last Annual General Meeting and the number of Directorships and Committee Chairmanships / Memberships in other Companies of each of the Directors as on the date of this report are below:-

| Director | Board Meeting Attended | Attended last AGM held on 18.09.2013 at Registered Office | No. of Directorship in other Companies 1 | | No. of Membership in Committees of Directors in other Companies.2 | |
|-------------------------------------|------------------------|-----------------------------------------------------------|------------------------------------------|----------|-------------------------------------------------------------------|--------|
| | | | Chairman | Director | Chairman | Member |
| Mr Pramod Kumar Mittal (Chairman) | Nil | No | 2 | Nil | Nil | Nil |
| Mr M Trivedi | 4 | Yes | Nil | 1 | 2 | Nil |
| Mr S Mohapatra | 5 | Yes | Nil | 1 | 1 | Nil |
| Mr S K Pal | 4 | No | Nil | 1 | 1 | 1 |
| Dr A K Bhattacharyya | 4 | No | Nil | 2 | 1 | Nil |
| Prof S K Majumdar | 4 | No | Nil | Nil | Nil | Nil |
| Mr K P Khandelwal | 5 | No | Nil | 2 | Nil | 4 |
| Ms Vartika Mittal | 1 | No | Nil | Nil | Nil | Nil |
| Mr R K Parakh Director - Finance | 5 | Yes | Nil | Nil | Nil | Nil |
| Mr Anil Sureka Managing Director | 5 | No | Nil | 1 | Nil | Nil |

1 The directorship, held by Directors as mentioned above, do not include directorships held in foreign companies, companies registered under Section 25 of the Companies Act, 1956 and private limited companies.

2 In accordance with Clause 49 of the Listing Agreement, Memberships / Chairmanships of only Audit Committees and Stakeholders Relationship Committees in all public limited companies have been considered.

**REPORT ON CORPORATE GOVERNANCE (Contd.)****Board Procedure**

The Board ensures that the Company's reporting and disclosure practices meet the highest standards of Corporate Governance and that the business practices followed by the Company are oriented towards meeting obligations towards various stakeholders and enhancing shareholders value.

The Agenda of the meeting is circulated well in advance to the Board members backed by comprehensive background information to enable them to take appropriate decisions. In addition to the information required under Annexure I A to Clause 49 of the Listing Agreement, the Board is also kept informed of major events / items and approvals taken wherever necessary. The Managing Director at the Board Meetings keep the Board apprised of the overall performance of the Company.

3. Audit Committee

The Company has a qualified and independent Audit Committee. The terms of reference, role, scope and composition of Audit Committee are in accordance with revised Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013. The Committee acts as a link between the management, the statutory and internal auditors and Board of Directors to oversee the financial reporting process. All the members of the Committee are independent Directors.

As on the date of this report, the Committee consists of Six Directors, who bring with them vast experience in the field of operations, finance & accounts and the Company has been immensely benefited from the deliberations of the Audit Committee. Besides the Committee members, functional heads and Auditors of the Company attend the meeting of the Committee on the invitation of the Committee.

The Chairman of the Audit Committee is an Independent Director and the Company Secretary acts as the Secretary to the Committee.

Six Meetings of Audit Committee were held during the year ended 31.03.2014. The dates on which the meetings of the Audit Committee were held are:

23.04.2013, 30.05.2013, 14.08.2013, 30.10.2013, 30.01.2014 and 17.02.2014

As on the date of this report, the composition of the Audit Committee and the meetings attended by the members are as under:

| Name of Director | No. of Meetings attended during the period |
|------------------------------------------|---------------------------------------------------|
| Mr M Trivedi (Chairman of the Committee) | 5 |
| Mr S Mohapatra | 6 |
| Mr S K Pal | 5 |
| Dr A K Bhattacharyya | 5 |
| Prof S K Majumdar | 4 |
| Mr K P Khandelwal | 6 |

The Chairman of the Audit Committee attended the previous Annual General Meeting held on 18th September, 2013.

The terms of reference of the Audit Committee are as under:

- Recommendation for the appointment, remuneration and terms of appointment of auditors of the company;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Examination of the financial statement and the auditors' report thereon;
- Approval or any subsequent modification of transactions of the company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the quarterly and annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:-
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
 - Changes, if any, in accounting policies and practices and reasons for the same.



REPORT ON CORPORATE GOVERNANCE (Contd.)

- Major accounting entries involving estimates based on the exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Approval or any subsequent modification of transactions of the company with related parties;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- 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 statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower / Vigil mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. Nomination & Remuneration Committee

The Remuneration Committee has been renamed as Nomination & Remuneration Committee by the Board in its meeting held on 20th May, 2014 to align with the requirements of Section 178 of the Companies Act, 2013 and revised clause 49 of the Listing Agreement.

As on the date of this Report, the composition of the Committee is in line with requirements of revised Clause 49 of the Listing Agreement and the Companies Act, 2013. The committee comprised of four members, of which all of them are Independent Non-Executive Directors.

The composition of the Nomination & Remuneration Committee is as under:

| | |
|------------------------------------------|------------------------------------|
| Mr M Trivedi (Chairman of the Committee) | Independent Non-Executive Director |
| Dr A K Bhattacharyya | Independent Non-Executive Director |
| Mr S K Pal | Independent Non-Executive Director |
| Prof S K Majumdar | Independent Non-Executive Director |

During the financial year ended 31st March, 2014, no meeting of the Nomination & Remuneration Committee of the Board of Directors was held.

Pursuant to the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, Board has approved & adopted the terms of reference of the Committee. Given below, *inter-alia*, is a gist of the terms of reference of the Nomination & Remuneration Committee.

- Identification of persons who are qualified to become directors and who may be appointed in senior management;
- Formulation of criteria for evaluation of Independent Director and the Board.
- Formulation of criteria for determining qualifications, positive attributes and independence of a director;
- Recommendation to the Board, a remuneration policy for the directors, KMP and other employees;
- Ensuring the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors;
- Devise a policy on Board diversity;
- Ensuring remuneration to directors, KMP and senior management involves a balance between fixed and incentive pay.

The Committee was also assigned with the responsibility to consider the policy and the matters relating to the remuneration payable to its Managing Director / Whole-time Directors based on the performance and defined assessment criteria.

**REPORT ON CORPORATE GOVERNANCE (Contd.)****5. Remuneration to Directors**

The Board of the Directors of the Company in its meeting held on 20th May 2014, has adopted a policy for remuneration of the Board Members, Key Managerial Personnel (KMPs) & Senior Management Personnel (SMPs) in adherence with the provisions of revised clause 49 of the listing agreement, Section 178 of the Companies Act, 2013 and Rules made there under.

(a) Remuneration to Non-Executive Directors:

The Non-Executive Directors of the company are paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and its Committees. The sitting fees paid to the Non-Executive Directors for attending meetings of Board of Directors and Audit Committee of Board of Directors is Rs. 15,000/- per meeting. However, sitting fees for attending meeting of the Risk Management Committee and Project Committee is Rs. 10,000/- per meeting and sitting fees for attending other committee meetings i.e. Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee is Rs. 5,000/- per meeting. Beside the sitting fees they are also entitled to reimbursement of expenses for attending the meeting. The Non-Executive Directors of the Company were not paid any other remuneration or commission.

(b) Remuneration to Executive Directors:

Remuneration policy / criteria of payment to Executive Directors: The Company has a credible and transparent policy in determining and accounting for the remuneration of the Managing Director / Whole Time Directors (MD / WTDs). Their remuneration is governed by the external competitive environment, track record, potential, individual performance and performance of the company as well as industry standards. The remuneration determined for MD / WTDs is subjected to the recommendation of the nomination & remuneration committee and approval of the Board of Directors, members in due compliance of the provisions of Companies Act, 2013 and other applicable rules made there under.

As a policy, the Executive Directors are neither paid sitting fee nor any commission.

Details of remuneration paid to Whole-time Directors for the year ended 31st March, 2014:

(Rs. in Lacs)

| Director | Salary & Perks | Commission | Total | Service Contract (Years) | Period |
|-----------------------------------------|----------------|------------|--------|--------------------------|-------------------------|
| Mr. Anil Sureka (Managing Director) | 132.65 | Nil | 132.65 | 3 Years | 01.04.13 to 31.03.14 |
| Mr. B N Panda* (Director-Operations) | 8.73 | Nil | 8.73 | 3 Years | 01.04.13 to 06.04.13 |
| Mr R K Parakh (Director-Finance) | 40.09 | Nil | 40.09 | 3 Years | 01.04.13 to 31.03.14 |

* Ceased to be Director-Operations w.e.f., 06.04.2013.

Relationship of Non-Executive Directors with the Company and interse: There is no pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company and interse themselves except for the sitting fees paid to them for attending the Board and Committee meetings.

6. Stakeholders Relationship Committee

The Share Transfer and Investor Grievance Committee renamed as Stakeholders Relationship Committee by the Board in its meeting held on 20th May 2014 to align with the requirements of Section 178 of the Companies Act, 2013 and revised clause 49 of the Listing Agreement.

The composition of the Stakeholders Relationship Committee is as under:

| | |
|------------------------------------------|------------------------------------|
| Mr M Trivedi (Chairman of the Committee) | Independent Non-Executive Director |
| Prof. S K Majumdar | Independent Non-Executive Director |
| Mr S K Pal | Independent Non-Executive Director |
| Mr. R K Parakh | Director - Finance |

The Committee has met twelve times during the period from 01.04.2013 to 31.03.2014. The dates on which the meetings of the Share Transfer and Investors Grievance Committee were held are as follows:

12.04.2013, 14.05.2013, 11.06.2013, 11.07.2013, 13.08.2013, 12.09.2013, 11.10.2013, 12.11.2013, 10.12.2013, 13.01.2014, 11.02.2014 & 12.03.2014

All the members of the Committee attended all 12 meetings held during the year.

The object of the Stakeholders Relationship Committee is to approve transfer of shares, consolidation / sub-division of shares, issue of duplicate shares, redressal of investor grievance / complaints and other allied matters. The Committee meets monthly, while the Registrars and Transfer Agent of the Company, to whom the requisite authority is delegated in this regard, attend the transfer formalities thrice in a month.

**REPORT ON CORPORATE GOVERNANCE (Contd.)****Name and Designation of Compliance Officer:**

Mr Trilochan Sharma - VP & Company Secretary

Name and Designation of Contact Person of Registrars and Transfer Agent of the Company:

Mr Alope Mukherjee - Manager

M/s MCS Limited

Share Transfers / Transmissions etc. as approved by the Committee are notified to the Board at regular intervals. During the year i.e. from 01.04.2013 to 31.03.2014, the status of complaints are as under:

| | | |
|-------------------------------------|---|-----|
| Complaints pending as on 01.04.2013 | — | Nil |
| Complaints received from Investors | — | 149 |
| Complaints replied / resolved | — | 149 |
| Complaints pending as at 31.03.2014 | — | Nil |

7. Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee was constituted by the Board at its meeting held on 20th May, 2014, pursuant to the requirements of section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014.

The Board in its meeting held on 20th May, 2014 has approved the CSR Policy as formulated and recommended by the CSR Committee in accordance with the requirements of the Companies Act, 2013 and rules made there under.

The CSR Committee consists of 5 Directors out of which 3 are Independent Directors.

The composition of the CSR Committee is as under:

| | |
|------------------------------------------|------------------------------------|
| Mr M Trivedi (Chairman of the Committee) | Independent Non-Executive Director |
| Prof. S K Majumdar | Independent Non-Executive Director |
| Mr. K P Khandelwal | Independent Non-Executive Director |
| Mr. Anil Sureka | Managing Director |
| Mr. R K Parakh | Director - Finance |

8. Other Committee

The Company also have a Project Committee to overview implementation of various capital projects including status of progress and critical areas affecting projects, implementation schedule and a Risk Management Committee of the Board constituted by the Board at its meeting held on 29th May, 2009 assigned with the task, inter-alia, of reviewing the risk management process on continuous basis, considering the alternatives for mitigating the risk and updating the Board about the major risks.

9. General Body Meetings:

1. Details on Annual and Extra Ordinary General Meeting:

| Year | Location | Date | Time |
|---------------------------|-------------------|------------|-----------|
| EOGM | Registered Office | 20.05.2013 | 9.30 A.M. |
| 2012-13 (AGM) (12 Months) | Registered Office | 18.09.2013 | 9.30 A.M. |
| 2011-12 (AGM) (12 Months) | Registered Office | 26.09.2012 | 9.30 A.M. |
| 2010-11 (AGM) (12 Months) | Registered Office | 29.09.2011 | 9.30 A.M. |

2. Whether any special resolution passed in the previous 3AGMs/EOGM : Yes

3. Whether special resolutions:

- a) (i) Were put through postal ballot last year : No
(ii) Details of voting pattern : NA
(iii) Person who conducted the postal ballot exercise : NA
- b) (i) Are any Special Resolution proposed to be conducted through postal ballot this year : No
(ii) Procedure for postal ballot : NA

**REPORT ON CORPORATE GOVERNANCE (Contd.)****10. Code of Conduct**

The Code of Conduct (hereinafter referred to as 'Code') is applicable to all its Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel had affirmed compliance with the Code during the year and no violation of the same was reported. A declaration to the effect that all Board Members and Senior Management Personnel have complied with the Code during the financial year 2013-14, duly signed by Managing Director of the Company is herein below enclosed. The Code has also been posted on the Company's Web-site.

Affirmation of Compliance with the Code of Conduct for Board Members and Senior Management Personnel.

I, Anil Sureka, Managing Director of Balasore Alloys Limited, hereby declare that the Company has received affirmation of compliance with the 'Code of Conduct for Board members and Senior Management Personnel' laid down by the Board of Directors, from all the Directors and Senior Management Personnel of the Company, to whom the same is applicable, for the financial year ended 31st March, 2014.

Anil Sureka
Managing Director
 Din No.: 00058228

20th May, 2014

11. Disclosures

- a. The particulars of transactions between the Company and its related parties as required by Accounting Standard (AS)-18 issued by the Institute of Chartered Accountants of India are set out in point 35 of Notes to financial statements as at and for the year ended March 31, 2014 of the Annual Report.
- b. In preparation of financial statement, the Company has followed the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the annexure to the Notes to the Accounts.
- c. The Company has formulated and implemented an Enterprise Risk Management framework for risk assessment and mitigation procedures which is an ongoing process within the Company. In this connection, Risk Management Committee of the Board was constituted and assigned with the task, *inter-alia*, of reviewing the risk management process on continuous basis, considering the alternatives for mitigating the risk. These risk management procedures are periodically reviewed by the Board of Directors with a view to strengthen the risk management framework.
- d. The Company has not made any fresh capital issue during the year under review.
- e. During the last three years, there were no strictures or penalties imposed on the Company either by SEBI or Stock Exchanges or any statutory authority for non-compliance of any matter related to capital market.
- f. Whistle Blower / Vigil mechanism has been adopted by the Company w.e.f 20.05.2014.
- g. The Management Discussion and Analysis Report is a part of the Annual Report.

12. Adoption of Mandatory and Non-mandatory requirements under Clause 49 of the Listing Agreement

The Company has adopted and complied with all the mandatory requirements under Clause 49 of the Listing Agreement and there is no case of violation or infringement of the same during the period. As on the date of this report, the Company has adopted non-mandatory requirements under Clause 49 of the Listing Agreement to the extent relating to setting up of Nomination & Remuneration Committee and establishment of the Whistle Blower / Vigil Mechanism.

13. Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carried out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held in electronic mode with NSDL and CDSL.

14. Means of communication

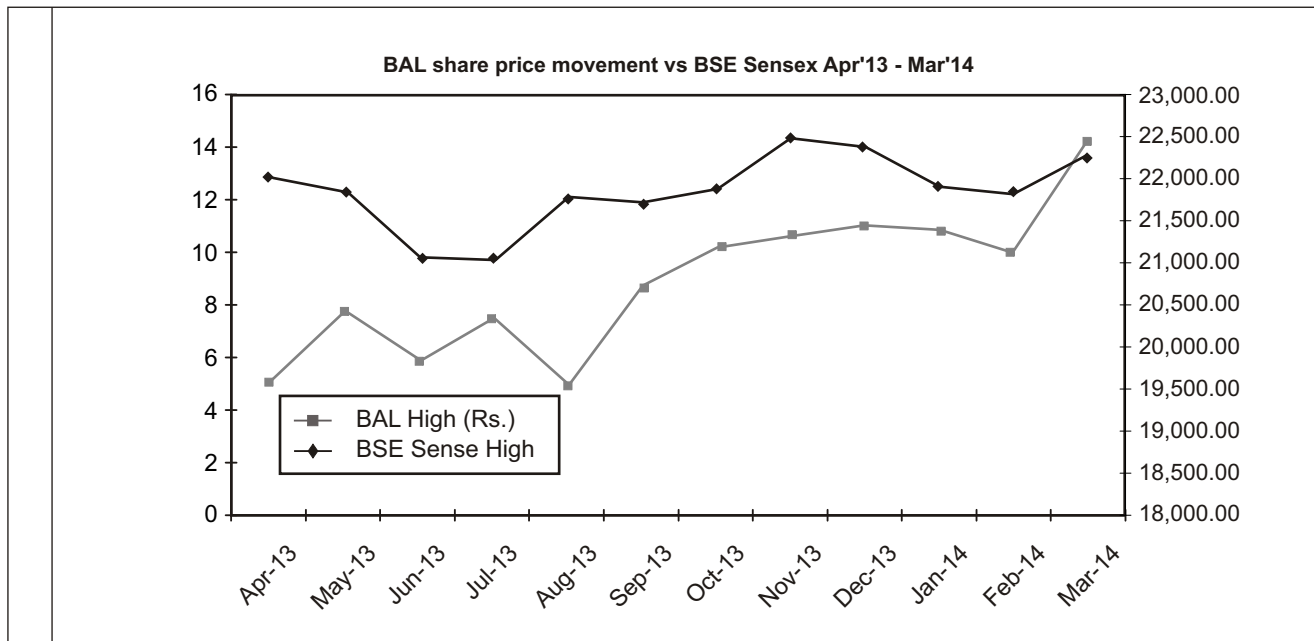
| | |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Half yearly report sent to each household of shareholders | Not required. |
| Quarterly results – Which newspapers normally published. | Financial Express / Economic Times / Business Standard (in English) Sambad / Samaja (Oriya version) |
| Web sites where quarterly results are displayed. | www.balasorealloys.com |
| Whether it also displays official news releases. | Yes |
| Whether Management Discussion & Analysis is a part of Annual Report | Yes |

**REPORT ON CORPORATE GOVERNANCE (Contd.)****15. GENERAL SHAREHOLDERS' INFORMATION**

| | | |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Annual General Meeting | |
| | Day, Date & Time Venue | Thursday, 25th September, 2014 at 9.30 A.M. Registered Office at Balgopalpur – 756 020 Balasore, Odisha, India |
| 2 | Tentative Financial Calendar 2014-15 Financial Reporting for the quarter ending June 30, 2014. Financial Reporting for the quarter ending September 30, 2014 Financial Reporting for the quarter ending December 31, 2014 Financial Reporting for the quarter ending March 31, 2015 Annual General Meeting for the year ending March 31, 2015 | By 14th day of August, 2014 By 14th day of November, 2014 By 14th day of February, 2015 By 30th day of May, 2015 By September, 2015 |
| 3 | Book Closure Date | 19th September, 2014 to 25th September, 2014. (both days inclusive) |
| 4 | Dividend Payment Date | The Dividend warrants will be posted on and from 30th September, 2014. |
| 5 | Registered Office | Balgopalpur – 756 020, Balasore, Odisha |
| 6 | Listing on Stock Exchanges | i) BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 ii) The Calcutta Stock Exchange Limited 7, Lyons Range, Kolkata – 700 001 |
| Note: Annual Listing Fees for Financial Year 2014-15 has been paid to the BSE Limited and the Calcutta Stock Exchange Limited. | | |
| 7 | Stock Market information: | |
| | (i) Stock Code: BSE Limited The Calcutta Stock Exchange Ltd. ISIN No. for Fully Paid-up Equity Shares | : 513142 : 10019059 : INE135A01024 |
| | (ii) Market Price | Share Price data on BSE High (Rs) Low (Rs) |
| | Months | BSE Sensex High Low |
| | April, 2013 | 12.90 10.00 19,622.68 18,144.22 |
| | May, 2013 | 12.40 8.52 20,443.62 19,451.26 |
| | June, 2013 | 9.87 8.00 19,860.19 18,467.16 |
| | July, 2013 | 9.79 8.07 20,351.06 19,126.82 |
| | August, 2013 | 12.22 7.55 19,569.20 17,448.71 |
| | September, 2013 | 11.99 9.60 20,739.69 18,166.17 |
| | October, 2013 | 12.50 9.20 21,205.44 19,264.72 |
| | November, 2013 | 14.45 11.41 21,321.53 20,137.67 |
| | December, 2013 | 14.13 11.10 21,483.74 20,568.70 |
| | January, 2014 | 12.59 10.29 21,409.66 20,343.78 |
| | February, 2014 | 12.29 10.85 21,140.51 19,963.12 |
| | March, 2014 | 13.70 11.01 22,467.21 20,920.98 |



REPORT ON CORPORATE GOVERNANCE (Contd.)



| | | |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8 | Share Price Performance in comparison to BSE Sensex Opened. | |
| | The BSE Sensex open on 1st April, 2013 at 18,890.81 and on 31st March, 2014, the Sensex closed at 22,386.27. The market price of the shares of the Company on the BSE has varied from Rs. 7.55 to Rs. 14.45 during the period under review. | |
| 9 | Depository Connectivity | National Securities Depository Limited Central Depository Services (India) Ltd. |
| 10 | Registrars & Transfer Agent: (Share transfer and communication regarding share certificates, Dividends & change of Addresses) | MCS Limited, Unit: Balasore Alloys Limited 77/2A, Hazra Road Kolkata – 700 029 Ph. Nos. +91 33 4072 4051 / 4052 / 4053 Fax Nos. +91 33 4072 4050 E-mail: mcskol@rediffmail.com (Registered with SEBI as Share Transfer Agent – Category I) |
| 11 | Share Transfer System: The physical shares received for transfer are processed and the same is registered in the name of transferee, if case is not of bad delivery or incomplete documents. In order to expedite the process of transfer of Shares, the Company, for effecting transfers, has authorized M/s MCS Limited, Registrar and Share Transfer Agent, who attend to share transfer formalities thrice in a month. Those who are desirous of holding their shares in the Company in dematerialized form have to approach their respective Depository Participant for dematerialization of their shares. | |
| 12 | Investor Grievance Redressal System: The Investor grievances / shareholders complaints are handled by the Company's Registrars and Share Transfer Agent M/s MCS Limited, Kolkata, in consultation with the Secretarial department of the Company. The Registrar has adequate skilled staff with professional qualifications and advanced computer systems for speedy redressal of the investor grievances. | |


REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | | | | |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------|--------------------|--------------------|
| | Periodical review meetings are held between the officials of the Registrar and Share Transfer Agent and the Company to discuss the various issues relating to share transfer and other allied matters, dematerialization of shares, Investor complaints, etc. | | | | |
| 13 | Compliance Certificate of the Auditors: The Statutory Auditors' certificate, that the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is annexed to the Report on Corporate Governance. | | | | |
| 14 | a) Distribution of Shareholding as at 31st March, 2014 | | | | |
| | Category | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Share Capital |
| | 1 to 500 | 126382 | 97.09 | 11507480 | 17.90 |
| | 501 to 1000 | 2183 | 1.68 | 1590848 | 2.47 |
| | 1001 to 2000 | 756 | 0.58 | 1098679 | 1.71 |
| | 2001 to 3000 | 310 | 0.24 | 789609 | 1.23 |
| | 3001 to 4000 | 34 | 0.03 | 119533 | 0.19 |
| | 4001 to 5000 | 47 | 0.04 | 219357 | 0.34 |
| | 5001 to 10000 | 206 | 0.16 | 1690941 | 2.63 |
| | 10001 to 50000 | 188 | 0.14 | 4087010 | 6.36 |
| | 50001 to 100000 | 29 | 0.02 | 2193984 | 3.41 |
| | 100001 and above | 32 | 0.02 | 40992970 | 63.76 |
| | TOTAL | 130167 | 100.00 | 64290411 | 100.00 |
| | b) Categories of Shareholders as on 31st March, 2014 | | | | |
| | Category | No. of Shares held | % of Total Shareholding | | |
| | Promoter Group | 29935816 | 46.56 | | |
| | Mutual Funds / UTI | 13600 | 0.02 | | |
| | Financial Institution / Banks | 591073 | 0.92 | | |
| | NRIs / OCBs / Foreign Institutional Investors / Other Foreign Shareholders (Other than Promoter Group) | 7562560 | 11.77 | | |
| | Bodies Corporate | 5125091 | 7.97 | | |
| | Indian Public | 21041379 | 32.73 | | |
| | Others | 20892 | 0.03 | | |
| | GRAND TOTAL | 64290411 | 100.00 | | |
| | Approximately 83.99 % of the Equity shares have been dematerialized as on 31st March, 2014. Trading in Equity Shares of the company is permitted only in dematerialized form with effect from 26.06.2000 as per notification issued by the Securities and Exchange Board of India in this regard. | | | | |
| 15 | Plant Location: | Balgopalpur Balasore – 756 020 Odisha | | | |
| | Mines Location: | | | | |
| | 1. Chrome Ore Mine | ● Sukinda Valley, Dist. Jajpur (Odisha) | | | |
| | 2. Manganese Ore Mine | ● Joda, Dist Keonjhar (Odisha) ● Hathoda, Dist. Balaghat (M.P.) | | | |
| | 3. Quartz & Quartzite Mine | ● Village: Baghjumpa Subdivision: Mayurbhanj District : Mayurbhanj, (Odisha) | | | |

**REPORT ON CORPORATE GOVERNANCE (Contd.)**

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16 | Address for Investor Correspondence | |
| | 16.1 Registrar and Transfer Agent | MCS Limited Unit: Balasore Alloys Limited 77/2A, Hazra Road Kolkata – 700 029 Ph. Nos. +91 33 4072 4051 / 4052 / 4053 Fax Nos. +91 33 4072 4050 E-mail: mcskol@rediffmail.com |
| | 16.2 Company's Address. | The VP & Company Secretary Balasore Alloys Limited Balgopalpur – 756 020 Dt. Balasore, Odisha. Ph. Nos.: +91 6782 275781-85 Fax Nos. +91 6782 275724 E-Mail: mail@balasorealloys.com investorshelpline@balasorealloys.com Website: www.balasorealloys.com |
| Note: Shareholders holding shares in dematerialized form should address all correspondence to their respective depository participants. | | |

17 Shareholder Reference**Dematerialise your shares**

All the investors are requested to convert their physical share into demat holdings. This will facilitate the immediate transfer of shares, no need of paying any stamp duty on transfer of shares and risks associated with physical share certificates such as forged transfer, fake certificates and bad deliveries are avoided.

Consolidate Multiple Folios

The Investors having multiple folios are advised to consolidate the same. This would result in the one-stop tracking of all corporate benefits on the shares and would reduce time and effort required to monitor multiple folios.

Nomination

Shareholders holding shares in physical form and desirous of submitting / changing nomination in respect of their shareholding in the company may submit Form SH - 13 (in duplicate) as per the provisions of section 72 of the Companies Act, 2013 and Rule 19 of the Companies (Share Capital and Debentures) Rules 2014, to the Company's Registrars & Transfer Agent. This would help the successors to get the shares transmitted in their favour without any hassle.

Confidentiality

Folio no., DP and ID no., as the case may be, should not be disclosed to and blank signed transfer form should not be given to any unknown persons.

General Points While Writing to Company or Registrar and Transfer Agent

While writing to the Company and / or Registrar and Transfer Agent, investor should mention their Folio no., DP ID no., full name, address in the letter and sign the same. Signature should be as per the company's record. In case of joint holders, all the joint holders should sign the documents and in case of transfer, the transfer form accompanied with original share certificates should be delivered to the Registrar and Transfer Agent. Shareholders are requested to also mention their telephone no. and / or e-mail ID, if any, in the correspondence for speedy and immediate communication.

Permanent Account Number (PAN)

SEBI has clarified that for securities market transactions and off-market / private transactions involving transfer of shares in physical form of listed companies, it is mandatory for the transferee(s) to furnish copy of PAN card to the Company / RTAs for registration of such transfer of shares.

Accordingly all shareholders are requested to submit duly attested photocopy (both side) of their PAN card alongwith duly executed transfer form to facilitate the speedy transfer of shares.

Shareholders holding shares in electronic form are required to furnish their PAN details to their Depository Participants with whom they maintain their account alongwith the documents as required by them.



BALASORE ALLOYS LIMITED

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

The Board of Directors
Balasore Alloys Limited
Park Plaza, 1st Floor
71, Park Street
Kolkata - 700 016

20th May, 2014

We, Anil Sureka, Managing Director and R. K. Parakh, Chief Financial Officer of Balasore Alloys Limited, together certify to the Board that we have reviewed the financial statements and the cash flow statement of the Company for the financial year ended 31st March, 2014 and to the best of our knowledge and belief, we certify that –

1. The statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These Statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. There are no transactions entered into by the Company during the financial year ended 31st March, 2014, which are fraudulent, illegal or violative of the Company's Code of Conduct;
4. For the purposes of financial reporting, we accept the responsibility for establishing and maintaining the internal controls which are monitored by the Company's Internal Auditor and we have evaluated the effectiveness of the internal control systems of the Company based on feedbacks received from the Company's Internal Auditor and accordingly state that there are no deficiencies in the design or operation of the internal controls, of which we are awareof;
5. There have been no significant changes in internal controls during the year, nor has there been any significant changes in the Accounting policies during the financial year ended 31st March, 2014 which requires to be disclosed in the notes to the financial statements;
6. There have been no instances of frauds, of which we are awareof, for the financial year ended 31st March, 2014.

R.K. Parakh
Chief Financial Officer
DIN No.: 00459699

Anil Sureka
Managing Director
DIN No.: 00058228



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Balasore Alloys Limited

We have examined the compliance of conditions of Corporate Governance by BALASORE ALLOYS LIMITED ("the Company"), for the year ended on 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

For Chaturvedi & Shah
Chartered Accountants
(Firm Registration Number : 101720W)

Amit Chaturvedi
Partner
Membership No. 103141

Place : Kolkata
Date : May 20, 2014



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BALASORE ALLOYS LIMITED

Report on the Financial Statements

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

Management's responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, as the case may be, the aforesaid financial statements give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We invite attention to the following notes:

- a) Note No. 31 regarding demand by North Eastern Electricity Supply Company of Orissa Limited (NESCO) towards revocation of the waiver of dues granted under a settlement in an earlier year and towards take or pay benefit claimed by the company. NESCO has raised total claim for Rs. 20,843.14 Lacs as at 31st March, 2014 (Rs. 18,927.66 Lacs as at 31st March, 2013) (including delayed payment surcharge). Company has paid Rs 3,400 lacs in previous years against these disputed claim and provided the same in that year as a matter of prudence. The matter of revocation of settlement is pending with Honourable High Court of Orissa and that of demand towards take or pay benefit before Electricity Appellate Tribunal, New Delhi. Pending outcome of the court/tribunal decision and based on discussion with Company's legal counsel, no provision has been made towards above demand.



- b) Note No. 32 regarding demand by lenders for their right to recompense under CDR Scheme sanctioned in earlier years. Lenders have demanded Rs 3,219.95 lacs for the recompense amount made up to 31st March, 2007. Company has paid Rs. 536 lacs as on 31st March, 2014 and provided the same in previous and current year as a matter of prudence. Further, the recompense amount for the period from 1st April, 2007 to till date has not been finally worked out. The management has approached its lenders to determine the final liability towards such recompense amount, pending which no provision has been made towards above demand.

Our opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by sub-section (3) of section 227 of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the accounting standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Chaturvedi & Shah
Firm registration number: 101720W
Chartered Accountants
Amit Chaturvedi
Partner
Membership No. 103141

Place : Kolkata
Date : May 20, 2014

Annexure referred to in paragraph 1 under the heading Report on other legal and regulatory requirements of our Report of even date

Re: Balasore Alloys Limited ("the Company")

1. In respect of its Fixed Assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Fixed assets have been physically verified by the management in a phased periodical manner as per regular programme of verification, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) There are no substantial disposals of fixed assets during the year.
2. In respect of its Inventory:
 - a) The inventory has been physically verified during the year by the management, except stock lying with third parties. In our opinion, the frequency of verification is reasonable. In respect of the inventory lying with third parties, these have been confirmed by them.
 - 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 the nature of its business.



BALASORE ALLOYS LIMITED

- c) The Company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory.
3. In respect of the loans, secured or unsecured, granted or taken by the Company to/ from Companies, firms or other parties covered in the register maintained under Section 301 of the Act:
- a) The Company has not given any loan during the year to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, the requirements of Clauses (iii) (b) to (iii) (d) of paragraph 4 of the Order are not applicable to the Company.
- e) The Company during last year has taken interest free advance from promoter group companies towards participation in equity and/or quasi debt instruments. In respect of said loans, the maximum amount outstanding at any time during the year is Rs. 19,405 lacs and the year- end balance is Rs. 19,405 lacs.
- f) Pending finalisation of the terms and pricing, we are unable to comment on the clause (iii) (f) and (g) of paragraph 4 of the Order.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. According to information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301. Therefore, the provisions of clause (v) (b) of paragraph 4 of the Order are not applicable to the Company.
6. The Company has not accepted any deposit from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Company has maintained cost records under Section 209 (1) (d) of the Companies Act, 1956 as per the Companies (Cost Accounting Records) Rules, 2011. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.
9. In respect of statutory dues:
- a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other statutory dues were outstanding, as at March 31, 2014 for a period of more than six months from the date they became payable.
- c) The disputed statutory dues aggregating Rs. 3,276.02 lacs that have not been deposited on account of disputed matters pending before authorities are as under :

| Name of the statute | Nature of the Dues | Amount (Rs in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|------------------------------------------------------|------------------------------------------------|---------------------|------------------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax (including interest) | 2,361.25 | 2005-11 | Commissioner (Appeals) |
| Central Sales Tax Act, 1956 and Orissa Sales Tax Act | Sales Tax/VAT (including interest and Penalty) | 10.97 | 1996-97 | Orissa High Court, Cuttack |
| | | 73.00 | 1997-98 & 2009-10 | Sales Tax Appellate Tribunal |
| | | 2.89 | 1994-97& 2011-12 | Additional Commissioner |
| | | 0.23 | 2008-09 | Commissioner (Appeals) |



BALASORE ALLOYS LIMITED

| Name of the statute | Nature of the Dues | Amount (Rs in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|--------------------------------|------------------------------------------------|---------------------|------------------------------------|-------------------------------------------------|
| Entry Tax Act, 1999 | Entry Tax | 98.86 | 2009-10 & 2011-12 | Additional Commissioner |
| Central Excise Act, 1944 | Excise Duty & Service Tax (including interest) | 43.56 | 2010-2013 | Commissioner Appeals |
| Chapter V of Finance Act, 1994 | Service Tax | 6.80 | 2005-2007 | Orissa High Court , Cuttack |
| | | 678.46 | 1996-1998 & 2004-2012 | Central Excise & Service Tax Appellate Tribunal |

10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayments of dues to banks.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
15. According to information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions. Therefore, the provisions of Clause (xv) of paragraph 4 of the Order are not applicable to the Company.
16. During the year no term loans has been raised. Therefore, the provisions of Clause (xvi) of paragraph 4 of the Order are not applicable to the Company.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that *funds amounting to Rs. 11,643.04 Lacs raised on short term basis have been used for long-term investment.*
18. During the year the Company has not made preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act.
19. The Company did not have any outstanding debenture during the year.
20. The Company has not raised any monies by way of public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the year.

Place : Kolkata
Date : May 20, 2014

For Chaturvedi & Shah
Firm registration number: 101720W
Chartered Accountants
Amit Chaturvedi
Partner
Membership No. 103141

**BALASORE ALLOYS LIMITED****BALANCE SHEET AS AT 31ST MARCH, 2014**

| | | As at 31st March, 2014 | (Rs in Lacs) As at 31st March, 2013 |
|-------------------------------------------------|--------------|---------------------------|-------------------------------------------|
| EQUITY AND LIABILITIES | Notes | | |
| Shareholders' funds | | | |
| a. Share capital | 3 | 3,366.38 | 3,366.38 |
| b. Reserves and surplus | 4 | 88,337.00 | 89,053.38 |
| c. Money Received Against Equity Share Warrants | 3 | 264.00 | 264.00 |
| Sub-total Shareholders' funds | | 91,967.38 | 92,683.76 |
| Non-current liabilities | | | |
| a. Long-term borrowings | 5 | 19,806.46 | 20,853.17 |
| b. Deferred tax liabilities (net) | 6 | 1,639.70 | 1,395.27 |
| c. Long-term provisions | 7 | 1,000.51 | 920.17 |
| Sub-total Non-current liabilities | | 22,446.67 | 23,168.62 |
| Current liabilities | | | |
| a. Short-term borrowings | 8 | 6,772.86 | 6,815.98 |
| b. Trade payables | 9 | 17,782.50 | 15,511.88 |
| c. Current Maturities of Long-term borrowings | 5 | 3,134.45 | 3,243.80 |
| d. Other current liabilities | 10 | 6,556.74 | 5,886.79 |
| e. Short-term provisions | 7 | 2,663.01 | 2,044.14 |
| Sub-total Current liabilities | | 36,909.56 | 33,502.58 |
| TOTAL - EQUITY AND LIABILITIES | | 151,323.61 | 149,354.96 |
| ASSETS | | | |
| Non-current assets | | | |
| a. Fixed assets | | | |
| Tangible assets | 11 | 93,300.50 | 97,222.16 |
| Intangible assets | 11 | 1,542.93 | 1,548.88 |
| Capital work-in-progress | 11 | 7,793.03 | 5,196.14 |
| b. Non-current investments | 12 | 3,767.48 | 3,831.28 |
| c. Long-term loans and advances | 13 | 22,632.59 | 21,826.46 |
| d. Other non-current assets | 14 | 155.00 | 296.00 |
| Sub-total - Non-current assets | | 129,191.53 | 129,920.92 |
| Current assets | | | |
| a. Inventories | 16 | 9,808.92 | 9,951.37 |
| b. Trade receivables | 15 | 1,271.85 | 719.45 |
| c. Cash and bank balances | 17 | 574.69 | 785.57 |
| d. Short-term loans and advances | 13 | 10,022.04 | 7,353.35 |
| e. Other current assets | 14 | 454.58 | 624.29 |
| Sub-total - Current assets | | 22,132.08 | 19,434.03 |
| TOTAL - ASSETS | | 151,323.61 | 149,354.95 |
| Summary of significant accounting policies | 2 | | |
| Notes on Financial Statements | 3-43 | | |

The accompanying notes are an integral part of the financial statements.

As per our Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka
(Managing Director)

R K Parakh
(Director - Finance)

Trilochan Sharma
(Company Secretary)

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

| | <u>Notes</u> | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------------------------------------------------------|--------------|------------------|-----------------|
| (Rs in Lacs) | | | |
| INCOME | | | |
| Revenue from operations (gross) | 18 | 81,191.91 | 71,531.58 |
| Less: Excise duty | | 2,931.16 | 2,918.67 |
| Revenue from operations (net) | | 78,260.75 | 68,612.91 |
| Other income | 19 | 867.96 | 1,664.20 |
| Total revenue (I) | | 79,128.71 | 70,277.11 |
| EXPENSES | | | |
| Cost of raw materials consumed | 20 | 23,216.58 | 25,614.74 |
| (Increase)/ decrease in inventories | 21 | 474.24 | (1,093.53) |
| Power and Fuel | | 21,814.65 | 20,116.23 |
| Employee benefits expenses | 22 | 5,034.94 | 3,735.47 |
| Other expenses | 23 | 15,430.58 | 10,651.69 |
| Total (II) | | 65,970.99 | 59,024.60 |
| Profit before finance costs, tax, depreciation & amortization (I) - (II) | | 13,157.72 | 11,252.51 |
| Depreciation & amortization expenses | 24 | 1,884.54 | 1,749.05 |
| Finance costs | 25 | 4,119.07 | 4,430.86 |
| Profit before taxes (III) | | 7,154.11 | 5,072.60 |
| Tax expenses | | | |
| Current tax | | 2,319.82 | 1,873.89 |
| Deferred tax Charge | | 244.43 | 320.26 |
| Taxation expenses of earlier years | | (10.43) | - |
| Total tax expenses (IV) | | 2,553.82 | 2,194.15 |
| Profit for the year [(III) – (IV)] | | 4,600.29 | 2,878.45 |
| Earnings per equity share [nominal value of share Rs. 5/- | | | |
| Basic EPS (Rs) | | 7.16 | 4.48 |
| Diluted EPS (Rs) | | 6.61 | 4.30 |

Summary of significant accounting policies 2
Notes on Financial Statements 3-43

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For Chaturvedi & Shah

Firm registration number: 101720W
Chartered Accountants

Amit Chaturvedi

Partner
Membership No. 103141

Place : Kolkata
Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka R K Parakh
(Managing Director) (Director - Finance)

Trilochan Sharma
(Company Secretary)

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

(Rs in Lacs)

| A. CASH FLOW FROM OPERATING ACTIVITIES: | Notes | 2013-14 | 2012-13 |
|-------------------------------------------------------------------------|--------------|-------------------|----------------|
| Profit before tax | | 7,154.11 | 5,072.60 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | | |
| Depreciation/Amortisation | | 1,884.54 | 1,749.05 |
| Loss on sale/discard of Fixed Assets (Net) | | 0.14 | 136.09 |
| Unrealized foreign exchange loss | | (132.37) | (22.84) |
| Unspent Liabilities no longer required written back | | (369.41) | (183.52) |
| Profit on sale of Investment | | (48.98) | 14.96 |
| Irrecoverable debts , deposits & Advances written off | | 1,394.40 | 38.33 |
| Provision for doubtful debts/advances | | 500.00 | 519.82 |
| Interest Expense | | 3,806.18 | 4,054.40 |
| Interest Income | | (410.29) | (297.15) |
| Operating profit before working capital changes | | | |
| Movements in working capital : | | | |
| Increase/ (decrease) in trade payables and other current liabilities | | 3,091.42 | 3,482.81 |
| Increase/ (decrease) in provisions | | 186.94 | 326.76 |
| Decrease / (increase) in trade receivables | | (552.80) | 61.34 |
| Decrease / (increase) in inventories | | 142.44 | 785.61 |
| Decrease / (Increase) loans and advances and other assets | | (4,848.85) | (2,961.86) |
| Cash generated from / (used in) operations | | 11,797.48 | 12,776.39 |
| Direct taxes paid (net of refunds) | | (1,874.83) | (1,322.55) |
| Net cash flow from operating activities (A) | | 9,922.65 | 11,453.84 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets, including CWIP and capital advances | | (5,275.00) | (3,987.84) |
| Advance against strategic investment | | - | (19,875.00) |
| Sale of investments | | 112.77 | - |
| Proceeds from sale of fixed assets (Rs. 20,000(Nil)) | | 0.20 | - |
| Interest received | | 580.00 | 402.77 |
| Net cash flow used in investing activities (B) | | (4,582.03) | (23,460.07) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Money received against share warrants | | - | 264.00 |
| Proceeds from long-term borrowings | | 447.50 | 19,480.55 |
| Repayment of long-term borrowings | | (1,603.56) | (1,585.21) |
| Dividend paid on equity shares (including dividend distribution tax) | | (373.60) | (373.60) |
| Net Movement in Short-term Borrowings | | (43.12) | (1,612.39) |
| Interest paid | | (3,696.09) | (4,154.66) |
| Net cash flow used in financing activities (C) | | (5,268.88) | 12,018.68 |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | | 71.73 | 12.46 |
| Cash & Cash equivalents as at the beginning of the year | | 57.95 | 45.49 |
| Cash & Cash equivalents as at the end of the year | | 129.68 | 57.95 |
| Cash & Cash equivalents as at the end of the year includes | | | |
| Cash-in-hand | | 48.49 | 25.12 |
| Balances with banks: | | | |
| On current accounts | | 37.48 | 4.53 |
| On unpaid dividend account* | | 43.71 | 28.30 |
| Cash and cash equivalents at the end of the year | | 129.68 | 57.95 |

Summary of significant accounting policies

2

* The Company can utilize these balance only towards settlement of the respective unpaid dividend.

The accompanying notes are an integral part of the Financial Statements.

As per our attached Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka
(Managing Director)R K Parakh
(Director - Finance)Trilochan Sharma
(Company Secretary)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014****1. Corporate information**

Balasore Alloys Limited (the Company) is a public company domiciled in India and incorporated in 1984 under the provisions of the Companies Act, 1956. Its shares are listed on Bombay Stock Exchange of India and The Calcutta Stock Exchange Limited. The Company have its registered office and manufacturing facility at Balasore, Odisha

The Company is primarily engaged in raising of Chrome Ore and Manganese Ore from its captive mines located in Odisha and Madhya Pradesh and manufacturing and selling of Ferro Alloys of various grades.

2. Summary of significant accounting policies**(a) Basis of preparation of Financial Statements**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis, except in respect , for certain fixed assets which are revalued and interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company ascertains its operating cycle for the purpose of current or non- current classification of assets and liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Tangible fixed assets

Tangible fixed Assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment, if any. The cost of acquisition comprises purchase price inclusive of duties (net of Cenvat), taxes, incidental expenses, erection/commissioning/trial run expenses and interest etc, up to the date the assets are ready for intended use.

In case of revaluation of tangible fixed assets, the original cost as written up by the approved valuers is considered in the accounts and the differential amount is transferred to the revaluation reserve.

Machinery spares which can be used only in connection with an item of tangible fixed assets and whose use, as per technical assessment, is expected to be irregular, are capitalized and depreciated over the residual life of the respective assets.

Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately under Other Current Assets.

Subsequent expenditure related to an item of tangible fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Expenditure of cost of exploration, Net Present Value of Forest Restoration , developing ore bodies and to expand the capacity of mine are capitalized as Mine Development Cost under Intangible Asset.

Computer software not being part of the hardware operating system are capitalized as intangible asset.



NOTES TO THE FINANCIAL STATEMENTS (contd.)

(e) Depreciation/Amortization

The classification of plant & machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956 or at rates determined based on useful lives of the respective assets, as estimated by the management, whichever is higher.

Depreciation on revalued assets is provided at the rates specified in Section 205(2) (b) of The Companies Act, 1956. However in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rate, to ensure the amortization of these assets over their life determined by the valuer.

Additional depreciation arising due to revaluation of fixed assets is adjusted against Revaluation reserve.

Leasehold land is amortized on a straight line basis over the period of lease of 90 years.

Mining lease and mines development expenditure are amortised over the balance period of mining leases on straight line basis.

Computer software are amortized over a period of three years on straight line basis.

(f) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(g) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset

In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(h) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****(i) Inventories**

Raw materials, Stores, spares & consumables are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on moving weighted average basis. Royalty on stock lying at mines is accounted on dispatch of materials.

Work in Progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a moving weighted average basis.

Obsolete/damaged stores, saleable dust and saleable scrap are valued at estimated net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

The recovery of ferro chrome from slag generated at the plant during the manufacturing operations is accounted for on actual ascertainment of quantity thereof, since it is not feasible to determine the quantum till the re-processing of such slag.

(j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized :

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Export Benefits

Export benefits are recognized on accrual basis as per schemes specified in Foreign Trade Policy, as amended from time to time.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

(k) Foreign currency translation**(i) Initial recognition**

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement / or reporting of monetary items, at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognized as income or expenses in the period in which they arise

(iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability

The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Losses on account Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the period.



NOTES TO THE FINANCIAL STATEMENTS (contd.)

(v) **Derivative Instruments**

In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under Accounting Standard -11 "The Effects of Changes in Foreign Exchange Rates") is done based on the "marked to market" on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

(l) **Retirement and other employee benefits**

Retirement benefits in the form of Provident Fund, Superannuation Fund and Employee State Insurance are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method made at the end of each financial year.

Actuarial gains/losses are taken to Statement of profit and loss and are not deferred

(m) **Income taxes**

Tax expense comprises of current, deferred and prior year tax expenses, if any (net of MAT credit entitlement).

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(n) **Segment reporting**

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Allocation of common costs

Common allocable costs are allocated to each segment on case to case basis by applying the ratio, appropriate to each relevant case.

Revenue and expenses which relates to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under the head "Unallocated - Common"

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****(o) Earnings Per Share**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding and to the extent ascertainable during the year are adjusted for the effects of all dilutive potential equity shares.

(p) Provisions

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(q) Contingent liabilities & Commitments

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

Capital commitments' are future liabilities for capital expenditure in respect of Capital Contracts yet to be executed.

'Other commitments' include all future liabilities for Contractual Commitments arising out of non cancellable contracts having penalty disproportionate to the benefits.

(r) Cash and cash equivalents

Cash and cash equivalents as indicated in the cash flow statement comprise cash on hand, cash at bank and short-term deposits with an original maturity of three months or less.

(s) Royalty

Royalty on mining materials is accounted based on the rates notified by Indian Bureau of Mines for each month in absence of monthly rates, these are accounted on the basis of latest available rates.

(t) Lease

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**BALASORE ALLOYS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (contd.)****3. Share capital**

| | As at 31st March, 2014 | (Rs in Lacs) As at 31st March, 2013 |
|--------------------------------------------------------|-----------------------------------|-------------------------------------------|
| Authorized shares | | |
| 200,000,000 (200,000,000) equity shares of Rs.5/- each | 10,000.00 | 10,000.00 |
| Issued and subscribed shares | | |
| 67,334,263 (67,334,263) equity shares of Rs. 5/- each | 3,366.71 | 3,366.71 |
| Paid-up shares | | |
| 64,290,411 (64,290,411) equity shares of Rs. 5/- each | 3,214.52 | 3,214.52 |
| Add: Shares forfeited | 151.86 | 151.86 |
| Total | 3,366.38 | 3,366.38 |

(a) Reconciliation of the Shares outstanding at the beginning and at the end of the reporting year*Equity shares*

| | As at 31st March, 2014 | | As at 31st March, 2013 | |
|-------------------------------------------|-------------------------------|--------------------|------------------------|-------------|
| | No. in lacs | Rs. In lacs | No. in lacs | Rs. In lacs |
| At the beginning of the year | 642.90 | 3,214.52 | 642.90 | 3,214.52 |
| Issued during the year | — | — | — | — |
| Outstanding at the end of the year | 642.90 | 3,214.52 | 642.90 | 3,214.52 |

(b) Terms/ rights attached to equity shares

- (i) The company has only one class of equity shares having par value of Rs 5 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- (ii) The amount of per share dividend recognized as distributions to equity shareholders is Rs 0.60 per share (31 March 2013: Rs 0.50 per share).
- (iii) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% equity shares in the Company

| Name of the shareholder | As at 31 March, 2014 | | As at 31 March, 2013 | |
|---------------------------------------------------------------------------------------|-----------------------------|------------------|----------------------|-----------|
| | Numbers | % holding | Numbers | % holding |
| Goldline Tracom Private Limited | 12,402,346 | 19.29% | 12,402,346 | 19.29% |
| Ushaditya Trading Private Limited (Formerly Ushaditya Investments Private Limited) | 7,392,500 | 11.50% | 7,392,500 | 11.50% |
| Navoday Exim Private Limited (Formerly Ispat Holdings Private Limited) | 4,888,800 | 7.60% | 4,888,800 | 7.60% |
| Hypnos Fund Ltd. | 3,495,369 | 5.44% | 3,495,369 | 5.44% |

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(d) Details of equity shares pledged by the promoter or persons forming part of the promoter group ('Promoter Group') of the Company in compliance to Corporate Debt Restructuring Scheme:

| Particulars | As at 31st March, 2014 | As at 31st March, 2013 |
|--------------------------------------------------------------------------------|-----------------------------------|---------------------------|
| Total number of equity shares held by the Promoter Group | 29,935,186 | 29,935,186 |
| Total number of equity shares pledged by the Promoter Group | 14,604,790 | 14,604,790 |
| Percentage of total shares pledged to total shareholding of the Promoter Group | 48.79% | 48.79% |
| Percentage of total shares pledged to total outstanding shares of the Company | 22.72% | 22.72% |

- (e) Money received against share warrant represents 66,00,000 warrants allotted on a preferential basis to the promoter group on 19.10.2012 entitling them to apply for obtain allotment of one equity share of Rs. 5/- each fully paid up at a price of Rs. 16/- per share at a premium of Rs. 11/- per share against each such warrant at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment. The company had received Rs. 2,64,00,000 being 25 % of the consideration against these warrants. Company has allotted 66,00,000 equity shares on 16.04.2014 pursuant to these warrant on receipt of balance consideration of Rs. 7,92,00,000.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****4. Reserves and surplus**

(Rs in Lacs)

| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Capital Reserve | | |
| Balance as per the last financial statements | | |
| Capital Investment Subsidy (a) | 41.96 | 41.96 |
| Amount arisen on Forfeiture of Equity Warrants (b) | 490.00 | 490.00 |
| Revaluation Reserve | | |
| Balance as per the last financial statements | 60,810.83 | 65,679.24 |
| Less: Amount transferred to the statement of profit and loss as reduction from depreciation (Refer note 24) | <u>(4,865.36)</u> | <u>(4,868.41)</u> |
| Closing Balance (c) | <u>55,945.47</u> | <u>60,810.83</u> |
| Securities Premium Account (d) | | |
| Balance as per the last financial statements | 1,550.00 | 1,550.00 |
| General Reserve | | |
| Balance as per the last financial statements | 7,688.36 | 7,688.36 |
| Add : Transfer from Profit and Loss Accounts | 115.01 | - |
| Closing Balance (e) | <u>7,803.37</u> | <u>7,688.36</u> |
| Surplus in the Statement of Profit and Loss | | |
| Balance as per last financial Statements | 18,472.22 | 15,967.37 |
| Profit for the year | 4,600.29 | 2,878.45 |
| Less : Transfer to General Reserve | (115.01) | - |
| Less: Appropriations | | |
| Proposed final equity dividend [(amount per share Rs 0.60 (Rs 0.50)) | (385.74) | (321.45) |
| Tax on proposed equity dividend | (65.56) | (52.15) |
| Total appropriations | <u>(451.30)</u> | <u>(373.60)</u> |
| Net surplus in the Statement of Profit and Loss (f) | <u>22,506.20</u> | <u>18,472.22</u> |
| Total Reserves and surplus (a to f) | <u>88,337.00</u> | <u>89,053.38</u> |

5. Long-term borrowings

(Rs in Lacs)

| | <u>Non Current Position</u> | | <u>Current maturities</u> | |
|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| A) Secured | | | | |
| Indian rupee loan from banks | | | | |
| Term Loans | - | 1,042.27 | 1,746.57 | 1,781.20 |
| Funded Interest Term Loans | - | 313.79 | 1,254.58 | 1,438.60 |
| | - | 1,356.06 | 3,001.15 | 3,219.80 |
| Deferred Payment Credits | 401.46 | 92.11 | 133.30 | 24.00 |
| | <u>401.46</u> | <u>92.11</u> | <u>133.30</u> | <u>24.00</u> |
| Total Secured Loan | <u>401.46</u> | <u>1,448.17</u> | <u>3,134.45</u> | <u>3,243.80</u> |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

(Rs in Lacs)

5. Long-term borrowings (Contd.)

| | Non Current Position | | Current maturities | |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| B) Unsecured | | | | |
| Advance towards Promoter Contribution | 19,405.00 | 19,405.00 | – | – |
| Total Unsecured Loan | 19,405.00 | 19,405.00 | – | – |
| Total | 19,806.46 | 20,853.17 | 3,134.45 | 3,243.80 |

5.1 Indian rupee loan from banks**a) Maturity Profile**

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Term Loan from banks | 1746.57 | – | – | – | – |
| Funded Interest Term Loans | 1254.58 | – | – | – | – |

b) Nature of Security

Term loans and Funded interest term loans are secured by a first charge over Plant & Machinery and other fixed assets (including factory land and building) and by way of second charge over current assets of the Company. The loans are also secured by pledge of a part of shareholding of the promoter group [including shares held by Mr Pramod Mittal (a director) and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010)]. The above loans are further guaranteed by personnel guarantee issued / to be issued by Mr Pramod Mittal and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010) and by corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited. All the mortgages and charges created in favour of the Banks for Term Loan and Working Capital Facilities rank pari passu inter se.

Deferred Payment Credits**a) Maturity Profile**

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Deferred Payment Credits | 133.30 | 151.60 | 166.80 | 83.06 | – |

b) Nature of Security

Deferred Payment Credits are secured against hypothecation of assets purchased against such loans.

Advance towards Promoter Contribution

Amount received from promoter group companies towards participation in equity and/ or quasi debt instruments. Pending finalisation of the terms and pricing, the same has been shown as interest free advance towards promoter contribution.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

| 6. Deferred tax liabilities (net) | | (Rs in Lacs) | |
|-------------------------------------------------------------------------------------|------------|-----------------------------------|-----------------------------------|
| | | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| Deferred tax liabilities | | | |
| Timing difference on depreciable assets | | 2,901.92 | 2,810.22 |
| | (A) | <u>2,901.92</u> | <u>2,810.22</u> |
| Deferred tax assets | | | |
| Timing difference due to disallowance under section 43B of the Income Tax Act, 1961 | | 1,081.33 | 1,221.27 |
| Other disallowance under Income Tax Act, 1961 | | 180.89 | 193.68 |
| | (B) | <u>1,262.22</u> | <u>1,414.95</u> |
| Net deferred tax liabilities (A-B) | | <u><u>1,639.70</u></u> | <u><u>1,395.27</u></u> |

| 7. Provisions | | (Rs in Lacs) | | | |
|----------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--|
| | <u>Non Current Provisions</u> | | <u>Current Provisions</u> | | |
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> | |
| Provision for employee benefits: | | | | | |
| Gratuity | 671.36 | 611.57 | 27.23 | 10.17 | |
| Superannuation | — | — | 174.25 | 99.16 | |
| Leave salary | 289.15 | 278.60 | 23.26 | 8.81 | |
| | <u>960.51</u> | <u>890.17</u> | <u>224.74</u> | <u>118.14</u> | |
| Other provisions for - | | | | | |
| Taxation[(net of advance income taxes/Tax deducted at source Rs. 6405.88 lacs (Rs. 4460.52 Lacs)] | — | — | 1,986.97 | 1,552.40 | |
| Site restoration | 40.00 | 30.00 | — | — | |
| Proposed equity dividends | — | — | 385.74 | 321.45 | |
| Provision for tax on proposed equity dividend | — | — | 65.56 | 52.15 | |
| | <u>40.00</u> | <u>30.00</u> | <u>2,438.27</u> | <u>1,926.00</u> | |
| | <u><u>1,000.51</u></u> | <u><u>920.17</u></u> | <u><u>2,663.01</u></u> | <u><u>2,044.14</u></u> | |



BALASORE ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (contd.)

8. Short-term borrowings

| | (Rs in Lacs) | |
|-----------------------------------------|----------------------------------|--------------------------|
| | As at 31st March 2014 | As at 31st March 2013 |
| A) Secured Loans | | |
| Cash credits from banks | 3,834.48 | 2,539.22 |
| Pre-shipment Credit in Foreign Currency | 1,081.57 | 2,383.39 |
| Export Packing credit loan | - | 1.56 |
| (A) | 4,916.05 | 4,924.17 |
| B) Unsecured Loans | | |
| Loans from Body Corporates | 1,856.81 | 1,891.81 |
| (B) | 1,856.81 | 1,891.81 |
| Total | (A+B) 6,772.86 | 6,815.98 |

Working capital facilities are secured by first charge over current assets and by second charge over fixed assets of the Company. The loans are also secured by pledge of a part of shareholding of the promoter group [including shares held by Mr Pramod Mittal (a director) and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010)]. The above loans are further guaranteed by personnel guarantees issued/ to be issued by Mr Pramod Mittal and Mr V K Mittal and by corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited. All the mortgages and charges created in favour of the Banks for Term Loan and Working Capital Facilities rank pari passu inter se.

9 Trade Payables

| | (Rs in Lacs) | |
|---------------------------------------------------------------|-----------------------------------|---------------------------|
| | Current position | |
| | As at 31st March, 2014 | As at 31st March, 2013 |
| Acceptances | 3,522.35 | 3,796.06 |
| Creditors for goods, services etc (including retention money) | 14,260.15 | 11,715.82 |
| Total | 17,782.50 | 15,511.88 |

A) Trade payable above includes amount due to Micro & Small Enterprises in terms of Micro, Small and Medium Enterprises Act, 2006 (MSME Act) as under:

| | (Rs in Lacs) | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 |
| a) Principal Amount (included in Trade Payable) | 128.53 | 43.62 |
| Interest due on above | 24.24 | 30.06 |
| | 152.77 | 73.68 |
| b) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | 219.47 | 494.28 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****9 Trade Payables (Contd.)**

(Rs in Lacs)

| | Current position | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 |
| C) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006. | 12.88 | 5.10 |
| D) The amount of interest accrued and remaining unpaid at the end of each accounting year | 12.88 | 5.10 |
| E) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006 | 24.24 | 30.06 |

10. Other Current liabilities

(Rs in Lacs)

| | As at 31st March, 2014 | As at 31st March, 2013 |
|-------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Interest accrued but not due on borrowings | - | 0.14 |
| Interest accrued and due on borrowings | - | 823.25 |
| Advance from customers | - | 284.90 |
| Unpaid Dividend * | - | 43.71 |
| Creditors for Fixed Assets (including retention money from contractors / suppliers) | - | 608.16 |
| Statutory Dues | - | 506.01 |
| Temporary Book Overdraft | - | 1,050.74 |
| Claims Payable | - | 622.04 |
| Other liabilities** | - | 2,617.79 |
| Total | 6,556.74 | 5,886.79 |

* These do not include any amounts due and outstanding to be credited to Investor Education and Protection Fund

** It includes Rs. 2205.70 lacs (Rs. 2845.14 lacs) payables against arrangement for procurement of raw materials.

NOTES TO THE FINANCIAL STATEMENTS (contd.)



BALASORE ALLOYS LIMITED

11. FIXED ASSETS (Rs in Lacs)

| | Tangible Assets | | | | | | Intangible Assets | | | | | |
|------------------------------------------------|-----------------|----------------|------------------|-----------------|---------------------|------------------|----------------------|------------------------|---------------|-------------------|-------------------|-----------------|
| | Freehold Land | Leasehold Land | Mining Lease | Buildings | Plant and equipment | Office Equipment | Computer Peripherals | Furniture and fixtures | Vehicles | Computer Software | Mines Development | Total |
| Gross Block : | | | | | | | | | | | | |
| As at 31st March 2013 | 1,242.22 | 287.77 | 85,279.23 | 7,502.00 | 40,388.90 | 245.54 | 357.73 | 267.34 | 196.33 | 254.49 | 1,494.09 | 1,748.58 |
| Additions | 14.58 | | 1,544.49 | 597.75 | 64.99 | 92.99 | 35.26 | 309.56 | | 163.00 | | 163.00 |
| Disposals/Discard | | | | (2.50) | | | | (0.22) | | | | |
| As at 31st March 2014 | 1,256.80 | 287.77 | 85,279.23 | 9,046.49 | 40,986.65 | 308.03 | 450.72 | 302.60 | 505.67 | 417.49 | 1,494.09 | 1,911.58 |
| Accumulated Depreciation/ Amortisation: | | | | | | | | | | | | |
| As at 31st March 2013 | - | 28.55 | 16,175.88 | 1,974.80 | 19,786.62 | 118.27 | 242.66 | 173.15 | 44.97 | 10.44 | 189.26 | 199.70 |
| Charge for the period | 3.48 | 4,342.85 | 231.56 | 1,911.85 | 32.13 | 25.72 | 7.59 | 25.77 | 6,580.95 | 99.00 | 69.95 | 168.95 |
| Disposals/Discard | | | | (2.18) | | | | (0.21) | | | | |
| As at 31st March 2014 | - | 32.03 | 20,518.73 | 2,206.36 | 21,698.47 | 148.22 | 268.38 | 180.74 | 70.53 | 109.44 | 259.21 | 368.65 |
| Net Block | | | | | | | | | | | | |
| As at 31st March 2013 | 1,242.22 | 259.22 | 69,103.35 | 5,527.20 | 20,602.28 | 127.27 | 115.07 | 94.19 | 151.36 | 244.05 | 1,304.83 | 1,548.88 |
| As at 31st March 2014 | 1,256.80 | 255.74 | 64,760.50 | 6,840.13 | 19,288.18 | 159.81 | 182.34 | 121.86 | 435.14 | 308.05 | 1,234.88 | 1,542.93 |
| Capital work-in-progress | | | | | | | | | | | | |
| As at 31st March 2013 | | | | | | | | | | | | |
| As at 31st March 2014 | | | | | | | | | | | | |

- (1) Includes Rs 76,337.69 lacs (credited to Revaluation Reserve) and Rs 23,118.34 lacs (credited to General Reserve in terms of High Court Order) capitalised on account of revaluation of land, buildings, mining lease and plant & machinery of the Company as on 31st March, 2010, and as on 31st December, 2004 respectively at net replacement cost basis based on the report of an approved valuer.
- (2) Reclassification of Rs 14.66 Lacs from Plant and equipment, Rs 246.44 Lacs from Office equipment and Rs 4.52 Lacs from Furniture & Fixture to Computer & Peripherals.
- (3) Land Rs 50 Lacs, Buildings Rs 410 Lacs and Plant & equipment Rs 334.21 Lacs purchased in the financial year 2012-13 and title clearance is pending.
- (4) Capital Work-in-progress include:
- i) Rs 701.30 Lacs (Rs 354.82 Lacs) on account of project development expenditure
- ii) Rs 235.07 Lacs (Rs 235.07 Lacs) on account of cost of construction materials at site.
- (5) Project Development Expenditure (in respect of projects upto 31.03.2014, included under capital work in progress).

| | | |
|------------------------------------------------------------------------------|--------|--------|
| Opening Balance | | |
| Add: | | |
| Employee Benefit Expenses | 247.08 | 403.98 |
| Travelling And Conveyance | 58.47 | 29.03 |
| Miscellaneous Expenses | 40.93 | 24.57 |
| | 346.48 | 457.58 |
| Less: Project Development Expenses capitalised/decapitalised during the year | - | 102.76 |
| Closing Balance | 701.30 | 354.82 |

(Rs in lacs)

2013-2014

2012-2013

354.82

-

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****12. Non-current investments**

| | <u>As at 31st March, 2014</u> | (Rs in Lacs) <u>As at 31st March, 2013</u> |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------|
| Trade investments (valued at cost unless stated otherwise) | | |
| Unquoted equity shares | | |
| Investment in subsidiary (See (d) below) | | |
| 47351 (47351) Equity Shares of USD 100 each fully paid-up in Milton Holdings Limited | 2,194.83 | 2,194.83 |
| 1 (1) Equity Shares of USD 1 each fully paid-up in Balasore Metals Pte Limited [Full figure Rs 54 (Rs 54)] | — | — |
| Investment in associate | | |
| 17000 (17000) Equity Shares of Rs 10 each fully paid-up in Balasore Energy Limited | 1.70 | 1.70 |
| Investment in government securities | | |
| 6 years National Savings Certificates (Deposited with Government Departments) | 0.95 | 0.95 |
| Non-trade investments (valued at cost unless otherwise stated) | | |
| Unquoted equity shares | | |
| 300000 (300000) equity shares of Rs 10 each fully paid-up in Elephanta Gases Limited. | 30.00 | 30.00 |
| Nil (116) equity shares of Rs 10 each fully paid-up in Navoday Management Services Limited (Formerly Ispat Finance Limited) | — | 0.10 |
| Unquoted mutual funds | | |
| Nil (165000) Magnum units of Rs 10 each fully paid-up in SBI Mutual Fund | - | 10.00 |
| Unquoted debentures | | |
| 690000 (690000) 12% Unsecured redeemable non-convertible debentures of Rs 100 each fully paid-up in Shakti Chrome Limited. | 690.00 | 690.00 |
| 850000 (850000) 12% Unsecured redeemable non-convertible debentures of Rs 100 each fully paid-up in Krish Trexim Private Limited | 850.00 | 850.00 |
| Quoted equity shares (See (e) below) | | |
| Nil (6291) equity shares of Rs 10 each fully paid-up in JSW Steel Limited (JSW Ispat Steel Limited) | — | 39.78 |
| Quoted preference shares (See (e) below) | | |
| Nil (302000) 0.01% Cumulative Redeemable Preference Shares of Rs 10 each fully paid-up in JSW Steel Limited (JSW Ispat Steel Limited) | — | 13.92 |
| Total | <u>3,767.48</u> | <u>3,831.28</u> |
| a) Aggregate amount of quoted investments | | |
| Cost | — | 496.57 |
| Less: Provision for Diminution | — | 442.87 |
| | — | <u>53.70</u> |
| b) Aggregate amount of unquoted investments (At cost) | 3,767.48 | 3,777.58 |
| c) Market Value of quoted investment | — | 53.70 |
| d) Valued at exchange rate prevailing on the date of transaction | | |
| e) In lieu of Amalgamation of JSW Ispat Steel Ltd with JSW Steel Ltd | | |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****13. Loans and advances (Unsecured, considered good unless stated otherwise) (Rs in Lacs)**

| | Non Current | | Current | |
|------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Capital advances [including doubtful Rs 78.80 Lacs (Rs 78.80 Lacs)] | 434.98 | 338.62 | - | - |
| Provision for doubtful advances | (78.80) | (78.80) | - | - |
| (A) 356.18 | 259.82 | - | - | |
| Advance against strategic investment (B) 19,875.00 | 19,875.00 | - | - | |
| Advances recoverable in cash or kind | | | | |
| Considered good - Related Parties | - | - | - | 6.25 |
| Considered good - Others | - | - | 4,940.09 | 3,109.23 |
| Considered doubtful - Others | 251.09 | 251.09 | - | - |
| | 251.09 | 251.09 | 4,940.09 | 3,115.48 |
| Provision for doubtful advances | (251.09) | (251.09) | - | - |
| (C) - | - | - | 4,940.09 | 3,115.48 |
| Loans | | | | |
| Body Corporates | - | - | 1,382.00 | 1,036.00 |
| Considered doubtful | 500.00 | - | - | - |
| Employees | - | - | 89.34 | 98.17 |
| (D) 500.00 | - | - | 1,471.34 | 1,134.17 |
| Provision for doubtful advances | (500.00) | - | - | - |
| (E) 2,401.41 | 1,691.64 | - | 1,471.34 | 1,134.17 |
| Security Deposits | | | 40.17 | 57.35 |
| Others (Considered Good) | | | | |
| Balances with statutory / government authorities | - | - | 1,992.23 | 1,584.18 |
| Export benefits receivables | - | - | 1,225.21 | 1,197.22 |
| Others | - | - | 352.99 | 264.95 |
| (F) - | - | - | 3,570.43 | 3,046.35 |
| Total (A to F) | 22,632.59 | 21,826.46 | 10,022.04 | 7,353.35 |

14. Other Assets (Unsecured, considered good unless stated otherwise) (Rs in Lacs)

| | Non Current | | Current | |
|---------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Non-current bank deposit (Note No. 17) | 155.00 | 296.00 | - | - |
| | 155.00 | 296.00 | - | - |
| Others | | | | |
| Interest Receivable on | | | | |
| Bank Deposits | - | - | 61.77 | 25.06 |
| Long-term investments | - | - | 206.88 | 190.36 |
| Loans, Other Deposits - considered good | - | - | 183.55 | 408.50 |
| Considered Doubtful | - | 104.75 | - | - |
| Others | - | - | 2.38 | 0.37 |
| | - | 104.75 | 454.58 | 624.29 |
| Provision for doubtful interest receivables | - | (104.75) | - | - |
| Total | 155.00 | 296.00 | 454.58 | 624.29 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****15. Trade receivables (Unsecured)**

(Rs in Lacs)

| | Non Current | | Current | |
|-------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Outstanding for a period exceeding six months from the date they are due for payment | | | | |
| Considered good | 157.54 | - | - | - |
| Considered doubtful | - | 173.22 | - | - |
| | 157.54 | 173.22 | - | - |
| Provision for doubtful receivables | - | (173.22) | - | - |
| (A) | 157.54 | - | - | - |
| Other receivables (considered good)- others | - | - | 1,114.30 | 700.60 |
| Other receivables (considered good) - related parties | - | - | - | 18.85 |
| (B) | - | - | 1,114.30 | 719.45 |
| Total (A+B) | 157.54 | - | 1,114.30 | 719.45 |

16. Inventories (valued at lower of cost and net realizable value)

(Rs in Lacs)

| | As at 31st March, 2014 | As at 31st March, 2013 |
|-------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Raw materials and components [includes in transit and pledged Rs 1382.09 Lacs (Rs 774.57 Lacs)] | 6,780.35 | 6,873.69 |
| Stores, Spares & Consumables | 1,664.05 | 1,209.62 |
| Finished goods | 609.41 | 1,272.70 |
| Stock under process | 475.67 | 337.30 |
| <u>At estimated net realisable value</u> | | |
| Saleable Scraps | 279.44 | 258.06 |
| Total | 9,808.92 | 9,951.37 |

**BALASORE ALLOYS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (contd.)****17. Cash and bank balances**

(Rs in Lacs)

| | Non Current | | Current | |
|---------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Cash and cash equivalents | | | | |
| Balances with banks: | | | | |
| On current accounts | - | - | 37.48 | 4.53 |
| On unpaid dividend account | - | - | 43.71 | 28.30 |
| Cash in hand | - | - | 48.49 | 25.12 |
| | - | - | 129.68 | 57.95 |
| Other bank balances | | | | |
| Margin money deposit # | 155.00 | 296.00 | 445.01 | 727.62 |
| | 155.00 | 296.00 | 445.01 | 727.62 |
| Amount disclosed under non-current assets (Note no. 14) | (155.00) | (296.00) | - | - |
| | - | - | 574.69 | 785.57 |

Receipts lying with Banks as security against guarantees / letters of credit issued by them

(Rs in Lacs)

18. Revenue from operations**Revenue from operations**

Sale of products

| | 2013-14 | 2012-13 |
|--------------------------------------------|------------------|------------------|
| Finished goods | 77,732.98 | 68,747.57 |
| Saleable Scraps | 239.85 | 113.09 |
| Export Benefits | 3,096.67 | 2,528.91 |
| Other operating revenue | | |
| Scrap sales | 122.41 | 142.01 |
| Revenue from operations (gross) | 81,191.91 | 71,531.58 |
| Less: Excise duty | 2,931.16 | 2,918.67 |
| Total Revenue from operations (net) | 78,260.75 | 68,612.91 |

18.1 Particulars of Sale of Products

| | | |
|-------------------------------|-----------|-----------|
| Finished Goods - Ferro Alloys | 77,732.98 | 68,747.57 |
| Saleable Scraps - Tailings | 239.85 | 113.09 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

| | <u>2013-14</u> | (Rs in Lacs) <u>2012-13</u> |
|-----------------------------------------------------|----------------------|--------------------------------|
| 19. Other income | | |
| Interest income on | | |
| Bank deposits | 66.72 | 65.87 |
| Long-term investments | 184.80 | 184.80 |
| Loan, advances, deposits etc | 157.78 | 46.48 |
| Others | 0.99 | - |
| Insurance Claims | 22.28 | 30.22 |
| Unspent liabilities no longer required written back | 369.41 | 183.52 |
| Profit on sale of investments (net) | 48.98 | - |
| Gain on Foreign Exchange Fluctuation (net) | - | 1,115.63 |
| Dividend | 0.63 | 5.28 |
| Others | 16.37 | 32.39 |
| Total | <u><u>867.96</u></u> | <u><u>1,664.20</u></u> |

| | <u>2013-14</u> | (Rs in Lacs) <u>2012-13</u> |
|---------------------------------------------|-------------------------|--------------------------------|
| 20 Cost of raw materials consumed | | |
| Inventory at the beginning of the year | 6,873.69 | 9,405.83 |
| Add: Purchases | 23,123.24 | 23,082.60 |
| | <u>29,996.93</u> | <u>32,488.43</u> |
| Less: Inventory at the end of the year | 6,780.35 | 6,873.69 |
| Cost of raw materials consumed Total | <u><u>23,216.58</u></u> | <u><u>25,614.74</u></u> |

a) Details of raw materials consumed

| | | |
|--------------------------------------------------|-------------------------|-------------------------|
| Chrome Ore (including own generation/briquetted) | 9,736.18 | 10,030.86 |
| Coal and Coke etc. | 10,832.64 | 13,529.62 |
| Carbon Paste | 670.10 | 459.23 |
| Quartz | 569.33 | 384.27 |
| Magnesite | 196.59 | 290.05 |
| Dolomite | 428.73 | 271.25 |
| Others (Including handling charges) | 783.01 | 649.46 |
| | <u><u>23,216.58</u></u> | <u><u>25,614.74</u></u> |



BALASORE ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (contd.)

21. (Increase) / decrease in inventories

(Rs in Lacs)

| | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------------------------------|-----------------|-------------------|
| Inventories at the end of the year: | | |
| Stock under process | 475.67 | 337.30 |
| Finished goods | 609.41 | 1,272.70 |
| Saleable Scraps | 279.44 | 258.06 |
| | <u>1,364.52</u> | <u>1,868.06</u> |
| Inventories at the beginning of the year: | | |
| Stock under process | 337.30 | 141.83 |
| Finished goods | 1,272.70 | 390.00 |
| Saleable Scraps | 258.06 | 230.38 |
| | <u>1,868.06</u> | <u>762.21</u> |
| Less: (Increase)/decrease of excise duty on inventories | 29.30 | (12.33) |
| Total | <u>474.24</u> | <u>(1,093.53)</u> |

21.1 Excise Duty & Cess on inventories represents differential excise duty and cess on opening and closing stock of Finished Goods and processable scrap

22. Employee benefits expense

(Rs in Lacs)

| | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------------|-----------------|-----------------|
| Salaries, wages and bonus | 4,356.22 | 3,002.73 |
| Contribution to provident and other funds | 342.47 | 251.35 |
| Gratuity expense | 86.41 | 237.48 |
| Staff welfare expenses | 249.84 | 243.91 |
| Total | <u>5,034.94</u> | <u>3,735.47</u> |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****23. Other Expenses**

(Rs in Lacs)

| | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Consumption of stores and spares | 1,229.66 | 893.70 |
| Contract Labour Charges | 873.55 | 576.32 |
| Packing and Carriage charges | 2,722.60 | 2,063.85 |
| Rent | 174.33 | 173.60 |
| Rates and taxes | 76.62 | 57.29 |
| Insurance | 65.68 | 55.46 |
| Repairs and maintenance | | |
| Plant and machinery | 967.64 | 984.64 |
| Buildings | 98.26 | 133.48 |
| Others | 90.38 | 54.54 |
| Commission on Sales (other than sole selling agent) | 636.06 | 577.17 |
| Travelling and conveyance | 1,552.49 | 996.93 |
| Charity and Donations | 32.19 | 11.30 |
| Communication costs | 127.85 | 115.58 |
| Legal and professional fees | 2,123.85 | 1,867.48 |
| Directors' sitting fees | 12.45 | 12.60 |
| Auditors' Remuneration as auditor: | | |
| Audit fee | 25.00 | 25.00 |
| Limited review fee | 22.50 | 16.50 |
| Tax audit fee | 6.50 | 6.50 |
| In Other Capacity for Certification | 9.00 | 9.00 |
| Reimbursement of Expenses to auditor | 2.01 | 2.20 |
| Items pertaining to Previous Years (net) | 43.65 | 2.57 |
| Provision for diminution in value of investments | - | 14.96 |
| CSR and Site Development Expenses | 172.61 | 112.24 |
| Loss on Foreign Exchange Fluctuation (net) | 1,184.77 | - |
| Bad debts / advances written off [(Net of adjustment of Rs Nil lacs (Rs 27.83 lacs) against provision)] | 1,394.40 | 38.33 |
| Provision for doubtful debts and advances | 500.00 | 519.82 |
| Loss on sale/Discard of fixed assets (net) | 0.14 | 136.09 |
| Loss on Sale of raw material | - | 5.05 |
| Miscellaneous expenses | 1,286.39 | 1,189.49 |
| Total | 15,430.58 | 10,651.69 |
| 24. Depreciation & amortization expense | | |
| Depreciation of tangible assets | 6,580.96 | 6,541.28 |
| Amortization of intangible assets | 168.94 | 76.18 |
| | 6,749.90 | 6,617.46 |
| Less: Recoupment from Revaluation Reserve [refer note 4(c)] | (4,865.36) | (4,868.41) |
| | 1,884.54 | 1,749.05 |
| 25. Finance costs | | |
| Interest | | |
| -- To Banks | | |
| [Net of recoveries Rs 573.20 lacs (Rs 469.31 lacs)] | 1,156.98 | 1,457.49 |
| -- To Others | 2,649.20 | 2,596.91 |
| Other borrowing cost | 278.15 | 271.44 |
| Exchange difference to the extent considered as an adjustment to borrowing costs | 34.74 | 105.03 |
| | 4,119.07 | 4,430.87 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

| | | | |
|--------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|--|
| 26. Contingent liabilities not provided for in respect of: | | (Rs in Lacs) | |
| Particulars | As at 31st March, 2014 | As at 31st March, 2013 | |
| a) Sales tax matters under appeal {Amount paid under appeal Rs 21.31 lacs (Rs. 106.71 lacs)}* | 36.86 | 108.94 | |
| b) Entry tax matters {Amount paid under appeal Rs 18.71 lacs (Rs. 23.98 lacs)}* | 117.57 | 200.68 | |
| c) Excise / Service tax matters {Amount paid under appeal Rs 10.83 lacs (Rs. 2.30 lacs)}* | 1200.79 | 1384.42 | |
| d) Un-expired Bank Guarantees and Letters of Credit | 636.89 | 968.59 | |
| e) Bills discounted with Banks | 5,447.53 | 5,049.71 | |

* In respect of above cases based on favorable decisions in similar cases/legal opinions taken by the Company/discussions with the solicitors etc., the management is of the opinion that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in the financial statements.

27. Capital and other commitment:

Estimated amount of Capital commitments (net of advances) Rs 1684.81 lacs (Rs 1573.46 lacs)

28. The income tax assessment of the company have been completed up to Assessment year 2011-12. The disputed demand up to the said Assessment year is Rs. 2,586.25 lacs (Amount Paid under appeal Rs. 225 Lacs). Based on the decisions of the appellate authorities and the interpretations of other relevant provisions, the company has been advised that the demand is likely to be either quashed or substantially reduced and accordingly no provision has been made.

29. The Company had filed petitions against the orders of Dy. Director Mines, Jajpur demanding Rs. 487.80 lacs towards payment of additional Royalty pointed out by Accountant General (A.G) audit for adopting wrong method of calculation of royalty by them for period December, 2009 to January, 2011. The company holds the view that the payment of royalty is correctly made based on the actual quantity of chrome Ore extracted from the mining area. In view of above demand being legally unjustifiable, the Company does not expect any liability in above matter and hence not provided for.

30. Gratuity and other post retirement benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less favorable than the provisions of the Payment of Gratuity Act, 1972. The scheme is funded with Life Insurance Corporation of India in form of qualifying insurance policy.

The Company also extends benefit of compensated absences to the employees, whereby they are eligible to carry forward their entitlement of earned leave for encashment. This is an unfunded plan.

The following tables summaries the components of net expense recognised in the statement of profit and loss and balance sheet for the respective plans.

(a) Expenses recognized in the statement of profit and loss for respective years are as follows:

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | (Rs in Lacs) | | | |
| Particulars | Gratuity | | Leave | |
| | <u>(2013-14)</u> | <u>(2012-13)</u> | <u>(2013-14)</u> | <u>(2012-13)</u> |
| Current service cost | 71.53 | 52.69 | 38.01 | 29.94 |
| Interest cost on benefit obligation | 50.26 | 39.10 | 21.65 | 17.99 |
| Expected return on plan assets | (15.68) | (19.30) | - | - |
| Net actuarial (Gain)/losses | (22.02) | 164.99 | 26.92 | 37.24 |
| Net benefit expense | 84.09 | 237.48 | 86.58 | 85.17 |
| Actual return on plan assets | 17.84 | 15.98 | - | - |

(B) Net Liability recognized in the balance sheet as at respective dates are as follows:-

| | | | | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | (Rs in Lacs) | | | |
| Particulars | Gratuity | | Leave | |
| | <u>31st March 2014</u> | <u>31st March 2013</u> | <u>31st March 2014</u> | <u>31st March 2013</u> |
| Defined benefit obligation | 698.58 | 621.74 | 342.02 | 287.41 |
| Fair value of plan assets | 218.76 | 179.18 | - | - |
| Net liability | 479.82 | 442.56 | 342.02 | 287.41 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

(c) Changes in the present value of the defined benefit obligation during respective years are as follows:-

| Particulars | (Rs in Lacs) | | | |
|-------------------------------------------|---------------|---------------|---------------|---------------|
| | Gratuity | | Leave | |
| | (2013-14) | (2012-13) | (2013-14) | (2012-13) |
| Opening defined benefit obligation | 621.74 | 525.51 | 287.41 | 208.85 |
| Interest cost | 50.26 | 39.10 | 21.65 | 17.99 |
| Current service cost | 71.53 | 52.69 | 38.01 | 29.94 |
| Benefit paid | (25.09) | (157.23) | (49.97) | (6.61) |
| Actuarial (Gain)losses | (19.86) | 161.67 | 26.92 | 37.24 |
| Closing defined benefit obligation | 698.58 | 621.74 | 324.02 | 287.41 |

(d) Changes in the fair value of plan assets during respective years are as follows:

| Particulars | (Rs in Lacs) | |
|-----------------------------------|--------------|-----------|
| | Gratuity | |
| | (2013-14) | (2012-13) |
| Opening fair value of plan assets | 179.18 | 277.94 |
| Expected return on plan assets | 15.68 | 19.30 |
| Contribution by the Company | 46.83 | 42.49 |
| Benefits paid | (25.09) | (157.23) |
| Actuarial (losses)/Gains | 2.16 | (3.32) |
| Closing fair value of plan assets | 218.76 | 179.18 |

(e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| Particulars | Gratuity plan assets as at | |
|-------------|----------------------------|------------------|
| | 31st March, 2014 | 31st March, 2013 |
| | Investments with insurer | 100 % |

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(f) The principal assumptions used in determining gratuity and leave liability are as shown below:

| Particulars | Gratuity | | Leave | |
|----------------------------------------------------------|-------------------------------------------------------------------|-----------|----------------|-----------|
| | (2013-14) | (2012-13) | (2013-14) | (2012-13) |
| | Discount rate | 9.20% | 8.25% | 9.20% |
| Rate of increase in salary | 10.00% | 10.00% | 10.00% | 10.00% |
| Expected average remaining working life of the employees | 15.88 | 15.82 | 15.88 | 15.52 |
| Return on Plan Assets (Gratuity Scheme) | 9.25% | 9.25% | Not Applicable | |
| Mortality Table | Standard Table Indian Assured Lives Mortality (2006-08) ultimate. | | | |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

(g) Amounts of gratuity and leave for current and previous years are as follows:-

| Particulars | (Rs in Lacs) | | | | |
|-------------------------------------------------------------|----------------|---------|---------|---------|---------|
| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
| Gratuity | | | | | |
| Defined benefit obligation | 698.58 | 621.74 | 525.51 | 507.97 | 451.69 |
| Fair value of plan assets | 218.76 | 179.18 | 277.94 | 181.98 | 152.10 |
| Deficit | 479.82 | 442.56 | 247.57 | 325.99 | 299.59 |
| Experience adjustments on plan liabilities - (gains)/losses | (50.18) | 129.13 | (1.49) | 0.83 | 81.42 |
| Experience adjustments on plan assets - (gains)/losses | 2.16 | (3.32) | 2.40 | 2.52 | 2.19 |
| Leave | | | | | |
| Defined benefit obligation | 324.02 | 287.41 | 208.85 | 308.01 | 269.85 |
| Deficit | 324.02 | 287.41 | 208.85 | 308.01 | 269.85 |
| Experience adjustments on plan liabilities - (gains)/losses | 60.78 | 21.39 | (32.48) | 1.39 | 65.04 |

(h) The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

(i) The Company expects to contribute Rs. 100 lacs (Rs 50 lacs) to gratuity fund in the year 2014-2015.

(j) The amounts provided for defined contribution plans are as follows:

| Particulars | (Rs in Lacs) | |
|----------------------------|---------------|-----------|
| | (2013-14) | (2012-13) |
| Provident Fund | 209.01 | 128.23 |
| Employees' State Insurance | 20.40 | 21.64 |
| Superannuation Fund | 114.67 | 87.29 |
| Total | 344.08 | 237.16 |

31. North Eastern Electricity Supply Company of Orissa Limited (NESCO) has revoked the waiver of dues granted under a settlement in an earlier year and disputed on take or pay benefit claimed in year 2012-13 and raised total claim for Rs 20,843.14 lacs (including delayed payment surcharge). The matter of revocation of settlement is pending with Honourable High Court of Orissa and that of demand towards take or pay benefit before Electricity Appellate Tribunal, New Delhi. The Company has paid & provided Rs 3,400 lacs towards such claims and also continues to receive un-interrupted power supply from NESCO. Pending outcome of the court/tribunal decision and based on discussion with Company's legal counsel, no further provision has been made towards above demand.

32. During the year 2011-12, the lender's have exercised their right to recompense under CDR Scheme sanctioned in earlier years and demanded Rs 3,219.95 lacs for the sacrifice made up to 31st March, 2007 towards which Rs 536 lacs was paid & provided as on 31st March, 2014. Further, the recompense amount for the period from 1st April, 2007 to till date has not been worked out. The management has approached its lenders to determine the final liability towards such recompense amount including liabilities pending which no liability has been provided for.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****33. Segment Information****(a) Primary Segments:**

Based on the synergies, risks and return associated with business operations and in terms of Accounting Standard-17, the Company is mainly engaged in the Manufacturing/Mining of Ferro alloys. All activity of the company revolves around this main business. As such, there are no separate reportable segments as per the Accounting Standard 17 (Segment Reporting) notified by Companies (Accounting Standard) Rules, 2006.

(b) Secondary Geographical Segments

| | (Rs in Lacs) | |
|-----------------------------------------------|-------------------------|-------------------------|
| Sales Revenue :- | <u>2013-14</u> | <u>2012-13</u> |
| Domestic Revenues (Net of Excise Duty) | 23,979.17 | 23,825.76 |
| Overseas Revenues (Including Export Benefits) | 54,281.59 | 44,787.15 |
| Total | <u>78,260.76</u> | <u>68,612.91</u> |

The Company has common fixed assets in India for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. The year-end balance of overseas trade receivables is Rs 1,066.39 lacs (Rs 242.35 lacs).

34. Derivative Instruments & Un hedged foreign currency Exposure :**(i) For Hedging of Foreign Trade Receivable :**

Nominal amounts of Forward contract entered into by the company and outstanding as on 31st March 2014 amounting to Rs. 8987.25 lacs (Rs. 14176.01 Lacs)

(ii) Foreign currency exposure that are not hedged by derivative instruments are as under : -

| | (Rs in Lacs) | |
|----------------------------------------|-------------------------------|-------------------------------|
| Sr. Particulars No. | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| (i) Loans and advances | 0.79 | 40.60 |
| (ii) Trade Payables | 495.40 | 230.65 |
| (iii) Short-term borrowings | 1,081.57 | 2,383.39 |
| (iv) Other current liabilities | 665.67 | 605.33 |
| (v) Cash and Bank Balances (*Rs. 471-) | 6.09 | *— |
| (vi) Investments in Subsidiary Company | 2,194.83 | 2,194.83 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****35. Related Party Disclosures**

As per accounting standard 18, the disclosures of transactions with the related parties are given below:

List of related parties where control exists and related parties with whom transactions have taken place and relationships:

| | |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Subsidiary Company | : Milton Holdings Limited Balasore Metals Pte. Limited |
| Associate Company | : Balasore Energy Limited |
| Key Management Personnel and their relative | : Mr. Pramod Kumar Mittal (Chairman) Mr. V K Mittal (Brother of Chairman) Mr. Anil Sureka (Managing Director) Mr R K Parakh (Whole-time Director) Mr. B. N. Panda (Whole-time Director) (ceased w.e.f. 06.04.2013) |
| Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence* | : Navoday Consultants Limited Navdisha Real Estate Private Limited Shakti Chrome Limited Gontermann-Peipers (India) Limited Dankuni Investment Limited Sri Mahalaxmi Solar Energy Pvt. Ltd Jaltarang Vanijya Pvt Ltd |

* The parties stated above are related parties in the broader sense of the term and are included for making the financial statements more transparent.

Transactions during the year with related parties :

(Rs. in lacs)

| Sr. No. | Nature of Transactions (Excluding reimbursements) | Subsidiaries | Key Managerial Personnel and their Relatives | Enterprises over which Key Managerial personnel and their Relatives are able to exercise significant influence | Total |
|---------|---------------------------------------------------------------------------|--------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------|
| 1 | Purchase of Fixed Assets | — | — | — (800.50) | — (800.50) |
| 2 | Money received against Share Warrants | — | — | — (264.00) | — (264.00) |
| 3 | Long Term Borrowings-Advances towards Promoter Contribution | — | — | — (19,405.00) | — (19,405.00) |
| 4 | Sale of Finished Goods | — | — | 140.85 (84.96) | 140.85 (84.96) |
| 5 | Interest Received on investment in debentures & interest bearing advances | — | — | 82.80 (82.80) | 82.80 (82.80) |
| 6 | Raw material purchased | — | — | — (405.61) | — (405.61) |
| 7 | Inventory Purchase | — | — | — (102.15) | — (102.15) |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

(Rs in lacs)

| Sr. No. | Nature of Transactions (Excluding reimbursements) | Subsidiaries | Key Managerial Personnel and their Relatives | Enterprises over which Key Managerial personnel and their Relatives are able to exercise significant influence | Total |
|---------------------------------------|---------------------------------------------------------------|-------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------|
| 8 | Processing Charges paid | — — | — — | — (33.17) | — (33.17) |
| 9 | Lease Rent Paid | — — | — — | — (8.20) | — (8.20) |
| 10 | Rent | — — | — — | 76.80 (80.90) | 76.80 (80.90) |
| 11 | Managerial Remuneration | — — | 181.47 (260.57) | — — | 181.47 (260.57) |
| 12 | Guarantees obtained / to be obtained | — — | 15,834.40 (19,000.08) | — — | 15,834.40 (19,000.08) |
| Balance as at 31st March, 2014 | | | | | |
| 13 | Investments | 2,194.83 (2,194.83) | — — | 690.00 (690.00) | 2,884.83 (2,884.83) |
| 14 | Trade Receivables | — — | — — | — (18.85) | — (18.85) |
| 15 | Advance including (interest receivable) | — — | — — | 29.37 (105.90) | 29.37 (105.90) |
| 16 | Long term borrowings - Advances towards promoter contribution | — — | — — | 19,405.00 (19,405.00) | 19,405.00 (19,405.00) |
| 17 | Deposits | — — | — — | 711.50 (285.00) | 711.50 (285.00) |
| 18 | Trade & other Payable | — — | 0.15 (8.31) | 7.37 — | 7.52 (8.31) |
| 19. | Advance from Customer | — — | — — | 141.65 — | 141.65 — |
| 20 | Money received against share Warrants | — — | — — | 264.00 (264.00) | 264.00 (264.00) |
| 21 | Creditors for Fixed Assets | — — | — — | — (215.20) | — (215.20) |

Disclosure in Respect of Material Related Party Transactions during the year:

1. Purchase of Fixed Assets include from Shakti Chrome Limited - Rs. Nil (Previous year Rs. 800.5 lacs)
2. Money Received against Share Warrants include Dankuni Investment Limited Rs. Nil (Previous Year Rs. 132 lacs) and Navodya Consultants Limited Rs. Nil (Previous Year Rs. 132 lacs).
3. Long Term Borrowings- Advances towards Promoter Contribution include Sri Mahalaxmi Solar Energy Pvt. Limited Rs. Nil (Previous Year Rs. 10,169 lacs) and Jal tarang Vanijya Pvt Limited Rs. Nil (Previous Year Rs. 9,236 lacs).

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

4. Sale of Finished Goods Include sales made to Gontermann-Peipers (India) Limited Rs. 140.85 lacs (Previous Year Rs. 84.96 Lacs).
 5. Interest received on Investments in debentures & interest bearing advances include Shakti Chrome Limited Rs. 82.80 lacs (Previous Year Rs.82.80 lacs).
 6. Raw Material purchased includes Shakti Chrome Limited Rs. Nil (Previous Year Rs. 405.61 lacs).
 7. Inventory purchased include Shakti Chrome Limited Rs. Nil (Previous Year Rs. 102.15 Lacs).
 8. Processing Charges paid include Shakti Chrome Limited Rs. Nil (Previous Year Rs.33.17 lacs).
 9. Lease Rent Paid includes Shakti Chrome Limited Rs. Nil (Previous Year Rs. 8.20 Lacs).
 10. Rent includes Navdisha Real Estate Private Limited Rs. 76.80 lacs (Previous Year Rs. 80.90 lacs).
 11. Managerial Remuneration includes Mr. Anil Sureka Rs. 132.65 lacs (Previous Year Rs. 163.35 lacs), Mr. B N Panda Rs. 8.73 lacs (Previous Year Rs. 57.01 lacs) and Mr. R K Parakh Rs. 40.09 lacs (Previous Year Rs. 40.20 lacs).
 12. Guarantees Obtained/ to be obtained include Mr. Pramod Mittal Rs. 7,917.20 lacs (Previous Year Rs. 9,500.04 lacs) and Mr. V K Mittal Rs. 7,917.20 (Previous Year Rs. 9,500.04 lacs).
 13. Investments includes Milton Holdings Limited - Rs 2,194.83 lacs (Previous Year 2194.83 lacs), and Shakti Chrome Limited Rs. 690 lacs(Previous Year Rs. 690 lacs)
 14. Trade Receivables include Gontermann-Peipers (India) Limited Rs. Nil (Previous Year Rs. 18.85 lacs).
 15. Advance including (Interest Receivable) Shakti Chrome Limited Rs. 29.37 lacs (Previous Year Rs. 99.65 lacs), Navoday Consultants Limited Rs. 5.00 lacs (Previous Year Rs. Nil) and Gontermann-Peipers (India) Limited Rs. Nil (Previous Year Rs. 6.25 lacs).
 16. Long Term Borrowings- Advances towards Promoter Contribution include Sri Mahalaxmi Solar Energy Pvt. Limited Rs. 10,169 lacs (Previous Year Rs. 10,169 lacs) and Jaltarang Vanijya Pvt Limited Rs. 9,236 lacs (Previous Year Rs. 9,236 lacs).
 17. Deposits include Navdisha Real Estate Private Limited Rs.711.50 lacs (Previous Year Rs. 285 lacs).
 18. Trade & other Payables include Mr. Anil Sureka Rs. 0.15 lacs (Previous Year Rs.5.07 lacs), Mr. B N Panda Rs. Nil (Previous Year Rs. 0.27 lacs) Navdisha Real Estate Pvt. Ltd. 7.36 Lacs (Previous year Rs. Nil) and Mr. R K Parakh Rs. Nil (Previous Year Rs. 2.97 lacs).
 19. Advance from customers includes Gontermann-Peipers (India) Limited Rs. 141.65 Lacs (Previous year Rs. Nil)
 20. Money Received against Share Warrants include Dankuni Investment Limited Rs.132 lacs (Previous Year Rs. 132 lacs) and Navodya Consultants Limited Rs. 132 Lacs (Previous Year Rs. 132 lacs).
 21. Creditors for Fixed Assets include Shakti Chrome Limited Rs. Nil (Previous Year Rs. 215.20 lacs).
36. Basis for calculation of Basic and Diluted Earnings per Share is as follows:

| Particulars | 2013-14 | 2012-13 |
|----------------------------------------------------------------------------------------------|------------|------------|
| Present Weighted Average Equity Shares (In Numbers) | 64,290,411 | 64,290,411 |
| Equivalent Weighted Average Equity Shares to be allotted against share warrant (In Numbers) | 52,65,534 | 2,603,836 |
| Potential weighted Average Equity Shares (In Numbers) | 69,555,945 | 66,894,247 |
| Net Profit after Taxes (Rs. In Lacs) | 4,600.27 | 2,878.45 |
| Nominal Value of each Shares (In Rs.) | 5/- | 5/- |
| Basic Earnings Per Share (In Rs.) | 7.16 | 4.48 |
| Diluted Earnings Per Share (In Rs.) | 6.61 | 4.30 |

**NOTES TO THE FINANCIAL STATEMENTS (contd.)****37. CIF Value of Imports (Rs in Lacs)**

| Particulars | 2013-14 | 2012-13 |
|--------------------|----------------|----------------|
| Raw Materials | 3,801.74 | 2,038.27 |

38. Expenditure in foreign currency (accrual basis) (Rs in Lacs)

| Particulars | 2013-14 | 2012-13 |
|-----------------------------------------------------|----------------|----------------|
| Travelling and conveyance | 224.24 | 30.42 |
| Rent & Hire Charges | 32.99 | 35.36 |
| Insurance | 2.20 | 6.06 |
| Employee Benefit | 77.94 | 50.29 |
| Claim Expenses & Interest there on | 23.31 | 20.34 |
| Legal & Professional Fee | 34.52 | 15.53 |
| Commission on Sales (other than sole selling agent) | 623.23 | 562.50 |
| Finance costs | 107.88 | 106.46 |
| Others | 72.60 | 80.99 |

39. Earning in foreign currency (on accrual basis) (Rs in Lacs)

| Particulars | 2013-14 | 2012-13 |
|----------------------|----------------|----------------|
| FOB Value of Exports | 48,827.40 | 41,037.06 |

40. Break-up of consumption of raw materials, stores & spares etc. (including items debited to other heads of expenses, unserviceable and / or damaged / obsolete items written down and / or written off)

(Rs in Lacs)

| Particulars | Raw Materials | | Stores & Spares Consumed* | |
|--------------------|----------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| | Amount | % | Amount | % |
| Indigenous | 20,147.68 (24,141.91) | 86.78 (94.25) | 2103.55 (1,989.68) | 99.57 (100) |
| Imported | 3,068.90 (1472.83) | 13.22 (5.75) | 9.04 - | 0.43 - |
| Total | 23,216.58 (25,614.74) | 100.00 (100.00) | 2,112.59 (1,989.68) | 100.00 (100.00) |

* Includes Rs 882.92 lacs (Rs 1,096.10 lacs) charged to other heads of expenses excluding discarded fixed assets

41. There were no foreign currency remittances on account of dividend during the year.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**

42. Tangible fixed Assets include Vehicles and Plant & Equipments acquired under hire purchase scheme [(Gross Block Rs. 650.63 Lacs (Rs. 147.59 lacs), Net Block Rs. 617.45 Lacs (Rs. 140.23 lacs)] and the year wise break-up of future obligations, inclusive of finance charges of Rs. 128.83 Lacs (Rs. 43.96 lacs) is given below:

(Rs in Lacs)

| Lease Obligations | | Not later than 1 year | | Later than 1 year and not later than 5 years | |
|----------------------------------------------|-----------------------------------------|-----------------------|-------------------------------------|----------------------------------------------|-------------------------------------|
| Total Minimum Lease payments at the year end | Present Value of Minimum Lease Payments | Minimum Lease Payment | Present Value as on 31st March 2014 | Minimum Lease Payment | Present Value as on 31st March 2014 |
| 658.49 (160.07) | 529.66 (116.11) | 194.40 (35.98) | 133.64 (24.00) | 464.08 (124.09) | 396.36 (92.11) |

43. Previous year's figures including those given in brackets have been regrouped / rearranged where necessary to conform to this year's classification. Expenses incurred in respect of Mines, Briquetting & Chrome Ore Beneficiation (COB) operations amounting to Rs. 684.97 lacs during the previous financial year 2012-13 have been regrouped from raw material consumption and included in respective head of expenses in accordance with current year presentation.

As per our attached Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of Board of Directors

Anil Sureka
(Managing Director)R K Parakh
(Director - Finance)Trilochan Sharma
(Company Secretary)

**Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies**

| | (Rs in Lacs) | |
|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| 1. Name of the Subsidiary Company | Milton Holdings Ltd. | Balasore Metals Pte Ltd.* |
| 2. The Financial year of the Subsidiary Company ended on | 31st March, 2014 | 31st March, 2014 |
| 3. Holding Company's Interest | 100% of the paid up Equity Share Capital | 100% of the paid up Equity Share Capital |
| 4. Equity Share Capital (Issued, Subscribed & Paid Up) | 2,194.83 | —** |
| 5. Reserves & Surplus (incl. debit balance in Profit & Loss Account) | 628.22 | -13.64 |
| 6. Total Assets | 2828.17 | 4.9 |
| 7. Total Liabilities | 5.12 | 18.54 |
| 8. Investments | — | — |
| 9. Turnover | — | — |
| 10. Total Income | — | — |
| 11. Profit/(Loss) Before Tax | -3.14 | -7.14 |
| 12. Provision for Taxation (including Deferred Tax) | — | — |
| 13. Profit/(Loss) After Tax | -3.14 | -7.14 |
| 14. Proposed Dividend | — | — |
| 15. The net aggregate of Profit/ (Loss) of the Subsidiary Company so far as it concerns the members of Balasore Alloys Limited | | |
| (a) Not dealt with in the accounts of Balasore Alloys Limited for the year ended 31st March, 2014 | | |
| (i) For the Subsidiary Financial Year (Rs in Lacs) | -3.14 | -7.14 |
| (ii) For the previous Financial Years of the Subsidiary, since it became the Holding Company's Subsidiary (Rs in Lacs) | -15.78 | -5.69 |
| (b) Dealt with in the accounts of Balasore Alloys Limited for the year ended 31st March, 2014 | NIL | NIL |
| (i) For the Subsidiary Financial Year (Rs in Lacs) | | |
| (ii) For the previous Financial Years of the Subsidiary, since it became the Holding Company's Subsidiary (Rs in Lacs) | NIL | NIL |

* Subject to audit as per the laws of Singapore

** The Holding Company holds the entire Equity Share Capital of 1 Ordinary, fully paid share having Face value of USD 1.00 amounting to USD 1.00.

Exchange Rate for conversion:

1 USD - Rs 60.0998 as on 31st March, 2014 (for assets and liabilities)

1 USD - Rs 60.4561 daily average of Financial year 2013-14 (for income and expenses)



INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS BALASORE ALLOYS LIMITED

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **BALASORE ALLOYS LIMITED** ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's responsibility for the Consolidated 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 notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, as the case may be and based on the consideration of the reports of the other auditors on the financial statement of the subsidiaries and associates as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31 2014;
- (ii) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

5. Emphasis of Matter

We invite attention to the following notes: -

- a) Note No. 31 regarding demand by North Eastern Electricity Supply Company of Orissa Limited (NESCO) towards revocation of the waiver of dues granted under a settlement in an earlier year and towards take or pay benefit given to the company. NESCO has raised total claim for Rs. 20,843.14 Lacs as at 31st March, 2014 (Rs.18,927.66 Lacs as at 31st



March, 2013) (including delayed payment surcharge). Company has paid Rs 3,400 lacs in previous years against these disputed claim and provided the same in that year as a matter of prudence. The matter of revocation of settlement is pending with Honourable High Court of Orissa and that of demand towards take or pay benefit before Electricity Appellate Tribunal, New Delhi. Pending outcome of the court/tribunal decision and based on discussion with Company's legal counsel, no provision has been made towards above demand.

- b) Note No. 32 regarding demand by lenders for their right to recompense under CDR Scheme sanctioned in earlier years. Lenders have demanded Rs 3,219.95 lacs for the recompense amount made up to 31st March, 2007. Company has paid Rs. 536 lacs as on 31st March, 2014 and provided the same in previous and current year as a matter of prudence. Further, the recompense amount for the period from 1st April, 2007 to till date has not been finally worked out. The management has approached its lenders to determine the final liability towards such recompense amount, pending which no provision has been made towards above demand.

Our opinion is not qualified in respect of these matters.

6. Other Matters

1. We did not audit the financial statements of an associate in which the share of loss of the Group is Rs. (0.15) lacs. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
2. We have relied on the unaudited financial statement of subsidiaries, who's financial statement reflect total assets of Rs. 2,833.07 lacs as at 31st march, 2014, total revenue of Rs. (10.28) lacs and net cash outflows amounting to Rs. 0.96 lacs for the year then ended. These unaudited financial statements as certified by the respective management of these companies have been furnished to us and our report in so far as it relates to the amounts included in respect of the subsidiaries is based solely on such certified unaudited financial statements.

Our opinion is not qualified in respect of these matters.

Place : Kolkata
Date : May 20, 2014

For Chaturvedi & Shah
Firm registration number: 101720W
Chartered Accountants
Amit Chaturvedi
Partner
Membership No. 103141

**BALASORE ALLOYS LIMITED****CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2014**

| | <u>Notes</u> | <u>As at 31st March, 2014</u> | (Rs in Lacs) <u>As at 31st March, 2013</u> |
|-------------------------------------------------|--------------|-----------------------------------|---------------------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| a. Share capital | 3 | 3,366.38 | 3,366.38 |
| b. Reserves and surplus | 4 | 88,950.21 | 89,388.89 |
| c. Money Received Against Equity Share Warrants | 3 | 264.00 | 264.00 |
| Sub-total Shareholders' funds | | 92,580.59 | 93,019.27 |
| Non-current liabilities | | | |
| a. Long-term borrowings | 5 | 19,806.46 | 20,853.17 |
| b. Deferred tax liabilities (net) | 6 | 1,639.70 | 1,395.28 |
| c. Long-term provisions | 7 | 1,000.51 | 920.17 |
| Sub-total Non-current liabilities | | 22,446.67 | 23,168.62 |
| Current liabilities | | | |
| a. Short-term borrowings | 8 | 6,772.86 | 6,815.98 |
| b. Trade payables | 9 | 17,787.61 | 15,514.86 |
| c. Current Maturities of Long-term borrowings | 5 | 3,134.45 | 3,243.80 |
| d. Other current liabilities | 10 | 6,575.28 | 5,896.83 |
| e. Short-term provisions | 7 | 2,663.01 | 2,044.14 |
| Sub-total Current liabilities | | 36,933.21 | 33,515.61 |
| TOTAL - EQUITY AND LIABILITIES | | 151,960.47 | 149,703.50 |
| ASSETS | | | |
| Non-current assets | | | |
| a. Fixed assets | | | |
| Tangible assets | 11 | 93,300.50 | 97,222.16 |
| Intangible assets | 11 | 1,542.93 | 1,548.88 |
| Capital work-in-progress | 11 | 7,793.03 | 5,196.14 |
| b. Non-current investments | 12 | 1,571.26 | 1,635.21 |
| c. Long-term loans and advances | 13 | 25,300.57 | 24,221.88 |
| d. Other non-current assets | 14 | 155.00 | 296.00 |
| Sub-total - Non-current assets | | 129,663.29 | 130,120.27 |
| Current assets | | | |
| a. Inventories | 16 | 9,808.92 | 9,951.37 |
| b. Trade receivables | 15 | 1,271.85 | 719.45 |
| c. Cash and bank balances | 17 | 578.71 | 790.48 |
| d. Short-term loans and advances | 13 | 10,183.12 | 7,497.64 |
| e. Other current assets | 14 | 454.58 | 624.29 |
| Sub-total - Current assets | | 22,297.18 | 19,583.23 |
| TOTAL - ASSETS | | 151,960.47 | 149,703.50 |
| Summary of significant accounting policies | 2 | | |
| Notes on Financial Statements | 3-36 | | |

The accompanying notes are an integral part of the financial statements

As per our Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka
(Managing Director)

R K Parakh
(Director - Finance)

Trilochan Sharma
(Company Secretary)

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014**

(Rs in Lacs)

| | <u>Notes</u> | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------------------------------------------------------|--------------|------------------|----------------|
| INCOME | | | |
| Revenue from operations (gross) | 18 | 81,191.91 | 71,531.58 |
| Less: Excise duty | | 2,931.16 | 2,918.67 |
| Revenue from operations (net) | | 78,260.75 | 68,612.91 |
| Other income | 19 | 868.14 | 1,664.20 |
| Total revenue (I) | | 79,128.89 | 70,277.11 |
| EXPENSES | | | |
| Cost of raw materials consumed | 20 | 23,216.58 | 25,614.74 |
| (Increase)/ decrease in inventories | 21 | 474.24 | (1,093.53) |
| Power and Fuel | | 21,814.65 | 20,116.23 |
| Employee benefits expenses | 22 | 5,034.94 | 3,735.47 |
| Other expenses | 23 | 15,441.03 | 10,658.83 |
| Total (II) | | 65,981.44 | 59,031.74 |
| Profit before finance costs, tax, depreciation & amortization (I) – (II) | | 13,147.45 | 11,245.37 |
| Depreciation & amortization expenses | 24 | 1,884.54 | 1,749.05 |
| Finance costs | 25 | 4,119.08 | 4,431.04 |
| Profit before taxes (III) | | 7,143.83 | 5,065.28 |
| Tax expenses | | | |
| Current tax | | 2,319.82 | 1,873.89 |
| Deferred tax Charge | | 244.43 | 320.26 |
| Taxation expenses of earlier years | | (10.43) | – |
| Total tax expenses (IV) | | 2,553.82 | 2,194.15 |
| Profit for the year [(III) – (IV)] | | 4,590.01 | 2,871.13 |
| Less: Share of loss of Associate Company | | (0.15) | 0.09 |
| Net Profit for the year | | 4,589.86 | 2,871.04 |
| Earnings per equity share [nominal value of share Rs. 5/-] | | | |
| Basic EPS (Rs) | | 7.14 | 4.47 |
| Diluted EPS (Rs) | | 6.60 | 4.29 |
| Summary of significant accounting policies | 2 | | |
| Notes on Financial Statements | 3-36 | | |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka
(Managing Director)R K Parakh
(Director - Finance)Trilochan Sharma
(Company Secretary)

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

(Rs in Lacs)

| A. CASH FLOW FROM OPERATING ACTIVITIES: | <u>Notes</u> | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------------------------------------------|--------------|-------------------|------------------|
| Profit before tax | | 7,143.69 | 5,065.28 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | | |
| Depreciation/Amortisation | | 1,884.54 | 1,749.05 |
| Loss on sale/discard of Fixed Assets (Net) | | 0.14 | 136.09 |
| Unrealized foreign exchange loss | | (132.37) | (22.83) |
| Unspent Liabilities no longer required written back | | (369.59) | (183.52) |
| Profit on sale of Investment | | (48.98) | 14.96 |
| Irrecoverable debts, deposits & Advances written off | | 1,394.40 | 38.33 |
| Provision for doubtful debts/advances | | 500.00 | 519.82 |
| Interest Expense | | 3,806.18 | 4,054.40 |
| Interest Income | | (410.29) | (297.15) |
| Operating profit before working capital changes | | | |
| Movements in working capital : | | | |
| Increase/ (decrease) in trade payables and other current liabilities | | 3,102.22 | 3,485.84 |
| Increase/ (decrease) in provisions | | 186.94 | 326.76 |
| Decrease / (increase) in trade receivables | | (552.80) | 61.34 |
| Decrease / (increase) in inventories | | 142.44 | 785.61 |
| Decrease / (Increase) loans and advances and other assets | | (4,865.64) | (2,963.96) |
| Cash generated from / (used in) operations | | 11,780.88 | 12,770.02 |
| Direct taxes paid (net of refunds) | | (1,874.83) | (1,322.55) |
| Net cash flow from operating activities (A) | | 9,906.06 | 11,447.46 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets, including CWIP and capital advances | | (5,547.56) | (4,081.43) |
| Advance against strategic investment | | - | (19,875.00) |
| Sale of investments | | 112.92 | - |
| Proceeds from sale of fixed assets (Rs. 20,000(Nil)) | | 0.20 | - |
| Interest received | | 580.00 | 402.77 |
| Net cash flow used in investing activities (B) | | (4,854.44) | (23,553.66) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Money received against share warrants | | - | 264.00 |
| Proceeds from long-term borrowings | | 447.50 | 19,480.55 |
| Repayment of long-term borrowings | | (1,603.56) | (1,585.21) |
| Dividend paid on equity shares (including dividend distribution tax) | | (373.60) | (373.60) |
| Net Movement in Short-term Borrowings | | (43.12) | (1,612.39) |
| Interest paid | | (3,696.09) | (4,154.66) |
| Net cash flow used in financing activities (C) | | (5,268.88) | 12,018.68 |
| D. Exchange Differences on transaction of foreign subsidiaries | | 288.12 | 99.17 |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | | 70.84 | 11.65 |
| Cash & Cash equivalents as at the beginning of the year | | 62.86 | 51.21 |
| Cash & Cash equivalents as at the end of the year | | 133.70 | 62.86 |
| Cash & Cash equivalents as at the end of the year includes | | | |
| Cash-in-hand | | 48.56 | 25.17 |
| Balances with banks: | | | |
| On current accounts | | 41.43 | 9.39 |
| On unpaid dividend account * | | 43.71 | 28.30 |
| Cash and cash equivalents at the end of the year | | 133.70 | 62.86 |

Summary of significant accounting policies

2

* The Company can utilize these balance only towards settlement of the respective unpaid dividend

The accompanying notes are an integral part of Financial Statements

As per our attached Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of the Board of Directors

Anil Sureka
(Managing Director)R K Parakh
(Director - Finance)Trilochan Sharma
(Company Secretary)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014****1. Corporate information**

Balasure Alloys Limited (“the Company”) and its wholly owned subsidiaries Milton Holdings Limited & Balasure Metals Pte Limited (collectively referred as “the Group”), is engaged in mining of Chrome Ore, Iron Ore and Manganese Ore and manufacturing and selling of Ferro Alloys of various grades. The Group is also engaged in trading business of various allied products like Coke, Chrome Ore Lumpy etc. The associate company of the Group “Balasure Energy Limited” is in the process of setting up power plant at Balasure, Odisha.

2. Summary of significant accounting policies**(a) Principles of Consolidation**

- (i) The Consolidated Financial Statements present the consolidated Accounts of Balasure Alloys Limited and its following Subsidiaries:

| Name of the Subsidiaries | Country of Incorporation | Proportion of Ownership / Interest | |
|------------------------------------|--------------------------|------------------------------------|------------------|
| | | 31st March, 2014 | 31st March, 2013 |
| Milton Holding Limited (MHL) | Mauritius | 100 % | 100 % |
| Balasure Metals Pte Limited (BMPL) | Singapore | 100% | 100% |

In terms of Accounting Standard 21 notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended), no minority interest exists. MHL is into the business of mining and has not yet commenced commercial operations. BMPL is into the business of trading of ferro alloys.

- (ii) The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and any unrealized profits.
- (iii) In terms of Accounting Standard 23 “Accounting for investment in Associates in Consolidated Financial Statements”, Balasure Energy Limited (BEL), incorporated in India, in which the Company holds 34% (34%) shares, is an associate company, and the proportionate share of BEL’s net profit/loss has been duly considered in these accounts.
- (iv) The financial statements of Milton Holding Limited have been prepared in accordance with International Financial Reporting Standards which has been converted using the accounting policies of the company by the management and considered for consolidation.
- (v) The financial statements of Balasure Metals Pte Limited have been prepared in accordance with Singapore Financial Reporting Standards which has been converted using the accounting policies of the company by the management and considered for consolidation.
- (vi) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviation in accounting policies, if any, to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company’s separate financial statements.
- (vii) In translating the financial statements of the non-integral foreign Subsidiaries for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rate; income and expense items are translated at average exchange rate; and all resulting exchange differences are accumulated in foreign currency translation reserve.

(b) Basis of preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis, except in respect , for certain fixed assets which are revalued and interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis.

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company ascertains its operating cycle for the purpose of current or non- current classification of assets and liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****(c) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) Tangible fixed assets

Tangible fixed Assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment, if any. The cost of acquisition comprises purchase price inclusive of duties (net of Cenvat), taxes, incidental expenses, erection/commissioning/trial run expenses and interest etc, up to the date the assets are ready for intended use.

In case of revaluation of tangible fixed assets, the original cost as written up by the approved valuers is considered in the accounts and the differential amount is transferred to the revaluation reserve.

Machinery spares which can be used only in connection with an item of tangible fixed assets and whose use, as per technical assessment, is expected to be irregular, are capitalized and depreciated over the residual life of the respective assets.

Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately under Other Current Assets.

Subsequent expenditure related to an item of tangible fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Expenditure of cost of exploration, Net Present Value of Forest Restoration, developing ore bodies and to expand the capacity of mine are capitalized as Mine Development Cost under Intangible Asset.

Computer software not being part of the hardware operating system are capitalized as intangible asset.

(f) Depreciation/Amortization

The classification of plant & machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956 or at rates determined based on useful lives of the respective assets, as estimated by the management, whichever is higher.

Depreciation on revalued assets is provided at the rates specified in Section 205(2) (b) of The Companies Act, 1956. However in case of fixed assets whose life is determined by the valuer to be less than their useful life under Section 205, depreciation is provided at the higher rate, to ensure the amortization of these assets over their life determined by the valuer.

Additional depreciation arising due to revaluation of fixed assets is adjusted against Revaluation reserve.

Leasehold land is amortized on a straight line basis over the period of lease of 90 years.

Mining lease and mines development expenditure are amortised over the balance period of mining leases on straight line basis.

Computer software are amortized over a period of three years on straight line basis.

(g) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

(h) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)**

In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(i) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(j) Inventories

Raw materials, Stores, spares & consumables are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on moving weighted average basis. Royalty on stock lying at mines is accounted on dispatch of materials.

Work in Progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a moving weighted average basis.

Obsolete/damaged stores, saleable dust and saleable scrap are valued at estimated net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

The recovery of ferro chrome from slag generated at the plant during the manufacturing operations is accounted for on actual ascertainment of quantity thereof, since it is not feasible to determine the quantum till the re-processing of such slag.

(k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized :

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Export Benefits

Export benefits are recognized on accrual basis as per schemes specified in Foreign Trade Policy, as amended from time to time.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

(l) Foreign currency translation**(i) Initial recognition**

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement / or reporting of monetary items, at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognized as income or expenses in the period in which they arise

(iv) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability

The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Losses on account Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the period.

(v) Derivative Instruments

In terms of the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts (other than those covered under Accounting Standard -11 "The Effects of Changes in Foreign Exchange Rates") is done based on the "marked to market" on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

(m) Retirement and other employee benefits

Retirement benefits in the form of Provident Fund, Superannuation Fund and Employee State Insurance are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method made at the end of each financial year.

Actuarial gains/losses are taken to Statement of profit and loss and are not deferred

(n) Income taxes

Tax expense comprises of current, deferred and prior year tax expenses, if any (net of MAT credit entitlement).

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(o) Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)***Allocation of common costs*

Common allocable costs are allocated to each segment on case to case basis by applying the ratio, appropriate to each relevant case.

Revenue and expenses which relates to the enterprise as a whole and are not allocable to segments on a reasonable basis, are included under the head "Unallocated - Common"

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole

(p) Earnings Per Share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding and to the extent ascertainable during the year are adjusted for the effects of all dilutive potential equity shares.

(q) Provisions

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(r) Contingent liabilities & Commitments

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

Capital commitments' are future liabilities for capital expenditure in respect of Capital Contracts yet to be executed.

'Other commitments' include all future liabilities for Contractual Commitments arising out of non cancellable contracts having penalty disproportionate to the benefits.

(s) Cash and cash equivalents

Cash and cash equivalents as indicated in the cash flow statement comprise cash on hand, cash at bank and short-term deposits with an original maturity of three months or less.

(t) Royalty

Royalty on mining materials is accounted based on the rates notified by Indian Bureau of Mines for each month in absence of monthly rates, these are accounted on the basis of latest available rates.

(u) Lease

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**BALASORE ALLOYS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****3. Share capital**

| | As at 31st March, 2014 | (Rs in Lacs) As at 31st March, 2013 |
|--------------------------------------------------------|-----------------------------------|-------------------------------------------|
| Authorized shares | | |
| 200,000,000 (200,000,000) equity shares of Rs.5/- each | 10,000.00 | 10,000.00 |
| Issued and subscribed shares | | |
| 67,334,263 (67,334,263) equity shares of Rs. 5/- each | 3,366.71 | 3,366.71 |
| Fully paid-up shares | | |
| 64,290,411 (64,290,411) equity shares of Rs. 5/- each | 3,214.52 | 3,214.52 |
| Add: Shares forfeited | 151.86 | 151.86 |
| Total | 3,366.38 | 3,366.38 |

(a) Reconciliation of the Shares outstanding at the beginning and at the end of the reporting year*Equity shares*

| | As at 31st March, 2014 | | As at 31st March, 2013 | |
|-------------------------------------------|-------------------------------|--------------------|------------------------|-------------|
| | No. in lacs | Rs. In lacs | No. in lacs | Rs. In lacs |
| At the beginning of the year | 642.90 | 3,214.52 | 642.90 | 3,214.52 |
| Issued during the year | - | - | - | - |
| Outstanding at the end of the year | 642.90 | 3,214.52 | 642.90 | 3,214.52 |

(b) Terms/ rights attached to equity shares

- (i) The company has only one class of equity shares having par value of Rs 5 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- (ii) The amount of per share dividend recognized as distributions to equity shareholders is Rs 0.60 per share (31 March 2013: Rs 0.50 per share).
- (iii) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% equity shares in the Company

| Name of the shareholder | As at 31 March, 2014 | | As at 31 March, 2013 | |
|---------------------------------------------------------------------------------------|-----------------------------|------------------|----------------------|-----------|
| | Numbers | % holding | Numbers | % holding |
| Goldline Tracom Private Limited | 12,402,346 | 19.29% | 12,402,346 | 19.29% |
| Ushaditya Trading Private Limited (Formerly Ushaditya Investments Private Limited) | 7,392,500 | 11.50% | 7,392,500 | 11.50% |
| Navoday Exim Private Limited (Formerly Ispat Holdings Private Limited) | 4,888,800 | 7.60% | 4,888,800 | 7.60% |
| Hypnos Fund Ltd. | 3,495,369 | 5.44% | 3,495,369 | 5.44% |

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(d) Details of equity shares pledged by the promoter or persons forming part of the promoter group ('Promoter Group') of the Company in compliance to Corporate Debt Restructuring Scheme:

| Particulars | As at 31st March, 2014 | As at 31st March, 2013 |
|--------------------------------------------------------------------------------|-----------------------------------|---------------------------|
| Total number of equity shares held by the Promoter Group | 29,935,186 | 29,935,186 |
| Total number of equity shares pledged by the Promoter Group | 14,604,790 | 14,604,790 |
| Percentage of total shares pledged to total shareholding of the Promoter Group | 48.79% | 48.79% |
| Percentage of total shares pledged to total outstanding shares of the Company | 22.72% | 22.72% |

- (e) Money received against share warrant represents 66,00,000 warrants allotted on a preferential basis to the promoter group on 19.10.2012 entitling them to apply for obtain allotment of one equity share of Rs. 5/- each fully paid up at a price of Rs. 16/- per share at a premium of Rs. 11/- per share against each such warrant at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment. The company had received Rs. 2,64,00,000 being 25 % of the consideration against these warrants. Company has allotted 66,00,000 equity shares on 16.04.2014 pursuant to these warrant on receipt of balance consideration of Rs. 7,92,00,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****4. Reserves and surplus**

| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| | | (Rs in Lacs) |
| Capital Reserve | | |
| Balance as per the last financial statements | | |
| Capital Investment Subsidy (a) | 41.96 | 41.96 |
| Amount arisen on Forfeiture of Equity Warrants (b) | 490.00 | 490.00 |
| Revaluation Reserve | | |
| Balance as per the last financial statements | 60,810.83 | 65,679.24 |
| Less: Amount transferred to the statement of profit and loss as reduction from depreciation (Refer note 24) | (4,865.36) | (4,868.41) |
| Closing Balance (c) | <u>55,945.47</u> | <u>60,810.83</u> |
| Securities Premium Account (d) | | |
| Balance as per the last financial statements | 1,550.00 | 1,550.00 |
| Foreign Currency Translation Reserve | | |
| Balance as per the last financial statements | 358.21 | 259.04 |
| Addition/Deduction for the year | 288.12 | 99.17 |
| Closing Balance (e) | <u>646.33</u> | <u>358.21</u> |
| General Reserve (f) | | |
| Balance as per the last financial statements | 7,688.36 | 7,688.36 |
| Add : Transfer from Profit and Loss Accounts | 115.01 | |
| Closing Balance (e) | <u>7,803.37</u> | <u>7,688.36</u> |
| Surplus in the Statement of Profit and Loss | | |
| Balance as per last financial Statements | 18,449.53 | 15,952.09 |
| Profit for the year | 4,589.86 | 2,871.04 |
| Less : Transfer to General Reserve | (115.01) | |
| Less: Appropriations | | |
| Proposed final equity dividend [(amount per share Rs 0.60 (Rs 0.50)) | (385.74) | (321.45) |
| Tax on proposed equity dividend | (65.56) | (52.15) |
| Total appropriations | <u>(451.30)</u> | <u>(373.60)</u> |
| Net surplus in the Statement of Profit and Loss (f) | <u>22,473.08</u> | <u>18,449.53</u> |
| Total Reserves and surplus (a to f) | <u>88,950.21</u> | <u>89,388.89</u> |

5. Long-term borrowings

| | <u>Non Current Position</u> | | <u>Current maturities</u> | |
|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| A) Secured | | | | |
| Indian rupee loan from banks | | | | |
| Term Loans | – | 1,042.27 | 1,746.57 | 1,781.20 |
| Funded Interest Term Loans | – | 313.79 | 1,254.58 | 1,438.60 |
| | – | 1,356.06 | 3,001.15 | 3,219.80 |
| Deferred Payment Credits | 401.46 | 92.11 | 133.30 | 24.00 |
| | <u>401.46</u> | <u>92.11</u> | <u>133.30</u> | <u>24.00</u> |
| Total Secured Loan | <u>401.46</u> | <u>1,448.17</u> | <u>3,134.45</u> | <u>3,243.80</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)**

(Rs in Lacs)

5. Long-term borrowings (Contd.)

| | Non Current Position | | Current maturities | |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| B) Unsecured | | | | |
| Advance towards Promoter Contribution | 19,405.00 | 19,405.00 | - | - |
| Total Unsecured Loan | 19,405.00 | 19,405.00 | - | - |
| Total | 19,806.46 | 20,853.17 | 3,134.45 | 3,243.80 |

5.1 Indian rupee loan from banks**a) Maturity Profile**

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Term Loan from banks | 1746.57 | - | - | - | - |
| Funded Interest Term Loans | 1254.58 | - | - | - | - |

b) Nature of Security

Term loans and Funded interest term loans are secured by a first charge over Plant & Machinery and other fixed assets (including factory land and building) and by way of second charge over current assets of the Company. The loans are also secured by pledge of a part of shareholding of the promoter group [including shares held by Mr Pramod Mittal (a director) and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010)]. The above loans are further guaranteed by personnel guarantee issued / to be issued by Mr Pramod Mittal and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010) and by corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited. All the mortgages and charges created in favour of the Banks for Term Loan and Working Capital Facilities rank pari passu inter se.

Deferred Payment Credits**a) Maturity Profile**

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Deferred Payment Credits | 133.30 | 151.60 | 166.80 | 83.06 | - |

b) Nature of Security

Deferred Payment Credits are secured against hypothecation of assets purchased against such loans.

Advance towards Promoter Contribution

Amount received from promoter group companies towards participation in equity and/ or quasi debt instruments. Pending finalisation of the terms and pricing, the same has been shown as interest free advance towards promoter contribution.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****6. Deferred tax liabilities (net)**

(Rs in Lacs)

| | As at 31st March, 2014 | As at 31st March, 2013 |
|-------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Deferred tax liabilities | | |
| Timing difference on depreciable assets | 2,901.92 | 2682.48 |
| (A) | 2,901.92 | 2682.48 |
| Deferred tax assets | | |
| Timing difference due to disallowance under section 43B of the Income Tax Act, 1961 | 1,081.33 | 1165.76 |
| Other disallowance under Income Tax Act, 1961 | 180.89 | 121.45 |
| (B) | 1,262.22 | 1,287.21 |
| Net deferred tax liabilities (A-B) | 1,639.70 | 1,395.28 |

7. Provisions

(Rs in Lacs)

| | Non Current Provisions | | Current Provisions | |
|----------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Provision for employee benefits: | | | | |
| Gratuity | 671.36 | 611.57 | 27.23 | 10.17 |
| Superannuation | — | — | 174.25 | 99.16 |
| Leave salary | 289.15 | 278.60 | 23.26 | 8.81 |
| | 960.51 | 890.17 | 224.74 | 118.14 |
| Other provisions for - | | | | |
| Taxation[(net of advance income taxes/Tax deducted at source Rs. 6405.88 lacs (Rs. 4460.52 Lacs)] | — | — | 1,986.97 | 1,552.40 |
| Site restoration | 40.00 | 30.00 | — | — |
| Proposed equity dividends | — | — | 385.74 | 321.45 |
| Provision for tax on proposed equity dividend | — | — | 65.56 | 52.15 |
| | 40.00 | 30.00 | 2,438.27 | 1,926.00 |
| | 1,000.51 | 920.17 | 2,663.01 | 2,044.14 |



BALASORE ALLOYS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)

8. Short-term borrowings

| | (Rs in Lacs) | |
|-----------------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| A) Secured Loans | | |
| Cash credits from banks | 3,834.48 | 2,539.22 |
| Pre-shipment Credit in Foreign Currency | 1,081.57 | 2,383.39 |
| Export Packing credit loan | - | 1.56 |
| (A) | <u>4,916.05</u> | <u>4,924.17</u> |
| B) Unsecured Loans | | |
| Loans from Body Corporates | 1,856.81 | 1,891.81 |
| (B) | <u>1,856.81</u> | <u>1,891.81</u> |
| Total | (A+B) <u>6,772.86</u> | <u>6,815.98</u> |

Working capital facilities are secured by first charge over current assets and by second charge over fixed assets of the Company. The loans are also secured by pledge of a part of shareholding of the promoter group [including shares held by Mr Pramod Mittal (a director) and Mr V K Mittal (ceased to be director w.e.f 28th July, 2010)]. The above loans are further guaranteed by personnel guarantees issued/ to be issued by Mr Pramod Mittal and Mr V K Mittal and by corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited. All the mortgages and charges created in favour of the Banks for Term Loan and Working Capital Facilities rank pari passu inter se.

9 Trade Payables

| | (Rs in Lacs) | |
|---------------------------------------------------------------|-----------------------------------|-----------------------------------|
| | Current position | |
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| Acceptances | 3,522.35 | 3,796.06 |
| Creditors for goods, services etc (including retention money) | 14,265.26 | 11,718.80 |
| Total | <u>17,787.61</u> | <u>15,514.86</u> |

a) Trade payable above includes amount due to Micro & Small Enterprises in terms of Micro, Small and Medium Enterprises Act, 2006 (MSME Act) as under:

| | (Rs in Lacs) | |
|-------------------------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31st March, 2014</u> | <u>As at 31st March, 2013</u> |
| a) Principal Amount (included in Trade Payable) | 128.53 | 43.62 |
| Interest due on above | 24.24 | 30.06 |
| | <u>152.77</u> | <u>73.68</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****9 Trade Payables (contd.)**

(Rs in Lacs)

| | Current position | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 |
| b) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | 219.47 | 494.28 |
| c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006. | 12.88 | 5.10 |
| d) The amount of interest accrued and remaining unpaid at the end of each accounting year | 12.88 | 5.10 |
| e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006 | 24.24 | 30.06 |

10. Other Current liabilities

(Rs in Lacs)

| | As at 31st March, 2014 | As at 31st March, 2013 |
|-------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Interest accrued but not due on borrowings | 0.14 | 5.60 |
| Interest accrued and due on borrowings | 823.25 | 707.71 |
| Advance from customers | 284.90 | 536.94 |
| Unpaid Dividend * | 43.71 | 28.31 |
| Creditors for Fixed Assets (including retention money from contractors / suppliers) | 608.16 | 367.30 |
| Statutory Dues | 506.01 | 424.90 |
| Temporary Book Overdraft | 1,050.74 | 41.16 |
| Claims Payable | 622.04 | 583.19 |
| Other liabilities** | 2,636.33 | 3,201.73 |
| Total | 6,575.28 | 5,896.83 |

* These do not include any amounts due and outstanding to be credited to Investor Education and Protection Fund

** It includes Rs. 2205.70 lacs (Rs. 2845.14 lacs) payables against arrangement for procurement of raw materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)



BALASORE ALLOYS LIMITED

11. FIXED ASSETS (Rs in Lacs)

| | Tangible Assets | | | | | | Intangible Assets | | | | | | |
|------------------------------------------------|-----------------|----------------|------------------|-----------------|---------------------|------------------|------------------------|------------------------|---------------|-------------------|-------------------|-------------------|-----------------|
| | Freehold Land | Leasehold Land | Mining Lease | Buildings | Plant and equipment | Office Equipment | Computer & Peripherals | Furniture and fixtures | Vehicles | Total | Computer Software | Mines Development | Total |
| Gross Block : | | | | | | | | | | | | | |
| As at 31st March 2013 | 1,242.22 | 287.77 | 85,279.23 | 7,502.00 | 40,388.90 | 245.54 | 357.73 | 267.34 | 196.33 | 135,767.06 | 254.49 | 1,494.09 | 1,748.58 |
| Additions | 14.58 | - | - | 1,544.49 | 597.75 | 64.99 | 92.99 | 35.26 | 309.56 | 2,659.62 | 163.00 | - | 163.00 |
| Disposals/Discard | - | - | - | - | - | (2.50) | - | - | (0.22) | (2.72) | - | - | - |
| As at 31st March 2014 | 1,256.80 | 287.77 | 85,279.23 | 9,046.49 | 40,986.65 | 308.03 | 450.72 | 302.60 | 505.67 | 138,423.96 | 417.49 | 1,494.09 | 1,911.58 |
| Accumulated Depreciation/ Amortisation: | | | | | | | | | | | | | |
| As at 31st March 2013 | - | 28.55 | 16,175.88 | 1,974.80 | 19,786.62 | 118.27 | 242.66 | 173.15 | 44.97 | 38,544.90 | 10.44 | 189.26 | 199.70 |
| Charge for the period | - | 3.48 | 4,342.85 | 231.56 | 1,911.85 | 32.13 | 25.72 | 7.59 | 25.77 | 6,580.95 | 99.00 | 69.95 | 168.95 |
| Disposals/Discard | - | - | - | - | - | (2.18) | - | - | (0.21) | (2.39) | - | - | - |
| As at 31st March 2014 | - | 32.03 | 20,518.73 | 2,206.36 | 21,698.47 | 148.22 | 268.38 | 180.74 | 70.53 | 45,123.46 | 109.44 | 259.21 | 368.65 |
| Net Block | | | | | | | | | | | | | |
| As at 31st March 2013 | 1,242.22 | 259.22 | 69,103.35 | 5,527.20 | 20,602.28 | 127.27 | 115.07 | 94.19 | 151.36 | 97,222.16 | 244.05 | 1,304.83 | 1,548.88 |
| As at 31st March 2014 | 1,256.80 | 255.74 | 64,760.50 | 6,840.13 | 19,288.18 | 159.81 | 182.34 | 121.86 | 435.14 | 93,300.50 | 308.05 | 1,234.88 | 1,542.93 |
| Capital work-in-progress | | | | | | | | | | | | | |
| As at 31st March 2013 | - | - | - | - | - | - | - | - | - | 5,196.14 | - | - | - |
| As at 31st March 2014 | - | - | - | - | - | - | - | - | - | 7,793.03 | - | - | - |

(1) Includes Rs 76,337.69 lacs (credited to Revaluation Reserve) and Rs 23,118.34 lacs (credited to General Reserve in terms of High Court Order) capitalised on account of revaluation of land, buildings, mining lease and plant & machinery of the Company as on 31st March, 2010, and as on 31st December, 2004 respectively at net replacement cost basis based on the report of an approved valuer.

(2) Reclassification of Rs 14.66 Lacs from Plant and equipment, Rs 246.44 Lacs from Office equipment and Rs 4.52 Lacs from Furniture & Fixture to Computer & Peripherals.

(3) Land Rs 50 Lacs, Buildings Rs 410 Lacs and Plant & equipment Rs 334.21 Lacs purchased in the financial year 2012-13 and title clearance is pending.

(4) Capital Work-in-progress include:

- Rs 701.30 Lacs (Rs 354.82 Lacs) on account of project development expenditure
- Rs 235.07 Lacs (Rs 235.07 Lacs) on account of cost of construction materials at site.
- Project Development Expenditure (in respect of projects upto 31.03.2014, included under capital work in progress).

| | 2013-2014 | 2012-2013 |
|------------------------------------------------------------------------------|-----------|-----------|
| Opening Balance | 354.82 | - |
| Add: | | |
| Employee Benefit Expenses | 247.08 | 403.98 |
| Travelling And Conveyance | 58.47 | 29.03 |
| Miscellaneous Expenses | 40.93 | 24.57 |
| | 346.48 | 457.58 |
| Less: Project Development Expenses capitalised/decapitalised during the year | - | 102.76 |
| Closing Balance | 701.30 | 354.82 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)**

| 12. Non-current investments | As at 31st March, 2014 | (Rs in Lacs) As at 31st March, 2013 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------|
| Trade investments (valued at cost unless stated otherwise) | | |
| Unquoted equity shares | | |
| Investment in associate | | |
| 17000 (17000) Equity Shares of Rs 10 each fully paid-up in Balasore Energy Limited | 0.31 | 0.46 |
| Investment in government securities | | |
| 6 years National Savings Certificates (Deposited with Government Departments) | 0.95 | 0.95 |
| Non-trade investments (valued at cost unless otherwise stated) | | |
| Unquoted equity shares | | |
| 300000 (300000) equity shares of Rs 10 each fully paid-up in Elephanta Gases Limited. | 30.00 | 30.00 |
| Nil (116) equity shares of Rs 10 each fully paid-up in Navoday Management Services Limited (Formerly Ispat Finance Limited) | – | 0.10 |
| Unquoted mutual funds | | |
| Nil (165000) Magnum units of Rs 10 each fully paid-up in SBI Mutual Fund | – | 10.00 |
| Unquoted debentures | | |
| 690000 (690000) 12% Unsecured redeemable non-convertible debentures of Rs 100 each fully paid-up in Shakti Chrome Limited. | 690.00 | 690.00 |
| 850000 (850000) 12% Unsecured redeemable non-convertible debentures of Rs 100 each fully paid-up in Krish Trexim Private Limited | 850.00 | 850.00 |
| Quoted equity shares (See (e) below) | | |
| Nil (6291) equity shares of Rs 10 each fully paid-up in JSW Steel Limited (JSW Ispat Steel Limited) | – | 39.78 |
| Quoted preference shares (See (e) below) | | |
| Nil (302000) 0.01% Cumulative Redeemable Preference Shares of Rs 10 each fully paid-up in JSW Steel Limited (JSW Ispat Steel Limited) | – | 13.92 |
| Total | <u>1,571.26</u> | <u>1,635.21</u> |
| a) Aggregate amount of quoted investments | | |
| Cost | – | 496.57 |
| Less: Provision for Diminution | – | 442.87 |
| | – | <u>53.70</u> |
| b) Aggregate amount of unquoted investments (At cost) | 1,571.26 | 1,581.51 |
| c) Market Value of quoted investment | – | 53.70 |
| d) Valued at exchange rate prevailing on the date of transaction | | |
| e) In lieu of Amalgamation of JSW Ispat Steel Ltd with JSW Steel Ltd | | |

**BALASORE ALLOYS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****13. Loans and advances** (Unsecured, considered good unless stated otherwise) (Rs in Lacs)

| | | Non Current | | Current | |
|------------------------------------------------------------------------|----------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Capital advances [including doubtful Rs 78.80 Lacs (Rs 78.80 Lacs)] | | 3,102.96 | 2,734.04 | – | – |
| Provision for doubtful advances | | (78.80) | (78.80) | – | – |
| | (A) | 3,024.16 | 2,655.24 | – | – |
| Advance against strategic investment | (B) | 19,875.00 | 19,875.00 | | |
| Advances recoverable in cash or kind | | | | | |
| Considered good - Related Parties | | – | – | – | 6.25 |
| Considered good - Others | | – | – | 5,101.17 | 3,253.52 |
| Considered doubtful - Others | | 251.09 | 251.09 | – | – |
| | | 251.09 | 251.09 | 5,101.17 | 3,259.77 |
| Provision for doubtful advances | | (251.09) | (251.09) | – | – |
| | (C) | – | – | 5,101.17 | 3,259.77 |
| Loans | | | | | |
| Body Corporates | | – | – | 1,382.00 | 1,036.00 |
| Considered doubtful | | 500.00 | – | – | – |
| Employees | | – | – | 89.34 | 98.17 |
| | (D) | 500.00 | – | 1,471.34 | 1,134.17 |
| Provision for doubtful advances | | (500.00) | – | – | – |
| | | – | – | 1,471.34 | 1,134.17 |
| Security Deposits | (E) | 2,401.41 | 1,691.64 | 40.17 | 57.35 |
| Others (Considered Good) | | | | | |
| Balances with statutory / government authorities | | – | – | 1,992.23 | 1,584.18 |
| Export benefits receivables | | – | – | 1,225.21 | 1,197.22 |
| Others | | – | – | 352.99 | 264.95 |
| | (F) | – | – | 3,570.43 | 3,046.35 |
| Total | (A to F) | 25,300.57 | 24,221.88 | 10,183.12 | 7,497.64 |

14. Other Assets (Unsecured, considered good unless stated otherwise) (Rs in Lacs)

| | Non Current | | Current | |
|---------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Non-current bank deposit (Note No. 17) | 155.00 | 296.00 | – | – |
| Interest Receivable on | | | | |
| Bank Deposits | – | – | 61.77 | 25.06 |
| Long-term investments | – | – | 206.88 | 190.36 |
| Loans, Other Deposits - considered good | – | – | 183.55 | 408.50 |
| Considered Doubtful | – | 104.75 | – | – |
| Others | – | – | 2.38 | 0.37 |
| | – | 104.75 | 454.58 | 624.29 |
| Provision for doubtful interest receivables | – | (104.75) | – | – |
| Total | 155.00 | 296.00 | 454.58 | 624.29 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****15. Trade receivables (Unsecured)**

(Rs in Lacs)

| | Non Current | | Current | |
|-------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Outstanding for a period exceeding six months from the date they are due for payment | | | | |
| Considered good | 157.54 | - | - | - |
| Considered Doubtful | - | 173.22 | - | - |
| | 157.54 | 173.22 | - | - |
| Provision for doubtful receivables | - | (173.22) | - | - |
| (A) | 157.54 | - | - | - |
| Other receivables (considered good) - other | - | - | 1,114.30 | 700.60 |
| Other receivables (considered good) - related parties | - | - | - | 18.85 |
| (B) | - | - | 1,114.30 | 719.45 |
| Total (A+B) | 157.54 | - | 1,114.30 | 719.45 |

16. Inventories (valued at lower of cost and net realizable value)

(Rs in Lacs)

| | As at 31st March, 2014 | As at 31st March, 2013 |
|----------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------|
| Raw materials and components [includes in transit and pledged Rs 1382.09 Lacs (Rs 774.57 Lacs)] | 6,780.35 | 6,873.69 |
| Stores, Spares & Consumables | 1,664.05 | 1,209.62 |
| Finished goods | 609.41 | 1,272.70 |
| Stock under process | 475.67 | 337.30 |
| <u>At estimated net realisable value</u> | | |
| Saleable Scraps | 279.44 | 258.06 |
| Total | 9,808.92 | 9,951.37 |

**BALASORE ALLOYS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****17. Cash and bank balances**

(Rs in Lacs)

| | Non Current | | Current | |
|---------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31st March, 2014 | As at 31st March, 2013 | As at 31st March, 2014 | As at 31st March, 2013 |
| Cash and cash equivalents | | | | |
| Balances with banks: | | | | |
| On current accounts | – | – | 41.43 | 9.39 |
| On unpaid dividend account | – | – | 43.71 | 28.30 |
| Cash in hand | – | – | 48.56 | 25.17 |
| | – | – | 133.70 | 62.86 |
| Other bank balances | | | | |
| Margin money deposit # | 155.00 | 296.00 | 445.01 | 727.62 |
| | 155.00 | 296.00 | 445.01 | 727.62 |
| Amount disclosed under non-current assets (Note no. 14) | (155.00) | (296.00) | – | – |
| | – | – | 578.71 | 790.48 |

Receipts lying with Banks as security against guarantees / letters of credit issued by them

(Rs in Lacs)

18. Revenue from operations**Revenue from operations**

Sale of products

| | 2013-14 | 2012-13 |
|--------------------------------------------|------------------|------------------|
| Finished goods | 77,732.98 | 68,747.57 |
| Saleable Scraps | 239.85 | 113.09 |
| Export Benefits | 3,096.67 | 2,528.91 |
| Other operating revenue | | |
| Scrap sales | 122.41 | 142.01 |
| Revenue from operations (gross) | 81,191.91 | 71,531.58 |
| Less: Excise duty | 2,931.16 | 2,918.67 |
| Total Revenue from operations (net) | 78,260.75 | 68,612.91 |

18.1 Particulars of Sale of Products

| | | |
|-------------------------------|------------------|-----------|
| Finished Goods - Ferro Alloys | 77,732.98 | 68,747.57 |
| Saleable Scraps - Tailings | 239.85 | 113.09 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)**

| | <u>2013-14</u> | (Rs in Lacs) <u>2012-13</u> |
|-----------------------------------------------------|----------------------|--------------------------------|
| 19. Other income | | |
| Interest income on | | |
| Bank deposits | 66.72 | 65.87 |
| Long-term investments | 184.80 | 184.80 |
| Loan, advances, deposits etc | 157.78 | 46.48 |
| Others | 0.99 | - |
| Insurance Claims | 22.28 | 30.22 |
| Unspent liabilities no longer required written back | 369.59 | 183.52 |
| Profit on sale of investments (net) | 48.98 | - |
| Gain on Foreign Exchange Fluctuation (net) | - | 1,115.63 |
| Dividend | 0.63 | 5.28 |
| Others | 16.37 | 32.39 |
| Total | <u><u>868.14</u></u> | <u><u>1,664.20</u></u> |

| | <u>2013-14</u> | (Rs in Lacs) <u>2012-13</u> |
|---------------------------------------------|-------------------------|--------------------------------|
| 20 Cost of raw materials consumed | | |
| Inventory at the beginning of the year | 6,873.69 | 9,405.83 |
| Add: Purchases | 23,123.24 | 23,082.60 |
| | <u>29,996.93</u> | <u>32,488.43</u> |
| Less: Inventory at the end of the year | 6,780.35 | 6,873.69 |
| Cost of raw materials consumed Total | <u><u>23,216.58</u></u> | <u><u>25,614.74</u></u> |

| | <u>2013-14</u> | (Rs in Lacs) <u>2012-13</u> |
|--------------------------------------------------|-------------------------|--------------------------------|
| a) Details of raw materials consumed | | |
| Chrome Ore (including own generation/briquetted) | 9,736.18 | 10,030.86 |
| Coal and Coke etc. | 10,832.64 | 13,529.62 |
| Carbon Paste | 670.10 | 459.23 |
| Quartz | 569.33 | 384.27 |
| Magnesite | 196.59 | 290.05 |
| Dolomite | 428.73 | 271.25 |
| Others (Including handling charges) | 783.01 | 649.46 |
| | <u><u>23,216.58</u></u> | <u><u>25,614.74</u></u> |



BALASORE ALLOYS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)

21. (Increase) / decrease in inventories

(Rs in Lacs)

| | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------------------------------|-----------------|-------------------|
| Inventories at the end of the year: | | |
| Stock under process | 475.67 | 337.30 |
| Finished goods | 609.41 | 1,272.70 |
| Saleable Scraps | 279.44 | 258.06 |
| | <u>1,364.52</u> | <u>1,868.06</u> |
| Inventories at the beginning of the year: | | |
| Stock under process | 337.30 | 141.83 |
| Finished goods | 1,272.70 | 390.00 |
| Saleable Scraps | 258.06 | 230.38 |
| | <u>1,868.06</u> | <u>762.21</u> |
| Less: (Increase)/decrease of excise duty on inventories | 29.30 | (12.33) |
| Total | <u>474.24</u> | <u>(1,093.53)</u> |

21.1 Excise Duty & Cess on inventories represents differential excise duty and cess on opening and closing stock of Finished Goods and processable scrap

22. Employee benefits expense

(Rs in Lacs)

| | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------------|-----------------|-----------------|
| Salaries, wages and bonus | 4,356.22 | 3,002.73 |
| Contribution to provident and other funds | 342.47 | 251.35 |
| Gratuity expense | 86.41 | 237.48 |
| Staff welfare expenses | 249.84 | 243.91 |
| Total | <u>5,034.94</u> | <u>3,735.47</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****23. Other Expenses**(Rs in Lacs)
2012-13

| | <u>2013-14</u> | <u>2012-13</u> |
|----------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Consumption of stores and spares | 1,229.66 | 893.70 |
| Contract Labour Charges | 873.55 | 576.32 |
| Packing and Carriage charges | 2,722.60 | 2,063.85 |
| Rent | 174.33 | 173.60 |
| Rates and taxes | 76.62 | 57.29 |
| Insurance | 65.68 | 55.46 |
| Repairs and maintenance | | |
| Plant and machinery | 967.64 | 984.64 |
| Buildings | 98.26 | 133.48 |
| Others | 90.38 | 54.54 |
| Commission on Sales (other than sole selling agent) | 636.06 | 577.17 |
| Travelling and conveyance | 1,552.49 | 996.93 |
| Charity and Donations | 32.19 | 11.30 |
| Communication costs | 127.85 | 115.58 |
| Legal and professional fees | 2,125.96 | 1,869.99 |
| Directors' sitting fees | 14.11 | 13.90 |
| Auditors' Remuneration as auditor: | | |
| Audit fee | 25.60 | 25.00 |
| Limited review fee | 22.50 | 16.50 |
| Tax audit fee | 6.50 | 6.50 |
| In Other Capacity for Certification | 9.00 | 9.00 |
| Reimbursement of Expenses to auditor | 2.01 | 2.20 |
| Items pertaining to Previous Years (net) | 43.65 | 2.57 |
| Provision for diminution in value of investments | - | 14.96 |
| CSR and Site Development Expenses | 172.61 | 112.24 |
| Loss on Foreign Exchange Fluctuation (net) | 1,184.77 | - |
| Bad debts / advances written off [(Net of adjustment of Rs Nil (Rs 27.83 lacs) against provision)] | 1,394.40 | 38.33 |
| Provision for doubtful debts and advances | 500.00 | 519.82 |
| Loss on sale/Discard of fixed assets (net) | 0.14 | 136.09 |
| Loss on Sale of raw material | - | 5.05 |
| Miscellaneous expenses | 1,292.47 | 1,192.83 |
| Total | <u>15,441.03</u> | <u>10,658.83</u> |
| 24. Depreciation & amortization expense | | |
| Depreciation of tangible assets | 6,580.96 | 6,541.28 |
| Amortization of intangible assets | 168.94 | 76.18 |
| | <u>6,749.90</u> | <u>6,617.46</u> |
| Less: Recoupment from Revaluation Reserve [refer note 4(c)] | <u>(4,865.36)</u> | <u>(4,868.41)</u> |
| | <u>1,884.54</u> | <u>1,749.05</u> |
| 25. Finance costs | | |
| Interest | | |
| -- To Banks [Net of recoveries Rs 573.20 lacs (Rs 469.31 lacs)] | 1,156.98 | 1,457.49 |
| -- To Others | 2,649.20 | 2,596.91 |
| Other borrowing cost | 278.16 | 271.61 |
| Exchange difference to the extent considered as an adjustment to borrowing costs | 34.74 | 105.03 |
| | <u>4,119.08</u> | <u>4,431.04</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)**

| Particulars | As at 31st March, 2014 | (Rs.in Lacs) As at 31st March, 2013 |
|--------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------|
| a) Sales tax matters under appeal {Amount paid under appeal Rs 21.31 lacs (Rs. 106.71 lacs)}* | 36.86 | 108.94 |
| b) Entry tax matters {Amount paid under appeal Rs 18.71 lacs (Rs. 23.98 lacs)}* | 117.57 | 200.68 |
| c) Excise / Service tax matters {Amount paid under appeal Rs 10.83 lacs (Rs. 2.30 lacs)}* | 1200.79 | 1384.42 |
| d) Un-expired Bank Guarantees and Letters of Credit | 636.89 | 968.59 |
| e) Bills discounted with Banks | 5,447.53 | 5,049.71 |

* In respect of above cases based on favorable decisions in similar cases/legal opinions taken by the Company/discussions with the solicitors etc., the management is of the opinion that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in the financial statements.

27. Capital and other commitment:

Estimated amount of Capital commitments (net of advances) Rs 1684.81 lacs (Rs 1573.46 lacs)

28. The income tax assessment of the company have been completed up to Assessment year 2011-12. The disputed demand up to the said Assessment year is Rs. 2,586.25 lacs (Amount Paid under appeal Rs. 225 Lacs). Based on the decisions of the appellate authorities and the interpretations of other relevant provisions, the company has been advised that the demand is likely to be either quashed or substantially reduced and accordingly no provision has been made.

29. The Company had filed petitions against the orders of Dy. Director Mines, Jajpur demanding Rs. 487.80 lacs towards payment of additional Royalty pointed out by Accountant General (A.G) audit for adopting wrong method of calculation of royalty by them for period December, 2009 to January, 2011. The company holds the view that the payment of royalty is correctly made based on the actual quantity of chrome Ore extracted from the mining area. In view of above demand being legally unjustifiable, the Company does not expect any liability in above matter and hence not provided for.

30. North Eastern Electricity Supply Company of Orissa Limited (NESCO) has revoked the waiver of dues granted under a settlement in an earlier year and disputed on take or pay benefit claimed in year 2012-13 and raised total claim for Rs 20,843.14 lacs (including delayed payment surcharge). The matter of revocation of settlement is pending with Honourable High Court of Orissa and that of demand towards takes or pay benefit before Electricity Appellate Tribunal, New Delhi. The Company has paid & provided Rs 3,400 lacs towards such claims and also continues to receive un-interrupted power supply from NESCO. Pending outcome of the court/tribunal decision and based on discussion with Company's legal counsel, no further provision has been made towards above demand.

31. During the year 2011-12, the lender's have exercised their right to recompense under CDR Scheme sanctioned in earlier years and demanded Rs 3,219.95 lacs for the sacrifice made up to 31st March, 2007 towards which Rs 536 lacs was paid & provided as on 31st March, 2014. Further, the recompense amount for the period from 1st April, 2007 to till date has not been worked out. The management has approached its lenders to determine the final liability towards such recompense amount including liabilities pending which no liability has been provided for.

32. Segment Information**(a) Primary Segments:**

Based on the synergies, risks and return associated with business operations and in terms of Accounting Standard-17, the Company is mainly engaged in the Manufacturing/Mining of Ferro alloys. All activity of the company revolves around this main business. As such, there are no separate reportable segments as per the Accounting Standard 17 (Segment Reporting) notified by Companies (Accounting Standard) Rules, 2006.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****(b) Secondary Geographical Segments**

| | (Rs in Lacs) | |
|-----------------------------------------------|------------------|------------------|
| Sales Revenue :- | 2013-14 | 2012-13 |
| Domestic Revenues (Net of Excise Duty) | 23,979.17 | 23,825.76 |
| Overseas Revenues (Including Export Benefits) | 54,281.59 | 44,787.15 |
| Total | 78,260.76 | 68,612.91 |

The Company has common fixed assets in India for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. The year-end balance of overseas trade receivables is Rs 1,066.39 lacs (Rs 242.35 lacs).

33. Derivative Instruments & Un hedged foreign currency Exposure :

(i) For Hedging of Foreign Trade Receivable :

Nominal amounts of Forward contract entered into by the company and outstanding as on 31st March 2014 amounting to Rs. 8,987.25 lacs (Rs. 14,176.01 Lacs)

(ii) Foreign currency exposure that are not hedged by derivative instruments are as under :

| | (Rs in Lacs) | |
|----------------------------------------|-------------------------------|-------------------------------|
| Sr. Particulars No. | As at 31st March, 2014 | As at 31st March, 2013 |
| (i) Loans and advances | 0.79 | 40.60 |
| (ii) Trade Payables | 495.40 | 230.65 |
| (iii) Short-term borrowings | 1,081.57 | 2,383.39 |
| (iv) Other current liabilities | 665.67 | 605.33 |
| (v) Cash and Bank Balances (*Rs. 471-) | 6.09 | -* |
| (vi) Investments in Subsidiary Company | 2,194.83 | 2,194.83 |

34. Related Party Disclosures

As per accounting standard 18, the disclosures of transactions with the related parties are given below:

List of related parties where control exists and related parties with whom transactions have taken place and relationships:

| | |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Associate Company | : Balasore Energy Limited |
| Key Management Personnel and their relative | : Mr. Pramod Kumar Mittal (Chairman) Mr. V K Mittal (Brother of Chairman) Mr. Anil Sureka (Managing Director) Mr R K Parakh (Whole-time Director) Mr. B. N. Panda (Whole-time Director (ceased w.e.f. 06.04.2013)) |
| Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence* | : Navoday Consultants Limited Navdisha Real Estate Private Limited Shakti Chrome Limited Gontermann-Peipers (India) Limited Dankuni Investment Limited Sri Mahalaxmi Solar Energy Pvt. Ltd Jaltarang Vanijya Pvt Ltd |

*The parties stated above are related parties in the broader sense of the term and are included for making the financial statements more transparent.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****34. Related Party Disclosures (contd.)****Transactions during the year with related parties:**

(Rs. in lacs)

| Sr. No. | Nature of Transactions (Excluding reimbursements) | Key Managerial Personnel and their Relatives | Enterprises over which Key Managerial personnel and their Relatives are able to exercise significant influence | Total |
|----------------|---------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 1 | Purchase of Fixed Assets | – – | – (800.50) | – (800.50) |
| 2 | Money received against Share Warrants | – – | – (264.00) | – (264.00) |
| 3 | Long Term Borrowings-Advances towards Promoter Contribution | – – | – (19,405.00) | – (19,405.00) |
| 4 | Sale of Finished Goods | – – | 140.85 (84.96) | 140.85 (84.96) |
| 5 | Interest Received on investment in debentures & interest bearing advances | – – | 82.80 (82.80) | 82.80 (82.80) |
| 6 | Raw material purchased | – – | – (405.61) | – (405.61) |
| 7 | Inventory Purchased | – – | – (102.15) | – (102.15) |
| 8 | Processing Charges paid | – – | – (33.17) | – (33.17) |
| 9 | Lease Rent Paid | – – | – (8.20) | – (8.20) |
| 10 | Rent | – – | 76.80 (80.90) | 76.80 (80.90) |
| 11 | Managerial Remuneration | 181.47 (271.02) | – – | 181.47 (271.02) |
| 12 | Guarantees Obtained/ To Be obtained | 15,834.40 (19,000.08) | – – | 15,834.40 (19,000.08) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****34. Related Party Disclosures (contd.)**

| Sr. No. | Nature of Transactions (Excluding reimbursements) | Key Managerial Personnel and their Relatives | Enterprises over which Key Managerial personnel and their Relatives are able to exercise significant influence | Total |
|----------------------------------------|-------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------|
| Balances as at 31st March, 2014 | | | | |
| 13 | Investments | – – | 690.00 (690.00) | 2,884.83 (2,884.83) |
| 14 | Trade Receivables | – – | – (18.85) | – (18.85) |
| 15 | Advance including(interest receivable) | – – | 29.37 (105.90) | 29.37 (105.90) |
| 16 | Long term borrowings-Advances towards promoter contribution | – – | 19,405.00 (19,405.00) | 19405.00 (19,405.00) |
| 17 | Deposits | – – | 711.50 (285.00) | 711.50 (285.00) |
| 18 | Trade & other Payable | 0.15 (8.31) | 7.37 – | 7.52 (8.31) |
| 19 | Advance from Customer | – – | 141.65 – | 141.65 – |
| 20 | Money received against share Warrants | – – | 264.00 (264.00) | 264.00 (264.00) |
| 21 | Creditors for Fixed Assets | – – | – (215.20) | – (215.20) |

Disclosure in Respect of Material Related Party Transactions during the year:

- Purchase of Fixed Assets include from Shakti Chrome Limited - Rs. Nil (Previous year Rs. 800.5 lacs)
- Money Received against Share Warrants include Dankuni Investment Limited Rs. Nil (Previous Year Rs. 132 lacs) and Navodaya Consultants Limited Rs. Nil (Previous Year Rs. 132 lacs).
- Long Term Borrowings- Advances towards Promoter Contribution include Sri Mahalaxmi Solar Energy Pvt. Limited Rs. Nil (Previous Year Rs. 10,169 lacs) and Jal tarang Vanijya Pvt Limited Rs. Nil (Previous Year Rs. 9,236 lacs).
- Sale of Finished Goods Include sales made to Gontermann-Peipers (India) Limited Rs. 140.85 lacs (Previous Year Rs. 84.96 Lacs).
- Interest received on Investments in debentures & interest bearing advances include Shakti Chrome Limited Rs. 82.80 lacs (Previous Year Rs.82.80 lacs).
- Raw Material purchased includes Shakti Chrome Limited Rs. Nil (Previous Year Rs. 405.61 lacs).
- Inventory purchased include Shakti Chrome Limited Rs. Nil (Previous Year Rs. 102.15 Lacs).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (contd.)****34. Related Party Disclosures (contd.)**

8. Processing Charges paid include Shakti Chrome Limited Rs. Nil (Previous Year Rs.33.17 lacs).
9. Lease Rent Paid includes Shakti Chrome Limited Rs. Nil (Previous Year Rs. 8.20 Lacs).
10. Rent includes Navdisha Real Estate Private Limited Rs. 76.80 lacs (Previous Year Rs. 80.90 lacs).
11. Managerial Remuneration includes Mr. Anil Sureka Rs. 132.65 lacs (Previous Year Rs. 163.35 lacs), Mr. B N Panda Rs. 8.73 (Previous Year Rs. 57.01 lacs) and Mr. R K Parakh Rs. 40.09 lacs (Previous Year Rs. 40.20 lacs).
12. Guarantees Obtained/To be obtained include Mr. Pramod Mittal Rs. 7,917.20 lacs (Previous Year Rs. 9,500.04 lacs) and Mr. V K Mittal Rs. 7,917.20 (Previous Year Rs. 9,500.04 lacs).
13. Investments includes Shakti Chrome Limited Rs. 690 lacs(Previous Year Rs. 690 lacs)
14. Trade Receivables include Gontermann-Peipers (India) Limited Rs. Nil (Previous Year Rs. 18.85 lacs).
15. Advance including (Interest Receivable) Shakti Chrome Limited Rs. 29.37 lacs (Previous Year Rs. 99.65 lacs), Navoday Consultants Limited Rs. 5.00 lacs (Previous Year Rs. Nil) and Gontermann-Peipers (India) Limited Rs. Nil (Previous Year Rs. 6.25 lacs).
16. Long Term Borrowings- Advances towards Promoter Contribution include Sri Mahalaxmi Solar Energy Pvt. Limited Rs. 10,169 lacs (Previous Year Rs. 10,169 lacs) and Jaltarang Vanijya Pvt Limited Rs. 9,236 lacs (Previous Year Rs. 9,236 lacs).
17. Deposits include Navdisha Real Estate Private Limited Rs.711.50 lacs (Previous Year Rs. 285 lacs).
18. Trade & other Payables include Mr. Anil Sureka Rs. 0.15 lacs (Previous Year Rs.5.07 lacs), Mr. B N Panda Rs. Nil (Previous Year Rs. 0.27 lacs) Navdisha Real estate Pvt. Ltd. 7.36 Lacs (Previous year Rs. Nil) and Mr. R K Parakh Rs. Nil (Previous Year Rs. 2.97 lacs).
19. Advance from customers includes Gontermann-Peipers (India) Limited Rs. 141.65 Lacs (Previous year Rs. Nil)
20. Money Received against Share Warrants include Dankuni Investment Limited Rs.132 lacs (Previous Year Rs. 132 lacs) and Navodaya Consultants Limited Rs. 132 Lacs (Previous Year Rs. 132 lacs).
21. Creditors for Fixed Assets include Shakti Chrome Limited Rs. Nil (Previous Year Rs. 215.20 lacs)

35. Basis for calculation of Basic and Diluted Earnings per Share is as follows:

| Particulars | 2013-14 | 2012-13 |
|----------------------------------------------------------------------------------------------|------------|------------|
| Present Weighted Average Equity Shares (In Numbers) | 64,290,411 | 64,290,411 |
| Equivalent Weighted Average Equity Shares to be allotted against share warrant (In Numbers) | 52,65,534 | 2,603,836 |
| Potential weighted Average Equity Shares (In Numbers) | 69,555,945 | 66,894,247 |
| Net Profit after Taxes (Rs. In Lacs) | 4,589.86 | 2,871.04 |
| Nominal Value of each Shares (In Rs.) | 5/- | 5/- |
| Basic Earnings Per Share (In Rs.) | 7.14 | 4.47 |
| Diluted Earnings Per Share (In Rs.) | 6.60 | 4.29 |

- 36.** Previous year's figures including those given in brackets have been regrouped / rearranged where necessary to conform to this year's classification. Expenses incurred in respect of Mines, Briquetting & Chrome Ore Beneficiation (COB) operations amounting to Rs. 684.97 lacs during the previous financial year 2012-13 have been regrouped from raw material consumption and included in respective head of expenses in accordance with current year presentation.

As per our attached Report of even date

For Chaturvedi & Shah

Firm registration number: 101720W

Chartered Accountants

Amit Chaturvedi

Partner

Membership No. 103141

Place : Kolkata

Date : 20th May, 2014

For and on behalf of Board of Directors

Anil Sureka
(Managing Director)

R K Parakh
(Director - Finance)

Trilochan Sharma
(Company Secretary)

