BALASORE ALLOYS LIMITED

BOARD OF DIRECTORS

Mr Pramod Mittal, *Chairman*
Mr Mahesh Trivedi
Mr S Mohapatra
Mr S K Pal
Dr A K Bhattacharyya
Prof S K Majumdar
Mr K P Khandelwal
Mr R N Pandey
Mr S M Ali, *Nominee Director, SBI*
Mr Vilas V Jamnis, *Additional Director*
Mr R K Jena, *Managing Director*
Mr C R Pradhan, *Director - Operations*

SR. GM & COMPANY SECRETARY

Mr Trilochan Sharma

BANKERS

State Bank of India
State Bank of Hyderabad
Allahabad Bank

AUDITORS

M/s S R Batliboi & Co
Chartered Accountants
22, Camac Street, 3rd Floor, Block "C",
Kolkata - 700 016, India
Tel.No + 91-33-22811224 (6 Lines)

REGISTRARS & TRANSFER AGENT

MCS Limited
Unit : Balasore Alloys Ltd.
77/2A, Hazra Road,
Kolkata - 700 029, India
Tel No. + 91-33-24541892/1893
Fax No. + 91-33-24541961
E-mail : mcskol@rediffmail.com

REGISTERED OFFICE & WORKS

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

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)

MINES OFFICE

(I) Chrome Ore

Plot No. 1003, (Opp. PWD IB),
Dhabalgiri, Post Sobra,
Jajpur Road - 755 019, Dt. Jajpur
Tele Fax No. + 91-6726224384

(II) Manganese Ore

(a) Ward No. 5, At & PO Katangi,
Dt. Balaghat (M.P.) - 481 445

(b) Joda, Dist. Keonjhar
Orissa - 758 035

ADMINISTRATIVE OFFICE

Park Plaza, 71, Park Street, 1st Floor,
Kolkata - 700 016
Phone No. +91-33-22178192
Fax No. +91-33-22292278
E-mail: ispatalloys@yahoo.co.in
investorshelpline@balasorealloys.com
Website : www.balasorealloys.com

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From the Managing Director's Desk

Vision
"To be a globally trusted Supplier of Ferro Alloys as well as to Create Sustained Value Addition for all Stakeholders"

Dear Shareholder,

The lingering aftereffects of the global financial meltdown continued for initial part of the year 2009-10 as well. The financial crisis was a testing time for the economy and also for our Company. The strong battering of the west had taken a toll on the projections and future growth prospects. The roller coaster ride which your Company witnessed for the last two years brought to the fore one of the very important *je nai sais quoi* of the Company: *Your Company has the resilience and strength to withstand all adverse circumstances and unflinching determination and indomitable courage to lift itself out of the quagmire of difficult and murky sea of recession.*

All around adversities lay dissipated. With the worldwide product demand taking a plunge, over stock piles, subdued price realization, lack of liquidity, vapouring up of working capital, freezing of the credit markets etc. — all of them adversely impacted the Ferro Chrome industry as a whole. With the global demand for steel dropping substantially, Ferro Chrome industry in the country was also severely affected. Though the severity of the recessionary phase globally could not be felt much in India because of the decoupling effect, but the substantial amount of drying of the funds, drying foreign inflows forced your Company to strategically adjust to the change in the environment and we can proudly say that we have been able to sustain the tumultuous water.

Your Company took several proactive measures which helped to sustain full scale operation against all odds and emerge as a much stronger entity with a robust business model. Your Company has taken aggressive steps to meet the challenges of these difficult times through major initiatives in cost reduction, production rationalization, marketing acumen & foresight as well as overall operational excellence.

The excellent customer relationship management of your Company helped in generating additional revenue through trading activity. Production rationalisation is being undertaken to right mix of raw material in manufacturing facilities. Your Company continued to maintain less than two days inventory during the difficult market scenario.

Though the profitability of your Company had been impacted during this phase, we could still achieve PBT of Rs. 2084.78 lacs and PAT of Rs. 1254.91 lacs.

The future of Ferro Chrome industry appears to be quite promising with a growing demand of Stainless Steel at global level which has driven by growth in infrastructure and related sectors with corresponding increase in Ferro Chrome demand. Your Company is well organized to utilize every opportunity since it has achieved significant improvement in all operational parameters and optimized the productivity levels with the existing infrastructure. We are also looking at new horizons and with a vision to be a leader in the Ferro Alloys Industry, your Company has planned for strategic investment in the area of Capacity enhancement, Captive Power Generation & Various developmental activities in mining operations. The second restructuring package under CDR mechanism were implemented in 2009. However, in view of better financial performance, the Board of Directors have recommended to explore the possibilities to exit from CDR mechanism.

Your Company continues to accord high priority to meet the requirement of various stakeholders like customers, suppliers, bankers, employees & society. However, the spirit of your Company's employees, coupled with their commitment to meet the challenges, I am sure, will see your Company come out of this difficult period, as a more cost-effective Ferro Chrome manufacturer with a stronger global market presence and an enhanced capability in producing new grades of Ferro Alloys to better serve its customers. Your Company has also maintained a very congenial relationship in the periphery and the society at large which has generated lot of goodwill and support.

Finally, I would like to thank all stakeholders for their support and understanding through the year and feel overwhelmed with the faith they have instilled upon us and expect continuing support, trust and understanding in times to come. They have collectively made the Company what it is today and will help to lead the Company into tomorrow. I trust that the year ahead will be marked with overall development and growth, while adding value for all stakeholders. I am confident that all of you will prolong to support us in our journey of excellence to reach newer pinnacles.

Thanking you,

R K Jena
Managing Director

BALASORE ALLOYS LIMITED

Regd. Office : Balgopalpur - 756 020

Dist. Balasore, Orissa.

NOTICE

NOTICE is hereby given that the Twenty-Second 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, Orissa, on **Thursday, 9th September, 2010, 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, 2010 and Profit & Loss Account of the Company for the financial year ended 31st March, 2010 together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr P Mittal, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Prof S K Majumdar, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr K P Khandelwal, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company for the period commencing from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

   “RESOLVED that Mr Vilas V Jamnis, who, pursuant to Section 260 of the Companies Act, 1956 holds the office of Additional Director of the Company upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation.”

7. 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 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such consents, approvals or permissions as may be necessary, the Agreement approved by the Board of Directors of the Company at their meeting held on 29th July, 2010 containing the revised remuneration and other terms and conditions relating to the appointment and remuneration of Mr R K Jena, Managing Director of the Company, as set out in the Explanatory Statement annexed to this Notice convening the meeting, be and is hereby approved.”

   “RESOLVED FURTHER that pursuant to the provisions of Section 198 of the Act, the remuneration as contained in the said Agreement (including annual increments, if any) be paid to Mr R K Jena as minimum remuneration notwithstanding that such remuneration is in excess of the limits specified in Part II of Schedule XIII of the Companies Act, 1956.”

   “RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board of Directors and Mr R K Jena from time to time and the terms of the aforesaid Agreement shall be suitably modified to give effect to such alteration and/or variation.”

   “RESOLVED FURTHER that Mr R K Jena is entitled to such annual increments as may be decided by the Board on the basis of his performance and such increment shall become effective from 1st April every year.”

8. 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 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such consents, approvals or permissions as may be necessary, the Agreement dated 31st October, 2009 containing the revised remuneration and other terms and conditions relating to the appointment and remuneration of Mr C R Pradhan, Director-Operations of the Company, as set out in the Explanatory Statement annexed to this Notice convening this meeting be and is hereby approved.

   “RESOLVED FURTHER that pursuant to the provisions of Section 198, the remuneration as contained in the said Agreement (including annual increments, if any) be paid to Mr C R Pradhan as minimum remuneration notwithstanding that such remuneration is in excess of the limits specified in Part II of Schedule XIII of the Companies Act, 1956.”

NOTICE - (Contd.)

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board of Directors and Mr C R Pradhan from time to time and the terms of the aforesaid Agreement shall be suitably modified to give effect to such alteration and/or variation."

"RESOLVED FURTHER that Mr C R Pradhan is entitled to such annual increments as may be decided by the Board on the basis of his performance and such increment shall become effective from 1st April every year."

9. 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 31 and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force, the existing Articles of Association of the Company be and are hereby amended in the following manner and to the extent set out as below:

1. The following new Article as Article 102A be inserted after the existing Article 102:

102A	Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal Ballot and/or other ways as may be prescribed by the Central Government in this behalf from time to time in respect of the resolutions relating to such business as the Central Government may by notification, declare to be conducted only by Postal Ballot and/or other ways and the Company shall comply with the procedure for such Postal Ballot and/or other ways prescribed by the Central Government in this regard.	Postal Ballot

2. The following new Article as Article 153A be inserted after the existing Article 153:

153A	The Company shall have the power to hold Board or Committee meetings through the means of video or tele-conferencing, and also allow Directors to participate in the Board or Committee meetings through the means of video or tele-conferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant Articles dealing with Board or Committee meeting shall be read *mutatis mutandis.*	Meeting through the mean of video or tele-conferencing

RESOLVED FURTHER that Mr Trilochan Sharma, Sr. General Manager and Company Secretary, be and is hereby authorized to take all such steps and actions and do all such things and deeds, including filing of forms with the Registrar of Companies, as are necessary to give effect to this resolution."

By Order of the Board

Kolkata
29th July, 2010

Trilochan Sharma
Sr. General Manager & Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THIS MEETING**.
2. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued on behalf of the nominating organisation.
3. The Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business at item Nos. 6, 7, 8 & 9 above is annexed hereto.
4. In accordance with the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Register of the Company will remain closed from Monday, 6th September, 2010 to Thursday, 9th September, 2010 (both days inclusive).
5. Members, who have multiple accounts in identical names or joint accounts in the same order in more than one folio, are requested to send all the Share Certificate(s) to the Registrars and Transfer Agent of the Company for consolidation of all such shareholdings into one folio to facilitate better service.
6. All requests for transfer of Equity Shares and allied matters along with the relevant transfer deeds, share certificates and copy of PAN Card should preferably be sent directly to the Company's Registrars and Transfer Agent, M/s MCS Limited, Unit- Balasore Alloys Ltd, and those Members who are holding shares in dematerialized form may send their advise on transfer and allied matters through their Depository Participants (DP) to the Depository.

ANNEXURE TO NOTICE - (Contd.)

7. Members are requested to notify immediately of any change in address to:
   a) Their respective DPs in respect of holding of shares in dematerialized form.
   b) The Registrars & Transfer Agent, M/s MCS Limited, Unit - Balasore Alloys Ltd, 77/2A, Hazra Road, Kolkata - 700 029 in respect of shares held in physical form.
8. Members are requested to intimate to the Company queries, if any, regarding the audited accounts / notice at least ten days before the Annual General Meeting to enable the Management to keep the information ready at the Meeting.
9. In accordance with Clause 49 of the Listing Agreement, the brief profile regarding each of the Directors seeking re-appointment / appointment in respect of business under Item Nos. 2, 3, 4 and 6 of this Notice for the forthcoming Annual General Meeting is annexed hereto.
10. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, Shareholders having physical holdings and willing to avail of this facility may make nomination in the prescribed Form 2B. In case shares are held in dematerialized form, the shareholders would have to approach their respective DP for registering their nomination. The prescribed nomination form can be obtained from the Company's Registrars and Transfer Agent. The members may take advantage of this facility, if they so desired.
11. **Members may note that the shares of the Company are to be compulsorily traded in dematerialized form and hence, those members who are still holding their share certificates in physical form are requested to get the same dematerialized.**
12. **Members / Proxies are requested to bring their copy of Annual Report to the Meeting and the attendance slip sent herewith, duly filled in with correct Folio No.(s) (in case of physical shareholding) and correct Client ID and DPID numbers (in case of shares held in demat form) for easy and quick identification of attendance at the time of the meeting.**

ANNEXURE TO NOTICE

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

Item No.6

The Board of Directors of the Company, at its meeting held on 29th July, 2010, appointed Mr Vilas V Jamnis as Additional Director of the Company with effect from that date. In terms of Section 260 of the Companies Act, 1956 (the 'Act') read with Article 141 of the Articles of Association of the Company, Mr Vilas V Jamnis will hold office of Additional Director upto the date of this Annual General Meeting. The Company has received a notice in writing with the requisite deposit from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr Vilas V Jamnis for appointment as a Director of the Company. Pursuant to Section 264 of the Companies Act, 1956, Mr Vilas V Jamnis has consented to act as a Director, if appointed.

The Board recommends the resolution for your approval in the interests of the Company.

None of the Directors, other than Mr Vilas V Jamnis, is concerned or interested in this resolution.

Item No. 7

Mr R K Jena has been associated with the Company for the past 19 years and has since held various positions in the Company. His array of exposure has extended to areas like Project Planning and Execution, Mining, Production, Marketing, Finance, Liaison with all Govt. bodies, Costing and Cost control, Commercial handling including contracts, legal matter (both domestic as well as ICC jurisdictions), Management Quality System and Modern Management Initiatives etc. The Company has benefited from his rich and varied experience. Mr Jena has been instrumental in the growth of the Company to its present level.

Mr R K Jena was re-appointed as Managing Director of the Company with effect from 1st April, 2009 for a further period of 3 years on the remuneration as approved by the Remuneration Committee and on such terms and conditions as contained in the Agreement dated 31st January, 2009 entered into by and between the Company and Mr R K Jena. The same was duly approved by the shareholders by their resolution passed through postal ballot on 28th May, 2009.

Having regard to the performance of the Company, contemporary pay scales of professional managers and with a view to suitably remunerate Mr Jena in order to enable him to effectively discharge his duties and responsibilities in his capacity as Managing Director of the Company, the Board of Directors at their meeting held on 29th July, 2010 revised the remuneration payable to him with effect from 1st April 2010, in accordance with the recommendation of Remuneration Committee, at a basic salary of Rs. 8,50,000/- per month in the scale of Rs.8,50,000/- per month to Rs.15,00,000/- per month, along with perquisites and allowances upto a maximum of 125% of his annual salary as aforesaid.

The proposed remuneration shall be the minimum remuneration payable to Mr Jena notwithstanding the fact that the Company has no profits or its profits are inadequate during any year during the currency of his tenure subject to the provisions of Schedule XIII of the Act.

NOTICE - (Contd.)

The Resolution set out in Item No.7 of the accompanying Notice is intended to obtain the consent of the shareholders relating to remuneration payable to Mr R K Jena.

Information pursuant to Schedule XIII of the Companies Act, 1956 is annexed to this Notice.

The Board recommends the resolutions as set out in the accompanying Notice for your approval in the interests of the Company. Mr R K Jena may be deemed to be concerned or interested in the Resolution. No other Director has any concern or interest therein.

This may also be treated as compliance under the provisions of Section 302 of the Companies Act, 1956.

Item No. 8

Mr C R Pradhan is a Graduate in Mechanical (Engineering) with more than 41 years of experience and is associated with the Company for past three years. He is presently heading the operations of the plant and proposed power project. Mr Pradhan had a long experience in the field of Erection, Commissioning, Operations & Maintenance of Coal & Gas based Power Projects.

Mr C R Pradhan was appointed as Director-Operations with effect from 29th May, 2009 for three years on the remuneration as approved by the Remuneration Committee and on such terms and conditions as contained in the Agreement dated 30th May, 2009 entered into by and between the Company and Mr Pradhan. The same was confirmed by the shareholders at their Annual General Meeting held on 18th September, 2009.

Having regard to the performance of the Company, contemporary pay scales of professional managers and with a view to suitably remunerate Mr C R Pradhan in order to enable him to effectively discharge his duties and responsibilities in his capacity as Director-Operations of the Company, the Board of Directors at their meeting held on 30th October, 2009 revised the remuneration payable to him, as recommended by the Remuneration Committee, at a basic salary of Rs. 75,000/- per month, along with perquisites and allowances upto a maximum of 125% of his annual salary as aforesaid, subject to the approval of the shareholders at the General Meeting and other requisite approvals in this regard as may be required.

The proposed remuneration shall be the minimum remuneration payable to Mr C R Pradhan notwithstanding the fact that the Company has no profits or its profits are inadequate during any year during the currency of his tenure subject to the provisions of Schedule XIII of the Act.

The Resolutions set out in Item No.8 of the accompanying Notice is intended to obtain the consent of the shareholders relating to revised remuneration payable to Mr C R Pradhan.

The Board recommends the resolutions as set out in the accompanying Notice for your approval in the interests of the Company.

Mr C R Pradhan may be deemed to be concerned or interested in the Resolution. No other Director has any concern or interest therein.

This may also be treated as compliance under the provisions of Section 302 of the Companies Act, 1956.

Item No. 9

The existing Articles of the Company do not contain provisions relating to passing of resolutions through Postal Ballot. In view of the provisions of the Act, though no such provision is necessary in the Articles of Association of the Company, nonetheless it is considered desirable to have such a provision in the Articles of Association of the Company. Inclusion of such a provision in the Articles will bring in clarity and consistency in the existing Articles of Association of the Company.

Similarly, it is also considered desirable to include in the Articles of Assocaition of the Company enabling provisions relating to holding of Board and Committee meetings and attendance of Directors at the Board and Committee meetings through video or tele-conferencing. Though the existing law does not permit any such meetings or attendance thereat in electronic mode, it is nonetheless desirable to have an enabling clause therein so as to be able to implement the same at the earliest as and when the same is permitted by the Statute.

Any alteration in the Articles of Association of the Company requires consent of the Shareholders by way of Speical Resolution.

A draft copy of the Company's Articles of Association, together with the proposed changes will be available for inspection at the Registered Office of the Company, on any working day, except on Saturday, between 11.00 am and 12.30 pm till the date of this Annual General Meeting i.e. 9th September, 2010.

The Board recommends the resolutions as set out in the accompanying Notice for your approval in the interests of the Company.

None of the Directors is, in anyway, concerned or interested in this resolution except as a member of the Company.

By Order of the Board

Kolkata
29th July, 2010

Trilochan Sharma
Sr. General Manager & Company Secretary

ANNEXURE TO NOTICE - (Contd.)

Common Information for Item No. 7
INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION

1) Nature of Industry: Manufacturing

   The Company manufactures Ferro Chrome, Charge Chrome from its five submerged Electric Arc Furnaces utilizing Chrome Ore which is available to the company for its captive consumption in the Chromite Mines located at Sukinda Valley, Jajpur, Orissa.
2) Expected date of commencement of Commercial Production: Not Applicable
3) In case of new companies expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus: Not Applicable
4) Financial Performance during last three years:

Rs. in lacs

Financial Parameters	2009-10 12 months	2008-09 12 months	2007-08 15 months
Sale / Income from Operation	41518.56	63873.43	53085.62
Total Income	44454.23	64997.05	54272.13
Total Expenditure including Prior Period Items	47827.14	69204.56	44467.73
Profit before Tax	2084.78	708.15	5116.83
Profit after Tax	1254.91	93.59	3329.11

5) Export Performance and net foreign exchange earnings and outgoings :

Rs. in lacs

Export Performance	2009-10 12 months	2008-09 12 months	2007-08 15 months
Export made during the period	20608.87	49474.55	40514.75
Foreign Exchange Earnings (on Accrual Basis)	19768.88	47935.49	37481.86
Foreign Exchange Outgoings	3308.06	9384.01	4775.19

6) Foreign Investments or Collaborations, if any : Foreign Investments in wholly owned subsidiary USD 4.36 Million (Rs.1994.25 lacs approx.)

II. INFORMATION ABOUT THE APPOINTEE

Mr R K Jena

1.1 Education Qualification

Technical	Degree in Mechanical Engineering
Management	MBA from XIM, Bhubaneswar

1.2 Experience

Mr R K Jena joined Balasore Alloys Limited as Graduate Trainee in the year 1990 & after successful completion of training period, he joined as Executive, DG Power Plant of the company.

In 1991, he was made In-charge of the DG Power Plant and thereafter covered many milestones to gradually reach the position of Managing Director in 2009.

2. Past remuneration (including contribution to PF, superannuation fund and gratuity fund) for the last three years

Rs. in lacs

2009-10 12 months	2008-09 12 months	2007-08 15 months
180.22	179.46	168.79

3. **Recognition, Awards & Achievements**

   a) Has been awarded as the “Best Plant Head” for Turning around BAL in 2004, by “Kalantaka”, a leading News Paper in Eastern Orissa.

NOTICE - (Contd.)

b) Has been awarded as the “The Youngest Director” in Ispat Group.

c) Has been elected as the Chairman of the reconstituted Odisha State Council of Confederation of Indian Industry (CII), Odisha for the year 2010-2011.

d) Received various awards in the field of Excellence in Industrial Development & Social Services such as:

- National Industrial Excellence Award for outstanding achievements & contribution made by the Company in the field of Industrial Development & Social Services, 2006.
- Life time achievement award for National Leadership - 2006
- Sambhardhana Patra from Sj. Rameswar Thakur, Hon'ble Governor, Orissa, 2005.
- Excellence Award 2005 from Hon'ble Chief Minister of Orissa for turning around the Company from a Sick Unit.
- Balasore Sanman 2005
- Rashtriya Udhyog Gold Award 2005
- International Award “Leader in Prestige and Quality” - Europe 2006
- Rashtriya Ekta Sanman 2005
- Dhwani Pratidhwani Sanman 2005
- Gem of India Award 2004
- Arch of Excellence (Business Award 2004)

4. **Job Profile and his Suitability**

a) Job Profile

Mr Jena's responsibilities include:

- Making operations of the Company profitable through effective and optimum utilization of Company's resources.
- To maintain Profitability as per Business Plan.
- Increase in the level of Production
- Increase in turnover of the company
- To maintain desired level of OPM.
- To acquire new Mines
- To enhance Mines Production
- Development of New Businesses
- Planning and implementation of growth of the Company
- Employee and Customer Satisfaction
- Enhancing Shareholders' value
- Bring laurels for the company at National & International level

b) Suitability

- Mr R K Jena has served the company for over 19 years and has handled various assignments with distinction.
- Mr Jena is credited with turning around the Company from a sick and loss making unit to a profitable and viable operating unit through his technical and commercial acumen and relentless pursuit for excellence.
- Mr Jena has been conferred with several prestigious awards for his outstanding contributions made in the field of Industrial Development and Social Service.
- Mr Jena's array of exposure percolates to areas like Project Planning & Execution, Liaisioning, Costing & Cost Control, Commercial matters including contract & legal aspects (both Domestic & as well as International Jurisdictions), Management of Quality System and Modern Management Initiatives etc.

In view of the above, and also in view of the high esteem in which he is held in the Corporate Sector for his technical & commercial knowledge and business acumen, the Board considers Mr R K Jena as the most suitable professional for shouldering responsibilities pertaining to various facets governing the operations of the Company.

5. **Remuneration Proposed**

Salary	Rs.8,50,000/- per month w.e.f. 1st April,2010
Perquisites and Allowances	Not exceeding 125% of the annual salary of Mr R K Jena
Minimum remuneration only in case of absence or inadequacy of profits.	To be paid by way of salary, perquisites and allowances, notwithstanding the limits specified in Part II of Schedule XIII of the Companies Act, 1956

6. **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:**

The remuneration structure offered is not higher than what is drawn by Mr Jena's peers in the industry.

7. **Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any:**

Save what is set out herein, Mr Jena will not be entitled to remuneration from the Company under any other head. He has no direct or indirect interest in any contract by or with the Company. No relative of Mr Jena is employed by the Company.

ANNEXURE TO NOTICE - (Contd.)

III. OTHER INFORMATION:

1. Inadequate Profits

The Company expects to have adequate profits during the currency of tenure of Mr R K Jena. However, in the event of any inadequacy of profits in any year during the currency of tenure of Mr R K Jena, the proposed remuneration shall be paid as the minimum remuneration notwithstanding the fact that the company has no profits or has inadequate profits in any such financial year.

2. Steps taken or proposed to be taken for improvement

i) <u>Steps taken:</u>

Management has taken various steps primarily in following areas for a sustained Business Operations,

a) Reduction in Cost of Production
b) Minimum Finished Goods Inventory
c) Market Breakthrough
d) Additional Revenue Generation

a) <u>Reduction in Cost of Production</u>

i. Substantial reduction in administrative costs as compared to previous year by implementing several austerity measures in various areas.
ii. Re-lining of Furnace Nos. 4 & 5 (risk of deteriorating shell condition mitigated).
iii. Restructuring of existing Bank Loan Liabilities w.r.t.:
   – Re-scheduling of all RTL instalments
   – Deferment of payment of existing unpaid interest liability upto May 2010 and conversion thereof to New FITL
   – Reduction in existing Interest Rates
   – Conversion of existing working capital requirement into Working Capital Term Loan

b) <u>Minimum Finished Goods Inventory</u>

i. BAL has continuously maintained Low Inventory of Finished Goods [1-3 Days Only] thus avoiding blockage of working Capital.
ii. Low Inventory had a significant contribution in continuous operation of Plant as compared to other production facilities

c) <u>Market Breakthrough</u>

The Company has been successfully making value added exports to quality conscious countries in Europe, Asia and Latin America. Global competiveness, international quality of our products and superior logistical capabilities has enabled the Company to establish its presence in 31 countries across the globe.

d) <u>Additional Revenue Generation</u>

The Additional Revenue generation during the period through trading activity by Procuring FeCr from Market and Selling to International Customers had a significant contribution towards enabling the Organization for a sustained operation.

ii) <u>Steps proposed to be taken:</u>

a. Targeting for Captive Generation of Chrome Ore Lumpy from new mines with further reduction in the cost of production and also obviating dependence from open market.
b. Targeting for setting up of Captive Power Plant.
c. Resumption of production of Manganese Ore from Hatoda Mines will facilitate additional revenue generation.
d. Exploring new markets / niche markets.

3. Expected improve in Productivity and Profits in measurable terms

– The re-lining of the furnaces and use of Lumpy Ore from own mines will definitely increase the productivity and the input ore cost will come down by another 5%.
– The income from Hatoda Mines will further boost the profitability.

IV. Disclosures:

(1) The details of remuneration to Mr R K Jena are given in the proposed resolution and the explanatory statements annexed herewith. This may be treated as an Abstract for the purpose of Sec. 302 of the Companies Act, 1956.

(2) The remuneration package and other terms applicable to the Directors shall be disclosed in the Corporate Governance Report forming part of the Annual Report of the Company.

By Order of the Board

Kolkata
29th July, 2010

Trilochan Sharma
Sr. General Manager & Company Secretary

ANNEXURE TO NOTICE - (Contd.)

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE 21ST ANNUAL GENERAL MEETING.

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	:	Mr Pramod Mittal	Prof S K Majumdar	Mr K P Khandelwal	Mr Vilas V Jamnis
Date of Birth	:	08.06.1956	04.10.1946	04.03.1951	09.12.1943
Date of Appointment	:	31.03.1995	29.01.2005	30.04.2008	29.07.2010
Qualifications	:	B.Com, DBM	BE (Metallurgical) CU, PG-Diploma -SQC & OR, PhD (Engineering) IIT Kharagpur	B.Com (H), LLB, FCA, DISA CAAT (The Institute of Chartered Accountant of India)	B.E. (Mechanical)
Expertise in specific functional areas	:	Industrialist-Strategic planning, managing and implementation of projects and overseeing business operations.	Expertise in Quality & Risk Management, Operation Research and Reliability Modelling	Practicing CA for more than 32 yrs. with wide experience of Audit, Taxation, Finance & Banking. Past Member of Centre Council of the Institute of Chartered Accountants of India (ICA)	Having over 18 years of rich experience and expertise, inter-alia, in the areas of Project Planning & Execution, Sitting-up of integrated steel plant and controlling all the activities of the steel plant including finance & marketing.
List of Companies in which outside Directorship held	:	**Chairman** Ispat Industries Limited Gontermann-Peipers (India) Limited Global Steel Holdings Limited Global Steel Philippines (SPV AMC) inc Global Infrastructure Nigeria Limited Delta Steel Company Limited Drum International Inc. GSHL-Brazil Mineracao S.A. **President of Supervisory Board** Global Ispat Koksna Industrija Doo **Chairman of the Supervisory Board** Kremikovtzi AD **Director** Finmetals Holding AD Global Management & Technical Services Ltd. Global Oil Resources (Georgia) Limited Global Resources Europe Limited	**Nil**	**Director** Ashika Credit Capital Ltd. Ashika Capital Ltd.	Nil
Chairman/Member of the committees of the Board of other Companies on which he is a Director	:	Nil	Nil	**Audit Committee** Ashika Credit Capital Ltd. - Member **Remuneration Committee** Ashika Credit Capital Ltd. - Chairman **Shareholder Grievance Committee** Ashika Credit Capital Ltd. - Member	Nil
Details of shareholding (Both own or held by/ for other persons on a beneficial basis), if any, in the Company.		2120 shares held in his name	Nil	Nil	Nil

DIRECTORS' REPORT

Your Directors submits their 22nd Report on the business and operations of the Company together with Audited Accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. in Lacs)

			Financial year ended 31st March, 2010		Financial year ended 31st March, 2009
1.	Sales/Income from operations		**43261.75**		65689.46
	Less: Excise Duty		**1743.19**		1816.03
			41518.56		63873.43
2.	Other Income		**2935.67**		1123.62
3.	Total Income (1+2)		**44454.23**		64997.05
4.	Total Expenditure		**37056.77**		58283.89
5.	Profit before Interest & Finance charges and Depreciation (3-4)		**7397.46**		6713.16
6.	Interest & Finance Charges		**4221.37**		4457.79
7.	Depreciation / Amortisation		**1404.55**		1185.39
8.	Profit before Prior Period Items & Taxes (5-6-7)		**1771.54**		1069.98
9.	Prior Period Items (Net)		**(313.24)**		361.83
10.	Profit before Taxes (8-9)		**2084.78**		708.15
11.	Provision for Taxes				
	– Current Tax	**1039.43**		99.97	
	– Prior Year Tax expense written back	**(21.02)**		—	
	– Deferred Tax Charge/(Credit)	**(188.54)**	**829.87**	514.59	614.56
12.	Profit after Taxes (10-11)		**1254.91**		93.59
13.	Balance brought forward from previous year		**9579.30**		9485.71
	Amount carried to next year (12 + 13)		**10834.21**		9579.30

TRANSFER TO RESERVE

Reserve and surplus of the Company stood at Rs. 97265.92 lacs ended on 31st March, 2010 as against Rs. 20806.03 lacs at the end of the previous year ended on 31st March, 2009. The increase is on account of Profits earned and Revaluation Reserve of Rs. 76337.69 lacs created during the financial year under review.

FINANCIAL REVIEW

The Company notched up an impressive performance in the financial year under review. Despite the pace and speed of recovery in the performance of the Company remaining subdued for the first half of the financial year under review, the growth momentum coupled with improvement in the price of the Ferro Alloy product has taken place in the second half of the financial year under review.

The Company earned a net profit of Rs. 1254.91 lacs during the financial year ended on 31st March, 2010 as against Rs. 93.59 lacs during the previous financial year ended on 31st March, 2009, reflecting a growth of 1240.84%. The profit before tax (PBT) for the financial year ended 31st March, 2010 registered a growth of 194.40% to Rs. 2084.78 lacs as against Rs. 708.15 lacs for the corresponding previous year. Basic earning per share of your Company has registered a growth of 1200% to Rs. 1.95 as against Rs. 0.15 during the corresponding previous year. The gross turnover of the company has been adversely affected during the financial year under review due to the lower sales realization on account of the impact of worldwide recession prevailed during the part of the financial year.

DIRECTORS' REPORT (Contd.)

DIVIDEND

In order to maintain a better liquidity position and conserve existing resources of the company, the Directors, therefore, do not recommend any dividend for the financial year under review.

OPERATIONS

The production during the year under review was 83,936 MT as against 88846 MT in the previous year 2008-09. During the year under review, the State of Orissa faced unprecedented shortage of power as the hydel power plants in Orissa did not have enough water due to insufficient rain. The rationing of power to industries by the State's Electricity Regulatory Authority affected our production during the first quarter of the year.

The first quarter of the year under review was also partly under the influence of lingering after-effects of Global Meltdown experienced during previous year. But gradually, with the depletion of stock piles across the world due to unprecedented shutdowns of Ferro chrome facilities across the industries, the demand of Ferro chrome slowly picked up. Your Company's strategic and proactive measures in the direction of maintaining minimum stock, optimization of raw material consumption norms vis-à-vis operational cost, continued focus on both domestic and export markets, etc has resulted in achievement of sustained full scale operations.

EXPORT

Export of Ferro Chrome constitutes upto 50% of the total turnover of the Company. The Company exported 42497 MT valued at Rs.20608.87 lacs during the year ended 31st March, 2010 under review as against 68726 MT valued at Rs.49474.53 lacs in the previous year.

Your Company's thrust on exports will continue as our strategy is to make our product globally competitive, coupled with maintaining impressive growth in future. To ensure consistent quality, your Company is fully equipped with latest testing equipments and process automation. Your Company is relentlessly striving for continuous improvements in Quality specs coupled with customer focused initiatives so as to satisfactorily cater to the requirements of different OEMs and niche markets and strengthen the product and delivery system. Notwithstanding the stiff competition in the international market, the Company has been successfully making value added exports to quality conscious countries in Europe, Asia and Latin America. Global competiveness, international quality of our products and superior logistical capabilities has enabled the Company to also establish its presence in 31 countries across the globe. Accredited with ISO 9001:2008 & 14001:2004 quality certifications and awarded with EEPC's Easter Region Awards for last 18 consecutive years for impressive export performance, your Company will continue its ceaseless effort to improve further in the field of Ferro alloys, with global outlook to respond to the demand in the years to come.

FUTURE OUTLOOK

The ferrochrome market is very attractive because of its high growth expectations and the rising demand especially in China. Ferrochrome production is a very energy-intensive process and the long-term price of ferrochrome is driven by difficulties in electricity availability in South Africa, the main producing country with 40% of the global market. The constrained situation of electricity in South Africa is expected to continue for several years and the electricity price in South Africa is expected to double in the coming few years compared to the level in 2009.

Limited growth in ferrochrome production - mainly reflecting power shortages in South Africa - coupled with solid growth in demand is expected to push the market back into deficit and stocks will once again move onto a downward path. Such conditions should allow spot and contract prices to surge upwards again.

PROJECTS

In the previous year, your Directors had taken a decision to set up a Captive Power Plant on utmost priority. The power scenario in the State of Orissa during the year under review has further emphasized the need for setting up the Power Plant at the earliest. Orissa had witnessed the worst power scenario during the year under review and the Authorities were compelled to resort to power rationing. The industry in general and your Company was also hit by the power restriction. Since power constitutes about 45% of the Variable Cost of your Company's product, your company has directed all its effort towards the setting up of the Captive Power Plant. Substantial progress like acquisition of land, obtaining of Statutory Clearances, Coal Linkage has already been achieved.

With the economy back on recovery track and demand for the Company's product gradually picking up, your Company has also revived the capacity addition project i.e. New Ferro Chrome Furnace project of 16.5MVA.

DIRECTORS' REPORT (Contd.)

The Company is in process of finalising the financial arrangements for its on-going projects and has already approached the lenders for their No Objection Certificate (NOC) pursuant to the terms and conditions of CDR package, which is awaited.

FORFEITURE OF ZERO COUPON CONVERTIBLE WARRANTS

The Committee for Preferential Issue of Warrant had allotted 65,00,000 (Sixty Five Lakh) Zero Coupon Convertible Warrants (ZCCW) of Rs. 5/- each at a premium of Rs. 65/- each to the Promoters on 15th March, 2008 on preferential basis. These ZCCW became due for conversion on or before 15.09.2009 i.e. within 18 months from the date of allotment. The conversion option was not exercised by the Promoters within the due date. Accordingly, the up-front money of Rs.4.90 Crores received from the allottee Companies stand forfeited in terms of the relevant SEBI Guidelines / Regulations and the Committee noted the same at its meeting held on 15.09.2009.

MINES

The Company is having Chromite ore mines located at Sukinda Valley, Jajpur, Orissa, Manganese mines located at Balaghat District, Madhya Pradesh and at Joda, Keonjhar District, Orissa and attempt is being made to acquire a new manganese lease(s) in Chindwara District, Madhya Pradesh.

The Chromite mines in Sukinda Valley (ISO 9001 certified) is being worked in a systematic manner with due regard to safety and environment. Our mine has bagged several prizes during this year in the Zonal Mines Safety Week / Environment Week celebrations conducted by Directorate General of Mines Safety like General Working, Waste Management, Maintenance of HEMM and workshop, Survey, Planning, Statutory Records and Return, Overall Performance etc. giving testimony to our work culture.

AWARD AND RECOGNITION

The Company has been awarded by various organisations and statutory bodies in recognition of its contribution to the industry and society.

The Company has received the following awards / recognition during the financial year 2009-10:

- "EEPC Gold Trophy Award" for being top Exporter of Ferro Alloys from Eastern region by Engineering Export Promotion Council.
- "Rajiv Gandhi National Quality Award" by BIS (Bureau of Indian Standards) for best Quality.
- "IMEA Platinum Award" by Frost & Sullivan in Metal Category for Manufacturing Excellence.
- "Special Achievement Award" (Thirteen Numbers) for greenery development by Rotary Club.
- "NALCO QC Convention Runners Up Award" in TPM Circle (Workman Category) by National Aluminium Company Limited.
- "NALCO QC Convention Award" (Two Numbers) in TPM Circle (Workman Category) by National Aluminium Company Limited for good performance.

CORPORATE DEBT RESTRUCTURING

In view of the Company's better financial performance compared to the projections made under the CDR package, the Board of Directors have recommended to explore the possibilities to exit from the CDR mechanism, which will enable the Company to raise finance by exploring various options by approaching Financial Institutions, Private Equity Investors domestically and internationally at competitive cost for its upcoming expansion and modernization plan.

MANAGEMENT INITIATIVES

Various strategic management initiatives that your Company continues to practice such as Six Sigma, Total Productive Maintenance (TPM), Performance Management System (PMS) and Supply Chain Management (SCM) with a view to continually improve. To augment the process, your Company has taken up an integrated approach of various Initiatives with focus on Business Excellence.

During the year, your Company has received the prestigious award like "Rajiv Gandhi National Quality Award" by (BIS) Bureau of Indian Standards.

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives contributing towards growth of the organization.

DIRECTORS' REPORT (Contd.)

BOARD OF DIRECTORS

The Board of Directors of the Company had appointed Mr S M Ali as Nominee Director of State Bank of India w.e.f. 30th October, 2009.

In accordance with the provisions of the Companies Act, 1956 and Article 149 of the Articles of Association of the Company, Mr P Mittal, Mr S K Majumdar and Mr K P Khandelwal, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

SUBSIDIARY COMPANY

Milton Holdings Limited (MHL), Mauritius, a wholly-owned subsidiary, shall implement, through joint-venture, proposed Manganese-ore mining projects in Brazil. As at the date of Balance Sheet, the Company has investment in shares of MHL aggregating, in value, to USD 4.36 million (Equivalent to Rs.1994.25 lacs).

The Directors' Report of MHL, the wholly-owned subsidiary, and its audited Statement of Accounts alongwith Auditors' Report thereon for the year ended 3lst March, 2010 form part of this Report. Statement pursuant to Section 212 of the Companies Act, 1956 relating to MHL as at 31st March, 2010 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, 2010, 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;

(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, 2010 on a going concern basis.

The above statement has been taken note of by the Audit Committee at its meeting held on 25th May, 2010.

AUDITORS

The Company's Auditors M/s S R Batliboi & Co, Chartered Accountants, retires at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to be reappointed.

The Company has obtained a letter from the Auditors to the effect that reappointment, if made, will be within the limits specified in section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

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

(a) The Company has recovered / adjusted an amount of Rs.235 lacs during the reported financial year and balance amount of Rs.500.00 lacs is expected to be recovered / adjusted in the current financial year.

(b) The Company has been regular in making payment of its statutory dues except as pointed out by the Auditors against Point no IX (a) referred to in the Annexure to the Auditors' Report.

(c) As regard use of short-term funds to the extent of Rs.5069.37 lacs for long-term investment in fixed assets & investments and repayment of long term loans, the same was necessitated owing to certain immediate and compelling long term business requirements of the company. Steps are being taken to regularize the same at the earliest.

DIRECTORS' REPORT (Contd.)

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.

CODE OF CONDUCT

The Code of Conduct for the Directors and Senior Management Executives has been made applicable to all the Directors whether executive or non-executive including all Senior Management Executives of the Company. The Board members and Senior Management Executives 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.

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.

PERSONNEL

Your company during the period under review further strengthened the relationship of mutual trust and transparency with its employees which helped in meeting all challenges and coming out with flying colours. The other organizations in the periphery of your company have been plagued with various Industrial Relations issues but the proactive approach adopted by your company has helped in creating a highly productive environment without loss of a single man day on IR issues.

Knowledge and Skill up-gradation of employees remains a key focus area of the company so that a vibrant workforce is developed to meet the present and future requirements. The company nurtures its human capital with great care which helps in retaining and attracting best talent in the Industry. A conducive work-environment has been created due to role clarity, empowerment, team work and performance driven culture prevailing in your company. The Organizational and individual goals have been aligned and the team marches ahead in its quest for excellence.

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

Information in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed to this report.

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 Orissa, Government Agencies, Company's Bankers, Business Associates, Shareholders and Community at large. Your Directors also express their warm appreciation to all employees for their diligence and contribution.

For and on behalf of the Board

Kolkata	**R K Jena**	**M Trivedi**
25th May, 2010	*Managing Director*	*Director*

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. Reduction of Energy Consumption of pump in the water circuit

ii. Putting transparent sheet on roof of F/C building and workshop

iii. Maintaining near unity Power Factor on drawl of energy from Grid on continuous basis every month.

iv. New Air Conditioners being procured only on seeing their label (Stars)

v. Removal of incandescent lamps totally from plant premises except for test lamp.

vi. Pilot project of solar UPS taken up in Rest House.

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

Investment of Capital nature are included in Fixed Assets and Revenue nature are charged to expenses.

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

The above measures have reduced the power consumption and cost of direct and auxiliary power.

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 31.03.2010	For the year ended 31.03.2009
i Power & Fuel Consumption		
1) Electricity		
a) Purchased Units (in '000')	**318129**	343115
Total Amount (Rs. in lacs)	**9462**	10002
Rate/Unit (Rs)	**2.97**	2.92
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 (Low Ash Coal used in process)		
Quantity (MT)	**53382**	58855
Total cost (Rs. in Lacs)	**8259**	10331
Average Rate (Rs./MT)	**15472**	17553
3) Furnace Oil / LDO		
Quantity (Ltr. in '000')	**Nil**	Nil
Total Amount (Rs. in lacs)	**Nil**	Nil
Average Rate (Rs./ Ltr)	**Nil**	Nil
Consumption per MT of production		
Electricity (Unit)	**3790**	3862
Coal (MT)	**0.64**	0.66

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

i) Indigenous development of mechanized jigging process for processing of powder which was being processed manually earlier.

ii) Development of new products like low Si, low P & low S Fe-Cr.

iii) Development & usage of fuggy logic for dryer operation control resulting in huge saving in fuel consumption.

iv) Customized design and development of several critical equipments & spares like ID fan for dryer, chute blowers for furnace etc.

v) Usage of jig slag powder for casting of metal and slag casting replacing river sand

vi) Development & usage of new flux for Fe-Cr production

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

Feasibility of Production of Value Added Products

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) Indigenous development of dust control system to minimize pollution level in the material handling systems.

ii) Modification of tapping and casting system to bring down cost, improve working condition and quality of product.

iii) Hard facing of secondary crusher liner to enhance the life period many times.

iv) Indigenous design and Modification of Casing body to avail better electrode efficiency and cost saving.

v) Indigenous design and implementation of On-line Fines processing of Chrome Ore agglomerations, thereby reducing the cost of the briquette and saving process time.

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

The above efforts helped in cost reduction and import substitution.

c) Future plans of action

Development of captive Quartz, Manganese and Chrome Mines.

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, Development of new export markets for products and Export Plan.

i) Activities relating to Exports

The Company exported 42497 MT valued at Rs 20608.87 lacs during the financial year ended 31st March, 2010. Long term assured volume contracts with customers have been developed. Special emphasis has been given on timely shipment and strict adherence to all quality and product norms of foreign buyers.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

ii) Initiatives taken to increase exports

a) **Value addition to customers** - Supply in 1mt double layer HDPE bags to minimise onward transit losses and to facilitate easy handling and movement with minimum costs.

b) **More focus on CNF contract**: Identification of low cost means of shipping lines with minimum transit time and offer free holding of stock at discharge ports without any additional costs to the customer.

c) **Easy payment terms**: To minimise the financial costs of the customer, accepting payment terms convenient to the customers.

d) **Staggered delivery terms**: To minimise the inventory costs of the customer, facilitating staggered deliveries as per requirements of the customers.

e) **Assurance of quality**: To provide required comfort to customers, accepting the quality verification at discharge ports by any third party agency.

f) **Pre-shipment service**: Continuously informing the status of the order to the customer from acceptance of the order till execution.

g) **Post shipment service**: A Technical team has been developed to provide full technical support to the customer while usage of our product in their production process.

h) **Regular Customer Visits**: Inviting customers to visit our plant and mines on order to make a bonding with the customers and for repeat purchase.

i) **Increase customer Base**: Visiting various untapped countries with the help of channel partners to expand our market reach and increase customer base.

j) **New Website development**: In order to mark our presence in international market we are upgrading our website matching international standards.

iii) Development of new export markets for products: To promote our product in different parts of the world, new customers are identified by participating in seminars and also agents are appointed in different regions/areas.

2. Total Foreign Exchange used and earned

	(Rs. in Lacs)
– Foreign Exchange Earnings (on Accrual Basis)	
FOB Value of Exports	19768.88
– Foreign Exchange Outgo	
1. CIF Value of Imports	
– Raw Materials	3206.43
– Stores & Spares	0.87
2. Other Expenditure	100.76

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	Designation/ Nature of Duties	Gross Remuneration	Net Remuneration	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment
Jena, R K	43	Managing Director	1,80,22,080	1,14,33,104	AMIE-Mech & MBA	20	30.04.1990	—
Pradhan, C R	67	Director Operations	14,63,001	10,93,201	B.Sc-Engineering (Mechanical)	41	29.05.2009	API Ispat and Power Tech. Private Limited

Notes :
1. Gross remuneration comprises salary, allowances, medical reimbursment, 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.

For and on behalf of the Board

Kolkata
25th May, 2010

R K Jena
Managing Director

M Trivedi
Director

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

2009-10 firmly established that the gloom looming large over the world economy is finally over. Well co-ordinated efforts in the form of Stimulus packages, (policy, fiscal and monetary) has put the world economy back on track and as per the International Monetary Fund, world output is expected to grow by 4.2% in 2010 compared to a decline of 0.6% in 2009.

Indian economy staged a stupendous growth of 7.2% in the year 2009-10 while most of the countries world over were struggling to find floor beneath their feet with the help of financial and policy support from their respective governments and other stakeholders. The pragmatic conservative policies of the government coupled with increased government spending ensured that the growth in economy did not lose its momentum. A faster pace of growth in investments, the sharp pick up in capital inflows and a resurgent stock market are some of the key positives that augur well for the economy.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company is engaged in the production of High Carbon Ferro Chrome which is backed up by captive Chrome Mines. Basically, ferro chrome is used in metallurgical operations (especially stainless steel) as a raw material.

The metal Chrome's greatest benefit to the metallurgical industry lies in its ability to impart such properties as corrosion resistance, hardness, strength and bright attractive finish. For this reason, metallurgical grade ores are used for the production of ferrochrome, which in turn is used by the steel making industry in the production of corrosion and heat resistant steel and stainless steel. Chromium has no substitute in stainless steel, the leading end use, or in super alloys, the major strategic end use.

Chrome ore is converted to ferrochrome through intense metallurgical processing which includes smelting with carbon or silicon, utilising about 3.7 to 3.8 MWh per ton of ferrochrome.

Global overview:

Ferro Chrome producers will likely look back on 2009 as one of the worst year in history, with drastic supply cutbacks made necessary due to collapsing demand and prices. The dislocation precipitated by the collapse of Lehman Brothers in September 2008, sent the high ferrochrome market spinning through the back end of the year and first quarter of 2009.

The result of major supply cutbacks was a rapid move from surplus to a deficit of over 400,000 tonnes in the first quarter of 2009 and a dramatic fall in industry stocks from 24.2 to 17.2 weeks' consumption. Together with the stabilisation of key commodity input prices and renewed weakening of the US dollar, this was sufficient to put a floor under prices by the early part of the second quarter. The subsequent doubling in prices to 120 ¢/lb, is a multi-strand story: firstly, despite cutbacks in the fourth quarter of 2009, Chinese stainless steel production remains well above expectations and Western World mills also started to ramp up volumes; secondly, scrap availability has been limited; thirdly, global ferrochrome stocks come back close to normal levels but skewed with Western World inventories critically low and fourthly, rising electricity prices moderated the supply response of South African producers.

While global ferrochrome consumption is estimated to have remained below peak 2009 levels through the first quarter of 2010, stainless steel production is rising again, and on a seasonally adjusted basis and this trend is expected to extend throughout 2010. Global ferrochrome demand is forecast to increase by 17% over the year as whole. A further year of recovery is anticipated in 2011 with growth trending at 5.8% p.a. between 2012-2014. Projections indicate China will account for 53% of the increase in ferrochrome demand over the next five years.

Recent price rises have accelerated the supply response and a 40% increase in production is expected in 2010. Electricity generating capacity shortages and tariff hikes remain a challenge for the South African industry and increasing quantities of ore are likely to be smelted in China.

Indian Overview:

India is the fourth largest Ferro Chrome producer in the world. It produces around a million MT of Ferro Chrome. During 2009 Indian output fell 17% to 660,000 tons and Indian utilisation rate rose from 42% of capacity in Q1 2009 to only 68% in Q4, constrained by domestic chrome ore supply disruptions and power shortages.

Orrisa Mining Corporation, the main ore supplier to domestic smelters, had 1 of its 2 mines closed by the government and has been unable to fulfil all its customer obligations. This has affected non ore-integrated smelters, while integrated producers have been able to operate at higher utilisation levels.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

It is estimated that Indian production will increase by 26% to 832,000 tons in 2010. Meanwhile, Indian capacity is forecast to rise from 1.17 MT in 2009 to 1.25 MT in 2010, and reach 1.43 MT in 2011. Consequently, it is estimated that Indian production will increase to 1.03 MT in 2014, 56% above 2009 levels.

OPPORTUNITIES AND THREATS

Opportunity

- A combination of factors like chrome ore export levy by host country as well as REACH legislation by EU, could reduce the international trade on chrome ore. If such a situation were to materialise, which could lead to increased value addition by the host country, the benefits emanating from such a scenario cannot be overstated. Alternatively, ferrochrome should be made the minimum level of value addition/ beneficiation for chrome mineral exports.
- China is the major consumer of chrome ore produced worldwide, receiving most of the feedstock from South Africa, Kazakhstan and India. Its dependence on chrome ore trade is about to diminish as the Chinese government intends to reduce high polluting and power consuming industries in the country, which may result in increased Ferro chrome import by China. India, the world's number one ore exporter, has also made China's access to its ore more difficult by imposing a tax on chrome ore exports.

If China's ferrochrome producers fail to secure the volumes of chrome ore that they require at a suitably competitive price, world ferrochrome production could be lower than anticipated, leading to tighter market conditions.

Threats

- With the recovery in ferrochrome prices, producers are expected to gradually reactivate their ferrochrome operations. Should production return too quickly, stocks will rise more rapidly than anticipated and the near term price revival will be aborted.
- Lack of follow-through in the global economic upturn. Premature withdrawal of official intervention, renewed instability triggered by debt crises in smaller European economies or severe monetary tightening in China would be taken as very bearish and could prompt some price correction.

FUTURE PROSPECTS & COMPANY'S STRATEGIES

In view of the severity of the global recession, high-carbon ferrochrome consumption survived remarkably well in 2009. Largely due to the resilience of China's stainless steel industry, world HCFeCr demand fell by just 2.2% in the past year. HCFeCr consumption is likely to grow steadily throughout 2010, with exceptional y-o-y advances expected in H1 (36.6%), albeit largely due to a poor base year comparison. In the medium term, China will continue to be the main driver of growth in world demand for HCFeCr, accounting for an estimated 58.5% of the overall increase in global consumption.

Last year turned out to be quite the rollercoaster for stainless steel production, and hence HCFeCr requirements. Global output of stainless plunged to 5 MT in Q1 2009, after being hit by the economic slowdown. Signs of bottoming-out and initial recovery first began to surface in Q2, as governmental stimuli positively affected Chinese stainless demand. Yet, heavy stock-build soon put a cap on Chinese stainless consumption, in turn slowing the market's main driver. With economic conditions expected to improve in 2010, demand for stainless and a resultant strong recovery in output is likely to materialise this year. It is estimated that world stainless output will grow by 14.5% in 2010, 8.9% in 2011 and 6.1% in 2012.

Global demand for scrap firmed in 2009 as a result of the pick-up in stainless production. In particular China developed an insatiable appetite for secondary stainless. It is expected that tightness in the scrap market will persist in the short term, in turn supporting primary ferrochrome demand.

MANAGEMENT OF RISKS AND CONCERNS

The Company believe that business projections have an inherent element of uncertainty owing to unknown factors and presumed that managing risks is a paramount need for ensuring present and future growth plan. Over the years, the Company has uncounted several risks and concerns during the process of its business. In keeping with problem solving approach that characterised the Company, it has taken several steps to counter and mitigate these, while simultaneously pursuing every possible risk.

Any economic slowdown can adversely impact the demand-supply dynamics and profitability. Flux in prices will also affect operating margins. Our Company too is vulnerable to these changes.

Supply of quality as well as consistent power by the OERC continues to be a concern area where monopoly in future can be envisaged.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The State of Orissa as well as your Company witnessed the worst power shortage during the early part of the year under review as hydro power stations of the State, most of the time, remained non-functional due to insufficient rain. However, the issue has been taken up with concerned authority to arrange adequate and quality power supply. Since power constitutes one of major ingredients of the Variable Cost of the Company's product, your Company has initiated all its efforts to set up the proposed Captive Power Plant to become self-reliant.

Export turnover constitutes major part of the total turnover. An appreciating trend in INR may substantially impact the earnings of the Company.

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.

The Company recognises that risk management is an integrated and process oriented approach for managing its business risks and opportunities. Accordingly, the Company has clearly identified and segregated its risks into separate components, i.e., 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.

A Risk Management Committee of Board of Directors, comprising of 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 risk Management Committee constantly monitor the pro-active approach and meets periodically to identify and assess new risks, formulate mitigation plans, review the updates on the identified risks and implementation of the mitigation plans etc. The Board of Directors also review the Risk identification process and mitigation plans regularly.

OPERATIONAL PERFORMANCE

For the year ended 31st March, 2010, the production stood at 83,936 MT as against 88846 MT in the previous year 2008-09. Despite the after effects of Global Meltdown, slower economic recovery and deteriorating power scenario in the State of Orissa, the pro-active measures and strategic steps taken by your Company stood in good stead to achieve full scale operations. Further, the continued practice by the Company of the initiatives such as TPM, JIT, Six Sigma, SCM, etc, has helped cost optimization and optimization of plant performance.

Your Company exported 42497 MT valued at Rs. 20,608.87 lac during the year under review as against 68726 MT valued at Rs. 49474.53 lac during the previous year 2008-09. Due to the upheaval in the global prices as well as in exchange rate, your Company treaded the most advantageous path by having a mix of both Export and Domestic Sales Mix.

QUALITY ASSURANCE

The Company continues to have ISO 9001: 2008 and ISO 14000 accreditations from the Bureau of Indian Standards through commitment to quality and technological excellence and Environmental Management System. The Company is committed to maintain the highest quality of its products and stringent quality assurance procedures with continuous efforts to maintain the Environmental system.

ENVIRONMENTAL AND SAFETY MEASURES

Your Company accords highest priority to environmental protection as well as safety of its employees and neighboring villagers. The Company continues to be ISO-14001 certified and with the help of structured Environmental Management System it takes care of all environmental aspects so that the emission and discharge levels are much below the statutory norms and there is focus on continuous improvement.

Your Company has taken various measures related to energy conservation and optimum utilization of natural resources. The entire solid waste is recycled and the end product has been established in the local market as a very good supplement for Stone Chips. This helps in effective solid waste management with significant revenue generation. The plant is not releasing any liquid effluent outside its periphery due to effective water recycling and it is working on Zero effluent discharge model. The small quantity of water generated from domestic use is utilized in horticulture garden developed by the Company. A Nursery has been developed to promote plantation in the factory as well as local areas and model farming practices are being promoted in the local villages. The Company has also undertaken a massive plantation drive in the district with the target to plant 50000 trees every year in the houses of villagers and this has generated a lot of enthusiasm amongst local villagers, educational institutions and voluntary organizations.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Safety is a major focus area of your company and structured mechanism has been put into place to eliminate all Unsafe Conditions and Unsafe Practices. Regular Safety Audit and Safety Patrol is conducted and an empowered Safety Committee reviews all matters related to Safety on monthly basis. Detailed Hazard Analysis and identification of Near Miss Situations is done to maintain a Safe Work Environment in the company's premises. Round the clock Ambulance and Fire Tender Service is maintained by your Company to meet any emergency in the factory or in the neighboring areas.

Your company has maintained much better performance in all matters related to environment and safety than the provision and norms specified under different statutes and set benchmarks for others to follow.

CORPORATE SOCIAL RESPONSIBILITY

Your Company firmly believes that any progressive activity cannot be carried out in a society that fails. In line with this vision, the focus of all activities is sustainable development and inclusive growth in the periphery and engagement of local community in a positive manner. The CSR activities are carried out by the Company in a systematic manner with the involvement of its team of dedicated professionals. The various activities are undertaken after proper need assessment and implementation is made effective with the involvement of employees, voluntary organizations and local representatives.

Some of the initiatives taken by your Company during the period under review for the benefit of the people in the locality as well as society at large pertain to:

1. Skill Development and Employment Generation
2. Upgrading Infrastructure in Schools and Colleges of the District
3. Health Care Initiatives and improvement of Health Infrastructure
4. Road development, Avenue plantation and Street Lighting
5. Upgradation of quality of education in nearby institutions by sponsoring teachers, improving basic amenities, promoting computer education, scholarship schemes, etc.
6. Promoting local talent in various fields like Sports and cultural activities
7. Assistance to needy people

The CSR activities taken up by your Company have a focus on continuity and gradually the emphasis is more on the basic requirements in the area like Environmental Protection, Employment Generation, Poverty Alleviation, Infrastructure Development, etc.

Steps taken by your Company for the socio-economic development in the entire area has endeared it to the local population and has been highly acclaimed by District Administration as well as State Government through several awards and citations.

INTERNAL CONTROL SYSTEMS

The Company remains 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 ensure compliance of corporate policies and applicable statutory regulations and safeguards Company's assets.

The management has also implemented an integrated computerised management information system to strengthen the Internal Control systems encompassing all functional areas. The job processes and internal controls are so designed to ensure proper checks and balances for elimination of errors and faults. Better Management Information System alongwith a strong Internal Audit Function not only ensures adherence with best practices and procedures but also help in early diagnosis of potential areas of concern.

Your Company have a full fledged internal audit function 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. All significant audit observations and follow-up actions were reported to Audit Committee. The Audit Committee's observations and suggestions were acted upon timely by the Management. (in a systematic manner).

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Financial Performance with respect to Operational Performance

(Rs. in Lacs)

			Financial year ended 31st March, 2010		Financial year ended 31st March, 2009
1.	Sales/Income from operations		**43261.75**		65689.46
	Less: Excise Duty		**1743.19**		1816.03
			41518.56		63873.43
2.	Other Income		**2935.67**		1123.62
3.	Total Income (1+2)		**44454.23**		64997.05
4.	Total Expenditure		**37056.77**		58283.89
5.	Profit before Interest & Finance charges and Depreciation (3-4)		**7397.46**		6713.16
6.	Interest & Finance Charges		**4221.37**		4457.79
7.	Depreciation / Amortisation		**1404.55**		1185.39
8.	Profit before Prior Period Items & Taxes (5-6-7)		**1771.54**		1069.98
9.	Prior Period Items (Net)		**(313.24)**		361.83
10.	Profit before Taxes (8-9)		**2084.78**		708.15
11.	Provision for Taxes				
	– Current Tax	**1039.43**		99.97	
	– Prior Year Tax expense written back	**(21.02)**		—	
	– Deferred Tax Charge/(Credit)	**(188.54)**	**829.87**	514.59	614.56
12.	Profit after Taxes (10-11)		**1254.91**		93.59
13.	Balance brought forward from previous year		**9579.30**		9485.71
	Amount carried to next year (12 + 13)		**10834.21**		9579.30

HUMAN RESOURCES OF THE COMPANY

Your Company has institutionalized State of Art HR Systems and practices to create a motivated and committed workforce which is prepared to face various challenges. All efforts have been made to promote transparency, fairness and empowerment at all levels. Efforts are constantly made to attract, develop, train, motivate and retain the best talent. Team work and Ownership are cherished values and system for knowledge and experience sharing has been made to create a learning organization.

The Company believes in equal opportunity and fair practices in respect of all matters related to employees and recognition has been accorded to the majority union as the sole bargaining agent on behalf of the workmen. A congenial atmosphere has been created and there is transparency and mutual trust between the Management and the Employees. Efforts are made to implement best people practices in the Company to foster a culture of learning, belongingness and care in the organization.

An Online Performance Management System has been implemented to ensure proper target setting and monitoring of individual performances. This is complimented with a well planned reward and recognition system and a variable pay structure that promotes a performance driven culture in the organization.

The total regular manpower strength of the organisation as on 31st March, 2010 was 610.

INITIATIVES TOWARDS OPERATIONAL EXCELLENCE

The Company has undertaken various strategic management initiatives with a view to exploit favourable market condition & continually improve. The enthusiasm demonstrated by these initiatives being championed by various head of functions and the results of these efforts have enabled these initiatives to gather momentum under the Business Excellence approach.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives contributing towards growth of the organisation.

Business excellence is the systematic use of quality Management principles and tools in business Management with the goal of improving performance based on the principles of customer focus, stakeholder value and process management.

The EFQM Excellence Model is a framework for organizational management systems, promoted by the European Foundation for Quality Management [EFQM] and designed for helping organizations in their drive towards being more competitive.

The European Foundation for Quality Management [EFQM] Business Excellence Model is a practical, non-prescriptive framework that enables organization to

- Assess where they are on path of excellence, helping them to understand their key strengths & potential gaps in relation to their stated Vision & Mission.
- Facilitates effective communication systems both within and outside the organization.
- Integration of existing and new initiatives, removing duplication and identify gaps.
- Provide a basic structure for the organization's management system.

Organization achieves & sustains superior levels of performance that meet or exceed the expectations of all stakeholders. The Excellence Model allows Managers/leaders to understand the cause and effect relationship between what an organization does and results it achieves .The different initiatives function under the umbrella of Business Excellence Model (EFQM) are .

- **SIX SIGMA**

  This initiative has significantly contributed for transforming Business at Balasore Alloys Ltd. and enables to break various myths & shackles of conventional thinking. With robust process and demonstrated results Six Sigma Initiatives has led to break through improvements and enhanced bottom line by redesigning business process and standard operating practices.

- **TOTAL PRODUCTIVE MAINTENANCE (TPM)**

  The TPM Program was initiated to create a preventive philosophy, total employees participation and building a profitable culture. Starting with the basic concept of eight pillars (Autonomous Maintenance, Kobetsu Kaizen, Planned Maintenance, Education & Training, Safety, Health & Environment, Office TPM, Initial Flow Control & Quality Maintenance) for internal improvements. To increase the coverage of TPM culture across the organisation, two more pillars i.e Sales & Marketing and Supply Chain Management initiated to strengthen the Supplier and Customer Relationship.

- **SUPPLY CHAIN MANAGEMENT**

  This initiative is expected to generate significant benefit to the Company by way of value enhancement through reduced cost and risk of inputs, reduced logistic cost, optimize product mix and input feed mix through stream line process and scientific inventory management.

- **PERFORMANCE MANAGEMENT SYSTEM (PMS)**

  First level exercise for this strategic initiative, aimed at optimizing performance of the employees and bringing sharper accountability, has been completed by one of the renowned consultant. This initiative is expected to focus at redefining roles and responsibilities for key positions, realigning the organisation structure for impacting functions towards highly performance oriented outfit and removes structural anomalies for smooth control. Lesser hierarchy and grater performance brings transparency and accountability across the organisation for attaining common organisation mission, vision and goals.

- **QUALITY AUDIT**

  The Company has engaged one of the renowned quality firm towards quality compliance of its product for both domestic as well as international market. This has ensured specified quality products for the customers.

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, integrity and law abiding behaviour 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 risk management policy for risk identification, assessment and minimization procedure. The risk management procedures are clearly defined. The Risk Management Committee of the Board periodically reviewed, assessed, monitored and appraised to the Board of Directors, with a view to strengthening the risk management framework, the risk that the Company may confront with.

e) **Safety, Health and Environment Policy:** The Company is committed to conducting its business in a manner that values the environment and helps to ensure 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, sex, 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

2. Board 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 the date of this report consists of 12 directors out of which 8 directors are Independent Directors. The composition and category of the directors on the Board are as follows:

Category	Name of the Director
Promoter Director	Mr Pramod Mittal, Chairman Mr V K Mittal
Executive Director	Mr R K Jena, Managing Director Mr C R Pradhan, Director Operation
Non-Executive Independent Director	Mr M Trivedi Mr S Mohapatra Mr S K Pal Dr A K Bhattacharyya Prof S K Majumdar Mr K P Khandelwal Mr R N Pandey
Nominee Director	Mr S M Ali^

^ Appointed as Nominee Director of SBI w.e.f. 30.10.2009.

Four Board meetings were held during the period 01.04.2009 to 31.03.2010. 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:

29.05.2009, 24.07.2009, 30.10.2009 and 30.01.2010.

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

Director	Board Meeting Attended	Attendance at last AGM held on 18.09.2009 at Registered Office	No. of Directorship in other Companies @		No. of Membership in Committees of Directors in other Companies.^^	
			Chairman	Director	Chairman	Member
Mr Pramod Mittal (Chairman)	Nil	No	2	Nil	Nil	Nil
Mr V K Mittal	1*	No	1	2	Nil	Nil
Mr M Trivedi	4	No	Nil	1	3	Nil
Mr S Mohapatra	4	Yes	Nil	2	Nil	1
Mr S K Pal	3	Yes	Nil	2	4	2
Dr A K Bhattacharyya	3	No	Nil	2	Nil	1
Mr R K Jena (Managing Director)	4	Yes	Nil	1	Nil	1
Prof S K Majumdar	3	No	Nil	Nil	Nil	Nil

REPORT ON CORPORATE GOVERNANCE (Contd.)

Director	Board Meeting Attended	Attendance at last AGM held on 18.09.2009 at Registered Office	No. of Directorship in other Companies @		No. of Membership in Committees of Directors in other Companies.^^	
			Chairman	Director	Chairman	Member
Mr K P Khandelwal	4	No	Nil	2	1	2
Mr R N Pandey	4	No	Nil	1	Nil	1
Mr C R Pradhan (Director-Operations)	3	Yes	Nil	Nil	Nil	Nil
Mr S M Ali^ (Nominee Director)	2	N.A.	Nil	Nil	Nil	Nil

* Attended through video conference.

^ Appointed as Nominee of SBI w.e.f. 30.10.2009.

@ Excludes Directorship held in Indian Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956.

^^ The Committee membership includes Audit Committee, Shareholders Greivance Committee and Remuneration Committee.

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 IA 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 appraised of the overall performance of the Company.

3. Audit Committee

The Company has a qualified and independent Audit Committee. The terms of reference, role and scope of Audit Committee are in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The Committee acts as a link between the management, the statutory and internal auditors and Board of Directors and oversee the financial reporting process. All the members of the Committee are independent Directors.

As at 31st March, 2010 the Committee consists of seven Directors, who bring with them vast experience in the field of operations, finance and accounts and the Company has 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. The queries of shareholder at the last Annual General Meeting of the Company were answered by the Managing Director of the company, in the absence of the Chairman of the Audit Committee.

Four Meetings of Audit Committee were held during the year 01.04.2009 to 31.03.2010. The dates on which the meetings of the Audit Committee were held are:

29.05.2009, 24.07.2009, 30.10.2009 and 30.01.2010.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The composition of the Audit Committee and the meeting attended by the members are as under:

Name of Director	No. of Meetings attended during the year
Mr M Trivedi (Chairman of the Committee)	4
Mr S Mohapatra	4
Mr S K Pal	3
Dr A K Bhattacharyya	3
Prof S K Majumdar	3
Mr K P Khandelwal	4
Mr R N Pandey	4

4. Remuneration Committee

The Committee was 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.

As at 31st March, 2010, the Committee in line with the requirements of Clause 49 of the Listing Agreement and Schedule XIII of the Companies Act, 1956, comprised of four members and all of them are Independent Non-Executive Directors. Mr M Trivedi, an Independent Non-Executive Director, is the Chairman of the Committee.

During the financial year ended 31st March, 2010, two meetings of the Committee were held on 29.05.2009 and 28.10.2009. Attendances at the meetings are as under:

Name of Director	No. of Meetings Attended during the year
Mr M Trivedi (Chairman of the Committee)	2
Dr A K Bhattacharyya	2
Mr S K Pal	2
Prof S K Majumdar	1

5. Remuneration to Directors

(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 Company paid Rs.10000/- for attending meeting of Board of Directors and Audit Committee and Rs. 5000/- for attending other Committee meetings i.e. Remuneration Committee, Share Transfer and Investor Grievance Committee, Risk Management Committee, Committee for Preferential Issues of Warrants and Project Committee besides reimbursement of expenses. 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 approval of the Board of Directors and the Members.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Details of remuneration paid to Whole-time Directors for the period ended 31st March, 2010:

Director	Salary & Perks	Commission	Total	Service Contract (Years)	Period
Mr R K Jena (Managing Director)	Rs.180.22 Lacs	Nil	Rs.180.22 Lacs	3	(01.04.2009 to 31.03.2012)
Mr C R Pradhan (Director-Operations)	Rs. 14.63 Lacs	Nil	Rs. 14.63 Lacs	3	(29.05.2009 to 28.05.2012)

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

6. Share Transfer and Investors Grievance Committee

The object of the 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 fortnightly.

Mr M Trivedi is the Chairman of the Committee. The Committee has met twelve times during the year 01.04.2009 to 31.03.2010. The dates on which the meetings of the Share Transfer and Investors Grievance Committee were held are as follows:

07.04.2009, 12.05.2009, 13.06.2009, 10.07.2009, 06.08.2009, 08.09.2009, 14.10.2009, 12.11.2009, 11.12.2009, 13.01.2010, 06.02.2010 and 08.03.2010.

The composition and the meetings attended by the members are as under:

Name of Director	No. of Meetings Attended during the year
Mr M Trivedi, Chairman of the Committee	12
Mr R K Jena, Managing Director	12
Prof S K Majumdar	12
Mr S K Pal	12

Name and Designation of Compliance Officer:

Mr Trilochan Sharma — Sr. GM & Company Secretary

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

Mr Aloke Mukherjee - Manager

Share Transfers/Transmissions etc. as approved by the Committee are notified to the Board at regular intervals. During the year i.e. from 01.04.2009 to 31.03.2010, the status of complaints are as under:

Complaints pending as on 01.04.2009	—	Nil
Complaints received from Investors	—	63
Complaints replied/resolved	—	63
Complaints pending as at 31.03.2010	—	Nil

REPORT ON CORPORATE GOVERNANCE (Contd.)

During the period under review 57,875 Equity Shares were transferred in physical form and no such request was pending as on 31.03.2010. 2,42,412 Equity Shares were dematerialized during the year under the review. As on 31.03.2010, 5,26,61,519 Equity Shares constituting 81.91% of equity shares of the Company were held in dematerialized form.

7. Other Committee

Committee for Preferential Issue of Warrant:

One meeting of the Committee for Preferential Issue of Warrant was held on 15.09.2009 during the financial year ended 31.03.2010.

Besides the above, 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 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.

8. General Body Meetings:

1. Details on Annual / Extra Ordinary General Meetings:

Year	Location	Date	Time
2008-2009 (12 Months)	Registered Office	18.09.2009	9.30 A.M.
2007-2008 (15 Months)	Registered Office	25.09.2008	9.30 A.M.
2005-2006 (15 Months)	Registered Office	30.03.2007	9.30 A.M.

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

a) (i) Were put through postal ballot last year : Yes

(ii) Details of voting pattern :

Sl No.	Particulars of Resolutions	% of votes cast in favour of the resolution to total votes cast	% of votes cast against the resolution to total votes cast
1	Amendment in Main Object Clause of Memorandum of Association of the Company.	99.99	00.01
2	Payment of remuneration to the Managing Director for the Financial Year 2008-09.	99.92	00.08
3	Re-appointment of Managing Director for a further period of three years and payment of remuneration.	99.96	00.04

(iii) Person who conducted the postal ballot exercise

Mr Manoj Kumar Banthia, Practising Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot voting process.

The Company has duly complied with the provisions of Section 192A and other applicable sections of the Companies Act, 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001.

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.)

9. Code of Conduct

The Code of Conduct (hereinafter referred to as 'Code') is applicable to all its Directors whether executive or non-executive including Nominee Directors and all 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 2009-10, duly signed by Managing Director of the Company is hereinbelow enclosed. The Code has also been posted on the Company's Web-site.

Affirmation of Compliance with the Code of Conduct for Directors and Senior Management Executives

I, R K Jena, Managing Director of Balasore Alloys Limited, hereby declare that the Company has received affirmation of compliance with 'Code of Conduct for Directors and Senior Management Executives' laid down by the Board of Directors, from all the Directors and Senior Management Executives of the Company, to whom the same is applicable, for the financial year ended 31st March, 2010.

R K Jena

25th May, 2010 *Managing Director*

10. 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 21 of Schedule 22 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 a Risk Management Policy 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 placed and 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. There is no Whistle Blower mechanism in the Company.

g. The Management Discussion and Analysis Report is a part of this Annual Report.

11. 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 year The Company has adopted non-mandatory requirements under Clause 49 of the Listing Agreement to the extent relating to setting up of Remuneration Committee. Please refer to details provided under the section “Remuneration Committee” of the Report on Corporate Governance. Other non-mandatory requirements, in the opinion of the Board, have no material bearing on the current standards of Corporate Governance followed by the Company and hence will be addressed as appropriate in future.

12. Secretarial Audit

A qualified practicing Company Secretary carried out secretarial 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

13. Means of communication.

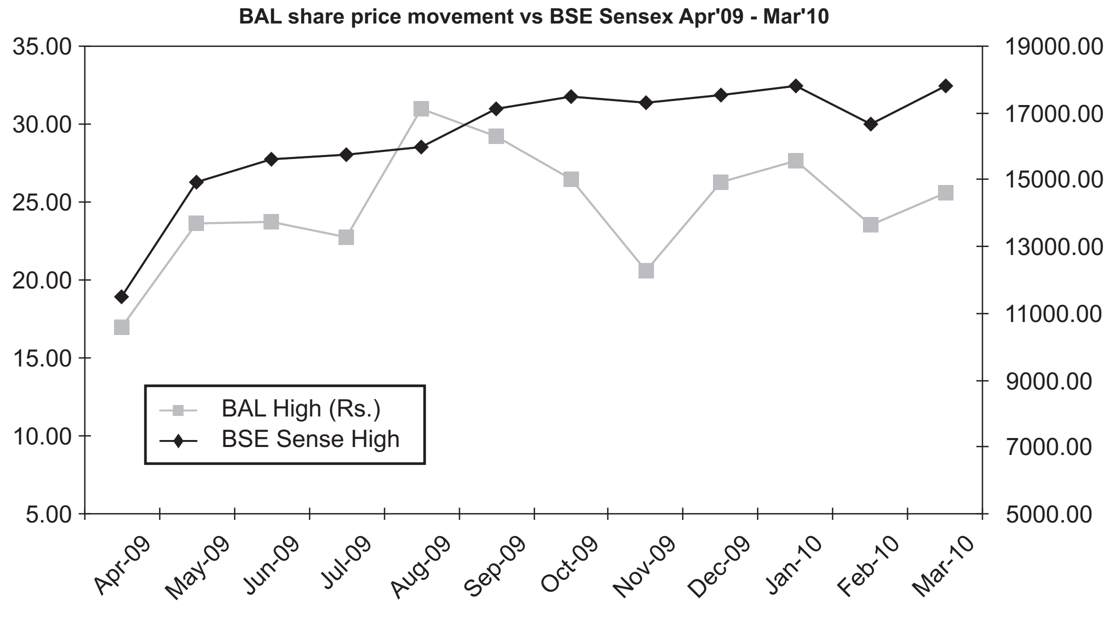
Half-yearly report sent to each household of shareholders	Not required.
Quarterly results. Which newspapers normally published in.	Financial Express / Economic Times /Business Standard (in English) Sanbad / Samaja (Oriya version)
Web sites where quarterly results are displayed.	www.balasorealloys.com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

14. GENERAL SHAREHOLDERS' INFORMATION

1	**Annual General Meeting**	
	Day, Date & Time	Thursday, 9th September, 2010 at 9.30 A.M.
	Venue	Registered Office at Balgopalpur– 756 020 Balasore, Orissa, India
2	**Tentative Financial Calendar 2010-11**	
	Financial Reporting for the quarter ending June 30, 2010.	Last week of July, 2010
	Financial Reporting for the quarter ending September 30, 2010	Last week of October, 2010
	Financial Reporting for the quarter ending December 31, 2010	Last week of January, 2011
	Financial Reporting for the quarter ending March 31, 2011	Last week of April, 2011
	Annual General Meeting for the year ending March 31, 2011	September, 2011
3	**Book Closure Date**	From Monday, 6th September, 2010 to Thursday, 9th September, 2010 (both days inclusive).
4	**Dividend Payment Date**	Not Applicable since no dividend proposed/ declared.
5	**Registered Office**	Balgopalpur – 756 020, Balasore , Orissa
6	**Listing on Stock Exchanges**	i) Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
		ii) The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata -700 001
Note: Annual Listing Fees is regularly paid to the Bombay Stock Exchange and the Calcutta Stock Exchange Association Limited.		
7	**Stock Market information:**	
	(i) Stock Code:	
	Bombay Stock Exchange Ltd,	: 513142
	The Calcutta Stock Exchange Association Ltd.	: 10019059
	ISIN No. for Fully Paid-up Equity Shares	: INE135A01024

REPORT ON CORPORATE GOVERNANCE (Contd.)

7	(ii) **Market Price**	Share Price data on BSE		BSE Sensex	
	Months	High (Rs.)	Low (Rs.)	High	Low
	April, 2009	16.99	12.50	11,492.10	9,546.29
	May, 2009	23.65	12.96	14,930.54	11,621.30
	June, 2009	23.75	15.80	15,600.30	14,016.95
	July, 2009	22.75	12.65	15,732.81	13,219.99
	August, 2009	30.95	20.10	16,002.46	14,684.45
	September, 2009	29.25	24.00	17,142.52	15,356.72
	October, 2009	26.45	18.25	17,493.17	15,805.20
	November, 2009	20.60	16.35	17,290.48	15,330.56
	December, 2009	26.30	18.80	17,530.94	16,577.78
	January, 2010	27.60	21.95	17,790.33	15,982.08
	February, 2010	23.50	19.00	16,669.25	15,651.99
	March, 2010	25.55	19.70	17,793.01	16,438.45



8 Share Price Performance in comparison to BSE Sensex.

The BSE Sensex open on 1st April, 2009 at 9745.77 and on 31st March, 2010, the Sensex closed at 17,527.77. The market price of the shares of the Company on the BSE has varied from Rs.12.50 to Rs.30.95 during the year under review.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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 24541892 - 1893 Fax Nos. +91 33 24541961 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 on fortnight basis. 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. 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, 2010.**	

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Share Capital
1 to 500	137268	97.42	12533053	19.49
501 to 1000	2189	1.55	1560186	2.43
1001 to 2000	694	0.49	993464	1.55
2001 to 3000	235	0.17	581149	0.90
3001 to 4000	39	0.03	138611	0.21
4001 to 5000	41	0.03	192460	0.30
5001 to 10000	201	0.14	1617733	2.52
10001 and above	238	0.17	46673755	72.60
TOTAL	**140905**	**100.00**	**64290411**	**100.00**

REPORT ON CORPORATE GOVERNANCE (Contd.)

b) Categories of Shareholders as on 31st March, 2010

Category	No. of Shares of held	% of Total Shareholding
Promoter Group	29934786	46.56
Mutual Funds / UTI	798053	1.24
Financial Institution / Banks	592257	0.92
NRIs / OCBs / Foreign Institutional Investors /Other Foreign Shareholders (Other than Promoter Group)	5423886	8.44
Bodies Corporate	5983583	9.31
Indian Public	21536690	33.50
Others	21156	0.03
GRAND TOTAL	64290411	100.00

Approximately 81.91 % of the Equity shares have been dematerialized as on 31st March, 2010. 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 Forfeiture of Zero Coupon Convertible Warrants :

The Committee for Preferential Issue of Warrant had allotted 65,00,000 (Sixty Five Lakh) Zero Coupon Convertible Warrants (ZCCW) of Rs. 5/- each at a premium of Rs. 65/- each to the Promoters on 15th March, 2008 on preferential basis. These ZCCW become due for conversion on or before 15.09.2009 i.e. within 18 months from the date of allotment. The conversion option was not exercised by the Promoters within the due date. Accordingly, the up-front money of Rs.4.90 Crores received from the allottee Companies stand forfeited in terms of the relevant SEBI Guidelines / Regulations and the Committee noted the same at its meeting held on 15.09.2009.

16	**Plant Location:**	Balgopalpur Balasore – 756 020 Orissa
	Mines Location:	
	1. Chrome Ore	● Sukinda Valley, Dist. Jajpur (Orissa)
	2. Manganese Ore	● Joda, Dist. Keoajhar (Orissa) ● Hathoda, Dist. Balaghat (M.P.), Village - Baghjumpha
	3. Quartize Mine	● Subdivission: Mayurbhanj Dist. Mayurbhanj (Orissa)
17	**Address for Investor Correspondence :** 17.1 Registrar and Transfer Agent	MCS Limited Unit: Balasore Alloys Limited 77/2A, Hazra Road Kolkata – 700 029 Ph. Nos.+ 91 33 24541892 - 1893 Fax Nos. +91 33 24541961 E-mail: mcskol@rediffmail.com
	17.2 Company's Address.	The Sr. GM & Company Secretary Balasore Alloys Limited Balgopalpur – 756 020 Dt. Balasore, Orissa. Ph. Nos.: +91 6782-275781-85 Fax Nos.: +91 6782-275724 E-Mail: ispatalloys@yahoo.co.in investorshelpline@balasorealloys.com Website: www.balasorealloys.com

Note: Shareholders holding shares in dematerialized form should address all correspondence to their respective depository participants.

REPORT ON CORPORATE GOVERNANCE (Contd.)

18 Shareholder Reference

Dematerialise your shares

All the investors are requested to convert your 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 2B (in duplicate) as per the provisions of Section 109A the Companies Act, 1956 to the Company's Registrar & 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 person.

General Points While Writing to Company or Registrar and Transfer Agent

While writing to the Company and/or Registrar and Transfer Agent, investor should mentioned 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 your telephone no. and/or e-mail ID, if any, in your crosspondance 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 shall be 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.

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

25th May, 2010

We, R K Jena, Managing Director and R K Sharma, 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, 2010 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, 2010, 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 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, 2010 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, 2010.

R K Sharma
Chief Financial Officer

R K Jena
Managing Director

AUDITORS' CERTIFICATE

To
The Members of Balasore Alloys Limited

We have examined the compliance of conditions of corporate governance by Balasore Alloys Limited, for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

For S.R. BATLIBOI & CO.
Firm Registration Number : 301003 E
CHARTERED ACCOUNTANTS

per R. K. Agrawal
Partner
Membership No.:16667

Date : 25th May, 2010

AUDITORS' REPORT TO THE MEMBERS OF BALASORE ALLOYS LIMITED

1. We have audited the attached Balance Sheet of Balasore Alloys Limited ('the Company') as at 31st March, 2010 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
   i. 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;
   ii. 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;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   v. On the basis of the written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   vi. *Attention is drawn to Note No 18 on Schedule 22 regarding certain advances of Rs. 500 lacs (Rs 735 lacs as at 31st March, 2009) against supply of raw materials which are pending beyond the stipulated delivery schedules. We are unable to opine on the recoverability / adjustment of these advances through supply of such materials and thus its consequent impact, if any, on the Company's profit. This had also caused us to qualify our audit opinion on the financial statements relating to the preceding year;*
   vii. *Subject to the effect of matter contained in para vi above*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      a) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2010;
      b) in the case of profit and loss account, of the profit of the Company for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For S. R. BATLIBOI & CO.
Firm Registration Number : 301003E
Chartered Accountants
per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata 700 016.
Date : 25th May, 2010
Place : Kolkata

ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF BALASORE ALLOYS LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2010)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and material discrepancies noted on physical verification of raw material stock have been properly adjusted in the books.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clauses 4(iii)(f) and (g) of the Order are not applicable.

(iv) 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 and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. As informed, the Company has not made any sale of services during the year.

(v) According to the information and explanations provided by the management, there have been no transactions during the year that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

(vi) As informed, the Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities *though there has been slight delay in some cases.*

(b) According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows :-

Name of the statute	Nature of the dues	Amount (Rs in lacs)	Period to which the amount relates	Due Date	Date of Payment
Orissa Value Added Tax Act, 2004	Sales Tax deferment	4.45	1998-99	February, 2008	12th May, 2010

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows :

Name of the statute	**Nature of dues**	**Amount (Rs in lacs)**	**Period to which the amount relates**	**Forum where dispute is pending**
Orissa Value Added Tax Act, 2004	Disallowance of Input tax credit set off	7.76	2005-06	Appellate Tribunal
Central Sales Tax Act, 1956	Non Submission of Forms, Consignment sales, transit sales tax on DEPB sales and sales tax deferment (including interest and penalty on delayed payment)	282.07	1991-92, 1994-95 to 2000-01, 2002-03	Commissioner, Appellate Tribunal and Orissa High Court
Central Excise Act, 1944	Demand on advances received from customers	16.27	1993-94 & 1994-95	High Court
Orissa Electricity (Duty) Act, 1961	Electricity Duty	6.96	2001	High Court

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has delayed in repayment of dues to banks [excluding Rs. 656.33 lacs, the repayment of which has been re-scheduled as indicated in Note No. 6 on Schedule 22] to the extent of Rs. 109.77 lacs during the year (the delay in such repayments being less than 90 days).* As informed, no such dues were however in arrears as on the balance sheet date. There are no dues to financial institution and debenture holders.

(xii) 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.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) As indicated in Note No. 10 on Schedule 22, the Company has given a guarantee by way of pledge of its certain investments as securities for loans taken by a related party from bank or financial institutions, the terms and conditions whereof, considering its strategic nature, are stated to be not prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these loans were obtained.

(xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis to the extent of Rs 5069.37 lacs for long-term investment in fixed assets & investments and repayment of long term loans.*

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) 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 fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.
Firm Registration Number : 301003E
Chartered Accountants
per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata 700 016.
Date : 25th May, 2010
Place : Kolkata

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs.in Lacs)

		Schedules	As at 31st March, 2010	As at 31st March, 2009
A.	**SOURCES OF FUNDS**			
	SHAREHOLDERS' FUNDS			
	a) Share Capital	1	**3,366.38**	3,366.38
	b) Application Money towards Equity Warrants (Refer Note No. 8 on Schedule 22)		—	490.00
	c) Reserves & Surplus	2	**97,265.92**	20,806.03
			100,632.30	24,662.41
	LOAN FUNDS			
	a) Secured Loans	3	**15,967.88**	17,697.74
	b) Unsecured Loans	4	**7,345.79**	1,787.85
			23,313.67	19,485.59
	DEFERRED TAX LIABILITY (NET)	7	**270.18**	458.72
	TOTAL		**124,216.15**	44,606.72
B.	**APPLICATION OF FUNDS**			
	FIXED ASSETS			
	a) Gross Block	5	**130,848.01**	52,717.86
	b) Less : Accumulated Depreciation/Amortisation		**19,835.83**	18,799.38
	c) Net Block		**111,012.18**	33,918.48
	d) Capital Work in Progress		**4,840.84**	4,758.73
			115,853.02	38,677.21
	INVESTMENTS	6	**2,133.42**	2,092.54
	CURRENT ASSETS, LOANS & ADVANCES			
	a) Inventories	8	**11,789.99**	14,099.68
	b) Sundry Debtors	9	**166.29**	1,176.27
	c) Cash & Bank Balances	10	**1,777.17**	2,083.94
	d) Other Current Assets	11	**1,083.58**	846.54
	e) Loans & Advances	12	**6,662.20**	10,753.28
			21,479.23	28,959.71
	Less: CURRENT LIABILITIES & PROVISIONS			
	a) Current Liabilities	13	**14,603.20**	24,662.85
	b) Provisions	14	**646.32**	459.89
			15,249.52	25,122.74
	Net Current Assets		**6,229.71**	3,836.97
	TOTAL		**124,216.15**	44,606.72
	Significant Accounting Policies & Notes on Accounts	22		

The schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.in Lacs)

	Schedules		2009-10		2008-09
INCOME					
Sales (Gross)	15		**43,261.75**		65,689.46
Less : Excise Duty			**1,743.19**		1,816.03
			41,518.56		63,873.43
Other Income	16		**2,935.67**		1,123.62
Total			**44,454.23**		64,997.05
EXPENDITURE					
Decrease / (Increase) in Stocks	17		**680.20**		(764.92)
Excise Duty & Cess on Stocks (Refer Note No. 22 on Schedule 22)			**13.44**		24.69
Raw Materials Consumed	18		**18,987.89**		29,316.87
Purchases of Finished Goods			**1,742.31**		3,541.48
Personnel Cost	19		**1,722.09**		`1,696.86
Power and Fuel			**9,462.34**		10,001.73
Manufacturing, Selling and Administrative Expenses	20		**4,448.50**		14,467.18
Interest	21		**4,221.37**		4,457.79
Depreciation / Amortisation		**2,629.96**		2,538.51	
Less: Transferred from General Reserve (Refer Note No. 7 on Schedule 22)		**1,225.41**	**1,404.55**	1,353.12	1,185.39
Total			**42,682.69**		63,927.07
Profit before Prior Period Items & Taxes			**1,771.54**		1,069.98
Prior Period Expenses/(Income) (Net) (Refer Note No 19 on Schedule 22)			**(313.24)**		361.83
Profit before Taxes			**2,084.78**		708.15
Provision for Taxes					
– Current Tax		**1,039.01**		231.77	
Less : MAT Credit Entitlement		**–**	**1,039.01**	170.92	60.85
– Deferred Tax charge/(credit)			**(188.54)**		514.59
– Prior Year Tax Expenses written back			**(21.02)**		–
– Wealth Tax			**0.42**		0.43
– Fringe Benefit Tax			**–**		38.69
Profit after Taxes			**1,254.91**		93.59
Profit brought forward from previous year			**9,579.30**		9,485.71
Profit carried to the Balance Sheet			**10,834.21**		9,579.30
Earning per share [Nominal value of shares - Rs 5/-]					
– Basic (Rs)			**1.95**		0.15
– Diluted (Rs)			**1.94**		0.14
(Refer Note No.15 on Schedule 22)					
Significant Accounting Policies & Notes on Accounts	22				

The schedules referred to above form an integral part of the Profit & Loss Account.

As per our Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs in Lacs)

			2009-2010		2008-2009
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net Profit before taxes		**2,084.78**		708.15
	Adjustments for :				
	Depreciation/Amortisation	**1,404.55**		1,185.39	
	Dividend on long term investments (Other than Trade, Unquoted)	**(8.25)**		–	
	Interest Income	**(746.84)**		(610.41)	
	Unspent Liability no longer required written back	**(675.64)**		(405.20)	
	(Gain)/Loss on Foreign Exchange Fluctuation/ Forward Exchange Contract (Net)	**(1,322.83)**		6,075.59	
	Provision for Diminition in value of Investment written back	**(40.88)**		–	
	Provision for Diminition in value of Investment	**–**		107.18	
	Irrecoverable debts , deposits & Advances written off	**217.15**		33.45	
	Provision for doubtful debts/advances	**24.99**		116.94	
	Loss on sale/discard of Fixed Assets (Net)	**305.48**		1,603.09	
	Provision for doubtful debts/advances written back	**–**		(5.00)	
	Interest Expenses	**3,739.90**	**2,897.63**	4,092.10	12,193.13
	Operating Profit before working capital changes		**4,982.41**		12,901.28
	Movement in Working Capital for :				
	(Increase)/Decrease in Inventories	**1,638.04**		(1,898.47)	
	(Increase)/Decrease in Sundry Debtors	**1,086.02**		(948.98)	
	(Increase)/Decrease in Loans & Advances	**4,630.26**		(1,387.68)	
	Increase/(Decrease) in Current Liabilities	**(3,759.19)**		3,309.85	
	Increase/(Decrease) in Provisions	**188.38**	**3,783.51**	8.43	(916.85)
	Cash generated from Operations		**8,765.92**		11,984.43
	Direct Tax Paid		**(358.85)**		(872.77)
	Net Cash generated from Operating Activities		**8,407.07**		11,111.66
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	**(3,655.38)**		(8,926.46)	
	Investment in Subsidiary	**–**		(1,994.25)	
	Acquisition of Investments (other than subsidiary)	**–**		(1.70)	
	Sale of Fixed Assets	**668.70**		1.77	
	Proceed from disposal of Investments	**–**		0.02	
	Interest Received	**325.70**		137.62	
	Dividend on long term investments (Other than Trade, Unquoted)	**8.25**		–	
	Net cash used in investing activities		**(2,652.73)**		(10,783.00)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Receipt of Long Term Borrowings	**475.00**		235.00	
	Repayment of Long Term Borrowings	**(576.07)**		(3,555.37)	
	Net movement in Other Borrowings	**(2,540.79)**		5,981.25	
	Interest Paid	**(2,558.55)**		(3,421.34)	
	Net cash used in financing activities		**(5,200.41)**		(760.46)
	Net Increase in cash & cash equivalents (A+B+C)		**553.93**		(431.80)
	Cash & Cash equivalents as on 01.04.2009 (opening Balance)		**35.44**		467.24
	Cash & Cash equivalents as on 31.03.2010 (closing Balance)		**589.37**		35.44
	Cash & Cash equivalents as at the end of the year includes*				
	Cash-on-hand (including cheques in hand)		**433.50**		7.70
	With Scheduled Banks on Current Account		**155.82**		27.69
	With Post Office on Savings Account		**0.05**		0.05
			589.37		35.44

* Represents cash & bank balances as reflected in Schedule 10 excluding restricted Fixed Deposit Account.

As per our attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

SCHEDULE 1		As at 31st March, 2010		As at 31st March, 2009
SHARE CAPITAL				
AUTHORISED				
200,000,000 Equity Shares of Rs.5 each		**10,000.00**		10,000.00
		10,000.00		10,000.00
ISSUED AND SUBSCRIBED				
64,290,411 Equity Shares of Rs 5 each, fully paid up		**3,214.52**		3,214.52
Add: Shares forfeited		**151.86**		151.86
		3,366.38		3,366.38

SCHEDULE 2				
RESERVES AND SURPLUS				
Capital Reserve				
Central Investment Subsidy (As per last Account)		**41.96**		41.96
Amount arisen on Forfeiture of Equity Warrants (Refer Note No. 8 on Schedule 22)		**490.00**		–
Revaluation Reserve				
Credited during the year (Refer Note No. (b) on Schedule 5)		**76,337.69**		–
Securities Premium Account (As per last Account)		**1,550.00**		1,550.00
General Reserve				
As per last Account	**9,634.77**		11,789.32	
Less: Transfer to depreciation account	**1,225.41**		1,353.12	
Adjustment towards discard/sale of fixed assets	**397.30**	**8,012.06**	801.43	9,634.77
(Refer Note No 1(iv)(d) on Schedule 22)				
Balance in Profit and Loss Account		**10,834.21**		9,579.30
		97,265.92		20,806.03

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE 3				
SECURED LOANS				
From Scheduled Banks				
Term Loans :				
Rupee Loans		**10,573.40**		8,481.15
Working Capital Facilities				
– In Rupees	**5,005.36**		6,847.50	
– In Foreign Currency	**–**	**5,005.36**	2,022.91	8,870.41
Interest Accrued & Due		**389.12**		346.18
		15,967.88		17,697.74

Notes

i) Term loans are secured by a first charge over Plant & Machinery and other fixed assets (including factory land and buildings), and by way of a second charge over the current assets of the Company.

ii) Working capital facilities are secured by first charge over the current assets of the Company and by a second charge over the fixed assets of the Company.

iii) The above loans are further secured by pledge of a part of the shareholding of the promoter group (including shares held by Shri Pramod Mittal and Shri V K Mittal, directors of the company).

iv) The above loans are also guaranteed by Shri Pramod Mittal and Shri V K Mittal and a corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited has also been furnished to the lenders.

v) All the mortgages and charges created in favour of the Banks for Term and Other Loans rank pari passu inter se.

vi) Term loans aggregating to Rs 1790.80 lacs (Rs Nil) are payable within one year.

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 4		
UNSECURED LOANS		
From Bodies Corporate	**7,315.88**	1,694.75
Under Sales Tax Deferment Scheme	**–**	75.01
Interest Accrued & Due	**29.91**	18.09
	7,345.79 *	1,787.85

* Includes amount falling due for payment within one year Rs 6,444.13 lacs (Rs 748.01 lacs)

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 5

FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2009	Additions/ Adjustments	Deductions/ Adjustments	**As at 31.03.2010**	Up to 31.03.2009	For the Year	On Deductions/ Adjustments	**Up to 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
Tangible Assets										
Lease Hold Land	137.22	84.86	–	**222.08**	17.13	1.52	–	**18.65**	**203.43**	120.09
Free Hold Land	641.08(a)	434.99	–	**1,076.07**(a)	–	–	–	**–**	**1,076.07**	641.08
Mining Lease	17,382.14	67,897.09	–	**85,279.23**	2,957.22	695.29	–	**3,652.51**	**81,626.72**	14,424.92
Buildings	4,304.05	1,039.78	–	**5,343.83**	1,290.22	128.29	–	**1,418.51**	**3,925.32**	3,013.83
Plant & Machinery	29,033.93	10,787.09	2,293.34	**37,527.68**	14,068.74	1,738.29	1,593.51	**14,213.52**	**23,314.16**	14,965.19
Vehicles	113.25	–	–	**113.25**	73.52	4.71	–	**78.23**	**35.02**	39.73
Office Equipments, Furniture & Fixtures	551.95	20.82	–	**572.77**	371.84	31.75	–	**403.59**	**169.18**	180.11
Intangible Assets										
Mines Development	554.24	158.86	–	**713.10**(e)	20.71	30.11	–	**50.82**	**662.28**	533.53
Total	52,717.86(b)	80,423.49(b)	2,293.34(c)	**130,848.01**	18,799.38	2,629.96	1,593.51	**19,835.83**	**111,012.18**	33,918.48
Capital work in progress	4,758.73	3,924.67	3,842.56	**4,840.84**(d)	–	–	–	**–**	**4,840.84**	4,758.73
Grand Total	57,476.59	84,348.16	6,135.90	**135,688.85**	18,799.38	2,629.96	1,593.51	**19,835.83**	**115,853.02**	38,677.21
Previous Period's Total	57699.16	15,009.83	15,232.40	57,476.59	19,667.96	2,538.51	3,407.09	18,799.38	38,677.21	

Notes

(a) Includes land valuing Rs 91.37 lacs (Rs 141.05 lacs) yet to be registered in the name of the Company.

(b) Includes Rs 76,337.69 lacs capitalised on account of revaluation of land, buildings, mining lease and plant & machinery of the Company as on 31st March, 2010, based on the report of an approved valuer at net replacement cost basis which has been credited to Revaluation Reserve. Further, Gross Block as on 31st March, 2009 includes Rs 23,118.34 lacs capitalised on account of revaluation of above fixed assets as on 31st December, 2004 at net replacement cost basis.

(c) Represents assets sold/discarded during the year.

(d) Includes Capital Advances Rs 553.24 lacs (Rs 535.09 lacs).

(e) Represents cost of Net Present Value of Forest Restoration, Exploration cost etc.

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

SCHEDULE 6

INVESTMENTS (Long Term)

	Nos	Face Value (Rs.)	As at 31st March, 2010	As at 31st March, 2009
A. GOVERNMENT SECURITIES (Unquoted, Trade)				
6 years National Savings Certificates (Deposited with Government Departments)			**0.73**	0.73
		(A)	**0.73**	0.73
B. IN SUBSIDIARY COMPANY (Unquoted, Trade, Fully Paid-up)				
Equity Shares in Milton Holding Limited #	43601	USD 100	**1,994.25**	1,994.25
		(B)	**1,994.25**	1,994.25
C. IN ASSOCIATE COMPANY (Unquoted, Trade, Fully Paid-up)				
Equity Shares in Balasore Energy Limited	17000	10	**1.70**	1.70
		(C)	**1.70**	1.70
D. OTHER INVESTMENTS-FULLY PAID-UP (Other than Trade)				
i) Unquoted				
Equity Shares in Elephanta Gases Limited	300000	10	**30.00**	30.00
Equity Shares in Ispat Finance Limited	116	10	**0.10**	0.10
Magnum units of SBI Mutual Fund	165000	10	**10.00**	10.00
			40.10	40.10
ii) Quoted				
Equity Shares in Ispat Industries Limited (Refer Note No 10 on Schedule 22)	453000	10	**293.15**	293.15
0.01% Cumulative Redeemable Preference Shares in Ispat Industries Limited	302000	10	**195.43**	195.43
Equity Shares of Ispat Profiles India Ltd.	39950	10	**7.99**	7.99
			496.57	496.57
Less: Provision for diminution in the value of Investments			**(399.93)**	(440.81)
			96.64	55.76
		(D)	**136.74**	95.86
Total		(A+B+C+D)	**2,133.42**	2,092.54
Aggregate value of investments				
Quoted			**96.64**	55.76
Unquoted			**2,036.78**	2,036.78
			2,133.42	2,092.54
Market Value of Quoted Investments			**96.64**	55.76

Valued at the exchange rate prevailing on the date of transaction

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs.in Lacs)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 7		
DEFERRED TAX LIABILITY/(ASSET) (NET)		
As per Last Account	**458.72**	(55.87)
Less: Deferred Tax Charge / (Credit)	**(188.54)**	514.59
	270.18	458.72
SCHEDULE 8		
INVENTORIES		
(At lower of cost and net realisable value)		
Stores, Spares & Production Consumables [Includes discarded fixed assets awaiting disposal Rs 229.85 lacs (Rs 901.50 lacs)]	**1,005.56**	2,118.28
Raw Materials [Includes in transit Rs.839.82 lacs (Rs 1,940.53 lacs)]	**9,782.32**	10,299.09
Goods under process	**92.90**	92.51
Finished Goods	**160.18**	783.87
At estimated net realisable value		
Saleable scrap	**749.03**	805.93
	11,789.99	14,099.68
SCHEDULE 9		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Doubtful	**29.83**	11.83
Other Debts		
Considered Good	**166.29**	1,176.27
	196.12	1,188.10
Less: Provision for Doubtful Debts	**29.83**	11.83
	166.29	1,176.27
SCHEDULE 10		
CASH & BANK BALANCES		
Cash-on-hand [Including Cheques in hand Rs 424 lacs (Rs. Nil)]	**433.50**	7.70
With Scheduled Banks on :		
– Current Account	**155.82**	27.69
– Fixed Deposit Account (Receipts lying with Banks as security against guarantees / letters of credit issued by them)	**1,187.80**	2,048.50
With Post Office on Savings Account	**0.05**	0.05
	1,777.17	2,083.94
SCHEDULE 11		
OTHER CURRENT ASSETS		
Interest Receivable		
Considered Good	**1,083.58**	846.54
Considered Doubtful	**10.11**	10.11
	1,093.69	856.65
Less: Provision for Doubtful Receivable	**10.11**	10.11
	1,083.58 #	846.54

Includes Rs 740.72 lacs (Rs 458.09 lacs) due for more than six months.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2010	(Rs.in Lacs) As at 31st March, 2009
SCHEDULE 12		
LOANS & ADVANCES		
(Unsecured)		
Loans		
Considered Good	**2,711.85**	4,727.00
Considered Doubtful	**35.81**	35.81
Advances recoverable in cash or in kind or for value to be received or pending adjustments {Including loans to employees Rs. 17.75 lacs (Rs.13.26 lacs)}		
Considered Good	**1,093.51**	1,723.91
Considered Doubtful	**132.14**	125.67
Export Benefits Receivables	**266.45**	502.61
Balance with Central Excise, Sales Tax & other government Authorities	**785.77**	1,378.47
Advance income tax / Tax deducted at source (Net of provisions)	**398.10**	386.86
MAT Credit Entitlement	**123.18**	795.92
Security & Other Deposits	**1,283.34**	1,238.51
	6,830.15	10,914.76
Less: Provision for Doubtful Loans & Advances	**167.95**	161.48
	6,662.20	10,753.28
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	**3,771.65**	2,625.02
Sundry Creditors for goods, services, expenses etc.		
a) Due to Micro & Small Enterprises (Refer Note No 4 on Schedule 22)	**82.83**	70.45
b) Due to Others [Including due to a Directors Rs 9.30 lacs (Rs 9.98 lacs)]	**9,651.44**	16,930.64
Other Liabilities	**512.87**	403.56
Temporary Book Overdraft from Banks	**–**	152.09
Advances from Customers	**584.41**	4,478.08
Interest accrued but not due on loans	**–**	3.01
	14,603.20	24,662.85
SCHEDULE 14		
PROVISIONS		
Retirement Benefits		
Gratuity	**299.59**	206.74
Superannuation	**58.88**	34.52
Leave Salary	**269.85**	198.68
Site Restoration	**18.00**	18.00
Fringe Benefit Tax (Net of Advances)	**–**	1.95
	646.32	459.89

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Rs.in Lacs)

	2009-2010	2008-2009
SCHEDULE 15		
SALES (Gross)		
Finished Goods	**42,504.53**	64,961.76
Saleable Scrap	**169.84**	87.00
Export Benefits	**587.38**	640.70
	43,261.75	65,689.46
SCHEDULE 16		
OTHER INCOME		
Interest on loans, deposits, etc (Gross) {Tax deducted at source Rs. 46.99 lacs (Rs. 34.11 lacs)}	**746.84**	610.41
Dividend on long term investments (Other than trade, unquoted)	**8.25**	—
Insurance claims	**31.91**	9.33
Unspent liabilities no longer required written back	**675.64**	405.20
Provision for diminution in the value of Investments written back	**40.88**	—
Provision for doubtful Debts / Advances written back	**—**	5.00
Gain on Foreign Exchange Fluctuation /Forward Exchange Contract (net)	**1,322.83**	—
Miscellaneous Receipts	**109.32**	93.68
	2,935.67	1,123.62
SCHEDULE 17		
DECREASE/(INCREASE) IN STOCKS		
Opening Stocks		
Goods under process	**92.51**	127.44
Finished goods	**783.87**	563.25
Saleable scrap	**805.93**	226.70
	1,682.31	917.39
Less : Closing Stocks		
Goods under process	**92.90**	92.51
Finished goods	**160.18**	783.87
Saleable scrap	**749.03**	805.93
	1,002.11	1,682.31
	680.20	(764.92)
SCHEDULE 18		
RAW MATERIALS CONSUMED		
Opening Stock	**10,299.09**	9,858.20
Add : Purchases [(Net of sales, claims etc Rs 56.01 lacs (Rs 585.72 lacs) and including procurement & handling expenses)]	**18,471.12***	29,757.76
	28,770.21	39,615.96
Less : Closing Stock	**9,782.32**	10,299.09
	18,987.89	29,316.87

*Refer Note Nos. 17 on Schedule 22

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Rs.in Lacs)

		2009-2010		2008-2009
SCHEDULE 19				
PERSONNEL COST				
Salaries, Wages, Bonus, etc		**1,240.56**		1,296.11
Contribution to Provident, Gratuity & Other Funds		**196.67**		143.18
Staff Welfare Expenses		**99.11**		96.16
Managerial Remuneration		**185.75**		161.41
(Refer Note No. 14 on Schedule 22)		**1,722.09**		1,696.86
SCHEDULE 20				
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES				
Contract Labour Charges		**367.30**		308.38
Stores, Spares & Chemicals consumed		**756.81**		648.76
[(Including discarded fixed asset written off Rs 22 lacs (Rs 72 lacs)]				
Repairs & Maintenance :				
Plant & Machinery	**412.54**		267.57	
Buildings	**71.50**		106.60	
Others	**22.35**	**506.39**	20.21	394.38
Packing and Carriage charges		**1,031.00**		2,141.71
[(Net of Recoveries Rs 411.59 lacs (Rs 476.60 lacs)]				
Commission on Sales (other than sole selling agent)		**40.78**		1,193.15
Rent and Hire charges		**67.71**		67.73
Insurance		**36.99**		40.81
Rates and Taxes		**31.66**		22.17
Directors' sitting fees		**7.95**		6.85
Charity and Donations		**22.26**		18.06
Irrecoverable debts, deposits and advances written off	**216.63**		256.29	
Less : Adjusted against Provision	**(0.52)**	**216.11**	(222.84)	33.45
Provision for doubtful debts/advances		**24.99**		116.94
Auditors' Remuneration :				
Audit Fees		**25.00**		20.00
Limited Reviews		**12.25**		11.25
Tax Audit Fees		**6.00**		6.00
In Other Capacity for Certification etc		**4.50**		6.30
Out of Pocket expenses		**0.59**		0.64
Loss on Sale / Discard of Fixed Assets (Net)		**283.48**		1,531.09
Loss on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)		**–**		6,075.59
Legal & Professional Charges		**128.21**		486.18
Travelling and Conveyance		**209.00**		372.41
Postage & Communication Charges		**81.97**		48.77
Peripherial and Site Development Expenses		**70.49**		259.78
Provision for diminution in the value of Investments		**–**		107.18
Miscellaneous Expenses		**517.06**		549.60
		4,448.50		14,467.18
SCHEDULE 21				
INTEREST & FINANCE CHARGES				
Interest to Banks:				
– On Term Loans	**1,252.18**		1,267.93	
– On Working Capital Facilities	**1,719.57**		1,401.83	
[(Net of recoveries Rs 262.52 lacs (Rs 135.39 lacs)]				
– For Recompense	**–**	**2,971.75**	770.00	3,439.76
To Others on Loans, Deposits etc:		**768.15**		652.34
Bank Commission & Finance Charges		**481.47**		365.69
		4,221.37		4,457.79

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE 22

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation of Accounts

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 of interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis. The accounting policies have been consistently applied by the Company.

(ii) 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

(iii) Fixed Assets

a) 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.

b) Expenditure incurred on development of mines subsequent to the allotment of their lease are capitalized as intangible assets.

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

d) Machinery spares which can be used only in connection with an item of 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.

e) 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 considered for determining the value in use, are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

f) Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

(iv) Depreciation / Amortization

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) 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.

SCHEDULE 22 *(Contd.)*

c) 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 amortisation of these assets over their life determined by the valuer.

d) Additional depreciation arising due to revaluation of fixed assets is adjusted against General Reserve since the surplus arising on revaluation had been transferred to General Reserve in the period 2004-05 as per Hon'ble High Court Order.

e) Leasehold land is amortised over the period of lease.

f) Mining lease is amortised over the lease period.

g) Mines Development expenditure are amortised over the balance period of respective leases.

h) Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.

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

(v) Foreign Currency Transactions

a) **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.

b) **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.

c) **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 arises.

d) **Forward Exchange Contracts not intended for trading or speculation purpose:** 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. 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 year.

e) **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.

(vi) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and net realizable value on individual investment basis. Long term investments are valued at cost, unless there is an "other than temporary" decline in value thereof, in which case, adequate provision/write-off is made in the accounts.

(vii) Inventories

a) 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 finished goods 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 a weighted average basis.

b) Goods under process 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.

SCHEDULE 22 *(Contd.)*

c) Obsolete/damaged stores, saleable dust, discarded fixed assets and saleable scrap are valued at estimated net realizable value.

d) 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.

e) The recovery of ferro chrome and silico manganese 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.

(viii) Retirement and Other Employee Benefits

a. 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 Profit and Loss Account 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.

b. 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.

c. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d. Actuarial gains/losses are taken to profit and loss account and are not deferred.

(ix) Borrowing Costs

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.

(x) Taxation

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 year 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 carry forward 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.

Minimum Alternative Tax (MAT) credit entitlement is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit entitlement becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(xi) 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.

<u>Sale of Goods</u>

Revenue from sale of goods is recognized on dispatch of goods to customers, which is incidental to transfer of significant risk and reward of ownership. Sales are net of returns, claims, discounts etc.

SCHEDULE 22 *(Contd.)*

Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(xii) Segment Reporting

The company has identified "Ferro Alloys" as its sole operating segment and the same has been treated as the primary segment. The company's secondary geographical segments have been identified based on location of customers and are demarcated into Indian & Overseas revenue earnings.

(xiii) Provision

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the 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.

(xiv) 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 during the year are adjusted for the effects of all dilutive potential equity shares.

(xv) Excise duty & custom duty

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

(xvi) 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 investments with an original maturity of three months or less.

(xvii) Contingencies

Liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. Contingent liabilities not provided for in respect of :

(Rs.in Lacs)

	Particulars	**As at 31st March, 2010**	As at 31st March, 2009
a)	Sales Tax matters under appeal {Amount paid under appeal Rs 204.15 lacs (Rs. 207.98 lacs)}	**225.14**	280.22
b)	Un-expired Bank Guarantees and Letters of Credit	**412.73**	402.90
c)	Bills discounted with Banks	**5,189.97**	2,295.47
d)	Guarantee given by way of pledge of certain Investments as security. (Refer Note No. 10)	**87.88**	49.15
e)	Liabilities on account of dues under Orissa Rural Infrastructure and Socio Economic Development Act, 2004	Amount Unascertainable	

3. Estimated amount of Capital commitments (net of advances) Rs. 4,739.21 lacs (Rs 5033.42 lacs).

SCHEDULE 22 *(Contd.)*

4. The amounts due to Micro, Small and Medium Enterprises as per MSMED Act, 2006 are as follows:

(Rs. in Lacs)

	Particulars	As at 31st March, 2010	As at 31st March, 2009
a)	Principal Amount	**67.81**	69.74
	Interest Due on Above	**15.02**	0.71
b)	Amount of interest paid in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006	**—**	—
c)	Amount of interest due and payable for the period of delay	**5.06**	6.08
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	**5.06**	6.08
e)	Amount of further interest remaining due and payable in the succeeding year	**15.02**	9.96

5. 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 benefit/ expense recongnised in the profit and loss account and balance sheet for the respective plans.

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

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Current service cost	**33.61**	28.97	**18.95**	18.20
Interest cost on benefit obligation	**26.89**	23.46	**15.10**	12.78
Expected return on plan assets	**(11.01)**	(7.74)	**—**	—
Net actuarial losses recognized in the year	**47.13**	19.84	**44.92**	17.13
Net benefit expense	**96.62**	64.53	**78.97**	48.11
Actual return on plan assets	**13.20**	10.48	**—**	—

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

	31.3.2010	31.3.2009	**31.3.2010**	31.3.2009
Defined benefit obligation	**451.69**	352.01	**269.85**	198.68
Fair value of plan assets	**152.10**	145.27	**—**	—
Net liability	**299.59**	206.74	**269.85**	198.68

SCHEDULE 22 *(Contd.)*

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

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Opening defined benefit obligation	**352.01**	295.09	**198.68**	161.20
Interest cost	**26.89**	23.46	**15.10**	12.78
Current service cost	**33.61**	28.97	**18.95**	18.20
Benefit paid	**(10.14)**	(18.09)	**(7.80)**	(10.63)
Actuarial losses on obligation	**49.32**	22.58	**44.92**	17.13
Closing defined benefit obligation	**451.69**	352.01	**269.85**	198.68

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

(Rs in Lacs)

Particulars	Gratuity	
	(2009-10)	(2008-09)
Opening fair value of plan assets	**145.27**	54.08
Expected return on plan assets	**11.01**	7.74
Contribution by the Company	**3.77**	98.80
Benefits paid	**(10.14)**	(18.09)
Actuarial gains	**2.19**	2.74
Closing fair value of plan assets	**152.10**	145.27

(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, 2010	31st March, 2009
Investments with insurer	**100 %**	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	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Discount rate	**8.30%**	7.75%	**8.30%**	7.75%
Rate of increase in salary	**10.00%**	10.00%	**10.00%**	10.00%
Expected average remaining working live of the employees	**16.77**	17.58	**16.68**	17.42
Return on Plan Assets (Gratuity Scheme)	**8.30%**	7.75%	Not Applicable	
Mortality Table	Standard Table LIC (1994-1996)			

SCHEDULE 22 *(Contd.)*

(g) Amounts for the current and previous periods are as follows:-

(Rs in Lacs)

Particulars	Gratuity			Leave		
	12 months (2009-10)	12 months (2008-09)	15 months (2007-08)	**12 months (2009-10)**	12 months (2008-09)	15 months (2007-08)
Defined benefit obligation	**451.69**	352.01	295.09	**269.85**	198.68	161.20
Fair value of plan assets	**152.10**	145.27	54.08	**—**	—	—
Deficit	**299.59**	206.74	241.01	**269.85**	198.68	161.20
Experience adjustments on plan liabilities (gains)/losses	**81.42**	2.36	—	**65.04**	7.90	—
Experience adjustments on plan assets	**2.19**	(2.74)	—	Not Applicable		

Since Accounting Standard 15 (revised) on Employee Benefits was adopted from 1st January 2007, the above disclosures have been made accordingly.

(h) The estimate of future salary increase, considered in acturial 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. 152.10 lacs to gratuity fund in the year 2010-2011.

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

(Rs in Lacs)

Particulars	**(2009-10)**	(2008-09)
Provident Fund	**64.85**	53.04
Employees' State Insurance	**13.57**	10.52
Superannuation Fund	**41.07**	34.52
Total	**119.49**	98.08

6. The Corporate Debt Restructuring (CDR) Empowered Group vide its letter dated 29th June, 2009 has approved the loan restructuring scheme for the Company, the salient features of which are as follows:

a) Cut off date for implementation: 30th April, 2009

b) Interest rate on working capital facilities from banks has been reset as follows:-
   (i) State Bank of India(SBI) – at SBI PLR
   (ii) Other banks - 12.25% p.a.

c) Interest rate on term loans from banks has been reset at follows :-
   (i) From SBI - 1% below SBI PLR
   (ii) From Other banks - 11.25% p.a.

d) Conversion of irregular portion of working capital limit into Working Capital Term Loan of Rs 1,638 lacs (after adjusting Rs 750 lacs to be deposited upfront by the Company) and repayable in 20 quarterly installments commencing from June 2010 and ending in March 2015.

e) Interest on Term loans will be converted into Funded Interest Term Loan upto 31st May, 2010.

f) Repayment schedule of the existing term loans, which has been reset, would start from June 2010 and end in March 2015. However, in case of certain Funded Interest Term Loans, repayment will commence from June 2013 and end in March 2015.

g) Lenders will continue to have the rights to recompense on the sacrifices being made over and above the amount of recompense quantified at Rs 3,220 lacs for the period upto 31st March, 2007, by the CDR- Empower Group vide its letter dated 7th May 2008. Of the above account, the Company has paid Rs 200 lacs against such demand and charged the same in profit and loss account of earlier year.

SCHEDULE 22 *(Contd.)*

7. The Company has revalued its land, buildings, mining lease and plant & machinery as on 31st March, 2010 and hence no additional depreciation has been accounted on such revaluation. However, additional depreciation arising due to revaluation done in earlier period has been adjusted with General Reserve as indicated in Note No 1(iv)(d) above.

8. Certain Promoters of the Company were alloted 6,500,000 equity warrants, on preferential basis, on 15th March, 2008, pursuant to the then applicable SEBI (Disclosure and Investor Protection) Guidelines, 2000. The said promoters have not exercised the right to apply for equity shares within the stipulated period of 18 months from the date of allotment of Equity Warrants. Consequently, in accordance with the said SEBI Guidelines, the entitlement of warrant holders to apply for equity shares has expired on 15th September, 2009 and the aggregate amount of Rs 490.00 lacs received towards issue of equity warrants has been forfeited and credited to Capital Reserves account.

9. The Company has incurred capital expenditure (including capital advances) on various projects, in excess of the normal capex approved under Corporate Debt Restructuring (CDR) Scheme, which are pending approval of the monitoring committee of the lenders in terms of the Financial Restructuring Scheme as approved by the CDR Empowered Group in earlier years.

10. Investments in the Equity Shares of Ispat Industries Limited (IIL) have been pledged with the lenders of IIL as collateral security against financial facilities provided by the lenders to IIL.

11. 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 as on the balance sheet date are as follows :

Total Number of Equity shares held by the Promoter Group	29,934,786
Total Number of Equity shares pledged by the Promoter Group	14,604,790
Percentage of total shares pledged to total shareholding of the Promoter Group	48.79
Percentage of total shares pledged to total outstanding shares of the Company	22.72

12. (a) The company has only one business segment i.e. Ferro Alloys and thus no further disclosures are required in accordance with Accounting Standard 17.

(b) Geographical Segments

(Rs. in Lacs)

Particulars	**2009-10**	2008-09
Domestic Revenues (Net of Excise Duty)	**20,909.69**	14,398.90
Export Revenues (Including Export Benefits)	**20,608.87**	49,474.53
Total	**41,518.56**	63,873.43

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 debtors is Rs 57.24 lacs (Rs 651.46 lacs)

13. In terms of Accounting Standard 22, net deferred tax liability of Rs 270.18 lacs has been recognized in the accounts up to 31st March, 2010.

The break-up of major components of such Deferred Tax liability is as follows:

(Rs. in Lacs)

Components of Deferred Tax Liability/(Asset)	**As at 31st March, 2010**	As at 31st March, 2009
Timing difference on depreciable assets	**1,870.80**	1,849.99
Timing difference due to disallowance under section 43B of the Income Tax Act, 1961	**(1,407.05)**	(1,235.54)
Others	**(193.57)**	(155.73)
Total	**270.18**	458.72

SCHEDULE 22 *(Contd.)*

14. Details of remuneration paid to the managing director and a whole time director:

(Rs. in Lacs)

Particulars	**2009-10**	2008-09
i) Salary	166.31	141.98
ii) Perquisites	9.10	18.05
iii) Contribution to Provident and other funds*	19.44	19.43
	194.85	179.46

* As the liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amounts pertaining to directors are not included above.

15. Basis for calculation of Basic and Diluted Earning per Share is as follows:

Particulars		**2009-10**	2008-09
Present Weighted Average Equity Shares	Nos.	64,290,411	64,290,411
Equivalent Weighted Average Equity Shares to be allotted against share warrant	Nos.	320,274	700,000
Potential weighted Average Equity Shares	Nos.	64,610,685	64,990,411
Net Profit After Tax	Rs. in Lacs	1,254.91	93.59
Nominal Value of each Shares of Rs 5/-			
Earning Per Share	Basis (Rs)	1.95	0.15
	Diluted (Rs)	1.94	0.14

16. As per the requirement of Accounting Standard – 29, the management has estimated future expenses on site restoration at mines on best judgment basis and due provision thereof has been made in the accounts. The movement of such provision is as follows:

(Rs in Lacs)

Particulars	Balance as at 1st April, 2009	Movement during the year	**Balance as at 31st March, 2010**
Provision for site restoration expenses	18.00	—	**18.00**

SCHEDULE 22 *(Contd.)*

17. Purchases of Raw Materials are inclusive of the following costs incurred for mining activities.

(Rs. in Lacs)

Nature of Expenses	2009-10	2008-09
Salaries, Wages, Bonus etc.	**173.21**	148.04
Contribution to Provident & Other Funds	**7.92**	5.20
Excavation and Peripheral development cost	**1,486.20**	1,638.49
Stores, Spares & Chemical consumed	**0.97**	1.20
Royalty and Cess	**1,490.52**	2,182.44
Power & Fuel	**43.63**	44.34
Repair & Maintenance - Plant and Machinery	**24.00**	19.77
Rates & Taxes	**0.21**	0.26
Rent & Hire Charges	**157.73**	169.76
Insurance Charges	**0.06**	0.05
Commission & Finance Charges	**0.35**	0.14
Traveling & Conveyance	**8.29**	13.89
Miscellaneous expenses	**101.55**	104.70

18. The supply of raw materials against advances of Rs. 500 lacs (Rs 735 lacs) to various parties is pending beyond the stipulated time as per the respective purchase orders. The management is following up the matter and expects to recover/adjust such advances in the near future.

19. The break up of prior period income/(expenses) as indicated in Profit and Loss Account is as follows :-

Rs in Lacs

Nature of Expenses	2009-10	2008-09
Income		
Legal & Professional Charges	**1.02**	—
Packing & Carriage Charges	**2.55**	—
Raw Materials Consumption credited	**320.34**	—
Export Incentive	**—**	52.16
Miscellaneous Receipts	**0.17**	34.66
Sub Total (A)	**324.08**	86.82
Expenditure		
Loss on forward exchange contracts	**—**	418.00
Commission on Sales (Other than sole selling agent)	**4.88**	26.54
Rent & Hire Charges	**—**	1.90
Contract Labour Charges	**—**	2.21
Interest & Finance Charges	**5.96**	—
Sub Total (B)	**10.84**	448.65
Net Prior Period Items	**313.24**	(361.83)

SCHEDULE 22 *(Contd.)*

20. The Company has the following un-hedged exposures in various foreign currencies as at the year end:

(Rs in Lacs)

Sr. No.	Particulars	As at 31st March, 2010	As at 31st March, 2009
(i)	Advances	98.23	776.86
(ii)	Trade Payables and Advances from customers	572.76	8,482.62
(iii)	Borrowings	—	3,154.81
(iv)	Investments in Subsidiary Company	1,994.25	1,994.25

21. Related Party Disclosures

(a) Names of the related parties :

Subsidiary Company	:	Milton Holdings Limited
Associate Company	:	Balasore Energy Limited
Key Management Personnel	:	Mr. Pramod Mittal
		Mr. V K Mittal
		Mr. R.K Jena
		Mr C. R. Pradhan (w.e.f 29th May, 2009)
Enterprises over which Key Management Personnel / Shareholders / Relatives have significant influence	:	Global Steel Holdings Limited
		Ispat Industries Limited
		Gontermann Peipers (India) Limited
		Navoday Consultant Limited (formerly Mudra Ispat Limited)
		Denro Holdings Private Limited
		Kartik Credit Private Limited
		Navdisha Real Estate Private Limited (formerly Kanoria Plastokem (P) Ltd)
		Shakti Chrome Limited

SCHEDULE 22 *(Contd.)*

(b) Related Party Disclosures :

(Rs in Lacs)

Nature of Transactions / Name of the Related Parties	Subsidiary Company	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Unspent Liabilities no longer required write back					
Ispat Industries Ltd				– (161.96)	– (161.96)
Mr. R K Jena			– (17.00)		– (17.00)
Interest received					
Shakti Chrome Limited				**127.24** (113.72)	**127.24** (113.72)
Navoday Consultant Limited				**7.45** (10.71)	**7.45** (10.71)
Process Loss Recovered					
Shakti Chrome Limited				**19.72** (585.72)	**19.72** (585.72)
Processing Charges Paid					
Shakti Chrome Limited				**716.55** (299.52)	**716.55** (299.52)
Rent Paid					
Navdisha Real Estate Private Limited				**60.00** (60.00)	**60.00** (60.00)
Managerial Remuneration					
Mr. R. K. Jena			**180.22** (179.46)		**180.22** (179.46)
Mr. C. R. Pradhan			**14.63** (–)		**14.63** (–)
Forfeiture of Application Money received towards Equity Warrants					
Denro Holding Private Limited				**245.00** (–)	**245.00** (–)
Kartik Credit Private Limited				**245.00** (–)	**245.00** (–)
Provision for Doubtful Debts / Advances					
Global Steel Holdings Ltd				– (116.94)	– (116.94)
Loan Repaid					
Navoday Consultant Limited				**126.00** (–)	**126.00** (–)
Shakti Chrome Limited				**613.50** (–)	**613.50** (–)
Loans Given					
Shakti Chrome Limited				— (650.00)	— (650.00)
Investments made during the year					
Milton Holdings Limited	– (1,994.25)				– (1,994.25)
Balasore Energy Limited		– (1.70)			– (1.70)
Guarantees Given					
Ispat Industries Limited				**87.88** (49.15)	**87.88** (49.15)
Guarantees Obtained					
Mr. Pramod Mittal			**15578.76** (17351.56)		**15578.76** (17351.56)
Mr. V K Mittal			**15578.76** (17351.56)		**15578.76** (17351.56)
Balances Outstanding as at year end – Credit Balance					
Mr. R. K. Jena			**8.27** (9.98)		**8.27** (9.98)
Mr. C. R. Pradhan			**1.03** (–)		**1.03** (–)
Denro Holding Private Limited				– (245.00)	– (245.00)
Kartik Credit Private Limited				– (245.00)	– (245.00)
Balances Outstanding as at year end – Debit Balance					
Navoday Consultant Limited				**43.68** (162.23)	**43.68** (162.23)
Shakti Chrome Limited				**992.94** (1638.82)	**992.94** (1638.82)
Navdisha Real Estate Private Limited				**44.00** (44.00)	**44.00** (44.00)
Balasore Energy Limited		**2.58** (2.33)			**2.58** (2.33)

SCHEDULE 22 *(Contd.)*

22. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of Finished Goods and processable scrap.

23. Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 :

(i) Quantitative information of goods manufactured/traded.

(A) Installed Capacity and Production:

	Annual Installed Capacity (MT) (b) (on basis)	Production (MT) (c) 2009-10	2008-09
Silicon & Ferro Alloys	100,000 (100,000)	**83,936**	88,846
Manganese Ore	Not Applicable	**–**	2,994

(a) Licensed capacity is not applicable as the industry is de-licensed

(b) As certified by the management based on interchangeability of products

(c) Includes 3434 MT (1028 MT) recovered from old slag

(B) Details of Opening Stock, Purchases, Sales & Closing Stock

Class of Product	Opening Stock *		Closing Stock *		Purchases (Traded Goods)		Sales ** (excluding excise duty)	
	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs	Quantity MT	Value Rs in Lacs
Silicon & Ferro Alloys	**2,099**	**766.17**	**495**	**159.08**	**3,141**	**1,742.31**	**88,681**	**41,316.22**
	(1,648)	(510.80)	(2,099)	(766.17)	(10,358)	(3,541.48)	(98,753)	(63,480.93)
Manganese Ore	**1,275**	**17.70**	**171**	**1.10**	**–**	**–**	**1,109**	**32.50**
	(1,719)	(52.45)	(1,275)	(17.70)	(–)	(–)	(3,438)	(305.50)

* After adjustment of Shortage / Excess

** Including Traded Goods

(Rs in lacs)

	2009-10	2008-09
(ii) CIF Value of Imports (Including through Canalizing Agency)		
Raw Materials	**3,206.43**	7,779.88
Stores and Spares	**0.87**	346.23
(iii) Expenditure in foreign currency (on actual remittance basis)		
Travelling	**3.73**	25.35
Others	**97.03**	1,232.55
(iv) Earning in foreign currency (on accrual basis)		
FOB Value of Exports	**19,768.88**	47,935.49

SCHEDULE 22 *(Contd.)*

(v) Details of raw materials consumed (excluding those used in intermediate product)

	2009-10		2008-09	
	Quantity MT	**Rs. in Lacs**	Quantity MT	Rs. in Lacs
Quartz	**25,518**	**285.19**	29,701	179.03
Coal and Coke etc.	**55,056**	**8,357.39**	60,226	10,398.48
Carbon Paste	**1,470**	**412.67**	1,454	440.10
Chrome Ore	**332,179**	**9,015.24**	278,392	15,307.02
Others (Including handling charges)		**917.40**		2,992.24
Total*		**18,987.89**		29,316.87

* Includes Rs 878.12 lacs (Rs 504.40 lacs) being the value written off towards shortages observed on physical verification.

(vi) 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)

Particulars	**Raw Materials**		**Stores & Spares & Chemicals Consumed***	
	Rs. In lacs	**%**	**Rs. In lacs**	**%**
Indigenous	**13,579.46** (22,268.90)	**71.52** (75.95)	**1,175.93** (960.54)	**95.03** (99.68)
Imported	**5,408.43** (7,047.97)	**28.48** (24.05)	**61.45** (3.12)	**4.97** (0.32)
Total	**18,987.89** (29,316.87)	**100.00** (100.00)	**1,237.38** (963.66)	**100.00** (100.00)

* Includes Rs 458.57 lacs (Rs 314.90 lacs) charged to other heads of expenses

(vii) Remittances (Net of Tax) in Foreign Currency on account of Dividend

	As at 31st March, 2010	As at 31st March, 2009
a) No. of non resident shareholders	**1,370**	1,426
b) No. of Equity Shares Held	**8,351,056**	3,866,768
c) Amount remitted as dividend	**Nil**	Nil

24. Previous year's figures including those given in brackets have been regrouped / rearranged where necessary to conform to this year's classification.

Signatories to Schedules 1 to 22

As per our Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE AS AT & FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2010

1. Registration Details

Registration No. (CIN) :	L27101OR1984PLC001354	State Code	15
Balance Sheet Date	31.03.2010		

2. Capital Raised during the year (Rs. in Lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds (Rs. in Lacs)

Total Liabilities	124216.15	Total Assets	124216.15
Sources of Funds		**Application of Funds**	
Paid-up Capital	3366.38*	Net Fixed Assets	115853.02
Reserves & Surplus	97265.92	Investments	2133.42
Secured Loans	15967.88	Net Current Assets	6229.71
Unsecured Loans	7345.79		
Deferred Tax Liability (Net)	270.18		

* includes Rs. 151.86 lacs on Forfeited Shares

4. Performance of Company (Rs. in Lacs)

Total Income	44454.23
Total Expenditure	42682.69
Prior Period Items	(313.24)
Profit Before Tax	2084.78
Profit After Tax	1254.91
Earning per Share in (Rs.)	
- Basic	1.95
- Diluted	1.94
Dividend Rate	NIL

5. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC) Code	Product Description
72023000	Ferro-Silico-Manganese
72024100	Ferro-Chromium containing by Weight more than 4% of Carbon
72021100	Ferro-Manganese containing by Weight more than 2% of Carbon

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

Kolkata
25th May, 2010

AUDITORS' REPORT
THE BOARD OF DIRECTORS
BALASORE ALLOYS LIMITED

1. We have audited the attached consolidated balance sheet of Balasore Alloys Limited, its subsidiary and associate together referred as “the Group”, as at 31st March 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Balasore Alloys Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of Milton Holdings Limited, a subsidiary, whose financial statements reflect total assets of Rs. 1999.09 lacs as at 31st March 2010 and total loss of Rs. 3.52 lacs and cash flows amounting to Rs.2.12 lacs for the year then ended. We also did not audit the financial statement of Balasore Energy Limited, an associate Company, whose share of losses attributable to the Group during the year is Rs 0.13 lacs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.

4. We report that the consolidated financial statements have been prepared by Balasore Alloys Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

5. *Attention is drawn to Note No 18 on Schedule 22 regarding certain advances of Rs. 500.00 lacs (Rs 735 lacs as at 31st March, 2009) against supply of raw materials which are pending beyond the stipulated delivery schedules. We are unable to opine on the recoverability/ adjustment of these advances through supply of such materials and thus its consequent impact, if any, on the Group's profit. This had also caused us to qualify our audit opinion on the financial statements relating to the preceding year.*

6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the

explanations given to us, *subject to the effect of the matter contained in para 5 above*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of consolidated balance sheet, of the state of affairs of the Group as at 31st March 2010;

(b) in the case of consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Firm Registration Number: 301003E
Chartered Accountants

per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block 'C', 3rd Floor
Kolkata 700 016.
Date : 25th May, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedules	As at 31st March, 2010	(Rs.in Lacs) As at 31st March, 2009
A. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
a) Share Capital	1	**3,366.38**	3,366.38
b) Application Money towards Equity Warrants (Refer Note No. 9 on Schedule 22)		**–**	490.00
c) Reserves & Surplus	2	**97,227.18**	21,081.49
		100,593.56	24,937.87
LOAN FUNDS			
a) Secured Loans	3	**15,967.88**	17,697.74
b) Unsecured Loans	4	**7,385.42**	1,787.85
		23,353.30	19,485.59
DEFERRED TAX LIABILITY (NET)	7	**270.18**	458.72
TOTAL		**124,217.04**	44,882.18
B. APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	5	**130,848.01**	52,717.86
b) Less : Accumulated Depreciation/Amortisation		**19,835.83**	18,799.38
c) Net Block		**111,012.18**	33,918.48
d) Capital Work in Progress		**5,329.07**	5,280.31
		116,341.25	39,198.79
INVESTMENTS	6	**138.19**	97.44
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	8	**11,789.99**	14,099.68
b) Sundry Debtors	9	**166.29**	1,176.27
c) Cash & Bank Balances	10	**1,777.27**	2,086.16
d) Other Current Assets	11	**1,083.58**	846.54
e) Loans & Advances	12	**8,172.96**	12,503.58
		22,990.09	32,712.23
Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	13	**14,606.17**	24,666.39
b) Provisions	14	**646.32**	459.89
		15,252.49	25,126.28
Net Current Assets		**7,737.60**	5,585.95
TOTAL		**124,217.04**	44,882.18
Significant Accounting Policies & Notes on Accounts	22		

The schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.in Lacs)

	Schedules		2009-10		2008-09
INCOME					
Sales (Gross)	15		**43,261.75**		65,689.46
Less : Excise Duty			**1,743.19**		1,816.03
			41,518.56		63,873.43
Other Income	16		**2,935.67**		1,123.63
Total			**44,454.23**		64,997.06
EXPENDITURE					
Decrease/(Increase) in Stocks	17		**680.20**		(764.92)
Excise Duty & Cess on Stocks (Refer Note No. 23 on Schedule 22)			**13.44**		24.69
Raw Materials Consumed	18		**18,987.89**		29,316.87
Purchases of Finished Goods			**1,742.31**		3,541.48
Personnel Cost	19		**1,722.09**		1,696.86
Power and Fuel			**9,462.34**		10,001.73
Manufacturing, Selling and Administrative Expenses	20		**4,451.50**		14,470.37
Interest	21		**4,221.89**		4,458.29
Depreciation / Amortisation		**2,629.96**		2,538.51	
Less: Transferred from General Reserve (Refer Note No. 7 on Schedule 22)		**1,225.41**	**1,404.55**	1,353.12	1,185.39
Total			**42,686.21**		63,930.76
Profit before Prior Period Items & Taxes			**1,768.02**		1,066.30
Prior Period expenses/(income) (Net) (Refer Note No 20 on Schedule 22)			**(313.24)**		361.83
Profit before Taxes			**2,081.26**		704.47
Provision for Taxes					
– Current Tax		**1,039.01**		231.77	
Less : MAT Credit Entitlement		**–**	**1,039.01**	170.92	60.85
– Deferred tax charge/(credit)			**(188.54)**		514.59
– Prior Year tax expenses written back			**(21.02)**		–
– Wealth Tax			**0.42**		0.43
– Fringe Benefit tax			**–**		38.69
Profit after Taxes			**1,251.39**		89.91
Less : Share of loss of Associate Company			**0.13**		0.85
Net Profit			**1,251.26**		89.06
Profit brought forward from previous year			**9,574.77**		9,485.71
Profit carried to the Balance Sheet			**10,826.03**		9,574.77
Earning per share [Nominal value of shares - Rs 5/-]					
– Basic (Rs)			**1.95**		0.14
– Diluted (Rs)			**1.94**		0.14
(Refer Note No.16 on Schedule 22)					
Significant Accounting Policies & Notes on Accounts	22				

The schedules referred to above form an integral part of the Consolidated Profit & Loss Account.

As per our Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
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S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs in Lacs)

			2009-2010		2008-2009
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**				
	Net Profit before taxes		**2,081.26**		704.47
	Adjustments for :				
	Depreciation/Amortisation	**1,404.55**		1,185.39	
	Dividend on long term investments (Other than Trade, Unquoted)	**(8.25)**		–	
	Interest Income	**(746.84)**		(610.42)	
	Unspent Liability no longer required written back	**(675.64)**		(405.20)	
	(Gain)/Loss on Foreign Exchange Rate Fluctuation/ Forward Exchange Contract (net)	**(1,322.83)**		6,075.59	
	Provision for Diminition in value of Investment written back	**(40.88)**		–	
	Provision for Diminition in value of Investment	**–**		107.18	
	Irrecoverable debts , deposits & Advances written off	**217.15**		33.45	
	Provision for doubtful debts/advances	**24.99**		116.94	
	Loss on sale/discard of Fixed Assets (Net)	**305.48**		1,603.09	
	Provision for doubtful debts/advances written back	**–**		(5.00)	
	Interest Expenses	**3,739.90**	**2,897.63**	4,092.10	12,193.12
	Operating Profit before working capital changes		**4,978.89**		12,897.59
	Adjustments for :				
	(Increase)/Decrease in Inventories	**1,638.04**		(1,898.47)	
	(Increase)/Decrease in Sundry Debtors	**1,086.02**		(948.98)	
	(Increase)/Decrease in Loans & Advances	**4,869.80**		(1,387.68)	
	Increase/(Decrease) in Current Liabilities	**(3,759.76)**		3,313.39	
	Increase/(Decrease) in Provisions	**188.38**	**4,022.48**	8.43	(913.31)
	Cash generated from Operations		**9,001.37**		11,984.28
	Direct Tax Paid		**(358.85)**		(872.77)
	Net Cash generated from Operating Activities (A)		**8,642.52**		11,111.51
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	**(3,622.03)**		(11,198.34)	
	Exchange Difference on consolidation	**(310.55)**		279.99	
	Acquisition of Investments (other than subsidiary)	**–**		(1.70)	
	Sale of Fixed Assets	**668.70**		1.77	
	Proceed from disposal of Investments	**–**		0.02	
	Interest Received	**325.70**		137.63	
	Dividend on long term investments (Other than Trade, Unquoted)	**8.25**		–	
	Net cash used in investing activities (B)		**(2,929.93)**		(10,780.63)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Receipt of Long Term Borrowings	**514.63**		235.00	
	Repayment of Long Term Borrowings	**(576.07)**		(3,555.37)	
	Net movement in Other Borrowings	**(2,540.79)**		5,981.25	
	Interest Paid	**(2,558.55)**		(3,421.34)	
	Net cash used in financing activities (C)		**(5,160.78)**		(760.46)
	Net increase in cash & cash equivalents (A+B+C)		**551.81**		(429.58)
	Cash & Cash equivalents as on 01.04.2009 (Opening Balance)		**37.66**		467.24
	Cash & Cash equivalents as on 31.03.2010 (Closing Balance)		**589.47**		37.66
	Cash & Cash equivalents as at the end of the year includes*				
	Cash-on-hand (including cheques in hand)		**433.55**		7.70
	With Scheduled Banks on Current Account		**155.82**		27.69
	With Non Scheduled Banks		**0.05**		2.22
	With Post Office on Savings Account		**0.05**		0.05
			589.47		37.66

* Represents cash & bank balances as reflected in Schedule 10 excluding restricted Fixed Deposit Account.

As per our attached Report of even date

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

For and on behalf of Board of Directors

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs.in Lacs)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
200,000,000 Equity Shares of Rs.5 each	**10,000.00**	10,000.00
	10,000.00	10,000.00
ISSUED AND SUBSCRIBED		
64,290,411 Equity Shares of Rs 5 each, fully paid up	**3,214.52**	3,214.52
Add: Shares forfeited	**151.86**	151.86
	3,366.38	3,366.38

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE 2				
RESERVES AND SURPLUS				
Capital Reserve				
Central Investment Subsidy (As per last Account)		**41.96**		41.96
Amount arisen on Forfeiture of Equity Warrants (Refer Note No 9 on Schedule 22)		**490.00**		–
Revaluation Reserve				
Created during the year (Refer Note No (b) on Schedule 5)		**76,337.69**		–
Securities Premium Account (As per last Account)		**1,550.00**		1,550.00
General Reserve				
As per last Account	**9,634.77**		11,789.32	
Less: Transfer to depreciation account	**1,225.41**		1,353.12	
Adjustment towards discard/sale of fixed assets (Refer Note No 1(v)(d) on Schedule 22)	**397.30**	**8,012.06**	801.43	9,634.77
Balance in Profit and Loss Account		**10,826.03**		9,574.77
Foreign Currency Translation Reserve				
As per last account	**279.99**		–	
Addition / Deduction for the year	**(310.55)**	**(30.56)**	279.99	279.99
		97,227.18		21,081.49

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

				(Rs.in Lacs)
		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE 3				
SECURED LOANS				
From Scheduled Banks				
Term Loans :				
Rupee Loans		**10,573.40**		8,481.15
Working Capital Facilities				
– In Rupees	**5,005.36**		6,847.50	
– In Foreign Currency	**–**	**5,005.36**	2,022.91	8,870.41
Interest Accrued & Due		**389.12**		346.18
		15,967.88		17,697.74

Notes

i) Term loans are secured by a first charge over Plant & Machinery and other fixed assets (including factory land and buildings), and by way of a second charge over the current assets of the Company.

ii) Working capital facilities are secured by first charge over the current assets of the Company and by a second charge over the fixed assets of the Company.

iii) The above loans are further secured by pledge of a part of the shareholding of the promoter group (including shares held by Shri Pramod Mittal and Shri V K Mittal, directors of the company)

iv) The above loans are also guaranteed by Shri Pramod Mittal and Shri V K Mittal and a corporate guarantee of Shakti Chrome Limited & Ispat Minerals Limited has also been furnished to the lenders.

v) All the mortgages and charges created in favour of the Banks for Term and Other Loans rank pari passu inter se.

vi) Term loans aggregating to Rs 1,790.80 lacs (Rs Nil) are payable within one year.

SCHEDULE 4		
UNSECURED LOANS		
From Bodies Corporate	**7,355.51**	1,694.75
Under Sales Tax Deferment Scheme	**—**	75.01
Interest Accrued & Due	**29.91**	18.09
	*** 7,385.42**	1,787.85

* Includes amount falling due for payment within one year Rs 6,444.13 lacs (Rs 748.01 lacs)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 5
FIXED ASSETS

(Rs.in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2009	Additions/ Adjustments	Deductions/ Adjustments	**As at 31.03.2010**	Up to 31.03.2009	For the Year	On Deductions/ Adjustments	**Up to 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
Tangible Assets										
Lease Hold Land	137.22	84.86	–	**222.08**	17.13	1.52	–	**18.65**	**203.43**	120.09
Free Hold Land	641.08(a)	434.99	–	**1,076.07**(a)	–	–	–	**–**	**1,076.07**	641.08
Mining Lease	17,382.14	67,897.09	–	**85,279.23**	2,957.22	695.29	–	**3,652.51**	**81,626.72**	14,424.92
Buildings	4,304.05	1,039.78	–	**5,343.83**	1,290.22	128.29	–	**1,418.51**	**3,925.32**	3,013.83
Plant & Machinery	29,033.93	10,787.09	2,293.34	**37,527.68**	14,068.74	1,738.29	1,593.51	**14,213.52**	**23,314.16**	14,965.19
Vehicles	113.25	–	–	**113.25**	73.52	4.71	–	**78.23**	**35.02**	39.73
Office Equipments, Furniture & Fixtures	551.95	20.82	–	**572.77**	371.84	31.75	–	**403.59**	**169.18**	180.11
Intangible Assets										
Mines Development	554.24	158.86	–	**713.10**(e)	20.71	30.11	–	**50.82**	**662.28**	533.53
Total	52,717.86(b)	80,423.49(b)	2,293.34(c)	**130,848.01**	18,799.38	2,629.96	1,593.51	**19,835.83**	**111,012.18**	33,918.48
Capital work in progress	5,280.31	5,420.05	5,371.29	**5,329.07**(d)	–	–	–	**–**	**5,329.07**	5,280.31
Grand Total	57,998.17	85,843.54	7,664.63	**136,177.08**	18,799.38	2,629.96	1,593.51	**19,835.83**	**116,341.25**	39,198.79
Previous Year's total	57,699.16	15,531.41	15,232.40	57,998.17	19,667.96	2,538.51	3,407.09	18,799.38	39,198.79	

Notes

(a) Includes land valuing Rs 91.37 lacs (Rs 141.05 lacs) yet to be registered in the name of the Company.

(b) Includes Rs 76,337.69 lacs capitalised on account of revaluation of land, buildings, mining lease and plant & machinery of the Company as on 31st March, 2010, based on the report of an approved valuer at net replacement cost basis which has been credited to Revaluation Reserve. Further, Gross Block as on 31st March, 2009 includes Rs 23,118.34 lacs capitalised on account of revaluation of above fixed assets as on 31st December, 2004 at net replacement cost basis.

(c) Represents assets sold/discarded during the year.

(d) Includes Capital Advances Rs 1,041.47 lacs (Rs 1,056.67 lacs).

(e) Represents cost of Net Present Value of Forest Restoration, Exploration cost etc.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs.in Lacs)

	Nos	Face Value (Rs.)	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 6				
INVESTMENTS (Long Term)				
A. GOVERNMENT SECURITIES (Unquoted, Trade)				
6 years National Savings Certificates (Deposited with Government Departments)			**0.73**	0.73
		(A)	**0.73**	0.73
B. IN ASSOCIATE COMPANY (Unquoted, Trade), (Fully Paid-up)				
Equity Shares in Balasore Energy Limited	17000	10	**1.70**	1.70
Less : Post Acquisition Loss			**0.98**	0.85
		(B)	**0.72**	0.85
C. OTHER INVESTMENTS-FULLY PAID-UP (Other than Trade)				
i) Unquoted				
Equity Shares in Elephanta Gases Limited	300000	10	**30.00**	30.00
Equity Shares in Ispat Finance Limited	116	10	**0.10**	0.10
Magnum units of SBI Mutual Fund	165000	10	**10.00**	10.00
			40.10	40.10
ii) Quoted				
Equity Shares in Ispat Industries Limited (Refer Note No 11 on Schedule 22)	453000	10	**293.15**	293.15
0.01% Cumulative Redeemable Preference Shares in Ispat Industries Limited	302000	10	**195.43**	195.43
Equity Shares of Ispat Profiles India Ltd.	39950	10	**7.99**	7.99
			496.57	496.57
Less: Provision for diminution in the value of Investments			**(399.93)**	(440.81)
			96.64	55.76
		(C)	**136.74**	95.86
Total		(A+B+C)	**138.19**	97.44
Aggregate value of investments				
Quoted			**96.64**	55.76
Unquoted			**41.55**	41.68
			138.19	97.44
Market Value of Quoted Investments			**96.64**	55.76

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

		(Rs.in Lacs)
	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 7		
DEFERRED TAX LIABILITY/(ASSET)(NET)		
As per Last Account	**458.72**	(55.87)
Less: Deferred Tax Charge / (Credit)	**(188.54)**	514.59
	270.18	458.72
SCHEDULE 8		
INVENTORIES		
(At lower of cost and net realisable value)		
Stores, Spares & Production Consumables [(Includes discarded fixed assets awaiting disposal Rs 229.85 lacs (Rs 901.50 lacs)]	**1,005.56**	2,118.28
Raw Materials [(Includes in transit Rs.839.82 lacs (Rs 1,940.53 lacs)]	**9,782.32**	10,299.09
Goods under process	**92.90**	92.51
Finished Goods	**160.18**	783.87
At estimated net realisable value		
Saleable scrap	**749.03**	805.93
	11,789.99	14,099.68
SCHEDULE 9		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered Doubtful	**29.83**	11.83
Other Debts		
Considered Good	**166.29**	1,176.27
	196.12	1,188.10
Less: Provision for Doubtful Debts	**29.83**	11.83
	166.29	1,176.27
SCHEDULE 10		
CASH & BANK BALANCES		
Cash-on-hand [Including Cheques in hand Rs 424 lacs (Rs Nil)]	**433.55**	7.70
With Scheduled Banks on :		
– Current Account	**155.82**	27.69
– Fixed Deposit Account (Receipts lying with Banks as security against guarantees / letters of credit issued by them)	**1,187.80**	2,048.50
With Non Scheduled Banks		
SBI International Mauritius Limited	**0.05**	2.22
With Post Office on Savings Account	**0.05**	0.05
	1,777.27	2,086.16
SCHEDULE 11		
OTHER CURRENT ASSETS		
Interest Receivable		
Considered Good	**1,083.58**	846.54
Considered Doubtful	**10.11**	10.11
	1,093.69	856.65
Less: Provision for Doubtful Receivable	**10.11**	10.11
	1,083.58 #	846.54

Includes Rs 740.72 lacs (Rs 458.09 lacs) due for more than six months.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31st March, 2010	(Rs.in Lacs) As at 31st March, 2009
SCHEDULE 12		
LOANS & ADVANCES		
(Unsecured)		
Loans		
Considered Good	**2,711.85**	4,727.00
Considered Doubtful	**35.81**	35.81
Advances recoverable in cash or in kind or for value to be received or pending adjustments {Including loans to employees Rs. 17.75 lacs (Rs.13.26 lacs)}		
Considered Good	**2,604.27**	3474.21
Considered Doubtful	**132.14**	125.67
Export Benefits Receivables	**266.45**	502.61
Balance with Central Excise, Sales Tax & other government Authorities	**785.77**	1,378.47
Advance Income tax / Tax deducted at source (Net of provisions)	**398.10**	386.86
MAT Credit Entitlement	**123.18**	795.92
Security & Other Deposits	**1,283.34**	1,238.51
	8,340.91	12,665.06
Less: Provision for Doubtful Loans & Advances	**167.95**	161.48
	8,172.96	12,503.58
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	**3,771.65**	2,625.02
Sundry Creditors for goods, services, expenses etc.		
a) Due to Micro and Small Enterprises (Refer Note No 4 on Schedule 22)	**82.83**	70.45
b) Due to Others [Including due to a Directors Rs 9.30 lacs (Rs 9.98 lacs)]	**9,654.41**	16,934.18
Other Liabilities	**512.87**	403.56
Temporary Book Overdraft from Banks	**–**	152.09
Advances from Customers	**584.41**	4,478.08
Interest accrued but not due on loans	**–**	3.01
	14,606.17	24,666.39
SCHEDULE 14		
PROVISIONS		
Retirement Benefits		
Gratuity	**299.59**	206.74
Superannuation	**58.88**	34.52
Leave Salary	**269.85**	198.68
Site Restoration	**18.00**	18.00
Fringe Benefit Tax (Net of Advances)	**–**	1.95
	646.32	459.89

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2009-2010	(Rs.in Lacs) 2008-2009
SCHEDULE 15		
SALES (Gross)		
Finished Goods	**42,504.53**	64,961.76
Saleable Scrap	**169.84**	87.00
Export Benefits	**587.38**	640.70
	43,261.75	65,689.46
SCHEDULE 16		
OTHER INCOME		
Interest on loans, deposits, etc (Gross) {Tax deducted at source Rs. 46.99 lacs (Rs. 34.11 lacs)}	**746.84**	610.42
Dividend on long term investments (Other than trade, unquoted)	**8.25**	—
Insurance claims	**31.91**	9.33
Unspent liabilities no longer required written back	**675.64**	405.20
Provision for diminution in the value of Investments written back	**40.88**	—
Provision for doubtful Debts / Advances written back	**—**	5.00
Gain on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)	**1,322.83**	—
Miscellaneous Receipts	**109.32**	93.68
	2,935.67	1,123.63
SCHEDULE 17		
DECREASE/(INCREASE) IN STOCKS		
Opening Stocks		
Goods under process	**92.51**	127.44
Finished goods	**783.87**	563.25
Saleable scrap	**805.93**	226.70
	1,682.31	917.39
Less : Closing Stocks		
Goods under process	**92.90**	92.51
Finished goods	**160.18**	783.87
Saleable scrap	**749.03**	805.93
	1,002.11	1,682.31
	680.20	(764.92)
SCHEDULE 18		
RAW MATERIALS CONSUMED		
Opening Stock	**10,299.09**	9,858.20
Add : Purchases [(Net of sales, claims etc of Rs 56.01 lacs (Rs 585.72 lacs) and including procurement & handling expenses)]	**18,471.12***	29,757.76
	28,770.21	39,615.96
Less : Closing Stock	**9,782.32**	10,299.09
	18,987.89	29,316.87

*(Refer Note No 17 on Schedules 22)

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs.in Lacs)

SCHEDULE 19
PERSONNEL COST

	2009-2010	2008-2009
Salaries, Wages, Bonus, etc	**1,240.56**	1,296.11
Contribution to Provident, Gratuity & Other Funds	**196.67**	143.18
Staff Welfare Expenses	**99.11**	96.16
Managerial Remuneration	**185.75**	161.41
(Refer Note No. 15 on Schedule 22)	**1,722.09**	1,696.86

SCHEDULE 20
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES

		2009-2010		2008-2009
Contract Labour Charges		**367.30**		308.38
Stores, Spares & Chemical consumed		**756.81**		648.76
[(Including discarded fixed asset written off Rs 22 lacs (Rs 72 lacs)]				
Repairs & Maintenance :				
Plant & Machinery	**412.54**		267.57	
Buildings	**71.50**		106.60	
Others	**22.35**	**506.39**	20.21	394.38
Packing and Carriage charges		**1,031.00**		2,141.71
[(Net of Recoveries Rs 411.59 lacs (Rs 476.60 lacs)]				
Commission on Sales (other than sole selling agent)		**40.78**		1,193.15
Rent and hire charges		**67.71**		67.73
Insurance		**36.99**		40.81
Rates and Taxes		**31.66**		22.17
Directors' sitting fees		**7.95**		6.85
Charity and Donations		**22.26**		18.06
Irrecoverable debts, deposits and advances written off	**216.63**		256.29	
Less : Adjusted against Provision	**(0.52)**	**216.11**	(222.84)	33.45
Provision for doubtful debts/advances		**24.99**		116.94
Auditors' Remuneration :				
Audit Fees		**25.00**		20.00
Limited Reviews		**12.25**		11.25
Tax Audit Fees		**6.00**		6.00
In Other Capacity for Certification etc		**4.50**		6.30
Out of Pocket expenses		**0.59**		0.64
Loss on Sale / Discard of Fixed Assets (Net)		**283.48**		1,531.09
Loss on Foreign Exchange Fluctuation /Forward Exchange Contract (Net)		**–**		6,075.59
Legal & Professional Charges		**130.02**		487.26
Travelling and Conveyance		**209.00**		372.41
Postage & Communication Charges		**81.97**		48.77
Peripherial and Site Development Expenses		**70.49**		259.78
Provision for diminution in the value of Investments		**–**		107.18
Miscellaneous Expenses		**518.25**		551.71
		4,451.50		14,470.37

SCHEDULE 21
INTEREST & FINANCE CHARGES

		2009-2010		2008-2009
Interest to Banks:				
– On Term Loans	**1,252.18**		1,267.93	
– On Working Capital Facilities	**1,719.57**		1,401.83	
[(Net of recoveries Rs 262.52 lacs (Rs 135.39 lacs)]				
– For Recompense	**–**	**2,971.75**	770.00	3,439.76
To Others on Loans, Deposits etc:		**768.15**		652.34
Bank Commission & Finance Charges		**481.99**		366.19
		4,221.89		4,458.29

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED PROFIT AND LOSS ACCOUNT

SCHEDULE 22

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Principles of Consolidation

a) The Consolidated Financial Statements present the consolidated Accounts of Balasore Alloys Limited (”the Company”) and its following Subsidiary (collectively the “Group”) :

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership/ Interest 31st March, 2010	Proportion of Ownership / Interest 31st March, 2009
Milton Holdings Limited (MHL)	Mauritius	**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.

b) The financial statements of the Company and its subsidiary 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.

c) In terms of Accounting Standard 23 “Accounting for investment in Associates in Consolidated Financial Statements”, Balasore Energy Limited (BEL), incorporated in India, in which the Company holds 34% shares, is an associate company, and the proportionate share of BEL's profitability has been duly considered in these accounts.

d) The financial statements of Milton Holdings Limited have been prepared in accordance with Mauritius Accounting Standards. However, there would be no major impact on the profitability or financial position on conversion of these accounts under Indian GAAP.

e) 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.

f) In translating the financial statements of the non-integral foreign Subsidiary 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.

(ii) Basis of preparation of Accounts

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 of interest income on overdue bills and insurance & other claims / refunds, which due to uncertainty in realization, are accounted for on acceptance/actual receipt basis. The accounting policies have been consistently applied by the Group.

(iii) 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.

(iv) Fixed Assets

a) 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.

b) Expenditure incurred on development of mines subsequent to the allotment of their lease are capitalized as intangible assets.

SCHEDULE 22 (Contd.)

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

d) Machinery spares which can be used only in connection with an item of 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.

e) 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 considered for determining the value in use, are discounted to their present value at appropriate rate arrived at after considering the prevailing interest rates and weighted average cost of capital.

f) Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

(v) Depreciation / Amortization

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) 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.

c) 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 amortisation of these assets over their life determined by the valuer.

d) Additional depreciation arising due to revaluation of fixed assets is adjusted against General Reserve since the surplus arising on revaluation had been transferred to General Reserve in the period 2004-05 as per Hon'ble High Court Order.

e) Leasehold land is amortised over the period of lease.

f) Mining lease is amortised over the lease period.

g) Mines Development expenditure are amortised over the balance period of respective leases.

h) Depreciation on Fixed Assets added/disposed off during the year is provided on prorata basis with reference to the date of addition/disposal.

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

(vi) Foreign Currency Transactions

a) **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.

b) **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.

c) **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 arises.

d) **Forward Exchange Contracts not intended for trading or speculation purpose:** 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. 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 year.

e) **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.

(vii) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and net realizable value on individual investment basis. Long term investments are valued at cost, unless there is an “other than temporary” decline in value thereof, in which case, adequate provision/write-off is made in the accounts.

SCHEDULE 22 (Contd.)

(viii) Inventories

a) 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 finished goods 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 a weighted average basis.

b) Goods under process 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.

c) Obsolete/damaged stores, saleable dust, discarded fixed assets and saleable scrap are valued at estimated net realizable value.

d) 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.

e) The recovery of ferro chrome and silico manganese 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.

(ix) Retirement and Other Employee Benefits

a. 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 Profit and Loss Account 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.

b. 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.

c. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d. Actuarial gains/losses are taken to profit and loss account and are not deferred.

(x) Borrowing Costs

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.

(xi) Taxation

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 year 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 Group has carry forward unabsorbed depreciation and carry forward 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 Group 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.

Minimum Alternative Tax (MAT) credit entitlement is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit entitlement becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

SCHEDULE 22 (Contd.)

(xii) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of Goods

Revenue from sale of goods is recognized on dispatch of goods to customers, which is incidental to transfer of significant risk and reward of ownership. Sales are net of returns, claims, discounts etc.

Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(xiii) Segment Reporting

The Group has identified “Ferro Alloys” as its sole operating segment and the same has been treated as the primary segment. The Group’s secondary geographical segments have been identified based on location of customers and are demarcated into Indian & Overseas revenue earnings.

(xiv) Provision

A provision is recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the 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.

(xv) 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 during the year are adjusted for the effects of all dilutive potential equity shares.

(xvi) Excise duty & custom duty

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

(xvii) 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 investments with an original maturity of three months or less.

(xviii) Contingencies

Liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. Contingent liabilities not provided for in respect of :

(Rs.in Lacs)

	Particulars	As at 31st March, 2010	As at 31st March, 2009
a)	Sales Tax matters under appeal {Amount paid under appeal Rs 204.15 lacs (Rs. 207.98 lacs)}	**225.14**	280.22
b)	Un-expired Bank Guarantees and Letters of Credit	**412.73**	402.90
c)	Bills discounted with Banks	**5,189.97**	2,295.47
d)	Guarantee given by way of pledge of certain Investments as security. (Refer Note No. 10)	**87.88**	49.15
e)	Liabilities on account of dues under Orissa Rural Infrastructure and Socio Economic Development Act, 2004	Amount Unascertainable	

3. Estimated amount of Capital commitments (net of advances) Rs 4,739.21 lacs (Rs 5,033.42 lacs).

SCHEDULE 22 (Contd.)

4. The amounts due to Micro, Small and Medium Enterprises as per MSMED Act, 2006 are as follows:

(Rs. in Lacs)

	Particulars	As at 31st March, 2010	As at 31st March, 2009
a)	Principal Amount	**67.81**	69.74
	Interest Due on Above	**15.02**	0.71
b)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprise Development Act, 2006	**—**	—
c)	Amount of interest due and payable for the period of delay	**5.06**	6.08
d)	Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	**5.06**	6.08
e)	Amount of further interest remaining due and payable in the succeeding year	**15.02**	9.96

5. Gratuity and other post retirement benefit plans

The Group 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 Group 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 benefit/ expense recongnised in the profit and loss account and balance sheet for the respective plans.

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

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Current service cost	**33.61**	28.97	**18.95**	18.20
Interest cost on benefit obligation	**26.89**	23.46	**15.10**	12.78
Expected return on plan assets	**(11.01)**	(7.74)	**—**	—
Net actuarial losses recognized in the year	**47.13**	19.84	**44.92**	17.13
Net benefit expense	**96.62**	64.53	**78.97**	48.11
Actual return on plan assets	**13.20**	10.48	**—**	—

(b)

Net Liability recognized in the balance sheet as at respective dates are as follows:-	**31.3.2010**	31.3.2009	**31.3.2010**	31.3.2009
Defined benefit obligation	**451.69**	352.01	**269.85**	198.68
Fair value of plan assets	**152.10**	145.27	**—**	—
Net liability	**299.59**	206.74	**269.85**	198.68

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

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Opening defined benefit obligation	**352.01**	295.09	**198.68**	161.20
Interest cost	**26.89**	23.46	**15.10**	12.78
Current service cost	**33.61**	28.97	**18.95**	18.20
Benefit paid	**(10.14)**	(18.09)	**(7.80)**	(10.63)
Actuarial losses on obligation	**49.32**	22.58	**44.92**	17.13
Closing defined benefit obligation	**451.69**	352.01	**269.85**	198.68

SCHEDULE 22 (Contd.)

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

(Rs in Lacs)

Particulars	Gratuity	
	(2009-10)	(2008-09)
Opening fair value of plan assets	**145.27**	54.08
Expected return on plan assets	**11.01**	7.74
Contribution by the Group	**3.77**	98.80
Benefits paid	**(10.14)**	(18.09)
Actuarial gains	**2.19**	2.74
Closing fair value of plan assets	**152.10**	145.27

(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, 2010	31st March, 2009
Investments with insurer	**100 %**	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:

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Discount rate	**8.30%**	7.75%	**8.30%**	7.75%
Rate of increase in salary	**10.00%**	10.00%	**10.00%**	10.00%
Expected average remaining working life of the employees	**16.77**	17.58	**16.68**	17.42
Return on Plan Assets (Gratuity Scheme)	**8.30%**	7.75%	Not Applicable	
Mortality Table	Standard Table LIC (1994-1996)			

(g) Amounts for the current and previous year are as follows:-

(Rs in Lacs)

Particulars	Gratuity		Leave	
	(2009-10)	(2008-09)	**(2009-10)**	(2008-09)
Defined benefit obligation	**451.69**	352.01	**269.85**	198.68
Fair value of plan assets	**152.10**	145.27	**–**	–
Deficit	**299.59**	206.74	**269.85**	198.68
Experience adjustments on plan liabilities (gains)/losses	**81.42**	2.36	**65.04**	7.90
Experience adjustments on plan assets	**2.19**	(2.74)	Not Applicable	

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

(i) The Group expects to contribute Rs. 152.10 lacs to gratuity fund in the year 2010-2011.

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

(Rs in Lacs)

Particulars	**(2009-10)**	(2008-09)
Provident Fund	**64.85**	53.04
Employees' State Insurance	**13.57**	10.52
Superannuation Fund	**41.07**	34.52
Total	**119.49**	98.08

SCHEDULE 22 (Contd.)

6. The Corporate Debt Restructuring (CDR) Empowered Group vide its letter dated 29th June, 2009 has approved the loan restructuring scheme for the Company, the salient features of which are as follows:

a) Cut off date for implementation: 30th April, 2009

b) Interest rate on working capital facilities from banks has been reset as follows:-

(i) State Bank of India(SBI) – at SBI PLR

(ii) Other banks - 12.25% p.a.

c) Interest rate on term loans from banks has been reset as follows :-

(i) From SBI - 1% below SBI PLR

(ii) From Other banks - 11.25% p.a.

d) Conversion of irregular portion of working capital limit into Working Capital Term Loan of Rs 1,638 lacs (after adjusting Rs 750 lacs to be deposited upfront by the Company) and repayable in 20 quarterly installments commencing from June 2010 and ending in March 2015.

e) Interest on Term loans will be converted into Funded Interest Term Loan upto 31st May, 2010.

f) Repayment schedule of the existing term loans, which has been reset, would start from June 2010 and end in March 2015. However, in case of certain Funded Interest Term Loans, repayment will commence from June 2013 and end in March 2015.

g) Lenders will continue to have the rights to recompense on the sacrifices being made over and above the amount of recompense quantified at Rs 3,220 lacs for the period upto 31st March, 2007, by the CDR- Empowered Group vide its letter dated 7th May 2008. Of the above account, the Company has paid Rs 200 lacs against such demand and charged the same in profit and loss account of earlier years.

7. The Company has revalued its land, buildings, mining lease and plant & machinery as on 31st March, 2010 and hence no additional depreciation has been accounted on such revaluation. However, additional depreciation arising due to revaluation done in earlier period has been adjusted with General Reserve as indicated in Note No 1(v)(d) above.

8. Certain Promoters of the Company were alloted 6,500,000 equity warrants, on preferential basis, on 15th March, 2008, pursuant to the then applicable SEBI (Disclosure and Investor Protection) Guidelines, 2000. The said promoters have not exercised the right to apply for equity shares within the stipulated period of 18 months from the date of allotment of Equity Warrants. Consequently, in accordance with the said SEBI Guidelines, the entitlement of warrant holders to apply for equity shares has expired on 15th September, 2009 and the aggregate amount of Rs 490.00 lacs received towards issue of equity warrants has been forfeited and credited to Capital Reserves account.

9. The Company has incurred capital expenditure (including capital advances) on various projects, in excess of the normal capex approved under Corporate Debt Restructuring (CDR) Scheme, which are pending approval of the monitoring committee of the lenders in terms of the Financial Restructuring Scheme as approved by the CDR Empowered Group in earlier years.

10. Investments in the Equity Shares of Ispat Industries Limited (IIL) have been pledged with the lenders of IIL as collateral security against financial facilities provided by the lenders to IIL.

11. 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 as on the balance sheet date are as follows :

Total Number of Equity shares held by the Promoter Group	29,934,786
Total Number of Equity shares pledged by the Promoter Group	14,604,790
Percentage of total shares pledged to total shareholding of the Promoter Group	48.79
Percentage of total shares pledged to total outstanding shares of the Group	22.72

SCHEDULE 22 (Contd.)

12. (a) The group has only one business segment i.e. Ferro Alloys and thus no further disclosures are required in accordance with Accounting Standard 17.

(b) Geographical Segments

(Rs. in Lacs)

Particulars	2009-10	2008-09
Domestic Revenues (Net of Excise Duty)	**20,909.69**	14,398.90
Export Revenues (Including Export Benefits)	**20,608.87**	49,474.53
Total	**41,518.56**	63,873.43

The group 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 debtors is Rs 57.24 lacs (Rs 651.46 lacs)

13. In terms of Accounting Standard 22, net deferred tax liability of Rs 270.18 lacs has been recognized in the accounts up to 31st March, 2010.

The break-up of major components of such Deferred Tax liability is as follows:

(Rs. in Lacs)

Components of Deferred Tax Liability/(Asset)	As at 31st March, 2010	As at 31st March, 2009
Timing difference on depreciable assets	**1,870.80**	1,849.99
Timing difference due to disallowance under section 43B of the Income Tax Act, 1961	**(1,407.05)**	(1,235.54)
Others	**(193.57)**	(155.73)
Total	**270.18**	458.72

14. Details of remuneration paid to the managing director and a whole time director:

(Rs. in Lacs)

Particulars	2009-10	2008-09
i) Salary	**166.31**	141.98
ii) Perquisites	**9.10**	18.05
iii) Contribution to Provident and other funds*	**19.44**	19.43
	194.85	179.46

* As the liability for gratuity and leave encashment is provided on actuarial basis for the group as a whole, the amounts pertaining to directors are not included above.

15. Basis for calculation of Basic and Diluted Earning per Share is as follows:

Particulars		2009-10	2008-09
Present Weighted Average Equity Shares	Nos.	64,290,411	64,290,411
Equivalent Weighted Average Equity Shares to be allotted against share warrant	Nos.	320,274	700,000
Potential weighted Average Equity Shares	Nos.	64,610,685	64,990,411
Net Profit After Taxes	Rs. in Lacs	1,251.26	89.06
Nominal Value of each Shares of Rs 5/-			
Earning Per Share	Basis (Rs)	1.95	0.14
	Diluted (Rs)	1.94	0.14

SCHEDULE 22 (Contd.)

16. As per the requirement of Accounting Standard – 29, the management has estimated future expenses on site restoration at mines on best judgment basis and due provision thereof has been made in the accounts. The movement of such provision is as follows:

(Rs in Lacs)

Particulars	Balance as at 1st April, 2009	Movement during the year	**Balance as at 31st March, 2010**
Provision for site restoration expenses	18.00	—	**18.00**

17. Purchases of Raw Materials are inclusive of the following costs incurred for mining activities.

(Rs. in Lacs)

Nature of Expenses	**2009-10**	2008-09
Salaries, Wages, Bonus etc.	**173.21**	148.04
Contribution to Provident & Other Funds	**7.92**	5.20
Excavation and Peripheral development cost	**1,486.20**	1,638.49
Stores, Spares & Chemical consumables	**0.97**	1.20
Royalty and Cess	**1,490.52**	2,182.44
Power & Fuel	**43.63**	44.34
Repair & Maintenance - Plant and Machinery	**24.00**	19.77
Rates & Taxes	**0.21**	0.26
Rent & Hire Charges	**157.73**	169.76
Insurance Charges	**0.06**	0.05
Commission & Finance Charges	**0.35**	0.14
Traveling & Conveyance	**8.29**	13.89
Miscellaneous expenses	**101.55**	104.70

18. The supply of raw materials against advances of Rs. 500 lacs (Rs 735 lacs) to various parties is pending beyond the stipulated time as per the respective purchase orders. The management is following up the matter and expects to recover/adjust such advances in the near future.

SCHEDULE 22 (Contd.)

19. The break up of prior period Income / (expenses) as indicated in Profit and Loss Account is as follows :-

Nature of Expenses	2009-10	2008-09
		Rs in Lacs
Income		
Legal & Professional Charges	**1.02**	—
Packing & Carriage Charges	**2.55**	—
Raw Materials Consumption credited	**320.34**	—
Export Incentive	**—**	52.16
Miscellaneous Receipts	**0.17**	34.66
Sub Total (A)	**324.08**	86.82
Expenditure		
Loss on forward exchange contracts	**—**	418.00
Commission on Sales (Other than sole selling agent)	**4.88**	26.54
Rent & Hire Charges	**—**	1.90
Contract Labour Charges	**—**	2.21
Interest & Finance Charges	**5.96**	—
Sub Total (B)	**10.84**	448.65
Net Prior Period Items	**313.24**	(361.83)

20. The Group has the following un-hedged exposures in various foreign currencies as at the year end:

(Rs in Lacs)

Sr. No.	Particulars	As at 31st March, 2010	As at 31st March, 2009
(i)	Advances	**1,608.99**	776.86
(ii)	Cash and Bank Balances	**0.10**	2.22
(iii)	Trade Payables and Advances from customers	**575.73**	8,486.17
(vi)	Borrowings	**39.63**	3,154.81
(v)	Capital Work in Progress (Capital Advances)	**488.23**	521.58

SCHEDULE 22 (Contd.)

21. Related Party Disclosures

(a) Names of the related parties :

Associate Company	:	Balasore Energy Limited
Key Management Personnel	:	Mr. Pramod Mittal Mr. V K Mittal Mr. R.K Jena Mr C. R. Pradhan (w.e.f 29th May 2009)
Enterprises over which Key Management Personnel / Shareholders / Relatives have significant influence	:	Global Steel Holdings Limited Ispat Industries Limited Gontermann Peipers (India) Limited Navoday Consultant Limited (formerly Mudra Ispat Limited) Denro Holdings Private Limited Kartik Credit Private Limited Navdisha Real Estate Private Limited (formerly Kanoria Plastokem (P) Ltd) Shakti Chrome Limited Drum International Limited

(b) Related Party Disclosures :

(Rs in Lacs)

Nature of Transactions / Name of the Related Parties	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Unspent Liabilities no longer required write back				
Ispat Industries Ltd			— (161.96)	— (161.96)
Mr. R K Jena		— (17.00)		— (17.00)
Loan received				
Global Steel Holdings Limited			39.63 (—)	39.63 (—)
Investments made during the year				
Balasore Energy Limited	— (1.70)			— (1.70)
Interest received				
Shakti Chrome Limited			127.24 (113.72)	127.24 (113.72)
Navoday Consultant Limited			7.45 (10.71)	7.45 (10.71)
Managerial Remuneration				
Mr. R.K Jena		180.22 (179.46)		180.22 (179.46)
Mr. C R Pradhan		14.63 (—)		14.63 (—)

SCHEDULE 22 (Contd.)

Nature of Transactions / Name of the Related Parties	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Loan Given				
Shakti Chrome Limited			— (650.00)	— (650.00)
Loan Repaid				
Novoday Consultant Limited			126.00 (—)	126.00 (—)
Shakti Chrome Limited			613.50 (—)	613.50 (—)
Process Loss Recovered				
Shakti Chrome Limited			19.72 (585.72)	19.72 (585.72)
Processing Charges Paid				
Shakti Chrome Limited			716.55 (299.52)	716.55 (299.52)
Rent Paid				
Navdisha Real Estate Private Limited			60.00 (60.00)	60.00 (60.00)
Forfeiture of Application Money received towards Equity Warrants				
Denro Holding Private Limited			245.00 (—)	245.00 (—)
Kartik Credit Private Limited			245.00 (—)	245.00 (—)
Provision for Doubtful Debts / Advances				
Global Steel Holdings Ltd			— (116.94)	— (116.94)
Guarantees Given				
Ispat Industries Limited			87.88 (49.15)	87.88 (49.15)
Guarantees Obtained				
Mr. Pramod Mittal		15578.76 (17351.56)		15578.76 (17351.56)
Mr. V K Mittal		15578.76 (17351.56)		15578.76 (17351.56)
Share of Loss in Associate				
Balasore Energy Limited	0.13 (0.85)			0.13 (0.85)

SCHEDULE 22 (Contd.)

Nature of Transactions / Name of the Related Parties	Associate Company	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Balances Outstanding as at year end - Credit Balance				
Mr. R K Jena		8.27 (9.98)		8.27 (9.98)
Mr. C R Pradhan		1.03 (—)		1.03 (—)
Denro Holding Private Limited			— (245.00)	— (245.00)
Kartik Credit Private Limited			— (245.00)	— (245.00)
Global Steel Holdings Limited			39.63 (—)	39.63 (—)
Balances Outstanding as at year end - Debit Balance				
Navoday Consultant Limited			43.68 (162.23)	43.68 (162.23)
Drum International Limited			488.23 (521.58)	488.23 (521.58)
Shakti Chrome Limited			992.94 (1,638.82)	992.94 (1,638.82)
Navdisha Real Estate Private Limited			44.00 (44.00)	44.00 (44.00)
Balasore Energy Limited	2.58 (2.33)			2.58 (2.33)

22. Excise Duty & Cess on stocks represents differential excise duty and cess on opening and closing stock of finished goods and processable scrap

23. Previous year's figures including those given in brackets have been regrouped/rearranged where necessary to conform to this year's classification.

Signatories to Schedules 1 to 22

As per our Report of even date

For and on behalf of Board of directors

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants
per R. K. Agrawal
Partner
Membership No 16667
22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 25th May, 2010

R K Jena
Managing Director

C R Pradhan
Director - Operations

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar
K P Khandelwal
R N Pandey
S M Ali
Directors

DIRECTORS' REPORT

The Director present there report together with the Audited Balance Sheet of the Company as at 31st March, 2010. The Profit & Loss Account of the Company for the year ended 31st March, 2010 is also presented.

OPERATIONS

The Company has incurred the total expenditure of US$7,384 towards various administrative expenses, audit fees etc. The Company has earned Interest Income of US$1 and there are no income from operation during the year and registering a loss of US$7,383.

MANGANESE ORE MINING IN BRAZIL

The Company possesses manganese ore mining activities in Brazil. The country is endowed with the large reserves of natural resources, such as, Iron Ore, Manganese, Bauxite etc. The mining project is proposed to be under taken in joint venture.

HOLDING COMPANY

Balasore Alloys Limited, located in India, holds entire ordinary share capital of the Company i.e. US$43,60,100. As a result, the Company is a wholly owned subsidiary of Balasore Alloys Limited.

DIRECTORS

The Board of the Company on the date of this report consists of one Director Mr. Virrsing Ramdeny.

DIRECTORS' STATEMENT

The Director confirms that:

1) In preparation of accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed and there have been no material departures.

2) They have selected such accounting policies and applied them consistently and made judgment and estimates that a reasonable and prudent so as to give a true and faire view of state of affaires of the Company at the end of the financial year and of the profit/loss of the Company for that year.

For and on behalf of the Board

Virrsing Ramdeny
Director

Mauritius.
Date: 30th April, 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Milton Holdings Ltd (the "Company"), as a body, in accordance with the Companies Act 2001. My audit work has been undertaken so that I might state to the Company's members those matters I am required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for my audit work, for this report, or for opinions I have formed.

Report on the Financial Statements

I have audited the financial statements of Milton Holdings Ltd on pages 4 to 10 which comprise the balance sheet as at March 31, 2010, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Relevant Accounting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes:-, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 auditors consider 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements on pages 4 to 10 give a true and fair view of the financial position of the Company at March 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

I have no relationship with or interests in the Company, other than in my capacity as auditors, tax and business advisers and dealings in the ordinary course of business.

I have obtained all information and explanations I have required.

In my opinion, proper accounting records have been kept by the Company as far as it appears from my examination of those records.

Dwarka SOOCHIT
Certified Accountant, F.C.C.A

La Forge Avenue,
Palma Road, Quatre Bornes
Mauritius.

Date: 30.04.2010

BALANCE SHEET AS AT 31 MARCH, 2010

	NOTES	2010 US$	2009 US$
ASSETS			
NON CURRENT ASSETS			
Advances for Mining Project		**1,084,240**	999,779
		1,084,240	999,779
CURRENT ASSETS			
Loan & Advances	2	**3,355,000**	3,355,000
Cash and bank balances		**219**	4,263
		3,355,219	3,359,263
TOTAL ASSETS		**4,439,459**	4,359,042
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	3	**4,360,100**	4,360,100
Retained Earnings	4	**(15,241)**	(7,858)
		4,344,859	4,352,242
NON CURRENT LIABILITIES			
Borrowings	5	**88,.000**	—
CURRENT LIABILITIES			
Accounts payable	6	**6,600**	6,800
TOTAL EQUITY AND LIABILITIES		**4,439,459**	4,359,042

APPROVED ON 30.04.2010

Virrsing Ramdeny

Director

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH, 2010

	NOTES	2010 US$	2009 US$
INCOME			
Interest Received		**1**	19
EXPENSES			
Administrative Expenses		**2,500**	3,500
Professional fees		**3,800**	2,300
Bank charges		**1,084**	1,077
Preliminary Expenses written off		**—**	1,000
		7,384	7,877
(LOSS) FOR THE YEAR		**(7,383)**	(7,858)
RETAINED (LOSS) BROUGHT FORWARD		**(7,858)**	—
RETAINED (LOSS) CARRIED FORWARD		**(15,241)**	(7,858)
(LOSS) PER SHARE	7	**(0.17)**	(0.18)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH, 2010

	Share Capital US$	Retained Earnings US$	Total US$
Balance at 21 April 2008	—	—	—
Issue of Shares	4,360,100	—	4,360,100
Net Loss for the period	—	(7,858)	(7,858)
At 31 March 2009	4,360,100	(7,858)	4,352,242
Balance at 01 April 2009	4,360,100	(7,858)	4,352,242
Loss for the year	—	(7,383)	(7,383)
At 31 March 2010	4,360,100	(15,241)	4,344,859

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2010

	2010 US$	2009 US$
OPERATING ACTIVITIES		
Operating (Deficit)	**(7,383)**	(7.858)
Increase in Loans & Advances	**—**	(3,355,000)
(Decrease) / Increase in Accounts Payable	**(200)**	6,800
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(7,583)**	(3,356,058)
INVESTING ACTIVITIES		
Advances for Mining Project	**(84,461)**	(999,779)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(84,461)**	(999,779)
FINANCING ACTIVITIES		
Advances Received	**88,000**	—
Issue of Shares	**—**	4,360,100
NET CASH INFLOW FROM FINANCING ACTIVITIES	**88,000**	4,360,100
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(4,044)**	4,263
CASH AND BANK BALANCES		
Cash in hand and at bank	**219**	4,263
LESS: CASH AND BANK BALANCES PREVIOUS YEAR		
Cash in hand and at bank	**4,263**	—
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(4,044)**	4,263

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the company in the preparation of these financial statements.

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the relevant Accounting Standards.

Foreign Currency Translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the profit and loss account.

Financial Instruments

The company's accounting policies in respect of the main financial instruments are set out below:

Loans & Advances

Loans & Advances are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Payables

Payables are stated at their nominal value.

Provisions

Provisions are recognised when the company has a present or constructive obligation as a result of past events which is probable and will result in an outflow of economic benefits that can be reasonably estimated.

Comparative Figures

Comparative figures have been restated whenever necessary to conform with changes in presentation or in accounting policies in the current year.

2. LOANS & ADVANCES

	2010 US$	2009 US$
Other Loan & Advances	**3,355,000**	3,355,000

The carrying amount of other loans and advances approximate their fair value.

3. SHARE CAPITAL

Ordinary shares of US$ 100.

		2010 US$	2009 US$
ALLOTTED, CALLED UP AND FULLY PAID			
VALUE	US$	**4,360,100**	4,360,100
NUMBER OF SHARES		**43,601**	43,601

4. RETAINED EARNINGS

At 01 April 2009	**(7,858)**	—
(Loss) for the year	**(7,383)**	(7,858)
At 31 March 2010	**(15,241)**	(7,858)

5. BORROWINGS

Other Loans	**88,000**	—

These loans are from related companies and are interest free, unsecured and with no fixed date of repayment.

6. ACCOUNTS PAYABLE

Other payables and Accruals	**6,600**	6,800

The carrying amounts of other payables approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*

7. LOSS PER SHARE

Basic loss per share is based on loss for the year before extraordinary items of US$ 7,383 {2009: Loss US$ 7,858} 43,601 equity shares in issue throughout the year ended 31 March 2010.

	2010 US$	2009 US$
8. FINANCIAL SUMMARY		
PROFIT AND LOSS		
Loss for the year	**(7,383)**	(7,858)
BALANCE SHEET		
Share capital	**4,360,100**	4,360,100
Revenue reserves	**(15,241)**	(7.858)

9. TAXATION

The company being not a resident in Mauritius is not liable to Income Tax in Mauritius.

10. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of receivables, cash and cash equivalents, borrowings and payables approximate their fair values.

11. INCORPORATION

The company is incorporated in Mauritius under the Companies Act, 2001 and has been granted a Category 2 Global Business Licence under the Financial Services Development Act, 2001,

12. CURRENCY

The financial statements are presented in U.S. Dollars.

13. HOLDING COMPANY

The Holding company is Balasore Alloys Limited, a Company incorporated in India and listed on the Bombay Stock Exchange.

NOTES

ATTENDANCE SLIP

BALASORE ALLOYS LIMITED

REGD. OFFICE : BALGOPALPUR - 756 020, DIST. BALASORE, ORISSA

TWENTY-SECOND ANNUAL GENERAL MEETING

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

DP. Id*			Master Folio No.	
Client Id*				

NAME AND ADDRESS OF THE SHAREHOLDER(S)

No. of Share(s) held :

I/We hereby record my/our presence at the **TWENTY-SECOND ANNUAL GENERAL MEETING** of the Company held at Balgopalpur - 756 020, Dist. Balasore, Orissa, on Thursday, the 9th day of September, 2010 at 9.30 A.M.

Signature of the Shareholder(s) or proxy

* Applicable for investors holding shares in dematerialized form.

PROXY FORM

BALASORE ALLOYS LIMITED

REGD. OFFICE : BALGOPALPUR - 756 020, DIST. BALASORE, ORISSA

DP. Id*			Master Folio No.	
Client Id*				

I/We .... of
.... being a member/members of Balasore Alloys Limited
hereby appoint .... of
.... or failing him
.... of ....
as my/our proxy to vote for me/us and on my/our behalf at the TWENTY-SECOND ANNUAL GENERAL MEETING to be held on Thursday, the 9th day of September, 2010 at 9.30 A.M. or at any adjournment thereof.

Signed this .... day of .... 2010.

Affix revenue stamp

* Applicable for investors holding shares in dematerialized form.

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.