



BALASORE ALLOYS LIMITED

BOARD OF DIRECTORS

Mr Pramod Mittal, *Chairman*

Mr V K Mittal

Mr Mahesh Trivedi

Mr S Mohapatra

Mr S K Pal

Dr A K Bhattacharyya

Prof S K Majumdar

Mr K P Khandelwal

Mr L K Poddar, *Managing Director*

Mr R K Jena, *Joint Managing Director*

GENERAL MANAGER & 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 + 91-33-2281-1224 (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: trilochan_sharma@ispatind.com

ispatalloys@yahoo.co.in

Website : www.balasorealloys.com

INTERNAL AUDITORS

M/s Das & Prasad

Chartered Accountants

Diamond Chambers,

4, Chowringhee Lane,

Suit No. 8F, Block - III,

Kolkata - 700 016, India

Tel. No. +91-33-2252-1911 (3 Lines)

MINES OFFICE

(I) Chrome Ore

At. & P.O. Dala, Jajpur Road

Dist. Jajpur - 755 019

Tel. No. + 91-6726-224274

Fax No. + 91-6726-224384

(II) Manganese Ore

(a) Vill. Hathoda, P.O. Miragpur

Dist. Balaghat (M.P.) - 481 445

(b) Joda, Dist. Keonjhar

Orissa - 758 035

ADMINISTRATIVE OFFICE

Park Plaza, 71, Park Street, 1st Floor,

Kolkata - 700 016

Tel. No. +91-33-3026 5000

Fax No. +91-33-22292278

E-mail: trilochan_sharma@ispatind.com

ispatalloys@yahoo.co.in

Website : www.balasorealloys.com



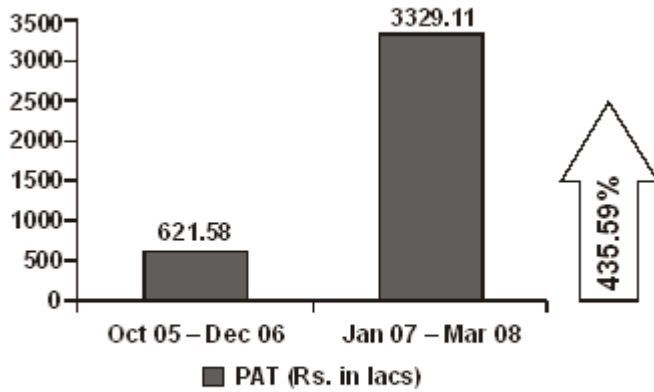
CONTENTS

PAGE NO.

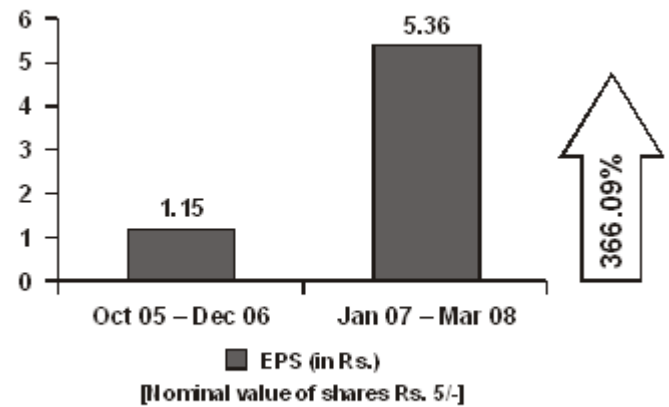
Financial Highlights	3
Notice of Annual General Meeting	4
Directors' Report	9
Management Discussion & Analysis	17
Corporate Governance Report	23
Auditors' Certificate under Clause 49 of Listing Agreement	35
Auditors' Report	36
Balance Sheet	40
Profit & Loss Account	41
Cash Flow Statement	42
Schedules, Significant Accounting Policies & Notes on Accounts	43
Balance Sheet Abstract & General Business Profile	61
Attendance Slip and Proxy Form	63

FINANCIAL HIGHLIGHTS

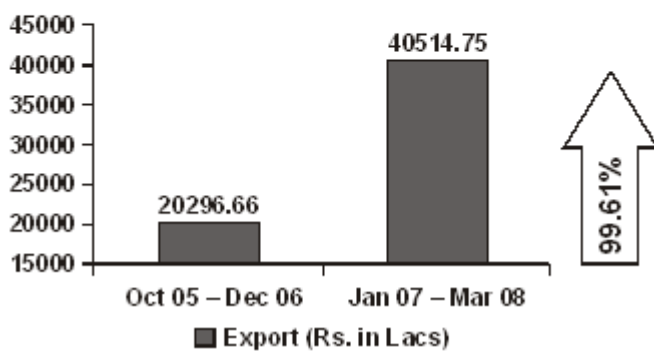
Profit After Tax



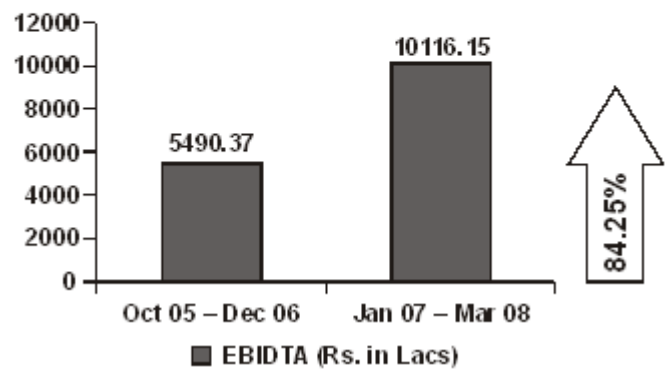
Earning Per Share (Basic)



Export



EBIDTA





BALASORE ALLOYS LIMITED

Regd. Office : Balgopalpur - 756 020

Dist. Balasore, Orissa.

NOTICE

NOTICE is hereby given that the Twentieth 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 25th September, 2008 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, 2008 and Profit & Loss Account of the Company for the 15 months period ended 31st March, 2008 together with the Report of the Directors' and Auditors thereon.
2. To appoint a Director in place of Mr S K Pal, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr A K Bhattacharyya, who retires by rotation and, being eligible, offers himself for re-appointment.
4. 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:

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED that Mr K P Khandelwal, 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."
6. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:
"RESOLVED that in supersession of all earlier resolutions passed by the Company pursuant to the provisions of section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) to borrow any sum or sums of money from time to time both in Indian Currency and / or in Foreign Currency for the purpose of the business of the Company subject to obtaining necessary approvals from the Reserve Bank of India and/ or any other statutory authority(ies) as may be necessary, from any one or more of the Company's bankers and/or from any one or more other firms, bodies corporate, entities, banks, or financial institutions or organisation or from any other person whether by way of Cash Credit, advances, or deposits, loans or bills discounting, issue of Debentures or otherwise and whether unsecured or secured by mortgage, charge, hypothecation, lien, or pledge of the Company's assets and properties, whether immovable or movable or stock in trade (including raw material, stores, spare parts, and components in stock or in transit) and work-in-progress and all or any of the undertaking(s) of the company, which will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, so that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs 1000 Crores (Rupees One Thousand Crores Only) exclusive of interest and the Board of Directors may for the implementation of this resolution act through any member or committee of members thereof or any other person authorized by it in this behalf. The Board of Directors is hereby further authorized to execute such debenture trust deeds, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Board may think fit in this regard."
7. To consider, and if thought fit, to pass with or without modification(s) the following resolution as a **Ordinary Resolution**:
"RESOLVED THAT in supersession of all earlier resolutions passed by the Company pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment

**NOTICE - (Contd.)**

thereof, for the time being in force), to the Board of Directors (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) to the creation of mortgage and/or charge, in addition to the mortgages/charges created / to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable and/or immovable properties of the Company, both present and future and/or on the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company, in certain events, in favour of the Lender(s) / Security Holder(s) / Agent(s) / Trustee(s) for securing the borrowings of the Company availed / to be availed by way of cash credit, advances or deposits, loan(s) both in Foreign Currency and/or Indian Currency, bill discounting and Securities (comprising fully/partly Convertible Debentures including Optionally Fully Convertible Debentures and/or Non-Convertible Debentures with or without detachable or non-detachable Warrants and/or secured premium notes and/or floating rates notes/bonds or other secured debt instrument(s) including Foreign Currency Convertible Bonds, issued/to be issued by the Company, from time to time, subject to the limit of Rs.1,000 crores (Rupees One Thousand Crores only) together with interest thereon at the respective agreed rates, additional interest, compound interest, in case of default, accumulated interest, liquidated damages, commitment charges, premia on pre-payment, remuneration of the Agent(s) / Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s) / Heads of Agreement(s) / Arrangements, Debenture Trust Deed(s) or any other document, entered into/to be entered into between the Company and the Lender(s) / Security Holder(s) / Agent(s) and Trustee(s), in respect of the said loans / borrowings / debentures, etc. and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board or Committee thereof and the Lender(s) / Security Holder(s) / Agents) / Trustee(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

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 198, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, the Agreement dated 15th January, 2008 containing the revised remuneration and other terms and conditions relating to the appointment and remuneration of Mr R K Jena, Joint Managing Director of the Company, as set out in the Explanatory Statement annexed to the Notice convening the meeting be and is hereby approved.

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, such increment shall become effective from 1st April every year."

By Order of the Board

Kolkata
30th July, 2008

Trilochan Sharma
General Manager & Company Secretary

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HER-SELF 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.**
- The Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business at item Nos. 5 to 8 above is annexed hereto.
- 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, 22nd September, 2008 to Thursday, 25th September, 2008 (both days inclusive).



BALASORE ALLOYS LIMITED

ANNEXURE TO NOTICE - (Contd.)

4. 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.
5. All requests for transfer of Equity Shares and allied matters along with the relevant transfer deeds and share certificates should preferably be sent directly to the Company's Registrars and Transfer Agent, M/s MCS Ltd (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.
6. 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 Ltd (Unit - Balasore Alloys Ltd), 77/2A, Hazra Road, Kolkata – 700 029 in respect of shares held in physical form.
7. 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.
8. 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, and 5 of this Notice for the forthcoming Annual General Meeting is annexed hereto.
9. 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.
10. **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.**
11. **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.**
12. **Mr R P Panda and Mr D Sengupta, Directors of the Company, had resigned from the Directorship of the Company w.e.f. 23.07.2008 and 25.07.2008 respectively.**

ANNEXURE TO NOTICE

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

Item No.5

The Board of Directors of the Company, at its meeting held on 30th April, 2008, appointed Mr K P Khandelwal 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 K P Khandelwal 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 K P Khandelwal for appointment as a Director of the Company. Pursuant to Section 264 of the Companies Act, 1956, Mr K P Khandelwal 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 K P Khandelwal, is concerned or interested in this resolution.

ANNEXURE TO NOTICE - (Contd.)**Item No.6 & 7**

Your Company has initiated several strategic steps to strengthen and upscale its operational capacity. Towards this end, your Board has approved CAPEX plan to enable the Company to be self reliant on all important key input resources. SBI Capital Markets Limited has been engaged for financial appraisal, debt and equity tie-up for the Company's expansion and modernization projects, the total outlay of which is expected to be Rs.1265 crores. Implementation of the expansion and diversification plan would definitely catapult the Company's global standing among the top ranked players in the world in the ferro alloys sector.

In order to finance its CAPEX plan, the Company shall have to borrow funds from banks, financial institutions and/or any other entity or person. It shall also be necessary to mortgage the assets of the Company to secure the said borrowings. Since the proposed borrowings of the Company along with its existing borrowings may exceed the aggregate of paid-up capital and free reserves of the Company, it requires approval of the members in terms of Section 293(1)(d) of the Act. Further, approval of the members is also required under Section 293(1)(a) of the Act to mortgage the assets of the Company.

The existing approval of the members under Sections 293(1)(a) and 293(1)(d) is insufficient and accordingly, approval of the members is being sought for borrowings and to create mortgage on the assets of the Company upto Rs.1000 crores.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No.8

Mr R K Jena has been associated with the Company for the past 17 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 and he continues to do so. Mr Jena has been instrumental in the growth of the Company to its present level.

Mr. R K Jena was appointed as Joint Managing Director of the Company with effect from 31st January, 2007 on the remuneration as approved by the Remuneration Committee and terms and conditions as contained in the Agreement dated 31st January, 2007 entered into by and between the Company and Mr R K Jena. The same was duly approved by the shareholders at the Company's 19th Annual General Meeting held on 30th March, 2007.

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 Joint Managing Director of the Company, the Board of Directors at their meeting held on 15th January, 2008 revised the remuneration payable to him, as recommended by the Remuneration Committee, at a basic salary of Rs. 5,00,000/- 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 the case may be.

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 but shall not, however, exceed the limits prescribed under Paragraph 1(B) of Section-II, Part-II of Schedule XIII of the Act.

The Resolution set out in Item No.8 of the accompanying Notice is intended to obtain the consent of the shareholders relating to remuneration payable to Mr R K Jena.

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.

By Order of the Board

Kolkata
30th July, 2008

Trilochan Sharma
General Manager & Company Secretary

ANNEXURE TO NOTICE- (Contd.)

DETAILS OF DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT AT THE 20TH ANNUAL GENERAL MEETING.

(Pursuant to Clause 49 of the Listing Agreement)



BALASORE ALLOYS LIMITED

Name of Director	:	Mr S K Pal	Dr A K Bhattacharyya	Mr K P Khandelwal
Date of Birth	:	03.01.1943	11.04.1950	04.03.1951
Date of Appointment	:	27.06.2003	30.06.2004	30.04.2008
Qualifications	:	B.Sc.(Hons.), M.Tech. (Chem.Engg & Chem. Technology)	B.Com.(Hons.), M.Com. FCA, FICWA, Diploma in Management Accountancy, D. Phil.	B.Com. (Hons.), LLB, FCA, DISA, CAAT (The Institute of Chartered Accountant of India)
Expertise in specific functional areas	:	Has a long term profile and experience in Finance, Risk Management. Retired General Manager (Credit) Allahabad Bank.	Professor, Finance and Control, Indian Institute of Management (IIM), Kolkata. Member, National Advisory Committee on Accounting Standards, Ministry of Corporate Affairs, Govt. of India. Co-ordinator - Centre for Corporate Governance, IIM, Kolkata. Faculty representative, the Board of Governor, IIM, Kolkata. Member, Academic Council, National Institute of Financial Management, Delhi.	Practicing CA for more than 30 yrs. with wide experience of Audit, Taxation, Finance & Banking. Member of Centre Council of the Institute of Chartered Accountants of India (ICAI).
List of Companies in which outside Directorship held	:	Director Greenply Industries Ltd. Webel - SL Energy Systems Ltd.	Director Escorts Asset Management Ltd.	Director Ashika Credit Capital Ltd. Ashika Capital Ltd.
Chairman/Member of the committees of the Board of the Companies on which he is a Director	:	Audit Committee Member Greenply Industries Ltd. Webel - SL Energy Systems Ltd. Remuneration Committee Member Greenply Industries Ltd.	Audit Committee Member Escorts Asset Management Ltd.	Nil

**DIRECTORS' REPORT**

Your Directors submit their 20th Report on the business and operations of the Company together with Audited Accounts for the 15 months period ended 31st March, 2008.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	15 months period ended 31st March, 2008	15 months period ended 31st December, 2006
1. Sales/Income from operations	55039.57	36337.31
Less : Excise Duty	(1953.95)	(2204.72)
	53085.62	34132.59
2. Other Income	1186.51	620.66
3. Total Income (1+2)	54272.13	34753.25
4. Total expenditure	44094.23	29228.45
5. Profit before interest & finance charges and depreciation (3-4)	10177.90	5524.80
6. Interest & Finance Charges	3162.58	2513.62
7. Depreciation	1836.74	1847.14
8. Profit before prior period items & Taxes (5-6-7)	5178.58	1164.04
9. Prior Period Items (Net)	61.75	34.43
10. Profit before Tax (8-9)	5116.83	1129.61
11. Provision for Taxes		
– Current Tax	(35.07)	131.00
– Deferred Tax Asset	1822.79	377.03
12. Profit after Tax (10-11)	3329.11	621.58
Add :		
Balance brought forward from previous period	6299.59	5678.01
Less : Adjustment towards additional Employee benefit	142.99	—
Amount carried to next year	9485.71	6299.59

FINANCIAL REVIEW

Your Company has outperformed during the fifteen months period ended 31st March, 2008 as compared to its past performance and made net profit of Rs.3329.11 lacs as against Rs.621.58 lacs of profit made during the previous fifteen months period ended 31st December 2006. Profit Before Tax (PBT) for the 15 months period ended 31st March, 2008 registered a healthy growth of 352.97% at Rs.5116.83 lacs as against Rs.1129.61 lacs registered in the corresponding previous financial period. Turnover for the 15 months period ended 31st March, 2008 increased by 55.53% to Rs.53085.62 lacs as against Rs.34132.59 lacs during the 15 months period ended 31st December, 2006. Export Turnover for the 15 months period ended 31st March, 2008 increased by 100% (approx) to Rs.40514.75 lacs as against Rs.20296.66 lacs during the previous financial period. EPS jumped by 366.09% at Rs.5.36 per share for the 15 months period ended 31st March, 2008 as compared to Re.1.15 per share for the previous financial period.

DIVIDEND

In view of the ongoing and proposed expansion and diversification plans, it is proposed to consolidate and conserve existing resources of the company. The Directors, therefore, do not recommend any dividend for the period under review.

OPERATIONS

The Production during the period under review at 112446 MT was higher against 106214 MT during the corresponding previous period.



BALASORE ALLOYS LIMITED

DIRECTORS' REPORT (Contd.)

Improved and efficient productivity aided by low consumption norms, sustained overall cost reduction effort and better price realization has enabled the company to overcome the adversities caused by the unprecedented increase in cost of raw materials coupled with lack of raw material security, especially in the context of lumpy ore and coke. Your company's emphasis on producing customized value added products using special raw materials yielded impressive results. In order to optimize operational performance your company has taken various proactive measures including changes in Standard Operating Procedures and replacement of old equipments by latest hi-tech equipments. Your company is well prepared to face any adverse market situation and sustain the path of growth.

EXPORT

Export of Ferro Chrome constitutes more than 76% of the total turnover of the company. The Company exported 81486.10 MT valued at Rs.40514.75 lacs during the 15 months period ended 31st March, 2008 under review as against 62708.50 MT valued at Rs.20296.66 lacs in the previous period, registering an impressive growth of about 100% in export turnover.

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, fully equipped with latest testing equipments, your company has process automation & striving for continuous improvements in Quality specs to cater to the requirements of different OEM's and niche markets. Notwithstanding the stiff competition in the international market, the company has been successfully making value added exports to quality conscious countries in Europe and Japan. Global competitiveness, international quality of our products and superior logistical capabilities has enabled the Company to also establish its presence in countries, such as, USA, Canada and Thailand during the period under review.

Accredited with ISO 9001:2000 quality certification and awarded with EEPC's Easter Region Awards for last 15 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 of the years to come.

FUTURE PROSPECTS

The projected outlook of economic growth continues to be in the 8% plus zone, despite recent challenges posed by inflation, global price rise and world economic slowdown. Macroeconomic fundamentals continue to inspire investor confidence and the investment climate still is one of optimism.

The year 2007-08 witnessed tremendous performance in steel production as well as consumption, aided by robust growth of the Indian economy and its leading steel consuming segments. The growth story has carried over into 2008-09 as well. In the first quarter of 2008-09, the total production in India for sale of total finished steel was 13.35 million ton recording a growth of 4.6%. The total steel consumption was 11.67 million ton as against 10.9 million ton for the same period of last year. It is expected that the Indian Steel Industry operating in a global framework and backed by strong economic growth and conducive policy environment shall continue to be resilient and thriving and move into a further accelerated phase of growth.

The global stainless steel industry has begun to recover from the downturn that took place in the 2nd half of 2007. Growth is expected to accelerate for the year 2008 as a whole and the world stainless steel output is forecast to increase by 8.1%. The year 2008 is likely to represent a transition year, with growth in melted production reaching a peak of 10.9% in 2009.

However, despite slack trends in stainless steel production, the Ferrochrome consumption was surprisingly resilient in the year 2007. Stainless melted production expanded by less than 1%, due to severe cuts to output in the second half, while demand for ferrochrome grew by a phenomenal 13.9%. It is expected that the domestic as well as global stainless steel industry growth trend shall continue and accordingly the future of ferrochrome industry continues to look bright.

Your Company has evolved strategy to penetrate into niche market segments of the world to enhance sales realization. Our endeavour is to enter into long-term contracts with bulk OEMs and to reduce our dependency on spot market. This measure shall enable your Company to sustain and improve upon its present level of profitability and further consolidate its pre-eminent position in the Ferro Alloy Industry.

PROJECTS

Your Company has initiated several strategic steps to strengthen and upscale operational capacity. Your Board has approved the following CAPEX plan to enable the Company to be self reliant on all important key input resources.

- (a) Setting up of additional Ferro Chrome Furnace

DIRECTORS' REPORT (Contd.)

- (b) Upgradation of existing furnaces
- (c) Setting up of captive Power Plant
- (d) Setting up of Mn based furnaces
- (e) Capacity enhancement of Chrome Ore beneficiation Plant
- (f) Capacity enhancement and ungradation of Switch Yard
- (g) Setting up a new Chrome Ore beneficiation Plant

SBI Capital Markets Limited has been engaged for financial appraisal, debt and equity tie-up for the Company's expansion and modernization projects, the total outlay of which is expected to be Rs.1265 crores. The funding of the project is proposed in the Debt-Equity ratio of 2 :1. Implementation of all these projects would definitely catapult the Company's global standing among the top ranked ferro alloys players in the world.

MINES

In addition to its existing chromite ore mines located at Sukinda valley, Jajpur, Orissa and manganese ore mines located at Hathoda, Balaghat, Madhya Pradesh, the company recently further acquired prospecting licence for a Manganese ore mines of approx 287 Hectares in 2007 at Joda, Keonjhar district, Orissa.

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 year 2007-08:

- ISO 14000 Certification by Bureau of India Standard (BIS).
- ISO 9001:2000 Quality Management System certification by DNV for BAL mines division.
- First Prize for the BEST IR (Industrial Relation) Practices by HCCI IR Award 2007.
- Enerbia Award for sustainable Energy & Power.
- India Manufacturing Excellence Award (IMEA) (Platinum - 1st Runners-up) - 2007 in Metal Category.
- Excellence Award 2007 for "Productivity, Quality, Innovation & Management" by Institute of Economic Study (IES).
- Rastriya Nirman Gold Award - 2008.
- First Position in the CII (ER) Productivity Award for "Sustained level of High Overall in Productivity"
- Top Exporter's Award (2005-06) by EEPC (ER).

CORPORATE DEBT RESTRUCTURING

In view of the phenomenal turnaround of the Company, it has been decided to exit from the CDR system. Accordingly, the Company has approached the lenders in this regard. This will enable the Company to raise finance 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), Total Quality Management (TQM), Activity Based Cost Management (ABCM) and Supply Chain Management (SCM) with a view to bring razor-edge performance to the forefront that have yielded positive results and have been a catalytic factor in bringing out a changed culture in its functioning as well as that of its workforce.

After receiving the TPM excellence award from JIPM in December, 2006, your Company is challenging the "Consistency in TPM Commitment Award" during 2008.

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives focused with respect to high productivity.



BALASORE ALLOYS LIMITED

DIRECTORS' REPORT (Contd.)

ISSUE OF ZERO COUPON CONVERTIBLE WARRANTS

To augment fund to meet part of its requirements for various identified purposes, consent of shareholders was obtained during the period for issue of Zero Coupon Convertible Warrants to the eligible Promoters of the Company on preferential basis. Upon receiving approval of shareholders and other concerned authorities, the Committee for Preferential Issues of Warrants of the Board of Directors have allotted the 65,00,000 (Sixty Five Lakh) Zero Coupon Convertible Warrants of Rs. 5/- each at a premium of Rs. 65/- each to the Promoters on Preferential basis. Each Warrant can be converted into one equity share of Rs. 5/-each of the Company within a period of eighteen months from the date of allotment, at the option of warrant holder. In accordance with applicable guidelines of Securities and Exchange Board of India, the price of each equity share, arising upon conversion of the equity warrant, has been determined at Rs.70.

DELISTING OF SHARES

The Company has got its shares delisted from the Delhi Stock Exchange w.e.f. 27.03.2008.

BOARD OF DIRECTORS

The Board accepts with deep regret the resignation of Mr Sanjay Bajoria from the Directorship of the Company w.e.f. 22nd April, 2008 and place on record, its deep appreciation for the valuable contribution made by him during his tenure to the Company. Mr R P Panda was appointed as a Nominee Director of the company in terms of the agreement between the Company and the Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) on 27.09.1991. Now, IPICOL had sold its holding and accordingly the Board of Directors of the Company, at its meeting held on 30th April, 2008, has relinquished him as the Nominee Director.

The Board of Directors of the Company has appointed Mr Kashi Prasad Khandelwal and Mr R P Panda as an Additional Director with effect from 30th April, 2008. They are liable to retire by rotation. A notice has been received from a member under Section 257 of the Companies Act, 1956 proposing their appointment as Directors of the Company. Approval of the members is being sought at the ensuing Annual General Meeting for their appointment as Directors.

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

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 15months period ended 31st March, 2008, 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 15 months period ended 31st March, 2008 and of the Profit of the Company for that Period;
- (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 15months period ended 31st March, 2008 on a going concern basis.

The above statement has been taken note of by the Audit Committee at its meeting held on 30th April, 2008.

AUDITORS & AUDITORS' REPORT

The Company's Auditors M/s S R Batliboi & Co, Chartered Accountants, retires at the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment.

DIRECTORS' REPORT (Contd.)

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

- (a) as regards advances of Rs.1107 lacs, the management is following up the matters and expects supply of material very shortly from the suppliers; and
- (b) as regards recognition of MAT credit entitlement of Rs.625 lacs, the company has made profit during the period under review and in view of this and also based on the future profitability projections, the company is certain that there would be sufficient taxable income in future in order to claim the MAT Credit Entitlement.

STATUTORY DUES

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

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.

FINANCIAL YEAR

In terms of Section 210(4) of the Companies Act, 1956, the Company had ended its financial year on 31st March, 2008, such that the extended financial year is for a period of fifteen months commencing on and from 1st January, 2007 and ending on 31st March, 2008. In terms of Section 166(1) of the Companies Act, 1956, the Company has also obtained approval of the Registrar of Companies, Orissa, for extension of time for holding the Annual General Meeting upto 29th September, 2008.

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

During the period under review, your Company continued to maintain cordial and mutually beneficial relationship with its employees with not a single man hour lost due to IR related issues. With a view to optimize human capital, extensive training and development programmes have been initiated & thrust has been imparted for better interpersonal co-ordination amongst the employees. Employee empowerment of the highest level remains a focus area for the management which motivates the people and helps in faster decision making.

The Board records its appreciation for the support of employees at all levels and looking forward to their total 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 a large. Your Directors also express their warm appreciation to all employees for their diligence and contribution.

For and on behalf of the Board

Kolkata
30th April, 2008

R K Jena
Jt. Managing Director

L K Poddar
Managing Director



BALASORE ALLOYS LIMITED

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 THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:-

- i) Installation of Lighting transformer to reduce power consumption and better supply quality in Auxiliary system.
- ii) Installation of Cone Crusher in Metal recovery plant to augment recovery of metal from slag & slag-mixed material.
- iii) Relining of Furnaces 1, 2 & 3 to increase the Load Factor and higher recovery.
- iv) Installation of Blower fans for better temperature control in Electrode area of Furnaces.
- v) Installation of Slurry pumps in place of Submersible ones to save power and improve availability of equipments in Metal recovery Units.
- vi) Installation of F.R.P fans in place of Cast Aluminum ones in the cooling tower to save power and improve cooling efficiency.
- vii) More usage of friable lumps for production of FeCr, thereby reducing specific power consumption.
- viii) Upgradation of PLC thereby resulting in better control of process parameter and de-centralized monitoring.
- ix) Renovation of Chrome Ore Dryer to enhance the Operational & Productivity efficiency.
- x) Installation of additional pressing facility to augment chrome ore briquette production.
- xi) Installation of Energy meters in individual residences at Colony for better Energy management.
- xii) Reduction of capacity of Motor from 40HP to 30HP in 03nos of Electrical Forklifts.
- xiii) Installation of P.I.D Temperature Controller in Muffle Furnace in Quality Control Department for better control & energy saving.

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.

	For the 15 months period ended 31.03.2008	For the 15 months period ended 31.12.2006
i Power & Fuel Consumption		
1) Electricity		
a) Purchased		
Units (in '000')	431067	404833
Total Amount (Rs. in lacs)	12422	9596
Rate/Unit (Rs)	2.88	2.37
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)	30217	30159
Total cost (Rs. in Lacs)	2561	2629
Average Rate (Rs./MT)	8476	8709
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	3834	3811
Coal	0.27	0.28

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 jiggging processes 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

- i) Segregation of Hexavalent Chrome from Beneficiated Ores tailings for commercial utilisation and eco-friendly disposal.
- ii) Development of In-organic binders for agglomeration of Chrome Ore and Coke fines or both in composite form.

d) Expenditure on R & D

- | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> i) Capital ii) Recurring iii) Total iv) Total R & D Expenditure (% of total turnover) : Not determinable. | } | Expenses incurred are charged to respective heads and not allocated separately. |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------|

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 Casting 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.
- vi) In-house design and implementation of Mechanical dosing system in Chrome Ore agglomeration process to avail optimum chemical & physical mix.

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

- i) 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

(a) 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 81486.10 MT valued at Rs. 40514.75 lacs during the 15 months period ended 31st March, 2008. 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.



BALASORE ALLOYS LIMITED

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.

(b) Total Foreign Exchange used and earned

		(Rs. in Lacs)
–	Foreign Exchange Earnings (on Accrual Basis)	
	FOB Value of exports	37481.86
–	Foreign Exchange Outgo -	
	1. CIF Value of Imports	
	– Raw Materials	4149.49
	– Stores & Spares	0.27
	2. Other Expenditure	625.43

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	41	Joint Managing Director	1,68,78,989	1,00,45,180	AMIE-Mech & MBA	18	30.04.1990	—

- Notes :
1. Gross remuneration comprises salary, allowances, medical reimbursement, production incentive, leave travel assistance, contribution to provident fund, monetary value of other perquisites, bonus, 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.
 4. The employee is not a relative of any Director of the Company.

For and on behalf of the Board

Kolkata
30th April, 2008

R K Jena
Jt. Managing Director

L K Poddar
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Global overview:

The world stainless steel industry is on the verge of cyclical upswing. It has overcome the slack trends that were observed in the second half of the year 2007. In the year 2008, growth is expected to accelerate and for the year as a whole, world stainless steel output has been forecasted to increase by 8.1%.

International Iron & Steel Institute forecasted a global growth rate of more than 6.7% for steel consumption during the year 2007. China alone had consumed 408 million MTs of finished steel during the year 2007. Consumption pattern of steel in China and other Asian regions continue to show an increasing trend during the year 2008. BRIC countries and China are expected to lead the demand of crude steel use in the coming years.

Notwithstanding the sluggish growth in stainless steel melted production in the year 2007, Ferro chrome consumption was resilient in the year 2007. This was primarily due to reduction in the consumption of scrap by the stainless steel mills. Further, High nickel prices has led to a trend away from 300 series stainless steel towards grades containing less or no nickel. Also consumption of Nickel Pig Iron (NPI) by Chinese manufacturers led to an increase in demand for primary chrome units. It is expected that the world demand for ferrochrome should expand over the next couple of years, with annual growth rates averaging over 10% in 2009.

Indian overview:

The economy has moved decisively to a higher growth phase and growth shall continue to be more than 8% for 2008-09. The Indian steel sector continues to have robust growth primarily because of rapid rise in domestic steel consumption. Total production and consumption of finished steel during the current period was 55 million MTs and 52 million MTs (approx.) respectively registering growth of 5% in production and 11% in consumption as compared to previous year. Export of steel during the year was 5 million MTs, 3% lower than previous year due to increased demand in domestic market during the current year. Import of steel during the year was increased by 45% as compared to previous year to a total of 7 million MTs.

With the infrastructure development, rapid & steady industrial development, the demand for steel in domestic market is projected 8% higher than the previous year. However, high crude prices and increasing inflation is likely to influence the input costs and price of finished product.

OPPORTUNITIES AND THREATS

Opportunity

The major stainless steel expansion is coming in China, India and Asia will continue to be the largest consumer of FeCr/ChCr. The infrastructure development, rapid & steady industrial development throughout India will boost the demand for steel in domestic market and is projected 8% higher than the previous year. Increasing cost of production is not expected to have significant affect on the demand pattern during the current period.

South Africa is the largest producer and supplier of FeCr/ChCr and controls more than 50% of the world market. South African producers are presently facing severe power problems such as increased power cost and shortage of power and are operating presently at 90% capacity. This power problem is expected to continue for the next four years. Under this situation all major FeCr expansion plan of South Africa has been suspended. This, in turn, shall be a blessing in disguise for the Indian manufacturers who are on major capacity expansion drive.

Threats

In spite of the existence of favourable market and robust demand, increased cost of production is the major threat to the industry. Ferro Chrome is a power intensive industry and power tariff and availability of power is one of the major sources of concern for the industry. Further, soaring prices of coke and other inputs is causing strain on the profit margins. Logistical difficulties in moving large quantities of chrome ore is further adding to the woes.

Indian FeCr Industry is facing the following threats, mainly:

1. Increasing inflation rate and tightening of monetary policy leading to lower spending on infrastructure and capital projects.
2. Unprecedented increase in cost of raw materials particularly lumpy ore and coke.



BALASORE ALLOYS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

3. Increase in oil price significantly affecting all the economic indicators.
4. High logistical cost.
5. Time involved in allocation and clearance of mines.
6. Any slowdown in Chinese economy leading to demand reduction can bring recession at our customers' end.
7. Currency fluctuation may affect our foreign exchange earning with our high exports content.

Company's Strategies

In order to encounter the threats suitably, the Company has formulated and implemented various strategies and these are reviewed periodically to ensure effectiveness. As a part of its strategic planning the Company has formulated growth and modernisation plan for the entire plant to facilitate better performance, operations, reduction of wastage of raw material, use of power efficient equipments, installation of new furnace etc. The company is also coming with a power plant project for its captive power consumption to reduce dependence on the external sources and economically meet its own power requirements. Implementation of the expansion and diversification plan would definitely catapult the Company's global standing among the top ranked players in the world in the Ferro Alloys Sector.

MANAGEMENT OF RISKS AND CONCERNS

It is undeniable that business projections have an inherent element of uncertainty of unknown factors like sudden reversal of positive trends leading to economic slowdown resulting in possible negative growth for steel, automotive and infrastructure industries which will adversely impact prospects of our industry. Declining prices will affect operating margins.

Any economic slowdown can adversely impact the demand-supply dynamics and profitability and our Company too is vulnerable to these changes.

Foreign exchange rate volatility impacts the Company's business prospects directly through its foreign currency debt portfolio. Export turnover constitutes major part of the total turnover. An appreciating trend in INR may substantially impact the earnings of the Company.

Considering the above points, your Company recognizes that managing risks is a paramount need for ensuring present and future growth plan. The Company has adopted an approach in institutionalising Enterprise wide Risk Management (ERM) which ensures that every level of Management identifies risk, prepare and execute action plan to mitigate the same. The output of the ERM process is regularly reviewed by Risk Management Committee comprising of senior functionaries of the Company. The risk identification processes and mitigation plans are subject to review by the Board of Directors.

Power contributes close to 50% of the variable cost of production in your Company, which is being supplied, singularly by power distribution company of the state. Supply of quality as well as consistent power by the said company remains a concern area where monopoly in future can be envisaged. However, the issue has been taken up with concerned authority to arrange adequate and quality power supply.

Similarly to ensure consistent availability of major raw materials your Company is acquiring new mines for Manganese based Ferro Alloys and at the same time, on the phases, to start mining in the 'Mahagiri' area to get out of a major risk of Chrome Hard Lumpy which plays vital role in the process of Ferro-Chrome & now a days a scare commodity in India and abroad.

OPERATIONAL PERFORMANCE

Production during the 15 months period ended 31st March, 2008 was 112446 MTs as against 106214 MTs for the 15 months period ended 31st December, 2006, thereby registering a growth of 5.87% during the period under review. Your company has been able to produce several customized value added products for different key customers to earn handsome amount as premium using in-house expertise and special raw materials like "Concentrate from COB". In order to optimize operational performance your company has taken various proactive measures including changes in Standard Operating Procedures, replacement of old equipments by latest hi-tech equipments and installation of ancillary tools.

Your company exported 81,486.10 MT valued at Rs.40514.75 lacs during the 15 months period ended 31st March, 2008 under review as against 62708.50 MT valued at Rs 20296.66 lacs in the previous period. Your Company's thrust for export will continue as our strategy is to make our product globally competitive coupled with maintaining impressive growth in the future.

FUTURE OUTLOOK

The stainless steel industry has begun to recover from the downturn that took place in the 2nd half of 2007, as a result in 2008 the growth is expected to accelerate for the year as a whole, world stainless steel output is forecasted to increase by 8.1%. This year is likely to represent a transition year, with growth in melted production reaching a peak of 10.9% in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Ferrochrome consumption was surprisingly resilient last year. Stainless melted production expanded by less than 1%, due to severe cuts to output in the second half, while demand for ferrochrome grew by a phenomenal 13.9%.

Your Company has evolved strategy to penetrate into niche market segments of the world to enhance sales realization. Our product is not only placed in highly quality conscious customers located countries i.e. Japan, Korea, USA but also targeted to reach to end users. Your company is reasonably equipped to facilitate direct deals with end users. Our endeavour is to enter into long-term contracts with bulk end users and to reduce our dependency on spot market.

With the initiations of the above measures, your Company is expected to sustain and improve upon its present level of profitability and further consolidate its pre-eminent position in the Ferro Alloy Industry.

QUALITY ASSURANCE

The Company continues to have ISO 9001: 2000 accreditations from the Bureau of Indian Standards through commitment to quality and technological excellence. The Company is committed to maintain the highest quality of its products and stringent quality assurance procedures are in place. The system of ISO 14001 followed by the Company ensures least adverse impact on Land, Water and Air pollution.

ENVIRONMENTAL AND SAFETY MEASURES

Your Company has given highest priority to environmental protection and has consistently been able to achieve the emission and discharge levels stipulated by the Environmental Regulatory Bodies. The Company is certified for ISO14001 Environmental Management System for its plant located at Balgopalpur, Balasore.

Your Company's environmental management efforts are aimed at maintaining and sustaining a cleaner and greener environment and its constant improvement through a combination of pollution prevention and control measures. Energy conservation and balancing the environment, so as not to upset the ecological balance, are therefore paramount and key to the Company's environment policy.

As far as ecological impact, is concerned the manufacturing operations does not make any toxic emission either to the ground and or air. While the gas cleaning plant absorbs the dust particles from the smoke of the furnaces, the dust particles so collected is buried in the soil to avoid surface pollution. Company's plant is covered by plantation of about 30% of total area. Surrounding areas has been made dust free. More than 30 varieties of shade bearing trees planted to avoid soil erosion in and around.

Your Company has ensured compliance to all statutory provisions related to air, water, environment in order to balance the safety, health, environmental and social aspects effecting the quality of the life of its employees.

SOCIAL COMMITMENTS

Your company is fully aware of its social responsibilities, which it discharges with utmost zeal and complete focus through its own team of dedicated professionals.

With a view to helping the neighbouring villages and townships in various social causes, several activities have been undertaken by the Company, which has been highly acknowledged by the local District Administration. Your Company also encourages community bodies to participate in various welfare activities which focus on important concerns of society like infrastructure development, aid to needy people, education, developmental work, environmental protection measures, health care, sports and cultural activities, communication, drinking water facilities, demonstration of model farming and AIDS awareness programmes, which have touched the softer side of people in neighbouring community. Your Company is always with the people of Balasore at the time of natural calamities. Spontaneous & timely distribution of relief material in the devastated flood in the Balasore district has been well appreciated by all the concerned & multiplied the feel-good factor for your company by manifold. Some of the community development programmes / activities organised by the Company for local areas / villagers are:

- Significant contribution towards education, sports and cultural programme.
- Awareness programme on health & hyzine and also organising medical check-up, eye camp, immunisation programmes.
- Providing facilities of Ambulance and Fire tender.
- Development of plantation.
- Road developments and installation tube wells in various local Panchayat areas.



BALASORE ALLOYS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The company sincerely believes in the fact that investment in health and hygiene of the local villagers shall not only help the poor people who cannot afford for adequate medical treatment but also generate local support and invaluable goodwill for your Company among the community. The system of ISO 14001 followed by the Company ensures least adverse impact on Land, Water and Air pollution.

The company has introduced environmental protection measures like plantation of pollution fighter plants not only in the plant premises but also in the locality as a part of our commitment to conservation of ecology. At present the factory maintains a population of approx. 15000 standing trees in and around plant premises.

INTERNAL CONTROL SYSTEMS

The Company recognises the need for better internal control systems which are to be formulated in such a manner that, apart from imparting flexibility in operations and speed in decision making the basic need of management control is not lost. The Company's internal control systems have therefore been properly structured to meet its strategic needs. With this view, the management has implemented an integrated computerised management information system 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.

Your Company has 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. Independence of the audit and compliance function is ensured by a direct line of reporting to the Audit Committee of the Board of Directors. Periodic reviews are undertaken through internal and external audit teams to monitor efficacy of the prevalent systems.

Financial Performance with respect to Operational Performance

	(Rs. in Lacs)	
	15 months period ended 31st March, 2008	15 months period ended 31st December, 2006
1. Sales/Income from operations	55039.57	36337.31
Less : Excise Duty	(1953.95)	(2204.72)
	53085.62	34132.59
2. Other Income	1186.51	620.66
3. Total Income (1+2)	54272.13	34753.25
4. Total expenditure	44094.23	29228.45
5. Profit before interest & finance charges and depreciation (3-4)	10177.90	5524.80
6. Interest & Finance Charges	3162.58	2513.62
7. Depreciation	1836.74	1847.14
8. Profit before prior period items & Taxes (5-6-7)	5178.58	1164.04
9. Prior Period Items (Net)	61.75	34.43
10. Profit before Tax (8-9)	5116.83	1129.61
11. Provision for Taxes		
– Current Tax	(35.07)	131.00
– Deferred Tax Asset	1822.79	377.03
12. Profit after Tax (10-11)	3329.11	621.58
Add :		
Balance brought forward from previous period	6299.59	5678.01
Less : Adjustment towards additional Employee benefit	142.99	—
Amount carried to next year	9485.71	6299.59

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

HUMAN RESOURCES OF THE COMPANY

Your Company believes in 'Putting People First' and that people are the main strength of the organisation. The Company has established systems that foster performance, transparency, fairness and empowerment at all levels. The human resource Policy of the Company is geared at attracting, motivating, developing, training and retaining of people. Highest focus is accorded on promoting team work as well as knowledge and experience sharing so that a motivated workforce continuously strives to achieve the vision and mission of the company.

The majority of employees of the Company are first generation employees who have been moulded into a cohesive workforce. Your Company has given recognition to the majority union as the sole bargaining agent on behalf of workmen and an atmosphere of congeniality prevails between the workers and management. Your Company has given utmost importance to the development of human resources and to the fostering of a culture of belongingness, learning, care and trust in the organization.

Your Company has put into place a State of the Art Performance Management System to conduct regular review of individual performance, assess competencies and identify training needs. This is complemented by a structured Reward and Recognition mechanism which augments the performance driven culture in the organization. The Company's training philosophy is directed towards developing a learning organization and converting knowledge into productive actions by adopting training practices with a view to develop managerial competencies and enhance technical expertise. This has generated a tremendous amount of enthusiasm and urge among the employees to actively participate in the effort to sustain and improve upon the performance of the Company even in the most trying circumstances.

INITIATIVES TOWARDS OPERATIONAL EXCELLENCE

The Company has undertaken various strategic management initiatives with a view to exploit favourable market condition and bring razor-edge performance to the forefront. 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.

100% involvement of employees and structure review mechanism put in place at the apex level has made these initiatives focused with respect to high productivity.

- **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 MAINTAINCE (TPM)**

The TPM Program was initiated to create a preventive philosophy, total employees participation and building a profitable culture. Within a very short time eight pillars have been activated namely Autonomous Maintenance, Kobetsu Kaizen, Planned Maintenance, Educational Training, Safety, Health & Environment, Office TPM and Initial Flow Control & Quality Maintenance. Two more pillars – Sales & Marketing and Supply Chain Management have been launched in TPM.

- **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.



BALASORE ALLOYS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- **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.

- **TOTAL QUALITY MANAGEMENT**

Your company has initiated definite action plan to implement Total Quality Management in its domain to achieve overall quality superiority in the market. With focus on customer satisfaction, optimized inventory and high plant efficiency for productivity, the initiatives are poised to poise to improve the overall profile of your company.

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 behavior 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 behavior 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 and periodically reviewed by the Board of Directors with a view to strengthening the risk management framework and to continuously review and reassess the risk that the Company may confront with.
- e) **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, color, 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.



BALASORE ALLOYS LIMITED

CORPORATE GOVERNANCE REPORT (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 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 L K Poddar, Managing Director Mr R K Jena, Jt. Managing Director
Non-Executive Independent Director	Mr M Trivedi Mr R P Panda Mr S Mohapatra Mr S K Pal Dr A K Bhattacharyya Prof S K Majumdar Mr D Sengupta Mr S Bajoria* Mr K P Khandelwal**

* Ceased to be a Director w.e.f. 22.04.2008.

** Appointed as Additional Director w.e.f. 30.04.2008.

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.

Six Board meetings were held during the period 01.01.2007 to 31.03.2008. The Company has held at least one Board Meeting in every three months and the gap between the such two meetings was not more than four months. The dates on which the Board meetings were held are as follows:

31.01.2007, 30.04.2007, 27.07.2007, 31.10.2007, 10.12.2007 and 15.01.2008.

Attendance at 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 are below:-

Director	Board Meeting Attended	Attended last AGM held on 30.03.2007 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	Nil	No	1	4	Nil	1
Mr M Trivedi	6	Yes	Nil	1	3	Nil
Mr R P Panda *	1	No	Nil	2	Nil	Nil
Mr S Mohapatra	4	Yes	Nil	2	Nil	Nil
Mr S K Pal	3	No	Nil	2	Nil	3
Mr L K Poddar (Managing Director)	6	No	Nil	2	Nil	1

**CORPORATE GOVERNANCE REPORT (Contd.)**

Director	Board Meeting Attended	Attended last AGM held on 30.03.2007 at Registered Office	No. of Directorship in other Companies @		No. of Membership in Committees of Directors in other Companies.	
			Chairman	Director	Chairman	Member
Dr A K Bhattacharyya	4	No	Nil	1	Nil	1
Mr R K Jena ** (Jt. Managing Director)	6	Yes	Nil	Nil	Nil	Nil
Prof S K Majumdar	6	No	Nil	Nil	Nil	Nil
Mr D Sengupta #	4	N.A.	Nil	3	Nil	3
Mr S Bajoria ##	5	No	Nil	Nil	Nil	Nil
Mr K P Khandelwal \$	N.A.	N.A.	Nil	2	Nil	1

* Ceased to be a Nominee Director and appointed by the Board as an Additional Director at its meeting held on 30th April, 2008.

** Elevated and appointed as Joint Managing Director w.e.f. 31.01.2007.

Appointed as Additional Director as on 31.01.2007 and regularized at last AGM held on 30.03.2007.

Ceased to be a director of the Company w.e.f. 22.04.2008

\$ Appointed as Additional Director by the Board as on 30.04.2008.

@ Excludes Directorship held in Indian Pvt. Ltd. Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Membership of various non-corporate organizations and of various Chambers of Commerce.

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, 2008 the Committee consists of eight 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 Chairman of the Audit Committee attended the previous AGM of the Company held on 30th March 2007.

Five Meetings of Audit Committee were held during the period 01.01.2007 to 31.03.2008. The dates on which the meetings of the Audit Committee were held are:

31.01.2007, 30.04.2007, 27.07.2007, 31.10.2007 and 15.01.2008.

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

Name of Director	No. of Meetings held during the period	No. of Meetings attended during the period
Mr M Trivedi - Chairman of the Committee	5	5
Mr R P Panda	5	1
Mr S Mohapatra	5	3
Mr S K Pal	5	3



BALASORE ALLOYS LIMITED

CORPORATE GOVERNANCE REPORT (Contd.)

Name of Director	No. of Meetings held during the period	No. of Meetings attended during the period
Dr A K Bhattacharyya	5	3
Prof S K Majumdar	5	5
Mr S Bajoria ##	5	4
Mr D Sengupta	5	3
Mr K P Khandelwal \$	5	N.A.

Ceased to be a member of the Committee w.e.f. 22.04.2008

\$ Appointed as a member of the Committee w.e.f. 30.04.2008

4. Remuneration Committee

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

As at 31st March, 2008 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, of which three are independent Non-Executive Directors. Mr. M Trivedi, an Independent Non-Executive Director, is the Chairman of the Committee.

During the period ended 31st March, 2008, one meeting of the Committee was held on 15.01.2008. Attendance at the meeting is as under:

Name of Director	No. of Meetings Held	No. of Meetings Attended
Mr M Trivedi (Chairman of the Committee)	1	1
Mr S Mohapatra ^	1	1
Dr A K Bhattacharyya	1	Nil
Mr L K Poddar (Managing Director)	1	1
Mr S K Pal ~	1	N.A.
Prof S K Majumdar !	1	N.A.

^ Ceased to be a member of the committee w.e.f. 30.04.2008.

~ Appointed as a member of the committee w.e.f. 30.04.2008.

! Appointed as a member of the committee w.e.f. 30.04.2008.

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 for a part of the period under review paid sitting fees of Rs.5,000/- per meeting to Non Executive Directors for attending the meetings of Board of Directors, Audit Committee and the Committee for Preferential Issues. For the other Committee meeting i.e. Remuneration Committee and Share Transfer and Investor Grievance Committee, the Company pays to the Non Executive Directors sitting fee of Rs.2500/- per meeting

At the Meeting of the Board of Directors of the Company held on 27.07.2007 the sitting fees were increased from Rs.5000/- to Rs.10000/- per meeting of Board of Directors and Audit Committee Meeting and from Rs.2500/- to Rs.5000/- for attending other Committee meetings besides reimbursement of expenses. The Non-executive Directors of the Company were not paid any other remuneration or commission.

**CORPORATE GOVERNANCE REPORT (Contd.)**

Relationship of Non-Executive Directors with the Company and interse :

Name of Director	Relationship with other Directors	Business relationship with the Company
Mr M Trivedi	None	None
Mr R P Panda*	None	None
Mr S Mohapatra	None	None
Mr S K Pal	None	None
Dr A K Bhattacharyya	None	None
Prof S K Majumdar	None	None
Mr D Sengupta	None	None
Mr S Bajoria**	None	None
Mr K P Khandelwal***	None	None

* Ceased to be a Nominee Director and appointed by the Board as an Additional Director at its meeting held on 30th April, 2008.

** Ceased to be a Director w.e.f. 22.04.2008.

*** Appointed as Additional Director w.e.f. 30.04.2008.

(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.

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

Details of remuneration paid to one Whole-time Director for the period ended 31st March, 2008:

Director	Salary & Perks	Commission	Total	Service Contract (Years)	Period
Mr R K Jena ** (Jt. Managing Director)	Rs.168.79 Lacs	NIL	Rs.168.79 Lacs	3	(01.04.2006 to 31.03.2009)

** Appointed as Joint Managing Director w.e.f. 31.01.2007

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 fifteen times during the period 01.01.2007 to 31.03.2008. The dates on which the meetings of the Share Transfer and Investors Grievance Committee were held are as follows:

08.01.2007, 16.02.2007, 05.03.2007, 13.04.2007, 07.05.2007, 20.06.2007, 27.07.2007, 07.08.2007, 08.09.2007, 17.10.2007, 13.11.2007, 14.12.2007, 15.01.2008, 08.02.2008 and 12.03.2008.



BALASORE ALLOYS LIMITED

CORPORATE GOVERNANCE REPORT (Contd.)

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

Name of Directors	No. of Meeting held during the period	No. of Meeting attended during the period
Mr M Trivedi (Chairman of the Committee)	15	13
Mr L K Poddar (Managing Director)	15	15
Mr R K Jena (Jt. Managing Director*)	15	15
Prof S K Majumdar	15	15
Mr S K Pal **	15	N.A.

* Appointed as joint Managing Director w.e.f. 31.01.2007

** Appointed as a member of the committee w.e.f. 30.04.2008.

Name and Designation of Compliance Officer:

Mr Trilochan Sharma - General Manager & Company Secretary.

Name and Contact Person of Registrars and Transfer Agent to the Company.

Mrs B Biswas - Manager.

Share Transfers/Transmissions etc. as approved by the Committee are notified to the Board at regular intervals. During the period from 01.01.2007 to 31.03.2008 i.e. of 15 months, the status of complaints are as under:

Complaints pending as on 01.01.2007	—	Nil
Complaints received from Investors	—	551
Complaints replied/resolved	—	547
Complaints pending as at 31.03.2008	—	4

During the period under review 3,96,144 Equity Shares were transferred in physical form and no such request was pending as on 31.03.2008. 2,15,28,036 Equity Shares were dematerialized during the period under the review. As on 31.03.2008. 5,19,16,681 Equity Shares constituting 80.75% of equity shares of the Company were held in dematerialized form.

7. Other Committee

a. Committee for Preferential Issues:

In addition to the Committees mentioned hereinabove, a Committee named as Committee for Preferential Issues was constituted on 22nd June, 2006 for the purposes of issuing and allotting Equity Shares to the Promoters of the Company on preferential basis in terms of the requirements of CDR package approved by the CDR cell of the Reserve Bank of India. The said Committee held its two meetings during the period on 09.04.2007 and 11.02.2008. The said Equity Shares have become fully paid-up during the period.

b. Committee for Preferential Issue of Warrant:

Committee for Preferential Issue of Warrant was constituted on 10th December 2007, inter-alia, to consider and approve issue and allotment of Zero Coupon Convertible Warrants to the Promoters of the Company on preferential basis. The Committee allotted 65,00,000 (Sixty Five Lakh) Zero Coupon Convertible Warrants of Rs. 5/- each at a premium of Rs. 65/- each to the Promoters on 15th March, 2008. Two meetings were held during the period on 22.12.2007 and 15.03.2008.

Besides the above, the Company also has a Project Committee to overview implementation of various capital projects including status of progress and critical areas affecting projects implementation schedule.

**CORPORATE GOVERNANCE REPORT (Contd.)****8. General Body Meetings:**

1. Details on Annual/Extra Ordinary General Meetings :

(a) Annual General Meetings:

Year	Location	Date	Time
2005-2006 (15 Months)	Registered Office	30.03.2007	9.30 A.M.
2004-2005 (18 Months)	Registered Office	09.12.2005	10.00 A.M.
2002- 2004 (18 Months)	Registered Office	25.09.2004	9.30 A.M.

(b) Extra Ordinary General Meeting:

Year	Location	Date	Time
2007 – 2008	Registered Office	21.01.2008	10.00 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 : No
(ii) Details of voting pattern : NA
(a) Votes in favour of the Resolution : NA
(b) Votes against the Resolution : NA
(iii) Person who conducted the postal ballot exercise : N.A.
- b) (i) Are votes proposed to be conducted through postal ballot this year : No
(ii) Procedure for postal ballot : N.A.

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 have 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 2007-08, duly signed by Jt. 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, Joint 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 fifteen months period ended 31st March, 2008.

30th April, 2008

R K Jena
*Jt. Managing Director***10. Subsidiaries**

The Company did not have any subsidiary company during the period under review.

11. Disclosures

- a. The particulars of transactions between the Company and its related parties as required by Accounting Standard (AS)-18 issued by the Institute of Chartered Accountants of India are set out in point 21 of Schedule 22 of the Annual Report.



BALASORE ALLOYS LIMITED

CORPORATE GOVERNANCE REPORT (Contd.)

- b. In preparation of financial statement, the Company has followed the applicable Accounting Standards referred to in Section 211(3)(c) 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. The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. 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 period under review. However, 6500000 Zero Coupon Convertible Warrants were issued to the Promoters of the company on preferential basis during the period. A sum equivalent to 10% of the price payable in respect of Equity shares arising on conversion of warrants was received by the company.
- e. Save and except the revocation by Bombay Stock Exchange of suspension of trading in the shares of the Company w.e.f 10.08.2005, no penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital market, during the last three years.
- f. There is no Whistle Blower mechanism in the Company.
- g. The Management Discussion and Analysis Report is a part of the Annual Report.

12. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

The Company has adopted and complied with all the mandatory requirements under Clause 49 of the Listing Agreement and there is no case of violation or infringement of the same during the period.

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 by the Company and hence will be addressed as appropriate in future.

13. Means of communication.

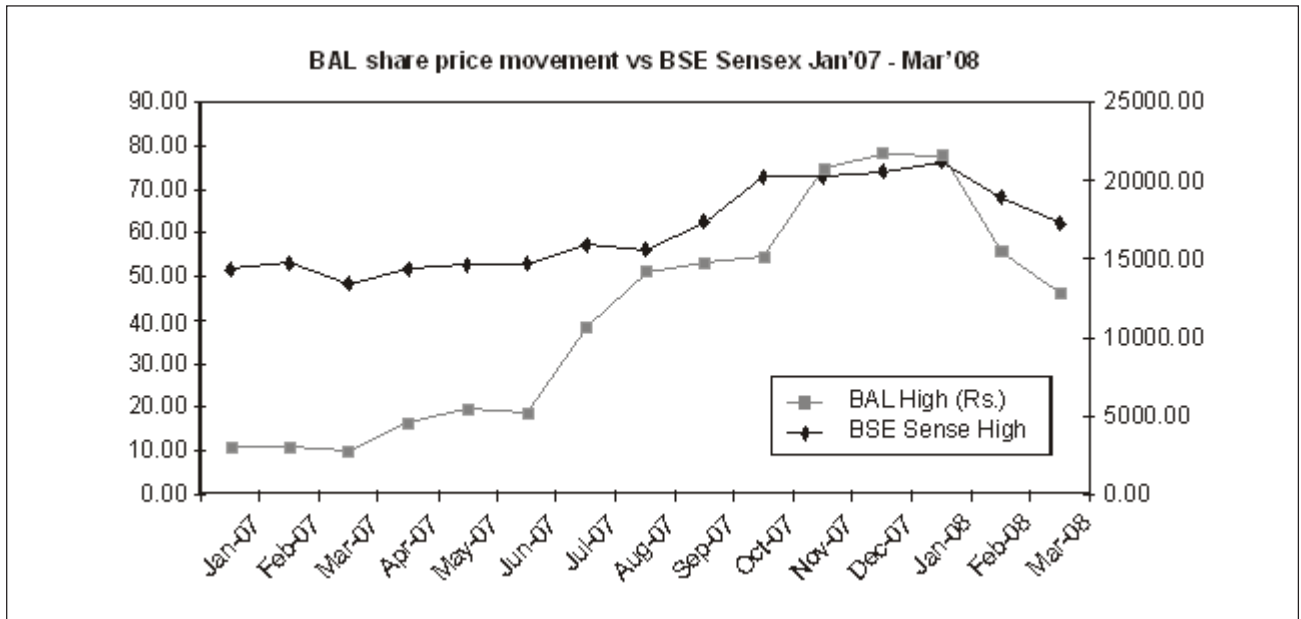
Half yearly report sent to each household of shareholders	Not required.
Quarterly results. Which newspapers normally published in.	Financial Express/Economics Times (in English) Sanbad (Oriya version)
Web sites where quarterly results are displayed.	www.balasorealloys.com
Whether it also displays official 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 Venue	Thursday, 25th September, 2008 at 9.30 A.M. Registered Office at Balgopalpur – 756 020 Balasore, Orissa, India
2 Financial Calendar 2008-09 (Tentative) Financial Reporting for the quarter ending June 30, 2008 Financial Reporting for the quarter ending September 30, 2008 Financial Reporting for the quarter ending December 31, 2008 Financial Reporting for the quarter ending March 31, 2009 Annual General Meeting for the year ending March 31, 2009	Last week of July, 2008 Last week of October, 2008 Last week of January, 2009 Last week of April, 2009 September, 2009

**CORPORATE GOVERNANCE REPORT (Contd.)**

3 Book Closure Date	Monday, 22nd September, 2008 to Thursday, 25th September, 2008 (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 - 400 023 ii) Bhubaneswar Stock Exchange Stock Exchange Bhawan, P-2, Jayadev Vihar, P.O. Chandrasekharpur, Bhubaneswar - 751 023 iii) The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata -700 001			
Note: Annual Listing Fees for the year 2007-08 have been paid to the Bombay Stock Exchange and the Calcutta Stock Exchange Association Limited. The Shares of the company were originally also listed on the Bhubaneswar and Delhi Stock Exchanges. The Company's application for delisting is approved by the Delhi Stock Exchange on 27th March, 2008. However, the application to the Bhubaneswar Stock Exchange is still under consideration and hence the fees for the current year have not been paid to them.				
7 Stock Market information:				
(i) Stock Code:				
Bhubaneswar Stock Exchange		: IST		
The Calcutta Stock Exchange Association Ltd.		: 10019059		
Bombay Stock Exchange Ltd,		: 513142		
ISIN No. for Fully Paid up Equity Shares		: INE135A01024		
(ii) Market Price	Share Price data on BSE		BSE Sensex	
Months	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January 2007	10.76	6.88	14325.92	13303.22
February 2007	10.61	8.02	14723.88	12800.91
March 2007	9.83	6.71	13386.95	12316.10
April 2007	16.33	8.34	14383.72	12425.52
May 2007	19.40	13.95	14576.37	13554.34
June 2007	18.45	15.20	14683.36	13946.99
July 2007	38.40	15.60	15868.85	14638.88
August 2007	50.85	32.80	15542.40	13779.88
September 2007	53.00	34.55	17361.47	15323.05
October 2007	54.50	38.05	20238.16	17144.58
November 2007	74.45	44.40	20204.21	18182.83
December 2007	78.15	61.00	20498.11	18886.40
January 2008	77.70	46.10	21206.77	15332.42
February 2008	55.55	41.50	18895.34	16457.74
March 2008	45.90	26.20	17227.56	14677.24



8. Share Price Performance in comparison to Broad-based Indices – BSE Sensex.

The BSE Sensex open on 1st January, 2007 at 13827.77 and on 31st March, 2008, the Sensex closed at 15644.44. The market price of the shares of the Company on the BSE has varied from Rs. 6.71 to Rs. 78.15 during the period under review.

9. Depository Connectivity:

**National Securities Depository Limited
Central Depository Services (India) Ltd.**

10. Registrars & Transfer Agent:

(Share transfer and communication regarding share certificates, Dividends & change of Addresses)

MCS Limited, Unit : Balasore Alloys Ltd.
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 Ltd., Registrars 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, at least once a week, 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.

**CORPORATE GOVERNANCE REPORT (Contd.)****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, 2008.

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Share Capital
1 to 500	143006	97.51	13145811	20.45
501 to 1000	2231	1.52	1588575	2.47
1001 to 2000	643	0.44	919358	1.43
2001 to 3000	272	0.18	688269	1.07
3001 to 4000	52	0.04	180658	0.28
4001 to 5000	47	0.03	220426	0.34
5001 to 10000	159	0.11	1319409	2.05
10001 and above	247	0.17	46227905	71.91
TOTAL	146657	100.00	64290411	100.00

(b) Categories of Shareholders as on 31st March, 2008

Category	No. of Shares of held	% of Total Share holding
Promoters, Directors and their Relatives	29764786	46.30
Mutual Funds and UTI, Banks, FIs and Insurance Cos., Private Corporate Bodies	3209573	4.99
NRIs/OCBs	785072	1.22
Public & Others	30530980	47.49
Grand Total	64290411	100.00

Approximately 80.75% of the Equity shares have been dematerialized as on 31st March, 2008. Trading in Equity Shares of the company is permitted only in dematerialized form with effect from 26.06.2000 as per notification issued by the Securities and Exchange Board of India in this regard.

15. Plant Location:

Balgopalpur
Balasore – 756 020
Orissa, India.

Mines Location:
Chrome Ore
Manganese Ore
Quartzite Mine

Sukinda Valley, Dist. Jajpur (Orissa)
Hathoda, Dist. Balaghat (M.P.) and Joda, Dist. : Keonjhar (Orissa)
Village: Baghjumpha
Maurbhanja
Dist. : Maurabhanj (Orissa)



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 15 months period ended on 31st March, 2008, 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 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.**
CHARTERED ACCOUNTANTS

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

Place : Kolkata
Date : April 30, 2008



BALASORE ALLOYS LIMITED

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 March 31, 2008 and also the Profit and Loss account and the cash flow statement for the fifteen months period 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 March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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 the following Notes on Schedule 22:*
 - (a) *Note No. 19 regarding advances of Rs 1107 lacs against which supply of material is pending beyond the stipulated delivery schedules. In case of non-supply/ non-recovery, the impact of such advances on the Company's profits, if any, is presently not ascertainable.*
 - (b) *Note No 13 regarding recognition of MAT Credit Entitlement of Rs 625 lacs based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequent impact, if any, on the Company's profit.*

Had the impact of vi(b) above been considered, there would be a net profit of Rs 2704.11 lacs for the period as against the reported net profit of Rs 3329.11 lacs and the Profit and Loss Account Credit balance would have been Rs 8860.71 lacs as against the reported balance of Rs 9485.71 lacs.

AUDITORS' REPORT (Contd.)

- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to para (vi)* above 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 the balance sheet, of the state of affairs of the Company as at March 31, 2008;
 - b) in the case of the profit and loss account, of the profit for the fifteen months period ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the fifteen months period ended on that date.

For **S. R. BATLIBOI & CO.**
Chartered Accountants
Per R. K. Agrawal
Partner
Membership No. 16667

Place : Kolkata
Date : April 30, 2008

**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 15 MONTHS PERIOD ENDED MARCH 31, 2008)**

- (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 period 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 period.
- (ii)
 - (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
 - (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 no material discrepancies were noticed on physical verification.
- (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.
 - (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.
- (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 and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.



BALASORE ALLOYS LIMITED

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 as per Companies Act 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial period at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (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) 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 etc. have generally been regularly deposited with the appropriate authorities *though there has been delay in a few cases*.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (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/ Orissa Sales Tax Act	Local Sales Tax Demand, Non-acceptance of forms	187.99	1999-00 to 2005-06	Commissioner and Appellate Tribunal
Orissa Entry Tax	Classification of Goods	20.82	2003-04 to 2005-06	Commissioner and Appellate Tribunal
Central Sales Tax Act	Non-Submission of Forms, consignment sales and sales tax deferment	527.68	1991-92 to 2005-06	Commissioner and Appellate Tribunal and Orissa High Court
Central Excise Act	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 period and it has not incurred cash losses in the current and immediately preceding financial period.



ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or 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 Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee by way of pledge of certain investments as securities for loans taken by others from banks or financial institutions, the terms and conditions whereof in view of the strategic nature of such guarantee, are stated to be not prima-facie 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 the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the period 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 period.
- (xx) The company has not raised any money through a public issue during the period.
- (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.

Place : Kolkata
Date : April 30, 2008

For **S. R. BATLIBOI & CO.**
Chartered Accountants
Per R. K. Agrawal
Partner
Membership No. 16667

**BALASORE ALLOYS LIMITED****BALANCE SHEET AS AT 31ST MARCH, 2008**

		(Rs. in Lacs)	
A. SOURCES OF FUNDS	Schedule	As at 31st March, 2008	As at 31st December, 2006
SHAREHOLDERS' FUNDS			
a) Share Capital	1	3366.38	2966.38
b) Advance Against Share Capital		—	351.25
c) Application money towards Equity Warrants*		490.00	—
d) Reserves & Surplus	2	22866.99	21082.24
* Refer Note No. 8 on Schedule 22			
		<u>26723.37</u>	<u>24399.87</u>
LOAN FUNDS			
a) Secured Loans	3	13781.22	14267.83
b) Unsecured Loans	4	1910.71	1577.89
		<u>15691.93</u>	<u>15845.72</u>
Total		<u><u>42415.30</u></u>	<u><u>40245.59</u></u>
B. APPLICATION OF FUNDS			
FIXED ASSETS			
a) Gross Block	5	52928.93	55879.28
b) Less : Accumulated Depreciation/Amortisation		<u>(19667.96)</u>	<u>(18408.29)</u>
c) Net Block		33260.97	37470.99
d) Capital Work in Progress		4770.23	444.10
		<u>38031.20</u>	<u>37915.09</u>
INVESTMENTS	6	203.79	95.12
DEFERRED TAX ASSET (NET)	7	55.87	1805.03
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	8	11659.71	7724.50
b) Sundry Debtors	9	845.17	742.00
c) Cash & Bank Balances	10	1469.74	660.65
d) Other Current Assets	11	373.75	141.20
e) Loans & Advances	12	7108.20	5402.58
		<u>21456.57</u>	<u>14670.93</u>
Less: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	13	16665.66	14026.96
b) Provisions	14	666.47	213.62
		<u>17332.13</u>	<u>14240.58</u>
Net Current Assets		<u>4124.44</u>	<u>430.35</u>
Total		<u><u>42415.30</u></u>	<u><u>40245.59</u></u>
Significant Accounting Policies & Notes on Accounts	22		

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

As per our attached Report of even date.

For and on behalf of Board of Directors

For S. R. Batliboi & Co.

Chartered Accountants

Per R. K. Agrawal

Partner

Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016

Date : 30th April, 2008

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar

Directors

L K Poddar
R K Jena

Managing Director
Jt. Managing Director

**BALASORE ALLOYS LIMITED****PROFIT & LOSS ACCOUNT FOR 15 MONTHS PERIOD ENDED 31ST MARCH, 2008**

	Schedule	2007-08 (15 months)	(Rs. in Lacs) 2005-06 (15 months)
INCOME			
Sales (Gross)	15	55039.57	36337.31
Less : Excise Duty		<u>(1953.95)</u>	<u>(2204.72)</u>
		53085.62	34132.59
Other Income	16	1186.51	620.66
Total		<u>54272.13</u>	<u>34753.25</u>
EXPENDITURE			
Decrease/(Increase) in Stocks	17	(537.22)	465.83
Excise Duty & Cess on Stocks (Refer Note No. 22 on Schedule 22)		11.49	(29.91)
Raw Materials Consumed	18	20828.19	12549.14
Purchases of finished goods		—	320.83
Personnel Cost	19	1950.28	1364.64
Power and Fuel		12422.22	9672.16
Manufacturing, Selling and Administrative Expenses	20	9419.27	4885.76
Interest & Finance Charges	21	3162.58	2513.62
Depreciation / Amortisation		3538.11	3531.34
Less: Transferred from General Reserve		<u>1701.37</u>	<u>1684.20</u>
Total		<u>49093.55</u>	<u>33589.21</u>
Profit before Prior Period & Taxes		5178.58	1164.04
Less : Prior Period Items (Net)		<u>61.75</u>	<u>34.43</u>
Profit before Taxes		5116.83	1129.61
Provisions for Taxes			
– Current Tax (MAT payable)		540.25	103.19
Less : MAT Credit Entitlement (Refer Note No. 13 on Schedule 22)		<u>625.00</u>	<u>—</u>
– Deferred tax		1822.79	377.03
– Wealth tax		0.68	0.33
– Fringe Benefit tax		49.00	27.48
Profit after Taxes		<u>3329.11</u>	<u>621.58</u>
Profit brought forward from previous period		6299.59	5678.01
Less: Adjustment towards additional Employee Benefit Liability (Net of Deferred tax credit of Rs. 73.63 lacs.) (Refer Note No. 12 on Schedule 22)		<u>142.99</u> <u>—</u>	<u>—</u> <u>—</u>
Profit carried to the Balance Sheet		<u>9485.71</u>	<u>6299.59</u>
Earning per share [Nominal value of shares - Rs. 5/-]			
– Basic (Rs.)		5.36	1.15
– Diluted (Rs.)		5.35	1.10
(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 attached report of even date.

For and on behalf of Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

Per R. K. Agrawal
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 30th April, 2008

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar

Directors

L K Poddar
R K Jena

Managing Director
Jt. Managing Director

**BALASORE ALLOYS LIMITED****CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2008**

	2007-08		(Rs. in Lacs)
	(15 months)		2005-06
			(15 months)
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit before taxes	5116.83		1129.61
Adjustments for :			
Depreciation/ Amortisation	1836.74	1847.14	
Dividend on long term investments (Other than Trade)	(6.60)	—	
Interest Income	(412.27)	(195.91)	
Unspent Liability no longer required written back	(256.26)	(118.95)	
Gain on Foreign Exchange Rate Fluctuation/Forward Exchange Contract	(312.58)	(45.48)	
Provision for diminution in value of quoted Investment written back	(108.22)	—	
Irrecoverable debts, deposits & advances written off	111.36	16.79	
Provision for doubtful debts / advances	46.18	—	
Provision for Diminution in value of quoted Investment	—	108.35	
Loss / (Profit) on sale/discard of Fixed Assets (net)	1651.44	(26.26)	
Gain on sale of Investments (Other than Trade)	—	(6.44)	
Interest Expenses	2789.08	<u>2199.33</u>	3778.57
Operating Profit before working capital changes	10455.70		4908.18
Adjustments for :			
Inventories	(3575.21)	(2307.83)	
Sundry Debtors, Other Current Assets and Loans & Advances	(1688.59)	(3169.68)	
Current Liabilities and Provisions	3181.92	<u>5216.03</u>	(261.48)
Cash generated from Operations	8373.82		4646.70
Direct Tax Paid	(397.13)		(76.12)
Net Cash generated from Operating Activities	7976.69		4570.58
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(5994.90)	(848.76)	
Interest Received	179.72	82.94	
Purchase of Investments	(0.45)	—	
Sale of Investments	—	16.44	
Sale of Fixed Assets	340.85	35.34	
Dividend on long term investments (Other than Trade)	6.60	—	
Net cash used in investing activities	(5468.18)		(714.04)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Share Application Money Received including premium	838.75	846.00	
Repayment of long term borrowings	(2758.83)	(2418.05)	
Receipt of long term borrowings	1331.75	—	
Net movement in other borrowings	1271.77	87.00	
Interest Paid	(2869.70)	(2323.08)	
Payment to Investor Education Fund	(1.37)	—	
Net cash used in financing activities	(2187.63)		(3808.13)
Net Increase in cash & cash equivalents (A+B+C)	320.88		48.41
SHORT TERM BORROWINGS RECEIVED / (PAID) (NET)	146.36		97.95
Cash & Cash equivalents as on 31.03.2008 (Closing Balance)	467.24		146.36
Cash & Cash equivalents as at the end of the period includes			
Cash-on-hand (Including cheques)	14.66		41.77
With Scheduled Banks on Current Account	452.53		103.17
With Scheduled Banks on Unclaimed Debenture Interest Account	—		1.37
With Post Office on Savings Account	0.05		0.05
	<u>467.24</u>		<u>146.36</u>

As per our attached report of even date.

For S. R. Batliboi & Co.
Chartered Accountants**Per R. K. Agrawal**
Partner

Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 30th April, 2008

For and on behalf of Board of Directors

M Trivedi
S Mohapatra
S K Pal
S K Majumdar

Directors

Trilochan Sharma
Company SecretaryL K Poddar
R K JenaManaging Director
Jt. Managing Director

**BALASORE ALLOYS LIMITED****SCHEDULES FORMING PART OF THE BALANCE SHEET**

		(Rs. in Lacs)	
	As at 31st March, 2008	As at 31st December, 2006	
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
200,000,000 Equity Shares of Rs. 5/- each	10000.00	10000.00	
	<u>10000.00</u>	<u>10000.00</u>	
Issued and Subscribed			
64,290,411 (44,290,411) Equity Shares of Rs. 5/- each fully paid up	3214.52	2214.52	
Nil (20,000,000) Equity Shares of Rs. 5/- each, partly paid up	<u>—</u>	<u>600.00</u>	2814.52
Add: Shares forfeited	151.86	151.86	
	<u>3366.38</u>	<u>2966.38</u>	
 SCHEDULE 2			
RESERVES AND SURPLUS			
Capital Reserve			
Central Investment Subsidy			
As per last Account	41.96	41.96	
Securities Premium Account			
As per last Account	1250.00	—	
Add: Received during the period	<u>300.00</u>	<u>1250.00</u>	1250.00
General Reserve			
As per last Account	13490.69	15232.14	
Less : Transfer to :			
Depreciation Account	1701.37	1684.20	
Discard/Sale of Fixed Assets	<u>—</u>	<u>57.25</u>	13490.69
(Refer Note No 1(iii)(c) on Schedule 22)			
Balance in Profit and Loss Account	9485.71	6299.59	
	<u>22866.99</u>	<u>21082.24</u>	

**BALASORE ALLOYS LIMITED****SCHEDULES FORMING PART OF THE BALANCE SHEET**

	(Rs. in Lacs)	
	As at 31st March, 2008	As at 31st December, 2006
SCHEDULE 3		
SECURED LOANS		
From Scheduled Bank*		
Term Loans :		
Rupee Loans	7163.57	8921.95
Funded Interest Term Loans (Not bearing Interest)	3299.00	3299.00
Working Capital Facilities		
– In Rupees	2310.89	2046.88
– In Foreign Currency	<u>1007.76</u>	<u>—</u>
	<u>3318.65</u>	2046.88
	<u>13781.22</u>	<u>14267.83</u>

Notes

- i) Term loans are secured by a first mortgage on the Company's all immovable properties, both present and future, and / or by way of hypothecation of all the movable assets (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges in favour of the company's bankers on stocks for securing working capital requirements. The above term loans are further guaranteed by Mr. Pramod Mittal and Mr. Vinod K. Mittal, directors of the company who have also pledged a portion of their shareholding in the company with the bankers.
- ii) Working capital facilities are secured by hypothecation of the Company's stocks and book debts, and also by a second & subsequent charge on the immovable properties, both present & future.
- iii) All the mortgages and charges created in favour of the Banks for Term and other Loans rank *pari passu inter se*.

	(Rs. in Lacs)	
	As at 31st March, 2008	As at 31st December, 2006
SCHEDULE 4		
UNSECURED LOANS*		
Foreign Currency Term Loan		
From IKB Deutsche Industrie Bank	158.95	1025.88
Other Loans (partly bearing interest)		
From Bodies Corporate	1676.75	477.00
Under Sales Tax Deferment Scheme		
	75.01	75.01
	<u>1910.71</u>	<u>1577.89</u>

*Refer Note No 5 on Schedule 22

SCHEDULES FORMING PART OF THE BALANCE SHEET

**SCHEDULE 5
FIXED ASSETS**

(Rs.in Lacs)

P A R T I C U L A R S	GROSS BLOCK		DEPRECIATION / AMORTISATION			NET BLOCK				
	As at 31.12.2006	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2008	Up to 31.12.2006	For the Period	On Deductions/ Adjustments	Up to 31.03.2008	As at 31.03.2008	As at 31.12.2006
Lease Hold Land	137.22	-	-	137.22	13.71	1.90	-	15.61	121.61	123.51
Free Hold Land	197.22	218.33	-	415.55	-	-	-	-	415.55	197.22
Mining Lease	17382.14	-	-	17382.14	1393.30	868.63	-	2261.93	15120.21	15988.84
Buildings	4157.61	10.93	-	4168.54	1009.05	155.57	-	1164.62	3003.92	3148.56
Plant & Machinery	33471.28	1366.04	4627.51 (c)	30209.81	15616.97	2472.00	2275.38	15813.59	14396.22	17854.31
Vehicles	101.00	18.54	3.22 (c)	116.32	67.74	4.82	3.06	69.50	46.82	33.26
Office Equipments, Furniture & Fixtures	432.81	66.54	-	499.35	307.52	35.19	-	342.71	156.64	125.29
Total	55879.28(a)	1680.38(b)	4630.73	52928.93(d)	18408.29	3538.11	2278.44	19667.96	33260.97	37470.99
Capital work in progress	444.10	5692.17	1366.04	4770.23	-	-	-	-	4770.23	444.10
Grand Total	56323.38	7372.55	5996.77	57699.16	18408.29	3538.11	2278.44	19667.96	38031.20	37915.09
Previous Period's total	55771.88	1500.95	949.45	56323.38	15174.10	3531.34	297.15	18408.29	37915.09	

(a) Includes Rs 23118.34 lacs capitalised on account of revaluation of fixed assets as on 31st December 2004 at net replacement cost basis.

(b) Includes Exchange loss capitalised Rs. Nil (Rs. 117.87 Lacs)

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

(d) Includes Capital Advances Rs 2781.97 during the period.



BALASORE ALLOYS LIMITED

**BALASORE ALLOYS LIMITED****SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Rs. in Lacs)

SCHEDULE 6

INVESTMENTS (Long Term - Other than trade)	Nos.	Face Value (Rs.)	As at 31st March, 2008	As at 31st December, 2006
A. GOVERNMENT SECURITIES (Unquoted)				
6 years National Savings Certificates (Deposited with Government Departments)			0.75	0.30
			<u>0.75</u>	<u>0.30</u>
B. OTHER INVESTMENTS-FULLY PAID-UP				
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
			<u>40.10</u>	<u>40.10</u>
ii) Quoted				
Equity shares of Ispat Industries Ltd. (Refer Note No 10 on Schedule 22)	453000	10	293.15	293.15
0.01% Cumulative Redeemable Preference shares in Ispat Industries Ltd.	302000	10	195.43	195.43
Equity shares of Ispat Profiles India Ltd.	39950	10	7.99	7.99
			<u>496.57</u>	<u>496.57</u>
Less: Provision for diminution in the value of Investments			(333.63)	(441.85)
			<u>162.94</u>	<u>54.72</u>
			<u>203.79</u>	<u>95.12</u>
Aggregate value of Investments				
Quoted			162.94	54.72
Unquoted			40.85	40.40
			<u>203.79</u>	<u>95.12</u>
Market Value of Quoted Investments			<u>162.94</u>	<u>54.72</u>

SCHEDULE 7**DEFERRED TAX ASSET (NET)#**

As per Last Account		1805.03	2182.06
Add : Deferred Tax Asset on Employee Benefit upto 31st December 2006		73.63	—
Less : Deferred Tax Charge for the period		1822.79	377.03
# Refer Note No. 12 on Schedule 22		<u>55.87</u>	<u>1805.03</u>

SCHEDULE 8**INVENTORIES****At lower of cost and Net realisable value**

Stores, Spares & Production Consumables*		884.12	416.09
Raw Materials **		9858.20	6928.24
Goods under process		127.44	48.82
Finished goods		563.25	176.98
At estimated net realisable value			
Processable scrap		226.70	154.37
		<u>11659.71</u>	<u>7724.50</u>

* includes parts of assets awaiting for disposal Rs. 360.00 lacs (Rs. Nil)

** includes material in transit Rs. 945.20 lacs (Rs. 1344.70 lacs)

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March, 2008	(Rs. in Lacs) As at 31st December, 2006
SCHEDULE 9		
SUNDRY DEBTORS		
(Unsecured, Considered Good except stated otherwise)		
Debts outstanding for a period exceeding six months*	1.05	1.40
Other Debts	<u>844.12</u>	<u>740.60</u>
	<u>845.17</u>	<u>742.00</u>
* Net of provision for doubtful debts Rs. 16.83 lacs (Rs. 34.53 lacs)		
SCHEDULE 10		
CASH & BANK BALANCES		
Cash-on-hand (including cheques)	14.66	41.77
With Scheduled Banks on:		
Current Account	452.53	103.17
Fixed Deposit Account (including Margin Money)	1002.50	514.29
Unclaimed Debenture Interest Account	—	1.37
With Post Office on Savings Account	0.05	0.05
	<u>1469.74</u>	<u>660.65</u>
SCHEDULE 11		
OTHER CURRENT ASSETS		
Interest Receivable	<u>373.75</u>	<u>141.20</u>
	<u>373.75</u>	<u>141.20</u>
SCHEDULE 12		
LOANS & ADVANCES		
(Unsecured, Considered Good except stated otherwise)		
Loans	1640.00	1139.00
Advances recoverable in cash or in kind or for value to be received or pending adjustments (Including loan to employees Rs. 19.03 lacs (Rs. 20.30 lacs) Refer Notes No 19 on Schedule 22)	2125.98	2025.27
Export Benefits Receivables	463.09	689.84
Balance with Central Excise, Sales Tax & other government Authorities	1067.49	404.38
MAT Credit Entitlement	625.00	—
Security & Other Deposits	1186.64	1144.09
	<u>* 7108.20</u>	<u>5402.58</u>
* Net of provision for doubtful loans & advances of Rs. 277.50 lacs (Rs. 231.32 lacs)		
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	4105.93	2639.24
Sundry Creditors for goods, services, expenses etc.		
a) Due to Micro, Small and Medium Enterprises (Refer Note No 4 on Schedule 22)	63.04	28.86
b) Due to Others	8569.83	8132.75
For Other Finance	327.78	558.59
Temporary Book Overdraft	151.11	34.74
Security Deposits	0.99	262.99
Advances from Customers	3446.98	2368.42
Investor Education & Protection Fund	—	1.37
	<u>16665.66</u>	<u>14026.96</u>
SCHEDULE 14		
PROVISIONS		
For Retirement Benefits (Refer Note No 6 on Schedule 22)	431.51	174.46
“ Site Restoration (Refer Note No 16 on Schedule 22)	18.00	15.00
“ Income Tax (Net of Advance Tax / Tax deducted at sources)	206.91	14.59
“ Fringe Benefit Tax	10.05	9.57
	<u>666.47</u>	<u>213.62</u>

**BALASORE ALLOYS LIMITED****SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	2007-08	(Rs. in Lacs)
	(15 months)	2005-06
		(15 months)
SCHEDULE 15		
SALES		
Finished goods	53948.35	34865.83
Export Benefits	1091.22	1471.48
	<u>55039.57</u>	<u>36337.31</u>
SCHEDULE 16		
OTHER INCOME		
Interest on loans, deposits, etc (Gross) {Tax deducted at source Rs. 59.51 lacs (Rs 44.56 lacs)}	412.27	195.91
Insurance claims	12.42	11.12
Profit on Sale/Discard of Fixed Assets (Net)	—	26.26
Dividend on long term investments (Other than trade)	6.60	—
Gain on sale of long term investments (Other than trade)	—	6.44
Unspent liabilities no longer required written back	256.26	118.95
Provision for diminution in the value of Investments written back	108.22	—
Gain on Foreign Exchange Fluctuation/Forward Exchange Contract (Net) (Refer Note No. 20 on Schedule 22)	312.58	45.47
Miscellaneous Receipts	78.16	216.51
	<u>1186.51</u>	<u>620.66</u>
SCHEDULE 17		
DECREASE/(INCREASE) IN STOCKS		
Opening Stocks		
Goods under process	48.82	115.90
Finished goods	176.98	675.46
Processable scrap	154.37	54.64
	<u>380.17</u>	<u>846.00</u>
Less : Closing Stocks		
Goods under process	127.44	48.82
Finished goods	563.25	176.98
Processable scrap	226.70	154.37
	<u>917.39</u>	<u>380.17</u>
	<u>(537.22)</u>	<u>465.83</u>
SCHEDULE 18		
RAW MATERIALS CONSUMED*		
Opening Stock	6928.24	3883.00
Add : Purchases (Net of sales, claim & scrap recovery and including procurement & handling expenses)	23758.15	15594.38
	30686.39	19477.38
Less : Closing Stock	(9858.20)	(6928.24)
	<u>20828.19</u>	<u>12549.14</u>

* Refer Note Nos. 17 & 18 on Schedule 22

**BALASORE ALLOYS LIMITED****SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	2007-08	(Rs. in Lacs)	
	(15 months)	2005-06	(15 months)
SCHEDULE 19			
PERSONNEL COST			
Salaries, Wages, Bonus etc.	1673.86	1171.49	
Contribution to Provident, Gratuity & Other funds	146.76	85.76	
Staff Welfare Expenses	129.66	107.39	
	1950.28	1364.64	
SCHEDULE 20			
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES			
Contract Labour Charges	572.60	298.70	
Stores, Spares & Chemicals consumed	619.49	406.04	
Repairs & Maintenance :			
Plant & Machinery	385.42	397.39	
Buildings	276.66	272.27	
Others	14.96	10.53	680.19
Packing and Carriage charges (Net of Recoveries)	2564.24	1862.06	
Commission on Sales (other than sole selling agent)	1208.58	221.21	
Rent and hire charges	45.31	5.16	
Insurance	63.29	73.15	
Rates and Taxes	30.57	13.02	
Directors' sitting fees	6.50	4.06	
Charity and Donations	24.97	11.43	
Irrecoverable debts, deposits and advances written off	129.06	16.79	
Less : Adjusted against provision	17.70	—	16.79
Provision for doubtful debts/advances	46.18	—	
Auditors' Remuneration :			
Audit Fees	20.00	15.00	
Limited Review and Tax Audit Fees	25.25	21.36	
For Other Services	4.00	5.20	
Out of pocket expenses	0.91	0.65	
Loss on Sale/Discard of Fixed Assets (Net)	1651.44	—	
Legal & Professional Charges	264.72	229.02	
Travelling and Conveyance	348.68	235.28	
Postage & Communication Charges	57.83	58.32	
Peripheral and Site Development Expenses	436.92	121.78	
Provision for diminution in the value of Investments	—	108.35	
Miscellaneous Expenses	639.39	498.99	
	9419.27	4885.76	
SCHEDULE 21			
INTEREST & FINANCE CHARGES			
Interest :			
On Term Loans to Banks	1071.82	982.14	
On Working Capital Facility to Banks	1065.95	668.24	
To others	651.31	548.95	2199.33
Bank Commission & Charges	373.50	314.29	
	3162.58	2513.62	



BALASORE ALLOYS LIMITED

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 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.

(ii) 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) 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.
- c) 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.
- d) 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 the weighted average cost of capital.
- e) Assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

(iii) 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 specified in schedule XIV to the Companies Act, 1956 or the rates determined as per the useful lives of the respective assets, 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 write off of these assets over their useful life. 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.
- d) Leasehold land is amortised over the period of lease.
- e) Mining lease is amortised over the lease period.
- f) Depreciation on Fixed Assets added/disposed off during the period is provided on prorata basis with reference to the date of addition/disposal.

(iv) 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.

SCHEDULE 22 (Contd.)

- c) **Exchange Differences:** Exchange differences arising on the settlement / conversion of monetary items are recognized as income or expenses in the period in which they arise.
- d) **Forward Exchange Contracts:** 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 period.

(v) 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.

(vi) Inventories

- a) Raw materials, Stores & spares parts etc are valued at lower of cost (determined on annual/weighted average basis) and net realizable value.
- b) Work under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
- c) Finished goods saleable / processable scraps representing the recoverable quantities of metal, determined on the basis of technical evaluation, are valued at estimated net realizable value.
- d) Obsolete/damaged stores, saleable dust and discarded fixed assets are valued at estimated net realizable value.

(vii) Retirement and Other Employee Benefits

- a. Retirement benefits in the form of Provident Fund, Superannuation Fund and Employee State Insurance Corporation 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 authorities.
- 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. The actuarial valuation is done as per projected unit credit method.
- d. Actuarial gains/losses are taken to profit and loss account and are not deferred.

(viii) 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.

(ix) Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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 reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

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 of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty backed by convincing evidence that such deferred tax assets can be realized against future taxable profits.



BALASORE ALLOYS LIMITED

SCHEDULE 22 (Contd.)

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.

MAT credit 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 Minimum Alternative tax (MAT) credit 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.

(x) Revenue Recognition

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.

(xi) Segment Reporting

The company has identified Ferro Alloys as its sole business 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.

(xii) 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.

(xiii) Earnings per Share

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

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

(xiv) 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 :

Particulars	(Rs.in Lacs)	
	As at 31st March 2008	As at 31st December 2006
a) Claims against the company not acknowledged as debt (Excluding interest thereon, if any)	691.42	716.96
b) Income tax matters	–	16.49
c) Excise Matters	16.27	–
d) Custom duty on import of equipments and spare parts under EPGC scheme.	–	147.19
e) Sales Tax matters {Amount paid under appeal Rs 187.74 lacs (Rs.123.47 lacs)}	487.71	760.05
f) Un-expired Bank Guarantees and Letters of Credit	654.52	578.22
g) Bills discounted with Banks	2352.05	2890.76
h) Guarantee given by way of pledge of certain Investments as security.	142.01	–

3. Capital commitment net of advances Rs 2325.64 lacs (Rs 6.51 lacs).

**SCHEDULE 22 (Contd.)**

4. The amount due to Micro, Small and Medium Enterprises are as follows :

Particulars	(Rs. in lacs)	
	As at 31st March 2008	As at 31st December 2006
a) Principal Amount	59.16	28.44
Interest Due on Above	3.88	0.42
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	3.46	0.42
d) Amount of interest accrued and remaining unpaid as at the Balance Sheet Date	3.88	0.42
e) Amount of further interest remaining due and payable in the succeeding year	–	–

5. Term loans installments falling due for repayment within one year:

Secured loans	Rs. 1719.37 (Rs.1750.00)
Unsecured loan	Rs. 233.96 (Rs.732.77)

6. Gratuity and other post retirement benefit plans

In terms of the transitional provision under Accounting Standard – 15 (revised) “Employee Benefits”, a sum of Rs 142.99 lacs (net of deferred tax credit of Rs 73.63 lacs thereon), being the impact of such change on respective liabilities upto 31st December, 2006 has been adjusted with the Profit and Loss Account Balance as on 1st January, 2007.

The Company provides gratuity benefits which is funded with Life Insurance of India and in the form of a qualifying insurance policy. Leave encashment benefit is unfunded plan of the Company.

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

Expenses recognized in the Profit and Loss Account for the period ended 31 March 2008 –

Particulars	Gratuity 2007-08 (15 months)	Leave 2007-08 (15 months)
Current service cost	29.13	18.49
Interest cost on benefit obligation	24.63	9.74
Expected return on plan assets	(3.85)	–
Net actuarial loss/(gain) recognized in the period	(9.71)	38.48
Past service cost *	–	–
Net benefit expense	40.20	66.71
Actual return on plan assets	3.17	–

* Impact of past service cost considered separately in the Opening Balance of Profit and Loss Account in terms of transitional provision of revised Accounting Standard - 15

Net Liability recognized in the Balance Sheet as at 31st March, 2008

Particulars	Gratuity 31st March, 2008	Leave 31st March, 2008
Defined benefit obligation	295.09	161.20
Fair value of plan assets	64.08	–
Less : Unrecognised past service cost	–	–
Net Liability	231.01	161.20



BALASORE ALLOYS LIMITED

SCHEDULE 22 (Contd.)

Changes in the present value of the defined benefit obligation are as follows :

Particulars	Gratuity 2007-08 (15 months)	Leave 2007-08 (15 months)
Opening defined benefit obligation	254.11	105.37
Interest cost	24.63	9.74
Current Service Cost	29.13	18.49
Benefit paid	(3.07)	(10.88)
Actuarial (gain) /losses on obligation	(9.71)	38.48
Closing defined benefit obligation	295.09	161.20

Changes in the fair value of plan assets are as follows :

Particulars	Gratuity 31st March, 2008
Opening fair value of plan assets	19.90
Actual return	3.17
Contribution by employer	44.08
Benefits paid	(3.07)
Actuarial gains/ losses	—
Closing fair value of plan assets	64.08

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

Particulars	Gratuity 31st March, 2008
Investments with insurer	100 %

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

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

Particulars	2007-08 (15 Months)
Discount rate	8.20%
Rate of increase in salary	10.00%
Expected average remaining working live of the employees (in years)	17.84
Return on Plan Assets (Gratuity Scheme)	9.00%
Mortality Table	Standard Table LIC (1994-1996)

Since Accounting Standard – 15 (revised) “Employee Benefits” has been adopted from 1st January, 2007, disclosure given above are only for the current period.

- Power and fuel charge includes Rs 1571.74 lacs towards electricity charges for earlier periods based on the settlement made in the current period.
- During the period, the Company has issued 65,00,000 convertible equity warrants to its promoter group companies on preferential basis at a resultant price of Rs 70 each per share (Face value - Rs 5 each). The warrants are convertible into one equity share at the option of warrant holders within 18 months from the date of allotment of the warrants subject to receipt of full consideration. The Company has received application money on these warrants.
- Consequent upon adoption of the Companies (Accounting Standards) Rules 2006, with effect from 1st January 2007, exchange differences arising on restatement of foreign currency term loans relating to the acquisition of fixed assets, which in terms of Accounting Standard 11 on “The effects of changes in foreign exchange rates” which were previously adjusted to the carrying values of the relevant fixed assets has been debited to the profit and loss account. Due to above change, the profit for the period is lower by Rs 1.52 lacs.

**SCHEDULE 22 (Contd.)**

10. Investment in the Equity Shares of Ispat Industries Limited (IIL) has been pledged with the lenders of IIL as collateral security against financial facilities provided by the lenders to IIL.
11. The company has only one business segment i.e. Ferro Alloys and thus no further disclosures are required in accordance with Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

Information for Secondary Geographical Segments

Particulars	(Rs. in Lacs)	
	2007-08 (15 months)	2005-06 (15 months)
Domestic Revenues (Net of Excise Duty)	12570.87	13835.93
Export Revenues (Including Export Benefits)	40514.75	20296.66
Total	53085.62	34132.59

Export Segment assets consists of export debtors whose balance is less than 10% of assets of the business segment and hence not disclosed as per Accounting Standard 17.

12. In terms of Accounting Standard 22, net deferred tax asset of Rs 55.87 lacs (including Rs. 73.63 lacs on employee benefit liability upto 31st December, 2006, in terms of revised Accounting Standard 15 and net of Rs. 1822.79 lacs deferred tax liability for the period) has been recognized in the accounts up to 31st March, 2008. There is carried forward unabsorbed depreciation as on the Balance Sheet date. However, the Company has made significant profits during the current & previous periods. In view of the above convincing evidence and based on the future profitability projections, the Company is virtually certain that there would be sufficient taxable income in the future, to claim the above tax credit.

The break-up of major components of such Deferred Tax Asset as at the respective Balance Sheet date is as follows:

Components of Deferred Tax Assets	(Rs. in Lacs)	
	As at 31st March 2008	As at 31st December 2006
Due to unabsorbed depreciation	907.67	3294.41
Due to brought forward business losses	-	361.55
Timing difference on depreciable assets and others	(851.80)	(1850.93)
Total	55.87	1805.03

13. Current Tax provision includes Rs 540.25 lacs being the Minimum Alternate Tax (MAT) in terms of section 115 JB of the Income Tax Act, 1961. The Company has recognized MAT Credit Entitlement in terms of section 115JAA of the Income Tax Act, 1961 of Rs 625.00 lacs (including Rs 103.46 lacs of earlier years). Based on the future profitability projections, improved market conditions, the Company is certain that there would be sufficient taxable income in the future, to claim the above tax credit.

14. Details of remuneration paid to whole time director:

Particulars	(Rs. in Lacs)	
	2007-08 (15 months)	2005-06 (15 months)
i) Salary	137.72	39.48
ii) Perquisites	13.13	4.70
iii) Contribution to Provident and other funds*	17.94	6.44
	168.79	50.62

* Excludes provision for Gratuity and leave salary



BALASORE ALLOYS LIMITED

SCHEDULE 22 (Contd.)

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

Particulars		2007-08 (15 months)	2005-06 (15 months)
Present Weighted Average Equity Shares of Rs. 5/- each fully paid up	Nos.	6,21,57,715	5,40,07,936
Equity Shares of Rs. 5/- each partly paid up to the extent of Rs. 3/-each 20,000,000			
Equivalent Weighted Average Equity Shares to be allotted / Uncalled Capital (Rs 5/- each)	Nos.	—	22,75,520
Equivalent Weighted Average Equity Shares to be allotted against share warrant	Nos.	92,763	—
Potential weighted Average Equity Shares (Rs 5/- each)	Nos.	6,22,50,478	5,62,83,457
Net Profit After Tax	Rs. in Lacs	3329.11	621.58
Nominal Value of each Shares - Rs 5/-			
Earning Per Share	Basis (Rs)	5.36	1.15
	Diluted (Rs)	5.35	1.10

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:

Particulars	Balance as on 1st January 2007	Additions during the Period	Amount used during the Period	Unused amount reversed during the Period	Balance as on 31st March 2008
Provision for site restoration expenses	15.00	3.00	—	—	18.00

(Rs in Lacs)

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

Nature of Expenses	2007-08 (15 months)	2005-06 (15 months)
Salaries, Wages, Bonus etc.	166.64	131.76
Contribution to provident and other funds	4.61	4.39
Excavation and Peripheral development cost	1921.41	1752.98
Stores and other consumables	6.76	9.02
Royalty and Cess	1345.73	1019.36
Power & Fuel	53.99	50.35
Repair & Maintenance :Plant and Machinery	34.04	36.31
Rates & Taxes	0.24	0.27
Rent & Hire Charges	187.86	158.61
Insurance Charges	0.52	0.07
Bank Charges	0.11	0.04
Traveling Expenses	8.24	3.43
Miscellaneous expenses	138.68	90.76

(Rs. in Lacs)

**SCHEDULE 22 (Contd.)**

18. Raw Material stock lying with a processor for briquetting was periodically physically verified by a firm of Chartered Accountants during the period and 49,227 MT (113,658 MT) was found to be short because of the process loss being higher than the agreed norms. While the above quantity has been charged to raw material consumption, the cost thereof has been recovered from the party and thus such loss has no impact on the Company's profit for the period.
19. The supply of raw material against advances of Rs. 1107 lacs to various parties is pending beyond the stipulated time as per the respective purchase orders. The management is following up the matters and expects the supplies of material very shortly.
20. In view of the recent announcement issued by The Institute of Chartered Accountants of India on 'Accounting for Derivatives' the Company has provided for losses amounting to Rs 79.25 lacs in respect of all outstanding derivative contracts at the balance sheet date by marking them to market in line with the principle of prudence.

Total Derivative contracts in respect of cross currency forward covers of Euro 20 lacs (USD 29.51 lacs) and GBP 10 lacs (USD 19.97 lacs) are outstanding at the balance sheet date.

The Company has the following un-hedged exposures in various foreign currencies as at the balance sheet date :

Sr. No.	Particulars	(Rs in Lacs)	
		As at 31st March 2008	As at 31st December 2006
(i)	Trade Receivables	163.20	476.79
(ii)	Advances	156.14	156.14
(iii)	Cash and Bank Balance	2.66	6.84
(iv)	Trade Payable and Advance from customers	2607.82	1578.65
(v)	Borrowings	1166.71	1025.88

21. Related Party Disclosures**(a) Names of the related parties :**

Enterprise having direct or indirect Control over the Company Ltd.	:	Global Steel Holdings Ltd.
Key Management Personnel	:	Mr. L. K. Poddar Mr. R.K Jena
Enterprises over which Key Management Personnel / Share Holders/ Relatives have significant influence*	:	Ispat Industries Limited Gontermann Peipers (I) Limited Mudra Ispat Limited Goldline Tracom Private Limited Ushaditya Investments Private Limited Ispat Holdings Private Limited Mita Holdings Private Limited Denro Holdings Private Limited Kartik Credit Private Limited Kanoria Plastokem Private Limited Shakti Chrome Limited

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



BALASORE ALLOYS LIMITED

SCHEDULE 22 (Contd.)

(b) Related Party Disclosures :

Nature of Transactions	Enterprises having Control	Key Management Personnel and their Relatives	Enterprises over which Key Management Personnel / Share Holders / Relatives have significant influence	Total
Sale of Stores & Spares				
Ispat Industries Ltd	—	—	—	—
	—	—	(17.35)	(17.35)
Reimbursement of Expenses (Net)				
Ispat Industries Ltd	—	—	1.40	1.40
	—	—	(2.09)	(2.09)
Gontermann Peipers (India) Ltd	—	—	—	—
	—	—	(6.78)	(6.78)
Managerial Remuneration				
R.K Jena	—	168.79	—	168.79
	—	(50.62)	—	(50.62)
Loan Received				
Gontermann Peipers (India) Ltd	—	—	—	—
	—	—	(422.00)	(422.00)
Loan Repaid				
Gontermann Peipers (India) Ltd	—	—	22.00	22.00
	—	—	(400.00)	(400.00)
Loans Given				
Shakti Chrome Limited	—	—	350.00	350.00
	—	—	(—)	(—)
Process Loss Recovered (net of charges paid)				
Shakti Chrome Limited	—	—	480.99	480.99
	—	—	(1713.77)	(1713.77)
Rent Paid				
Kanoria Plastokem Private Limited	—	—	36.50	36.50
	—	—	(—)	(—)
Amount received towards advance / allotment of Equity Shares / Warrants				
Goldline Tracom Private Limited	—	—	33.00	33.00
	—	—	(416.00)	(416.00)
Ushaditya Investments Private Limited	—	—	168.55	168.55
	—	—	(265.00)	(265.00)
Ispat Holdings Private Limited	—	—	142.02	142.02
	—	—	(81.30)	(81.30)
Mita Holdings Private Limited	—	—	5.18	5.18
	—	—	(3.70)	(3.70)
Denro Holdings Private Limited	—	—	245.00	245.00
	—	—	(—)	(—)
Kartik Credit Private Limited	—	—	245.00	245.00
	—	—	(—)	(—)
Balances Outstanding as at period end – Credit Balance				
Ispat Industries Ltd	—	—	161.96	161.96
	—	—	(160.56)	(160.56)
Gontermann Peipers (India) Ltd	—	—	—	—
	—	—	(34.51)	(34.51)
R K Jena	—	3.07	—	3.07
	—	(22.27)	—	(22.27)
Denro Holdings Private Limited	—	—	245.00	245.00
	—	—	(—)	(—)
Kartik Credit Private Limited	—	—	245.00	245.00
	—	—	(—)	(—)
Balances Outstanding as at period end – Debit Balance				
Global Steel Holdings Ltd	94.45	—	—	94.45
	(69.94)	—	—	(69.94)
Mudra Ispat Limited	—	—	126.00	126.00
	—	—	(126.00)	(126.00)
Shakti Chrome Limited	—	—	397.14	397.14
	—	—	(433.33)	(433.33)
Kanoria Plastokem Private Limited	—	—	44.00	44.00
	—	—	(44.00)	(44.00)

**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 12 months basis)	Production (MT)	
		2007-08 (15 months)	2005-06 (15 months)
Silicon & Ferro Alloys	100,000 (100,000)	1,12,446	1,06,214
Manganese Ore		7,560	—

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

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

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

Class of Product	Opening Stock *		Closing Stock *		Purchases (Traded Goods)		Sales **	
	Qty MT	Value Rs in Lacs	Qty MT	Value Rs in Lacs	Qty MT	Value Rs in Lacs	Qty MT	Value Rs in Lacs
	Silicon & Ferro Alloys	841 (2,586)	176.98 (675.46)	1,648 (841)	510.80 (176.98)	— (1,238)	— (320.83)	1,11,639 (1,09,197)
Manganese Ore	— —	— —	1,719 —	52.45 —	— —	— —	5,841 —	389.43 —

* After adjustment of Shortage / Excess

** Including Traded Goods net of excise duty

(Rs. in lacs)

	2007-08 (15 months)	2005-06 (15 months)
(ii) CIF Value of Imports		
Raw Materials	4149.49	3840.11
Stores and Spares	0.27	22.12
(iii) Expenditure in foreign currency (on actual remittance basis)		
Traveling	27.70	9.90
Others	597.73	21.18
(iv) Earning in foreign currency (on accrual basis)		
FOB Value of Exports	37481.86	18439.29

**BALASORE ALLOYS LIMITED****SCHEDULE 22 (Contd.)**

(v) Details of raw material consumed (excluding those used in intermediate product)	2007-08 (15 months)		2005-06 (15 months)	
	Quantity MT	Value Rs. in Lacs	Quantity MT	Value Rs. in Lacs
Quartz	40,147	230.25	34,760	156.33
Coal and Coke etc.	67,400	7183.59	59,871	5467.97
Carbon Paste	1,820	454.13	1,588	347.84
Manganese Ore	—	—	567	7.06
Chrome Ore	331,935	11820.77	249,883	5818.68
Others (Including handling charges)		1139.45		751.26
Total		20828.19		12549.14

(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	16498.84 (8883.68)	79.21 (70.79)	1591.56 (1109.57)	100.00 (98.08)
Imported	4329.35 (3665.46)	20.79 (29.21)	0.18 (21.72)	0.00 (1.92)
Total	20828.19 (12549.14)	100.00 (100.00)	1591.74 (1131.29)	100.00 (100.00)

* Includes Rs 972.25 lacs (Rs 725.25 lacs) charged to other heads of expenses

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

	As at 31st March 2008	As at 31st December 2006
a) Number of non resident shareholders	1451	1506
b) Number of Equity Shares Held	4040802	6238893
c) Amount remitted as dividend	Nil	Nil

24. Previous period's figures have been regrouped / rearranged where necessary to conform to this period's classification.

Signatories to Schedules 1 to 22

As per our attached Report of even date

For and on behalf of Board of directors

For S. R. Batliboi & Co.
Chartered Accountants

Per R. K. Agrawal
Partner

Membership No 16667

22, Camac Street, Block C, 3rd Floor, Kolkata -700 016
Date : 30th April, 2008

Trilochan Sharma
Company Secretary

M Trivedi
S Mohapatra
S K Pal
S K Majumdar

Directors

L K Poddar
R K Jena

Managing Director
Jt. Managing Director

**BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE
AS AT & FOR THE 15 MONTHS PERIOD ENDED 31ST MARCH, 2008****1. Registration Details**

Registration No. (CIN) :	L27101OR1984PLC001354	State Code	15
Balance Sheet Date	31.03.2008		

2. Capital Raised during the period (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	42415.30	Total Assets	42415.30
Sources of Funds		Application of Funds	
Paid-up Capital	3366.38*	Net Fixed Assets	38031.20
Reserves & Surplus	22866.99	Investments	203.79
Secured Loans	13781.22	Net Current Assets	4124.44
Unsecured Loans	1910.71	Deferred Tax Asset	55.87
Application money against warrants	490.00		

* includes Rs. 151.86 lacs on Forfeited Shares

4. Performance of Company (Rs. in Lacs)

Total Income	54272.13
Total Expenditure	49093.55
Prior Period Items	61.75
Profit Before Tax	5116.83
Profit After Tax	3329.11

Earnings per Share in (Rs.)

- Basic	5.36
- Diluted	5.35

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

M Trivedi
S Mohapatra
S K Pal
S K Majumdar

Directors

Kolkata
30th April, 2008

Trilochan Sharma
Company Secretary

L K Poddar
R K Jena

Managing Director
Jt. Managing Director



ATTENDANCE SLIP

BALASORE ALLOYS LIMITED

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

TWENTIETH 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 **TWENTIETH ANNUAL GENERAL MEETING** of the Company held at Balgopalpur - 756 020, Dist. Balasore, Orissa, on Thursday, the 25th day of September, 2008 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 TWENTIETH ANNUAL GENERAL MEETING to be held on Thursday, the 25th day of September, 2008 at 9.30 A.M. or at any adjournment thereof.

Signed this day of 2008.

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.