

# **24th ANNUAL REPORT**

## **2005-2006**



**BSIL**  
**BIHAR SPONGE IRON LIMITED**

**Board of Directors**

Mr. Vijoy Prakash, IAS  
 Mr. Umesh K. Modi  
 Mr. Ashok Kumar, IAS  
 Mr. P.P. Sharma, IAS  
 Mr. Abhishek Modi  
 Mr. Turan Caglayan  
 Dr. Wolfgang Janke  
 Mr. K.K. Jain  
 Mr. G.W. Elsenheimer  
 Mr. G.C. Jain  
 Mr. R.P. Singh  
 Mr. P.S. Dubey  
 Mr. Meghendra Kumar  
 Mr. Rishabh Jain

Chairman  
 Vice Chairman & Managing Director

Nominee - IFCI  
 Nomine - IDBI  
 Nominee - LIC  
 Nominee - BIFR

**Alternate Directors**

Mr. J.N. Khurana  
 Mr. Vijay K Modi  
 Ms. Ute Mayr

(To Mr. G.W. Elsenheimer)  
 (To Dr. Wolfgang Janke)  
 (To Mr. Turan Caglayan)

**Company Secretary**

Mr. Rakesh Bhatia

**Statutory Auditors**

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

**Audit Committee**

Mr. G.C. Jain  
 Mr. K.K. Jain  
 Mr. R.P. Singh  
 Mr. G.W. Elsenheimer  
 Mr. Rishabh Jain

Chairman

**Registered Office & Plant Site**

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

**Bankers**

State Bank of Patiala, Allahabad Bank, UCO Bank

**Registrars and Share Transfer Agents**

Skyline Financial Services Pvt. Ltd.  
 123, Vinobhapuri, Lajpat Nagar-II,  
 New Delhi-110024.

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## NOTICE

Notice is hereby given that 24<sup>th</sup> Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Friday, 29th September, 2006 at 4.00 P.M. at the Registered Office of the Company at Umesh Nagar, Chandil, Dist Saraikela-Kharsawan – 832401 Jharkhand to transact the following businesses:-

### ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K.K. Jain who retires from office by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.P. Sharma who retires from office by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Wolfgang Janke who retires from office by rotation, but being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration. M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS:

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

**"RESOLVED THAT** pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article No. 76, 100, 130 and 131(a), of the Articles of Association of the Company be amended and substituted in the following manner:

- Article 76 : No business shall be transacted at General Meeting of the company unless a quorum of Five members is present in person at the time when the meeting proceeds to business.
- Article 100 : So long as BSIDC and/or its nominee, DEG and Mr. U.K. Modi, his Associates and group companies shall hold atleast 67,59,960 shares, 55,32,462 shares and 3,25,00,000 shares respectively in the issued and paid-up capital of the company, BSIDC, DEG and Mr. U.K. Modi shall have the right to nominate 2 Directors, 2 Directors and 4 Directors respectively. From amongst the directors nominated by BSIDC and Mr. U.K. Modi, one and two directors respectively shall be non-rotational director. Each of the said members as above shall have the power to remove such director(s) from office and on vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise, shall have sole right to fill the vacancy.

Article 130 : Unless otherwise agreed between BSIDC, DEG and Mr. U.K. Modi, notice of every meeting of the Board or committee thereof shall ordinary be given in writing including by facsimile transmission wherever possible 15 days in advance to every Director for the time being at his usual address.

Article 131(a) : A quorum for the meeting of the Board of Directors shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or five Directors, whichever is higher, provided that where at any time, the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not less than three, shall be the quorum during such time.

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

**"RESOLVED THAT** pursuant to Section 198, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Umesh K. Modi, Managing Director be paid following remuneration for a period of three years with effect from 1<sup>st</sup> March, 2006:

1. a. Basic Salary Rs. 85,000/- per month
- b. Perquisites

- (i) Housing : 60% of the Salary, if no accommodation is provided by the Company; or

: In case, the accommodation is provided by the Company, the Company will pay the hiring charges of unfurnished accommodation subject to maximum of 60% of the Salary; or

: In case, the accommodation is owned by Mr. Modi, the expenses incurred by him on repair, maintenance and upkeep of the house shall be reimbursed subject to maximum of 60% of the salary.

- (ii) Medical reimbursement : Expenses incurred for him and the family subject to maximum of seven percent of basic salary in a year.

- (iii) Leave Travel Concession: For himself and family once in a year in accordance with rules of the Company.

- (iv) Personal Accident Insurance : The annual premium not to exceed Rs.5,000/-

- (v) Payment of Annual Membership of 2 Clubs not to exceed Rs. 15,000/-

- (vi) Contribution to provident fund, superannuation fund or annuity fund as per the rules of the Company which shall not be computed for the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

- (vii) Gratuity payable shall not exceed half month's salary for each completed year of service.

- (viii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites

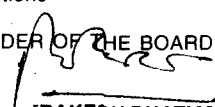
- (ix) One Company Car with driver use on actual basis
- (x) One Telephone at residence on actual basis. However, long distance personal calls will be billed on actual basis.
- (xi) Other terms:
  - (a) Leave : As per the rules of the Company
  - (b) Sitting Fees :Mr. Modi will not be entitled for sitting fees for attending the Meetings of the Board or Committee thereof.
  - (c) Mr. Modi will be entitled to reimbursement of entertainment and other expenses incurred in the course of legitimate business purpose of the company.
  - (d) *Minimum Remuneration: In the event of inadequacy or absence of profit in any financial year during his tenure, Mr. Umesh K Modi will be entitled to remuneration along with the perquisites/benefits mentioned above by way of minimum remuneration in terms of Para 1 (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.*

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

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Central Government, consent of the Company be and is hereby accorded to re-appoint Mr. Sarat Jain as Chief Financial Officer for a further period of 5 years with effect from 1<sup>st</sup> January, 2007 in the Management Cadre of the Company at a Basic Salary of Rs. 48,000 per month in the scale of Rs. 48,000 - 5,000 - 73,000 per month together with usual allowances and benefits as applicable to the employees occupying the similar position in the Management Cadre including Housing, Gratuity, Provident Fund, LTA and other benefits as per Company Rules.

**RESOLVED FURTHER THAT** Managing Director of the Company be and is hereby authorized to grant such increments to Mr. Sarat Jain from time to time as he may deem fit within the aforesaid grade.

**RESOLVED FURTHER THAT** Board of Directors be and are hereby authorized to approach Central Government for approval of re-appointment of Mr. Sarat Jain and to delegate power to the officers of the Company for signing of application and other papers as may be required in this connections"

BY ORDER OF THE BOARD,  
  
**[RAKESH BHATIA]**  
 COMPANY SECRETARY

Place : New Delhi  
 Dated: 29<sup>th</sup> August, 2006

## NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member. Such proxies duly completed should reach the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3. All documents referred to in Notice are open for inspection at the Registered Office of the Company between 11.00 A.M to

1.00 P.M on any working day prior to the date of Meeting and also at the Meeting.

4. The Register of Members and Share Transfer Books of the Company will remain close from Monday, 25<sup>th</sup> September, 2006 to Saturday, 30<sup>th</sup> September, 2006 (both days inclusive).
5. Non- Resident Shareholders are requested to inform immediately the change in the residential status on return for permanent settlement.
6. As per the provisions of the Companies Act, 1956, as amended, facility for making nominations is available to INDIVIDUALS holding shares in the Company. The Nomination can be made in Form-2B, which can be obtained from the Share Department of the Company.
7. Members are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.
8. Members desiring any information as regards to accounts, are requested to address their questions to the Secretary of the Company at least 7 days before the date of the Meeting so that the required information is made available at the Meeting.

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

### ITEM NO. 6

Initially the Company was incorporated as Joint venture company of Modi Industries Limited, LURGI, DEG and BSIDC, a Government of Bihar Undertaking and all were jointly holding 51% of the issued and paid-up capital of the Company. The Articles of Association of the Company were adopted keeping in mind the interest of various promoters.

In the year 2001, with the permission of Reserve Bank of India Mr. U.K. Modi purchased the equity shares held by LURGI in the Company. The Article No.(s) 76, 100, 130 and 131(a) adopted earlier have to that extent become redundant and require modification in view of the changed circumstances and may cause hindrance in the day to day management of the affairs of the Company. In order to mitigate undue hardship in the management, it is proposed to amend the Articles as set out in the Resolution.

The Directors accordingly recommend the resolution for the approval of the shareholders.

None of the Directors are concerned or interested in the passing of the resolution.

### ITEM NO. 7

Mr. Umesh K Modi is an Engineering Graduate with Gold Medal from BHU. The shareholders, at the Extra Ordinary General Meeting held on 27<sup>th</sup> March, 2004, had re- appointed Mr. Umesh K. Modi as Managing Director of the Company for a period of 5 years w.e.f. 28<sup>th</sup> March, 2004 without any remuneration.

The Company, under the stewardship of Mr. Umesh K Modi, has expanded its installed capacity of Sponge Iron to 2,10,000 MT per annum and also installation of Captive Power Generation of 5 MW. Further, the rehabilitation scheme of the Company was sanctioned on 29<sup>th</sup> July, 2004 as a result the financial health of the company has improved considerably.

Considering the efforts made by the Managing Director to enhance the manufacturing capacity, substantial improvement in the performance of the company and keeping in view the inflationary pressure, cost of living, his qualifications and also the comparative remuneration in the industry, the Remuneration Committee approved and recommended to the Board for payment of basic salary of Rs. 85,000/- per-month plus perquisites to Mr. Umesh K Modi for a period of three years w.e.f. 1<sup>st</sup> March, 2006. Accordingly, the Board of Directors

**BSIL****BIHAR SPONGE IRON LTD.**

had approved the payment of said remuneration, subject to your approval.

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

**I. GENERAL INFORMATION:**

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

<b>(Rs. in lakhs)</b>	
<b>Financial Parameters</b>	<b>Year ended 31.03.2006</b>
Sales and other income	18,262.23
<b>Profit Before Interest, Depreciation &amp; Tax</b>	<b>2,054.20</b>
Interest and Finance Charges	738.55
Depreciation	1,279.69
<b>Profit before Provision for Taxation</b>	<b>35.96</b>
Fringe Benefit Tax	26.25
Provision for Wealth Tax	0.51
<b>Profit for the Year carried to Balance Sheet</b>	<b>9.20</b>

- (5) Export performance and net foreign exchange collaborations: **Rs. 12.07 lakhs**
- (6) Foreign investments or collaborators, in any: **None**

**II. INFORMATION ABOUT THE APPOINTEE:****(1) Background details**

Mr. Umesh K. Modi is an Engineering Graduate with Gold Medal from BHU. He is on the Board of various other companies carrying business of sugar, steel products, pharmaceuticals and engineering etc.

**(2) Past remuneration**

At the Extra Ordinary General Meeting held on 27<sup>th</sup> March, 2004, the shareholders re-appointed Mr. Umesh K Modi without any remuneration

**(3) Recognition or awards** **None****(4) Job profile and his suitability**

He is working as Managing Director of the company. He has given his valuable contribution towards continuous growth of the company over the years. He is also Managing Director of Modi Industries Limited

**(5) Remuneration proposed**

Details of proposed remuneration is given in Item No. 7 of the Notice convening the 24<sup>th</sup> Annual General Meeting.

**(6) Comparative remuneration profile with respect to industry size of the company, profile of the position and person**

In the similar sized Sponge Iron Units, remuneration is ranging between Rs. 36 lakhs to Rs. 70 lakhs per annum.

**(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any**

He is related to Mr. Abhishek Modi Director, as his father

**III. OTHER INFORMATION:****(1) Reasons of loss or inadequate profits:**

Despite of increase in production, the profitability has suffered because the prices of Iron Ore which is major raw material was ruling very high and prices of Sponge Iron crashed because of steep fall in the domestic as well as international prices of finished steel.

**(2) Steps taken or proposed to be taken for improvement:**

In order to mitigate the effect of high cost of iron ore, the company is vigorously following up the allotment of captive iron ore mine with the State Government of Jharkhand and Ministry of Mines, Government of India. The Government of Jharkhand has recommended for the allotment of mines covering an area of 406 hectares in Ghatkuri Forest Reserve, Singhbhum which is under active consideration of Ministry of Mines, Government of India.

Further, in order to ensure regular availability and consistent quality of coal at lower cost, the Company has applied for allotment of Coal mines to Ministry of Coal, Government of India.

Meanwhile, to control crushing losses the company has installed one new Sandvik Make Crusher which will result in substantial saving in the cost of iron ore. The new crusher has been commissioned with effect from 29<sup>th</sup> June, 2006 and the company is 100% self sufficient to meet its crushing requirement.

**(3) Expected increase in measurable terms**

The Company expects to achieve Operating Profit of Rs. 20.00 crores for the year 2006-2007.

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

Mr. Umesh K. Modi is interested or concerned in the resolution to the extent of his remuneration and perquisites. Further Mr. Abhishek Modi, Director being relative of Mr. Umesh K Modi is deemed to be concerned or interested in the resolution.

**ITEM NO. 8**

The Board of Directors of your company, subject to approval by you and Central Government, had appointed Mr. Sarat Jain a relative of Mr. K.K. Jain, Director of the Company as Vice President (Finance) with effect from 1<sup>st</sup> January, 2002 for a period of 5 years. Subsequently his appointment was approved by the Central Government vide letter no. 3/9/2001-CL.VII dated 22<sup>nd</sup> March, 2002.

The Board of Directors in their meeting held on 29<sup>th</sup> August, 2006 has re-appointed Mr. Sarat Jain as Chief Financial Officer subject to approval of shareholders and Central Government under Section 314(1B) of the Companies Act, 1956, at a basic salary of Rs. 48,000/- per month plus other perks as per the rules of the Company for 5 years with effect from 1<sup>st</sup> January, 2007.

Mr. Sarat Jain is a qualified Chartered Accountant and Company Secretary having a total experience of 30 years in the area of Taxation, Audit, Finance, MIS and Company Law matters in Corporate Sector.

The Directors recommend passing of the resolution subject to approval of Central Government. None of the Directors, except Mr. K.K. Jain is interested in the Resolution.

BY ORDER OF THE BOARD

**[RAKESH BHATIA]**  
COMPANY SECRETARY

Place : New Delhi  
Dated: 29<sup>th</sup> August, 2006



## DIRECTORS' REPORT

### To the Members

The Directors have pleasure in presenting the 24<sup>th</sup> Annual Report of the Company along with audited accounts for the year ended 31<sup>st</sup> March, 2006.

### FINANCIAL RESULTS

	Rs. In lacs	
	2005-06	2004-05
Sales and Other Income	18,262.23	16,421.13
Profit / (Loss) before Interest, Depreciation & Income Tax	2,054.20	2,171.81
Interest		
- Simple	738.55	724.17
- Compound	—	1.07
Depreciation	1,279.69	1,134.32
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	35.96	312.25
Provision for Tax		
- Fringe Benefit Tax	26.25	—
- Wealth Tax	0.51	0.34
Profit/(Loss) for the year before Extra Ordinary Items	9.20	311.91
Extraordinary Items - Interest for earlier years written back	—	28,325.64
Profit/(Loss) for the year carried to Balance Sheet	9.20	28,637.55

### OPERATIONS

During the year under review, production was 1,60,289 MT of Sponge Iron as against 1,40,998 MT achieved in the previous year. It is heartening that the steps taken in the previous year to increase the production have started yielding results. However, despite of increase in production, the profitability has suffered because the prices of Iron Ore which is major raw material was ruling very high and prices of Sponge Iron crashed because of steep fall in the domestic as well as international prices of finished steel.

In order to mitigate the effect of high cost of iron ore, the company is vigorously following up the allotment of captive iron ore mine with the State Government of Jharkhand and Ministry of Mines, Government of India. The Government of Jharkhand has recommended for the allotment of mines covering an area of 406 hectares in Ghatkuri Forest Reserve, Singhbhum which is under active consideration of Ministry of Mines, Government of India.

Further, in order to ensure regular availability and consistent quality of coal at lower cost, the Company has applied for allotment of Coal mines to Ministry of Coal, Government of India.

Meanwhile, to control crushing losses the company has installed one new Sandvik Make Crusher which will result in substantial saving in the cost of iron ore. The new crusher has been commissioned with effect from 29<sup>th</sup> June, 2006 and the company is 100% self sufficient to meet its crushing requirement.

On allotment of iron ore and coal mines, the Company's profitability is expected to increase manifold.

### FIXED DEPOSITS:

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

### BOARD OF DIRECTORS:

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

BIFR has withdrawn the nomination of Mr. G.K. Sharma with effect from 4<sup>th</sup> October, 2005 and in his place has nominated Mr. Rishabh Jain on the Board of Directors.

Industrial Development Bank of India Limited has withdrawn the nomination of Mr. Manoj Ralhan with effect from 10<sup>th</sup> November, 2005 and in his place has nominated Mr. P. S. Dubey on the Board of Directors.

Mr. Vijay K Modi and Mr. Jagan Nath Khurana, with effect from 25<sup>th</sup> March, 2006, have ceased to be Alternate Director to Dr. Wolfgang Janke and Mr. G.W. Elsenheimer respectively.

The Board of Directors in their meeting held on 30<sup>th</sup> June, 2006 appointed Mr. Vijay K. Modi as Alternate Director to Dr. Wolfgang Janke and Mr. Jagan Nath Khurana as Alternate Director to Mr. G.W. Elsenheimer.

Mr. P.N. Mehta has ceased to be Alternate Director to Mr. Turan Cagalayan with effect from 29<sup>th</sup> August, 2006. Ms. Ute Mayr was appointed as Alternate Director to Mr. Turan Cagalayan by the Board of Directors in their meeting held on 29<sup>th</sup> August, 2006.

In accordance with the provisions of Section 256 of Companies Act, 1956 and Article 128 of the Articles of Association of the Company, Mr. K.K. Jain, Mr. P.P. Sharma and Dr. Wolfgang Janke retire by rotation and are eligible for re-appointment.

The Board places on record its deep sense of appreciation for the wise counsel, valuable guidance and Co-operation extended by Mr. G.K. Sharma, Mr. Manoj Ralhan and Mr. P.N. Mehta during their tenure of the Directorship.

### AUDITORS:

M/s.Thakur, Vaidyanath Aiyar and Co., Chartered Accountants. Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### ACCOUNTS AND AUDIT REPORT:

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

As the Company was facing temporary liquidity crunch, the said dues could not be paid on due dates. However, all the said dues have been paid to respective accounts of Government and none of the delay will attract any penalty provisions. The delay in payment of Land Revenue was due to non-availability of land records at newly created District Head Quarters and now the same has been deposited on the basis of provisions made in the books of accounts.

### DIRECTORS RESPONSIBILITY STATEMENT :

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

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

**CORPORATE GOVERNANCE:**

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

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

Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is annexed hereto as per Annexure.

**PERSONNEL:**

None of the employees of the Company were in receipt of remuneration within the limits as prescribed by provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

**ACKNOWLEDGEMENT:**

Your Directors take this opportunity to offer their sincere thanks to various departments of Central Government, the Government of Bihar and Jharkhand, Financial Institutions and Banks for their valuable assistance. Equally your Directors acknowledge the trust reposed by you in the Company.

The Directors also wish to place on record their appreciation for the all round support and co-operation received from the employees at all levels.

For & on behalf of the Board

Place: New Delhi  
Date : 29<sup>th</sup> August, 2006

(UMESH K. MODI)  
VICE CHAIRMAN &  
MANAGING DIRECTOR

(G.C. JAIN)  
DIRECTOR

**ANNEXURE TO THE DIRECTORS' REPORT :**

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

**CONSERVATION OF ENERGY :**

	Current Year	Previous Year
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. ELECTRICITY		
A) PURCHASED		
Unit	Nil	Nil
Amount (Rs.)	Nil	Nil
Rate / Unit (Rs.)	Nil	Nil
B) OWN GENERATION		
1. Through Diesel Generator		
Unit	3,92,960	13,38,124
Unit per liter of HSD	3.01	2.83
Cost / Unit (Rs.)	8.79	7.41
2. Through stream turbine		
Unit	2,42,87,300	2,02,35,900
Unit per M.T. of fuel	1,565.00	1,509.00
Cost / Unit (Rs.)	1.76	2.09
2. COAL		
Quantity (M.T.)	2,01,848.00	1,89,137.00
Cost (Rs.)	44,23,63,514	40,70,91,885
Average Rate (Rs./M.T.)	2,191.57	2,152.36
<b>B. CONSUMPTION PER M.T. OF PRODUCTION (SPONGE IRON)</b>		
1. Electricity (Unit)	154.00	153.00
2. Furnace Oil	Nil	Nil
3. Coal (M.T.)	1.26	1.34
4. Others - HSD (Liter)	0.81	3.35

**TECHNOLOGY ABSORPTION:**

- (A) Research and Development
- Specific areas in which R & D is carried out by the company : Nil
  - Benefits derived as a result of the above R & D : Does not arise
  - Future plan of action : Not yet decided
  - Expenditure on R & D : Nil
- (B) Technology absorption, adaptation & innovation.
- Efforts in brief made towards technology absorption, adaptation & innovation.
    - Technology transfer is complete
  - Benefits derived as a result of above efforts
    - The company achieves the metallization acceptable to the user industry.
    - Sponge Iron produced by the company has helped the country in saving outgo of scarce foreign exchange resources by way of import substitution.

**3. TECHNOLOGY IMPORTED:**

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

**FOREIGN EXCHANGE EARNINGS & OUTGO:**

	2005-06 (Rs.)	2004-05 (Rs.)
<b>1. EARNING</b>		
Export of Goods on F.O.B.	12,07,000	12,10,400
<b>2. OUTGO</b>		
(a) Traveling	6,97,405	5,86,810
(b) Other Matters	2,38,134	8,60,581
(c) Interest	1,21,55,000	11,89,55,037
(d) Import on CIF Basis		
Stores & Spares	40,11,915	13,87,004

For & on behalf of the Board

Place: New Delhi  
Date : 29<sup>th</sup> August, 2006

(UMESH K. MODI)  
VICE CHAIRMAN &  
MANAGING DIRECTOR

(G.C. JAIN)  
DIRECTOR

## CORPORATE GOVERNANCE REPORT

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

### BOARD OF DIRECTORS:

The Company has a Non Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors.

None of the Directors on the Board is a Member of more than 10 committees and Chairman of more than 5 Committees (as specified in Clause-49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

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

Name of the Director	Executive/Independent/ Non-Executive	No. of meetings attended(+)	Attendance at previous AGM on 30th September, 2005	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee
Mr. Vijay Prakash, IAS	Chairman & Non Executive Director	4	Not Present	4	—
Mr. Umesh K. Modi	Vice Chairman & Managing Director	4	Present	5	—
Mr. Ashok Kumar, IAS	Non Executive Director	—	Not Present	NA	NA
Mr. Abhishek Modi	Non Executive Director	2	Present	2	—
Mr. K.K. Jain	Non Executive Director	3	Present	—	—
Mr. G.C. Jain	Independent Director	4	Not Present	3	3
Dr. Wolfgang Janke	Independent Director	2	Not Present	—	—
Mr. G.W. Elsenheimer	Independent Director	1	Not Present	—	—
Mr. P.P. Sharma, IAS	Independent Director	—	Not Present	1	—
Mr. R.P. Singh	Nominee Director	3	Not Present	3	1
Mr. Meghendra Kumar	Nominee Director	3	Not Present	1	—
Mr. G.K. Sharma (up to 4 <sup>th</sup> October, 2005)	Nominee Director	—	Not Present	NA	NA
Mr. Rishabh Jain (from 4 <sup>th</sup> October, 2005)	Nominee Director	2	Not Present	2	2
Mr. Manoj Raihan (upto 10 <sup>th</sup> November, 2005)	Nominee Director	1	Not Present	1	—
Mr. P.S. Dubey (from 10 <sup>th</sup> November, 2005)	Nominee Director	2	Not Present	1	—
Mr. Turan Caglayan	Non Executive Director	—	Not Present	—	—
Mr. P.N. Mehta (up to 31 <sup>st</sup> May, 2005)	Alternate to Mr. G.F. Grote	1	Not Present	2	4
Mr. P.N. Mehta (from 1 <sup>st</sup> June, 2005)	Alternate to Mr. Turan Caglayan	3	Not Present	2	4
Mr. Vijay K Modi (up to 25 <sup>th</sup> March, 2006)	Alternate to Dr. W. Janke	2	Not Present	2	1
Mr. J.N. Khurana (up to 25 <sup>th</sup> March, 2006)	Alternate to Mr. G.W. Elsenheimer	2	Not Present	1	—

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

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

(@) Mr Umesh K. Modi and Mr Abhishek Modi are related as Father and Son.

Four Board Meetings were held during the year on 30<sup>th</sup> May, 2005, 30<sup>th</sup> August, 2005, 23<sup>rd</sup> December, 2005 and 25<sup>th</sup> March, 2006.

The Company has adopted the Code of Conduct for the Non-Executive Directors and Senior Management of the Company. The Company has received confirmations from both the Non-Executive Directors as well as Senior Management regarding compliance of the Code of Conduct for the period ended 31<sup>st</sup> March, 2006. The Code is posted on the website of the Company i.e www.bsil.org.

### INFORMATION REGARDING RE-APPOINTMENT OF DIRECTORS:

Mr. K.K. Jain, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. K.K. Jain is a Non- Executive Director. He is a fellow member of the Institute of Chartered Accountants of India and Law Graduate and has more than 40 years experience in Accounts, Taxation and Company Law matters. He is not a Director in any other Company.

Mr. P.P. Sharma, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. P.P. Sharma is an Independent Director and belongs to Indian Administrative Services of Jharkhand Cadre. He has been serving Government of India and State Government at varied positions and presently posted as Director General of Shri Krishna Institute of Public Administration, Government of Jharkhand. He is a Director of Bihar Caustic & Chemicals Limited.

Dr. Wolfgang Janke, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Dr. Wolfgang Janke is an Independent Director. He is Metallurgical Engineer and Ex-President and Technical Head of Lurgi. He is not a Director in any other Company.

### AUDIT COMMITTEE:

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

- Mr. G.C. Jain, Chairman
- Mr. K.K. Jain
- Mr. R.P. Singh
- Mr. G.W. Elsenheimer (with effect from 23<sup>rd</sup> December, 2005)
- Mr. Rishabh Jain (with effect from 25<sup>th</sup> March, 2006)

All the Members of the Audit Committee are non-executive directors and financially literate. Mr. G.C. Jain, Mr. R.P. Singh, Mr. G.W. Elsenheimer and Mr. Rishabh Jain are independent directors.

Mr. Rakesh Bhatia, Company Secretary acts as a Secretary to the Committee. Chief Executive, Chief Financial Officer, a representative of Thakur, Vaidyanath Aiyer & Co; the Statutory Auditors and a representative of Thakur & Co; Concurrent Auditors are permanent invitees to the Audit Committee meetings.

Five meetings of Audit Committee were held during the year on 29.04.2005, 30.07.2005, 29.10.2005, 31.01.2006 and 24.03.2006. Attendance at meetings during the year: