

26th ANNUAL REPORT

2007-2008

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BSIL
BIHAR SPONGE IRON LIMITED

Board of Directors

Mr. Vijoy Prakash, IAS
 Mr. Umesh K. Modi
 Mr. P.P. Sharma, IAS (Retd.)
 Mr. Abhishek Modi
 Dr. Wolfgang Janke
 Mr. K.K. Jain
 Mr. G.W. Elsenheimer
 Mr. G.C. Jain
 Mr. B.N. Nayak
 Mr. Meghendra Kumar
 Mr. Rishabh Jain

Chairman
 Vice Chairman & Managing Director

Nominee - IFCI
 Nominee - LIC
 Nominee - BIFR

Alternate Directors

Mr. J.N. Khurana
 Mr. Vijay K Modi

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

Company Secretary

Mr. Yogesh K Tyagi

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. B.N. Nayak
 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.
 246, 1st Floor, Sant Nagar, Main ISCON Temple
 Road, East of Kailash, New Delhi-110065

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NOTICE

Notice is hereby given that 26th Annual General Meeting of the Members of Bihar Sponge Iron Limited will be held on Tuesday 23rd day of September, 2008 at 10.00 A.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, 2008 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 Dr. Wolfgang Janke, who retires from office by rotation, but being eligible, offers himself for re-appointment.
4. 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:

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII as amended from time to time and Other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Financial Institutions, shareholders and such other approvals as may be necessary, the Company hereby approves the re-appointment of Mr. U.K. Modi as Managing Director of the company for a further period of 5 years with effect from 28th March, 2009 on the terms and conditions contained in item no. 6 of the notice.

RESOLVED FURTHER THAT Mr. K.K. Jain and Mr. G.C. Jain, Directors of the Company be and are hereby authorized severally to finalize and execute the Agreement with Mr. U.K. Modi on behalf of the Company."

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

"RESOLVED THAT in accordance with the provisions of Section 198, 309 and 310 read with Schedule XIII as amended from time to time and Other applicable provisions, if any, of the Companies Act, 1956, Mr. U.K. Modi, Managing Director be paid the following remuneration for a period of three years with effect from 1st March, 2009:

1. a. Basic Salary Rs. 2,00,000/- 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 five 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.7,500/-
- (v) Payment of Annual Membership of 2 Clubs not to exceed Rs. 39,000/-
- (vi) Gas, Electricity & Water charges not to exceed Rs.1,93,500/- on annual basis.
- (vii) 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.

- (viii) Gratuity payable shall not exceed half month's salary for each completed year of service will not be included in the computation of the ceiling on perquisites.
- (ix) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites
- (x) One Company Car with driver use on actual basis
- (xi) One Telephone at residence on actual basis. However, long distance personal calls will be billed on actual basis.
- (xii) 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.

BY ORDER OF THE BOARD

[YOGESH KR. TYAGI]
COMPANY SECRETARY

Place New Delhi
Dated: 23rd August, 2008

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 are 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 Tuesday, 16th September, 2008 to Tuesday, 23rd September, 2008 (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. 5

At the Extra-ordinary General Meeting held on 27th March, 2004, the shareholders had approved the re-appointment of Mr. U.K. Modi as Managing Director of the company for a further period of 5 years with effect from 28th March, 2004.

The term of office of Mr. Umesh K. Modi as Managing Director of the Company will expire on 27th March, 2009. Considering the efforts made by the Managing Director to enhance the manufacturing capacity, substantial improvement in the performance of the company, the Board has subject to your approval, re-appointed

him as Managing Director of the Company for a further period of 5 years with effect from 28th March, 2009 on the remuneration and perquisites as contained in item no. 6 of the notice hereof.

The present proposal is to seek the member's approval for reappointment of Mr. Umesh K. Modi as Managing Director in terms of the applicable provisions of Companies Act, 1956. The Board therefore recommends this resolution for your approval.

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

None of the Directors except Mr. U.K. Modi and Mr. Abhishek Modi being relative of Mr. U.K. Modi are interested or concerned in the resolution.

ITEM NO. 6

Mr. Umesh K Modi is an Engineering Graduate with Gold Medal from BHU. The shareholders in their Annual General Meeting held on 29th September, 2006 had approved payment of Salary of Rs. 85,000/- per month together with perquisites for a period 3 years with effect from 1st March, 2006.

The Company, under the stewardship of Mr. Umesh K Modi, has beside expanded its installed capacity of Sponge Iron to 2,10,000 MT per annum and installation of Captive Power Generation of 5 MW also procure Iron Ore Mine having an area of 406.40 hectares in Ghatkuri Forest Reserve, District Singhbhum and Coal Block in Macherkunda Coal Block, Jharkhand.

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. 2,00,000/- per month plus perquisites to Mr. Umesh K Modi for a period of three years w.e.f. 1st March, 2009. Accordingly, the Board of Directors 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 1st July, 1989
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable
- (4) Financial performance based on given indicators:

(Rs. in lakhs)

Financial Parameters	Year ended 31.03.2008
Sales (Net of Excise Duty) and Other Income	2,00,44.33
Profit / (Loss) before Interest, Depreciation & Income Tax	20,71.77
Interest & Finance Charges	9,95.14
Depreciation	8,37.08
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	2,39.55
Provision for Tax	
- Fringe Benefit Tax	31.35
- Wealth Tax	0.66
Profit/(Loss) for the year before Extra Ordinary Items	2,07.54
Extraordinary Items	
Depreciation written back for earlier years on currency exchange fluctuation	10,43.37
Interest written back for earlier years on currency exchange fluctuation	1,96.54
Profit/(Loss) for the year carried to Balance Sheet	14,47.45

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

II. INFORMATION ABOUT THE APPOINTEE:

- (1) **Background details** : Mr. 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 Annual General Meeting held on 29th September, 2006, the shareholders approved basic salary of Rs. 85,000/- per month plus perquisites to Mr. Umesh K Modi for a period of three years w.e.f. 1st March, 2006.
- (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. 6 of the Notice convening the 26th 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 turnover, the profitability has suffered due to increase in raw materials prices.
- (2) **Steps taken or proposed to be taken for improvement**: On Company's application for allotment of captive iron ore mine having an area of 406.40 hectares in Ghatkuri Forest Reserve, District Singhbhum, the State Govt. of Jharkhand has recommended to Ministry of Mines, Government of India, the Ministry of Mines, Government of India in turn has conveyed its approval to State Government of Jharkhand for allotment of said mine to the Company. At present steps towards the execution of the lease deed between the Company and the State government are being taken and necessary formalities are being complied with. Once the iron ore mine becomes operational the Company will be in a position to meet internally a substantial part of its iron ore requirements. On company's application for allotment of Coal block in Macherkunda Coal Block, the State Government of Jharkhand has recommended to Ministry of Coal, Government of India, the Ministry of Coal, Government of India in turn has conveyed its approval to State Government of Jharkhand for allotment of said coal block to the Company for captive use. This will result in substantial savings and will contribute to the profitability of the Company.
- (3) **Expected increase in measurable terms**: The Company expects to achieve Operating Profit of approx. Rs. 24.00 crores for the year 2008-2009.

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.

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

None of the Directors except Mr. U.K. Modi and Mr. Abhishek Modi being relative of Mr. U.K. Modi are interested or concerned in the resolution.

BY ORDER OF THE BOARD

Place New Delhi
Dated: 23rd August, 2008

[YOGESH KR. TYAGI]
COMPANY SECRETARY

DIRECTORS' REPORT

To The Members

The Directors have pleasure in presenting the 26th Annual Report of the Company along with audited accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS :

	Rs. In lacs	
	2007-08	2006-07
Sales (Net of Excise Duty)	1,99,01.90	1,64,63.00
Other Income	1,42.43	3,78.86
Profit / (Loss) before Interest, Depreciation & Tax	20,71.77	5,88.63
Interest & Finance Charges	9,95.14	8,53.45
Depreciation	8,37.08	16,02.68
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	2,39.55	(18,67.50)
Provision for Tax		
— Fringe Benefit Tax	31.35	29.67
— Wealth Tax	0.66	0.67
Profit/(Loss) for the year before extraordinary items	2,07.54	(18,97.84)
Extraordinary Items		
Depreciation written back for earlier years on currency exchange fluctuation	10,43.37	-
Interest written back for earlier years on currency exchange fluctuation	1,96.54	-
Profit / (Loss) for the year carried to Balance Sheet	14,47.45	(1,897.84)

OPERATIONS :

During the year under review, production was 1,53,590 MT of Sponge Iron as against 1,50,336 MT achieved in the previous year.

During the year under review, turnover (Net of Excise Duty) for the year under review amounted to Rs. 19,901.90 lacs against Rs. 16,463.00 lacs for the previous year, registering an increase of 20.88%, which is attributable mainly to an increase in sales realization achieved during the year. The profit before tax and also net profit have increased compared to the previous year.

As reported in the last year, Company's application for allotment of captive iron ore mine having an area of 406.40 hectares in Ghatkuri Forest Reserve, District Singhbhum was recommended by the State Govt. of Jharkhand to the Ministry of Mines, Government of India. The Ministry of Mines, Government of India in turn has conveyed its approval to State Government of Jharkhand for allotment of said mine to the Company. At present steps towards the execution of the lease deed between the Company and the State government are being taken and necessary formalities are being complied with. Once the iron ore mine becomes operational, the Company will be in a position to meet internally a substantial part of its iron ore requirements.

Your Directors are pleased to inform that the company's application for allotment of Coal block in Macherkunda Coal Block was recommended by the State Government of Jharkhand to the Ministry of Coal, Government of India. The Ministry of Coal, Government of India in turn has conveyed its approval to State Government of Jharkhand for allotment of said coal block to the Company for captive use. This will result in substantial savings and will contribute to the profitability of the Company.

EQUITY SHARE CAPITAL

An Extra Ordinary General Meeting (EGM) was held on 20th March, 2008 to seek the approval of Members of the Company for conversion of

unsecured loan brought by Promoters to enable the Company partly to meet its liabilities to the scheme creditors and partly for undertaking the essential capital investments into equity capital on Preferential basis in terms of para 8.6-"other terms and conditions" of the Rehabilitation Scheme dated 29.07.2004 sanctioned by the Board for Industrial and Financial Reconstruction (BIFR). The Company has allotted 1,17,93,333 equity shares of Rs. 10/- each at a premium of Rs. 20.04 per share aggregating to Rs. 35,42,71, 723.32 to the existing promoter on 9th May, 2008. The aforesaid equity shares got listed on Bombay Stock Exchange Limited on 3rd July, 2008.

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:

Mr. Vijay K Modi ceased to be Alternate Director to Dr. Wolfgang Janke with effect from 24th September, 2007 and re-appointed as an alternate Director to Dr. Wolfgang Janke with effect from 22nd February, 2008.

IFCI Limited has withdrawn the nomination of Mr. R.P. Singh with effect from 31st May, 2008 and has nominated Mr. B.N. Nayak in his place.

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 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. R.P. Singh during his 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 delays in payment of Statutory Dues and Secured Loans, the Board of Directors wish to explain as under:-

Due to increase in raw material prices and non availability of Working Capital facility from Banks, the said dues could not be paid on due dates. However, all the said dues have been paid to respective accounts of Government & Secured Creditors along with the interest for the delayed period at the contractual rates except VAT and Sales Tax amounting to Rs. 75.52 lacs and Rs. 1.49 lacs respectively, which will be paid before 15th October' 08.

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 (UMESH K. MODI) (ABHISHEK MODI)
Dated: 23rd August, 2008 VICE CHAIRMAN & DIRECTOR
MANAGING 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
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
A) PURCHASED		
Unit	Nil	Nil
Amount(Rs.)	Nil	Nil
Rate/Unit (Rs.)	Nil	Nil
B) OWN GENERATION		
1. Through Diesel Generator		
Unit	4,89,184	5,05,392
Unit per liter of HSD	2.66	2.78
Cost/Unit (Rs.)	11.31	11.20
2. Through steam turbine		
Unit	2,78,99,900	2,52,45,400
Unit per M.T of fuel	1,314.00	1,229.00
Cost/Unit (Rs.)	1.38	2.08
2. COAL		
Quantity (M.T)	2,20,536	2,11,882
Cost (Rs.)	45,71,59,531	46,90,27,377
Average Rate (Rs./M.T)	2,072.95	2,213.63
B. CONSUMPTION PER M.T OF PRODUCTION (SPONGE IRON)		
1. Electricity (Unit)	185.00	166.00
2. Furnace Oil	Nil	Nil
3. Coal (M.T)	1.44	1.41
4. Others - HSD (Liter)	1.20	1.21

TECHNOLOGY ABSORPTION:

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

TECHNOLOGY IMPORTED

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

FOREIGN EXCHANGE EARNINGS & OUTGO:

	2007-08 (Rs.)	2006-07 (Rs.)
1 EARNING		
Export of Goods on F.O.B	—	—
2 OUTGO		
a) Traveling	—	—
b) Other Matters	—	81,634
c) Interest	37,81,734	1,38,76,758
c) Import on CIF Basis		
Stores & Spares	—	4,60,801

For & on behalf of the Board

Place : New Delhi (UMESH K. MODI) (ABHISHEK MODI)
Dated: 23rd August, 2008 VICE CHAIRMAN & DIRECTOR
MANAGING 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 22nd August, 2007	No. of outside directorships held (*)	No. of membership/ chairmanship in other Board Committee
Mr. Vijay Prakash, IAS	Chairman & Non Executive Director	Nil	Not Present	4	Nil
Mr. Umesh K. Modi@	Vice Chairman & Managing Director	4	Present	5	Nil
Mr. Abhishek Modi@	Non Executive Director	2	Not Present	4	Nil
Mr. K.K. Jain	Non Executive Director	4	Not Present	1	1
Mr. G.C. Jain	Independent Director	2	Present	4	3
Dr. Wolfgang Janke	Independent Director	1	Not Present	Nil	Nil
Mr. G.W. Elsenheimer	Independent Director	Nil	Not Present	Nil	Nil
Mr. P.P. Sharma, IAS (Retd.)	Independent Director	2	Not Present	1	Nil
Mr. R.P. Singh (up to 31st May, 2008)	Nominee Director	4	Not Present	N.A.	N.A.
Mr. B.N. Nayak (w.e.f. 31st May, 2008)	Nominee Director	N.A.	N.A.	-	-
Mr. Meghendra Kumar	Nominee Director	4	Not Present	1	Nil
Mr. Rishabh Jain	Nominee Director	3	Not Present	3	Nil
Mr. Vijay K Modi (up to 24th Sept. 2007 and reappointed as Alternate Director on 22nd February 2008)	Alternate to Dr. W.Janke	2	Not Present	1	1
Mr. J.N. Khurana	Alternate to Mr. G.W. Elsenheimer	2	Not Present	2	Nil

(+) 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 25th June, 2007, 24th September, 2007, 29th December, 2007 and 22nd February, 2008.

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 31st March, 2008. 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 42 years experience in Accounts, Taxation and Company Law matters. He is also a Director in Modi Industries 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 a Metallurgical Engineer having more than 37 years and was Ex-President and Technical Head of Lurgi Chemic, Germany. 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:

- i). Mr. G.C. Jain, Chairman
- ii). Mr. K.K. Jain
- iii). Mr. R.P. Singh (up to 31st May, 2008)
- iv). Mr. G.W. Elsenheimer
- v). Mr. Rishabh Jain
- vi). Mr. B.N. Nayak (from 31st May, 2008)

All the Members of the Audit Committee are non-executive directors and financially literate. Due to withdrawal of nomination of Mr. R.P. Singh by IFCI Limited, the Audit committee was reconstituted on 31st May, 2008. After the reconstitution, the Audit Committee has following independent directors Mr. G.C. Jain, Mr. B.N. Nayak, Mr. G.W. Elsenheimer and Mr. Rishabh Jain.

Mr. Yogesh Kumar Tyagi, 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.

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Seven meetings of Audit Committee were held during the year on 30.04.2007, 25.06.2007, 31.07.2007, 24.09.2007, 29.10.2007, 29.12.2007 and 28.01.2008. Attendance at meetings during the year:

Director	No. of meetings attended
Mr. G.C. Jain	6
Mr. K.K. Jain	7
Mr. R.P. Singh	6
Mr. G.W. Elsenheimer	Nil
Mr. Rishabh Jain	6

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

The functions of the Audit Committee broadly cover the following:

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

The Audit Committee shall also mandatory review the following:

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

INVESTORS' GRIEVANCE COMMITTEE:

The Investors' Grievance Redressal Committee was constituted on 11th September, 2001. The committee comprises of 3 members. The Chairman of the Committee is Mr. K.K. Jain with Mr. G.C. Jain and Nominee Director of BIFR as its member. Mr. Yogesh Kumar Tyagi, Company Secretary acts as a Secretary to the Committee.

BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, complaints of shareholders etc.

During the year under review, the Committee met four times on 30.04.2007, 31.07.2007, 29.10.2007 and 28.01.2008.

Details of complaints received and addressed during the year under review are given below:

	Number of complaints received					Number of total complaints (Share Transfers/ Annual Reports etc.)
	Direct	Stock Exchanges	Investor Associations	SEBI	Deptt. of Company Affairs	
2007-08						
1. Received	24	Nil	Nil	Nil	Nil	24
2. Replied	24	Nil	Nil	Nil	Nil	24
3. Pending	Nil	Nil	Nil	Nil	Nil	Nil

REMUNERATION COMMITTEE:

The Remuneration Committee was constituted by the Board in March, 2006. The remuneration payable to the Managing Director was approved by the Committee. The Committee is also empowered to decide on an Employees' Stock Option Scheme as and when such Scheme is considered for introduction in the company.

The following persons are the Members of the Committee:

- i). Mr. G.C. Jain, Chairman
- ii). Mr. B. N. Nayak
- iii). Mr. Rishabh Jain

No meeting of Remuneration Committee was held during the year ended 31st March, 2008.

The remuneration paid to the Managing Director during the year is in accordance with provisions of Schedule XIII para 1(B) of section II of para II of the Companies Act, 1956 and as approved by the Members in the Annual General Meeting held on 29.09.2006.

The detail of remuneration paid to Managing Director is as under:

Basic Salary Rs. 10,20,000/-

Company's contribution to Provident Fund Rs. 1,22,400/-

Perquisites & Allowances Rs. 7,81,000/-

The non-executive Directors (NEDs) are paid remuneration by way of Sitting Fee of Rs. 1,000/- per meeting to NEDs for attending the meetings of Board and/or Committees thereof. The details of Remuneration paid to Non-Executive Directors during the year ended 31st March, 2008 are as under:-

S. NO.	NAME	PARTICULARS	SITTING FEES
1	Mr. K.K. Jain	Non Executive Director	39,000
2	Mr. G.C.Jain	Independent Director	12,000
3	Mr. R.P. Singh *	Nominee Director	16,000
4	Mr. P.S. Dubey	Nominee Director	3,000
5	Mr. Rishabh Jain	Nominee Director	30,000
6	Mr. Vijay K Modi	Alternate Director	2,000
7	Mr. J.N. Khurana	Alternate Director	2,000
8	Mr. Meghendra Kumar	Nominee Director	4,000
9	Mr. P.P. Sharma	Independent Director	2,000

*Sitting Fee was paid to the Institution which has nominated the Director.

ANNUAL GENERAL MEETING:

Location and time for the last three Annual General Meetings:

Year	Date	Venue	Time
2005	30.09.2005	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	4.00 P.M.
2006	29.09.2006	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	4.00 P.M.
2007	22.08.2007	Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand)	10.00 A.M.

Extra Ordinary General Meeting

An Extra Ordinary General Meeting (EGM) was held on 20th March, 2008 at 10.00 A.M. at the registered office of the Company at Umesh Nagar, Chandil, Dist Saraikela Kharsawan-832401 Jharkhand to seek, the approval of Members of the Company for conversion of unsecured loan into equity capital on Preferential basis in terms of para 8.6 "other terms and conditions" of the Rehabilitation Scheme dated 29.07.2004 sanctioned by the Board for Industrial and Financial Reconstruction (BIFR).

POSTAL BALLOT:

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

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

DISCLOSURE:

During the year under review, the Company had no materially significant related party transactions as is envisaged under the Corporate Governance code that may have potential conflict with the interest of the Company at large. However, related party transactions during the year are mentioned in Note no. 13 of Schedule 17 "Notes to Accounts".

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

MEANS OF COMMUNICATIONS:**Half yearly Report to each household of shareholders:**

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

Quarterly Results:

Wide publicity is accorded to publication of Quarterly Results which are published in widely circulated English daily and a Hindi daily as is required under the Listing Agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the Company is listed and also displayed on the website of the company.

MANAGEMENT DISCUSSION AND ANALYSIS IS REPORTED IN THIS ANNUAL REPORT.**GENERAL SHAREHOLDER INFORMATION :**

Twenty Sixth Annual General Meeting is scheduled to be held on Tuesday, 23rd day of September, 2008 at 10.00 A.M. at Registered Office of the Company at Umesh Nagar, Chandil, District Saraikela-Kharsawan 832401 (Jharkhand) as per notice enclosed with the Annual Report.