



ELECTROSTEEL
STEELS LIMITED

3rd Annual Report

2009-10



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CORPORATE INFORMATION

CHAIRMAN	Mr Anil Kumar Sinha
DIRECTORS	Mr Umang Kejriwal Mr Naresh Pachisia Mr Sanjoy Kumar Tekriwal Mr Sunil V Diwakar (Nominee Director of Tara India Holdings A Limited) Mr Lawrence M Roy (Alternate Director to Mr Sunil V Diwakar)
WHOLETIME DIRECTORS	Mr Nigam Chander Bahl Mr Vilas Vishnu Jamnis
COMPANY SECRETARY	Mr Vikram Saraogi
STATUTORY AUDITOR	M/s. B Chhawchharia & Co., Chartered Accountants
SOLICITORS	Khaitan & Co.
BANKERS	State Bank of India (Facility Agent) Allahabad Bank Andhra Bank Bank of Baroda Bank of India Bank of Maharashtra Canara Bank Central Bank of India Corporation Bank Dena Bank HUDCO IL & FS Financial Services Ltd Indian Bank Indian Overseas Bank LIC of India Oriental Bank of Commerce Punjab & Sind Bank Punjab National Bank State Bank of Hyderabad State Bank of India State Bank of Indore State Bank of Mysore State Bank of Patiala State Bank of Travancore Syndicate Bank The Bank of Rajasthan Ltd The J & K Bank Ltd UCO Bank Union Bank of India United Bank of India Vijaya Bank
REGISTERED OFFICE	801, Uma Shanti Apartments, Kanke Road, Ranchi - 834 008 Jharkhand.
PROJECT SITE	Village - Siyaljori, PO - Jogidih, PS - Chandankyari, Dist - Bokaro, Pin - 828 303, Jharkhand.
HEAD OFFICE	G K Tower, 19, Camac Street, Kolkata - 700 017

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Third Annual Report and the Audited Accounts of your Company for the year ended March 31, 2010.

OPERATIONS - IMPLEMENTATION OF THE PROJECT

As you are aware that earlier your Company was setting up 1.3 MTPA integrated steel project including D.I. Pipes in the state of Jharkhand. However, subsequently your Company has decided to enhance the capacity of the project from 1.3 MTPA to 2.2 MTPA at the same location which is located about 22 kms away from Bokaro city. The technical feasibility report of the enhanced capacity has been vetted by M/s M. N. Dastur & Company, one of the renowned technical consultants. The State Bank of India, the lead banker of the Company has also appraised and approved the proposal for enhanced capacity of the Project.

The project will be based on the same process of the blast furnace, basic oxygen furnace, billet caster and hot rolling route to produce 1.2 MTPA of long steel products (mainly wire rods and rebars) and 0.67 MTPA commercial billets and pig iron. It is also proposed to set up a 0.33 MTPA ductile iron pipe production facility in the same complex.

The Company had engaged reputed international companies for the supply of equipments and construction of the Project. Significant milestones like land acquisition, land levelling, basic engineering, placement of orders for equipments and constructions completed. The Company has also put in place an excellent project team comprising of professionals from respective areas with an extensive project management and execution skills. Long term agreements for the supply of iron ore and coking coal have also been entered into with Electrosteel Castings Limited ("ECL").

The target completion date of the project has been extended by few months. The main reason for the delay is due to sudden decrease in availability of Chinese manpower. The reduction in numbers is due to guidelines issued by the Central Government of India on Visa Policy, which was beyond the management control. Subsequently, the Central Government of India has allowed work permits to the Chinese. A good number of Chinese are working at the site round the clock and your Company is confident in achieving the revised completion target.

In addition to the above, your Company has also made the following alternative plans to mitigate the said situation:

- Appointment of local Sub-contractors under the supervision of Chinese Contractors.
- Reducing the scope of Chinese Contractors and offload the same to Indian Contractors.

Your Company has not yet commenced revenue operations and hence no Profit and Loss Account has been prepared.

FINANCIAL CLOSURE

Your Company had received overwhelming response from various Banks/Financial Institutions, who had sanctioned the required Term Loans for the Project. Amended and Restated Common Loan Agreement with the lenders has been executed on 20th August 2009 for the same.

The total Equity requirement for the Project is Rs 1,815 crores. The Company has already received Rs 1665 crores towards equity contribution from various investors, which is more than 90% of the total requirement.

CHANGE OF NAME

The name of your Company has been changed from "ELECTROSTEEL INTEGRATED LIMITED" to "**ELECTROSTEEL STEELS LIMITED**" pursuant to the special resolution passed in the shareholders meeting held on 25th March, 2010. The new name was notified by the Registrar of Companies, Bihar & Jharkhand.

The Directors of the Company believe that it will enjoy a better market reputation and customers' reliance upon change of name which is consequential to the modification / alteration in the name of the Company.

INITIAL PUBLIC OFFER (IPO)

Your Directors' immense pleasure to announce that the Company had filed 'Draft Red Herring Prospectus' (DRHP) with Securities and Exchange Board of India (SEBI), National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on 25th March, 2010 for the proposed Initial Public Offering of Equity Shares of your Company.

The Company is coming out with the Initial Public Offer with an objective to raise fund to fill the gap of Equity requirement and also to raise some additional equity to take care of any unforeseen requirement of the project.

Your Company has also appointed internationally reputed Merchant Bankers, Legal Counsel and Registrar to provide support and execute the Public Issue process.

DIRECTORS

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anil Kumar Sinha was appointed as Additional Director with effect from July 25, 2009 and will hold office upto the date of the next Annual General Meeting.

Mr Sunil V. Diwakar was appointed as the Nominee Director of Tara India Holdings A Limited (equity investor), with effect from August 31, 2009.

Pursuant to the provisions of Sections 198, 268 and 269 of the Companies Act, 1956 and the Articles of Association of the Company, Mr Vilas Vishnu Jamnis and Mr Nigam Chander Bahl were appointed as the Wholtime Directors of the Company on 25th July 2009 & 19th August 2009 respectively for a period of 3 years subject to approval of the Shareholders. The same has also been approved by the Shareholders of the Company in their Meeting held on 6th October, 2009. The remuneration for the both the aforesaid Wholtime Directors are subject to the approval of the Central Government.

Pursuant to the provisions of Sections 255 & 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Nigam Chander Bahl and Mr. Naresh Pachisia, Directors of the Company retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. Mayank Kejriwal, Director of the Company, has resigned from the Board of your Company with effect from 11th January, 2010. The Board places on record its deep appreciation for the guidance and the invaluable services rendered by him during the tenure of his office as Director of the Company.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm :

- a) that in the preparation of annual accounts, containing financial statements for the year ended March 31, 2010 the applicable accounting standards have been followed along with proper explanation wherever required.



- b) that the board had 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 for that period.
- c) that the Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, form a part of this report. However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company, excluding the aforesaid information. Members desirous of obtaining such particulars may write to the Company at its registered office.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

- a) Since the Project is under implementation, the Company has no activity relating to conservation of energy or technology absorption. However, conscious efforts are being made during the design, engineering and construction stage itself to ensure that the technology is understood and measures to minimize energy consumption are incorporated in the Project.

- b) Foreign Exchange Earnings and Outgo:

Amount (Rs)

Foreign Exchange Earnings	3,345/-
Foreign Exchange Outgo	6,17,93,59,211/- *

AUDITORS

The Statutory Auditor M/s. B Chhawchharia & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been obtained to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Notes to Accounts forming part of the financial statements are self explanatory and needs no further explanation.

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation.

ACKNOWLEDGMENT

Your Directors take this opportunity to thank the Financial Institutions, Bankers, Government Authorities, Vendors, Shareholders, Employees, etc. for their continued assistance, cooperation and support to the Company.

For and on behalf of the Board of Directors
V V Jamnis **N C Bahl**

Wholtime Director

Wholtime Director

Place : Kolkata

Dated : May 06, 2010

AUDITORS' REPORT

To the Members of
ELECTROSTEEL STEELS LIMITED (Formerly ELECTROSTEEL INTEGRATED LIMITED)

1. We have audited the attached Balance Sheet of ELECTROSTEEL STEELS LIMITED (Formerly ELECTROSTEEL INTEGRATED LIMITED) as at March 31, 2010 and also the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of the representative office at China. 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. No Profit and Loss Account has been prepared since the Company has yet to commence its revenue operations and the necessary details as per Part II of Schedule VI of the Companies Act, 1956 have been disclosed in Note 1 in Schedule 8B as "Project Development Expenditure".
2. We have 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 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 above and also 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 and proper returns adequate for the purposes of our audit have been received from the representative office;
 - (iii) The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet 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 written representations received from the Directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;