



ELECTROSTEEL
STEELS LIMITED



4th Annual Report 2010-2011

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CORPORATE INFORMATION

CHAIRMAN	Mr. Binod Khaitan
DIRECTORS	Mr. Umang Kejriwal Mr. Naresh Pachisia Mr. Sanjoy Tekriwal Mr. Sunil V Diwakar (Nominee Director) Mr. Lawrence M Roy (Alternate Director to Mr. Sunil V Diwakar)
WHOLETIME DIRECTOR	Mr. Nigam Chander Bahl
COMPANY SECRETARY	Mr. Vikram Saraogi
STATUTORY AUDITORS	M/s. B Chhawchharia & Co., Chartered Accountants
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 ICICI Bank Ltd 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 Mysore State Bank of Patiala State Bank of Travancore Syndicate Bank 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, P.O - Jogidih, P.S - Chandankyari, Dist - Bokaro, Pin - 828 303, Jharkhand.
HEAD OFFICE	G K Tower, 19, Camac Street, Kolkata - 700 017

Notice

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held on Friday, the 15th Day of July, 2011 at 11:30 A.M. at, Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi-834001 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account and Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Umang Kejriwal who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr Sanjoy Tekriwal who retires by rotation and is eligible for re-appointment.
4. To appoint the Statutory Auditors and to fix their remuneration.

Special Business:

Item No. 5

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

"RESOLVED THAT in accordance with the provisions of Section 255 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof for the time being in force and the Articles of Association of the Company, Mr. Binod Khaitan, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Non Executive Independent Chairman of the Company liable to retire by rotation."

Item no. 6

To Consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to alter the Authorised Share Capital of the Company from Rs. 2300,00,00,000 (Rupees Two Thousand Three Hundred Crores Only) divided into 230,00,00,000 (Two Hundred and Thirty Crores only) Equity Shares of Rs.10/- each to Rs. 3000,00,00,000 (Rupees Three Thousand Crores Only) divided into 300,00,00,000 (Three Hundred Crores only) Equity Shares of Rs.10/- each."

Item no. 7

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

"RESOLVED THAT the consent of the members of the Company be and is hereby accorded for substituting the existing Clause V of the Memorandum of Association of the Company by the following:

"V. The Authorised Share Capital of the Company is Rs. 3000,00,00,000 (Rupees Three Thousand Crores Only) divided into 300,00,00,000 (Three Hundred Crores only) Equity Shares of Rs.10/- each with power to increase and reduce the capital of the company and to divide or subdivide the shares in capital for the time being into several classes and to attach thereto respectively such preferential qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of the Company for the time being and to modify or abrogate of any such rights privileges or conditions in such manner as may be permitted by Act, or provided by the Articles of the Company for the time being."

Item no. 8

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sum of moneys from time to time together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business), 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 purposes, provided however, the total amount so borrowed shall not exceed Rs. 8,500 Crores (Rupees Eight Thousand Five Hundred Crores Only)."



“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to 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, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

Notes:

- (a) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- (b) The relevant details in respect of item no. 2&3 as above, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- (c) Every shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a shareholder. The proxy forms should, however, be deposited at the Registered Office / Head Office of the Company not later than 48 hours before the commencement of the meeting.
- (d) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (e) Members / Proxies attending the meeting are requested to bring their copy of the Attendance Slip duly filled in for attending the meeting.
- (f) The Register of Share Transfer of the Company will remain closed for accepting share transfer applications from July 9, 2011 to July 15, 2011.
- (g) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office / Head office so as to reach us at least 7 days before the date of the meeting so that the required information can be made available at the meeting.
- (h) Equity shares of the Company fall under category of compulsory demat trading by all investors. Considering the advantages of scripless trading, shareholders are therefore requested to consider dematerialization of their shareholding so as to avoid any inconvenience.
- (i) Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

By Order of the Board of Directors
For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

(Annexure as referred to in the notes on notice)

Item No. 5

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors of the Company (the Board) at its meeting held on April 22, 2011, appointed Mr. Binod Khaitan as an Additional Independent Director (Non Executive) cum Chairman of the Company.

The Company had received a notice in writing from a member along with a deposit of Rs 500 proposing the candidature of Mr. Binod Khaitan for the office of Director of the Company.

Mr. Binod Khaitan is not disqualified from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956 and has complied with the requirements of obtaining Director's Identification Number in terms of Section 266A of the said Act.

The Board recommends the resolution for the appointment of Mr Binod Khaitan as a Non Executive Independent Director and further the Chairman of the Company.

Mr Khaitan does not hold any Equity shares of the Company in his own name and save and except Mr. Khaitan, none of the Directors of the Company are, in any way, concerned or interested in this resolution.

Item No. 6 & 7

The authorised share capital of the Company presently stands at Rs. 2300.00 crores divided into 230,00,00,000 equity shares of Rs. 10/- each. With the growing expansion of the Company's business it is desirable to bring the authorised share capital of the Company in proper correlation with the magnitude of the Company's resources and size of its undertaking. It is, therefore, considered advisable to increase the authorised share capital of the Company from Rs. 2300.00 crores to Rs. 3000.00 crores by creation of further 70,00,00,000 equity shares of Rs. 10/- each, which will rank pari passu in all respects with the existing equity shares of the Company. The proposed increase of the authorised share capital of the Company requires the approval of the members in general meeting. Consequent upon the increase in authorised share capital of the Company, its memorandum of association will require alteration so as to reflect the increase in share capital.

The Board recommends that the same be passed.

Item No.8

Pursuant to the authority given by the members of the Company under section 293(1)(d) of the Companies Act, 1956, at the General Meeting held on 23rd April 2009, to the Board of Directors to borrow within a limit of Rs 6,500crs, the Board of Directors recommends to enhance the aforesaid borrowing limit upto Rs. 8,500crs as set out in Item No.8 of the accompanying Notice for the approval of the Members.

As per the terms of the provisions of Sections 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up share capital and its free reserves, that is to say reserves not set apart for any specific purpose.

Keeping in view the Company's business plan for Integrated Steel and DI Pipe Plants in the state of Jharkhand and its other growth plans, it is considered desirable to increase the said borrowing limits by way of equitable mortgage by deposit of the title deeds already made available with the bankers.

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

The Board recommends that the same be passed.

By Order of the Board of Directors

For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

**Annexure as referred to in the notes on Notice**

(Information pursuant to Clause 49 of the Listing Agreement regarding appointment of new Director or re-appointment of a Director)

a) Mr. Umang Kejriwal

Mr. Umang Kejriwal, aged 58 yrs, is a Non Executive - Non Independent Director of your Company. He has been a member of your Board since incorporation. He is a commerce graduate from Calcutta University. Mr. Kejriwal has 38 years of experience in steel & pipe manufacturing industry. From 1972 to 1975, he was actively engaged in the sale of products of Electrosteel Castings Limited (ECL) through his role as the executive director of the company. He was appointed as an executive director of ECL in 1972 and was subsequently promoted to deputy managing director in 1979. In 1981, he was promoted to managing director of ECL and continues till date.

Mr. Kejriwal is also the Director of several Companies as per details given below:

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Electrosteel Castings Limited	Director	Audit Committee - Member
2	Electrocast Sales India Limited	Director	Nil
3	Utkal Investments Limited	Director	Nil
4	Uttam Commercial Co. Limited	Director	Nil
5	G.K. Investments Limited	Director	Nil
6	Electrosteel Thermal Power Limited	Director	Nil
7	Electrosteel Thermal Coal Limited	Director	Nil
8	Wilcox Merchants Private Limited	Director	N.A
9	Bose Estates Private Limited	Director	Nil
10	Cubbon Marketing Private Limited	Director	N.A
11	Escal Finance services Ltd	Director	Nil
12	G K & Sons Pvt Ltd	Director	N.A

Mr Kejriwal holds 517,000 Equity shares of the Company.

None of the Directors are interested in the above re-appointment. Hence, your Board of Directors recommends the above re-appointment.

b) Mr Sanjoy Tekriwal

Mr Sanjoy Tekriwal, aged 50 years, has completed his B.Com (Hons.) from Calcutta University and is also a member of the Institute of Chartered Accountants of India. He has worked in Usha Martin Industries Limited for 13 years and was General Manager (Marketing) when he left in 1994. Post 1994, he has been involved in his own business.

He currently holds directorships in several Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Karuna Management Services Private Limited	Director	N.A.
2	UMV Telelink Private Limited	Director	N.A.
3	Karuna Software Private Limited	Director	N.A.
4	Karuna Financial Services Private Limited	Director	N.A.
5	S.H.S. Merchants Private Limited	Director	N.A.
6	Samrat Vyapaar Private Limited	Director	N.A.
7	Karuna Retails Private Limited	Director	N.A.

Mr Tekriwal holds 1,721 Equity shares of the Company.

None of the Directors are interested in the above re-appointment. Hence, your Board of Directors recommends the above re-appointment.

c) Mr Binod Khaitan

Mr Binod Khaitan, aged 67 years, is a qualified B.Com (Hons.) and has also completed his Master in Business Administration (MBA) from Geneva. He is a retired businessman with wide experience in industries such as plywood, tea, jute, tyre tubes, soft drinks etc. Mr Khaitan started his business career in 1960. Initially he was given the charge of Plywood unit of Andaman Timber Industry, Calcutta, and later on was in charge of the Company's 'Unit & Expansion at Bamboo Flat' in Andaman & Nicobar islands. He was appointed as the Director of one of the biggest plywood manufacturing units in India, Andaman Timber Industries Ltd. In 1970 Mr Khaitan was the Chief Executive of Williamson Magor & Co. Ltd one of the largest tea manufactures and exporters in India.

In 1975, he was elected as the Director of the Jute Companies of Macneill & Magor Group, Nudea Mills Company Ltd and Gourepore Mills Company Ltd. Later on, in the year 1984 he took the responsibility of Chairman and Managing Director for Art Plywood Industries. Presently, Mr Khaitan is a retired industrialist and actively associated with various charitable and social organisations and also acting as one of the Independent Directors of Electrosteel Castings Limited.

Mr Khaitan currently holds directorships of the Companies as per details given below :

Sl. No.	Name of the Company/ Firm	Nature of Interest	Chairmanship/ Membership of Committee
1	Electrosteel Castings Limited	Director	Audit Committee - Chairman
2	The Phosphate Co. Limited	Director	Nil
3	Art Finance & Trade Pvt. Ltd	Director	N.A

Mr Khaitan holds Nil Equity shares of the Company.

None of the Directors are interested in the above appointment. Hence, your Board of Directors recommends the above appointment.

By Order of the Board of Directors
For Electrosteel Steels Limited

Date : April 22, 2011
Place : Kolkata

Vikram Saraogi
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Fourth Annual Report and the Audited Accounts of your Company for the year ended March 31, 2011.

FINANCIAL RESULTS

	Amount (Rs/Lakhs)
Particulars	FY 2010-11
i. Gross Turnover	814.81
ii. Net Turnover	738.72
iii. Other Income	26.47
iv. Total Revenue	765.19
v. Earnings Before Interest, Depreciation, Taxation and Amortisation (EBIDTA)	(352.67)
vi. Interest	156.36
vii. Depreciation	104.32
viii. Profit before Taxation (PBT)	(613.35)
ix. Tax including Deferred Tax	—
x. Profit after Taxation (PAT)	(613.35)
xi. Profit brought forward from previous year	—
xii. Amount available for appropriation	(613.35)
xiii. Transfer to general reserve	—
xiv. Total	—
xv. Surplus/ (Deficit) carried to Balance Sheet	(613.35)

* Since this is the first year of operation, the corresponding figures for the year 2009-10 are not given.

OPERATIONS

As you are aware, the Company is setting up a 2.2 MTPA integrated steel & DI Pipe project, at Siyaljori village, in Bokaro District, in the state of Jharkhand, which is about 22 kms from Bokaro city, a well developed industrial town of Jharkhand.

The plant is based on Blast Furnace (BF) - Basic Oxygen Furnace (BOF) - Billet Caster & Hot Rolling Route and will produce 1.2 MTPA of long steel products, comprising 0.5 MTPA of wire rods and 0.7 MTPA of reinforcement bars in straight lengths. The plant will have a 0.33 MTPA DI pipe production facilities in the same complex. The plant will also have production facilities for 0.27 MTPA of Commercial Billets and 0.40 MTPA of Pig Iron.

The Company had engaged reputed international companies for the supply of equipments and construction of the Project. Significant milestones like land acquisition, land leveling, basic engineering, detailed engineering, placement of orders for equipments and major civil constructions have already been achieved. The Company has put in place an excellent project team comprising of professionals from respective areas with an extensive project management and execution skills. To ensure continued & uninterrupted supply of major raw materials, long term agreements for the supply of iron ore and coking coal have been entered into with Electrosteel Castings Limited.

We are pleased to inform that, one of the Blast Furnaces (350 M3) out of the three, has commenced operation of pig iron in September, 2010. The Company has taken shut down of the above Blast Furnace for synchronization with other facilities and the same has been restarted in March 2011.

The target completion date of the balance facilities have been extended by few months. The main reason for the delay is sudden decrease in availability of Chinese manpower, due to guidelines issued by the Central Government of India on Visa Policy restricting the Chinese manpower with work visa. This was beyond the control of Company's management. However, the Company made significant efforts to mitigate the effect of this Force Majeure situation with the following alternative plans;

Appointment of local Sub-contractors under the supervision of Chinese Contractors.

Reducing the scope of Chinese Contractors and offloading the same to Indian Contractors

Subsequently, the Central Government of India has allowed work permits to a specified number of Chinese manpower, since then the work at the site is going on in full swing. Your Company is confident in achieving the revised completion target in the current financial year.

INITIAL PUBLIC OFFER (IPO)

Your Company had raised funds by issuing equity in the month of September 2010 through the Initial Public Offer (IPO) of 25,93.44 lacs equity shares (including Green Shoe Option "GSO" of 3,38.27 lacs equity shares) of Rs. 10/- each at a premium of Rs 1/- per share aggregating to Rs 28,527.80 lacs.

Your Company had received appx 94,000 applications in total from all categories of investors, which was subscribed by appx 8.23 times of the total issue size. Your Company has completed all the necessary formalities of IPO.

Your Directors take immense pleasure to announce that the Company got listed for trading in the equity shares of the Company from 8th October, 2010 with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

Out of the net funds of Rs 24,828.78 lacs received through IPO, a sum of approx. Rs 23,001.89 lacs is being utilized for the Project after netting of IPO related expenses of Rs 1,826.89 lacs.

The net gain of Rs 5,077,536/- on account of equity shares purchased from the market for the purpose of stabilization of post-listing price of the equity shares of the Company, was remitted by the stabilising agent to the investor protection fund maintained by BSE in compliance with the Securities and Exchange Board of India (Issue of capital and disclosure requirements) Regulations 2009,

DIVIDEND

You will appreciate that since the project is under implementation and only one Blast Furnace had commenced operation, there is not much earnings as of now, hence your Directors are not recommending any dividend on Equity Shares for the year ended 31st March 2011.

CORPORATE GOVERNANCE

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance.

A Report on Corporate Governance Practices and the Auditors Certificate on compliance of mandatory requirements thereof is given as annexure to this report.

MANAGEMENT DISCUSSIONS AND ANALYSIS

A report on Management discussion and analysis is given as annexure to this report.

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that:

- a) in the preparation of annual accounts, containing financial statements for the year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanations, wherever required.
- b) 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) 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 any fraud and other irregularities.
- d) the annual accounts have been prepared on a going concern basis.

PERSONNEL

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended is forming a part of this report.