"An organisation's aspirations must be greater than its available resources."
- C.K. Prahalad, renowned management guru

Aspirations > Resources

MSP Steel & Power Limited reported revenues of

Rs. 395.85 cr

in 2009-10.

The Company embarked on a business plan to generate

Rs. 1,000 cr

in revenues in 2011-12.

Vision
To unleash the power of our products to help enhance the country's economic growth and the wellbeing of its citizens

Legacy
MSP Steel & Power Limited is the flagship of the MSP Group, promoted by Mr Puranmal Agrawal (Chairman) and Mr Suresh Kumar Agrawal (Managing Director).

Credentials
MSP Steel & Power Limited is one of India's fastest growing industrial conglomerates.

The Company is engaged in the production and distribution of steel products.

Its product mix comprises sponge iron, MS ingots/billets, TMT bars, structurals (angles, channels, plates and joists) and power.

Brand
The Company's TMT bars are marketed under the widely accepted 'MSP Gold Thermex TMT Bars' brand

Clientele
- Prakash Industries Ltd
- Monnet Ispat & Energy Ltd
- Parsvnath Developers Ltd
- Sterling Construction (P) Ltd
- Knowledge Infrastructure Systems Pvt Ltd
- Chhattisgarh State Electricity Board

Presence
Headquartered in Kolkata (India) with a pan-India marketing presence

Intellectual capital
692 people

Listing
The Company's equity shares are listed on the Bombay Stock Exchange and the National Stock Exchange.

The promoters hold 71.80 percent in the Company's equity share capital.

Asset allocation

(MT)

Products	Annual installed capacity			Production		Sales*	
	2008-09	2009-10	2010-11 (E)	2008-09	2009-10	2008-09	2009-10
Sponge iron	192,000	192,000	307,000	124,896	155,851	33,557	55,907
MS ingots/ billets	144,109	144,109	144,109	95,078	107,579	57,230	47,227
TMT bars	80,000	80,000	80,000	56,506	68,385	57,026	64,811
Captive power (kWh)	190,080,000	190,080,000	332,640,000	137,088,268	161,783,321	5,051,600	16,321,315
Structural rolling mill	-	128,000	128,000	-	1,099	-	3

*Excluding products transferred for further processing

Key financial highlights, 2009-10

Turnover (Rs. cr)
388.74

Post-tax profit (Rs. cr)
32.05

Operating profit (percent)
8.08

Return on capital employed (percent)
6.69

Book value per share (Rs.)
10

Debt-equity ratio
2.06

"We expect to emerge with a million tonne integrated steel capacity with power assets in five years."

Dear fellow stakeholders,

In the hierarchy of human needs, steel and energy are paramount.

On this basis, global steel demand is expected to grow 10 percent while in India and China, this growth is estimated at 12-13 percent. Besides, projections suggest that as population increases, global energy demand will grow 60 percent by 2030 (over the year 2000 base). Since steel manufacture is linked to power generation – captive waste heat gases and steam fed into boilers – co-generation will be increasingly preferred.

India will emerge as an increasingly prominent global steel manufacturer and energy producer, leveraging rising aspirations, vast hydrocarbon (as indicated in the KG D6 block off the Andhra coast) reserves, mineral resources, strong workforce, stable government and a safe regulatory environment.

Different positioning

At MSP Steel & Power, we are favourably placed to capitalise on these emerging realities. We have, across the five years leading to 2009-10, demonstrated our ability to grow turnover and profits at a five-year CAGR of 35.75 percent and 96.28 percent, outperforming our industry growth for differentiated – even contrarian – reasons.

- One, while most steel companies were consuming calibrated iron ore, an expensive option, which is generally imported, we focused on securing resources without investing significant capital expenditure in mine acquisition. We commissioned a 3 lac TPA pellet plant at a tenth of the typical cost of mine acquisition. In doing so, we were able to consume iron ore fines (sizes of under 1 mm), traditionally unsuitable for direct blast furnace consumption. Besides, this resource could not be exported because of its low iron content and the need to circumvent hoarding, ensuring adequate availability.
- Two, while most steel companies were mobilising funds for large capex programmes, we focused on capex-light, phase-wise expansions. This was done to initiate cash flows that could be progressively invested in subsequent expansion phases. This enabled us to raise relatively low-cost funds. So while our debt increased from Rs. 94.60 cr in 2005-06 to Rs. 461.07 cr in 2009-10, our average cost of funds declined 2 basis points and interest cover strengthened from 1.75 to 2.87.
- Three, while most steel companies focused on select products, we created a large bouquet of downstream products to tide over sectoral cyclicality. For instance, our sponge iron capacity is 33.23 percent higher than our MS ingot/billet capacity; our billet capacity is 80.14 percent higher than our TMT bar capacity. In doing so, we created the flexibility to market a wide range of products to capitalise on market dynamics and cater to the growing market needs of those products as well.
- Four, while most steel companies considered an 'either-or' approach in steel and power, we integrated the two. The contribution of our power division to overall sales climbed from 0.16 percent in 2008-09 to 1.49 percent in 2009-10. Besides, over 70 percent of our 18-MW power capacity will be deployed towards merchant sales.

Resource securitisation

With faster natural resource (coal and iron ore) depletion and rising resource costs, it became imperative to strengthen raw material security.

Coal: We were allocated a coal mine 150 km from our Raigarh plant. Our part in the mine comprises reserves of 27 million tonnes of D-grade quality coal. We expect to commence mining from March 2011 onwards. A secure captive access will represent the building block of our growing investments in power generation.

Iron ore: We received the prospecting license for an iron ore mine proximate to our Raigarh plant. The mine comprises estimated reserves of 36 million tonnes. We expect to commercialise the mine in five years.

Sectoral optimism

A number of positive developments are catalysing prospects for the country's steel industry.

- One, the Twelfth Five Year Plan (2012-17) earmarked an infrastructure investment estimated in excess of USD 1 trillion. Infrastructure accounts for over 60 percent of India's steel consumption.
- Two, India's steel demand growth is estimated at around 12 percent; on a base of around 60 million tonnes, this works out to incremental annual demand of 7 million tonnes.
- Three, rural steel consumption (per capita) is expected to double by 2020. Economic growth of around 9.6 percent (growth touched earlier) could lead to a per capita income growth of close to 8 percent. Indian households will earn twice as much by 2019-20.
- Four, India will need to expand existing cities and increase their number to address increasing urbanisation. By 2030, the country will need to make room for 250 million more urban-dwellers, the equivalent of 10 new Mumbais.
- Five, the middle real estate segment predicts an annual demand of 20-24 million dwelling units.
- Six, even as fresh steel making capacities were proposed (30 million tonnes by 2012 as against annual demand growth of 8-9 million MT), these capacities will be phased and steel manufacturers generally do not perform at 100 percent utilisation (industry average around 85 percent).

Looking into the future

With structural products added to our overall portfolio and with full-year worth of working in 2010-11, we expect to report a higher EBIDTA on account of the margin-accretive nature of these products (joints, beams, angles, channels and plates). My optimism of sustained growth in EBIDTA levels stem from the following realities:

Market realisations: Steel realisations are expected to stay stable as India is expected to remain a net importer over the short term.

> "Our corporate blueprint ensures that we remain aggressive in creating new synergistic capacities, drive volume growth across existing units and enhance the sale of products that fetch us the highest realisations."

Cost efficiencies: Our cost efficiency is expected to improve owing to a combined use of pelletisation, coal beneficiation and captive power generation.

Product mix: A graduation in our product mix from MS ingots/TMT bars to value-added structural products will enhance margins. The difference in EBIDTA between the first line of products and structurals is more than Rs. 8,230 per tonne. So a sizeable percentage of the product mix skewed towards margin-accretive products, in addition to a 15 percent volume growth in 2010-11, will augment margins and profitability.

Creating shareholder value

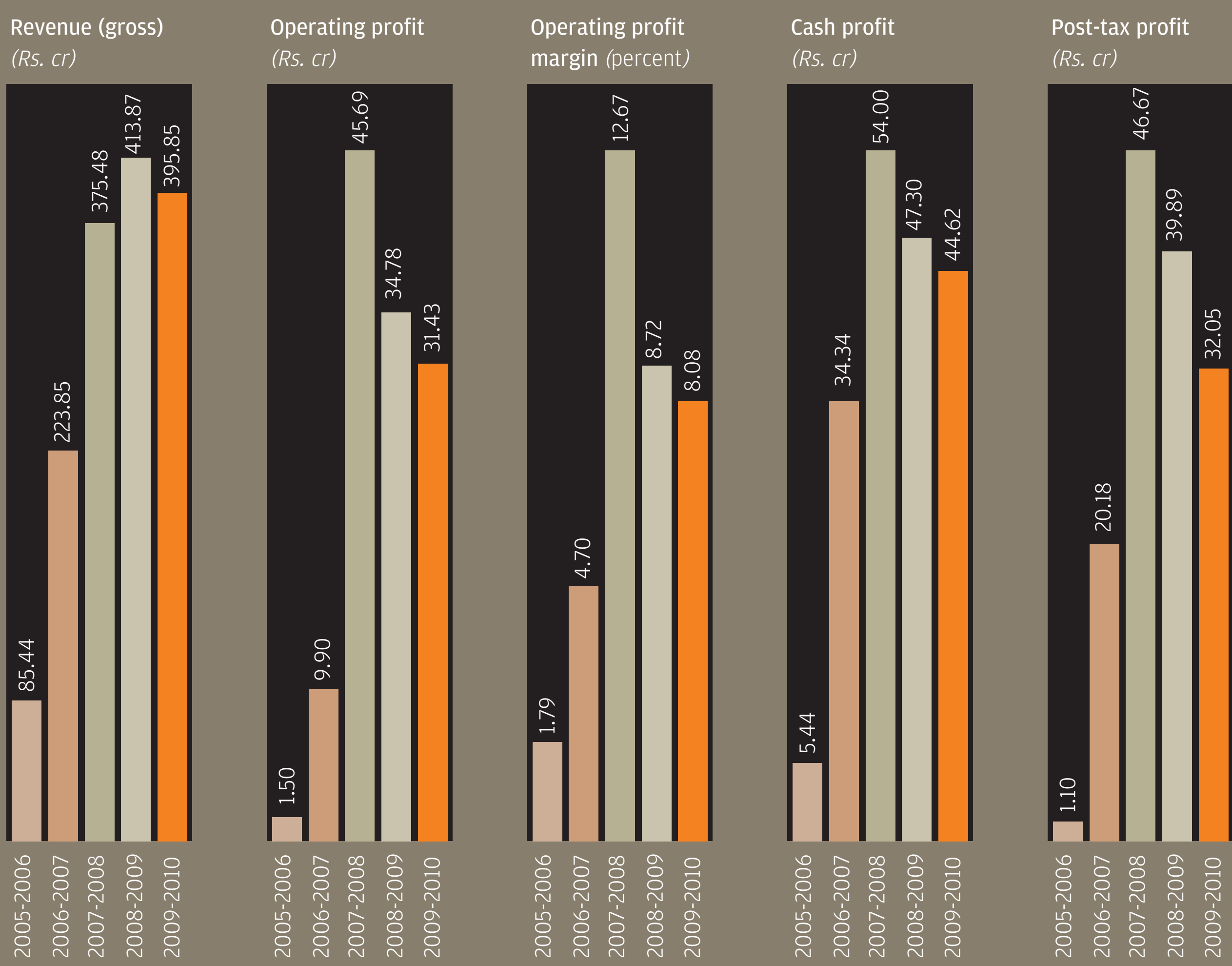
Our corporate blueprint ensures that we remain aggressive in creating new synergistic capacities, drive volume growth across existing units and enhance the sale of products that fetch us the highest realisations. We intend to emerge as a Rs. 1,000-cr revenues company in the short-term (2011-12) and create a million tonne integrated steel capacity with power assets over the long-term (five years).

We will work to enhance value for all those who invest in us, work with us and depend upon us.

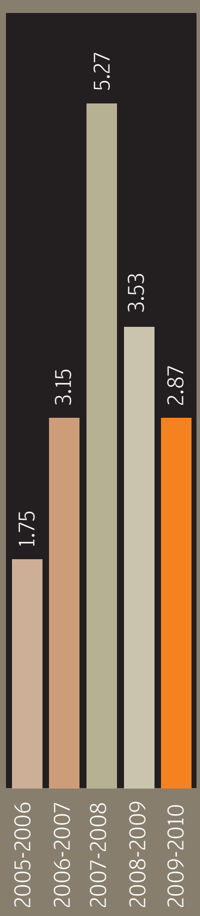
Sincerely,

Puranmal Agrawal
Chairman

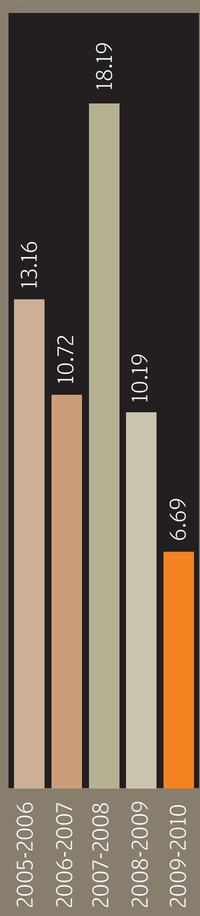
Our **future** is more exciting than our **past.**



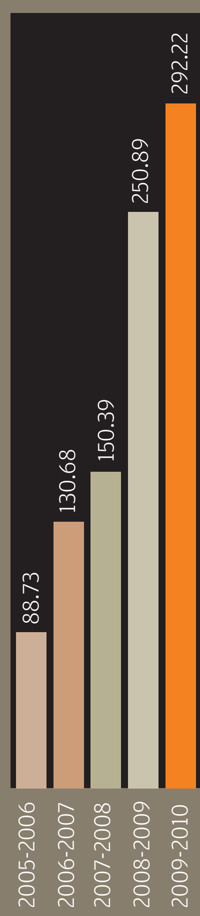
Interest cover



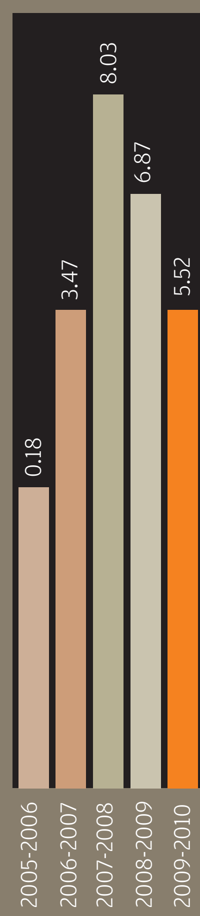
Return on capital employed (average) (percent)



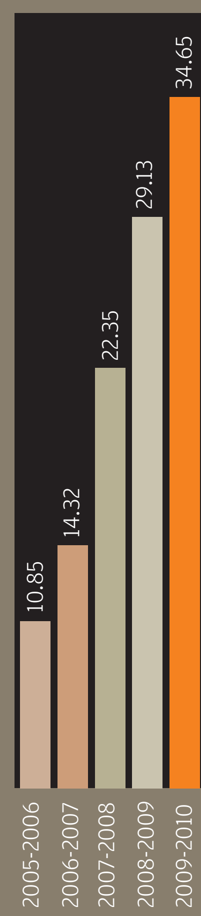
Gross block *(Rs. cr)*



Earning per share (EPS, basic) *(Rs.)*



Book value per share *(Rs.)*



Value overshadows **volume**.

AT MSP STEEL, OUR RESPECT IS DERIVED FROM OUR ABILITY TO PRODUCE A SUPERIOR QUALITY OF STEEL RATHER THAN OUR ABILITY TO MANUFACTURE GROWING VOLUMES.

This quality is derived from our extensive product integration – ranging from iron ore fines at one end to specialised steel products at the other.

The result: MSP Steel is not merely known to produce one of the most respected steel products in India by the virtue of its quality, but also for its low costs.

Integration

This is what makes our product integration strategy effective: we leveraged the low-cost pelletisation route for the manufacture of sponge iron over the direct ownership of mines, a more expensive option.

Besides, we evolved from a standalone direct reduced iron (sponge iron) manufacturer to a completely integrated steel manufacturer. The result: our value chain extends from iron ore fines (purchased and converted into pellets) to pellets to steel and power to TMT bars and value-added structural products.

In this differentiated business model, finished products serve as raw material for the immediately subsequent production stage leading to lowest resource wastage, highest value-addition at each intermediate point and margins higher than the industry average.

Our integrated business model

Sold
64,814 tonnes of TMT/structurals were sold in the market

Construction bars (TMT)/ Structurals
69,484 tonnes of TMT/structurals were produced from billets

Sold
47,227 tonnes of billets were sold in the market

Billets
107,579 tonnes of billets were produced from sponge iron, of which 60,204 tonnes was used to produce structurals

Power
The waste heat and coal rejects from all these processes are used to generate power. It also helps reduce carbon emissions

Sold
55,907 tonnes of sponge iron were sold in the market

Sponge iron
155,851 tonnes of sponge iron were produced from pellets, of which 96,914 tonnes was used to produce billets

Wash coal
Good quality coal is used in all the processes

Pellet
144,643 tonnes of pellet were produced from iron ore fines to produce sponge iron

Coal washery
Beneficiates low grade coal to B and C grade for direct consumption in the plant

Iron ore fines
Consumed 185,446 tonnes of iron ore fines to produce sponge iron

Iron ore mines
Prospecting license for an iron ore mine of 36 mn tonnes for 20 years. Expected to commence commercialisation in five years

Procuring iron ore fines
Procure iron ore fines from external sources within 200 km of our plant

Coal mines
Coal mine with a capacity of 27 mn tonnes for 30 years. Projected commercialisation in March 2011. Will provide low grade coal (D grade)

Procuring coal
Procure low grade coal (D, E and F grade) from external suppliers

Iron ore fines to pellets: We deployed state-of-the-art technology to convert iron ore fines into pellets. Iron ore fines are generally treated as an avoidable waste by many steel manufacturers owing to their inconvenience in use. Consequently, iron ore fines are available at least USD 30 per tonne cheaper than iron ore or scrap. The process of pelletisation is a suitable remedy; it facilitates the conversion of iron ore fines into uniform iron ore pellets that can be charged into blast furnaces or used in DRI production. MSP Steel utilises all the pellets manufactured in-house for the next stage of production.

Pellets to sponge iron: Pellets are converted into sponge iron (preferred raw material for the production of secondary steel in India) in a DRI plant with energy consumption roughly 15 percent lower than the conventional steel manufacturing route. MSP Steel consumes 62.18 percent of its sponge iron in-house while the rest is marketed to external buyers.

Sponge iron to billets: Sponge iron is used to produce quality mild steel billets/ingots through re-rolling. MSP markets some billets to third party consumers and uses the rest as raw material in the next stage of production.

Billets to construction bars (TMT)/ structurals: The billets manufactured by the Company are used in the production of TMT construction rods and structurals. These TMT bars are branded as 'MSP Gold Thermex TMT Bars' and marketed to retail and institutional customers, leading to superior realisations. The Company commissioned a state-of-the-art structural mill in its Raigarh facility to manufacture heavy and light structural steel (joists, beams, channels and angles).

Pellets, when integrated forward to construction bars or structurals, enhance the Company's realisation five-to-six-fold, than when marketed to customers.

MSP's integrated operations lead to product superiority

- **Superior quality:** MSP manufactures 'fully killed' steel from virgin raw materials. The process is technologically advanced using automatic rolling, leading to superior quality.
- **Bendability, weldability and bonding:** The incidence of low carbon and an advanced Thermex process resulted in superior TMT bar attributes – high strength at weld joints, better elongation and excellent bar-concrete bonding.
- **Corrosion, earthquake and fire resistant:** Cold twisting leads to stress in the bars. Owing to special thermo-mechanical treatment, MSP Gold TMT bars are corrosion-resistant and ideal for use in coastal areas. The product's high ductility and elongation make these bars earthquake-resistant and suitable for use in seismic zones 4 and 5. Owing to a surface layer, they are adept in resisting high load factor and can withstand high temperatures of up to 600^{o}C.
- **Cost saving:** MSP Gold TMT bars represent a superior value-for-money proposition; their strength helps save steel consumption by 20% over the usual cold twisted varieties.
- **International standards:** MSP Gold TMT bars are manufactured in conformity with international standard IS : 1786 Grade Fe 415/ Fe500/ of BIS, resulting in wide acceptability.

Certainty dwarfs **cyclicality.**

OVER THE YEARS, MSP STEEL EVOLVED FROM A STANDALONE SPONGE IRON MANUFACTURER INTO AN INTEGRATED SPECIALISED STEEL PRODUCTS ORGANISATION.

This enabled the Company to produce customised products, nurse enduring institutional customer relationships and evolve into a partner-of-choice.

The result: a topline and bottomline CAGR of 33.60 percent and 96.28 percent in the five years leading to 2009-10, making our business model sure, secure and sustainable.

Value-added support system

Coal washery: We possess the flexibility to procure low-quality coal (D, E and F grades) and beneficiate them in our coal washery (capacity 328,000 tpa), which, in turn, increases sponge iron plant productivity and longevity while reducing the manufacturing cost.

Co-generated power: The waste heat generated from our sponge iron plant, coal washery rejects and middlings are not wasted; they are used in power generation. Our 24-MW power plant (8 MW based on waste heat, rest on coal) facilitates the generation of low-cost power; it reduces carbon load on the environment and helps the Company earn carbon credits. We now intend to add an 18 MW (12 MW coal-based, rest gas-based) and a 34-MW thermal power plant, using a part of their generation for captive use and marketing the rest. The 18-MW power plant is scheduled to be operational by March 2011, but we expect that it will start by the third quarter of 2011.

Railway siding: The construction of a 2.4-km railway siding reduced transportation costs on the one hand and eased logistics on the other.

Mines: MSP Steel will soon integrate backwards into coal mining, which will secure raw material availability and reduce resource costs.

MSP Steel possesses a robust basket of products (pellets, sponge iron, billets/ingots, TMT bars, structurals and power).

"Value-added structural steel products and merchant power sales will mitigate the impact of cyclicality."

Mr Suresh Kumar Agrawal, *Managing Director*, MSP Steel & Power Limited, discusses how a sustainable model will enhance organisational predictability.

Q. What was the most remarkable achievement of 2009-10?

A The financial year 2009-10 will be remembered by us because our operating model underwent a fundamental change - from one that was market-driven to one that gradually emerged as market-driving. Permit me to explain: until February 2010, we manufactured and marketed sponge iron, MS ingots and TMT bars. These products were affected by demand-supply vagaries as they figured relatively low in the value chain. In March 2010, we commissioned a 128,000-TPA greenfield structural rolling mill in Raigarh to manufacture steel angles, joists and channels. The manufacture of these products altered our exposure from vulnerable sectors to value-added infrastructure and power sector segments. Besides, we realised Rs. 615.71 cr from power sales, which was tax-free and realised from waste heat. This business model – interplay of value-added steel and merchant power sales – will enhance our profitability and sustainability.

Q. How would you describe your performance in 2009-10?

A Our performance during the year under review can be described as one of recovery from the global economic crisis. Even as this transpired, raw material costs increased faster than steel realisations, which squeezed our EBIDTA margins 0.73 basis points, leading to a 19.65 percent decline in our post-tax profit. However, this downtrend will soon correct; with rising realisations added to a full year's working of our value-added structural steel capacity, we expect to grow profits and profitability over 2010-11 and beyond.

Q. What were some of the notable achievements in the power division?

A In October 2009, we received plug-in with the state utility's 132-kVA line, which enabled us to market our power to the open market. In a state plagued by acute power deficit of 12-15 percent, we realised an attractive tariff of Rs. 4.40–5.50 per unit, marketed 5 MW and realised a tax-free income of Rs. 615.71 cr in 2009-10 (1.49 per cent of our revenues). We undertook initiatives to grow our power plant capacities to not only address our growing captive needs but also to enhance merchant sales. We now have an ambition to build power assets across five years (captive-to-merchant sales 30:70), resulting in a growing proportion of income from derisked revenue streams.

Q. Non-coking coal and iron ore prices are rising again. The Company does not yet possess complete raw material integration. How is this likely to impact financials in 2010-11?

A MSP Steel is better positioned than others to manage this increase: whereas the increase in input costs will escalate manufacturing costs in a non-integrated steel-making company by about USD 120-125 per tonne, the increase will be only USD 50 per tonne in our case for the following reasons:

- Our consumption of iron ore fines for onward pelletisation is around USD 34 cheaper than the use of iron ore in a conventional way. Besides, iron ore fines beyond sizes of 1.5 mm are not permitted for export, ensuring adequate availability at affordable costs.
- Our freight costs are low owing to our

captive 2.4-km railway siding and proximity to coal and iron ore mines (average 100 km from the Raigarh plant) on the one hand and end-consuming markets, at 150 km from the Raigarh plant, on the other.

- Our power plant uses waste heat and gases (obviating the use of coal), reducing average per unit cost to a low of Rs. 1.51.
- Our value-added product basket of structurals (joints, channels, plates and angles) will generate a USD 20 per tonne advantage.
- The volume growth in 2010-11 and 2011-12 should offset cost-push inflation and sustain our margins.

Q. What will be the importance of raw material integration in the Company's business model?

A The question of raw material integration is significant for us for the following reasons:

Iron ore: We enjoy strong relationships with Essel Mining (Aditya Birla Group Company) for securing our iron ore resources. Essel's iron ore mines are located 200 km from our plant; with almost 100 percent of the material being moved by rail with ease through the possession of captive railway sidings, our freight costs are almost 15 percent lower than road movement. Our 3 lac-tpa pelletisation plant consumes iron ore fines and, in doing so, we are among a handful of eastern India steel manufacturers to use pelletisation for the manufacture of direct reduced iron (sponge iron). This unique positioning enables us to secure the right quantity of fines at the right price on the one hand and reduce iron ore procurement costs by about 50% on the other.

Mining assets: We were allotted coal mines in Chhattisgarh, 150 km from our plant. We expect to commence commercial mine operations from March 2011.

> "We are undertaking an expansion at our coal washery to raise our overall capacity by 340,000 tpa for Rs. 60 cr (financial closure achieved)."

The prognosticated reserves are estimated at 30 million tonnes and expected to last for 30 years based on our existing consumption. In a promising post-balance-sheet development, we were allotted the prospecting of an iron ore mine 125 km from our Raigarh plant and these reserves are estimated at around 36 million tonnes. We expect to operationalise this mine in about five years.

Beneficiation assets: Our state-of-the-art beneficiation plant (capacity 3.28 lac tpa) commenced commercial operation in January 2009. This gave us the flexibility to procure low-grade coal (D, E and F grade) and beneficiate it to B and C grade for direct consumption in our sponge iron plant. Besides, we ensure a thorough utilisation of coal with rejects being fed into our power plant. We possess strong linkages for coal from Coal India (CIL), whose mines are located just 60 km from our steel plant.

Q. What are some of our key competitive strengths?

- **Low capital cost:** Our business model enables us to procure almost all raw materials internally. We only purchase iron ore fines from the market and that too at low rates. We are integrated backwards through purchased coal and iron ore mines. This reduced our cost of production to a great extent.
- **Management bandwidth:** The senior management provides technical support for all projects, leading to rapid growth.

■ **Backward integration:** The Company strengthens its value chain through backward integration. It produces all the raw materials required for manufacturing TMT bars and structurals right from pellets to sponge iron to billets. It also procured coal and iron mines to procure all raw materials internally.

■ **Young team:** The Company recruited qualified and skilled young professionals headed by the dynamism and commercial acumen of Mr. Saket and Mr. Manish Agrawal. They injected fresh enthusiasm in the Group that catalysed the speedy and timely completion of projects.

■ **Railway siding:** This improved the inbound and outbound logistics of the Company, reducing transportation costs.

■ **Location:** The plants are located close to the mines, reducing transportation costs and delays while facilitation nationwide product distribution.

■ **Power plant:** The Company also set up a waste heat power plant within the factory, which helps utilise the waste heat and coal rejects for power generation. This power is sold in the market, helping generate revenues and carbon credits.

■ **Land and property:** The Company owns more than 200 acres of land that can be used for the purpose of expansion.

Q. What initiatives has the Company lined up for 2010-11 and beyond?

A The Company lined up a number of business-strengthening initiatives for 2010-11:

■ We expect to commission the first phase of the 115,000-tonnes per annum sponge iron plant by September 2010 and the second phase of 115,000 tonnes by September 2011 (financial closure achieved). This expansion will enhance our total sponge iron capacity to 4.22 lacs TPA.

■ We intend to bring onstream our 18-MW power plant (12 MW based on coal, rest on waste heat gas). While around 30 percent of the capacity will address captive requirements, the rest will be deployed in profitable merchant sales. We expect to commission another 34 MW (thermal) by October 2011 at our Raigarh unit for merchant sales (financial closure in process).

■ We are undertaking an expansion at our coal washery to raise our overall capacity by 340,000 tpa for Rs. 60 cr (financial closure achieved),

■ We expect to treble our pelletisation capacity to 900,000 tpa by 2011-12 to cater to our growing captive requirement.

Q. Will the Company stretch itself in engaging in these expansions?

A I must assure shareholders that we will expand, but prudently. Over 2010-11 and 2011-12, we expect to invest Rs. 600 cr in our business, for which we financially closed Rs. 465 cr through banks and financial institutions. We are also engaged in the process of making a Rs. 120 cr preferential allotment to our promoter group, which will correct our gearing to 2.0 by the close of 2011-12. With principal repayments enjoying a moratorium of two – three years post project commissioning. Shareholders will be happy to note that we are undertaking all our expansions at our Raigarh plant, circumventing the need for land acquisitions and related capital investments. We expect to close 2010-11 with about Rs. 800 cr in revenues at a higher profitability and in doing so, expect to create attractive value in the hands of all those who own shares in our company.

Business segment review

Business segment	Percentage contribution to gross sales, 2009-10	Sales growth	Production	Sales	Significant highlights, 2009-10	Strategic direction, 2010-11 and beyond
Sponge iron	21.84 percent	■ 2007-08 Rs (28.88 cr) ■ 2008-09 Rs 3.77 cr ■ 2009-10 Rs 22.21 cr	■ 2007-08 136,256 MT ■ 2008-09 124,896 MT ■ 2009-10 155,851 MT	■ 2007-08 38,553 MT ■ 2008-09 33,557 MT ■ 2009-10 55,907 MT	■ Achieved the highest levels of production and sales at 1.56 lac MT and 0.56 lac MT	■ Reported a 81.17 percent capacity utilisation ■ Effected one of our highest ever external sales, 19.05 percent ■ Undertake phase-wise sponge iron capacity expansion - first phase of 2.30 lac tpa by September 2010 ■ Second phase on stream by September 2011 ■ Expand pellet plant by 6 lac tpa to 9 lac tpa to cater to incremental sponge iron capacity ■ Expand coal washery by 3.4 lac tpa (overall 6.68 lac tpa) by April 2011
MS ingots /billets	29.57 percent	■ 2007-08 Rs 75.70 cr ■ 2008-09 Rs 41.62 cr ■ 2009-10 Rs (55.40 cr)	■ 2007-08 97,952 MT ■ 2008-09 95,078 MT ■ 2009-10 107,579 MT	■ 2007-08 51,953 MT ■ 2008-09 57,230 MT ■ 2009-10 47,227 MT	■ Reported highest monthly production at 450 tpd in April and September 2009 ■ Achieved peak production and sales of MS ingots/billets at 1.08 lac MT and 0.47 lac MT ■ Recorded a 74.65 percent capacity utilisation ■ Installed 4x7 MT continuous caster through in-house efforts ■ Fabricated overhead cranes through captive engineering	■ Install a second steel melting shop (SMS) with a 60x2 MT arc furnace, bloom caster and slab caster ■ Maximise capacity utlisation to cater to in-house and external customers

Business segment	Percentage contribution to gross sales, 2009-10	Sales growth	Production	Sales	Significant highlights, 2009-10	Strategic direction, 2010-11 and beyond
TMT bars	46.77 percent	▪ 2007-08 Rs 51.42 cr ▪ 2008-09 Rs 56.51 cr ▪ 2009-10 Rs (10.74 cr)	▪ 2007-08 50,661 MT ▪ 2008-09 56,506 MT ▪ 2009-10 68,385 MT	▪ 2007-08 48,771 MT ▪ 2008-09 57,026 MT ▪ 2009-10 64,811 MT	▪ Achieved one of the highest levels of production and sales at 0.68 lac MT and 0.65 lac MT ▪ Reported 85.48 percent capacity utilisation	▪ Undertake brand building activity to maximise recall of 'MSP Gold Thermex TMT Bars' ▪ Penetrate new markets, particularly of the east and south
Power	1.82 percent	▪ 2007-08 Rs 93.11 cr ▪ 2008-09 Rs (30.07 cr) ▪ 2009-10 Rs 545.23 cr	▪ 2007-08 130,071,522 units ▪ 2008-09 137,088,268 units ▪ 2009-10 161,783,321 units	▪ 2007-08 44,91,800 units ▪ 2008-09 50,51,600 units ▪ 2009-10 16,321,315 units	▪ Reported one of the highest PLFs ▪ Received 132 kVA connectivity in October 2009, leading to merchant sales ▪ Recorded average tariffs of Rs 4.42-5.50 per unit ▪ Achieved external: captive sales of 70:30	▪ Expand power plant capacities in line with growing sponge iron capacities to maximise waste heat gas utilisation ▪ Commission 18 MW (6 MW gas, 12 MW coal) power plant in Raigarh by August 2010 ▪ Commence civil BoP (balance-of-plant) work for 34 MW power plant at Raigarh, expected to be commissioned by April 2012
Structural products	-	-	-	-	▪ Operationalised greenfield structural rolling mill in March 2010 ▪ Achieved production and sales of 1,099 MT and 3 MT respectively	▪ Undertake extensive marketing of structural products (angles, joists, channels and plates) to infrastructure and power sectors ▪ Maximise capacity utilisation

Rewards are greater than **risks** when competently managed.

Threats of new entrants

Medium

■ **Economies-of-scale:** Viable steel production necessitates economies-of-scale. Inability to mobilise low-cost funds, lack of lower cost funds generation and strong environmental/regulatory policies, among others, act as deterrents for new players to enter the sector.

■ **Government policy:** Steel prices are highly volatile because of constant changes in the excise duty policies by the government, impacting profitability. At MSP Steel, our mitigation measure comprises the fact that we achieved built-in flexibility to sell sponge iron, billets, TMT bars, structural products and power, taking advantage of price spikes.

■ **Land acquisition:** Companies also face significant challenges in land acquisition for setting up industries. At MSP, we possess a land bank at our Raigarh facility to comfortably take care of present and future expansions.

■ **Technical know-how:** Steel and power sectors require solid technical knowledge and expertise for setting up and operating viably. At MSP, we have a strong team comprising a mix of experience and youth to successfully take our business strategy forward.

■ **Capital intensive:** Sizeable capital investment (up to Rs. 25-30 bn to set up a one million tonnes steel plant) is required to enter the steel industry comprising land acquisition and capital equipment procurement. Besides, steady cash is required to fund day-to-day expenses. Inability to manage large-scale funds dissuades potential candidates.

Bargaining power of suppliers

Low

■ **Location:** We strategically chose locations that are close to raw material resources and end-consuming markets. Besides, the captive railway siding optimises transportation and logistics costs.

■ **Relation with suppliers:** Over the years, we developed robust relationships with principal iron ore and coal suppliers (Essel Mining and CIL, among others) to procure raw materials at competitive rates.

■ **Backward integration:** We acquired iron ore and coal mines, which will further strengthen our business by reducing our dependence on external suppliers.

■ **Imports:** With reduced trade barriers, it is also possible to import raw materials from foreign suppliers.

■ **Transportation cost:** With more than 90 percent of our materials moved by rail, we are at least 30-35 percent more competitive than others who use road transportation. Besides, with several transporters on our rolls, we are derisked in terms of our road logistics needs.

Competitive rivalry

Medium

■ **Number of firms:** Although there are a number of large, mid and small firms in the steel industry, an increasing demand for secondary steel and structurals for infrastructure projects ensured business for everyone. Besides, the government proposed to invest Rs. 1,73,000 cr in infrastructure projects, which would increase steel demand, going ahead.

■ **Market growth:** Steel production is likely to reach 65 mn tonnes in FY11 compared with 60 mn tonnes in fiscal year ending March 2009. Steel consumption in India is expected to grow 16% annually till 2012.

■ **High fixed costs:** At MSP Steel, we invested in state-of-the-art machinery, which helps reduce fixed costs and lower the overall capital cost per tonne.

■ **High storage costs/perishability of products:** There are no risks involved for the perishability of the steel. The Company has adequate storage facilities that can be utilised in case steel demand spikes.

■ **Pan-India presence:** MSP Steel's distribution network is spread across India.

Bargaining power of buyers

Low

■ **Products manufactured:** We manufacture products that can be both used as an end product or as a raw material for secondary steel production in India.

■ **Number of buyers:** Steel, as an end product, is utilised by a number of industries comprising automobiles infrastructure and power, among others. Besides, we enjoy relationships with a number of customers that procure sponge iron and billets from us as raw materials for producing steel.

■ **Value-addition:** We commenced our structural steel mill in March 2010 and will be catering to the high-end needs of the construction and real estate sector. Besides, we also produce power from waste heat gases (emitted out of sponge iron production), thereby enabling margins-accretion.

Threat of substitutes

Low

■ **Few substitutes:** There are few substitutes of steel. Some of them comprise aluminium, heavy-duty plastics and resins. However, these products are consumed across specific industries only. By far, steel is the most trusted and reliable product being used across a host of sectors and industries.

■ **End-consumer industries:** The demand for steel will continue to grow in traditional sectors such as infrastructure, construction, housing, automotive, steel tubes and pipes, consumer durables, packaging, and ground transportation. Demand for steel in India is expected to grow by 12-13 percent over 2010-11.

Management Discussion and Analysis Report

Business Review

The Steel industry in India has been moving from strength to strength and according to the Annual Report 2009-10 by the Ministry of Steel, India has emerged as the fifth largest producer of steel in the world and is likely to become the second largest producer of crude steel by 2015-16.

Recently, Steel Minister, Mr. Virbhadra Singh said that India will become the world's second-largest steel producer by 2012, more than doubling its capacity to 124 million tonnes (MT) as part of the push being given to assist overall infrastructure development. Steel production rose 4.2 per cent to reach 60 MT in 2009-2010. According to the Ministry of Steel, 222 memorandum of understanding (MoUs) have been signed with various states for planned capacity of around 276 MT. Major investment plans are in Orissa, Jharkhand, Chattisgarh, West Bengal, Karnataka, Gujarat and Maharashtra.

Domestic steel demand is expected to increase by 10% to 66 million tonnes in FY10, since it troughed in FY09. This also compares favourably with an expected 8% increase in global demand in FY10. The increase in demand from the automobiles, infrastructure and construction sectors, which account for ~ 85% of the total domestic demand, has triggered the speedy recovery. The revival has increased the demand for steel and pushed up its prices. The country's steel consumption increased to 56.3 MT in the 12 months to March 2010 from 52.3 MT in the previous year, as per the Ministry of Steel.

The Financial year 2009-10 will be remembered by the company because the operating model underwent a fundamental change from one that was market-driven to one that gradually emerged as market-driving. Till February 2010, the company manufactured and marketed sponge iron, MS ingots and TMT. These products were affected by demand-supply vagaries as they figured relatively low in the value chain. In March 2010, the company commissioned a 128,000 TPA Greenfield structural rolling mill in Raigarh to manufacture steel angles, beams, joists and channels. The manufacture of these products altered our exposure from vulnerable sectors to value-added infrastructure and power sector segments. This business model interplay of value-added steel and merchant power sales will enhance our profitability and sustainability.

Road ahead

Iron and steel industry is one of the fastest growing industries in India. With great future prospects and healthy demand from all over the world, this sector offers tremendous growth prospects in the time to come. As the demand for steel is expected to grow in conventional areas, such as construction, automotive, housing, steel tubes, pipes, and packaging, this sector offers good prospects. Specialized steel will be in demand in hi-tech engineering industries. These industries include power generation, fertilizers, and the petrochemical industry. The Union Budget has hiked the allocation for development of highways and the budget allocated for railways. This further increases the need for iron and steel.

Performance Review of the Company

At MSP Steel, our respect is derived from our ability to make superior quality of steel over our ability to manufacture a growing volume. The total overall performance of the company is quite good. Here's a brief outline of the product wise performance:

i) Pellet Plant

Pellet production was 1,44,643 MT as compared to 16,486 Mt during last year

ii) Sponge Iron

The production of Sponge Iron increased to 1,55,851 MT as compared to 1,24,896 MT in the last year.

iii) Power Generation

The total power generation is 16,17,83,321 KWH as compared to 13,70,88,268 KWH during the last year.

iv) Ingot/Billets

The production of Ingot/Billets has increased to 1,07,579 MT as against last year's production of 95,078 MT.

v) TMT Bars

The production of TMT Bar was 68,385 MT as compared to 56,506 MT during last year.

vi) Structural Rolling Mill

The trial production had just started in March 2010. The total production is 1,099 MT.

Opportunities and Threats

The Indian steel industry is the world's fifth largest steel industry. Steel consumption in India is expected to grow considerably in the coming years. Finished steel consumption in the country is projected to reach 54 Kg by the end of 2011-12, thereby representing tremendous growth potential in the coming years. The Indian steel industry, having participation from both public sector and private sector enterprises, is one of the fastest growing markets for steel and is also increasingly looking towards exports as driving the growth of the industry.

Steel Industry worldwide, has witnessed a dent in its growth prospects curtsey the global financial meltdown, developed & emerging economies alike are doing their bit to get their economies back on the growth track, this phase has seen the steel industry evolve into its newer version, even if it means shutting down certain plants & funds especially working capital management being looked upon as an opportunity rather than just an exercise.

The Demand for Steel is a derived demand, derived in turn out of demand for its End-use applications in sectors like Automotive, Infrastructure, Telecom etc, and these are the sectors, on which the future of Indian steel industry depends on. The report looks at the sector dependency on other growing industries China produces about half of all steel produced in the world, and with their cost of production being low, primarily due to low labour cost, the other steel producing nations are put to disadvantage, forcing governments to take protective measures. Indian steel producers are at disadvantage in the international steel market due to cost pressures from China.

MSP's presence across the value chain of steel production helps withstand pricing pressures effectively and benefit from lower cost of production compared to non-integrated producers. Also, MSP plans to merchant additional power units which will lend support to its margins. This quality is derived from our extensive product integration. Ranging from iron ore fines at one end to specialised steel products at the other. MSP Steel does not just produce one of the most respected steel products for their quality, but also at one of the lowest costs in India today.

MSP remains exposed to fluctuations in iron ore prices as it procures iron ore (both lumps and fines) from the open market at the spot rate. In order to achieve full integration, MSP has acquired the rights to mine iron ore in Kanker district of Chhattisgarh with its share of reserve of 35 mn tonnes. The state government has granted the prospecting licence but the benefits from the captive iron mines are expected to flow to the company only after FY14.

MSP is currently focussing on strengthening its backward integration by increasing the production capacity for pellets, sponge iron and power. MSP is also increasing the coal washing capacity to support increased usage of coal.

Our freight costs are low owing to our captive 2.4 km railway siding and proximity to coal and iron ore mines (average 100 kms from the Raigarh plant) on the one hand and end-consuming markets (150 kms from the Raigarh plant) on the other hand.This has improved the inbound and outbound logistics of the company by a great extent. It also reduced the transportation cost.

MSP's geographical proximity to abundant, high quality coal reserves is an advantage. The steel unit at Raigarh, Chhattisgarh is strategically located at an economical distance from iron ore and other key raw material reserves. MSP's railway sliding of 2.4 km helps to lower the transportation costs. Also, MSP has been allotted a coal mine and an iron ore block in Chhattisgarh.

MSP has long-term contracts of coal linkages with Coal India Ltd (CIL). The linkages provide assured coal supply at a pre-determined price. Further, MSP has been allocated coal mines in Chhattisgarh. Once fully operational from FY11, we believe it will significantly reduce costs. MSP is currently concentrating on strengthening its backward integration, i.e. sponge iron and captive power plant. Going forward, the company will increase its manufacturing capacity of billets and TMT bars to reap benefits of across-the-value-chain presence.

The major threats for the industry is higher cost of inputs and lower realizations which may put pressure on the profitability and operating margins of the international as well as domestic steel companies. In addition to this, major obstacles are current economic turmoil, technological change, inadequate availability of suitable quality of raw material, increasing prices of raw materials, high cost of energy/capital etc.

Outlook

The Indian steel industry has made a rapid progress on strong fundamentals over the recent few years. The industry is getting all essential ingredients required for dynamic growth. The government is backing the industry through favorable industrial reforms, while the private sector is supporting it with investments worth billions of dollars. Even in the tough times of economic slowdown, the industry succeeded to sustain its positive growth momentum on the strong fundamentals of domestic demand from construction, automobile and infrastructure sectors.

The future of the Indian steel industry is definitely optimistic. In this journey of progress, the Indian steel industry has also taken significant steps in improvement of productivity, conservation of natural resources and energy, import substitution, quality upgradation; environment management and research and development

With an impressive track record, the country has become a reputed name in the world steel industry. Global steel giants from all over the world have shown interest in the industry because of its phenomenal performance. For instance - the crude steel production in India registered a moderate year-on-year growth of 2.7% in 2009 and reached 56.6 Million Metric Tons. On the other side, some Asian countries such as Japan and South Korea saw significant decline in their production levels. This further signifies the resilience and strength of the Indian steel industry against external risk factors.

The global economic slowdown hampered the growth curve of various steel intensive industries such as construction in 2009 and its impact also fell on steel demand. However, the government proactive incentive plans to boost economic growth by injecting funds in various industries like construction, infrastructure automobile and power will help the steel industry to again achieve its previous growth trajectory.

Steel consumption in India is expected to grow significantly in coming years since per capita finished steel consumption is far less from its regional counterparts.

Risk Management & Concerns

MSP Steel possesses a comprehensive risk management system, enabling it to protect downsides and maximize upturns. The domestic steel industry carrying inherent risk in respect of imbalance in supply / demand apart from price sensitivity and demand volatility. Slowdown in implementation of the Greenfield Steel projects by major steel producers due to non-availability of sufficient iron ore, coal and land, may increase the prevailing supply demand gap in coming years. Besides the above, the global market turmoil, which dented the growth curve of user industry, may affect the progress of the steel industry. The company has been taking continuous modernization programme to maintain efficient operation of its Steel and Engineering activities.

IT Security, Market Risks, Financial Reporting Risks, Exchange Risks, Contractual Compliance Risks, Compliance Risks are the Broad Risks under which the risks are monitored and mitigated.

Internal Controls and Systems

The Company always believes that transparency, system and controls are important factors in the success and growth of any organization. The Company employs adequate internal control systems supported by regular internal audit systems. The internal audit reports along with management comments are reviewed by the Audit Committee of the Board. The suggestions implemented are also monitored by the Audit Committee.

Financial Management

The requirement of funds for projects under implementation is reviewed by senior management periodically and after assessing the financial market, decisions are taken to identify the lenders. A part of fund requirement is arranged by way of borrowing from Banks on competitive terms and balance is met from internal accruals and through preferential allotment of shares. The company has decided to issue preference shares and the share application money for the same has been received.

Accounts and Finance department is working at Kolkata & Factory establishment and is manned by qualified and experienced personnel. All financial transactions are properly recorded by the department and proper financial reports are periodically sent to the senior management. Proper controls are in place and audit is conducted regularly.

Financial Performance

The company's performance during the year 2009-2010 can be described as one of recovery from the global economic crises.

Raw material costs increased faster than steel realisations, which lead to a decline in post-tax profit. However this downtrend is expected to correct; with realisations rising adding to a full year's working of value-added structural steel capacity, The Company expects to grow profits and profitability over 2010-11 and beyond.

Statutory Compliance

On obtaining confirmation from the various units of the Company of having complied with all the statutory requirements, a declaration regarding compliance with the provisions of the various statutes is made by the Managing Director at each Board Meeting. The Company Secretary, as Compliance Officer, ensures compliance with the SEBI regulations and provisions of the listing agreements.

Industrial Relations and Human Management

Your Company fully values the Human capital, it deploys and credits its success to them. It has been the consistent endeavor of the Company to create a congenial and challenging working atmosphere wherein every employee can develop his own strength and deliver to his full potential. Industrial relations during the year under review were cordial and peaceful. Your Directors wish to place on record the excellent cooperation and contribution made by the employees at all levels to the growth and development of the Company.

Cautionary Statement

The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

For and on behalf of the Board

Sd/-

Place: Kolkata — **Puranmal Agrawal**
Date: 28th June 2010 — *Chairman*

Directors' Report

Dear members

We are delighted to present the report on our business & operations for the year ended March 31, 2010

Financial Results

(Rs. In Lacs)

	2009-10	2008-09
Sales (Net of excise) & other income	39,585.38	41,386.89
Profit Before Depreciation	5,080.26	5,658.36
Less: Depreciation	1,257.35	741.13
Profit Before Tax	3,822.91	4,917.23
Less : Fringe Benefit Tax	-	13.36
: Provision for Income Tax(Including earlier years)	214.65	257.13
: Provision for Deferred Tax	402.84	657.70
Net Profit	3,205.42	3,989.04
Add: Balance Brought Forward	11,057.79	7,068.75
Surplus carried to Balance Sheet	14,263.21	11,057.79

Dividend

Your Directors are pleased to recommend a final dividend of fifty paisa per equity share. The dividend will be distributed to the members whose names appears on the register of members as on the date of Annual General Meeting.

Operational Review

The financial year 2009-2010 can be described as one of recovery from global economic crises. The Indian steel Industry witnessed an upward trend during the previous year. It has huge scopes in the future with massive scale of infrastructural development happening all across the country. This upward trend is expected to be continued on account of favourable conditions like competitive prices, increase in consumption of steel owing to upcoming infrastructure and Greenfield projects, highly skilled and low cost workforce etc.

In March 2010, the company commissioned a 128,000 TPA structural rolling mill in Raigarh to manufacture steel angles, beams, joists and channels. The manufacture of these products altered our exposure from vulnerable sectors to value-added infrastructure and power sector segments.

Your company achieved net turnover of Rs. 39,585.38 lacs and profit before tax of Rs. 3,822.91 lacs. Your company recorded net profit after taxes of Rs. 3,205.42 lacs and earned cash profit before tax of Rs. 4,865.61 lacs.

Projects & Expansion Plans

Project commissioned during FY 2009-2010

Structural Rolling mill having capacity of 1,28,000 MTPA was commissioned in the year 2009-2010 in Raigarh to manufacture steel angles, joists and channels.

In October 2009, the company has received plug-in with the state utility's 132 KVA line, which enabled to market power to the open market.

Project under progress

The company has lined up a number of business-strengthening initiatives for 2010-11:

We expect to commission the first phase of the 1,15,000-tonne sponge iron plant by September 2010 and the second phase of 1,15,000 tonnes by June 2011 (financial closure achieved). This expansion will enhance our total sponge iron capacity to 4.22 lacs TPA.

In sync with sponge iron capacity expansion, we intend to bring on stream our 18 MW power plant (16 MW WHRB and balance based on coal). While around 30 percent of the capacity will address captive requirements, the rest will be deployed for profitable merchant sales. We expect to commission another 34 MW (thermal) by April 2012 at our Raigarh unit for merchant sales (financial closure in process).

We are undertaking an expansion at our coal Washery to raise our overall capacity by 3,40,000 tpa for Rs 60 cr (financial closure achieved).The construction of a 2.4-km railway siding has reduced transportation costs on the one hand and eased logistics on the other.

Credit Rating

Your Company retained its “BBB” rating by CARE for long-term/medium term debt and various Bank facilities sanctioned and/or availed by the Company. Facilities with “CARE BBB” rating are considered to offer moderate safety for timely servicing of debt obligation. Such facilities carry moderate credit risk.

The Rating Committee has reaffirmed the 'PR2' (PR Two) rating for short-term debt/facilities sanctioned and/or availed by the Company. Facilities with this rating would have adequate capacity for timely payment of short- term debt obligation and carry higher credit risk.

The above rating continue to draw strength from the experience of the promoters, operational efficiency by virtue of having an integrated plant, production of value added products fetching higher margin, increasing profit level and moderate financial position.

Corporate Governance

A Management Discussion and Analysis Report, Corporate Governance Report, Company Secretary in practice Certificate regarding compliance of conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, forms part of the Annual Report.

Social Obligation

Your Company believe that immediately after customers, human resource is its most important capital and the same need to be empowered in all possible ways for achieving objectives slated from time to time. In this regard, employees are subjected to periodical trainings for upliftment of their skills and familiarisation with latest techniques and practices, provided with most conducive working environment and always kept motivated by extending compensation packages and benefits most competitive in the Steel Industry in India.

The Company's plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution. The Company is continuously endeavoring to improve the quality of life in the communities surrounding its industrial complex.

Directors’ Responsibility Statement

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956) your directors hereby confirm that:

i) In the preparation of the annual accounts for the year ended March 31, 2010, the applicable accounting standards have been followed and no material departures have been made from the same;

ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year ended March 31, 2010 and the Profit of the Company for that period;

iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The Directors have prepared the annual accounts on a going concern basis.

Conservation Of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

Particulars of Employees

Particulars of Remuneration paid in excess of limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 during the year under review is as follows

Statement of the Employees pursuant to Section 217(2A) of the Companies Act 1956,

Name & Qualification	Age in years	Designation	Date of Employment	Gross Remuneration (Rs in Lacs)	Experience (Yrs)	Previous Employment
Mr. Puranmal Agrawal B. Com	59	Chairman cum Whole time Director	07.06.2007	36.00	21	-
Mr. Suresh Kumar Agrawal B.E Mechanical	57	Managing Director	07.06.2007	30.00	16	-

Auditors

M/s. S.R Batliboi & Co., Chartered Accountants, , retire at the ensuing Annual General Meeting, and have expressed their willingness to be re appointed.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Manish Agrawal, Director of the Company will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

Mr. Saket Agrawal, Director of the Company will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

Acknowledgements

Your Directors would like to acknowledge and place on record their sincere appreciation of all stakeholders-shareholders, banks, dealers, vendors and other business partners for the excellent support received from them during the year. Your Directors recognize and appreciate the efforts and hard work of all the employees of the Company and their continued contribution to its progress.

For and on behalf of the Board

Sd/-

Place: Kolkata
Date: 28th June 2010

Puranmal Agrawal
Chairman

Annexure to the Directors' Report

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report for the year ended 31st March 2010.

A. Conservation of Energy

(a) Energy conservation measures

The Company has always been conscious about the need for conservation of energy.Continuous monitoring / optimization of energy conservation are undertaken at plant level. Main areas of work during the year included installation of electrical energy efficient motors for prevention of wastage of energy, energy savers for lighting and capacitors.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Improvement in the productivity of the induction furnace, thereby reducing the specific energy consumption.Waste Heat recovery boilers are being installed for utilizing the waste heat generated from sponge iron kiln to produce power. Fluidized based boilers has been installed for utilizing coal rejects/middlings to produce power.

(c) Impact of the measures at (a) and (b) above have resulted in conservation of energy.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure is annexed

Technology Absorption

Efforts made in technology absorption as per Form B of the Annexure is annexed.

Foreign Exchange Earnings And Outgo:

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans -

Total Foreign Exchange used and earned:

(Rs. in Lacs)

	2009-10	2008-09
Foreign Exchange earnings		
Export Sales	3142.35	4706.82
Foreign Exchange Outgo		
Import- consumables - (stores)	11.67	28.33
- Capital good	79.51	274.21
- Raw Materials	711.79	-
Travelling and others	1.16	3.62
Commission	4.72	-

FORM A

Disclosures of Particulars with Respect to Conservation of Energy:

		2009-10	2008-09
Power and Fuel Consumption:			
Purchased			
Units in KWH		5254500	4467200
Total amount (Rs in lacs)		314.26	251.22
Rate/Unit (Rs)		5.98	5.62
Electricity-Own Generation			
Through Diesel Generator:			
Units Generated	KWH	49521	82879
Total Cost	Rs (In Lacs)	11.19	10.61
Units/Ltrs of Diesel	Units	1.60	2.96
Cost /Unit	Rs. (In Lacs)	22.60	12.80
Through Steam Turbine Generator:			
Units Generated	KWH	161733800	137088268
Cost/unit	Rs.	1.51	1.45
Coal & Coke:			
Quantity-	MT	374310.00	458856.00
Total Cost	Rs (In lacs)	7352.84	5577.17
Cost /Unit (Coal is used in the manufacturing process as reductant)	Rs	1964	1215.45
Consumption per Unit (MT) of Production			
Particulars	**Unit**	**2009-10**	**2008-09**
a) Electricity			
For Sponge Iron	KWH	102	130
For Billets/ Ingots	KWH	923	990
For TMT	KWH	97	97
For Pellets KWH		72	180
b) Coal			
For Sponge Iron (MT/KWH)		1.66	2.00

FORM B

Form for Disclosure of Particulars with Respect to Absorption:

Research and Development

The Company has not so far carried out any major Research & Development work. The Company shall however undertake R & D work as and when required to improve the quality of its products. The Company has not incurred any expenditure on this account so far. The Company, however, has a full fledged laboratory at its integrated steel plant for testing the quality of raw materials and also of the finished products.

Technology Absorption, Adaptation and Innovation

The Company adopts and deploys state-of-the-art technology at its plants. Towards this endeavour, it has incorporated the following assets:

- Gasifier for Structural Rolling Mill and Pellet Plant to reduce the fuel cost
- Dust injection in ABC of kiln to increase steam generation

For and on behalf of the Board

Place: Kolkata
Date: 28th June 2010

Puranmal Agrawal
Chairman

Report on Corporate Governance

[Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges]

Company's Philosophy on Corporate Governance

The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedication to increase long term Shareholder value, keeping in view the interests of the Company stakeholders.

The company is fully committed to the adoption of best Corporate Governance practices in the organization. The company firmly believes in the values of Trusteeship, transparency, professionalism and accountability in all its dealings with customers, dealers, employees and shareholders.

Board of Directors

Composition

The composition of the Board confirms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchanges.

14 Board Meetings were held During the Financial year 2009-2010 and the gap between two-board meetings did not exceed 4 months. The dates on which Board Meetings were held as follows: 03.04.2009, 04.06.2009, 29.06.2009, 10.07.2009, 30.07.2009, 20.08.2009 09.10.2009, 30.10.2009, 30.11.2009, 12.01.2010, 29.01.2010, 06.02.2010, 27.02.2010, 25.03.2010

The composition of the Board of Directors as on 31.03.2010, attendance of Each Director at board Meeting, Last AGM & Directorship/Chairmanship of Committee of each Directors in other Companies are as under.

Name of Director	Category	Attendance		Directorships in other Companies	Committee Positions in other Companies As		No. of shares held
		Board Meeting	Last AGM		Chairman	Member	
Mr. Puranmal Agrawal	C(ED)	14	Yes	13	–	–	NA
Mr. Suresh Kumar Agrawal	MD(ED)	13	Yes	8	–	–	NA
Mr. Manish Agrawal	NED	12	Yes	11	–	–	3,04,000
Mr. Saket Agrawal	NED	12	Yes	12	–	–	2,04,000
Mr. Amit Mehta	NEID	9	No	–	–	–	–
Mr. Niranjan Dash	NEID	5	No	–	–	–	–
Mr. Navneet Jagatramka	NEID	9	No	–	–	–	–
Mr. Arvind Kumar Saraf	NEID	11	No	–	–	–	–
Mr. Debabrata Mukerjee	NEID	7	No	–	–	–	–

Notes:

1. Other directorships include directorship in public companies only.

2. Committee positions in other Companies relate to Chairmanships/ Memberships of Audit and Shareholders' Grievance Committees/Share Transfer Committee only.

3. Mr. Puranmal Agrawal is brother of Mr. Suresh Kumar Agrawal (MD of the Company). Mr. Manish Agrawal is son of Mr. Puranmal Agrawal and Mr. Saket Agrawal is son of Mr. Suresh Kumar Agrawal.

C: Chairman, NED: Non-Executive Director, NEID: Non- Executive Independent Director, MD: Managing Director

Committees of Directors

1) Audit Committee

The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreement with the Stock Exchanges read with the provision of Section 292A of the Companies Act, 1956.

The Audit Committee consists of two Independent Director & one Non-Executive Directors, having considerable financial experience and expertise. The Chairman of the Committee also has professional accounting qualification.

The brief terms of reference of the Audit Committee are broadly as follows:

i. To review compliance with internal control systems

ii. To review the findings of the Internal Auditor relating to various functions of the company.

iii. To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors /Internal Auditors

iv. To review the quarterly, half yearly and annual financial results of the Company before submission to the Board:

v. To make recommendations to the Board any matter relating to the financial management of the Company, including the Statutory & Internal Audit Reports.

vi. Recommending the appointment of statutory auditor and the internal auditor and also fixation of their remuneration.

The Audit Committee met six times during the year i-e on 29.06.2009, 30.07.2009, 30.10.2009, 30.11.2009, 29.01.2010, 27.02.2010 .The composition and attendance of the members at the Audit Committee Meeting are as follows:

Name	Position Held	No. of Audit Committee Meetings	
		Held	Attended
Mr. Arvind Kumar Saraf	Chairman	6	6
Mr. Navneet Jagatramka	Member	6	6
Mr. Saket Agrawal	Member	6	6

The Company Secretary acts as the Secretary to the Committee. Statutory Auditors are permanent invitees along-with the Executive Director who are also invited to join the meeting. The representative of Internal Auditors also attends the meeting.

The Audit Committee had reviewed the unaudited quarterly results during the year under review and the Annual Accounts for the year-ended 31.3.10 before recommendation of the same to the Board for their approval and adoption.

2) Remuneration Committee

The terms of reference of the Remuneration Committee are as follows:

a) Any fixation/change in remuneration of Whole time Directors/Managing Directors.

b) Any fixation/change in sitting fees payable to Board/Committee members for attending meeting

c) To review the existing remuneration to the executives (GM level and above) and to approve any changes thereof.

d) To approve, in the event of loss or inadequate profit in any year, the minimum remuneration payable to the Managing Director and Whole time Directors within the limits and subject to the parameters prescribed in schedule XIII of the Companies Act, 1956.

The composition & attendance of the remuneration Committee is

Name	Position Held	Category	No. of Committee Meetings	
			Held	Attended
Mr. Arvind Kumar Saraf	Chairman	Independent	1	1
Mr.Navneet Jagatramka	Member	Independent	1	1
Mr. Saket Agrawal	Member	Non Executive	1	1

Dates on which meeting was held - 20.07.2009

Remuneration to Directors

The company has paid remuneration by way of salary to its Managing Director and Executive Director within the limit specified under Schedule XIII and approved by the Board and Shareholders of the Company. The remuneration paid to executive Directors during the year-ended 31.03.2010.

Name	Salary(Rs.)	Period of Contract	
		From	To
Mr. Puranmal Agrawal (Chairman)	3,00,000/-per month	09.07.2007	08.07.2012
Mr. Suresh Kumar Agrawal (Managing Director)	2,50,000/-per month	09.07.2007	08.07.2012

During the year no sitting fee is paid to any Non- Executive Director for attending the meeting of the Board of Directors or a Committee thereof.

3) Shareholder & Investors Grievance Committee cum Share Transfer Committee

The shareholders'/Investors Grievance Committee consists of Mr. Arvind Kumar Saraf (Independent Director), Mr Manish Agrawal and Mr Saket Agrawal (Non Executive directors)

The Committee has been constituted to approve transfer of shares, non-receipt of Balance sheet, non-receipt of declared dividends etc.

3 meetings of the said Committee held during the year on 29.04.2009,29.09.2009 and 26.02.2010

Miss Pinky Gupta, Company Secretary, is the Compliance Officer of the Company.

The details of complaints received and attended to during the year are given below:

a. No. of complaints received from shareholders : 3

b. No. of complaints not resolved / no actions taken : Nil

c. No. of pending Share Transfers as on 31st March, 10 : 00

No investor grievance remained unattended/ pending for more than 30 days and no request for share transfers and dematerialization received during the financial year was pending for more than two weeks.

The attendance of the shareholders'/ Investors Grievance Committee is

Name	Position Held	Category	No. of Committee Meetings	
			Held	Attended
Mr. Arvind Kumar Saraf	Chairman	Independent	3	3
Mr. Manish Agrawal	Member	Non Executive	3	3
Mr. Saket Agrawal	Member	Non Executive	3	3

Details of Previous Annual General Meetings

Sl.No		Date	Venue	No. of Special Resolutions
1.	38th Annual General Meeting	19.09.2007	AIKATAN, Eastern Zonal Cultural Centre, IA- 290, Sector-III, Salt Lake City, Kolkata-97	-
2.	39th Annual General Meeting	24.09.2008	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020	2
3.	40th Annual General Meeting	24.09.2009	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020	2

Disclosure

Related Party Transactions

The Company has not entered into any materially significant transactions with its promoters, Directors or their relatives that may have conflict with the interests of company at large. The register of Contracts containing the transactions in which the directors are interested is placed before the Board regularly for its approval. The list of related party transactions as required to be disclosed is done under AS-18 and disclosed in Note 18 of Schedule 22 to the Accounts. The Audit Committee reviews the related party transactions.

Compliances by the Company

No penalties or strictures have been imposed on the Company by Stock Exchanges, SEBI or any statutory authority on matter related to capital markets, during the last three years.

Code of Conduct

A Code of Conduct, as adopted by the Board of Directors, is applicable to all directors and Senior Management Personnel of the Company. This code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. A copy of the same is available on the Company's website www.mspsteel.com. All the members of the Board and Senior Management Personnel have affirmed compliances of the Code of Conduct.

Code of Conduct for Prevention of Insider Trading

As per SEBI (Prohibition of Insider Trading) Regulations, 1992 , Company has a code of conduct for prevention of Insider trading in the shares of the Company. The Code inter alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to Company.

Subsidiary Companies

The Company has one foreign wholly owned subsidiary namely MSP Group International Singapore (PTE) Limited.

The Management Audit Report of the Subsidiary Company is placed before and reviewed by the Audit Committee.

Whistle Blower Policy

Transparency forms an integral part of the Company's Corporate Philosophy and employees are encouraged to be guardians of the Code of Conduct and Ethics and to report any variance.

Means of Communication with Shareholders

In compliance with the requirement of Listing Agreement the Company has published, quarterly results in the newspapers and submitted to the stock exchanges immediately after they are taken on record by the Board and are not sent to individual shareholders.

The quarterly unaudited results are generally published in 'The Business Standard and Economic Times' in English and 'Kalantar' in Bengali.

General Shareholder's Information

1. 41st Annual General Meeting (AGM)		
i. Day, Date & Time	:	Wednesday, 29th September, 2010 at 5.00 PM
ii. Venue	:	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700 020
2. Date of Book Closure	:	20th September, 2010 to 29th September, 2010 (both days inclusive)
3. Financial Calendar for 2010-11	:	
Financial Results for:		
First Quarter	:	On or before 15th August, 2010
Second Quarter	:	On or before 15th November, 2010
Third Quarter	:	On or before 15th February, 2011
Annual Results	:	On or before 30th May, 2011
4. Dividend payment	:	On or after 29th September 2010, but within the statutory time limit of 30 days

Profile of Director Seeking Appointment/Re-Appointment

Details of Director seeking re-appointment at the ensuing General Meeting as required under Clause -49 of the Listing Agreement is given in the Explanatory Statement to the Notice of the ensuing Annual General Meeting.

Management Discussion & Analysis Report

A Management Discussion and Analysis Report are given separately and forms part of Annual Report.

Listings

The equity shares continue to be listed on The Bombay Stock Exchange Ltd.(BSE) and The National Stock Exchange of India Ltd (NSE). The Company's code is

NSE- MSPL

BSE- 532650

The Company has paid annual listing fee for 2010-11 to The Bombay Stock Exchange Ltd., Mumbai and the National Stock Exchange of India Ltd. and annual custody fee to National Securities Depository Ltd. and Central Depository Services (India) Ltd.

Share Transfer System

Karvy Computer Share Pvt. Ltd , the Registrars of the company register the transfers after the Share Transfer Committee approves the transfer and transmission of shares, issue of duplicate share certificates and allied matters, subject to the transfer instrument being valid and complete in all respects. In compliance with the Listing Agreement, a Company Secretary in practice audits the system of share transfer every six months and a Certificate to that effect is issued.

Payment of dividend through Electronic Clearing Service

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends. As per the recent RBI guidelines, effective from September 30, 2009, ECS credit will be moved completely on to the National Electronic Clearance System (NECS) platform, through the core banking system. Accordingly, dividend will be credited to the Members' bank account through NECS, wherever complete core banking details are available with the company. In the event, any branch of a bank has not migrated to the core banking system, or where the core banking account number is not furnished by the Members to its Depository Participant wherever shares are held in electronic form or to the company in case of physical shareholding, the Company will print the details available in its records on the dividend warrants to be issued to the Members. The company is in compliance with SEBI's directive in this regard.

Unclaimed Dividend

The Company is required to transfer dividends which have remained unpaid/unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government.

The Company will send intimation to shareholders whose dividend warrants have not been encashed. Shareholders are requested to revert to the company if they have not received/encashed their dividend warrants.

Distribution of Shareholding as on 31.03.2010

Category	No. of Shareholder	%	Amount	%
upto 1 - 5000	9415	80.22	19180370.00	3.30
5001 - 10000	1193	10.16	10434100.00	1.80
10001 - 20000	500	4.26	7985390.00	1.37
20001 - 30000	181	1.54	4767600.00	0.82
30001 - 40000	87	0.74	3144300.00	0.54
40001 - 50000	91	0.78	4301620.00	0.74
50001 - 100000	117	1.00	8572210.00	1.48
100001 & ABOVE	153	1.30	522614410.00	89.95
TOTAL	**11737**	**100.00**	**581000000.00**	**100.00**

Share holding Pattern for the year ended 31.03.2010

	CATEGORY		CATEGORY WISE TOTAL HOLDING	
			NO.OF SHARES HELD	% OF HOLDING
A	PROMOTERS HOLDING			
1	PROMOTERS			
	- Indian Promoters		41713500	71.80%
		Sub Total:	41713500	71.80%
B	NON-PROMOTERS HOLDING			
3	INSTITUTIONAL INVESTORS			
a.	-Mutual Funds and UTI		0	0.00%
b.	-Banks, Financial Institutions, Insurance Companies(Central/State Govt. Institutions/ Non-Govt. Institutions)		0	0.00%
c.	FIIs		0	0.00%
		Sub Total:	0	0.00%
4	OTHERS			
a.	Bodies Corporate		9398628	16.18%
b.	Indian Public		6865716	11.82%
c.	NRI's / OCBs		84733	0.15%
d.	Any other			
	- CLEARING MEMBERS		37423	0.05%
		Sub Total:	16386500	28.20%
		Grand Total:	58100000	100.00%

Stock Price Data

	Bombay Stock Exchange		National Stock Exchange	
Month	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
Apr-2009	22.95	16.50	23.50	16.50
May-2009	32.35	20.50	32.15	20.40
Jun-2009	40.45	26.35	40.65	26.30
Jul-2009	30.40	21.25	30.85	21.35
Aug-2009	33.75	25.85	33.15	25.95
Sep-2009	36.45	30.85	36.00	30.80
Oct-2009	35.00	27.20	34.50	27.15
Nov-2009	38.00	25.30	37.90	25.05
Dec-2009	40.35	29.40	40.40	32.40
Jan-2010	44.50	34.05	44.50	35.15
Feb-2010	39.50	29.65	39.50	31.00
Mar-2010	40.50	33.25	40.40	32.80

Depository Registrar and Share Transfer Agent:

M/s, Karvy Computershare Pvt. Ltd.

46, Avenue 4, Street No. 1, Banjara Hills,Hyderabad- 500 034

Ph. No.(040) -23312454,23320251-53, Fax No. (040)-23311968

E-mail: mspipo@karvy.com

Dematerialization of Shares

As per SEBI requirement, the Company enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Company's ISIN No. is INE 752G01015

Details of shares held in dematerialized and physical form as on 31st March 2010.

Description	No. of share holders	No. of shares	% of total shares
Shares held in dematerialized form- NSDL	8110	28960353	49.85
Shares held in dematerialized form- CDSL	3583	2275564	3.92
Shares held in physical form	44	26864083	46.24
Total	11737	58100000	100.00

Outstanding GDRs / ADRs / Warrants or any convertible instruments etc.

The Company has not issued any GDR or ADR.

Plant Location

Village & PO: Jamgaon, Dist: - Raigarh, Chattisgarh,

Address for Correspondence:

Corporate Office : 16/S Block- A, New Alipore, Kolkata- 700053
Ph No. 23990038/3940/40057777,
Fax No. 23982239/40057788

Registered Office : 1, Crooked Lane, Kolkata - 700 069,
Ph. No. 22483795, Fax No. 22484138

E-mail id for Investor Grievances

investor.contact@mspsteel.com

Non Mandatory Requirements

Chairman of the Board:

During the year under review, no expenses were incurred in connection with the office of the chairman.

Remuneration Committee

The Company has formed a Remuneration Committee comprising of 2 Independent Non – Executive Directors and Non Executive Director as stated in Item No. 2 of Committees of Directors in this Report.

Audit Qualification

The Auditors observation on the financial statement is suitably explained in the report of the Board of Directors.

Other Items

The rest of the non mandatory requirements such as Shareholder's Rights, Training of Board Members, Mechanism for evaluation of Non – Executive Board Members and Whistle Blower Policy will be implemented by the Company as and when required.

For and on behalf of the Board

Place: Kolkata
Date: 28th June 2010

Chairman

Company Secretary Certificate on Corporate Governance

TO THE MEMBERS OF MSP STEEL & POWER LIMITED

We have examined the compliance of conditions of the corporate governance by MSP Steel & Power Limited, for the year ended 31st March, 2010 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof adopted by the company for ensuring the compliance of the condition of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state such compliance is neither an assurance to the future viability of the company nor the efficiency or the effectiveness with which the management has conducted the affairs of the company.

For **PS & Associates**
Practising Company Secretaries

PLACE: KOLKATA
DATED: 28th June 2010

(Swati Bajaj)
(Partner)
CP No. 3502

Declaration on Compliance of Company's Code of Conduct

All the members of the Board & Senior Management personnel of the Company have affirmed due observance of the code of conduct, framed pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, in so far as it is applicable to them and there is no non compliance thereof during the year ended 31.03.2010.

Place:- Kolkata
Dated:- 28th June 2010

Suresh Kr. Agrawal
Managing Director

CEO & CFO Certification

The Board of Directors
MSP Steel and Power Limited

Pursuant to the provisions of Clause 49(v) of the Listing Agreement, We, Puranmal Agrawal, Chairman, and Suresh Kumar Agrawal, Managing Director, responsible for the finance function certify that:

We have reviewed the financial statements and cash flow statement for the year ended 31st March 2010 and that to the best of our knowledge and belief:

These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.

These statements together present a true & fair view of the company's affair and are in compliance with existing accounting standards, applicable laws and regulations.

There are, to the best of our knowledge and belief, no transactions entered into the company during the year ended 31st March 2010 are fraudulent, illegal or violative of the company's code of conduct.

We accept responsibility for the establishing and maintaining internal control systems for financial reporting and we have evaluated the effectiveness of the internal controls systems of the company pertaining to financial reporting and there have been no deficiencies in the design or operation of such internal controls.

We have indicated to the auditors and the audit committee that:-

i) There have been no significant changes in internal control over financial reporting during the year;

ii) There have been no significant changes in accounting policies during the year.

There have been no instances of significant fraud of which we have become aware.

KOLKATA	**S.K. AGRAWAL**	**P.M. AGRAWAL**
29th May 2010	*Managing Director*	*Chairman*

Auditors' Report

To
The Members of
MSP Steel & Power Limited

1. We have audited the attached Balance Sheet of MSP Steel & Power Limited ('the Company') as at 31st March, 2010 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. *As more fully discussed in note 15 to Schedule 22 to the financial statements, the Company is in the process of updating its fixed assets records and reconciling the book balances with the assets physically found. Pending the completion of above process, we are unable to comment on the adjustments to the carrying value of fixed assets arising out of the discrepancies, if any.*

5. Further to our comments in the Annexure referred to above, we report that :
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vi. *Subject to the matter contained in para 4 above the effect of which is currently not ascertainable,* in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2010;
      b) in the case of profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S.R. Batliboi & Co.**
Firm Registration Number : 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Date : 29th May, 2010

Annexure to the Auditors' Report

(Referred to in Our report of even date to the members of **MSP Steel & Power Limited** as at and for the year ended 31st March, 2010)

(i) (a) The Company is in the process of updating the records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, pending updating of the records as noted above, discrepancies if any, between the physical and book balances of fixed assets is not presently ascertainable.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory except for records in relation to movement of stocks of spill-over iron ore fines and also in relation to records for bifurcation between imported and indigenous coal. As at 31st March, 2010, inventories of these items have been determined based on the physical verification conducted by the management. As informed, no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clauses 4(iii)(f) and (g) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and for the sale of goods and services. However, the overall internal control system in relation to purchase of fixed assets needs to be strengthened to make it commensurate with the size of the Company and nature of its business. In our opinion, there is no continuing failure to correct major weakness in the internal control system.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered in the register maintained under section 301, have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) As informed, the Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records in respect of the company's products under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been maintained.

(ix) (a) The Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities though there has been slight delay in some cases. The provisions relating to employees state insurance are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act,1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows :

Name of the statute	Nature of the dues	Amount (Rs. in lacs)	Period to which the amount relates	Due Date	Date of Payment
Entry Tax Act (Chhattisgarh), 1976	Entry tax on purchase of materials	102.76	April'09-August'09	At the end of respective subsequent month	Not Yet Paid

(c) According to the records of the Company, the dues outstanding in respect of income tax, sales tax, wealth-tax, service tax, custom duty, excise duty, cess etc. on account of any dispute are as follows :

Name of the statute	Nature of the dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Non Collection of "C" Form	20.02	2004-05 and 2005-06	Appellate Dy. Commissioner, Commercial Tax
Central Excise Act, 1944	Disputed Duty on Finished Goods	58.76	2005-07	CESAT, New Delhi
Central Excise Act, 1944	Removal of finished goods without payment of duty	78.61	2008-09	Commissioner, Central Excise & Customs
Central Excise Act, 1944	Sale of Iron Ore & Coal fines without payment of duty	255.59	2004-09	Commissioner, Central Excise & Customs
Income Tax Act, 1961	Tax on disputed disallowances	13.20	2005-06	Commissioner of Income Tax (Appeal)

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks. There are no dues to debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no fund raised on short-term basis have been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.R. Batliboi & Co.**
Firm Registration Number : 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Date : 29th May, 2010

Balance Sheet As at 31st March, 2010

(Rs. in lacs)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	5,810.00	5,810.00
Share Application Money towards Preference Shares		2,220.00	-
(Refer Note No. 4 on Schedule 22)			
Reserves & Surplus	2	14,318.80	11,113.38
		22,348.80	**16,923.38**
Loan Funds			
Secured Loans	3	42,474.42	24,944.24
Unsecured Loans	4	3,632.71	2,325.00
		46,107.13	**27,269.24**
Deferred Tax Liability		1,985.79	1,582.95
(Refer Note No. 10(b) on Schedule 22)			
		70,441.72	**45,775.57**
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	5	29,222.25	25,089.06
Less : Accumulated Depreciation		3,633.62	2,361.46
Net Block		**25,588.63**	**22,727.60**
Capital work in Progress (Including Capital Advances)	6	22,217.42	9,967.23
Pre-operative & Trial Run Expenses (Pending Allocation)	7	2,323.55	553.47
		50,129.60	**33,248.30**
Investments	8	4,495.42	672.79
Current Assets, Loans & Advances			
Inventories	9	6,834.01	3,933.76
Sundry Debtors	10	6,683.72	4,180.25
Cash & Bank Balances	11	3,787.00	1,940.43
Other Current Assets	12	6.39	4.99
Loans & Advances	13	5,413.54	4,256.57
		22,724.66	**14,316.00**
Less:			
Current Liabilities & Provisions	14		
Current Liabilities		6,423.32	2,156.98
Provisions		484.64	304.54
		6,907.96	**2,461.52**
Net Current Assets		**15,816.70**	**11,854.48**
		70,441.72	**45,775.57**
Significant Accounting Policies and Notes on Accounts	22		

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

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Profit and Loss Account For the year ended 31st March, 2010

(Rs. in lacs)

	Schedule	2009-10		2008-09	
INCOME					
Gross Sales	15		41,427.80		43,888.53
Less: Excise Duty			2,553.32		4,002.32
Net Sales			38,874.48		39,886.21
Other Income	16		710.90		1,500.68
			39,585.38		**41,386.89**
EXPENDITURE					
(Increase/)Decrease in Stocks	17		(596.15)		114.51
Excise Duty and Cess on Stocks			80.24		(103.48)
(Refer Note No. 14 on Schedule 22)					
Raw Materials Consumed	18		22,892.77		28,708.98
Purchase of Trading Goods			3,817.19		374.55
Personnel Cost	19		1,193.84		743.34
Manufacturing, Selling & Administrative Expenses	20		5,046.17		3,886.90
Prior Period Expenses [Net of Prior Period Income Rs. 6.69 lacs (Rs. 54.55)]			30.63		61.32
Interest & Finance Charges	21		2,040.43		1,942.41
Depreciation			1,257.35		741.13
			35,762.47		**36,469.66**
Profit before Taxes			**3,822.91**		**4,917.23**
Provision For Taxes:					
- Current Tax		685.13		583.33	
Less: MAT Credit Entitlement		472.84	212.29	387.51	195.82
(Refer Note No. 10(a) on Schedule 22)					
-Prior year tax Expenses			2.36		61.31
-Deferred Tax charge			402.84		657.70
-Fringe Benefit Tax			-		13.36
Profit After Taxes			**3,205.42**		**3,989.04**
Balance Brought Forward from Last Year			11,057.79		7,068.75
Balance carried to the Balance Sheet			**14,263.21**		**11,057.79**
Earning per share [Nominal value of shares - Rs. 10/-]					
- Basic & Diluted (Rs.)			5.52		6.87
(Refer Note No. 12 on Schedule 22)					
Significant Accounting Policies and Notes on Accounts	22				

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Cash Flow Statement For the year ended 31st March, 2010

(Rs. in lacs)

	2009-10		2008-09	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before taxes		3,822.91		4,917.23
Adjustments for :				
Depreciation	1,257.35		741.13	
Profit from sale of Current Investments (Non Trade)	-		(6.01)	
Loss on Foreign Exchange Fluctuation/Forward	8.90		208.99	
Income from Joint Venture	-		(8.14)	
Irrecoverable Debts, Deposits and Advances written off	74.08		44.40	
Provision for bad & doubtful debts/advances	98.74		70.17	
Liabilities no longer required written back	(61.18)		(236.01)	
Loss on sale of fixed assets	0.90		-	
Preliminary Expenses written Off	-		1.82	
Interest on loans, deposits etc.	(68.57)		(53.05)	
Interest Expenses	1,945.57		1,877.75	
Dividend Income	(1.06)		(0.16)	
Operating Profit before working capital changes	**3,254.73**		**2,640.89**	
Movement in Working Capital for:				
(Increase)/Decrease in Sundry Debtors	(2,611.11)		2,267.04	
(Increase)/Decrease in Loans & Advances	(782.83)		712.19	
(Increase)/Decrease in Inventories	(2,900.25)		699.71	
Increase/(Decrease) in Current Liabilities & Provisions	4,339.09		(3,301.07)	
Cash generated from Operations	**1,299.63**		**3,018.76**	
Direct Taxes Paid	525.92		864.08	
Net Cash generated from Operating Activities		**4,596.62**		**7,071.91**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets [including Pre-Operative and Trial Run Expenses (Pending allocation)]	(16,415.17)		(11,039.76)	
Proceeds from sale of fixed assets	1.80		-	
Purchase of Investments	(7,523.55)		(5,262.62)	
Sale of Investments	3,700.92		5,206.01	
Income from Joint Venture	-		8.14	
Interest received	67.18		48.06	
Dividends received	1.06		0.16	
Net cash used in investing activities		**(20,167.76)**		**(11,040.01)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Application money towards Preference Shares	2,220.00		-	
Long Term Borrowings Received	16,488.80		11,977.37	
Long Term Borrowings Repaid	(7,636.92)		(7,788.96)	
Short Term Borrowings Received / (paid) (Net)	6,798.80		(857.84)	
Cash credit and working capital received (Net)	3,187.20		3,407.73	
Interest Paid	(3,664.78)		(2,997.28)	
Net cash generated in financing activities		**17,393.10**		**3,741.02**
Net (Decrease)/Increase in Cash & Cash equivalents (A+B+C)		**1,821.96**		**(227.08)**
Cash & Cash equivalents as at the beginning of the year		**1,882.16**		**2,109.24**
Cash & Cash equivalents as at the end of the year *		**3,704.12**		**1,882.16**
* Represents the following				
Cash-on-hand		313.51		54.60
With Scheduled Banks on Current Account		3,390.61		327.56
Fixed Deposit (Maturity Period of not more than 3 months)		-		1,500.00
		3,704.12		1,882.16

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Schedules forming part of the Balance Sheet

(Rs. in lacs)

		As at 31st March, 2010		As at 31st March, 2009
SCHEDULE 1 SHARE CAPITAL				
Authorised				
6,00,00,000 Equity Shares of Rs. 10/- each		6,000.00		6,000.00
1,50,00,000 6% Non-Cumulative Preference Shares of Rs. 10/- each		1,500.00		-
		7,500.00		**6,000.00**
Issued, Subscribed & Paid-Up				
5,81,00,000 Equity Shares of Rs. 10/- each, fully paid up		5,810.00		5,810.00
		5,810.00		**5,810.00**
Of the Above:				
a) 71,800 Equity shares of Rs. 10/- each were allotted as fully paid up for consideration other than cash.				
b) 47,54,300 Equity shares of Rs. 10/- each were allotted as fully paid bonus shares by capitalisation of securities premium.				

SCHEDULE 2 RESERVES & SURPLUS				
Securities Premium Account				
As per last Account	55.59		107.29	
Less: Share Issue Expenses adjusted	-	55.59	51.70	55.59
Profit & Loss Account Balance		14,263.21		11,057.79
		14,318.80		**11,113.38**

SCHEDULE 3 SECURED LOANS				
(Refer Note No. 6 on Schedule 22)				
From Scheduled Banks				
Term Loans		30,398.82		15,954.70
Cash Credit and Working Capital Facilities		11,980.04		8,792.84
Deferred Payment Credits under Hire Purchase		63.74		130.19
From Bodies Corporate				
Deferred Payment Credits under Hire Purchase		31.82		66.51
		42,474.42		**24,944.24**

SCHEDULE 4 UNSECURED LOANS				
From Bodies Corporate		3,632.71		2,325.00
[Repayable within one year Rs. 2,022.80 lacs (Rs. 680.00 lacs)]				
		3,632.71		**2,325.00**

Schedules forming part of the Balance Sheet

SCHEDULE 5 FIXED ASSETS

(Rs. in lacs)

Description	Gross Block (at cost)						Depreciation					Net Block	
	As at 1st April 2009	Additions		Deletions/ Adjustments	As at 31st March 2010		As at 1st April 2009	For the year		Less: On Deletions/ Adjustments	As at 31st March 2010	As at 31st March 2010	As at 31st March 2009
Land	704.99	92.36		-	797.35	(b)	-	-		-	-	797.35	704.99
Factory Buildings	2,951.08	402.02		-	3,353.10		214.38	97.48		-	311.86	3,041.24	2,736.70
Non-Factory Buildings	143.13	-		-	143.13		7.51	2.86		-	10.37	132.76	135.62
Plant & Machinery	20,847.45	3,588.08		-	24,435.53		2,015.60	1,131.74		-	3,147.34	21,288.19	18,831.85
Vehicles	380.54	50.89		4.25	427.18		110.40	39.71		1.55	148.56	278.62	270.14
Furniture & Fixtures	61.87	4.09		-	65.96		13.57	1.92		-	15.49	50.47	48.30
Total	**25,089.06**	**4,137.44**	(c)	**4.25**	**29,222.25**		**2,361.46**	**1,273.71**	(a)	**1.55**	**3,633.62**	**25,588.63**	**22,727.60**
Previous Year's Total	15,039.01	10,050.05		-	25,089.06		1,572.26	789.20		-	2,361.46	22,727.60	

Notes :

a) Includes Rs. 16.36 lacs (Rs.48.07 lacs) transferred to Pre-operative & Trial Run Expenses (Pending Allocation)

b) Includes Rs. 10.86 lacs (Rs. 10.86 lacs), being the cost of land which is yet to be registered in the name of the Company

c) Includes Rs. 499.72 lacs (Rs. 1,568.82 lacs) capitalised from Pre-operative & Trial Run Expense (Pending Allocation)

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 6 CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCES)		
Buildings	2,143.72	912.07
Plant & Machinery	16,764.69	6,939.14
Capital Goods in Stock	525.30	265.16
[including in transit Rs. 96.74 lacs (Rs. Nil)]		
Capital Advances	2,783.71	1,850.86
Total	**22,217.42**	**9,967.23**

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 7 PRE-OPERATIVE & TRIAL RUN EXPENSES (PENDING ALLOCATION)		
Opening Balance Brought Forward	553.47	397.86
Raw Materials Consumed	202.84	775.80
Personnel Cost*		
Salary, Wages & Bonus	36.58	158.53
Contribution to Provident and Other Funds	0.62	4.96
Staff Welfare	0.28	5.79
*Refer Note Nos. 7 & 11 on Schedule 22		
Administrative and Other Indirect Overheads		
Stores & Spares Consumed	1.87	99.88
Power & Fuel	0.11	6.41
Repairs & Maintenance		
- Plant & Machinery	1.57	2.52
- Others	0.46	0.21
Material Handling Charges	3.91	8.44
Travelling & Conveyance	18.88	6.23
Vehicle Running & Maintenance Expense	0.44	23.38
Insurance Charges	0.01	0.03
Printing and Stationary	0.02	0.26
Postage and Communication	0.46	0.15
Legal & Professional Charges	113.93	1.15
Rent & Hire Charges	59.89	47.43
Rates & Taxes	18.01	2.76
Miscellaneous Expenses	17.52	66.10
Borrowing Cost		
Interest on Term Loans	1,726.18	1,119.53
Finance Charges	258.22	88.65
Depreciation	16.36	48.07
Total	**3,031.63**	**2,864.14**
Less:		
Material Transferred for Captive Consumption	-	741.85
Sale of Finished Goods	0.97	-
Closing Stock of Finished Goods (Transferred to Schedule - 17)	207.39	-
	2,823.27	2,122.29
Less: Transferred to Fixed Assets	499.72	1,568.82
Amount carried to Balance Sheet	**2,323.55**	**553.47**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	Numbers of Shares	Face value per share (Rs.)	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 8 > INVESTMENTS				
A. LONG TERM, Equity Shares (at Cost)				
(i) In Subsidiary Company (Unquoted, fully paid-up, trade)				
MSP Group International (Singapore) Pte. Ltd.	1,000	S$ 1	0.33	-
	(-)			
			0.33	-
(ii) In Joint Venture (Unquoted, fully paid-up, trade)				
Madanpur South Coal Company Limited #	135,874 *	10	171.59	149.24
	(124,699)			
			171.59	**149.24**
(iii) In Others (Unquoted, fully paid-up, other than trade)				
MSP Metallics Limited	420,000	10	402.00	402.00
MSP Properties (I) Private Limited	7,500	10	0.75	0.75
MSP Sponge Iron Limited	313,000	10	49.50	49.50
MSP Cement Limited	8,000	10	0.80	0.80
MSP Power Limited	8,000	10	0.80	0.80
Shree Sai Sharddha Metallics Private Limited	50,000	10	50.00	50.00
			503.85	**503.85**
(iv) In Others (Quoted, fully paid-up, other than trade)				
Howrah Gases Limited	93,700	10	15.91	15.91
Ashirwad Steel & Industries Limited	2,500	10	0.25	0.25
Nageshwar Investment Limited	11,000	10	0.61	0.61
Rusoday Security Limited	-	10	-	0.46
	(10,000)			
Indian Ovearseas Bank	2,900	10	0.70	0.70
IDFC Limited	5,201	10	1.77	1.77
			19.24	**19.70**
B. CURRENT INVESTMENTS, Units of Mutual Funds (Quoted)				
(At lower of cost and fair value)				
In SBI Magnum Insta Cash Fund Daily Dividend Option	22,688,612	10	3,800.41	-
	(-)			
			3,800.41	-
Total			**4,495.42**	**672.79**

* Includes 2000 Shares held in the name of a director of the company.

66,960 Shares pledged with IDBI Bank Limited for guarantee given on behalf of the investee company

		(Rs. in lacs)		(Rs. in lacs)	
		As at 31st March, 2010		As at 31st March, 2009	
		Cost	Market Value	Cost	Market Value
Aggregate Value of investments -	- Quoted	3819.65	3827.90	19.70	27.57
	- Unquoted	675.77		653.09	
Total		**4495.42**	-	**672.79**	-

Notes:

Besides the above, the Company has purchased and sold the following units of mutual funds (other than trade, quoted) during the year:

a) Reliance Liquidity Fund Daily Dividend Reinvestment Option (19,995,515 Units)

b) SBI Magnum Insta Cash Fund Daily Dividend Option (10,150,781 Units)

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 9 INVENTORIES At Lower of Cost and Net Realisable Value		
Stores & Spares	766.21	381.37
[including in transit Rs. 23.67 lacs (Rs. Nil)]		
Raw Materials	3,632.28	1,565.05
[including in transit Rs. 251.74 lacs (Rs.423.17 lacs)]		
Work in progress	28.42	34.71
Finished Goods	1,600.74	882.69
By Products	806.36	1,069.94
	6,834.01	**3,933.76**

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 10 SUNDRY DEBTORS (Unsecured)		
Debts Outstanding for a period exceeding six months		
Considered Good	544.68	236.93
Considered Doubtful	114.32	51.17
Other Debts		
Considered Good	6,139.04	3,943.32
	6,798.04	4,231.42
Less: Provision for Doubtful Debts	114.32	51.17
	6,683.72	**4,180.25**
(Refer Note No. 8 on Schedule 22)		

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 11 CASH AND BANK BALANCES		
Cash on Hand	313.51	54.60
[including cheques in hand Rs. 100 lacs (Rs. Nil)]		
Balances with Scheduled Banks on:		
Current Accounts	3,390.61	327.56
Fixed Deposit Accounts	82.88	1,558.27
[Receipts for Rs. 79.46 lacs (Rs. 48.86 lacs) pledged with banks as margin against loans/ guarantee issued by them and Rs. 3.42 lacs (Rs. 3.40 lacs) lodged with other parties]		
	3,787.00	**1,940.43**

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 12 OTHER CURRENT ASSETS		
Interest Receivable on loans, deposits etc.	6.39	4.99
	6.39	**4.99**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 13 LOANS & ADVANCES (Unsecured)		
Considered Good		
Loans		
To a Subsidiary Company	4.58	-
To Others [Including to staff Rs. 21.30 lacs(Rs. 8.79 lacs)]	188.42	122.04
Advances recoverable in cash or in kind or for value to be received	2,605.70	2,285.00
[Including to staff Rs. 13.78 lacs (Rs. 23.04 lacs)]		
Export Incentive Receivable	35.92	36.96
Balance with Central Excise & Sales Tax Authorities	1,610.38	1,346.42
MAT Credit Entitlement	860.35	387.51
Security & Other Deposits	108.19	78.64
Considered Doubtful		
Advances recoverable in cash or in kind or for value to be received	19.40	19.00
	5,432.94	**4,275.57**
Less: Provision for Doubtful Advances	19.40	19.00
	5,413.54	**4,256.57**
(Refer Note No. 9 on Schedule 22)		

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 14 CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors for goods, services, expenses etc		
a) Due to Micro & Small Enterprises (Refer Note No. 5 on Schedule 22)	-	-
b) Due to Others [Includes Rs. 3.87 lacs (Rs. 3.87) lacs due to the Directors]	5,811.60	1,905.21
Other Liabilities	461.40	106.20
Advance from Customers	142.17	145.57
Temporary Bank Overdraft	1.18	-
Interest Accrued but not due on Loans	6.97	-
	6,423.32	**2,156.98**
B. Provisions		
Gratuity	28.94	12.78
Leave Salary	36.99	34.61
Taxation [Net of Advances Rs. 1871.36 lacs (Rs. 1358.80 lacs)]	418.71	243.79
Fringe Benefit Tax	-	13.36
	484.64	**304.54**

Schedules forming part of Profit and Loss Account

(Rs. in lacs)

	2009-10	2008-09
SCHEDULE 15 > SALES		
Finished Goods	39,835.38	42,079.11
Power	615.71	70.48
Scraps & By Products	489.46	711.34
Raw Materials	368.95	990.64
Export Incentive	118.30	36.96
	41,427.80	**43,888.53**

	2009-10	2008-09
SCHEDULE 16 > OTHER INCOME		
Sale of Carbon Credit Units	-	589.24
Interest on loan, deposits etc (Gross)	68.57	53.05
[Tax deducted at source Rs. 7.42 lacs (Rs. 9.15 lacs)]		
Consideration towards non fulfillment of Contract	-	432.20
Claims Received	5.75	28.30
Dividend from Current Investments (Non Trade)	0.87	0.16
Dividend from Long Term Investments (Non Trade)	0.19	-
Income from Joint Venture	-	8.14
Profit from sale of Current Investments (Non Trade)	-	6.01
Liabilities no longer required written back	61.18	236.01
Gain on Transactions in Commodity Exchange	101.77	140.93
Commission Earned	451.47	-
Miscellaneous Receipts	21.10	6.64
	710.90	**1,500.68**

Schedules forming part of Profit and Loss Account

(Rs. in lacs)

	2009-10	2008-09
SCHEDULE 17 > (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Goods	882.69	1,284.13
Goods under Process	34.71	-
By Products	1,069.94	918.88
	1,987.34	2,203.01
Add: Trial Run Stock Transferred (Refer Schedule-7)	207.39	-
	2,194.73	2,203.01
Less:		
Closing Stock		
Finished Goods	1,600.74	882.69
Goods under Process	28.42	34.71
By Products	806.36	1,069.94
	2,435.52	1,987.34
Less : Transfer to Fixed Assets	355.36	101.16
	(596.15)	**114.51**

SCHEDULE 18 > RAW MATERIALS CONSUMED		
Opening Stock	1,565.05	2,220.34
Add: Purchases (Including Procurement expenses)	24,960.00	28,053.69
[Includes materials transferred from trial run production Rs. Nil (Rs. 741.35)]		
	26,525.05	30,274.03
Less : Closing Stock	3,632.28	1,565.05
	22,892.77	**28,708.98**

SCHEDULE 19 > PERSONNEL COST		
Salary, Wages and Bonus	997.41	588.75
Contribution to Provident and Other Funds	44.16	27.77
Gratuity Expenses	36.33	12.81
Staff Welfare Expenses	49.94	48.01
Managerial Remuneration	66.00	66.00
	1,193.84	**743.34**
(Refer Note Nos. 7 & 11 on Schedule 22)		

Schedules forming part of Profit and Loss Account

(Rs. in lacs)

	2009-10		2008-09	
SCHEDULE 20 > MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES				
Stores & Spares Consumed		1,857.75		1,339.77
Power & Fuel		1,420.65		517.16
Repairs & Maintenance				
- Plant & Machinery		65.36		45.80
- Building		9.95		8.67
- Others		21.65		27.19
Material Handling Charges		406.00		405.58
Travelling & Conveyance		33.63		15.20
Vehicle Running & Maintenance Expense		145.98		128.31
Commission on sales (Other than Sole Selling Agents)		110.53		22.66
Freight Outward [net of recoveries Rs. 218.32 lacs (Rs. 389.74 lacs)]		154.10		582.55
Auditor's Remuneration				
- Statutory Audit		8.00		7.00
- Limited Review		4.50		3.00
- Out of pocket expenses		0.34		0.13
Insurance Charges		11.44		10.55
Printing and Stationary		12.52		6.25
Postage and Communication		29.83		16.43
Legal & Professional Charges		30.86		143.10
Rent & Hire Charges		211.64		106.02
Rates & Taxes [Including Rs. 76.06 lacs (Rs. Nil) for earlier years]		98.17		5.79
Loss on Foreign Exchange Fluctuation/Forward				
Exchange Contract (Net)		8.90		208.99
Charity & Donations [Includes Rs. Nil (Rs.0.50) to political parties]		6.86		6.44
Irrecoverable Debts, Deposits and Advances written off	109.27		44.40	
Less: Adjusted with provision	35.19	74.08	-	44.40
Loss on sale of Assets		0.90		-
Provision for bad & doubtful debts/advances		98.74		70.17
Miscellaneous Expenses		223.79		163.92
Preliminary Expenses written Off		-		1.82
		5,046.17		**3,886.90**

SCHEDULE 21 > INTEREST & FINANCE CHARGES				
Interest				
- On Term Loans		1,089.43		1,096.66
- On Working Capital Facilities		826.25		777.35
- On Others		29.89		3.74
Finance Charges		94.86		64.66
		2,040.43		**1,942.41**

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Significant Accounting Policies

i) Basis of preparation of Accounts

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in respect of insurance and other claims, which on the ground of prudence or uncertainty in realisation, are accounted for as and when accepted / received. The accounting policies applied by the Company, are consistent with those used in the previous year.

ii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

iii) Fixed Assets

a) Fixed Assets are stated at cost, less accumulated depreciation and impairment if any. The cost of acquisition comprises of purchase price inclusive of duties (net of Cenvat / VAT), taxes, incidental expenses, erection/commissioning/trial run expenses and borrowing cost etc, up to the date the assets are ready for intended use.

b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment, are expected to be irregular, are capitalized and depreciated prospectively over the residual life of the respective assets.

c) All direct expenditure relating to construction of project as well as administrative and general overheads which are specifically attributable to the construction of the project and/or bringing it to the working conditions for intended use, are capitalized as "Pre-operative & Trial Run Expenses (pending allocation)".

d) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value arrived at after considering the prevailing interest rates and weighted average cost of capital.

iv) Depreciation

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 or at the rates determined based on useful life of the respective asset, as estimated by the management, whichever is higher.

c) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

v) Borrowing Cost

Borrowing Costs relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing cost are charged to revenue.

vi) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised. If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

vii) Foreign Currency Transactions

a) Initial Recognition: Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Conversion: Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) Exchange Differences: Exchange differences arising on the settlement or reporting of monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements and / or on conversion of monetary items, are recognized as income or expenses in the year in which they arise.

d) Forward Exchange Contracts (not intended for trading or speculation purpose): The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.

viii) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognized a decline 'other than temporary' in the value of the investments.

ix) Inventories

a) Raw materials, Stores & spares & finished goods are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost is determined on 'First in First out' basis.

b) Goods under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on annual average basis.

c) Saleable scrap and by-products are valued at net realizable value.

d) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

x) Retirement and Other Employee Benefits

a) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to Profit and Loss Account of the year when the contributions to the fund are due. There are no obligation other than contribution payable to the respective fund.

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

b) Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation,as per projected unit credit method made at the balance sheet date.

c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method made at the balance sheet date

d) Actuarial gains/losses are taken to profit and loss account and are not deferred.

xi) **Taxation**

Tax expense comprises of current (net of MAT credit entitlement) and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

xii) **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer, which generally coincides with delivery. Sales are net of returns, claims, trade discounts, Sales Tax and VAT etc.

Sale of Power

Revenue from sale of power is recognized on the basis of delivery of power to the customers from the grid.

Interest

Revenue is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable.

Commission Income

Revenue is recognised when the services are rendered and there is no significant uncertainty as regards the collection thereof.

xiii) **Segment Reporting Policies**

Based on the synergies, risks and return associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17.

The analysis of geographical segments is based on the area in which the customers of the Company are located.

xiv) **Provision**

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xv) **Earnings per Share**

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

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

xvi) **Excise duty & custom duty**

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

xvii) **Cash and Cash equivalents**

Cash and cash equivalents as indicated in the Cash Flow Statement comprises of cash on hand, cash at bank and short-term investments with an original maturity of three months or less.

xviii) **Contingencies**

Liabilities, which are material and whose future outcome cannot be ascertainable with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. **Contingent liabilities not provided for in respect of:**

(Rs. in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
a) Excise Matters under dispute/ appeal	392.97	81.57
b) Sales Tax Matters under dispute/ appeal	34.20	141.69
c) Un-expired Bank Guarantees and Letters of Credit	603.74	910.05
d) Cess on Power Generation	Amount unascertainable	Amount unascertainable
e) Claims against the Company not acknowledged as debt	60.67	-

A search and Seizure was conducted by the Excise Department at the Company's Plant at Raigarh on 17th February, 2009. During the current year, the excise department has returned back the documents relating to consumption of raw materials and production which were seized by the said department. The show cause cum demand notice for Rs. 55.81 lacs received from the department has been considered as contingent liability and included in (a) above.

3. **Capital Commitments**

(Rs. in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs. 2,783.71 lacs (Rs. 1,850.86 lacs))	5,973.05	3,617.47

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

4. During the year, the Company has decided to issue 1,20,00,000 numbers of 6% non cumulative redeemable preference shares of Rs. 100 each (including premium of Rs. 90 per share) on private placement basis. Against the said issue, a sum of Rs. 2,220 lacs has been received during the year from certain bodies corporate towards application money which is pending allotment as at March 31, 2010.

5. As per information available with the Company, there are no suppliers covered under Micro, Small & Medium Enterprise Development Act, 2006. As a result, no interest provision/payment has been made by the Company to such creditors, if any, and no disclosure thereof is made in the accounts.

6. A) **Loans are secured as follows:**

i) Rupee Term Loans from Banks are secured by way of equitable mortgage by deposit of title deed of Company's land and immovable properties at Raigarh and a first charge by way of hypothecation of the company's movables(save and except book debts)including movable machinery, machinery spares, tools & accessories,(both present and future), subject to prior charges created in favour of the company's bankers on the stock of raw materials, finished goods, process stock, consumable stores and book debts for securing working capital facilities.

ii) All the mortgages and charges created in favour of the banks rank pari-passu inter se, except where specifically stipulated otherwise.

iii) The above term loans are further secured by the personal guarantee of Mr. Puranmal Agrawal (chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal & Mr. Manish Agrawal (directors of the company).

iv) Cash Credit and other working capital facilities from banks are secured by hypothecation of raw materials, finished goods, process stock, consumable stores, book debts etc.(both present and future), second charge over the entire fixed assets of the company and personal guarantee of Mr. Puranmal Agrawal(chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal & Mr. Manish Agrawal(directors of the company).

v) Hire purchases obligations are secured by hypothecation of vehicles purchased under the respective agreements.

B) Fixed Assets include items acquired under deferred payment credits under hire purchase scheme Gross Block Rs. 436.19 lacs (Rs. 406.94 lacs), Net Block Rs. 362.22 lacs (Rs. 367.43 lacs) and the year wise break-up of future obligations towards lease rentals of Rs. 103.67 lacs (Rs. 217.80 lacs) inclusive of finance charges of Rs. 8.11 lacs (Rs. 21.10 lacs) under the respective agreements as on 31st March, 2010 is given below:

(Rs. in lacs)

Assets taken on lease		Not later than 1 year		Later than 1 year and not later than 5 years	
Total Minimum Lease payments at the year end	Present Value of Minimum Lease Payments	Minimum Lease Payment	Present Value as on 31st March, 2010	Minimum Lease Payment	Present Value as on 31st March, 2010
103.67	95.56	75. 90	69. 45	27.77	26.10
(217.80)	(196.70)	(143.59)	(127.07)	(74.21)	(69.63)

7. **Gratuity and other post retirement benefit plans**

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

(a) **Expenses recognized in the profit and loss account/ Pre-operative & Trial run expenses (Pending allocation) for respective years are as follows:**

(Rs. in lacs)

Particulars	Gratuity		Leave	
	2009-10	2008-09	2009-10	2008-09
Current service cost	15.77	9.20	1. 39	0.28
Interest cost	1.93	1.01	2.59	0.57
Expected return on plan assets	(1.72)	-	-	-
Past Service Cost	25.53	-	-	-
Net actuarial losses/(gains)	(5.18)	2.60	0.76	27.59
Net benefit expense	**36.33**	**12.81**	**4.74**	**28.44**
Actual return on plan assets	0.10	-	N.A.	N.A.

(b) **Net Liability recognized in the balance sheet as at respective dates are as follows:-** *(Rs. in lacs)*

Particulars	Gratuity		Leave	
	31st March 2010	31st March 2009	31st March 2010	31st March 2009
Defined benefit obligation	61.30	24.87	36. 99	34.61
Fair value of plan assets	32.36	12.09	-	-
Net liability	28.94	12.78	36.99	34.61

(c) **Changes in the present value of the defined benefit obligation during respective years are as follows:-** *(Rs. in lacs)*

Particulars	Gratuity		Leave	
	2009-10	2008-09	2009-10	2008-09
Opening defined benefit obligation	24.87	12.06	34.61	7.33
Interest cost	1.93	1.01	2.59	0.57
Current service cost	15.77	9.20	1.39	0.28
Benefit paid	-	-	(2.36)	(1.16)
Actuarial losses/(gains)	(6.80)	2.60	0.76	27.59
Plan Amendments	25.53	-	-	-
Closing defined benefit obligation	**61.30**	**24.87**	**36.99**	**34.61**

(d) **The details of fair value of plan assets as on the Balance Sheet date are as follows:** *(Rs. in lacs)*

Particulars	Gratuity	
	31st March 2010	31st March 2009
Opening fair value of plan assets	12.09	-
Expected return on plan assets*	1.72	-
Contribution by the Company	20.17	12.09
Benefits paid	-	-
Actuarial gains / (loss)	(1.62)	-
Closing fair value of plan assets	32.36	12.09

* Determined based on government bond rate.

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(e) **The principal assumptions used in determining gratuity and leave liability are as shown below:**

(Rs. in lacs)

Particulars	2009-10	2008-09
Discount rate (%)	8.25	7.75
Return on Plan Assets (Gratuity Scheme)	0.10	Nil
Mortality Rate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Employee Turnover (%)	6.2	8

(f) **Amount of expenses incurred for the current and previous year are as follows:**

(Rs. in lacs)

Particulars	Gratuity			Leave		
	31st March 2010	31st March 2009	31st March 2008	31st March 2010	31st March 2009	31st March 2008
Defined benefit obligation	61.30	24.87	12.06	36.99	34.61	7.33
Fair value of plan assets	32.36	12.09	-	-	-	-
Deficit	28.94	12.78	12.06	36.99	34.61	7.33
Experience adjustments on plan liabilities – (gains)/ losses	(3.64)	(0.07)	-	4.73	23.06	-
Experience adjustments on plan assets	(1.62)	Nil	N.A.	N.A.	N.A.	N.A.

(g) The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

(h) The Company expects to contribute Rs. 20.00 lacs to gratuity fund in the year 2010-2011.

(i) The amount provided for defined contribution plan are as follows:

(Rs. in lacs)

Particulars	2009-10	2008-09
Provident Fund	44.78	32.73

8. **Sundry debtors include the following balances due from a private company in which a director of the Company is a director or a member:**

(Rs. in lacs)

Name of the Company	31st March 2010	31st March 2009	Maximum Amount outstanding during the year	
			2009-10	2008-09
MSP Cokes Private Limited	61.60	51.21	83.48	54.49

9. (a) **Loans & Advances include the following amounts:**

(i) Companies under the same management:-

(Rs. in lacs)

Name of the Company	31st March 2010	31st March 2009	Maximum Amount outstanding during the year	
			2009-10	2008-09
MSP Metallics Limited*	N.A.	N.A.	N.A.	1435.20
Chaman Metallics Limited*	N.A.	N.A.	N.A.	105.60

*Ceased to be a company under the same management with effect from 1st September, 2008.

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

ii) Private companies in which a director of the company is a director or a member:-

(Rs. in lacs)

Name of the Company	31st March 2010	31st March 2009	Maximum Amount outstanding during the year	
			2009-10	2008-09
Pratik Mines & Minerals Private Ltd.	41.00	-	41.00	-

b) **Disclosure in terms of clause 32 of the Listing Agreements:-**

(Rs. in lacs)

Name of the Company	Category	31st March 2010	31st March 2009	Maximum Amount outstanding during the year	
				2009-10	2008-09
MSP Rolling Mills Private Ltd.	Loan without fixed repayment schedule	124.05	113.25	125.25	116.06
MSP Group International Singapore (PTE) Limited	Subsidiary	4.58	NA	4.58	NA

10. (a) During the current year, the Company has recognized MAT credit entitlement of Rs. 472.84 lacs (Rs. 387.51) in terms of Section 115JAA of the Income Tax Act, 1961. Based on future profitability projections, the Company is certain that there would be sufficient taxable income in the future, to claim the above tax credit.

(b) In terms of Accounting Standard 22, net deferred tax liability (DTL) of Rs. 1,985.79 lacs has been recognized in the accounts up to 31st March, 2010.

The break-up of major components of such net DTL is as follows:

(Rs. in lacs)

Components of Deferred Tax Liability/ (Assets)	As at 31st March, 2010	As at 31st March, 2009
Timing Difference in depreciable assets	2,148.25	1,647.38
Other Temporary difference	(162.46)	(64.43)
Total	**1,985.79**	**1,582.95**

11. **Details of remuneration paid to the directors:**

(Rs. in lacs)

Particulars	2009-10	2008-09
Salary & Bonus*	66.00	66.00

* As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

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

(Rs. in lacs)

Particulars		2009-10	2008-09
Present Weighted Average Number of Equity Shares	Nos.	58,100,000	58,100,000
Net Profit/(Loss) After Tax	Rs. in lacs	3,205.42	3,989.04
Nominal Value of each Shares	Rs.	10/-	10/-
Basic & Diluted Earning Per Share	Rs.	5.52	6.87

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

13. **Interest in joint venture**

The Company has a 14.90 % interest in the assets and liabilities of the Madanpur South Coal Company Limited (Joint Venture Company), established in India.

The Company's share of the assets and liabilities of the above jointly controlled entity as at the respective Balance Sheet dates is as follows:

(Rs. in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Fixed Assets	127.35	106.97
Deferred Tax Asset	0.07	-
Net Current Assets	44.77	42.91
Loan Fund	0.89	0.89
Miscellaneous Expenditure		
(To the extent not written off or Adjusted)	0.21	0.26

The Company's proportionate share of the capital commitments of the jointly controlled entity amounts to Rs. 5.16 lacs (Rs.Nil) and contingent liability is Rs. Nil (Rs. Nil).

14. Excise duty & cess on stocks represents differential excise duty and cess on opening and closing stock of finished goods.

15. The Company, at present, is in the process of updating its fixed assets register, pending which, the discrepancies, if any, between the physical and book balance of fixed assets is not presently ascertainable, which, in the view of the management should not be material.

16. **Segment Information:**

The analysis of geographical segments is based on the area in which the customers of the Company are located.

Information for Secondary Geographical Segments

(Rs. in lacs)

Particulars	2009-10	2008-09
Domestic Revenues (Net of Excise Duty)	35,620.51	35,480.02
Export Revenues (Including Export Benefits)	3,253.57	4,406.19
Total	**38,874.48**	**39,886.21**

The Company has common fixed assets for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets/ additions to fixed assets cannot be furnished. Export debtors at the year end amounts to Rs. Nil (Rs. 32.52 lacs).

17. **The Company has the following un-hedged exposures in US Dollars as at the year end.**

(Rs. in lacs)

Particulars	As at 31st March, 2010	As at 31st March, 2009
Advance from customers	18.20	20.54
Advances (including capital advances)	340.45	-
Investment in Foreign Subsidiary	0.33	-

Schedules forming part of the Balance Sheet and Profit and Loss Account

18. Related Party Disclosures

(a) Names of the related parties :

Subsidiary Company	:	MSP Group International Singapore (PTE) Limited (w.e.f. 1st April 2009)
Jointly Controlled Entity	:	Madanpur South Coal Company Limited
Key Management Personnel & their Relatives	:	Mr. Puranmal Agrawal - Chairman Mr. Suresh Kumar Agrawal - Managing Director Mr. Manish Agrawal - Non Executive Director Mr. Saket Agrawal - Non Executive Director Mrs. Kiran Agrawal (wife of Chairman) Mrs. Nisha Agrawal (wife of Managing Director) Mrs. Kasturi Devi Agrawal (mother of Managing Director)
Enterprises over which Key Management Personnel and/ or their Relatives have significant influence	:	Howrah Gases Limited MSP Sponge Iron Limited MSP Metallics Limited MSP Infotech Private Limited MSP Properties (India) Private Limited MSP Cokes Private Limited MSP Group International Singapore (PTE) Limited (Converted into subsidiary with effect from 1st April 2009) MSP Cement Limited MSP Power Limited MSP Energy Limited MSP Rolling Mills Private Limited Chaman Metallics Limited Shree Khathupati Mercantiles Private Limited MSP Mines & Minerals Private Limited High Time Holding Private Limited B.S. Confin Private Limited Rama Alloys Private Limited Pratik Mines & Minerals Private Limited

(b) Related Party Disclosures :

(Rs. in lacs)

Nature of Transactions	Subsidiary Company	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Sales					
MSP Sponge Iron Limited				358.19 (655.11)	358.19 (655.11)
MSP Metallics Limited				421.81 (547.53)	421.81 (547.53)
Chaman Metallics Limited				8.93 (9.68)	8.93 (9.68)
MSP Coke Private Limited				185.97 (119.27)	185.97 (119.27)
MSP Rolling Mills Private Limited				- (80.15)	- (80.15)

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) **Related Party Disclosures** (Contd.) **:**

(Rs. in lacs)

Nature of Transactions	Subsidiary Company	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Purchases of Goods					
MSP Sponge Iron Limited				2,745.11 (3,323.71)	2,745.11 (3,323.71)
MSP Metallics Limited				4,291.79 (5,165.74)	4,291.79 (5,165.74)
Chaman Metallics Limited				122.16 (22.68)	122.16 (22.68)
MSP Rolling Mills Private Limited				- (2.63)	- (2.63)
Howrah Gases Limited				337.59 (-)	337.59 (-)
Managerial Remuneration					
Mr. Puranmal Agrawal			36.00 (36.00)		36.00 (36.00)
Mr. Suresh Kumar Agrawal			30.00 (30.00)		30.00 (30.00)
Legal & Professional Charges Paid					
MSP Mines & Minerals Private Limited				6.97 (4.15)	6.97 (4.15)
Rent Paid					
MSP Infotech Private Limited				3.60 (3.60)	3.60 (3.60)
Shree Khathupatti Mercantiles Private Limited				2.43 (2.43)	2.43 (2.43)
Mrs. Kasturi Devi Agrawal			0.84 (0.48)		0.84 (0.48)
Mrs. Nisha Agrawal			0.58 (0.30)		0.58 (0.30)
Mrs. Kiran Agrawal			0.58 (0.30)		0.58 (0.30)
Mr. Manish Agrawal			0.96 (0.48)		0.96 (0.48)
Mr. Saket Agrawal			0.96 (0.48)		0.96 (0.48)
Subscription to Equity Shares					
Madanpur South Coal Company Limited		22.35 (34.78)			22.35 (34.78)
MSP Group International Singapore (PTE) Limited	0.33 (-)				0.33 (-)
MSP Power Limited				- (0.80)	- (0.80)
MSP Cement Limited				- (0.80)	- (0.80)

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) Related Party Disclosures (Contd.) :

(Rs. in lacs)

Nature of Transactions	Subsidiary Company	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Loans Taken					
MSP Infotech Private Limited				50.00 (-)	50.00 (-)
MSP Properties (India) Private Limited				50.00 (-)	50.00 (-)
Loans Given					
Pratik Mines & Minerals Private Limited				93.50 (-)	93.50 (-)
MSP Group International Singapore (PTE) Limited	4.58 (-)			(2.51)	4.58 (2.51)
Loans Repaid					
Pratik Mines & Minerals Private Limited				52.50 (-)	52.50 (-)
MSP Properties (India) Private Limited				25.00 (-)	25.00 (-)
Guarantees Given on behalf of					
Madanpur South Coal Company Limited		650.00 (650.00)			650.00 (650.00)
Guarantees Obtained					
Rama Alloys Private Limited				- (489.00)	- (489.00)
MSP Infotech Private Limited				1,500.00 (-)	1,500.00 (-)
Mr. Puranmal Agrawal			130.00 (119.00)		130.00 (119.00)
Mr. Suresh Kumar Agrawal			111.00 (91.00)		111.00 (91.00)
Mr. Manish Agrawal			140.00 (124.00)		140.00 (124.00)
Mr. Saket Agrawal			131.00 (113.00)		131.00 (113.00)
Interest Paid					
High Time Holding Private Limited				8.00 (4.34)	8.00 (4.34)
B.S. Confin Private Limited				4.00 (2.17)	4.00 (2.17)
MSP Infotech Private Limited				2.01 (-)	2.01 (-)
MSP Properties (India) Private Limited				1.49 (-)	1.49 (-)
Interest Received					
MSP Rolling Mills Private Limited				12.00 (13.64)	12.00 (13.64)

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) **Related Party Disclosures** (Contd.) :

(Rs. in lacs)

Nature of Transactions	Subsidiary Company	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Closing Balance as at the year end – debit					
MSP Metallics Limited				- (358.49)	- (358.49)
MSP Sponge Limited				361.70 (-)	361.70 (-)
MSP Cement Limited				1.20 (1.20)	1.20 (1.20)
MSP Coke Private Limited				61.60 (51.21)	61.60 (51.21)
MSP Rolling Mills Private Limited				120.13 (109.33)	120.13 (109.33)
MSP Group International Singapore (PTE) Limited	4.58 (-)			(2.51)	4.58 (2.51)
Madanpur South Coal Company Limited		2.00 (2.01)			2.00 (2.01)
MSP Power Limited				3.20 (3.20)	3.20 (3.20)
Pratik Mines & Minerals Private Limited				41.00 (-)	41.00 (-)
Closing Balance as at the year end – credit					
MSP Sponge Iron Limited				88.09 (145.30)	88.09 (145.30)
MSP Metallics Limited				166.17 (-)	166.17 (-)
Shree Khathupati Mercantiles Private Limited				1.41 (0.32)	1.41 (0.32)
MSP Mines & Minerals Private Limited				0.52 (1.21)	0.52 (1.21)
High Time Holding Private Limited				100.00 (100.00)	100.00 (100.00)
B.S Confin Private Limited				50.00 (50.00)	50.00 (50.00)
MSP Infotech Private Limited				52.34 (-)	52.34 (-)
MSP Properties (India) Private Limited				25.00 (-)	25.00 (-)
Mr. Puranmal Agrawal			2.10 (2.10)		2.10 (2.10)
Mr. Suresh Agrawal			1.77 (1.77)		1.77 (1.77)
Chaman Mettalics Limited				13.72 (-)	13.72 (-)
Howrah Gases Limited				35.56 (-)	35.56 (-)

Schedules forming part of the Balance Sheet and Profit and Loss Account

19. Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956: (To the extent applicable)

(i) Installed Capacity and Actual Production

	Unit	Annual Installed Capacity		Production	
		2009-10	2008-09	2009-10	2008-09
Pellet Plant	Mt	300,000	300,000	144,643	16,486
Sponge Iron	Mt	192,000	192,000	155,851	124,896
MS Ingot/Billet	Mt.	144,109	144,109	107,579	95,078
TMT Bar	Mt.	80,000	80,000	68,385	56,506
Structural Rolling Mill	Mt.	1,28,000	-	1,099	-
Captive Power Plant	Kwh	190,080,000	190,080,000	161,783,321	137,088,268

Notes: Since the industry in which the Company operates is de-licensed, the requirement for disclosure of licensed capacity is not applicable.

(ii) Details of Sales

Sales*	Unit	2009-10		2008-09	
		Quantity	Rs. in lacs	Quantity	Rs. in lacs
Sale of Finished Goods					
Sponge Iron	Mt	55,907	7,406.62	33,557	5,185.47
MS Ingot/Billets	Mt	47,227	10,025.44	57,230	15,565.98
TMT Bar	Mt	64,811	15,857.71	57,026	16,931.72
Structural TMT**	Mt	3	0.97	-	-
MS Angle (Trading)	Mt	-	-	102	41.79
MS Channel (Trading)	Mt	407	107.73	102	43.19
MS Plate (Trading)	Mt	-	-	317	174.20
R.S. Joist (Trading)	Mt	-	-	33	14.02
TMT (Trading)	Mt	10,332	3,761.80	343	120.42
Steel Round	Mt	474	125.61	-	-
			37,285.88		**38,076.79**
Sale of Scrap & By Product					
Iron Ore Fines	Mt	393	3.40	11,800	222.55
Coal Fines	Mt	60,487	445.98	98,819	488.79
Coal Tar	Mt	60	3.63	-	-
Scrap	Pcs	5436	33.60	-	-
			486.61		**711.34**
Sale of Raw Material					
Iron Ore	Mt	14,654	357.46	19,434	517.10
Coal	Mt	894	11.19	44,042	466.98
Pig Iron	Mt	-	-	30	5.21
Dolomite	Mt	46	0.30		
			368.95		**990.64**
Sale from Power Unit					
Power	Kwh	16,321,315	615.71	5,051,600	70.48
			615.71		**70.48**
Total			**38,757.15**		**39,849.25**

*excluding goods transferred for further processing as follows:

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Captive Consumption of Finished Goods	Unit	Quantity (MT)	
		2009-10	2008-09
Pellets	Mt	1,42,743	16,283
Sponge Iron	Mt	96,914	91,403
Billets/Ingots	Mt	60,204	38,939
TMT Bar #	Mt	2,618	414
Power	K.WH.	145,462,006	132,036,668

** adjusted with pre-operative expenses

includes 1835 MT consumed for projects (Refer schedule 17)

(iii) Details of Opening and Closing Stocks

Details of Finished Goods	Unit	2009-10		2008-09	
		Quantity (MT)	Rs. in lacs	Quantity (MT)	Rs. in lacs
Opening Stock :					
Pellet	Mt	203	-	-	-
Sponge Iron	Mt	1,831	243.28	1,895	220.29
MS Ingot/Billets	Mt	1,714	394.66	2,805	585.45
TMT Bar	Mt	918	243.39	1,852	470.04
Oxygen Gas	Cu M	257	-	257	0.30
Katha	Kg.	7	-	7	7.47
Cutch	Kg.	3	-	3	0.58
End Cuts	Mt	8	1.36	-	-
Total			**882.69**		**1,284.13**
Closing Stock :					
Structural TMT	Mt	1,096	228.75		
Pellet	Mt	2,103	89.99	203	-
Sponge Iron	Mt	4,861	532.99	1,831	243.28
MS Ingot/Billets	Mt	1,862	355.71	1,714	394.66
TMT Bar*	Mt	1,814	391.28	918	243.39
Oxygen Gas	Cu M	257	-	257	-
Katha	Kg.	7	-	7	-
Cutch	Kg.	3	-	3	-
End Cuts	Mt	15	2.01	8	1.36
Total			**1,600.74**		**882.69**

* Including stock with consignment agent - 196 Mt.

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(iv) Details of Purchase of Traded Goods

Purchase of Finished Goods	2009-10		2008-09	
	Quantity (MT)	Rs. in lacs	Quantity (MT)	Rs. in lacs
MS Angle	-	-	102	38.73
MS Channel	407	102.75	102	40.14
MS Plate	-	-	317	161.74
R.S. Joist	-	-	33	13.04
TMT	10,332	3,594.64	343	120.90
Steel Round	474	119.80	-	-
Total		**3,817.19**		**374.55**

(v) Details of Raw Materials Consumption

Consumption of Raw Materials (Including Shortage/Excess)*	2009-10		2008-09	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Coal	461,165	8,296.17	513,922	6,376.15
Iron Ore	315,324	5,998.63	308,588	10,687.05
Dolomite	8,420	60.60	11,154	74.92
Silico Manganese	1,604	700.79	1,572	609.58
Sponge/ Pig Iron	30,448	4,804.20	28,170	5,334.45
MS Billets/ Ingots	12,473	2,532.39	20,363	4,954.96
Iron Ore Pellet	-	-	16,486	741.85
Others		702.83		705.82
Total		**23,095.61**		**29,484.78**

*Note

(a) Including cost of raw materials sold during the year Rs. 756.00 lacs (Rs. 1442.43 lacs)

(b) Including raw material consumed during trial run process Rs. 202.84 lacs (Rs. 775.80 lacs .)

(c) Excludes captive consumption as reflected in Note No. 20 (ii) of Schedule 22

(vi) Break-up of consumption of raw materials, stores & spares consumed. [excluding items debited to other heads of expenses, but including amount debited to Pre-operative and Trial Run Expenses (Pending allocation)]

Particulars	Raw Materials		Stores & Spares Consumed	
	Rs. in lacs	%	Rs. in lacs	%
Indigenous	22,383.82	96.92	1,847.95	99.37
	(29,484.78)	(100)	(1,411.32)	(98.03)
Imported	711.79	3.08	11.67	0.63
	(-)	(-)	(28.33)	(1.97)
Total	**23,095.61**	**100**	**1,859.62**	**100**
	(29,484.78)	**(100)**	**(1,439.65)**	**(100)**

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

20. Value of Imports (calculated on CIF basis)

(Rs. in lacs)

Particulars	2009-10	2008-09
Capital Goods	79.51	274.21
Stores, Spares & Consumables	11.67	28.33
Raw Materials	711.79	-

21. Expenditure in foreign currency (on actual remittance basis)

(Rs. in lacs)

Particulars	2009-10	2008-09
Travelling	1.16	3.62
Commission	4.72	-

22. Earning in foreign currency (on accrual basis)

(Rs. in lacs)

Particulars	2009-10	2008-09
FOB Value of Exports (excluding sales made to Nepal in Indian rupees Rs. 73.56 lacs)	3,142.35	4,706.82

23. Previous year's figures including those given in brackets have been regrouped / rearranged where necessary to conform to this year's classification.

Signatories to Schedules 1 to 22

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	27399 of 1968	State Code	2 1
Balance Sheet Date	3 1 0 3 2 0 1 0		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III. Position of mobilisation/deployment of funds (Amount in Rs. Thousands)

Total Liabilities	7 7 3 4 9 6 8	Total Assets	7 7 3 4 9 6 8

Sources of Funds :

Paid up Capital	5 8 1 0 0 0	Share Application Money	2 2 2 0 0 0
Reserves & Surplus	1 4 3 1 8 8 0	Secured Loans	4 2 4 7 4 4 2
Un-secured Loans	3 6 3 2 7 1	Deferred Tax	1 9 8 5 7 9

Application of Funds

Net Fixed Assets	2 5 5 8 8 6 3	Investments	4 4 9 5 4 2
Net Current Assets	1 5 8 1 6 7 0	Misc. Expenditure	N I L
Capital Work-in-progress	2 4 5 4 0 9 7	Accumulated losses	N I L

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	3 9 5 8 5 3 8	Total Expenditure	3 5 7 6 2 4 7
Profit/Loss before Tax	3 8 2 2 9 1	Profit/Loss after Tax	3 2 0 5 4 2
Earning per share in Rs.	5 . 5 2	Dividend	N I L

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	7 2 1 4 9 0 0 0
Product Description	T M T B A R
Item Code No. (ITC Code)	7 2 0 3 1 0 0 0
Product Description	S P O N G E I R O N
Item Code No. (ITC Code)	7 2 2 4 9 0 9 1
Product Description	M . S . B I L L E T S

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Date : 29th May, 2010

Statement regarding Subsidiary Companies pursuant to Section 212 of The Companies Act, 1956

Name of Company	MSP Group International Singapore (PTE) Ltd.
(A) The “Financial Year” of the Subsidiary Company	31st March, 2010
(B) Shares of the Subsidiary held by MSP Steel & Power Limited on the above dates:	
(a) Number and face value	1000 shares of 1S$ each fully paid up
(b) Extent of holding	100%
(C) The net aggregate of Profits/(Losses) of the Subsidiary Company so far as it concerns the member of the MSP Steel & Power Limited-	
(a) Not dealt with in the accounts of MSP Steel & Power for the year ended March 31, 2010 amounted to-	-
(i) for the Subsidiaries financial year ended as in (A) above (Rs. lacs)	
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries (Rs. lacs)	
(b) Dealt with in the accounts of MSP Steel & Power Limited for the year ended March 31, 2010 amounted to-	
(i) for the Subsidiaries financial year ended as in (A) above	(Rs. 2.71 lacs)
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	

Report of the Directors

The directors are pleased to present their report to the members together with the financial statements of the Company for the year ended 31 March 2010.

1. **Directors**

   The directors of the Company in office at the date of this report are:

   Manish Agrawal
   Richa Agrawal
   Ragini Dhanvantray

2. **Arrangements to Enable Directors to Acquire Shares or Debentures**

   Except as described in the financial statements, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. **Directors' Interests in Shares or Debentures**

   None of the directors holding office at the end of the financial period had interest in any share capital of the company and related corporation as recorded in the register of director's shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap 50.

4. **Directors' Contractual Benefits**

   Except as disclosed in the financial statements, since the date of incorporation, no director has received or become entitled to receive a benefit which is required to be disclosed by Section 201(8) of the Companies Act , Capter. 50 by reason of contract made by the company or related corporation with the directors, or with a firm of which the Directors are members, or with a company in which the Directors have substantial financial interest, except for benefits as disclosed, in the financial statements.

5. **Share Options**

   During the year, no option to take up unissued shares of the company was granted.

   During the year, no shares of the company were issued by virtue of the exercise of an option to take up unissued shares.

   At the end of the year, there were no unissued shares of the company under option.

6. **Auditors**

   The Company is an exempt private company and has met the requirement for an audit exemption.

On Behalf of the Board of Directors,

Manish Agrawal
Director

Richa Agrawal
Director

Singapore
25th May 2010

Statement by Directors

In the opinion of the directors,

(a) The statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2010, and of the results, changes in equity and cash flows of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On Behalf of the Board of Directors,

Manish Agrawal
Director

Richa Agrawal
Director

Singapore
25th May 2010

Statement of Comprehensive Income For the financial year ended 31st March, 2010

	Notes	2010 S$	2009 S$
Revenue		-	-
Other items of expenses			
Administrative expenses	4	(2,273)	(6,145)
Finance costs	5	-	(59)
LOSS BEFORE TAX FROM		**(2,273)**	**(6,204)**
CONTINUING OPERATIONS			
Income tax expenses	6	-	-
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		**(2,273)**	**(6,204)**

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position As at 31st March, 2010

	Notes	2010 S$	2009 S$
ASSETS			
Current assets			
Other receivable	7	3,000	3,000
Cash and cash equivalents	8	7,695	7,695
Total current assets		**10,695**	**10,695**
TOTAL ASSETS		**10,695**	**10,695**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,000	1,000
Retained earnings		(8,477)	(6,204)
		(7,477)	(5,204)
Current liabilities			
Other payables	10	3,994	1,721
Amount due to holding company	11	14,178	14,178
Total current liabilities		**18,172**	**15,899**
TOTAL EQUITY AND LIABILITIES		**10,695**	**10,695**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity For the financial year ended 31st March, 2010

	Share capital S$	Retained earnings S$	Total Equity S$
Issuance of share capital at date of incorporation	1,000		1,000
Total comprehensive loss for the period	-	(6,204)	(6,204)
Balance as at 31 March 2009	**1,000**	**(6,204)**	**(5,204)**
Balance as at 1 April 2009	1,000	(6,204)	(5,204)
Total comprehensive loss for the year	-	(2,273)	(2,273)
Balance as at 31 March 2010	**1,000**	**(8,477)**	**(7,477)**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow For the financial year ended 31st March, 2010

	Notes	2010 S$	2009 S$
OPERATING ACTIVITIES			
Loss before income tax		(2,273)	(6,204)
Operating cash flows before movements in working capital		(2,273)	(6,204)
Changes in other receivable		-	(3,000)
Changes in other payables		2,273	1,721
Cash generated from operations		**-**	**(7,483)**
Income taxes paid		-	-
Net cash used in operating activities		**-**	**(7,483)**
INVESTING ACTIVITY		**-**	**-**
FINANCING ACTIVITIES			
Changes in amount due to holding company		-	14,178
Proceeds from issuance of ordinary shares			1,000
Net cash generated from financing activities		**-**	**15,178**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**-**	**7,695**
Cash and cash equivalents at the beginning of the year/period		7,695	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	8	**7,695**	**7,695**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements 31st March, 2010

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

1. **Domicile and activities**

   The Company (Registration Number 2008-18375-D) is incorporated and domiciled in Singapore with its principal place of business and registered office at 20, Cecil Street, #14-01, Equity Plaza, Singapore 049705.

   The principal activities of the company are general wholesale trade, including general importers and exporters and other personal service activities necessary.

   The Company is wholly owned by M.S.P. Steel & Power Limited, incorporated in India.

   The statement of financial position of the Company for the financial year ended 31 March 2010 were authorised for issue by the Board of Directors on 25th May 2010.

2. **Summary of significant accounting policies**

   a) **Statement of compliance**

      In the current financial year, the Company has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Company's accounting policies and has no material effect on the amount reported for the current or prior years.

   b) **Basis of preparation**

      The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (FRS) including related Interpretations of FRS (INT FRS) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

      The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The statement of financial position of the Company are presented in Singapore dollar which is the functional currency of the Company and the presentation currency financial statements.

      The preparation of the financial statements in conformity with FRS requires management to make judgments, estimates and assumptions that affect the Company's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

   c) **Cash and cash equivalents**

      Cash and cash equivalents comprise of deposits in the bank.

   d) **Income tax**

      Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

      Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

      The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

      Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

e) Share capital

Proceeds from issuance of ordinary shares are recognized as share capital in equity.

f) Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried, at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Notes to the Financial Statements 31st March, 2010 *(Contd.)*

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

g) **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

3. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

a) **Critical judgements in applying the entity's accounting policies**

Management is of the opinion that there is no critical judgement (other than those involving estimates) that has a significant effect on the amounts recognised in the financial statements.

b) **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Going concern

The financial statements have been prepared on a going concern basis. The Company incurred a net loss of S$8,477 for the financial year ended 31st March 2010 and as at that date, the company's total current and total liabilities exceed its total current and total assets by S$7,477. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Notes to the Financial Statements 31st March, 2010 *(Contd.)*

However, the Company is able to meet its financial obligations and to continue as a going concern based on the Company generating profits in the near future, sufficient positive cash flows from its operations and/or having continued financial support from the directors and the holding company.

4. Administrative expenses

	2010 S$	2009 S$
Incorporation fee	-	950
Professional fees	1,702	4,018
Secretarial fee	250	856
Tax fee	321	321
	2,273	6,145

5. Finance costs

	2010 S$	2009 S$
Bank charges	-	59

6. Income tax expense

No provision for tax is made as the Company is in a tax loss position.

Deferred tax benefits arising from these losses have not been recognised in the accounts owing to the uncertainty of their realisation in the foreseeable future.

7. Other receivable

	2010 S$	2009 S$
Deposit	3,000	3,000

8. Cash and cash equivalents

	2010 S$	2009 S$
Cash at bank	7,695	7,695
Cash and cash equivalents	7,695	7,695

9. Share capital

	2010 S$	2009 S$
Issued and fully paid		
1,000 ordinary shares of $1 each	1,000	1,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Notes to the Financial Statements 31st March, 2010 *(Contd.)*

10. Other payables

	2010 S$	2009 S$
Accrual	2,140	1,070
Others	1,854	651
	3,994	1,721

11. Amount due to holding company

The amount due to holding company is non-trade, unsecured, non-interest bearing and with no fixed terms of repayment.

12. Financial risk management

The main risks arising from the Company's financial instruments are liquidity risk and fair value of financial assets and liabilities. The policies for managing the risks are summarized below:

(a) Liquidity risk

Liquidity risk is the risk that the Company is unable to pay its debts as and when they fall due. To mitigate this risk, the Company receives funds from directors and shareholder as and when necessary. Liquidity risk arises if such financial support is abruptly withdrawn.

(b) Foreign exchange risk

The Company is not exposed to any foreign exchange risks.

(c) Interest rate risk

The Company is not exposed to significant market risk for changes in interest rates as the Company has no loans and borrowings which are subject to interest charge.

(d) Fair value of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

13. Comparative Figures

The comparative figures for the financial period are in respect of the period from 17 September 2008 (date of incorporation) to 31 March 2009.

Detailed Income Statement For the year ended 31st March, 2010

	2010 S$	2009 S$
Revenue	-	-
Less : (Schedule 1)		
Administrative expenses	(2,273)	(6,145)
Finance costs	-	(59)
Loss before taxation	**(2,273)**	**(6,204)**

The above statement does not form part of the financial statements of the Company and is prepared solely for tax purposes.

Schedule 1

	2010 S$	2009 S$
Administrative Expenses		
Incorporation fee	-	950
Professional fees	1,702	4,018
Secretarial fee	250	856
Tax fee	321	321
	2,273	**6,145**
Finance costs		
Bank charges	-	59
	-	**59**

The above statement does not form part of the financial statements of the Company and is prepared solely for tax purposes.

Personal Indemnity

We, the Directors of MSP GROUP INTERNATIONAL (SINGAPORE) PTE. LTD., hereby agree that the Report of the Directors and the accompanying Financial Statements prepared by Rikvin Pte Ltd in accordance with statutory provisions in force at the time of preparation is strictly based on the information provided by the MSP GROUP INTERNATIONAL (SINGAPORE) PTE. LTD.

The Directors of MSP GROUP INTERNATIONAL (SINGAPORE) PTE. LTD. will not hold Rikvin Pte Ltd liable on any grounds whatsoever to any party in respect of reliance on the information contained in this report.

For **MSP Group International (Singapore) Pte. Ltd.**
Date: 25th May 2010

Manish Agrawal
Director

Richa Agrawal
Director

Auditors' Report

To
The Members of
Madanpur South Coal Company Ltd.

1. We have audited the attached balance sheet of Madanpur South Coal Company Ltd., as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' 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 matter specified in paragraphs 4 and 5 of the said order.

4. Further to our comment 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 the books;

   iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;

   iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report complies 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 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read alongwith the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in the case of the balance sheet, of the state of the affairs of the Company, as at 31st March, 2010; and

      b) in the case of the Profit & Loss Account, of the Loss for the year ended on that date.

For **O P Singhania & Co.**
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 76961

Place : Raipur
Date : 25.05.2010

Annexure to the Auditors' Report

Re: Madanpur South Coal Company Limited
Referred to in paragraph 3 of our report of even date,

i) (a) The Company has maintained the proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) These fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.

(c) The company has not disposed off any part of its fixed assets so as to affect its going concern status.

ii) As there was no any inventories, therefore, the provisions of clause 4(ii),(a),(b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(iii) According to the information and explanation given to us, the company has not granted/taken any loans to/from any companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(a),(b),(c),(d),(e),(f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

iv) In our opinion and according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of fixed assets and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

v) According to the information & explanations given to us, there was no any transactions made with the company, firms or other parties that need to be entered in the register maintained under section 301 of the Companies Act, 1956, therefore, the provisions of clause 4(v)(a) and (b) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

vi) According to the information and explanations given to us, the company has not accepted any deposits from the public with in the meaning of section 58A and 58AA of the Act and the rules framed there under.

vii) In our opinion the company has an internal audit system commensurate with the size and nature of its business.

viii) As informed to us, the Central Govt has not prescribed for the maintenance of cost record under section 209(1)(d) of the Companies Act, 1956, therefore, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

ix) a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor's education and protection fund, employees' state insurance, income tax, wealth tax, sales tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information & explanations given to us, no undisputed amounts payable in respect of statutory dues as stated above were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no statutory dues in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

x) As the company does not have any commercial activities, therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

Annexure to the Auditors' Report *(Contd.)*

xi) As the company has not taken any loans from banks or financial institutions and also does not issued any debentures, therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans & advances on the basis of security by way of pledge of securities, therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xiv) In our opinion and according to information and explanations given to us, the company does not have any transactions and contracts related to dealing or trading in shares, securities, debentures and other investments, therefore, the provisions of clause 4(xiv)of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions, therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xvi) As there was no any term loan from banks, therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xvii) As there was no any short term loan from banks, therefore, the provisions of clause 4(xvii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xviii) The company has not made any preferential allotment of shares during the year. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xix) The company has not issued any debentures during the year; therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xx) The company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year. Therefore, the provisions of clause 4(xxi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

For **O P Singhania & Co.**
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 76961

Place : Raipur
Date : 25.05.2010

Balance Sheet As at 31st March, 2010

(Amount in Rs.)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
I. SOURCES OF FUNDS			
Shareholders' Funds			
a) Capital	"A"	9,119,110.00	8,369,090.00
b) Share Application Money Pending Allotment		184,726.61	6,162.91
c) Reserves & Surplus	"B"	106,043,568.09	91,793,188.09
		115,347,404.70	100,168,441.00
Loan Funds			
a) Secured Loans		-	-
b) Unsecured Loans	"C"	600,000.00	600,000.00
		600,000.00	600,000.00
Total		**115,947,404.70**	**100,768,441.00**
II. APPLICATION OF FUNDS			
Fixed Assets	"D"		
Gross Block		26,277,978.00	25,236,558.00
Less : Depreciation		201,826.00	58,426.00
Net Block		26,076,152.00	25,178,132.00
Work in Progress including Pre-operative expenses & Advances		59,395,163.90	46,612,883.00
		85,471,315.90	**71,791,015.00**
Investments		-	-
Deferred Tax Assets (Net)		46,821.00	-
Current Assets, Loans & Advances			
a) Cash & Bank Balances	"E"	28,868,575.80	27,764,955.00
b) Loans & Advances	"F"	1,480,241.00	1,120,508.00
		30,348,816.80	28,885,463.00
Less: Current Liabilities & Provisions	"G"	107,265.00	84,837.00
Net Current Assets		**30,241,551.80**	**28,800,626.00**
Miscellaneous Expenditure			
(To the extent not written off or Adjusted)			
Preliminary Expenses		141,440.00	176,800.00
Profit & Loss Account		46,276.00	-
		187,716.00	**176,800.00**
Total		**115,947,404.70**	**100,768,441.00**
Notes to the Accounts	"H"		

As per our Report of even date

For **O. P. Singhania & Co.**
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 76961

Place : Raipur
Date : 25.05.2010

On behalf of Board of Directors

G. K. Chhanghani
Director

Alok Choudhary
Director

Profit and Loss Account For the year ended 31st March, 2010

(Amount in Rs.)

	Schedule	Year ended 31st March, 2010	Year ended 31st March, 2009
INCOME			
Interest received		111,068.00	0.00
		111,068.00	**0.00**
EXPENDITURE			
Filling Fees		8,860.00	0.00
Audit fees		16,545.00	0.00
Miscellaneous Expenditure Written off		35,360.00	0.00
Depreciation		143,400.00	0.00
		204,165.00	**0.00**
Profit/(Loss) for the year before Tax		(93,097.00)	0.00
Provision for current income-tax		0.00	0.00
Deferred Tax Adjustment (Net)		46,821.00	0.00
Profit/(Loss) for the year after Tax		**(46,276.00)**	**0.00**
Balance Carried to Balance Sheet		**(46,276.00)**	**0.00**
Earning per share (Basic & Diluted)		(0.05)	0.00
Notes to the Accounts	"H"		

As per our Report of even date

For **O. P. Singhania & Co.**
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 76961

Place : Raipur
Date : 25.05.2010

On behalf of Board of Directors

G. K. Chhanghani
Director

Alok Choudhary
Director

Schedules forming part of the Balance Sheet

(Amount in Rs.)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 'A' SHARE CAPITAL		
Authorised		
1000000 (1000000) Equity Share of Rs. 10/- each	10,000,000.00	10,000,000.00
Issued, Subscribed and Paid Up:		
911911 (836909) Equity Share of Rs. 10/- each fully paid up	9,119,110.00	8,369,090.00
	9,119,110.00	**8,369,090.00**

SCHEDULE 'B' RESERVES & SURPLUS		
Securities Premium Account		
As per last account	91,793,188.09	57,660,830.00
Addition during the year	14,250,380.00	34,132,358.09
	106,043,568.09	**91,793,188.09**

SCHEDULE 'C' UNSECURED LOANS		
Other Loans & Advances		
From Body Corporates other than Bank	600,000.00	600,000.00
	600,000.00	**600,000.00**

SCHEDULE 'D' FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2009	Addition during the year	As at 31.03.2010	Up to 31.03.2009	For the year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Freehold Land	25,104,420.00	-	25,104,420.00	-	-	-	25,104,420.00	25,104,420.00
Furniture & Fixtures	16,950.00	287,724.00	304,674.00	10,411.00	37,274.00	47,685.00	256,989.00	6,539.00
Office Equipment	-	243,340.00	243,340.00	-	22,613.00	22,613.00	220,727.00	-
Vehicle	41,584.00	450,000.00	491,584.00	16,956.00	50,105.00	67,061.00	424,523.00	24,628.00
Computer	73,604.00	60,356.00	133,960.00	31,059.00	33,408.00	64,467.00	69,493.00	42,545.00
	25,236,558.00	**1,041,420.00**	**26,277,978.00**	**58,426.00**	**143,400.00**	**201,826.00**	**26,076,152.00**	**25,178,132.00**
Previous Year	7,073,907.00	18,162,651.00	25,236,558.00	22,536.00	35,890.00	58,426.00	25,178,132.00	7,051,371.00

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 'E' CASH & BANK BALANCES		
Cash in hand (as certified by the management)	2,381,221.00	1,251,880.00
Balances with Scheduled Banks		
On Current Account	887,354.80	3,913,075.00
On Deposit Account*	25,600,000.00	22,600,000.00
	28,868,575.80	**27,764,955.00**

* Pledged with Bank against Bank Guarantee

Schedules forming part of the Balance Sheet

(Amount in Rs.)

	As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 'F' LOANS & ADVANCES		
Advances recoverable in cash or in kind or for value to be received	100,699.00	107,199.00
Deposit with others	54,500.00	6,500.00
TDS Receivable	1,150,138.00	869,880.00
Interest accrued on FDR	174,904.00	136,929.00
	1,480,241.00	**1,120,508.00**
SCHEDULE 'G' CURRENT LIABILITIES & PROVISIONS		
Other Liabilities	107,265.00	74,767.00
FBT Payable	-	10,070.00
	107,265.00	**84,837.00**

SCHEDULE 'H' NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

a) Accounting Convention

The accounts of the company are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act,1956.

b) Fixed Assets

Fixed Assets are stated at cost less depreciation. All costs including incidental expenses incurred in relation to acquisition and installation till the assets is put to commercial use are capitalized.

c) Depreciation

Depreciation is provided on Written Down Value Method based on estimated useful life of the assets which is same as envisaged in Schedule XIV of the Companies Act,1956.

d) Capital Work In Progress/Project Expenses

Projects under commissioning and other capital work in progress are carried at cost, comprising direct cost, related incidental expenses, attributed cost and advances for capital goods. Expenses incurred on exploration of new projects are to be capitalised in the relevant period on execution. If project is dropped, the expenditure incurred till date is to be charged to Profit & Loss Account.

SCHEDULE 'H' > NOTES TO THE ACCOUNTS (Contd.)

e) **Borrowing Cost**

Borrowing Cost attributable to the acquisition/construction of qualifying assets are capitalized and added to the cost of related assets. Other borrowings cost are recognised as an expense in the period in which they are incurred.

f) **Contingent Liabilities**

Liabilities which are material and whose future outcome cannot be reasonably ascertained are treated as contingent and not provided for and disclosed by way of notes to the accounts.

g) **Taxes on Income**

Current Taxes are accounted based on provisions of Income Tax Act,1961.

Deferred Tax is recognized, subject to the consideration of prudence, in timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

h) **Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to profit & loss account. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

i) **Earnings per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a right issue to existing shareholders.

2. **Contingent Liabilities not provided for in respect of**

(Amount in Rs.)

Particulars	2009-10	2008-09
Counter guarantee given to Bank against Bank Guarantee issued	436000000	436000000

3. Estimated amount of contracts remaining to be executed on capital accounts Rs. 34.64 lacs (Previous Year Rs. 34.35 lacs).

4. **Earning per Share**

(Amount in Rs.)

Particulars	2009-10	2008-09
Net Profit after tax	(46276.00)	0.00
Weighted average No.of Equity Shares of Rs. 10/- each	846567	722314
Basic and Diluted earning per share	(0.05)	0.00

Schedules forming part of the Balance Sheet and Profit and Loss Account

SCHEDULE 'H' NOTES TO THE ACCOUNTS (Contd.)

5. **Accounting for Taxes on Income**

As required by Accounting Standard-22 "Accounting for Taxes on Income", issued by ICAI, the Company has recognised the deferred tax. The details of major components are as under:-

(Amount in Rs.)

Particulars	Balance carried As at 1st April, 2009	Arising during the year	Balance carried As at 31st March, 2010
Deferred Tax Liabilities			
Timing difference between book and tax depreciation	0.00	(5950.00)	(5950.00)
Deferred Tax Assets			
Carried Forward Unabsorbed Depreciation	0.00	52771.00	52771.00
Net Deferred Tax Assets (Liability)	**0.00**	**46821.00**	**46821.00**

6. **Payment to Auditors**

(Amount in Rs.)

Particulars	2009-10	2008-09
Towards Audit Fees	16545.00	16545.00

7. There is no additional information as required by paragraph 3, 4(c) and 4(d) of Part II of Schedule VI to the Companies Act,1956.

8. The previous year figures are regrouped/rearranged wherever necessary.

As per our Report of even date

For **O. P. Singhania & Co.**
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 76961

Place : Raipur
Date : 25.05.2010

On behalf of Board of Directors

G. K. Chhanghani
Director

Alok Choudhary
Director

Balance Sheet Abstract and Company's General Business Profile

Additional information as required under Part IV to the Companies Act, 1956

I. Registration Details

Registration No.	U10300CT2006PLC02006	State Code	1 0
Balance Sheet Date	3 1 0 3 2 0 1 0		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	7 5 0

III. Position of mobilisation/deployment of funds (Amount in Rs. Thousands)

Total Liabilities	1 1 6 0 5 5	Total Assets	1 1 6 0 5 5
Sources of Funds :			
Paid up Capital	9 1 1 9	Share Application Money	1 8 5
Reserves & Surplus	1 0 6 0 4 4	Secured Loans	N I L
Un-secured Loans	6 0 0		
Application of Funds			
Net Fixed Assets	8 5 4 7 1	Investments	N I L
Net Current Assets	3 0 2 4 2	Misc. Expenditure	1 4 1
Deferred Tax Assets	4 7	Accumulated losses	4 6

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Gross Receipts)	1 1 1	Total Expenditure	2 0 4
Profit/Loss before Tax	(9 3)	Profit/Loss after Tax	- 9 3
Earning per share in Rs.			
Dividend Rate Including Special Dividend, If any			
On Preference Shares	N I L	On Equity Shares	N I L

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	N A
Product Description	N A
Item Code No. (ITC Code)	N A
Product Description	N A

On behalf of Board of Directors

G. K. Chhanghani
Director

Place : Raipur
Date : 25.05.2010

Alok Choudhary
Director

Consolidated Auditors' Report

To
The Board of Directors
MSP Steel & Power Limited

1) We have audited the attached consolidated balance sheet of MSP Steel & Power Limited, its subsidiary and joint venture together referred as "the Group", as at 31st March 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the MSP Steel & Power Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) As indicated in Note No (i)(d) on Schedule 22, the financial statements of MSP Group International (Singapore) PTE. Ltd, a wholly owned subsidiary, which reflect total assets of Rs. 3.43 lacs as at 31st March, 2010, total expenditure of Rs. 2.71 lacs and cash flows amounting to Rs. 2.71 lacs (net cash outflow) for the year then ended have been consolidated based on unaudited financial statements as furnished to us, which has been relied upon by us.

4) We did not audit the financial statement of Madanpur South Coal Company Ltd, a joint venture company whose share of total assets in the Group is Rs. 172.64 lacs as at 31st March, 2010 and share of total revenue and share of cash flows (net cash outflow) is Rs. 0.16 lacs and Rs. 0.70 lacs respectively for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.

5) We report that the consolidated financial statements have been prepared by the MSP Steel & Power Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures.

6) *As more fully discussed in note 15 to Schedule 22 to the financial statements, the Company is in the process of updating its fixed assets records and reconciling the book balances with the assets physically found. Pending the completion of above process, we are unable to comment on the adjustments to the carrying value of fixed assets arising out of the discrepancies, if any.*

7) Based on our audit and on consideration of the financial statements of the subsidiary and report of other auditor on financial statements of a joint venture and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *Subject to the matter contained in para 6 above the effect of which is currently not ascertainable,* we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

   i) in the case of consolidated balance sheet, of the state of affairs of the Group as at 31st March 2010;

   ii) in the case of consolidated profit and loss account, of the profit of the group for the year ended on that date; and

   iii) in the case of consolidated cash flow statement, of the cash flows of the group for the year ended on that date.

For **S.R. Batliboi & Co.**
Firm Registration Number : 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No. 16667

Place : Kolkata
Date : 29th May, 2010

Consolidated Balance Sheet As at 31st March, 2010

(Rs. in lacs)

	Schedule	As at 31st March, 2010
SOURCES OF FUNDS		
Shareholders' Fund		
Share Capital	1	5,810.00
Share Application Money (Refer Note No. 4 on Schedule 22)		2,220.00
Reserves & Surplus	2	14,315.97
		22,345.97
Loan Funds		
Secured Loans	3	42,474.42
Unsecured Loans	4	3,633.60
		46,108.02
Deferred Tax Liability (Refer Note No. 10(b) on Schedule 22)		1,985.79
		70,439.78
APPLICATION OF FUNDS:		
Fixed Assets		
Gross Block	5	29,261.40
Less : Accumulated Depreciation		3,633.92
Net Block		**25,627.48**
Capital work in Progress (Including Capital Advances)	6	22,305.62
Pre-operative & Trial Run Expenses (Pending Allocation)	7	2,323.85
		50,256.95
Investments	8	4,323.50
Deferred Tax Asset		0.07
Current Assets, Loans & Advances		
Inventories	9	6,834.01
Sundry Debtors	10	6,683.72
Cash & Bank Balances	11	3,832.21
Other Current Assets	12	6.65
Loans & Advances	13	5,410.15
		22,766.74
Less:		
Current Liabilities & Provisions	14	
Current Liabilities		6,424.76
Provisions		482.93
		6,907.69
Net Current Assets		**15,859.05**
Miscellaneous Expenditure (To the extent not written off or adjusted)		0.21
Preliminary Expense		-
		70,439.78
Significant Accounting Policies and Notes on Accounts	22	

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

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata - 700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Consolidated Profit and Loss Account For the year ended 31st March, 2010

(Rs. in lacs)

	Schedule	2009-10	
INCOME			
Gross Sales	15		41,427.80
Less: Excise Duty			2,553.32
Net Sales			38,874.48
Other Income	16		711.07
			39,585.55
EXPENDITURE			
Decrease/(Increase) in Stocks	17		(596.15)
Excise Duty and Cess on Stocks			80.24
(Refer Note No. 14 on Schedule 22)			
Raw Materials Consumed	18		22,892.77
Purchase of Trading Goods			3,817.19
Personnel Cost	19		1,193.84
Manufacturing, Selling & Administrative Expenses	20		5,048.97
Prior Period Expenses [Net of Prior Period Income Rs. 6.69 lacs]			30.63
Interest & Finance Charges	21		2,040.43
Depreciation			1,257.57
			35,765.49
Profit before Taxes			**3,820.06**
Provision For Taxes:			
- Current Tax		685.13	
Less: MAT Credit Entitlement		472.84	212.29
(Refer Note No. 10(a) on Schedule 22)			
- Prior year tax Expenses			2.36
- Deferred Tax charge (Net)			402.77
Profit After Taxes			**3,202.64**
Balance Brought Forward from Last Year			11,057.79
Balance carried to the Balance Sheet			**14,260.43**
Earning per share [Nominal value of shares - Rs. 10/-]			5.51
- Basic & Diluted (Rs.)			
(Refer Note No. 12 on Schedule 22)			
Significant Accounting Policies and Notes on Accounts	22		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata - 700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Consolidated Cash Flow Statement For the year ended 31st March, 2010

(Rs. in lacs)

	2009-10	
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before taxes		3,820.06
Adjustments for :		
Depreciation	1,257.57	
Loss on Foreign Exchange Fluctuation/Forward	8.90	
Irrecoverable Debts, Deposits and Advances written off	74.08	
Provision for bad & doubtful debts/advances	98.74	
Liabilities no longer required written back	(61.18)	
Loss on sale of fixed assets	0.90	
Preliminary Expenses written Off	0.05	
Interest on loans, deposits etc.	(68.74)	
Interest Expenses	1,945.57	
Dividend Income	(1.06)	
Operating Profit before working capital changes	3,254.84	
Movement in Working Capital for:		
(Increase)/Decrease in Sundry Debtors	(2,611.11)	
(Increase)/Decrease in Loans & Advances	(817.80)	
(Increase)/Decrease in Inventories	(2,900.25)	
Increase/(Decrease) in Current Liabilities & Provisions	4,340.53	
Cash generated from Operations	1,266.20	
Direct Taxes Paid	527.64	
Net Cash generated from Operating Activities		4,558.62
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets [including Pre-Operative and Trial Run Expenses (Pending allocation)]	(16,542.73)	
Proceeds from sale of fixed assets	1.80	
Purchase of Investments	(7,351.63)	
Sale of Investments	3,700.92	
Exchange difference arising on consolidation	(0.05)	
Interest received	67.08	
Dividends received	1.06	
Net cash used in investing activities		(20,123.55)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Application money towards Preference Shares	2,220.00	
Long Term Borrowings Received	16,488.80	
Long Term Borrowings Repaid	(7,636.02)	
Short Term Borrowings Received (Net)	6,798.80	
Cash credit and working capital received (Net)	3,187.20	
Interest Paid	(3,664.78)	
Share Issue Expenses	(0.05)	
Net cash generated in financing activities		17,393.95
Net (Decrease)/Increase in Cash & Cash equivalents (A+B+C)		1,829.02
Cash & Cash equivalents as at the beginning of the year		1,882.16
Cash & Cash equivalents as at the end of the year*		3,711.18
* Represents the following		
Cash-on-hand		317.06
With Scheduled Banks on Current Account		3,394.12
		3,711.18

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

		As at 31st March, 2010
SCHEDULE 1 > SHARE CAPITAL		
Authorised		
6,00,00,000 Equity Shares of Rs. 10/- each		6,000.00
1,50,00,000 Preference Shares of Rs. 10/- each		1,500.00
		7,500.00
Issued, Subscribed & Paid-Up		
5,81,00,000 Equity Shares of Rs. 10/- each, fully paid up		5,810.00
		5,810.00
Of the Above:		
a) 71,800 Equity shares of Rs. 10/- each were allotted as fully paid up for consideration other than cash.		
b) 47,54,300 Equity share of Rs. 10/- each were allotted as fully paid bonus shares by capitalisation of securities premium.		

SCHEDULE 2 > RESERVES & SURPLUS		
Securities Premium Account		
As per last Account	55.59	
Less: Share Issue Expenses adjusted	-	55.59
Profit & Loss Account Balance		14,260.43
Foreign Currency Translation Difference Account		(0.05)
		14,315.97

SCHEDULE 3 > SECURED LOANS	
(Refer Note No. 6 on Schedule 22)	
From Scheduled Banks	
Term Loans	30,398.82
Cash Credit and Working Capital Facilities	11,980.04
Deferred Payment Credits under Hire Purchase	63.74
From Bodies Corporate	
Deferred Payment Credits under Hire Purchase	31.82
	42,474.42

SCHEDULE 4 > UNSECURED LOANS	
From Bodies Corporate	3,633.60
[Repayable within one year Rs. 2,022.80 lacs]	
	3,633.60

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE 5 > FIXED ASSETS

(Rs. in lacs)

Description	Gross Block (at cost)					Depreciation						Net Block
	As at 1st April 2009	Additions		Deletions/ Adjustments	As at 31st March 2010		As at 1st April 2009	For the year		Less: On Deletions/ Adjustments	As at 31st March 2010	As at 31st March 2010
Land	704.99	129.77		-	834.76	(b)	-	-		-	-	834.76
Factory Buildings	2,951.08	402.02		-	3,353.10		214.38	97.48		-	311.86	3,041.24
Non-Factory Buildings	143.13	-		-	143.13		7.51	2.86		-	10.37	132.76
Plant & Machinery	20,847.45	3,588.64		-	24,436.09		2,015.60	1,131.87		-	3,147.47	21,288.62
Vehicles	380.54	51.62		4.25	427.91		110.40	39.81		1.55	148.66	279.25
Furniture & Fixtures	61.87	4.54		-	66.41		13.57	1.99		-	15.56	50.85
Total	**25,089.06**	**4,176.59**	**(c)**	**4.25**	**29,261.40**		**2,361.46**	**1,274.01**	**(a)**	**1.55**	**3,633.92**	**25,627.48**

Notes:

a) Includes Rs. 16.36 lacs transferred to Pre-operative & Trial Run Expenses (Pending Allocation)

b) Includes Rs. 10.86 lacs, being the cost of land which is yet to be registered in the name of the Company.

c) Includes Rs. 499.72 lacs capitalised from Pre-operative & Trial Run Expense (Pending Allocation)

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March, 2010
SCHEDULE 6 > CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCES)	
Buildings	2,143.72
Plant & Machinery	16,764.69
Capital Goods in Stock [including in transit Rs. 96.74 lacs]	525.30
Capital Advances	2,783.71
Share of Capital Work In Progress of Joint Venture	88.20
Total	**22,305.62**

SCHEDULE 7 > PRE-OPERATIVE & TRIAL RUN EXPENSES (PENDING ALLOCATION)

Opening Balance Brought Forward	553.47
Raw Materials Consumed	**202.84**
Personnel Cost*	
Salary, Wages & Bonus	36.58
Contribution to Provident and Other Funds	0.62
Staff Welfare	0.28
*Refer Note No. 7 & 11 on Schedule 22	
Administrative and Other Indirect Overheads	
Stores & Spares Consumed	1.87
Power & Fuel	0.11
Repairs & Maintenance	
- Plant & Machinery	1.57
- Others	0.46
Material Handling Charges	3.91
Travelling & Conveyance	18.88
Vehicle Maintenance Expense	0.44
Insurance Charges	0.01
Printing and Stationary	0.02
Postage and Communication	0.46
Legal & Professional Charges	113.93
Rent & Hire Charges	59.89
Rates & Taxes	18.01
Miscellaneous Expenses	17.52
Borrowing Cost	
Interest on Term Loans	1,726.18
Finance Charges	258.22
Depreciation	16.66
Total	**3,031.93**
Less:	
Sale of Finished Goods	0.97
Closing Stock of Finished Goods (Transferred to Schedule - 17)	207.39
	2,823.57
Less: Transferred to Fixed Assets	499.72
Amount carried to Balance Sheet	**2,323.85**

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	Numbers of Shares	Face value per share (Rs.)	As at 31st March, 2010
SCHEDULE 8 > INVESTMENTS			
A. LONG TERM, Equity Shares (at Cost)			
(Unquoted, fully paid-up, other than trade)			
MSP Metallics Limited	420,000	10	402.00
MSP Properties (I) Private Limited	7,500	10	0.75
MSP Sponge Iron Limited	313,000	10	49.50
MSP Cement Limited	8,000	10	0.80
MSP Power Limited	8,000	10	0.80
Shree Sai Sharddha Metallics Private Limited	50,000	10	50.00
			503.85
In Others (Quoted, fully paid-up, other than trade)			
Howrah Gases Limited	93,700	10	15.91
Ashirwad Steel & Industries Limited	2,500	10	0.25
Nageshwar Investment Limited	11,000	10	0.61
Indian Ovearseas Bank	2,900	10	0.70
IDFC Limited	5,201	10	1.77
			19.24
B. CURRENT INVESTMENTS, Units of Mutual Funds (Quoted)			
In SBI Magnum Insta Cash Fund Daily Dividend Option	22,688,612	10	3,800.41
			3,800.41
Total			4,323.50

(Rs. in lacs)

		As at 31st March, 2010	
		Cost	Market Value
Aggregate Value of investments -	- Quoted	3819.65	3827.90
	- Unquoted	503.85	-
Total		4323.50	-

Notes:

Besides the above, the Company has purchased and sold the following units of mutual funds (other than trade, quoted) during the year:

a) Reliance Liquidity Fund Daily Dividend Reinvestment Option (19,995,515 Units)

b) SBI Magnum Insta Cash Fund Daily Dividend Option (10,150,781 Units)

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

SCHEDULE 9 > INVENTORIES

	As at 31st March, 2010
Stores & Spares	766.21
[including in transit Rs. 23.67 lacs]	
Raw Materials	3,632.28
[including in transit Rs. 251.74 lacs]	
Work in progress	28.42
Finished Goods	1,600.74
By Products	806.36
	6,834.01

SCHEDULE 10 > SUNDRY DEBTORS

(Unsecured)	
Debts Outstanding for a period exceeding six months	
Considered Good	544.68
Considered Doubtful	114.32
Other Debts	
Considered Good	6,139.04
	6,798.04
Less: Provision for Doubtful Debts	114.32
	6,683.72

(Refer Note No. 8 on Schedule 22)

SCHEDULE 11 > CASH AND BANK BALANCES

Cash on Hand	317.06
[including cheques in hand Rs. 100 lacs]	
Balances with Scheduled Banks on:	
Current Accounts	3,394.12
Fixed Deposit Accounts	121.03
[Receipts for Rs. 117.60 lacs pledged with banks as margin against loans/ guarantee issued by them and Rs. 3.42 lacs lodged with other parties]	
	3,832.21

SCHEDULE 12 > OTHER CURRENT ASSETS

Interest Receivable on loans, deposits etc.	6.65
	6.65

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March, 2010
SCHEDULE 13 > LOANS & ADVANCES	
(Unsecured)	
Considered Good	
Loans:	
To Others [Including to staff Rs. 21.30 lacs]	188.42
Advances recoverable in cash or in kind or for value to be received	2,605.85
[Including to staff Rs. 13.78 lacs]	
Export Incentive Receivable	35.92
Balance with Central Excise & Sales Tax Authorities	1,610.38
MAT Credit Entitlement	860.35
Security & Other Deposits	109.23
Considered Doubtful	
Advances recoverable in cash or in kind or for value to be received	19.40
	5,429.55
Less: Provision for Doubtful Advances	19.40
	5,410.15

(Refer Note No. 9 on Schedule 22)

SCHEDULE 14 > CURRENT LIABILITIES & PROVISIONS	
A. Current Liabilities	
Sundry Creditors for goods, services, expenses etc	
a) Due to Micro & Small Enterprises (Refer Note No. 6 on Schedule 22)	
b) Due to Others [Includes Rs. 3.87 lacs due to the Directors]	5,812.88
Other Liabilities	461.56
Advance from Customers	142.17
Temporary Bank Overdraft	1.18
Interest Accrued but not due on Loans	6.97
	6,424.76
B. Provisions	
Gratuity	28.94
Leave Salary	36.99
Taxation (Net of Advances)	417.00
	482.93

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	2009-10
SCHEDULE 15 > SALES	
Finished Goods	39,835.38
Power	615.71
Scraps & By Products	489.46
Raw Materials	368.95
Export Incentive	118.30
	41,427.80

SCHEDULE 16 > OTHER INCOME	
Interest on loan, deposits etc (Gross)	68.74
[Tax deducted at source Rs. 7.42 lacs]	
Claims Received	5.75
Dividend from Current Investments (Non Trade)	0.87
Dividend from Long Term Investments (Non Trade)	0.19
Liabilities no longer required written back	61.18
Gain on Transactions in Commodity Exchange	101.77
Commission Earned	451.47
Miscellaneous Receipts	21.10
	711.07

SCHEDULE 17 > DECREASE/(INCREASE) IN STOCKS	
Opening Stock	
Finished Goods	882.69
Goods under Process	34.71
By Products	1,069.94
	1,987.34
Add: Trial Run Stock Transferred (Refer Schedule-7)	207.39
	2,194.73
Less:	
Closing Stock	
Finished Goods	1,600.74
Goods under Process	28.42
By Products	806.36
	2,435.52
Less : Transfer to Fixed Assets	355.36
	(596.15)

SCHEDULE 18 > RAW MATERIAL CONSUMED	
Opening Stock	1,565.05
Add: Purchases (Including Procurement expenses)	24,960.00
	26,525.05
Less : Closing Stock	3,632.28
	22,892.77

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

		2009-10
SCHEDULE 19 > PERSONNEL COST		
Salary, Wages and Bonus		997.41
Contribution to Provident and Other Funds		44.16
Gratuity Expenses		36.33
Staff Welfare Expenses		49.94
Managerial Remuneration		66.00
		1,193.84

(Refer Note No. 7 & 11 on Schedule 22)

		2009-10
SCHEDULE 20 > MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES		
Stores & Spares Consumed		1,857.75
Power & Fuel		1,420.65
Repairs & Maintenance		
- Plant & Machinery		65.36
- Building		9.95
- Others		21.65
Material Handling Charges		406.00
Travelling & Conveyance		33.63
Vehicle Running & Maintenance Expense		145.98
Commission on sales (Other than Sole Selling Agents)		110.53
Selling Expenses		
Freight Outward [net of recoveries Rs. 218.32 lacs]		154.10
Auditor's Remuneration		
- Statutory Audit Fees		8.00
- Limited Review Fees		4.50
- Out of pocket expenses		0.34
Insurance Charges		11.44
Printing and Stationary		12.52
Postage and Communication		29.83
Legal & Professional Charges		31.65
Rent & Hire Charges		211.64
Rates & Taxes (Including Rs. 76.06 lacs for earlier years)		98.17
Loss on Foreign Exchange Fluctuation/Forward		
Exchange Contract (Net)		8.90
Charity & Donations		6.86
Irrecoverable Debts, Deposits and Advances written off	109.27	
Less: Adjusted with provision	35.19	74.08
Loss on sale of Assets		0.90
Provision for bad & doubtful debts/advances		98.74
Miscellaneous Expenses		225.75
Preliminary Expenses written Off		0.05
		5,048.97

		2009-10
SCHEDULE 21 > INTEREST & FINANCE CHARGES		
Interest		
- On Term Loans		1,089.43
- On Working Capital Facilities		826.25
- On Others		29.89
Finance Charges		94.86
		2,040.43

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

i) Principles of Consolidation

(a) The Consolidated Financial Statements present the consolidated Accounts of MSP Steel & Power Limited ("the Company") and its following Subsidiary and Joint Venture (collectively the "Group") :

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership / interest
		As at March 31, 2010
MSP Group International (Singapore) PTE. Ltd. (MSPGI)	Singapore	100%

In terms of Accounting Standard 21 notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended), no minority interest exists. MSPGI is into the business of wholesale trade, including general import and export and other service activities.

(b) The financial statements of the Company and its subsidiary have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and any unrealized profits.

(c) The financial statements of MSPGI. have been prepared in accordance with Singapore Financial Reporting Standard. However, there would be no major impact on the profitability or financial position on conversion of these accounts under Indian GAAP.

(d) MSPGI is a private Company and meets the requirement of audit exemption in Singapore. The unaudited financial statements, prepared by the management of MSPGI have been considered for the consolidation.

(e) The Joint Venture Company considered in the consolidated financial statements is as follows :

Name of the Joint Venture	Country of Incorporation	Proportion of Ownership / interest
		As at March 31, 2010
Madanpur South Coal Company Ltd. (MSCCL)	India	14.90%

(f) In terms of Accounting Standard 27 - 'Financial Reporting of Interests in Joint Venture' issued by the Institute of Chartered Accountants of India, MSCCL, in which the Company holds 14.90% shares, is a joint venture company and proportionate interest in the Joint Venture's assets, liabilities, income and expenditure has been consolidated on line by line basis by adding together the book value of like items of assets, liabilities, income and expenditure.

(g) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviation in accounting policies, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company's separate financial statements.

(h) In translating the financial statements of the non-integral foreign Subsidiary for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rate, while income and expense items are translated at average exchange rate and all resulting exchange differences are accumulated in foreign currency translation reserve.

(i) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2010

ii) Basis of preparation of Accounts

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in respect of insurance and other claims, which on the ground of prudence or uncertainty in realisation, are accounted for as and when accepted / received.

iii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

iv) Fixed Assets

a) Fixed Assets are stated at cost, less accumulated depreciation and impairment if any. The cost of acquisition comprises of purchase price inclusive of duties (net of Cenvat / VAT), taxes, incidental expenses, erection/commissioning/trial run expenses and borrowing cost etc, up to the date the assets are ready for intended use.

b) Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment, are expected to be irregular, are capitalized and depreciated prospectively over the residual life of the respective assets.

c) All direct expenditure relating to construction of project are capitalized as “Pre-operative & Trial Run Expenses (pending allocation)”. Administrative and general overheads which are specifically attributable to the construction of the project and/or bringing it to the working conditions for intended use are also capitalized as “Pre-operative & Trial Run Expenses (pending allocation)”.

d) The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and ‘value in use’ of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value arrived at after considering the prevailing interest rates and weighted average cost of capital.

v) Depreciation

a) The classification of Plant & Machinery into continuous and non-continuous process is done as per the technical evaluation and depreciation thereon is provided accordingly.

b) Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 or at the rates determined based on useful life of the respective asset, as estimated by the management, whichever is higher.

c) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over their remaining useful life.

vi) Borrowing Cost

Borrowing Cost relating to the acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete.

A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing cost are charged to revenue.

vii) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised. If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

viii) Foreign Currency Transactions

a) **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) **Conversion:** Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) **Exchange Differences:** Exchange differences arising on the settlement or reporting of monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, conversion of monetary items are recognized as income or expenses in the year in which they arise.

d) **Forward Exchange Contracts (not intended for trading or speculation purpose):** The premium or discount arising at the inception of forward exchange contracts is amortized as expenses or income over the life of the respective contracts. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or expense for the year.

ix) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determine on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognized a decline ‘other than temporary’ in the value of the investments.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

x) Inventories

a) Raw materials, Stores & spares & finished goods are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost is determined on 'First in First out' basis.

b) Goods under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on annual average basis.

c) Saleable scrap and by-products are valued at net realizable value.

d) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

xi) Retirement and Other Employee Benefits

a) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to Profit and Loss Account of the year when the contributions to the fund are due. There are no obligation other than contribution payable to the respective fund.

b) Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation, as per projected unit credit method made at the balance sheet date.

c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation, as per projected unit credit method.

d) Actuarial gains/losses are taken to profit and loss account and are not deferred.

xii) Taxation

Tax expense comprises of current (net of MAT credit entitlement) and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax, reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal income tax during the specified period.

xiii) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of Goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer, which generally coincides with delivery. Sales are net of returns, claims, trade discounts, Sales Tax and VAT etc.

Sale of Power

Revenue from sale of power is recognized on the basis of delivery of power to the customers from the grid.

Interest

Revenue is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable.

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Commission Income

Revenue is recognised when the services are rendered and there is no significant uncertainty as regards the collection thereof.

xiv) Segment Reporting Policies

Based on the synergies, risks and return associated with business operations and in terms of Accounting Standard-17, the Group is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17.

The analysis of geographical segments is based on the area in which the customers of the Group are located.

xv) Provision

A provision is recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

xvi) Earnings per Share

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

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

xvii) Excise duty & custom duty

Excise duty is accounted for at the point of manufacture of goods and accordingly is considered for valuation of finished goods stock lying in the factories as on the balance sheet date. Similarly, customs duty on imported materials in transit / lying in bonded warehouse is accounted for at the time of import / bonding of materials.

xviii) Cash and Cash equivalents

Cash and cash equivalents as indicated in the Cash Flow Statement comprise of cash on hand, cash at bank and short-term investments with an original maturity of three months or less.

xix) Contingencies

Liabilities, which are material and whose future outcome cannot be ascertainable with reasonable certainty, are treated as contingent and disclosed by way of notes to the accounts.

2. Contingent liabilities not provided for in respect of : *(Rs. in lacs)*

Particulars	As at 31st March, 2010
a) Excise Matters under dispute/ appeal	392.96
b) Sales Tax Matters under dispute/ appeal	34.20
c) Un-expired Bank Guarantees and Letters of Credit	603.74
d) Cess on Power Generation	(Amount unascertainable)
e) Claims against the Group not acknowledged as debt	60.67

A search and Seizure was conducted by the Excise Department at the Company's Plant at Raigarh on 17th February, 2009. During the current year, the excise department has returned back the documents relating to consumption of raw materials and production which were seized by the said department. The show cause cum demand notice for Rs. 55.81 lacs received from the department has been considered as contingent liability and included in (a) above.

3. Capital Commitments *(Rs. in lacs)*

Particulars	As at 31st March, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided for [including proportionate share of joint venture Rs. 5.16 lacs] (net of advances Rs. 2,783.71 lacs)	5,978.21

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

4. During the year, the Company has decided to issue 1,20,00,000 numbers of 6% non cumulative redeemable preference shares of Rs.100 each (including premium of Rs. 90 per share) on private placement basis. Against the said issue, a sum of Rs. 2,220 lacs has been received during the year from certain bodies corporate towards application money which is pending allotment as at March 31, 2010.

5. As per information available with the Group, there are no suppliers covered under Micro, Small & Medium Enterprise Development Act, 2006. As a result, no interest provision/payment has been made by the Group to such creditors, if any, and no disclosure thereof is made in the accounts.

6. A) **Loans of the Company are secured as follows :**

i) Rupee Term Loans from Banks are secured by way of equitable mortgage by deposit of title deed of Company's land and immovable properties at Raigarh and a first charge by way of hypothecation of the company's movables(save and except book debts)including movable machinery, machinery spares, tools & accessories,(both present and future), subject to prior charges created in favour of the company's bankers on the stock of raw materials, finished goods, process stock, consumable stores and book debts for securing working capital facilities.

ii) All the mortgages and charges created in favour of the banks rank pari-passu inter se, except where specifically stipulated otherwise.

iii) The above Term Loans are further secured by the personal guarantee of Mr. Puranmal Agrawal (chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal & Mr. Manish Agrawal (directors of the company).

iv) Cash Credit and other working capital facilities from banks are secured by hypothecation of raw materials, finished goods, process stock, consumable stores, book debts etc. (both present and future), and second charge over the entire fixed assets of the company and personal guarantee of Mr. Puranmal Agrawal (chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal & Mr. Manish Agrawal (directors of the company).

v) Hire purchases obligations are secured by hypothecation of vehicles purchased under the respective agreements.

B) Fixed Assets include items acquired under deferred payment credits under hire purchase scheme Gross Block Rs. 436.19 lacs, Net Block Rs. 362.22 lacs and the year wise break-up of future obligations towards lease rentals of Rs. 103.67 lacs inclusive of finance charges of Rs. 8.11 lacs under the respective agreements as on 31st March, 2010 is given below :

(Rs. in lacs)

Assets taken on lease		Not later than 1 year		Later than 1 year and not later than 5 years	
Total Minimum Lease payments at the year end	Present Value of Minimum Lease Payments	Minimum Lease Payment	Present Value as on 31st March, 2010	Minimum Lease Payment	Present Value as on 31st March, 2010
103.67	95.56	75. 90	69. 45	27.77	26.1

7. **Gratuity and other post retirement benefit plans**

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

(a) **Expenses recognized in the profit and loss account/ Pre-operative & Trial run expenses (Pending allocation) for respective years are as follows :**

(Rs. in lacs)

Particulars	Gratuity	Leave
	2009-10	2008-09
Current service cost	15.77	1. 39
Interest cost	1.93	2.59
Expected return on plan assets	(1.72)	-
Past Service Cost	25.53	-
Net actuarial losses/(gains)	(5.18)	0.76
Net benefit expense	**36.33**	**4.74**
Actual return on plan assets	0.10	N.A.

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) Net Liability recognized in the balance sheet as at respective dates are as follows : *(Rs. in lacs)*

Particulars	Gratuity	Leave
	31st March 2010	31st March 2010
Defined benefit obligation	61.30	36. 99
Fair value of plan assets	32.36	-
Net liability	28.94	36.99

(c) Changes in the present value of the defined benefit obligation during respective years are as follows:- *(Rs. in lacs)*

Particulars	Gratuity	Leave
	2009-10	2009-10
Opening defined benefit obligation	24.87	34.61
Interest cost	1.93	2.59
Current service cost	15.77	1.39
Benefit paid	-	-2.36
Actuarial losses/(gains)	(6.80)	0.76
Plan Amendments	25.53	-
Closing defined benefit obligation	**61.30**	**36.99**

(d) The details of fair value of plan assets as on the Balance Sheet date are as follows: *(Rs. in lacs)*

Particulars	Gratuity
	2009-10
Opening fair value of plan assets	12.09
Expected return on plan assets*	1.72
Contribution by the Company	20.17
Benefits paid	-
Actuarial gains / (loss)	(1.62)
Closing fair value of plan assets	32.36

*Determined based on government bond rate.

(e) The principal assumptions used in determining gratuity and leave liability are as shown below : *(Rs. in lacs)*

	2009-10
Discount Rate (%)	8.25
Return on Plan Assets (Gratuity Scheme)	0.10
Mortality Rate	LIC (1994-96) Ultimate
Employee Turnover (%)	6.20

(f) Other disclosures for gratuity and post retirement benefit is as under : *(Rs. in lacs)*

Particulars	Gratuity	Leave
	31st March 2010	31st March 2010
Defined benefit obligation	61.30	36.99
Fair value of plan assets	32.36	-
Deficit	28.94	36.99
Experience adjustments on plan liabilities - (gains)/ losses	(3.64)	4.73
Experience adjustments on plan assets	(1.62)	N.A.

(g) The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employee market.

(h) The Company expects to contribute Rs. 20.00 lacs to gratuity fund in the year 2010-2011.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(i) The amount provided for defined contribution plan are as follows :-

(Rs. in lacs)

Particulars	2009-10
Provident Fund	44.78

8. Sundry Debtors include the following balances due from a private company in which a director of the company is a director or a member.

(Rs. in lacs)

Name of the Company	31st March 2010	Maximum Amount outstanding during the year
		2009-10
MSP Cokes Private Limited	61.60	83.48

9. a) Loans and Advances include the following balances due from private companies in which a director of the company is a director or a member.

(Rs. in lacs)

Name of the Company	31st March 2010	Maximum Amount outstanding during the year
		2009-10
Pratik Mines & Minerals Private Ltd.	41.00	41.00

b) **Disclosure in terms of clause 32 of the Listing Agreements**

(Rs. in lacs)

Name of the Company	Category	31st March 2010	Maximum Amount outstanding during the year
			2009-10
MSP Rolling Mills Private Ltd.	Loan without fixed repayment schedule	124.05	125.25

10. (a) During the current year, the Group has recognized MAT credit entitlement of Rs. 472.84 lacs in terms of Section 115JAA of the Income Tax Act, 1961. Based on future profitability projections, the Company is certain that there would be sufficient taxable income in the future, to claim the above tax credit.

(b) (b) In terms of Accounting Standard 22, net deferred tax liability (DTL) of Rs. 1,985.79 lacs has been recognized in the accounts up to 31st March, 2010.

The break-up of major components of such net DTL is as follows:

(Rs. in lacs)

Components of Deferred Tax Liability/ (Assets)	As at 31st March, 2010
Timing Difference in depreciable assets	2,148.25
Other Temporary difference	(162.46)
Total	**1985.79**

11. **Details of remuneration paid to the directors:**

(Rs. in lacs)

Particulars	2009-10
Salary & Bonus*	66.00

* As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

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

Particulars		2009-10
Present Weighted Average Number of Equity Shares	Nos.	58,100,000
Net Profit/(Loss) After Tax	Rs. in lacs	3,202.64
Nominal Value of each Shares	Rs.	10/-
Basic & Diluted Earning Per Share	Rs.	5.51

13. **Interest in joint venture**

The following proportionate share of Assets, Liabilities and Equity as at March 31, 2010 and Income and Expenditure for the year ended March 31, 2010 of the Joint Venture Company viz. Madanpur South Coal Company Limited is included in these financial statements in the respective items as indicated below :

(Rs. in lacs)

Particulars	As at 31st March, 2010
Shareholders' Fund	
Reserves and Surplus	(0.07)
Loan Funds	
Unsecured Loan	0.89
Fixed Assets	
Fixed Assets : Net Block	38.85
Capital Work in Progress and Pre-operative Expenditure (Pending Allocation)	88.50
Deferred Tax Asset	0.07
Current Assets, Loans & Advances	
Cash and Bank Balances	42.73
Other Current Assets	0.26
Loans and Advances	1.94
Current Liabilities & Provisions	
Current Liabilities	0.16
Miscellaneous Expenditure - (To the extent not written off or Adjusted)	
Preliminary Expenses	0.21

Particulars	Year ended 31st March, 2010
Income	
Other Income	0.16
Expenditure	
Manufacturing, Selling & Administrative Expenses	0.09
Depreciation	0.21

14. Excise duty & cess on stocks represents differential excise duty and cess on opening and closing stock of finished goods.

15. The Group, at present, is in the process of updating its fixed assets register, pending which, the discrepancies, if any, between the physical and book balance of fixed assets is not presently ascertainable, which, in the view of the management should not be material.

16. **Segment Information :**

The analysis of geographical segments is based on the area in which the customers of the Group are located.

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Information for Secondary Geographical Segments

(Rs. in lacs)

Particulars	2009-10
Domestic Revenues (Net of Excise Duty)	35,620.51
Export Revenues (Including Export Benefits)	3,253.57
Total	**38,874.48**

The Group has common fixed assets for producing goods for domestic and overseas markets. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished. Export debtors at the year end amounts to Rs. Nil.

17. The Group has the following un-hedged exposures as at the year end.

(Rs. in lacs)

Particulars	2009-10
Trade Payables and Advances from customers	19.48
Advances (including capital advances)	341.41
Cash and Bank Balances	2.47

18. Related Party Disclosures

(a) Names of the related parties :

Jointly Controlled Entity	:	Madanpur South Coal Company Limited
Key Management Personnel & their Relatives	:	Mr. Puranmal Agrawal - Chairman Mr. Suresh Kumar Agrawal - Managing Director Mr. Manish Agrawal - Non Executive Director Mr. Saket Agrawal - Non Executive Director Mrs. Kiran Agrawal (wife of Chairman) Mrs. Nisha Agrawal (wife of Managing Director) Mrs. Kasturi Devi Agrawal (mother of Managing Director)
Enterprises over which Key Management Personnel and / or their Relatives have significant influence	:	Howrah Gases Limited MSP Sponge Iron Limited MSP Metallics Limited MSP Infotech Private Limited MSP Properties (India) Private Limited MSP Cokes Private Limited MSP Cement Limited MSP Power Limited MSP Energy Limited MSP Rolling Mills Private Limited Chaman Metallics Limited Shree Khathupati Mercantiles Private Limited MSP Mines & Minerals Private Limited High Time Holding Private Limited B.S. Confin Private Limited Rama Alloys Private Limited Pratik Mines & Minerals Private Limited

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) Related Party Disclosures:

(Rs. in lacs)

Nature of Transactions	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Sales				
MSP Sponge Iron Limited			358.19	358.19
MSP Metallics Limited			421.81	421.81
Chaman Metallics Limited			8.93	8.93
MSP Cokes Private Limited			185.97	185.97
Purchases of Goods				
MSP Sponge Iron Limited			2,745.11	2,745.11
MSP Metallics Limited			4,291.79	4,291.79
Chaman Metallics Limited			122.16	122.16
Howrah Gases Limited			337.59	337.59
Managerial Remuneration				
Mr. Puranmal Agrawal		36.00		36.00
Mr. Suresh Kumar Agrawal		30.00		30.00
Legal & Professional Charges Paid				
MSP Mines & Minerals Private Limited			6.97	6.97
Rent Paid				
MSP Infotech Private Limited			3.60	3.60
Shree Khathupatti Mercantiles Private Limited			2.43	2.43
Mrs. Kasturi Devi Agrawal		0.84		0.84
Mrs. Nisha Agrawal		0.58		0.58
Mrs. Kiran Agrawal		0.58		0.58
Mr. Manish Agrawal		0.96		0.96
Mr. Saket Agrawal		0.96		0.96
Loans Taken				
MSP Infotech Private Limited			50.00	50.00
MSP Properties (India) Private Limited			50.00	50.00
Loans Given				
Pratik Mines & Minerals Private Limited			93.50	93.50
Loans Repaid				
Pratik Mines & Minerals Private Limited			52.50	52.50
MSP Properties (India) Private Limited.			25.00	25.00
Guarantees Given on behalf of				
Madanpur South Coal Company Limited	650.00			650.00
Guarantees Obtained				
MSP Infotech Private Limited			1,500.00	1,500.00
Mr. Puranmal Agrawal		130.00		130.00
Mr. Suresh Kumar Agrawal		111.00		111.00
Mr. Manish Agrawal		140.00		140.00
Mr. Saket Agrawal		131.00		131.00
Interest Paid				
High Time Holding Private Limited			8.00	8.00
B.S. Confin Private Limited			4.00	4.00
MSP Infotech Private Limited			2.01	2.01
MSP Properties (India) Private Limited			1.49	1.49

Schedules forming part of the Consolidated Balance Sheet and Profit and Loss Account

SCHEDULE 22 > SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(b) **Related Party Disclosures** (Contd.) :

(Rs. in lacs)

Nature of Transactions	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Hoders/Relatives have significant influence	Total
Interest Received				
MSP Rolling Mills Private Limited			12.00	12.00
Closing Balance as at the year end – debit				
MSP Sponge Limited			361.70	361.70
MSP Cement Limited			1.20	1.20
MSP Coke Private Limited			61.60	61.60
MSP Rolling Mills Private Limited			120.13	120.13
Madanpur South Coal Company Limited	2.00			2.00
MSP Power Limited			3.20	3.20
Pratik Mines & Minerals Private Limited			41.00	41.00
Closing Balance as at the year end – credit				
MSP Sponge Iron Limited			88.09	88.09
MSP Metallics Limited			166.17	166.17
Shree Khathupati Mercantiles Private Limited			1.41	1.41
MSP Mines & Minerals Private Limited			0.52	0.52
High Time Holding Private Limited			100.00	100.00
B.S. Confin Private Limited			50.00	50.00
MSP Infotech Private Limited			52.34	52.34
MSP Properties (India) Private Limited			25.00	25.00
Mr. Puranmal Agrawal		2.10		2.10
Mr. Suresh Agrawal		1.77		1.77
Chaman Metallics Limited			13.72	13.72
Howrah Gases Limited			35.56	35.56

19. The Group has prepared its consolidated financial statements for the first time as the subsidiary company was acquired during the year. Hence, comparative information relating to previous year has not been furnished.

Signatories to Schedules 1 to 22

As per our Report of even date

For **S. R. Batliboi & Co.**
Firm Registration No.- 301003E
Chartered Accountants

per **R. K. Agrawal**
Partner
Membership No 16667

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 29th May, 2010

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary