BE BOLD. BE DIFFERENT.

MSP STEEL & POWER LIMITED | ANNUAL REPORT, 2010-11

Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral -that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

Contents

BE BOLD. BE DIFFERENT.

In a challenging 2010-11, the Indian steel industry grew 8.80%. MSP Steel & Power Limited reported a 25.01% increase in its revenues to Rs. 517.89 cr and a 56.64% increase in its profit after tax to Rs. 50.21 cr.

In a sluggish 2010-11, there was a general decline in steel industry margins; MSP Steel & Power Limited reported a 403.14 bps increase in its EBIDTA margin to 21.22%.

This typically contrarian performance was the result of a number of proactive initiatives by the Company to reduce production costs at one end and enhance value-addition at the other.

WHO WE ARE

VISION

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

LEGACY

Flagship of the MSP Group promoted by Mr. Puranmal Agrawal (Chairman) and Mr. Suresh Kumar Agrawal (Managing Director)

CREDENTIALS

One of India's fastest-growing industrial conglomerates, engaged in the production and distribution of products like sponge iron, MS billets, TMT bars, structurals (angles, channels and joists) and power

BRAND

The Company's TMT bars are marketed under the popular 'MSP Gold TMT Bar now with Quadra Power' brand

Next-Gen TMT Bar

SHAREHOLDER
RECOGNITION
Market capitalisation increased from Rs. 224.27 cr as on 31 March 2010 to Rs. 366.90 cr as on 31 March 2011

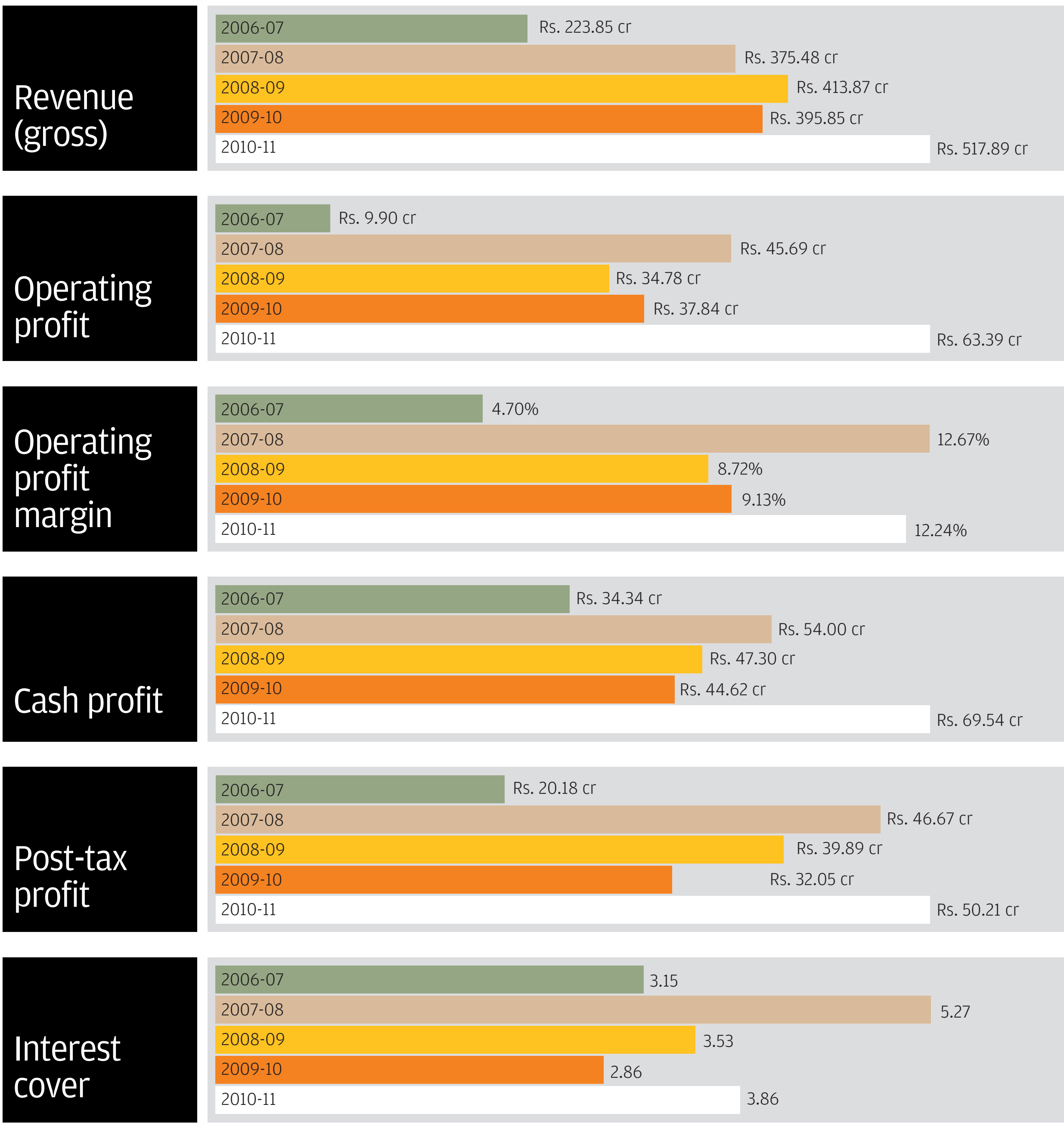
PRESENCE
Headquartered in Kolkata with a pan-India marketing presence

PEOPLE
More than 1,000 employees

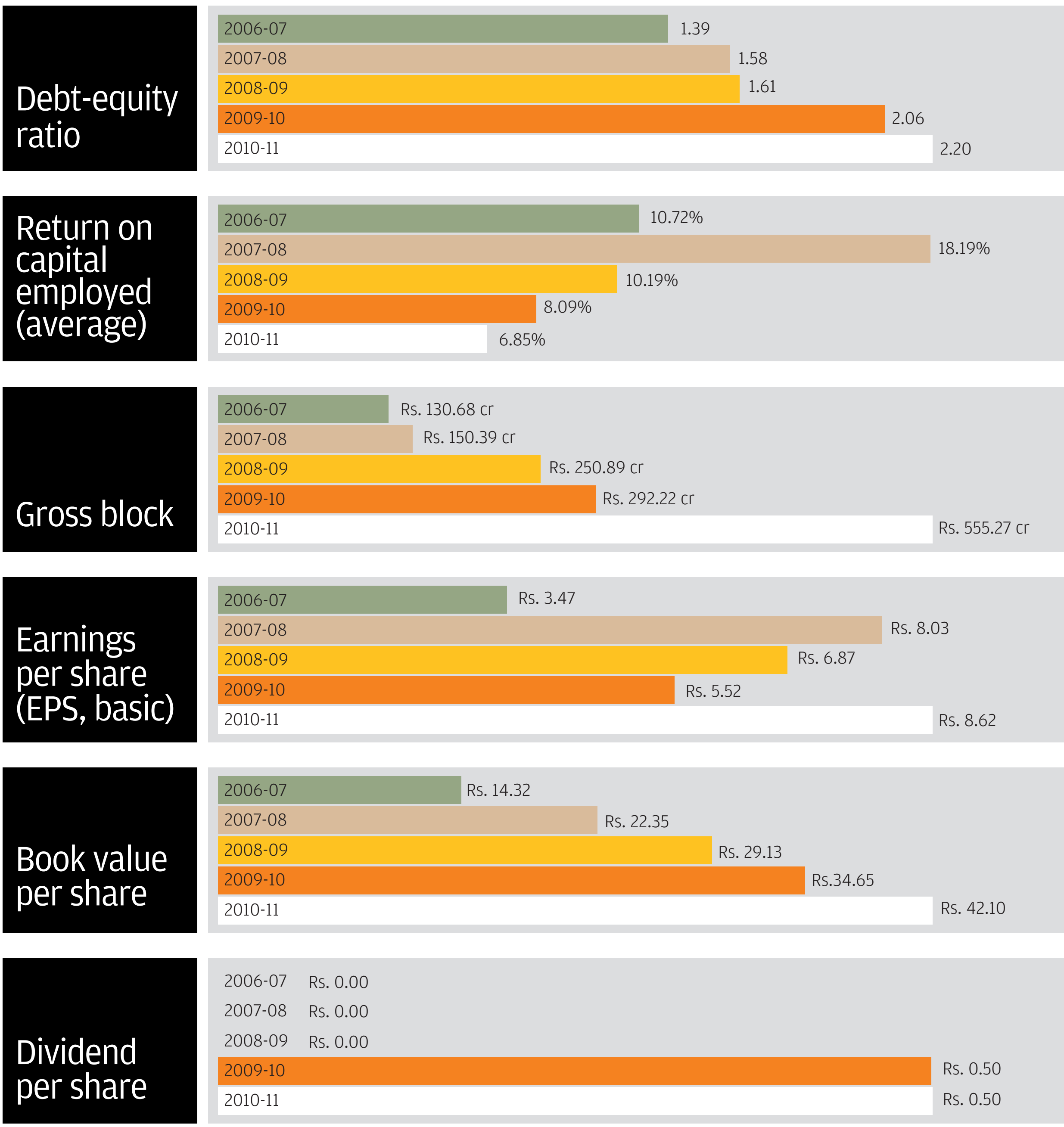
LISTING
The equity shares of MSP Steel & Power are listed on the Bombay and National Stock Exchanges.

PROMOTER
HOLDING
The promoters hold a 71.80% stake in the Company's equity share capital.

CHALLENGING YEAR FOR THE INDUSTRY.



RECORD YEAR FOR THE COMPANY.



STRATEGIC OVERVIEW BY THE CHAIRMAN

Dear Shareholders,

STEEL REPRESENTS THE HEART OF THE MODERN WORLD.

TODAY'S PRODUCERS SEEK TO CREATE NEW STEEL VARIETIES FOR EMERGING APPLICATIONS THROUGH IMPROVED MANUFACTURING PROCESSES WITH THE OBJECTIVE TO MAKE MORE FROM LESS, WHILE REDUCING ENVIRONMENTAL IMPACT.

Steel is now a globally-traded product. Japan has consistently been a major net exporter, and the USA a major net importer. However, between 2005 and 2007, China's exports more than doubled to 69 million tonnes before falling 13% in 2008 and almost 60% in 2009. Demand was robust during the first half of 2010 in the developing world, aided in part by government stimulus packages, improving credit conditions and falling unemployment (evident in parts of Asia and South America).

In India, a tightening monetary policy strengthened interest rates but impacted steel consumption and realisations. This reality notwithstanding, MSP reported a highly improved performance in 2010-11.

- Highest ever turnover of Rs. 517.89 cr compared with Rs. 414.28 cr in 2009-10 (growth of 25.01%)
- Highest ever EBIDTA of Rs. 109.90 cr compared with Rs. 71.21 cr in 2009-10 (growth of 54.33%)
- Highest ever cash profit of Rs. 69.54 cr compared with Rs. 44.62 cr in 2009-10 (growth of 55.82%)
- Highest ever net profit of Rs. 50.21 cr compared with Rs. 32.05 cr in 2009-10 (growth of 56.64%)

Indian steel industry

It was generally believed that India's steel industry has a 1.5x multiplier with the country's GDP growth – an annual demand growth of around 12% to keep the country's infrastructure engine running. It will be pertinent to indicate that India expects to double its infrastructure outlay to USD 1 trillion in the Twelfth Plan, which will create a considerably larger appetite for steel in India.

Now consider the supply side: A number of large steel players announced greenfield steel-making plans in India over the last five years, of which, hardly a few materialised on account of issues related to land acquisition, livelihood displacement and environmental clearances. This indicates that not only is the country unlikely to commission adequate steel-making capacity to feed its growing needs, but a projected shortage is likely to turn India into a net steel importer.

MSP is attractively placed to capitalise on this industry scenario: The Company is proximate to raw material resources, progressively secured its raw material requirements, substituted the need to make large capital investments with relatively moderate capacities that can be progressively scaled, commissioned projects ahead of schedule and created a business model that represents a balance of revenues and margins growth.

As a result of this business model, the Company expects to enhance stakeholder value in a sustainable way across the foreseeable future.

Business-strengthening initiatives

There are a number of reasons why MSP outperformed the prevailing industry trend.

In the competitive steel industry, business advantage is derived from an ability to enhance capacities, reduce costs and shrink time (which translates into lower costs).

At MSP, we created fresh capacities on the one hand and compressed commissioning costs and time for our various projects on the other. These preponed revenues and profits which accelerated payback; we also provided capacities to markets faster than competitors, increasing market share.

We operationalised our 18-MW power plant and 115,500-TPA DRI plant six months ahead of schedule. We commissioned these capacities for an investment of Rs. 190.89 cr. The project was completed in 21 months against an industry average of 24 months.

We commenced commercial DRI production from January 2011 with a commendable 52.27% capacity utilisation during the quarter, following operationalisation. This translated into revenues of Rs. 17.82 cr during the financial year under review. The project was completed in 21 months against an industry average of 24 months.

We commissioned a 128,000-TPA structural steel mill towards the end of 2009-10 and reported a capacity utilisation of 42.73% in asset utilisation. This translated into revenues of Rs. 154.59 cr during the financial year under review.

We established a residential colony near our manufacturing plant to provide accommodation to more than 1,000 employees and their families.

Our strategic blueprint

At MSP, we intend to continue investing in our assets for the next two years with the objective to scale production, widen our product basket, reduce costs and enhance value-addition, the combination of which is expected to strengthen our competitive advantage in the following ways:

- One, enhance the proportion of value-added structural steel products from 30.35% in 2010-11 to 90% and increase average realisations per tonne
- Two, widen the reach of MSP Gold Thermex TMT bars
- Three, enhance exports
- Four, explore possibilities related to acquisitions to plug product/market/ competency gaps
- Five, strengthen margins through operational efficiencies and realisations
- Six, invest Rs. 180 cr in a 34-MW merchant power plant (proposed commercialisation in the third quarter of 2011-12); commission a 6-lac TPA pellet plant (proposed commercialisation in the third quarter of 2011-12), increasing our aggregate pelletisation capacity to 9 lac TPA and a 3.84-lac TPA coal washery (projected by August 2011), increasing our total coal beneficiation capacity to 7.30 lac TPA; establish a DRI/sponge iron plant with a 115,000 TPA capacity by March 2012

The result is that we expect to emerge as a Rs. 1,250 cr revenues organisation by 2012-13.

Strengthening governance practices

No overview will be complete without a mention of our governance commitment. We adhere to the best global practices in the areas of governance and transparency. We organised monthly/quarterly meets to move closer to customers, suppliers and investors, and share with them our vision for the future and invite them to participate in our growth story.

A word of thanks

I take this opportunity to acknowledge the efforts of all those who contributed to our growth – our shareholders, customers, employees, partners, suppliers and community members. The Company will continue to enhance value for all those who depend on us, work with us and invest in us.

Sincerely,

Puranmal Agrawal
Chairman

Value-addition

FROM AN AVERAGE RAW MATERIAL COST OF RS. 2,779 PER TONNE TO AN AVERAGE END-PRODUCT REALISATION OF RS. 29,012 PER TONNE.

- At MSP, the strength of our business strategy is reflected in our extensive value-addition capabilities that transform commodities at one end into ready-to-fit structural steel products at the other.
- This value chain comprises a product basket wherein one product becomes the raw material for another product, creating a captive and growing appetite for products within the Company
- This value chain provides us with the flexibility to manufacture products for captive consumption and external sale; this makes it possible for us to reduce costs and enhance revenues
- This extensive integration strengthens our competitive position to progressively emerge among the country's lowest cost steel producers over the foreseeable future.

The result: The Company enhanced its EBITDA margin from 17.19% in 2009-10 to 21.22% in 2010-11, indicating an attractive decline in production costs on the one hand and value-addition on the other.

Rich product / customer portfolio

FROM
20:80
FOR VALUE-ADDED TO NON-VALUE-ADDED PRODUCTS FIVE YEARS AGO
TO
80:20
TODAY.

- At MSP, we evolved from the manufacture of commoditised to value-added products.
- This focus on value-addition helps increase our overall margins, enhancing our viability, visibility and respect
- This focus also helps our business at various levels – the rapid liquidation of finished product inventory during market downturns and attractive realisations during industry uptrends
- This preference for value-addition helps us enter enduring customer relationships, graduating us from vendors to partners of choice.

The result: The Company reported its highest ever topline and bottomline at Rs. 517.89 cr and Rs. 50.21 cr respectively in 2010-11, even as the steel industry remained relatively sluggish.

FROM A SHORT-TERM VIEW TO A LONG-TERM BUSINESS PLAN.

- At MSP, our business is steel and our objective is value-enhancement
- Over the years, we invested prudently in our business with the result that we expect a projected revenue of Rs. 862 cr in 2011-12, growing faster than the industry average
- Besides, Rs. 897.46 cr of fixed asset is supported by Rs. 492.48 cr of long term debt (31 March 2011)
- The Company expects to further invest Rs. 339.92 cr to strengthen its business, which should generate revenues of (approx) Rs. 1,250 cr in 2012-13, when these assets are fully commissioned
- The Company expects to graduate to an EBIDTA in excess of 30%, following complete asset commissioning, complementing its volume advantage with value

Q&A

Suresh Kumar Agrawal, Managing Director, answers questions

Were you happy with the Company's working in 2010-11?

A: I was pleased with the way we conducted ourselves during the year under review for one good reason: The steel industry passed through a challenging year marked by declining margins and erratic realisations; however, at MSP, we increased EBIDTA margin by 403.14 bps and revenues by 25.01% during the period under report. The result was that we strengthened our cash profit (depreciation plus post-tax profit) from Rs. 44.62 cr in 2009-10 to Rs. 69.54 cr in 2010-11. This clearly vindicates the differentiated nature of our strategy and industry positioning.

What did the Company do differently in 2010-11 that translated into this industry outperformance?

A: A number of competencies came together to make even a challenging 2010-11 a record year for our Company: We derived the benefit of a full year's working of our structural steel plant which was commissioned in late 2009-10; we commissioned projects ahead of schedule or on schedule; we enhanced our asset utilisation across a number of plants, enabling us to cover our fixed costs better; we climbed the value chain in our structural steel segment. The cumulative impact of these initiatives translated into a superior performance.

You indicated a 'differentiated industry positioning'. What do you mean?

A: At MSP, we are not obsessed with growing revenues merely for the sake of growth, but to grow profitably as well. The numbers are our evidence: We grew EBITDA margin from 17.19% in 2009-10 to 21.22% in 2010-11. This followed a priority to mitigate our limitations on the one hand and maximise our strengths on the other.

In what way is MSP different from most steel companies?

A: MSP is different on account of its relatively capital-light strategy in a capital-intensive industry. For instance, most companies in our position would have chosen to own a mine, which is an ideal situation, but perhaps a time-consuming one from a regulatory perspective. The delay in mine ownership would have entailed a large capital investment at the outset and quite a few years would have been spent in obtaining relevant regulatory approvals. So we did the next best thing to circumvent this disadvantage: We imported the Chinese beneficiation technology, which will make it possible for us to use low grade iron ore without compromising on downstream steel-making.

This should be possible for most manufacturers. What made MSP different?

A: The technology to beneficiate low-grade iron ore is challenging. Besides, this is even more challenging if one uses the Chinese beneficiation technology that is largely oriented towards the blast furnace route, customised to their raw material quality and generally suited to plants higher than 0.6 mn TPA.

We invested in such a technology, but what made our achievement particularly creditable was that we had no Indian models to follow, we needed to customise the Chinese technology to suit Indian raw materials, we started with an ore of 57-58% Fe content (among the most challenging beneficiation experiments tried in the country), we started with a capacity below 0.6 mn TPA and plant stabilisation was challenging in the first couple of years. When one puts all these variables together, The result is a risk most companies are unwilling to take especially if their capital investments are extensively funded by debt.

One could have graduated to the use of 63 grade Fe; why did the Company select to work with 57-58 grade Fe in the first place?

For a good reason: Larger quantities of 63 grade Fe were being exported, resulting in higher ore procurement costs within India and a corresponding difficulty in being able to consistently access this material. On the other hand, there was a significant opportunity window in the lower-grade ores: They were easily available and considerably cheaper. We took a long-term call and chose to invest in beneficiation technology that would consume low-grade ore, create a cost advantage, generate attractive profits and provide us with a cash pool to acquire mines (if needed) going ahead.

What were the various challenges that the Company faced as a result of this contrarian decision?

A: There were a number of challenges that we encountered in the import and implementation of this technology:

- The Chinese pelletisation technology is based on the blast furnace route whereas ours is based on the DRI route, generally sustained by the use of expensive furnace oil that is exposed to increasing crude prices. This made it imperative for us to combine the DRI process with a coal gasification plant that would generate adequate low-cost coal gas to sustain our pelletisation plant (replacing expensive furnace oil). This combination proved challenging.
- There was a challenge climbing the learning curve with speed, which would establish long-term project viability.

What were the other strategic priorities that reinforced the Company's long-term viability?

A: At MSP, we recognised a long-term skew: most steel industry players preferred to invest in large downstream assets without securing their upstream requirements. In doing so, they are expected to procure their raw material requirements from the outside, affecting viability of their large investments.

At MSP, we reversed this investment priority: Of all investments we made until the end of 2010-11, 17.38% was invested in upstream assets. The result of this is evident: In 2010-11, even as steel realisations declined, MSP reported higher EBITDA margins by 403.14 bps over the previous year; We are optimistic that this trend – higher revenues and margins – will continue into the foreseeable future, enhancing value for our stakeholders.

What is the rationale for investing in upstream first and downstream assets thereafter?

A: The steel industry is passing through a 'cascading margins phenomenon', where once steel prices rise, the immediately preceding input (billets) rises in cost as well and thereafter the next available raw material (DRI) and finally increases the cost of ore. At MSP, we recognised that our competitiveness would be derived from progressive investments that we made in ore ownership at one end and supported by downstream linear (DRI, billets) and lateral investments (captive power

We invested in a 24-MW power generation plant for our captive use and in 18 MW for merchant sale; the former suffices for 80% of our captive needs

generation). So this is precisely what we did: We resolved to invest in beneficiation-cum-pelletisation of low-grade ore, protecting us from the volatility of the 63-grade Fe ore on the one hand, providing us with the advantages of ore security without having to invest significantly in mine ownership on the other.

How did the Company leverage the full impact of this strategic decision?

A: We recognised that as we grew our steel-making capacity, we would need a growing pelletisation capacity and in turn would need to bring in larger quantities of ore into our plant facility. In view of this long-term requirement, we invested in a private 2-km railway siding to bring the ore into our manufacturing facility; in the second stage, we are extending this siding to 6-km and bringing in automated wagon tipplers and stacker reclaimers to accelerate ore inflow. This will make it possible to enhance our asset utilisation and maximise our cash flow through investments made currently at a relatively low-cost; it will also enable us to reduce our capital investment while expanding our steel-making capacity when the cost of capital investments would be higher.

There were a number of such supporting investments that we made with an eye to be prepared for tomorrow's growing requirements:

- We invested in a 24-MW power generation plant for our captive use and in 18 MW for merchant sale; the former suffices for 80% of our captive needs; if realisations decline, we will be inclined to use merchant generation for captive needs and vice versa, which represents an adequate de-risking
- We invested in power evacuation transmission lines to generate attractive power sales
- We invested in 331.55 acres, of which we only used 119.69 acres
- We received the environment clearance for a one million-TPA steel-making facility, which will progressively be utilised over the coming years

You indicated prudent upstream investments in capacity building. What about downstream investments?

A: The financial year 2010-11 was the first full year of our 128,000 TPA structural steel facility, generating 30.35% of our total revenues for the year under review. These were some of our achievements during 2010-11:

- We ran this unit at 42.73% which is a good index for a plant in its first full operational year
- We branded these structural products around 'MSP' and I am pleased to state that the brand was well-accepted in a competitive marketplace
- We climbed the value chain, starting with 200-250 MM beam with an average realisation of Rs. 32 a kg to the 300-400 MM beam fetching Rs. 38 a kg (with no increase in raw material cost), with a clear perspective of graduating to 450-500 MM during the current financial year. A similar approach was visible in the channels segment

We are well-placed to widen volumes and value. We established the integrity of our products across a larger customer base in the 200-250 MM range; we will be able to graduate customers to the value-added segments and customise input material from steel melting shop onwards, resulting in precise end-product properties required by our customers.

The result was that we successfully marketed our products to demanding institutional customers in our first year: ACC, Ambuja Cement, Essar Heavy Engineering, Essar Oil, Grasim, JK Cement, Larsen & Toubro, JSW Cement, JSW Steels and the Jaypee Group.

What were the other developments that transpired in 2010-11?

A: We delivered our promises in the following ways during 2010-11:

- We commissioned our 18-MW power plant (merchant sales) in January 2011, six months ahead of schedule and within the overall project cost. We ran this facility at 90% PLF; this year, we expect to enhance utilisation and generate an average realisation of Rs. 3-4 per unit.

- Of the total power that we generated, 17.13% was marketed to external users, resulting in a rich experience of commercial power generation, which may be leveraged in a bigger way in the future. The merchant and captive generation models play an important role – 32 MW will be cogeneration utilising waste gases; 44 MW merchant power generation will utilise rejects and char from waste. So either way, we will leverage low-cost inputs for power generation.
- We commissioned our 115,500-TPA DRI kiln in January 2011 (taking our total capacity to 307,500 TPA) which was three months ahead of schedule.

Much of the competitiveness in the steel industry is derived from an ability to reduce operational costs. Where does MSP stand in this regard?

A: This is precisely where MSP invested across the last few years:

- The Company recovers waste from its coal washery for onward use in power generation
- The waste gases released from DRI manufactured is captured by the system to generate captive power
- The Company invested in beneficiation technology to use iron ore fines with negligible marketable value and hence considered waste
- The Company invested in coal gasification to replace the use of expensive furnace oil

The total impact of these initiatives translated into a cumulative cost saving of Rs. 3,500 per tonne of the end product during 2010-11.

How is the Company's business model adequately risk-controlled?

A: There are a number of initiatives that secured our business model in an otherwise volatile steel industry:

- We do not use iron ore that is expensive or difficult to procure in today's environment; We use iron ore fines that are low-cost and generally considered dispensable by potential users
- We do not consume any coking coal, which is in severe shortage; we use the DRI route in steel manufacture
- We are relatively under-leveraged; we only had Rs. 250 cr in long-term debt, gross block of around Rs.550 cr as on 31 March 2011 and a replacement cost of Rs. 850 cr
- We already invested in supporting infrastructure that will make our revenues scalable without making large additional investments
- We were allocated coal and iron ore mines, which will be progressively commissioned when their regulatory approvals are received

What can shareholders expect in 2011-12?

A: These are some of the business-strengthening developments that shareholders can expect during the current financial year:

- **Pelletisation:** We expect to enhance our pelletisation capacity from 0.3 mn TPA to 0.9 mn TPA by third quarter of 2011 at a cost of Rs. 226 cr
- **Merchant power generation:** We expect to enhance our merchant power capacity by 34 MW from third quarter of at a cost of Rs. 180 cr
- **DRI:** We expect to commission our fourth DRI kiln by 115,000 TPA (taking our total DRI capacity to 422,500 TPA) at a cost of Rs. 90 cr
- **Coal washery and rail siding:** We expect to commission the former by June 2011 and the latter by June 2012 at a cumulative investment of Rs. 120 cr

The result is that we expect to increase our topline from Rs. 517.89 cr in 2010-11 to around Rs. 800 cr in 2011-12 and an estimated Rs. 1,250 cr in 2012-13. Shareholders will witness the impact of our investments in our EBITDA margins: Climbing from 17.19% in 2009-10 to 21.22% in 2010-11 to an estimated 30% in 2012-13 when these investments start generating returns.

We expect to commission our fourth DRI kiln by 115,000 TPA (taking our total DRI capacity to 422,500 TPA) at a cost of Rs. 90 cr

BUSINESS SEGMENT REVIEW

1 Business segment
SPONGE IRON

Percentage contribution to gross sales, 2010-11

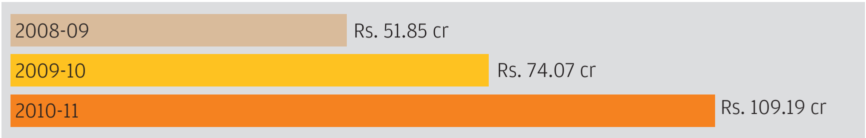
23.65%

Significant highlights, 2010-11

- Achieved the highest levels of production and sales at 1.58 lac MT and 0.65 lac MT respectively
- Reported a 75.09% capacity utilisation
- Achieved one of our highest ever external sales of 23.65%; of overall sales

Production

Sales



2 Business segment
POWER

Percentage contribution to gross sales, 2010-11

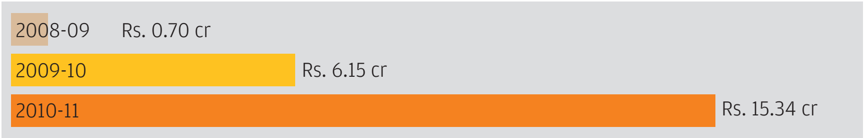
3.01%

Significant highlights, 2010-11

- Reported one of our highest ever PLFs of 90.25%
- Under merchant power sales, sold 33.05 mn power units and achieved sales of Rs. 15.34 cr
- Recorded average tariffs ranging between Rs. 4-5.50 per unit
- Achieved external-captive sales of 70:30

Production

Sales



3 Business segment
MS INGOTS/BILLETS

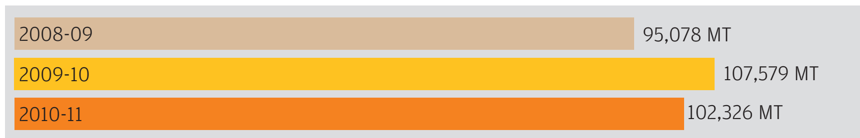
Percentage contribution to gross sales, 2010-11

5.72%

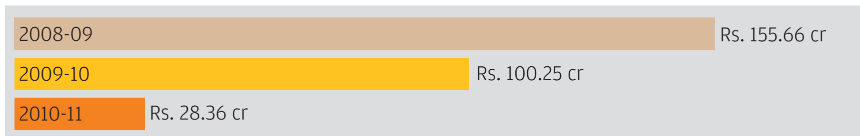
Significant highlights, 2010-11

- Achieved one of the highest ever production and sales of MS ingots/ billets at 1.02 lac MT and 0.10 lac MT respectively
- Recorded a 71.01% capacity utilisation

Production



Sales



4 Business segment
TMT BARS

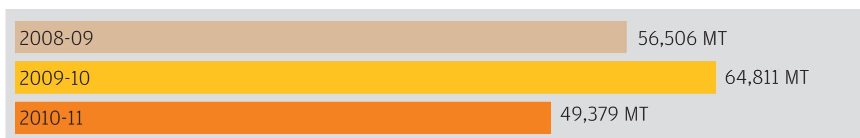
Percentage contribution to gross sales, 2010-11

28.25%

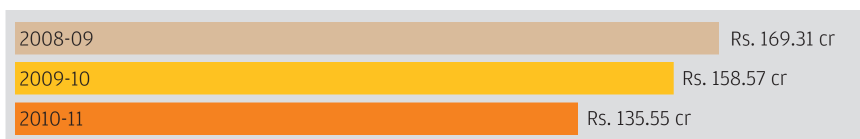
Significant highlights, 2010-11

- Achieved one of the highest levels of production and sales at 0.49 lac MT and 0.47 lac MT respectively, resulting from demand pick-up from the construction sector
- Reported a 61.72% capacity utilisation

Production



Sales



5 Business segment
STRUCTURAL PRODUCTS

Percentage contribution to gross sales, 2010-11

30.35%

Production

2010-11

53,196 MT

Sales

2010-11

140.18 cr

Significant highlights, 2010-11

- Operationalised greenfield structural rolling mill in April 2010
- Achieved production and sales of 53,196 MT and 48,320 MT respectively

EXCITING INDUSTRY PROSPECTS

Indian economic review

India successfully overcame the global economic slowdown and GDP grew at 8.6% in 2010-11 against 8% in 2009-10. Most economic sectors maintained a constant growth with the agricultural sector, recording a strong 5.4% growth in 2010-11 against 0.4% in 2009-10. The economy is further expected to grow 8.5-9% in 2011-12 *(Source: Economy Advisory Council)*. Meanwhile, the domestic environment is conducive for growth, private final consumption expenditure and gross fixed capital formation is expected to grow 7.5% and 14.6% in 2011-12 *(Source: Centre for Monitoring Indian Economy, CMIE)*.

Global steel industry

Production: The global crude steel production witnessed a significant growth of 15% reaching 1,414 million metric tonnes (mmt) in 2010 against a degrowth of 8% in 2009 to 1,220 mmt. All major steel-producing nations witnessed double-digit growth in 2010. The EU and the USA witnessed 24.5% and 38.5% growth respectively, owing to the lower base effect from 2009 while Asia and the CIS recorded a relatively lower growth of 11.6% and 11.2% respectively. It is further expected that in 2011, global steel production will grow by another 6% to reach 1,441 mmt *(Source: World Steel Association)*.

Consumption: Global steel consumption increased 13.2% in 2010 to reach 1,283.29 mmt and is expected to increase 5.9% to reach 1,359 mmt in 2011. It is anticipated that in 2012, steel consumption in developed nations will be 14% below the 2007 level whereas in developing nations it will be above 38% and will account for 72% of the global steel demand.

Indian steel industry

India is the world's fifth-largest steelmaker with China as the leader, followed by Japan, the US and Russia. The country's total crude steel production capacity increased 7.2% from 72.76 mt in 2009-10 to 78 mt in 2010-11. Despite this, the country's per capita steel consumption was only 54 kg (13 kg in rural areas with a population of 70% of India) compared with 430 kg in China and 187 kg globally. With favourable regulatory policies, the government aims to increase disposable incomes in the hands of the rural masses, which represents a huge industry opportunity.

Per capita steel consumption in major countries (Kg)

China	Japan	US	Brazil	Russia	India
430	502	259	132	256	54

Production: India's finished steel production grew 8.8% to 65.93 million tonnes (mt) in 2010-11 compared with 60.62 mt in 2009-10, with integrated steel producers contributing 55% of the total crude steel production in 2010-11 and secondary producers 45%. The country continued to be the world's largest producer of direct reduced iron/sponge iron during January-December 2010. Indian crude steel production recorded a CAGR of 9.2% with demand elasticity of 1.1 during 2005 and 2009-10.

Consumption: In 2010-11, steel consumption grew at a healthy 10% from 59.33 mt in 2009-10 to 65.19 mt tonnes in 2010-11, owing to strong demand from the infrastructure, construction, automobile, industrial and manufacturing sectors.

Exports: India's total exports increased 3.3% in 2010-11 to reach 3.35 mt as compared with 3.25 mt in 2009-10.

Imports: The country's imports declined 11.4% from 7.38 mt in 2009-10 to 6.54 mt in 2010-11.

Outlook

It is expected that during January-December 2011, India's steel demand will grow 13.3% to 68.7 mt and by 14.3% to 79 mt in 2012, owing to robust economic growth, massive infrastructure needs and industrial production expansion *(Source: World Steel Association)*. The country expects to add 30 mt of steel-making capacity in two years, of which around 10-15 mt capacity is likely to be added during 2011-12. According to the Ministry of Steel estimates, India is expected to add around 200 mt of capacity in the next decade, increasing overall crude steel capacity from 78 mt in 2010-11 to around 280-290 mt by 2020. It is projected that India will emerge as the world's second-largest steel producer by 2015-16.

Growth drivers

Construction: India's construction sector contributes about 8% to GDP with a turnover of Rs. 4.4 tn in 2009-10. The industry grew at an average 9-12% from 2005-06 to 2009-10. The 2010-11 Budget reduced service tax from 33% of gross sale value of property to 25% and enhanced abatement from 67% to 75%, enhancing industry scope *(Source: India Infrastructure magazine)*.

Infrastructure: Infrastructure investment is likely to increase from 5.15% of gross domestic product (GDP) during the Tenth Plan (2002-07) to about 7.55% during the Eleventh Plan (2007-12) and to 9.95% of GDP in the Twelfth Plan (2012-2017).

Roads and highways: The Twelfth Plan expects to increase investments in roads and bridges from USD 70 billion in the Eleventh Plan to USD 123 billion, with a private sector contribution of nearly 44%.

Power: The power ministry added 34,462 MW power in the Eleventh Plan and expects to finish the period with a capacity addition of 50,000-55,000 MW. The Power Ministry targets to add 100,000 MW of power generation capacity in the Twelfth Plan.

Railways: The government expects to increase the budget outlay from USD 50 bn in the Eleventh Plan to USD 74 bn in the Twelfth Plan.

Real estate: According to a report by PwC and Urban Land Institute, India is the most viable investment destination in real estate with residential properties maintaining their growth momentum. The residential real estate segment alone accounts for about 5-6% of the country's GDP. Despite this, the country's housing shortage is estimated at 26.53 mn homes in the Eleventh Plan. During 2009-13, the pan-India demand for office space is estimated to be 196 million square feet (msf), retail space – 43 msf and residential space – 7.5 msf.

Automobile: By 2016, India is likely to emerge as the world's seventh-largest car producer (as compared with the eleventh-largest currently). The country is also expected to retain its fourth largest rank in truck manufacturing. By 2016, the automotive sector will double its contribution to the country's GDP from the current 5% to 10%. Its contribution to the manufacturing sector will rise to 30-35% from the current 17% *(Source: SIAM)*.

CORPORATE SOCIAL RESPONSIBILITY

AT MSP, WE REALISE THAT BUSINESS SUSTAINABILITY IS CLOSELY LINKED TO COMMUNITY UPLIFT, WORKPLACE SAFETY AND ENVIRONMENTAL PROTECTION. THE RESULT IS THAT WE UNDERTOOK MULTIPLE INITIATIVES TO ENSURE THAT OUR PEOPLE AND THE PLANET THEY INHABIT ARE SAFE, AND WILL REMAIN SO FOR YEARS TO COME.

Environmental focus

The standard company policy reconciles close monitoring of energy and water consumption.

Workplace safety

Our corporate focus revolves around safer processes, minimised effluent discharge and zero workplace injuries.

Community upliftment

We provide social infrastructure, enrich human capabilities and organise welfare camps.

Medical services

We provide free hospitalisation services and treatment of illnesses for the underprivileged. We provide well-equipped and free ambulance services, connecting large rural swathes with medical dispensaries and hospitals.

Vocational development

We provide extensive hands-on training to the local youth, with a view to enhance employability. We also absorb them into our factories, enhancing their work potential.

Purified water

We supply purified water through tankers to villages around our plant vicinity, especially in the hot summer months.

Infrastructure

We construct roads and culverts for smooth transportation; we also establish bore wells and tube wells to ensure sustainable water sources.

Education

We provide educational facilities comprising infrastructure creation (schools, among others) and distribution of teaching aids across some of West Bengal’s most backward areas.

Ethical governance

Our Board of Directors and senior management oversee governance processes, which involve organising investor meets and sharing information to enhance transparency.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Review

Steel industry has a major role to play in India's economic growth. With new global acquisitions by Indian steel giants, setting up of new state-of-the-art steel mills, modernisation of existing plants, improving energy efficiency and backward integration into global raw material sources, India is now at the centre of the global steel map. Consumption of steel in the construction sector, industrial applications, and transport sector has been on the rise and special steel usage in engineering industries such as power generation, petrochemicals and fertiliser industry is also growing.

The steel industry in India successfully came out of the adverse effects of the global economic slowdown and registered a positive growth during the previous year. The National Steel Policy fixed a target of taking steel production upto 110 MT by 2019-20. Nonetheless, with the current rate of ongoing green-field and brown-field projects, the Ministry of Steel has projected India's steel capacity to touch 124.06 MT by 2011-12

Road ahead

The global steel industry is on recourse to identify a definite plan to navigate the current volatility to attain sustained growth. The Indian steel industry is whizzing by new milestones every year.

In 2011, global steel makers are hoping for a more stable rate of recovery in demand. This will be dependent on whether there is an increase in consumer spending and business investment, to compensate for the potential lessening of government fiscal stimuli. The future of both the developed and the developing world will be governed by different sets of factors. The emerging markets of China and India will continue to witness strong growth in their steel industries owing to robust demand for construction and civil engineering, automotive and mechanical engineering. The growth of developed markets, however will be more dependent on supply-side response, innovative product offerings and substitutions. The key driving factor for the profitability of all steel players will ultimately depend on more tightly managed operating expenses and capital expenditure.

Performance Review of the Company

At MSP Steel, our ability to provide value-added steel products at competitive prices helps in incrementally boosting our revenues on a year-on-year basis. Here's a brief outline of the product wise performance:

i) Pellet plant

Pellet production was 1,85,219 MT as compared with 1,44,643 MT during the previous year

ii) Sponge Iron plant

The production of sponge iron increased to 1,58,187 MT as compared with 1, 55,851 MT in the last year.

iii) Power generation

The total power generation is 1,92,995,100 KWH as compared with 1,61,783,321 KWH during the last year.

iv) Billets

The production of billets is 1,02,326 MT as against last year's production of 1,07,579 MT.

v) TMT Bars

The production of TMT Bar was 49,379 MT as compared with 68,385 MT during last year.

vi) Structural Rolling Mill

The production of structural steel is 53,196 MT

Opportunities and Threats

Steel industry plays an important role in the development of a country. India, a developing nation, requires huge contribution from this industry, to expedite its run to reach new heights in the world economy. India has large reserves of

Power, iron ore and coal are the three key raw materials for steel production. The Company is making all efforts to ensure their availability considering the proposed enhancement in the production capacity of steel

mineral resources, such as, coal, iron ore, among others and is in a strong position to mobilise these resources into productive use. Vast market potential provides assured market to the industry. Recovery in Indian economy during 2010-11 gave rise to new investment opportunities which will increase demand for steel products.

Last year the Company undertook comprehensive exercise on reducing costs and improving quality of the products which provided a strong edge to the Company in the market. Steel demand is increasing and prices also firmed up during the year under report. The increase in steel making capacity by the Company will be absorbed by the increasing demand for steel products.

Power, iron ore and coal are the three key raw materials for steel production. The Company is making all efforts to ensure their availability considering the proposed enhancement in the production capacity of steel.

The Company is increasing captive power generation capacity for meeting power requirement of steel plants.

Your Company has, over the years, built a strong technical and managerial team who possesses sufficient experience in setting up big projects and manage them efficiently. This team is competent enough to set up steel projects in Raigarh. The Company is therefore well poised for further growth and sustainable development.

There are, however cost factors of financing which the Company have to consider while taking strategic decisions. The upward pressure on inflation prompted RBI to increase its benchmark rates. This increased the cost of financing for working capital requirement. Additionally, it is also putting pressure on all the expansion projects. Already the interest rates for the short-term and medium-term loans have gone up by 25-50 basis points in the last few months.

Cheaper imports from countries like China and the Ukraine will make the steel industry vulnerable. Further lowering of customs duty on steel products which is 5% at present or further increasing of excise duty on production of steel products which was raised from 8% to 10% in the union budget 2010 could adversely impact the revenue and profitability of the steel industry.

Outlook

In 2011, global steelmakers are hoping for a more stable rate of recovery in demand. This will be dependent on whether there is an increase in consumer spending and business investment, to compensate for the potential lessening of government fiscal stimuli.

Owing to the sovereign debt crisis of many developed countries, there has been a marked shift from stimuli to austerity.

In addition, the massive rise in oil prices inspired by political turmoil in the Middle East, coupled with the recent catastrophic events in Japan, increases the risks of a slowdown in growth during 2011.

Global trade is estimated to grow by 5.7%

in 2011, which is a significant softening from 2010 when global restocking fuelled an 11.5 % increase.

The future of both the developed and the developing world will be governed by different sets of challenges and issues.

The emerging markets of China and India will continue to witness strong growth in their steel industries owing to robust demand for construction and civil engineering, automotive and mechanical engineering. The growth of developed markets however will be more dependent on supply-side response, innovative product offerings and substitutions.

The key driving factor for the profitability of all steel players will ultimately depend on more tightly-managed operating expenses and capital expenditure.

Risk Management and Concerns

MSP Steel possesses a comprehensive risk management system, enabling it to protect downsides and maximise 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 owing 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 part in continuous modernisation programmes to maintain efficient operation of its steel and engineering activities.

IT security, market risks, financial reporting risks, exchange risks, contractual compliance risks, and compliance risks are the Board Risks under which risks are monitored and mitigated.

Internal Controls and Systems

The Company has a proper and adequate system of internal control commensurate with the size and nature of its business. Internal control systems are integral to the Company's corporate governance initiatives.

There is adequate documentation of policies, guidelines, authorities and approval procedures covering all important functions of the Company.

Some of the key features of the internal control system are as under:

- Deployment of an ERP system which covers most of its operations and is supported by a defined on-line authorisation protocol
- Ensuring complete compliance with laws, regulations, standards and internal procedures and systems
- De-risking the Company's assets/ resources and protecting them from any loss
- Ensuring the integrity of the accounting system; the proper and authorised recording and reporting of all transactions
- Preparation and monitoring of annual budgets for all operating and service functions

The National Steel Policy fixed a target of taking steel production upto 110 MT by 2019-20. Nonetheless, with the current rate of ongoing green-field and brown-field projects, the Ministry of Steel has projected India's steel capacity to touch 124.06 MT by 2011-12

- Ensuring reliability of all financial and operational information
- Audit Committee of Board of Directors, comprising Independent Directors, regularly reviews audit plans, significant audit findings, adequacy of internal controls, and compliance with Accounting Standards, among others.
- A comprehensive Information Security Policy and continuous update of IT Systems

Financial Management

Capital budgeting and subsequent progress of the projects under implementation are monitored on a periodic basis by senior management personnel. Financial funding for the same is achieved by borrowing from a consortium of banks at competitive rates and balance is covered by internal accruals. During the year, the Company issued 75,40,000 numbers of 6% non cumulative non convertible redeemable preference shares of Rs.10 each with a premium of Rs.90 per share on private placement basis.

Trained, experienced and qualified personnel are manning the Accounts and Finance department at Kolkata & Factory establishment of the Company. They ensure that the established organisational procedures laid down by the senior management are followed while recording the financial transactions and while presenting the periodic management reports. Regular audits are conducted to ensure that the proper controls are in place.

Financial Performance

The Company's performance during the year 2010-2011 can be described as one of consolidation after recovery from the global economic crisis. This year we got the benefit of a full year's working of our 1,28,000 MTPA structural steel plant which helped in boosting the the Company's revenues. The year saw the Company commissioning two new projects namely 18 MW power plant and 1,15,500 MTPA sponge iron plant in the second half of the year. Going forward, the Company expects that revenues from the newly-commissioned projects and incremental capacity utilisations from other existing projects will improve the revenues and EBITDA margins in the years to come.

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 endeavour of the Company to create a congenial and challenging workplace atmosphere wherein every employee can develop his own strength and deliver to his best. Industrial relations during the year under review were cordial and peaceful. Your Directors wish to place on record the excellent co-operation and contribution made by employees at all levels for 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/-

Puranmal Agrawal
Chairman

Place: Kolkata
Date: 30th May, 2011

DIRECTORS' REPORT

Dear members

We are delighted to present the report on our business & operations for the year ended 31st March, 2011

Financial Results

(Rs. in lacs)

	2010-11	2009-10
Sales (Net of excise) & other income	51,345.03	39,585.38
Profit before depreciation and tax	**8,642.90**	**5,080.26**
Less: Depreciation	1,932.90	1,257.35
Profit before tax	6,710.00	3,822.91
Less: Fringe Benefit Tax	--	--
Provision for Income Tax (Including earlier years)	337.36	214.65
Provision for Deferred Tax	1,351.54	402.84
Net Profit	**5,021.10**	**3,205.42**
Add: Balance brought forward	1,4263.21	11,057.79
Less: Appropriations	691.27	-
Surplus carried to Balance Sheet	**18,593.04**	**14,263.21**

Dividend

(i) **6% Non-Cumulative redeemable preference shares:** The Board recommended a proportionate dividend of sixty paisa per share on 75,40,000 shares.

(ii) **Ordinary shares:** The Board recommended a final dividend of fifty paisa per equity share. The dividend will be distributed to the members whose names appear on the register of members as on the date of Annual General Meeting. The dividends on preference and ordinary shares are subject to shareholders' approval at the Annual General Meeting.

Operational Review

The year 2010-11 saw the Company consolidate its position after a challenging recovery from the global economic crisis in the previous year. Increased capacity utilisation along with better product realisations ensured that the operating profit and EBITDA margins witnessed a remarkable improvement of 311 bps and 403 bps respectively over the previous year. This upward trend is expected to continue in 2011-12 and beyond, on account of incremental revenues kicking in from the newly commissioned projects in the fourth quarter of the financial year.

During the year 2010-11, the Company commissioned its 18 MW power plant and 1,15,500 MTPA sponge iron plant in January 2011. The Company achieved a net turnover of Rs. 47,746.94 lacs and profit before tax of Rs. 6,710.00 lacs. Your Company recorded net profit after taxes of Rs. 5,021.10 lacs

The Statutory auditors in their report for the year ended 31st March 2011, had considered the income from commodity transactions as speculative in nature and have expressed their inability to ascertain the impact of the same on the tax expense and networth of the company. On the basis of expert opinion obtained, your company has considered the income from commodity transactions as business income. The management does not see any impact of these transactions on the tax expense and net worth of the company.

The Statutory auditors in the annexure to the auditors report for the year ended 31st March 2011, had reported that short term funds amounting to Rs 2,757.95 lacs in the form of project creditors have been used for long term investment towards acquisition of fixed assets. In this regard, the management would like to inform that the company had purchased the fixed assets on credit basis from the supplier which could have been paid by way of taking disbursement of term loan from banks. Your company has saved interest by purchasing capital goods on credit basis hence no short term loan has been utilised for long term investments.

Projects & Expansion Plans

Project commissioned during FY 2010-11

The Company successfully commissioned its 18 MW-power plant and 115,500-MTPA sponge iron plant

Project under progress

The Company has enlisted a number of business-strengthening initiatives for 2010-11:

We expect to commission the second phase of 115,000 tonnes Sponge Iron Plant by April 2012 (financial closure achieved). This expansion will enhance our total sponge iron capacity to 4.22 lacs TPA

We expect to commission another 34 MW (thermal) Power Plant during the financial year at our Raigarh unit for merchant sales (financial closure in process).

We expect to commission our coal washery, to raise our overall capacity by 3,83,625 TPA during the financial year 2011-12. Further the construction of a 4-km railway siding reduced transportation costs on the one hand and eased logistics on the other.

We expect to commission a 6 lac MTPA pelletisation plant during the financial year, which will take our pellet capacity to 9 lac MTPA from the existing 3 lac MTPA.

Credit Rating

The Company's rating improved to "BBB+" 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 reaffirmed the 'PR2' (PR Two) rating for short-term debt/facilities sanctioned and/or availed by the Company. Facilities with this rating will have an adequate capacity for timely payment of short- term debt obligation and carry higher credit risk.

The above rating continues to draw strength from promoters' experience, operational efficiency by virtue of having an integrated plant, production of value-added products fetching higher margins, increasing profit levels and moderate its financial position.

Corporate Governance

The Company complied with Corporate Governance requirements as stipulated under Clause 49 of the Equity Listing Agreement of Stock Exchange and accordingly, the report on Corporate Governance forms part of the annual report. The requisite Certificate from a Company Secretary in practice regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 is annexed to this report as also the Management Discussion and Analysis which is given as an Annexure to this report.

Social Obligation

Your Company believes that after customers, human resource is its most important capital and requires the same need to be empowered for achieving objectives from time to time. In this regard, employees are subjected to periodical training for skills upliftment and familiarisation with the latest techniques and practices, provided with a conducive working environment and motivated by extending compensation packages and benefits, which is the most competitive in India's steel industry.

The Company's plants comply with all norms for a 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 a major consideration in its functioning. The Company has adequate effluent treatment plants to prevent pollution. The Company continuously endeavours to improve the quality of life in 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 31st March, 2011, the applicable accounting standards were followed and no material departures were made from the same;

ii) The Directors 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 Company's state of the affairs at the end of the financial year ended 31st March, 2011 and the Company's profits for that period;

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

iv) The Directors 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-	61	Chairman cum Whole time Director	7th June, 2007	36.00	22	-
Mr. Suresh Kumar Agrawal B.E Mechanical	58	Managing Director	7th June, 2007	30.00	17	-

Auditors

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

Directors

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Arvind Kumar Saraf and Mr. Navneet Jagatramka, Directors of the Company will retire by rotation at the ensuing AGM and being eligible, offer themselves for reappointment.

Mr. Debabrata Mukherjee resigned from Directorship on 3rd May, 2010 and in his place Mr. Pavan Kumar Gupta has been appointed as a Director of the Company.

Mr. Niranjan Dash is no longer Director on the Board of the Company.

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 recognise 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/-

Puranmal Agrawal
Chairman

Place: Kolkata
Date: 30th May, 2011

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, 2011.

A. Conservation of Energy

(a) **Energy conservation measures**

The Company is always conscious about the need for energy conservation. continuous monitoring/optimisation of energy conservation are undertaken at the 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 installed for utilising the waste heat generated from sponge iron kiln to produce power. Fluidised based boilers have been installed for utilising 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)

	2010-11	2009-10
Foreign Exchange earnings		
Export sales	2,022.08	3,142.35
Foreign Exchange Outgo		
Import - consumables - (stores)	36.43	11.67
- Capital goods	2,542.19	79.51
- Raw materials	526.89	711.79
Travelling and others	16.15	1.16
Commission	-	4.72
Professional fees	12.58	-

FORM A

Disclosures Of Particulars With Respect To Conservation Of Energy:

(Rs. in lacs)

	2010-11	2009-10
Power and fuel consumption		
Purchased		
Units in KWH	4,762,500	5,254,500
Total amount (In lacs)	341.63	314.26
Rate/unit (Rs.)	7.17	5.98

(Rs. in lacs)

	2010-11	2009-10
Electricity – own generation		
Through Diesel Generator		
Units generated (KWH)	15,780	49,521
Total cost (Rs. in lacs)	4.62	11.19
Unit/Ltrs of Diesel (units)	1.43	1.60
Cost/Unit (Rs. in lacs)	29.28	22.60
Through steam turbine generator:		
Units generated (KWH)	1,92,995,100	1,61,733,800
Cost/unit (Rs.)	1.95	1.51
Coal and coke :		
Quantity (MT)	3,94,556	3,74,310
Total cost (Rs. in lacs)	8,262.21	7,352.84
Cost/unit (Rs.) [Coal is used in the manufacturing process as reductant]	2,094.05	1,964.00

Consumption per unit (MT) of production

Particulars	Unit		
a) Electricity			
For sponge iron	KWH	116	102
For billets/ ingot	KWH	921	923
For TMT	KWH	101	97
For Pellet	KWH	83	72
b) Coal			
For sponge iron (MT/KWH)		1.59	1.66

FORM B

Form for Disclosure of Particulars with respect to Absorption:

Research and Development

The Company so far not 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 implemented at its plant in Raigarh -

- Gasifier for structural Rolling Mill and pellet plant to reduce fuel cost
- Dust Injection in ABC kiln to increase steam generation

For and on behalf of the Board

Sd/-

Puranmal Agrawal

Chairman

Place: Kolkata

Date: 30th May, 2011

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 Company's stakeholders' interest.

The Company is fully committed to the adoption of best Corporate Governance practices in the organisation. 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.

Fifteen Board Meetings were held during the financial year 2010-2011 and the gap between two Board Meetings did not exceed 4 months. The dates on which Board Meetings were held : 08th April, 2010, 3rd May, 2010, 29th May, 2010, 28th June, 2010, 13th August, 2010, 14th September, 2010, 12th October, 2010, 3rd November, 2010, 15th November, 2010, 14th December, 2010, 28th December, 2010, 29th December, 2010, 18th January, 2011, 14th February, 2011, 9th March, 2011

The composition of the Board of Directors as on 31st March, 2011, 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)	15	Yes	13	-	-	1,17,000
Mr. Suresh Kumar Agrawal	MD(ED)	13	Yes	10	-	-	94,000
Mr. Manish Agrawal	NED	12	Yes	12	-	-	3,04,000
Mr. Saket Agrawal	NED	13	No	14	-	-	2,04,000
Mr. Amit Mehta	NEID	10	No	3	-	-	-
Mr. Navneet Jagatramka	NEID	10	No	-	-	-	-
Mr. Arvind Kumar Saraf	NEID	13	Yes	-	-	-	-
Mr. Debabrata Mukherjee*	NEID	1	No	-	-	-	-
Mr. Niranjan Dash*	NEID	4	No	-	-	-	-
Mr. Pavan Kumar Gupta	NEID	4	No	5	-	-	-

Notes:

1. *Other directorships include directorships 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.*

* *No longer Directors on the Board of the Company*

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 Directors and one Non-Executive Director, 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 five times during the year i-e on 7th April, 2010, 29th May, 2010, 13th August, 2010, 15th November, 2010 and 14th February, 2011 .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	5	5
Mr. Navneet Jagatramka	Member	5	5
Mr. Saket Agrawal	Member	5	5

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

The Audit Committee reviewed the unaudited quarterly results during the year under review and the annual accounts for the year-ended 31st March 2011 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 - 20.08.2010

Remuneration to Directors

The Company 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 31st March, 2011.

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.

One meeting of the said Committee held during the year on 12th June, 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 : 1

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

c. No. of pending Share Transfers as on 31st March, 2011 : 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	1	1
Mr.Manish Agrawal	Member	Non Executive	1	1
Mr. Saket Agrawal	Member	Non Executive	1	1

Details of Previous Annual General Meetings

Sl.No	Annual General Meeting	Date	Venue	No. of Special Resolutions
1	39th Annual General Meeting	24.09.2008	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020	2
2.	40th Annual General Meeting	24.09.2009	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020	2
3.	41st Annual General Meeting	29.09.2010	Rotary Sadan, 94/2 Chowringhee Road, Kolkata - 700020	-

Any special resolution passed during the last year through postal ballot - details of voting pattern

Yes

Resolutions passed vide notice dated November 03, 2010

- U/s 81(1A) of the Companies Act, 1956, for issue of securities to QIB
- Raising of funds by issue of preference share
- Increase in authorised share capital of the company.

All the resolutions were passed with requisite majority.

Person who conducted the postal ballot exercise

The Board appointed Ms Swati Bajaj, Practising Company Secretary, as the scrutinizer to conduct postal ballot voting process.

Are votes proposed to be conducted through postal ballot this year

No such proposal as yet.

Procedure for postal ballot

The Company adheres to the procedure for postal ballot in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001. The Postal Ballot Notice & accompanying documents were dispatched to shareholders under certificate of posting. A calendar of events along with Board resolution was submitted to the Registrar of Companies, Kolkata.

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 the 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 the 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, the 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 companies are 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 the Listing Agreement the Company published, quarterly results in the newspapers are 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 'Economic Times, The Business Standard and Economic Times' in English and 'Kalantar' in Bengali.

General Shareholder's Information

1. 42nd Annual General Meeting (AGM)

i. Day, Date and Time:

Monday, 19th September, 2011 at 3 .30 PM

ii. Venue:

Rotary Sadan , 94/2 Chowringhee Road, Kolkata - 700 020

2. Date of Book Closure:

10th September, 2011 to 19th September, 2011 (both days inclusive)

3. Financial Calendar for 2011-12 :

Financial results for:

First Quarter:

On or before 15th August, 2011

Second Quarter:

On or before 15th November, 2011

Third Quarter:

On or before 15th February, 2012

Annual Results:

On or before 30th May,2012

4. Dividend Payment:

On or after 19th September 2011, but within statutory time limit of 30 days

5. 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.

6. Management Discussion & Analysis Report

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

7. 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 paid annual listing fee for 2011-12 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.

8. 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.

8. Distribution of Shareholding as on 31st March, 2011

Category	No. of shareholders	% of holders	Shares	% of shares
1 - 5000	13069	98.09%	47,09,415	8.11%
5001 - 10000	104	0.78%	7,52,413	1.30%
10001 - 20000	50	0.38%	7,07,016	1.22%
20001 - 30000	23	0.17%	5,78,062	0.99%
30001 - 40000	12	0.09%	4,36,773	0.75%
40001 - 50000	8	0.06%	3,60,363	0.62%
50001 - 100000	14	0.11%	10,20,904	1.76%
100001 and above	43	0.32%	4,95,35,054	85.26%
Total	**13323**	**100.00%**	**5,81,00,000**	**100.00%**

9. Shareholding Pattern for the year ended 31st March, 2011

Category	Category Wise Total Holding	
	No. of Shares Held	% Of Holding
A Promoters Holding		
1 Promoters		
- Indian Promoters	4,17,13,500	71.80%
Sub Total:	**4,17,13,500**	**71.80%**
B Non-Promoters Holding		
2 Institutional Investors		
a. Mutual Funds and UTI	0	0.00%
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	3,12,470	0.54%
c. FIIs	3,70,128	0.64%
Sub Total:	**6,82,598**	**1.17%**
3 Others		
a. Bodies Corporate	90,05,880	15.50%
b. Indian Public	65,02,554	11.19%
c. NRI's/OCBs	1,40,504	0.24%
d. Any other - Clearing Members	54,964	0.09%
Sub total:	**1,63,86,500**	**28.20%**
Grand Total:	**5,81,00,000**	**100.00%**

10. Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange	
	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
Apr-2010	44.50	36.50	44.55	36.50
May-2010	46.35	33.35	46.25	33.50
Jun-2010	46.15	33.75	46.00	34.00
Jul-2010	45.10	37.15	45.00	38.85
Aug-2010	60.00	39.00	56.00	38.90
Sep-2010	73.95	51.35	80.00	51.45
Oct-2010	74.00	66.90	75.40	67.00
Nov-2010	71.30	50.00	71.90	50.00
Dec-2010	70.00	52.10	69.50	47.10
Jan-2011	70.90	56.05	70.40	56.30
Feb-2011	70.00	54.50	68.45	54.50
Mar-2011	65.95	55.55	66.00	56.15

11. 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

12. 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 2011.

Description	No. of share holders	No. of shares	% of total shares
Shares held in dematerialized form- NSDL	8893	3,31,61,751	57.08
Shares held in dematerialized form- CSDL	4386	24,04,166	4.14
Shares held in physical form	44	2,25,34,083	38.78
Total	**13,323**	**5,81,00,000**	**100.00**

13. Outstanding GDRs/ADRs /Warrants or any convertible instruments, among others

The Company has not issued any GDR or ADR.

14. Plant Location

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

15. 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

16. 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 formed a Remuneration Committee comprising 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

Chairman

Place: Kolkata
Date: 30th May 2011

Company Secretary Certificate on Corporate Governance

To The Members of

MSP Steel & Power Limited

We have examined the compliance of conditions of Corporate Governance by MSP Steel & Power Limited for the year ended 31st March 2011 as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of 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 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 the above-mentioned Listing Agreement.

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

For **PS Associates**
Practising Company Secretaries

(Swati Bajaj)
(Partner)
CP No. 3502

Place: Kolkata
Dated: 30th May 2011

Declaration on Compliance of the 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 31.03.2011.

Suresh Kr. Agrawal
Managing Director

Place: Kolkata
Dated: 30th May 2011

CEO & CFO Certification

The Board of Directors
MSP Steel and Power Limited
Kolkata - 700053

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 2011 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 and fair view of the Company's affair and are in compliance with the 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 2011 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 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.

d) We 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**
30th May 2011	*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, 2011 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. Attention is drawn on note 23 on schedule 22 regarding accounting of gain of Rs. 3,025 lakhs arisen on settlement of commodity transactions, settled otherwise than through actual delivery, which is in the nature of speculative income. However based on a legal opinion obtained, the same has been treated as income from normal business by the Company. Consequently, we are unable to comment on the impact of these transactions on the tax expense and Company's net worth.

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. Subject to the matter stated in para 4 above, 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, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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 stated 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, 2011;

      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 **Sanjoy K Gupta**
Partner
Membership No. 54968

Place : Kolkata
Date : 30th May, 2011

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, 2011)

(i) (a) The Company has maintained proper 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. As informed, no material discrepancies were noticed on such verification.

(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 and as informed, no material discrepancies were noticed on physical verification.

(iii) (a) The Company has granted loans to three companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.8,151.30 lakhs and the year-end balance of loans granted to such parties was Rs. 231.79 lakhs.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) The above loans are stated to be repayable on demand. As informed, the repayment of above loans, to the extent demanded from the borrowers, during the year had been received by the Company and thus, there has been no default on the part of the borrower. The payment of interest with respect to such loans is stated to have been regular.

(d) In view of the above loans being repayable by the parties on demand, there is no overdue amount of loans granted to such parties.

(e) According to information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(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 fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.

(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 Companies Act, 1956 that need to be entered in the register maintained under that section, 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 lakhs during the year have been entered into at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.

(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, 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. During the year, there was no dues payable by the Company in respect of wealth tax.

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, the Company did not have any 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 except 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	277.52	April'09-September'10	At the end of respective subsequent month	Not Yet Paid

(c) According to the records of the Company, dues outstanding in respect of income tax, sales tax, wealth-tax, service tax, custom duty, excise duty, cess etc. which has not been deposited 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	61.28	2004-05, 2005-06 2006-07	Appellate Deputy Commissioner, Commercial Tax
West Bengal value Added Tax Act, 2003	Disallowance of VAT credit	10.39	2007-08	Joint Commissioner of Sales Tax, Kolkata
Central Excise Act, 1944	Disputed Duty on Finished Goods	147.44	2009-11	Commissioner, Central Excise & Customs
Central Excise Act, 1944	Disputed disallowances of CENVAT credit and service tax	22.08	2006-07	CESTAT, New Delhi
Central Excise Act, 1944	Disputed disallowances of CENVAT credit and service tax	723.14	2008-11	Commissioner Central Excise & Customs
Central Excise Act, 1944	Removal of Finished Goods without payment of duty	56.19	2006-07	CESTAT, New Delhi
Central Excise Act, 1944	Sale of Electricity without payment of duty	131.90	2010-11	Commissioner Central Excise & Customs
Central Excise Act, 1944	Sale of iron ore & coal fines without payment of duty	310.60	2004-11	Commissioner Central Excise & Customs
Income tax Act, 1961	Tax on disputed disallowances	3.23	2005-06	Income Tax Appellate Tribunal

(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 preceeding 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. The Company did not have any outstanding debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, 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 given guarantee of Rs.660.75.lakhs for loans taken / to be taken by another Company from banks or financial institutions, the terms and conditions whereof, in our opinion, based on the management representation and considering the joint venture relation with such party, are not prima-facie prejudicial to the interest of the Company.

(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 short term funds amounting to Rs 2,757.95 lakhs in the form of project creditors have been used for long term investment towards acquisition of fixed assets

(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 **Sanjoy K Gupta**
Partner
Membership No. 54968

Place : Kolkata
Date : 30th May, 2011

Balance Sheet As at 31st March, 2011

(Rs. in lacs)

	Schedules	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	6,564.00	5,810.00
Preference Share Application Money [Pending allotment]		-	2,220.00
(Refer Note No. 4 on Schedule 22)			
Reserves & Surplus	2	25,434.63	14,318.80
		31,998.63	**22,348.80**
Loan Funds			
Secured Loans	3	64,048.35	42,474.42
Unsecured Loans	4	6,499.37	3,632.71
		70,547.72	**46,107.13**
Deferred Tax Liability (Net) (Refer Note No. 11 on Schedule 22)		3,337.34	1,985.79
Total		**105,883.69**	**70,441.72**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	55,557.28	29,222.25
Less : Accumulated Depreciation		5,566.52	3,633.62
Net Block		**49,990.76**	**25,588.63**
Capital work in Progress	6	31,091.43	22,217.42
Pre-operative and Trial Run Expenses (pending allocation)	7	3,097.36	2,323.55
		84,179.55	50,129.60
Investments	8	695.01	4,495.42
Current Assets, Loans and Advances			
Inventories	9	12,085.47	6,834.01
Sundry Debtors	10	4,040.40	6,683.72
Cash and Bank Balances	11	1,033.49	3,787.00
Loans and Advances	12	11,736.39	5,413.54
Other Current Assets	13	9.67	6.39
(A)		**28,905.42**	**22,724.66**
Less:			
Current Liabilities and Provisions	14		
Current Liabilities		6,702.86	6,423.32
Provisions		1,193.43	484.64
(B)		7,896.29	6,907.96
Net Current Assets (A-B)		21,009.13	15,816.70
Total		**105,883.69**	**70,441.72**
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 **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011

(Rs. in lacs)

	Schedules	2010-11		2009-10	
INCOME					
Turnover (Gross)	15		51,789.50		41,427.80
Less: Excise Duty			4,042.56		2,553.32
Net Sales			47,746.94		38,874.48
Other Income	16		3,598.09		710.90
			51,345.03		**39,585.38**
EXPENDITURE					
(Increase)/Decrease in Inventories	17		(3,835.57)		(794.52)
Excise Duty and Cess on Inventories			207.46		80.24
(Refer Note No. 15 on Schedule 22)					
Raw Materials Consumed	18		31,657.18		23,091.14
Purchase of Trading Goods			3,491.33		3,817.19
Personnel Cost	19		1,533.72		1,193.84
Manufacturing, Selling & Administrative Expenses	20		7,285.67		5,046.17
Prior Period Expenses					
[Net of Prior Period Income Rs.0.06 lacs (Rs.6.69 lacs)]			15.72		30.63
Interest & Finance Charges	21		2,346.62		2,040.43
Depreciation			1,932.90		1,257.35
			44,635.03		**35,762.47**
Profit before Taxes			6,710.00		3,822.91
Provision For Taxes:					
- Current Tax [Minimum Alternate Tax (MAT)]		1,392.89		685.13	
Less: MAT Credit Entitlement (Refer Note No. 10 on Schedule 22)		1,055.53	337.36	472.84	212.29
- Income Tax for earlier years			-		2.36
- Deferred Tax charge			1,351.54		402.84
Profit After Taxes			**5,021.10**		**3,205.42**
Balance brought forward from previous year			14,263.21		11,057.79
Profit available for appropriation			19,284.31		14,263.21
Appropriations :					
Dividend Paid for the year 2009-10 (Refer Note no. 24 Schedule 22)			290.50		-
Dividend distribution tax on above			49.37		-
Proposed Dividend for the year 2010-11					
- On equity shares			290.50		-
- On 6% non cumulative preference shares			10.85		-
Dividend distribution tax on above			50.05		-
Balance carried to the Balance Sheet			**18,593.04**		**14,263.21**
Earnings per equity share [Nominal value of shares - Rs 10/-]					
- Basic and Diluted (Rs) (Refer Note No. 13 on Schedule 22)			8.62		5.52
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 **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011

(Rs. in lacs)

	2010-11		2009-10	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before taxes		6,710.00		3,822.91
Adjustments for :				
Depreciation	1,932.90		1,257.35	
Unrealised Loss on Foreign Exchange Fluctuation/Forward	23.72		8.90	
Irrecoverable Debts, Deposits and Advances written off	46.72		74.08	
Provision for bad & doubtful debts/advances	49.80		98.74	
Liabilities no longer required written back	(81.74)		(61.18)	
Loss on sale of fixed assets	-		0.90	
Interest on loans, deposits etc.	(383.68)		(68.57)	
Interest Expenses	2,260.43		1,945.57	
Dividend Income	(2.27)		(1.06)	
Operating Profit before working capital changes	**3,845.88**		**3,254.73**	
Movement in Working Capital for:				
(Increase)/Decrease in Sundry Debtors	2,546.80		(2,611.11)	
(Increase)/Decrease in Loans & Advances	(4,968.89)		(782.83)	
(Increase)/Decrease in Inventories	(5,251.47)		(2,900.25)	
Increase/(Decrease) in Current Liabilities & Provisions	(1,512.56)		4,339.09	
Cash generated from Operations	**(5,340.24)**		**1,299.63**	
Direct Taxes Paid	1,113.55		525.92	
Net Cash generated from Operating Activities		**256.21**		**4,596.62**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets [including Pre-Operative and Trial Run Expenses (Pending allocation)]	(34,112.74)		(16,415.17)	
Investment in Joint venture	(42.52)		1.80	
Purchase of Investments	-		(7,523.55)	
Sale of Investments	3,800.41		3,700.92	
Fixed Deposits (with maturity period of more than three months)	(146.74)		-	
Interest received	124.49		67.18	
Dividends received	2.27		1.06	
Net cash used in investing activities		**(30,374.83)**		**(20,167.76)**
C. CASH FLOW FROM FINANCING ACTIVITIES				
Application money towards preference Shares	-		2,220.00	
Dividend and dividend distribution tax paid	(339.87)		-	
Proceeds from issue of Preference Shares	5,320.00		-	
Deferred payment credit received	4,014.23			
Long Term Borrowings Received	22,850.05		16,488.80	
Long Term Borrowings Repaid	(4,049.05)		(7,636.92)	
Short Term Borrowings Received / (paid) (Net)	(3,573.94)		6,798.80	
Cash credit and working capital received (Net)	5,199.29		3,187.20	
Interest Paid	(2,202.34)		(3,664.78)	
Net cash generated in financing activities		**27,218.37**	-	**17,393.10**
Net (Decrease)/Increase in Cash & Cash equivalents (A+B+C)		**(2,900.25)**		**1,821.96**
Cash & Cash equivalents as at the beginning of the year		**3,704.12**		**1,882.16**
Cash & Cash equivalents as at the end of the year *		**803.87**		**3,704.12**
*** Components of Cash & Cash equivalents**				
Cash-on-hand		473.95		313.51
With Scheduled Banks on Current Account		317.76		3,390.61
Fixed Deposits with original maturity period being three months or less)		12.16		-
		803.87		**3,704.12**
Cash and Bank balances as per schedule - 11	1,033.49		3787.00	
Less : Fixed Deposits not considered as cash equivalent	229.62		82.88	
Cash & Cash equivalents in cash flow statement	803.87		3,704.12	

As per our Report of even date

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

per **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011		As at 31st March, 2010	
SCHEDULE 1 SHARE CAPITAL				
Authorised				
8,20,00,000 (6,00,00,000) equity shares of Rs. 10/- each (Rs. 10/-)		8,200.00		6,000.00
1,50,00,000 (1,50,00,000) 6% non cumulative redeemable preference shares of Rs. 10/- each (Rs. 10/-)		1,500.00		1,500.00
		9,700.00		**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 alloted as fully paid up for consideration other than cash.				
b) 47,54,300 Equity shares of Rs 10/- each were alloted as fully paid bonus shares by capitalisation of securities premium.				
7,540,000 (Nil) 6% non cumulative redeemable preference shares of Rs 10 each, fully paid up		754.00		-
(Redeemable within 20 years from the date of allotment at a price to be decided by the Board of Directors at the time of redemption)		6,564.00		5,810.00

SCHEDULE 2 RESERVES & SURPLUS				
Securities Premium Account				
As per last Account	55.59		55.59	
Add : Received during the year	6,786.00	6,841.59	-	55.59
Profit & Loss Account Balance		18,593.04		14,263.21
		25,434.63		**14,318.80**

SCHEDULE 3 SECURED LOANS				
(Refer Note No. 6 on Schedule 22)				
From Scheduled Banks				
Term Loans		46,763.03		30,398.82
Cash Credit and Working Capital Facilities		17,179.33		11,980.04
Deferred Payment Credits under Hire Purchase		61.64		63.74
From Bodies Corporate				
Deferred Payment Credits under Hire Purchase		44.35		31.82
		64,048.35		**42,474.42**

SCHEDULE 4 UNSECURED LOANS				
Inter corporate deposit from Bodies Corporate [Due within One Year Rs. 1,385.00 lacs (Rs. 2,022.80 lacs)]		2,485.14		3,632.71
Deferred payment credits [Due within One Year Rs. Nil (Nil)]		4,014.23		-
		6,499.37		**3,632.71**

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 2010	Additions		Deletion/ Adjustment	As at 31st March 2011		As at 1st April 2010	For the year		Less: On Deletion/ Adjustment	As at 31st March 2011	As at 31st March 2011	As at 31st March 2010
Freehold Land	797.35	131.83		-	929.18	(b)	-	-		-	-	929.18	797.35
Factory Building	3,353.10	2,667.44		-	6,020.54		311.86	145.85		-	457.71	5,562.83	3,041.24
Other Building	143.13	992.78		-	1,135.91		10.37	6.17		-	16.54	1,119.37	132.76
Plant & Machinery	24,435.53	22,385.40		-	46,820.93		3,147.34	1,730.62		-	4,877.96	41,942.97	21,288.19
Vehicles	427.18	129.10		-	556.28		148.56	46.43		-	194.99	361.29	278.62
Furniture & Fixture	65.96	28.48		-	94.44		15.49	3.83		-	19.32	75.12	50.47
Total	**29,222.25**	**26,335.03**	**(c)**	**-**	**55,557.28**		**3,633.62**	**1,932.90**	**(a)**	**-**	**5,566.52**	**49,990.76**	**25,588.63**
Previous Year	25,089.06	4,137.44		4.25	29,222.25		2,361.46	1,273.71		1.55	3,633.62	25,588.63	22,727.60

Notes :

a) Includes Rs. Nil (Rs.16.36 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. 4,356.74 lacs (Rs. 499.72 lacs) capitalised from Pre-operative & Trial Run Expense (pending allocation)

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 6 CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCES)		
Buildings **	6,960.72	2,545.74
Plant & Machinery	39,666.65	20,352.77
Capital Goods in Stock	1,331.09	525.30
[including in transit Rs. 1,098.67 lacs (Rs. 96.74 lacs)]		
Capital Advances	4,836.53	2,783.71
	52,794.99	26,207.52
Less : Capitalised during the year	21,703.56	3,990.10
Total	**31,091.43**	**22,217.42**

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 7 PRE-OPERATIVE & TRIAL RUN EXPENSES (PENDING ALLOCATION)		
Opening Balance Brought Forward	2,323.55	553.47
Raw Materials Consumed	1,481.82	202.84
Finished Goods Consumed	170.19	-
Personnel Cost*		
Salary, Wages & Bonus	309.04	36.58
Contribution to Provident and Other Funds	3.79	0.62
Staff Welfare	10.12	0.28
*Refer Note Nos. 7 and 12 on Schedule 22		
Administrative and Other Indirect Overheads		
Stores & Spares Consumed	7.51	1.87
Power & Fuel	73.13	0.11
Repairs & Maintenance		
- Plant & Machinery	108.75	1.57
- Others	7.61	0.46
Material Handling Charges	16.28	3.91
Travelling & Conveyance	32.20	18.88
Vehicle Running & Maintenance Expense	33.51	0.44
Insurance Charges	3.12	0.01
Printing and Stationary	6.13	0.02
Postage and Communication	2.11	0.46
Legal & Professional Charges	113.63	113.93
Rent & Hire Charges	261.55	59.89
Rates & Taxes	23.38	18.01
Miscellaneous Expenses	17.75	17.52
Borrowing Cost		
Interest on term loans	3,823.34	1,726.18
Finance Charges	348.50	258.22
Depreciation	-	16.36
Total	**9,177.01**	**3,031.63**
Less:		
Material Transferred for Captive Consumption	1,113.82	-
Generation cost of Power consumed in Production	422.01	-
Sale of Finished Goods	-	0.97
Closing Stock of Finished Goods (Transferred to Schedule - 17)	187.08	207.39
	7,454.10	**2,823.27**
Less: Transferred to Fixed Assets	4,356.74	499.72
Amount carried to Balance Sheet	**3,097.36**	**2,323.55**

** Includes Rs. 531.57 lacs (Rs. 355.36 lacs) transferred from finished goods.

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	Numbers of Shares (Units)	Face value per share (Rs.)	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 8 INVESTMENTS				
A. LONG TERM, Equity Shares fully paid up (at Cost) Trade-unquoted				
(i) In Subsidiary Company				
MSP Group International (Singapore) Pte. Ltd.	1,000	S$ 1	0.33	0.33
			0.33	0.33
(ii) In Joint Venture				
Madanpur South Coal Company Limited #	135,874	10	171.59	171.59
Other than trade -			**171.59**	**171.59**
Unquoted				
(iii) In Others				
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**
Quoted				
(iv) In Others				
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
Indian Overseas Bank	2,900	10	0.70	0.70
IDFC Limited	5,201	10	1.77	1.77
			19.24	**19.24**
B. CURRENT INVESTMENTS, Units of Mutual Funds				
(Quoted, other than trade)				
(at lower of cost and market value)				
In SBI Magnum Insta Cash Fund Daily Dividend Option	-	10	-	3,800.41
	(22,688,612)			
			-	3,800.41
Total			**695.01**	**4,495.42**

* Includes 2,000 Shares held in the name of a director on behalf of the Company.

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

		As at 31st March, 2011 (Rs. in lacs)		As at 31st March, 2010 (Rs. in lacs)	
		Cost	Market Value	Cost	Market Value
Aggregate Value of investments -	- Quoted	19.24	28.65	3819.65	3827.90
	- Unquoted	675.77	-	675.77	-
Total		**695.01**	-	**4495.42**	-

There are no investments that have been purchased as well as sold during the year.

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 9 INVENTORIES		
At lower of cost and net realisable value		
Stores & Spares [including in transit Rs 96.31 lacs (Rs. 23.67 lacs)]	906.08	766.21
Raw Materials [including in transit Rs 733.42 lacs (Rs. 251.74 lacs)]	5,224.60	3,433.91
Goods under process	845.16	226.79
Finished Goods	3,918.70	1,600.74
By Products (at net realisable value)	1,190.93	806.36
	12,085.47	**6,834.01**
SCHEDULE 10 SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	720.05	544.68
Considered doubtful	164.12	114.32
Other Debts		
Considered good	3,320.35	6,139.04
	4,204.52	**6,798.04**
Less: Provision for Doubtful Debts	164.12	114.32
	4,040.40	**6,683.72**
(Refer Note No. 8 on Schedule 22)		
SCHEDULE 11 CASH AND BANK BALANCES		
Cash on Hand [including cheques on hand Rs 369.77 (Rs. 100.00 lacs)]	473.95	313.51
Balances with Scheduled Banks on:		
Current Accounts	317.76	3,390.61
Fixed Deposit Accounts [Receipts for Rs 236.51 lacs (Rs. 79.46 lacs) pledged with banks as margin against loans/ guarantee issued by them and Rs 5.27 lacs (Rs. 3.42 lacs) lodged with other parties]	241.78	82.88
	1,033.49	**3,787.00**
SCHEDULE 12 LOANS & ADVANCES (Unsecured)		
Considered Good		
Loans		
To Subsidiary Company	8.33	4.58
To Others [Including to staff Rs. 18.62 lacs (Rs. 21.30 lacs)]	3,886.00	188.42
Advances recoverable in cash or in kind or for value to be received [Including to staff Rs. 10.36 lacs (Rs.13.78 lacs)]	3,982.16	2,605.70
	57.21	35.92
Balance with Central Excise & Sales Tax Authorities	1,735.30	1,610.38
MAT Credit Entitlement	1,915.88	860.35
Security & Other Deposits	108.99	108.19
Share Application Money	42.52	-
Considered Doubtful		
Advances recoverable in cash or in kind or for value to be received	19.40	19.40
	11,755.79	**5,432.94**
Less: Provision for Doubtful Advances (Refer Note No. 9 on Schedule 22)	19.40	19.40
	11,736.39	**5,413.54**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 13 OTHER CURRENT ASSETS		
Interest Receivable on loans, deposits etc.	9.67	6.39
	9.67	**6.39**

SCHEDULE 14 CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances	150.31	-
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. 4.17 lacs (Rs. 3.87 lacs) due to the Directors]	5,388.73	5,812.78
Other Liabilities	544.49	461.40
Advance from Customers	554.27	142.17
Interest accrued but not due on loans	65.06	6.97
	6,702.86	**6,423.32**
B. PROVISIONS		
Gratuity	80.82	28.94
Leave Salary	63.16	36.99
Proposed Dividend	301.35	-
Dividend Distribution Tax	50.05	-
Taxation [Net of Advance Tax Rs 2,781.34 lacs (Rs. 1,667.79 lacs)]	698.05	418.71
	1,193.43	**484.64**

SCHEDULE 15 SALES		
Finished Goods	49,383.39	39,859.56
Less: Trade Discount	117.16	24.17
	49,266.23	39,835.38
Power	1,534.39	615.71
Scraps & By Products	512.13	489.46
Raw Materials	409.10	368.95
Stores Material	10.02	-
Export Incentive	57.63	118.30
	51,789.50	**41,427.80**

SCHEDULE 16 OTHER INCOME		
Interest on loan, deposits etc (Gross) [Tax deducted at source Rs. 30.38 lacs (Rs. 7.42 lacs)]	383.68	68.57
Insurance Claim Received	49.66	5.75
Dividend from Current Investments (Non Trade)	2.27	0.87
Dividend from Long Term Investments (Non Trade)	-	0.19
Liabilities no longer required written back	81.74	61.18
Gain on Transactions in Commodity Exchange	3,025.00	101.77
Commission Earned	46.44	451.47
Rent Received	1.20	-
Miscellaneous Receipts	8.10	21.10
	3,598.09	**710.90**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 17 (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Goods	1,600.74	882.69
Goods under process	226.79	34.71
By Products	806.36	1,069.94
	2,633.89	**1,987.34**
Add: Transferred from Trial Run Production		
Finished Goods	187.08	207.39
	2,820.97	**2,194.73**
Less:		
Closing Stock		
Finished Goods	3,918.70	1,600.74
Goods under process	845.16	226.79
By Products	1,190.93	806.36
	5,954.79	**2,633.89**
Less : Transfer for Trial Run - Finished Goods	170.19	-
Less : Transfer to CWIP - Finished Goods	531.56	355.36
	(3,835.57)	**(794.52)**

SCHEDULE 18 RAW MATERIALS CONSUMED		
Opening Stock	3,433.90	1,565.05
Add: Purchases	33,447.88	24,960.00
[Includes materials transferred from trial run production Rs. 1,113.82 lacs (Rs. Nil)]	36,881.78	26,525.05
Less : Closing Stock	5,224.60	3,433.91
	31,657.18	**23,091.14**

SCHEDULE 19 PERSONNEL COST		
Salary and Wages	1,283.13	997.41
Contribution to Provident and Other Funds	57.18	44.16
Gratuity Expenses	81.13	36.33
Staff Welfare Expenses	46.28	49.94
Managerial Remuneration	66.00	66.00
	1,533.72	**1,193.84**

(Refer Note Nos. 7 & 12 on Schedule 22)

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE 20 MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES				
Stores & Spares Consumed		2,504.18		1,857.75
Power & Fuel		1,913.72		1,420.65
Repairs & Maintenance				
- Plant & Machinery		243.06		65.36
- Building		8.19		9.95
- Others		56.13		21.65
Material Handling Charges		406.68		406.00
Travelling & Conveyance		29.10		33.63
Vehicle Running Expense		212.49		145.98
Commission on sales		123.29		110.53
Freight Outward [net of recoveries Rs. 55.68 lacs (Rs. 218.32 lacs)]		625.75		154.10
Auditor's Remuneration				
- Statutory Audit		8.00		8.00
- Limited Review		4.50		4.50
- Out of pocket expenses		1.44		0.34
Insurance Charges		36.36		11.44
Printing and Stationary		12.23		12.52
Postage and Communication		36.71		29.83
Legal & Professional Charges		72.21		30.86
Rent		35.09		13.19
Rates & Taxes (Including Rs. 9.05 lacs (Rs. 76.06 lacs) for earlier years)		67.49		98.17
Loss on Foreign Exchange Fluctuation		130.60		8.90
Selling & Marketing expenses		267.88		51.89
Charity & Donations		16.25		6.86
Irrecoverable Debts, Deposits and Advances written off	46.72		109.27	
Less: Adjusted with provision	-	46.72	35.19	74.08
Loss on sale of Fixed Assets		-		0.90
Provision for doubtful debts/advances		49.80		98.74
Miscellaneous Expenses		377.80		370.35
		7,285.67		**5,046.17**

	As at 31st March, 2011		As at 31st March, 2010	
SCHEDULE 21 INTEREST & FINANCE CHARGES				
Interest				
- On Term Loans		1,524.69		1,089.43
- On Working Capital Facilities		695.30		826.25
- On Others		40.44		29.89
Finance Charges		86.19		94.86
		2,346.62		**2,040.43**

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

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

Nature of Operations:

MSP Steel & Power Limited is engaged in the manufacture and sale of iron & steel products and generation and sale of power

i) Basis of preparation

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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to 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 in direct cost 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)".

iv) Impairment

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 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 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.

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

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

(vii) Leases

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) Government Grant and Subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

(ix) 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.

(x) 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 recognized when there is an 'other than temporary' decline in the value of the investments.

(xi) 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.

(xii) 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 is 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 TO 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.

(xiii) 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.

(xiv) 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 in 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 transmission of power to the customers from the grid.

Interest

Interest income 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.

Export Incentives

Export Incentives under the Duty Entitlement Pass Book (DEPB) scheme are recognized when such incentive accrues upon export of goods.

(xv) 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

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

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

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.

(xvi) 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.

(xvii) Earnings per Share

Basic earnings per share are 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.

(xviii) 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.

(xix) 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.

(xx) 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, 2011	As at 31st March, 2010
a)	Excise Matters under dispute/ appeal	1,391.35	392.96
b)	Sales Tax Matters under dispute/ appeal	85.86	34.20
c)	Un-expired Bank Guarantees and Letters of Credit	1,200.44	603.74
d)	Corporate guarantee given for a joint venture company	660.75	660.75
e)	Custom duty on import of equipments and spare parts under EPCG scheme.	2,113.51	1,240.43
f)	Claims against the Company not acknowledged as debt	60.67	60.67

In October 2010, search and seizure operations were conducted by the Income Tax authorities under Section 132 of the Income Tax Act, at various locations of the Company. During the course of the search and seizure operations, the income tax authorities have taken custody of certain materials such as documents, records, and recorded statements of certain officials of Company. The Company has not received any communication from the income tax authorities in this regard till the Balance Sheet date. The Company does not expect any liability arising out of the aforesaid search and seizure. The documents and records seized by the authorities did not impair the Company's ability to draw a true and fair financial statement as of and for the year ended March 31, 2011.

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

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

3. **Capital Commitments**

(Rs. in lacs)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances Rs 4,836.53 lacs (Rs 2,783.71 lacs))	10,237.78	5,973.05

4. During the year, the Company has issued 75,40,000 numbers of 6% non cumulative non convertible redeemable preference shares of Rs.10 each with a premium of Rs.90 per share on private placement basis.

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. **Loans are secured as follows:**
   i) Rupee Term Loans from Banks are secured by way of equitable mortgage of Company's land and immovable properties at Raigarh and a first charge by way of hypothecation of the Company's movable assets (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) The above term loans are further secured by the personal guarantees of Mr. Puranmal Agrawal (the chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal and Mr. Manish Agrawal (directors of the Company).
   iii) Cash Credit and other working capital facilities from banks are secured by hypothecation of raw materials, finished goods, goods under process, stores and spares, book debts etc. (both present and future), second charge over the entire fixed assets of the Company and personal guarantees of Mr. Puranmal Agrawal (the chairman), Mr. Suresh Kumar Agrawal, Mr. Saket Agrawal & Mr. Manish Agrawal (directors of the Company).
   iv) Hire purchases obligations are secured by hypothecation of vehicles purchased under the respective agreements. All the mortgages and charges created in favour of the banks rank pari-passu inter se, except where specifically stipulated otherwise.

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	
	2010-11	2009-10	2010-11	2009-10
Current service cost	40.51	15.77	1.53	1. 39
Interest cost	4.98	1.93	3.00	2.59
Expected return on plan assets	(3.80)	(1.72)	-	-
Past Service Cost	-	25.53	-	-
Net actuarial losses/(gains)	39.44	(5.18)	22.81	0.76
Net benefit expense	81.13	36.33	27.34	4.74
Actual return on plan assets	3.80	0.10	N.A.	N.A.

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

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

(b) Net Liability recognized in the balance sheet as at respective dates are as follows:

(Rs. in lacs)

Particulars	Gratuity		Leave	
	2010-11	2009-10	2010-11	2009-10
Defined benefit obligation	144.38	61.30	63.16	36.99
Fair value of plan assets	63.56	32.36	-	-
Net liability	**80.82**	**28.94**	**63.16**	**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	
	2010-11	2009-10	2010-11	2009-10
Opening defined benefit obligation	61.3	24.87	36.99	34.61
Interest cost	4.98	1.93	3	2.59
Current service cost	40.51	15.77	1.53	1.39
Benefit paid	(1.85)	-	(1.07)	(2.36)
Actuarial losses/(gains)	39.44	(6.80)	22.71	0.76
Plan Amendments	-	25.53	-	-
Closing defined benefit obligation	144.38	61.30	63.16	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	
	31st March 2011	31st March 2010
Opening fair value of plan assets	32.36	12.09
Expected return on plan assets*	3.8	1.72
Contribution by the Company	29.25	20.17
Benefits paid	(1.85)	-
Actuarial gains / (loss)	-	(1.62)
Closing fair value of plan assets	63.56	32.36

* Determined based on government bond rate.

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

Particulars	2010-11	2009-10
Discount rate (%)	8.35	8.25
Return on Plan Assets (Gratuity Scheme) (%)	8.25	10.00
Mortality Rate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Employee Turnover (%)	6.2	6.2

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

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

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

(Rs. in lacs)

Particulars	Gratuity			
	31st March 2011	31st March 2010	31st March 2009	31st March 2008
Defined benefit obligation	144.38	61.30	24.87	12.06
Fair value of plan assets	63.56	32.36	12.09	-
Deficit	80.82	28.94	12.78	12.06
Experience adjustments on plan liabilities - (gains)/ losses	42.14	(3.64)	(0.07)	-
Experience adjustments on plan assets	-	(1.62)	Nil	N.A.

(Rs. in lacs)

Particulars	Gratuity			
	31st March 2011	31st March 2010	31st March 2009	31st March 2008
Defined benefit obligation	63.16	36.99	34.61	7.33
Fair value of plan assets	-	-	-	-
Deficit	63.16	36.99	34.61	7.33
Experience adjustments on plan liabilities - (gains)/ losses	24.09	4.73	23.06	-
Experience adjustments on plan assets	-	N.A.	N.A.	N.A.

Since Accounting Standard 15 (Revised) on Employee Benefits was adopted from 1st January 2007, disclosures given above are only for current year and previous three years.

(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. 148.00 lacs to gratuity fund in the year 2011-12.

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

(Rs. in lacs)

Particulars	2010-11	2009-10
Provident Fund	60.97	44.78

8. **Dues from companies under the same management.**

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
MSP Cokes Private Limited*	-	61.60	81.44	83.48
Chaman Metallics Limited	153.94	-	153.94	-

* Merged with MSP Metallics Ltd. w.e.f. 01st April'2010.

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

(i) Companies under the same management:-

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
MSP Metallics Limited	-	Not Applicable	4500.00	Not Applicable
Chaman Metallics Limited	182.49	Not Applicable	182.49	Not Applicable
MSP Cement Limited	1.20	1.20	1.20	1.20
MSP Power Limited	3.20	3.20	3.20	3.20

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

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

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

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
Prateek 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	Relation	Category	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
					2010-11	2009-10
MSP Group International Singapore (PTE) Limited	Subsidiary	Loan without fixed repayment schedule	8.33	4.58	8.33	4.58
MSP Metallics Limited	Company in which directors are interested	Loan without fixed repayment schedule	-	N.A.	4500.00	N.A.
Chaman Metallics Limited	Company in which directors are interested	Loan without fixed repayment schedule	182.49	N.A.	182.49	N.A.
MSP Cement Limited	Company in which directors are interested	Loan without fixed repayment schedule	1.20	1.20	1.20	1.20
MSP Power Limited	Company in which directors are interested	Loan without fixed repayment schedule	3.20	3.20	3.20	3.20

10. During the current year, the Company has recognized MAT credit entitlement of Rs. 1,055.53 Lacs (Rs.472.84) 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.

11. In terms of Accounting Standard 22, net deferred tax liability (DTL) of Rs. 1351.54 lacs (Rs. 402.84 lacs) has been recognized during the year and consequently the net DTL stands at Rs. 3,337.34 lacs (Rs. 1985.79 lacs).

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, 2011	As at 31st March, 2010
Timing Difference in depreciable assets	3,581.50	2,148.25
Difference on expense allowable in future	(244.16)	(162.46)
Total	**3,337.34**	**1,985.79**

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

(Rs. in lacs)

Particulars	2010-11	2009-10
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.

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

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

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

Particulars		2010-11	2009-10
Present Weighted Average Number of Equity Shares	Nos.	58,100,000	58,100,000
Net Profit After Tax available for Equity Shareholders	Rs. in lacs	5,021.10	3,205.42
Less : Dividend and dividend distribution tax on Preference Shares	Rs. in lacs	12.65	-
	Rs. in lacs	5,008.45	3,205.42
Nominal Value of each Shares	Rs.	10/-	10/-
Basic & Diluted Earning Per Share	Rs.	8.62	5.52

14. 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, 2011	As at 31st March, 2010
Reserve & Surplus	(0.29)	(0.07)
Fixed Assets	134.96	127.35
Deferred Tax Asset	0.17	0.07
Net Current Assets	79.42	44.77
Loan Fund	0.89	0.89
Miscellaneous Expenditure (To the extent not written off or Adjusted)	0.16	0.21
Other Income	0.14	0.16
Manufacturing, Selling & administrative Expenses	0.14	0.09
Depreciation	0.30	0.21

The amounts of joint venture entity are from the management certified accounts and are not subjected to audit.

The Company's proportionate share of the capital commitments of the jointly controlled entity amounts to Rs. 5.12 (Rs. 5.16 lacs).

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

16. Segment Information:

The Company is engaged in manufacturing of "Iron & Steel". Consequently it has one reportable business segment e.g. "Iron & Steel". 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	2010-11	2009-10
Domestic Revenues (Net of Excise Duty and Trade discount)	45,586.75	35,620.51
Export Revenues (Including Export Benefits)	2,160.19	3,253.57
Total	**47,746.94**	**38,874.48**

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. 306.65 (Rs.Nil).

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

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

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, 2011	As at 31st March, 2010
Investment in Foreign Subsidiary	0.33	0.33
Sundry Creditors	46.00	-

18. Related Party Disclosures

(a) Names of the related parties :

Subsidiary Company	:	MSP Group International Singapore (PTE) Limited
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. Kisturi 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 (Merged with MSP Metallics Limited) MSP Cement Limited MSP Power Limited Chaman Metallics Limited Shree Khathupati Mercantiles Private Limited MSP Mines & Minerals Private Limited High Time Holdings Private Limited B.S. Confin Private Limited Prateek Mines & Minerals Private Limited Adhunik Cement Limited Danta Vyappar Kendra Limited Emerald Tradelink Pvt. Ltd. Ginny Traders Pvt. Ltd. India Cement And Power Company Limited Jai K Leasing And Commercial Investment Limited M.A. Hire Purchase Pvt. Ltd. Raj Securities Limited Rajnath Vyapaar Pvt. Ltd. Shree Saishraddha Cements Pvt. Ltd. Larigo Investment Pvt. Limited

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

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

(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 Holders/Relatives have significant influence	Total
Sales					
MSP Sponge Iron Limited				543.22 (358.19)	543.22 (358.19)
MSP Metallics Limited				534.04 (607.78)	534.04 (607.78)
Chaman Metallics Limited				150.31 (8.93)	150.31 (8.93)
MSP Properties (India) Private Limited				22.46 (-)	22.46 (-)
Purchases of Goods					
MSP Sponge Iron Limited				2,556.99 (2,745.11)	2,556.99 (2,745.11)
MSP Metallics Limited				9,029.41 (4,291.79)	9,029.41 (4,291.79)
Chaman Metallics Limited				46.11 (122.16)	46.11 (122.16)
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				11.64 (6.97)	11.64 (6.97)
Rent Paid					
Larigo Investment Private Limited				0.18 (0.18)	0.18 (0.18)
MSP Infotech Private Limited				3.60 (3.60)	3.60 (3.60)
Shree Khathupati Mercantiles Private Limited				3.49 (2.43)	3.49 (2.43)
Mrs. Kasturi Devi Agrawal			0.48 (0.84)		0.48 (0.84)
Mrs. Nisha Agrawal			0.36 (0.58)		0.36 (0.58)
Mrs. Kiran Agrawal			0.36 (0.58)		0.36 (0.58)
Mr. Manish Agrawal			0.48 (0.96)		0.48 (0.96)
Mr. Saket Agrawal			0.48 (0.96)		0.48 (0.96)

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

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO 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 Holders/Relatives have significant influence	Total
Subscription to Equity Shares					
Madanpur South Coal Company Limited		- (22.35)			- (22.35)
Loans Taken					
MSP Infotech Private Limited				- (50.00)	- (50.00)
MSP Properties (India) Private Limited.				- (50.00)	- (50.00)
Loans Given					
Prateek Mines & Minerals Private Limited				- (93.50)	- (93.50)
MSP Group International Singapore (PTE) Limited	3.75 (4.58)				3.75 (4.58)
Chaman Metallics Ltd				245.00 (-)	245.00 (-)
MSP Metallics Limited				4,585.00 (-)	4,585.00 (-)
MSP Sponge Iron Limited				7,850.00 (-)	7,850.00 (-)
Adhunik Cement Limited				2780.00 (-)	2780.00 (-)
Guarantees Given on behalf of					
Madanpur South Coal Company Limited		660.75 (660.75)			660.75 (660.75)
Guarantees Obtained					
MSP Infotech Private Limited				- (1,500.00)	- (1,500.00)
Mr. Puranmal Agrawal			130.00 (130.00)		130.00 (130.00)
Mr. Suresh Kumar Agrawal			111.00 (111.00)		111.00 (111.00)
Mr. Manish Agrawal			140.00 (140.00)		140.00 (140.00)
Mr. Saket Agrawal			131.00 (131.00)		131.00 (131.00)
Interest Paid					
High Time Holding Private Limited				2.51 (8.00)	2.51 (8.00)
B.S. Confin Private Limited				1.90 (4.00)	1.90 (4.00)

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

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO 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 Holders/Relatives have significant influence	Total
MSP Infotech Private Limited				6.00 (2.01)	6.00 (2.01)
MSP Properties (India) Private Limited.				3.00 (1.49)	3.00 (1.49)
Ginny Traders Private Limited				2.84 (6.00)	2.84 (6.00)
Emerald Tradelink Private Limited				2.46 (5.20)	2.46 (5.20)
Rajnath Vyapaar Private Limited				3.79 (8.00)	3.79 (8.00)
Raj Securities Limited				3.46 (10.00)	3.46 (10.00)
Danta Vyappar Kendra Limited				12.51 (26.40)	12.51 (26.40)
Interest Received					
Chaman Metallics Limited				4.98 (-)	4.98 (-)
MSP Metallics Limited				47.86 (-)	47.86 (-)
MSP Sponge Iron Limited				71.75 (-)	71.75 (-)
Adhunik Cement Limited				117.09 (-)	117.09 (-)
Closing Balance as at the year end-debit					
MSP Metallics Limited				287.59 (61.60)	287.59 (61.60)
MSP Sponge Iron Limited				197.29 (361.70)	197.29 (361.70)
MSP Cement Limited				1.20 (1.20)	1.20 (1.20)
MSP Group International Singapore (PTE) Limited	8.33 (4.58)				8.33 (4.58)
Madanpur South Coal Company Limited		1.92 (2.00)			1.92 (2.00)
MSP Power Limited				3.20 (3.20)	3.20 (3.20)
Prateek Mines & Minerals Private Limited				- (41.00)	- (41.00)
MSP Mines and Minerals Private Limited				25.87 (-)	25.87 (-)

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

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO 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 Holders/Relatives have significant influence	Total
Chaman Metallics Ltd				336.43 (-)	336.43 (-)
MSP Properties (India) Private Limited				12.15 (-)	12.15 (-)
MSP Infotech Private Limited				0.03 (0.54)	0.03 (0.54)
Closing Balance as at the year end - credit					
MSP Sponge Iron Limited				27.29 (88.09)	27.29 (88.09)
MSP Metallics Limited				2,729.09 (166.17)	2,729.09 (166.17)
Shree Khathupati Mercantiles Private Limited				4.56 (1.41)	4.56 (1.41)
MSP Mines & Minerals Private Limited				- (0.52)	- (0.52)
High Time Holdings Private Limited				- (100.00)	- (100.00)
B.S Confin Private Limited				- (50.00)	- (50.00)
MSP Infotech Private Limited				49.56 (52.34)	49.56 (52.34)
MSP Properties (India) Private Limited				25.00 (25.00)	25.00 (25.00)
Mr. Puranmal Agrawal			2.27 (2.10)		2.27 (2.10)
Mr. Suresh Kumar Agrawal			1.90 (1.77)		1.90 (1.77)
Chaman Metallics Limited				- (13.72)	- (13.72)
Howrah Gases Limited				- (35.56)	- (35.56)
Danta Vyappar Kendra Limited				- (330.00)	- (330.00)
Emerald Trade Link Private Limited				- (65.00)	- (65.00)
Ginny Traders Private Limited				- (75.00)	- (75.00)
Rajnath Vyappar Private Limited				- (100.00)	- (100.00)
Raj Securities Limited				- (125.00)	- (125.00)
Adhunik Cement Limited				105.38 (-)	105.38 (-)

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

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

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

Class of goods	Unit	Annual Installed Capacity		Production	
		2010-11	2009-10	2010-11	2009-10
Pellet Plant	Mt	300,000	300,000	185,219	144,643
Sponge Iron	Mt	307,500	192,000	158,187	155,851
MS Ingot/Billet	Mt.	144,109	144,109	102,326	107,579
TMT Bar	Mt.	80,000	80,000	49,379	68,385
Structural Rolling Mill	Mt.	128,000	1,28,000	53,196	1,099
Captive Power Plant	Kwh	332,640,000	190,080,000	192,995,100	161,783,321

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	2010-11		2009-10	
		Quantity	Rs. in lacs	Quantity	Rs. in lacs
Sale of Finished Goods					
Pellet	Mt.	8,412	295.21	-	-
Sponge Iron	Mt	65,968	10,919.48	55,907	7,406.62
MS Ingot/Billets	Mt	10,201	2,836.41	47,227	10,025.44
TMT Bar	Mt	46,854	13,555.89	64,811	15,857.71
Structural TMT	Mt	48,320	14,018.79	3	0.97
Add : Excise duty			4,042.56		2,553.32
			45,668.34		**35,844.06**
Sale of Trading Goods					
G.I.Wire	Mt	2,942	1,278.92	-	-
MS Channel	Mt	-	-	407	107.73
MS Plate	Mt	5,442	1,832.71	-	-
Steel Flat	Mt	189	61.83	-	-
TMT	Mt	329	106.84	10,332	3,761.80
Steel Round	Mt	960	437.78	474	125.61
			3,718.08		**3,995.14**
Sale of Scrap, Stores & By Products					
Iron Ore Fines	Mt	-	-	393	3.40
Coal Fines	Mt	39,914	401.09	60,487	445.98
Coal Tar	Mt	493	78.96	60	3.63
Fly Ash	Mt	4,175	3.00	-	-
Soil	Mt	433	0.40	-	-
Scrap	Pcs	8	15.60	5436	33.60
Stores	Pcs	28	10.02	-	-
			509.08		**486.61**

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

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

(ii) Details of Sales

Sales*		2010-11		2009-10	
	Unit	Quantity	Rs. in lacs	Quantity	Rs. in lacs
Iron Ore	Mt	6,955	314.73	14,654	357.46
Coal	Mt	6,171	104.41	894	11.19
Dolomite	Mt	-	-	46	0.30
			419.14		**368.95**
Sale from Power Unit					
Power	Kwh	33,053,702	1,534.39	16,321,315	615.71
			1,534.39		**615.71**
Total			**51,849.03**		**41,310.47**

* excluding goods transferred for further processing as follows:

Captive Consumption of Finished Goods		Quantity (MT)	
	Unit	2010-11	2009-10
Pellets	Mt	177,183.	142,743
Sponge Iron	Mt	93,117	96,914
Billets	Mt	89,140	60,204
TMT Bar #	Mt	1,961	2,618
Structural TMT**	Mt	327	-
Power	Kwh	158,849,566	145,462,006

** includes 327 MT consumed for projects (Refer schedule 17)

includes 1,961MT (1,835 MT) consumed for projects (Refer schedule 17)

(iii) Details of Opening and Closing Stocks

Details of Finished Goods		2010-11		2009-10	
	Unit	Quantity (MT)	Rs. in lacs	Quantity (MT)	Rs. in lacs
Opening 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	1862	355.72	1,714	394.66
TMT Bar	Mt	1,814	391.28	918	243.39
Oxygen Gas	Cu M	257	0	257	-
Katha	Kg.	7	0	7	-
Cutch	Kg.	3	0	3	-
End Cuts	Mt	15	2.01	8	1.36
Coal Fines	Mt	95,392	806.36	58,786	519.67
Iron Ore Fines	Mt	-	-	61,141	550.27
Total			**2,407.10**		**1,952.63**
Closing Stock :					
Structural TMT*	Mt	5,641	1,669.65	1,096	228.75
Pellet	Mt	1,727	70.97	2,103	89.99
Sponge Iron	Mt	3,963	568.40	4,861	532.99
MS Ingot/Billets#	Mt	4,847	1,069.29	1,862	355.71
TMT Bar**	Mt	2,105	533.09	1,814	391.28
Oxygen Gas	Cu M	257	-	257	-
Katha	Kg.	7	-	7	-
Cutch	Kg.	3	-	3	-
End Cuts	Mt	-	-	15	2.01
Coal Fines	Mt	88,729	1,190.93	95,392	806.36
Iron Ore Fines	Mt	-	-	-	-
Total			**5109.63**		**2,407.10**

* Including stock at depot - 2,071.35 Mt. (Nil)

**Including stock with consignment agent - 286.09 Mt. (196 Mt.)

#including stock at railway siding - 2,499.34 Mt. (Nil)

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

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

(iv) Details of Purchase of Traded Goods

Purchase of Finished Goods	2010-11		2009-10	
	Quantity (MT)	Rs. in lacs	Quantity (MT)	Rs. in lacs
G.I.Wire	2,942	1,199.12	-	-
MS Channel	-	-	407	102.75
MS Plate	5,442	1,714.77	-	-
Steel Flat	189	57.96	-	-
TMT	329	100.11	10,332	3,594.64
Steel Round	960	419.37	474	119.80
Total		**3,491.33**		**3,817.19**

(v) Details of Raw Materials Consumption

Consumption of Raw Materials (Including Shortage/Excess)*	2010-11		2009-10	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Coal	533,655	10,592.60	461,165	8,296.17
Iron Ore	331,209	8,569.76	315,324	5,998.63
Dolomite	7,725	58.29	8,420	60.60
Silico Manganese	1,495	734.38	1,604	700.79
Sponge/ Pig Iron	27,403	6,775.20	30,448	4,804.20
MS Billets/ Ingots	19,219	4,995.46	12,473	2,532.39
Iron Ore Pellet	10,869	767.59	-	-
Others		645.72		901.20
Total		**33,139.00**		**23,293.98**

*Note

(a) Including cost of raw materials sold during the year Rs.787.14 lacs (Rs. 756.00 lacs)

(b) Including raw material consumed during trial run process Rs. 1,481.82 lacs (Rs. 202.84 lacs.)

(c) Excludes captive consumption as reflected in Note No. 19 (ii) of Schedule 22

(vi) Break-up of consumption of raw materials, stores & spares consumed 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	32,612.11	98.41	2,475.26	98.55
	(22,582.19)	(96.94)	(1,847.95)	(99.37)
Imported	526.89	1.59	36.43	1.45
	(711.79)	(3.06)	(11.67)	(0.63)
Total	**33,139.00**	**100.00**	**2,511.69**	**100.00**
	(23,293.98)	**100.00**	**(1,859.62)**	**100.00**

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

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

20. Value of Imports (calculated on CIF basis)

(Rs. in lacs)

Particulars	2010-11	2009-10
Capital Goods	2,542.19	79.51
Stores, Spares & Consumables	36.43	11.67
Raw Materials	526.89	711.79

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

(Rs. in lacs)

Particulars	2010-11	2009-10
Travelling	16.15	1.16
Commission	-	4.72
Professional fees	12.58	-

22. Earning in foreign currency (on accrual basis)

(Rs. in lacs)

Particulars	2010-11	2009-10
FOB Value of Exports (excluding sales made to Nepal in Indian rupees Rs. Nil (Rs. 73.56 lacs))	2,022.08	3,142.35

23. During the year, the Company has hedged its exposure in the iron and steel products by way of entering into certain commodity contracts through the broker dealer. These contracts were settled, otherwise than through actual delivery, whereby the Company has earned an amount of Rs. 3, 025.00 lacs on net settlement basis. Based on a legal opinion obtained, the said income has been treated as income from normal business.

24. The Board of Directors of the Company approved the final audited financial statements for the year 2009-2010 at their meeting dated May 29, 2010. However, dividend for the year 2009-2010 was proposed by the Board of Directors in their meeting dated June 28, 2010 and accordingly paid and accounted for in the financial statements for the year ended March 31, 2011.

25. Previous year's figures indicated 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 **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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	21
Balance Sheet Date	31 03 2011		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	75400

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

Total Liabilities	11377998	Total Assets	11377998
Sources of Funds :			
Paid up Capital	656400	Secured Loans	6404835
Reserves & Surplus	25434363	Deferred Tax	333734
Un-secured Loans	649937		
Application of Funds			
Net Fixed Assets	4999076	Investments	69501
Net Current Assets	2100913	Misc. Expenditure	NIL
Capital Work-in-progress	3418879	Accumulated losses	NIL

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

Turnover	5134503	Total Expenditure	4463503
Profit/Loss before Tax	671000	Profit/Loss after Tax	502110
Earning per share in Rs.	8.62	Dividend	5%

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

Item Code No. (ITC Code)	7214 90 00
Product Description	TMT BAR
Item Code No. (ITC Code)	7203 10 00
Product Description	SPONGE IRON
Item Code No. (ITC Code)	7224 90 91
Product Description	M.S. BILLETS

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Date : 30th May, 2011

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, 2011
(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, 2011 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, 2011 amounted to-	
(i) for the Subsidiaries financial year ended as in (A) above	(Rs. 5.51 lacs)
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	

MSP GROUP INTERNATIONAL (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

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 period ended 31st March, 2011.

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 period 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 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 period, 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 period, 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

Singapore
25th May 2011

Richa Agrawal
Director

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 31st March, 2011, and of the results, changes in equity and cash flows of the company for the financial period 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

Singapore
25th May 2011

Richa Agrawal
Director

Statement of Comprehensive Income For the financial year ended 31st March, 2011

	Notes	2011 S$	2010 S$
Revenue		–	–
Other items of expenses			
Administrative expenses	4	(8,038)	(2,273)
		(8,038)	**(2,273)**
LOSS BEFORE TAX FROM			
CONTINUING OPERATIONS			
Income tax expenses	5	–	–
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		**(8,038)**	**(2,273)**

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

Statement of Financial Position As at 31st March, 2011

	Notes	2011 S$	2010 S$
ASSETS			
Current assets			
Other receivable	6	3,000	3,000
Cash and cash equivalents	7	7,695	7,695
Total current assets		**10,695**	**10,695**
TOTAL ASSETS		**10,695**	**10,695**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,000	1,000
Retained earnings		(16,515)	(8,477)
		(15,515)	**(7,477)**
Current liabilities			
Other payables	9	3,994	3,994
Amount due to holding company	10	22,216	14,178
Total current liabilities		**26,210**	**18,172**
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, 2011

	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	-	(8,477)	(8,477)
Balance as at 31 March 2010	**1,000**	**(8,477)**	**(7,477)**
Balance as at 1 April 2010	1,000	(8,477)	(7,477)
Total comprehensive loss for the year	-	(8,038)	(8,038)
Balance as at 31 March 2011	**1,000**	**(16,515)**	**(15,515)**

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

Statement of Cash Flow For the financial year ended 31st March, 2011

	Notes	2011 S$	2010 S$
OPERATING ACTIVITIES			
Loss before income tax		(8,038)	(2,273)
Operating cash flows before movements in working capital		(8,038)	(2,273)
Changes in other receivable		-	-
Changes in other payables		-	2,273
		(8,038)	-
Income taxes paid		-	-
Net cash used in operating activities		**(8,038)**	-
INVESTING ACTIVITY		-	-
FINANCING ACTIVITIES			
Changes in amount due to holding company		8,038	-
Net cash generated from financing activities		**8,038**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		-	-
Cash and cash equivalents at the beginning of the year/period		7,695	7,695
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	7	**7,695**	**7,695**

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

Notes to the Financial Statements 31st March, 2011

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 31st March, 2011 were authorised for issue by the Board of directors on 25th May, 2011.

2. Summary of significant accounting policies

a) Statement of compliance

In the current financial period, 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 period. 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 statements 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 period. 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 recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized 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 period 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 assets 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 assets 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

Notes to the Financial Statements 31st March, 2011 *(Contd.)*

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 liabilities are recognized 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 recognized 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 receivable. 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, loan 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 recognized 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 the end of each financial period. 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 recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent year, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is revered 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 recognized.

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, 2011 *(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 recognized on an effective yield basis.

Derecognition of financial liabilities

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

g) **Provisions**

Provisions are recognized 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 recognized 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 recognized 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 recognized in profit or loss when the changes arise.

3. **Critical accounting judgments and key sources of estimation uncertainly**

In the application of the Company's accounting policies, which are described in Note 2, management made judgments, 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future periods.

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 uncertainly 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$ 16,515 for the financial period ended 31st March, 2011 and as at that date, the Company's total current and total liabilities exceed its total current and total

Notes to the Financial Statements 31st March, 2011 *(Contd.)*

assets by S$15,515. These factors indicate the existence of a material uncertainly which may cast significant doubt about the Company's ability to continue as a going concern. 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

	2011 S$	2010 S$
Professional fees	6,183	1,702
Secretarial fee	1,855	250
Tax fee	–	321
	8,038	**2,273**

5. Income tax

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 recognized in the accounts owing to the uncertainly of their realisation in the foreseeable future.

6. Other receivable

	2011 S$	2010 S$
Deposit	3,000	3,000

7. Cash and cash equivalents

	2011 S$	2010 S$
Cash at bank	7,695	7,695
Cash and cash equivalents	7,695	7,695

8. Share capital

	2011 S$	2010 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.

9. Other payables

	2011 S$	2010 S$
Accrual	2,140	2,140
Others	1,854	1,854
	3,994	**3,994**

Notes to the Financial Statements 31st March, 2011 *(Contd.)*

10. Amount due to holding company

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

11. 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.

12. Comparative Figures

The comparative figures for the financial period are in respect of the financial year 2009-10.

Detailed Income Statement For the year ended 31st March, 2011

	2011 S$	2010 S$
Revenue	-	-
Less : (Schedule 1)		
Administrative expenses	8,038	(2,273)
Loss before taxation	**8,038**	**(2,273)**

Schedule 1

	2011 S$	2010 S$
Administrative Expenses		
Professional fees	6,183	1,702
Secretarial fee	1,855	250
Tax fee	-	321
	8,038	**2,273**

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 in 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 2011

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, 2011 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 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 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, 2011; 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.**
Firm Reg. No. 002172C
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 076961

Place : Raipur
Date : 02.06.2011

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) Thee 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 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 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 thereunder.

(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 2011 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) The company's accumulated loss are not more than fifty percent of its net-worth and has not incurred cash losses during the financial year covered by our audit and also in the immediately preceeding financial year.

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

(xi) As the Company has not taken any loans from banks or financial institutions and also has 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 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 as no 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.**
Firm Reg. No. 002172C
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 076961

Place : Raipur
Date : 02.06.2011

Balance Sheet As at 31st March, 2011

(Amount in Rs.)

	Schedule	As at 31st March, 2011	As at 31st March, 2010
I. SOURCES OF FUNDS			
Shareholders' Funds			
a) Capital	"A"	9,119,110.00	9,119,110.00
b) Share Application Money Pending Allotment		28,537,002.00	184,726.61
c) Reserves & Surplus	"B"	106,043,568.09	106,043,568.09
		143,699,680.09	**115,347,404.70**
Loan Funds			
a) Secured Loans			
b) Unsecured Loans	"C"	600,000.00	600,000.00
		600,000.00	600,000.00
Total		**144,299,680.09**	**115,947,404.70**
II. APPLICATION OF FUNDS			
Fixed Assets	"D"		
Gross Block		26,112,313.00	26,277,978.00
Less: Depreciation		371,078.00	201,826.00
Net Block		25,741,235.00	26,076,152.00
Work in Progress including Pre-operative expenses & Advances		64,833,830.90	59,395,163.90
		90,575,065.90	85,471,315.90
Investments			
Deferred Tax Assets (Net)		112,704.00	46,821.00
Current Assets, Loans & Advances			
a) Cash & Bank Balances	"E"	52,199,438.19	28,868,575.80
b) Loans & Advances	"F"	1,159,314.00	1,480,241.00
		53,358,752.19	30,348,816.80
Less: Current Liabilities & Provisions	"G"	48,450.00	107,265.00
Net Current Assets		**53,310,302.19**	**30,241,551.80**
MISCELLANEOUS EXPENDITURE (To the extent not written off or Adjusted)			
Preliminary Expenses		106,080.00	141,440.00
PROFIT & LOSS ACCOUNT		195,528.00	46,276.00
		301,608.00	**187,716.00**
Total		**144,299,680.09**	**115,947,404.70**
Notes to the Accounts	"H"		

As per our Report of even date

For **O. P. Singhania & Co.**
Firm Regn No. 002172C
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 076961

Place : Raipur
Date : 02.06.2011

On behalf of the Board of Directors

G. K. Chhanghani
Director

Alok Choudhary
Director

Profit and Loss Account For the year ended 31st March, 2011

(Amount in Rs.)

Particulars	Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
INCOME			
Interest received		90,759.00	111,068.00
		90,759.00	**111,068.00**
EXPENDITURE			
Filing Fees		6,353.00	8,860.00
Audit fees		16,545.00	16,545.00
Miscellaneous Expenditure Written off		35,360.00	35,360.00
Legal & Professional Fees		800.00	0.00
Loss on sale of fixed assets		43,464.00	0.00
Depreciation		201,453.00	143,400.00
		303,975.00	**204,165.00**
Profit (Loss) for the year before Tax		(213,216.00)	(93,097.00)
Provision for current income-tax		-	-
Tax related to earlier year		(1,919.00)	-
Deferred Tax Adjustment (Net)		65,883.00	46,821.00
Profit(Loss) For The Year After Tax		(149,252.00)	(46,276.00)
Balance brought forward from previous year		(46,276.00)	-
Balance carried to Balance Sheet		(195,528.00)	(46,276.00)
Notes to the Accounts	"H'		

As per our Report of even date

For **O. P. Singhania & Co.**
Firm Regn No. 002172C
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 076961

Place : Raipur
Date : 02.06.2011

On behalf of the Board of Directors

G. K. Chhanghani
Director

Alok Choudhary
Director

Schedules forming part of the Balance Sheet

(Amount in Rs.)

Particulars	As at 31st March, 2011	As at 31st March, 2010
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 (911911) Equity Share of Rs. 10/- each fully paid up	9,119,110.00	9,119,110.00
	9,119,110.00	**9,119,110.00**
SCHEDULE B RESERVES & SURPLUS		
Securities Premium Account		
As per last account	106,043,568.09	91,793,188 09
Addition during the year	-	14,250,380.00
	106,043,568.09	**106,043,568.09**
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 01.04.2010	Addition during the year	Deduction during the year	As at 31.03.2011	Up to 31.03.2010	For the year	Adjustment during the year	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land	25,104,420.00	-	-	25,104,420.00	-	-	-	-	25,104,420.00	25,104,420.00
Furniture & Fixtures	304,674.00	-	139,315.00	165,359.00	47,685.00	34,825.00	28,099.00	54,411.00	110,948.00	256,989.00
Office Equipment	243,340.00	-	26,350.00	216,990.00	22,613.00	28,922.00	4,102.00	47,433.00	169,557.00	220,727.00
Vehicle	491,584.00	-	-	491,584.00	67,061.00	109,909.00	-	176,970.00	314,614.00	424,523.00
Computer	133,960.00	-	-	133,960.00	64,467.00	27,797.00	-	92,264.00	41,696.00	69,493.00
	26,277,978.00	-	165,665.00	26,112,313.00	201,826.00	201,453.00	32,201.00	371,078.00	25,741,235.00	26,076,152.00

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE E CASH & BANK BALANCES		
Cash in hand (as certified by the management)	1,042,000.00	2,381,221.00
Balances with Scheduled Banks		
On Current Account	27,299,665.19	887,354.80
On Deposit Account*	23,857,773.00	25,600,000.00
	52,199,438.19	**28,868,575.80**

• Pledged with Bank against Bank Guarantee

Schedules forming part of the Balance Sheet

(Amount in Rs.)

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE F LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for value to be received	128,972.00	100,699.00
Deposit with others	29,000.00	54,500.00
TDS Receivable	889,274.00	1,150,138.00
Interest accrued on FDR	112,068.00	174,904.00
	1,159,314.00	**1,480,241.00**
SCHEDULE G CURRENT LIABILITIES & PROVISIONS		
Other Liabilities	48,450.00	107,265.00
	48,450.00	**107,265.00**

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.

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.

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

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

(Amount in Rs.)

Particulars	2010-11	2009-10
Counter guarantee given to Bank against Bank Guarantee issued	436,200,000	436,000,000

3. Estimated amount of contracts remaining to be executed on capital accounts Rs. 34.34 lacs (Previous Year Rs. 34.64 lacs)

4. **Earnings per Share**

(Amount in Rs.)

Particulars	2010-11	2009-10
Net Profit after tax	(149,252.00)	(46,276.00)
Weighted average No. of Equity Shares of Rs 10/- each	911911	846567
Basic and Diluted earning per share	(0.16)	(0.05)

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, 2010	Arising during the year	Balance carried As at 31st March, 2011
Deferred Tax Liabilities			
Timing difference between book and tax depreciation	(5,950.00)	31,302.00	25,352.00
Deferred Tax Assets			
Carried Forward Unabsorbed Depreciation	52,771.00	34,581.00	87,352.00
Net Deferred Tax Assets (Liability)	46,821.00	65,883.00	112,704.00

6. **Payment to Auditors**

(Amount in Rs.)

Particulars	2010-11	2009-10
Towards Audit Fees	16,545.00	16,545.00
Towards Other Matters	8,273.00	00.00

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.**
Firm Regn No. 002172C
Chartered Accountants

Sanjay Singhania
Partner
Membership No. 076961

Place : Raipur
Date : 02.06.2011

On behalf of the 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 of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No.	U10300CT2006PLC02006	State Code	10
Balance Sheet Date	31 03 2011		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	144348	Total Assets	144348
Sources of Funds :			
Paid up Capital	9119	Share Application Money	28537
Reserves & Surplus	106044	Secured Loans	NIL
Un-secured Loans	600		
Application of Funds			
Net Fixed Assets	90575	Investments	NIL
Deferred Tax Assets	113	Misc. Expenditure	106
Net Current Assets	53310	Accumulated losses	196

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

Turnover (Gross Receipts)	91	Total Expenditure	304
Profit/(Loss) before Tax	(213)	Profit/(Loss) after Tax	(149)
Earning per share in Rs.	(0.16)		
Dividend Rate Including Special Dividend, If any			
On Preference Shares	NIL	On Equity Shares	NIL

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

Item Code No. (ITC Code)	NA
Product Description	NA
Item Code No. (ITC Code)	NA
Product Description	NA

On behalf of Board of Directors

G. K. Chhanghani
Director

Place : Raipur
Date : 02.06.2011

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 ("the Company") its subsidiary and joint venture together referred as "the Group", as at March 31, 2011, and the related statement of consolidated profit and loss, 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 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 1(i)(e) on Schedule 22, the financial statements of MSP Group International (Singapore) PTE. Ltd, a wholly owned subsidiary, which reflect total assets of Rs. 3.84 lacs as at March 31, 2011, total expenditure of Rs. 2.81 lacs and cash flows amounting to Rs. Nil 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. 213.47 lacs as at March 31, 2011 and share of total revenue and share of cash flows (net cash inflow) is Rs.0.14 lacs and Rs. 37.93 lacs respectively for the year then ended. These financial statements and other financial information have been consolidated in these accounts on the basis of unaudited financial statements as certified by the management and our opinion, in so far as it relates to the amounts included in respect of this joint venture, is based on such certified unaudited financial statements.

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" notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

6. Attention is drawn on note 19 on schedule 22 regarding accounting of gain of Rs. 3,025 lakhs arisen on settlement of commodity transactions, settled otherwise than through actual delivery, which is in the nature of speculative income. However based on a legal opinion obtained, the same has been treated as income from normal business by the Company. Consequently, we are unable to comment on the impact of these transactions on the tax expense and Group's net worth.

7. On the basis of the information and explanation given to us and on the consideration of unaudited financial statements and on the relevant financial information of the subsidiary and joint venture as certified by the management, we are of the opinion that the attached consolidated financial statements, subject to the matter contained in para 6 above whose impact on the Group's profit is currently not ascertainable, give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31st March 2011;

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

   (c) in the case of the consolidated 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 **Sanjoy K Gupta**
Partner
Membership No. 54968

Place : Kolkata
Date : 30th May, 2011

Consolidated Balance Sheet As at 31st March, 2011

(Rs. in lacs)

	Schedules	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	1	6,564.00	5,810.00
Preference Share Application Money [Pending allotment]		-	2,220.00
(Refer Note No. 4 on Schedule 22)			
Reserves & Surplus	2	25,428.11	14,315.97
		31,992.11	**22,345.97**
Loan Funds			
Secured Loans	3	64,048.35	42,474.42
Unsecured Loans	4	6,500.26	3,633.60
		70,548.61	**46,108.02**
Deferred Tax Liability (Net) (Refer Note No. 11 on Schedule 22)		3,337.34	1,985.79
		105,878.06	**70,439.78**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	55,596.20	29,261.40
Less : Accumulated Depreciation		5,567.07	3,633.92
Net Block		50,029.13	25,627.48
Capital work in Progress	6	31,187.74	22,305.62
Pre-operative & Trial Run Expenses (Pending Allocation)	7	3,097.66	2,323.85
		84,314.53	**50,256.95**
Investments	8	523.09	4,323.50
Deferred Tax Asset		0.17	0.07
Current Assets, Loans & Advances			
Inventories	9	12,085.47	6,834.01
Sundry Debtors	10	4,040.40	6,683.72
Cash & Bank Balances	11	1,114.03	3,832.21
Loans & Advances	12	11,686.84	5,410.15
Other Current Assets	13	9.84	6.65
(A)		**28,936.58**	**22,766.74**
Less:			
Current Liabilities & Provisions	14		
Current Liabilities		6,704.36	6,424.76
Provisions		1,192.11	482.93
(B)		**7,896.47**	**6,907.69**
Net Current Assets (A-B)		**21,040.11**	**15,859.05**
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expense		0.16	0.21
		105,878.06	**70,439.78**
Significant Accounting Policies and Notes on Accounts	22		

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

As per our Report of even date

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

per **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011

(Rs. in lacs)

	Schedules		2010-11		2009-10
INCOME					
Gross Sales	15		51,789.50		41,427.80
Less: Excise Duty			4,042.56		2,553.32
Net Sales			47,746.94		38,874.48
Other Income	16		3,598.23		711.07
			51,345.17		**39,585.55**
EXPENDITURE					
(Increase) / Decrease in Stocks	17		(3,835.57)		(794.52)
Excise Duty and Cess on Stocks (Refer Note No. 15 on Schedule 22)			207.46		80.24
Raw Materials Consumed	18		31,657.18		23,091.14
Purchase of Trading Goods			3,491.33		3,817.19
Personnel Cost	19		1,533.72		1,193.84
Manufacturing, Selling & Administrative Expenses	20		7,288.61		5,048.97
Prior Period Expenses			15.72		30.63
[Net of Prior Period Income Rs. 0.06 lacs (Rs. 6.69 lacs)]					
Interest & Finance Charges	21		2,346.62		2,040.43
Depreciation			1,933.20		1,257.57
			44,638.27		**35,765.49**
Profit before Taxes			6,706.90		3,820.06
Provision For Taxes:					
- Current Tax [Minimum Alternate Tax (MAT)]		1,392.89		685.13	
Less: MAT Credit Entitlement (Refer Note No. 10 on Schedule 22)		1,055.53	337.36	472.84	212.29
- Prior year tax Expenses			-		2.36
- Deferred Tax charge (Net)			1,351.44		402.77
Profit After Taxes			**5,018.10**		**3,202.64**
Balance brought forward from previous Year			14,260.43		11,057.79
Profit available for appropriation			**19,278.53**		**14,260.43**
Appropriations :					
Dividend Paid for the year 2009-10 (Refer Note no. 20 Schedule 22)			290.50		
Dividend distribution tax on above			49.37		
Proposed Dividend for the year 2010-11					
- On equity shares			290.50		
- On 6% non cumulative preference shares			10.85		
Dividend distribution tax on above			50.05		-
Balance carried to the Balance Sheet			**18,587.26**		**14,260.43**
Earning per equity share [Nominal value of shares - Rs 10/-]			8.62		5.51
- Basic & Diluted (Rs) (Refer Note No. 13 on Schedule 22)					
Significant Accounting Policies and Notes on Accounts	22				

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

As per our Report of even date

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

per **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011

(Rs. in lacs)

	2010-11		2009-10	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before taxes		6,706.90		3,820.06
Adjustments for :				
Depreciation	1,933.20		1,257.57	
Unrealised Loss on Foreign Exchange Fluctuation/Forward	23.72		8.90	
Irrecoverable Debts, Deposits and Advances written off	46.72		74.08	
Provision for bad & doubtful debts/advances	49.80		98.74	
Liabilities no longer required written back	(81.74)		(61.18)	
Loss on sale of fixed assets	0.06		0.90	
Preliminary Expenses written Off	0.05		0.05	
Interest received on loans, deposits etc.	(383.82)		(68.74)	
Interest Expenses	2,260.43		1,945.57	
Dividend Income	(2.27)		(1.06)	
Operating Profit before working capital changes	**3,846.15**		**3,254.83**	
Movement in Working Capital for:				
(Increase)/Decrease in Sundry Debtors	2,546.80		(2,611.11)	
(Increase)/Decrease in Loans & Advances	(4,965.25)		(817.80)	
(Increase)/Decrease in Inventories	(5,251.47)		(2,900.25)	
Increase/(Decrease) in Current Liabilities & Provisions	(1,512.50)		4,340.53	
Cash generated from Operations	(5,336.27)		1,266.20	
Direct Taxes Paid	1,113.16		527.64	
Net Cash generated from Operating Activities		**257.47**		**4,558.62**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets [including Pre-Operative and Trial Run Expenses (Pending allocation)]	(34,120.89)		(16,542.73)	
Proceeds from sale of fixed assets	0.14		1.80	
Purchase of Investments	-		(7,351.63)	
Sale of Investments	3,800.41		3,700.92	
Exchange difference arising on consolidation	(0.69)		(0.05)	
Fixed Deposits (with maturity period of more than three months)	(144.14)		-	
Interest received	124.72		67.08	
Dividends received	2.27		1.06	
Net cash used in investing activities		**(30,338.18)**		**(20,123.55)**

Consolidated Cash Flow Statement For the year ended 31st March, 2011

(Rs. in lacs)

	2010-11		2009-10	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Application money towards Preference Shares	-		2,220.00	
Dividend and dividend distribution tax paid	(339.87)		-	
Proceeds from issue of share capital	5,320.00		-	
Deferred payment credit received	4,014.23			
Long Term Borrowings Received	22,850.07		16,488.80	
Long Term Borrowings Repaid	(4,049.05)		(7,636.02)	
Short Term Borrowings Received / (paid) (Net)	(3,573.94)		6,798.80	
Cash credit and working capital received (Net)	5,199.29		3,187.20	
Interest Paid	(2,202.34)		(3,664.78)	
Share Issue expenses	-		(0.05)	
Net cash generated in financing activities		**27,218.39**		**17,393.95**
Net (Decrease)/Increase in Cash & Cash equivalents (A+B+C)		**(2,862.32)**		**1,829.02**
Cash & Cash equivalents as at the beginning of the year		3,711.18		1,882.16
Cash & Cash equivalents as at the end of the year *		**848.86**		**3,711.18**
*** Represents the following**				
Cash-on-hand		475.50		317.06
With Scheduled Banks on Current Account		361.20		3,394.12
Fixed Deposit (Maturity Period of not more than 3 months)		12.16		-
		848.86		**3,711.18**
Cash and Bank balances as per schedule - 11	1,114.03		3,832.21	
Less : Fixed Deposits not considered as cash equivalent	265.17		121.03	
Cash & Cash equivalents in cash flow statement	**848.86**		**3,711.18**	

As per our Report of even date

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

per **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

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, 2011		As at 31st March, 2010
SCHEDULE 1 SHARE CAPITAL				
Authorised				
8,20,00,000 (6,00,00,000) equity shares of Rs. 10/- each (Rs. 10/-)		8,200.00		6,000.00
1,50,00,000 (1,50,00,000) 6% non cumulative redeemable preference shares of Rs. 10/- each (Rs. 10/-)		1,500.00		1,500.00
		9,700.00		**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 alloted as fully paid up for consideration other than cash.				
b) 47,54,300 Equity shares of Rs 10/- each were alloted as fully paid bonus shares by capitalisation of securities premium.				
7,540,000 (Nil) 6% non cumulative redeemable preference shares of Rs 10 each, fully paid up (Redeemable within 20 years from the date of allotment at a price to be decided by the Board of Directors at the time of redemption)		754.00		-
		6,564.00		**5,810.00**

SCHEDULE 2 RESERVES & SURPLUS				
Securities Premium Account				
As per last Account	55.59		55.59	
Add : Received during the year	6,786.00	6,841.59	-	55.59
Profit & Loss Account Balance		18,587.26		14,260.43
Foreign Currency Translation Difference Account		(0.74)		(0.05)
		25,428.11		**14,315.97**

SCHEDULE 3 SECURED LOANS				
(Refer Note No. 6 on Schedule 22)				
From Scheduled Banks				
Term Loans		46,763.03		30,398.82
Cash Credit and Working Capital Facilities		17,179.33		11,980.04
Deferred Payment Credits under Hire Purchase		61.64		63.74
From Bodies Corporate				
Deferred Payment Credits under Hire Purchase		44.35		31.82
		64,048.35		**42,474.42**

SCHEDULE 4 UNSECURED LOANS				
Inter corporate deposit from Bodies Corporate [(Due within One Year Rs. 1,385.00 lacs (Rs. 2,022.80 lacs)]		2,486.03		3,633.60
Deferred payment credits [Due within One Year Rs.Nil (Nil)]		4,014.23		-
		6,500.26		**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 2010	Additions		Deletions/ Adjustments	As at 31st March 2011		As at 1st April 2010	For the year		Less: On Deletions/ Adjustments	As at 31st March 2011	As at 31st March 2011	As at 31st March 2010
Land	834.76	131.83		-	966.59	(b)	-	-		-	-	966.59	834.76
Factory Buildings	3,353.10	2,667.44		-	6,020.54		311.86	145.85		-	457.71	5,562.83	3,041.24
Non-Factory Buildings	143.13	992.78		-	1,135.91		10.37	6.17		-	16.54	1,119.37	132.76
Plant & Machinery	24,436.09	22,385.40		0.04	46,821.45		3,147.47	1,730.67		0.01	4,878.13	41,943.32	21,288.62
Vehicles	427.91	129.10		-	557.01		148.66	46.59		-	195.25	361.76	279.25
Furniture & Fixtures	66.41	28.50		0.21	94.70		15.56	3.92		0.04	19.44	75.26	50.85
Total	**29,261.40**	**26,335.05**	(c)	**0.25**	**55,596.20**		**3,633.92**	**1,933.20**	(a)	**0.05**	**5,567.07**	**50,029.13**	**25,627.48**
Previous Year's total	25,089.06	4,176.59		4.25	29,261.40		2,361.46	1,274.01		1.55	3,633.92	25,627.48	

Notes :

a) Includes Rs. Nil (Rs.16.66 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. 4,356.74 lacs (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, 2011	As at 31st March, 2010
SCHEDULE 6 CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCES)		
Buildings **	6,960.72	2,545.74
Plant & Machinery	39,762.96	20,440.97
Capital Goods in Stock	1,331.09	525.30
[including in transit Rs. 1,098.67 lacs (Rs. 96.74 lacs)]		
Capital Advances	4,836.53	2,783.71
	52,891.30	26,295.72
Less : Capitalised during the year	21,703.56	3,990.10
Total	**31,187.74**	**22,305.62**

** Includes Rs. 531.56 lacs (Rs.355.36 lacs) transferred from finished goods.

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 7 PRE-OPERATIVE & TRIAL RUN EXPENSES (PENDING ALLOCATION)		
Opening Balance Brought Forward	2,323.85	553.47
Raw Materials Consumed	1,481.82	202.84
Work in Progress Consumed	170.19	-
Personnel Cost*		
Salary, Wages & Bonus	309.04	36.58
Contribution to Provident and Other Funds	3.79	0.62
Staff Welfare	10.12	0.28
*Refer Note Nos. 7 and 12 on Schedule 22		
Administrative and Other Indirect Overheads		
Stores & Spares Consumed	7.51	1.87
Power & Fuel	73.13	0.11
Repairs & Maintenance		
- Plant & Machinery	108.75	1.57
- Others	7.61	0.46
Material Handling Charges	16.28	3.91
Travelling & Conveyance	32.20	18.88
Vehicle Running & Maintenance Expense	33.51	0.44
Insurance Charges	3.12	0.01
Printing and Stationary	6.13	0.02
Postage and Communication	2.11	0.46
Legal & Professional Charges	113.63	113.93
Rent & Hire Charges	261.55	59.89
Rates & Taxes	23.38	18.01
Miscellaneous Expenses	17.75	17.52
Borrowing Cost		
Interest on Term Loans	3,823.35	1,726.18
Finance Charges	348.49	258.22
Depreciation	-	16.66
Total	**9,177.31**	**3,031.93**
Less:		
Material Transferred for Captive Consumption	1,113.82	-
Generation cost of Power consumed in Production	422.01	-
Sale of Finished Goods	-	0.97
Closing Stock of Finished Goods (Transferred to Schedule - 17)	187.08	207.39
	7,454.40	**2,823.57**
Less: Transferred to Fixed Assets	4,356.74	499.72
Amount carried to Balance Sheet	**3,097.66**	**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, 2011	As at 31st March, 2010
SCHEDULE 8 INVESTMENTS				
A. LONG TERM, Equity Shares fully paid up (at Cost)				
Other than trade -				
(i) Unquoted				
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**
(ii) Quoted				
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
Indian Overseas Bank	2,900	10	0.70	0.70
IDFC Limited	5,201	10	1.77	1.77
			19.24	**19.24**
B. CURRENT INVESTMENTS, Units of Mutual Funds (Quoted)				
(at lower of cost and market value)				
In SBI Magnum Insta Cash Fund Daily Dividend Option	-	10	-	3,800.41
	(22,688,612)			
			-	3,800.41
Total			**523.09**	**4,323.50**

(Rs. in lacs)

		As at 31st March, 2011		As at 31st March, 2010	
		Cost	Market Value	Cost	Market Value
Aggregate Value of investments -	-Quoted	19.24	28.65	3819.65	3827.90
	-Unquoted	503.85	-	503.85	-
Total		**523.09**	**-**	**4323.50**	**-**

There are no investments that have been purchased as well as sold during the year.

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 9 INVENTORIES		
Stores & Spares	906.08	766.21
[including in transit Rs 96.31 lacs (Rs. 23.67 lacs)]		
Raw Materials	5,224.60	3,433.91
[including in transit Rs 733.42 lacs (Rs. 251.74 lacs)]		
Work in progress	845.16	226.79
Finished Goods	3,918.70	1,600.74
By Products	1,190.93	806.36
	12,085.47	**6,834.01**

SCHEDULE 10 SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	720.05	544.68
Considered doubtful	164.12	114.32
Other Debts		
Considered good	3,320.35	6,139.04
	4,204.52	**6,798.04**
Less: Provision for Doubtful Debts	164.12	114.32
	4,040.40	**6,683.72**

(Refer Note No. 8 on Schedule 22)

SCHEDULE 11 CASH AND BANK BALANCES		
Cash on Hand	475.50	317.06
[including cheques in hand Rs. 369.77 lacs (Rs. 100.00 lacs)]		
Balances with Scheduled Banks on:		
Current Accounts	361.20	3,394.12
Fixed Deposit Accounts	277.33	121.03
[Receipts for Rs 236.51 lacs (Rs. 79.46 lacs) pledged with banks as margin against loans/ guarantees issued by them and Rs 5.27 lacs (Rs. 3.42 lacs) lodged with other parties]		
	1,114.03	**3,832.21**

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 12 LOANS & ADVANCES (Unsecured)		
Considered Good		
Loans:		
To Others [Including to staff Rs. 18.62 lacs (Rs. 21.30 lacs)]	3,886.00	188.42
Advances recoverable in cash or in kind or for value to be received [Including to staff Rs. 10.36 lacs (Rs. 13.78 lacs)]	3,982.34	2,605.85
Export Incentive Receivable	57.21	35.92
Balance with Central Excise & Sales Tax Authorities	1,735.30	1,610.38
MAT Credit Entitlement	1,915.88	860.35
Security & Other Deposits	110.11	109.23
Considered Doubtful		
Advances recoverable in cash or in kind or for value to be received	19.40	19.40
	11,706.24	**5,429.55**
Less: Provision for Doubtful Advances	19.40	19.40
	11,686.84	**5,410.15**

(Refer Note No. 9 on Schedule 22)

SCHEDULE 13 OTHER CURRENT ASSETS		
Interest Receivable on loans, deposits etc.	9.84	6.65
	9.84	**6.65**

SCHEDULE 14 CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances	150.31	-
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. 4.17 lacs (Rs. 3.87 lacs) due to the Directors]	5,390.16	5,814.06
Other Liabilities	544.56	461.56
Advance from Customers	554.27	142.17
Interest Accrued but not due on Loans	65.06	6.97
	6,704.36	**6,424.76**
B. PROVISIONS		
Gratuity	80.82	28.94
Leave Salary	63.16	36.99
Proposed Dividend	301.35	-
Dividend Distribution Tax	50.05	-
Taxation [Net of Advance Tax Rs 2,782.66 lacs (Rs. 1,667.79 lacs)]	696.73	417.00
	1,192.11	**482.93**

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 15 SALES		
Finished Goods	49,383.39	39,835.38
Less: Trade Discount	117.16	-
	49,266.23	39,835.38
Power	1,534.39	615.71
Scraps & By Products	512.13	489.46
Raw Materials	409.10	368.95
Stores Material	10.02	-
Export Incentive	57.63	118.30
	51,789.50	**41,427.80**

SCHEDULE 16 OTHER INCOME		
Interest on loan, deposits etc (Gross)	383.82	68.74
[Tax deducted at source Rs 30.38 lacs (Rs 7.42 lacs)]		
Insurance Claim Received	49.66	5.75
Dividend from Current Investments (Non Trade)	2.27	0.87
Dividend from Long Term Investments (Non Trade)	-	0.19
Liabilities no longer required written back	81.74	61.18
Gain on Transactions in Commodity Exchange	3,025.00	101.77
Commission Earned	46.44	451.47
Rent Received	1.20	-
Miscellaneous Receipts	8.10	21.10
	3,598.23	**711.07**

SCHEDULE 17 (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Goods	1,600.74	882.69
Goods under Process	226.79	34.71
By Products	806.36	1,069.94
	2,633.89	**1,987.34**
Add: Transferred from Trial Run Production	187.08	207.39
	2,820.97	**2,194.73**
Less:		
Closing Stock		
Finished Goods	3,918.70	1,600.74
Goods under Process	845.16	226.79
By Products	1,190.93	806.36
	5,954.79	**2,633.89**
Less : Transfer for Trial Run - Finished Goods	170.19	-
Less : Transfer to CWIP - Finished Goods	531.56	355.36
	(3,835.57)	**(794.52)**

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 18 RAW MATERIALS CONSUMED		
Opening Stock	3,433.90	1,565.05
Add: Purchases (Including Procurement expenses)	33,447.88	24,960.00
[Includes materials transferred from trial run production Rs. 1,113.82 lacs (Rs. Nil)]		
	36,881.78	26,525.05
Less : Closing Stock	5,224.60	3,433.91
	31,657.18	**23,091.14**

SCHEDULE 19 PERSONNEL COST		
Salary, Wages and Bonus	1,283.13	997.41
Contribution to Provident and Other Funds	57.18	44.16
Gratuity Expenses	81.13	36.33
Staff Welfare Expenses	46.28	49.94
Managerial Remuneration	66.00	66.00
	1,533.72	**1,193.84**

(Refer Note Nos. 7 & 12 on Schedule 22)

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

		As at 31st March, 2011		As at 31st March, 2010
SCHEDULE 20 MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES				
Stores & Spares Consumed		2,504.18		1,857.75
Power & Fuel		1,913.72		1,420.65
Repairs & Maintenance				
- Plant & Machinery		243.06		65.36
- Building		8.19		9.95
- Others		56.13		21.65
Material Handling Charges		406.68		406.00
Travelling & Conveyance		29.10		33.63
Vehicle Running Expense		212.49		145.98
Commission on sales (Other than Sole Selling Agents)		123.29		110.53
Freight Outward [net of recoveries Rs. 55.68 lacs (Rs. 218.32 lacs)]		625.75		154.10
Auditor's Remuneration				
- Statutory Audit Fees		8.02		8.00
- Limited Review Fees		4.50		4.50
- Out of pocket expenses		1.44		0.34
Insurance Charges		36.36		11.44
Printing and Stationary		12.23		12.52
Postage and Communication		36.71		29.83
Legal & Professional Charges		75.02		31.65
Rent		35.09		13.19
Rates & Taxes [Including Rs.9.05 lacs (Rs. 76.06 lacs) for earlier years]		67.49		98.17
Loss on Foreign Exchange Fluctuation		130.60		8.90
Selling & Marketing expenses		267.88		-
Charity & Donations		16.25		6.86
Irrecoverable Debts, Deposits and Advances written off	46.72	-	109.27	-
Less: Adjusted with provision	-	46.72	35.19	74.08
Loss on sale of Assets	-	0.06		0.90
Provision for doubtful debts/advances		49.80		98.74
Miscellaneous Expenses		377.80		424.20
Preliminary Expenses written off	-	0.05		0.05
		7,288.61		**5,048.97**

SCHEDULE 21 INTEREST & FINANCE CHARGES				
Interest				
- On Term Loans		1,524.69		1,089.43
- On Working Capital Facilities		695.30		826.25
- On Others		40.44		29.89
Finance Charges		86.19		94.86
		2,346.62		**2,040.43**

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

SCHEDULE 22 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

i) Principles Of Consolidation

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

b) The subsidiary company considered for consolidation in the Financial Statements is as follows:

Name of the Subsidiary	Country of Incorporation	Proportion of ownership/interest	
		31st March 2011	31st March 2010
MSP Group International (Singapore) PTE. Ltd. (MSPGI)	Singapore	100%	100%

In terms of Accounting Standard 21 "Consolidated Financial Statements" 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.

c) 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/losses.

d) 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.

e) 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.

f) 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	
		31st March 2011	31st March 2010
Madanpur South Coal Company Ltd. (MSCCL)	India	14.90%	14.90%

g) In terms of Accounting Standard 27 "Financial Reporting of Interests in Joint Venture" notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended), 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.

h) 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.

i) 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.

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, 2011.

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. The

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

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

accounting policies applied by the Company, are consistent with those used in the previous year.

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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to 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 in direct cost 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)".

v) Impairment

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.

vi) 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.

vii) 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.

viii) Leases

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.

ix) Government Grant and Subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

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

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

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

x) 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.

xi) 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 recognized when there is an 'other than temporary' decline in the value of the investments.

xii) 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.

xiii) 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 made at the balance sheet date

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

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

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

xiv) **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.

xv) **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.

Export Incentives

Export Incentives under the Duty Entitlement Pass Book (DEPB) scheme are recognized when such incentive accrues upon export of goods.

xvi) **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.

xvii) **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

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

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

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.

xviii) 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.

xix) 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.

xx) 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.

xxi) 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, 2011	As at 31st March, 2010
a) Excise Matters under dispute/ appeal	1,391.35	392.96
b) Sales Tax Matters under dispute/ appeal	85.86	34.20
c) Un-expired Bank Guarantees and Letters of Credit	1,200.44	603.74
d) Custom duty on import of equipments and spare parts under EPCG scheme.	2,767.08	1,240.43
e) Claims against the Company not acknowledged as debt.	60.67	60.67
f) Counter guarantee given to Bank against bank guarantee issued (share of joint venture)	660.75	660.75

In October 2010, search and seizure operations were conducted by the Income Tax authorities under Section 132 of the Income Tax Act, at various locations of the Company. During the course of the search and seizure operations, the income tax authorities have taken custody of certain materials such as documents, records, and recorded statements of certain officials of Company. The Company has not received any communication from the income tax authorities in this regard till the Balance Sheet date. The Company does not expect any liability arising out of the aforesaid search and seizure. The documents and records seized by the authorities did not impair the Company's ability to draw a true and fair financial statement as of and for the year ended March 31, 2011.

3. Capital Commitments

(Rs. in lacs)

Particulars	As at 31st March, 2011	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. 5.12 lacs (Rs. 5.16 lacs)] (net of advances Rs 4,836.53 lacs (Rs 2,783.71 lacs))	10,242.90	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 issued 7,540,000 numbers of 6% non cumulative non convertible redeemable preference shares of Rs.10 each with a premium of Rs.90 per share on private placement basis.

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. **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) 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).

   iii) Cash Credit and other working capital facilities from banks are secured by hypothecation of raw materials, finished goods, goods under process, stores and spares, 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).

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

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

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	
	2010-11	2009-10	2010-11	2009-10
Current service cost	40.51	15.77	1.53	1. 39
Interest cost	4.98	1.93	3.00	2.59
Expected return on plan assets	(3.80)	(1.72)	-	-
Past Service Cost	-	25.53	-	-
Net actuarial losses/(gains)	39.44	(5.18)	22.81	0.76
Net benefit expense	81.13	36.33	27.34	4.74
Actual return on plan assets	3.80	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	
	2010-11	2009-10	2010-11	2009-10
Defined benefit obligation	144.38	61.30	63.16	36.99
Fair value of plan assets	63.56	32.36	-	-
Net liability	**80.82**	**28.94**	**63.16**	**36.99**

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

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

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

(Rs. in lacs)

Particulars	Gratuity		Leave	
	2010-11	2009-10	2010-11	2009-10
Opening defined benefit obligation	61.30	24.87	36.99	34.61
Interest cost	4.98	1.93	3.00	2.59
Current service cost	40.51	15.77	1.53	1.39
Benefit paid	(1.85)	-	(1.17)	(2.36)
Actuarial losses/(gains)	39.44	(6.80)	22.81	0.76
Plan Amendments	-	25.53	-	-
Closing defined benefit obligation	144.38	61.30	63.16	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	
	31st March 2011	31st March 2010
Opening fair value of plan assets	32.36	12.09
Expected return on plan assets*	3.8	1.72
Contribution by the Company	29.25	20.17
Benefits paid	(1.85)	-
Actuarial gains / (loss)	-	(1.62)
Closing fair value of plan assets	63.56	32.36

* Determined based on government bond rate.

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

Particulars	2010-11	2009-10
Discount rate (%)	8.35	8.25
Return on Plan Assets (Gratuity Scheme) (%)	8.25	10.00
Mortality Rate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Employee Turnover (%)	6.2	6.2

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

(Rs. in lacs)

Particulars	Gratuity			
	31st March 2011	31st March 2010	31st March 2009	31st March 2008
Defined benefit obligation	144.38	61.30	24.87	12.06
Fair value of plan assets	63.56	32.36	12.09	-
Deficit	80.82	28.94	12.78	12.06
Experience adjustments on plan liabilities - (gains)/ losses	42.14	(3.64)	(0.07)	-
Experience adjustments on plan assets	-	(1.62)	Nil	N.A.

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

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

(Rs. in lacs)

Particulars	Leave			
	31st March 2011	31st March 2010	31st March 2009	31st March 2008
Defined benefit obligation	63.16	36.99	34.61	7.33
Fair value of plan assets	-	-	-	-
Deficit	63.16	36.99	34.61	7.33
Experience adjustments on plan liabilities - (gains)/ losses	24.09	4.73	23.06	-
Experience adjustments on plan assets	-	N.A.	N.A.	N.A.

Since Accounting Standard 15 (Revised) on Employee Benefits was adopted from 1st January 2007, disclosures given above are only for current year and previous three years.

(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. 148.00 lacs to gratuity fund in the year 2011-12.

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

(Rs. in lacs)

Particulars	2010-11	2009-10
Provident Fund	60.97	44.78

8. **Dues from companies under the same management.**

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
MSP Cokes Private Limited*	-	61.60	-	83.48
Chaman Metallics Limited	153.94	-	153.94	-

* Merged with MSP Metallics Ltd. w.e.f. 01st April'2010.

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

(i) Companies under the same management:-

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
MSP Metallics Limited	-	N.A.	4500.00	N.A.
Chaman Metallics Limited	182.49	N.A.	182.49	N.A.
MSP Cement Limited	1.20	1.20	1.20	1.20
MSP Power Limited	3.20	3.20	3.20	3.20

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

(Rs. in lacs)

Name of the Company	31st March 2011	31st March 2010	Maximum Amount outstanding during the year	
			2010-11	2009-10
Prateek Mines & Minerals Private Ltd.	-	41.00	41.00	41.00

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

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

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

(Rs. in lacs)

Name of the Company	Relation	Category	31st March 2011	31st March 2010	Maximum Amount outstanding during the year 2010-11	Maximum Amount outstanding during the year 2009-10
MSP Metallics Limited	Company in which directors are interested	Loan without fixed repayment schedule	-	N.A.	4,500.00	N.A.
Chaman Metallics Limited	Company in which directors are interested	Loan without fixed repayment schedule	182.49	N.A.	182.49	N.A.
MSP Cement Limited	Company in which directors are interested	Loan without fixed Loan without fixed	1.20	1.20	1.20	1.20
MSP Power Limited	Company in which directors are interested	Loan without fixed Loan without fixed	3.20	3.20	3.20	3.20

10. During the current year, the Company has recognized MAT credit entitlement of Rs. 1,055.53 Lacs (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.

11. In terms of Accounting Standard 22, net deferred tax liability (DTL) of Rs 1,351.54 lacs (Rs. 402.84 lacs) has been recognized during the year and consequently the net DTL stands at Rs. 3,337.34 lacs (Rs. 1,985.79 lacs).

    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, 2011	As at 31st March, 2010
Timing Difference in depreciable assets	3,581.50	2,148.25
Difference on expense allowable in future	(244.16)	(162.46)
Total	**3,337.34**	**1,985.79**

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

(Rs. in lacs)

Particulars	2010-11	2009-10
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.

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

Particulars		2010-11	2009-10
Present Weighted Average Number of Equity Shares	Nos.	58,100,000	58,100,000
Net Profit After Tax available for Equity Shareholders	Rs. in lacs	5,018.10	3,202.64
Less : Dividend and dividend distribution tax on Preference Shares	Rs. in lacs	12.65	-
	Rs. in lacs	5,005.45	3,202.64
Nominal Value of each Share	Rs.	10/-	10/-
Basic & Diluted Earning Per Share	Rs.	8.62	5.51

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

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

14. **Interest in joint venture**

The Company has a 14.90 % interest in the assets and liabilities of 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, 2011	As at 31st March, 2010
Balance Sheet		
Shareholders' Fund		
Reserve & Surplus	(0.29)	(0.07)
Loan Fund		
Unsecured Loans	0.89	0.89
Fixed Assets		
Fixed Assets (net block)	38.35	38.85
Capital Work In Progress and Pre-operative & Trial Run Expenses (Pending Allocation)	96.61	88.50
Deferred Tax Asset	0.17	0.07
Current Assets, Loans & Advances		
Cash & Bank Balances	77.78	42.73
Loans & Advances	0.24	0.26
Other Current Assets	0.17	1.94
Current Liabilities & Provisions		
Current Liabilities	0.07	0.16
Provisions	(1.31)	-
Net Current Assets	**79.43**	**44.77**
Miscellaneous Expenditure		
(To the extent not written off or Adjusted)		
Preliminary Expense	0.16	0.21
Profit and Loss Account	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Income		
Other Income	0.14	0.16
Expenditure		
Manufacturing, Selling & Administrative Expenses	0.14	0.09
Depreciation	0.30	0.21

The Company's proportionate share of the capital commitments of the jointly controlled entity amounts to Rs 5.12 (Rs.5.16 lacs).

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

16. **Segment Information:**

The company is engaged in manufacturing of "Iron & Steel". Consequently it has one reportable business segment e.g. "Iron & Steel". 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	2010-11	2009-10
Domestic Revenues (Net of Excise Duty)	45,586.75	35,620.51
Export Revenues (Including Export Benefits)	2,160.19	3,253.57
Total	**47,746.94**	**38,874.48**

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.306.65 lacs (Rs.Nil).

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

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

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, 2011	As at 31st March, 2010
Sundry Creditors	46.00	-

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. Kisturi 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 (Merged with MSP Metallics Limited) MSP Cement Limited MSP Power Limited Chaman Metallics Limited Shree Khathupati Mercantiles Private Limited MSP Mines & Minerals Private Limited High Time Holding Private Limited B.S. Confin Private Limited Prateek Mines & Minerals Private Limited Adhunik Cement Limited Danta Vyappar Kendra Limited Emerald Tradelink Private Limited Ginny Traders Private Limited India Cement And Power Company Limited Jai K Leasing And Commercial Investment Limited M.A. Hire Purchase Private Limited Raj Securities Limited Rajnath Vyapaar Private Limited Shree Saishraddha Cements Private Limited Larigo Investment Private Limited

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 :

(Rs. in lacs)

Nature of Transactions	Jointly Controlled Entity	Key Management Personnel & their Relatives	Enterprises over which Key Management Personnel / Share Holders/Relatives have significant influence	Total
Sales				
MSP Sponge Iron Limited			543.22 (358.19)	543.22 (358.19)
MSP Metallics Limited			534.04 (607.78)	534.04 (607.78)
Chaman Metallics Limited			150.31 (8.93)	150.31 (8.93)
MSP Properties (India) Private Limited			22.46 (-)	22.46 (-)
Purchases of Goods				
MSP Sponge Iron Limited			2,556.99 (2,745.11)	2,556.99 (2,745.11)
MSP Metallics Limited			9,029.41 (4,291.79)	9,029.41 (4,291.79)
Chaman Metallics Limited			46.11 (122.16)	46.11 (122.16)
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			11.64 (6.97)	11.64 (6.97)
Rent Paid				
Larigo Investment Private Limited			0.18 (0.18)	0.18 (0.18)
MSP Infotech Private Limited			3.60 (3.60)	3.60 (3.60)
Shree Khathupati Mercantiles Private Limited			3.49 (2.43)	3.49 (2.43)
Mrs. Kasturi Devi Agrawal		0.48 (0.84)		0.48 (0.84)
Mrs. Nisha Agrawal		0.36 (0.58)		0.36 (0.58)
Mrs. Kiran Agrawal		0.36 (0.58)		0.36 (0.58)
Mr. Manish Agrawal		0.48 (0.96)		0.48 (0.96)
Mr. Saket Agrawal		0.48 (0.96)		0.48 (0.96)

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 Holders/Relatives have significant influence	Total
Subscription to Equity Shares				
Madanpur South Coal Company Limited	- (22.35)			- (22.35)
Loans Taken				
MSP Infotech Private Limited			- (50.00)	- (50.00)
MSP Properties (India) Private Limited.			- (50.00)	- (50.00)
Loans Given				
Prateek Mines & Minerals Private Limited			- (93.50)	- (93.50)
Chaman Metallics Ltd			245.00 (-)	245.00 (-)
MSP Metallics Limited			4,585.00 (-)	4,585.00 (-)
MSP Sponge Iron Limited			7,850.00 (-)	7,850.00 (-)
Adhunik Cement Limited			2780.00 (-)	2780.00 (-)
Guarantees Given on behalf of				
Madanpur South Coal Company Limited	660.75 (660.75)			660.75 (660.75)
Guarantees Obtained				
MSP Infotech Private Limited			- (1,500.00)	- (1,500.00)
Mr. Puranmal Agrawal		130.00 (130.00)		130.00 (130.00)
Mr. Suresh Kumar Agrawal		111.00 (111.00)		111.00 (111.00)
Mr. Manish Agrawal		140.00 (140.00)		140.00 (140.00)
Mr. Saket Agrawal		131.00 (131.00)		131.00 (131.00)
Interest Paid				
High Time Holdings Private Limited			2.51 (8.00)	2.51 (8.00)
B.S. Confin Private Limited			1.90 (4.00)	1.90 (4.00)

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 Holders/Relatives have significant influence	Total
MSP Infotech Private Limited			6.00 (2.01)	6.00 (2.01)
MSP Properties (India) Private Limited.			3.00 (1.49)	3.00 (1.49)
Ginny Traders Private Limited			2.84 (6.00)	2.84 (6.00)
Emerald Tradelink Private Limited			2.46 (5.20)	2.46 (5.20)
Rajnath Vyapaar Private Limited			3.79 (8.00)	3.79 (8.00)
Raj Securities Limited			3.46 (10.00)	3.46 (10.00)
Danta Vyappar Kendra Limited			12.51 (26.40)	12.51 (26.40)
Interest Received				
Chaman Metallics Limited			4.98 (-)	4.98 (-)
MSP Metallics Limited			47.86 (-)	47.86 (-)
MSP Sponge Iron Limited			71.75 (-)	71.75 (-)
Adhunik Cement Limited			117.09 (-)	117.09 (-)
Closing Balance as at the year end-debit				
MSP Metallics Limited			287.59 (61.60)	287.59 (61.60)
MSP Sponge Iron Limited			197.29 (361.70)	197.29 (361.70)
MSP Cement Limited			1.20 (1.20)	1.20 (1.20)
Madanpur South Coal Company Limited	1.63 (1.70)			1.63 (1.70)
MSP Power Limited			3.20 (3.20)	3.20 (3.20)
Prateek Mines & Minerals Private Limited			- (41.00)	- (41.00)
MSP Mines and Minerals Private Limited			25.87 (-)	25.87 (-)

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 Holders/Relatives have significant influence	Total
Chaman Metallics Limited			336.43 (-)	336.43 (-)
MSP Properties (India) Private Limited			12.15 (-)	12.15 (-)
MSP Infotech Private Limited			0.03 (0.54)	0.03 (0.54)
Closing Balance as at the year end - credit				
MSP Sponge Iron Limited			27.29 (88.09)	27.29 (88.09)
MSP Metallics Limited			2,729.09 (166.17)	2,729.09 (166.17)
Shree Khathupati Mercantiles Private Limited			4.56 (1.41)	4.56 (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			49.56 (52.34)	49.56 (52.34)
MSP Properties (India) Private Limited			25.00 (25.00)	25.00 (25.00)
Mr. Puranmal Agrawal		2.27 (2.10)		2.27 (2.10)
Mr. Suresh Kumar Agrawal		1.90 (1.77)		1.90 (1.77)
Chaman Metallics Limited			- (13.72)	- (13.72)
Howrah Gases Limited			- (35.56)	- (35.56)
Danta Vyappar Kendra Limited			- (330.00)	- (330.00)
Emerald Trade Link Private Limited			- (65.00)	- (65.00)
Ginny Traders Private Limited			- (75.00)	- (75.00)
Rajnath Vyappar Private Limited			- (100.00)	- (100.00)
Raj Securities Limited			- (125.00)	- (125.00)
Adhunik Cement Limited			105.38 (-)	105.38 (-)

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

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

19. During the year, the Company has hedged its exposure in the iron and steel products by way of entering into certain commodity contracts through the broker dealer. These contracts were settled, otherwise than through actual delivery, whereby the Company has earned an amount of Rs.3,025 lacs on net settlement basis. Based on a legal opinion obtained, the said income has been treated as income from normal business.

20. The Board of Directors of the Company approved the final audited financial statements for the year 2009-2010 at their meeting dated May 29, 2010. The dividend for the year 2009-2010 was proposed by the Board of Directors in their meeting dated June 28, 2010 and accordingly paid and accounted for in the financial statements for the year ended March 31, 2011.

21. 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 **Sanjoy K. Gupta**
Partner
Membership No 54968

22, Camac Street, Block C, 3rd Floor
Kolkata -700 016
Date : 30th May, 2011

For and on behalf of Board of Directors

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Pinky Gupta
Company Secretary

Corporate Information

Board of Directors

Chairman

Mr. Puranmal Agrawal

Managing Director

Mr. Suresh Kumar Agrawal

Non Executive Directors

Mr. Manish Agrawal

Mr. Saket Agrawal

Independent Directors

Mr. Arvind Kumar Saraf

Mr. Navneet Jagatramka

Mr. Amit Mehta

Mr. Pavan Kumar Gupta

Company Secretary

Miss Pinky Gupta, B.Com (H), ACS

Auditors

M/s. S. R. Batliboi & Co.

Chartered Accountants

Bankers

State Bank of India

ING Vysya Bank

Andhra Bank

UCO Bank

Indian Overseas Bank

State Bank of Mysore

Allahabad Bank

Axis Bank

State Bank of Bikaner & Jaipur

United Bank of India

Corporation Bank

DBS Bank Limited

ICICI Bank Limited

Union Bank of India

Dena Bank

Oriental Bank of Commerce

Registered Office

1, Crooked Lane,

Kolkata - 700 069

Ph. No: (033) 22483795

Fax No: 22484138

Corporate Office

16/S, Block-'A', New Alipore,

Kolkata - 700 053

Ph No: 40057777/23990038/3940

Fax No: 23982239/40057788

E-mail: investor.contact@mspsteel.com

Share Registrars

Karvy Computershare Pvt. Ltd

46, Avenue 4, Street No. 1,

Banjara Hills,

Hyderabad - 500 034

MSP Group
16/S, Block-A, New Alipore, Kolkata 700 053
Phone: 033 40057777 / 40145678
Fax: 23982239 / 40057799
Email: mspgroup@mspsteel.com
Website: www.mspsteel.com