

 ELECTROSTEEL STEELS LIMITED

7th ANNUAL REPORT

2013 - 2014

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CORPORATE INFORMATION

CIN-L27310JH2006PLC012663

DIRECTORS

Mr. Rajkumar Khanna
Mr. Lalit Kumar Singhi
Mr. Jinendra Kumar Jain
Mr. Naresh Pachisia
Mr. Amrendra Prasad Verma
Mr. Sunil V Diwakar
Mr. Umang Kejriwal

WHOLETIME DIRECTOR

Mr. Rama Shankar Singh

COMPANY SECRETARY

Mr. Vikash Kumar Agarwal

STATUTORY AUDITORS

M/s. B Chhawchharia & Co., Chartered Accountants

COST AUDITORS

M/s S. G. & Associates, Cost Accountants

LENDERS

State Bank of India
Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Central Bank of India
Corporation Bank
Dena Bank
HUDCO
ICICI Bank Ltd.
IL&FS Financial Services Ltd.
Indian Bank
Indian Overseas Bank
LIC of India
Oriental Bank of Commerce
Punjab & Sind Bank
Punjab National Bank
State Bank of Hyderabad
State Bank of Mysore
State Bank of Patiala
State Bank of Travancore
Syndicate Bank
Jammu & Kashmir Bank Ltd.
UCO Bank
Union Bank of India
United Bank of India
Vijaya Bank
SREI Infrastructure Finance Ltd.

REGISTERED OFFICE

801, Uma Shanti Apartments,
Kanke Road, Ranchi - 834 008
Jharkhand.
Tel & Fax No.: 0651 223 1636

PLANT

Village Siyaljori, P.O - Jogidih,
P.S - Chandankyari, Dist - Bokaro,
Pin - 828 303, Jharkhand.

HEAD OFFICE

G K Tower,
2nd & 3rd Floor,
19, Camac Street,
Kolkata - 700 017, West Bengal
Phone : 033-7103 4400
Fax : 033-2290 2882
Website : www.electrosteelsteels.com

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their Seventh Annual Report and the Audited Accounts of your Company for the year ended March 31, 2014.

FINANCIAL RESULTS

Particulars

i. Gross Turnover	
ii. Net Turnover	
iii. Other Income	
iv. Total Revenue	
v. Earnings Before Interest, Depreciation, Taxation and Amortization (EBIDTA)	
vi. Interest	
vii. Depreciation	
viii. Profit before Taxation (PBT)	
ix. Tax including Deferred Tax	
x. Profit after Taxation (PAT)	
xi. Profit brought forward from previous year	
xii. Amount available for appropriation	
xiii. Transfer to general reserve	
xiv. Surplus/ (Deficit) carried to Balance Sheet	

Amount (Rs/Lakhs)

FY 2013-14	FY 2012-13
57,616.92	18,329.76
513,22.19	16,311.01
692.57	93.39
52,014.76	16,404.40
(4,616.28)	(8,422.33)
17,731.41	13,441.11
6,764.31	6136.39
(29,112.00)	(27,999.83)
1.17	1.42
(29,113.17)	(28,001.25)
—	—
(29,113.17)	(28,001.25)
—	—
(29,113.17)	(28,001.25)

PROPOSED ISSUE OF EQUITY SHARE CAPITAL UNDER PREFERENTIAL ALLOTMENT

During the year the Board of Directors of the Company at its Meeting held on February 6, 2014 and further as approved by the shareholders by a resolution passed by Postal Ballot and as announced on 19th March, 2014, it has been decided to issue equity shares of Rs 10 each ("Equity Shares") on preferential basis to the promoter of the Company, namely, Electrosteel Castings Limited, aggregating to Rs-222.50 Crores.

The above issue is as per Corporate Debt Restructuring Package as approved by Corporate Debt Restructuring Empowered Group (CDR EG) on 26-09-13 and the Letter of Approval (LOA) was issued by CDR EG on 28-09-13. The Company has made petition before the Company Law Board for issuance of Shares at a discounted value of Rs-5 per share or such other value as may be sanctioned by the Company Law Board. The petition is pending before the Company Law Board.

DIVIDEND

You will appreciate that since the project is under implementation, there is not much earnings as of now, and hence your Directors are not recommending any dividend on the Equity Shares of the Company for the year ended 31st March 2014.

OPERATIONS

As you are aware, that your Company is setting up a 2.51 MTPA integrated Steel & Ductile Iron (DI) Pipe project, at Siyaljori village, in Bokaro District, in the state of Jharkhand, which is about 22 kms from Bokaro city, a well-developed industrial town of Jharkhand, the plant will produce;

Finished Products	MTPA
Wire rods	0.60
Reinforcement bars in straight lengths	0.85
Ductile Iron Pipe	0.33
Commercial Billets	0.33
Pig Iron	0.40
Total	2.51

Your Company has operationalised Blast Furnace (BF #II) of 1050 M³ capacity in addition to Blast Furnace (BF #III) of 350 M³ capacity. Operations of Coke Oven and Sinter Plant are continuing. In addition to Pig Iron, production of Billets and Re-bars are persistent from Steel Melt Shop (SMS) and Rebar Mill. One unit of Captive Power Plant (CPP) of 60 MW based on Waste Heat Recovery Boiler has been commissioned during the year. This would result in the reduction of overall power cost of the plant. Pulverized Coal Injection System has also been commissioned during the reporting period. Lime Calcination Plant has also started operations thereby reducing the dependence on supply from outside. With the operationalization of BF #II, daily production of steel has increased.

Presently your Company is selling TMT Bar, Billets and Pig Iron in the open market. Your Company is also tapering international market and exploring possibilities of export of its products. Your Company has already exported few consignments of Billets and has few export orders in hand.

Construction activities of the balance facilities are in full swing.

Capex Loan of Rs.824 Crs, as reported in the last year's director's report, could not be availed because sanction from one of the banks expired and took inordinate time in renewal.

Ultimately in the Joint Lenders Meeting held in May'13, it was decided by all the lenders that the Company should go for Corporate Debt Restructuring (CDR). Accordingly, flash report was filed by State Bank of India. Your Company's CDR Package was approved by CDR EG on 26-09-13 and the Letter of Approval (LOA) was issued by CDR EG on 28-09-13 with additional Term Loan of Rs.1307.10 Crs to complete the Project (Rs.1107.10 Crs for the Capex and Rs.200 Crs for shoring up of working capital). Rs.1107.10 Crs is assessed considering the undisbursed portion of Capex Loan of Rs.824 Crs required earlier. In addition to the additional loan, CDR EG has allowed some other benefits like:

- Reduction in rate of interest
- Longer Repayment Period
- Conversion of interest on Term Loan into Funded Interest Term Loan

CDR Package was implemented well within the stipulated time frame.

Assessment of Need Based Working Capital of Rs.1300 Crores for FY 2014-15 was also approved under the CDR Package.

The Company has started receiving disbursements of approved additional term loan from Banks for completion of balance facilities.

The Company has during the year capitalised part of the plant facility comprising of Vertical Coke Oven including CPCS, Sinter Plant (Unit-I), Steel Melting Shop and Rebar Mill. Accordingly the Pre-Operative Expenses incurred upto the date of capitalisation have been allocated to the cost of the various facilities on a proportionate basis.

LISTING

The equity shares of your Company continue to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Both these stock exchanges have nation-wide terminals and therefore, shareholders/ investors are not facing any difficulty in trading in the shares of the Company from any part of the Country. The Company had paid annual listing fees for the financial year 2014-15 to BSE & NSE and will also pay the annual custodian fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

CORPORATE GOVERNANCE

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. A Report on Corporate Governance Practices and the Auditors Certificate on compliance of mandatory requirements thereof is given as annexure to this report.

BUSINESS RESPONSIBILITY REPORT and CSR

Ministry of Corporate Affairs (MCA), Government of India has, in July 2011, issued National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (Guidelines). The Guidelines list out nine principles and core elements on ethics, transparency and accountability, sustainability, employee well-being, responsiveness towards stakeholders, promotion of human rights, environment protection, influencing public policy, inclusive growth and equitable development, value to customers and consumers. The Companies in India are advised to follow these Guidelines for reporting their initiatives and activities relating to corporate social

responsibilities (CSR). The Company's vision, mission and core values enshrine these principles which are integral to the business of the Company. The Company engages in elaborate CSR initiatives, conducts business with transparency and accountability, looks after well-being and protection of the employees with a human face, is responsive to the needs of all its stakeholders and takes care of quality of the products manufactured by it, gives priority to preservation and protection of environment and prevention of pollution and believes that business is also a medium to contribute to the social development. Initiatives undertaken during the year under report in respect of corporate social responsibility, environment protection, industrial relations and human resource management etc. are mentioned in detail in the Management Discussion and Analysis Report which forms a part of this report as Annexure.

With the Commencement of Section 135 of the Companies Act, 2013 the provisions of Corporate Social Responsibility are applicable to the Company. The details of same will be covered in next year's Director's report.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm that:

- a) in the preparation of annual accounts, containing financial statements for the year ended March 31, 2014, the applicable accounting standards have been followed along with proper explanations, wherever required.
- b) the Board had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of the profit or loss of the Company for that period.
- c) the Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting any fraud and other irregularities.
- d) the annual accounts have been prepared on a going concern basis.

PERSONNEL

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

However, pursuant to Section 219(1) (b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company, excluding the aforesaid information. Those members desirous of obtaining such particulars may write to the Company at its registered office.

“Disposal of complaint under “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013” (“The Act”)

In compliance with the Act, the Company has constituted the “Internal Complaints Committee” and also framed the redressal policy in case of sexual harassment at workplace. During the year, the Company has not received any complainant with respect to sexual harassment at work place. “

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

Information as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 related to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure - 'A' attached hereto and forming part of this Report.

FINANCIAL STATEMENTS

Pursuant to Clause 41 of the Listing Agreement entered into with the stock exchanges, the Board of Directors has pleasure in attaching the Financial Statement prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

Since your Company does not have any subsidiary, preparation of the Consolidated Financial Statement is not required.

DIRECTORS

Pursuant to the provisions of 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, Mr Rama Shankar Singh was appointed as the Whole Time Director of the Company by the Board at its meeting held on 6th February 2014 for a period of 3 (three) years at a remuneration and on such terms and conditions as decided by the Remuneration Committee at its meeting held on 6th February 2014. His appointment was also approved by the Shareholders of the Company by a resolution passed by Postal Ballot and as announced on 19th March, 2014. The remuneration for the aforesaid Whole time Director is subject to the approval of the Central Government which is yet to be received.

Mr. N C Bahl, Whole Time Director of the Company, have resigned from the Board of your Company with effect from 6th February 2014. The Board places on record its deep appreciation for the guidance and the invaluable services rendered by him during the tenure of his office as Whole Time Director of the Company.

Pursuant to the provisions of the Companies Act, Mr Umang Kejriwal and Mr Lalit Kumar Singhi, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, Mr. Jinendra Kumar Jain and Mr. Naresh Pachisia were appointed as Independent Directors of the Company w.e.f 1st April, 2014 for a term of 5 years subject to approval of Shareholders.

Pursuant to the provisions of section 161 of the Companies Act, 2013, Mr Rajkumar Khanna was appointed as the Additional Independent Director (Non-Executive) of the Company with effect from May 5, 2014 and will hold office upto the date of the next Annual General Meeting of the Company.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, Mr. Rajkumar Khanna was appointed as Independent Director of the Company w.e.f 5th May, 2014 for a term of 5 years subject to approval of Shareholders.

None of the Directors of the Company are disqualified as per section 164(2) of the Companies Act, 2013. The Directors have made necessary disclosures as required under various provisions of the Act and Clause 49 of the Listing Agreement.

STATUTORY AUDITORS

The Statutory Auditor M/s. B Chhawchharia & Co., Chartered Accountants, holds office up to the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under the Companies Act, 2013. They are proposed to be re-appointed as the Statutory Auditors of the Company for a term of three financial years 2014-17.

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

COST AUDITORS

Your Directors have proposed M/s S. G. & Associates, Cost Accountants, to be appointed as the Cost Auditors of the Company for the year 2014-15, subject to such approvals as may be applicable.

Necessary certificate and consent letter from the said Auditor has been obtained to the effect that their appointment, if made, would be within the limits prescribed under the Companies Act, 2013.

APPRECIATION

Your Directors take this opportunity to place on record their gratitude and thank the Financial Institutions, Bankers, Government Authorities, Customers, Vendors, Shareholders and Employees for their valuable guidance, support and continued assistance, cooperation to the Company. The Directors also commend the continuing commitment and dedication of the employees at all levels. The Directors also look forward to their continued support in future.

For and on behalf of the Board of Directors

Place : Kolkata
Dated : May 5, 2014

R S Singh
Whole-time Director

Lalit Kumar Singhi
Director

ANNEXURE 'A' to Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2014.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Since the Project is under implementation, conscious efforts are being made during the design, engineering and construction stage itself to ensure that the technology is understood and necessary measures to minimize energy consumption are incorporated in the Project.

FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earnings and Outgo:

	2013-14 Amount (Rs)	2012-13 Amount (Rs)
a) Foreign Exchange Earnings	145,962,726/-	2,02,48,280/-
b) Foreign Exchange Outgo	3,004,283,713/-	170,88,99,062/-

FORM A

	2013 - 14	2012 - 13
A POWER & FUEL CONSUMPTION		
Electricity		
a. Purchased:		
Units (KWH)	15,99,64,000	7,07,35,000
Total amounts (Rs in lacs)	6425.89	2866.05
Rate / Units (Rs / KWH)	INR 4.02	INR 4.05
b. Own Generation:		
Through Diesel Generator		
Units (KWH)	1,77,478	8,64,776
Units / Ltr. of Diesel oil	3.98	3.22
Cost / Unit (Rs / KWH)	INR 14.11	INR 11.60
B CONSUMPTION PER UNIT OF PRODUCTION (MT)	2013 - 14	2012 - 13
(Product with details) units		
Electricity (KWH)		
Pig Iron	137	224
Coke	13	16
Steel Billet	80	190
Rebar	205	178

For and on behalf of the Board of Directors

Place : Kolkata
Dated : May 5, 2014

R S Singh
Whole-time Director

Lalit Kumar Singhi
Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Company is promoted by Electrosteel Castings Limited (ECL) to setup a 2.51 MTPA Greenfield Integrated Steel & Ductile Iron (DI) Pipes project in the district of Bokaro, Jharkhand. Pursuant to group's strategy of focusing on identification of opportunities for backward integration, new DI pipe capacity as well as investment in the steel sector, ECL has been allotted mining blocks of iron ore and coking coal in the state of Jharkhand and has promoted this Company for implementing the integrated steel & DI pipe plant.

ECL, the Promoter of your Company, is a premier manufacturer of Cast Iron pipes for over five decades and DI Pipes since last 20 years. ECL has five manufacturing facilities, three located at Khardah, Basberia and Haldia, all three in the State of West Bengal, one at Elavur in the State of Tamil Nadu and one Coal washery plant at Parbatpur in the State of Jharkhand.

The plant will produce 1.45 MTPA of long steel products, comprising 0.60 MTPA wire rods and 0.85 MTPA of reinforcement bars in straight lengths, bundles and plain rounds. The plant will have a 0.33 MTPA DI pipe production facility in the same complex and will be provided with hot metal from the Blast Furnaces. The plant will also have production facilities for 0.33 MTPA of Commercial Billets and 0.40 MTPA of Pig Iron.

The Company will be manufacturing basically the long steels which will be used as construction steel along with intermediary products like commercial billets and pig iron. The Company will also produce DI Pipes.

Your Company has acquired approximately 2,200 acres of land for the proposed plant, taking into account the scope for future expansion.

Your Company has operationalised Blast Furnace (BF #II) of 1050 M³ capacity in addition to Blast Furnace (BF #III) of 350 M³ capacity. Operations of Coke Oven and Sinter Plant are continuing. In addition to Pig Iron, production of Billets and Re-bars are persistent from Steel Melt Shop (SMS) and Rebar Mill. One unit of Captive Power Plant (CPP) of 60 MW based on Waste Heat Recovery Boiler has been commissioned during the year. This would result in the reduction of overall power cost of the plant. Pulverized Coal Injection System has also been commissioned during the reporting period. Lime Calcination Plant has also started operations thereby reducing the dependence on supply from outside. With the operationalization of BF #II, daily production of steel has increased.

Presently your Company is selling TMT Bar, Billets and Pig Iron in the open market. Your Company is also tapering international market and exploring possibilities of export of its products. Your Company has already exported few consignments of Billets and has few export orders in hand. Construction activities of the balance facilities are in full swing.

Capex Loan of Rs.824 Crs, as reported in the last report, could not be availed because sanction from one of the banks expired and took inordinate time in renewal.

Ultimately in the Joint Lenders Meeting held in May'13, it was decided by all the lenders that the Company should go for Corporate Debt Restructuring (CDR). Accordingly, flash report was filed by State Bank of India. Your Company's CDR Package was approved by CDR EG on 26-09-13 and the Letter of Approval (LOA) was issued by CDR EG on 28-09-13 with additional Term Loan of Rs.1307.10 Crs to complete the Project (Rs.1107.10 Crs for the Capex and Rs.200 Crs for shoring up of working capital). Rs.1107.10 Crs is assessed considering the undisbursed portion of Capex Loan of Rs.824 Crs required earlier. In addition to the additional loan, CDR EG has allowed some other benefits like:

- Reduction in rate of interest
- Longer Repayment Period
- Conversion of interest on Term Loan into Funded Interest Term Loan
- CDR Package was implemented well within the stipulated time frame.

Assessment of Need Based Working Capital of Rs.1300 Crores for FY 2014-15 was also approved under the CDR Package.

The Company has started receiving disbursement of approved additional term loan from Banks for completion of balance facilities.

Units under operation:

- Vertical Coke Oven
- 350 m³ Blast Furnace
- 1050 m³ Blast Furnace
- Pig Casting Machine
- Sinter Plant
- Rebar Mill
- Water Supply System
- Steel Melting Shop
- 220 KV sub station & 33 KV distribution
- One unit of Power Plant (60 MW) based on WHR
- Lime Calcination Plant
- Pulverised Coal Injection System

ECONOMICS OVERVIEW

Chairman of worldsteel Economics Committee, Mr. Hans Jürgen Kerkhoff said “In 2013 world steel demand grew higher than our previous forecasts due to a stronger than expected performance in the developed world in the second half of the year. In particular, the recovery in the United States gained strength. In addition the downturn in the EU bottomed out and we now expect that steel demand in the Eurozone will move into positive growth in 2014. On the other hand, many emerging economies continue to struggle with structural issues and financial market volatility. This, along with China's deceleration, is the reason for our slightly lower global growth rate forecast for 2014. In 2015, growth in most parts of the world will accelerate thanks to a continuing steady recovery in the developed economies and an improvement in the situation for the emerging economies. But China's steel demand will further decelerate and this will prevent the broad recovery momentum from registering a higher global growth rate for 2015.

The continued closure of older, higher-cost steelmaking capacity and increased demand growth should lead to improved profitability for the sector in 2014 and 2015, driven by better utilization rates. The closure of inefficient capacity will require the sector to avoid political interference with commercially rational decisions.

The world economy is expected to have grown by 3.1% in 2014 and grow 3.3% in 2015. This growth is primarily driven by the revival of US and European economies, but further growth will be checked by the decelerated growth of the Chinese steel demand. In short, the global steel demand recovery continues but growth is stabilising at a lower rate with continued volatility and uncertainty leading to a challenging environment for steel companies.”

INDUSTRY STRUCTURE

The Indian steel industry is broadly classified into two groups: Primary steel producers & Secondary steel producers. Primary steel producers have backward integration & normally have a higher capacity over 1.0 MTPA. The manufacturing process starts with steel making from Iron ore. The investment needed is also much higher as compared to secondary producers.

Secondary producers essentially have mini steel plants with capacities below 1.0 MTPA. This category mainly employs Electric Arc Furnace (EAF) or Induction Furnace (IF) route, which use scrap and sponge iron or a mix of both as raw materials to produce steel. This group also consists of processors and re-rollers of steel products. Secondary producers primarily manufacture long products and the route adopted by them is highly energy intensive for which they have to depend upon the purchased power.

Although, there are over 3,500 varieties of regular and special steel available, steel products can be broadly classified into two basic types according to their shape viz. flats and longs. All finished steel products are made from semi-finished steel that comes in the form of slabs, billets and blooms.

GLOBAL STEEL INDUSTRY

The World Steel Association (worldsteel) released its Short Range Outlook (SRO) apparent steel consumption for 2014 and 2015 at its annual meeting held this year in Sao Paulo, Brazil.

According to the forecast made in October and April each year by worldsteel's Economic Committee global apparent steel use will increase by 3.1% to 1527 Mt in 2014 following growth of 3.6% in 2013. In 2015, it is forecast that world steel demand will grow further by 3.6% and to reach 1576 Mt.

Worldsteel Economics Committee chairman, Hans Jürgen Kerkhoff said: "The key risks in the global economy - the eurozone crisis and a hard landing for the Chinese economy - which we identified in our last SRO issued in April, have continued to stabilise through the past six months. Our underlying assumption remains that the US will resolve its fiscal constraint soon. The correction in the eurozone has been more severe than forecasted in April but the improvement seen recently is now expected to continue for the rest of 2015. Major emerging economies, particularly India and Brazil, have not performed as hoped mainly due to key structural issues. These factors have led to a lower steel demand performance than predicted across the world, with China being the one exception. Steel demand in 2014 is now forecasted to grow in China by 3.0%.

GLOBAL STEEL DEMAND AND PRICES

Unveiling its short range outlook 2014-2015, the World Steel Association (worldsteel) said it expected the rate of growth in 'apparent steel use' to fall from an estimated 3.6 per cent last year to 3.1 per cent this year followed by 3.3 per cent growth next year.

After growth of 6.1% in 2013 with support from government infrastructure investment, apparent steel use in China is expected to slow to 3.0% growth in 2014 to 721.2 Mt as the Chinese government's efforts to rebalance the economy continues to restrain investment activities. In 2015, steel demand growth is expected to further decelerate to 2.7%.

In the United States, after a decrease of -0.6% in apparent steel use in 2013, years 2014-2015 are expected to deliver a return to growth and recovery. Apparent steel use will grow by 4.0% to 99.4 Mt in 2014 and by 3.7% in 2015. The impact of the Federal Reserve Bank tapering programme on the US economy has been contained so far, but future actions still remain a risk. Apparent steel use in Mexico is expected to grow by 3.4% to 19.2 Mt in 2014 and to grow further by 3.9% in 2015.

On the brighter side, markets are being helped by a strengthening recovery in the United States as well as a bottoming out in Europe, though the effect of this is not enough to offset aforementioned headwinds.

In short, the global steel demand recovery continues but growth is stabilising at a lower rate with continued volatility and uncertainty leading to a challenging environment for steel companies.

Around the world, steel manufacturers have been hit by falling prices amid weak manufacturing and construction conditions in Europe and continued oversupply. In 2013 alone, worldsteel estimates for global output of 1,607 million tonnes exceed its estimate of apparent steel use of (1,481 million tonnes) by a whopping 126 megatons or 7.8 per cent, with much of the excess supply coming from China.

INDIAN STEEL INDUSTRY

The Indian steel sector was the first core sector to be completely freed from the licensing regime and pricing and distribution controls. This was done primarily because of the inherent strengths and capabilities demonstrated by the Indian iron and steel industry. The economic reforms and the consequent liberalization of the iron and steel sector which started in the early 1990s resulted in substantial growth in the steel industry and green field steel plants were set up in the private sector.

India ranked as the fourth largest producer of crude steel in the world after China, Japan and the USA during 2011 and is also expected to maintain this position, based on January-November, 2012 data as released by the World Steel Association.

In India, steel demand is expected to grow by 3.3% to 76.2 Mt in 2014, following 1.8% growth in 2013, due to an improved outlook for the construction and manufacturing sectors, even though this will be constrained by high inflation and structural problems. Despite uncertainties relating to the impact of upcoming elections steel demand is projected to grow by 4.5% in 2015 supported by the expectation that structural reforms will be implemented.

The rising middle-class population, along with increased urbanization, will increase steel intensity in the economy. According to the report of the working group on steel industry for the 12th FYP, the Indian urban population is expected to increase to 600 million by 2030 from the current level of 400 million. The rising middle-class urban population boosts demand for automobiles, white goods and other consumer durables leading to higher per capita steel consumption. Indian steel consumption growth has an elasticity of about 1.1 to growth in GDP.⁴⁶ In other words, if the Indian economy grows at 7% per year, steel demand is likely to grow by 7.7% during the same time, from the current 68 million tonnes to around 132 million tonnes by 2020.

In line with GDP growth, Indian steel demand has immense opportunities to grow across sectors in the mid- to long term. The rapid rise in production over the last few years has resulted in India becoming the fourth largest producer of crude steel and the largest producer of sponge iron or direct-reduced iron (DRI) in the world. The country has the opportunity of becoming the second largest producer of steel by 2015, and per capita consumption of steel in India, which is only 55kg (2011) - significantly lower than the global average, suggests potential to close the gap in future.

Currently, per capita rural consumption in India stands at around 13kg. This is significantly lower than urban per capita consumption. Projects like Bharat Nirman and Rajiv Gandhi AwaasYojana have led to increased demand for construction steel like thermo-mechanically treated (TMT) bars and galvanized plain and corrugated (GP/GC) sheets, but there remains a significant opportunity to grow rural steel demand by widening the distribution network and by providing customized solutions catering to the needs of 70% of the population.

Some Highlights :-

- 222 Memorandum of Understandings (MOU) have been signed with various states for planned capacity of around 276 million tonnes by 2019-20.
- Investments at stake are to the tune of \$187 billion in the Steel sector.
- Demand for steel in the major industries like infrastructure, construction, housing, automotive, steel tubes and pipes, consumer durables, packaging and ground transportation.
- Target for \$ 1 trillion of investments in infrastructure during the 12th Five Year Plan.
- Infrastructure projects (like Golden Quadrilateral and Dedicated Freight Corridor) will give boost to the demand in the steel sector in near future.
- Projected New Greenfield & up-gradation of existing Airport shall keep the momentum up.
- Increased demand of specialized steel in hi-tech engineering industries such as power generation, automotive petrochemicals, fertilizers etc.

DUCTILE IRON (DI) PIPES

The DI pipes have been recognized as the industry standard for modern water and sewage transportation systems. DI pipes are preferred over Cast Iron (CI) pipes on account of being lighter, stronger, more durable and cost efficient, these being corrosion resistant, ductile, etc. The DI pipes also have higher water carrying capacity. The DI pipes can also be laid out much faster and are virtually maintenance free.

Internationally, DI pipes have increasingly replaced CI pipes and Mild Steel pipes in most applications, including water and sewage transportation and management. This is primarily due to the qualitative and structural benefits provided by DI pipes in comparison to CI pipes and mild steel pipes such as superior tensile strength, yield strength, greater impact resistance, corrosion resistance and ductility. In addition, DI pipes require less support and provide greater flow area as compared to pipes made from other materials. DI pipes have a lower life cycle cost. In difficult terrain, these can be a better choice than Polyvinyl chloride concrete, polyethylene and steel pipes.

The following factors would drive the demand for DI pipes:

1. Thrust of the government to provide drinking water and sanitation to 100% of the population and make funds available to achieve it.
2. The need to conserve water and reduce leakage. The need to focus on life cycle cost rather than initial cost; and to consider inconvenience to public in replacement of pipes.

3. The over reliance on ground water for rural water supply has resulted in twin problem of sustainability and water quality and suggested a shift to surface water source for tackling this issue. This will result in substantial increase in requirement of pipes.
4. Expectations and assertions from people all over for a strong water supply and good drainage system.

COMPETITION

Going forward, your company may face stiff competition from both Indian & overseas steel mills and DI Pipes manufacturers. To establish & remain competitive we have designed an efficient distribution network & robust marketing set up. We will also have to continuously strive to reduce the cost of production and increase other operating efficiencies in addition to capture new markets. We have also formulated efficient sales process & improved our service levels to win customers confidence & have positive referrals.

Your company has already set up a marketing team for the sale of products. The product is being sold across the country including Southern region making a pan India presence. The company has already appointed distributors for the sale of our products in the States of West Bengal, Sikkim, Jharkhand, Bihar, Orissa, Assam & the other states located in North East. It has also added distributors in the Northern and central states of India. The company has already finished market's coping for our products in Northern and Eastern states. Hence, as strong foundation has been laid for the marketing of the products by creation of the marketing team which was reflected in the sale of pig iron, Billets and TMT.

A full-fledged corporate campaign and product campaign is being made for the consumers. The marketing team is working on ATL (Above the line) and BTL (Below the line) activities for the consumers which will be rolled out at an appropriate time. The company believes that a focused brand building exercise will help in developing loyal customer. In order to assess the perception of the company's product and services, we have started a perception based Customer satisfaction study which will help us in improving our processes. The Company is in the process of setting up a Customer Services Division, which will also be mapping consumer perceptions for our products, which would be useful in developing focused Brand communication.

OPPORTUNITIES AND THREATS

India is a fast developing economy which presents tremendous opportunities in the form of following factors which are advantageous to ESL.

- Growing & untapped rural market
- Infrastructure & manufacturing activity growth to drive steel demand
- Per capita steel demand to grow, which at present is one fourth of the global average
- Low present export volume: so potential for growth in exports is considerable
- Option for investment and stake acquisition
- Scope for capacity addition and value added products
- Scope of cost reduction
- Experienced technical and managerial workforce.
- Availability of Raw Material sources in the form of long term tie up with ECL for coking coal and Iron ore thereby reducing the dependence on external suppliers.

Post liberalisation in 1991 Indian steel Industry has attained a substantial growth on domestic as well as global platform. Growing in pace with the economy Indian steel industry has positioned itself as the largest sponge iron producer and the fourth largest crude steel producer in the world. Global crude steel production reached 1527 MT in 2011 in which India contributed a significant 4.7%. Though effect of global economic recession post 2008 was witnessed by steel sector globally, but Indian steel industry showed resilience and growth due to robust domestic demand. The credit of Indian steel industry's growth goes to policies of government and Indian public and private sector steel producers.

With present low per capita steel consumption at 57 kg in India against global average of 215 kg there lies a huge potential for steel demand growth in India. Also the estimated massive \$ 1 trillion investment in India's infrastructure sector during 12th FYP will boost demand of steel. Significant steel demand will also arise from rural markets and proactive steel producers in India have started exploring untapped rural markets to get maximum share of this market. Indian steel industry attained appreciable growth post liberalisation but it has suffered due to issues of efficiency, quality, safety and productivity. Future growth and sustainability of Indian steel industry lies in adapting latest technologies, improving efficiency and optimising process.

INTERNAL CONTROL SYSTEMS

There are well established and documented internal control systems and procedures in line with the size of operations and business. The Company has engaged a firm of Chartered Accountants for conducting internal audit of site and Head Office who are providing internal audit reports on quarterly basis. Audit Committee reviews these reports and monitors effectiveness and operational efficiency of internal control systems.

Audit Committee is giving valuable recommendations and suggestions from time to time for improving the business processes, systems and internal controls. Annual internal audit plans are prepared by internal auditors in consultation with Audit Committee and audit is conducted in accordance with this plan. Separate department headed by a senior officer looks after internal control systems and assists internal auditors and the Audit Committee and provides desired inputs to them.

SAP system has been introduced and installed at all the works and offices of the Company which has resulted in better flow of information, control and transparency.

FINANCIAL PERFORMANCES

Since the project is under implementation (i.e., a part of the entire facility) had commenced its operation and started to produce Pig iron, TMT Bars and Billets. The Company had only recorded the net turnover of Rs 513,22.19 lakhs in the year ended 2014. After the adjustment of other expenditures, the earnings before Interest, depreciation, taxation and amortization is Rs (4,616.29) lakhs The Profit after Tax for the year 2014 is Rs. (29,113.17) Lakhs.

FIXED ASSETS (including capital work in progress)

As of March 31, 2014, we had Rs.1,049,282.23 lakhs of fixed assets, comprising of Rs.675,970.70 lakhs of capital work in progress and a Net Block of Rs. 373,311.53 lakhs. Capital work in progress was primarily on account of expenditure including advances towards plant & machinery and construction & erection thereof. The expenditure incurred during the construction period is classified as 'Project Development Expenditure' pending capitalization to be allocated to the asset on the completion thereof. Necessary details as per Schedule VI of the Companies Act, 1956 have been disclosed in the notes to accounts forming part of the Annual Accounts for the year 2014.

INDEBTEDNESS

The total secured outstanding indebtedness as on March 31, 2014 is Rs. 834,219.77 lakhs out of which the long term borrowings is Rs. 832,761.18 lakhs and short term borrowings is Rs. 1,458.58 lakhs.

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

The business of steel production is capital expenditure intensive. Our plans for the setting up of your Project will require substantial capital expenditures. We believe that going forward the availability of sources of cost effective funding for our working capital requirement will be crucial and the non-availability of such funding on time, at favourable terms could affect our business, financial condition and results of operations. The Company has no positive operating cash flows since inception. Going forward, the Company expects to experience cash flows from operating activities as the plant starts operation fully.

CREDIT RATING

Credit Analysis and Research Limited (CARE) had assigned the credit rating as "CARE B (Single B)" to the long term facilities of your Company which are having the tenure of more than one year. Further, the rating committee of CARE had assigned the rating as "CARE A4 (A Four)" to the short term facilities of your Company. This rating is applicable to the instruments having a tenure upto one year.

INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Electrosteel Group recognizes people as the primary source of its competitiveness and continues to focus on people's development by leveraging technology and developing a continuous learning human resource base to unleash their potential and fulfill their aspirations.

Your company is developing fast and has entered into diverse business interests requiring talent from various fields of business. The speed and quality of growth of the Company depends on the quality of human resources available with it. The Company firmly believes in it and accordingly gives top most priority to its human resource assets which act as the prime mover in attainment of its goals. The Company continuously strives for inculcating a culture of learning by building the capabilities and competencies of its workforce. Human Resource Department has appropriately been upgraded and strengthened to meet the challenging manpower requirements of business units.

Last year we witnessed many HR initiatives which are directed towards building a knowledge sharing and performance enhancing organizational culture. The salient HR measures undertaken are mentioned below:

- Leadership development and Career planning
- Sourcing of young and fresh talents for meeting the current and future needs of the Company.
- As a part of competency building and performance enhancement interventions, assessment exercises were conducted in the Company covering employees at Manager and above levels. The output of the intervention is being used for various developmental activities.
- The performance management system has been extended to all employees' upto level of executive. It has also been aligned further to meet the performance expectations of the Company and employees' aspirations.
- The employee benefit policies have also been revamped/ revisited based on the feedbacks received from cross section of employees including restructuring of remuneration structure.
- Fire Safety Awareness programmes are frequently conducted to educate the employees on how to use the fire safety equipments in case of an emergency fire.
- Tie up with renowned health club for healthy body and a healthy mind for all the employees.
- TOC Awareness programme for our employees and other partners to align thinking process of the stake holders to enhance the performance of the company.
- Invited suppliers and service providers to impart technical training to our line managers to improve their effectiveness
- Leadership Alignment Programme the Management (AGM & above)

SAP HR module with employee self-service has also taken off so as to be quick in service delivery and have fully integrated network.

Safety at project site, medical care requirements of workers and on the job training is being provided at all the manufacturing facilities to avoid mishaps and ensure high level of security, safety and confidence among employees. During the year, Company has maintained cordial relations with the employees.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

To protect interest of the community as well as goodwill, reputation of the company, the Company pledges to act ethically and sensibly to bring perceptible change in socio-economic life of the local community and society at large. Practice of CSR is not new to the company but CSR needs to be done systematically, thoughtfully and impacting. Accordingly, the Company engages community to develop an inclusive CSR policy and also identifies key building blocks for developing socially effective and responsive programs.

Working with the community made the company realize that only philanthropic and charitable activity cannot be a sustainable means of reduction of poverty as well as regular source of generating income. The core issue lies in reduction of vulnerability; helping people to develop resilience to external shocks and increase overall sustainability

of their livelihoods. During the year 2013-14, the Company undertook the following CSR programmes:

- The Company has set up small hospitals at Chandaha and Bhandih Villages, under the block Chas, district Bokaro to provide quality and responsive medical facility especially to address the need of the rural area. The initiative named as Sparsh, touching lives of people, provides a comprehensive range of modern health care and in patient treatment facility to under-privileged community dwelling in 30 villages in Bokaro district especially in remote rural areas. The initiative has been involved in making a meaningful impact in the quality of life of the down trodden people especially pregnant women, lactating mothers and new born babies.
- Company also conducted mobile health camps and treatment on wheels facility for 25 days every month in and around villages located in steel plant. 196 mobile health camps were done during the year 2013-14 and 3782 patients were treated by doctors and provided free medicines in mobile health camps contributing to a remarkable change in the health standards of those areas compared to average national health indicators.
- Hospitals have been identified as nodal agency for several government sponsored programs like Janani Surakshay Yojna (JSY), Vector Borne Disease Prevention Programme, Pulse Polio Programme etc. Awareness and sensitization programme on health in collaboration with health department of Jharkhand Government especially on safe motherhood, immunization, malaria, Adolescent girl health programme, Diarrhea, Tuberculosis, vector Borne diseases were conducted in surrounding villages round the year.
- The Company in partnership with **Red Cross Society, Bokaro** organized biggest blood donation camp at company premises in 2013 where 110 employees donated blood for the great cause.
- Company also arranges free cataract operation camp every year in partnership with Government of Jharkhand. Poor and old Cataract patients identified from villages through a special drive conducted by company are sent to Government Hospital in Bokaro for free operation every year. The Company arranges transportation facility of these patients for operation and review purpose as well other costs like spectacles, medicines that are excluded from free Government package are also borne by company. 30 patients of very poor economic background were benefitted from this initiative last year.
- Training on First aid was done in 21 schools and 10 Anganwadi Centers. First aid medical kits and medicines were distributed to all of them.
- The Company also conducts bleaching powder distribution and safe drinking water awareness programme in all 30 villages round the year to sensitize community on diseases spread through polluted and contaminated water.
- Company repaired 142 defunct tube wells during last year. Company has engaged 3 mechanics to repair defunct tube wells within 48 hours of reporting to ensure availability of safe drinking water in all villages round the year located in and around plant and mines.
- Company also provides drinking water through tanker to the households especially in the months of summer, festival seasons and community functions. The Company provided free water tanker facility in 145 places in 14 villages during last year.
- Schools were donated Kent water filters to access pure water. 45 water filters has been donated in the current financial year to include all schools in the area to leverage the benefit of pure safe drinking water.
- Company has also developed the infrastructure of the old schools including establishment of modern science Labs and library facility in Bijulia High School in order to provide quality education facility to 900 students. The Company also provided school buses to transport school children of Modidih and Bhagabandh.
- Prerna Kendra, special free tuition facility for meritorious but poor students appearing for Board Examination, started in 2011 on experimental basis with 20 students in Siyaljuri. Duration of the compact course is 12 months and special arrangements are made to promote girls education for higher studies. The course has been designed with help of local experienced teachers to bridge the gap of quality education that is available in cities. Based on its successful debut in 2012 Board Examination and on demand of villagers across areas, 5 such classes are running in 2013 to cater students of 14 villages. Total 110 poorest of the poor but meritorious students are

trained here and are provided best of the education facility and IEC materials as available to city students. Last year 80% students from these centers secured first division and rest of them secured second division. Successful students are facilitated by company every year with books and education materials as a mark of encouragement for higher studies.

- With an objective to promote sports and engage youth; Cricket, Football, Volleyball and local sports were promoted in the nearby villages by the Company. As a motivational aspect Cricket Kits, footballs and Volleyballs were distributed from time to time to the young players. Yearly football and cricket tournament were also organized among the teams of 30 villages.
- Company being a responsible corporate citizen undertakes Blanket Distribution programme every year. Bokaro faces an onslaught of severe cold every year. The underprivileged sections of the society, those living in distressed conditions especially the elderly, disabled, widow and children are the ones most affected, vulnerable and impacted. Empathizing with their struggle, the Company distributed 2000 blankets in 2013 in 30 villages located in and around steel factory in Chas and Chandankiyari block.
- Drive to empower women has brought considerable changes in socio-economical values in the villages in Bokaro. Formation of 250 Self Help Groups (SHGs) consisting of women members with homogenous socio-economical backgrounds and training of these SHGs on credit culture, accounting and book keeping enable them to mobilize savings and use it for consumptive and productive purpose. The Project has made them free from the clutches of money lenders and social exploitation.
- Micro Entrepreneurship is an important CSR initiative that the Company committed to focus in villages. Company aims to promote an equitable society without poverty by helping create and broad basing livelihood opportunities for the marginalized communities and also to connect people, especially in and around its working areas, with the mainstream market. Arrangements have been made to establish Sewing Centres and Garment Production Centres in 5 villages to ensure regular income to women. 300 women were already trained in handloom activities and another 120 students are undergoing training this year. Talented Graduated students are then linked with company run production centre to produce garments and handloom products.

CAUTIONARY STATEMENT

This report contains projections, estimates and expectations etc. which are just “forward-looking statements”. Actual results could differ from those expressed or implied in this report. Important factors that may have impact on Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets, changes in the Government regulations / policies, tax laws and other statutes and other incidental factors. The Company assumes no responsibility to publicly modify or revise any forward looking statements on the basis of any future events or new information. Actual results may differ from those mentioned in the report.

RISK MANAGEMENT

The Company has proper Risk Management and Control System to ensure that the risks of the Company are identified and managed effectively. The Risk and mitigation measures are weaved into strategic plans and reviewed periodically. Values and Business Principles are an important element of the internal environment for risk management. The main objective of Risk management is proper compliances with applicable laws and regulations and to ensure that the systems protect the safety and health of our employees, customers and consumers.

The Company has already undertaken, extensive risk management efforts that include introduction of Risk Management Manual, compiling a comprehensive profile of the key risks to the Company, identifying the key gaps in managing those risks and developing preliminary action plans to address those risks. This effort accomplishes the following goals:

- Responds to the Board's need for enhanced risk information and improved mitigation plan.
- Provides the ability to prioritize, manage, and monitor the risks in the business and
- Formalizes the explicit requirements for assessing risks on an ongoing basis, including an effective internal control and management reporting system.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk, including changes in interest rates, foreign exchange rates and commodity prices, in the ordinary course of business. Suitable processes are being worked out by the Company in designing the new organization set up to tackle such issues.

CONSTRUCTION RISK

Since a part of the Project is still in the construction phase and currently we do not have any major revenue generating operations or any significant operating history from which one can evaluate our business, future prospects and viability. One should not evaluate our prospects and project viability based on the performance of our promoter or other affiliates. Our financial condition, results of operations and liquidity would be materially and adversely affected if our project costs or construction costs materially exceed such budgeted amounts.

The construction and operation of our project have faced opposition from various parties such as local communities and from special interest groups, government policies, who may oppose the possible negative impact of the project on the communities and the environment in the area where our project is located.

The Company has already acquired approximately 2,200.00 acres of land for the proposed plant, taking into account the scope for future expansion.

COST/ TIME OVER RUN RISK

Steel and DI Pipe plants typically have long gestation period. The scheduled completion target for our Project is an estimate and is subject to delays as a result of, among other things, contractor performance shortfalls, unforeseen engineering problems, dispute with workers, force majeure events, unavailability/timely availability of finance, unanticipated cost increase or changes in scope and inability in obtaining certain property rights, fuel supply and government approvals, any of which could give rise to cost overruns or the delay in our implementation schedule. Failure to complete the project according to its specifications or schedule, if at all, may give rise to potential liabilities. As a result, our returns on investments may be lower than originally expected, which may have a material adverse impact on the business operations of your Company.

TECHNOLOGY RISK

A key challenge for the Company is to ensure that its plants are equipped with updated technologies in order to serve clients, secure cost competitiveness and maintain R&D leadership. Even through the financial crisis, the Company did not cut back on investment in quality equipments, so that it could continue to develop technologies that could advance the project cost competitive position, while also reducing CO₂ emissions from ore based steelmaking. R&D efforts are also being made to advance the Company's proprietary knowledge in order to produce new generation high strength steel, advanced and photovoltaic coating systems etc.

For upgrading plant and equipment, funds are being made available to ensure that the Group remains technologically updated in order to meet the increasingly demanding requirements from customers across all its sectors particularly in the fast growing automotive sector in India.

In light of the fact that the equipments are being procured by us from China, the Chinese contractors are also appointed so that there should not be any problems in integration of the equipments used in the Project. A good number of Indian manpower, are working at site in full swing and your Company is also working on launching the suitable high end product in market to take care of the competition from existing players.

FOREIGN EXCHANGE RATE RISK

We currently have incurred and expect to incur expenditure on account of import of equipment etc. Any depreciation of the rupee against the currencies in which we have an exposure will increase the rupee costs of servicing and repaying our expenditure. We have a policy to undertake forward cover to mitigate the foreign exchange rate risk.

COMMODITY PRICE RISK

Our revenue would be exposed to the market risk of price fluctuations related to the sale of our steel and other products. Market forces generally determine prices for the steel and other products that we will sell both inside and outside India. These prices may be influenced by factors such as demand & supply, production costs (including the costs of raw material inputs) and global & Indian economic conditions & growth. Adverse changes in any of these factors may reduce the revenue that we earn from the sale of our products. In particular, our costs are exposed to fluctuations in prices of iron ore, coal, coking coal, ferro alloys and other raw material inputs. We use various spread risk management tools to hedge this risk.

INTEREST RATE RISK

Under CDR, rate of interest on Long Term Debt is fixed thereby insulating the Company against the Interest Rate Risk.

COMPETITOR RISK

Indian steel industry is relatively open. Demand does not make significant restrictions on imports of steel products so that the national steel market is very open to internal as well as international competition. To control this risk, the Company initiated the following:

- Improve cost competitiveness in all areas.
- Ensure accuracy and speed in handling consumer claims.
- Meet on time delivery and quality demands.
- Establish a network of distributors and warehouses.
- Conduct annual customer gatherings to strengthen the Company's relationships with customers, while also enhancing customer loyalty.
- Conduct annual customer satisfaction surveys to determine the level of customer satisfaction with the Company's products, and to determine aspects that need to be improved on an on-going basis.

The demand of steel is also increasing due to Government of India's focus on infrastructure development. Further with the thrust given by Government on water and water related projects and with the estimated growth in water requirements, the demand of DI Pipes is expected to grow substantially and the Company is confident in retaining its market share.

RAW MATERIAL RISK

The success of operations of your Company depends on, among other things, ability to source raw materials at competitive prices. Iron ore and coking coal are critical inputs for success of an integrated steel project. The project envisages part of captive power, which will be based on gas recovery from the coke oven, BF-BOF processes or from coal. Procurement of these raw materials from Electrosteel Castings Limited ('ECL') shall enable us to reduce our operating costs, ensure a steady supply of coal and iron ore. This would also insulate our Company from demand supply volatility in the market, to a significant extent. Also, procurement of coal and iron ore from the same mine will ensure that the raw material is of consistent quality thereby reducing the lead time in adjusting our blast furnace.

Your Project will source a significant portion of its raw material requirements from the mines of ECL who has agreed to supply iron ore and coking coal to your Company for a period of 20 years. Your Company's requirement of coking coal is proposed to be primarily met from a mix of ECL's coking coal mine at Parbatpur (30%) and other sources (70%). We may be unable to procure our coking coal & Iron ore requirement from the aforesaid mines of ECL and have to procure the same at a higher prices from the market, which may adversely affect our results of operations and financial performance.

ROAD AHEAD

We believe that the assured availability of iron ore and coking coal from mines allocated to ECL will ensure that we will be able to reduce our operating costs and ensure a steady supply of coal and iron ore, at a lower cost. The major capital equipment for the plant is based on Chinese technology which provides higher productivity with lower costs. We believe that these factors will result in strong project economics and help us to become one of the lowest cost producers of steel. Our location advantage also enables us to enjoy lower costs. Besides this marketing network of stockyards, regional offices and key channel partners has been setup across the country consisting of experienced steel marketing professionals across the country.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2013-14

(as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. Company's philosophy on Corporate Governance

The philosophy of your Company in relation to Corporate Governance is to ensure fairness, transparency, integrity, equity, honesty and accountability in its dealings with its customers, dealers, employees, lenders, Government and other stakeholders including shareholders. The Company is committed to achieve and maintain the highest standards of Corporate Governance. The cornerstone of modern enterprise system rests with good Corporate Governance mechanism. Your Company is always committed to the improvement of Corporate Governance in a bid to boost shareholders' value and investors' confidence.

2. Board of Directors

Composition and Attendance of Directors

The Board of Directors of the Company as on 31st March, 2014 consists of eight members which comprise of:

- One Executive Director.
- Four Non Executive - Independent Directors.
- Two Non Executive - Non Independent Directors.
- One Alternate Director.

The structure of Board of Directors was in conformity with clause 49 of the Listing Agreement entered into with the stock exchanges as on 31st March, 2014. The number of directorship and committee membership held by them in other public limited companies are given herein below.

Sl No	Name of the Directors	Category	No. of other Directorship(s) in Public Limited Companies incorporated in India	No. of membership(s) on other Board Committees	No. of Chairmanship(s) in other Board Committees
1	Mr. Nigam Chander Bahl*	Executive Director	Nil	Nil	Nil
2	Mr. Rama Shankar Singh **	Executive Director	1	Nil	Nil
3	Mr. Umang Kejriwal	Non Executive - Non Independent Director	9	1	Nil
4	Mr. Naresh Pachisia	Non Executive - Independent Director	8	6	1
5	Mr. Lalit Kumar Singhi	Non Executive - Independent Director	Nil	Nil	Nil
6	Mr. Jinendra Kumar Jain	Non Executive - Independent Director	1	Nil	Nil
7	Mr. Sunil V Diwakar (Nominee Director)	Non Executive - Non Independent Director	5	4	Nil
8	Mr. Amrendra Prasad Verma (Nominee Director)	Non Executive - Independent Director	4	Nil	Nil
9	Mr. Lawrence Mohan Roy*** (Alternate Director)	Alternate Director to Mr Sunil V Diwakar	Nil	Nil	Nil

* Resigned from the Directorship of the Company w.e.f February 6, 2014.

** Appointed as Director of the Company w.e.f February 6, 2014

*** Vacates Office of Alternate Director w.e.f. May 5, 2014

Attendance of Directors at the Board Meetings during the financial year ended March 31, 2014 and at the last Annual General Meeting (AGM)

During the financial year ended March 31, 2014, 5 (Five) Board meetings were held on the following dates: May 6, 2013, May 20, 2013, July 27, 2013, November 14, 2013 and February 6, 2014. The gap between any two consecutive meetings did not exceed four months as required by the Listing Agreements with the Stock Exchanges in India. The attendance details of each Director at the Board meetings and at the last Annual General Meeting (AGM) is given herein below:

Sl No.	Name of the Directors	No. of Board meetings attended	Attendance at the last AGM held on July 23, 2013
1	Mr. Rama Shankar Singh*	1	N.A.
2	Mr. Umang Kejriwal	4	No
3	Mr. Nigam Chander Bahl**	5	No
4	Mr. Lalit Kumar Singhi	5	Yes
5	Mr. Naresh Pachisia	4	No
6	Mr. Sunil V Diwakar	3	No
7	Mr. Amrendra Prasad Verma	4	No
8	Mr Jinendra Kumar Jain	5	Yes

* Appointed as Director of the Company w.e.f February 6, 2014

** Resigned from the Directorship of the Company w.e.f February 6, 2014

Code of Conduct

Pursuant to Clause 49 of the Listing Agreement, a 'Code of Conduct' has been laid down for all the Board Members and Senior Management Executives of the company who have affirmed compliance with the same. A declaration signed by the Whole Time Director of the Company to this effect is enclosed at the end of this report. The Code is also posted on the Company's website: <http://www.electrosteel.com/esl/investors/pdf/code-of-conduct-bod-srmgt.pdf>

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 (as amended), the Board has approved the 'Code of Conduct for prevention of Insider Trading' and authorised the audit committee to implement and monitor the various requirements as set out in the code.

3. Committees of Board

The Board Committees focus on certain specific areas and make informed decisions within the delegated authority. Each Committee of the Board functions according to its charter that defines its composition, scope, power and role in accordance with the Companies Act 1956 together with the Listing Agreement. The Board is responsible for constituting, assigning and co-opting the members of the Committee. Presently the Board has the following four Committees:-

a) Audit Committee

The Audit Committee was constituted on July 25, 2009, with powers and role specifically laid out to comply with the requirements of Clause 49 of the Listing Agreements with the Stock Exchanges in India and the spirit of Corporate Governance. The Audit Committee also oversees compliance with Section 292A of the Companies Act, 1956. The Committee was reconstituted on 6th May, 2013, November 14, 2013 and further on February 6, 2014.

Composition of the Committee

The Audit Committee comprises of three Non-executive Independent Directors and one Executive Director, all having financial management and accounting knowledge. The members of the Audit Committee as on 31st March, 2014 are:-

Mr. Jinendra Kumar Jain	Non executive Independent Director	Chairman
Mr. Lalit Kumar Singhi	Non executive Independent Director	Member
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. Rama Shankar Singh*	Executive Director	Member
Mr. N C Bahl **	Executive Director	Member

* Appointed as member of the Committee w.e.f February 6, 2014

** Resigned as Member of the Committee w.e.f February 6, 2014

The Company's statutory auditors and the internal auditors are permanent invitees at the committee meetings. Mr. Vikash Kumar Agarwal, Company Secretary, acts as the Secretary to the Audit Committee.

Terms of reference

The terms of reference / scope and function of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement and are as follows:

- (i) Overseeing your Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (iii) Approving payments to statutory auditors for any other services rendered by the statutory auditors.
- (iv) Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments to financial statements arising out of audit findings;
 - e) Compliance with listing and other legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions; and
 - g) Qualifications in the draft audit report.
- (v) Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
- (vi) Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- (vii) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (viii) Carrying discussions with internal auditors on any significant findings and follow up there on.
- (ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (x) Carrying discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (xi) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (xii) To monitor the use of proceeds received in the initial public offering.

The Audit Committee also reviews such matters as considered appropriate by it or referred to it by the Board.

The revised terms of reference as per Companies Act, 2013 will reflect into next year's Corporate Governance report.

Meetings and Attendance

During the financial year ended March 31, 2014, 4 (four) audit committee meetings were held on; May 6, 2013, July 27, 2013, November 14, 2013 and February 6, 2014. The gap between any two consecutive meetings did not exceed four months. The attendance details of each member at the Audit Committee meetings are given below:

Name of the Member	No. of meetings Attended
Mr. Lalit Kumar Singhi	4
Mr. Rama Shankar Singh *	0
Mr. Naresh Pachisia	3
Mr. Jinendra Kumar Jain	2
Mr. N C Bahl**	4

* Appointed as member of the Committee w.e.f February 6, 2014

** Resigned as Member of the Committee w.e.f February 6, 2014

b) Share Transfer & Shareholders'/ Investors' Grievances Committee

The Company constituted a Share Transfer & Shareholders'/ Investors' Grievances Committee on August 31, 2009. The said committee was further reconstituted on February 06, 2014.

Composition of the Committee

The Committee comprises of two Non-Executive Independent Directors and one Executive Director. The members of the Share Transfer & Shareholders'/ Investors' Grievances Committee are:-

Mr. Lalit Kumar Singhi	Non executive Independent Director	Chairman
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. Rama Shankar Singh	Executive Director	Member

Mr. Vikash Kumar Agarwal, Company Secretary, acts as the Secretary to the Share Transfer & Shareholders' / Investors' Grievances Committee.

Terms of reference

The broad terms of reference includes the following as the performance of the functions as recommended in the Listing Agreement;

- (i) To oversee the redressal of grievances of shareholders and investors on issues like share transfer, non-receipt of annual report, declared dividends, issue of duplicate share certificates, among others.
- (ii) Monitoring the transfers, transmissions, dematerialization, splitting and consolidation of shares.
- (iii) Any such other acts, deeds, matters and things as the Board may consider think fit and as may be required for effective and efficient redressal of shareholders and/ or investor grievances.

In accordance with Clause 49 of the Listing Agreement of the stock exchanges, the Board has delegated powers of share transfers to Registrar & Share Transfer Agent M/s. Karvy Computershare Private Limited ('Karvy'), Plot no 17-24 Vithalrao Nagar, Madhapur, Hyderabad 500 081. Karvy reviews the share transfers every fortnight.

Meetings and Attendance

For the financial year ended March 31, 2014, no meeting of the Share Transfer and shareholders'/ Investors' Grievances Committee was held.

Shareholders' Complaints

Number of shareholders/ investors complaints received and resolved/ replied during the year under review are as under:-

Nature of complaints	Received	Resolved/ Replied	Pending
Status of applications lodged for public issue	0	0	0
Non-receipt of refund order	1	1	0
Non-receipt of securities	1	1	0
Non-receipt of dividend	3	3	0
Non-receipt of annual reports	3	3	0
Total	8	8	0

Pending Share Transfers

No shares were pending for transfer as on March 31, 2014.

Securities and Exchange Board of India ('SEBI') Complaints Redress System ("SCORES")

Pursuant to the circular CIR/OIAE/2/2011 dated June 03, 2011 issued by SEBI intimating the commencement of processing of investors complaints in a centralized web based complaint redress system 'SCORES'.

As per the circular, all the investors complaints pertaining to the listed Companies will be electronically sent through SCORES and the Companies are required to view the pending complaints against them and submit 'Action Taken Report' ('ATRs') along with necessary documents electronically in SCORES. Further, there is no need to file any physical ATRs with SEBI. The Company had completed the required registration under SCORES to efficiently and effectively redress the investors/ shareholders complaints.

c) Remuneration Committee

The Remuneration Committee was constituted on July 25, 2009. The Committee was reconstituted on May 6, 2013. The remuneration of the Executive Director of the Company is being paid as per the terms of appointment as approved by the Committee. Pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr Rama Shankar Singh was appointed as the Whole Time Director of the Company by the Board in its meeting held on 6th February, 2014 for a period of 3 (three) years at a remuneration and on such terms and conditions as decided by the Remuneration Committee in its meeting held on 6th February, 2014. His appointment was also approved by the Shareholders of the Company by a resolution passed by Postal Ballot and as announced on 19th March, 2014. The remuneration for the aforesaid Whole Time Director is subject to approval of the Central Government which is yet to be received.

Composition of the Committee

The members of the Remuneration Committee are;

Mr Jinendra Kumar Jain*	Non executive Independent Director	Chairman
Mr. Naresh Pachisia	Non executive Independent Director	Member
Mr. Lalit Kumar Singhi	Non executive Independent Director	Member

* Appointed as member and the Chairman of the Committee w.e.f May 6, 2013.

Mr. Vikash Kumar Agarwal, Company Secretary, acts as the Secretary to the Remuneration Committee. Presently, the Non Executive Directors do not receive any remuneration from the Company except by way of sitting fees for attending the meetings of the Board and its Committees.

Terms of reference

The terms of reference of the Remuneration Committee includes the following:

- (i) To assist the Board in formulating and implementing the remuneration policy of your Company vis-à-vis the Executive Directors; and
- (ii) To recommend to the Board, the terms of compensation of whole time Executive Directors.

Meetings and Attendance

For the financial year ended March 31, 2014, the meeting of the Remuneration Committee was held on 6th February, 2014.

Name of the Members	No. of meetings Attended
Mr Jinendra Kumar Jain	1
Mr. Lalit Kumar Singhi	1
Mr. Naresh Pachisia	1

Details of remuneration paid to the Directors in the financial year 2013-14

Sl No.	Name of the Directors	Salary & Benefits (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
1	Mr. Rama Shankar Singh	22,04,384	Nil	Nil	22,04,384
2	Mr. Umang Kejriwal	Nil	Nil	20,000	20,000
3	Mr. Nigam Chander Bahl	2,26,35,471	Nil	Nil	2,26,35,471
4	Mr. Naresh Pachisia	Nil	Nil	40,000	40,000
5	Mr. Lalit Kumar Singhi	Nil	Nil	50,000	50,000
6	Mr. Sunil V Diwakar	Nil	Nil	Nil	Nil
7	Mr Jinendra Kumar Jain	Nil	Nil	40,000	40,000
8	Mr. Amrendra Prasad Verma	Nil	Nil	20,000	20,000

The above remuneration is within the limits prescribed under the provisions of the Companies Act, 1956.

The details of equity shares / convertible instruments held by the Non-Executive Directors of the Company in their own name, as on March 31, 2014 are as follows:

Name	No. of Equity shares held	No. of convertible Instruments held
Mr. Umang Kejriwal	517,000	Nil
Mr. Naresh Pachisia	50,000	Nil
Mr. Lalit Kumar Singhi	190,000	Nil
Mr. Sunil V Diwakar	Nil	Nil
Mr Jinendra Kumar Jain	Nil	Nil
Mr. Amrendra Prasad Verma	Nil	Nil

d) Committee for Allotment of Shares

The Committee was constituted on August 31, 2009. The said Committee was further reconstituted on February 6, 2012.

Composition of the Committee

The members of the Committee for Allotment of shares are;

Mr. N C Bahl*	Executive Director	Chairman
Mr. Umang Kejriwal	Non executive Non Independent Director	Member
Mr. Naresh Pachisia	Non executive Independent Director	Member

*Resigned w.e.f 6th February, 2014.

Mr. Vikash Kumar Agarwal, Company Secretary, acts as the Secretary to the Committee for Allotment of Shares.

Terms of reference

The terms of reference / scope and function of the Committee includes allotment and listing of shares and debentures in reference to statutory and regulatory authorities.

Meetings and Attendance

For the financial year ended March 31, 2014, no meeting of the Committee for Allotment of shares, was held.

4. General Body Meetings

A. Location and time for last three Annual General Meetings:

Financial Year	Date of AGM	Venue	Time	Number of special resolutions passed
2010-2011	July 15, 2011	Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834001, Jharkhand.	11.30 a.m.	To increase the authorized share capital of the Company u/s 94 of the Companies Act, 1956 and necessary modification in the Memorandum & Articles of Association of the Company thereon.
2011-2012	August 7, 2012	Topaz Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834001, Jharkhand.	12.30 p.m.	<ol style="list-style-type: none"> Issue of fresh equity shares of the Company, through preferential allotment under section 81(1A) of the Companies Act, 1956. Raising of additional long term funds through the issue of fresh capital by way of equity shares or other convertible/non convertible securities of the Company. Re-Appointment/Extension of appointment of Mr. N C Bahl as Wholetime Director of the Company. Appointment of special officer for holding of office or place of profit.
2012-2013	July 23, 2013	Basil Banquet Hall, Hotel Landmark, Jatin Chandra Road, Lalpur, Ranchi - 834 001, Jharkhand	12.30 p.m.	Nil

B. Resolutions passed through postal ballot during the year 2013-14

The Postal Ballot Notice dated February 6, 2014, was issued pursuant to Section 192A of the Companies Act, 1956, for passing various Resolutions by postal ballot. E-voting option was also given to Members.

Mr. Mukesh Rathi, Practising Company Secretary was appointed as Scrutinizer to receive and scrutinize the Postal ballot forms / E-voting votes received from the Members and for conducting the Postal Ballot process in a fair and transparent manner.

After receiving the report of the Scrutinizer, the following results were announced on 19th March, 2014:

Item of the Notice dated 6th February, 2014	Valid votes polled (No. of Equity Shares and %)	Votes cast in favour of the Resolution (No. of Equity Shares and %)	Votes cast against the Resolution (No. of Equity Shares and %)
As Special Resolution : To approve, ratify and confirm the corporate debt restructuring scheme in relation to the Company's debt	1,05,78,95,640 (100%)	1,05,77,10,883 (99.98%)	1,84,757 (0.02%)
As Special Resolution: Issue of fresh equity shares of the Company at a discount, through preferential allotment under Sections 81(1A) and 79 of the Companies Act, 1956.	1,05,78,93,115 (100%)	93,87,71,060 (88.74%)	11,91,22,055 (11.26%)
As Ordinary Resolution: Increase of Authorised Share Capital and Alteration of Capital Clause of the Memorandum of Association of the Company.	1,05,78,68,396 (100%)	1,05,76,22,989 (99.98%)	2,45,407 (0.02%)

As Special Resolution : Creation of charge under section 180(1)(a) of the Companies Act, 2013.	1,05,78,58,542 (100%)	1,05,76,15,201 (99.98%)	2,43,341 (0.02%)
As Special Resolution : Enhancement of the total borrowing powers of the Company under section 180 (1)(c) of the Companies Act, 2013.	1,05,78,34,461 (100%)	1,05,75,59,786 (99.97%)	2,74,675 (0.03%)
As Special Resolution : Increase in Remuneration of Ms. Radha Kinkari Kejriwal, a relative of Director, under Section 314(1).	1,05,79,12,624 (100%)	1,04,82,71,571 (99.09%)	96,41,053 (0.91%)
As Special Resolution : Appointment of Ms. Nityangi Kejriwal, a relative of Director, as Executive Assistant to Director' u/s 314 for holding of office or place of profit.	1,05,79,08,324 (100%)	1,05,68,75,063 (99.90%)	10,33,261 (0.10%)
As Ordinary Resolution: Appointment of Mr. Rama Shankar Singh as Director of the Company.	1,05,77,95,053 (100%)	1,05,74,34,696 (99.97%)	3,60,357 (0.03%)
As Special Resolution : Appointment of Mr. Rama Shankar Singh as Wholetime Director of the Company.	1,05,77,96,674 (100%)	1,05,74,27,178 (99.97%)	3,69,496 (0.03%)
As Special Resolution : Holding of office or place of Profit by Ms. Radha Kinkari Kejriwal, a relative of Director, under Section 314(1B).	1,05,79,04,932 (100%)	99,30,80,931 (93.87%)	6,48,24,001 (6.13%)

All the resolutions were duly passed by the members.

As of now, none of the business is proposed to be transacted in the ensuing Annual General Meeting which requires passing of a special resolution through postal ballot.

C. Information about Directors proposed to be appointed and re-appointed as required under Clause 49IV(G)(i) of the Listing Agreement with the stock exchanges forms part of the explanatory statement of the notice for Annual General Meeting annexed to the Annual Report.

5. Disclosures

None of the transactions with any of the related parties were in conflict with the interests of the Company. However, the details of related party relationships and transactions are disclosed in Note 28 of the Annual Accounts for the year ended 2013-2014. The Company complied with regulatory requirements on capital markets. No penalties / strictures have ever been imposed against it.

All mandatory requirements of Clause 49 of the Listing Agreement have been complied with and the disclosures on adoption of non-mandatory requirements are dealt with at the end of the report.

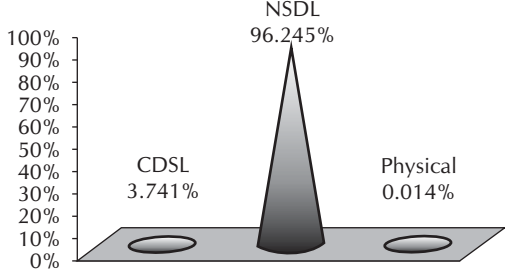
6. Means of Communication

The Company's quarterly/ annual financial results and notices as required under clause 41 of the Listing agreement are published in widely circulated national English dailies like 'Hindu Business Line' (all editions) or HT Mint (all editions) and in a local newspaper 'Sanmarg' (Ranchi edition). These financial results were not sent individually to all the shareholders. The Company's results and official news releases were displayed on the Company's website: <http://www.electrosteel.com/esl/introduction.asp>. A comprehensive Management Discussion and Analysis report forms a part of this annual report.

7. General Shareholder information

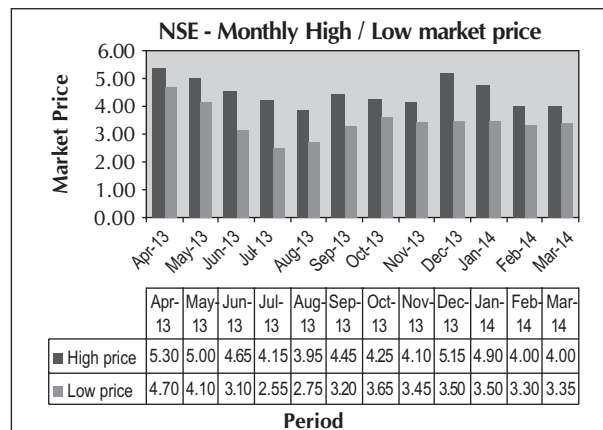
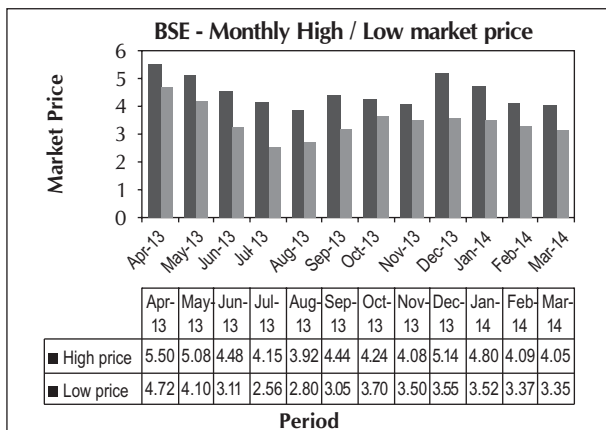
Date, time and venue of the Annual General Meeting	Tuesday, the 16th Day of September 2014, at 12.30P.M Prez Hall , Capitol Hill Hotel, Mahatma Gandhi Marg, Main Road, Ranchi- 834 001, Jharkhand.
Financial Year	1st April, 2013 to 31st March, 2014

Book Closure Period (for share transfer & AGM)	8th September, 2014 to 16th September, 2014 (both days inclusive)
Interim Dividend Payment Date	Not Applicable
Outstanding ADRs / GDRs / warrants or any convertible instruments, conversion date and likely impact on equity.	Not Applicable
Listing Details: Equity Shares	<p>a) Bombay Stock Exchange Ltd. P. J. Towers, Dalal Street, Mumbai 400 001</p> <p>b) National Stock Exchange of India Ltd. Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (East) Mumbai 400 051</p>
Stock Code at Stock Exchanges	Equity Shares BSE : 533264 NSE : 'ESL'
Demat ISIN number for NSDL & CDSL for Equity Shares	INE481 K01013
Corporate Identification Number (CIN)	L27310JH2006PLC012663
Annual Listing Fees	Annual Listing fees for the financial year have been paid to NSE and BSE.
Share transfer system	<p>99.986% of the equity shares of the Company are in electronic mode. Transfer of these shares is done through the depositories.</p> <p>Share transfers are registered and returned within the period of 30 days from the date of lodgment, if the documents are complete in all respects. As per directives issued by the SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form. The Company offers the facility of transfer cum dematerialization to its shareholders.</p>
Registrar & Share Transfer Agent for physical & dematerialised shares	<p>Karvy Computershare Private Limited, Plot no 17-24 Vithalrao Nagar, Madhapur, Hyderabad - 500 081 Phone : 040-4465 5189/ 2342 0815 - 25 Fax : 040 23420814 E-mail : einward.ris@karvy.com</p>
Dematerialization of equity shares and liquidity	<p>The Company's shares are compulsorily tradable in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).</p> <p>The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is INE481K01013.</p> <p>As on March 31, 2014 the equity shares stand dematerialized/Physical;</p> <p>Physical : 3,02,325 equity shares (0.014%) CDSL : 81810340 equity shares (3.741%) NSDL : 2104622358 equity shares (96.245%)</p>

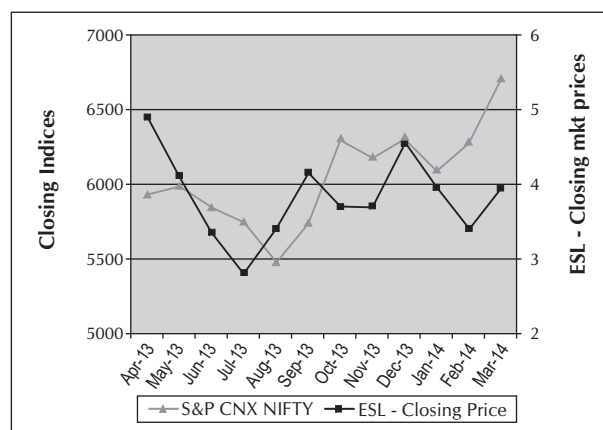
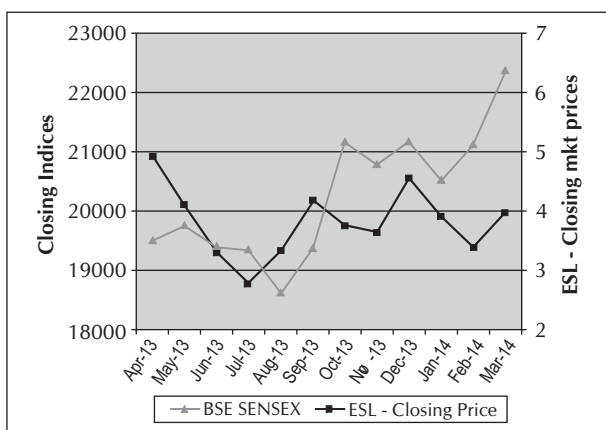
	<p>The Company's equity shares are regularly traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. As per the agreement between the Company and the depositories NSDL & CDSL, the investors have an option to dematerialize their ordinary equity shares with either of the depositories.</p> 
Site locations	Village Siyaljori, P.O Jogidih, P.S. Chandankyari, Dist - Bokaro, Pin 828303, Jharkhand.
Address for Communication	<p>Mr. Vikash Kumar Agarwal Company Secretary Electrosteel Steels Limited 2nd & 3rd floor, G.K. Tower, 19, Camac Street, Kolkata-700 017 Phone: (033) 7103 4400 Fax : (033) 2290 2882 Email: eil.investors@electrosteel.com</p>

Stock Market Price for the Financial year 2013-14

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	Month's High Price	Month's Low Price	Volume	Month's High Price	Month's Low Price	Volume
Apr-13	5.50	4.72	3111826	5.30	4.70	5908056
May-13	5.08	4.10	1670235	5.00	4.10	5612275
Jun-13	4.48	3.11	3600047	4.65	3.10	8704757
Jul-13	4.15	2.56	4134494	4.15	2.55	13447407
Aug-13	3.92	2.80	4122604	3.95	2.75	11140904
Sep-13	4.44	3.05	2801065	4.45	3.20	8059191
Oct-13	4.24	3.70	1324698	4.25	3.65	5200416
Nov-13	4.08	3.50	1311388	4.10	3.45	4192484
Dec-13	5.14	3.55	4415396	5.15	3.50	9821394
Jan-14	4.80	3.52	1972762	4.90	3.50	5249762
Feb-14	4.09	3.37	1324909	4.00	3.30	4228796
Mar-14	4.05	3.35	2127601	4.00	3.35	7238767

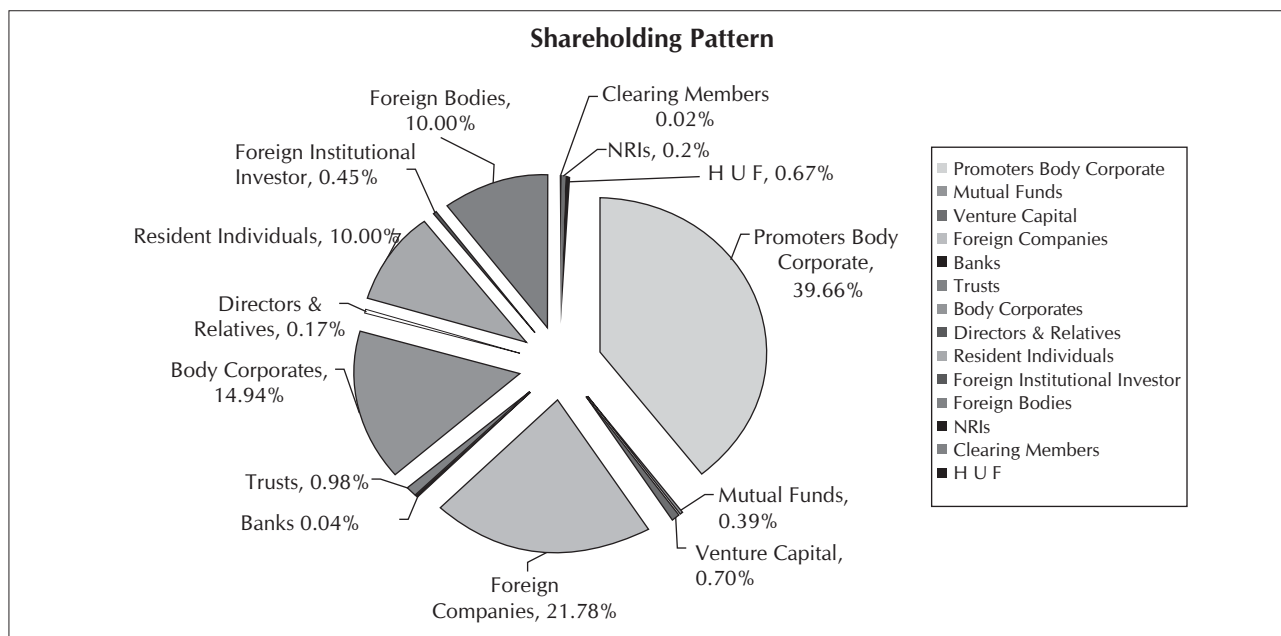


Share price performance in comparison to broad based indices – BSE Sensex and NSE Nifty for the financial year 2013-14



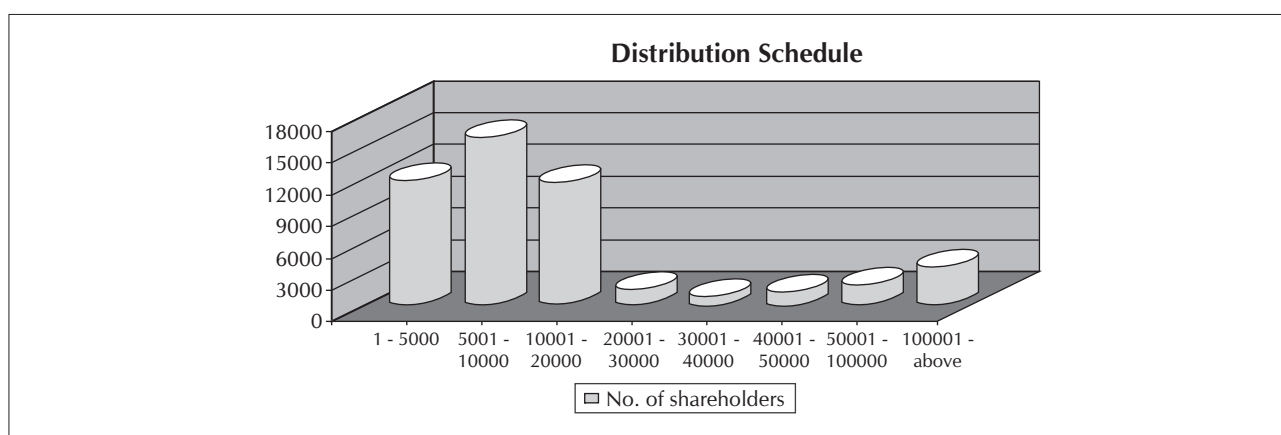
Shareholding pattern of the Company as on March 31, 2014

S.No	Description	No. of Shareholders	Shareholders %	Total Shares	% To Equity
1	Banks	1	0.002%	950000	0.04
2	Clearing Members	68	0.134%	483967	0.02
3	Directors and their Relatives	8	0.016%	3651515	0.17
4	Foreign Bodies	4	0.008%	218742306	10.00
5	Foreign Companies	2	0.004%	476197077	21.78
6	Foreign Institutional Investor	3	0.006%	9748227	0.45
7	H U F	2607	5.122%	14655590	0.67
8	Bodies Corporates	1149	2.258%	326724724	14.94
9	Mutual Funds	1	0.002%	8489224	0.39
10	Non Resident Indians	289	0.568%	4395256	0.20
11	Promoters Bodies Corporate	1	0.002%	867300000	39.66
12	Resident Individuals	46751	91.856%	218579947	10.00
13	Trusts	10	0.020%	21512190	0.98
14	Venture Capital	2	0.004%	15305000	0.70
	Total:	50896	100.000%	2186735023	100.00



Distribution of shareholding as on March 31, 2014

Sl No	Category	No. of shareholders	% to total shareholders	Total Shares	% to total shareholding
1	1 - 5000	11832	23.25	3038092	0.14
2	5001 - 10000	16350	32.12	12238123	0.56
3	10001 - 20000	11755	23.10	19552968	0.89
4	20001 - 30000	1942	3.82	5186712	0.24
5	30001 - 40000	1071	2.10	3934694	0.18
6	40001 - 50000	1627	3.20	7944083	0.36
7	50001 - 100000	2364	4.64	19310992	0.88
8	100001 & Above	3955	7.77	2115529359	96.74
	Total	50896	100.00	2186735023	100.00



8. Status of non-mandatory requirements

Audit Qualifications

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

Remuneration Committee

The details pertaining to the Remuneration Committee have been provided in item no. 3(c) of this report.

Shareholder Rights

Quarterly and Half yearly financial results including summary of the significant events are currently not being sent to each shareholder. However, these are posted on the Company's website at '<http://www.electrosteel.com/esl/investors/quarterly-results.asp>'

Whistleblower Policy

The Company does not have any whistleblower policy as on 31st March, 2014 and the Vigil Mechanism Policy will be implemented by the Company as per revised Listing Agreement and Companies Act, 2013 and details of the same will reflect in next year Corporate Governance report.

Other Items

Besides constituting the Remuneration Committee, the Company has not implemented any other non-mandatory requirements of the Code of Corporate Governance viz. Shareholding Rights, Training of Board Members, Mechanism for performance evaluation of non-executive Board Members, Whistle Blower Policy etc. The same will be implemented by the Company as and when required and/or deemed necessary by the Board. The Company is yet to implement the tenure of Independent Directors of not exceeding in aggregate, a period of nine years. However at present, the tenure of no such Independent Directors exceeds in aggregate of the abovementioned period.

The Company has ensured that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and which, in the opinion of the Company would enable him to contribute effectively to the Company in his capacity as an Independent Director.

9. Auditors' Certificate on Corporate Governance

The Company has received a Certificate annexed to this report, from the Statutory Auditors of the Company certifying to its compliances with the provisions relating to the Corporate Governance as stipulated in Clause 49 of the Listing Agreement executed with the Stock Exchanges.

For and on behalf of the Board

Place : Kolkata
Date : May 5, 2014

Rama Shankar Singh
Wholetime Director

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

(Declaration by the Director under Clause 49 (I)(D) of the Listing Agreement)

To,
The Members of
Electrosteel Steels Limited

I hereby certify that,

- a) In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board members and the Senior Management Personnel of the Company.
- b) The said Code of Conduct is also uploaded on the website of the Company at <http://www.electrosteel.com/esl/investors/pdf/code-of-conduct-bod-srmgt.pdf>
- c) All the Members of the Board and Senior Management Personnel of the Company have affirmed their respective compliance with the Code of Conduct of the Company for the year ended March 31, 2014.

Place: Kolkata
Dated: May 5, 2014

Rama Shankar Singh
Wholetime Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Electrosteel Steels Limited

We have examined the compliance of conditions of Corporate Governance by Electrosteel Steels Limited for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

For, B Chhawchharia & Co.
Firm Registration No.: 305123E
Chartered Accountants

Vikram Dhanania
Partner
Membership No. 060568
Address: 8A & 8B, Satyam Towers
3, Alipore Road
Kolkata 700 027

Place : Kolkata
Date : May 5, 2014

CERTIFICATION FROM CEO & CFO

(In terms of Clause 49(V) of the Listing Agreement)

We, Rama Shankar Singh, Whole time Director and Ashutosh Agarwal, Executive Director (Finance) & Chief Financial Officer, of the Company, certify that:

- a) We have reviewed financial statements and the cash flow statements of the Company for the quarter and year ended 31st March 2014 and that to the best of our knowledge and belief
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or which violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, any deficiencies in the design or operation of internal controls of which we are aware and the steps taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit committee
 - (i) Significant changes, if any, in internal control over financial reporting during the year.
 - (ii) Significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements.
 - (iii) Instances of fraud whether or not significant of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Place : Kolkata
Date : May 5, 2014

Rama Shankar Singh
Wholetime Director

Ashutosh Agarwal
*Executive Director (Finance) &
Chief Financial Officer*

INDEPENDENT AUDITORS' REPORT

To the Members of
ELECTROSTEEL STEELS LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of ELECTROSTEEL STEELS LIMITED ('the Company'), which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit & Loss and the Cash Flow Statement for the year then ended (in which are incorporated the accounts of the representative office at China), and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We have relied upon the management's representation relating to the disclosures in the financial statements regarding (a) segment reporting (Note 27); (b) related party disclosures (Note 28); (c) dues to Micro, Small & Medium Enterprises (Note 33) and (d) reconciliation and confirmation of balance of trade receivables, trade payables, loans and advances and other liabilities (Note 37).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit & Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by section 227(3) of the Act, 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 purpose of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the representative office;
- (iii) We have received the report on the accounts of the representative office audited under section 228 by another auditor and have appropriately dealt with these while forming our audit opinion;
- (iv) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (v) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
- (vi) On the basis of written representations received from the Directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014, from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Act;

B Chhawchharia & Co.

Firm Registration No.: 305123E

Chartered Accountants

Vikram Dhanania

Partner

Membership No. 060568

Place : Kolkata

Date : May 5, 2014

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 5 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) As per the information and explanations given to us, the Company has not disposed off a substantial part of fixed assets during the period so as to affect its going concern status.
- (ii) (a) As informed to us, a part of the inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventories followed by the management, in our opinion, 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. As explained to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and the same have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, the Company has neither granted nor taken any loan secured or unsecured to/from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have neither observed nor have been informed of any major weaknesses in the said internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 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 entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the period under audit, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) No deposits within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under have been accepted by the Company.
- (vii) The Company has an internal audit system commensurate with the size and nature of the Company.
- (viii) As informed to us, the Company has made and maintained cost records as prescribed by the Central Government under Section 209(1)(d) of the Act. We have not made a detailed examination of such records. However, we have broadly reviewed the records maintained and are of the opinion, that prima facie, the prescribed accounts and records have been maintained. The Cost Auditor has yet to complete the audit as prescribed & submit his report.
- (ix) (a) According to the records of the Company examined by us, in our opinion, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding, as at 31st March 2014 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 dues of sales tax, income tax,

customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute, except

Name of the statute	Nature of dues	Year	Amount (Rs. Lacs)	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	April 2008 to April 2009	68.24	CESTAT
Central Excise Act, 1944	Excise Duty	2008-09 & 2009-10	398.49	CESTAT
Service Tax under Finance Act, 1994	Service Tax	2007-08 & 2008-09	4,431.24	CESTAT
Service Tax under Finance Act, 1994	Service Tax	2007-08 to 2011-12	2,140.93	Appeal yet to be filed
Jharkhand VAT Act, 2005	Value Added Tax	June 2010	53.99	Commissioner Ranchi
Income Tax Act, 1961	TDS	2012-13	4.35	Asst. Commissioner of Income Tax (TDS)
Income Tax Act, 1961	TDS	2013-14	1.05	Asst. Commissioner of Income Tax (TDS)
Income Tax Act, 1961	TDS	2009-10	8.57	Asst. Commissioner of Income Tax (TDS)

- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash loss during the financial year covered by our audit and also in the immediately preceding financial year.
- (xi) As per our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks during the year.
- (xii) According to the information and explanations given 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) The Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) 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 during the period under audit.
- (xvi) According to the information and explanations given to us, in our opinion, the term loans raised were, prima facie, either utilized for the purposes for which they were obtained and repayment of such loans or pending utilization, been temporarily invested in Mutual Funds and Term Deposits with Banks.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) The Company has not issued any debentures during the period under audit.
- (xx) The Company has not raised any money by public issue during the period under audit.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

B Chhawchharia & Co.
Firm Registration No.: 305123E
Chartered Accountants

Vikram Dhanania
Partner
Membership No. 060568

Place : Kolkata
Date : May 5, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

	Note	As at 31st March, 2014		As at 31st March, 2013	
		Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
EQUITY & LIABILITIES					
Shareholders' Funds					
(a) Share Capital	2	218,673.50		218,673.50	
(b) Reserves and Surplus	3	(68,716.30)	149,957.20	(39,603.13)	179,070.37
Non-Current Liabilities					
(a) Long-Term Borrowings	4	832,761.18		564,914.76	
(b) Other Long-Term Liabilities	5	69.47		46,486.77	
(c) Long-Term Provisions	6	278.88	833,109.53	215.39	611,616.92
Current Liabilities					
(a) Short-Term Borrowings	7	1,458.58		23,312.92	
(b) Trade Payables	8	27,064.11		20,682.72	
(c) Other Current Liabilities	9	128,432.83		191,352.31	
(d) Short-Term Provisions	6	82.88	157,038.40	78.54	235,426.49
TOTAL			1,140,105.13		1,026,113.78
ASSETS					
Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets	10	372,793.66		144,123.57	
(ii) Intangible Assets	10	517.88		664.79	
(iii) Capital Work-In-Progress		675,970.70		817,049.90	
(b) Long-Term Loans and Advances	11	10,464.99	1,059,747.23	15,797.06	977,635.32
Current Assets					
(a) Current Investments	12	17,621.70		–	
(b) Inventories	13	36,617.49		22,593.36	
(c) Trade Receivables	14	2,202.20		585.77	
(d) Cash and Bank Balances	15	6,917.57		9,251.10	
(e) Short-Term Loans and Advances	11	16,785.68		15,112.29	
(f) Other Current Assets	16	213.26	80,357.90	935.94	48,478.46
TOTAL			1,140,105.13		1,026,113.78
Significant Accounting Policies	1				

The accompanying notes are an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board

For B. Chhawchharia & Co.
Firm Registration No. 305123E
Chartered Accountants

R S Singh

Wholetime Director

Vikram Dhanania
Partner
M. No. 060568

Lalit Kumar Singhi

Director

Kolkata
May 05, 2014

Vikash Kumar Agarwal *Company Secretary*

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

	Note	Year ended 31st March, 2014 Rs. in Lakhs	Year ended 31st March, 2013 Rs. in Lakhs
I. Revenue from operations			
Sale of Products		52,764.57	15,743.00
Other operating revenue		4,852.35	2,586.76
Revenue from operations (Gross)	17	57,616.92	18,329.76
Less: Excise duty		6,294.73	2,018.75
Revenue from operations (Net)		51,322.19	16,311.01
II. Other Income	18	692.57	93.39
III. Total Revenue (I + II)		52,014.76	16,404.40
IV. Expenses:			
(a) Cost of Materials Consumed	19	46,868.77	18,886.50
(b) Changes in Inventories of Finished Goods, Work-in-Progress	20	(4,798.13)	(799.32)
(c) Employee Benefits Expense	21	1,394.73	1,004.72
(d) Finance costs	22	17,731.41	13,441.11
(e) Depreciation and amortization expense		6,764.31	5,906.87
(f) Other expenses	23	13,165.67	5,734.83
Total expenses		81,126.76	44,174.71
V. Profit before Exceptional Items and Tax (III - IV)		(29,112.00)	(27,770.31)
VI. Exceptional Items		—	229.52
VII. Profit before Tax (V - VI)		(29,112.00)	(27,999.83)
VIII. Tax Expenses			
(a) Current Tax		1.17	1.42
IX. Profit/(Loss) for the Period (VII - VIII)		(29,113.17)	(28,001.25)
X Earning per Equity Share (nominal value of share Rs.10)			
(a) Basic		(1.33)	(1.32)
(b) Diluted		(1.33)	(1.32)

The accompanying notes are an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board

For B. Chhawchharia & Co.
Firm Registration No. 305123E
Chartered Accountants

R S Singh

Wholetime Director

Vikram Dhanania
Partner
M. No. 060568

Lalit Kumar Singhi

Director

Kolkata
May 05, 2014

Vikash Kumar Agarwal

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

	31st March, 2014 Rs. in lacs	31st March, 2013 Rs. in lacs
Cash flow from operating activities		
Profit before tax	(29,112.00)	(27,999.83)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization on continuing operation	6,764.31	5,906.87
Exceptional Items	-	229.52
Loss/(profit) on sale of fixed assets	0.37	5.18
Interest expense	17,731.41	13,441.11
Operating profit before working capital changes	<u>(4,615.91)</u>	<u>(8,417.15)</u>
Movements in working capital :		
Increase/(decrease) in trade payables	6,381.38	8,605.45
Increase/(decrease) in long-term provisions	63.49	(114.03)
Increase/(decrease) in short-term provisions	4.59	27.40
Increase/(decrease) in other current liabilities	57,917.06	2,754.95
Increase/(decrease) in other long-term liabilities	(46,417.30)	6,584.82
Decrease/(increase) in trade receivables	(1,616.43)	(492.40)
Decrease/(increase) in inventories	(14,024.13)	(3,107.46)
Decrease/(increase) in short-term loans and advances	(1,586.32)	1,073.91
Decrease/(increase) in other current assets	722.68	(390.66)
Cash generated from / (used in) operations	(3,170.89)	6,524.83
Direct taxes paid (net of refunds)	(88.48)	(54.17)
Net Cash flow from / (used in) operating activities (A)	<u>(3,259.37)</u>	<u>6,470.66</u>
Cash flow from investing activities		
Purchase of fixed assets, including intangible assets, CWIP	(33,617.48)	(76,315.72)
Proceeds from sale of fixed assets	9.49	27.40
Proceeds from sale/ purchase of current investments (Net)	(17,621.70)	2,253.16
Decrease/(increase) in long-term loans and capital advances	5,332.06	17,996.04
Net Cash flow from / (used in) investing activities (B)	<u>(45,897.63)</u>	<u>(56,039.12)</u>
Cash flow from financing activities		
Proceeds from issuance of share capital	-	15,200.00
Proceeds from long-term borrowings (net of repayment)	145,785.01	87,912.12
Proceeds from short-term borrowings (net of repayment)	(21,854.34)	13,001.45
Interest paid	(77,107.20)	(65,202.35)
Net Cash flow from / (used in) financing activities (C)	<u>46,823.47</u>	<u>50,911.22</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(2,333.53)	1,342.76
Cash and cash equivalents at the beginning of the year	9,251.10	7,908.34
Cash and cash equivalents at the end of the year	<u>6,917.57</u>	<u>9,251.10</u>
Components of cash and cash equivalents		
Balances with Banks		
In Current Accounts	20.55	26.87
Stamp papers on hand	27.78	32.45
Cash on hand	5.17	4.04
Balance with Bank in Deposit Accounts (held as margin money)	6,864.07	9,187.74
Total cash and cash equivalents	<u>6,917.57</u>	<u>9,251.10</u>

As per our Report of even date

For B. Chhawchharia & Co.
Firm Registration No. 305123E
Chartered Accountants

Vikram Dhanania
Partner
M. No. 060568

Kolkata
May 05, 2014

For and on behalf of the Board

R S Singh

Wholtime Director

Lalit Kumar Singhi

Director

Vikash Kumar Agarwal

Company Secretary

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. Significant Accounting Policies

1.1 Basis of Preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act, 1956. Accounting policies not referred to otherwise are consistent and are in consonance with the generally accepted accounting principles in India.

1.2 Use of Estimates

The preparation of financial statements requires estimate and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

1.3 Tangible and Intangible Fixed Assets

- (i) Tangible fixed assets are stated at cost of acquisition and subsequent improvements thereto; net of CENVAT/Value Added Tax, rebates, less accumulated depreciation, and impairment loss, if any.
- (ii) All costs, including financing costs and net charge on foreign exchange contracts till commencement of commercial production, are capitalised. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of fixed asset.
- (iii) Direct and Indirect Expenditure on implementation of the project prior to commencement of production and stabilization of commercial production of the respective plant facility, are classified as Project Development Expenditure and disclosed under Capital Work-in-Progress (net of income earned during the project development stage).
- (iv) Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment loss, if any.

1.4 Depreciation/ Amortisation

- (i) Depreciation on tangible assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- (ii) Assets costing Rs. 5,000 or less are being fully depreciated in the year of acquisition.
- (iii) Cost of leasehold land is amortized over the period of lease.
- (iv) The intangible assets are amortized on straight line method at the rate and in the manner prescribed in Schedule XIV to the Companies Act 1956, and where such rate is not prescribed over the useful economic life of the respective assets.

1.5 Impairment of Assets

The carrying amounts of the assets are reviewed at each balance sheet date. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged when the asset is identified as impaired.

1.6 Government Grants

Grants received/to be received, if any, against specified fixed asset is/will be adjusted to the cost of the asset and in case where it is not against any specific fixed asset, the same is/will be taken as Capital Reserve. Further, the revenue grants are/will be recognised in the Statement of Profit and Loss in accordance with the related scheme and in the period in which it is/will be admitted.

1.7 Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing on the date of the transaction. All transactions of integral foreign operations are recorded by applying to the foreign currency amounts on an average exchange rate between the reporting currency and the foreign currency.
- (ii) Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid/received on forward contracts is recognised over the life of the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

- (iii) Non-monetary foreign currency items are carried at cost.
- (iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised as revenue except in respect of the project cost which are recognized as "Capital Work in Progress".

1.8 Investments

Investments that are readily realisable 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. Provision for diminution in the value of Long-term Investments is made only if such a decline is other than temporary in nature in the opinion of the management.

1.9 Inventories

Inventories are valued at weighted average cost or net realizable value whichever is lower.

1.10 Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

1.11 Employee Benefits

- (i) Short term employee benefits are charged off at the undiscounted amount in the period in which the related service is rendered.
- (ii) Post employment and other long term employee benefits are charged off in the period in which the employee has rendered services. The amount charged off is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to Statement of Profit and Loss/Project Development Expenditure Account.

1.12 Taxes on Income

Provision for Income Tax is made on the basis of estimated taxable income for the period at current rates. Tax expense comprises both Current Tax and Deferred Tax at the applicable enacted or substantively enacted rates. Current Tax represents the amount of Income Tax payable/ recoverable in respect of taxable income/ loss for the reporting period. Deferred Tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originates in one year and are capable of reversal in one or more subsequent years.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

1.14 Revenue Recognition

All expenses and income to the extent considered payable and receivable respectively, unless otherwise stated, are accounted for on an accrual basis. 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.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are disclosed net of quality claims and rebates.

1.15 Insurance Claims

Insurance claims are accounted as and when admitted / settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
2. Share Capital		
a) Capital Structure		
Authorised		
450,00,00,000 Equity Shares of Rs. 10/- each (Previous year - 300,00,00,000 Equity Shares of Rs. 10/- each)	450,000.00	300,000.00
	450,000.00	300,000.00
Issued, Subscribed and Fully Paid Up		
218,67,35,023 Equity Shares of Rs. 10/- each (Previous year - 218,67,35,023 Equity Shares of Rs. 10/- each)	218,673.50	218,673.50
	218,673.50	218,673.50

The Company has only one class of shares referred to as Equity Shares having face value of Rs. 10. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive in proportion to their shareholding the remaining assets of the Company, after distribution of the preferential amount.

b) Share Capital Reconciliation

Equity Shares	31 March 2014		31 March 2013	
	Nos.	Amount	Nos.	Amount
Opening balance	2,186,735,023	218,673.50	2,186,735,023	218,673.50
Issued during the period	-	-	-	-
Closing Balance	2,186,735,023	218,673.50	2,186,735,023	218,673.50

c) Particulars of Equity Shareholders holding more than 5% Shares at Balance Sheet date

	31 March 2014		31 March 2013	
	Nos.	% holding	Nos.	% holding
Electrosteel Castings Limited	867,300,000	39.66%	866,750,000	39.64%
Stemcor Cast Iron Investments Limited	400,909,646	18.33%	400,909,646	18.33%

3. Reserves & Surplus

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
Securities Premium Account		
Opening balance	3,993.17	3,993.17
Add: Premium on issue of equity shares	-	-
Closing Balance	3,993.17	3,993.17
Surplus/(Deficit) in the statement of profit or loss		
Opening balance	(43,596.30)	(15,595.05)
Loss for the year	(29,113.17)	(28,001.25)
Net Surplus/(Deficit)	(72,709.47)	(43,596.30)
Total Reserves & Surplus	(68,716.30)	(39,603.13)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
4. Long-term Borrowings

	Non-current portion		Current maturities	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Term Loans (Secured)				
From Banks				
Restructured Term Loan	622,294.72	–	–	–
Additional Term Loan	63,266.00	–	–	–
Funded Interest Term Loan (FITL)	72,251.24	–	–	–
Senior Debts	–	259,516.16	–	63,966.86
Subordinate Debts	–	41,528.69	–	10,063.33
External Commercial Borrowings (ECB)	–	40,265.58	–	10,596.21
Buyers Credit	–	–	4,723.00	3,789.29
Securitization Loan	–	158,751.00	–	17,639.00
Capacity Enhancement Loan	–	933.33	–	66.67
From Others				
Restructured Term Loan	68,377.68	–	–	–
Funded Interest Term Loan (FITL)	6,571.54	–	–	–
Senior Debts	–	31,133.33	–	7,605.38
Subordinate Debts	–	1,286.67	–	321.67
Securitization Loan	–	31,500.00	–	3,500.00
Others	–	–	–	9,236.00
	832,761.18	564,914.76	4,723.00	126,784.41
Amount disclosed under the head Other current liabilities (Note 9)			4,723.00	126,784.41
	832,761.18	564,914.76	–	–

During the year, the Company was referred by the lenders to the Corporate Debt Restructuring (CDR) Cell. The CDR Empowered Group (CDR EG) Cell vide its Letter of Approval dated 28 September 2013 has approved a package to restructure/reschedule the Company's Debt and provide additional facilities. The Master Restructuring Agreement has been executed between the Company and the concerned lenders on 20 January 2014. The borrowings from non-CDR lenders (viz. HUDCO, IL & FS and SREI, appearing under the head 'From Others') have also been restructured bilaterally in line with CDR guidelines subject to certain modifications.

A. Security

- 1) The entire facilities from CDR lenders and a non-CDR lender (HUDCO) are secured by:
 - (a) first ranking pari passu charge by way of mortgage/hypothecation of all immovable and movable properties (including fixed assets, plant & machinery, tools & accessories etc.), current assets (including book debts), present and future and assignment over all of Company's bank accounts;
 - (b) pledge of 866,750,000 equity shares of the Company held by Electrosteel Castings Ltd. ('ECL') being the Promoter Company;
 - (c) pledge of 517,000 equity shares of the Company held by Mr. Umang Kejriwal (Director);
 - (d) pledge of 32,675,270 equity shares of ECL held by 2 of its promoter group companies;
 - (e) personal guarantee of Mr. Umang Kejriwal and Ms. Radha Kinkari Kejriwal (Sr. Executive).
- 2) The facility from a non-CDR lender (SREI) is secured by:
 - (a) second ranking pari passu charge by way of hypothecation of all movable assets (including receivables and intangibles), present and future;
 - (b) second charge on all rights, titles and interest in all assets of the Project, letter of credit/guarantee/performance bond provided in respect of the Project and all Project documents, Contracts, Insurance Policies etc.
 - (c) first charge by way of mortgage of a piece of land with factory building owned by ECL.
- 3) The facility from another non-CDR lender (IL & FS) is secured by
 - (a) second ranking pari passu charge by way of mortgage/hypothecation of all assets mentioned in 1(a) above;
 - (b) pledge of shares as mentioned in 1(b) to 1(d) above ranking subservient to the pledge already created in favour of lenders;
 - (c) personal guarantees as mentioned in 1(e) above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

B. Repayment terms

- a) The Restructured Term Loan, Additional Term Loan and FITL from all lenders (except a non-CDR lender) are repayable in 29 quarterly instalments commencing from December 2015 and ending on December 2022 in a stepped up manner as follows:

Year	Term Loan due for repayment (%)		
	Restructured Term Loan	Additional Term Loan	FITL
2015-16	5.00%	6.00%	8.00%
2016-17	8.00%	12.50%	13.00%
2017-18	12.00%	12.50%	13.00%
2018-19	12.00%	12.50%	14.00%
2019-20	15.00%	14.00%	14.00%
2020-21	16.00%	14.00%	14.00%
2021-22	17.00%	15.00%	15.00%
2022-23	15.00%	13.50%	9.00%
Total	100.00%	100.00%	100.00%

- b) Repayment terms of a non-CDR lender (SREI):

- i) The Restructured Term Loan (Rs. 35,000.00 lacs) is repayable in 16 quarterly instalments commencing from April 2016 and ending on January 2020 in a stepped up manner as follows:

Year	Term Loan due for repayment (%)
2016-17	10.00%
2017-18	20.00%
2018-19	30.00%
2019-20	40.00%
Total	100.00%

- ii) The Restructured Term Loan (Rs. 7,186.00 lacs) is repayable on or before 15th March 2016.

- iii) The FITL is repayable in 19 equal quarterly instalments commencing from July 2015 and ending on January 2020.

C. The applicable rate of interest on the above term loans during the year are -

- a) Restructured Term Loan and FITL from all lenders carries interest @ 10.75% p.a.
b) Additional Term Loan from all lenders carries interest @ 11.00% p.a.
c) Buyers' Credit carries interest rate at LIBOR plus spread being 0.50% to 1.25%.

5. Other Long-term Liabilities

Security Deposit/ EMD from Vendors
Retention Money Payable

31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
69.47	69.47
–	46,417.30
69.47	46,486.77

6. Provisions

Provision for employee benefits
Other Provisions - Wealth Tax

Long-term		Short-term	
31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
278.88	215.39	81.71	77.12
–	–	1.17	1.42
278.88	215.39	82.88	78.54

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
7. Short-term Borrowings		
Inter Corporate Loan (Unsecured)	–	1,000.00
Working Capital Facility from a Bank (Secured)	1,338.31	10,002.34
Buyers Credit (Secured)	120.27	12,310.58
	1,458.58	23,312.92

Working Capital facility from a Bank & Buyers' Credit is secured as in Note 4(A)(1) above. The facility carries interest rate of 11.00% p.a.

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
8. Trade Payables		
Trade Payables (including acceptance)	27,064.11	20,682.72
	27,064.11	20,682.72
9. Other Current Liabilities		
Current maturities of long-term borrowings (refer note 4 above)	4,723.00	126,784.41
Interest accrued but not due on borrowings	364.83	1,276.66
Interest accrued and due on borrowings	860.03	15,196.47
Advance / Security Deposits / EMD from Customers	32,673.00	6,397.80
Temporary Overdraft due to over issue of Cheques	–	42.13
Creditors for Capital Supplies / Services	88,550.68	40,779.79
Others		
Statutory Dues Payables	501.39	275.86
Others Payables (Year end provisions & Vendor Liabilities)	759.90	599.19
	128,432.83	191,352.31

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

10. FIXED ASSETS

Rs. in lacs

Description	Gross Block				Accumulated depreciation/ amortisation				Net book value		
	As at 31 March, 2013	Additions	Borrowing Cost	Sales / Adjustments	As at 31 March, 2014	Upto 31 March, 2013	For the Period	Sales / Adjustments	Upto 31 March, 2014	As at 31 March, 2014	As at 31 March, 2013
Tangible Assets											
Freehold Land & Land Development (*)	23,282.52	240.18	—	—	23,522.70	—	—	—	—	23,522.70	23,282.52
Leasehold Land	100.02	—	—	—	100.02	8.11	3.34	—	11.45	88.57	91.91
Buildings	29,820.37	33,039.25	12,947.18	—	75,806.80	1,167.91	1,039.91	—	2,207.82	73,598.98	28,652.46
Plant & Equipment	98,091.16	1,36,158.92	53,345.20	0.30	2,87,594.98	8,247.59	6,000.21	—	14,247.80	2,73,347.18	89,843.57
Furniture & Fixtures	591.83	75.43	23.58	1.38	689.46	179.60	31.74	0.54	210.80	478.66	412.23
Vehicles	245.82	14.26	—	19.12	240.96	75.60	22.84	10.14	88.30	152.66	170.22
Office Equipment	208.92	26.39	—	—	235.31	35.42	13.36	—	48.78	186.53	173.50
Railway Sidings	1,658.61	—	—	—	1,658.61	161.45	78.78	—	240.23	1,418.38	1,497.16
Total (A)	1,53,999.25	1,69,554.43	66,315.96	20.80	3,89,848.84	9,875.68	7,190.18	10.68	17,055.18	3,72,793.66	1,44,123.57
Intangible Assets											
Computer Software	984.22	9.82	—	—	994.04	319.43	156.73	—	476.16	517.88	664.79
Total (B)	984.22	9.82	—	—	994.04	319.43	156.73	—	476.16	517.88	664.79
Total (A + B)	1,54,983.47	1,69,564.25	66,315.96	20.80	3,90,842.88	10,195.11	7,346.91	10.68	17,531.34	3,73,311.54	1,44,788.36
Previous Year's figures	1,53,925.88	1,079.40	—	21.81	1,54,983.47	3,472.11	6,725.48	2.48	10,195.11	1,44,788.36	

(*) Includes 139.67 acres (P.Y. 126.71 acres) of land pending registration in the name of the Company.

11. Loans & Advances

(Unsecured, Considered good)

	Long-term		Short-term	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Capital Advances	9,673.03	14,697.93	—	—
Security Deposit	791.96	1,099.13	—	—
Other loans and advances				
Income Tax Advances (Net of provisions)	—	—	241.93	154.86
Balance with statutory / government authorities	—	—	11,063.81	14,236.13
Advances recoverable in cash or kind or for value to be received	—	—	5,450.20	709.08
Export Incentive Receivables	—	—	29.74	12.22
	10,464.99	15,797.06	16,785.68	15,112.29

12. Current Investments

Investment in Mutual funds (Unquoted)

SBI Premier Liquid Fund - Regular Plan (Growth)

883,700.917 units (P.Y. Nil) of Rs.1000/- each

31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
17,621.70	—
17,621.70	—

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
13. Inventories (valued at lower of cost or net realizable value)		
Finished Goods & Semi Finised Goods	12,878.62	9,903.94
Raw Materials*	21,750.76	12,012.76
Stores and Spares	1,988.11	676.66
	36,617.49	22,593.36
<i>* Includes materials in transit Rs. 11,112.66 Lakhs (P.Y. Rs. Nil)</i>		
14. Trade Receivables		
Unsecured, considered good-Due for less than 6 months	2,202.20	585.77
	2,202.20	585.77
15. Cash and Bank balances		
Cash and Cash equivalents		
Balances with Banks		
In Current Accounts	20.55	26.87
Stamp papers on hand	27.78	32.45
Cash on hand	5.17	4.04
Balance with Banks in Deposit Accounts (held as margin money)*	6,864.07	9,187.74
	6,917.57	9,251.10
<i>* Includes deposit maturing after 12 months Rs. 2776.40 lakhs (P.Y. Rs. 3294.29 lakhs)</i>		
16. Other Current Assets		
Interest accrued on fixed deposits	213.26	935.94
	213.26	935.94
17. Revenue from Operations		
	31 March 2014	31 March 2013
	Rs. in Lakhs	Rs. in Lakhs
Sale of Products:		
Export Sales		
Semi-Finished & Finised Goods	1,129.16	-
Less: Transferred to Trial Run	1,107.37	21.79
Domestic Sales		
Semi-Finished & Finised Goods	69,654.25	25,174.04
Less: Transferred to Trial Run	16,911.47	52,742.78
Other Operating Revenue		
Scrap / By-products & Others	4,852.35	2,586.76
Less: Transferred to Trial Run	-	4,852.35
Revenue from operations (Gross)	57,616.92	18,329.76
Less: Excise Duty	6,294.73	2,018.75
Revenue from operations (Net)	51,322.19	16,311.01

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
18. Other Income		
Job Work Charges	438.56	–
Miscellaneous Income	254.01	93.39
	692.57	93.39

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
19. Cost of Materials Consumed		
Inventory at the beginning of the year	12,012.76	14,938.57
Add: Purchases	55,557.33	30,406.97
Add: Transfer from Project Inventory	(0.06)	371.43
Less: Inventory Issued to Project	696.05	46.31
Less: Inventory Issued for Trial Run	44,028.47	24,811.34
Less: Inventory sold during the year	1,004.00	1,440.74
Less: Inventory at the end of the year	10,638.10	12,012.76
	11,203.41	7,405.82
Add: Consumption of Semi-Finished Goods Produced during Trial Run	53,120.44	13,114.98
Less: Consumption of Semi-Finished Goods in Trial Run	17,455.08	1,634.30
	46,868.77	18,886.50

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
20. Changes in Inventories of Finished Goods, Work-in-Progress		
Inventories at the end of the year		
Semi-Finished & Finished Goods	6,746.53	1,992.38
Scrap / By-products	1,185.74	545.97
	7,932.27	2,538.35
Inventories at the beginning of the year		
Semi-Finished & Finished Goods	1,992.38	515.02
Scrap / By-products	545.97	1,131.99
	2,538.35	1,647.01
Adjustment for Excise Duty	595.79	92.02
	(4,798.13)	(799.32)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
21. Employee Benefits Expense

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Salaries, wages and bonus	1,268.84	915.33
Contribution to Provident and Other Funds	62.01	39.39
Staff welfare expenses	63.88	50.00
	1,394.73	1,004.72

22. Finance Costs

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Interest Expense	16,349.59	12,780.36
Other Borrowing Cost	369.43	196.10
Net (Gain) / Loss on foreign currency transactions and translation	1,012.39	464.65
	17,731.41	13,441.11

23. Other Expenses

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Consumption of Stores & Spares	2,258.49	573.00
Power and Fuel	2,821.57	971.08
Freight and Forwarding Charges	975.96	107.52
Rent	58.66	96.74
Rates and taxes	37.01	10.85
Insurance	181.06	139.16
Repairs to Machinery	60.75	55.12
Operation & Maintenance expenses	1,391.17	445.30
Machine Hire Charges	566.95	442.71
Material Handling Expenses	44.25	54.68
Listing & Registrar Expenses	34.82	36.34
Security Expenses	121.49	95.90
Advertisement and Business Promotion Expenses	104.53	39.55
Travelling & Conveyance	303.26	166.06
Legal & Professional Fees	639.93	258.00
Payment to Auditors	56.30	44.72
Prior Period Items	272.46	3.72
Exchange differences (net)	2,558.41	1,929.47
Loss on Sale of Fixed Assets	0.37	5.18
Selling & Distribution Expenses	165.26	0.02
Other Miscellaneous Expenses	512.97	259.71
	13,165.67	5,734.83

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Payment to Auditors		
Statutory Audit Fee	20.00	10.00
Internal Audit Fee	29.56	32.25
Tax Audit Fee	1.00	1.00
Other Services (Including Fee for Limited Review)	5.06	0.80
Out of Pocket Expenses	0.68	0.67
	56.30	44.72

24. The Interest on the term loans due from one of the non-CDR lender has been provided in line with the CDR terms as approved by the CDR EG. However, their claims for additional charges is under renegotiation and shall be accounted for on settlement.

25. Employee Benefits

The disclosures required under Accounting Standard 15 "Employee Benefits" issued by the Institute of Chartered Accountants of India (ICAI), are given below:

Defined Contribution Plans

Contributions to Defined Contribution Plans, recognized are charged off for the period (included in Statement of Profit & Loss and Project Development Expenditure) as under:

Particulars	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Employer's Contribution to Provident Fund	225.39	220.15
Employer's Contribution to Pension Scheme	69.58	61.23

Defined Benefit Plan

The present value of obligation for Employee's Gratuity Scheme is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Leave Encashment is recognized in the same manner as Gratuity.

a. Reconciliation of opening and closing balances of Defined Benefit obligation

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Defined Benefit obligation at beginning of the year	263.58	252.26	220.84	259.68
Current Service Cost	64.93	60.26	45.87	36.01
Interest Cost on benefit obligation	23.99	20.63	24.03	21.62
Net Actuarial (gain)/loss recognized in the year	25.98	(56.05)	16.38	(79.63)
Benefits paid	(109.07)	(13.52)	(37.76)	(16.84)
Net benefit expense	269.41	263.58	269.36	220.84

b. Reconciliation of opening and closing balances of fair value of plan assets:

	Gratuity (funded)	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Opening fair value of plan assets	227.03	132.81
Expected return	19.33	16.19
Actuarial gains/(losses)	(7.83)	(1.82)
Employer contribution	72.95	93.37
Benefits paid	(109.07)	(13.52)
Closing fair value of plan assets	202.41	227.03

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
c. Reconciliation of fair value of assets and obligations

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Fair value of plan assets	202.41	227.03	–	–
Present value of obligations	269.41	263.59	269.36	220.84
(Assets)/Liability recognized in the Balance Sheet	67.00	36.56	269.36	220.84

d. Net employee benefit expense recognized during the year

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Current Service Cost	64.93	60.26	45.87	36.01
Interest Cost on benefit obligation	23.99	20.63	24.03	21.62
Expected return on plan assets	(19.33)	(16.19)	–	–
Net Actuarial (gain)/loss recognized in the year	33.81	(54.23)	16.38	(79.63)
Net benefit expense	103.40	10.47	86.28	(22.00)

	Gratuity (Funded)				
	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligation at the end of the year	269.41	263.58	252.26	83.95	–
Fair value of planned assets at the end of the year	202.41	227.03	132.81	130.93	–
Surplus/(Deficit)	(67.00)	(36.55)	(119.45)	46.98	–

e. Investment Details

100% of the plan assets are with the Insurance Company.

f. Actuarial Assumptions

The principle assumptions used in determining defined benefit obligations for the company's plan are shown below:

	Gratuity (funded)		Leave encashment (unfunded)	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Mortality Table (Indian Assured Lives Mortality)	2006-08 (Ultimate)	2006-08 (Ultimate)	2006-08 (Ultimate)	2006-08 (Ultimate)
Discount rate (per annum)	8.25%	8.25%	8.25%	8.25%
Expected rate of return on plan assets (per annum)	9.00%	9.00%	NA	NA
Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

26. Project Development Expenditure

The Company is in the process of setting up an Integrated Steel & D I Pipe Plant in the state of Jharkhand, India. The expenditure incurred during construction period is classified as 'Project Development Expenditure' pending capitalisation to be allocated to the respective asset on the completion thereof. Necessary details have been disclosed below:

Project Development Expenditure Account (Included under Capital Work-in-Progress)

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Opening Balance	237,927.18	147,420.04
Add:		
(i) Payments to and Provisions for Employees (including personnel on deputation)		
– Salaries, Wages and Bonus	5,089.56	5,490.70
– Contribution to Provident Fund, Gratuity Fund, Pension Scheme, etc.	348.09	251.00
– Employee welfare and other amenities	312.54	292.67
(ii) Consultancy, Professional and Legal Fees	748.15	1,035.23
(iii) Power & Fuel	2,057.47	1,886.99
(iv) Labour and Machinery Hire Charges	503.18	446.03
(v) Security expenses	342.28	329.90
(vi) Insurance	612.86	593.14
(vii) Rent	164.14	176.71
(viii) Rates & Taxes	39.21	18.57
(ix) Stores & Spares consumption	50.71	33.45
(x) Travelling and Conveyance Expenses	822.79	907.49
(xi) Exchange Fluctuation (Considered as Borrowing Cost)	1,741.04	2,856.82
(xii) General and Administrative Expenses (net)	814.60	305.66
(xiii) Depreciation	582.60	589.10
(xiv) Other Borrowing Cost	341.61	2,675.63
(xv) Interest and Finance Charges	61,982.47	68,899.28
	314,480.48	234,208.41
Less:		
Credit for Project Scrap	—	1,617.00
Foreign Currency Exchange Fluctuation	(7,783.38)	(5,335.77)
	322,263.86	237,927.18
Add: Provision for tax		
- Income Tax	—	—
	322,263.86	237,927.18
Less: Allocated/Transferred during the year to completed assets	84,554.34	—
Closing Balance	237,709.52	237,927.18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

26.1 The Company has during the year capitalised part of the plant facility comprising of Vertical Coke Oven including CPCS, Sinter Plant (Unit-I), Steel Melting Shop and Rebar Mill. Accordingly the Pre-Operative Expenses incurred upto the date of capitalisation have been allocated to the cost of the various facilities on a proportionate basis.

27. Segment information

The Company's activities during the period were relating to setting up of its Integrated Steel & D I Pipe Plant. A part of the plant facility has commenced production (refer Note 26 above). Considering the nature of the Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting', issued by ICAI.

28. Related Party Disclosures

As per Accounting Standard 18 'Related Party Disclosures' issued by ICAI, the disclosure of transactions with related parties are given below:

(i) Names of the related parties and description of relationship

List of related parties where control exists:

1. Key Management Personnel (KMP) and their relatives

Mr. Umang Kejriwal	- Director
Mr. Nigam Chander Bahl	- Whole Time Director (resigned w.e.f. 06.02.2014)
Mr. Rama Shankar Singh	- Whole Time Director (appointed w.e.f. 06.02.2014)
Mr. Sunil V Diwakar	- Nominee Director
Mr. Ghanshyam Kejriwal	- Relative of Director
Mrs. Uma Kejriwal	- Relative of Director
Mr. Mayank Kejriwal	- Relative of Director
Mrs. Asha Kejriwal	- Relative of Director
Ms. Radha Kinkari Kejriwal	- Relative of Director
Ms. Priya Sakhi Kejriwal Mehta	- Relative of Director
Ms. Nityangi Kejriwal	- Relative of Director

2. Enterprises where KMP/ relatives of KMP have significant influence or control

Asian Informatics Pvt. Ltd.	Jhilmil Traders Pvt. Ltd.
Avalokiteshwar Valiniv Ltd.	Lanco Industries Ltd.
Badrinath Industries Ltd.	Malay Commercial Enterprises Ltd.
Bose Estates Pvt. Ltd.	Murari Investment & Trading Co. Ltd.
Calcutta Diagnostics Centre Pvt. Ltd.	North Dhadhu Mining Company Pvt. Ltd.
Cubbon Marketing Pvt. Ltd.	Oxford Heights Pvt. Ltd.
Electrosteel Aviation Ltd.	Quinline Dealcomm Pvt. Ltd.
Electrosteel Thermal Coal Ltd.	Rama Mining Consultants Pvt. Ltd.
Electrosteel Thermal Power Ltd.	Resina Developers Pvt. Ltd.
Ellenbarrie Chemical Allied Pvt. Ltd.	Sigma Commercials Pvt. Ltd.
Ellenbarrie Developers Pvt. Ltd.	Sri Gopal Investments Ventures Ltd.
Escal Finance Services Ltd.	Sree Khemisati Construction Pvt. Ltd.
Electrocast Sales India Ltd.	Tulsi Highrise Pvt. Ltd.
Gaushree Enterprises	Tulip Enclave Pvt. Ltd.
G. K. Investments Ltd.	Uttam Commercial Co. Ltd.
G. K. & Sons Pvt. Ltd.	Wilcox Merchants Pvt. Ltd.
Global Export Ltd	

3. Other related parties

Electrosteel Castings Ltd.	Electrosteel Doha for Trading LLC
Electrosteel Europe SA	Electrosteel Trading S.A. Spain
Electrosteel Algeria SPA	Electrosteel USA LLC
Electrosteel Brasil Ltd. A Tubos E Conexoes Duteis	Mahadev Vyapaar Pvt. Ltd.
Electrosteel Castings (UK) Ltd.	Singardo International PTE Ltd.
Electrosteel Castings Gulf Fze	Waterfab LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
(ii) Transactions during the period with related parties (excluding taxes):

Sl. No.	Name of the related party	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
1	Electrosteel Castings Limited		
	Transactions:		
	Proceeds from issue of equity shares/Premium	–	15,200.00
	Purchase of Materials & Services	13,739.77	2,019.13
	Sale of Materials & Services	2,455.75	3,241.08
	Reimbursement of expenses paid	0.10	35.71
	Reimbursement of expenses received	0.22	–
	Payment of rent	0.39	95.78
	Sale of Assets	–	25.55
	Closing Balance:		
	Trade Payables	3,418.50	5,827.10
	Advance against supplies/services	31,123.82	5,710.49
	Trade receivables	1,890.97	–
2	Lanco Industries Ltd.		
	Transactions:		
	Purchase of Materials	5,221.53	–
	Payment of rent	0.09	–
	Closing Balance:		
	Trade Payables	881.62	–
3	Sree Khemisati Construction Pvt. Ltd.		
	Transactions:		
	Electricity & Maintenance Charges	80.47	6.88
	Closing Balance:		
	Year End Payables	1.17	1.33
4	Tulsi Highrise Pvt. Ltd.		
	Transactions:		
	Payment of Rent	18.87	1.57
5	Wilcox Merchants Pvt. Ltd.		
	Transactions:		
	Payment of Rent	18.87	1.57
6	Umang Kejriwal		
	Transactions:		
	Sitting fees	0.20	0.30
7	Nigam Chander Bahl		
	Transactions:		
	Payment of remuneration	226.35	115.22
	Closing Balance:		
	Year End Payables	–	3.68
8	Rama Shankar Singh		
	Transactions:		
	Payment of remuneration	22.04	–
	Closing Balance:		
	Year End Payables	7.54	–
9	Radha Kinkari Kejriwal		
	Transactions:		
	Payment of remuneration	19.49	10.78
	Closing Balance:		
	Year End Payables	1.76	0.33
10	Nityangi Kejriwal		
	Transactions:		
	Payment of remuneration	8.97	–
	Closing Balance:		
	Year End Payables	2.66	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

29. Earning per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2014 Rs. in Lakhs	31 March 2013 Rs. in Lakhs
Net Profit / (Loss) attributable to equity shareholders	(29,113.17)	(28,001.25)
Weighted average number of equity shares in calculating EPS	2,186,735,023	2,123,436,393
Nominal value of Equity Shares	10.00	10.00
Basic & Diluted EPS	(1.33)	(1.32)

30. Accounting for Taxes on Income

Since availability of future taxable income is not certain, no provision for deferred tax assets has been made under Accounting Standard 22 'Accounting for Taxes in Income' issued by ICAI, in accordance with the transitional provisions.

31. Capital and other commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Export Obligation Commitments under EPCG Scheme

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
	54,219.12	78,800.00
	559,541.35	546,298.49

The Company has entered into irrevocable Off-take agreements with ECL for procurement of Coking Coal and Iron Ore at Cost plus mark-up during the currency of the loan agreements with the lenders.

32. Contingent liabilities

Show cause notice from Central Excise Authorities alleging wrong availment of Cenvat credit

Bills Discounted with Bank

Sales Tax litigation

Income Tax & TDS

Right of Recompense of Lenders as per CDR Guidelines

Show Cause Notice from SEBI

Civil and criminal proceedings pending against the Company, the financial liability thereof, if any, is unascertainable.

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
	5,382.56	5,264.09
	1,142.08	249.31
	466.09	53.99
	14.53	-
	17,961.00	-
	100.00	-

33. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Company has circulated confirmation for the identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006. On the basis of information available with the Company under the aforesaid Act, there are no Enterprises to whom the Company owes dues which are outstanding at year end. This has been relied upon by the Auditors.

34. Value of import calculated on CIF basis

Raw Materials

Stores & Spare Parts

Capital Goods

	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
	31,831.26	20,604.85
	6.08	14.45
	2,863.42	8,717.83
	34,700.77	29,337.12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

35. Earnings in foreign exchange	31 March, 2014 Rs. in Lakhs	31 March, 2013 Rs. in Lakhs
FOB value of exports	1,757.58	–
	1,757.58	–
36. Expenditure in foreign currency		
Consultancy and professional fees	84.81	52.82
Travelling and Conveyance	67.05	169.73
Salaries, Wages & Bonus	126.62	194.85
Rent	37.04	51.20
Interest paid	184.61	3,142.71
Others	39.06	59.60
	539.19	3,670.91

37. Valuation of Current Assets, Loan & Advances

In the opinion of the management, current assets, loans and advances and trade receivables have the value at which these are stated in the Balance Sheet, unless otherwise stated, and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.

Vendor balances appearing under Long-term liabilities, trade Payables & other liabilities, loans & advances and trade receivables are subject to reconciliation/ confirmation and adjustments in this respect are carried out as and when amount thereof, if any, are ascertained.

38. Imported & Indigenous Raw Materials, components and Spares Parts Consumed

	for the year 2013-14		for the year 2012-13	
	Value Rs. in Lakhs	% of total consumption	Value Rs. in Lakhs	% of total consumption
Raw Materials				
Imported	4,428.66	9.45%	46.83	0.25%
Indigenous	42,440.11	90.55%	18,839.67	99.75%
Stores & Spares Parts				
Imported	–	–	–	–
Indigenous	2,258.49	100.00%	573.00	100.00%

39. Previous year figures have been reclassified wherever appropriate to confirm to current year's presentation.

40. All the figures in these notes are in 'Rs. in lakhs' except otherwise stated.

As per our Report of even date

For B. Chhawchharia & Co.
Firm Registration No. 305123E
Chartered Accountants

Vikram Dhanania
Partner
M. No. 060568

Kolkata
May 05, 2014

For and on behalf of the Board

R S Singh

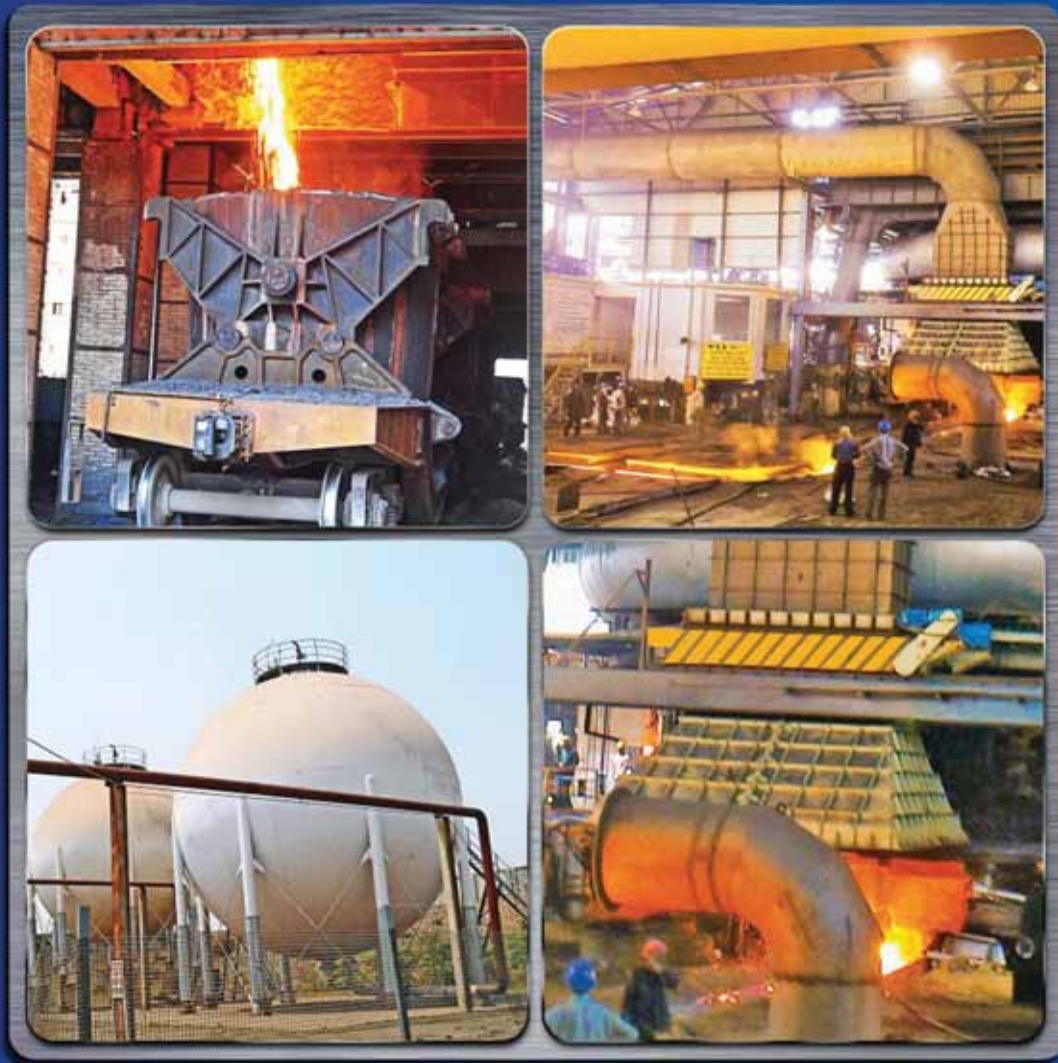
Wholtime Director

Lalit Kumar Singhi

Director

Vikash Kumar Agarwal

Company Secretary



BOOK POST



 **ELECTROSTEEL STEELS LIMITED**

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ELECTROSTEEL STEELS LIMITED
801, Uma Shanti Apartments, Kanke Road, Ranchi
Pin - 834 008, Jharkhand, Tel : 0651 2231636