Growth!

Jai Balaji Industries Limited

Annual Report 2007-08

Forward looking statement

In this Annual Report, we have disclosed forward-looking information to help investors to comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe that we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTENTS

Notice to the Shareholders

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Jai Balaji Industries Limited will be held on Thursday, the 18th September 2008, at 11:00 A.M. at Rotary Sadan (Shripati Singhania Hall), 94/2 Chowringhee Road, Kolkata – 700 020 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March 2008 and the Audited Balance Sheet as on that date, together with the Reports of the Directors and Auditors thereon.

2. To declare dividend on equity shares for the year ended 31st March 2008.

3. To appoint a Director in place of Shri Ashim Kumar Mukherjee, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT Shri Shailendra Kumar Tamotia who was appointed by the Board of Directors as an Additional Director of the Company with effect from 31st October 2007 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Shri Shyam Bahadur Singh who was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th December, 2007 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Shri Gourav Jajodia who was appointed by the Board of Directors as an Additional Director of the Company with effect from 31st January 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Shri Manoj Kumar Banthia who was appointed by the Board of Directors as an Additional Director of the Company with effect from 7th February 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Shri Satish Chander Gupta who was appointed by the Board of Directors as an Additional Director of the Company with effect from 30th June 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

    "RESOLVED THAT Shri Gaurav Mathur who was appointed by the Board of Directors

Notice to the Shareholders

as an Additional Director of the Company with effect from 7th February 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, who shall not be liable to retire by rotation."

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

"RESOLVED THAT Shri Vivek Chhachhi who was appointed by the Board of Directors as an Additional Director of the Company with effect from 14th August 2008 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, who shall not be liable to retire by rotation."

By Order of the Board
For **Jai Balaji Industries Limited**

Ajay Kumar Tantia
Company Secretary

Registered Office:
5, Bentinck Street, Kolkata – 700 001

Date : 14th August 2008

Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under item no. 5 to 11 of the Notice is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 13th September 2008 to Thursday, 18th September 2008 (both days inclusive).

4. The dividend on equity shares of the Company for the financial year ending 31st March 2008, if declared at this Meeting, will be paid on or after 18th September 2008:

   - to those Members, holding shares in physical form, whose names appear in the Register of Members of the Company on Thursday, 18th September 2008, after giving effect to all valid transfers in physical form lodged with the Company on or before Friday, 12th September 2008.
   - in respect of shares held in electronic form, on the basis of beneficial ownership, at the close of business hours on Friday, 12th September 2008, as per details furnished by the Depositories for this purpose.

5. Members desirous of obtaining any information concerning the accounts of the Company are requested to send their queries to the Company at least seven days before the meeting so that the information required by the members may be made available at the meeting.

6. All documents referred to in the accompanying Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on all working days (except Saturdays, Sundays and holidays) between 11.00 a.m. to 1.00 p.m. up to the conclusion of this Annual General Meeting.

7. Members holding shares in physical form can avail of the nomination facility by submitting Form no. 2B of the Companies (Central Government's) General Rules and Forms, 1956 with the Company or its Registrar & Share Transfer Agents. Blank forms will be made available on request. In case of shares held in demat form, the nomination has to be lodged with their Depository Participant.

8. Members are requested to bring their copy of Annual Report at the Meeting.

9. Members / Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed for admission to the meeting hall.

10. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, brief profile of the Directors seeking appointment / re-appointment at the Annual General Meeting is annexed to this Notice.

By Order of the Board
For **Jai Balaji Industries Limited**

Ajay Kumar Tantia
Company Secretary

Registered Office:
5, Bentinck Street, Kolkata – 700 001

Date : 14th August 2008

Annexure to the Notice

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

Item No. 5 to 9

Shri Shailendra Kumar Tamotia, Shri Shyam Bahadur Singh, Shri Gourav Jajodia, Shri Manoj Kumar Banthia and Shri Satish Chander Gupta were appointed as Additional Directors of the Company w.e.f 31st October 2007, 17th December 2007, 31st January 2008, 7th February 2008 and 30th June 2008 respectively to hold office till the date of the ensuing Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. The Company has received Notices from the members along with requisite deposit under Section 257 of the Companies Act, 1956, proposing the appointment of the said candidates as the Directors of the Company.

An Engineer by Profession, Shri Shailendra Kumar Tamotia, aged about 68 years, has vast experience in Project Management & its implementation. With over 44 years of experience in ferrous & non-ferrous metal industry, he has worked with several govt. / public sector companies, including Bhilai Steel Plant, Hindustan Steel Construction & Kudremukh Iron Ore Company Limited. He has made significant contribution to the National Aluminium Co. (NALCO) which improved on productivity, quality, R & D, project management and profitability. He repeated this performance in INDAL which achieved substantial top line & bottom line growth during his tenure. Over the years, he has received numerous national level awards for professional & business excellence including National Metallurgist Merit Award & HZL Gold Medal Award for Life Time Achievement.

Shri Shyam Bahadur Singh, aged about 67 years, is having a degree of B. Sc in Metallurgical Engineering from Banaras Hindu University. Under his able leadership as Managing Director, SAIL's Durgapur Steel Plant completed its modernization in record time. He substantially increased new variety of products to suit market needs. To enhance revenue he established alliances with various companies in steel & related sector. As Assistant General Manager of Bokaro Steel Plant, he was responsible for implementation of their project in Rourkela which reached 100% capacity in a short span of 10 months. Over the years, he has received numerous national level awards for professional & business excellence.

Shri Gourav Jajodia, aged about 28 years, is B.Com (H) graduate. As one of the younger members of the family he joined the family business at a very nascent age and has at present about 10 years of experience in Steel Industry. He supervises and controls the operational activities of production process.

Shri Manoj Kumar Banthia, aged about 41 years, is Commerce Graduate, Fellow Chartered Accountant & Associate Company Secretary by profession. He has been the Past-Chairman of EIRC of Institute of Company Secretaries of India. He is consultant of corporate laws for more than 10 years.

Shri Satish Chander Gupta, aged about 61 years, is an M.Com. & CAIIB. He has been the Ex-CMD of Punjab National Bank & Indian Overseas Bank and has more than 35 years of experience in banking and finance.

The Board recommends the resolutions set out in item no. 5 to 9 of the notice for your approval.

Shri Shailendra Kumar Tamotia, Shri Shyam Bahadur Singh, Shri Gourav Jajodia, Shri Manoj Kumar Banthia and Shri Satish Chander Gupta are concerned or interested in the resolutions at item nos. 5 to 9 of the accompanying notice relating to their own appointment.

Item No.10 & 11

Shri Gaurav Mathur & Shri Vivek Chhachhi were appointed as Additional Directors of the Company w.e.f 7th February 2008 and 14th August 2008, respectively, and hold office upto the date of this Annual General Meeting of the Company pursuant to the nominations made by the investors namely India Equity Partners and Citi Venture Capital. The Company has received Notices under Section 257 of the Companies Act, 1956, in respect of the candidates, proposing their appointment as Directors of the Company, along with the requisite deposit.

Shri Gaurav Mathur, aged about 33 years, is B.A. (Economics) from University of Delhi, MBA from IIM, Ahemdabad and has expertise in corporate finance.

Shri Vivek Chhachhi, aged about 37 years is MBA by qualification and has rich experience in finance.

The Board recommends the resolutions set out in item no. 10 & 11 of the notice for your approval.

Shri Gaurav Mathur & Shri Vivek Chhachhi are concerned or interested in the resolutions at item nos. 10 & 11 of the accompanying notice relating to their own appointment.

By Order of the Board
For **Jai Balaji Industries Limited**

Ajay Kumar Tantia
Company Secretary

Registered Office:
5, Bentinck Street, Kolkata – 700 001

Date : 14th August 2008

Notice to the Shareholders

Annexure to the Notice pursuant to the Clause 49 of the Listing Agreement with the Stock Exchanges

Brief Profile of the Directors Seeking Appointment / Re-appointment at the Annual General Meeting

Shri Ashim Kumar Mukherjee	
Date of Birth	1st January 1942
Date of Appointment	18th August 2007
Qualification	B.E (Mining), First Class Mine Manager's Certification of Competency to Manage a Metalliferious Mine (Restricted)
Expertise in Specific Functional area	More than 40 years of rich and varied working experience in various capabilities and areas in mining of ferrous minerals.
List of other Public Companies in which Directorship held	Nilachal Iron & Power Limited
Chairman/ Member of the Committee of Board of Directors of the Company:	1) Audit Committee - Member
	2) Remuneration Committee - Member
	3) Share Transfer Cum Investor Grievance Committee – Chairman
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Shailendra Kumar Tamotia	
Date of Birth	25th September 1939
Date of Appointment	31st October 2007
Qualification	B.E. (Hons.), ME (Soils)
Expertise in Specific Functional area	Wide experience in Project Management
List of other Public Companies in which Directorship held	1) Vedanta Resources PLC, London
	2) Industrial Promotion & Investment Corporation of Orissa Limited (IPICOL)
Chairman / Member of the Committee of Board of Directors of the Company	None
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	IPICOL, Bhubaneshwar - Member
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Shyam Bahadur Singh	
Date of Birth	1st April 1941
Date of Appointment	17th December 2007
Qualification	B. Sc (Metallurgical Engineering)
Expertise in Specific Functional area	Wide experience in Management of Steel Plant
List of other Public Companies in which Directorship held	None
Chairman/ Member of the Committee of Board of Directors of the Company	None
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Gourav Jajodia	
Date of Birth	26th September 1980
Date of Appointment	31st January 2008
Qualification	B.Com (H)
Expertise in Specific Functional area	Wide experience in Steel Industry
List of other Public Companies in which Directorship held	1) Enfield Suppliers Ltd.
	2) Jain Vanijya Udyog Ltd.
	3) Chandi Steel Industries Ltd.
	4) Jai Balaji Shakti Cements Ltd.
Chairman/ Member of the Committee of Board of Directors of the Company	None
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	Chandi Steel Industries Ltd. – Chairman
No. of Equity Shares held in the Company	1,07,666

Notice to the Shareholders

Shri Manoj Kumar Banthia	
Date of Birth	7th November 1967
Date of Appointment	7th February 2008
Qualification	B.Com, F.C.A., A.C.S.
Expertise in Specific Functional area	Corporate Laws
List of other Public Companies in which Directorship held	Jupiter Infotech Limited
Chairman/ Member of the Committee of Board of Directors of the Company	None
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Satish Chander Gupta	
Date of Birth	5th May 1947
Date of Appointment	30th June 2008
Qualification	M.Com, CAIIB
Expertise in Specific Functional area	Banking & Finance
List of other Public Companies in which Directorship held	1) Emmsons Int. Ltd. 2) ISMT Ltd.
Chairman/ Member of the Committee of Board of Directors of the Company	1) Audit Committee - Chairman 2) Remuneration Committee - Member
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Gaurav Mathur	
Date of Birth	15th November 1974
Date of Appointment	7th February 2008
Qualification	B.A. (Economics), MBA from IIM, Ahemdabad
Expertise in Specific Functional area	Corporate Finance
List of other Public Companies in which Directorship held	None
Chairman/ Member of the Committee of Board of Directors of the Company	1) Audit Committee – Member
	2) Share Transfer Cum Investor Grievance Committee – Member
	3) Remuneration Committee –Member
	4) Management (Finance) Committee - Member
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Shri Vivek Chhachhi	
Date of Birth	5th January 1971
Date of Appointment	14th August 2008
Qualification	MBA
Expertise in Specific Functional area	Corporate Finance
List of other Public Companies in which Directorship held	Spentex Industries Limited
Chairman/ Member of the Committee of Board of Directors of the Company	1) Audit Committee – Member
	2) Share Transfer Cum Investor Grievance Committee – Member
	3) Remuneration Committee –Member
	4) Management (Finance) Committee - Member
Chairman/ Member of the Committee of Board of Directors of other Companies	
a) Audit Committee	None
b) Shareholders' Grievance Committee	None
No. of Equity Shares held in the Company	NIL

Directors' Report

Dear members

Yours Directors have pleasure in presenting the ninth Annual Report of your Company, along with the audited statement of accounts for the year ended 31st March 2008.

1. Financial results and appropriations

(Rs. in lacs)

Particulars	Year ended March 31st 2008	Year ended March 31st 2007
Net sales and other income	**1,34,727.88**	**1,03,878.53**
Less: Total expenditure	1,05,756.56	88,385.65
Profit before interest, depreciation and tax	**28,971.32**	**15,492.88**
Less: Interest	11,016.81	3,541.39
Profit before depreciation and taxation	**17,954.51**	**11,951.49**
Less : Depreciation	4,335.17	2,341.73
Profit before Tax	**13,619.34**	**9,609.76**
Less: Current tax including FBT	2,008.01	823.60
MAT credit entitlement	(1,073.32)	(56.69)
Deferred tax	797.35	2,625.70
Profit after tax	**11,887.30**	**6,217.15**
Add: Balance brought forward from previous year	12,674.94	7,126.45
Profit available for appropriation	**24,562.24**	**13,343.60**
Less : Proposed dividend	471.27	400.58
Tax on dividend	80.10	68.08
Transfer to general reserve	10,000.00	200.00
Balance carried to Balance Sheet	**14,010.87**	**12,674.94**

The financial results for the year under consideration are not comparable with that of the previous year, as they include the financial figures of the steel unit of HEG Limited, acquired through a scheme of arrangement with effect from the appointed date i.e 1st August 2007.

2. Review of operations

Your Company posted yet another year of impressive results, testifying to the robust corporate strategy of creating multiple drivers of growth. During the year under review, the Company expanded organically and inorganically. Your Company acquired the steel division of HEG Limited in the state of Chhattisgarh having a sponge iron plant of the capacity of 1,20,000 MT pa, steel-melting shop of the capacity of 1,00,000 MT pa and a 12.8-MW captive power plant and 100% shareholding of Nilachal Iron & Power Limited in the state of Jharkhand having a sponge iron plant of the capacity of 1,00,000 MT pa.

During the year, the total revenue of the Company was Rs. 1,34,727.88 lacs, representing an increase of 29.70% from Rs. 1,03,878.53 lacs in the financial year 2006-07. The EBIDTA of the Company increased by 87% from Rs. 15,492.88 lacs in 2006-07 to Rs. 28,971.32 lacs in 2007-08 and the EBIDTA margin increased by 659 bsp, from 14.91% in 2006-07 to 21.50% in 2007-08. The net profit saw a significant rise to Rs. 11,887.30 lacs in 2007-08, representing an increase of 91% from Rs. 6,217.15 lacs in 2006-07 and the net profit margin escalated by 284 bps, from 5.98% in 2006-07 to 8.82% in 2007-08. The earning per share for the year 2007-08 was Rs. 25.23 as compared to Rs. 13.20 in 2006-07, representing an increase of 91%.

3. Dividend

In line with the Company's philosophy of enabling shareholders to participate in its progressive performance, the Directors are pleased to recommend for approval of the members, a dividend of 10% on equity shares of face value of Rs. 10 each, for the financial year 2007-08.

4. Prospects

The global economy witnessed a growth of 3.50% in 2007, in spite of the slowdown of the US economy due to the sub-prime effect. The demand for finished steel increased by an impressive 7.1%, mainly due to the strong demand in the BRIC and Middle East countries. The Indian economy registered remarkable growth of over 8%, driving the growth of the manufacturing sector.

The demand for steel in India is expected to grow at around 12% per annum. The sector witnessed continued buoyancy because of strong demand in various user sectors such as automobiles, infrastructure, capital goods, etc. These sectors are doing well and would need additional steel in the coming years.

In spite of continuous rise in the input cost, your Company will continue to implement its growth initiatives to secure its long-term competitive position.

5. Expansion

The impressive growth of the economy resulted in a buoyant demand for steel. With a view of long-term prospects, the Company is planning expansions both by way of implementation of new projects and acquisitions.

Your Company signed an Memorandum of Agreement (MOA) with the Government of West Bengal on 4th October 2007 for setting up an integrated steel plant of 5 mn tpa capacity, a cement plant of 3 mn tpa capacity and a captive power plant of 1,215-MW capacity in the Purulia district of West Bengal at a total investment of Rs. 16,000 crore.

The Board of Directors of your Company approved projects consisting of 40 MW power plant, 0.4 mn tpa coke oven plant, 1.125 mn tpa pellet plant, 0.24 mn tpa tube and pipes plant, 0.025 mn tpa ferro alloys plant and 0.30 mn tpa rolling mill to be set up in Durgapur, West Bengal for a total investment of Rs. 1,055 crores.

The Board of Approval for the Special Economic Zones (SEZs) of the Government of India, in their meeting held on 5th June 2007, granted in-principle approval to the Company for setting up a steel plant in SEZ in the state of West Bengal.

6. Strategic acquisitions and alliances

The Scheme of Arrangement for transfer of the steel unit of HEG Limited at the Industrial Growth Centre, Borai, Vill. Rasmada, Durg, in the state of Chhattisgarh, consisting of a sponge iron plant of the capacity of 1,20,000 MT pa, steel-melting shop of the capacity of 1,00,000 MT pa and a 12.80-MW captive power plant has been approved by the Hon'ble High Courts at Calcutta and Jabalpur on 9th May 2008 and 16th May 2008 respectively. With effect from 9th June 2008, the said unit stands transferred to the Company from the appointed date i.e 1st August 2007.

Your Company acquired 100% shareholding of Nilachal Iron & Power Limited on 26th October 2007 having a sponge iron plant of 1,00,000 MT pa capacity at Ratanpur, Kandra-Chandil Road, Dist. Saraikela Kharsawan, Pin - 832 402, Saraikela, Jharkhand. The said subsidiary also presented tremendous growth during the year under review. The production increased by 68% and was 78,405.67 mt in 2007-08 as compared to 46,692.95 mt in 2006-07. The revenue comprising of sales & other income of the said subsidiary increased by 107% and was Rs. 8,283.95 lacs in 2007-08 as compared to Rs. 3,999.30 lacs in 2006-07.

The said acquisitions enabled a focused business approach for the maximisation of benefits to all stakeholders in the Company to realise the substantial benefits of greater synergies between their businesses, besides availing of the financial resources as well as the managerial, technical, distribution and marketing resources of each other.

7. Preferential issue

During the year, the Company has issued, 83,59,000 zero coupon compulsorily convertible debentures (CCDs) to Citi Venture Capital and India Equity Partners on private-placement basis and 96,00,000 warrants to promoters and non-promoters on private-placement basis at an issue price of Rs. 326.90 each. As on 31st March 2008, a sum of Rs. 335.04 crore has been received by the Company against the said issue of CCDs and warrants. Each CCD and warrant is convertible into one equity share within a period of 18 months from the date of allotment, at a conversion price of Rs. 326.90 per equity share.

8. Change of name

The name of the Company has been changed from "Jai Balaji Sponge Limited" to "Jai Balaji Industries Limited" w.e.f. 22nd June 2007; vide a fresh Certificate of Incorporation issued by the Goverment of India, Ministry of Corporate Affairs, Registrar of Companies, West Bengal.

9. Listing on the Bombay Stock Exchange Limited

The equity shares of your Company were traded on the Bombay Stock Exchange under the permitted securities category. With effect from 2nd June 2008, the equity shares of your Company have been listed on the said exchange.

10. Conservation of energy, technology absorption, foreign exchange earnings and outgo

As per the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of this report.

11. Directors' responsibility statement

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

i) In the preparation of annual accounts, the applicable accounting standards have been followed;

ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the statement of affairs of the Company as at 31st March 2008 and of the profit of the Company for the year ended on that date;

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

iv) The annual accounts have been prepared on a 'going concern' basis.

12. Corporate Governance and Management Discussion and Analysis

Sound Corporate Governance practices and ethical business conduct remain at the core of the Company's value system. Adequate steps have been taken to comply with the amended clauses of the Listing Agreement prescribed from time to time. Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, the Corporate Governance Report, the Management Discussion and Analysis Report and Auditor's Certificate regarding compliance of the conditions of Corporate Governance are annexed to this report.

13. Safety, health and environment protection

A part of our corporate vision being the improvement of safety and quality of employee health, your Company has undertaken various environment-friendly measures in its different units for promoting a better environment. The Company has in place adequate pollution control equipments and all the equipments are in operation.

14. Auditors

M/s. S. R. Batliboi & Co., Chartered Accountants, the statutory auditors of your Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

15. Directors

The Board has re-appointed Shri Sanjiv Jajodia, whose term as the Whole-time Director of the Company expired on 30th April 2008, as the Whole-time Director for a further period of five (5) years w.e.f. 1st May 2008, on the terms and conditions as specified in the agreement entered into between Shri Sanjiv Jajodia and the Company.

Shri Mahesh Keyal, Shri Ashok Kumar Jaiswal and Shri Jayanta Kumar Basu have resigned from the Board w.e.f 31st October 2007, 30th June 2008 and 1st August 2008 respectively. The Board wishes to place on record its sincere appreciation of their valuable contribution to the Company.

Shri Ashim Kumar Mukherjee, Director, will retire by rotation at the ensuing Annual General meeting and, being eligible, offers himself for re-appointment.

Your Directors have appointed Shri Shailendra Kumar Tamotia w.e.f 31st October 2007, Shri Shyam Bahadur Singh w.e.f 17th December 2007, Gourav Jajodia w.e.f 31st January 2008, Shri Manoj Banthia and Shri Gaurav Mathur w.e.f 7th February 2008, Shri S.C. Gupta w.e.f 30th June 2008 and Shri Vivek Chhachhi w.ef. 14th August 2008 as Additional Directors of the Company. They will hold office up to the date of the ensuing Annual General Meeting. The Company has received special notices under Section 257 of the Companies Act, 1956, proposing the names of the above-mentioned Additional Directors to be appointed as the Directors of the Company. In view of their considerable experience, your Directors recommend their appointment.

16. Particulars of employees

Your Directors wish to acknowledge the support and valuable contributions made by the employees at all levels.

The particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, form part of this report.

17. Human resources

The Company acknowledges the tremendous contribution of employees of all ranks towards its growth in leading, thinking, working, creating, processing, dealing, motivating, etc. The management continuously strengthens the human resource system by making available better tools, technology and techniques at the workplace to properly harness the entire workforce. Employee health and safety measures are in force at the work-places, shop floors, manufacturing areas, etc. The nature of the Company's business presupposes sound work expertise, effective teamwork and continuous dedication. To ensure this, the Company has an elaborate HR system to promote a safe, competitive and transparent work environment.

18. Acknowledgement

Your Directors wish to acknowledge the understanding, support and services of the sincere and hardworking workers, staff and executives of the Company, which have largely contributed to its efficient operations and management. The Directors also wish to place on record the valuable co-operation and support extended by the investors, financial institutions/banks, regulatory and government authorities, customers, suppliers and all other business associates.

On behalf of the Board of Directors

Aditya Jajodia
Chairman & Managing Director

Place: Kolkata
Date: 14th August 2008

Annexure to Directors' Report

Information under Section 217(1)(e) read with the 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 2008:

A. Conservation of energy:

(a) Energy conservation measures taken:

Conservation of energy is an ongoing process and the management regularly monitors major energy consuming equipments and installation of energy saving devices and equipments.

(b) Additional investments and proposals, if any, being implemented for the reduction of consumption of energy:

Setting up of 40 MW waste heat recovery based power plant etc.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

On account of measures taken as above, there has been efficient utilisation of power and saving in electrical energy and consequently there will be impact on cost of production.

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

B. Technology absorption:

(a) The details of efforts made towards absorption of technology are given separately in the Report in Form B.

C. Foreign exchange earnings and outgo:

(a) Activities relating to exports, initiatives taken to exports, development of new export markets for products and services and export plans:- sales to Special Economic Zones in India

(b) Total foreign exchange used and earned:

(Rs. in lacs)

	2007-08	2006-07
i) Expenditure in foreign currency	17,880.21	1,315.21
ii) Earning in foreign currency	317.68	Nil

Annexure

Form A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and fuel consumption:

Particulars	2007-08	2006-07
Electricity		
a) Purchased		
Units (in lacs)	2,710.13	2,229.68
Total amount (Rs. in lacs)	8,296.41	6,403.70
Rate per unit (Rs.)	3.06	2.87
b) Own generation		
i) Through diesel generator		
Units (in lacs)	10.33	5.40
Units per litre of diesel	4.00	3.99
Cost per unit (Rs.)	8.25	8.58
ii) Through power plant		
Units (in lacs)	1,363.46	645.14
Total amount (Rs. in lacs)	4,384.99	1,405.29
Cost per unit (Rs.)	3.22	2.18

B. Electricity consumption per unit (MT) of production:

Particulars	2007-08	2006-07
Sponge iron (Units)	108	105
Billet/MS ingots (Units)	857	842
Ferro alloys (Units)	3,592	3,122
Pig iron (Units)	201	406
Steel bars/rods (Units)	90	94

Form B

Form for disclosure of particulars with respect to technology absorption

Research and Development (R&D):

1. **Specific areas in which R&D carried out by the Company:-**

   The present focus of R&D is to strengthen the position of its products in terms of quality and performance and efficient utilisation of energy.

   Research was carried out in the areas of raw materials, product and process improvement, energy and waste utilisation.

2. **Benefits derived as results of the above R&D:-**

   It has resulted in improvement in productivity / quality, standardisation of process parameters, increase in market share of its products, saving in energy cost etc.

3. **Future plan of action:-**

   To continue its efforts of energy conservation measures, improvement in productivity & quality.

4. **Expenditure on R&D:-**

   R&D is carried on by the Company as a part of ongoing development activity and the expenditure thereof is considered as part of operating/project expenditure.

Technology absorption, adaptation and innovation:

a) **Efforts, in brief, made towards technology absorption, adaptation and innovation.**

   The Company continued its efforts towards improvement in the existing technologies, conservation of energy & efficient utilisation of waste.

b) **Benefits derived as a result of the above efforts.**

   Due to the above efforts, there was improvement in product quality and saving in process cost.

c) **In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), the following information may be furnished :**

(i) Technology imported	:	Nil
(ii) Year of import	:	Not applicable
(iii) Has technology been fully absorbed?	:	Not applicable
(iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	:	Not applicable

Annexure to Directors' Report

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, and forming part of the Directors' Report for the year ended 31st March 2008.

- Employed for part of the year and in receipt of remuneration of Rs. 2 lacs or more per month.

Name	Designation	Remuneration (Rs.)	Qualification	Age (Years)	Date of commencement of employment	Previous employment
Chaturmukha Pattnaik	Executive Director (Projects)	2,08,377	M.Tech (Chemical Engr.)	56	03.03.2008	Jindal Steel & Power Limited

Report of the Directors on Corporate Governance

1. Company's philosophy

The spirit of Corporate Governance enshrines the overarching philosophy that drives an organization. It reconciles various processes, policies, strategies and a culture of swift decision-making and accelerated delivery to unleash sustainable stakeholder value. Accordingly, declarations regarding financials, operational performance, ownership and overall governance of the Company remain integral to the philosophy of Corporate Governance. This enhances transparency regarding varied organizational aspects, reinforcing stakeholder confidence.

Your Company is committed to conduct business in accordance with the highest ethical standards and sound Corporate Governance practices. Our governance practices reflect an inherent desire for innovation and execution excellence, stewarded by an experienced Board, timely disclosures, transparent accounting polices and unflinching integrity in decision-making. The Company believes in business practices and strategies that deliver superior stakeholder value in conformity with the highest standards of corporate ethics.

A report, in line with the requirement of the stock exchanges, on the practice followed by the Company and other voluntary compliances, is given below:

2. Board of Directors

The Board of the Company is well-structured with an adequate blend of professional, executive and independent directors. The composition of the Board of Directors of the Company is in conformity with Clause 49 of the Listing Agreement with stock exchange(s). As on 31st March 2008, the Board comprises of twelve Directors, of which eight Directors are Non-Executive and Independent. The Board also includes two Alternate Directors.

During the financial year 2007-08, the Company held 15 Board meetings. The maximum time gap between any two consecutive meetings did not exceed four months. The dates of the 15 Board meetings are as follows:

13th April 2007, 18th May 2007, 7th June 2007, 15th June 2007, 30th June 2007, 18th July 2007, 21st July 2007, 31st July 2007, 18th August 2007, 31st August 2007, 31st October 2007, 17th December 2007, 21st January 2008, 31st January 2008 and 7th February 2008

The composition of the Board of Directors as on 31st March 2008 and their attendance at the Board meetings during the financial year 2007-08 and at the Annual General Meeting, and the number of other directorship and Board committee membership/chairmanship are as follows:

Name of the Directors	Category	Attendance particulars		Number of other directorship and committee membership / chairmanship		
		Board meetings	Last AGM	Other directorship	Committee membership	Committee chairmanship
Shri Aditya Jajodia (Chairman & Managing Director)	Promoter Executive Director	15	Yes	7	–	–
Shri Sanjiv Jajodia (Whole-time Director)	Promoter Executive Director	15	Yes	6	–	–
Shri Rajiv Jajodia	Promoter Non-Executive Director	15	Yes	5	–	–
Shri Dipti Ranjan Patnaik	Independent Non-Executive Director	7	No	2	–	–
Shri Ashim Kumar Mukherjee (appointed w.e.f. 18th August 2007)	Independent Non-Executive Director	7	Yes	1	–	–

Report on the Corporate Governance

Name of the Directors	Category	Attendance particulars		Number of other directorship and committee membership / chairmanship		
		Board meetings	Last AGM	Other directorship	Committee membership	Committee chairmanship
Shri Shailendra Kumar Tamotia (appointed w.e.f. 31st October 2007)	Independent Non-Executive Director	4	No	2	3	–
Shri Shyam Bahadur Singh (appointed w.e.f. 17th December 2007)	Independent Non-Executive Director	3	No	–	–	–
Shri Gourav Jajodia (appointed w.e.f. 31st January 2008)	Promoter Non-Executive Director	2	No	4	–	1
Shri Manoj Kumar Banthia (appointed w.e.f. 7th February 2008)	Independent Non-Executive Director	–	No	1	–	–
Shri Jayanta Kumar Basu (appointed w.e.f. 7th February 2008)	Independent Non-Executive Director	–	No	3	2	–
Shri Gaurav Mathur (appointed w.e.f. 7th February 2008)	Independent Non-Executive Director	–	No	–	–	–
Shri Vivek Chhachhi	Alternate to Shri Jayanta Kumar Basu	–	No	1	–	–
Shri Supratim Banerjee	Alternate to Shri Gaurav Mathur	–	No	2	–	–
Shri Ashok Kumar Jaiswal	Independent Non-Executive Director	15	Yes	3	4	–
Shri Mahesh Keyal (resigned w.e.f. 31st October 2007)	Independent Non-Executive Director	10	Yes	–	–	–

Shri Ashok Kumar Jaiswal and Shri Jayanta Kumar Basu have resigned from the Board w.e.f. 30th June 2008 and 1st August 2008, respectively. Upon resignation of Shri Jayanta Kumar Basu, Shri Vivek Chhachhi ceased as alternate director of Shri Jayanta Kumar Basu. Shri Satish Chander Gupta and Shri Vivek Chhachhi have been appointed as Additional Directors, w.e.f. 30th June 2008 and 14th August 2008, respectively.

Shri Sanjiv Jajodia who was appointed as Whole-time Director and whose term expired on 30th April 2008, have been re-appointed as the Whole-time Director for a further period of five years w.e.f. 1st May 2008 in the Extraordinary General Meeting of the members of the Company held on 12th March 2008.

None of the Directors on the Board is a member of more than 10 Board-level committees or a Chairman of more than five such committees across all the Companies in which he is a Director. Other directorships do not include alternate directorship, directorships of private companies, Section 25 companies and of companies incorporated outside India.

The Company placed before the Board the annual plans and budget, operational and financial performance of the various units, financial results, compliance of the applicable laws and regulations, minutes of the various committee meetings and various other information as specified under Annexure 1A of Clause 49 of the Listing Agreement, from time to time.

3. Audit Committee

As on 31st March 2008, the Audit Committee comprised of six Directors, five of whom are independent. The Audit Committee has been mandated with the same terms of reference as specified in the revised Clause 49 of the Listing Agreement with the stock exchanges and covers all the aspects stipulated by the SEBI guidelines. The terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

The Audit Committee met five times during the year on 13th April 2007, 30th June 2007, 30th July 2007, 31st October 2007 and 31st January 2008. The necessary quorum was present at all the meetings.

Shri Ajay Kumar Tantia, Company Secretary, is the Secretary to the Audit Committee.

The composition of the Committee and the attendance at the meetings of the Committee during the financial year 2007-08 are given below:

Name of the members	Designation	No. of meetings attended
Shri Ashok Kumar Jaiswal	Chairman	5
Shri Ashim Kumar Mukherjee (Appointed w.e.f 17th December 2007)	Member	1
Shri Dipti Ranjan Patnaik	Member	2
Shri Aditya Jajodia (Appointed w.e.f 31st October 2007)	Member	1
Shri Jayanta Kumar Basu (Appointed w.e.f 7th February 2008)	Member	–
Shri Gaurav Mathur (Appointed w.e.f 7th February 2008)	Member	–
Shri Mahesh Keyal (resigned w.e.f. 31st October 2007)	Member	4

All the members of the Committee are financially literate. The Committee was headed by Shri Ashok Kumar Jaiswal, who is a fellow member of The Institute of Chartered Accountants of India and also a member of The Institute of Cost and Works Accountants of India.

Shri Ashok Kumar Jaiswal ceased to be the Chairman of Audit Committee upon his resignation from the Board w.e.f. 30th June 2008. Shri Satish Chander Gupta who has been the Ex-CMD of Punjab National Bank & Indian Overseas Bank and has more than 35 years of experience in finance, has been appointed as the Chairman in place of Shri Ashok Kumar Jaiswal w.e.f. 30th June 2008. Shri Jayanta Kumar Basu ceased to be the member of the Audit Committee upon his resignation from the Board w.e.f. 1st August 2008. Shri Vivek Chhachhi has been appointed as the member in place of Shri Jayanta Kumar Basu w.e.f. 14th August 2008.

The meetings of the Audit Committee were also attended by the Whole-time Director (Director-in-charge of Finance), statutory auditors and internal auditors.

Minutes of the Audit Committee meetings are placed and discussed in length before the Board.

The terms of reference of the Audit Committee as stipulated by the Board are as follows:-

a) Review of quarterly and annual accounts of the Company before submission to the Board for approval.

b) Recommending the appointment and removal of statutory auditors and fixation of their remuneration.

c) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

d) Review of the adequacy of internal control systems.

e) Reviewing the Company's financial and risk management policies.

f) Any related party transaction i.e., transaction with the Company of material nature, key managerial personal (KMP), relatives of KMP, enterprises over which the KMP possess significant influence or the subsidiaries, etc. that may have potential conflicts with the interests of the Company at large.

4. Remuneration Committee

The Remuneration Committee comprises of five Non-Executive and Independent Directors. The terms of reference of the Committee are to discuss, approve and recommend the appointment, re-appointment of Executive Directors and also to fix their remuneration packages for approval by the Board as well as the shareholders. Remuneration paid to the Directors is well within the limits of Schedule XIII of the Companies Act, 1956. During the financial year ended 31st March 2008, two meetings were held on 18th August 2007 and 21st January 2008 and the attendances of member Directors were as follows:

Name of the members	Designation	No. of meetings attended
Shri Dipti Ranjan Patnaik	Chairman	1
Shri Ashok Kumar Jaiswal	Member	2
Shri Ashim Kumar Mukherjee (Appointed w.e.f 31st October 2007)	Member	1
Shri Jayanta Kumar Basu (Appointed w.e.f 7th February 2008)	Member	–
Shri Gaurav Mathur (Appointed w.e.f 7th February 2008)	Member	–
Shri Mahesh Keyal (resigned w.e.f. 31st October 2007)	Member	1

Shri Ashok Kumar Jaiswal and Shri Jayanta Kumar Basu ceased to be the members of Remuneration Committee upon their resignation from the Board w.e.f. 30th June 2008 and 1st August 2008, respectively. Shri Satish Chander Gupta and Shri Vivek Chhachhi have been appointed as members in their place w.e.f. 30th June 2008 and 14th August 2008, respectively.

Remuneration policy:

The Company pays remuneration to the Chairman & Managing Director and the Whole-time Director, while Non-Executive Directors are only paid sitting fees. The Remuneration Committee decides on the increment of the remuneration to the Executive Directors, based on the performance of the Company as well as that of the Executive Directors.

The details of remuneration paid to the Executive and Non-Executive Directors for the year ended 31st March 2008, are as follows:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Sitting Fees (Rs.)
Shri Aditya Jajodia	5,73,000	77,000	2,500
Shri Sanjiv Jajodia	1,80,000	2,97,000	2,500
Shri Rajiv Jajodia	–	–	30,000
Shri Ashok Kumar Jaiswal	–	–	27, 500
Shri Mahesh Keyal	–	–	2,500
Shri Ashim Kumar Mukherjee	–	–	27,500
Shri Shailendra Kumar Tamotia	–	–	20,000
Shri Shyam Bahadur Singh	–	–	10,000
Shri Gourav Jajodia	–	–	10,000
Shri Kashi Nath Jalan	–	–	2,500
Shri Angshuman Ghatak	–	–	2,500
Total	**7,53,000**	**3,74,000**	**1,37,500**

The above also includes the sitting fees paid by the erstwhile Shri Ramrupai Balaji Steels Limited, amalgamated with the Company, with effect from the appointed date 1st April 2006.

The details of shares of the Company held by the Non-Executive Directors as on 31st March 2008 are as below:

Name	No. of shares
Shri Rajiv Jajodia	15,68,333
Shri Gourav Jajodia	1,07,666
Shri Dipti Ranjan Patnaik	9,980

All other Non-Executive Directors excluding the above have no shareholding in the Company.

5. Shareholders' Committee

The Board has constituted the Share Transfer cum Investor Grievance Committee comprising of one Promoter Director and four Non-Executive Independent Directors.

Terms of reference

- To deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/ misplaced.
- To redress shareholders' and investors' complaints relating to the transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.
- To oversee the performance of the Registrar & Share Transfer Agents.
- To effect dematerialisation and re-materialisation of the shares of the Company.

During the year 2006-07, the Committee met seven times on 15th June 2007, 31st July 2007, 16th August 2007, 31st August 2007, 27th September 2007, 17th December 2007 and 21st January 2008. The composition of the Share Transfer cum Investor Grievance Committee and the attendance of member Directors during the financial year 2007-08 are as follows:

Name of the members	Designation	No. of meetings attended
Shri Ashim Kumar Mukherjee (Appointed w.e.f 31st October 2007)	Chairman (w.e.f. 31st October 2007)	2
Shri Aditya Jajodia	Vice Chairman	7
Shri Dipti Ranjan Patnaik	Member	2
Shri Jayanta Kumar Basu (Appointed w.e.f 7th February 2008)	Member	–
Shri Gaurav Mathur (Appointed w.e.f 7th February 2008)	Member	–
Shri Sanjiv Jajodia (resigned w.e.f 31st October 2007)	Chairman (till 31st October 2007)	5

Shri Jayanta Kumar Basu ceased to be the member of Share Transfer cum Investor Grievance Committee upon his resignation from the Board w.e.f. 1st August 2008. Shri Vivek Chhachhi has been appointed as member in his place w.e.f. 14th August 2008.

Shri Ajay Kumar Tantia, Company Secretary, is the Compliance Officer of the Company.

The details of complaints received and redressed during the year under review are given below:

Opening balance	Received during the year	Resolved during the year	Closing balance
1	30	31	NIL

6. Management (Finance) Committee

The Board has constituted the Management (Finance) Committee on 31st October 2007. As on 31st March 2008, the committee comprised of three Promoter Directors and two Non-Executive Independent Directors.

Terms of reference

- To assess the financial requirements of the Company.
- To approve and adopt the sanctions granted by the various banks and financial institutions for lending to the Company.
- Any other matter as referred by the Board.

During the financial year 2007-08, the Committee met three times on 31st October 2007, 6th December 2007 and 9th January 2008. The composition of the Management (Finance) Committee and the attendance of member Directors during the financial year 2007-08 are as follows:

Name of the members	Designation	No. of meetings attended
Shri Aditya Jajodia	Chairman	3
Shri Sanjiv Jajodia	Member	3
Shri Rajiv Jajodia	Member	3
Shri Jayanta Kumar Basu (Appointed w.e.f 7th February 2008)	Member	–
Shri Gaurav Mathur (Appointed w.e.f 7th February 2008)	Member	–

Shri Jayanta Kumar Basu ceased to be the member of Management (Finance) Committee upon his resignation from the Board w.e.f. 1st August 2008. Shri Vivek Chhachhi has been appointed as member in his place w.e.f. 14th August 2008.

7. General Body Meetings

Annual General Meeting

The location, date and time of the last three Annual General Meetings are as follows:

Financial year	Date	Time	Location
2006-07	27th September 2007	11:00 A.M.	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020
2005-06	23rd September 2006	10:30 A.M.	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020
2004-05	28th September 2005	11:00 A.M.	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020

Special Resolutions

The following Special Resolutions were taken up in the last three Annual General Meetings and were passed with the requisite majority.

2006-07

Approval u/s 81(1A) of the Companies Act, 1956 to create, issue, offer and allot any securities so that the total amount raised through the aforesaid securities shall not exceed US$300 million.

2005-06

There were no Special Resolutions passed in the Annual General Meeting during 2005-06.

2004-05

Approval for the payment of sitting fees to the Directors, including Independent Directors for attending any meetings of the Board or any committees thereof.

Court-convened meeting of members:

A court-convened meeting of the members of the Company was held on 12th March, 2008 at 10:30 am at Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020, in terms of the orders dated 30th January 2008 and 5th February 2008 of the Hon'ble High Court at Calcutta, for approving the arrangement embodied in the scheme of arrangement between the Company and HEG Limited.

Extraordinary General Meeting

The details of the Extraordinary General Meeting (EGM) of the equity shareholders of the Company held in the last three years are as follows:

Financial year	Venue	Day and date	Time	Nature and nos. of Special Resolutions
2007-08	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020	Wednesday 12th March 2008	1:30 P.M.	1. Alteration in Articles of Association 2. Revision in terms of appointment of the Managing Director 3. Re-appointment of Whole-time Director
2007-08	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020	Thursday 10th January 2008	11:00 A.M.	1. Issuance of zero coupon compulsorily convertible debentures 2. Issuance SPMPL warrants 3. Issuance of promoter warrants
2007-08	Rotary Sadan (Shripati Singhania Hall), 94/2, Chowringhee Road, Kolkata – 700 020	Thursday 12th April 2007	3:00 P.M.	1. Issuance of Securities 2. Change of Name of the Company

Postal Ballot

No special resolutions were passed through postal ballot in the last Annual General Meeting. There is no proposal to pass any Special Resolution which requires passing by postal ballot in the forthcoming Annual General Meeting of the Company.

8. Disclosures

Related party transactions are disclosed in the annexed financial statement under Note no. 18 of Schedule 23 relating to financial statements. There are no materially significant related party transactions that have/ may have potential conflict with the interest of the Company.

The stock exchanges, SEBI or any other statutory authorities have not imposed any penalties or strictures for non-compliance by the Company on any matter relating to the capital markets during the last three years.

In pursuance to Clause 49 of the Listing Agreement, the Board has approved the 'Code of Conduct for Board members and senior management personnel' and the same has been circulated and posted on the Company's website. The Board of Directors and the senior management personnel have given their declarations confirming compliance of the provisions of the above code of conduct. A declaration to this effect signed by the Chairman & Managing Director forms part of this Annual Report.

9. CEO/CFO Certification

Shri Aditya Jajodia, Chairman & Managing Director and Shri Sanjiv Jajodia, Whole-time Director & CFO of the Company have submitted the CEO/CFO certificate which is separately enclosed with the report.

10. Means of communication

Financial results

In compliance with Clause 41 of the Listing Agreement, the Company regularly intimates the un-audited as well as audited financial results to the stock exchanges immediately after they are approved and taken on record by the Board. In addition, these results are also posted on the web site of the Company, at www.jaibalajigroup.com.

The results were published in the following local and national dailies:-

a. Aajkal (Vernacular language)

b. Dainik Statesman (Vernacular language)

c. The Economic Times (English)

d. Business Standard (English)

e. Business Line (English)

E-Mail ID for Investors' Grievances

As per Clause 47 (f) and SEBI Circular No. MRD/DOP/SE/DEP/CIR-22/06, the Company has created an exclusive e-mail ID for redressal of grievances, which is jaibalaji@jaibalajigroup.com.

Other information

General information of the Company, official news releases and presentation to analysts and institutional investors, if any, are also posted on the Company's website.

11. Shareholder information

Day, date and time of the Annual General Meeting:

Thursday, 18th September 2008 at 11.00 a.m.

Venue of the Annual General Meeting:

Rotary Sadan (Shripati Singhania Hall),
94/2, Chowringhee Road,
Kolkata – 700020.

Report on the Corporate Governance

Financial calendar (tentative) for the year 2008-09:

April 2008 to March 2009

The probable dates for the publication of the quarterly results for the financial year 2008-09 will be the last week of the month, following the respective quarter and the audited results for the year will be published by the end of June, 2009.

Date of book closure:

Saturday, 13th September 2008 to Thursday, 18th September 2008 (both days inclusive)

Dividend payment date:

On and after 18th September 2008, if approved at the Annual General Meeting.

Listing of equity shares on stock exchanges:

Bombay Stock Exchange Ltd.
25 P.J. Towers, Dalal Street, Mumbai – 400001
(Listed on 2nd June 2008. Before 2nd June 2008, the trading in the equity shares was allowed under permitted securities category)

National Stock Exchange of India Ltd.
"EXCHANGE PLAZA", Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.

The Calcutta Stock Exchange
Association Limited
7, Lyons Range, Kolkata – 700 001.

The Company has paid the annual listing fees to all the stock exchanges for the financial year 2007-08.

Stock Code:

BSE – 532976
NSE – JAIBALAJI
CSE – 10020253

Corporate Identification Number (CIN):

L27102WB1999PLC089755

Demat ISIN Number in the NSDL and CDSL

- For fully paid-up equity shares:
INE 091G01018

- For partly paid-up equity shares:
IN 9091G01016

Stock market price data:

The Company's monthly high and low prices recorded on the National Stock Exchange of India Limited and the S&P CNX Nifty data during the financial year 2007-08 are as under:

Month	Share Price (NSE)		S&P CNX Nifty	
	High (Rs.)	Low (Rs.)	High	Low
April, 2007	89.90	58.00	4,217.90	3,617.00
May, 2007	103.50	80.10	4,306.75	3,981.15
June, 2007	108.00	81.65	4,362.95	4,100.80
July, 2007	144.05	98.10	4,647.95	4,304.00
August, 2007	182.95	137.05	4,532.90	4,002.20
September, 2007	203.70	163.75	5,055.80	4,445.55
October, 2007	332.15	166.00	5,976.00	5,000.95
November, 2007	345.75	288.10	6,011.95	5,394.35
December, 2007	513.20	296.00	6,185.40	5,676.70
January, 2008	670.00	377.65	6,357.10	4,448.50
February, 2008	465.00	331.00	5,545.20	4,803.60
March, 2008	425.00	236.00	5,222.80	4,468.55

Registrars and Share Transfer Agent (both for demat and physical) : S. K. Computers
34/1A, Sudhir Chatterjee Street, Kolkata – 700 006.
Tel: (033) 2219-6797, Fax: (033) 2219-4815.
E-mail: agarwalskc@rediffmail.com

Share transfer system : The shares in physical form for transfers can be lodged with the Registrars & Share Transfer Agent at the above- mentioned address. The transfers are processed within 15 days from the date of receipt, if the documents are complete in all respects.

12. Distribution of shareholding as on 31st March 2008

Range of ordinary shares held	No. of shareholders	Percentage (%) to total shareholders	No. of shares	Percentage(%) to share capital
Up to 500	6,788	91.30	6,83,260	1.45
501 to 1,000	294	3.95	2,32,251	0.49
1,001 to 2,000	121	1.63	1,88,536	0.40
2,001 to 3,000	48	0.65	1,20,231	0.26
3,001 to 4,000	21	0.28	75,310	0.16
4,001 to 5,000	17	0.23	81,297	0.17
5,001 to 10,000	39	0.52	2,91,143	0.62
10,001 to 50,000	59	0.79	12,60,001	2.67
50,001 to 1,00,000	11	0.15	8,40,348	1.78
1,00,001 and above	37	0.50	4,33,54,523	92.00
Total	**7,435**	**100.00**	**4,71,26,900**	**100.00**

13. Categories of shareholders as on 31st March 2008

Category	No. of shareholders	Shareholders %	No. of ordinary shares held	Holding %
Resident individual	6,961	93.63	66,65,006	14.14
Domestic companies	401	5.39	89,44,303	18.98
Non-Resident Indian	54	0.73	31,568	0.07
Mutual funds	1	0.01	13,28,033	2.82
Foreign institutional investors	1	0.01	28,062	0.06
Promoters	17	0.23	3,01,29,928	63.93
Total	**7,435**	**100.00**	**4,71,26,900**	**100.00**

14. Dematerialisation of shares and liquidity as on 31st March 2008:

The Company's shares are compulsorily traded in dematerialised form and are available for dematerialisation on both the depositories in India – the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). A total of 4,66,50,848 equity shares of the Company, representing 98.99% of the Company's share capital, were held in dematerialised form with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on 31st March 2008.

The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

As per agreements of the Company with the NSDL and CDSL, the investors have an option to dematerialise their ordinary shares with either of the depositories.

Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares for fully paid-up shares is INE 091G01018, and for partly paid-up shares it is IN 9091G01016.

15. Outstanding GDRs / ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:

During the year, the Company has issued 83,59,000 zero coupon compulsorily convertible debentures (CCDs) to Citi Venture

Report on the Corporate Governance

Capital and India Equity Partners on a private-placement basis and 96,00,000 warrants to promoters and non-promoters on a private-placement basis at an issue price of Rs. 326.90 each. As on 31st March 2008, a sum of Rs. 335.04 crore had been received by the Company against the said issue of CCDs and warrants. Each CCD and warrant is convertible into one equity share within a period of 18 months from the date of allotment which was 7th February 2008, at a conversion price of Rs. 326.90 per equity share.

After the said conversion, the equity capital of the Company will stand at Rs. 65,08,59,000.

16. Details of the public funding obtained in the last three years:

NIL

17. Plant locations:

Durgapur, Lenin Sarani, Dist.: Burdwan West Bengal	Ranigunj G/1, Mangalpur Industrial Complex, Post – Baktarnagar West Bengal.
Vill: Banskopa P.O. Rajbandh Durgapur, Dist.: Burdwan West Bengal– 713202	Industrial Growth Centre, Borai Village & P.O. Rasmada, Dist. Durg – 491 009 Chhattisgarh, India

18. Address for correspondence:

The Company Secretary
Jai Balaji Industries Limited
5, Bentinck Street,
Kolkata – 700 001, India
Tel: (91)(33) 2248 8173 / 9808
Fax: (91)(33) 2243 0021
E-mail: info@jaibalajigroup.com
Website: www.jaibalajigroup.com

19. Compliance of non-mandatory requirements

Remuneration Committee

The details pertaining to the Remuneration Committee have been provided in item no. 4 of this Corporate Governance Report.

Management (Finance) Committee

The details pertaining to the Management (Finance) Committee have been provided in item no. 6 of this Corporate Governance Report.

Audit Qualification

Nil.

Shareholders' rights:

Quarterly/half-yearly results, including summary of the significant events are currently not being sent to the shareholders of the Company. However, these are posted on the Company's website at www.jaibalajigroup.com.

Whistleblower policy

The Company does not have any whistleblower policy as of now, but no personnel are denied access to the Audit Committee.

Others:

The other non-mandatory requirements such as training of Board members, mechanism for evaluating the Non-Executive Board Members and the whistleblower policy will be implemented by the Company, as and when required and / or deemed necessary by the Board.

For and on behalf of the Board

Aditya Jajodia
Chairman & Managing Director

Place: Kolkata
Date: 14th August 2008

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, this is to confirm that all the members of the board and the senior management have affirmed compliance with the Code of Conduct for the year ended 31st March 2008.

The said Code of Conduct has also been posted on the website of the Company, namely, www.jaibalajigroup.com.

Place : Kolkata
Date : 14th August 2008

Aditya Jajodia
Chairman & Managing Director

Auditors' Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreements

To

The Members of Jai Balaji Industries Limited

We have examined the compliance of conditions of corporate governance by Jai Balaji Industries Limited, for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

Based on our above mentioned examination of the Compliance of corporate governance, we had issued our Certificate to the Shareholders of Jai Balaji Industries Limited dated 29th July, 2008.

Subsequent to issuance of our said certificate, Mr. Jayanta Kumar Basu, a director nominated by one of the private equity investor of the Company has resigned vide his letter dated 31st July, 2008 and in his place, Mr. Vivek Chhachhi has been nominated as a new director. The Board of the Directors of the Company has accepted the resignation of Mr. Basu and approved the appointment of Mr. Vivek Chhachhi, in its Board Meeting held on 14th August, 2008. The above change has now been incorporated in the Corporate Governance Report by the Company and accordingly, this certificate is being issued by us in supersession of our earlier certificate dated 29th July, 2008.

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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement *except that the Chairman of the "Share Transfer cum Investor Grievance Committee" was an Executive Director until 31st October 2007.*

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

For **S.R. Batliboi & Co**
Chartered Accountants

per R K Agrawal
Partner
Membership No : 16667

Place : Kolkata
Date : 14th August 2008

Certification by Chief Executive Officer and Chief Financial Officer

We, Aditya Jajodia, Chairman & Managing Director and Sanjiv Jajodia, Whole-time Director and Chief Financial Officer of Jai Balaji Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and all its schedules and notes on accounts as well as the cash flow statements, for the year ended 31st March 2008;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for the period presented on this report, and are in compliance with the existing accounting standards and / or applicable laws and regulation;
4. To the best of our knowledge and belief, no transaction entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct;
5. That we accept responsibility for establishing and maintaining internal controls. We have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the step that we have taken or propose to take to rectify the identified deficiencies and;
6. That we have informed the auditors and the audit committee of :
   i) significant changes in the internal control over financial reporting during the year;
   ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Place : Kolkata
Date : 14th August 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Whole-time Director & CFO

Management discussion and analysis

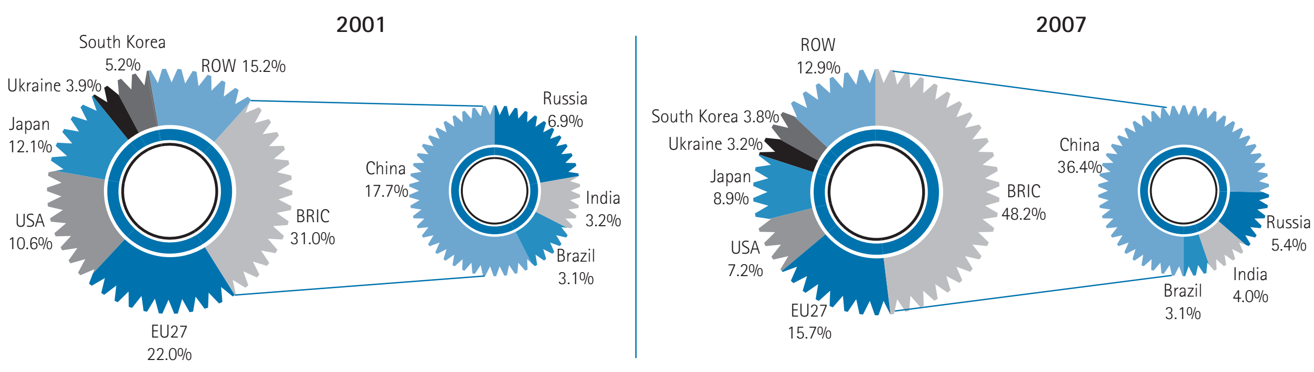
Industry structure and development

Global steel overview

Even as the global economy grew 3.5% in 2007, the consumption of steel grew 7.1%, underlining the industry's high elasticity to global economic growth. This growth in the global steel sector was the result of structural changes: a progressive closure of steel-manufacturing capacities in developed countries, a growing investment in capacities in developing economies, sizable appetite generating from China, India and Brazil–as these economies correct decades of infrastructural under–penetration, driving the demand for value-added steel varieties.

- Crude steel output stood at 1,343.5 million tonnes in 2007, a growth of 7.5% over 1,250 million tonnes in 2006. The leading three steel producing nations – primarily China (489 mmt), Japan (120.2 mmt), and the US (97.2 mmt) – accounted for 52.5% of the global steel production.
- US steel production declined 1.4% in 2007 against the 2006 level, while steel production in the 27-member European Union grew 1.7% to 210.3 million tonnes during the same period.
- Steel production in the BRIC countries registered a robust growth; BRIC's share in the global steel production grew from 31% in 2001 to 48.2% in 2007.

World crude steel production



(Source: IISI)

Consumption

- Finished steel consumption increased from 1,134 million metric tonnes in 2006 to 1,215 million metric tonnes in 2007, up by 7.1%.
- Asian consumption pattern witnessed an attractive upswing. China alone consumed 405 million tonnes in 2007, compared with 356 million tonnes in 2006 and is projected to grow at a CAGR of 5.9%, while the rest of Asia consumed 176 million tonnes of steel in 2007, an increase from 162 million tonnes in 2006 and expected to grow at a CAGR of 4.8%.

Management discussion and analysis

Indian overview

India is the second fastest growing economy in the world with an estimated GDP of 9% in 2007-08. Even as crude oil prices surged, inflation at 11.89% in July 2008 touched a 13-year high, interest rates hardened and the rupee weakened substantially, the prospects of the country's steel sector remained optimistic.

In India, the steel sector is witnessing significant increases in production and consumption. Crude steel production grew annually at more than 10% from 34.71 million tonnes in 2002-03 to 50.82 million tonnes in 2006-07. This growth was driven by both capacity expansion (from 40.41 million tonnes in 2002-03 to 56.84 million tonnes in 2006-07) and improved capacity utilisation (from 86% in 2002-03 to 89% in 2006-07). India retained its position as the world's fifth largest crude steel producer and expects to become the world's second largest producer by 2015. India is at present the largest producer of sponge iron; sponge iron production grew at a CAGR of 22% to reach 18.35 million tonnes in 2006-07. A bright feature of the Indian production was the growing role of the private sector in national steel production, which increased from 59% in 2003-04 to 66.5% in 2006-07 at a time of rising production. The production, consumption, import and export of steel are summarised below:

(million tonne)

		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08* (April-Dec)
Finished steel including alloy steel	Production	37.17	40.71	43.51	46.57	52.53	40.12
	Consumption	30.68	33.12	36.38	41.43	46.78	36.99
	Import	1.66	1.75	2.29	4.31	4.93	5.33
	Export	4.52	5.21	4.71	4.80	5.24	3.85
Crude steel	Production	34.71	38.73	43.44	46.46	50.82	39.61

*(Source- Ministry of Steel) * Provisional*

During April-December 2007, production, consumption and exports of finished steel grew by 6.6%, 12.3% and 9.1% respectively, compared with the corresponding period of the previous year. Imports of finished steel during the period April-December 2007 were up by 68.7% over the corresponding period of the previous year. Consumption growth has outpaced production growth and the country has become a net steel importer, indicating robust prospects.

Opportunities, threats, risks and concerns

Opportunities

India's visible growth potential comprises the following:

- In terms of purchasing power parity, India is the fourth largest global economy.
- Consistent GDP growth of around 8%.
- Industrial production growth of 11.3% in 2006-07.
- Attractive climate for investments.
- Extensive reserves of unexploited mineral deposits.
- Large potential for per capita consumption growth (48 kg at present, compared with the world average of 150 kg and 400-450 kgs in developed countries).
- Huge potential for infrastructure and rural development.
- Growth in global and domestic steel demand.

Your Company is poised to seize the opportunities in the iron and steel industry through its locational and logistical advantages, raw material linkages, technology edge and management expertise. These opportunities will be linked directly to the growing demand from the automobile and auto-component, infrastructure, construction and power sectors.

Threats, risks and concerns

However, the industry also faces a number of challenges: lack of coking coal, higher raw material prices, high petroleum prices and rising cost of finance.

Risk mitigation

Your Company witnessed accelerated growth with a challenging foray into several geographies. The Company's enormous growth appetite has progressively evolved its risk profile. The Company faces greater complexities/challenges and even greater expectations from its stakeholders. It has identified major thrust areas for enhanced focus, which it believes to be critical to the achievement of organisational goals. In view of this, the Company has appropriately taken proactive measures, such as setting up of railway sidings near its manufacturing location and investment in the Wagon Investment Scheme to reduce logistics costs and better material handling, setting up of a waste heat recovery captive power plant to reduce overall power costs, which is also eligible for carbon credits thus serving as additional source of revenue, building-up of sinter/pellet capacities to lower cost of production, improvement in overall plant operations, better inventory management and financial prudence. The Company also keeps an eye on all risk factors and all possible steps are taken to maintain and enhance the competitive position.

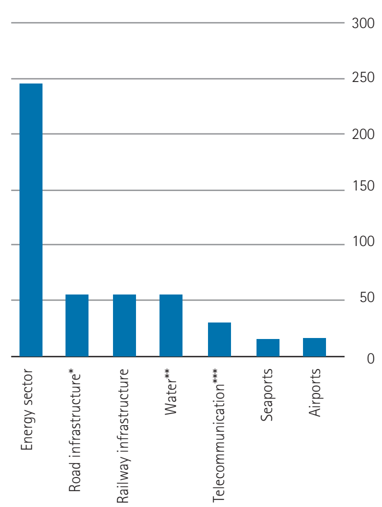
Outlook

The outlook for the steel industry is expected to remain robust, following significant investments by the user sectors over the next five years.

Infrastructure: Steel, which is used to build cities and infrastructure, is arguably the most important commodity for an emerging economy. According to World Steel Dynamics, every dollar of fixed asset investment in developing economies is 14 times as steel-intensive as every dollar of consumption in the US and other developed economies, which explains why China consumes over three times as much steel as the US, despite the fact that China's economy is less than half as big. The Planning Commission of India in its report for the Eleventh Five-Year Plan (2007-12) indicated that infrastructure spending was the key to sustain India's GDP growth in excess of 8%. In view of this, the country outlined a huge investment plan (over US$540 billion) for 2007-12.

Planned investment in infrastructure in India till 2012

US$ (bn) according to 11th FYP



*Costs of National Highway Development programme till 2015

** Water supply and sewage disposal

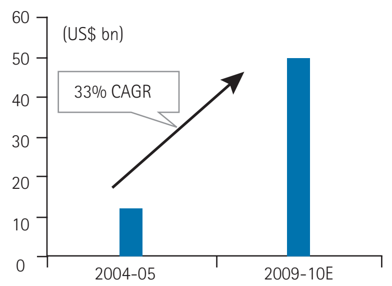
*** Network, transmission masts, optical fiber cables; without customer premises equipment

Source: Government of India, appropriate ministries

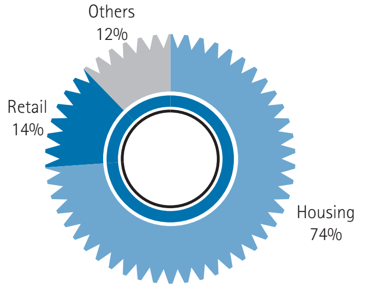
Real estate: India's real estate market is estimated to grow from about US$12 bn in 2004-05 to US$50 bn by 2009-10.

- A major thrust is expected from the residential segment, accounting for 74% of the industry size, followed by retail at 14%.
- With a need for an additional 60-80 mn sq. ft of Grade-A office space, there is a tremendous potential for demand surge over the foreseeable future.
- A boom is expected in the shopping space, thanks to a retail sector growth estimated at 9-10% by 2010.
- The hospitality segment is expected to grow attractively, following a nationwide shortage of hotel rooms. The average number of hotel rooms in India is around 6,500, compared with 36,000 and 70,000 in Seoul and Hong Kong respectively.

Real estate market



Approximately US$50 billion



Real estate potential in India

- Market expected to grow at 33% to US$50 billion in 2005-11.
- About 20 million new housing units expected in five years.
- Five-fold increase in offices over the next three to five years.
- 200 million sq. ft. for organised retail by 2010.
- Over 50,000 new hotel rooms in the next five years.

Management discussion and analysis

Automobiles: Indian automobile sales are estimated at a CAGR of 9.5%. Over the next five years, passenger vehicle sales (domestic and export) are expected to grow at a CAGR of 14% to around 2.5 million, while the commercial vehicle market could witness a 4-5% growth rate to around 0.7 million and the two-wheeler market around 10 million by 2010. India is projected to emerge as the seventh largest automobile market by 2016 and the third largest by 2030 (after China and the US). In consultation with ACMA and SIAM, the government rolled out the Automotive Mission Plan 2006-16, projecting India as an ideal destination for the design and manufacture of automobile and auto-components with the output touching US$145 billion, accounting for more than 10% of the GDP and providing employment to 25 million people by 2016.

Auto components: Indian auto-component companies are expected to gain a 10-12% share of the skill-intensive auto-parts market (machined gears and machined exhaust manifolds) and 5-7% share of the labour-intensive segment (*Source: ACMA-McKinsey study*). India is likely to attain a 3-4% share of the US$700-billion potential market by 2015, translating into a US$20-25 billion opportunity, a 30% CAGR over the next 10 years, from US$1.4 billion in 2005 (McKinsey estimates).

Your Company will continue to grow rapidly over the coming years in the iron and steel sector to deliver sustainable growth and create value for our shareholders. The overall outlook for the Company continues to be positive and the management remains confident to meet the requirements of the iron and steel sector. Your Company is well-poised to capitalise on the iron and steel sector growth. Upon completion and commissioning of its projects, your Company will rank among one of the leading steel producers in India.

Sectors generating steel demand in the Eleventh Plan

- Rs. 3,790 billion from the oil and gas sector.
- Rs. 1,800 billion from within the steel industry .
- Rs. 640 billion from the aluminium industry.
- Rs. 400 billion from the cement industry.
- Rs. 663 billion from the textile industry.
- Rs. 694 billion from the auto industry.
- Rs. 283 billion from other industries.

Source: IBEF

Performance analysis

Operations

Jai Balaji is an integrated steel manufacturer with four units in three mineral-rich states of eastern India; the Company's cumulative capacities comprise:

Product	Installed capacity	Production		Growth (%)
		2007-08	2006-07	
	MT	MT	MT	
Sponge iron	3,45,000	2,40,522	1,86,462	29
Pig iron	5,09,250	1,36,953	23,371	486
Steel bars/rods	2,60,000	1,88,885	1,04,196	81
Billet /MS ingot	4,73,230	2,96,712	2,25,581	32
Ferro alloys	81,118	23,240	15,781	47
Power	64.80 M.W	15,53,12,580 KWH	5,47,56,242 KWH	184

Locational advantage

The Company's facilities are located in the mineral rich states of West Bengal, Chhattisgarh and Jharkhand – adjacent to the raw material sources. Besides, its nearness to the ports facilitates easy import of raw materials and a convenient gateway to the international market for export.

Analysis of financial statements

The Company witnessed a robust growth in 2007-08, reflected in the following numbers and derivatives:

Growth in numbers

(Rs. in lacs)

	2007-08	2006-07	% growth
Net sales & other income	1,34,727.88	1,03,878.53	29.70
EBIDTA	28,971.32	15,492.88	87.00
Profit before tax	13,619.34	9,609.76	41.72
Profit after tax	11,887.30	6,217.17	91.20
Earnings per share (Basic)	25.23	13.20	91.14

Growth in derivatives

	2007-08	2006-07	Growth (bps)
EBIDTA margin (%)	21.50	14.91	659
Pre-tax profit margin (%)	10.11	9.25	86
Net profit margin (%)	8.82	5.98	284

Internal audit and control

The Company has appointed an external and independent firm to carry out the internal audit of the Company's activities. The internal audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operation. The Company has also put in place an adequate system of internal controls commensurate with its size and the nature of its operations.

The Company has an Audit Committee, details of which are given in the Corporate Governance Report. The Audit Committee, among its other functions, reviews the report on findings of the internal auditors. Suggestions for improvement are duly implemented. The Company has a defined organisational structure with proper delegation of responsibility, authority and functions, which ensures proper compliances with internal policies and applicable laws, while enforcing proper checks and balances.

The internal audit and internal control systems have been designed to provide reasonable assurances with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding of assets from unauthorised use or losses, execution of transaction with proper authorisation and ensuring compliance with corporate decisions and policies.

Management discussion and analysis

Human resource

In a business where most technologies are matured, the difference between one steel company and another is marked by a compelling reality: passionate people.

The total number of employees as on 31st March 2008 was 1587.

The Company acknowledges the employees' contribution in leading, thinking, working, creating, processing and dealing to enhance growth. The management strengthens human resource by making available better tools, technology, techniques at the workplace to harness the latent potential. Employee' health and safety measures are in force at work places, shop floors, manufacturing areas, etc. The Company's nature of business presupposes sound work expertise, effective teamwork and total dedication. To ensure this, the Company has an elaborate HR system to promote a safe, competitive and transparent work environment. As people represent the Company's intellectual capital, the right talent and subsequent nurturing was accorded the prime importance. The Company, apart from other channels of recruitment, also conducted campus recruitment to hire fresh technical personnel and develop them adequately to accelerate organisational growth. The Company also recognises that learning is an integral part of growth and collaborated with several reputed professional firms to impart structured training, apart from organising extensive theory and shop floor training at the plant level.

The Company's employee welfare schemes provide better amenities and benefits for its employees. Thanks to the employee-friendly HR policies, the Company continued to enjoy excellent industrial relations, and has been able to retain and develop human capital, which remains a potent growth driver.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and/or expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, domestic and international economic conditions affecting demand/supply and price conditions, changes in the government regulations, tax laws and other statutes and other incidental factor.

Auditors' Report

To
The Members of
Jai Balaji Industries Limited

1. We have audited the attached Balance Sheet of Jai Balaji Industries Limited ('the Company') as at March 31, 2008 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
      b) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
      c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Co.**
Chartered Accountants

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

Place: Kolkata
Date: 30th June 2008

Annexure to the Auditors' Report

(REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF JAI BALAJI INDUSTRIES LTD AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2008)

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

b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in a phased manner to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification of fixed assets during the year.

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

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

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

c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.

iii) a) The Company has granted loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year as well as the year- end balance of such loan was Rs.11,000 lacs.

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

c) The above loan is re-payable on demand. As informed, the Company has not demanded repayment of any such loan during the year and thus, there has been no default on the part of the party to whom the money has been lent. As informed, no interest has fallen due for payment during the year.

d) In view of the loan being repayable on demand, there is no overdue amount of loan granted to the Company listed in the register maintained under section 301 of the Companies Act, 1956.

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

iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items purchased are of a special nature and alternative sources do not exist for obtaining quotations thereof, it appears that there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act 1956, that need to be entered into the register maintained under section 301 have been so entered.

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

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

vii) The Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business*.

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

ix) a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and 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 *though there have been delays in a few cases.*

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, *except for professional tax of Rs 5.09 lacs which has since been paid.*

c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Cenvat on Inputs & Capital Goods not allowed etc.	436.86	2006-07	Commissioner Appeals
West Bengal Sales Tax Act	Enhanced Turnover	2,037.43	2003-04 and 2004-05	Commissioner Appeals
CST Act	Enhanced Turnover	793.22	2003-2004 and 2004-2005	Commissioner Appeals
Service Tax	Due to non-submission of documents	38.75	2006-07	Joint Commissioner (Appeals)

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

xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.

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

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

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

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

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

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

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

xix) The Company has issued 8,359,000 Zero Coupon Compulsorily Convertible Debentures (unsecured) of Rs. 326.90 each, on which no security or charge is required to be created.

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

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

For **S. R. Batliboi & Co.**
Chartered Accountants

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

Place: Kolkata
Date: 30th June 2008

Balance Sheet as at 31st March 2008

(Rs. in lacs)

	Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS			
A. Shareholders' Fund:			
a) Share Capital	1	4,711.46	2,511.18
b) Share Capital Suspense	1A	–	2,200.00
c) Application Money towards Equity warrants (Refer Note 6 (b) on Schedule 23)		6,178.41	–
d) Reserves and Surplus	2	30,541.13	19,877.93
B. Loan Funds:			
a) Secured Loans	3	1,09,189.26	57,947.49
b) Unsecured Loans	4	33,794.85	8,777.66
C. Deferred Tax Liabilities (Net)	5	7,101.24	6,303.89
Total		**1,91,516.35**	**97,618.15**
APPLICATION OF FUNDS			
A. Fixed Assets:			
a) Gross Block		91,692.05	60,456.80
b) Less: Accumulated Depreciation / Amortisation		8,632.47	4,301.03
c) Net Block	6	83,059.58	56,155.77
d) Capital Work in Progress and Pre-operative Expenditure Pending Allocation	7	28,579.95	4,768.03
		1,11,639.53	60,923.80
B. Investments	8	5,063.52	19.54
C1. Current Assets, Loans and Advances			
a) Inventories	9	40,163.96	21,709.12
b) Sundry Debtors	10	20,556.14	22,351.11
c) Cash and Bank Balances	11	2,100.65	2,564.11
d) Loans and Advances	12	39,399.89	4,981.62
		1,02,220.64	51,605.96
C2. Less: Current Liabilities and Provisions	13		
a) Current Liabilities		26,180.91	14,474.74
b) Provisions		1,226.43	651.86
		27,407.34	15,126.60
Net Current Assets		74,813.30	36,479.36
D. Miscellaneous Expenditure (To the extent not written off / adjusted) (Refer Note 7 on Schedule 23)	14	–	195.45
Total		**1,91,516.35**	**97,618.15**
Significant Accounting Policies and Notes on Accounts	23		

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

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Profit and Loss Account for the year ended 31st March 2008

(Rs. in lacs)

	Schedule	2007–08	2006–07
INCOME			
Sales and Services	15	1,46,306.18	1,10,542.10
Less: Excise Duty		17,230.34	8,662.95
		1,29,075.84	1,01,879.15
Other Income	16	5,652.04	1,999.38
Total		**1,34,727.88**	**1,03,878.53**
EXPENDITURE			
(Increase) / Decrease in Stocks	17	(6,901.55)	(929.36)
Excise Duty & Cess on Stocks (Refer Note 16 on Schedule 23)		1,326.67	184.51
Raw Materials Consumed	18	65,912.18	40,367.31
Purchase of Trading Goods		25,644.79	34,134.26
Manufacturing Expenses	19	14,695.51	12,787.11
Personnel Cost	20	1,776.08	639.26
Selling, Distribution and Administrative Expenses	21	3,207.71	1,230.25
Prior Period Expenditure		95.17	(27.69)
Interest and Finance Charges	22	11,016.81	3,541.39
Depreciation / Amortisation		4,335.17	2,341.73
Total		**1,21,108.54**	**94,268.77**
Profit Before Tax		**13,619.34**	**9,609.76**
Less:			
Current Tax [Including Rs. 35.79 lacs (Rs.10.76 lacs) for earlier years]		1,986.23	812.42
MAT Credit Entitlement		(1,073.32)	(56.69)
Deferred Tax Charge		797.35	2,625.70
Fringe Benefit Tax		21.78	11.18
Total Tax Expenses (Net)		**1,732.04**	**3,392.61**
Profit after Tax		**11,887.30**	**6,217.15**
Add: Balance Brought Forward From Previous Year		12,674.94	7,126.45
Profit Available for Appropriation		**24,562.24**	**13,343.60**
Appropriations			
Proposed Dividend		471.27	400.58
Tax on Dividend		80.10	68.08
Transfer to General Reserve		10,000.00	200.00
Balance in Profit and Loss Account		14,010.87	12,674.94
		24,562.24	**13,343.60**
Earning Per Share (Nominal Value per share Rs. 10)			
Basic (Rs.)		25.23	13.20
Diluted (Rs.)		24.37	13.20
(Refer Note 15 on Schedule 23)			
Significant Accounting Policies and Notes on Accounts	23		

The schedules referred to above form an integral part of the Profit and Loss Account
As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place: Kolkata
Date: 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Cash Flow Statement For the year ended 31st March 2008

(Rs. in lacs)

	2007–08	2006–07
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Taxes	**13,619.34**	**9,609.76**
Adjustments For:		
Depreciation / Amortisation	4,335.17	2,341.73
Loss on Sale of Fixed Assets	3.43	–
Provision for Doubtful Debts	268.77	–
Liabilities no longer required written back	(369.80)	–
Interest and Finance Charges	11,016.81	3,541.39
Preliminary Expenses Written off	–	74.78
Dividend Income from long term Non Trade Investments	(0.28)	(0.35)
Interest on Fixed Deposits with Banks / Loans, Advances etc.	(801.55)	(39.32)
Operating Profit Before Working Capital Changes	**28,071.89**	**15,527.99**
Movement in Working Capital		
Sundry Debtors	765.25	(20,437.08)
Loans and Advances	(21,912.72)	(1,100.37)
Inventories	(18,454.84)	(6,782.99)
Trade & Other Payables	7,773.13	10,066.95
Cash Generated From Operating Activities	**(3,757.29)**	**(2,725.50)**
Direct Taxes paid (net of refunds)	(1,660.11)	(366.57)
Net Cash Used In Operating Activities	**(5,417.40)**	**(3,092.07)**
B: CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(49,083.66)	(31,583.16)
Proceeds from Sale of Fixed Assets	3.90	–
Purchase of Non Trade Investments	(334.52)	(10.42)
Purchase of Investments in a Subsidiary	(4,709.46)	–
Loan to a Body Corporate	(11,000.00)	–
Dividend received from long term Non Trade Investments	0.28	0.35
Interest received on Fixed Deposits with Banks / Loans, Advances etc.	767.84	39.32
Net Cash Used In Investing Activities	**(64,355.62)**	**(31,553.91)**

Cash Flow Statement *(Contd.)*

(Rs. in lacs)

	2007–08	2006–07
C: CASH FLOW FROM FINANCING ACTIVITIES		
Money towards Equity Warrants / Convertible Debentures	33,504.26	–
Expenses incurred on issue of Securities	(629.38)	–
Proceeds from long / short term Borrowings	73,940.53	29,487.22
Repayment of long / short term Borrowings	(25,007.13)	9,050.54
Interest and Finance Charges Paid	(12,030.57)	(3,541.39)
Dividend Paid	(400.07)	(314.09)
Tax on Dividend paid	(68.08)	(44.05)
Net Cash from Financing Activities	**69,309.56**	**34,638.23**
Net Decrease In Cash and Cash Equivalents (A+B+C)	**(463.46)**	**(7.75)**
Cash and Cash Equivalents as at the beginning of the year	**2,564.11**	**2,571.86**
Cash and Cash Equivalents as at the end of the year	**2,100.65**	**2,564.11**
Components of Cash and cash equivalents as at end of the year		
Cash and Cheques on hand	185.48	205.13
With banks - on current account	702.14	1,567.81
Fixed Deposits *	1,213.03	791.17
	2,100.65	**2,564.11**

* Receipts aggregating to Rs. 713.03 lacs (Rs. 791.17 lacs) pledged with Banks as Margin Money against Borrowings / Other facilities are not freely available

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
Schedule 1 SHARE CAPITAL		
Authorised		
10,10,00,000 (2,60,00,000) Equity shares of Rs. 10 /- each	10,100.00	2,600.00
	10,100.00	**2,600.00**
Issued, Subscribed and Paid up		
4,71,26,900 (2,51,26,900) Equity shares of Rs. 10 /- each	4,712.69	2,512.69
Less: Calls in Arrear	1.23	1.51
	4,711.46	**2,511.18**

Note:

Out of the above, 2,20,00,000 equity shares of Rs. 10 /- each were issued during the year for consideration other than cash to the shareholders of erstwhile Shri Ramrupai Balaji Steels Limited, on its amalgamation with the Company, pursuant to the scheme approved by the Hon'ble High Court at Calcutta.

	As at 31st March 2008	As at 31st March 2007
Schedule 1A SHARE CAPITAL SUSPENSE		
Share Capital Suspense	–	2,200.00
2,20,00,000 Equity Shares of Rs. 10/- each to be issued to the equity shareholders of erstwhile Shri Ramrupai Balaji Steels Limited as indicated in the above note.		
	–	**2,200.00**

	As at 31st March 2008	As at 31st March 2007
Schedule 2 RESERVES AND SURPLUS		
Capital Reserve		
Balance as per Last Account	77.99	77.99
Add: Amount arisen on acquisition (Refer Note 4 on Schedule 23)	152.10	–
	230.09	77.99
Securities Premium Account		
Balance as per Last Account	2,400.00	–
Add: Amount arisen on Amalgamation of erstwhile Shri Ramrupai Balaji Steels Limited	–	2,400.00
Less: Adjusted towards expenses incurred on issue of securities (Refer Note 7 on Schedule 23)	824.83	–
	1,575.17	2,400.00
Amalgamation Reserve		
Balance as per Last Account	4,400.00	–
Add: Amount arisen on Amalgamation of erstwhile Shri Ramrupai Balaji Steels Limited	–	4,400.00
	4,400.00	4,400.00
General Reserve		
Balance as per Last Account	325.00	125.00
Add: Transfer from Profit and Loss Account	10,000.00	200.00
	10,325.00	325.00
Balance in Profit and Loss Account	14,010.87	12,674.94
	30,541.13	**19,877.93**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
Schedule 3 SECURED LOANS		
Term Loans		
Long Term:		
Rupee Loans		
Banks	47,946.84	35,942.23
Financial Institutions	6,035.51	2,741.75
Foreign Currency Loans		
Banks	5,780.83	–
Short Term Rupee Loans from Banks (Repayable within one year)		
Towards Acquisition	12,498.99	–
Others	3,999.38	–
Working Capital Finance		
From Banks		
(i) In Rupees	21,507.71	18,274.30
(ii) In Foreign currency	9,193.78	–
Deferred Payment Credits	2,226.22	989.21
	1,09,189.26	**57,947.49**

Notes:

1. Term loans from banks and financial institutions to the extent of Rs. 58,714.03 lacs (Rs. 38,556.48 lacs) are secured by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company, both present and future, lien on Fixed Deposits of Rs. 145 lacs (Rs.145 lacs) with banks and second charge on the entire current assets of the Company, both present and future.

2. Term loans from financial institutions aggregating to Rs. 1,049.15 lacs (Rs.127.50 lacs), are secured against lien on the subsidies receivable from Government of West Bengal.

3. Short term loans from banks are secured by way of subservient charge on the entire Fixed and Current Assets of the Company, out of which Rs. 2,500 lacs is further secured by Corporate Guarantee of a subsidiary company.

4. a. Working Capital facilities aggregating to Rs. 30,043.65 lacs are secured by hypothecation of all current asset including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company (except for Durg unit), both present and future.

   b. Working Capital facilities aggregating to Rs. 657.84 lacs are secured by hypothecation of all current assets including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Durg unit, both present and future.

5. Deferred Payment Credits are secured by hypothecation of the assets acquired under the respective agreements.

6. All the loans as referred to above (excluding Rs. 1,049.15 lacs from financial institutions) are further secured by the personal guarantee of certain promoter directors of the Company.

7. Long term loans and Deferred Payment Credits include Rs.11,405.45 lacs (Rs. 5,386.23 lacs) payable within one year.

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
Schedule 4 UNSECURED LOANS		
Debentures		
83,59,000 Zero Coupon Compulsorily Convertible Debentures of Rs. 326.90 each [Refer Note 6 (a) on Schedule 23]	27,325.57	–
Short Term Loans		
From Banks	2,999.86	4,000.00
From Body Corporates	2,650.00	4,777.66
Interest Free Sales Tax Loan	819.42	–
	33,794.85 *	**8,777.66**

* Includes Rs. 3,401.61 lacs (Rs. 8,777.66 lacs) repayable within one year, based on original/revised terms

Schedule 5 DEFERRED TAX LIABILITIES (NET)

	As at 31st March 2008	As at 31st March 2007
Balance as per Last Account	6,303.89	3,678.19
Add: Created for the Year	797.35	2,625.70
	7,101.24	**6,303.89**

Schedule 6 FIXED ASSETS

Description	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 31st March 2007	Added on acquisition (1)	Other Additions	Deductions	As at 31st March 2008	Up to 31st March 2007	For the Year	Deductions	Up to 31st March 2008	As at 31st March 2008	As at 31st March 2007
Freehold Land	1,709.97	94.60 (2)	146.12	–	1,950.69	–	–	–	–	1,950.69	1,709.97
Leasehold Land	213.45	255.42 (2)	20.43	–	489.30	–	66.34(4)	–	66.34	422.96	213.45
Factory Buildings	6,391.77	903.26	3,121.00	–	10,416.03	280.56	268.33	–	548.89	9,867.14	6,111.21
Railway Siding	–	607.50	1,146.62	–	1,754.12	–	32.17	–	32.17	1,721.95	–
Plant & Machinery	44,454.32	7,098.02	15,747.59	–	67,299.93(3)	3,112.14	3,510.25(4)	–	6,622.39	60,677.54	41,342.18
Electrical Installations	7,204.96	1.50	1,894.67	–	9,101.13	749.92	387.23	–	1,137.15	7,963.98	6,455.04
Furniture, Fixtures & Office Equipments	347.56	37.58	89.85	–	474.99	125.73	55.14	–	180.87	294.12	221.83
Vehicles	134.77	4.22	77.94	11.07	205.86(3)	32.68	15.71	3.73	44.66	161.20	102.09
Total	**60,456.80**	**9,002.10**	**22,244.22**	**11.07**	**91,692.05**	**4,301.03**	**4,335.17**	**3.73**	**8,632.47**	**83,059.58**	**56,155.77**
Previous Year's Total	28,141.45	–	32,315.35	–	60,456.80	1,959.30	2,341.73		4,301.03	56,155.77	

Notes:

1) Refer Note 4 on Schedule 23
2) Land valuing Rs. 350.02 lacs is pending registration in the Company's name.
3) Includes assets taken on finance lease as disclosed in Note 9 on Schedule 23
4) Includes Rs. 193.57 lacs for earlier years

Schedules forming part of the Balance Sheet

(Rs. in lacs)

Schedule 7 CAPITAL WORK IN PROGRESS AND PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION	As at 31st March 2008	As at 31st March 2007
A. Capital Work-in-Progress		
Opening Balance	4,603.27	490.45
Additions		
Land	566.30	114.90
Buildings	4,923.42	1,551.78
Railway Siding	1,983.07	247.95
Plant and Machinery	26,394.66	12,748.54
Electrical Installations	2,704.35	1,239.13
Capital Advances	5,941.83	–
Total A:	**47,116.90**	**16,392.75**
B. Pre-operative Expenditure Pending Allocation		
Opening Balance	**164.76**	**40.66**
Additions		
Power and Fuel	393.13	–
Salaries, Wages and Bonus	19.68	12.87
Rent and Hire	104.82	–
Rates and Taxes	0.84	–
Insurance	13.52	9.29
Travelling and Conveyance	7.03	5.91
Telephone & Postage Charges	0.86	0.62
Printing and Stationery	0.06	–
Legal and Professional Charges	42.82	–
Miscellaneous Expenses	8.55	14.21
Interest (Including Rs. 602.72 lacs on fixed loans)	619.24	425.51
Finance Charges	67.53	0.67
Total B:	**1,442.84**	**509.74**
Grand Total	**48,559.74**	**16,902.49**
Less: Transfer to Fixed Assets	19,979.79	12,134.46
Closing Balance	**28,579.95**	**4,768.03**
A. Capital Work-in-Progress	**27,290.33**	**4,603.27**
B. Pre-Operative Expenditure pending allocation	**1,289.62**	**164.76**
	28,579.95	**4,768.03**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

Schedule 8 INVESTMENTS	No. of Shares/ Bonds	Face Value per Share/Bond Rs.	As at 31st March 2008	As at 31st March 2007
Long Term (at cost)				
Fully Paid up Equity Shares				
Trade (Unquoted)				
Nilachal Iron & Power Limited	49,48,727	10	4,709.46	–
(wholly owned subsidiary)	(–)			
			4,709.46	**–**
Non Trade (Quoted)				
UCO Bank Limited	1,600	10	0.19	0.19
Vijaya Bank Limited	200	10	0.05	0.05
Allahabad Bank Limited	5,344	10	4.38	4.38
Talbros Automotive Component Limited	5,682	10	5.80	5.80
			10.42	**10.42**
Non Trade (Unquoted)				
Bonds				
The West Bengal Financial Corporation Limited (Pledged as security against Term Loan from a financial institution)	9	1,00,000	9.00	9.00
Government Securities				
National Savings Certificate (Deposited with Third Parties)			0.12	0.12
Fully Paid–up Equity Shares				
Calcutta Stock Exchange Limited	16,726	1	334.52	–
	(–)			
			343.64	9.12
			5,063.52	**19.54**
Aggregate Value of Investments				
– Quoted			10.42	10.42
– Unquoted			5,053.10	9.12
Market Value of Quoted Investments			7.17	6.96

Schedule 9 INVENTORIES	As at 31st March 2008	As at 31st March 2007
(At lower of cost and net realisable value)		
Raw Materials [Including in transit Rs. 4,492.53 lacs (Rs.1,383.65 lacs)]	28,950.32	19,517.95
Stores and Spares [Including in transit Rs. 48.26 lacs (Rs.10.41 lacs)]	1,779.76	187.14
Work - in - Process	103.82	–
Finished Goods	8,951.12	1,920.05
By Products	378.94	83.98
	40,163.96	**21,709.12**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
Schedule 10 SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Debts outstanding for more than six months		
Considered good	3,758.84	1,566.55
Considered doubtful	268.77	–
Other Debts	16,797.30	20,784.56
	20,824.91	22,351.11
Less: Provision for Doubtful Debts	268.77	–
	20,556.14	**22,351.11**

	As at 31st March 2008	As at 31st March 2007
Schedule 11 CASH AND BANK BALANCES		
Cash in hand	51.39	93.71
Cheques in hand	134.09	111.42
Balance with Scheduled Banks on:		
Current Account	698.67	1,565.03
Fixed Deposit Account *	1,213.03	791.17
Unclaimed Dividend Accounts	3.29	2.78
Unclaimed Fractional Share Balance	0.18	–
	2,100.65	**2,564.11**

* Receipts aggregating to Rs. 713.03 lacs (Rs. 791.17 lacs) pledged with Banks as Margin Money against Borrowings / Other facilities

	As at 31st March 2008	As at 31st March 2007
Schedule 12 LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	13,580.95	537.63
Advances to Subsidiary Company	5,241.82	–
Loan to a Body Corporate (Repayable on demand)	11,000.00	–
Security Deposits	229.39	118.71
Interest Receivable	63.29	29.57
MAT Credit Entitlement	1,529.07	455.75
Balance with Excise and other Government Authorities	3,916.77	3,793.43
Subsidies and Incentives Receivable	3,773.56	–
Sales Tax and Other Refunds Receivable	65.04	46.53
	39,399.89	**4,981.62**

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
Schedule 13 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Acceptances	1,048.16	–
Sundry Creditors for goods, services and expenses		
a) Dues to Micro, Small and Medium Enterprises (Refer Note 12 on Schedule 23)	36.18	–
b) Dues towards Capital Goods	5,137.79	4,025.07
c) Dues to Others	11,661.56	6,258.08
Advances from Customers	2,666.50	3,427.44
Other Liabilities	1,514.28	742.90
Amount payable to HEG Limited towards acquisition (Refer Note 4 on Schedule 23)	4,090.55	–
Investor Education and Protection Fund (To be deposited as and when due)		
a) Unclaimed Dividend	3.29	2.78
b) Unclaimed Fractional Shares Liability	0.18	–
Interest Accrued but not due on Loans	22.42	18.47
	26,180.91	**14,474.74**
B. Provisions:		
Gratuity	138.34	34.13
Leave Salary	57.43	17.69
Proposed Dividend	471.27	400.58
Tax on Proposed Dividend	80.10	68.08
Income Tax (Net of Advances)	468.21	130.97
Fringe Benefit Tax (Net of Advances)	11.08	0.41
	1,226.43	**651.86**

Schedule 14 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Opening Balance	195.45	32.31
Add: Transfer from erstwhile Shri Ramrupai Balaji Steels Limited	–	235.87
Add: Expenses incurred during the year	–	2.05
	195.45	270.23
Less: Transfer from Securities Premium Account (Refer Note 7 on Schedule 23)	195.45	74.78
	–	**195.45**

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	2007–08	2006–07
Schedule 15 SALES AND SERVICES		
Finished Goods	1,42,500.76	1,10,217.46
Saleable Scraps and By Products	598.44	324.64
Conversion Charges	1,409.65	–
Service and other Charges	1,797.33	–
	1,46,306.18	**1,10,542.10**

	2007–08	2006–07
Schedule 16 OTHER INCOME		
Interest on:		
a) Fixed Deposits with Banks [Tax deducted at Source Rs. 9.50 lacs (Rs. 8.06 lacs)]	77.27	39.29
b) Loans, Advances etc [Tax deducted at Source Rs.161.11 lacs (Rs.Nil)]	724.28	0.03
Commission Received	3,799.82	1,806.29
Dividend Income from long term non trade Investments	0.28	0.35
Insurance Claims	2.03	145.38
Liabilities no longer required written back	369.80	–
Miscellaneous Income	678.56	8.04
	5,652.04	**1,999.38**

	2007–08	2006–07
Schedule 17 (INCREASE)/DECREASE IN STOCKS		
Closing Stocks:		
Work-in-Process	103.82	–
Finished Goods	8,951.12	1,920.05
By Products	378.94	83.98
	9,433.88	2,004.03
Less:		
Opening Stocks:		
Finished Goods	1,920.05	1,022.44
By Products	83.98	52.23
Stock acquired under scheme of Arrangement (Refer Note 4 on Schedule 23)	528.30	–
	2,532.33	1,074.67
	(6,901.55)	**(929.36)**

	2007–08	2006–07
Schedule 18 RAW MATERIALS CONSUMED		
Opening Stock	19,517.95	13,465.04
Add: Stock acquired under scheme of Arrangement (Refer Note 4 on Schedule 23)	625.94	–
Add: Purchases *	74,718.61	46,420.22
	94,862.50	59,885.26
Less: Closing Stock	28,950.32	19,517.95
	65,912.18	**40,367.31**

* Net of sale of Raw Material Rs. 1,772.45 lacs (Rs. 2,227.80 lacs)

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	2007–08	2006–07
Schedule 19 MANUFACTURING EXPENSES		
Consumption of Stores and Spares	4,369.12	4,232.44
Labour Charges	1,811.40	879.80
Power and Fuel (Net) (Including Rs. 409.05 lacs for fuel surcharge relating to earlier years)	7,280.26	7,241.00
Repairs and Maintenance:		
– Plant and Machinery	761.17	269.21
– Buildings	9.34	2.46
– Others	140.57	4.01
Water Expenses	231.29	134.49
Other Expenses	92.36	23.70
	14,695.51	**12,787.11**

	2007–08	2006–07
Schedule 20 PERSONNEL COST		
Salaries, Wages and Bonus	1,468.88	494.06
Contribution to Provident and Other Funds	154.54	108.81
Gratuity (Refer Note 11 on Schedule 23)	60.20	25.48
Staff Welfare Expenses	92.46	10.91
	1,776.08	639.26

	2007–08	2006–07
Schedule 21 SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES		
Freight and Transportation (Net)	509.27	269.70
Rent and Hire	281.09	63.21
Rates and Taxes	309.25	22.71
Insurance	184.48	136.89
Advertisement	164.27	104.06
Brokerage and Commission (Other than Sole Selling Agents)	129.50	41.67
Travelling and Conveyance	205.99	115.56
Telephone and Postage Charges	51.16	32.77
Printing and Stationery	39.54	25.62
Legal and Professional Charges	166.76	90.16
Directors' Fees	1.38	–
Auditors' remuneration		
– Audit Fees	20.00	1.00
– Tax Audit Fees	–	0.21
– In Other Capacity	15.80	0.63
– For Expenses	0.28	0.05
Provision for Doubtful Debts	268.77	–
Loss on Forward Exchange Contract / Exchange Fluctuation (Net)	364.33	41.46
Charities and Donations	9.79	7.50
Security and Service Charges	210.04	112.58
Loss on Sale of Fixed Assets	3.43	–
Preliminary Expenses Written off	–	74.78
Miscellaneous Expenses	272.58	89.69
	3,207.71	**1,230.25**

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	2007–08	2006–07
Schedule 22 INTEREST AND FINANCE CHARGES		
Interest on		
– Fixed Loans (Net)	8,894.86	1,628.87
– Other Loans	1,562.76	1,642.02
Finance Charges	559.19	270.50
	11,016.81	**3,541.39**

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1 **Significant Accounting Policies**

a) **Basis of preparation of Accounts**

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes discussed more fully below, are consistent with those used in the previous year.

b) **Use of estimates**

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

c) **Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price inclusive of duties (net of CENVAT and VAT Credit), taxes, incidental expenses, erection / commissioning expenses and interest etc., upto the date the asset is ready to be put to use.

Own produced materials used for fixed assets are capitalised at cost.

Machinery spares which can be used only in connection with a particular item of fixed asset and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

d) **Depreciation**

i) The classification of plant and machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

ii) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. Depreciation on Railway Wagons acquired by the Company is provided @ 10% p.a. as against 4.75% p.a. as prescribed in Schedule XIV because of the conditions prescribed in the agreement with Railway Authorities.

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

e) **Borrowing Costs**

Borrowing costs relating to acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

f) **Impairment**

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

g) **Fixed Assets acquired under Leases**

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

h) **Government grants and subsidies**

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

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

i) **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. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

j) **Inventories**

Inventories are valued as follows:

Raw materials	At lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Stores and Spares	At lower of cost and net realizable value. Cost is determined on 'First in First Out' basis except for Durg unit where the cost is determined on weighted average basis.
Work-in- Process and Finished Goods	At lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
Scrap and By Products	At net realizable value.

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

k) **Revenue Recognition**

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

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Sale of Goods

Revenue from sale of goods is recognised on passage of title thereof to the customers, which generally coincides with delivery and includes excise duty thereon, net of returns, claims, rebates, discounts, Sales Tax, VAT etc.

Income from Services

Income from Services is recognised on performance of the contract and acceptance of the services by the customers.

Interest

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

Dividend

Dividend income is recognised when the shareholders' right is established by the balance sheet date.

l) Foreign currency transactions

i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) Conversion

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

iii) Exchange Differences

Exchange differences arising on the settlement / conversion of monetary items are recognised as income or as expenses in the period in which they arise.

iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

m) Retirement and other employee benefits

i. Retirement benefits in the form of Provident Fund / Superannuation Fund are defined contribution schemes and the contributions are charged to the profit and loss account in the year when the contributions to the respective funds are due.

ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates whereas long term compensated absences are provided for on the basis of actuarial valuation.

iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

n) Taxation

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

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and the tax laws that have been substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

has carry forward unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

o) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the profit and loss account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

p) Segment Reporting Policies

Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron & Steel and hence treated as a single reportable segment as per Accounting Standard-17. There is no separate geographical segment.

q) Earnings Per Share

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

Partly paid equity shares / instruments are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

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

r) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

s) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

t) Derivative Instruments

As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard - 11, are marked to a market on a portfolio basis and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Notes on Accounts:

2. Contingent liabilities not provided for:

(Rs. in lacs)

	As at 31st March 2008	As at 31st March 2007
a) Claims against the Company not acknowledged as debts		
i) Excise and Custom Demands under dispute/ appeal	436.86	–
ii) Others	38.75	–
b) Sales Tax matters under dispute/appeal	2,830.65	–
c) Letters of Credit, Bills discounted and Bank Guarantees outstanding	4,424.89	–
3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs. 5,941.83 lacs (Rs. Nil)]	7,979.40	3,686.90

4. During the year, the Company has acquired the steel unit of HEG Limited, comprising of Sponge, Power and Steel Plants at Durg, Chhattisgarh at a consideration of Rs.11,668 lacs in cash through a scheme of arrangement which has been approved by the shareholders of both the Companies and by the Honourable High Courts of Jabalpur and Calcutta; with effect from 1st August 2007. The Company has accounted for the above acquisitions under the purchase method as per Accounting Standard - 14 issued by the Institute of Chartered Accountants of India.

Accordingly, the fixed assets of the said unit have been valued by an Independent firm of Registered Valuer and the difference of Rs.152.10 lacs between the consideration amount and the fair value so identified, has been transferred to Capital Reserve.

5. During the year, the Company has acquired 100% equity shares of Nilachal Iron & Power Limited which has become a wholly owned subsidiary with effect from 26th October 2007.

6. a. During the year the Company has issued 83,59,000 Zero Coupon Compulsorily Convertible Debentures at a price of Rs. 326.90 to Foreign Equity Investors. The debenture holders have the option to convert each debenture at any time into an equity share of Rs.10 each at a premium of Rs. 316.90 per debenture within 18 months from the date of allotment i.e. 7th February 2008.

b. The Company has also issued 96,00,000 warrants to the Promoters and others carrying a right to convert each warrant into an equity share of Rs. 10 each at a premium of Rs. 316.90 per warrant within a period of 18 months from the date of allotment i.e. 7th February 2008. The warrant holders have paid Rs. 6,178.41 lacs as application money against the above equity share warrants.

c. The Company has fully utilised the proceeds of Rs. 33,503.98 lacs received against private placement of equity share warrants and compulsorily convertible debentures for purchase of fixed assets and current assets, repayment of short term loan and reduction in working capital facilities.

7. Unlike in the past, expenditure incurred by the Company in connection with the issue of securities have been appropriated from Securities Premium Account. The amount so appropriated stands at Rs. 824.83 lacs (including Rs. 195.45 lacs carried forward as Miscellaneous Expenditure for earlier years).

8. During the year, the Company has accounted for the following subsidies / incentives receivable from the Government of West Bengal under West Bengal Incentive Scheme aggregating to Rs. 3,773.56 lacs (including Rs. 2,909.49 lacs for earlier years):

Sl. No.	Particulars	Account to which credited	Rs. in lacs
a)	Industrial Promotion Assistance	Sale of Finished Goods	981.96
b)	Power Subsidy	Power and Fuel	2,318.65
c)	Interest Subsidy	Interest on Fixed Loans	472.95
	Total		**3,773.56**

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

9. Assets taken on finance lease include Railway Wagons included under Plant & Machinery and Vehicles. At the expiry of the lease period legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

Future obligations towards lease rentals (inclusive of finance charges) Rs. 805.69 lacs (Rs.1,152.69 lacs) under the respective agreements as on the date of balance sheet are as per details given below:

(Rs. in lacs)

Particulars	2007–08	2006–07
Total minimum lease payments at the year end	805.69	1,152.69
Less : Amount representing finance charges	83.38	163.62
Present value of minimum lease payments	722.31	989.07
Lease payments for the year	377.40	377.96
Minimum Lease Payments :		
Not later than one year: Present value as on 31.03.2008 Rs. 314.09 lacs (Rs. 287.30 lacs)	371.16	370.65
Later than one year but not later than five years: Present value as on 31.03.2008 Rs. 408.09 lacs (Rs. 701.77 lacs)	434.53	782.04
Later than five years: Present value as on 31.03.2008 Rs. Nil (Rs. Nil)	–	–

10. Current Tax and MAT Credit Entitlement includes Rs. 409.83 lacs towards Minimum Alternate Tax liability for earlier years. Further, Deferred Tax charge for the year is net of Rs. 265.54 lacs, being excess deferred tax liability provided in earlier years.

11. Gratuity and Leave

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to gratuity on terms not less favourable than The Provisions of Gratuity Act, 1972. The aforesaid scheme is unfunded.

The disclosures required under Accounting Standard - 15 'Employee Benefits' notified in the Companies (Accounting Standards) Rules, 2006 are given below:

(Rs. in lacs)

	Particulars	Gratuity	Leave
I.	**Expenses recognised in the statement of Profit & Loss Account for the year ended 31st March 2008:**		
	Current service cost	19.08	2.70
	Interest cost on benefit obligation	5.06	3.39
	Net actuarial loss / (gain) recognised in the year	36.06	(10.02)
	Past Service Cost	–	–
	Total Expenses / (Income)	**60.20**	**(3.93)**

II. Net Assets/ (Liability) recognised in the Balance Sheet as at 31st March 2008:

Present value of Defined Benefits Obligation	138.34	57.43
Less: Unrecognised past service cost	–	–
Net Liability	***138.34**	**57.43**

* Gross of Reimbursements receivable from HEG Limited Gratuity Fund for liability taken over by the Company.

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

(Rs. in lacs)

	Particulars	Gratuity	Leave
III.	**Change in the present value of the defined benefit obligation during the year ended 31st March 2008:**		
	Present Value of Defined Benefit Obligation at the beginning of the year #	96.89	61.36
	Current Service Cost	19.08	2.70
	Interest Cost	5.06	3.39
	Benefits Paid	(18.75)	–
	Actuarial Loss / (Gain)	36.06	(10.02)
	Present Value of Defined Benefits Obligation at the year end	**138.34**	**57.43**

\# The Company has adopted Revised Accounting Standard - 15 with effect from 1st April 2007. As per actuarial valuation, the opening liability provided in the books is higher by Rs. 24.84 lacs which have been adjusted against current year's charge.

IV. Change in the Fair Value of Plan Assets during the year ended 31st March 2008:

Fair Value of Defined Benefit Obligation at the beginning of the year	–	–
Expected Return	–	–
Contribution by employer	–	–
Benefits paid	(18.75)	–
Actuarial (Gains)/Losses	–	–
Fair Value of Defined Benefit Obligation at the year end	**–**	**–**

The Company does not contribute to any approved gratuity fund at present and accordingly, the disclosures as per para 120 (e) and (h) are not applicable.

V. The principal assumptions used in determining gratuity and leave obligations for the Company's plans are shown below.

Discount Rate	8.30%	8.30%
Expected Rate of return on assets	N.A.	N.A.
Rate of increase in salaries	10%	10%
Expected Average remaining working lives of employees (years)	22.12	19.73

Notes:

a. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The above information is certified by the Actuary.

b. Since the Company has adopted Accounting Standard - 15 (Revised) on employee benefits from current year onwards, the disclosures as mentioned above are given only for the current year.

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

12. Based on the information available with the Company, the amounts due to Micro, Small and Medium Enterprises as per MSMED Act,2006 are as follows :

(Rs. in lacs)

Sl. No.	Particulars	2007–08	2006–07
a)	Principal Amount remaining unpaid to the suppliers as at the end of the year	33.85	Nil
b)	Interest due on above remaining unpaid to the suppliers as at the end of the year	1.23	Nil
c)	Amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil
d)	Amount of interest due and payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.10	Nil
e)	Amount of interest accrued and remaining unpaid at the end of each accounting year; and	2.33	Nil
f)	Amount of further interest remaining due and payable even in the succeeding years.	Nil	Nil

13. Unhedged Foreign Currency Exposures outstanding at the year end are as follows:

Sl. No.	Particulars	As at 31st March 2008			As at 31st March 2007
		Amount in Foreign Currency		Rs. in lacs	Rs. in lacs
i)	Trade Receivables	US$	7,411	2.99	–
ii)	Trade Payables	Euro	87,525	55.22	–
iii)	Advances given	Euro	5,71,000	360.24	–

14. Loans and Advances include the following loans due from a Company in which the directors are interested:

(Rs. in lacs)

Name of the Company	As at 31st March 2008	Maximum Amount due at any time during the year	As at 31st March 2007	Maximum Amount due at any time during the year 2006–07
Jai Balaji Jyoti Steels Ltd.	11,000.00	11,000.00	–	–

15. Basic and diluted earnings per share:

			2007–08	2006–07
A	Profit after Tax	Rs. in lacs.	11,887.30	6,217.15
B	Present weighted average number of equity shares (Rs. 10 each)	Nos.	4,71,14,650	4,71,11,775
C	Weighted average number of equity shares allotted / to be allotted	Nos.	4,71,14,650	4,71,11,775
D	Potential weighted average number of Equity Shares	Nos.	4,87,85,647	4,71,11,775
E	Basic Earning per Share	Rs.	25.23	13.16
F	Diluted Earning per Share	Rs.	24.37	13.16

16. Excise duty on increase/decrease in stock represents differential excise duty on opening and closing stock of Finished Goods.

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

17. The break-up of major components of Net Deferred Tax Liabilities of Rs. 7,101.24 lacs as on 31st March 2008 is as under:

(Rs. in lacs)

Particulars	As at 31st March 2008	As at 31st March 2007
Deferred Tax Liability		
Timing Difference on Depreciable assets	7,442.69	6,321.25
Sub total (A)	**7,442.69**	**6,321.25**
Deferred Tax Asset		
Expenses allowable on payment basis / other timing differences	341.45	17.36
Sub total (B)	**341.45**	**17.36**
Deferred Tax Liabilities (Net) (A–B)	**7,101.24**	**6,303.89**

18. Related Party Disclosures

a. Name of Related Parties:

Subsidiary Company	M/s Nilachal Iron & Power Limited *
Key Management Personnel	Mr. Aditya Jajodia, Chairman and Managing Director
	Mr. Sanjiv Jajodia, Wholetime Director
Relatives of Key Management Personnel	Mr. Rajiv Jajodia, Brother of Wholetime Director
	Mr. Devendra Prasad Jajodia, Brother of Wholetime Director
	Mr. Aashish Jajodia, Brother of Chairman and Managing Director
	Mr. Gourav Jajodia, Nephew of Wholetime Director
	Smt. Kanchan Jajodia, Sister-in-law of Wholetime Director
	Smt. Rina Jajodia, Sister-in-law of Chairman and Managing Director
	Smt. Sangeeta Jajodia, Wife of Wholetime Director
	Smt. Shashi Devi Jajodia, Sister-in-law of Wholetime Director
	Smt. Seema Jajodia, Wife of Chairman and Managing Director
Enterprises owned or significantly influenced by key management personnel or their relatives	M/s Chandi Steel Industries Limited
	M/s Jai Balaji Jyoti Steels Limited
	M/s Jai Salasar Balaji Industries (P) Limited
	M/s Balaji Ispat Udyog
	M/s Jai Balaji Shakti Cement Limited
	M/s Enfield Suppliers Limited
	M/s Hari Management Limited
	M/s Jajodia Estate Private Limited
	M/s K.D.Jajodia Steel Industries (P) Limited

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b. Related Party Transactions:

(Rs. in lacs)

Particulars	Subsidiary / Associate Company *	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Sales of Finished Goods and Raw Materials					
M/s Chandi Steel Industries Limited				2,122.57	2,122.57
				(2,048.87)	(2,048.87)
M/s Jai Balaji Jyoti Steels Limited				260.63	260.63
				(2,181.17)	(2,181.17)
M/s Jai Salasar Balaji Industries (P) Limited				890.34	890.34
				(475.70)	(475.70)
Others	60.24			2.08	62.32
	(–)			(1.16)	(1.16)
Purchases of Raw Materials					
M/s Nilachal Iron & Power Limited	4,369.15				4,369.15
	(–)				(–)
M/s Jai Balaji Jyoti Steels Limited				2,244.18	2,244.18
				(2,484.35)	(2,484.35)
M/s Jai Salasar Balaji Industries (P) Limited				487.72	487.72
				(453.51)	(453.51)
Others				97.94	97.94
				(58.92)	(58.92)
Salary / Managerial Remuneration					
Mr. Aditya Jajodia		6.50			6.50
		(5.10)			(5.10)
Mr. Sanjiv Jajodia		4.77			4.77
		(1.80)			(1.80)
Rent Expenses					
M/s Jajodia Estate Private Limited				0.69	0.69
				(0.69)	(0.69)
Dividend Paid					
Mr. Sanjiv Jajodia		22.52			22.52
		(22.20)			(22.20)
Mr. Aditya Jajodia		24.09			24.09
		(25.56)			(25.56)
Mr. Rajiv Jajodia			13.33		13.33
			(6.13)		(6.13)
M/s Enfield Suppliers Limited				95.38	95.38
				(80.85)	(80.85)

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b. Related Party Transactions *(Contd.)*

(Rs. in lacs)

Particulars	Subsidiary / Associate Company *	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
M/s Hari Management Limited				59.88	59.88
				(–)	(–)
M/s Jai Salasar Balaji Industries (P) Limited				8.53	8.53
				(12.55)	(12.55)
M/s K.D.Jajodia Steel Industries (P) Limited				14.39	14.39
				(20.48)	(20.48)
Others			17.22		17.22
			(17.19)		(17.19)
Share Application Money Paid / Refunded					
M/s Jai Balaji Shakti Cement Limited				1,000.00	1,000.00
				(–)	(–)
Money received against Equity Warrants					
Smt. Kanchan Jajodia			65.38		65.38
			(–)		(–)
Mr. Aashish Jajodia			65.38		65.38
			(–)		(–)
Mr. Aditya Jajodia		163.45			163.45
		(–)			(–)
Mr. Devendra Prasad Jajodia			65.38		65.38
			(–)		(–)
Mr. Gourav Jajodia			65.38		65.38
			(–)		(–)
Mr. Rajiv Jajodia			163.45		163.45
			(–)		(–)
Mr. Sanjiv Jajodia		163.45			163.45
		(–)			(–)
Smt. Rina Jajodia			65.38		65.38
			(–)		(–)
Smt. Sangeeta Jajodia			65.38		65.38
			(–)		(–)
Smt. Shashi Devi Jajodia			65.38		65.38
			(–)		(–)
Smt. Seema Jajodia			65.38		65.38
			(–)		(–)

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b. Related Party Transactions *(Contd.)*

(Rs. in lacs)

Particulars	Subsidiary / Associate Company *	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
M/s Enfield Suppliers Limited				3,040.17	3,040.17
				(–)	(–)
M/s Hari Management Limited				2,026.78	2,026.78
				(–)	(–)
Interest Received					
M/s Jai Balaji Jyoti Steels Limited				633.41	633.41
				(–)	(–)
Others				49.00.	49.00
				(–)	(–)
Balance Receivable as at the year end					
M/s Jai Balaji Jyoti Steels Limited				1,547.60	1547.60
				(–)	(–)
M/s Chandi Steel Industries Limited				1,156.47	1,156.47
				(–)	(–)
M/s Nilachal Iron & Power Limited	5,241.82				5,241.82
	(–)				(–)
Balance Payable as at the year end					
M/s Jai Salasar Balaji Industries (P) Limited				9.98	9.98
				(–)	(–)
Loan Receivable Outstanding as at the year end					
M/s Jai Balaji Jyoti Steels Limited				11,000.00	11,000.00
				(–)	(–)
Corporate Guarantee received					
M/s Nilachal Iron & Power Limited	2,500.00				2,500.00
	(–)				(–)

* M/s Nilachal Iron & Power Limited became an associate Company on 21st July 2007 and a subsidiary from 26th October 2007

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

19. Managerial Remuneration

(Rs. in lacs)

	2007–08	2006–07
(a) Chairman and Managing Director		
Salary	5.73	5.10
Perquisites	0.77	–
Total	**6.50**	**5.10**
(b) Whole–time Director		
Salary	1.80	1.80
Perquisites	2.97	–
Total	**4.77**	**1.80**

Note:

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable, and therefore, not included above.

20. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

20.1 Installed Capacity and Actual Production

Class of Goods	Installed Capacity (MT)		Actual Production (MT)	
	2007–08	2006–07	2007–08	2006–07
Sponge Iron	3,45,000	2,25,000	2,40,522	1,86,462
Pig Iron	5,09,250	5,09,250	1,36,953	23,371
Steel Bars / Rods	2,60,000	2,60,000	1,88,885	1,04,196
Billet / MS Ingot	4,73,230	3,14,424	2,96,712	2,25,581
Power	64.80 (MW)	52.00 (MW)	15,53,12,580 (Kwh)	5,47,56,242 (Kwh)
Ferro Alloys	81,118	30,118	15,800 #	15,781

Notes:

i) Licensed Capacity is not applicable as the industry is delicensed.

ii) Production Includes stock of finished goods acquired under the scheme of arrangement 1,885 MT of Sponge Iron and 1,092 MT of Billet / MS Ingot.

\# Excludes production for third party conversion 7,440 MT (Nil)

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

20.2

Sales*	2007–08		2006–07	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Sponge Iron	46,295	8,987.32	1,00,253	10,802.54
Pig Iron	77,188	18,072.87	2,471	609.50
Steel Bars/Rods	1,83,865	49,006.01	1,03,162	22,554.69
Billet/MS Ingots	89,091	23,738.32	1,30,622	25,877.26
Power	58,70,400 (Kwh)	104.17	–	–
Ferro Alloys	10,004	6,889.20	15,806	2,898.98
Steel Rods, Rounds etc.	92,736	34,057.59	1,58,990	47,350.06
Iron Ore	35,297	1,645.28	6,089	124.43
Total		**1,42,500.76**		**1,10,217.46**

* Excluding transferred for further processing

20.3

Purchase of Trading Goods	2007–08		2006–07	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Steel Rods, Rounds etc.	92,736	24,308.74	1,58,990	34,046.44
Iron Ore	35,297	1,336.05	6,089	87.82
Total		**25,644.79**		**34,134.26**

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

20.4

Details of Finished Goods	2007–08		2006–07	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Opening Stock:				
Sponge Iron	694	86.99	3,103	228.72
Pig Iron	283	25.24	67	4.62
Steel Bars/Rods	4,149	1,074.67	3,115	560.34
Billet/MS Ingots	2,530	550.95	745	102.28
Ferro Alloys	538	182.20	563	126.48
		1,920.05		**1,022.44**
Closing Stock:				
Sponge Iron	806	69.57	694	86.99
Pig Iron	11,594	2,666.33	283	25.24
Steel Bars/Rods	9,169	2,458.25	4,149	1,074.67
Billet/MS Ingot	13,002	2,971.10	2,530	550.95
Ferro Alloys	2,100	785.87	538	182.20
Total		**8,951.12**		**1,920.05**

21.

Consumption of Raw Materials	2007–08		2006–07	
	Quantity (MT)	Value (Rs. in lacs)	Quantity (MT)	Value (Rs. in lacs)
Pig Iron/Sponge Iron	3,30,122	10,280.07	2,51,279	15,720.48
Coke/Coal	5,98,209	22,990.65	2,86,088	5,550.58
Iron Ore	6,76,725	28,138.48	3,29,007	11,536.78
Manganese Ore	33,339	1,791.68	11,267	620.60
Billet/Ingot	2,05,132	1,559.40	1,13,061	4,660.40
Quartzite, Limestone, Dolomite	59,972	625.64	10,853	48.92
Steel Scrap & Wastes	10,294	526.26	31,077	2,229.55
Ferro Alloys	4,234	–		
Total		**65,912.18**		**40,367.31**

The above includes following materials used for captive consumption, valued at Nil

Captive Consumption of Raw Materials	Quantity (MT)	
	2007–08	2006–07
Sponge Iron	1,94,115	88,618
Pig Iron	48,454	20,684
Billet/Steel Ingot	1,97,149	93,174
Scrap	6,835	9,096
Ferro Alloys	4,234	–

Schedules forming part of the Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

22. Value of consumption of Imported & Indigenous raw materials and stores, spare parts etc.

	Raw Materials		Stores, Spare Parts etc	
	Value (Rs. in lacs)	% of total consumption	Value (Rs. in lacs)	% of total consumption
Imported	**13,110.57**	**19.89**	**197.27**	**4.52**
	(1,346.72)	(3.34)	(102.85)	(2.43)
Indigenous	**52,801.61**	**80.11**	**4,171.85**	**95.48**
	(39,020.59)	(96.66)	(4,129.59)	(97.57)
Total	**65,912.18**	**100.00**	**4,369.12**	**100.00**
	(40,367.31)	(100.00)	(4,232.44)	(100.00)

23. Value of Imports (calculated on CIF basis) *(Rs. in lacs)*

	2007–08	2006–07
Raw materials	14,573.60	1,191.81
Stores & Spares	193.89	103.74
Capital Goods	3,098.38	–
Total	**17,865.87**	**1,295.55**

24. Expenditure in Foreign Currency *(Rs. in lacs)*

	2007–08	2006–07
Travelling Expenses	10.68	19.66
Others	3.66	–
Total	14.34	19.66

25. Earnings in Foreign Currency *(Rs. in lacs)*

	2007–08	2006–07
Exports at FOB Value (representing materials sold to Special Economic Zones in India)	317.68	–

26. Figures in brackets represent previous year's figures, which have been rearranged / regrouped wherever necessary to conform to this year's classification. The current year's figures being inclusive of the figures relating to the steel unit acquired from HEG Limited, are not comparable with the previous year's figures.

27. The previous year's figures were audited by another firm of Chartered Accountants M/s Rashmi & Co.

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I) Registration Details

Registration No.	U27102WB1999PLC089755	State Code	21
Balance Sheet Date	31 (Date) 03 (Month) 2008 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	3350398*

* Issue of CCD and Warrants convertible into equity share at a premium of Rs. 316.90

III) Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousands)*

Total Liabilities	19151635	Total Assets	19151635

Sources of Funds

Paid-up Capital	471146	Reserves & Surplus	3054113
Application Money towards warrants	617841	Secured Loans	10918926
Unsecured Loans	3379485	Deferred Tax Liabilities	710124

Application of Funds

Net Fixed Assets	11163953	Investments	506352
Net Current Assets	7481330	Misc. Expenditure	NIL
Accumulated Losses	NIL		

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

Turnover (Sales and other income)	13472788	Total Expenditure	12110854
Profit Before Tax	1361934	Profit After Tax	1188730
Earning per share-Basic Rs.	25.23	Dividend Rate (%)	10
Earning per share-Diluted Rs.	24.37		

V) Generic Names of Principal Products/Services of the Company (As per monetary Terms)

Item Code No. (ITC Code)	**Product Description**
72031000	Sponge Iron
72061009	Steel Ingots
72141090	Steel Bars / Rods

For and on behalf of the Board of Directors

Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Section 212

Statement pursuant to Section 212 of the Companies Act, 1956, Relating to the Subsidiary Company:

1.	Name of the Subsidiary			:	Nilachal Iron & Power Limited
2.	The financial year of the Subsidiary Company ended on			:	31st March 2008
3.	a.	Number of Shares held by Jai Balaji Industries Limited in the Subsidiary at the end of the Financial year of the Subsidiary Company.		:	49,48,727 Equity Shares of Rs. 10 each fully paid up
	b.	Extent of interest of Holding Company at the end of the Financial year of Subsidiary Company		:	100%
4.	The net aggregate amount of the Subsidiary Company profit/(loss) so far as it concerns the Members of the Holding Company				
	a)	Not dealt with in the Holding Company's accounts			
		i)	For the Financial year ended 31st March 2008	:	Rs.171.41 lacs
		ii)	For the previous Financial year of the Subsidiary Company since it became the Holding Company's Subsidiary	:	Nil
	b)	Dealt with in the Holding Company's account			
		i)	For the Financial year ended 31st March 2008	:	Nil
		ii)	For the previous Financial year of the Subsidiary Company since it became the Holding Company's Subsidiary	:	Nil

For and on behalf of the Board of Directors

Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JAI BALAJI INDUSTRIES LIMITED AND ITS SUBSIDIARY

The Board of Directors
Jai Balaji Industries Limited

1.0 We have audited the attached consolidated balance sheet of Jai Balaji Industries Limited and its subsidiary as at 31st March 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3.0 We did not audit the financial statements of the Company's subsidiary of the Company, Nilachal Iron & Power Limited, whose financial statements reflect total assets of Rs. 17,470.01 lacs as at 31st March 2008, the total revenue of Rs. 4,017.86 lacs and cash outflows amounting to Rs. 121 lacs for the period from 26th October, 2007 to 31st March, 2008 then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditors.

4.0 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

5.0 Based on our audit and on consideration of reports of other auditors on separate financial statements and on other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of Consolidated Balance Sheet, of the state of affairs of Jai Balaji Industries Limited and its subsidiary as at 31st March 2008;

b. in the case of Consolidated Profit and Loss Account, of the Consolidated Results of operations of Jai Balaji Industries and its subsidiary for the year ended on that date; and

c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Jai Balaji Industries Limited and its subsidiary for the year ended on that date.

For **S. R. Batliboi & Co.**
Chartered Accountants

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

Place: Kolkata
Date: 30th June 2008

Consolidated Balance Sheet as at 31st March 2008

(Rs. in lacs)

	Schedule	As at 31st March 2008
SOURCES OF FUNDS		
A. Shareholders' Fund:		
a) Share Capital	1	4,711.46
b) Application Money towards Equity warrants (Refer Note 6 (b) on Schedule 23)		6,178.41
c) Reserves and Surplus	2	33,855.48
B. Loan Funds:		
a) Secured Loans	3	1,10,900.65
b) Unsecured Loans	4	33,794.85
C. Deferred Tax Liabilities (Net)	5	6,965.45
Total		**1,96,406.30**
APPLICATION OF FUNDS		
A . Fixed Assets:		
a) Gross Block		98,699.84
b) Less : Accumulated Depreciation / Amortisation		9,673.56
c) Net Block	6	89,026.28
d) Capital Work in Progress and Pre-operative Expenditure Pending Allocation	7	29,052.75
		1,18,079.03
B. Investments	8	380.92
C1. Current Assets, Loans and Advances		
a) Inventories	9	47,465.50
b) Sundry Debtors	10	21,152.70
c) Cash and Bank Balances	11	2,127.68
d) Loans and Advances	12	37,005.11
		1,07,750.99
C2. Less: Current Liabilities and Provisions	13	
a) Current Liabilities		28,587.17
b) Provisions		1,217.47
		29,804.64
Net Current Assets		**77,946.35**
D. Miscellaneous Expenditure (To the extent not written off / adjusted) (Refer Note 7 on Schedule 23)	14	–
Total		**1,96,406.30**
Significant Accounting Policies and Notes on Accounts	23	

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

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Consolidated Profit and Loss Account for the year ended 31st March 2008

(Rs. in lacs)

	Schedule	2007–08
INCOME		
Sales and Services	15	1,47,590.90
Less: Excise Duty		17,945.31
		1,29,645.59
Other Income	16	5,658.49
Total		**1,35,304.08**
EXPENDITURE		
(Increase) / Decrease in Stocks	17	(8,706.62)
Excise Duty & Cess on Stocks (Refer Note 16 on Schedule 23)		1,333.04
Raw Materials Consumed	18	67,290.68
Purchase of Trading Goods		25,656.67
Manufacturing Expenses	19	14,984.35
Personnel Cost	20	1,894.29
Selling, Distribution and Administrative Expenses	21	3,303.15
Prior Period Expenditure		96.89
Interest and Finance Charges	22	11,093.32
Depreciation / Amortisation		4,488.14
Less: Transfer from State Capital Subsidy		(12.41)
Total		**1,21,421.50**
Profit Before Tax		**13,882.58**
Less: Current Tax (Including Rs.35.79 lacs for earlier years)		2,006.57
MAT Credit Entitlement		(1,093.66)
Deferred Tax Charge		887.78
Fringe Benefit Tax		23.18
Total Tax Expenses (Net)		**1,823.87**
Profit after Tax		**12,058.71**
Add: Share of Profit of Associate Company		109.31
Consolidated Profit		12,168.02
Add: Balance Brought Forward From Previous Year		12,674.94
Profit Available for Appropriation		**24,842.96**
Appropriations		
Proposed Dividend		471.27
Tax on Dividend		80.10
Transfer to General Reserve		10,000.00
Balance in Profit and Loss Account		14,291.59
		24,842.96
Earning Per Share (Nominal Value per share Rs. 10)		
Basic (Rs.)		25.83
Diluted (Rs.)		24.94
(Refer Note 15 on Schedule 23)		
Significant Accounting Policies and Notes on Accounts	23	

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

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Consolidated Cash Flow Statement for the year ended 31st March 2008

(Rs. in lacs)

	2007–08
A: CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit Before Taxes	**13,882.58**
Adjustments For:	
Depreciation / Amortisation	4,475.73
Loss on Sale of Fixed Assets	3.43
Irrecoverable Debts Written off	4.88
Provision for Doubtful Debts	268.77
Liabilities no longer required written back	(375.11)
Interest and Finance Charges	11,093.31
Miscellaneous Expenses Written off	5.00
Dividend Income from long term Non Trade Investments	(0.28)
Interest on Fixed Deposits with Banks / Loans, Advances etc.	(802.51)
Operating Profit Before Working Capital Changes	**28,555.80**
Movement in Working Capital	
Sundry Debtors	1,257.44
Loans and Advances	(17,335.54)
Inventories	(21,623.90)
Trade & Other Payables	5,928.75
Cash Generated From Operating Activities	**(3,217.45)**
Direct Taxes paid (net of refunds)	(1,661.52)
Net Cash Used In Operating Activities	**(4,878.97)**
B: CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(49,358.52)
Proceeds from Sale of Fixed Assets	3.90
Purchase of Non Trade Investments	(334.52)
Investment in Shares of Subsidiary at the time of acquisition	(4,709.46)
Loan to a Body Corporate	(11,000.00)
Dividend received from long term Non Trade Investments	0.28
Interest received on Fixed Deposits with Banks / Loans, Advances etc.	768.80
Net Cash Used In Investing Activities	**(64,629.52)**

Consolidated Cash Flow Statement *(Contd.)*

(Rs. in lacs)

	2007–08
C: CASH FLOW FROM FINANCING ACTIVITIES	
Money towards Equity Warrants / Convertible Debentures	33,504.26
Expenses incurred on issue of Securities	(629.38)
Proceeds from long term Borrowings	73,631.50
Repayment of long term Borrowings	(25,007.13)
Interest and Finance Charges Paid	(12,107.07)
Dividend Paid	(400.07)
Tax on Dividend paid	(68.08)
Net Cash from Financing Activities	**68,924.03**
Net Decrease in Cash and Cash Equivalents (A+B+C)	(584.46)
Cash and Cash Equivalents as at the beginning of the year	2,564.11
Cash and Cash Equivalents of the subsidiary Company as at 26th October 2007	148.03
Cash and Cash Equivalents as at the end of the year	2,127.68
Components of Cash and cash equivalents as at end of the year	
Cash and Cheques on hand	194.57
With banks – on current account	686.85
Fixed Deposits *	1,246.26
	2,127.68

* Receipts aggregating to Rs. 746.26 lacs pledged with Banks as Margin Money against Borrowings / Other facilities are not freely available

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 1 SHARE CAPITAL	
Authorised	
10,10,00,000 Equity shares of Rs. 10 /- each	10,100.00
	10,100.00
Issued, Subscribed and Paid up	
4,71,26,900 Equity shares of Rs. 10 /- each	4,712.69
Less: Calls in Arrear	1.23
	4,711.46

Note:

Out of the above, 2,20,00,000 equity shares of Rs. 10 /- each were issued during the year for consideration other than cash to the shareholders of erstwhile Shri Ramrupai Balaji Steels Limited, on its amalgamation with the Company, pursuant to the scheme approved by the Hon'ble High Court at Calcutta.

Schedule 2 RESERVES AND SURPLUS	
Capital Reserve	
Balance as per Last Account	77.99
Add: Amount arisen on acquisition (Refer Note 4 on Schedule 23)	152.10
Add: Capital Reserve Arisen on Cosolidation	2,534.71
	2,764.80
Securities Premium Account	
Balance as per Last Account	2,400.00
Less: Adjusted towards expenses incurred on issue of securities (Refer Note 7 on Schedule 23)	824.83
	1,575.17
Amalgamation Reserve	
Balance as per Last Account	4,400.00
	4,400.00
State Capital Subsidy	
Balance as per Last Account	511.33
Less: Allocated to Depreciation	12.41
	498.92
General Reserve	
Balance as per Last Account	325.00
Add: Transfer from Profit and Loss Account	10,000.00
	10,325.00
Balance in Profit and Loss Account	14,291.59
	33,855.48

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 3 SECURED LOANS	
Term Loans	
Long Term:	
Rupee Loans	
Banks	49,017.07
Financial Institutions	6,035.51
Foreign Currency Loans	
Banks	5,780.83
Short Term Rupee Loans from Banks: (Repayable within one year)	
Towards Acquisition	12,498.99
Others	3,999.38
Working Capital Finance	
From Banks	
i) In Rupees	21,939.76
ii) In Foreign currency	9,402.89
Deferred Payment Credits	2,226.22
	1,10,900.65

Notes:

1. Term Loans from banks and financial institutions to the extent of Rs. 58,714.03 lacs are secured by way of equitable mortgage created / to be created on the immovable assets and first charge on the fixed assets of the Company, both present and future, lien on fixed deposits of Rs. 145 lacs with banks and second charge on the entire current assets of the Company, both present and future.

2. Term Loans from financial institutions aggregating to Rs. 1,049.15 lacs are secured against lien on the subsidies receivable from Government of West Bengal.

3. Short Term Loans from Banks are secured by way of subservient charge on the entire fixed and current assets of the Company.

4 a. Working Capital facilities aggregating to Rs. 30,043.65 lacs are secured by hypothecation of all current assets including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Company (except for Durg unit), both present and future.

  b. Working Capital facilities aggregating to Rs. 657.84 lacs are secured by hypothecation of all current assets including raw materials, finished goods and book debts, both present and future and second charge on the fixed assets of the Durg unit, both present and future.

5. Deferred Payment Credits are secured by hypothecation of the assets acquired under the respective agreements.

6. All the loans as referred to above (excluding Rs. 1,049.15 lacs from financial institutions) are further secured by the personal guarantee of certain promoter directors of the Company.

7. Term Loans and Working Capital Finance includes Rs.1,070.23 lacs and Rs. 641.15 lacs respectively are secured by way of equitable mortgage and hypothecation of entire present and future fixed assets, stocks and book debts of the subsidiary Company and also further secured by corporate guarantee of M/s Chandi Steel Industries Limited and personal guarantee of a promoter director of the subsidiary Company.

8. Long term loans and Deferred Payment Credits include Rs. 11,862.94 lacs payable within one year.

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 4 UNSECURED LOANS	
Debentures	
83,59,000, Zero Coupon Compulsorily Convertible Debentures of Rs. 326.90 each [Refer Note 6 (a) on Schedule 23]	27,325.57
Short Term Loans	
From Banks	2,999.86
From Body Corporates	2,650.00
Interest Free Sales Tax Loan	819.42
	***33,794.85**

* Includes Rs. 3,401.61 lacs (Rs. 8,777.66 lacs) repayable within one year, based on original/revised terms

Schedule 5 DEFERRED TAX LIABILITIES (NET)

Balance as per Last Account	6,077.67
Add: Created for the Year	887.78
	6,965.45

Schedule 6 FIXED ASSETS

Description	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK
	As at 31st March 2007	Added on acquisition (1)	Other Additions (3)	Deductions	As at 31st March 2008	Up to 31st March 2007	For the Year (3)	Deductions	Up to 31st March 2008	As at 31st March 2008
Freehold Land	1,709.97	94.60(2)	213.28	–	2,017.85	–	–	–	–	2,017.85
Leasehold Land	213.45	255.42(2)	20.43	–	489.30	–	66.34(4)	–	66.34	422.96
Factory Buildings	6,391.77	903.26	3,789.57	–	11,084.60	280.56	334.54	–	615.10	10,469.50
Railway Siding	–	607.50	1,146.62	–	1,754.12	–	32.17	–	32.17	1,721.95
Plant & Machinery	44,454.32	7,098.02	21,477.31	–	73,029.65(5)	3,112.14	4,378.90(4)	–	7,491.04	65,538.61
Electrical Installations	7,204.96	1.50	2,306.77	–	9,513.23	749.92	450.63	–	1,200.55	8,312.68
Furniture, Fixtures & Office Equipments	347.56	37.58	139.60	–	524.74	125.73	74.17	–	199.90	324.84
Vehicles	134.77	4.22	158.43	11.07	286.35(5)	32.68	39.51	3.73	68.46	217.89
Total	**60,456.80**	**9,002.10**	**29,252.01**	**11.07**	**98,699.84**	**4,301.03**	**5,376.26**	**3.73**	**9,673.56**	**89,026.28**

Notes:

1) Refer Note 4 on Schedule 23.
2) Land valuing Rs. 350.02 lacs is pending registration in the Company's name.
3) Includes the figures relating to the subsidiary with effect from 26th October 2007 (Refer Note 1 (a) (i) on Schedule 23).
4) Includes Rs. 193.57 lacs for earlier years.
5) Includes assets taken on finance lease as disclosed in Note 9 on Schedule 23.

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 7 CAPITAL WORK IN PROGRESS AND PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION	
A. Capital Work-in-Progress	
Opening Balance	4,603.27
Additions	
Land*	567.08
Buildings*	4,991.71
Railway Siding*	2,018.93
Plant and Machinery*	26,575.21
Electrical Installations	2,704.35
Coal Block Development Expenses*	187.31
Capital Advances	5,941.83
Total A:	**47,589.69**
B. Pre-operative Expenditure Pending Allocation	
Opening Balance	164.76
Additions	
Power and Fuel	393.13
Salaries, Wages and Bonus	19.68
Rent and Hire	104.82
Rates and Taxes	0.84
Insurance	13.52
Travelling and Conveyance	7.03
Telephone & Postage Charges	0.86
Printing and Stationery	0.06
Legal and Professional Charges	42.82
Miscellaneous Expenses	8.56
Interest (Including Rs. 602.72 lacs on fixed loans)	619.24
Finance Charges	67.53
Total B:	**1,442.85**
Grand Total	**49,032.54**
Less: Transfer to fixed assets	19,979.79
Closing Balance	**29,052.75**
A. Capital Work-in-Progress	27,763.13
B. Pre-Operative Expenditure pending allocation	1,289.62
	29,052.75

* Includes Rs 238.13 lacs relating to opening balance of subsidiary Company as on 26th October 2007

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

Schedule 8 INVESTMENTS

	No. of Shares/ Bonds	Face Value per Share/Bond Rs.	As at 31st March 2008
Long Term (at cost)			
Non Trade (Quoted)			
UCO Bank Limited	1,600	10	0.19
Vijaya Bank Limited	200	10	0.05
Allahabad Bank Limited	5,344	10	4.38
Talbros Automotive Component Limited	5,682	10	5.80
Shyama Infosys Limited	3,66,200	10	25.91
Shri Nidhi Trading Company Limited	10,500	10	0.95
			37.28
Non Trade (Unquoted)			
Bonds			
The West Bengal Financial Corporation Limited	9	1,00,000	9.00
(Pledged as security against Term Loan from a financial instititution)			
Government Securities			
National Savings Certificate (Deposited with Third Parties)			0.12
Fully Paid-up Equity Shares			
Calcutta Stock Exchange Limited	16,726	1	334.52
			343.64
			380.92
Aggregate Value of Investments			
– Quoted			37.28
– Unquoted			343.64
Market Value of Quoted Investments			36.92

Schedule 9 INVENTORIES

	As at 31st March 2008
(At lower of cost and net realisable value)	
Raw Materials (Including in transit Rs. 4,641.82 lacs)	30,923.00
Stores and Spares (Including in transit Rs. 48.26 lacs)	1,855.30
Work - in - Process	103.82
Finished Goods	14,153.89
Trading Goods	50.55
By Products	378.94
	47,465.50

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 10 SUNDRY DEBTORS	
(Unsecured, Considered Good unless otherwise stated)	
Debts outstanding for more than six months	
Considered good	3,906.03
Considered doubtful	268.77
Other Debts	17,246.67
	21,421.47
Less : Provision for Doubtful Debts	268.77
	21,152.70

Schedule 11 CASH AND BANK BALANCES	
Cash in hand	59.81
Cheques in hand	134.76
Balance with Scheduled Banks on:	
Current Account	683.38
Fixed Deposit Account *	1,246.26
Unclaimed Dividend Accounts	3.29
Unclaimed Fractional Share Balance	0.18
	2,127.68

* Receipts aggregating to Rs. 713.03 lacs pledged with Banks as Margin Money against Borrowings / Other facilities

Schedule 12 LOANS AND ADVANCES	
(Unsecured, Considered Good unless otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	15,678.97
Loan to a Body Corporate (Repayable on Demand)	11,000.00
Security Deposits	273.26
Interest Receivable	63.29
MAT Credit Entitlement	1,565.69
Balance with Excise and other Government Authorities	4,031.19
Subsidies and Incentives Receivable	4,297.14
Sales Tax and Other Refunds Receivable	95.57
	37,005.11

Schedules Forming Part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31st March 2008
Schedule 13 CURRENT LIABILITIES AND PROVISIONS	
A. Current Liabilities	
Acceptances	1,048.16
Sundry Creditors for goods, services and expenses:	
a) Dues to Micro, Small and Medium Enterprises [Refer Note 12 on Schedule 23]	36.18
b) Dues towards Capital Goods	5,179.64
c) Dues to Others	12,430.57
Advances from Customers	3,565.46
Other Liabilities	2,210.72
Amount payable to HEG Limited towards acquisition [Refer Note 4 on Schedule 23]	4,090.55
Investor Education and Protection Fund:	
(To be deposited as and when due)	
a) Unclaimed Dividend	3.29
b) Unclaimed Fractional Shares Liability	0.18
Interest Accrued but not due on Loans	22.42
	28,587.17
B. Provisions:	
Gratuity	144.30
Leave Salary	57.43
Proposed Dividend	471.27
Tax on Proposed Dividend	80.10
Income Tax (Net of Advances)	445.98
Fringe Benefit Tax (Net of Advances)	18.39
	1,217.47

Schedule 14 MISCELLANEOUS EXPENDITURE	
(To the extent not written off or adjusted)	
Opening Balance	195.45
Less: Transfer from Securities Premium Account (Refer Note 7 on Schedule 23)	195.45
	–

Schedules Forming Part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	2007–08
Schedule 15 SALES AND SERVICES	
Finished Goods	1,43,779.08
Saleable Scraps and By Products	598.44
Conversion Charges	1,409.65
Service and other Charges	1,803.73
	1,47,590.90

Schedule 16 OTHER INCOME	
Interest on:	
a) Fixed Deposits with Banks (Tax deducted at Source Rs. 9.72 lacs)	78.24
b) Loans, Advances etc (Tax deducted at Source Rs.161.11 lacs)	724.28
Commission Received	3,799.82
Dividend Income from long term non trade Investments	0.28
Insurance Claims	2.03
Liabilities no longer required written back	375.12
Miscellaneous Income	678.72
	5,658.49

Schedule 17 (INCREASE)/ DECREASE IN STOCKS	
Closing Stocks:	
Work-in-Process	103.82
Finished Goods	14,153.89
Trading Goods	50.55
By Products	378.94
	14,687.20
Less:	
Opening Stocks:	
Finished Goods	5,316.84
Trading Goods	51.46
By Products	83.98
Stock acquired under scheme of Arrangement (Refer Note 4 on Schedule 23)	528.30
	5,980.58
	(8,706.62)

Schedule 18 RAW MATERIALS CONSUMED	
Opening Stock	20,158.78
Add : Stock acquired under scheme of Arrangement (Refer Note 4 on Schedule 23)	625.94
Add: Purchases *	77,428.96
	98,213.68
Less: Closing Stock	30,923.00
	67,290.68

* Net of sale of Raw Material Rs. 1,742.87 lacs

Schedules Forming Part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	2007–08
Schedule 19 MANUFACTURING EXPENSES	
Consumption of Stores and Spares	4,420.84
Labour Charges	1,826.73
Power and Fuel (Net) (Including Rs.409.05 lacs for fuel surcharge relating to earlier years)	7,458.14
Repairs and Maintenance:	
– Plant and Machinery	792.48
– Buildings	12.55
– Others	149.96
Water Expenses	231.29
Other Expenses	92.36
	14,984.35

	2007–08
Schedule 20 PERSONNEL COST	
Salaries, Wages and Bonus	1,577.38
Contribution to Provident and Other Funds	158.45
Gratuity (Refer Note 11 on Schedule 23)	62.47
Staff Welfare Expenses	95.99
	1,894.29

	2007–08
Schedule 21 SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES	
Freight and Transportation (Net)	509.27
Rent and Hire	308.89
Rates and Taxes	309.44
Insurance	184.48
Advertisement	164.27
Brokerage and Commission (Other than Sole Selling Agents)	129.50
Travelling and Conveyance	208.41
Telephone and Postage Charges	51.16
Printing and Stationery	39.54
Legal and Professional Charges	167.52
Directors' Fees	1.38
Auditors' remuneration	
– Audit Fees	20.00
– In Other Capacity	15.80
– For Expenses	0.28
Remuneration to Auditor of Subsidiary Company	
– Audit Fees	2.00
– Tax Audit Fees	0.50
Provision for Doubtful Debts and Advances	273.65
Loss on Forward Exchange Contract / Exchange Fluctuation (Net)	364.33
Charities and Donations	9.79
Security and Service Charges	210.04
Loss on Sale / Discard of Fixed Assets	3.43
Miscellaneous Expenses	329.47
	3,303.15

Schedules Forming Part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	2007–08
Schedule 22 INTEREST AND FINANCE CHARGES	
Interest on	
– Fixed Loans (Net)	8,914.29
– Other Loans	1,608.67
Finance Charges	570.36
	11,093.32

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. **Significant Accounting Policies**

a) **Principles of Consolidation:**

i) The Consolidated Financial Statements present the Consolidated Accounts of Jai Balaji Industries Limited and its following Subsidiary:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership/ interest as at 31st March 2008
Nilachal Iron & Power Ltd (NIPL)	India	100%

Nilachal Iron & Power Ltd having become subsidiary of the Company with effect from 26th October, 2007, its financial statements have been consolidated for the period from 26th October 2007 to 31st March 2008.

ii) In terms of Accounting Standard 21 – 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, the financial statements of the Company and its Subsidiary are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenditure, after fully eliminating intra-group balances, intra-group transactions and any unrealised profit/loss included therein.

iii) For the period from 21st July 2007 to 25th October 2007, NIPL was an Associate and accordingly, in terms of Accounting Standard 23 – 'Accounting for Investment in Associates in Consolidated Financial Statements' issued by The Institute of Chartered Accountants of India, the Company has accounted for the Net Profit of the Associate in Consolidated Profit & Loss Account for the aforesaid period.

iv) The difference of the cost to the Company of its investment in Subsidiary as at the date of acquisition of stake is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and are presented, to the extent possible, in the same manner as the Company's separate financial statements.

vi) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended 31st March 2008.

b) **Basis of preparation of Accounts**

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes discussed more fully below, are consistent with those used in the previous year.

c) **Use of estimates**

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

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

d) **Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price inclusive of duties (net of CENVAT & VAT Credit), taxes, incidental expenses, erection / commissioning expenses, and interest etc. upto the date the asset is ready to be put to use.

Own produced materials used for fixed assets are capitalised at cost.

Machinery spares which can be used only in connection with a particular item of fixed assets and whose use as per technical assessment is expected to be irregular, are capitalised and depreciated prospectively over the residual life of the respective asset.

e) **Depreciation**

i) The classification of Plant and Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

ii) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. Depreciation on Railway Wagons acquired by the Company is provided @ 10% p.a. as against 4.75% p.a. as prescribed in Schedule XIV because of the conditions prescribed in the agreement with Railway Authorities.

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

f) **Borrowing Costs**

Borrowing costs relating to acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

g) **Impairment**

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

h) **Fixed Assets acquired under Leases**

Finance Lease

Assets acquired under lease agreements which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

i) **Government grants and subsidies**

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

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

In the case of Subsidiary of the Company, State Capital Subsidy received on account of fixed assets is credited to Capital Reserve Account out of which subsidies in relation to depreciable assets are allocated to income over the useful life of the respective assets by deduction from depreciation from the year.

j) **Investments**

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

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

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

k) **Inventories**

Inventories are valued as follows:

Raw materials	At lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Stores and Spares	At lower of cost and net realizable value. Cost is determined on 'First in First Out' basis except for Durg unit where the cost is determined on weighted average basis.
Work–in-Process and Finished goods	At lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
	In the case of Subsidiary of the Company, finished goods are valued at net realizable value.
Scrap and By Products	At net realizable value.

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

l) **Revenue Recognition**

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

Sale of Goods

Revenue from sale of goods is recognised on passage of title thereof to the customers, which generally coincides with delivery and includes excise duty thereon net of returns, claims, rebates, discounts, Sales Tax, VAT etc.

Income from Services

Income from Services is recognised on performance of the contract and acceptance of the services by the customers.

Interest

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

Dividend

Dividend income is recognised when the shareholders' right is established by the balance sheet date.

m) **Foreign currency transactions**

i) **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) **Conversion**

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

iii) **Exchange Differences**

Exchange differences arising on the settlement / conversion of monetary items are recognised as income or as expenses in the period in which they arise.

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

iv) **Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

n) **Retirement and other employee benefits**

i. Retirement benefits in the form of Provident Fund / Superannuation Fund are defined contribution schemes and the contributions are charged to the Profit and Loss Account in the year when the contributions to the respective funds are due.

ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates whereas long term compensated absences are provided for on the basis of actuarial valuation.

iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

o) **Taxation**

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

The deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and the tax laws that have been substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and write down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

p) **Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

q) **Segment Reporting Policies**

Based on the synergies, risks and returns associated with business operations and in terms of Accounting Standard-17, the Company is predominantly engaged in a single reportable segment of Iron and Steel during the year. The risks and returns of existing captive power plants are directly associated with the manufacturing operations of Iron and Steel and hence treated as a single reportable segment as per Accounting Standard-17. There is no separate geographical segment.

r) **Earnings Per Share**

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

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Partly paid equity shares / instruments are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

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

s) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

t) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

u) Derivative Instruments

As per the announcement made by the Institute of Chartered Accountants of India, the accounting for derivative contracts, other than those covered under Accounting Standard - 11, are marked to a market on a portfolio basis, and the net loss after considering the offsetting effect of the underlying hedge item is charged to the income statement. Net gains are ignored as a matter of prudence.

Notes on Accounts:

2. Contingent liabilities not provided for:

(Rs. in lacs)

	As at 31st March 2008
a) Claims against the Company not acknowledged as debts	
i) Excise and Custom Demands under dispute/ appeal (out of the same, Rs. 20 lacs has been paid under protest)	505.83
ii) Others	65.00
b) Sales Tax matters under dispute/appeal	2,830.65
c) Letters of Credit, Bills discounted and Bank Guarantees outstanding	4,424.89
3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for [Net of Advances Rs. 5,983.95 lacs]	7,985.48

4. During the year, the Company has acquired the steel unit of HEG Limited, comprising of Sponge, Power and Steel Plants at Durg, Chhattisgarh at a consideration of Rs. 11,668 lacs in cash through a scheme of arrangement which has been approved by the shareholders of both the Companies and by the Honourable High Courts of Jabalpur and Calcutta; with effect from 1st August 2007. The Company has accounted for the above acquisitions under the purchase method as per Accounting Standard - 14 issued by the Institute of Chartered Accountants of India.

Accordingly, the fixed assets of the said unit have been valued by an Independent firm of Registered Valuer and the difference of Rs.152.10 lacs between the consideration amount and the fair value so identified, has been transferred to Capital Reserve.

5. M/s Tisco Growth Shop has made net claim of Rs. 35.17 lacs on the Subsidiary of the Company on account of supply of materials and consultancy charges, out of which Rs. 28.24 lacs is provided in the books of account. However, the Company has filed counter claim of Rs. 500 lacs on them on account of supply of faulty drawings, defects in design, use of excess steel, poor supervision, incorrect estimation of project cost, damage to assets etc. The same is pending adjustment in the books of accounts as the matter is under negotiation.

6. a. During the year the Company has issued 83,59,000 Zero Coupon Compulsorily Convertible Debentures at a price of Rs. 326.90 to Foreign Equity Investors. The debenture holders have the option to convert each debenture at any time into an equity share of Rs. 10 each at a premium of Rs. 316.90 per debenture within 18 months from the date of allotment i.e. 7th February 2008.

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b. The Company has also issued 96,00,000 warrants to the Promoters and others carrying a right to convert each warrant into an Equity Share of Rs. 10 each at a premium of Rs. 316.90 per warrant within a period of 18 months from the date of allotment i.e. 7th February 2008. The warrant holders have paid Rs. 6,178.41 lacs as application money against the above equity share warrants.

c. The Company has fully utilised the proceeds of Rs. 33,503.98 lacs received against private placement of equity share warrants and compulsorily convertible debentures for purchase of fixed assets and current assets, repayment of short term loan and reduction in working capital facilities.

7. Unlike in the past, expenditure incurred by the Company in connection with the issue of securities have been appropriated from Securities Premium Account. The amount so appropriated stands at Rs. 824.83 lacs (including Rs. 195.45 lacs carried forward as Miscellaneous Expenditure for earlier years).

8. During the year, the Company has accounted for the following subsidies / incentives receivable from the Government of West Bengal under West Bengal Incentive Scheme aggregating to Rs. 3,773.56 lacs (including Rs. 2,909.49 lacs for earlier years):

Sl. No.	Particulars	Account to which credited	Rs. in lacs
a)	Industrial Promotion Assistance	Sale of Finished Goods	981.96
b)	Power Subsidy	Power and Fuel	2,318.65
c)	Interest Subsidy	Interest on Fixed Loans	472.95
			3,773.56

9. Assets taken on finance lease include Railway Wagons included under Plant & Machinery and Vehicles. At the expiry of the lease period legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

Future obligations towards lease rentals (inclusive of finance charges) Rs. 805.69 lacs (Rs. 1,152.69 lacs) under the respective agreements as on the date of balance sheet are as per details given below:

(Rs. in lacs)

Particulars	2007–08
Total minimum lease payments at the year end	805.69
Less : Amount representing finance charges	83.38
Present value of minimum lease payments	722.31
Lease payments for the year	377.40
Minimum Lease Payments :	
Not later than one year: Present value as on 31.03.2008 Rs. 314.09 lacs (Rs. 287.30 lacs)	371.16
Later than one year but not later than five years: Present value as on 31.03.2008 Rs. 408.09 lacs (Rs. 701.77 lacs)	434.53
Later than five years: Present value as on 31.03.2008 Rs. Nil (Rs. Nil)	–

10. Current Tax and MAT Credit Entitlement includes Rs. 409.83 lacs towards Minimum Alternate Tax liability for earlier year. Further, Deferred Tax charge for the year is net of Rs. 265.54 lacs, being excess deferred tax liability provided in earlier years.

11. Gratuity and Leave

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to gratuity on terms not less favourable than The Provisions of Gratuity Act, 1972. The aforesaid scheme is unfunded.

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

The disclosures required under Accounting Standard 15 'Employee Benefits' notified in the Companies (Accounting Standards) Rules 2006 are given below:

(Rs. in lacs)

	Particulars	Gratuity	Leave
I.	**Expenses recognised in the statement of Profit & Loss Account for the period ended 31st March 2008:**		
	Current service cost	21.56	2.70
	Interest cost on benefit obligation	5.37	3.39
	Net actuarial loss / (gain) recognised in the year	35.54	(10.02)
	Past Service Cost	-	-
	Total Expenses / (Income)	**62.47**	**(3.93)**

II. Net Assets/ (Liability) recognised in the Balance Sheet as at 31st March 2008:

Present value of Defined Benefits Obligation	144.30	57.43
Less: Unrecognised past service cost	–	–
Net Liability	***144.30**	**57.43**

* Gross of Reimbursements receivable from HEG Limited Gratuity Fund for liability taken over by the Company.

III. Change in the present value of the defined benefit obligation during the year ended 31st March 2008:

Present Value of Defined Benefit Obligation at the beginning of the year #	100.58	61.36
Current Service Cost	21.56	2.70
Interest Cost	5.37	3.39
Benefits Paid	(18.75)	–
Actuarial Loss / (Gain)	35.54	(10.02)
Present Value of Defined Benefits Obligation at the year end	**144.30**	**57.43**

The Company has adopted Revised AS 15 with effect from 1st April 2007. As per actuarial valuation, the opening liability provided in the books is higher by Rs. 24.84 lacs out of which Rs. 24.84 lacs have been adjusted against current year's charge.

IV. Change in the Fair Value of Plan Assets during the year ended 31st March 2008:

Fair Value of Defined Benefit Obligation at the beginning of the year	-	-
Expected Return	-	-
Contribution by the employer	-	-
Benefits paid	(18.75)	-
Actuarial (Gains)/Losses	-	-
Fair Value of Defined Benefit Obligation at the year end	**-**	**-**

The Company does not contribute to any approved gratuity fund at present and accordingly, the disclosures as per para 120 (e) and (h) are not applicable.

V. The principal assumptions used in determining gratuity and leave obligations for the Company's plans are shown below:

Discount Rate	8.30%	8.30%
Expected Rate of return on plan assets	N.A.	N.A.
Rate of increase in salaries	10%	10%
Expected Average remaining working lives of employees (years)	22.12	19.73

Notes:

a. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The above information is certified by the Actuary.

b. Since the Company has adopted Accounting Standard - 15 (Revised) on employee benefits from current year onwards, the disclosures as mentioned above are given only for the current year.

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

12. Based on the information available with the Company, the amounts due to Micro, Small and Medium Enterprises as per MSMED Act, 2006 are as follows:

(Rs. in lacs)

Sl. No.	Particulars	2007–08
a)	Principal Amount remaining unpaid to the suppliers as at the end of the year	33.85
b)	Interest due on above remaining unpaid to the suppliers as at the end of the year	1.23
c)	Amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006	Nil
d)	Amount of interest due and payable for the period of delay in making payment (which have been paid beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.10
e)	Amount of interest accrued and remaining unpaid at the end of each accounting year; and	2.33
f)	Amount of further interest remaining due and payable even in the succeeding years.	Nil

13. Unhedged Foreign Currency Exposures outstanding at the year end are as follows:

Sl. No.	Particulars	As at 31st March 2008		
		Foreign Currency	Amount in Foreign Currency	Rs. in lacs
i)	Trade Receivables	US$	7,411	2.99
ii)	Trade Payables	Euro	87,525	55.22
iii)	Advances given	Euro	5,71,000	360.24

14. Loans and Advances include the following loans due from a Company in which the directors are interested:

(Rs. in lacs)

Name of the Company	As at 31st March 2008	Maximum Amount due at any time during the year
Jai Balaji Jyoti Steels Ltd. (Loan)	11,000.00	11,000.00

15. Basic and diluted earnings per share:

			2007–08
A	Profit after Tax	Rs. in lacs	12,168.02
B	Present weighted average number of equity shares (Rs. 10 each)	Nos.	4,71,14,650
C	Weighted average number of equity shares allotted / to be allotted	Nos.	4,71,14,650
D	Potential weighted average number of Equity Shares	Nos.	4,87,85,647
E	Basic Earning per Share	Rs.	25.83
F	Diluted Earning per Share	Rs.	24.94

16. Excise duty on increase/decrease in stock represents differential excise duty on opening and closing stock of Finished Goods.

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

17. The break-up of major components of Net Deferred Tax Liability of Rs. 6,965.45 lacs as on 31st March 2008 is as under:

(Rs. in lacs)

Particulars	As at 31st March 2008
Deferred Tax Liability	
Timing Difference on Depreciable assets (Including Rs. 821.65 lacs for subsidiary)	8,264.34
Sub total (A)	**8,264.34**
Deferred Tax Asset	
Unabsorbed Depreciation / losses (For subsidiary Company)	957.44
Expenses allowable on payment basis / other timing differences	341.45
Sub total (B)	**1,298.89**
Net Deferred Tax Liability (A-B)	**6,965.45**

18. Related Party Disclosures:

Name of Related Parties:

Key Management Personnel	Mr. Aditya Jajodia, Chairman and Managing Director
	Mr. Sanjiv Jajodia, Wholetime Director
	Mr. Aashish Jajodia, Wholetime Director of Subsidiary
Relatives of Key Management Personnel	Mr. Rajiv Jajodia, Brother of Wholetime Director
	Mr. Devendra Prasad Jajodia, Brother of Wholetime Director
	Mr. Gourav Jajodia, Nephew of Wholetime Director
	Smt. Kanchan Jajodia, Sister-in-law of Wholetime Director
	Smt. Rina Jajodia, Sister-in-law of Chairman and Managing Director
	Smt. Sangeeta Jajodia, Wife of Wholetime Director
	Smt. Shashi Devi Jajodia, Sister-in-law of Wholetime Director
	Smt. Seema Jajodia, Wife of Chairman and Managing Director
Enterprises owned or significantly influenced by key management personnel or their relatives	M/s Chandi Steel Industries Limited
	M/s Jai Balaji Jyoti Steels Limited
	M/s Jai Salasar Balaji Industries (P) Limited
	M/s Balaji Ispat Udyog
	M/s Jai Balaji Shakti Cement Limited
	M/s Enfield Suppliers Limited
	M/s Hari Management Limited
	M/s Jajodia Estate Private Limited
	M/s K.D.Jajodia Steel Industries (P) Limited
	M/s Sumangalaya Balaji Steels Limited
	M/s Marutaye Balaji Steels Limited

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Related Party Transactions:

(Rs. in lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Sales of Finished Goods and Raw Materials				
M/s Chandi Steel Industries Limited			2,122.57	2,122.57
M/s Jai Balaji Jyoti Steels Limited			288.86	288.86
M/s Jai Salasar Balaji Industries (P) Limited			890.34	890.34
Others			2.08	2.08
Purchases of Raw Materials				
M/s Jai Balaji Jyoti Steels Limited			2,310.68	2,310.68
M/s Jai Salasar Balaji Industries (P) Limited			487.72	487.72
Others			97.94	97.94
Salary / Managerial Remuneration				
Mr. Aditya Jajodia	6.50			6.50
Mr. Sanjiv Jajodia	4.77			4.77
Mr. Aashish Jajodia	1.25			1.25
Rent Expenses				
M/s Jajodia Estate Private Limited			0.69	0.69
Dividend Paid				
Mr. Sanjiv Jajodia	22.52			22.52
Mr. Aditya Jajodia	24.09			24.09
Mr. Rajiv Jajodia		13.33		13.33
M/s Enfield Suppliers Limited.			95.38	95.38
M/s Hari Management Limited			59.88	59.88
M/s Jai Salasar Balaji Industries (P) Limited			8.53	8.53
M/s K.D.Jajodia Steel Industries (P) Limited			14.39	14.39
Others		17.22		17.22
Share Application Money Paid / Refunded				
M/s Jai Balaji Shakti Cement Limited			1,000.00	1,000.00
Money received against Equity Warrants				
Smt. Kanchan Jajodia		65.38		65.38
Mr. Aashish Jajodia		65.38		65.38
Mr. Aditya Jajodia	163.45			163.45
Mr. Devendra Prasad Jajodia		65.38		65.38
Mr. Gourav Jajodia		65.38		65.38
Mr. Rajiv Jajodia		163.45		163.45
Mr. Sanjiv Jajodia	163.45			163.45
Smt. Rina Jajodia		65.38		65.38
Smt. Sangeeta Jajodia		65.38		65.38
Smt. Shashi Devi Jajodia		65.38		65.38
Smt. Seema Jajodia		65.38		65.38
M/s Enfield Suppliers Limited.			3,040.17	3,040.17
M/s Hari Management Limited			2,026.78	2,026.78

Schedules forming part of the Consolidated Accounts

Schedule 23 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Related Party Transactions: *(Contd.)*

(Rs. in lacs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Interest Received				
M/s Jai Balaji Jyoti Steels Limited			633.41	633.41
Others			49.00	49.00
Balance Receivable as at the year end				
M/s Jai Balaji Jyoti Steels Limited			1,547.60	1547.60
M/s Chandi Steel Industries Limited			1,156.47	1,156.47
Balance Payable as at the year end				
M/s Jai Salasar Balaji Industries (P) Limited			9.98	9.98
M/s Jai Balaji Jyoti Steels Limited			420.27	420.27
Loan Receivable Outstanding as at the year end				
M/s Jai Balaji Jyoti Steels Limited			11,000.00	11,000.00

19. Managerial Remuneration

(Rs. in lacs)

Particulars	2007–08
a) Chairman and Managing Director	
Salary	5.73
Perquisites	0.77
Total	**6.50**
b) Whole-time Director	
Salary	3.05
Perquisites	2.97
Total	**6.02**

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable, and therefore, not included above.

20. During the year, the Subsidiary of the Company has changed its method of valuation of raw materials from "First in First Out" to "Weighted Average" basis. Due to this change, the Profit for the year is lower by Rs. 27.72 lacs.

21. In terms of Accounting Standard Interpretation – 15 issued on Accounting Standard – 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, additional information pursuant to requirements of Part II of Schedule VI to The Companies Act, 1956, have not been disclosed in these Notes.

22. As per Paragraph 30 of Accounting Standard – 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, this being the first year of consolidation, the comparative figures for the previous year are not given.

As per our attached report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per R K Agrawal
Partner
Membership No : 16667
Place : Kolkata
Date : 30th June 2008

Aditya Jajodia
Chairman & Managing Director

Sanjiv Jajodia
Wholetime Director

Ajay Kumar Tantia
Company Secretary

Directors' Report

To
The Members of
Nilachal Iron & Power Limited

Your Directors are pleased to present their Annual Report on the business and operations of your Company and the Statement of Accounts for the year ended 31st March 2008.

Financial Results

(Rs. in lacs)

Particulars	2007-08	2006-07
Net Sales and other Income	8,283.95	3,999.30
Profit before Finance costs, depreciation & tax	963.96	754.91
Less		
Depreciation	323.15	320.72
Finance Costs	166.80	289.28
Profit before Tax	**474.01**	**144.91**
Less:		
Fringe Benefit Tax	2.51	2.20
Deferred Tax	162.84	(41.71)
Current Tax	36.62	–
MAT credit entitlement	(36.62)	–
Income Tax adjustment	–	0.10
Profit after Tax	**308.66**	**184.32**
Balance brought forward	184.32	–
Balance Carried to Balance Sheet	492.98	184.32

Review of Operations

There has been a phenomenal increase in production and revenues of the Company during the year under review as compared to previous year. The production of sponge iron during the year increased by 68% and was 78,405.67 MT as compared to 46,692.95 MT in previous year The revenues, comprising of sales and other income for the year under review increased by 107% and was Rs. 8,283.95 lacs as compared to Rs. 3,999.30 lacs of last year. Profit before tax has increased to Rs. 474.01 lacs from Rs. 144.91 lacs of last year.

Dividend

In view of future growth plans, the Board of Directors of the Company have decided not to recommend any dividend for the year under review.

Future Outlook

Your Directors are of the opinion that considering the fact that Indian economy has moved to higher growth plane, with growth in GDP at market prices exceeding 8% each year since 2003-04 and estimated growth in GDP being 8.7% for 2007 -08 will create increase in demand for the products of the Company thus paving a very bright future prospect for growth of the Company. It is worth mentioning that due to better operational management, production planning and use of right mix of raw materials there has been phenomenal growth in the productivity of the Company.

Holding Company

The Company became wholly owned subsidiary of M/s Jai Balaji Industries Limited with effect from 26th October 2007. The Company has become a part of one of eastern India's most rapidly growing group in steel sector and it has provided greater synergies of operations, production and sales to the Company.

Directors

Shri Aditya Jajodia retires by rotation and being eligible, offers himself for re-appointment.

Shri Sanjiv Jajodia and Shri Aashish Jajodia have been appointed as additional director by the Board with effect from 26th October 2007. Shri Ashim Kr Mukherjee has been appointed as additional director with effect from 17th March 2008. The Company has received special notice under section 257 of the Companies Act, 1956, proposing the name of Shri Sanjiv Jajodia, Shri Aashish Jajodia and Shri Ashim Kr Mukherjee to be appointed as the director of the Company. Your Directors recommend their appointment.

Directors' Responsibility Statement

Pursuant to section 217 (2AA) of the Companies Act,1956, your Directors confirm that:

i) in the preparation of annual accounts, the applicable accounting standards have been followed.

ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the statement of affairs of the Company as at 31st March 2008 and of the Profit of the Company for the year ended on that date;

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

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

Auditors

M/s. B. Chhawchharia & Co., Chartered Accountants, the Statutory Auditors of the Company who retire from the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished to the Company a Certificate in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

The observations of Auditors in their Report read with relevant notes to accounts in Schedule 23 are self explanatory and do not require further explanation.

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

Particulars with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217 (1) (e) of the Companies Act,1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

Particulars Of Employees

The Company has no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules , 1975 during the year under review.

Acknowledgement

Your Directors express their grateful appreciation for the continued assistance and co-operation extended by the customers, suppliers, bankers, investors and the government authorities. Your directors place on record their appreciation for the employees of the Company at all levels for their commitment and continued support for the Company.

For and on behalf of the Board

	Aditya Jajodia	**Aashish Jajodia**	**Sanjiv Jajodia**
Place : Kolkata	*Director*	*Director*	*Director*
Date : 24th June 2008			

Annexure to Directors' Report

Information under Section 217(1)(e) read with the 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 2008:

a) Conservation of Energy:

Conservation of energy is always an ongoing process and the management of the Company provides high priority in this area.

b) Additional Investments and Proposals, if any being implemented for reduction of consumption of energy: Nil

c) Impact of the measures at (a) and b) above for reduction of energy conservation and consequent impact on the cost of production of goods:

On account of measures taken as above there has been efficient utilization of resources.

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

A. Technology absorption:

a) The details of efforts made towards absorption of technology is given in the Report in Form B

B. Foreign exchange earnings and outgo:

a) Activities relating to exports, initiatives taken to exports, development of new export markets for products and services and export plans: Nil

Total Foreign Exchange used and earned: Nil

Annexure

Form – A

Form for Disclosure of Particulars with respect to Conservation of Energy.

A. Power and Fuel consumption:

Electricity	2007-08	2006-07
a) Purchased Units (KVAH)	79,42,320	80,96,897
Total Amount (Rs. in lacs)	319.64	360.57
Rate per Unit (Rs.)	4.02	4.45
B. Electricity Consumption per unit (M.T.) of consumption:		
Sponge iron	101.30	173.41

Form – B

Form for Disclosure of Particulars with respect to Technology Absorption.

Research and Development (R & D)

1. **Specific areas in which R & D carried out by the Company:**
   Research was carried out in the areas of raw material, product development and improvement in the process and system, reduction of wastage and improvement in energy conservation.

2. **Benefits derived as results of the above R & D:**
   The Company is successful in improving the quality of its products and reducing specific consumption of inputs through improved production process.

3. **Future Plan of action:**
   Emphasis is on cost reduction, product development, product quality and energy conservation.

4. **Expenditure on R & D:**
   In view of the established accounting practice the cost, if any, associated with the Research and Development has been merged with the respective account head and not segregated.

Technology absorption, adaptation and innovation:

a) **Efforts, in brief, made towards technology absorption, adoption and innovation.**

The Company continued its research in areas of raw materials, energy conservation and waste utilization.

b) **Benefits derived as a result of the above efforts.**

Due to above efforts there was better and easier availability of materials, improved productivity and saving in process cost.

c) **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished:**

i)	Technology imported	:	Nil
ii)	Year of import	:	Not applicable
iii)	Has technology been fully absorbed?	:	Not applicable
iv)	If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	:	Not applicable

Auditors' Report

To
The Members of
Nilachal Iron & Power Limited

We have audited the attached Balance Sheet of M/s. Nilachal Iron & Power Limited as at 31st March, 2008 and also the Profit & Loss Account and the Cash Flow Statements for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred above, we report that:

   a) 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;

   b) 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 such books;

   c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statements referred to in this report are in agreement with the books of account;

   d) In our opinion, subject to our comments hereinafter, the Balance Sheet comply with the Accounting Standards as referred to in Sub-section (3c) of Section 211 of the Companies Act, 1956;

   e) On the basis of the written representation received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956;

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Significant Accounting Policies and Notes to the Accounts, give the information required by the Companies Act, 1956, in the manner so required and subject particularly to notes on schedule 23 regarding (i) accounting of net claim of Rs. 6.93 lacs of M/s. TISCO Growth Shop on the company and company's counter claim of Rs. 5.00 crore, on finality of the matter (note 3), and (ii) change in the method of accounting of Stock of Raw Material from 'FIFO' to 'Weighted Average' due to which profit for the year is higher by Rs. 27.72 lacs (note 8), give a true and fair view in conformity with accounting principles generally accepted in India :

      a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008;

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

      c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **B. Chhawchharia & Co.**
Chartered Accountants

per **Ketan Chhawchharia**
Partner
Membership No: 63422

Place: Kolkata
Date: 24th June 2008

Annexure to the Auditors' Report

Referred to in paragraph 1 of our Report of even date.

i) a) Proper records showing full particulars including quantitative details and situation of fixed assets are being compiled by the company.

b) According to the information and explanation given to us, all the fixed assets including capital work in progress have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. As explained, no material discrepancies were noticed on such verification.

c) The company has not disposed substantial part of its fixed assets during the year.

ii) a) According to information and explanation given to us, physical verification of inventory has been conducted by the management at reasonable intervals.

b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.

c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of inventory.

iii) a) The company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

b) The company has taken interest free unsecured loans from two companies and a party listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved was Rs. 261.70 lacs and the year end balance is Nil;

c) In our opinion, the terms and conditions on which loans have been taken from companies and a party listed in register maintained under Section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interest of the company.

d) The company is regular in repaying the principal amounts and interest as per stipulations, wherever such stipulations exist.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness, if any, in internal control system.

v) a) According to the information and explanations given to us, the particulars of contracts or arrangement referred to in Section 301 of the Companies Act, 1956 are being updated in the register required to be maintained under that section.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of each contracts or arrangement that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi) In our opinion, the company has not accepted any deposits from the public during the year.

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

viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the product of the company.

ix) In our opinion and according to the information and explanations given to us :

a) The company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues, as applicable, with the appropriate authorities.

b) There are no dues of Sales Tax, Income Tax, Customs Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of any dispute *except Excise Duty Rs. 68.97 lacs relating to F.Y. 2005-06 and Income Tax Rs. 0.95 lacs relating to A.Y. 2002-03, 2004-05 and 2005-06 in respect of amalgamating companies, against which appeal is preferred before the Appellate Authorities.*

x) There are no accumulated losses in the company. The company has not incurred any cash loss during the financial year covered by our audit and also in the immediately preceding financial year.

xi) In our opinion and according to the information and explanation given to us, the company has generally not defaulted in repayment of dues to banks.

xii) According to the information and explanation given to us, the company has not granted any 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) The company is not dealing in or trading in shares, securities, debentures and other investments. The shares and other investments are held by the company in its own name.

xv) According to the information and explanations given to us, the company has given corporate guarantee for loan taken by M/s. Jai Balaji Industries Limited, the Holding Company, the terms and conditions whereof are not prejudicial to the interest of the company.

xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.

xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company for the year under review, 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 to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year under review.

xix) The company has not issued any debentures during the year.

xx) The company has not raised any money by public issue during the year under review.

xxi) According to the information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the company has been noticed or reported during the year.

For **B. Chhawchharia & Co.**
Chartered Accountants

per **Ketan Chhawchharia**
Partner
Membership No: 63422

Place: Kolkata
Date: 24th June 2008

Balance Sheet as at 31st March 2008

(Amount in Rupees)

	Schedules	As at 31st March 2008		As at 31st March 2007	
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	1	4,94,87,270		4,94,87,270	
Reserves & Surplus	2	75,28,94,259	80,23,81,529	72,52,71,698	77,47,58,968
Loan Funds:					
Secured Loans	3	17,11,38,064		25,24,42,182	
Unsecured Loans	4	–	17,11,38,064	2,82,86,283	28,07,28,465
			97,35,19,593		**1,05,54,87,433**
APPLICATION OF FUNDS					
Fixed Assets:	5				
a) Gross Block		70,07,77,003		69,08,12,270	
b) Less: Depreciation		10,41,08,623		6,89,19,288	
c) Net Block		59,66,68,380		62,18,92,982	
d) Capital Work In Progress		4,72,78,862		1,94,96,043	
			64,39,47,242		**64,13,89,025**
Investments	6		26,86,239		26,86,239
Deferred Tax – Net	7		1,35,79,000		2,98,63,000
Current Assets, Loans & Advances					
a) Inventories	8	73,01,53,823		29,64,52,387	
b) Sundry Debtors	9	5,96,56,048		5,89,32,974	
c) Cash & Bank Balances	10	42,68,954		78,16,627	
d) Loans & Advances	11	29,27,10,069		10,51,15,116	
		1,08,67,88,894		**46,83,17,104**	
Less: Current Liabilities & Provisions	12	77,34,81,782		8,71,94,205	
Net Current Assets			31,33,07,112		38,11,22,899
Miscellaneous Expenditure	13		–		4,26,270
			97,35,19,593		**1,05,54,87,433**
Notes on Accounts	23				
Balance Sheet Abstract And Company's General Business Profile	24				

The schedules referred to above form an integral part of these accounts.

In terms of our report of even date attached herewith

For **B. Chhawchharia & Co.**
Chartered Accountants

For and on behalf of the Board

per Ketan Chhawchharia
Partner
Membership No : 63422
Place : Kolkata
Date : 24th June 2008

Aditya Jajodia
Director

Aashish Jajodia
Director

Sanjiv Jajodia
Director

Profit and Loss Account for the year ended 31st March 2008

(Amount in Rupees)

	Schedules		2007–08		2006–07
INCOME					
Sales Revenue	14		79,37,97,406		27,54,83,747
Other Income	15		3,45,97,162		12,44,46,640
Increase in Stock	16		31,36,19,863		19,05,44,582
			1,14,20,14,431		**59,04,74,969**
EXPENDITURE					
Purchases			2,70,99,422		1,24,53,508
Cost of Material	17		74,94,50,032		37,51,70,342
Excise Duty			17,74,66,532		3,95,42,964
Power & Fuel			3,68,39,098		3,94,49,980
Manufacturing Expenses	18		79,54,946		44,14,085
Expenses on Employees	19		2,39,81,114		2,29,52,481
Cost of Borrowing	20		1,66,80,429		2,89,28,451
Other Expenses	21		2,28,27,038		2,09,99,530
Depreciation		3,51,89,335		3,49,71,193	
Less: Transfer from State Capital Subsidy		28,74,846	3,23,14,489	28,98,783	3,20,72,410
			1,09,46,13,100		57,59,83,751
Profit for the Year			**4,74,01,331**		**1,44,91,218**
Direct Taxes	22		(1,65,34,924)		39,41,238
Profit after Taxation			**3,08,66,407**		**1,84,32,456**
Balance Brought from Previous Year			1,84,32,456		–
Balance Carried to Balance Sheet			**4,92,98,863**		**1,84,32,456**
Earning Per Share (on nominal value of Rs. 10/- each)					
Basic & Diluted			6.24		4.41

The schedules referred to above form an integral part of these accounts.
In terms of our report of even date attached herewith

For **B. Chhawchharia & Co.**
Chartered Accountants

per Ketan Chhawchharia
Partner
Membership No : 63422
Place : Kolkata
Date : 24th June 2008

For and on behalf of the Board

Aditya Jajodia
Director

Aashish Jajodia
Director

Sanjiv Jajodia
Director

Cash Flow Statement for the year ended 31st March 2008

(Amount in Rupees)

	2007–08	2006–07
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	**4,74,01,331**	**1,44,91,218**
Adjusted for:		
Depreciation	3,23,14,489	3,20,72,410
Interest Income	(2,27,680)	(2,66,831)
(Profit) / Loss on sale of Fixed Assets	-	7,48,815
Operating Profit Before Working Capital Changes	**7,94,88,140**	**4,70,45,612**
Adjusted for:		
Trade and other receivables	(18,40,82,003)	(18,65,266)
Inventories	(43,37,01,436)	(15,93,95,515)
Trade Payables and advances from customers	68,20,05,577	1,35,19, 632
CASH GENERATED FROM OPERATIONS	14,37,10,278	(10,06,95,537)
Direct Taxes paid / adjusted	(1,47,678)	(30,27,173)
Cash flow before extra ordinary items	14,35,62,600	(10,37,22,710)
Extra Ordinary items	-	-
Net cash from Operating activities (A)	**14,35,62,600**	**(10,37,22,710)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,77,47,552)	(2,16,04,336)
State Capital Subsidy received	-	2,85,42,000
Sale of Fixed Assets	-	7,11,685
Interest Income	2,27,680	2,66,831
Net Cash from investing activities (B)	**(3,75,19,872)**	**79,16,180**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term and other borrowings	(10,95,90,401)	(1,99,63,814)
Proceeds from issuance of share capital	-	11,65,50,000
Net Cash used in Financing activities (C)	(10,95,90,401)	9,65,86,186
Net Increase in Cash and Cash Equivalents (A+ B+ C)	**(35,47,673)**	**7,79,656**
Cash and Cash Equivalents at the beginning of the year	**78,16,627**	**70,36,971**
Cash and cash Equivalents at the end of the year	**42,68,954**	**78,16,627**
01. Proceeds from long term and other borrowings are shown net of repayment.		
02. Cash and Cash equivalents represent cash and bank balances only.		
In terms of our report of even date attached herewith		

In terms of our report of even date attached herewith

For **B. Chhawchharia & Co.**
Chartered Accountants

For and on behalf of the Board

per Ketan Chhawchharia
Partner
Membership No : 63422
Place : Kolkata
Date : 24th June 2008

Aditya Jajodia
Director

Aashish Jajodia
Director

Sanjiv Jajodia
Director

Schedules forming part of the Balance Sheet

(Amount in Rupees)

		As at 31st March 2008		As at 31st March 2007
Schedule 1 SHARE CAPITAL				
Authorised:				
55,00,000 Equity Shares of Rs. 10/- each		5,50,00,000		5,50,00,000
		5,50,00,000		**5,50,00,000**
Issued, Subscribed and Paid Up:				
49,48,727 Equity Shares of Rs.10/- each		4,94,87,270		4,94,87,270
		4,94,87,270		**4,94,87,270**

Note: Out of above-

(i) 49,48,727 (P.Y. Nil) Shares are held by Jai Balaji Industries Limited, the Holding Company.

(ii) 29,43,727 Shares were alloted in terms of Scheme of Amalgamation without payment being received in cash.

Schedule 2 RESERVES & SURPLUS				
Capital Reserve:				
State Capital Subsidy				
As per last account	5,27,66,999		2,71,23,782	
Additions during the year	–		2,85,42,000	
	5,27,66,999		5,56,65,782	
Less: Allocated to Depreciation	28,74,846	4,98,92,153	28,98,783	5,27,66,999
General Reserve:				
As per Last Account	32,38,92,243		32,38,92,243	
Less: On adoption of statement for employees benefits (AS-15)	3,69,000	32,35,23,243	–	32,38,92,243
Securities Premium Account		33,01,80,000		33,01,80,000
Profit and Loss Account		4,92,98,863		1,84,32,456
		75,28,94,259		**72,52,71,698**

Schedule 3 SECURED LOANS		
From State Bank of India:		
* i) Term Loans		
Foreign Currency Loan	–	3,12,26,580
Rupee Loan	8,27,12,048	10,14,46,555
Corporate Loan	2,43,10,925	3,00,22,603
Add: Interest Accrued and due	–	7,34,150
ii) Cash Credits		
Foreign Currency Loan	2,09,10,226	2,29,17,500
Rupee Loan	4,32,04,865	6,60,94,794
The above loans are secured by (a) first charge by way of Equitable Mortgage/ Hypothecation on the entire fixed assets, present and future, (b) hypothecation of entire stocks and book debts, (c) corporate guarantee of M/s. Chandi Steel Industries Ltd., an associate of M/s. Jai Balaji Industries Ltd. and (d) personal guarantee of a Director of the Company.	**17,11,38,064**	**25,24,42,182**
* Installments falling due for repayment within one year	**4,57,49,000**	**4,51,37,400**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31st March 2008	As at 31st March 2007
Schedule 4 UNSECURED LOANS		
– *From Managing Director	–	86,68,443
– *From Bodies Corporate	–	1,96,17,840
	–	**2,82,86,283**
* Includes Interest free Loans	–	2,31,70,263

Schedule 5 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 1st April 2007	Additions/ (Deductions)	As at 31st March 2008	Upto 31st March 2007	For the Year	Up to 31st March 2008	As at 31st March 2008	As at 31st March 2007
Land	66,13,981	1,01,428	67,15,409	–	–	–	67,15,409	66,13,981
Buildings	6,68,56,752	–	6,68,56,752	43,89,750	22,31,747	66,21,497	6,02,35,255	6,24,67,002
Plant & Machineries	54,66,42,755	98,08,228	55,64,50,983	5,60,37,917	2,90,19,406	8,50,57,323	47,13,93,660	49,06,04,838
Electrical Installations	4,12,09,798	–	4,12,09,798	44,09,807	19,29,898	63,39,705	3,48,70,093	3,67,99,991
Air Conditioners	6,99,000	–	6,99,000	67,363	33,203	1,00,566	5,98,434	6,31,637
Office Equipments	14,22,544	16,250	14,38,794	2,65,618	67,129	3,32,747	11,06,047	11,56,926
Computers	8,74,481	–	8,74,481	3,19,121	1,37,682	4,56,803	4,17,678	5,55,360
Furniture & Fixtures	19,24,286	38,827	19,63,113	9,24,768	88,583	10,13,351	9,49,762	9,99,518
Vehicles	80,48,639	–	80,48,639	14,83,508	8,96,985	23,80,493	56,68,146	65,65,131
Generators	1,65,20,034	–	1,65,20,034	10,21,436	7,84,702	18,06,138	1,47,13,896	1,54,98,598
	69,08,12,270	99,64,733	70,07,77,003	6,89,19,288	3,51,89,335	10,41,08,623	59,66,68,380	62,18,92,982
Capital Work in Progress								
Leasehold Land	77,940	–	77,940	–	–	–	77,940	77,940
Civil Construction	–	68,29,130	68,29,130	–	–	–	68,29,130	–
Plant & Machinery	15,87,345	1,64,67,607	1,80,54,952	–	–	–	1,80,54,952	15,87,345
Coal Block	1,78,30,758	9,00,000	1,87,30,758	–	–	–	1,87,30,758	1,78,30,758
Railway Siding	–	35,86,082	35,86,082	–	–	–	35,86,082	–
	1,94,96,043	2,77,82,819	4,72,78,862	–	–	–	4,72,78,862	1,94,96,043
Grand Total	**71,03,08,313**	**3,77,47,552**	**74,80,55,865**	**6,89,19,288**	**3,51,89,335**	**10,41,08,623**	**64,39,47,242**	**–**
Previous Year Figures	69,04,40,957	4,22,24,620	71,03,08,313	3,42,24,575	3,49,71,193	6,89,19,288	–	64,13,89,025
		(2,23,57,264)			(2,76,480)			

Schedule 6 INVESTMENTS – LONG TERM

	Paid up value Per Share	No. of Shares	As at 31st March 2008	No. of Shares	As at 31st March 2007
In fully paid Equity Shares of Companies					
Quoted					
Shyama Infosys Ltd.	10/-	3,66,200	25,90,974	3,66,200	25,90,974
Shri Nidhi Trading Co. Ltd.	10/-	10,500	95,265	10,500	95,265
			26,86,239		**26,86,239**
Market Value			29,75,784		11,26,27,050

Schedules forming part of the Balance Sheet

(Amount in Rupees)

		As at 31st March 2008		As at 31st March 2007
Schedule 7 DEFERRED TAX – NET				
Deferred Tax Assets on Unabsorbed Losses		9,57,43,600		10,57,10,000
Deferred Tax Liability on Fiscal allowance of Fixed Assets		(8,21,64,600)		(7,58,47,000)
		1,35,79,000		**2,98,63,000**

		As at 31st March 2008		As at 31st March 2007
Schedule 8 INVENTORIES				
(As taken, valued and certified by the management)				
Raw Material (Includes in transit Rs. 1,49,29,466/-; P.Y. Rs. Nil)		19,72,67,395		7,62,99,072
Finished Goods:				
– Own Production	52,02,77,164		20,37,78,468	
– Trading	50,55,167	52,53,32,331	79,34,000	21,17,12,468
Stores & Consumables		75,54,097		84,40,847
		73,01,53,823		**29,64,52,387**

		As at 31st March 2008		As at 31st March 2007
Schedule 9 SUNDRY DEBTORS				
(Unsecured, considered good)				
Due for more than six months		1,47,18,837		1,86,89,549
Other Debts		4,49,37,211		4,02,43,425
		5,96,56,048		**5,89,32,974**

		As at 31st March 2008		As at 31st March 2007
Schedule 10 CASH AND BANK BALANCES				
Cash - in - Hand		8,42,519		1,97,038
Cheque in Hand		67,265		–
With Scheduled Banks				
- In Current Account		36,107		44,26,439
- In Fixed Deposit Account (Pledged)		33,23,063		31,93,150
		42,68,954		**78,16,627**

		As at 31st March 2008		As at 31st March 2007
Schedule 11 LOANS AND ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received		20,98,03,994		3,34,30,530
Subsidies receivable		5,23,57,270		5,40,05,312
Orised recoverable		30,52,728		30,52,728
Balances with Government Authorities		1,14,42,539		24,30,762
Deposits		43,86,465		43,38,465
Taxation Advance & Refundable		80,04,997		78,57,319
MAT Credit Entitlement		36,62,076		–
		29,27,10,069		**10,51,15,116**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31st March 2008	As at 31st March 2007
Schedule 12 CURRENT LIABILITIES & PROVISIONS		
A) Current Liabilities		
Creditors for Capital Goods	41,84,986	–
Creditors for Others	6,99,37,475	1,27,61,828
Advance from Customers	8,98,96,502	5,31,22,964
Due to Holding Company	52,41,81,511	–
Temporary Overdraft due to overissue of cheques	15,64,931	–
Statutory Dues	6,96,43,828	40,54,755
Other Liabilities	69,62,624	60,53,733
Deposit Against Share Application Money	–	86,00,000
	76,63,71,857	**8,45,93,280**
B) Provisions		
For Income Tax	57,82,925	21,20,925
For Fringe Benefit Tax	7,31,000	4,80,000
For Gratuity	5,96,000	–
	77,34,81,782	**8,71,94,205**

Schedule 13 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	–	1,79,124
Amalgamation Expenses	–	2,47,146
	–	**4,26,270**

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

		2007–08		2006–07
Schedule 14 SALES REVENUE				
Sale of Sponge Iron				
– Manufactured		79,13,05,056		26,65,43,781
– Traded		24,92,350		89,39,025
Miscellaneous Sales		–		941
		79,37,97,406		**27,54,83,747**
Schedule 15 OTHER INCOME				
Interest (Includes TDS Rs. 50,650/-; P.Y. Rs. 58,020/-)				
– On Income Tax Refund		4,197		247
– On Fixed Deposit		2,23,483		2,58,595
– On Others		–		7,989
Brokerage & Commission (Includes TDS Rs. 72,484/-; P.Y. Rs. 27,97,175/-)		11,67,301		7,41,28,400
Income from Real Estate Entitlements		1,20,00,000		1,76,93,298
Subsidy on Commercial Taxes		1,18,56,655		74,21,321
Dividend		–		8,000
Liabilities Written Back		79,72,626		2,21,54,525
Item Relating to Previous Year (Net)		–		5,63,112
Miscellaneous Income		13,72,900		22,11,153
		3,45,97,162		**12,44,46,640**
Schedule 16 INCREASE IN STOCK				
Closing Stock:				
– Finished Goods				
– Manufactured	52,02,77,164		20,37,78,468	
– Traded	50,55,167		79,34,000	
		52,53,32,331		21,17,12,468
Less: Opening Stock:				
– Finished Goods				
– Manufactured	20,37,78,468		2,11,67,886	
– Traded	79,34,000		–	
		21,17,12,468		2,11,67,886
		31,36,19,863		**19,05,44,582**
Schedule 17 COST OF MATERIAL				
Raw Material Consumed (Indigenous)				
Opening Stock		7,62,99,072		10,43,90,630
Add: Purchases		88,91,17,425		37,62,77,385
		96,54,16,497		48,06,68,015
Less: Sale of Fines etc.		3,24,71,234		4,42,84,390
		93,29,45,263		43,63,83,625
Less: Closing Stock		19,72,67,395		7,62,99,072
		73,56,77,868		36,00,84,554
Stores Consumed (Indigenous)		1,37,72,164		1,50,85,788
		74,94,50,032		**37,51,70,342**

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	2007–08	2006–07
Schedule 18 MANUFACTURING EXPENSES		
Machinery Hire Charges	42,41,842	21,82,807
Processing Expenses	37,13,104	18,89,280
Loading & Unloading Expenses	–	3,41,998
	79,54,946	**44,14,085**

	2007–08	2006–07
Schedule 19 EXPENSES ON EMPLOYEES		
Salary, Wages, Bonus & Allowances (Includes Gratuity Rs. 2,27,000/-; P.Y. Nil)	2,24,70,655	2,19,04,442
Employer's Contribution to Provident Fund	7,50,442	6,43,836
Staff & Labour Welfare Expenses	7,60,017	4,04,203
	2,39,81,114	**2,29,52,481**

	2007–08	2006–07
Schedule 20 COST OF BORROWINGS		
Interest on		
– Term Loans	1,92,90,577	1,97,30,997
– Others	1,09,72,992	1,41,37,110
Loan Processing & other financial charges	14,54,163	5,70,000
	3,17,17,732	3,44,38,107
Less: Interest subsidy	1,50,37,303	55,09,656
	1,66,80,429	**2,89,28,451**

	2007–08	2006–07
Schedule 21 OTHER EXPENSES		
Rent	7,56,200	3,45,600
Rates & Taxes	2,09,365	1,70,530
Insurance	7,49,126	12,30,883
Travelling & Conveyance	6,23,195	5,91,337
Discount	7,43,800	3,39,438
Directors' Fees	–	4,000
Auditors' Remuneration :		
– For Statutory Audit	2,00,000	2,00,000
– For Tax Audit	50,000	50,000
– For Internal Audit	60,000	20,000
– For VAT Audit	15,600	–
– Other Services	3,429	1,350
Repair & Maintenance :		
– Building	4,62,029	3,57,278
– Plant & Machinery	45,52,177	43,13,632
– Others	18,70,092	11,06,344
Miscellaneous Expenses	1,13,71,365	80,75,015
Irrecoverable debts and advances written off	4,88,636	33,03,218
Loss on sale of fixed assets	–	7,48,815
Preliminary Expenses Written off	1,79,124	59,708
Amalgamation Expenses Written off	3,20,868	82,382
Item Relating to Previous Year	1,72,032	–
	2,28,27,038	**2,09,99,530**

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	2007–08	2006–07
Schedule 22 DIRECT TAXES		
Provision for:		
– Fringe Benefit Tax	(2,51,000)	(2,20,000)
– Deferred Tax	(1,62,84,000)	41,71,000
– Current Tax	(36,62,000)	-
Mat Credit Entitlement	36,62,076	-
Income Tax Adjustments	-	(9,762)
	(1,65,34,924)	**39,41,238**

Schedules forming part of the Accounts

Schedule 23 NOTES ON ACCOUNTS

1) Significant Accounting Policies

System Of Accounting

The Company adopts accrual basis of accounting in the preparation of accounts.

Fixed Assets

Fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is provided on "Straight Line Method" in accordance with the provisions of Schedule XIV to the Companies Act, 1956.

Capital Work In Progress

a) Capital work in progress is stated at cost.

b) Construction and other materials purchased for capital addition are treated as consumed.

c) Bills of contractors are adjusted to the extent bills received and settled.

Investments

Long term investments are stated at cost and investments intended to be held for less than one year are classified as current investments and are stated at lower of cost and market value.

Government Grants

a) State Capital Subsidy received on account of fixed assets is credited to Capital Reserve Account out of which Subsidies in relation to depreciable assets are allocated to Income over the useful life of the respective assets by deduction from depreciation for the year.

b) Grants related to revenue is recognised in the profit & loss account by deduction from the respective expense or shown separately as Income.

Inventories

1) Raw material is valued at or below cost.

2) Stores and spares is valued at cost.

3) Finished good is valued at realizable value including Excise Duty.

Sales

1) Sales include excise duty but exclude sales tax/VAT.

2) Revenue from sale of goods is recognised on passing of title which generally coincides with the delivery of goods.

Schedules forming part of the Accounts

Schedule 23 NOTES ON ACCOUNTS *(Contd.)*

Other Income

Other Income is accounted on accrual basis except where the receipt of income is uncertain.

Foreign Currency Transactions

Foreign currency loans are restated at the year end exchange rates or at the rate of forward cover and the resultant differences are charged to Profit & Loss Account.

Taxes on Income

a) Current Tax is determined as the amount of tax payable in respect of taxable income for the year.

b) Deferred Tax is recognised, subject to consideration of prudence, in respect of deferred tax assets/ liabilities arising on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Employee Benefits

a) Short Term employee benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

b) Post employment and other long term employee benefits are charged off in the year in which the employee has rendered services. The amount charged off is recognised at the present value of the amounts payable determined using actuarial valuation technique. Actuarial gain and losses in respect of post employment and other long term benefit are charged to Profit and Loss Account.

Impairment of Assets

Impairment Loss in the value of assets, as specified in Accounting Standard -28 is recognised whenever carrying value of such assets exceeds the market value or value in use, whichever is higher.

2) Estimated amount of the contracts remaining to be executed on capital account and not provided for amounts to Rs. 48.20 lacs (Rs.8.47 lacs); advance thereagainst Rs. 42.12 lacs (Rs. 3.11 lacs).

3) M/s Tisco Growth Shop has made net claim of Rs. 35.17 lacs(Rs. 35.17 lacs) on the Company on account of supply of material and their consultancy charges out of which Rs. 28.24 lacs is provided in the accounts. However, the Company has filed counter claim of Rs. 5 crores on them on account of supply of faulty drawings, defects in design, use of excess steel, poor supervision, incorrect estimation of project cost, damage to assets etc. Necessary adjustment shall be made in the accounts on finality of the matter.

4) Contingent Liability (not provided for) in respect of:

a) Excise Duty Rs. 68.97 lacs (Rs. 68.97 lacs) against which Rs. 20.00 lacs(Nil) paid under protest.

b) Income Tax Rs. 0.95 lacs (Rs. 0.95 lacs)

c) Claims against the Company not acknowledged as debt Rs. 25.30 lacs (Rs. 25.30 lacs).

d) Corporate Guarantee in favour of The Bank of Rajasthan Ltd. against borrowing of Rs. 25.00 Crores (Nil) by M/s. Jai Balaji Industries Limited, the holding Company.

5) During the year, the Company has become a wholly owned subsidiary w.e.f. 26th October, 2007, of M/s. Jai Balaji Industries Limited.

6) Remuneration to Managing and Wholetime Directors

Salary	Rs.18,75,000/-	(Rs. 18,75,000/-)
Perquisites	Rs. 2,10,000/-	(Rs. 3,60,000/-)

7) As per the information available to the management, no amount is due to SSI and ancilliary units.

8) The method of Valuation of Stock of Raw Material at or below cost has been changed from 'FIFO' to 'Weighted Average'. But for this change, profit for the year would have been lower by Rs. 27.72 lacs.

9) On the basis of physical verification of assets, as specified in Accounting Standard -28 and cash generation capacity of those assets, in the management perception there is no impairment of such assets as appearing in the balance sheet as on 31st March 2008.

Schedules forming part of the Accounts

Schedule 23 NOTES ON ACCOUNTS *(Contd.)*

10) The Earning Per Share (EPS) has been calculated as specified in Accounting Standard – 20 on "Earning per Share" issued by ICAI and related disclosures are as under:

(Amount in Rupees)

	2007–08	2006–07
a) Amount used as numerator in calculating basic and diluted EPS:		
Profit/(Loss) after Tax (Rs.)	3,08,66,407	1,84,32,456
b) Weighted average number of Shares used as the denominator in Calculating basic and diluted EPS (Nos.)		
For Basic & Diluted EPS		
– Equity Shares- Opening	49,48,727	41,71,727
Alloted during the year	–	4,258
	49,48,727	**41,75,985**

11) Raw Material Consumed

	Qty (MTs)	Value (Rs.)
a) Coal	1,34,465.34	28,85,47,201
	(1,06,430.39)	(12,46,69,806)
b) Iron Ore	1,39,810.61	44,48,32,440
	(78,881.38)	(23,30,69,034)
c) Dolomite	2,198.14	22,98,228
	(1,758.83)	(23,45,714)

NB: The above includes waste and are net of sales of 11,439.89 M.T (34,627.96 M.T.) of fines amounting to Rs. 1,31,25,808/- (Rs. 4,42,84,390/-).

12) Licensed and Installed capacities

	Licensed Capacity	* Installed Capacity
Sponge Iron	Not Applicable	350 MTs per day
	(Not Applicable)	(350 MTs per day)

* As certified by the management.

13) Opening Stock, Purchases, Production, Sales and Closing Stock

	SPONGE IRON	
	Quantity (MTs)	Amount (Rs.)
Opening Stock	25,051.640	21,17,12,468
	(3,100.175)	(2,11,67,886)
Purchases	1,373.910	2,70,99,422
	(1,566.790)	(1,24,53,508)
Production	78,405.670	–
	(46,692.950)	–
Sales	65,792.670	79,37,97,406
	(26,308.280)	27,54,82,806
Closing Stock	*39,038.55	52,53,32,331
	(25,052.640)	(21,17,12,468)

Note:

01. *Includes 93.39 MTs on account of Sponge Iron purchased for Re-process.

Schedules forming part of the Accounts

Schedule 23 NOTES ON ACCOUNTS *(Contd.)*

14) Related parties and transactions with them as specified in the Accounting Standard 18 on "Related Parties Disclosures" issued by ICAI has been identified and given below on the basis of information available with the Company and the same has been relied upon by the auditors.

(Amount in Rupees)

Related Parties & Relationship				Transactions 2007–08
a)	Enterprises that directly or indirectly through one or more intermediaries, Control or are controlled by or are under common control with the Company (including holding company):			
I)	Jai Balaji Industries Limited			
	Purchases during the year			60,24,671
	Sales during the year			43,69,15,118
	Year end payable (Net)			52,41,81,511
b)	Associates :			
I)	Jai Balaji Jyoti Steels Limited			
	Purchases during the year			66,50,127
	Sales during the year			28,22,627
	Year end payable (Net)			4,20,26,791
c)	Individuals owning directly or indirectly, an interest in the voting power of the Company that gives control or significant influence over the Company, and relatives of any such individual.			
d)	Key Management personnel and their relatives:			
	Sri Raj Kumar Agarwal	Managing Director	Remuneration	17,50,000
	Sri Aashish Jajodia	Whole Time Director	Remuneration	1,25,000
	Sri Aditya Jajodia	Director	–	–
	Sri Sanjiv Jajodia	Director	–	–
	Sri Rajiv Jajodia	Brother of Director	–	–
	Sri Devendra Prasad Jajodia	Brother of Director	–	–
	Sri Gourav Jajodia	Nephew of Director	–	–
	Smt. Kanchan Jajodia	Sister-in-law of Director	–	–
	Smt. Rina Jajodia	Wife of Whole Time Director	–	–
	Smt. Sangeeta Jajodia	Wife of Director	–	–
	Smt. Shashi Devi Jajodia	Sister-in-law of Director	–	–
	Smt. Seema Jajodia	Wife of Director	–	–
e)	Enterprises over which any person described in (c) or (d) is able to exercise significant influence:			
	M/s. Chandi Steel Industries Limited			
	M/s. Jai Balaji Jyoti Steels Limited			
	M/s. Jai Salasar Balaji Industries (P) Limited			
	M/s. Balaji Ispat Udyog			
	M/s. Jai Balaji Shakti Cement Limited			
	M/s. Enfield Suppliers Limited			
	M/s. Hari Management Limited			
	M/s. Jajodia Estates Pvt. Limited			
	M/s. K. D. Jajodia Steel Industries (P) Ltd.			
	M/s. Sumangalaya Balaji Steels Limited.			
	M/s. Marutaye Balaji Steels Ltd			
	Note: Particulars in respect of Sri Raj Kumar Agarwal, who resigned as Managing Director on 26th October 2007, is not given above.			
f)	Amount written off in respect of above parties:			–
	Since this is the first year of adoption of the AS, only the current year's figures have been disclosed.			

Schedules forming part of the Accounts

Schedule 23 NOTES ON ACCOUNTS *(Contd.)*

15) The Disclosures required under Accounting Standard - 15: Employee Benefits, Notified in the Company's (Accounting Standard) Rules, 2006 are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised are charged off for the year are as under:

	(Rs. in lacs)
Employer's Contribution to Provident & Pension Fund	7.50

Defined Benefit Plan

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises 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.

(Rs. in lacs)

		Gratuity (Unfunded)
a.	Reconciliation of opening and closing balances of Defined Benefit obligation	
	Defined Benefit obligation at beginning of the year	3.69
	Current Service Cost	2.48
	Interest Cost	0.31
	Actuarial (gain)/loss	(0.52)
	Benefits (paid)	–
	Defined Benefit obligation at year end	5.96
b.	Reconciliation of fair value of assets and obligations	
	Present value of obligation as at 31st March 2008	5.96
	Amount recognised in Balance Sheet	5.96
c.	Expenses recognised during the year	
	Current Service Cost	2.48
	Interest Cost	0.31
	Actuarial (gain) / loss	(0.52)
	Net Cost	2.27
d.	Actuarial assumptions	
	Mortality Table (L.I.C.)	1994–96 (Ultimate)
	Discount rate (per annum) compounded	8.30%
	Rate of escalation in salary (per annum)	10.00%

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors. The expected return on Plan Assets is based on actuarial expectations of the average long term rate of return expected on investments of the fund during the estimated terms of the obligations. The above information is certified by the Actuary.

Since this is the first year of adoption of the AS, only the current year's figures have been disclosed.

16) a) Previous year figures have been re-grouped/re-arranged wherever found necessary.

b) Figure for the previous year above are given in brackets.

24. Balance Sheet Abstract and Company's General Business Profile

I) Registration Details

Registration No.	94612	State Code	21
Balance Sheet Date	31 (Date) / 03 (Month) / 2008 (Year)		

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

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

III) Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousands)*

Total Liabilities	973519	Total Assets	973519

Sources of Funds

Paid–up Capital	49487	Reserves & Surplus	752894
Secured Loans	171138	Unsecured Loans	NIL

Application of Funds

Net Fixed Assets	643947	Investments	2686
Net Current Assets	313307	Misc. Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax-Net	13579

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

Turnover (Gross Revenue)	828395	Total Expenditure	780993
Profit Before Tax	√ 47401	Profit After Tax	√ 30866
Earning per share in Rs.	+ 6.23	Dividend Rate (%)	NIL

V) Generic Names of Principal Product of the Company (As per monetary Terms)

Item Code No. (ITC Code)	**Product Description**
7203	Sponge Iron

Signature to schedules "1" to "24"

For **B. Chhawchharia & Co.**
Chartered Accountants

For and on behalf of the Board

per Ketan Chhawchharia
Partner
Membership No : 63422
Place : Kolkata
Date : 24th June 2008

Aditya Jajodia
Director

Aashish Jajodia
Director

Sanjiv Jajodia
Director

CORPORATE INFORMATION

Board of Directors

Shri Aditya Jajodia
Chairman and Managing Director

Shri Sanjiv Jajodia
Whole-time Director

Shri Rajiv Jajodia
Director

Shri Dipti Ranjan Patnaik
Independent Director

Shri Shailendra Kumar Tamotia
Independent Director

Shri Satish Chander Gupta
Independent Director

Shri Ashim Kumar Mukherjee
Independent Director

Shri Shyam Bahadur Singh
Independent Director

Shri Gourav Jajodia
Director

Shri Manoj Kumar Banthia
Independent Director

Shri Gaurav Mathur
Independent Director

Shri Vivek Chhachhi
Independent Director

Shri Supratim Banerjee
Alternate Director to Shri Gaurav Mathur

Company Secretary

Shri Ajay Kumar Tantia

Statutory Auditors

M/s S.R. Batliboi & Co.
22, Camac Street
Block 'C', 3rd Floor
Kolkata - 700 016

Registered Office

5, Bentinck Street
Kolkata 700 001
Phone : 91-33- 2248-8173/9808
Fax : 91-33- 2243-0021
E-mail : info@jaibalajigroup.com
Website : www.jaibalajigroup.com

Registrar and Share Transfer Agent

S.K. Computers
34//1A, Sudhir Chatterjee Street
Kolkata 700 006
Phone : (033) 2219-4815/2219-6797
E-mail : agarwalskc@rediffmail.com

Plant Locations

Ranigunj
Lenin Sarani
Dist.: Burdwan
West Bengal

Durgapur
G/1, Mangalpur
Industrial Complex,
Post - Baktarnagar
West Bengal

Vill: Banskopa
P.O. Rajbandh
Durgapur, Dist.: Burdwan
West Bengal - 713202

Durg
Industrial Growth Centre, Borai
Village & P.O. Rasmada,
Dist. Durg - 491 009
Chhattisgarh, India

Bankers

Allahabad Bank
Axis Bank Limited
Bank of India
Canara Bank
Central Bank of India
IDBI Bank Limited
Indian Overseas Bank
Indusind Bank Limited
Oriental Bank of Commerce
Punjab National Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
State Bank of Travancore
The Bank of Rajasthan Ltd.
The Federal Bank Limited
UCO Bank
Union Bank of India
United Bank of India
West Bengal Financial Corporation Ltd.
West Bengal Industrial Development Corporation Ltd.
West Bengal Infrastructure Development Finance Corporation Ltd.

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