ESSAR
STEEL

Essar Steel Limited

Annual Report 2008 - 2009

BOARD OF DIRECTORS

S. N. Ruia	Chairman
R. N. Ruia	Vice-Chairman
P. S. Ruia	
R. R. Ruia	
S. V. Venkatesan	
Jatinder Mehra	
V. G. Raghavan	
Vikram Amin	Director - Marketing
Dilip Oommen	Chief Executive Officer
Mahadev Iyer	Director - Finance
K. V. Krishnamurthy	
Narottam B. Vyas	Company Secretary

REGISTERED OFFICE

Post : Hazira Pin: 394 270
Dist : Surat
Gujarat
Tel. : 0261-668 2400
Fax : 0261-668 2796

CORPORATE OFFICE

Essar House,
11 Keshavrao Khadye Marg,
Mahalaxmi,
Mumbai - 400 034.
Tel. : 022-66601100
Fax : 022-66602748

CONTENTS

BANKERS

Allahabad Bank
Andhra Bank
Axis Bank Ltd
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Corporation Bank
Dena Bank
Export Import Bank of India
Federal Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
Indian Bank
Oriental Bank of Commerce
Punjab National Bank
SBI Commercial & International Bank Ltd.
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
UCO Bank
Union Bank of India
United Bank of India

AUDITORS

M/s. S.R. Batliboi & Co.
Chartered Accountants,
Jalan Mills Compound,
95, Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013

SOLICITORS

M/s. Crawford Bayley & Co.
State Bank Buildings,
NGN Vaidya Marg, Fort,
Mumbai - 400 023.

TRANSFER AGENTS

Data Software Research Co. Pvt. Ltd.
Sree Sovereign Complex,
No. 22, IVth Cross Street,
Trustpuram, Kodambakkam,
Chennai - 600 024.
Tel. : 044-24834487/3738
Fax : 044-24834636
E-mail : dsrcmd@md3.vsnl.net.in

Visit us at our website
http://www.essar.com

DIRECTORS' REPORT

To the Members of Essar Steel Limited

Your Directors have pleasure in presenting the 33rd Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2009.

FINANCIALS

The Financial Results (Rs. in crores)

Particulars	Year ended	
	March 31, 2009	March 31, 2008
Sales and other Income	**11,873.48**	10,786.43
Profit before Finance Costs, Exchange variation and Derivative Losses, Depreciation / Amortisation, Exceptional Items and Taxation	**2,625.05**	2,353.12
Less: Finance Cost	**789.47**	829.47
Less: Exchange variation and Derivative Losses (net)	**539.75**	(74.25)
Profit before Depreciation / Amortisation, Exceptional Items and Taxation	**1,295.83**	1,597.90
Less: Depreciation / Amortisation	**828.11**	766.52
Profit before Exceptional Items and Taxation	**467.72**	831.38
Less: Exceptional Item	**166.91**	-
Profit before Taxation	**300.81**	831.38
Less: Provision for Deferred tax	**104.99**	267.97
Less: Current Tax (MAT Payable)	**-**	108.88
Add: Short / (excess) tax provisions related to earlier years (Net)	**5.29**	19.83
Less: Provision for Fringe Benefit Tax	**5.33**	6.08
Profit after taxation	**185.20**	428.62
(Less)/Add: Balance brought forward from previous year	**1673.90**	1,444.29
Add: Net Gain on adoption of AS-15 (Revised)	**-**	1.87
Add: Transfer from Debenture Redemption Reserve	**-**	15.50
Less: Transfer to Capital Redemption Reserve	**-**	202.92
Less: Preference Dividend (including DDT)	**-**	13.46
Balance carried forward to next year	**1859.10**	1673.90

DIVIDEND

Your Directors do not recommend any equity dividend for the year.

GLOBAL SCENARIO

The world economy entered a major downturn during the second half of 2008-09 with all the advanced economies in the severest economic recession since the World War II. The demand in both advanced and emerging economies fell sharply resulting in production cuts, cost controls and lay offs. Governments and central banks around the world have responded to the crisis in an unprecedented show of policy force in form of various fiscal stimulus and monetary policy measures. With proper policy and structural reforms, various countries are trying to manage the global crisis in a coordinated manner.

INDIAN SCENARIO

The strong growth seen in India till the year 2007-08, lost steam in 2008-09 with the economy turning weak since November 2008 on account of this global turmoil. The impact of the global financial crisis has been deeper than anticipated earlier although less severe than in other emerging market economies.

The Government launched three fiscal stimulus packages between December 2008 and February 2009. These stimulus packages came on top of the expanded safety-net programme for the rural poor, the farm loan waiver package and payout following the Sixth Pay Commission report, announced earlier, all of which too added to stimulating demand.

The Reserve Bank shifted its policy stance from monetary tightening for controling inflation in the first half of 2008-09 to monetary easing in the second half of 2008-09 to facilitate revival of the economy and to stimulate further economic growth.

STEEL INDUSTRY

A) Global Overview

The steel industry was riding high at the beginning of 2008-09. Steel prices witnessed an unprecedented rise on the back of high demand from all sectors and high input material cost. However with the effects of the global crisis showing across all sectors, mainly construction, automotive and consumer durables, the real demand for steel started drying up towards the second half of 2008-09. This also led to sharp correction in the steel and raw material prices in the same period. The prices of Hot Rolled Coils corrected by more than 55-60% from the peak levels of USD 1100-1150 per metric tonne to around USD 500 pmt during the last six months. Prices of key raw material like coking coal, iron ore, thermal coal and scrap also crashed by nearly 60% to the current levels where they seem to have stabilized.

Companies world wide responded to the slowdown through means of controlled production levels and production cuts in the developed world have been in the range of 35-50%.

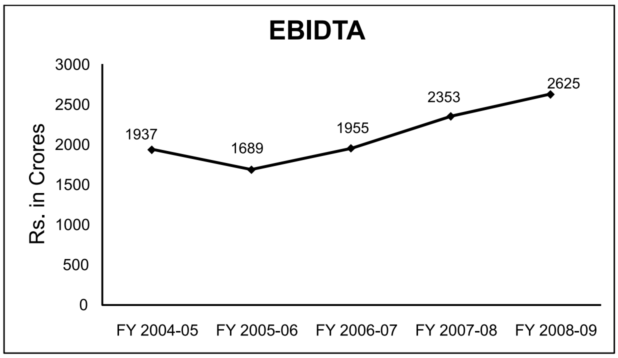
China, the key driver for the global steel industry also witnessed a dip in the production and consumption of steel on the back of slow demand from construction and manufacturing industries.

B) Domestic Overview

Steel demand in India depends mainly on the construction and auto sectors. Both sectors have shown phenomenal growth over the past few years and were on an upswing till mid 2008 when the effect of the global liquidity crunch led to a massive slowdown in these two sectors causing the demand for steel to slacken. Apart from this, the Indian Flat Steel industry which exports nearly 20% of its production, suffered nearly 38% dip in exports during October-December 2008 resulting in an overall dip in production of nearly 9% amongst the Flat Steel producers.

The outlook for the Indian steel industry in 2009-10 remains optimistic with GDP growth estimated to be around 5-7%, high thrust on infrastructure in the 11th Plan and continuation of lower inflation.

OPERATIONS



Manufacturing:

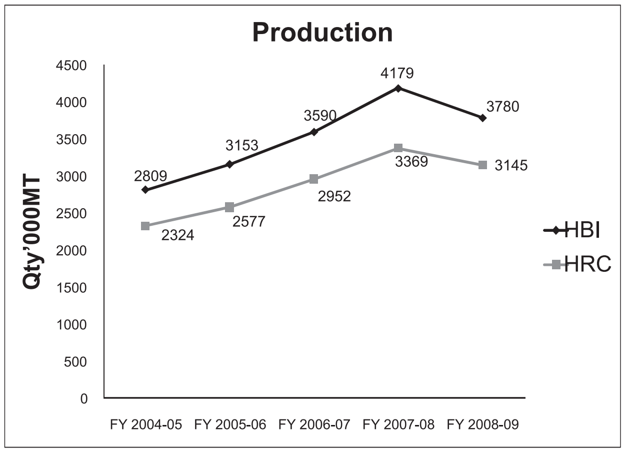
Your Company has made efforts to increase the operational efficiency and quality of products produced at Hazira during FY 2008-09.

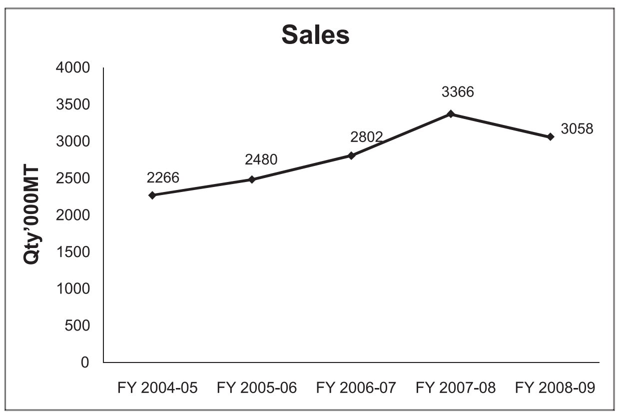
The major steps taken in this regard were:

- Improvement in physical property and chemistry in the quality of pellets at the pelletisation plant.
- Increase in usage of Hot DRI by 11% resulting in energy savings at Steel Melt Shop.
- Quality improvement programme was implemented by entering into an umbrella agreement with Kobe Steel, Japan.
- Development of Neural Network Model for Property Prediction of HR coils was taken up. Trials conducted for grades like LNC56, LNP46 and LNP54 with modified chemistry. This will help in reducing grade extra cost without affecting chemistry/physical properties of the product.

The Major benefits derived from the above steps are:

- Natural gas consumption in the HBI process was reduced by 2 Sm3/tonne compared to the last financial year.
- Power consumption in the HBI process was reduced by 3 KWH/tonne compared to the last financial year.
- Overall, power consumption was reduced by 65 KWH/tonne compared to the last financial year
- Liquid Steel yield was improved by 0.65% compared to what was achieved in last financial year.
- Cost saving to the tune of Rs. 13 crore achieved by way of optimization of ferro-alloy consumption grade.





Sales and Marketing

The financial year 2008-09 was indeed a year of contrasts and some performance parameters need to be highlighted. Revenues were up 10.08% to Rs.11,873 crore and net sales realization per tonne was up 24% y-o-y. As much as 52% of sales were made in the value-added segments - up from 35% in 2007-08. This was largely due to increased emphasis on value-added products, like Electrical, Auto Hi-strength grade, PEB, API above 12.5 mm X-70, TMBP, etc. Your Company gained in market share (domestic) - from 12.9% in 2007-08 to 13.6 % in 2008-09.

Steel Hypermart sales in 2008-09 grossed 0.61 million tonnes, thus registering a 17% growth in volumes. Revenues grew 28% to Rs. 2,541 crore. Increase in revenues was achieved mainly because of higher sales volume and better realization.

Your Company is aiming to widen its geographical reach and further strengthen its distribution network in FY 2009-10 with the addition of more Hypermarts and Expresssmarts. The four Service Centres at Hazira, Pune, NCR (National Capital Region) and Chennai are now fully operational; they provide just-in-time delivery to retail and OE customers in the automotive and white goods segments.

Domestic sales at 2.46 million tonnes, fell 4.45% y-o-y. However, this drop was considerably lower when compared to the 8% fall in the combined domestic sales volume of the top five producers in the country.

Export volumes, at 0.64 million tonnes, dropped 21% on account of the depressed steel demand globally. In spite of this, the realization in flat products increased by 33%. Your Company increased its market penetration by entering new markets, like Sudan, Nigeria, Angola, Brazil, Peru, etc.

Overall sale of flat rolled products was down 9% y-o-y to 3.06 million tonnes, largely because of the economic slowdown witnessed in the second half of FY 2008-09. However, the Government of India has come out with a stimulus package which is likely to provide the much-needed impetus to infrastructure, construction and automobile industries.

Better planning and inventory management led to a 15% reduction in year-end closing stocks on y-o-y basis.

Finance:

During the current financial year, your Company focussed its efforts on providing finances for expansion, strengthening of marketing network through Service Centres, Hypermarts etc. and strategic investments. Furthermore, your Company also focussed on maintaining sufficient liquidity at all times to ensure smooth operations of the Plant at higher capacity levels.

In spite of the slowdown in the steel markets in the second half of the current financial year and the financial crisis witnessed in the global markets, your Company was successful in progressing with its capital expenditure programme and strategic investments, meeting all its payment obligations in a timely manner and retaining adequate liquidity within the Company to meet its operational requirements and withstand the downturn.

During the year your Company successfully concluded the enhancement of its working capital limits from Rs.2,600 crores to Rs.3,150 crores. Financial tie ups for the service centres concluded in this year along with the commissioning of the 3 service centres at Pune, NCR and Chennai.

Your Company's established position in the value added segments in the steel industry, a diversified distribution network, integrated nature of operations, and improved capital structure ensures operational flexibility and maximization of profits. The financial health of your Company continues to be robust, with comfortable levels of gearing ratio and coverage ratio. It is reflected in the following ratings published by ICRA Ltd. (an Associate of Moody's Investors Service):-

– 'LA' rating to the fund based bank facilities and to the Rs. 6,000 crore Long Term Debt programme of the Company, recognising the improvement in the credit quality of the Company's Long Term Debt

– 'A1' rating to the non fund based bank facilities of the Company, indicating highest credit quality in the short term

SUBSIDIARIES

As on March 31, 2009 the Company had following two subsidiaries:

- Essar Steel Jharkhand Ltd.
- Essar Steel Trading FZE,Dubai

A statement pursuant to Section 212 of the Companies Act, 1956, and also a copy of each of the audited accounts and other documents referred under Section 212 of the Companies Act, 1956, of the abovementioned companies is attached to this report. During the year under review Essar Steel Orissa Ltd ceased to be subsidiary of the Company.

HOLDING COMPANY

Essar Steel Holdings Ltd (which in turn is a subsidiary of Essar Global Ltd, Cayman Islands – the ultimate holding Company) continues to be the Holding Company of your Company. The ultimate holding company viz. Essar Global Ltd, along with its other subsidiaries, now holds 93.21% equity shares in the total paid up equity capital of the Company

DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and the Articles of Associations of the Company, Shri S.N.Ruia, Shri P.S.Ruia and Shri V.G.Raghavan retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for reappointment. Shri Robin Banerjee, Director (Finance) ceased to be Director of the Company w.e.f February 16, 2009. The Board wishes to place on record their sincere appreciation for the contribution made by Shri Robin Banerjee during his tenure as a Director of the Company.

Shri Mahadev Iyer has been appointed as an Additional Director on wholetime basis for a period of three years w.e.f. February 16, 2009 and would hold office as a Director up to the date of this Annual General Meeting. Necessary resolution for his appointment as wholetime director of the company forms part of the notice of the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that

i. In the preparation of the Annual Accounts for the year ended March 31, 2009, applicable accounting standards have been followed along with proper explanation relating to material departures.

ii. They have selected accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.

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.

iv. They have arranged the preparation of the accounts for the year ended March 31, 2009, on a "going concern" basis.

AUDIT COMMITTEE

The Audit Committee of the Board comprises four non-executive directors, viz. Shri S.V.Venkatesan, Shri J. Mehra, Shri V.G.Raghavan and Shri K.V.Krishnamurthy. The Chairman of the Audit Committee is Shri S.V.Venkatesan. The Company Secretary Shri N.B.Vyas acts as the Secretary of the Company. The terms of reference of the Audit Committee are as per Section 292A of the Companies Act, 1956.

AUDITORS

Your Company's auditors, M/s S.R.Batliboi & Co., Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting. M/s S.R.Batliboi & Co., Chartered Accountants have informed the Company that if appointed, their appointment will be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Accordingly, members' approval is being sought for their appointment as the Auditors of the Company at the ensuing Annual General Meeting.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given in the Annexure A, forming part of this report.

PERSONNEL

As per the provisions of Section 217(2A) of the Companies Act,1956, read with Companies (Particulars of Employees) Rules, 1975, as amended the name and other particulars of the employees is separately attached, as Annexure 'B' forming part of this Report.

ACKNOWLEDGEMENT

Your directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation to all the employees for their commendable teamwork, exemplary professionalism and enthusiastic contribution during the year.

For and on behalf of the Board

Date: 19th May, 2009 — Shashi Ruia

Place: Mumbai — Chairman

Annexure – 'A' to Directors' Report

A. CONSERVATION OF ENERGY:

a) Energy Conservation measures taken:

1. Increment in HOT DRI charging at SMP has resulted in power reduction of 57 Kwh/t of liquid steel. Total energy saved - 1882.75 lac units.
2. Hot DRI charging: 2.45 million MT of HBI plant products was discharged in the form of Hot DRI during the FY 2008-09 resulting in savings of about 245 lac electrical units.
3. Energy savings due to converting Metallic fan blade to FRP blade in HBI Cooling tower. Power saved - 3.4 lac units.
4. Modification in Exhaust Steam fan resulted in energy saving of 5.6 lac units and savings of Rs. 23.69 lacs at Caster.
5. Stoppage of idle running of equipments during shutdown and down time. Energy saved - about 18.43 lac units at HSM.
6. Modification in DC motor field economy circuit has resulted in energy saving of 0.35 lac units at HSM.
7. Lighting network by PLC control, Auto sensor and timer. Energy saved - 1.3 lac units at MH.
8. Modification in Conveyor has stopped one motor. Hence energy savings of 1.9 lac units at MH was achieved.
9. Optimization in idle running of conveyor has saved 1.7 lac units of enerty in MH.
10. Energy savings due to VVVF drives and delta-Star conversion at MH - 0.17 lac units.
11. Optimization of SVC operation during idle condition of EAF has saved 42.6 lac units of energy at MRSS.
12. Cooling tower operation optimization and pumps automation at MRSS. Energy saved - 0.2 lac units.
13. Drives up gradation from DC to AC in PKL-2 has saved 0.97 lac units.
14. Stoppage of idle running of equipments during shutdown and down time at CRM and DSC has saved 6.18 lac units.
15. Lighting transformer voltage reduction at MSS has saved 7.78 lac units.
16. Electronic Ballast installation at CRM and DSC has saved 0.95 lac units.
17. Stopping pump motors at Module-3. Energy saved - 10.37 lac units.
18. Stopping Auxiliary air blower motor at Module-5. Energy saved - 6.9 lac units.
19. Utilities-Condensate recovery at CRM steam system, NG saved.
20. Removing orifice plates from cooling water headers. Energy saved - 8.26 lac units at utilities.
21. Energy conserved by utilising of power plant blown down water.
22. Reduction in Argon losses from 12% to 7% and increase in liquid build up, resulting in savings of Rs. 61 lacs / annum at Oxygen Plant.
23. Replacement of electrical ballast with electronic ballast, resulting in energy cost saving of Rs. 68,000 / annum.

b) Additional Investments and proposals being implemented for reduction in consumption of energy:

1. To generate 19MW power from flue gas waste heat recovery by power plant.
2. Removal of heavy hydrocarbon by PSA system to avoid carbon deposition in catalyst tubes. This will avoid carbon burnout requirement, which consumes both natural gas and power during each carbon burn out without production.
3. Use of Corex gas and VPSA system: Corex gas consumption saves natural gas which can be used for reformer burner.
4. Implementation of VVVF drives in mesh belts for reducing moisture in briquettes saving power for vaporisation of moisture at EAF.
5. Implementation of VVVF drives in HT motors to reduce power consumption.
6. Up gradation of lime dosing system for high temperature operation to reduce specific natural gas and power consumption.

c). Impact of measures at (a) and (b) above forreduction of energy conservation and on the cost of prodution of goods:

As mentioned in (a) & (b) above

B. TECHNOLOGY ABSORPTION:

Your Company has fully absorbed the MIDREX technology obtained from Voest Alpine, Austria for the production of HBI. It has also absorbed technology supplied by METCHEM for HRC plant including DC-Electric Arc Furnace (EAF), Continuous Casters and the Hot Strip Mill. Your Company has emerged as the largest user of HBI in DC EAF and developed satisfactory technology for the same.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

I) Activities relating to exports, initiatives to increase exports, developments of new export markets for products and services and export plan.

<u>Activities relating to exports</u>

Your Company has always had a long term perspective regarding exports. We have been exporting to various destinations right from the start of commercial production in 1995. We have always endeavored to maintain our export volumes in all market conditions and we have been the largest exporters of flat products from India for the past several years.

We have the unique distinction of being present in all markets such as EU, USA, Middle East, ASEAN and Africa.

We have consistently focused on the high end of the market with value added grades. Over the years we have built up our sales to segments like automobile, white goods, ship building, yellow goods, boilers and pressure vessels and API (American Petroleum Institute) line pipe.

With our consistent export presence and thrust on high end grades we are able to effectively compete globally with premium steel mills like the European, Japanese and American mills in their respective domestic markets. This has enabled us to evolve into a supplier of choice for several high end clients and helps us offer an effective alternative for these customers.

We have also had long term contracts with buyers which assures them of a steady supply. This helps us both to have an element of price and volume stability in a volatile market. We have managed to enter into annual sales contracts with buyers like JCB, CAT etc.

Specific initiatives undertaken to increase exports

Regular suppliers to OEM's like JCB, Ahwaz Pipe Mill, Carl Spaeter, Vosta Stahlhandel and others.

Acquired logistical competitiveness by getting into Charter of Affreightment with shipping companies. This helped to achieve competitive freight rates on a long term basis and ensure availablity of vessels availabilities to regular destinations like US and EU ports.

Developed containerized shipments. This provides us the flexibility of shipping to destinations like Myanmar and various smaller markets like Oman, Bahrain, Angola, Nigeria, Ghana Brazil, Peru etc. in the Middle East, Africa and South America.

Successful trials have been developed with large OEM's like Saipa, Iran Khudro, Steam Co., Sadid Jahan Sanat, LUK GMBH (Schaeffler Group). We have also received global approval from M/s Volkswagon.

Commenced supplies of GI and hot rolled sheets to markets like Myanmar and several, African countries.

Regular supplies of slabs to several long term clients in South East Asia like Canadoil, LPN and P T Gunung. We have also supplied ship building quality plates to clients like Vinashin Shipyards in Vietnam.

II) Total Foreign exchange used and earned (Rs. in Crores)

a)	Foreign exchange directly earned through export		2,761.64
b)	Others		202.69
	Total foreign exchange earned (a + b)		2,964.33
c)	Total foreign exchange used		
	i)	For import of plant and machinery/ technical know-how	147.47
	ii)	Others including raw materials and interest	1353.44
	Total foreign exchange used (c)		1500.91

Particulars with respect to Conservation of Energy:

FORM A

A. Power and Fuel Consumption

Sr. No.	Particulars		Current year	Previous year
1.	Electricity			
a)	Purchased			
	Unit (Lakhs)		**2,750.41**	2,951.98
	Total Amount (Rs. in crores)		**126.10**	127.17
	Rate/Unit (Rs.)		**4.58**	4.31
b)	Own generation			
	(i)	Through diesel generator		
		Unit (Lakhs)	**24.78**	47.63
		Unit per ltr. of diesel oil	**2.50**	3.32
		Cost/Unit (Rs.)	**22.50**	13.30
	(ii)	Through steam turbine / generator		
		Unit (Lakhs)	**1790.55**	1003.94
		Units per ltr. of Fuel oil/Gas/ SteamCoal	**0.77**	1.25
		Cost/Unit (Rs.)	**3.95**	3.44
	(iii)	Through gas turbine / generator		
		Unit (Lakhs)	**646.00**	1,756.54
		Units / SM3 of gas	**3.45**	3.26
		Cost of fuel/Unit (Rs.)	**4.96**	3.67
	(iv)	Through third party on conversion basis		
		Unit (Lakhs)	**29,963.22**	33,562.97
		Units / Ltr of NGL/HSD/NG	**4.67**	4.47
		Cost of fuel/Unit (Rs.)	**5.10**	3.60
2	Coal (specify quality and where used)			
	a)	Steam Coal for power generation by CPP		
		Quantity (tones)	**1,18,427**	98,746
		Total Cost (Rs. crs)	**51.56**	30.61
		Average Rate (Rs.)	**4354**	3100
	b)	Anthracite Coal consumed as fuel for induration Quantity (tones)	**88,252**	85,816
		Total Cost (Rs. crs)	**87.46**	37.88
		Average Rate (Rs.)	**9910**	4414
3		Furnace Oïl		
		Quantity (k. ltrs)	**81,130**	88,706
		Total Cost (Rs. Crs)	**216.22**	173.74
		Average Rate (Net of Modvat)	**26,651**	19,586
		Others		
		Quantity.(NG) - '000 SM3	**1,69,722**	178,850
		Total Cost (Rs. Crs)	**267.42**	189.07
		Rate/Unit	**15.76**	10.57

B. Consumption per unit of Production

Particulars	Standard (If any)	**Current year**	Previous Year
Product: Beneficiated Concentrate	Unit Per MT	**Unit Per MT**	Unit Per MT
Electricity (Kwh)	40.00	**31.50**	35.00
Others (Specify)	N.A.	**N.A.**	N.A.
Product: Iron Oxide Pellets	Unit Per MT	**Unit Per MT**	Unit Per MT
Electricity (Kwh)	40.14	**35.81**	41.12
Furnace Oil / LSHS (Ltrs)	16.00	**14.99**	16.54
Anthracite Coal (Kgs)	16.00	**16.31**	16.00
Coal (Steam coal on net generation) (Kgs)	0.72	**0.73**	0.77
Others (Specify)	N.A.	**N.A.**	N.A.
Product: Hot Briquetted Iron	Unit Per MT	**Unit Per MT**	Unit Per MT
Electricity	125	**111**	115
Furnace Oil	---	**---**	---
Coal (Specify quality)	---	**---**	---
Diesel Oil	---	**---**	---
Others - Natural Gas (SM3)	325	**291**	293
Others - Naptha (Kg)	---	**---**	---
Product: Hot Rolled Coils & Cold Roll/Galvanizing	Unit Per MT	**Unit Per MT**	Unit Per MT
Electricity	---	**834**	887
Furnace Oil	---	**---**	---
Coal (Specify quality)	---	**---**	---
Diesel Oil	---	**---**	---
Others – NGL (Ltr)	---	**---**	---
Other – NG (SM3)	---	**54**	53

FORM B

RESEARCH AND DEVELOPMENT (R & D):

Your Company has a well equipped R&D centre with state-of-the-art facilities and a highly qualified team of engineers and technologists who are constantly engaged in developmental activities.

1. **Specific areas in which R & D carried by your Company:**

   R&D is involved in the activities of product research and development. The major thrust areas include:

   - Product development
   - Modeling and Simulation
   - Initiate R & D in processes
   - Material characterization

   These four areas have been modified and expanded in the past. In the coming years these will be directed and adapted in response to new challenges. R & D is involved in providing prompt, innovative and cost-effective means in the processes and products.

   Benefits derived as a result of the above R&D:

A) Product Development in HR and CR:

- API 5L X-80 in higher thickness (14.30mm)
- High strength steel as per DOMEX 650 for automobile chassis application
- HR-80 grade steel in size 9.50 x 1230mm for Mahindra for chassis application
- High strength steel plates in thickness 16.0-20.0mm (IS 2062 E410 Fe540) with through thickness properties
- Pressure vessel quality plates as per EN 10028-2 Grade 16Mo3 with elevated temperature properties
- HSLA 340 grade CRCA steel for auto structural application
- SPRC 35 / IFHS 340 in higher thickness upto 1.25mm
- SPRC 440 (Non-IF based for Hyundai Motors) in thickness 1.00-1.40mm
- High strength steel for tubing for auto application for Caparo UK in thickness 1.40 and 1.60mm
- SPRC 440E / IFHS 440 (IF based CRCA steel for automobile application)

B) Modeling and Simulation:

Following models were developed:

- Neural network model for prediction of Mechanical Properties of hot rolled coils.
- Mathematical Model for CGL-1 (Pre-heater, DFF, RTF, JC)
- Mathematical Model to predict the temperature evolution of coil in Batch Annealing Furnace.
- Mathematical Model to predict the temperature evolution during cooling of Hot Rolled Coil.
- Model for Prediction of TTT & CCT diagrams.

C) Cost reduction (By way of ferro-alloy optimization):

The expected cost saving amounts to Rs. 14,165 crores for this year by optimization of ferro-alloy consumption and replacement of costly alloys with less expensive ferro-alloy without affecting the final quality of the steel.

D) Others:

- Commissioning of VPSA system to study the impact of specific natural gas consumption.
- Trial with less BG methane to arrive at minimum specific natural gas consumption.
- Cold briquette trial to explore the disintegration during transportation.
- Plate life enhancement by 6-8months
- Implemented tailings recovery through SLON system: initial results show a recovery of 10%

2. **Future plan of action:**

   R&D efforts are always directed towards new product development, as well as improvement in the existing products to suit customer requirement. It will also get involved in the areas of developing mathematical models for simulation of critical areas of the production process for improvement in quality, and production. It also focuses on cost reduction, quality improvement and value-addition to products and providing application engineering support to products for end-customers.

Product development: (plan for 2009-10)

Product name: Hot rolled Products:

- Dual phase steel (F+M) DP-600 of thickness 3.00-4.50mm
- Boron steel for auto applications of thickness 3.00-6.00mm
- HR-60 for wheel Disc in thickness 2.40mm
- Grade SPFH 540 in thickness 2.00mm
- IRSM 41 grade in normalized condition
- DOMEX 650 grade of thickness 4.00-7.00mm for commercialization
- Ultra high strength steel as per S700MC thickness 3.00-5.00mm for commercialization
- S700MC for auto application in thickness 3.00-6.00mm for commercialization
- API 5L X-70, thickness 15.88mm with DWTT for commercialization
- SAE 1541 in thickness 3.00-4.50mm. for commercialization
- API 5L X-80, Thk <12.70mm for commercialization
- API 5L X-65 Sour service thickness <10.0mm for Commercialization
- HR-80 for chassis long member for commercialization

Product name: CRCA Products:

- BH 220 in thickness 0.70-1.00mm
- HSLA -260 grade steel for auto application (thk: 0.80-2.00mm)
- HSLA -380 grade steel for auto application (thk: 1.00-1.80mm)
- HSLA -420 grade steel for auto application (thk: 1.00-1.50mm)
- ST 52 in thickness 1.00-1.50mm
- TMBP steel with temper 4 grade (thk: 0.20 / 0.22 / 0.24mm)
- SPRC 440E / IFHS 440 (IF based) in thickness 0.80-1.00mm for commercialization
- SPRC 440 (LC based) in thickness 0.80-1.50mm for commercialization
- EDD / IF for Skin panels - Process Development
- Electrical Steel in different grade (EL01, EL03, EL04 & EL05), for commercialization
- CRCA steel for electrical panel application in D grade for commercialization
- TMBP steel with temper 3 grade (thk: 0.26 / 0.28 / 0.30 / 0.32 / 0.41mm) for commercialization
- CRCA steel for White good application in grade DD, for commercialization

Product name: GALVANISED Products:

- GPSP (crush spangle) in thickness 0.25-1.20mm for commercialization

Product Development plan for Plate Products:

- Boiler quality plates as per SA 515 Gr 55, 60, 65 and 70
- SA 516 Gr 55, 60, 65 and 70 grade plates for pressure vessel application
- Boiler quality plates as per SA 285 Gr A, B and C
- SA 537 Cl. 1 grade plates for pressure vessel application
- Normal strength ship building plates in grade A, B, D and E
- High strength ship building plates in grades AH32 / DH32 / EH32, AH36 / DH36 / EH36.

Product Development plan for Pellet Products:

- Beneficiation Process, further recovery of Fe units from Tailings by adopting Column Flotation Process.

Simulation and Modeling:

- Development of Chemistry design and optimization system for all grades of steel.
- Development of mathematical model for BAF 1 and BAF 2.
- Development of heat transfer mathematical model for Continuous Galvanizing Line.
- Development of Property prediction model for Batch Annealing Furnace.
- Development of Property prediction model for Continuous Galvanizing Line.
- Development of CFD Model for Ladle – Tundish – Mould system.
- Establishment of Water model system for Tundish design physical simulation.
- Reuse of effluent after treatment to reduce specific water consumption.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts towards technology absorption, adaptation and innovation:

(a) The unit has fully absorbed the LURGI GmbH technology for manufacture of Iron Oxide Pellets.

(b) Required plant modifications have been carried out to produce pellets using Organic Binder.

(c) Your Company has fully absorbed the MIDREX technology obtained from Voest Alpine, Austria for the Production of HBI.

(d) Your Company has fully absorbed the METCHEM technology obtained from METCHEM Inc. Canada for the Production of HRC.

2. Imported technology

Product	Technology from	Year of import	Status of absorption/ adaptation
Pellets	Lurgi Traveling Grate Process	1993	Fully absorbed
HBI (Sponge Iron)	MIDREX Corpn. U.S.A./Voest Alpine, Austria	1989-90	Fully absorbed
HRC	METCHEM Inc. Canada	1991-94	Fully absorbed

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

SR. NO.	PARTICULARS	Essar Steel Jharkhand Ltd	Essar Steel Trading FZE
1	The relevant financial year of the subsidiary company ended on	The financial year ends on 31.3.2009	The financial year ends on 31.3.2009
2	Number of Equity Shares in the subsidiary company held by Essar Steel Ltd at the above date	50,000	1 share of AED 6 million each
3	Extent of Equity holding by Essar Steel Ltd as at the above date	100%	100%
4	The net aggregate of profits/(losses) of the subsidiary company for its financial year so far as it concerns the members of the Holding Company.		
	a) Not dealt with in the Holding Company's Accounts:		
	i) For the subsidiary's financial year ended 31st March, 2009	Rs. (865,392)	USD 9,316,080
	ii) For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiaries.	Rs. (441,055)	USD 1,693,261
	b) Dealt with in the Holding Company's Accounts:	nil	nil
	i) For the subsidiary's financial year ended 31st March, 2009		
	ii) For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiaries.		
5	Change of interest of Essar Steel Ltd in the subsidiary company between the end of the financial year of subsidiary company and that of Essar Steel Ltd	NA	NA
6	Material changes between the end of the subsidiary's financial year and the end of the financial year of Essar Steel Ltd in respect of subsidiary's fixed assets, investments, monies lent and borrowed.	NA *	NA *
	i) Fixed assets (net additions)		
	ii) Investments		
	iii) Money lent by the subsidiary		
	iv) Money borrowed by the subsidiary company other than for meeting current liabilities (Net)		

* Since the financial year of the subsidiary companies coincide with the financial year of Essar Steel Ltd

For and on behalf of the Board of Directors of Essar Steel Limited

P. S. Ruia
Director

Mahadev Iyer
Director Finance

V. G. Raghavan
Director

Vikram Amin
Director Marketing

Dilip Oommen
Director

Narottam B Vyas
Company Secretary

Mumbai, 19th May, 2009

Auditors’ Report to the Members of Essar Steel Limited

1. We have audited the attached Balance Sheet of Essar Steel Limited (‘the Company’) as at March 31, 2009 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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) (‘the Order’) 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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 the balance sheet, of the state of affairs of the Company as at March 31, 2009;
      b) in the case of the 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.

S. R. BATLIBOI & CO.
Chartered Accountants

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date: 19th May, 2009

Annexure referred to in paragraph [3] of our report of even date
Re: Essar Steel Limited ('the Company')

(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 which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

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

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

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

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

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

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

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and 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) According to the information and explanations provided by the management, no contracts or arrangements referred to in section 301 of the Act were entered into during the year, that need to be entered into the register maintained under that section.

(vi) The Company has not accepted any deposits from the public.

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records 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) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.

(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.

(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 disputed (Rs. in Crores)	Amount deposited (Rs. in Crores)	Period to which the amount relates	Forum where dispute is pending
The Custom Act, 1962	Custom duty for technical services availed	66.81	Nil	1991	Supreme Court
The Gujarat Sales tax Act, The Orissa Sales tax Act, The Delhi Sales tax Act and The Central Sales tax Act	Sales tax payable as per assessment order for 1994-95 & 1997-98 & 1998-99	1.19 1.36 1.08 1.95	0.05	1994-95 1998-1999 1997 to 1999 1997-98	Asst. commissioner of sales tax Deputy commissioner of sales tax Sales tax tribunal Sales tax officer
Sales tax	Sales tax payable as per order of Deputy commissioner under section 50 and revisionary order of commissioner under section 67	72.06 873.65	146.63	1995 to 2004-05	Commissioner of sales tax – Ahmedabad Joint Commissioner of sales tax – Baroda
The Customs Act, 1962	Export duty on supply of pellets	42.44	5.00	2007-08	High Court of Gujarat
The Customs Act, 1962	Short fall in fulfilling of export obligations and customs valuations	38.46	Nil	1998-99	Supreme Court
Central Excise Act, 1944	Excise Duty demand on iron ore chips	1.42	Nil	2002 to 2004	Commissioner (Appeals)
Andhra Pradesh State Sales Tax	VAT credit on opening stock	11.40	Nil	2005-06	Deputy Commissioner Appellate
Andhra Pradesh State Sales Tax	Sales tax payable on provisional assessment of 2005-06 and for the year 2003-04	2.12	0.20	2003-04 & 2005-06	Appellate Deputy Commissioner

(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 a financial institution or a bank. The Company did not have any outstanding debentures during the year.

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

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

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

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which 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 or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

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

(xx) The Company has not raised money by 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.

S. R. BATLIBOI & CO.
Chartered Accountants

per Ravi Bansal
Partner
Membership No.: 49365

Place : Mumbai
Date: 19th May, 2009

Balance Sheet as at 31st March, 2009

	Schedule	As at 31st March, 2009 Rs. in Crores	As at 31st March, 2009 Rs. in Crores	As at 31st March, 2008 Rs. in Crores	As at 31st March, 2008 Rs. in Crores
Source of Funds					
Shareholders' Funds					
Share Capital	1	**1,184.08**		1,184.08	
Reserves and Surplus	2	**3,591.58**		3,447.25	
			4,775.66		4,631.33
Loan Funds					
Secured Loans	3	**6,317.62**		5,380.03	
Unsecured Loans	4	**993.77**		733.47	
			7,311.39		6,113.50
Deferred Tax Liabilities (Net)	5		**113.68**		29.74
Long-term advance from customers (Refer Note 26 of schedule 25) [Amount payable within a year Rs. 37.52 Crores (Previous Year Rs. 15.88 Crores)]			**165.07**		144.56
	Total		**12,365.80**		10,919.13
Application of Funds					
Fixed Assets	6				
Gross Block		**15,367.85**		14,688.87	
Less: Accumulated Depreciation		**6,239.03**		5,414.98	
Net Block		**9,128.82**		9,273.89	
Capital Work-in-Progress (including Capital Advances) (Refer Note 25 of schedule 25)		**549.61**		575.12	
			9,678.43		9,849.01
Investments	7		**791.31**		515.22
Foreign Currency Monetary Item Translation Difference Account	8		**37.30**		—
Current Assets, Loans and Advances					
Inventories	9	**2,157.52**		2,108.11	
Sundry Debtors	10	**411.63**		360.40	
Cash and Bank Balances	11	**508.16**		399.49	
Other Current Assets	12	**121.62**		120.67	
Loans and Advances	13	**1,381.19**		953.55	
		4,580.12		3,942.22	
Less: Current Liabilities and Provisions					
Liabilities	14	**2,545.82**		3,251.00	
Provisions	15	**175.54**		136.32	
Net Current Assets			**1,858.76**		554.90
	Total		**12,365.80**		10,919.13
Notes to Accounts	25				

Schedules 1 to 15 and 25 referred to above form an integral part of the Balance Sheet.

As per our report of even date
For S.R. BATLIBOI & Co.
Chartered Accountants

per Ravi Bansal
Partner

Membership No. 49365
Mumbai, 19th May, 2009

For and on behalf of the Board of Directors of Essar Steel Limited

P. S. Ruia
Director

Mahadev Iyer
Director Finance

V. G. Raghavan
Director

Vikram Amin
Director Marketing

Dilip Oommen
Director

Narottam B Vyas
Company Secretary

Mumbai, 19th May, 2009

Profit and Loss Account for the year ended 31st March, 2009

	Schedule	Year Ended 31st March, 2009 Rs. in Crores	Year Ended 31st March, 2009 Rs. in Crores	Year Ended 31st March, 2008 Rs. in Crores	Year Ended 31st March, 2008 Rs. in Crores
Income					
Income from Operations		**12,703.78**		11,910.66	
Less: Excise Duty		**1,015.48**		1,167.34	
Net Income from Operations		**11,688.30**		10,743.32	
Other Income	16	**185.18**		43.11	
			11,873.48		10,786.43
Expenditure					
Materials Cost	17	**7,662.83**		6,729.54	
Decrease / (Increase) in Stock	18	**(160.44)**		168.72	
Personnel Expenses	19	**233.07**		225.80	
Manufacturing and Asset Maintenance	20	**982.16**		857.47	
Administrative Expenses	21	**237.43**		213.08	
Selling and Distribution Expenses	22	**293.38**		238.70	
			9,248.43		8,433.31
Profit before Finance Costs, Exchange variation and Derivative Losses, Depreciation /Amortisation, Exceptional Items and Taxation			**2,625.05**		2,353.12
Finance Cost	23		**789.47**		829.47
Exchange variation and Derivative Losses (net)	24		**539.75**		(74.25)
Profit before Depreciation / Amortisation, Exceptional Items and Taxation			**1,295.83**		1,597.90
Depreciation / Amortisation			**828.11**		766.52
Profit before Exceptional Items and Taxation			**467.72**		831.38
Exceptional Item (Refer Note 30 of schedule 25)			**166.91**		-
Profit before Taxation			**300.81**		831.38
Tax Expense					
Current Tax (MAT Payable)			**—**		108.88
Short Provision of Earlier Years (Net)			**5.29**		19.83
Deferred Tax Charge			**104.99**		267.97
Fringe Benefit Tax			**5.33**		6.08
Profit after Taxation			**185.20**		428.62
Balance brought forward from Previous Year			**1,673.90**		1,444.29
Add: Adjustment for Employee Benefits provision [Net of taxes Rs. Nil (Previous Year Rs. 0.24 Crore)]			**-**		1.87
Profit available for Appropriation			**1,859.10**		1,874.78
Appropriation					
Add: Transferred from Debenture Redemption Reserve			**-**		15.50
Less: Transferred to Capital Redemption Reserve			**-**		(202.92)
Less: Preference Dividend [Including Dividend Distribution Tax of Rs. Nil (Previous Year 1.96 Crores)]			**-**		(13.46)
Surplus Carried to Balance Sheet			**1,859.10**		1,673.90
Earning per share (in Rupees) (Refer Note 9 of schedule 25)					
Basic & Diluted [Nominal value of Shares Rs. 10 each (Previous Year Rs. 10 each)]			**1.58**		3.71
Notes to Accounts	25				

Schedules 16 to 25 referred to above form an integral part of the Profit and Loss Account.

As per our report of even date
For S.R. BATLIBOI & Co.
Chartered Accountants

per Ravi Bansal
Partner

Membership No. 49365
Mumbai, 19th May, 2009

For and on behalf of the Board of Directors of Essar Steel Limited

P. S. Ruia
Director

Mahadev Iyer
Director Finance

V. G. Raghavan
Director

Vikram Amin
Director Marketing

Dilip Oommen
Director

Narottam B Vyas
Company Secretary

Mumbai, 19th May, 2009

Schedules forming part of Balance Sheet as at 31st March, 2009

Schedule 1
Share Capital

	As at 31st March, 2009 Rs. in Crores	As at 31st March, 2009 Rs. in Crores	As at 31st March, 2008 Rs. in Crores	As at 31st March, 2008 Rs. in Crores
Authorised				
3,52,00,00,000 Equity Shares of Rs. 10 each		**3,520.00**		3,520.00
6,00,00,000 0.01% Cumulative Convertible Preference Shares of Rs. 90 each		**540.00**		540.00
6,00,00,000 1% Cumulative Redeemable Preference Shares of Rs. 90 each		**540.00**		540.00
10,00,00,000 10% Cumulative Redeemable Preference Shares of Rs. 10 each		**100.00**		100.00
30,00,00,000 0.01% Cumulative Redeemable Preference Shares of Rs. 10 each		**300.00**		300.00
6,50,00,000 7% Compulsory Convertible Preference Shares of Rs. 350 each		**2,275.00**		2,275.00
		7,275.00		7,275.00
Issued, Subscribed and Paid-up				
1,13,98,10,888 (Previous Year 1,13,98,10,888) Equity Shares of Rs. 10 each		**1,139.81**		1,139.81
Add: 45,20,703 (Previous Year 45,20,703) shares Forfeited		**0.67**		0.67
		1,140.48		1,140.48
4,35,98,951 (Previous Year 4,35,98,951) 10% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each (Refer Note 28 of schedule 25)		**43.60**		43.60
		1,184.08		1,184.08

Of the above:

(a) 39,87,538 (Previous Year 39,87,538) Equity Shares of Rs. 10 each were allotted as fully paid up Bonus Shares by capitalisation of General Reserve.

(b) 1,50,000 (Previous Year 1,50,000) Equity Shares of Rs. 10 each were allotted as fully paid up for consideration other than cash.

(c) 73,45,32,095 (Previous Year 71,60,49,226) Equity shares of Rs. 10 each are held by Essar Steel Holding Limited, Mauritius, the holding Company.

(d) 4,33,65,516 (Previous Year 100) Equity Shares of Rs. 10 each are held by ETHL Global Capital Limited, subsidiary of ultimate holding Company.

(e) Nil (Previous Year 25,50,00,000) Equity Shares of Rs. 10 each are held by Essar Power Limited, subsidiary of ultimate holding Company.

(f) 28,44,56,595 (Previous Year 7,09,18,556) Equity Shares of Rs. 10 each are held by Teletech Investments (India) Limited, subsidiary of ultimate holding Company. Out of above 11,91,21,053 (Previous Year Nil) Equity shares are held in the name of Essar Power Limited pending transfer in dematerialized form consequent to order from High Court approving de-merger of Investment undertaking of Essar Power Limited into Teletech Investment (India) Limited.

Schedule 2
Reserves and Surplus

	2009 Rs. in Crores	2009 Rs. in Crores	2008 Rs. in Crores	2008 Rs. in Crores
Capital Reserve		**12.73**		12.73
Securities Premium Account				
Balance as per last Balance Sheet	**1,439.32**		1,490.05	
Less: Premium on redemption of Preference Shares	—		(50.73)	
		1,439.32		1,439.32
Debenture Redemption Reserve				
Balance as per last Balance Sheet	—		15.50	
Less: Transferred to Profit and Loss Account	—		(15.50)	
		—		—
Capital Redemption Reserve				
Balance as per last Balance Sheet	**202.92**		—	
Add: Transferred from Profit and Loss Account	—		202.92	
		202.92		202.92
General Reserve				
Balance as per last Balance Sheet	**118.38**		118.38	
Less: Exchange difference Gain of earlier year capitalised to fixed assets (Net of Depreciation Gain of Rs. 1.92 Crores and Deferred Tax of Rs. 19.92 Crores) (Refer Note 2(c)(ii) of schedule 25)	**(38.68)**		—	
Less: Exchange difference Gain of earlier year transferred to the Foreign Currency Monetary Items Translation difference account (Net of Amortisation of Rs. 3.64 Crores and Deferred Tax of Rs. 1.13 Crores) (Refer Note 2(c)(ii) of schedule 25)	**(2.19)**		—	
		77.51		118.38
Profit and Loss Account		**1,859.10**		1,673.90
		3,591.58		3,447.25

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 3				
Secured Loans				
Term Loans				
From Banks				
Foreign Currency Loans	**1,260.25**		1,124.43	
Rupee Loans	**2,771.30**		2,562.44	
		4,031.55		3,686.87
From Financial Institutions & others				
Foreign Currency Loans	**296.69**		336.90	
Rupee Loans	**398.88**		204.51	
		695.57		541.41
Working Capital Loans from Banks		**915.77**		843.79
Buyers' credit for Operational use		**565.50**		232.87
Buyers' credit for Capital Expenditure		**109.23**		75.09
		6,317.62		5,380.03

1 Details of securities for Term Loans are as under:

	As at 31st March, 2009 (Rs. in Crores)	As at 31st March, 2008 (Rs. in Crores)
From Banks		
Foreign Currency Loans		
Secured by pari passu first charge on movable fixed assets, mortgage of immovable properties and second charge on current assets of the Company.	**174.68**	224.17
Secured by mortgage of immovable property and first charge on all the other assets of the Company except book debts.	**72.51**	70.99
Secured by pari-passu first priority charge by way of mortgage over all its Fixed Assets (other than any immovable properties forming part of the Nand Niketan Township, Service Centres and the Power Plant)	**977.55**	762.09
Priority debts, secured by pari passu first charge on movable fixed assets, mortgage of immovable properties and second charge on current assets of the Company.	**14.94**	19.41
Priority debts, secured by pari passu first charge on movable fixed assets and mortgage of immovable properties of the Company.	**20.57**	47.77
	1,260.25	1,124.43
Rupee Loans		
Priority debts, secured by pari passu first charge on movable fixed assets and mortgage of immovable properties of the Company.	**—**	7.80
Secured by pari passu first charge on movable fixed assets and mortgage of immovable properties of the Company.	**100.00**	—
Secured by first pari passu charge on all the fixed assets (except Nand Niketan township, Service Centres, 19MW waste heat recovery plant and Vizag port trust land) and second pari passu charge on current assets of the Company .	**150.00**	—
Secured by pari passu first charge on movable fixed assets, mortgage of immovable properties and second charge on current assets of the Company.	**1,319.80**	1,863.94
Secured by first pari passu charge on fixed assets and second pari passu charge on current assets of the Company (other than assets forming part of and belonging to Nand Niketan township, Service Centres and 19MW waste heat recovery plant and excluding land pertaining to Vizag port trust but including super structures thereon)*	**594.49**	—
Secured by mortgage of immovable property and first charge on all the other assets of the Company except book debts.	**472.01**	609.99
Secured by mortgage of immovable property of service centers and first charge on all the other assets relating to Service Centers at Bahadurgarh, Pune and Chennai	**135.00**	80.71
	2,771.30	2,562.44

* Includes loan of Rs. 200 Crores on which the Company is in process of creating charge on immovable properties

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	**Rs. in Crores**	Rs. in Crores	Rs. in Crores
From Financial Institutions & others				
Foreign Currency Loans				
Secured by pari passu first charge on movable fixed assets, mortgage of immovable properties and second charge on current assets of the Company.		**176.43**		226.10
Secured by mortgage of immovable property and first charge on all the other assets of the Company except book debts.		**120.26**		110.80
		296.69		336.90
Rupee Loans				
Secured by mortgage of immovable property and first charge on all the other assets of the Company except book debts.		**56.57**		66.06
Secured by first and exclusive charge on immovable properties pertaining to Nand Niketan Township of the Company at Hazira Village, Surat District, Gujarat.		**90.14**		94.85
Secured by first pari-passu charge over all fixed assets (movable & immovable) and Second pari passu charge on the current assets of the Company except asset forming part of Nand Niketan Township, Service Centres, 19 MW Waste Heat recovery plant and Visakhapatnam Port Trust land		**200.00**		—
Secured by pari passu first charge on movable fixed assets, mortgage of immovable properties and second charge on current assets of the Company.		**39.45**		39.45
Secured by all the assets (except land) pertaining to 19 MW waste heat recovery power project being set in the complex at Hazira		**12.72**		4.15
		398.88		204.51

2. Working Capital Loans are secured by a first charge on the current assets and second charge on fixed assets of the Company.
3. Buyer's credit for Operational use have been classified under the head Secured Loans as relevant facilities are secured by first charge on the Current assets and second charge on Fixed assets of the Company.
4. Buyer's credit for Capital Expenditure of Rs. 60.58 Crores (Previous Year Rs. 30.43 Crores) is secured by way of pari passu charge on fixed assets and specific charge on goods purchased under the said facility. Buyer's credit for Capital Expenditure of Rs. Nil (Previous Year Rs. 13.09 Crores) is secured by a first charge on the current assets and second charge on fixed assets of the Company.
5. Buyer's credit for Operational use and Capital Expenditure are also secured by Term/Margin deposits of Rs. 63.58 Crores (Previous Year Rs. 34.84 Crores) pledged with the banks.

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 4				
Unsecured Loans				
Short-term loans & Advances				
Loan from Banks		**675.00**		189.84
Other loans & Advances				
Loan from Bank [Due within one year Rs. Nil (Previous Year Rs. Nil)]	**98.41**		—	
Loan from a Company [Due within one year Rs. Nil (Previous Year Rs. Nil)]	**—**		254.27	
Dollar / Rupee Notes [Due within one year Rs. 3.02 Crores (Previous Year Rs. 4.29 Crores)]*	**215.88**		282.77	
Finance Lease Obligation [Due within one year Rs. 3.48 Crores (Previous Year Rs. 2.82 Crores)]	**4.48**		6.59	
		318.77		543.63
		993.77		733.47

* Note: Rupee Notes aggregating to Rs. 53.41 Crores (Previous Year Rs. 156.10 Crores) is repayable up to March 31, 2018 carrying interest @ 8% p.a. payable semi-annually. Dollar Notes aggregating to Rs. 162.48 Crores (Previous Year Rs. 126.67 Crores) is repayable on March 31, 2018 carrying interest @ 0.25% p.a. payable semi-annually.

Schedule 5				
Deferred Tax Liabilities (Net)				
Deferred Tax Liabilities				
Fixed Assets (excess of net book value over written down value as per the provisions of the Income tax Act, 1961)	**973.64**		909.54	
Pre-Operative expenses included in capital work in progress	**2.32**		1.68	
Difference due to deferment of exchange differences on long term foreign currency monetary items	**12.68**		—	
Effect of lease accounting	**10.15**		12.75	
		998.79		923.97
Less: Deferred Tax Assets				
Unabsorbed depreciation and carry forward losses	**805.93**		799.02	
Provision for doubtful debts	**1.60**		1.04	
Provision for doubtful advance	**1.90**		2.72	
Deferred power charges	**32.51**		36.57	
Other timing differences (disallowances under section 43B of the Income tax Act, 1961)	**43.17**		54.88	
		885.11		894.23
		113.68		29.74

Schedules forming part of Balance Sheet as at 31st March, 2009

Schedule 6
Fixed Assets

Rs. in Crores

Description	Gross Block				Depreciation/Amortisation				Net Block	
	As at 01.04.2008	Additions/ Adjustment	Deletions	As at 31.03.2009	As at 01.04.2008	For the Year	On deletions	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
Tangible Assets										
Freehold Land	137.00	5.26	-	142.26	-	-	-	-	142.26	137.00
Leasehold Land	4.08	-	-	4.08	-	-	-	-	4.08	4.08
Buildings	1,277.22	53.37	-	1,330.59	460.17	87.84	-	548.01	782.58	817.05
Plant and Machinery	13,075.72	594.43	3.78	13,666.37	4,870.31	701.63	1.96	5,569.98	8,096.39	8,205.41
Furniture and Fixtures	36.22	0.80	-	37.02	13.26	4.23	-	17.49	19.53	22.96
Office Equipment	13.76	0.67	-	14.43	6.50	1.08	-	7.58	6.85	7.26
Computers	56.93	10.82	-	67.75	29.03	13.56	-	42.59	25.16	27.90
Vehicles	12.30	0.09	0.26	12.13	7.15	1.46	0.18	8.43	3.70	5.15
Ships and Vessels	7.13	-	-	7.13	1.28	0.58	-	1.86	5.27	5.85
Railway Sidings and Wagons	30.69	-	-	30.69	19.80	1.50	-	21.30	9.39	10.89
Aircraft	19.99	-	-	19.99	6.87	2.13	-	9.00	10.99	13.12
Intangible Assets										
Softwares	17.83	17.58	-	35.41	0.61	12.18	-	12.79	22.62	17.22
	14,688.87	683.02	4.04	15,367.85	5,414.98	826.19	2.14	6,239.03	9,128.82	9,273.89
Previous year	13,554.19	1,169.97	35.29	14,688.87	4,664.60	766.52	16.14	5,414.98	9,273.89	

Notes:

1. Additions / Adjustment to fixed assets / capital work-in-progress include adjustments on account of foreign exchange loss of Rs. 222.33 Crores (Previous Year gain of Rs. 58.75 crore) (Refer Note 2(c)(ii) of Schedule 25).
2. Land and Buildings includes certain properties under possession of the Company in respect of which the registration formalities are being completed.
3. Plant and Machinery include the Company's share in the cost of Singanpur Weir and 220 KV Power Line amounting to Rs. 23.44 Crores, which was amortised over a period of five years (Current Year WDV Rs. Nil, Previous Year WDV Rs. Nil).
4. Railway Sidings and Wagons include railway wagons (at Cost) of Rs. 17.92 Crores given on lease to Railway Authorities under 'Own your Wagon' scheme (Current Year WDV Rs. 4.94 Crores, Previous Year WDV Rs. 5.79 Crores).
5. Plant and Machinery includes Jetty of Rs. 108.35 Crores (at Cost), Net book value Rs. 1.37 Crores (Previous Year Rs. 8.27 crore), the ownership of which has been claimed by Gujarat Maritime Board (GMB). The Company has disputed such claims.
6. Plant and Machinery includes equipments at Retail outlet of Rs. 2.14 Crores (at Cost) given on lease and its accumulated depreciation is Rs. 0.47 Crores (Previous Year Rs. 0.36 Crores). Depreciation debited to Profit & loss account Rs. 0.11 Crores (Previous Year Rs. 0.11 Crores)
7. Aircraft includes B200 Aircraft Beech Super King Air taken on finance lease Gross Book Value Rs. 10.91 Crores (Previous Year Rs. 10.91 Crores) Net Book Value Rs. 5.73 Crores (Previous Year Rs. 6.84 Crores)
8. Details of Depreciation are as follows:

Rs. in Crores

Particulars	For the Year	
	31.03.2009	31.03.2008
Depreciation for the Year as above	826.19	766.52
Add: Depreciation on capitalisation of Exchange Difference Gain of previous year included above (Refer Note 2(c)(ii) of Schedule 25)	1.92	—
Depreciation as per Profit and Loss Account	828.11	766.52

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 7				
Investments				
Long Term Investments (at cost)				
Trade - Quoted				
1,64,000 (Previous Year 1,64,000) fully paid Equity Shares of Rs. 10 each of Remi Metal Gujarat Limited		**0.16**		0.16
Trade - Unquoted				
2,50,000 (Previous Year 2,50,000) fully paid Equity Shares of Rs. 10 each of Frontline Roll Forms Private Limited	**0.25**		0.25	
21,70,00,000 (Previous Year 21,70,00,000) fully paid Equity Shares of Rs. 4 (Previous Year Rs. 10) each of Essar Power Limited (Refer Note 11(b) and 12 of schedule 25)	**163.36**		217.00	
9,65,00,000 (Previous Year 9,65,00,000) fully paid Equity Shares of Rs. 10 each of Bhander Power Limited (Refer Note 11(c) of schedule 25)	**100.19**		100.19	
41,91,52,500 (Previous Year 14,69,42,500) fully paid Equity Shares of Rs. 10 each of Essar Steel (Hazira) Limited	**419.16**		146.95	
49,940 (Previous Year 49,940*) fully paid Equity Shares of Rs. 10 each of Essar Steel (Orissa) Limited (Refer Note 11(c) of schedule 25)	**0.05**		0.05	
13,002 (Previous Year 13,002) fully Paid Equity Shares of Rs. 10 each of Essar Bulk Terminal Limited	**0.01**		0.01	
11,570,000 (Previous Year 11,570,000) 0.01% Optionally Convertible Redeemable Cumulative Preference Shares of Rs. 10 each of Essar Bulk Terminal Limited	**11.57**		11.57	
21,324,000 (Previous Year 21,324,000) 0.01% Fully Convertible Cumulative Preference Shares of Rs. 10 each of Essar Bulk Terminal Limited	**21.32**		21.32	
		715.91		497.34
* In previous year, Essar Steel Orissa Limited was a subisidiary.				
Other than Trade - Quoted				
2,11,000 (Previous Year 2,11,000) fully paid Equity Shares of Rs. 10 each of Essar Oil Limited (Refer Note 11(a) of schedule 25)		**0.90**		0.90
Other than Trade - Unquoted				
12,26,300 (Previous Year 12,26,300) fully paid 14% Secured Redeemable Non Convertible Debentures of Rs. 105 each of Essar Oil Limited	**12.88**		12.88	
86,80,001 (Previous Year Nil) fully paid Equity Shares of Rs. 10 each of Teletech Investment (India) Limited (Refer Note 12 of schedule 25)	**53.64**		-	
50,000 (Previous Year 50,000) fully paid Equity Shares of Rs. 10 each of Steelscape Consultancy Private Limited	**0.05**		0.05	
20 (Previous Year 20) fully paid Equity Shares of Rs. 10 each of Essar Commvision Limited (# Rs. 200)	**#**		#	
		66.57		12.93
Trade Investment - Investment in Subsidiary Companies - Unquoted				
49,940 (Previous Year 49,940) fully paid Equity Shares of Rs. 10 each of Essar Steel (Jharkhand) Limited	**0.05**		0.05	
1 (Previous Year 1) fully paid Equity Shares of AED 6 million (Previous Year AED 3 million) of Essar Steel Trading FZE, Dubai	**7.72**		3.77	
		7.77		3.82

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Current Investments (at lower of cost or market value)				
Quoted				
Nil (Previous Year 54,076.21) units of LICMF floating rate fund of Rs. 13.04 each	-		0.07	
Unquoted				
643 (Previous Year 643) fully paid Units of US 1964 Scheme of Rs. 10 each of Unit Trust of India (@Rs. 8,314)	@		@	
		-		0.07
		791.31		515.22
Aggregate amount of Quoted Investments [Aggregate Market Value Rs. 1.87 Crores (Previous Year Rs. 4.43 Crores)]		1.06		1.13
Aggregate amount of Unquoted Investments		790.25		514.09
		791.31		515.22

Note: The following units were purchased and sold during the year

Name of Mutual Fund	Opening Balance		Purchase		Dividend/ Profit	Redemption		Closing Balance	
	Qty	Rs.in Crores	Qty	Rs.in Crores	Rs.in Crores	Qty	Rs.in Crores	Qty	Rs.in Crores
LIC MF Liquid Fund - Dividend Plan	54,076	0.07	223,850,663	310.00	0.27	223,904,739	310.34	-	-
Previous Year	-	-	337,554,938	425.00	0.44	337,500,862	425.37	54,076	0.07

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 8				
Foreign Currency Monetary Item Translation Difference Account				
(Refer Note 2(c)(ii) and Note 27 schedule 25)				
Exchange Difference Gain of earlier year transferred from General Reserves (Net of Amortisation Rs.3.64 Crores)		(3.32)		-
Exchange Difference Loss of Current year		55.47		-
		52.15		-
Less : Amortisation for the year		14.85		-
		37.30		-
Schedule 9				
Inventories				
(at lower of cost or net realisable value)				
Raw Materials [Including stock in transit Rs. Nil (Previous Year Rs. 36.17 Crores)]		262.39		277.55
Production Consumables, Stores and Spares [Including stock in transit Rs. 61.59 Crores (Previous Year Rs. 98.27 Crores)]		696.44		794.46
Work-in-Progress		633.66		560.01
Finished Goods		562.88		476.09
Traded Goods		2.15		-
		2,157.52		2,108.11
Schedule 10				
Sundry Debtors				
(Unsecured) (Refer Note 31(1) of schedule 25)				
Debts outstanding for a period exceeding six months				
Considered Good	63.67		69.46	
Considered Doubtful	4.70		3.05	
	68.37		72.51	
Less: Provision for Doubtful Debts	4.70		3.05	
		63.67		69.46
Other debts - Considered Good		347.96		290.94
		411.63		360.40

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 11				
Cash and Bank Balances				
Cash and Cheques on Hand		**0.18**		0.13
Balances with Scheduled Banks (Refer Note 32 of schedule 25)				
on Current Accounts	**17.53**		101.35	
on Margin Deposit Accounts	**—**		1.04	
on Term Deposit Accounts	**490.26**		296.03	
		507.79		398.42
Balances with other than scheduled bank				
RZB Austria Singapore [Maximum Balance outstanding is Rs. 4.65 Crores (Previous Year Rs. 3.05 Crores.)]		**0.19**		0.94
		508.16		399.49
Schedule 12				
Other Current Assets				
Interest Accrued on Investments		**13.55**		14.62
Dividend Receivable		**40.42**		—
Export Incentive Receivable		**31.84**		89.73
Other Receivable		**35.81**		16.32
		121.62		120.67
Schedule 13				
Loans and Advances				
(Unsecured, Considered Good unless otherwise stated)				
Loans & Advances to Subsidiaries & Associates		**42.02**		6.22
Advances recoverable in cash or in kind or for value to be received (Refer Note 13 and 31(ii) of schedule 25)				
Considered Good	**502.05**		515.14	
Considered Doubtful	**5.60**		7.96	
	507.65		523.10	
Less: Provision for Doubtful Advances	**5.60**		7.96	
		502.05		515.14
Intercorporate Deposits		**405.02**		8.00
Balances with excise and customs, etc.		**240.61**		269.89
Deposit others				
Considered Good	**161.60**		154.30	
Considered Doubtful	**0.08**		0.08	
	161.68		154.38	
Less: Provision for Doubtful Deposits	**0.08**		0.08	
		161.60		154.30
Advance Income Tax paid [Net of Provision Rs. 190.20 Crores (Previous Year Rs. Nil)]		**29.56**		—
Advance Fringe Benefit Tax Paid [Net of Provision Rs. 16.57 Crores (Previous Year Rs. 11.11 Crores)]		**0.33**		—
		1,381.19		953.55

Schedules forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009		As at 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 14				
Liabilities				
Acceptances				
for Capital Expenditure	**156.62**		335.92	
for Goods and Expenses	**705.04**		971.91	
		861.66		1,307.83
Sundry Creditors (Refer Note 29 of schedule 25)				
for Capital Expenditure	**97.23**		141.77	
for Goods and Expenses	**1,068.03**		932.64	
		1,165.26		1,074.41
Advance from Subsidiary Companies		**155.84**		464.13
Advance from Customers		**135.93**		131.05
Interest accrued but not due		**20.37**		17.38
Other Liabilities		**206.76**		256.20
		2,545.82		3,251.00

	As at 31st March, 2009		As at 31st March, 2008	
Schedule 15				
Provisions				
Provision for Leave Encashment and Other Employee Benefits		**13.17**		11.04
Provision for Gratuity (Refer Note 8(i) of schedule 25)		**5.23**		3.45
Provision for Tax [Net of Tax paid / deducted at source Rs. Nil (Previous Year Rs. 145.32 Crores)]		**—**		51.40
Provision for Derivative Contracts		**100.63**		39.30
Provision for Indirect Tax Matter (Refer Note 33(i) of schedule 25)		**19.73**		19.73
Provision for Other Matters (Refer Note 33(ii) of schedule 25)		**36.78**		11.40
		175.54		136.32

Schedules forming part of the Profit and Loss Account for the year ended 31st March, 2009

	Year Ended 31st March, 2009		Year Ended 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 16				
Other Income				
Dividend				
From Subsidiary	40.42		—	
From Others	—		0.37	
		40.42		0.37
Interest on deposits with banks and others [Tax Deducted at Sources Rs. 8.39 Crores (Previous Year Rs. 4.40 Crores)]		69.59		28.82
Rent		9.11		7.33
Profit on sale of Current Investments		0.27		0.07
Liabilities no longer required written back (net)		60.43		3.81
Miscellaneous Income		5.36		2.71
		185.18		43.11
Schedule 17				
Materials Cost				
Opening stock	277.55		513.18	
Add: Purchases	2,472.93		2,283.11	
Less: Closing stock	262.39		277.55	
Raw Materials Consumed		2,488.09		2,518.74
Production Consumables, Stores and Spares		1,634.03		1,421.11
Petroleum Products - Fuel		3,548.32		2,831.02
Cost of Traded Goods Sold		21.49		—
Excise Duty*		(29.10)		(41.33)
		7,662.83		6,729.54

* Represents differential excise duty in respect of closing stock and opening stock, excise duty on captive consumption, etc.

Schedule 18				
Decrease / (Increase) in Stock				
Opening Stock				
Finished Goods	476.09		527.10	
Work-in-Progress	560.01		677.72	
		1,036.10		1,204.82
Closing Stock				
Finished Goods	562.88		476.09	
Work-in-Progress	633.66		560.01	
		1,196.54		1,036.10
		(160.44)		168.72
Schedule 19				
Personnel Expenses				
Salaries, Wages and Bonus [Including operating lease rent of Rs. 2.68 Crores (Previous Year Rs. 3.59 Crores)]		194.76		190.78
Contribution to Provident and Other Funds (Refer Note 8 of schedule 25)		15.04		14.85
Staff Welfare Expenses		18.01		17.57
Directors' Remuneration (Refer Note 19 of schedule 25)		5.26		2.60
		233.07		225.80
Schedule 20				
Manufacturing and Asset Maintenance				
Power and Water Charges		659.84		566.97
Repairs and Maintenance				
Plant and Machinery	103.37		82.21	
Buildings	43.10		35.22	
Others	7.72		25.66	
		154.19		143.09
Plant and Equipment Hire Charges		43.61		29.38
Labour and Sub Contract Charges		115.27		105.44
Insurance		9.25		12.59
		982.16		857.47

Schedules forming part of the Profit and Loss Account for the year ended 31st March, 2009

	Year Ended 31st March, 2009		Year Ended 31st March, 2008	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
Schedule 21				
Administrative Expenses				
Traveling and Conveyance Expenses		**70.19**		48.89
Postage, Telephone and Fax		**9.05**		13.77
Printing and Stationery		**4.54**		3.18
Legal and Professional Fees		**78.72**		56.74
Operating Lease Rent		**14.07**		21.43
Rates and Taxes [includes wealth tax provision Rs. 0.58 Crore (Previous Year Rs. 0.14 Crore)]		**4.47**		3.34
Auditor's Remuneration (Refer Note 20 of schedule 25)		**2.92**		1.67
Directors' Sitting Fees		**0.04**		0.06
Vehicle Hire and Maintenance Charges		**14.48**		21.37
Loss on sale/write off of Fixed Assets (net)		**0.62**		1.75
Miscellaneous Expenses		**38.33**		40.88
		237.43		213.08
Schedule 22				
Selling and Distribution Expenses				
Commission		**71.89**		45.00
Freight Outward (net)		**185.52**		165.47
Discounts		**0.09**		0.42
Other Selling Expenses		**34.23**		28.43
Provision for Doubtful Debts (net)		**1.65**		(0.62)
		293.38		238.70
Schedule 23				
Finance Cost				
Plant and Equipment Lease Rentals (Refer Note 6 of schedule 25)		**19.23**		21.56
Guarantee and Other Bank Charges		**198.70**		198.02
Interest				
on Term Loans	**409.68**		441.45	
on Debentures	**—**		4.18	
to Banks and Others	**161.86**		164.26	
		571.54		609.89
		789.47		829.47
Schedule 24				
Exchange variation and Derivative Losses (net)				
Mark to Market loss on derivative contract		**61.33**		39.30
Exchange Variation (net)*		**375.91**		(83.98)
Amortisation of Foreign Currency Monetary Item Translation Difference		**14.85**		—
(Gain)/Loss on cancellation of Forward Exchange Contracts (Net of Premium paid / Amortised)		**87.66**		(29.57)
		539.75		(74.25)

* Includes Rs. 84.55 Crores (Previous Year Nil) towards exchange differences arising from foreign currency borrowings to the extent considered as Borrowing Cost as defined under para 4 (e) of Accounting Standard 16 - Borrowing Costs.

Schedule forming part of the Accounts for the Year ended 31st March, 2009

Schedule 25

Notes to Accounts

1. Nature of Operations

The Company has an integrated steel manufacturing unit of flat rolled products in Hazira, District - Surat. The Company also has a beneficiation plant at Kirandul and a pelletisation plant at Vizag.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified accounting standard by 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 in accounting policy discussed more in detail below, are consistent with those used in the previous year.

(b) Use of Estimates

The preparation of financial statements is in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and result of operations during the reported year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Change in Accounting Policies

(i) Till March 31, 2008 the Company was valuing Raw Materials, Production Consumable and Stores & Spares inventories on First in first out (FIFO) Basis. In current year, the Company changed its method of valuing Raw Materials, Production Consumables and Stores & Spares inventories from First in first out (FIFO) to weighted average method. This change is not having material impact on the profit for the current year or on Inventories as at the year end.

(ii) Upto 31st March, 2008, the Company was charging off / crediting exchange differences arising on foreign currency monetary assets and liabilities to profit and loss account. Pursuant to Companies (Accounting Standards) Amendments Rules, 2009, the Company has exercised the option of deferring the charge to the Profit and Loss Account arising on exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, on long-term foreign currency monetary items (i.e. monetary assets or liabilities expressed in foreign currency and having a term of 12 months or more at the date of origination). As a result, such exchange differences so far as they relate to the acquisition of a depreciable capital asset have been adjusted with the cost of such asset and would be depreciated over the balance life of the asset, and in other cases, have been accumulated in Foreign Currency Monetary Item Translation Difference Account and would be amortized over the balance period of such long term asset/liability but not beyond, accounting period ending on or before 31st March 2011.

In current year, such exchange differences, pertaining to accounting periods commencing on 1st April, 2007 and ending on 31st March, 2008 are transferred from General Reserve, to the extent they related to acquisition of depreciable capital assets are adjusted with the cost of such assets Rs. 58.60 Crores (Gain) (net of tax Rs. 38.68 Crores) and in other cases, are transferred to the Foreign Currency Monetary Item Translation Difference Account Rs. 3.32 Crores (Gain) (net of tax Rs. 2.19 Crores).

Had the Company continued to use the earlier basis of accounting for exchange differences arising on long-term foreign currency monetary items, the charge to the Profit and Loss Account before tax for the current period would have been higher by Rs. 211.74 Crore (Profit after tax Rs. 139.77 Crores), the net block of fixed assets would have been lower by Rs. 112.51 Crore and general reserve would have been higher by Rs. 40.87 Crores.

(d) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

In respect of accounting periods commencing on or after 7th December, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

(e) Capital Work-in-Progress

All expenditure, including advances given and interest cost during the project construction period, are accumulated and disclosed as capital work-in-progress until the assets are ready for commercial use. Assets under construction are not depreciated. Income earned from investments of surplus borrowed funds during the construction/trial run period is reduced from capital work-in-progress. Expenditure/income arising during trial run is added to/reduced from capital work-in-progress.

(f) Expenditure on substantial expansion

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.

(g) Depreciation

(i) Fixed assets are depreciated at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 on written down value method, except for plant and machinery and railway sidings which are depreciated on a straight line basis. Depreciation on additions to / deletions from fixed assets is provided on pro-rata basis from / up to the date of such addition / deletion as the case may be. Depreciation on additions to assets due to exchange variation is provided over the remaining useful life of the assets.

(ii) Costs relating to softwares, which are acquired, are capitalized and amortized @ 40 % on written down value method. The Company estimates useful life of 5 to 6 years of such softwares.

(h) Impairment of Assets

(i) 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 recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(i) 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 is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales is disclosed net of quality claims and rebates. Excise Duty deducted from turnover (gross) is the amount of excise duty that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year.

Export Benefits

Export benefits under duty entitlement passbook scheme is accrued whenever ascertainable.

Interest

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

Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries, if any, is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

(j) Taxes on Income

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 Indian Income Tax Act. 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.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(k) Inventories

Raw Materials, Production Consumables, Stores and Spares is valued 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 above cost. Cost is determined on a Weighted Average basis. Work-in-progress and finished goods is valued at lower of cost and net realisable value. Cost includes direct material and labour and a proportion of manufacturing overheads based on normal capacity. Value of finished goods also include excise duty. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and cost to make the sale.

(l) 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, if any, is made to recognise a decline other than temporary in the value of the investments.

(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 Difference

Exchange differences, in respect of accounting periods commencing on or after 7th December, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/ liability but not beyond accounting period ending on or before 31st March, 2011

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year 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 account 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) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares 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. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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.

(o) 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 estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(p) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand and at bank in current account. Margin deposit and term deposit with an original maturity of three months or less are considered as cash equivalent.

(q) Derivative Instruments

As per the ICAI announcement, accounting for derivative contract, other than those covered under AS 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

(r) Retirement and other employee benefits

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

(ii) Gratuity liability are defined benefit obligations and are provided for on the basis of an 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. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

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

(s) Central Value Added Tax (CENVAT)

CENVAT claimed on capital goods is reduced from the cost of plant and machinery/capital work-in-progress. CENVAT claimed on purchases of raw material and other materials is reduced from the cost of such materials.

(t) Leases

(i) Where the Company is the Lessee

Lease rentals in respect of finance lease arrangements entered up to 31st March, 2001 are segregated into cost of the asset and interest components by applying an implicit internal rate of return. The cost component is amortised over the useful life of the asset and the interest component is recognised in the Profit and Loss Account. Lease payments in excess of the charge for the year are treated as prepaid lease rentals wherever agreement is existing and in other cases it has been added to the carrying cost of the fixed assets.

Finance leases entered on or after 1st April, 2001, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

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

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

(ii) Where the Company is the Lessor

Assets subject to operating lease are included in fixed assets. Lease income is recognised in the Profit and Loss account on a straight line basis over the lease term. Costs including depreciation are recognised as an expense in the Profit and Loss account. Initial direct costs such as legal costs, brokerage costs, etc are recognised immediately in the Profit and Loss account.

	As at 31st March, 2009	As at 31st March, 2008
3. Contingent Liabilities not provided for	**Rs. in Crores**	Rs. in Crores
(i) (a) Bills discounted	**14.29**	59.66
(b) Claims against the Company not acknowledged as debt in respect of:		
— Disputed sales tax matters in respect which the Company has gone in appeal	**342.49**	502.84
[including amount already paid Rs. 147.34 crores (Previous year Rs.226.97 crores)]		
— Disputed Excise duty matters in respect which the Company has gone in appeal	**1.42**	1.52
— Disputed Custom duty / export duty matters in respect which the Company has gone in appeal	**207.93**	207.93
— Tax of sale of electricity demanded by sales tax authorities on Essar Power Limited	**45.91**	45.91
— Electricity duty charged on Essar Power Limited by Gujarat Electricity Board	**509.63**	465.62
— Wheeling Charges demanded by Gujarat Electricity Board	**215.95**	149.96
[including amount already paid Rs. 27.23 Crores (Previous year Rs. 27.23 Crores)]		
— Others	**—**	2.98
[including amount already paid Rs Nil (Previous year Rs. 0.15 Crore)]		
Future cash outflows in respect of above matters are determinable only on receipt of judgments / decisions pending at various forums / authorities.		
(c) Guarantees given to various banks, financial institutions, finance companies, etc. on behalf of others [Balance outstanding as on 31.03.2009 is Rs. 844.94 Crores (Previous Year Rs. 1,423.87 Crores)	**1,026.63**	1,517.05

The Company and Essar Power Limited (EPOL) have provided corporate guarantee of Rs. 1,537.00 Crores each, on behalf of Loop Telecom Private Limited (LOOP), favouring State Bank of India (SBI) against (a) Term loan of Rs. 725.00 Crores and (b) Bank guarantee of Rs. 812.00 Crores, availed by LOOP.

Of the said guarantee, LOOP has utilised guarantee of Rs. 725.00 Crores against the term loan availed from State Bank of India. As the Company and EPOL, issued the corporate guarantees simultaneously, the Company has considered Rs. 362.50 Crores being 50 % of Rs. 725.00 Crores as its contingent liability. The bank guarantee will be utilised against the licence fees payable by LOOP, after it starts operation.

Further, the Company has also received counter guarantee for the same from BPL Communications Limited for Rs. 1,537.00 Crores.

(ii) Arrears of fixed dividend on Cumulative Redeemable Preference Shares	**7.66**	2.56
4. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for	**373.71**	587.93
(b) Custom duty on pending export obligation under EPCG scheme	**46.50**	141.89

5 **Segment Information**

Primary Business Segment

The Company is primarily engaged in a single business segment of manufacture and sale of steel, and accordingly, this is the only primary reportable segment.

Geographical Segments

Secondary segmental reporting is based on the geographical location of customers. The geographical segments have been disclosed based on revenues within India (sales to Customers within India) and revenues outside India (sales to customers located outside India). Secondary segment assets and liabilities are based on the location of such asset/liability.

Information about Secondary Geographical Segments

Rs. in Crores

Segment information	**Year Ended 31st March, 2009**			Year Ended 31st March, 2008		
	India	**Outside India**	**Total**	India	Outside India	Total
Revenue (Income from operation)	**9,837.07**	**2,866.71**	**12,703.78**	8,769.01	3,141.65	11,910.66
Carrying amount of segment assets	**14,859.99**	**227.17**	**15,087.16**	14,147.88	158.57	14,306.45
Carrying amount of segment liabilities	**7,445.77**	**2,865.73**	**10,311.50**	6,950.45	2,724.67	9,675.12
Additions to fixed assets	**683.02**	**—**	**683.02**	1,169.97	—	1,169.97

6 **Leases**

Finance lease

Aircraft is obtained on finance lease. The lease term is for 5 years and renewable for further period after which the 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.

Operating lease

Residential Houses for staff accommodation , offices and equipments are obtained on operating lease. Lease rent is payable as per the lease term. The lease term is generally for 11 months and renewable for a further period at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

		Year Ended 31st March, 2009		Year Ended 31st March, 2008	
		Rs. Crores Finance lease	**Rs. Crores Operating lease**	Rs. Crores Finance lease	Rs. Crores Operating lease
(i)	Assets taken on finance lease on or after 01.04.2001				
	Total minimum lease payments at the year end	**4.10**	**—**	7.18	—
	Less: amount representing finance charges	**0.33**	**—**	0.96	—
	Present value of minimum lease payments (Rate of interest: 12.19% p.a.)	**3.77**	**—**	6.22	—
	Lease payments for the year	**3.08**	**22.34**	3.07	30.35
	Contingent rent recognised in Profit and Loss Account	**—**	**—**	—	—
	Minimum Lease Payments :				
	Not later than one year (For finance lease: Present value Rs.2.77 Crores as on 31.03.2009)	**3.08**	**5.42**	3.08	5.37
	Later than one year but not later than five years [For finance lease: Present value Rs. 1.00 Crores as on 31.03.2009]	**1.03**	**21.67**	4.10	21.47
	Later than five years [For finance lease: Present value Rs. Nil as on 31.03.2009]	**—**	**59.15**	—	63.95
(ii)	Future lease obligation for Assets taken on finance leases prior to 01.04.2001	**5.35**	**—**	9.66	—

7 Disclosure of related party transactions as required by Accounting Standard - 18 Related Party Disclosures:

(a) Holding Company

1 Essar Steel Holdings Limited, Mauritius

2 Essar Global Limited, Cayman Islands – Holding Company of Essar Steel Holdings Limited

(b) Subsidiary

1 Essar Steel (Jharkhand) Limited (ESJL)

2 Essar Steel Trading FZE, Dubai (Essar FZE)

(c) Fellow Subsidiary

1 Essar Steel (Chhattisgarh) Limited (ESCL)

2 Hazira Plate Limited (HPLT)

3 Essar Steel (Hazira) Limited (ESHL)

4 Hazira Pipe Mill Limited (HPML)

5 Essar Construction (India) Limited (ECL)

6 ETHL Global Capital Limited (ETHL)

7 Essar SEZ Hazira Limited (Essar SEZ)

8 Essar Shipping & Logistics Limited (ESLL)

9 Essar Shipping Port and Logistics Limited (ESL)

10 Aegis BPO Service Limited (AEGIS)

11 PT Essar Indonesia (PTEI)

12 Teletech Investments (India) Limited (Teletech)

13 Essar Engineering Services Limited (EESL)

14 Essar Logistics Limited (ELL)

15 Essar Steel (Orissa) Limited (ESOL) *

* Ceased to be Subsidiary with effect from 22nd September, 2008

(d) Associates

1 Essar Power Limited (EPOL)

2 Bhander Power Limited (BPOL)

3 Essar Bulk Terminal Limited (EBTL)

(e) Key Management Personnel

1 Mr. Vikram Amin, Director (Marketing) (VA)

2 Mr. Robin Banerjee, Director (Finance) (RB) *

3 Mr. Mahadev Iyer, Director (Finance) (MI) **

4 Mr. Dilip Oommen, Wholetime Director (DO) ***

* Ceased to be director of the company with effect from 16th February, 2009.

** Appointed as Director with effect from 16th February, 2009.

*** Appointed as Director with effect from 7th July, 2008.

(f) Individuals owning, directly or indirectly, an interest in the voting power that gives them control or significant influence

1 Mr. Shashi Ruia, Chairman

2 Mr. Ravi Ruia, Vice Chairman

3 Mr. Prashant S Ruia, Director

4 Mr. Anshuman S. Ruia

5 Mr Rewant Ruia, Director

(g) Enterprises commonly controlled or influenced by major shareholders/directors/Key management personnel's of the company

1 Click For Steel Services Limited (CFS)

2 Essar Agrotech Limited (EAL)

3 Essar House Limited (EHL)

4 Essar Information Technology Limited (EITL)

5 Essar Investment Limited (EIL)

6 Essar Projects Limited (EPL)

7 Essar Properties Limited (EPRL)

8 Futura Travels Limited (FTL)

9 India Securities Limited (ISL)

10 Essar Oil Limited (EOL)

11 Imperial Consultants Private Limited (ICPL)

12 Essar Infrastructure Services Limited (EISL)

13 Essar Steel Hypermarts Limited (Hypermart)

During the period, following transactions were carried out with some of the related parties in the ordinary course of business:
(excluding reimbursement)

		Holding Company	Subsidiary	Fellow Subsidiary	Associates	Enterprises commonly controlled or influenced by major shareholders /directors /Key Management Personnel of the company	Key Management Personnel	Individuals owning, directly or indirectly, an interest in the voting power that gives them control or significant influence
		Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores
(a)	Sale of Goods	-	1,368.41	603.63	0.55	-	-	-
		-	(291.68)	(148.40)	(1.15)	(11.00)	-	-
(b)	Income-Lease Rentals/Rent building	-	-	6.05	-	-	-	-
		-	-	(4.27)	-	(3.48)	-	-
(c)	Interest Income-Others	-	-	0.46	-	28.85	-	-
		-	-	-	-	-	-	-
(d)	Miscellaneous Income	-	-	1.45	0.31	0.31	-	-
		-	-	(0.34)	-	-	-	-
(e)	Profit on sale of fixed assets (PTEI)	-	-	-	-	-	-	-
		-	-	-	-	(0.09)	-	-
(f)	Purchase of Raw Materials,Stores and Spares, Production Consumables and Freight	-	-	643.03	2.98	-	-	-
		-	-	(4.60)	(6.58)	(478.31)	-	-
(g)	Purchase of Petroleum Products (Fuel)	-	-	-	26.69	17.04	-	-
		-	-	-	-	(19.60)	-	-
(h)	Power Processing Charges	-	-	-	419.28	-	-	-
		-	-	-	(337.55)	-	-	-
(i)	Water Charges	-	-	-	(5.01)	-	-	-
		-	-	-	(-4.49)	-	-	-
(j)	Repairs and Maintenance	-	-	9.31	1.86	33.87	-	-
		-	-	(5.86)	(2.02)	(22.33)	-	-
(k)	Plant and Equipment Hire Charges	-	-	29.45	-	-	-	-
		-	-	(23.50)	-	(0.75)	-	-
(l)	Labour Sub Contract Charges	-	-	35.11	-	-	-	-
		-	-	(30.15)	-	(25.01)	-	-
(m)	Traveling and Conveyance	-	-	-	-	40.27	-	-
		-	-	-	-	(29.88)	-	-
(n)	Professional Fees	-	-	1.46	-	44.43	-	-
		-	-	-	-	(11.84)	-	-
(o)	Freight Outwards paid	-	-	589.89	-	-	-	-
		-	-	-	-	(621.56)	-	-
(p)	Interest to Banks and Others	-	23.81	-	-	-5.83	-	-
		-	(10.07)	-	-	(5.83)	-	-
(q)	Lease Rentals - Plant and Equipments	-	-	-	-	3.87	-	-
		-	-	-	-	(5.68)	-	-
(r)	Directors Remuneration (including perquisites)	-	-	-	-	-	5.33	-
		-	-	-	-	-	(2.73)	-
(s)	Directors Sitting Fees * Rs. 60,000.00	-	-	-	-	-	-	*
	** Rs. 55,000.00	-	-	-	-	-	-	(**)
(t)	Capital Contract	-	-	133.13	-	2.54	-	-
		-	-	(338.51)	-	(0.22)	-	-
(u)	Sales of Fixed assets (ECL and PTEI)	-	-	-	-	-	-	-
		-	-	(2.68)	-	(1.11)	-	-
(v)	Loans given (Essar FZE)	-	-	-	-	-	-	-
		-	(6.85)	-	-	-	-	-
(w)	Loans repaid (Essar FZE)	-	-	-	-	-	-	-
		-	(6.85)	-	-	-	-	-
(x)	Dividend Income (Essar FZE)	-	40.42	-	-	-	-	-
		-	-	-	-	-	-	-
(y)	Office Rent	-	-	0.36	-	8.54	-	-
		-	-	(0.36)	-	(6.68)	-	-

		Holding Company	Subsidiary	Fellow Subsidiary	Associates	Enterprises commonly controlled or influenced by major shareholders /directors /Key Management Personnel of the company	Key Management Personnel	Individuals owning, directly or indirectly, an interest in the voting power that gives them control or significant influence
		Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores	Rs. crores
(z)	Miscellaneous Expenses	-	-	1.20	-	-	-	-
		-	-	(6.84)	-	(4.61)	-	-
(aa)	Sales Commission (Essar Steel Holdings Limited)	26.48	-	-	-	-	-	-
		(1.77)	-	-	-	-	-	-
(ab)	ICD Given	-	-	35.15	-	727.18	-	-
		-	-	-	-	(65.00)	-	-
(ac)	Repayment of ICD given	-	-	34.90	-	445.00	-	-
		-	-	-	-	(65.00)	-	-
(ad)	ICD taken	-	-	125.00	177.00	-	-	-
		-	-	-	-	(254.27)	-	-
(ae)	Repayment of ICD taken	-	-	125.00	177.00	254.27	-	-
		-	-	-	-	(100.00)	-	-
(af)	Purchase of Investment	-	3.95	272.21	-	-	-	-
		-	-	(81.67)	-	-	-	-
(ag)	Security Deposit Received (Essar SEZ)	-	-	36.26	-	-	-	-
		-	-	(54.00)	-	-	-	-
(ah)	Sale of Stores and Spares (EPOL)	-	-	-	-	-	-	-
		-	-	-	(23.87)	-	-	-
(ai)	Miscellaneous balances written off (CFS)	-	-	-	-	-	-	-
		-	-	-	-	(0.95)	-	-
(aj)	Corporate Guarantee given	-	-	104.58	-	-	-	-
		-	-	-	-	-	-	-
(ak)	Corporate Guarantee Discharged (ESHL)	-	-	595.00	-	-	-	-
		-	-	(186.13)	-	-	-	-
	Balance Outstanding as at year end							
	Long Term Investments	-	7.77	472.85	296.45	13.78	-	-
		-	(3.87)	(146.95)	(350.09)	(13.78)	-	-
	Sundry Debtors	-	-	164.74	0.46	3.90	-	-
		-	-	(77.16)	(0.32)	(9.35)	-	-
	Other Current Assets	-	40.42	-	-	30.42	-	-
		-	-	-	-	(14.60)	-	-
	Loan & Advances							
	Deposit (Including ICD)	-	-	0.29	-	377.19	-	-
		-	-	-	-	(87.59)		
	Other Advance (Including Advance towards Equity)	-	1.55	120.47	40.47	1.20	0.06	-
		-	(6.22)	(6.46)	-	(14.36)	(0.26)	-
	Capital Advances (Capital Work in Progress)	-	-	20.11	-	-	-	-
		-	-	(40.58)	-	-	-	-
	Sundry Creditors (Including Acceptances)	2.42	-	193.06	59.41	43.48	-	-
		(1.77)	-	(315.08)	(60.28)	(108.00)	-	-
	Advance from Customers	-	155.84	34.38	-	0.36	-	-
		-	(464.13)	(25.73)	-	(0.61)	-	-
	Guarantees Given to various bank, financial institutions, finance companies, etc. on behalf of others [Facilities outstanding Rs. 482.44 Crores (Previous Year 1,061.37 Crores)]	-	-	104.58	177.00	382.55	-	-
		-	-	(595.00)	(177.00)	(382.55)	-	-

The Enterprises Commonly controlled or influenced by major shareholders/directors/Key Management Personnel of the company having the following material related party transactions:

	Nature of Transaction	Name of Related Party																															
		ECL	ESL	EHL	EITL	EOL	FTL	PTEI	BPOL	EPOL	EBTL	ESJL	ELL	AEGIS	ICPL	EISL	EPL	EPRL	Essar FZE	HPLT	Essar SEZ	EIL	HPML	ESHL	ESLL	ESCL	ESOL	EESL	ISL	VA	DO	RB	MI
(a)	Sale of Goods	234.53	-	-	-	-	-	135.11	-	0.11	0.45	-	0.90	-	-	-	-	-	1,368.41	40.24	-	-	34.88	157.96	-	-	-	-	-	-	-	-	-
		(54.78)	-	-	-	(6.01)	-	-	-	(0.49)	(0.65)	-	(4.99)	-	-	-	-	-	(291.68)	(3.05)	-	-	-	(90.57)	-	-	-	-	-	-	-	-	-
(b)	Income - Lease Rentals/Rent building	1.13	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	-	-	-	4.00	-	0.25	-	-	-	0.66	-	-	-	-	-	-
		(0.25)	(3.30)	-	-	-	-	-	-	-	-	-	(0.18)	-	-	-	-	-	-	-	(4.02)	-	-	-	-	-	-	-	-	-	-	-	-
(c)	Interest Income-Others	-	-	-	-	0.85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28.00	-	-	-	-	0.46	-	-	-	-	-	-
		-	-	-	-	(0.32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	Miscellaneous Income	1.17	-	-	-	0.31	-	-	-	0.31	-	-	0.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.34)	-	-	-	-	-	-	-	-	-
(f)	Purchases of Raw Materials ,Stores and Spares, Prod. Consumables and Freight	4.82	437.60	-	-	-	-	-	-	2.98	-	-	189.01	-	-	-	-	-	-	-	-	-	-	11.60	-	-	-	-	-	-	-	-	-
		(1.75)	(338.78)	-	-	-	-	-	-	(6.58)	-	-	(134.22)	-	-	-	-	-	-	-	-	-	-	(2.85)	-	-	-	-	-	-	-	-	-
(g)	Purchase of Petroleum Products (Fuel)	-	-	-	-	17.04	-	-	-	26.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	(19.60)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(h)	Power Processing Charges	-	-	-	-	-	-	-	201.03	218.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	(138.64)	(198.91)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Water Charges	-	-	-	-	-	-	-	-0.98	-4.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	(-4.49)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(j)	Repairs and Maintenance	9.31	-	-	11.61	-	-	-	-	1.86	-	-	-	-	-	22.20	0.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(5.86)	-	-	-	-	(0.13)	-	-	(2.02)	-	-	-	-	-	(22.20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(k)	Plant and Equipment Hire Charges	27.30	-	-	-	-	-	-	-	-	-	-	2.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(23.50)	-	-	-	-	-	-	-	-	-	-	(0.75)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(l)	Labour Sub Contract Charges	27.93	-	-	-	-	-	-	-	-	-	-	7.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(30.15)	-	-	-	-	-	-	-	-	-	-	(25.01)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(m)	Traveling and Conveyance	-	-	-	-	-	40.27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	(29.75)	-	-	-	-	-	-	-	-	(0.14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(n)	Professional Fees	-	-	-	15.42	-	-	-	-	-	-	-	-	1.01	-	-	-	-	-	-	-	28.63	-	-	-	-	-	0.45	0.39	-	-	-	-
		-	-	-	(1.68)	-	-	-	-	-	-	-	-	(9.60)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.56)	-	-	-	-
(o)	Freight Outwards paid	-	36.63	-	-	-	-	-	-	-	-	-	553.26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	(47.58)	-	-	-	-	-	-	-	-	-	(573.97)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(p)	Interest to bank & others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23.81	-	-	-5.83	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.83)	-	-	-	-	-	-	-	-	-	-	-
(q)	Lease Rentals - Plant and Equipments	-	-	-	-	0.32	-	-	-	-	-	-	-	-	0.73	-	2.10	0.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	(0.19)	-	-	(0.62)	(0.22)	-	-	-	-	-	-	-	(0.73)	-	(3.37)	(0.54)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(r)	Directors Remuneration (including perquisites)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.97	1.01	2.14	0.21
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.07)	-	(1.66)	-
(t)	Capital Contract	130.19	-	-	2.54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.94	-	-	-	-	-
		(338.51)	-	-	-	-	-	-	-	-	-	-	-	(0.22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(y)	Office Rent	-	-	4.80	-	-	-	-	-	-	-	-	-	-	-	3.02	-	0.72	-	-	0.36	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	(4.80)	-	-	-	-	-	-	-	-	-	-	-	(1.16)	-	(0.72)	-	-	(0.36)	-	-	-	-	-	-	-	-	-	-	-	-
(z)	Miscellaneous Expenses	1.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(6.84)	-	(0.40)	(1.47)	-	-	-	-	-	-	-	-	(2.74)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ab)	ICD Given	-	-	-	-	245.00	-	-	-	-	-	-	-	-	-	-	-	-	-	10.10	-	482.18	0.15	2.50	-	2.25	20.15	-	-	-	-	-	-
		-	-	-	-	(65.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ac)	Repayment of ICD Given	-	-	-	-	245.00	-	-	-	-	-	-	-	-	-	-	-	-	-	10.10	-	200.00	0.15	2.50	-	2.00	20.15	-	-	-	-	-	-
		-	-	-	-	(65.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ad)	ICD taken	-	-	-	-	-	-	-	-	177.00	-	-	-	-	-	-	-	-	-	-	-	-	75.00	25.00	-	-	25.00	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(254.27)	-	-	-	-	-	-	-	-	-	-	-
(ae)	Repayment of ICD taken	-	-	-	-	-	-	-	-	177.00	-	-	-	-	-	-	-	-	-	-	-	254.27	75.00	25.00	-	-	25.00	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100.00)	-	-	-	-	-	-	-	-	-	-	-
(af)	Purchase of Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.95	-	-	-	-	272.21	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48.77)	(32.90)	-	-	-	-	-	-	-	-
(aj)	Corporate Guarantee given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17.80	-	-	86.78	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Balance Outstanding as at year end

Particulars	Name of Related Party																										
	ECL	ESL	EHL	EITL	EOL	FTL	PTEI	BPOL	EPOL	EBTL	ESJL	ELL	AEGIS	ICPL	EISL	EPL	EPRL	Essar FZE	HPLT	Essar SEZ	EIL	HPML	ESHL	ESLL	ESCL	ESOL	Teletech	Others
Long Term Investments	-	-	-	-	13.78	-	-	100.19	163.36	32.90	0.05	-	-	-	-	-	-	7.72	-	-	-	-	419.16	-	-	0.05	53.64	-
	-	-	-	-	(13.78)	-	-	(100.19)	(217.00)	(32.90)	(0.05)	-	-	-	-	-	-	(3.77)	-	-	-	-	(146.95)	-	-	(0.05)	-	-
Sundry Debtors	92.59	-	-	0.03	3.75	-	64.06	0.04	-	0.42	-	0.02	-	-	-	-	-	-	4.25	1.54	-	1.77	0.38	-	-	-	-	0.25
	(42.33)	-	-	-	(2.18)	-	(2.92)	-	-	(0.32)	-	-	-	-	-	(4.25)	-	(9.92)	(3.16)	-	-	-	(21.52)	-	-	-	-	(0.15)
Other Current Assets	-	-	-	-	13.55	-	-	-	-	-	-	-	-	-	-	-	-	40.42	-	-	16.87	-	-	-	-	-	-	-
	-	-	-	-	(14.60)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit (Including ICD)	-	0.04	37.78	3.67	1.82	35.31	-	-	-	-	-	-	-	8.50	0.60	1.29	5.94	-	-	-	282.28	-	-	-	0.25	-	-	-
	-	(0.04)	(38.58)	(1.67)	(1.82)	(20.31)	-	-	-	-	-	-	-	(8.50)	-	(4.08)	(11.91)	-	-	-	(0.08)	-	-	-	-	-	-	-
Other Advance (Including Advance towards Equity)	-	-	0.17	0.80	-	-	-	-	-	40.47	1.55	-	-	-	-	-	-	-	0.36	-	-	-	115.91	-	2.68	1.52	-	0.29
	-	-	(0.13)	(1.48)	(10.20)	-	-	-	-	-	(1.23)	-	-	-	-	-	-	(3.94)	(4.41)	-	-	-	(4.08)	(0.16)	(1.91)	(1.05)	-	(0.21)
Capital Advances (Capital Work in Progress)	20.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.09
	(40.58)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundry Creditors (Including Acceptances)	10.80	135.20	-	0.46	34.05	1.00	-	44.77	14.64	-	-	46.44	-	1.53	0.33	3.45	1.27	-	-	-	-	-	0.62	-	-	-	-	1.39
	(21.75)	(36.25)	-	-	(9.03)	(3.14)	-	(18.06)	(3.02)	-	-	(30.19)	(1.70)	-	(0.98)	(4.38)	(1.19)	-	-	(0.09)	(2.38)	-	-	(32.90)	-	-	-	-
Advance from Customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155.84	-	-	-	-	34.38	-	-	-	-	0.36
	(0.73)	-	-	-	-	-	(0.61)	-	-	-	-	-	-	-	-	-	-	(464.13)	-	-	-	-	(23.48)	-	-	-	-	(1.52)

Note : Previous year's figures are mentioned in the brackets below the currents years figures.

8 Employee Benefit

(i) Defined benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

	Year Ended 31st March, 2009 Rs. in Crores	Year Ended 31st March, 2008 Rs. in Crores
Profit and Loss account		
Net employee benefit expense (recognised in Employee Cost)		
Current Service Cost	**1.58**	2.64
Interest Cost	**1.10**	0.76
Expected Return on Plan Assets	**(0.84)**	(0.63)
Net Actuarial (gain)/loss recognised in the year	**0.28**	2.14
Expenses Recognised in the Income Statement	**2.12**	4.91
Actual return on Plan Assets	**0.95**	0.54
Balance Sheet		
Details of provision for Gratuity		
Present Value of Obligation (A)	**16.41**	14.23
Fair value of Plan Assets (B)	**(11.18)**	(10.78)
Liability Recognised in Balance Sheet	**5.23**	3.45
(A) Changes in the present value of the defined benefit obligation are as follows:		
Projected Benefit Obligations (PBO) at the beginning of the year	**14.23**	10.21
Interest Cost	**1.10**	0.76
Service Cost	**1.58**	2.64
Benefits paid	**(0.90)**	(1.42)
Actuarial (gain)/loss on obligations	**0.39**	2.04
PBO at the end of the year	**16.41**	14.23
(B) Changes in the fair value of plan assets are as follows:		
Fair Value of Plan Assets at the beginning of the year	**10.78**	5.51
Expected Return on Plan Assets	**0.84**	0.63
Contributions/Transfers	**0.35**	6.16
Benefits paid	**(0.90)**	(1.42)
Actuarial Gain / (loss) on Plan Assets	**0.11**	(0.10)
Fair Value of Plan Assets at the end of the year	**11.18**	10.78
Investment details of plan assets		
100% of the plan assets are with Insurance Company.		
Assumptions		
Discount Rate	**7.60%**	8.00%
Rate of Return on Plan Assets	**8.50%**	8.00%
Mortality	**LIC (1994-96)**	LIC (1994-96)

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Experience History Rs. in Crores

Particular	**As at 31st March, 2009**
Defined Benefit Obligation at end of the period	(16.41)
Plan assets at end of the period	11.18
Funded Status	(5.23)
Experience Gain/(Loss) adjustments on plan liabilities	0.01
Experience Gain/(Loss) adjustments on plan assets	0.11
Actuarial Gain/(Loss) due to change in assumptions	(0.40)

The Company expects to contribute Rs. 2.41 Crores to its plan assets in 2009-10.

(ii) Salaries, wages and bonus in Schedule 19 includes Leave encashment of Rs. 5.19 Crores (Previous Year Rs. 2.97 Crores). The Company has made provision of Rs. Nil (Previous Year Rs. 0.14 Crore) for long term service award on the basis of average expense incurred in the past years.

9. Earnings per share has been calculated as under:

	Year Ended 31st March, 2009		Year Ended 31st March, 2008	
Net Profit as per Profit & Loss Account	**Rs. Crores**	**185.20**	Rs. Crores	428.62
Less: Dividend on preference shares for the year (including dividend distribution tax)	**Rs. Crores**	**5.10**	Rs. Crores	5.34
Net Earning for the purpose of basic and diluted earning per shares	**Rs. Crores**	**180.10**	Rs. Crores	423.28
Number of shares outstanding at the beginning and end of the year		**1,139,810,888**		1,139,810,888
Weighted average number of shares for the purpose of calculating earning per share		**1,139,810,888**		1,139,810,888
Earnings per share				
Basic earning per Equity share of Rs. 10 each (in Rupees)		**1.58**		3.71
Diluted earning per Equity share of Rs. 10 each (in Rupees)		**1.58**		3.71

10. Derivative Instruments and Unhedged Foreign Currency Exposure

(A) Derivative Instruments

Sr No.	**Type of Transaction**	**Amount 31st March 2009**	Amount 31st March 2008	**Currency**	**Purpose**
1	Coupon Only Swaps (USD / INR)	**2,500,000,000**	—	INR	To reduce the interest cost on Long Term Rupee Term loan
2	Rupee Indexed Interest Rate Swaps (Overnight Index Swap)	—	2,000,000,000	USD	To reduce the interest cost on Long Term Rupee Term loan
3	Cross Currency Swaps (USD / CHF)	**20,000,000**	30,000,000	USD	To reduce the interest cost on Foreign Currency Loans.
4	Cross Currency Swaps (USD / INR)	**20,000,000**	—	USD	To reduce the interest cost on Foreign Currency Loans.
5	Cross Currency Swaps (USD / JPY)	—	10,000,000	USD	To reduce the interest cost on Foreign Currency Loans.
6	Interest Rate Swap	—	85,000,000	USD	To reduce the interest cost on Foreign Currency Loans.
7	Interest Rate Swap Libor linked	**180,000,000**	—	USD	To reduce the interest cost on Foreign Currency Loans.
8	Currency Options (USD / INR)	**319,500,000**	188,000,000	USD	To hedge foreign currency risk on exports
9	Foreign Currency Options	**25,500,000**	—	EURO	To hedge foreign currency risk on exports
10	Foreign Currency Options	—	272,120,000	USD	To hedge foreign currency risk on exports
11	USD Forward sale contracts	**25,000,000**	68,679,311	USD	To hedge foreign currency risk on exports
12	EURO Forward sale contracts	—	61,647,138	EURO	To hedge foreign currency risk on exports
13	USD Forward purchase contracts	**133,659,729**	64,021,638	USD	To hedge foreign currency risk on repayment of loans
14	EURO Forward purchase contracts	**2,856,104**	—	EURO	To hedge foreign currency risk on repayment of loans
15	Cross Currency EURO/USD Forward purchase contracts	**28,323,275**	—	EURO	To hedge foreign currency risk on repayment of loans
16	Foreign Currency Options	—	153,000,000	USD	To hedge foreign currency risk on Imports

(B) Unhedged Foreign Currency Exposure

			As at 31st March, 2009		As at 31st March, 2008	
Sr No.	**Particulars of Transactions**	**Foreign Currency (FC)**	**Amount in FC**	**Amount (Rs. In Crores)**	Amount in FC	Amount (Rs. In Crores)
1	Sundry Creditors	CHF	—	—	6,030	0.02
		EURO	**1,606,211**	**10.99**	10,594,850	67.25
		GBP	**41,808**	**0.31**	483,414	3.87
		JPY	—	—	9,145,350	36.85
		SEK	**5,605,000**	**3.50**	3,400,000	2.31
		USD	**4,450,651**	**22.90**	20,230,290	81.14
		NOK	**568,533**	**0.43**	1,251,571	0.99
		AED	—	—	87,056	0.10
		AUD	**7,200**	**0.03**	89,850	0.33
		CAD	**639,537**	**2.63**	2,996	0.01
2	Buyer's Credit	CHF	**400,280**	**1.80**	460,461	1.86
		EURO	**9,432,203**	**64.54**	12,349,796	78.38
		GBP	**611,553**	**4.52**	803,934	6.44
		USD	**22,668,711**	**116.63**	8,457,385	33.92
3	Foreign Currency Loans	USD	**287,731,126**	**1,480.38**	291,170,453	1,167.88
		EURO	**15,570,464**	**106.55**	23,723,200	150.57
4	Sundry Debtors	USD	**23,030,339**	**116.37**	14,208,945	56.15
		EURO	**3,780,584**	**25.22**	12,500,680	77.93
		AED	**4,750,322**	**6.41**	—	—
5	Advance from Customers	AED	—	—	5,429,825	6.05
		EURO	**74,423**	**0.51**	1,002,267	6.36
		USD	**68,714,496**	**353.54**	154,231,156	618.62
6	Other Current Assets	USD	**8,000,000**	**40.42**	—	—
7	Cash and Bank Balances	USD	**909,300**	**4.59**	406,769	1.61

11 (a) Investments (Others - Quoted) include 2,10,400 equity shares of Rs. 10 each of Essar Oil Limited (EOL) amounting to Rs. 0.90 Crore, pledged with ICICI Bank Limited as collateral to various loans granted by ICICI Bank Limited to EOL.

(b) Investment (Trade – Unquoted) include 21,70,00,000 Equity Shares of Rs. 4 each (Previous Year Rs. 10 Each) of Essar Power Limited (EPOL) amounting to Rs. 163.36 Crores (Previous Year Rs. 217.00 crores), in respect of which the Company has executed set of Non-Disposal Undertakings in favour of IDBI Trusteeship Services Limited, as trustee, for various financial facilities availed by Essar Steel Holding Limited (ESHL), Essar Steel (Hazira) Limited and Essar Global Limited (EGL) from ICICI Bank Limited, ICICI Bank Canada Limited and Standard Chartered Bank pursuant to the respective facility agreements.

Also, the Company has entered into a shareholder's agreement with Essar Power Holdings Limited (EPHL) pursuant to which the Company has agreed to sell all or some of the shares held by it in EPOL to a third party buyer, such number of shares held by it, as may be specified by EPHL to such third party buyer (the "Drag Along Right).

(c) Investment (Trade – Unquoted) include 9,65,00,000 Equity Shares of Rs. 10 each of Bhander Power Limited amounting to Rs. 100.19 crores and 49,940 Equity Shares of Rs. 10 each of Essar Steel (Orissa) Limited amounting to Rs. 0.05 crores, in respect of which the Company has executed set of negative lien undertakings, for various financial facilities availed by Essar Steel Holding Limited (ESHL), Essar Steel (Hazira) Limited and Essar Global Limited (EGL) from ICICI Bank Limited, ICICI Bank Canada Limited and Standard Chartered Bank pursuant to the respective facility agreements.

12 During the year, Essar Power Limited (EPOL) demerged its non core investment division into an existing entity Teletech Investments (India) Limited (Teletech). The scheme of demerger was approved by honorable High courts of Bombay on August 22, 2008 and Madras on September 10, 2008. As per the scheme of demerger, Teletech allotted 2,56,79,372 equity shares of Rs.10 each fully paid-up to share holder of EPOL in the ratio 1000:40. Accordingly, the Company received 86,80,001 shares comprising 9.4% shareholding in Teletech. The cost of the Company's initial investment in EPOL has been split into cost of Investment in Teletech based on the proportion, the net assets of demerged division bears to the total networth of EPOL before demerger. Accordingly, the cost of investment of Rs. 217.00 crores in EPOL has been apportioned as given below:

Particulars	Rs. in crores
Value of Investment in EPOL	163.36
Value of Investment in Teletech	53.64
Total	**217.00**

13 Loans and Advances include due from directors Rs. 6,03,412 (Previous year Rs. 25,80,188). Maximum amount due from directors during the year Rs. 77,74,413 (Previous year Rs. 39,08,813).

	Unit	**Year Ended 31st March, 2009 Quantity**	Year Ended 31st March, 2008 Quantity
14 Capacity and Production			
(a) Capacity			
Licensed Capacity		*	*
Installed Capacity (as certified by the management) per annum			
Iron Ore Pellet	MT	**8,000,000**	8,000,000
Hot Briquette Iron	MT	**5,000,000**	5,000,000
Hot Rolled Coil/Sheet	MT	**3,600,000**	3,600,000
Cold Rolled Coil	MT	**1,400,000**	1,400,000
(b) Production			
Iron Ore Pellet	MT	**5,411,195**	5,363,395
Hot Briquette Iron	MT	**3,779,739**	4,179,304
Hot Rolled Coils/Cold Rolled Coils/Sheets	MT	**3,145,086**	3,368,764
(c) Captive Consumption			
Iron Ore Pellet	MT	**5,027,947**	4,818,914
Change in WIP Iron Ore Pellet-Increase/(Decrease)	MT	**79,132**	(175,631)
Hot Briquette Iron	MT	**3,730,528**	4,133,852
Hot Rolled Coils	MT	**46,443**	48,118
Change in WIP Coils-Increase/(Decrease)	MT	**15,190**	(8,728)

* Not applicable in terms of Government of India's Notification No. S.O.477(E) dated 25th July, 1991.

		Unit	Year Ended 31st March 2009 Quantity	Rs. Crores	Year Ended 31st March 2008 Quantity	Rs. Crores
15	**Sales, Opening Stock and Closing Stock**					
	(a) Sales					
	Iron Ore Pellet#	MT	**304,116**	**137.34**	720,112	324.83
	Hot Briquette Iron	MT	**53,686**	**55.43**	75,193	59.38
	Hot Rolled Coils/Cold Rolled Coils/Sheets #	MT	**3,058,172**	**12,075.35**	3,365,980	10,966.98
	Traded Goods	MT	**5,372**	**18.90**	—	—
	Others #			**416.76**		559.47
				12,703.78		11,910.66
	# Includes export benefits			**28.46**		128.11
	(b) Opening Stock of Finished Goods					
	Hot Briquette Iron	MT	**22,589**	**24.35**	52,330	45.04
	Hot Rolled Coils/Cold Rolled Coils/Sheets	MT	**141,656**	**412.60**	178,262	481.00
	Other	MT	**130,053**	**39.14**	6,030	1.06
				476.09		527.10
	(c) Closing Stock of Finished Goods					
	Hot Briquette Iron	MT	**18,114**	**23.07**	22,589	24.35
	Hot Rolled Coils/Cold Rolled Coils/Sheets	MT	**166,936**	**504.92**	141,656	412.60
	Other	MT	**179,188**	**34.89**	130,053	39.14
				562.88		476.09
16	**Consumption of Raw Materials**					
	Fines *	MT	**6,752,073**	**1,856.96**	7,278,216	1,747.46
	Iron Ore	MT	**658,375**	**445.76**	1,164,876	556.54
	Zinc	MT	**6,519**	**57.42**	6,365	97.34
	Cost of fines sold	MT	**220,771**	**53.56**		—
	Others			**74.39**		117.40
				2,488.09		2,518.74

* Includes freight and handling cost of Rs. 544.65 Crores (Previous year Rs. 330.38 crores) for transporting pellets from Vizag to Hazira

	Year Ended 31st March 2009 % of total	Rs. Crores	Year Ended 31st March 2008 % of total	Rs. Crores
Imported (including purchased from canalising agency)	**3**	**81.61**	10	259.65
Indigenous	**97**	**2,406.48**	90	2,259.09
	100	**2,488.09**	100	2,518.74

		Unit	Year Ended 31st March 2009 Quantity	Rs. Crores	Year Ended 31st March 2008 Quantity	Rs. Crores
17	**Traded Goods**					
	Opening Stock	MT	—	—	—	—
	Purchases	MT	**5,921**	**23.64**	—	—
	Cost of Traded Goods Sold	MT	**5,372**	**21.49**	—	—
	Closing Stock	MT	**549**	**2.15**	—	—

		Year Ended 31st March 2009 % of total	Rs. Crores	Year Ended 31st March 2008 % of total	Rs. Crores
18	**Consumption of Production Consumables, Stores and Spares**				
	Imported	**49**	**802.58**	29	414.05
	Indigenous	**51**	**831.45**	71	1,007.06
		100	**1,634.03**	100	1,421.11

19 Directors' Remuneration

	Year Ended 31st March 2009 Rs. Crores	Year Ended 31st March 2008 Rs. Crores
Salary and Allowances	**4.99**	2.46
Contribution to Provident and Other Funds	**0.27**	0.14
Other Perquisites*	**0.07**	0.13
	5.33	2.73

* The perquisites value is calculated based on the provisions of the Income Tax Act, 1961.

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 Auditors' Remuneration (excluding service tax)

Audit Fees	**2.37**	1.13
Other Services	**0.53**	0.48
Reimbursement of Expenses	**0.02**	0.06
	2.92	1.67

21 Value of Imports calculated on CIF basis

(including purchases from canalising agency)

Raw Materials	**85.16**	145.36
Production Consumables, Stores and Spares	**1,026.01**	706.72
Capital Goods	**147.47**	196.56

22 Net dividend remitted in foreign currency

0.01% Cumulative Redeemable Preference shares

Period to which it relates	**—**	**From 1st April,2005 to 30th September,2007**
Number of non-resident shareholders	**—**	270
Number of preference shares on which dividend remitted	**—**	119,499,243
Amount remitted (USD)	**—**	91,171

	Year Ended 31st March 2009 Rs. Crores	Year Ended 31st March 2008 Rs. Crores
23 Expenditure in Foreign Currency (on accrual basis)		
Interest	**150.46**	162.93
Commission	**67.09**	38.46
Professional Fees	**4.79**	17.91
Others	**19.92**	37.16
24 Earning in Foreign Currency		
(a) FOB Value of Exports		
Direct Export	**2,761.64**	2,970.10
(b) Others		
Freight recovered	**162.22**	252.72
Dividend	**40.42**	-
Others	**0.05**	2.25

		As at 31st March 2009 Rs. Crores	As at 31st March 2008 Rs. Crores
25	**Capital Work-in-Progress including expenditure during construction period**		
	(a) Buildings	**58.84**	75.64
	(b) Plant and Machinery including technical know-how, supervision and other capital expenditure	**299.76**	312.79
	(c) Advances to suppliers for capital expenditure	**171.92**	155.84
	(d) Expenditure during construction period *		
	Personnel Expenses		
	Salaries, Wages and Bonus	**1.54**	1.25
	Contribution to Provident Fund and Other Funds	**0.12**	0.13
	Staff Welfare Expenses	**0.19**	0.21
	Administrative Expenses		
	Traveling and Conveyance Expenses	**0.93**	1.10
	Postage, Telephone and Fax	**0.28**	0.38
	Printing and Stationery	**0.07**	0.09
	Legal and Professional Fees	**1.05**	0.93
	Operating Lease Rent	**0.16**	0.15
	Rates and Taxes	**0.33**	0.25
	Vehicle Hire and Maintenance Charges	**0.19**	0.24
	Miscellaneous Expenses	**0.42**	0.62
	Finance Cost		
	Interest on Term Loan	**18.12**	25.79
		23.40	31.14
	Add: Balance brought forward from Previous Year	**30.85**	102.52
		54.25	133.66
	Less: Allocated/transferred during the Year	**35.16**	102.81
	Balance carried forward to next year	**19.09**	30.85
	Total Capital Work-in-Progress [(a)+(b)+(c)+(d)]	**549.61**	575.12

* The expenditure debited to Profit and Loss Account are net of above expenditure during construction period.

26 Long term advances from customer are secured by a guarantee from Bank/Financial Institutions which has a charge on the Company's assets.

27 The Company has exercised the option as per the Companies Accounting Standard Rules, 2009. As per the option exchange differences related to long term foreign currency monetary items so far as they relate to the acquisition of a depreciable capital assets are capitalized and depreciated over the useful life of the assets and in other cases, are transferred to Foreign Currency Monetary Item Translation Difference Account and amortized over the balance period of such long term assets/liabilities but not beyond accounting period ending on or before 31st March 2011, the unamortized balance in this account is Rs. 37.30 Crore (Previous year Rs. Nil)

28 The Company has issued 4,35,98,951 10% CRPS of Rs. 10 each. Each CRPS will be redeemable at par in 12 equal monthly installments commencing from October 01, 2017 to September 01, 2018. The Company shall have option to redeem the CRPS at par in one or more tranches from any or all of the existing holders, anytime after the date of allotment together with arrears of dividend if any and the Board shall give one month's notice for any such redemption to the registered holders of the CRPS.

29 The Company has circulated confirmation for the identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006. The Company has not received any confirmation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, relating to amounts unpaid, if any, as at the year end together with interest paid / payable as required under the said Act have not been given.

30 Exceptional Item represents compensation paid on account of "take or pay " clause as per the Framework gas sale agreement to a supplier of natural gas for non off take of the committed gas quantities.

31 (i) Details of amount due from Sundry Debtors under the same management within the meaning of section 370(1B):

Rs. in Crores

Sr No	Parties	As at 31st March, 2009	As at 31st March, 2008
1	Essar Steel (Hazira) Limited	0.38	21.52
2	Hazira Plate Limited	4.25	3.16
3	Hazira Pipe Mill Limited	1.77	-

(ii) Details of loans and advances given to companies under the same management within the meaning of Section 370(1B)

Rs. in Crores

Sr. No.	Parties	**As at 31st March, 2009**	**Maximum Amount outstanding during 2008-2009**	As at 31st March, 2008	Maximum Amount outstanding during 2007-2008
1	Hazira Plate Limited	**0.36**	**8.21**	4.41	14.08
2	Essar Steel (Chhattisgarh) Limited	**2.93**	**2.93**	1.91	1.91
3	Essar Steel (Hazira) Limited*	**115.91**	**128.21**	0.14	21.18
4	Essar Steel Orissa Limited	**1.52**	**1.55**	—	—

* Includes Advance towards Equity Investment of Rs. 115.85 Crores.

32 Margin and term deposits of Rs. 424.68 Crore (Previous Year Rs. 297.07 Crore) have been pledged with banks as a security for opening Letters of Credit, Buyer's Credit and against Bank Guarantee.

33 Provisions

Rs. in Crores

Particulars	**Indirect Tax Matter**	**Other Matters**
Balance as at 31st March, 2008	19.73	11.40
Additions during the year	—	25.38
Balance as at 31st March, 2009	19.73	36.78

(i) Provision for Indirect Tax

Essar Steel Limited ("the Company") submitted a Letter of Approval (LOA) for setting up a SEZ Unit ("the Unit") on 3rd October 2006. While such application was pending, the unit commenced operations on 27th October 2006. The production was used for captive consumption and the said facility was treated as normal domestic tariff area production, and was subjected to applicable Central Excise regime. The unit was approved on 11th January 2007 subject to fulfillment of certain conditions which were fulfilled on 21st March 2007. Accordingly, the Unit commenced operating as SEZ Unit from this date onwards. The Directorate General of Central Excise Intelligence (DGCEI), Ahmedabad Zonal unit conducted investigations in the matter and issued a show cause notice (SCN) dated 7th April 2008. The SEZ unit of the Company has replied to the SCN and the DTA unit is in the process of replying to the SCN. Meanwhile, the Company paid the applicable customs duty deposit of Rs. 180.73 Crores on clearances upto 11th April 2007, as if it was a SEZ Unit, though the matter was under discussion with the appropriate authorities.

During the year ended on 31st March, 2007 the management, however, on its own volition and as a matter of abundant caution made a provision of Rs. 19.73 Crores being non cenvatable portion of customs duty paid for the period after the grant of LOA i.e., 11th January 2007 to 20th March, 2007. The Company is of the view, based on legal advise, that entire amount paid is refundable and / or cenvatable.

During the current year, the Company has availed CENVAT credit of Rs. 140.35 crores towards countervailing duty and cess out of the said deposit paid. The Company has received a legal opinion to support the credit availed.

Further, during the current year, the Company has received show-cause notice from the Commissioner of Central Excise and Customs proposing to deny such credit and the Company has submitted its response against the said notice received. Since the matter was kept in call book, and not likely to be adjudicated, the Company filed a special civil application before the Honourable High Court of Gujarat seeking to quash the restriction on utilization of CENVAT Credit. The Honourable High Court granted interim stay on the restriction. The Company has also been advised by counsels that there is no restriction to utilize the disputed credit and accordingly the Company has started utilizing the credit for discharging the excise duty liability from the month of January 2009 onwards.

(ii) Provision for Other Matters

Provision for Other Matters represents, expected cost of shifting tails generated during the year at its beneficiation plant at Kirandul from its current location to another location. The Provision is recognised based on estimated quantity of tails lying as at balance sheet date and the estimated cost of shifting tails. The Company expects that this cost will be incurred within two years from balance sheet date.

34 Previous year's figures have been regrouped where necessary to confirm to current year's classification.

As per our report of even date
For S.R. BATLIBOI & Co.
Chartered Accountants

per Ravi Bansal
Partner

Membership No. 49365
Mumbai, 19th May, 2009

For and on behalf of the Board of Directors of Essar Steel Limited

P. S. Ruia
Director

Mahadev Iyer
Director Finance

V. G. Raghavan
Director

Vikram Amin
Director Marketing

Dilip Oommen
Director

Narottam B Vyas
Company Secretary

Mumbai, 19th May, 2009

Balance Sheet Abstract and Company's General Business Profiles:

I. Registration Details

Registration No. L 2 7 1 0 0 G J 1 9 7 6 F L C 0 1 3 7 8 7 State Code 0 4

Balance Sheet Date 31 (Date) 03 (Month) 09 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement (Preferential Allotment)**
NIL	NIL

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

Total Liabilities*	Total Assets **
12365.80	12365.80

Sources of Funds

Paid-up Capital	Reserves & Surplus
1184.08	3591.58
Secured Loans	**Unsecured Loans**
6317.62	993.77

* Total liabilities includes Long term advance from customer of Rs. 165.07 Crores & Deffered tax liabilities of Rs. 113.68 Crores.

** Total Assets includes Foreign Currency Monetary Item Translation Difference Account of Rs. 37.30 Crores.

Application of Funds

Net Fixed Assets	Investments
9678.43	791.31
Net Current Assets	**Misc. Expenditure**
1858.76	NIL
Accumulated Losses	
NIL	

IV. Performance of Company (Amount in Rs.Crores)

Turnover	Total Expenditure
11873.48	11572.67
Profit/Loss before tax	**Profit/Loss after tax**
+ ✓ - 300.81	+ ✓ - 185.20

(Please tick Appropriate box + for Profit, - for Loss)

Earning per Share in Rs.	Dividend rate %
1.58	-

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

Item Code No. (ITC Code) 2601

Product Description: IRON ORES AND CONCENT RATES, OTHER THAN ROASTED IRON PYRITES

Item Code No. (ITC Code) 7203

Product Description

FERROUS PRODUCTS
OBTAINED BY DIRECT
REDUCTION OF IRON
ORE AND OTHER SPONGY
FERROUS PRODUCTS, IN
LUMPS, PELLETS OR
SIMILAR FORMS

Item Code No. (ITC Code) 7208

Product Description

FLAT ROLLED PRODUCTS
OF IRON OR NON ALLOY
STEEL OF A WIDTH OF
600MM OR MORE HOT
ROLLED, NOT CLAD,
PLATED OR COATED

Item Code No. (ITC Code) 7210

Product Description

FLAT ROLLED PRODUCTS
OF IRON OR NON ALLOY
STEEL OF A WIDTH OF
LESS THAN 600 MM CLAD
PLATED OR COATED WITH
ZINC

Item Code No. (ITC Code) 7211

Product Description

FLAT ROLLED PRODUCTS
OF IRON OR NON ALLOY
STEEL OF A WIDTH OF
LESS THAN 600MM HOT
ROLLED, NOT CLAD,
PLATED OR COATED

For and on behalf of the Board

P. S. Ruia Director	**Mahadev Iyer** Director Finance
V.G.Raghavan Director	**Vikram Amin** Director Marketing
Dilip Oommen Director	**Narottam B Vyas** Company Secretary

Mumbai, 19th May, 2009

Cash flow statement for the year ended 31st March, 2009

Particulars	Year ended 31st March, 2009		Year ended 31st March, 2008	
	Rs in crores	Rs in crores	Rs in crores	Rs in crores
A. Cash flow from operating activities				
Net Profit before taxation		**300.81**		831.38
Adjustments for -				
Depreciation / Amortisation	**828.11**		766.52	
Loss on sale/write off of Fixed Assets (net)	**0.62**		1.75	
Profit on sale of Current Investments	**(0.27)**		(0.07)	
Dividend income	**(40.42)**		(0.37)	
Finance Cost	**789.47**		829.47	
Exchange variation and Derivative Losses (net)	**539.75**		(74.25)	
Interest on deposits with banks and others	**(69.59)**		(28.82)	
Liabilities no longer required written back (net)	**(60.43)**		(3.81)	
Provision for Doubtful Debts (net)	**1.65**		(0.62)	
		1,988.89		1,489.80
Operating profit before working capital changes		**2,289.70**		2,321.18
Movements in working capital:				
Decrease/(Increase) in Sundry Debtors	**(34.89)**		172.55	
Decrease/(Increase) in Inventories	**(49.41)**		220.66	
Increase in Other Current Assets	**(0.95)**		(129.81)	
Decrease in Loans & Advances	**95.03**		119.49	
Decrease in Current Liabilities	**(432.47)**		(255.43)	
		(422.69)		127.46
Cash generated from operations		**1,867.01**		2,448.64
Direct taxes paid (net of refund)		**(91.91)**		(83.40)
Net cash from operating activities		**1,775.10**		2,365.24
B. Cash flow from investing activities				
Purchase of fixed assets	**(638.33)**		(629.43)	
Proceeds from sale of fixed assets	**0.93**		4.02	
Sale of investments	**310.34**		425.07	
Purchase of investments	**(630.07)**		(473.82)	
(Gain)/Loss on cancellation of Forward Exchange Contracts	**67.89**		33.09	
Inter Corporate Deposit Given (net)	**(397.02)**			
Dividend income	**-**		0.37	
Net cash used for investing activities		**(1,286.26)**		(640.70)
C. Cash flow from financing activities				
Redemption of preference share capital	**-**		(253.65)	
Preference Dividend paid (Including Dividend Distribution Tax of Rs. 1.96 Crores)	**-**		(13.46)	
Proceeds from borrowings	**2,735.43**		1,518.26	
Repayment of borrowings	**(1,940.30)**		(2,283.55)	
Finance cost paid	**(785.37)**		(836.24)	
Exchange variation and Derivative Losses	**(389.10)**		148.67	
Repayment of Long Term advances from customer	**20.51**		(21.86)	
Repayment of Finance Lease liabilities	**(21.34)**		(16.08)	
Net cash used in financing activities		**(380.17)**		(1,757.91)
Net increase in cash and cash equivalents		**108.67**		(33.37)
Cash and cash equivalents at the beginning of the year (see Note 3 below)		**399.49**		432.86
Cash and cash equivalents at the end of the year (see Note 3 below)		**508.16**		399.49
Net increase in cash and cash equivalents		**108.67**		(33.37)

Cash flow statement for the year ended 31st March, 2009

Notes:

1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard – 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.

2 Previous year figures have been regrouped where necessary to conform to current year's classification.

3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand & balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following:

	As at 31st March, 2009 Rs in crores	As at 31st March, 2008 Rs in crores
Cash and Cheques on Hand	**0.18**	0.13
Balances with Scheduled Banks		
on Current Accounts	**17.72**	102.29
on Margin Deposit Accounts	**—**	1.04
on Term Deposit Accounts	**490.26**	296.03
	508.16	399.49

Margin and term deposits of Rs. 424.68 Crore (Previous Year Rs. 297.07 Crore) have been pledged with banks as a security for opening Letters of Credit, Buyer's Credit and against Bank Guarantee.

As per our report of even date
For S.R. BATLIBOI & Co.
Chartered Accountants

per Ravi Bansal
Partner

Membership No. 49365
Mumbai, 19th May, 2009

For and on behalf of the Board of Directors of Essar Steel Limited

P. S. Ruia
Director

Mahadev Iyer
Director Finance

V. G. Raghavan
Director

Vikram Amin
Director Marketing

Dilip Oommen
Director

Narottam B Vyas
Company Secretary

Mumbai, 19th May, 2009

Directors' Report to the Members of Essar Steel Jharkhand Limited

Your Directors have pleasure in presenting the Fourth Annual Report on the working of the Company together with the Audited Accounts for the financial year ended 31st March, 2009.

1. OPERATIONS

During the year under review, the Company has made further progress for setting up the Steel Plant in the state of Jharkhand. Initiatives have been taken for procurement of Land and allocation of mines.

2. DIRECTORS

Shri Jatinder Mehra retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Shri Mahadev Iyer, Shri Ashwini Kumar Singh and Shri Rajeev Kumar Mandirutta have been appointed as Additional Directors of the Company to hold office as a Director up to the ensuing Annual General Meeting. Shri Robin Banerjee was appointed Additional Director of the Company during the period 18th December, 2008 to 16th February, 2009.

Shri V.G. Raghavan and Shri N. B. Vyas ceased to be Director of the Company consequent upon their resignations from the Board. The Board wishes to place on record their sincere appreciation for the contribution made by Shri V.G. Raghavan and Shri N.B. Vyas during their tenure as Directors of the Company.

3. AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants, Auditors of the Company retires at the conclusion of Annual General Meeting and being eligible offer themselves for re-appointment.

4. PERSONNEL

There are no employees working on the roll of the Company as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules, 1975.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

As the Company has not undertaken any manufacturing activity during the year, additional information on conservation of energy, technology absorption and foreign exchange as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 is not applicable.

6. AUDITORS' REPORT

There are no qualifications/adverse observations in the Auditors' Report requiring information and explanations u/s 217(3) of the Companies Act, 1956. However with regard to delay in payment of tax deducted at source, Company has taken necessary steps by formulating suitable control / reporting system to ensure timely deposit of statutory dues. The Company is in the process of raising long term debt for project financing, pending the same, company has arranged short term funds for utilization in project work.

7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed;

(i) that in the preparation of the accounts for the financial year ended 31st March, 2009 the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the Directors 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 state of affairs of the Company as at 31st March, 2009 under review;

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

(iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

8. SUBSIDIARY COMPANY

During the year under review your Company continues to be the subsidiary of Essar Steel Limited.

9. ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the various departments of Central and State Governments and its bankers for their cooperation and support.

For and on behalf of the Board of Directors

Mahadev Iyer
Director

Place : Mumbai
Date : 30th June, 2009

R.K. Mandirutta
Director

Auditors' Report to the Members Essar Steel Jharkhand Limited

1. We have audited the attached Balance Sheet of Essar Steel Jharkhand Limited ('the Company') as at March 31, 2009 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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) ('the order') 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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 the balance sheet, of the state of affairs of the Company as at March 31, 2009
     - b) in the case of the profit and loss account, of the loss 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.

S. R. BATLIBOI & CO.
Chartered Accountants

per Ravi Bansal
Partner
Membership No.:49365

Place : Mumbai
Date : 30th June, 2009

Annexure referred to in paragraph [3] of our report of even date

Re: Essar Steel Jharkhand Limited ('the Company')

(i) (a) The Company does not have fixed assets and thus the provisions of the clause (i) (a) to (i) (c) of the order are not applicable to the Company.

(ii) (a) The company does not have any inventories and thus the provisions of the clause (ii) (a) to (ii) (c) of the order are not applicable to the Company.

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

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

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of this area. During the year, the company did not undertake any activity of purchase of inventory and sale of goods and services.

(v) According to the information and explanations provided by the management, no contracts or arrangements referred to in section 301 of the Act were entered into during the year that needed to be entered into the register maintained under section 301 have been so entered.

(vi) The Company has not accepted any deposits from the public.

(vii) The provisions relating to internal audit are not applicable to the Company.

(viii) According to the information and explanations given to us, the Company's project is at start up stage of construction and the Company has not commenced commercial production. Hence maintenance of cost records is not applicable during the year under audit.

(ix) (a) Undisputed statutory dues including income-tax and cess have *not been regularly deposited with the appropriate authorities and there have been delays in large number of cases.* The provisions relating to provident fund, sales-tax, service tax, customs duty, excise duty, investor education and protection fund and employees' state insurance were not applicable to the Company during the current year.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, 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. The provisions relating to provident fund, service tax, sales-tax, customs duty, excise duty, investor education and protection fund, employees' state insurance and wealth tax were not applicable to the Company during the current year.

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

(x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.

(xi) The Company has no outstanding dues in respect of 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 to the Company.

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

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

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has utilised net current liabilities amounting to Rs. 17,951,001 for payment towards advance for acquisition of land and normal preoperative expenditure for setting up an integrated steel plant project at Chaibasa district (Jharkhand).*

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

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

(xx) The Company has not raised any money through public issues 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.

S. R. BATLIBOI & CO.
Chartered Accountants

per Ravi Bansal
Partner
Membership No.:49365

Place : Mumbai
Date : 30th June, 2009

Balance Sheet as at 31st March, 2009

	Schedules	As at 31st March, 2009 In Rs.	As at 31st March, 2008 In Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**500,000**	500,000
Share Application Money Pending Allotment		**3,400,000**	3,400,000
		3,900,000	3,900,000
APPLICATION OF FUNDS			
Capital Work in Progress (Including Capital Advance)	2	**20,544,554**	14,464,491
Current Assets, Loans and Advances			
Cash and bank balances	3	**203,609**	547,178
Loans and advances	4	**273,384**	231,705
		476,993	778,883
Less: Current Liabilities & Provisions			
Current Liabilities	5	**18,414,076**	11,731,814
Provision	6	**13,918**	52,615
		18,427,994	11,784,429
Net Current Assets		**(17,951,001)**	(11,005,546)
Profit and Loss Account		**1,306,447**	441,055
		3,900,000	3,900,000
Notes to Accounts	7		

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

S.R. Batliboi & Co.
Chartered Accountants

per Ravi Bansal
Partner
Membership No. 49365

Place : Mumbai
Date : 30th June, 2009

For and on behalf of Board of Directors
Essar Steel Jharkhand Limited

Mahadev Iyer — Director
R. K. Mandirutta — Director

Place : Mumbai
Date : 30th June, 2009

Profit and Loss Account for the year ended 31st March, 2009

	Schedule	Year ended 31st March, 2009 In Rs.	Year ended 31st March, 2008 In Rs.
INCOME			
Income		**—**	—
		—	—
EXPENDITURE			
Bank Charges		**10,374**	5,604
Auditor's Remuneration (Refer Note H of Schedule 7)		**855,018**	120,222
		865,392	125,826
NET LOSS FOR THE YEAR		**865,392**	125,826
Balance as per last Balance Sheet brought forward		**441,055**	315,229
BALANCE LOSS CARRIED FORWARD TO BALANCE SHEET		**1,306,447**	441,055
Earnings Per Share - Nominal Value of Rs. 10/- each (Refer Note G of Schedule 7)			
- Basic		**(17.31)**	(2.52)
- Diluted		**(2.22)**	(0.32)
Notes to Accounts	7		

The Schedule referred to above and notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date

S.R. Batliboi & Co.
Chartered Accountants

per Ravi Bansal
Partner
Membership No. 49365
Place : Mumbai
Date : 30th June, 2009

For and on behalf of Board of Directors
Essar Steel Jharkhand Limited

Mahadev Iyer — Director
R. K. Mandirutta — Director

Place : Mumbai
Date : 30th June, 2009

Schedules forming part of the Balance Sheet

		As at 31st March, 2009 In Rs.	As at 31st March, 2008 In Rs.
Schedule 1 : Share capital			
Authorised			
10,00,000 (Previous year : 10,00,000) equity shares of Rs.10/- each		**10,000,000**	**10,000,000**
Issued, Subscribed and Paid Up			
50,000 (Previous year : 50,000) equity shares of Rs. 10/- each fully paid		**500,000**	**500,000**
50,000 (Previous year : 50,000) equity shares are held by M/s Essar Steel Limited, the holding company together with its nominees.			
Schedule 2: Capital Work in Progress			
Capital Advance for Land Acquisition	[A]	**2,120,650**	2,120,650
Pre-Operative Expenditure (Pending Allocation) :-			
Rent (net) (Refer note F of Schedule 7) (including prior period expense of Rs. 318,205/-)		**1,385,359**	702,000
Electricity Expense		**207,903**	219,746
Communication Expenses		**241,799**	170,666
Travelling and Conveyance (including prior period expense of Rs. 49,085/-)		**519,776**	621,699
Postage and Telegram		**12,452**	14,506
Printing and Stationary		**82,181**	83,224
Legal and Professional Fees		**772,726**	584,668
Office Repairs & Maintenance (including prior period expense of Rs. 519,565/-)		**1,162,227**	653,726
Mining and Development Expenses		**804,458**	—
Fringe Benefit Tax		**66,457**	74,051
Miscellaneous Expenses		**824,725**	824,508
		6,080,063	3,948,794
Add: Balance brought forward from previous year		**12,343,841**	8,395,047
	[B]	**18,423,904**	12,343,841
Total Capital Work in Progress	[A]+[B]	**20,544,554**	14,464,491
Schedule 3: Cash and Bank Balances			
Cash on hand		**590**	7,172
Balances with scheduled banks:			
On current accounts		**203,019**	540,006
		203,609	547,178
Schedule 4: Loans and Advances			
(Unsecured, considered good unless otherwise stated)			
Loans and Advances recoverable in cash or kind or value to be received (Refer Note I of Schedule 7)		**31,590**	67,004
Security Deposits		**45,000**	—
Advance Tax (TDS) -Net		**196,794**	164,701
		273,384	231,705
Schedule 5: Current Liabilities			
Sundry Creditors:			
Dues to Micro, Small and Medium Enterprises (Refer Note E of Schedule 7)		**—**	—
Due to Others		**8,446,628**	5,257,552
Advance from Customers		**9,900,000**	6,200,000
Other Liabilities		**67,448**	274,262
		18,414,076	11,731,814
Schedule 6: Provision			
Provision for Fringe Benefit Tax - Net		**13,918**	52,615
		13,918	52,615

SCHEDULE 7 - NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2009

A. Background and Nature of Operations

The Company was incorporated on June 17, 2005 as Essar Steel (Jharkhand) Limited. On July 26, 2006 the Company's name has been changed to Essar Steel Jharkhand Limited. The Company is in process of setting a Steel Plant in the Chaibasa district of Jharkhand.

B. Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standard 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 except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and 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 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 management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Expenditure during Construction Period

All Cost including finance cost till commencement of commercial production is capitalized. Indirect expenditure incurred during construction period is capitalized 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 incurred during the construction period which are not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned from deposits earmarked against financing facilities during construction period is deducted from the total of the indirect expenditure.

d. Cash and Cash Equivalent

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.

e. Operating Lease

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

f. Earning Per Share

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

g. Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current and Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

h. Provisions

A provision is recognized 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 estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

i. Segment Reporting

The Company's activities during the year revolve around setting up of the project (Refer Note C below). Considering the nature of Company's business and operations, there are no reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', issued by the Institute of Chartered Accountants of India (ICAI).

C. The Company is in the process of setting up steel plant (project) in the state of Jharkhand. The project is at start up stage of construction and the Company has not commenced revenue operations. The expenditure incurred directly or indirectly is classified as Expenditure during Construction Period pending capitalization and will be apportioned to the Assets on the completion of project.

D. Related Parties:

a) Related Party where the control exists
  i. Holding Company:
     Essar Steel Limited (ESTL)
  ii. Ultimate Holding Company:
     Essar Global Ltd.(EGL)

b) Fellow Subsidiary:
Essar Constructions (India) Limited (ECIL)
Essar Steel Orissa Limited (ESOL)
Essar Steel Chhattisgarh Limited (ESCL)

c) Individuals Owning, directly or indirectly, an interest in voting power that gives them control or significant influence:
Mr. Shashikant Ruia
Mr. Ravikant Ruia
Mr. Prashant Ruia
Mr. Anshuman Ruia
Mr. Rewant Ruia

d) Enterprises commonly controlled or influenced by major shareholders/directors/ key managerial personnel of the company (to the extent of transactions entered) –
Essar Power (Jharkhand) Limited (EPJL)
Essar Investments Limited (EIL)
Essar Oil Limited (EOL)

During the year following transactions were carried out with the related party in the ordinary course of business:

Nature of Transactions	**Name of Party**	**Holding Company**	**Fellow Subsidiaries**	**Enterprises commonly controlled or influenced by major shareholders/ directors/ key managerial personnel of the company**
Recovery of Rent on property sublet and share in common expenses	EOL	—	—	117,984
	EOL	—	—	(352,138)
	EPJL	—	—	247,033
	EPJL	—	—	(346,844)
Expenses incurred by Company on their behalf (recoverable)	ESCL	—	—	—
	ESCL	—	(10,778)	—
Advance towards supply of materials	ESTL	3,700,000	—	—
	ESTL	(4,200,000)	—	—
Advance Received	EIL	—	—	700,000
	EIL	—	—	—
Expenses incurred by others on behalf of the Company.	ESTL	886,855	—	—
	ESTL	—	—	—
	ESCL	—	702,394	—
	ESCL	—	—	—

Figures in brackets represents previous period.

Amount Receivable / (Payable) as at year end:-

Closing Balance of the Party	**As at 31st March, 2009**	As at 31st March, 2008
EIL	**(8,89,951)**	(1,89,951)
ESTL	**(15,854,456)**	(1,12,67,601)
ESCL	**(702,394)**	10,778
EOL	**—**	50,851
EPJL	**31,590**	—

E. The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006, by obtaining confirmation from all the suppliers. Based on current information/confirmations available with the company, there are no suppliers who are registered under the relevant act as at March 31, 2009.

F. Lease Rentals:

Operating lease

Office premises are obtained on operating cancelable lease terms.

a) An office premise at Ranchi is obtained on operating lease by one of the group company Essar Steel Limited and the same is sub-leased to the Company. The lease term for it was 60 month and is renewable for a further period of 60 months at the option of the company. The lease rent has been escalated by 15% in the current year and shall be further escalated by additional 5% in the next year. The Office has also been sub-let to Essar Oil Limited and Essar Power Jharkhand Limited for the period April to June 2008. This sub-lease is agreed as per the terms of agreement entered with lessor. During the year the company has paid lease rent of Rs. 1,117,779 (including Service Tax) and recovered Rs.86,625 from Essar Oil Limited and Rs 82,500 from Essar Power Jharkhand Limited. This lease rent expense is capitalized as expenditure incurred during the construction period.

b) Office-cum-Guest House at Chaibasa with a lease term of 11 months renewable twice for a further period of 11 months at the option of the lessee. During the year the company has paid lease rent of Rs.118,500 to the lessor.

G. Earnings Per share

Particulars		**Year ended 31st March, 2009**	Year ended 31st March, 2008
Net Loss as per Profit & Loss Account for the purpose of calculating basic & diluted earnings per share	Rs.	**865,392**	125,826
Number of equity shares outstanding at the beginning of the year / period	Nos.	**50,000**	50,000
Number of equity shares issued during the year / period	Nos.	**—**	—
Number of Equity shares at the end of the year / period	Nos.	**50,000**	50,000
Share Application Money at beginning of the year	Nos.	**340,000**	340,000
Share Application Money received during the year	Nos.	**—**	—
Weighted Average Number of equity shares for the purpose of calculating basic earning per equity share	Nos.	**50,000**	50,000
Weighted Average Number of equity shares for the purpose of calculating diluted earnings per equity share	Nos.	**390,000**	390,000
Basic Earnings Per Equity Share	Rs.	**(17.31)**	(2.52)
Diluted Earnings Per Equity Share	Rs.	**(2.22)**	(0.32)

H. Auditor's Remuneration:-

Particulars	**Year ended 31st March, 09 (Rs.)**	Year ended 31st March, 08 (Rs.)
Audit Fees*	**848,440**	113,360
Out of Pocket Expenses	**5,578**	6,862
	855,018	120,222

*inclusive of service tax

I. Loans and advances given to Companies under same management

	Year ended 31st March, 09 (Rs.)	Year ended 31st March, 08 (Rs.)
Essar Steel Chattisgarh Limited Maximum amount outstanding during the year Rs.10,778 (Previous Year: 10,778)	**Nil**	10,778

J. Previous year's figures have been regrouped whereever necessary to conform to this year's classification.

As per our report of even date

S.R. Batliboi & Co.	For and on behalf of the Board of Directors	
Chartered Accountants	Essar Steel Jharkhand Limited	
per Ravi Bansal	Mahadev Iyer	R.K. Mandirutta
Partner	Director	Director
Membership No. 49365		

Place: Mumbai

Date : 30th June, 2009

Balance Sheet Abstract and Company's General Business Profile

Balance Sheet Abstract and Company's General Business Profile:

1. Registration Details:

Registration No. U27100GJ2005PLC046272

State Code 04

Balance Sheet Date 31.3.2009

II. Capital Raised during the Year: (Amount in Rs. crores)

Public Issue	NIL	Private placement	NIL
Right Issue	NIL	Share Application Money	NIL

III. Position of Mobilization and Deployment of Funds (Amount in '000 Rs.)

Total Liabilities	3900.00	Total Assets	3900.00
Sources of Funds:			
Paid-up Capital	500.00	Share Application Money	3400.00
Reserves & Surplus	-	Secured Loans	-
Unsecured Loans	-		
Application of Funds:			
Net Fixed Assets	-	Investments	-
Net Current Assets	(17951.00)	Capital Work-in-Progress (including Capital Advances)	20544.55
Profit and Loss Account	1306.45		

IV. Performance of Company (Amount in '000 Rs.)

Turnover	NIL	Profit Before Tax	1306.44
Profit After Tax	1306.44	Earning Per Share (Rs.)	(2.22)

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

Product description	Item Code No.
Billets and Slabs	3301
Pellets	3309

For and on behalf of Board of Directors
Essar Steel Jharkhand Limited

Mahadev Iyer	R. K. Mandirutta
Director	Director

Place : Mumbai
Date : 30th June, 2009

Cash Flow Statement for the year ended 31st March, 2009

		Year Ended 31st March, 2009 Amount in Rs.	Year Ended 31st March, 2008 Amount in Rs.
A	Cash Flow from operating activities		
	Net Loss before Tax	(865,392)	(125,826)
	Bank Charges	10,374	5,604
	Operating Cash Loss before working capital changes	**(855,018)**	(120,222)
	Increase/(Decrease) in Current Liabilities	742,658	120
	Cash Generated from Operations	**(112,360)**	(120,102)
	Tax paid during the year	70,790	89,197
	Net Cash Flow from Operating Activities	**(183,150)**	(209,299)
B	Cash Flow from Investing Activities		
	Expenditure during construction period	(150,045)	122,615
	Net Cash Flow from Investing Activities	**(150,045)**	122,615
C	Cash Flow from Financing Activities		
	Bank Charges	(10,374)	(5,604)
	Net Cash Flow from Financing Activities	**(10,374)**	(5,604)
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(343,569)**	(92,288)
	Cash and Cash Equivalents at the begining of the year	**547,178**	639,466
	Cash and Cash Equivalents at the closing of the year/period	**203,609**	547,178
	Components of cash and cash equivalents	**As at 31st March, 2009**	As at 31st March, 2008
	Cash on Hand	**590**	7,172
	Balances with scheduled banks:		
	On current accounts	**203,019**	540,006
		203,609	547,178

Notes:

1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accouting Standard- 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.

2 Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report of even date

S.R. Batliboi & Co.
Chartered Accountants

per Ravi Bansal
Partner
Membership No. 49365

Place : Mumbai
Date : 30th June, 2009

For and on behalf of Board of Directors
Essar Steel Jharkhand Limited

Mahadev Iyer — Director
R. K. Mandirutta — Director

Place : Mumbai
Date : 30th June, 2009

DIRECTORS' REPORT

To

The Shareholders of Essar Steel Trading FZE

The Directors present before you the second annual report together with the Audited Financial Statements of the Company for the period ended on 31st March, 2009.

INCORPORATION OF THE COMPANY

The Establishment was incorporated on 14th June, 2006 in the name of Essar Steel Trading FZE, registered under Dubai Airport Free Zone Authority (DAFZA) and issued Trade License No. 1054.

PARENT COMPANY

Essar Steel Limited a Company registered under the laws of India having its registered office at 27 KM Surat Hazira Road, Surat, Gujarat, India is holding 100% share capital of the Company.

PRINCIPAL ACTIVITY

The Principal activity of the Company is primarily trading in steel & construction materials.

RESULTS

During the year under review, the Company has achieved a turnover of USD 340.31 Million (Previous Year: 81.90). There was substantial increase in the Trading activity of the Company and therefore your Company could achieve a profit of USD 9.31 Million in current year compared to the profit of USD 1.85 million during the previous period ended on 31st March 2008.

The finance cost of the Company has increased substaitially due to the various loans availed by the Company for its operation during the current year. The Management is of the view that the Company can maintain similar growth in the next year.

DIVIDEND

The Directors has recommended dividend of USD 8.00 million during the period.

STATEMENT OF DIRECTORS 'RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the profit or loss of the Company. In preparing those financial statements, the directors are required to

1. Select suitable accounting policies and then apply them consistently;
2. Make judgments and estimates that are reasonable and prudent;
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the international Financial Reporting Standards (IFRS). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud other irregularities.

AUDITORS

The auditors of the Company Ernst & Young, Dubai has expressed their desire to continue as the auditors of the Company during the fourth coming year.

B. Sivakumar
Director
Date: 17th June, 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF ESSAR STEEL TRADING FZE

Report on the Financial Statements

We have audited the accompanying financial statements of Essar Steel Trading FZE (the "Establishment"), which comprise the balance sheet as at 31 March 2009 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Implementing Rules and Regulations issued pursuant to Law No. (2) of 1996 and its amendment No. (2) of 2000 concerning the formation of legal establishments at the Dubai Airport Free Zone. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Establishment as of 31 March 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the provisions of Implementing Rules and Regulations issued pursuant to Law No. (2) of 1996 and its amendment No. (2) of 2000 concerning the formation of legal establishments at the Dubai Airport Free Zone and proper books of account have been kept by the Establishment. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Implementing Rules and Regulations have occurred during the year which would have had a material effect on the business of the Establishment or on its financial position.

Date: 17th June, 2009
Dubai

Ernst & Young,

INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 USD	2008 USD
Sales of goods		**340,302,379**	81,901,435
Cost of sales		**(326,056,774)**	(76,975,444)
GROSS PROFIT		**14,245,605**	4,925,991
Other income	3	**6,313,043**	801,265
Administrative expenses		**(2,854,062)**	(499,665)
Exchange loss		**(4,054,696)**	—
Finance costs	4	**(4,333,810)**	(3,376,394)
PROFIT FOR THE YEAR	5	**9,316,080**	1,851,197

BALANCE SHEET

At 31 March 2009

	Notes	2009 USD	2008 USD
ASSETS			
Current assets			
Accounts receivable and prepayments	6	**7,949,058**	50,360,856
Due from related parties	12	**167,880,242**	106,306,349
Bank balances	7	**14,873,184**	3,124,402
TOTAL ASSETS		**190,702,484**	159,791,607
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**1,634,877**	816,727
General reserve	9	**181,850**	—
Proposed increase in share capital		**—**	1,000,000
Retained earnings		**3,009,341**	1,693,261
Proposed dividend	10	**8,000,000**	—
Total equity		**12,826,068**	3,509,988
Non-current liabilities			
Term loans	11	**—**	15,000,000
Current liabilities			
Accounts payable and accruals	13	**3,032,780**	1,269,295
Due to related parties	12	**128,173,636**	12,324
Current portion of term loans	11	**46,670,000**	140,000,000
		177,876,416	141,281,619
Total liabilities		**177,876,416**	156,281,619
TOTAL EQUITY AND LIABILITIES		**190,702,484**	159,791,607

The financial statements were authorised for issue in accordance with a resolution of the directors on 17 June 2009.

Sreehari Iyer
Director

The attached notes 1 to 17 form part of these financial statements.

CASH FLOW STATEMENT
Year ended 31 March 2009

	Notes	2009 USD	2008 USD
OPERATING ACTIVITIES			
Profit for the year		**9,316,080**	1,851,197
Adjustments for:			
Interest expense	4	**4,333,810**	2,946,394
Interest income		**(97,803)**	(1,265)
		13,552,087	4,796,326
Working capital changes:			
Accounts receivable and prepayments		**42,411,798**	(49,895,726)
Due from related parties		**(61,573,893)**	(80,787,513)
Accounts payable and accruals		**1,763,485**	923,715
Due to related parties		**128,161,312**	12,324
Cash from/(used in) operations		**124,314,789**	(124,950,874)
Interest paid	4	**(4,333,810)**	(2,946,394)
Net cash from/(used in) operating activities		**119,980,979**	(127,897,268)
INVESTING ACTIVITY			
Interest received		**97,803**	1,265
Net cash from investing activity		**97,803**	1,265
FINANCING ACTIVITIES			
Proposed increase in share capital		**—**	1,000,000
Term loans, net		**(108,330,000)**	130,000,000
Net cash (used in)/from financing activities		**(108,330,000)**	131,000,000
INCREASE IN CASH AND CASH EQUIVALENTS		**11,748,782**	3,103,997
Cash and cash equivalents at 1 April	7	**3,124,402**	20,405
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	**14,873,184**	3,124,402

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2009

	Note	Share capital USD	General reserve USD	Proposed increase in share capital USD	(Accumulated losses) /Retained earnings USD	Proposed dividend USD	Total USD
Balance at 1 April 2007		816,727	—	—	(157,936)	—	658,791
Proposed increase in share capital		—	—	1,000,000	—	—	1,000,000
Profit for the year		—	—	—	1,851,197	—	1,851,197
Balance at 31 March 2008		816,727		1,000,000	1,693,261	—	3,509,988
Transfers		818,150	181,850	(1,000,000)	—	—	—
Profit for the year		—	—	—	9,316,080	—	9,316,080
Proposed dividend	10	—		—	(8,000,000)	8,000,000	—
Balance at 31 March 2009		**1,634,877**	**181,850**	**—**	**3,009,341**	**8,000,000**	**12,826,068**

The attached notes 1 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

1 ACTIVITIES

Essar Steel Trading FZE (the “Establishment”) was incorporated as a Free Zone Establishment with limited liability on 14 June 2006 in the Dubai Airport Free Zone pursuant to Law No. (2) of 1996 and its amendment No. (2) of 2000 issued by Dubai Airport Free Zone Authority. The registered address of the Establishment is PO Box 61078, Dubai, United Arab Emirates.

The Establishment is engaged in the activity of trading in steel and construction materials.

The Establishment is a wholly owned subsidiary of Essar Steel Limited (the “Parent Company”), a company registered in India, which exercises management control over the operating and financing decisions of the Establishment. The ultimate parent company of the Establishment is Essar Global Limited (the “Ultimate Parent Company”), a company registered in Cayman Islands.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Dubai Airport Free Zone Authority.

The financial statements have been prepared in United States Dollars, being the functional currency of the Establishment.

The financial statements have been prepared under the historical cost convention.

Changes in accounting policies

The accounting policies are consistent with those used in the previous financial year. New and amended IFRS and IFRIC interpretations becoming mandatory for financial years beginning on or after 1 January 2008 did not have any impact on the accounting policies adopted by the Establishment.

IASB Standards and Interpretations issued at 31 December 2008 but not adopted

The Establishment has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations, except for revised IAS 1 and some of the amendments to standards following the 2008 ‘improvement to IFRSs’ project as detailed below, are not likely to have any significant impact on the financial statements of the Establishment in the period of their initial application.

IAS I Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The application of this standard will result in amendments to the presentation of the financial statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

Improvements to IFRSs’

IFRS 7 Financial Instruments: Disclosures:

Removal of the reference to ‘total interest income’ as a component of finance costs.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting Period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment:

Replace the term “net selling price” with “fair value less costs to sell”,

IAS 18 Revenue:

Replacement of the term ‘direct costs’ with ‘transaction costs’ as defined in IAS 39.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

IAS 36 Impairment of Assets:

When discounted cash flows are used to estimate 'fair value less' cost to sell additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

The application of the above standards and improvements to IFRSs' will result in amendments to the presentation of

the financial statements including, in some cases,revisions to the accounting policies.

Use of estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accountiug policies (that have the most significant effect on the amount recognised in the financial statements) are discussed in note 17.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Establishment and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Commission

Commission income is accounted for on an accruals basis.

Impairment and of financial assets

The Establishment assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in Interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Accounts receivable

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 March 2009

Provisions

Provisions are recognised when the Establishment has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Loans and borrowings

Loans and borrowings are initially recognised at fair value and directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loan is derecognised as well as through the amortisation process.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

		2009	2008
3	OTHER INCOME	USD	USD
	Interest income on term deposits	97,803	1,265
	Commission income (See note 12)	6,215,240	800,000
		6,313,043	801,265

		2009	2008
4	FINANCE COSTS		
		USD	USD
	Interest on term loans	4,333,810	2,946,394
	Arrangement fees	—	430,000
		4,333,810	3,376,394

5 PROFIT FOR THE YEAR

		2009	2008
	The profit for the year is stated after charging:		
		USD	USD
	Staff costs	263,867	55,834
	Rental- operating lease	21,022	—

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

		2009	2008
		USD	USD
	Trade receivables	6,114,754	50,267,481
	Prepaid expenses	13,100	93,375
	Other receivables	1,821,204	—
		7,949,058	50,360,856

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

Accounts receivables are not impaired as 31 March 2009.

As at 31 March, the ageing of unimpaired trade receivables is as follows:

		Neither past due nor impaired	Past due but not impaired				
	Total USD		<30 days USD	31-60 days USD	61-90 days USD	91-120 days USD	>120 days USD
		USD					
2009	**6,114,754**	**2,128,932**	**—**	**—**	**—**	**3,272,522**	**713,300**
2008	50,267,481	50,267,481	—	—	—	—	—

The Establishment's credit period is 30 days after which trade receivables are considered to be past due. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Establishment to obtain collateral over receivables.

7 CASH AND CASH EQUIVALENTS

	2009	2008
	USD	USD
Bank balances	**14,873,184**	3,124,402

8 SHARE CAPITAL

	2009	2008
	USD	USD
Authorised, Issued and fully paid		
1 share of AED 6,000,000 (2008: AED 3,000,000)	**1,634,877**	816,727

9 GENERAL RESERVE

It represents the amount set a side from the contributed capital of the shareholders.The amount is a part of the equity of the Company and can be used by the Company for business purposes.

10 PROPOSED DIVIDEND

The Board of Directors has proposed an interim dividend of USD 8 million, which Is subject to the approval of the shareholders.

11 TERM LOANS

	2009	2008
	USD	USD
Total owing	**46,670,000**	155,000,000
Current portion transferred to current liabilities	**—**	(140,000,000)
	46,670,000	15,000,000

The Establishment has obtained term loans including advance payment facilities of USD 46.67 million (2008: USD 155 million) from various commercial banks to finance trading requirements which includes any advance payments made for the purchase of steel products.

These comprise:

- an advance payment facility of USD 15 million was obtained during the 2009 financial year from the Bank of India - Hong Kong branch in order to finance trading requirements. The facility is repayable in full on or before 17 November 2009.
- a medium term loan of USD 25 million was obtained during the 2007 financial year from the Bank of India, London branch. The medium term loan is repayable in six successive semi-annual installments commencing six months after the date of the disbursement of the loan. Forty percent of the loan is repayable in the first four installments and sixty percent of the loan is repayable in the last two installments. Interest is charged at 6 months LIBOR plus 1.75% (2008: 6 months LIBOR plus 1.75%).
- a facility of USD 50 million was obtained during the 2008 financial year and additional of USD 50 million during the 2009 financial year from the Calyon Credit Agricole CIB, in order to finance trading requirements. The facility is repayable in three equal installments payable on the 8th, 10th and 12th month from the date of the respective draw down. Interest is charged at LIBOR plus 0.75% (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

- an advance payment facility of USD 45 million was obtained during the 2008 financial year from the Bank of Tokyo - Mitsubishi UFJ in order to finance trading requirements. The facility was repayable in one bullet payment on maturity date which was 12 Months from the date of the first draw down. Interest was charged at 6 months LIBOR plus 0.72% (2008: LIBOR plus 0.72%). This advance payment facility was settled in full during the 31 March 2009 financial year.
- a trade advance facility of USD 25 million was obtained during the 2008 financial year from the Banco Bilbao Vizazya Argentaria S.A. (BBVA) in order to finance trading requirements. The facility was repayable in two installments. The first installment was payable 12 months from the date of the first draw down and the second installment was payable 6 months from the date of the second draw down. Interest was charged at 6 months LIBOR plus 0.75% (2008: LIBOR plus 0.75%). This trade advance facility was settled in full during the 31 March 2009 financial year.
- a trade advance facility of USD 15 million was obtained during the 2008 financial year from the Bank of India, Singapore branch. The facility was repayable in one bullet payment on maturity date which was 12 months from the date of the first draw down. Interest was charged at LIBOR plus 0.75% p.a, (2008: LIBOR plus 0.75%). This trade advance facility was settled in full during the 31 March 2009 financial year.

The security provided for these loans comprises:

- Pledge over collection account.
- Assignment of Purchase and Sale Contract (PSC) by Stemcor (S.E.A.) Pte Ltd, Singapore to Bank of Tokyo-Mitsubishi UFJ.
- Assignment of Advance Payment and Supply agreement (APSA) by Essar Steel Trading FZE, Dubai to Bank of Tokyo - Mitsubishi UFJ.
- Corporate guarantee issued by Essar Steel Limited, India.
- Assignment of Advance Payment and Supply agreement by Essar Steel Trading FZE, Dubai to BBVA.
- Assignment and pledge over proceeds account.
- Bank of India (Mumbai branch) corporate guarantee towards the principal amount of the export advance as well as the interest portion there on.

Further the above bank facilities are subject to certain restrictive covenants relating to maintenance of minimum debt-equity and current ratios, and routing of minimum amount of cash flow through the lending banks of the holding company.

12 RELATED PARTY TRANSACTIONS

Related parties represent the shareholder, directors and key management personnel of the Establishment, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Establishment's management.

Transactions with related parties included in the income statement are as follows:

	2009		2008	
	Commission income USD	**Purchases USD**	Commission income USD	Purchases USD
Shareholder	—	**326,056,774**	—	76,975,444
Associated Company	**6,215,240**	—	—	—
	6,215,240	**326,056,774**	—	76,975,444

Balances with a related party included in the balance sheet are as follows:

	2009		2008	
	Trade receivables USD	**Trade payables USD**	Trade receivables USD	Trade payables USD
Shareholder	**157,416,033**	**124,023,636**	106,306,349	12,234
Associated company	**10,464,209**	**4,150,000**	—	—
	167,880,242	**128,173,636**	106,306,349	12,234

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 March 2009, there was no impairment of amounts owed by related parties (2008: USD Nil).

Compensation of key management personnel

Management services are provided by the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

13 ACCOUNTS PAYABLE AND ACCRUALS

	2009 USD	2008 USD
Accrued expenses	**2,179,360**	1,269,295
Advances from customers	**853,420**	—
	3,032,780	1,269,295

14 CONTINGENCIES

As at 31 March 2009, the Establishment had contingent liabilities in respect of foreign bills discounted to banks arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to USD 4,808,645 (2008: Nil).

15 RISK MANAGEMENT

Interest rate risk

The Establishment is exposed to interest rate risk on its interest bearing liabilities (term loans).

An increase of 0.10% in interest rates, with all other variables held constant, would reduce profits by USD 46,670 (2008: USD 155,000). A decrease would have the opposite effect.

There is no impact on the Establishment's equity.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Establishment is exposed to credit risk on its bank balances, receivables and due from related parties as foliows:

	2009 USD	2008 USD
Bank balances	**14,873,184**	3,124,402
Receivables	**7,935,958**	50,267,481
Due from related parties	**167,880,242**	106,306,349
	190,689,384	159,698,232

The Establishment seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Establishment's 5 largest customers account for 89% of outstanding accounts receivable at 31 March 2009 (2008: 70%).

Liquidity risk

The Establishment limits its liquidity risk by ensuring bank facilities are available.

The Establishment's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the Establishment's undiscounted financial liabilities at 31 March 2009, based on contractual payment dates and current market interest rates.

At 31 March 2009	**Less than 3 months USD**	**3 to 12 months USD**	**1 to 5 years USD**	**>5years USD**	**Total USD**
Due to related parties	**128,173,636**	**—**	**—**	**—**	**128,173,636**
Term loans	**16,715,657**	**30,249,350**	**—**	**—**	**46,965,007**
Total	**144,889,293**	**30,249,350**	**—**	**—**	**175,138,643**

At 31 March 2008	Less than 3 months USD	3 to 12 months USD	years USD	>5years USD	Total USD
Due to related parties	—	12,324	—	—	12,324
Term loans	28,921,518	113,973,030	15,983,607	—	158,878,155
Total	28,921,518	113,985,354	15,983,607	—	158,890,479

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2009

Currency risk

Accounts receivables include an amount of USD Nil (2008: USD 8,925,136) due in foreign currencies, mainly in Euros.

The table below indicates the Establishment's foreign currency exposure at 31 March, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the USD currency rate against the Euro, with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/ decrease in Euro rate to the USD	Effect on profit before tax
2009	**+5%**	**Nil**
	-5%	**Nil**
2008	+5%	446,257
	-5%	(446,257)

Capital management

The primary objective of the Establishment's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Establishment manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Establishment may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 March 2009 and 31 March 2008. Capital comprises of share capital, general reserve, proposed increase in share capital and retained earnings, and is measured at USD 4,826,068 at 31 March 2009 (2008: USD 3,509,988).

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of bank balances and cash, accounts receivable and due from related parties. Financial liabilities consist of term loans, accounts payable and accruals and due to related parties.

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

17 KEY SOURCES OF ESTIMATION AND UNCERTAINTY

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were USD 6,114,754 (2008: USD 50,267,481) with no provision for doubtful debts. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

ESSAR STEEL LIMITED

Regd. Office: Post: Hazira, Pin 394 270, Dist : Surat

ENTRANCE PASS

(to be presented at the entrance)

Client ID ______________________

DP ID ______________________

33rd Annual General Meeting of the Company to be held on 26th September, 2009 at 2.30 p.m. at Nandniketan School, Nand Niketan Township, Post: Hazira, Pin: 394 270, Dist.: Surat, Gujarat

Name______________________ No. of Shares held______________________

Ledger Folio No.______________________ Signature ______________________

Members/ Proxies are allowed to attend the meeting.

— — — — — — — — — Tear Here — — — — — — — — —

ESSAR STEEL LIMITED

Regd. Office: Post: Hazira, Pin 394 270, Dist. : Surat

Client ID ______________________

DP ID ______________________

PROXY FORM

I/We ______________________ of ______________________ in the district of ______________ being a member(s) of the above named Company, hereby appoint Shri ______________________ of ______________________ in the district of ______________________ or failing him Shri ______________________ of ______________ in the district of ______________________ as

my / our proxy to attend and vote for me/us and on my / our behalf at the 33rd ANNUAL GENERAL MEETING of the Company to be held on 26th September, 2009 at 2.30 p.m. at Nandniketan School, Nand Niketan Township, Post: Hazira, Pin: 394 270, Dist.: Surat, Gujarat

Signed this ______________________ date of ______________ 2009

One Rupee Revenue Stamp

** Applicable only in case of Investors holding Shares in electronic form.

Regd. Folio No.:______________________

No. of Shares held: ______________________

THE COMPANIES ACT, 1956 LAYS DOWN THAT AN INSTRUMENT APPOINTING A PROXY SHALL BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.

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