



Jain
steel & power Ltd.
Prominence Through Excellence

Annual Report
2009-2010
2010

BOARD OF DIRECTORS

Mr. MannoJ Kumar Jain - *Managing Director*

Mrs. Rekha MannoJ Jain - *Director*

Mr. Ashok Kumar Chadha - *Director*

COMPANY SECRETARY

Mr. Chittaranjan Jena

AUDITORS

M/s. S. Poddar & Co.

Chartered Accountants

FINANCIAL INSTITUTIONS / BANKERS

HUDCO

Bank of India

Indian Bank

Punjab National Bank

REGISTERED OFFICE

39, Shakespeare Sarani

Premlata, 5th Floor

Kolkata - 700017

WORKS

Vill. & Post. Durlaga, Dist. Jharsuguda

Pin - 768 204, Orissa

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DIRECTORS' REPORT

To
The Shareholders,

Your Directors have pleasure in presenting their Sixth Annual Report together with a statement of accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The DRI Unit of the Company's Integrated Steel Plant at Jharsuguda has continued its trial run during April'09 and in order to remove certain bottlenecks the plant was temporarily shut down. The expenditure incurred has been treated as Pre-operative. Hence, no profit and loss account was prepared for the year under review.

INDUSTRY DEVELOPMENTS AND OUTLOOK

The Indian economy witnessed moderation in GDP growth to 7.4% in FY 09-10. The steel industry in India has been moving from strength to strength and according to the Annual Report 2009-10 by the Ministry of Steel, India has emerged as the fifth largest producer of steel in the world and India will become the world's second-largest steel producer by 2012, more than doubling its capacity to 124 million tons (MT) as part of the push being given to assist overall infrastructure development.

INDIA'S steel consumption rose 12 % in May 2010, the fastest in at least one year, backed by strong demand from automobile, consumer durable and infrastructure sectors, as per the provisional data of steel ministry. However, domestic steel production did not keep pace with demand and rose just 1.5% to 5.1 million tons as compared to consumption of 5.4 million tons. The excess demand was met through imports from countries like China and Japan. Steel production in India has risen to 60 million tons for the year ended March 2010.

A host of steel companies have lined up major investment proposals. Furthermore, with an expanding consumer market, the Indian steel industry is likely to receive huge domestic and foreign investments. The domestic steel sector has attracted a staggering investment of about US\$ 238 billion, according to reports. This consists of nearly 222 MOU's signed between the investors and various state governments mostly in the states of Orissa, Jharkhand, Chhattisgarh and West Bengal.

Steel demand is seen rising by 10 percent in the fiscal year to March 2011, helped by higher spending on infrastructure. A lot of emphasis has been put in the budget on infrastructure development. India's budget for 2010-11, which was announced by Finance Minister Shri Pranab Mukherjee proposed to invest 1.73 trillion rupees on infrastructure, a measure cheered by the steel industry.

As per the statement from the finance ministry, India's steel sector is expected to attain a growth of 6-9% in 2010. During the period spanning from April 2009 to January 2010, steel consumption surged 7.9% to 45.93 Million Tons as compared to the corresponding period in 2008-09, a fiscal whose second half saw more than 50% decline in demand and prices of the commodity.

Production of finished steel rose 3.8% in April-December 2009 while 7.7% increase in real consumption was registered in the same period. Moreover, exports declined 36% whereas imports surged 16.6% in that period. Increased demand from construction, real estate and automobile sectors were the key reasons leading to the steel industry growth in India. As all these sectors have resumed growth after the financial turmoil, it is quite likely that they will stimulate the growth in steel industry also.

It is noteworthy that per capita steel consumption in India is still around 40 Kg as compared to 100 Kg in Brazil, 250 Kg in China and a world average of 198 Kg. Thus, the country has huge scope for increasing its steel consumption.

Realizing the growth potential of the Indian steel market, it is stated that the market is attracting foreign players, who are expected to tie with domestic firms to gain a foothold in the second fastest growing economy in Asia. Also as the recent budget includes additional plans for rural infrastructure, industry players should concentrate on these areas to garner higher profits.

Not only steel but also power would reach new horizons in the Indian economy. "Power for all" by 2012 is likely to generate opportunity for power generation, transmission and distribution which in turn would create demand for steel. It will be the anchor material for construction, infrastructure, automobiles and consumer durables.

OPERATIONS AND OUTLOOK

Your directors are pleased to inform that the Company has commenced normal production of Sponge Iron from the DRI Unit during the current Financial Year 2010-11. The Waste Heat produced from such operation was used for the commissioning of 8 MW Captive Power Plant which is in advance stage and expected to be commissioned by September, 2010. The Steel Melting Shop Unit will also be commissioned after commissioning of Captive Power plant.

DIVIDEND

In view of no commercial operations during the year, your directors are unable to recommend any dividend on Equity Shares for the financial year 31st March, 2010.

DIRECTORS

Mr. Parmod Kumar Dhawan, resigned from the Directorship of the Company on 29th June, 2009 due to preoccupations.

Mr. Debashis Guha was appointed as Additional Director of the Company on 3rd November, 2009 but he tendered his resignation on 26th November, 2009 due to preoccupations.

Mr. Prasanna Kumar Mishra, Independent Director of the Company has resigned from the Board with effect from 16th November, 2009. The Board appreciates the valuable services rendered by Mr. Mishra, during his tenure as Director of the Company.

Mr. Ashok Kumar Chadha, Director, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

AUDITORS

M/s. S. Poddar & Co., Chartered Accountants, retire at the conclusion of the Sixth Annual General Meeting and being eligible have offered themselves for re-appointment to hold office from the conclusion of the 6th Annual General Meeting of the Company up to the conclusion of the 7th Annual General Meeting.

AUDITORS' REPORT

The Auditor's Report is self-explanatory and hence does not require specific explanations.

INDUSTRIAL RELATIONS

Management of human resources is crucial for the growth of the Company. Indian economy is growing at a fast pace which has resulted in shortage of talent. Our policy initiatives are directed towards inclusive growth and retention of talent. The Company has revised and updated its human resource policies and procedures. Various training programmes are being held for different levels to enhance their skills and update their knowledge.

Senior management continuously interacts with the staff members, sorts out their problems and provides guidance to them in order to cope up with their work efficiently. Rotation of employees is done in order to provide job satisfaction and increased interface with new people. Grievance redressal system is in place and employees' suggestions are being sought to improve efficiency.

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975.

There is no employee of the category specified in the above Section and Rules.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Conservation of Energy, which is an important concern for a manufacturing concern, is not furnished as the Commercial production of the Company has not started yet.

Your company has neither undertaken any research and development activity nor any specific technology has been obtained from any external sources which needs to be absorbed or adopted.

There is foreign exchange outgo of Rs. 16,08,856/- during the year under review by way of unsecured loan in wholly owned subsidiary formed in Australia.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, Your Directors state -

1. That in the preparation of the accounts for the financial year ended 31st March, 2010 the applicable accounting standards have been followed and there are no material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of the profits of the Company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the annual accounts for the financial year ended 31st March 2010 have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their sincere appreciation to Government of Orissa, Local Bodies, Bankers of the Company, Financial Institutions, its employees and other business associates concerned with the Company for their extended and continued patronage, cooperation, support and look forward for the same in future.

On behalf of the Board of Directors
For **JAIN STEEL AND POWER LIMITED**

Place Kolkata
Date: 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

AUDITORS' REPORT

To the members of
Jain Steel And Power Limited

1. We have audited the attached Balance Sheet of JAIN STEEL & POWER LIMITED, as at 31st March, 2010 and 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. No Profit and Loss Account has been prepared since the company has only undertaken trial run and the necessary details as per part II of the schedule VI of the Companies Act, 1956 have been disclosed in note no. B2 and B4 of the Schedule 'I'.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report), Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956,' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give 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 :-
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
 - c) The Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of Accounts;
 - d) In our opinion, the Balance Sheet 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';
 - e) On the basis of the written representations received from the directors, as on 31 March 2010 and taken on record by Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the 'Act' ;
 - f) *Subject to our comment in clause (g) below*, in our opinion and to the best of our information and according to explanations given to us, the said financial statements together with notes thereon and attached thereto give in the prescribed manner the information required by the 'Act' ,give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;and
 - ii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
 - g) *Regarding provisioning of liability for Gratuity as per AS-15 for employee benefits (revised) as the same is accounted for on estimated basis and not as per actuarial valuation.*

For **S. PODDAR & CO.**
Chartered Accountants
Firm Registration No. : 320294E
Sanjay Poddar
Partner
Membership No : 55604

Place : Kolkata
Date : 2nd August, 2010

[Referred to in the paragraph 3 of the Auditor's Report of even date to the members of Jain Steel and Power Limited on the financial statements for the year ended 31st. March 2010]

1. a) The Company is in the process of *updating the records*, showing full particulars, including quantitative details and situation of fixed assets. We have been informed that the *Fixed Assets whose records have been updated were physically verified* by the management during the year which, in our opinion is reasonable having regard to the size of the company and nature of its assets., no material discrepancies were noticed on such verification between the available records & physical verification.
b) The Company has not disposed off any of the fixed assets during the year.
2. a) The Management has conducted physical verification of inventory at reasonable intervals. 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. The company is Maintaining proper records of inventory and the discrepancies noticed during the physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
3. a) 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 'Act'. Unsecured loan granted to its subsidiary company and year-end balance is Rs. 28.70 lakhs (maximum amount due was Rs. 28.70 lakhs during the year).
b) The rate of interest (interest free) and other terms and conditions of such loan are not prima facie, prejudicial to the interest of the company.
c) In respect of loans granted, the Principal amount is repayable on demand in accordance with the terms and conditions and payment of interest (not applicable) in accordance with such terms and conditions.
d) There was no amount overdue in respect of loans granted by the company to parties covered in the register maintained under section 301 of the Companies Act, 1956.
e) The Company has taken unsecured loans long term in nature from companies, firms or other Parties covered in the register maintained under section 301 of the 'Act'. The balance outstanding at the year end is Rs. 6984.27 lakhs.
f) The terms and conditions of the interest and loans taken are prima facie not prejudicial to the interest of the company.
g) The payment of the principal amount and interest are also regular and in accordance with such terms and conditions.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. To the best of our knowledge and belief and according to the information and explanations provided to us by the management, we are of the opinion that the transactions that need to be entered into a register maintained under section 301 of the Companies Act, 1956 have been so entered and the transactions exceeding the value of Rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to information and explanations given to us, the company has not accepted any deposits from the public within the meaning of section 58A & 58AA of the Companies Act, 1956 & rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its Business.
8. We have broadly reviewed the books of accounts and records maintained by the company relating to manufacture of steel, pursuant to the order made by the central govt. for maintenance of cost records under section 209(1) (d) of the companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales-Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable with the appropriate authorities though there has been some delay in case of provident fund.

According to the information and explanations given to us, Company has no undisputed statutory dues, as at the year end, outstanding for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues Excise Duty as at 31st March 2010, which have not been deposited on account of dispute pending before appropriate authority is as under:

Name of the statute	Nature of Dues	Amount (Rs. in Lakhs)	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Reversal of CENVAT Credit	198.11	May, 2007 to April, 2008	With different assessing authorities under the statute

10. The Company has not prepared a profit & loss account as the company operation is under trial run, however expenses as set-off with realization are debited under pre-operative expenses pending allocation. Hence, this clause is not applicable.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or banks or debenture holders as at the balance sheet date. The company has not issued any debentures.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund /nidhi/mutual benefits fund/societies are not applicable to the company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions during the year.
16. In our opinion and according to the information and explanations given to us, in our opinion, the term loan raised were prima facie been used for the purposes for which they were raised.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, and after placing reliance on the reasonable assumption made by the company for classification of usage of funds, we are of the opinion that, prima facie, short term funds have not been used for a long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the 'Act' during the year.
19. The company has not issued any debentures during the period and accordingly the question of creating securities or charge in respect thereof does not arise.
20. The company has not raised any money through a public issue during the year.
21. During the course of our examination of the books and records of company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For **S. PODDAR & CO.**
Chartered Accountants
Firm Registration No. : 320294E
Sanjay Poddar
Partner
Membership No : 55604

Place : Kolkata
Date : 2nd August, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lakhs)

	Schedule	As at 31.03.10	As at 31.03.09
I. SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	A	500.00	500.00
Reserves & Surplus	B	1,994.00	1,994.00
LOAN FUNDS			
Secured Loans	C	5,065.90	5,794.73
Unsecured Loans	D	6,984.27	3,715.59
		14,544.17	12,004.32
II. APPLICATION OF FUNDS			
FIXED ASSETS :	E		
a) Gross Block		8,111.47	8,062.99
b) Less : Depreciation		450.42	52.51
c) Net Block		7,661.05	8,010.48
Add : Capital work-in-Progress		5,104.16	2,970.18
		12,765.21	10,980.66
INVESTMENTS	F	3.15	3.15
CURRENT ASSETS, LOANS & ADVANCES	G		
Inventories		406.99	355.94
Sundry Debtors		16.81	10.59
Cash & Bank Balances		42.05	115.99
Loans & Advances		2,280.06	1,554.32
		2,745.91	2,036.84
Less :			
CURRENT LIABILITIES & PROVISIONS	H		
Current Liabilities		959.55	985.77
Provisions		14.21	34.22
		973.76	1,019.99
Net Current assets		1,772.15	1,016.85
MISCELLANEOUS EXPENSES			
(To the extent not written off)			
Preliminary Expenses		3.66	3.66
		14,544.17	12,004.32

Significant Accounting Policies & Notes on Accounts : **Schedule I**

Signed in terms of our report of even date

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lakhs)

	31st March, 2010		31st March, 2009	
A. CASH FLOW FROM OPERATING ACTIVITIES :		Nil		Nil
(During Trial run)				
Increase in Inventories	(51.05)		(355.94)	
Increase in Trade Receivables	(6.22)	(57.27)	(10.59)	(366.53)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Addition to Fixed Assets	(48.49)		(6,925.48)	
Capital Work-in-Progress	(969.18)		4,515.77	
Advance Recoverable in Cash or in Kind	(725.72)		99.54	
Current Liabilities & Provisions	(46.24)	(1,789.63)	635.47	(1,674.70)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Investment	—		(3.15)	
Interest Paid	(766.89)		(766.29)	
Secured Term Loan	(728.83)		583.09	
Unsecured Loan	3,268.68	1,772.96	2,225.06	2,038.71
Net increase/(Decrease) in Cash & Cash equivalents		(73.94)		(2.52)
Add : Opening Cash & Cash Equivalents		115.99		118.51
Closing Cash & Cash Equivalents		42.05		115.99

Signed in terms of our report of even date

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
<u>SCHEDULE - A</u>		
SHARE CAPITAL		
<u>AUTHORISED</u>		
1,00,00,000 (50,00,000) Equity Shares of Rs. 10/- each	1,000.00	1,000.00
<u>ISSUED, SUBSCRIBED AND PAID-UP</u>		
50,00,000 (50,00,000) Equity Shares of Rs. 10/- each fully paid-up	500.00 500.00	500.00 500.00
<u>SCHEDULE - B</u>		
RESERVES & SURPLUS		
Securities Premium	1,994.00 1,994.00	1,994.00 1,994.00
<u>SCHEDULE - C</u>		
SECURED LOANS		
From Bank/Financial Institutions		
Bank of India	5,065.90 953.92	5,794.73 1,034.21
HUDCO	2,114.86	2,509.21
Indian Bank	1,322.07	1,478.81
Punjab National Bank	675.05	772.50
<u>SCHEDULE - D</u>		
UNSECURED LOANS		
From Bodies Corporate	6,984.27 6,914.38	3,715.59 3,595.70
From Directors	69.89	119.89

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE - E

FIXED ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2009	Addition/ Deduction/ Transfer From CWIP	As on 31.03.2010	Upto 31.03.2009	For the Year	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land (Freehold Land)	441.39	-	441.39	-	-	-	441.39	441.39
Building Factory	123.64	-	123.64	0.25	4.13	4.38	119.26	123.39
Building (Other than factory)	197.54	-	197.54	0.19	3.22	3.41	194.13	197.34
Plant & Machinery & Equipments	7,227.97	46.22	7,274.19	37.04	382.63	419.67	6,854.52	7,190.94
Furniture & Fixtures	14.76	0.21	14.97	2.53	0.97	3.50	11.47	12.23
Office Equipments	21.52	1.14	22.66	0.81	1.25	2.06	20.60	20.71
Computers	31.16	0.92	32.08	10.37	5.15	15.52	16.56	20.80
Vehicles	5.00	-	5.00	1.32	0.56	1.88	3.12	3.68
Total	8,062.98	48.49	8,111.47	52.51	397.91	450.42	7,661.05	8,010.48
Previous Year	583.10	7,479.89	8,062.99	17.63	34.88	52.51	8,010.48	

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
<u>SCHEDULE - F</u>	3.15	3.15
INVESTMENTS	3.15	3.15
(Long Term, Unquoted, At Cost, Wholly Owned Subsidiary) Jain Natural Resources Australia Pty. Ltd. (10000 Ord. shares of AUD 1.00 each)		
<u>SCHEDULE - G</u>		
<u>CURRENT ASSETS, LOANS & ADVANCES</u>		
INVENTORIES	406.99	355.94
(As verified, valued and certified by the management)		
Raw Material	329.83	78.60
Work -In - Progress	56.45	47.43
Finished Goods	3.72	229.91
Stores & spares	16.99	-
SUNDRY DEBTORS	16.81	10.59
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months		
Other Debts	16.81	10.59
CASH AND BANK BALANCES	42.05	115.99
Cash -in -Hand (As certified by the Management)	9.43	41.44
Balances with Commercial Banks:		
- In Current Account	16.19	1.90
- Fixed Deposit (endorsed in favour of bank as margin money against Bank Guarantee)	16.43	72.65
LOANS AND ADVANCES(Unsecured, Considered good)	2,280.06	1,554.32
Advances recoverable in cash or in kind or for the value to be received (Including Capital Advance of Rs. 996.18 Lakhs, Previous Year Rs.417.33 Lakhs)	1,220.46	506.03
Security Deposits	53.69	55.37
Other Advances	1,005.91	992.92

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - H	973.76	1,019.99
CURRENT LIABILITIES & PROVISIONS	959.55	985.77
Current Liabilities		
Sundry Creditors (Including Creditors for Capital Goods Rs.125.57 Lakhs, Previous Year Rs.391.47 Lakhs)	647.23	880.07
Duties & Taxes	4.88	10.04
Other Liabilities	307.44	95.66
Provisions	14.21	34.22
Provision for Fringe Benefit Tax	3.02	8.44
Provision for Excise Duty on Finished Goods stock	0.35	17.50
Provision for Gratuity & Leave Encashment	10.84	8.27

SCHEDULE: I

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Conventions :

The Financial Statements have been prepared under the historical cost convention on accrual basis as a going concern and in accordance with the applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

2. Fixed Assets and Capital Work-in-progress :

- i) Fixed Assets are stated at cost net of CENVAT/Value added tax, rebates, less accumulated depreciation.
- ii) Capital Work-in-Progress :
 - a) Administrative & other expenses incurred during construction period of the project are included and carried forward under pre-operative expenditure. During the year a part of these have been allocated proportionately to trial run.
 - b) Capital work-in-progress includes cost of assets at site including consumables, construction materials and expenses and pre-operative expenses.

3. CENVAT claims on Fixed Assets :

CENVAT benefit on capital goods claimed to the extent admissible in the relevant statute. Deduction made from the fixed assets on the basis of claim lodged. Further necessary adjustment, if any, to the cost of fixed assets will be made on the determination of the claim amount by the relevant authorities and on acceptance of the same by the Company.

4. Depreciation :

Depreciation has been provided on Straight line Value Method on a pro-rata basis at the rates prescribed in the schedule XIV of the Companies Act, 1956 for direct/indirect use of fixed assets for construction / trial run.

5. Preliminary Expenses :

Preliminary expenses will be amortized in five equal annual installments starting from the year of commencement of commercial production.

6. Retirement Benefits :

- (i) All the employees' benefit payable wholly within twelve months of rendering the services are classified as short term employees' benefits. Benefits such as salaries, wages, short term compensated absence etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related services.
- (ii) Provident Fund and Employees State Insurance Fund (Defined Contribution Schemes) are administered by Central Government of India and contributions to the said funds are charged to Profit and Loss Account on accrual basis.

The company has made full provisions in respect of the liability for leave encashment as on 31-03-2010 amounting to Rs. 4.60 Lakhs.

The company has made full provisions in respect of the employees on roll as on 31-03-2010, including certain employees who have not completed service period for eligibility under the Payment of Gratuity Act, 1972. The total amount of provision required on these account is Rs. 6.24 Lakhs However, the provision already made upto 31-03-2009 stood at Rs. 8.28 Lakhs. Accordingly a sum of Rs. 2.04 Lakhs has been written back in the accounts.

The above provision of leave encashment & gratuity has been made on estimated basis and not on actuarial valuation.

7. Borrowing Cost :

Borrowing costs that are attributable to the acquisition / Construction of qualifying assets are capitalized as part of the cost of such assets. A Qualifying asset is one that necessarily takes substantial period of time to get ready for intended use or sale. Relevant borrowing cost debited to pre-operative expenses during the

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

trial production. After commencement of the commercial production, related Borrowing cost will be charged to revenue.

8. Investments :

Investments are made in the wholly owned Australian subsidiary and are stated at cost, as being long term in nature.

9. Impairment of Assets :

In compliance with the Accounting Standard -28 on "Impairment of Assets", the company has reviewed the carrying amount of fixed assets at balance sheet date to determine if there is any indication of impairment based on external / internal factors. An Impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their 'value in use'.

10. Foreign Currency Transaction :

Foreign currency transactions are converted into rupee currency at the exchange rate prevailing on the date of transaction. Foreign currency monetary assets and liabilities are converted at the year end exchange rate. The resultant gain or loss other than transaction relating to fixed assets is recognized in profit and loss account. An exchange fluctuation on imported fixed assets is adjusted to the cost of fixed assets.

11. Segment Reporting :

Since the Company had started only trial production during the year, Company's operation will be falling under one segment only and hence, segment reporting will not be applicable.

12. Contingent liabilities :

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that a liability has been incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.

13. Sundry Debtors and Creditors :

The Company has generally not called for confirmation from debtors, creditors, loans & advances and deposits. The Management has, however, scrutinized the accounts and has confirmed that these are current and are recoverable /payable. Sundry debtors are unsecured but considered good and certified by the management having a value of Rs.16.81 Lakhs (Previous Year Rs. 10.59 Lakhs).

14. Derivative Instruments :

The Company has not entered into any derivative transactions of interest and foreign currency swap and option contracts.

15. Earnings per Share (EPS)

As the company had only trial run production, no Profit and Loss Account has been made. Hence, no EPS has been arrived.

16. Inventories :

Inventories from trial run are being valued as below :-

- a) Finished Goods –At cost or net realizable value, whichever is lower.
- b) Work in Progress- At material cost plus labour & related factory overheads
- c) Raw materials – At cost plus procurement expenses.

17. Taxes on Income

Tax expenses for relevant period comprises of Current tax. In absence of any timing difference between accounting income and taxable income, as there being no Profit and Loss Account prepared on account of trial run production, Deferred Tax liability/assets not required to be provided.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

B. NOTES ON ACCOUNTS :

1. Contingent Liabilities not provided for :
 - a) Disputed demand of Entry Tax for an amount of Rs. 19.55 Lakhs(29.33 Lakhs less paid 9.78 Lakhs) (Previous Year Nil).
 - b) Bank Guarantee of Rs. 60.48 Lakhs (Previous Year 70.56 Lakhs) (Fixed Deposit of Rs. 15.38 Lakhs is pledged with the bank as margin money for the bank guarantee & Rs.1.05 Lakhs is pledged in mining office).
 - c) Disputed CENVAT credit of Rs. 198.11 Lakhs (Previous Year Rs. 198.11 Lakhs).
2. No Profit & Loss account has been prepared since the company had carried out trial run for its Sponge Iron unit during the year. Profit (Loss) arising during the Trial run period has been transferred to Pre-operative Expenses and will be allocated on commencement of commercial production.
3. Related Parties Disclosure: As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in Accounting Standard is given below :
 - i) Investing Party :
 - a) M/s Tushita Builders Pvt. Ltd.
 - b) M/s Prakash Vanijya Pvt. Ltd.
 - c) Mr. MannoJ Kumar Jain
 - d) Mr. Parmod Kumar Dhawan
 - ii) 100% subsidiary company :
Jain Natural Resources Australia Pty. Ltd.
 - iii) Key Management Personnel :
 - a) Mr. MannoJ Kumar Jain
 - b) Mr. Parmod Kumar Dhawan
 - iv) Relative of Key Management Personnel :
Mrs. Rekha MannoJ Jain
 - v) Disclosure of transactions between the Company and Related parties and the status of outstanding balances :

(Rs. in Lakhs)

Sl. No.	Particulars	Key Management Personnel		Relative of Key Management Personnel		Investing Party		Subsidiary Company	
		2010	2009	2010	2009	2010	2009	2010	2009
1	Remuneration to Director	0.98	8.28	—	—	—	—	—	—
2	Loan Received	—	65.00	—	—	—	—	—	—
3	Interest Paid	—	—	—	—	—	—	—	—
4	Balance as on 31.03.2010								
	- Loan Received	54.88	104.89	15.00	15.00	72.03	72.03	-	-
	- Investment	—	—	—	—	—	—	3.15	3.15
	- Loan Given	—	—	—	—	—	—	28.70	12.61

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

4. Capital Work-in-Progress consists of the following :

(Rs.in Lakhs)

Particulars	As at 31.03.10	As at 31.03.10	As at 31.03.09	As at 31.03.09
a) Building, Plant & Machinery, Equipment & Other Fixed Assets		3,232.98		2,954.92
b) Pre-operative expenses pending allocation as detailed hereunder :				
Administrative Expenses		169.52		—
Auditors Remuneration		0.75		0.30
<u>Finance Charges</u>				
-Interest on Term Loan		731.84		—
Power & Fuel		64.54		—
Rates & Taxes (FBT)		—		4.92
Salary & Wages		250.12		3.73
Depreciation		379.27		10.71
Trial Run Loss (Profit) :		275.14		(4.41)
Receipt :				
Gross Turn Over	423.93		21.18	
Less : Excise Duty	4.95		1.57	
Net Sales	418.98		19.61	
Interest Income (Wesco & FD)	8.52		2.69	
Increase in Stock	(199.66)		277.34	
Total Receipt	227.83		299.64	
Expenses -				
Raw Material Consumed	301.96		211.74	
Purchase of Finished Goods	5.02			
Manufacturing Cost	97.28		19.16	
Employment Cost	33.71		10.04	
Administrative & Other Expenses	17.94		6.80	
Selling & Distribution Expenses	5.17		0.17	
Interest & Other Financial Charges	22.90		29.23	
Provision for Excise Duty on closing stock of Finished Goods	0.35		17.50	
Depreciation	18.64		24.17	
Depreciation adjustment due to change in method	—		(23.59)	
Total Expenses	502.97		295.23	
Sub Total		1,871.18		15.26
Grand Total		5,104.16		2,970.18

5. Security for Term Loans: Term Loan from Bank of India, HUDCO, Indian Bank and Punjab National Bank are secured against the following :

- Mortgage of immovable properties i.e. entire project land measuring 54.87 acres already acquired together with construction of structures / foundation for plant & machinery of DRI Plant, Captive Power plant and Steel Melting Shop thereon, both present and future.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

- b) Pari passu 1st charge by way of hypothecation of movable assets of the project like Plant & machinery of DRI Plant, Steel Melting Shop and Captive Power Plant and its ancillary machineries and equipments there on, electrical installation and miscellaneous fixed assets, both present and future.
- c) Personal Guarantee of two directors of the Company and Corporate Guarantee of group companies.

6. Additional information pursuant to Schedule VI Part-II, Paras 3 & 4 (Previous year figures not available as the Company has come into trial production during the year 2009-10)

- a) Value of Stores consumption Rs 9.91 Lakhs
- b) Detailed information regarding Capacity, Production and opening and closing stock of goods manufactured :

(Installed capacity is as certified by the management being a technical matter, accepted by the Auditor as correct based on Continuous process)

	Licensed capacity (MTPA)	Installed capacity (MTPA)
i. Sponge Iron	N/A	110000

Production, turnover, and stock in respect of manufactured goods (during trial run) :

	Opening stock		Prod./Purchase	Turnover		Closing Stock	
	Qty (MT)	Value	Qty (MT)	Qty (MT)	Value	Qty (MT)	Value
Sponge Iron	1713	229.91	2155.18	3820	418.98	48.18	3.72

- c) Consumption of raw materials (100% Indigenous) :

Particulars	Qty(MT)	Value (Rs. in Lakhs)
Iron Ore	4545.52	159.27
Coal	5959.08	141.87
Dolomite	103.00	0.82
Total		301.96

7. Income in foreign Currency : Nil (Previous Year : Nil)
8. Expenditure in Foreign Currency : Nil (Previous Year : Nil)
9. **Dues to suppliers :**

The Company is in the process of collecting information from its suppliers in order to ascertain their status as Small Scale and / or ancillary industrial suppliers for submitting the required information. However, based on the information available with the company so far, it has no amount overdue and remaining Unpaid to Small Scale and / or ancillary Industrial Suppliers on account of principal and / or interest for more than 30 days.

10. Dues to MSME suppliers :

As per the requirement in terms of Sec.22 of Micro Small Medium Enterprise Development Act, 2006, the Information for all such enterprises are not available with the Company. However, so far the information available with the Company, it has no amount overdue and remaining unpaid to Micro, Small medium Suppliers on account of Principal and/ or interest for more than 45 days.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

11. Previous year figures have been re-grouped, re-arranged or re-casted, wherever considered necessary.

Signature to the Schedule 'A' to 'I' in terms of our report of even date.

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE AS PER PART (IV) OF SCHEDULE - VI TO THE COMPANIES ACT, 1956.

I. Registration Details :	
Registration No. :	27102WB2004PTC098638
State Code :	21
Balance Sheet Date :	31.03.2010
II. Capital raised during the year (Amount Rs in thousand)	
Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placements/ Others	-
III. Position of mobilisation & deployment of Funds (Amount Rs in thousand)	
Total Assets	1,454,417
Total Liabilities	1,454,417
Sources of Funds :	
Paid-up Capital	50,000
Reserves & Surplus	199,400
Share Application Money	-
Secured Loan	506,590
Unsecured Loan	698,427
Application of Funds :	
Net Fixed Assets	766,105
Capital Work-in-Progress	510,416
Investments	315
Net Current Assets	177,215
Miscellaneous Expenditure	366
IV. Performance of the Company (Amount Rs in thousand)	
Turnover	-
Total Expenditure	-
Profit (Loss) before Tax	-
Profit(Loss) after Tax	-
Earning Per Share (Rs)	-
Dividend Rate	-
V. Generic name of the three Principal Products/Services of the Company (As per monetary terms)	
Item Code No. (ITC code)	72031000
Product description	Sponge Iron

Signed in terms of our report of even date

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

CONSOLIDATED AUDITORS' REPORT

To the members of
Jain Steel and Power Limited

We have examined the attached consolidated Balance Sheet of **Jain Steel And Power Limited** ('the Parent Company') as at 31st March, 2010 and the Consolidated Cash Flow Statement for the year ended on that date together with the notes thereon. The consolidated financial statements have been prepared by the Company pursuant to the Rule 7A of the Companies (Central Government) Rules and Forms 1956 and are based on the financial statements of the Company for the year ended March 31, 2010 prepared in accordance with Schedule VI of the Companies Act, 1956 and is covered by our report dated August 2, 2010 to the member of the Company which is attached herewith.

For **S. Poddar & Co.**
Chartered Accountants
Firm Registration No. 320294E
Sanjay Poddar
Partner
Membership No. 055604

Place : Kolkata
Date : 2nd August, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lakhs)

	Schedule	As at 31.03.10	As at 31.03.09
I. SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS			
Share Capital	A	500.00	500.00
Reserves & Surplus	B	1,989.92	1,993.07
LOAN FUNDS			
Secured Loans	C	5,065.90	5,794.73
Unsecured Loans	D	6,984.27	3,715.59
		14,540.09	12,003.39
II. APPLICATION OF FUNDS			
FIXED ASSETS :	E		
a) Gross Block		8,111.47	8,062.99
b) Less : Depreciation		450.42	52.51
c) Net Block		7,661.05	8,010.48
Add : Capital work-in-Progress		5,104.16	2,970.18
		12,765.21	10,980.66
CURRENT ASSETS, LOANS & ADVANCES	F		
Inventories		406.99	355.94
Sundry Debtors		16.81	10.59
Cash & Bank Balances		44.90	117.63
Loans & Advances		2,254.93	1,544.01
		2,723.63	2,028.17
Less :	G		
CURRENT LIABILITIES & PROVISIONS			
Current Liabilities		962.59	1,000.99
Provisions		14.21	34.22
		976.80	1,035.21
Net Current assets		1,746.83	992.96
MISCELLANEOUS EXPENSES (To the extent not written off)			
Preliminary Expenses		28.05	29.77
		14,540.09	12,003.39

Significant Accounting Policies & Notes on Accounts : **Schedule I**

Signed in terms of our report of even date

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. in Lakhs)

	31st March, 2010		31st March, 2009	
A. CASH FLOW FROM OPERATING ACTIVITIES :		Nil		Nil
(During Trial run)				
Decrease in Reserve & Surplus	(6.33)		—	
Increase in Inventories	(51.06)		(355.95)	
Increase in Trade Receivables	(6.22)		(10.59)	
Decrease in Miscellaneous expenditure	1.71	(61.90)	—	(366.54)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Addition to Fixed Assets	(48.49)		(6,925.48)	
Capital Work-in-Progress	(966.62)		4,515.77	
Advance Recoverable in Cash or in Kind	(726.99)		99.54	
Current Liabilities & Provisions	(60.97)	(1,803.07)	635.47	(1,674.70)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Investment	—		(3.15)	
Interest Paid	(766.89)		(766.29)	
Secured Term Loan	(728.82)		583.09	
Unsecured Loan	3,287.95	1,792.24	2,225.06	2,038.71
Net increase/(Decrease) in Cash & Cash equivalents		(72.73)		(2.52)
Add : Opening Cash & Cash Equivalents		117.63		120.15
Closing Cash & Cash Equivalents		44.90		117.63

Signed in terms of our report of even date

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
<u>SCHEDULE - A</u>		
SHARE CAPITAL		
<u>AUTHORISED</u>		
1,00,00,000 (50,00,000) Equity Shares of Rs. 10/- each	1,000.00	1000.00
<u>ISSUED, SUBSCRIBED AND PAID-UP</u>		
50,00,000 (50,00,000) Equity Shares of Rs. 10/- each fully paid-up	500.00 500.00	500.00 500.00
<u>SCHEDULE - B</u>		
RESERVES & SURPLUS		
Securities Premium	1,989.92 1,994.00	1,993.07 1,994.00
Accumulated Loss of Subsidiary Company	(9.52)	(2.62)
Foreign Currency Translation Reserve	5.44	1.69
<u>SCHEDULE - C</u>		
SECURED LOANS		
From Bank/Financial Institutions	5,065.90	5,794.73
Bank of India	953.92	1,034.21
HUDCO	2,114.86	2,509.21
Indian Bank	1,322.07	1,478.81
Punjab National Bank	675.05	772.50
<u>SCHEDULE - D</u>		
UNSECURED LOANS		
From Bodies Corporate	6,984.27 6,914.38	3,715.59 3,595.70
From Directors	69.89	119.89

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE - E

FIXED ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2009	Addition/ Deduction/ Transfer From CWIP	As on 31.03.2010	Upto 31.03.2009	For the Year	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land (Freehold Land)	441.39	-	441.39	-	-	-	441.39	441.39
Building Factory	123.64	-	123.64	0.25	4.13	4.38	119.26	123.39
Building (Other than factory)	197.54	-	197.54	0.19	3.22	3.41	194.13	197.34
Plant & Machinery & Equipments	7,227.97	46.22	7,274.19	37.04	382.63	419.67	6,854.52	7,190.94
Furniture & Fixtures	14.76	0.21	14.97	2.53	0.97	3.50	11.47	12.23
Office Equipments	21.52	1.14	22.66	0.81	1.25	2.06	20.60	20.71
Computers	31.16	0.92	32.08	10.37	5.15	15.52	16.56	20.80
Vehicles	5.00	-	5.00	1.32	0.56	1.88	3.12	3.68
Total	8,062.98	48.49	8,111.47	52.51	397.91	450.42	7,661.05	8,010.48
Previous Year	583.10	7,479.89	8,062.99	17.63	34.88	52.51	8,010.48	-

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - F		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES	406.99	355.94
(As verified, valued and certified by the management)		
Raw Material	329.83	78.60
Work-in-Progress	56.45	47.43
Finished Goods	3.72	229.91
Stores & spares	16.99	-
SUNDRY DEBTORS	16.81	10.59
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months		
Other Debts	16.81	10.59
CASH AND BANK BALANCES	44.90	117.63
Cash -in -Hand (As certified by the Management)	12.28	43.08
Balances with Commercial Banks:		
- In Current Account	16.19	1.90
- Fixed Deposit (endorsed in favour of bank as margin money against Bank Guarantee)	16.43	72.65
LOANS AND ADVANCES(Unsecured, Considered good)	2,254.93	1,544.01
Advances recoverable in cash or in kind or for the value to be received (Including Capital Advance of Rs. 996.18 Lakhs, Previous Year Rs.417.33 Lakhs)	1,220.46	506.03
Security Deposits	53.69	55.37
Other Advances	980.78	982.61

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

(Rs. in Lakhs)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE - G		
CURRENT LIABILITIES & PROVISIONS	976.80	1,035.21
Current Liabilities	962.59	1,000.99
Sundry Creditors (Including Creditors for Capital Goods Rs.125.57 Lakhs, Previous Year Rs.391.47 Lakhs)	650.27	895.29
Duties & Taxes	4.88	10.04
Other Liabilities	307.44	95.66
Provisions	14.21	34.22
Provision for Fringe Benefit Tax	3.02	8.45
Provision for Excise Duty on Finished Goods stock	0.35	17.50
Provision for Gratuity & Leave Encashment	10.84	8.27

SCHEDULE: H

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Conventions :

The consolidated financial statements have been prepared under the historical cost convention on accrual basis as a going concern following the accrual basis of accounting and in accordance with the measurement requirement of International Financial Reporting Standards and in accordance with the applicable accounting policies as set out.

2. Principles of Consolidation

The accounts of the foreign subsidiary company have been consolidated with the parent company's accounts in accordance with Accounting Standard -21 on "Consolidated Financial Statements".

Consolidated financial statements have been made by adding together like items of assets and liabilities. The consolidated profit & loss account has not been prepared since the company had carried out only trial run for its Sponge Iron unit during the year. The inter-company transactions and unrealized profits/ (losses) thereon have been eliminated in full.

Foreign subsidiaries are considered as non-integral foreign operation as per Accounting Standard -11, on "The effect of change in Foreign Exchange Rates". The financial statements of the same have been converted into using the following methods:

Components of profit & loss account have not been converted, since the company has carried out only trial run during the year.

Components of balance sheet have been converted using the rates as at the balance sheet date, except balance of profit & loss accounts. Resultant foreign exchange translation difference has been recognized as "Foreign Currency Translation Reserve".

3. Use of estimates

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities for the year under review and disclosure of contingent liabilities

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

on the date of the consolidated financial statements. Actual results may differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

4 Fixed Assets and Capital Work-in-progress :

- i) Fixed Assets are stated at cost net of CENVAT/Value added tax, rebates, less accumulated depreciation.
- ii) Capital Work-in-Progress :
 - a) Administrative & other expenses incurred during construction period of the project are included and carried forward under pre-operative expenditure. During the year a part of these have been allocated proportionately to trial run.
 - b) Capital work-in-progress includes cost of assets at site including consumables, construction materials and expenses and pre-operative expenses.
 - c) No fixed assets were there in the books of accounts of the foreign subsidiary.

5. CENVAT claims on Fixed Assets :

CENVAT benefit on capital goods claimed to the extent admissible in the relevant statute. Deduction made from the fixed assets on the basis of claim lodged. Further necessary adjustment, if any, to the cost of fixed assets will be made on the determination of the claim amount by the relevant authorities and on acceptance of the same by the Company.

6. Depreciation :

Depreciation has been provided on Straight line Value Method on a pro-rata basis at the rates prescribed in the schedule XIV of the Companies Act, 1956 for direct/indirect use of fixed assets for construction / trial run.

7. Preliminary Expenses:

Preliminary expenses will be amortized in five equal annual installments starting from the year of commencement of commercial production.

In case of foreign subsidiary the expenditure on feasibility of prospective mines is capitalized. The expenditure is amortized if the mine development progresses or is charged to revenue when it is determined that the mine development will not progress.

8. Retirement Benefits :

- (i) All the employees' benefit payable wholly within twelve months of rendering the services are classified as short term employees' benefits. Benefits such as salaries, wages, short term compensated absence etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related services.
- (ii) Provident Fund and Employees State Insurance Fund (Defined Contribution Schemes) are administered by Central Government of India and contributions to the said funds are charges to Profit and Loss Account on accrual basis.

The company has made full provisions in respect of the liability for leave encashment as on 31-03-2010 amounting to Rs. 4.60 Lakhs.

The company has made full provisions in respect of the employees on roll as on 31-03-2010, including certain employees who have not completed service period for eligibility under the Payment of Gratuity Act, 1972. The total amount of provision required on these account is Rs. 6.24 Lakhs. However, the provision already made upto 31-03-2009 stood at Rs. 8.28 Lakhs. Accordingly a sum of Rs. 2.04 Lakhs has been written back in the accounts.

The above provision of leave encashment & gratuity has been made on estimated basis and not on actuarial valuation.

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

9. Borrowing Cost :

Borrowing costs that are attributable to the acquisition / Construction of qualifying assets are capitalized as part of the cost of such assets. A Qualifying asset is one that necessarily takes substantial period of time to get ready for intended use or sale. Relevant borrowing cost debited to pre-operative expenses during the trial production. After commencement of the commercial production, related Borrowing cost will be charged to revenue.

10. Investments :

Investments are made in the wholly owned Australian subsidiary and are stated at cost, as being long term in nature. Investment of the parent company in the subsidiary company has been set off.

11. Impairment of Assets :

In compliance with the Accounting Standard -28 on "Impairment of Assets", the company has reviewed the carrying amount of fixed assets at balance sheet date to determine if there is any indication of impairment based on external / internal factors. An Impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the net selling price of assets and their 'value in use'.

In case of the foreign subsidiary, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets carrying value.

12. Foreign Currency Transaction:

Foreign currency transactions are converted into rupee currency at the exchange rate prevailing on the date of transaction. Foreign currency monetary assets and liabilities are converted at the year end exchange rate. The resultant gain or loss other than transaction relating to fixed assets is recognized in profit and loss account. An exchange fluctuation on imported fixed assets is adjusted to the cost of fixed assets.

13. Segment Reporting :

Since the Company had started only trial production during the year, Company's operation will be falling under one segment only and hence, segment reporting will not be applicable.

14. Contingent liabilities :

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that a liability has been incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.

15. Sundry Debtors and Creditors :

The Company has generally not called for confirmation from debtors, creditors, loans & advances and deposits. The Management has, however, scrutinized the accounts and has confirmed that these are current and are recoverable /payable. Sundry debtors are unsecured but considered good and certified by the management having a value of Rs.16.81 Lakhs (Previous Year Rs. 10.59 Lakhs).

16. Derivative Instruments :

The Company has not entered into any derivative transactions of interest and foreign currency swap and option contracts.

CONSOLIDATED SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

17. Earnings Per Share (EPS)

As the company had only trial run production, no Profit and Loss Account has been made. Hence, no EPS has been arrived.

18. Inventories :

Inventories from trial run are being valued as below:-

- a) Finished Goods – At cost or net realizable value, whichever is lower.
- b) Work in Progress – At material cost plus labour & related factory overheads.
- c) Raw materials – At cost plus procurement expenses.

19. Taxes on Income

Tax expenses for relevant period comprises of Current tax. In absence of any timing difference between accounting income and taxable income, as their being no Profit and Loss Account prepared on account of trial run production, Deferred Tax liability/assets not required to be provided.

B. NOTES ON ACCOUNTS :

1. Contingent Liabilities not provided for :

- a) Disputed demand of Entry Tax for an amount of Rs. 19.55 Lakhs (29.33 Lakhs less paid 9.78 Lakhs) (Previous Year Nil).
- b) Bank Guarantee of Rs. 60.48 Lakhs (Previous Year 70.56 Lakhs) (Fixed Deposit of Rs. 15.38 Lakhs is pledged with the bank as margin money for the bank guarantee & Rs.1.05 Lakhs is pledged in mining office).
- c) Disputed CENVAT credit of Rs. 198.11 Lakhs (Previous Year Rs. 198.11 Lakhs).

2. No Profit & Loss account has been prepared since the company had carried out trial run for its Sponge Iron unit during the year. Profit (Loss) arising during the Trial run period has been transferred to Pre-operative Expenses and will be allocated on commencement of commercial production.

3. Related Parties Disclosure: As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in Accounting Standard is given below :

- i) Investing Party :
 - a) M/s Tushita Builders Pvt. Ltd.
 - b) Ms Prakash Vanijya Pvt. Ltd.
 - c) Mr. MannoJ Kumar Jain
 - d) Mr. Parmod Kumar Dhawan
- ii) 100% subsidiary Company :

Jain Natural Resources Australia Pty. Ltd.
- iii) Key Management Personnel :
 - a) Mr. MannoJ Kumar Jain
 - b) Mr. Parmod Kumar Dhawan
- iv) Relative of Key Management Personnel :

Mrs. Rekha MannoJ Jain

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

- v) Disclosure of transactions between the Company and Related parties and the status of outstanding balances : (Rs. in Lakhs)

Sl. No.	Particulars	Key Management Personne		Relative of Key Management Personne		Investing Party		Subsidiary Company	
		2010	2009	2010	2009	2010	2009	2010	2009
1	Remuneration to Director	0.98	8.28	-	-	-	-	-	-
2	Loan Received	-	65.00	-	-	-	-	-	-
3	Interest Paid	-	-	-	-	-	-	-	-
4	Balance as on 31.03.2010								
	- Loan Received	54.88	104.89	15.00	15.00	72.03	72.03	-	-
	- Investment	-	-	-	-	-	-	3.15	3.15
	- Loan Given	-	-	-	-	-	-	28.70	12.61

4. Capital Work-in-Progress consists of the following :

Particulars		As at 31.03.10	As at 31.03.10	As at 31.03.09	As at 31.03.09
a)	Building, Plant & Machinery, Equipment & Other Fixed Assets		3,232.98		2,954.92
b)	Pre-operative expenses pending allocation as detailed hereunder :				
	Administrative Expenses		169.52		-
	Auditors Remuneration		0.75		0.30
	<u>Finance Charges</u>				
	-Interest on Term Loan		731.84		-
	Power & Fuel		64.54		-
	Rates & Taxes (FBT)		-		4.92
	Salary & Wages		250.12		3.73
	Depreciation		379.27		10.71
	Trial Run Loss (Profit) :		275.14		(4.41)
	Receipt :				
	Gross Turn Over	423.93		21.18	
	Less : Excise Duty	4.95		1.57	
	Net Sales	418.98		19.61	
	Interest Income (Wesco & FD)	8.52		2.69	
	Increase in Stock	(199.66)		277.34	
	Total Receipt	227.83		299.64	
	Expenses -				
	Raw Material Consumed	301.96		211.74	
	Purchase of Finished Goods	5.02		-	
	Manufacturing Cost	97.28		19.16	
	Employment Cost	33.71		10.04	
	Administrative & Other Expenses	17.94		6.80	
	Selling & Distribution Expenses	5.17		0.17	
	Interest & Other Financial Charges	22.90		29.23	
	Provision for Excise Duty on closing stock of Finished Goods	0.35		17.50	
	Depreciation	18.64		24.17	
	Depreciation adjustment due to change in method			(23.59)	
	Total Expenses	502.97		295.23	
	Sub Total		1,871.18		15.26
	Grand Total		5,104.16		2,970.18

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

5. Security for Term Loans: Term Loan from Bank of India, HUDCO, Indian Bank and Punjab National Bank are secured against the following :
- Mortgage of immovable properties i.e. entire project land measuring 54.87 acres already acquired together with construction of structures / foundation for plant & machinery of DRI Plant, Captive Power plant and Steel Melt Shop thereon, both present and future.
 - Pari passu 1st charge by way of hypothecation of movable assets of the project like Plant & machinery of DRI Plant, Steel Melt Shop and Captive Power Plant and its ancillary machineries and equipments there on, electrical installation and miscellaneous fixed assets, both present and future.
 - Personal Guarantee of two directors of the Company and Corporate Guarantee of group companies.

6. **Additional information pursuant to Schedule VI Part-II, Paras 3 & 4 (Previous year figures not available as the Company has come into trial production during the year 2009-10)**

- Value of Stores consumption Rs 9.91 Lakhs
- Detailed information regarding Capacity, Production and opening and closing stock of goods manufactured :

(Installed capacity is as certified by the management being a technical matter, accepted by the Auditor as correct based on Continuous process)

	Licensed capacity (MTPA)	Installed capacity (MTPA)
i. Sponge Iron	N/A	110000

Production, turnover, and stock in respect of manufactured goods (during trial run) :

	Opening stock		Prod./Purchase	Turnover		Closing Stock	
	Qty (MT)	Value	Qty (MT)	Qty (MT)	Value	Qty (MT)	Value
Sponge Iron	1713	229.91	2155.18	3820	418.98	48.18	3.72

- Consumption of raw materials (100% Indigenous) :

Particulars	Qty(MT)	Value (Rs. in Lakhs)
Iron Ore	4545.52	159.27
Coal	5959.08	141.87
Dolomite	103.00	0.82
Total		301.96

- Income in Foreign Currency : Nil (Previous Year - Nil)
- Expenditure in Foreign Currency : Nil (Previous Year - Nil)
- Dues to suppliers :**

The Company is in the process of collecting information from its suppliers in order to ascertain their status as Small Scale and/or ancillary industrial suppliers for submitting the required information. However, based on the information available with the company so far, it has no amount overdue and remaining Unpaid to Small Scale and/or ancillary Industrial Suppliers on account of principal and/or interest for more than 30 days.

10. **Dues to MSME suppliers :**

As per the requirement in terms of Section 22 of Micro Small Medium Enterprise Development Act, 2006, the Information for all such enterprises are not available with the Company. However, so far the information available with the Company, it has no amount overdue and remaining unpaid to Micro, Small medium Suppliers on account of Principal and/or interest for more than 45 days.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

11. Previous year figures have been re-grouped, re-arranged or re-casted, wherever considered necessary.

Signature to the Schedule 'A' to 'H' in terms of our report of even date.

For and on behalf of the Board of Directors

For **S. Poddar & Co.**
Chartered Accountants

Sanjay Poddar
Partner
Membership No. 055604
Place : Kolkata
Date : 2nd August, 2010

Manoj Kumar Jain
Managing Director

Ashok Kumar Chadha
Director

Chittaranjan Jena
Company Secretary

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

Name of the Subsidiary Companies	Jain Natural Resources Australia Pty Ltd.
1. Country of Incorporation	Australia
2. Financial Year of the subsidiary ended on	3/31/2010
3. Holding Company's Interest	
i) Equity Shares	
a) Numbers of Shares	10000
b) % of Share held by Jain Steel & Power Limited and its Subsidiaries	100%
ii) Preference Shares	
a) Numbers of Shares (Face Value Rs.100 each) Fully Paid up	-
b) % of Share held by Jain Steel & Power Limited And its Subsidiaries	-
4. Net aggregate amount of Profit / (Loss) of the Subsidiary, so far as they concern members of Jain Steel & Power Limited	
i) For the financial year of Subsidiary	
a) Deal with in the accounts of the Holding company	-
b) Not dealt with in the accounts of the Holding company	AU\$ 15926.42
ii) For the previous Financial Years of the Subsidiary since it become the holding Company's Subsidiary	
a) Dealt with in the accounts of the Holding company	-
b) Not dealt with in the accounts of the Holding company	AU\$ 7502.43
5. Changes in the interest of Jain Steel & Power Limited between the end of the subsidiary's financial year and 31st March, 2010	-
Number of shares acquired	-
Material changes between the end of the subsidiary's financial year and 31st March, 2010	
a) Fixed assets (net additions)	
b) Investments (Net)	
c) Money lent by the subsidiary	
d) Moneys borrowed by the subsidiary company other than for meeting current liabilities	-

