

DRAFT LETTER OF OFFER

Dated February 21, 2012

For Eligible Equity Shareholders of the Company only



BHUSHAN

BHUSHAN STEEL LIMITED

The Company was incorporated on January 7, 1983 in New Delhi under the Companies Act, 1956, as amended (“Companies Act”) as a private limited company under the name “Jawahar Metal Industries Private Limited”. Subsequently, the Company changed its name to “Bhushan Steel Limited”, and consequent to the change in name, received a fresh certificate of incorporation on April 12, 2007. For more information on the changes in the name and registered office of the Company, see “History and Certain Corporate Matters” on page 62.

Registered and Corporate Office: F Block, 1st Floor, International Trade Tower, Nehru Place, New Delhi 110 019, India

Tel.: (+91 11) 3919 4000 **Fax:** (+91 11) 2647 8750

Contact Person: Om Parkash Davra, Company Secretary and Compliance Officer

E-mail: opdavra@bhushansteel.com, **Website:** www.bhushansteel.com

Promoters: Brij Bhushan Singal and Neeraj Singal

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF THE COMPANY ONLY

DRAFT LETTER OF OFFER

ISSUE OF 1,41,57,220 EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH (THE “EQUITY SHARES”) OF BHUSHAN STEEL LIMITED (THE “COMPANY” OR THE “ISSUER”) FOR CASH AT A PRICE OF ₹ 335 EACH (INCLUDING A PREMIUM OF ₹ 333 PER EQUITY SHARE), AGGREGATING TO ₹ 47,426.69 LACS BY THE COMPANY ON A RIGHTS BASIS TO ELIGIBLE EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF ONE EQUITY SHARE FOR EVERY 15 EQUITY SHARES HELD ON THE RECORD DATE, BEING [●] (THE “ISSUE”). THE ISSUE PRICE IS 167.50 TIMES THE FACE VALUE OF THE EQUITY SHARES.

PAYMENT METHOD*

| | AMOUNT PAYABLE PER EQUITY SHARE (₹) | | |
|-----------------------|-------------------------------------|-------------|---------------|
| | FACE VALUE (₹) | PREMIUM (₹) | TOTAL (₹) |
| On Application | 1 | 166.50 | 167.50 |
| On Call | 1 | 166.50 | 167.50 |
| Total | 2 | 333.00 | 335.00 |

* In terms of Regulation 17 of the SEBI ICDR Regulations, the Company shall ensure that the Call is completed within 12 months from the date of the Allotment in the Issue. Any Applicant who fails to pay the amount of the Call within the said 12 months from the date of the Allotment in the Issue shall stand to have the Equity Shares in respect of which any amount of the Call remains outstanding forfeited. For more information, see “Terms of the Issue” on page 181, and risk factor 37 on page xxv for risks associated with the payment method.

GENERAL RISKS

Investments in equity securities involve a degree of risk and Investors should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to the Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares being offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (the “SEBI”) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of Investors is invited to the section “Risk Factors” on page xi.

ISSUER’S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other material facts, the omission of which makes this Draft Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on the National Stock Exchange of India Limited (the “NSE”) and the BSE Limited (the “BSE”) (collectively, the “Stock Exchanges”). The Company has received “in-principle” approvals from the NSE and the BSE for listing the Equity Shares allotted pursuant to the Issue (“Allotted”) dated [●] and [●], respectively. For the purposes of the Issue, the designated stock exchange shall be the BSE (the “Designated Stock Exchange”).

| GLOBAL CO-ORDINATOR AND LEAD MANAGER TO THE ISSUE (THE “GCLM”) | LEAD MANAGERS TO THE ISSUE | | | REGISTRAR TO THE ISSUE |
|--|---|--|---|--|
| ICICI SECURITIES LIMITED ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 India Tel: (+91 22) 2288 2460 Fax: (+91 22) 2282 6580 E-mail: project.jewelstar@icicisecurities.com Investor Grievance e-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Mangesh Ghogle/Shubhra Pandey SEBI Registration Number: INM000011179 | AXIS BANK LIMITED 5th floor, Axis House Bombay Dyeing Mills Compound P.B. Marg Mumbai 400 025 India Tel: (+91 22) 2425 4557 Fax: (+91 22) 2425 4500 E-mail: bhushanrights@axisbank.com Investor Grievance E-mail: axbmbd@axisbank.com Website: www.axisbank.com Contact Person: Rajneesh Kumar/Amit Shah SEBI Registration No: INM000006104 | IDBI CAPITAL MARKET SERVICES LIMITED 3rd Floor, Mafatlal Centre Nariman Point Mumbai 400 021 India Tel. No.: (+91 22) 4322 1212 Fax No.: (+91 22) 2285 0785 E-mail : bsI.rights@idbicapital.com Investor Grievance E-mail: redressal@idbicapital.com Website: www.idbicapital.com Contact Person: Hemant Bothra/Keyur Desai SEBI Registration Number: INM000010866 | SBI CAPITAL MARKETS LIMITED* 202, Maker Tower ‘E’ Cuffe Parade Mumbai 400 005 India Tel: (+91 22) 2217 8300 Fax: (+91 22) 2218 8332 E-mail: bhushan.rights@sbicaps.com Investor Grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Abhilasha Kamath/Mandar Kulkarni SEBI Registration Number: INM000003531 | RCMC Share Registry Private Limited B 106, Sector 2 Noida 201 301 India Tel: (+91 120) 401 5856 Fax: (+91 120) 244 4346 E-mail: rdqua@rcmcdelhi.com/bsslrights@rcmcdelhi.com Website: www.rcmcdelhi.com Contact Person: Ravinder Dua SEBI Registration No.: INR0000000429 |

ISSUE PROGRAMME

| ISSUE OPENS ON | LAST DATE FOR RECEIVING REQUESTS FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON |
|----------------|--|-----------------|
| [●] | [●] | [●] |

*The SEBI registration of one of the Lead Managers, SBI Capital Markets Limited, was valid up to July 31, 2011. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2011, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992, as amended. The approval of SEBI in this regard is currently awaited.

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**SECTION I - GENERAL
DEFINITIONS AND ABBREVIATIONS**

Unless otherwise specified in the context thereof, all defined terms and abbreviations shall have the meaning as set forth and expanded in this section. Reference to any statutes or regulations shall include any amendments made from time to time.

Company Related Terms

| Term | Description |
|--|--|
| “Bhushan Steel” or “the Company” or “our Company” or “we” or “us” or “our” | Bhushan Steel Limited, a public limited company incorporated under the provisions of the Companies Act and the Subsidiaries |
| Articles/Articles of Association | Articles of association of the Company |
| Auditors | Statutory auditors of the Company, Mehra, Goel & Co., Chartered Accountants |
| Board | Board of directors of the Company or a duly constituted committee thereof |
| Equity Shares | Equity shares of face value of ₹ 2 each of the Company |
| Group Companies | Companies, firms and ventures promoted by our Promoters, irrespective of whether such entities are covered under Section 370(1)(B) of the Companies Act |
| Listing Agreements | Equity listing agreements signed between our Company and the Stock Exchanges |
| Memorandum of Association | Memorandum of association of the Company |
| Preference Shares | Preference shares of face value of ₹ 100 each of the Company |
| Promoters | Brij Bhushan Singal and Neeraj Singal |
| Promoter Group | Such persons and entities constituting our promoter group pursuant to Regulation 2(1)(zb) of the SEBI ICDR Regulations |
| Settlement | Settlement deed executed on November 14, 2011, pursuant to which Brij Bhushan Singal and Neeraj Singal acquired exclusive control of the Company and Sanjay Singal and his associates disassociated as Promoters |
| Subsidiaries | Subsidiaries of the Company, including the step-down subsidiaries, namely Bhushan Steel (South) Limited, Bhushan Steel Madhya Bharat Limited, Bhushan Steel (Orissa) Limited, Bhushan Steel (Bengal) Limited, Bhushan Steel Australia PTY Limited, Sukhna Steel Private Limited, Bowen Energy Limited, Kondor Holdings Private Limited, Bowen Coal PTY Limited, Bowen Consolidated PTY Limited, Golden Country (Australia) PTY Limited, Paragon Securities Private Limited, Parakeet Finvest Private Limited, Perpetual Securities Private Limited, Marsh Capital Services Private Limited, Bhushan Capital and Credit Services Private Limited and Jawahar Credit and Holding Private Limited |

Issue Related Terms

| Term | Description |
|---|---|
| Abridged Letter of Offer | Abridged letter of offer to be sent to the Eligible Equity Shareholders of the Company pursuant to the Issue, in accordance with the SEBI ICDR Regulations |
| Allot/Allotted/Allotment | Allotment of Equity Shares pursuant to the Issue |
| Allottees | Persons to whom Equity Shares of the Company are issued pursuant to the Issue |
| Applicant | Investor who makes an Application pursuant to the Issue in terms of the Letter of Offer, including an ASBA Applicant |
| Application | Application made during the Issue Period whether submitted by way of Composite Application Form or in the form of a plain-paper Application, to subscribe to the Equity Shares issued pursuant to the Issue at the Issue Price including applications by way of the ASBA Process |
| Application Amount | The aggregate value of the Application indicated in the Application Form or SAF, payable at the time of the Application and on Call, in terms of the Payment Method |
| Application Form | The form in terms of which an Applicant shall make an Application to subscribe to Equity Shares pursuant to the Issue, including plain-paper Applications |
| Application Money | Amount payable in respect of the Equity Shares applied for in this Issue at the time of Application pursuant to the Payment Method, being ₹ 167.50 per Equity Share, i.e. 50% of the Issue Price |
| Application Supported by Blocked Amount/ASBA/ASBA Process | An application, whether physical or electronic, used by an ASBA Applicant to apply for the Equity Shares in the Issue, together with an authorization to an SCSB to block the Application Money in the specified bank account maintained with such SCSB, and the process of making such application, the ASBA Process |

| Term | Description |
|---|---|
| ASBA Account | Account maintained with an SCSB, as specified in the Application Form |
| ASBA Applicants | Investors who intend to apply through ASBA and (a) are holding Equity Shares in dematerialised form as on the Record Date and have applied for (i) their Rights Entitlement in dematerialized form or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement, in dematerialised form; (b) have not renounced their Rights Entitlement in full or in part; (c) are not Renouncees; and (d) are applying through blocking of the Application Money in the relevant ASBA Accounts |
| Bankers to the Issue | [•] |
| Business Day/Working Day | All days other than a Sunday or a public holiday, on which commercial banks in New Delhi and Mumbai are open for business |
| Call | Call notice as shall be sent by the Company to each of the holders of the partly paid-up Equity Shares as on the Call Record Date, for making a payment of ₹ 167.50 per Equity Share equivalent to 50% of the Issue Price, towards the balance amount payable under the Payment Method |
| Call Money | Aggregate amount payable in respect of the Equity Shares applied for in this Issue at the time of the Call pursuant to the Payment Method, being ₹ 167.50, i.e. 50% of the Issue Price |
| Call Record Date | The date fixed by the Company for the purpose of determining the names of the holders of partly paid-up Equity Shares for the purpose of issuing of the Call. |
| Compliance Officer | Om Parkash Davra, Company Secretary |
| Composite Application Form/CAF | Form used by an Eligible Equity Investor to make an Application for Allotment of Equity Shares in the Issue, or renounce his Rights Entitlement or request for SAFs, and used by sole Renounee to make an Application for Allotment of Equity Shares in the Issue to the extent of renunciation of Rights Entitlement in their favor |
| Consolidated Certificate | In case of holding of Equity Shares in physical form, the certificate issued by the Company for the Equity Shares Allotted to one folio |
| Controlling Branches | Branches of the SCSBs which shall co-ordinate with the GCLM and the Lead Managers, the Registrar to the Issue, and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1325570097787.html |
| Demographic Details | Demographic details of these Eligible Equity Shareholders such as address, bank account details for printing on refund orders and occupation |
| Designated Branches | Such branches of the SCSBs which shall collect Application Forms used by ASBA Applicants and a list of which branches of the SCSBs is available at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1325570097787.html |
| Designated Stock Exchange | BSE |
| Draft Letter of Offer | This draft letter of offer dated February 21, 2012 filed with the SEBI for its observations |
| Eligible Equity Shareholder(s) | Holder(s) of Equity Shares of the Company as on the Record Date |
| Global Co-ordinator and Lead Manager/GCLM | ICICI Securities Limited |
| Investor(s) | Eligible Equity Shareholders and Renouncees |
| Issue | Issue of 1,41,57,220 Equity Shares of face value of ₹ 2 each of the Company for cash at a price of ₹ 335 each (including a premium of ₹ 333 per Equity Share), aggregating to ₹ 47,426.69 lacs by the Company on a rights basis to Eligible Equity Shareholders (and Renouncees) of the Company in the ratio of one Equity Share for every 15 Equity Shares held on the Record Date |
| Issue Closing Date | [•] |
| Issue Opening Date | [•] |
| Issue Price | ₹ 335 per Equity Share |
| Issue Proceeds | The proceeds of the Issue that are available to the Company |
| Lead Managers | Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited |
| Letter of Offer | Letter of offer to be filed with the Stock Exchanges after incorporating observations received from SEBI on this Draft Letter of Offer |
| Net Proceeds | Issue Proceeds less the Issue expenses. For more information, see “ <i>Objects of the Issue</i> ” on page 24 |
| Objects | The objects for which the Net Proceeds are proposed to be utilized by the Company, being repayment of certain indebtedness and General corporate purposes. |
| Payment Method | Payment method in respect of the Equity Shares issued pursuant to the Issue, under which the amount payable on Application is ₹ 167.50 per Equity Share, and the balance amount of the Issue Price is payable on Call |
| QFI/Qualified Foreign Investor | Non-resident Investors, other than SEBI registered FIIs and SEBI registered FVCIs, who meet the know your customer requirements of SEBI, and are from jurisdictions |

| Term | Description |
|-------------------------------------|--|
| | which are Financial Action Task Force compliant and with which SEBI has signed memoranda of understanding under the International Organization of Securities Commissions framework |
| QIB/Qualified Institutional Buyer | Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of ₹2,500 lacs, pension fund with minimum corpus of ₹2,500 lacs, National Investment Fund set up by the Government of India and insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India |
| Record Date | [●] |
| Registrar to the Issue or Registrar | RCMC Share Registry Private Limited |
| Renounees | Persons who have acquired Rights Entitlements from Eligible Equity Shareholders |
| Rights Entitlement | Number of Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his/her holding of Equity Shares of the Company on the Record Date |
| SAF(s) | Split Application Form(s) |
| SCSB(s) | Self Certified Syndicate Banks which are registered with the SEBI under the SEBI (Bankers to the Issue) Regulations, 1994, and are recognized as such by the SEBI and offer services of ASBA, including blocking of funds in bank accounts. A http://www.sebi.gov.in/cms/sebi_data/attachdocs/1325570097787.html |
| Stock Exchange(s) | The BSE and the NSE where the Equity Shares of the Company are presently listed |

Industry Related Terms

| Term | Description |
|---------|--------------------------------------|
| CR | Cold rolled |
| CRC/CRS | Cold rolled coils/cold rolled sheets |
| CRCA | Cold rolled and close annealed |
| ERP | Enterprise resource management |
| ERW | Electric resistance welded |
| H&T | Hardened and tempered |
| HR | Hot rolled |
| HRC/HRP | Hot rolled coils/Hot rolled plates |
| HTSS | High-tension steel strapping |
| JPC | Joint Plant Committee, MoS |
| MTPA | Million tonnes per annum |
| OEM | Original equipment manufacturing |
| WSA | World Steel Association |

Conventional and General Terms/ Abbreviations

| Term | Description |
|------------------|---|
| ASE | Ahmedabad Stock Exchange Limited |
| BSE | BSE Limited |
| CAGR | Compounded Annual Growth Rate |
| CARE | Credit Analysis and Research Limited |
| CDSL | Central Depository Services (India) Limited |
| CESTAT | Customs, Excise and Service Tax Tribunal |
| CIT | Commissioner of Income Tax |
| Competition Act | Competition Act, 2002 |
| Companies Act | Companies Act, 1956 |
| CSE | Calcutta Stock Exchange Limited |
| CSR | Corporate social responsibility |
| Depositories Act | Depositories Act, 1996 |
| DP | Depository Participant |
| DSE | Delhi Stock Exchange Limited |
| FCNR | Foreign Currency Non-Resident |
| FEMA | Foreign Exchange Management Act, 1999 |

| Term | Description |
|-----------------------------------|---|
| FII(s) | Foreign Institutional Investors registered with the SEBI under applicable laws |
| FIR | First Information Report |
| FIPB | Foreign Investment Promotion Board, MoF |
| Financial Year/Fiscal Year/Fiscal | Period of 12 months commencing on April 1 of the immediately preceding year and ending on March 31 of that particular year, unless otherwise stated |
| GDP | Gross Domestic Product |
| GoI | Government of India |
| HUF | Hindu Undivided Family |
| ICAI | Institute of Chartered Accountants of India |
| IFRS | International Financial Reporting Standards |
| IFSC | Indian Financial System Code |
| I.T. Act, IT Act | Income Tax Act, 1961 |
| ITAT | Income Tax Appellate Tribunal |
| Indian GAAP | Generally accepted accounting principles in India |
| Land Acquisition Act | Land Acquisition Act, 1894 |
| MCA | Ministry of Corporate Affairs, GoI |
| MICR | Magnetic Ink Character Recognition |
| MoEF | Ministry of Environment and Forests, GoI |
| MoF | Ministry of Finance, GoI |
| MoS | Ministry of Steel, GoI |
| NECS | National Electronic Clearing Service |
| NEFT | National Electronic Fund Transfer |
| NRE | Non-Resident External |
| NRI(s) | Non-Resident Indian(s) |
| NRO | Non-Resident Ordinary |
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange of India Limited |
| OCB | Overseas Corporate Body |
| Order | Financial Services and Markets Act 2000 (Financial Promotion) Order, 2005 |
| PAN | Permanent Account Number |
| RBI | Reserve Bank of India |
| Regulation S | Regulation S under the Securities Act |
| Relevant Member State | Member State of the European Economic Area which has implemented the Prospectus Directive |
| Relevant Persons | Persons to whom the Draft Letter of Offer may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order |
| RoC | Registrar of Companies, National Capital Territory of Delhi and Haryana |
| Rs. or ₹ | Indian Rupees |
| RTGS | Real-time gross settlement |
| SCRA | Securities Contracts (Regulation) Act, 1956 |
| SCRR | Securities Contracts (Regulation) Rules, 1957 |
| SEBI | Securities and Exchange Board of India |
| SEBI Act | Securities and Exchange Board of India Act, 1992 |
| SEBI ICDR Regulations | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 |
| Securities Act | United States Securities Act of 1933 |
| Takeover Code | SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 |
| US\$ or USD | United States Dollar |

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956 (“**SCRA**”) the Depositories Act, 1996 (the “**Depositories Act**”) and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms under “*Financial Statements*” and “*Statement of Possible Tax Benefits available to the Company and Shareholders*” on pages 70 and 28, respectively, shall have the meanings given to such terms in these respective sections.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of the Draft Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession the Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. The Company is making the Issue of Equity Shares on a rights basis to the holders of Equity Shares of the Company as on the Record Date of the Company (the “**Eligible Equity Shareholders**”) and will dispatch the Letter of Offer and CAFs only to Eligible Equity Shareholders who have provided a registered Indian address.

No action has been or will be taken to permit the Issue in any jurisdiction, or the possession, circulation, or distribution of the Draft Letter of Offer or any other material relating to the Company, the Equity Shares or Rights Entitlement in any jurisdiction, where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI.

Accordingly, the Equity Shares and Rights Entitlement may not be offered or sold, directly or indirectly, and none of the Draft Letter of Offer or any offering materials or advertisements in connection with the Equity Shares or Rights Entitlement may be distributed or published in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Draft Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under such circumstances, the Draft Letter of Offer must be treated as sent for information only and should not be copied or distributed. Accordingly, persons receiving a copy of the Draft Letter of Offer should not, in connection with the Issue of the Equity Shares or the Rights Entitlements, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If the Draft Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlement referred to in the Draft Letter of Offer.

The Draft Letter of Offer and its accompanying documents are being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Eligible Equity Shareholders and Renounees (collectively, the “**Investors**”) are advised to consult their legal counsel prior to applying for the Rights Entitlement and additional Equity Shares or accepting any provisional allotment of Equity Shares, or making any offer, sale, resale, pledge or other transfer of the Equity Shares or Rights Entitlement.

Neither the delivery of the Draft Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Company’s affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Each person who exercises Rights Entitlement and subscribes for Equity Shares or excess Equity Shares, or who purchases Rights Entitlement or Equity Shares shall do so in accordance with the restrictions set out below.

NO OFFER IN THE UNITED STATES

The rights and the Equity Shares of the Company have not been and will not be registered under the United States Securities Act, 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the “**United States**” or “**U.S.**”) or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act (“**Regulation S**”)), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in this Draft Letter of Offer are being offered in India, but not in the United States. The offering to which this Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any securities or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said securities or rights. Accordingly, the Draft Letter of Offer/ Letter of Offer/ abridged letter of offer to be sent to the Eligible Equity Shareholders of the Company pursuant to the Issue, in accordance with the SEBI ICDR Regulations (the “**Abridged Letter of Offer**”) and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither the Company nor any person acting on behalf of the Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who the Company or any person acting on

behalf of the Company has reason to believe is, either a “U.S. person” (as defined in Regulation S) or otherwise in the United States when the buy order is made. Envelopes containing CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. The Company is making this issue of Equity Shares on a rights basis to the Eligible Equity Shareholders of the Company and the Letter of Offer/Abridged Letter of Offer and CAF will be dispatched to Eligible Equity Shareholders who have a registered Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the rights entitlements, it will not be, in the United States when the buy order is made, (ii) it is not a “U.S. person” (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States, and (iii) is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

The Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a “U.S. person” (as defined in Regulation S), and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to the Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where the Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and the Company shall not be bound to Allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF. The Company is informed that there is no objection to a United States shareholder selling its rights in India. Rights Entitlement may not be transferred or sold to any U.S. Person.

EUROPEAN ECONOMIC AREA RESTRICTIONS

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), an offer of the Equity Shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Rights Entitlement or the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of Equity Shares or Rights Entitlement to the public in that Relevant Member State from and including the Relevant Implementation Date may be made:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last Financial Year; (2) a total balance sheet of more than Euro 4,30,00,000 and (3) an annual net turnover of more than Euro 5,00,00,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Equity Shares shall result in the requirement for the publication by the Company or the GCLM and the Lead Managers pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. In the case of any Rights Entitlement or Equity Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Rights Entitlement or Equity Shares acquired by them in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Rights Entitlement or Equity Shares acquired by them in the Issue to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined who are not financial intermediaries or in circumstances in which the prior consent of the GCLM and the Lead Managers has been obtained to each such proposed offer or resale.

UNITED KINGDOM RESTRICTIONS

This Draft Letter of Offer is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order, 2005 (the “**Order**”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**Relevant Persons**”). The Equity Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Equity Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information and data in this Draft Letter of Offer is derived from the Company's unconsolidated and consolidated audited financial statements for fiscal 2011, prepared in accordance with the Generally Accepted Accounting Principles in India (the "Indian GAAP") and the Companies Act and the unaudited limited reviewed unconsolidated and consolidated statement of assets and liabilities and statement of profit and loss for the six-month period ended September 30, 2011, which are included in this Draft Letter of Offer and set out under "*Financial Statements*" on page 70. The fiscal year of the Company commences on April 1 of the immediately preceding year and ends on March 31 of that particular year.

The Company is an Indian listed company and prepares its financial statements in accordance with the Indian GAAP and the Companies Act. Neither the information set forth in our financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or U.S. GAAP or any accounting principles other than Indian GAAP. We prepare our financial statements in accordance with the Indian GAAP. Indian GAAP differs significantly in certain respects from IFRS and U.S. GAAP.

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parentheses represent negative figures. Any percentage amounts, as set forth under "*Risk Factors*" and "*Our Business*" on pages xi and 52, respectively, and elsewhere in this Draft Letter of Offer, unless otherwise indicated, have been prepared on the basis of the financial statements included in this Draft Letter of Offer.

For definitions, see "*Definitions and Abbreviations*" on page ii. All references to "India" contained in this Draft Letter of Offer are to the Republic of India, all references to the "US" or the "U.S." or the "USA" or the "U.S.A" or the "United States" are to the United States of America, and all references to "UK" or the "U.K." are to the United Kingdom.

Currency and Units of Presentation

Except where figures are expressed in 'million tonnes per annum' ("MTPA"), or otherwise specified, in this Draft Letter of Offer, all figures have been expressed in "lacs". 1 lac is equivalent to 0.10 million or 0.01 crore.

All references to "Rupees", "INR" or "Rs." or "₹" are to Indian Rupees, the official currency of the Republic of India and all references to "US\$" or "USD" are to United States Dollars, the official currency of the United States of America.

Industry and Market Data

Unless stated otherwise, industry, demographic and market data used in this Draft Letter of Offer has been obtained from industry publications, data on websites maintained by private and public entities, data appearing in reports by market research firms and other publicly available information. These resources generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured.

Neither we nor the GCLM and the Lead Managers have independently verified this data and neither we nor the GCLM and the Lead Managers make any representation regarding the accuracy of such data. Accordingly, Investors should not place undue reliance on this information.

Exchange Rates

The exchange rates of the United States Dollar as on December 30, 2011, September 29, 2011, December 31, 2010 and September 29, 2010 are provided below:

| Currency | Exchange rate into ₹ as on December 30, 2011 | Exchange rate into ₹ as on September 29, 2011 | Exchange rate into ₹ as on December 31, 2010 | Exchange rate into ₹ as on September 29, 2010 |
|----------|--|--|--|---|
| USD | 53.27 | 48.93 | 44.81 | 44.92 |

Source: www.rbi.org.in

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations may also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

FORWARD LOOKING STATEMENTS

Our Company has included statements in this Draft Letter of Offer which contain words or phrases such as “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “project”, “potential”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements, whether made by the Company or any third party, are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, the following:

- cyclical nature of our business and factors affecting the demand for, and production of steel products, in particular, global economic conditions;
- changes in the availability and price of our raw materials, in particular coking coal and iron ore;
- our inability to obtain coking coal or any inability to pass the cost of imported coking coal on to our customers;
- capital-intensive nature of the steel industry and the higher proportion of fixed costs;
- dependence on the Indian market for sales;
- our ability to successfully implement our strategy, our growth and our expansion plans;
- dependence on the operation and performance of facilities;
- hazards associated with steel-making operations;
- our exposure to market risks;
- regulatory changes in the steel sector;
- technological changes;
- general economic and political conditions in India and which have an impact on our business activities;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the performance of the financial markets in India and globally;
- changes in domestic laws, regulations and taxes; and
- changes in competition in our industry.

For a further discussion of factors that could cause the Company’s actual results to differ, see “**Risk Factors**” and “**Our Business**” on pages xi and 52, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the GCLM and the Lead Managers nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI/Stock Exchanges’ requirements, our Company and the GCLM and the Lead Managers will ensure that Investors who make an application during the Issue Period by way of Application Form, to subscribe to the Equity Shares issued pursuant to the Issue at the Issue Price including applications by way of the application supported by blocked amount (the “**ASBA Process**”) pursuant to the Issue in terms of the Letter of Offer (the “**Application**”), including ASBA Applicants (the “**Applicants**”) are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II - RISK FACTORS

An investment in equity securities involves a high degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing all or a part of their investment. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment. To obtain a complete understanding, you should read this section in conjunction with “Our Business” on page 52, as well as the other financial and statistical information contained in this Draft Letter of Offer. In making an investment decision, prospective investor must rely on their own examination of our Company and terms of the Issue, including the merits and risks involved. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. The risk and uncertainties described below are not the only risks that we currently face. Additional risk and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. You should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries.

This Draft Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Our Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

Unless otherwise stated, the financial information and data in this Draft Letter of Offer is derived from the Company’s unconsolidated and consolidated audited financial statements for fiscal 2011, prepared in accordance with the Indian GAAP and the unaudited limited reviewed unconsolidated and consolidated statement of assets and liabilities and statement of profit and loss for the six-month period ended September 30, 2011, which are included in this Draft Letter of Offer and set out under “Financial Statements” on page 70.

Internal Risk Factors

1. Our business is cyclical in nature and factors affecting the demand for, and production of, steel products, in particular, global economic conditions, may adversely affect our business, financial condition, results of operations and prospects.

Our business is cyclical in nature. Our operating margins and results of operations are influenced by a variety of factors, including fluctuations in demand and supply of steel and steel products, both domestically and internationally, general economic conditions, changes in the international prices of steel, downturns in purchases by traditional bulk steel end users or their customers, and slowdowns in basic manufacturing industries, including the automotive and consumer durables industry. Starting in September 2008 and lasting through much of 2009, a steep downturn in the global economy, sparked by uncertainty in credit markets, recession in most major economies, deteriorating consumer confidence and the global housing and mortgage markets, which contributed to increased market volatility and diminished expectations for western and emerging economies, sharply reduced demand for steel products worldwide. Although the global economy showed signs of recovery towards the end of 2009, the global economy continues to be impacted by the Euro-zone debt crisis as well as the downgrade of United States’ debt rating. In particular, a renewed recession or period of below-trend growth in the United States and Europe, or slow growth in emerging economies that are substantial consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States regions) would have a material adverse effect on the steel industry. Further, continued weakness in sectors of the economy that are substantial consumers of steel products, such as the construction and the auto industries would also hurt steel producers.

Historically, market prices for steel and steel products have been cyclical and sensitive to changes in supply and demand. Demand for steel and steel products is linked to economic activity, including growth in the economy, downturns in purchases by traditional bulk steel end users or their customers, and a slowdown in basic manufacturing industries. The supply of steel and steel products is dependent upon capacity additions, domestically and internationally, which involve long gestation periods. Significant capacity additions in the steel industry, if not matched by a corresponding growth in demand, may result in downward pressure on

operating margins. Recently, lower prices have had an adverse effect on primary steel producers in general, due to lower revenues, margins and raw material inventories. Significant price decreases during periods of economic weakness have historically not been balanced by a commensurate price increases during periods of economic strength. Although prices have recovered and stabilized since the crisis to a certain degree, the timing and extent of the recovery and potential return to pre-crisis price levels remains uncertain. As a result of these factors, the price at which we sell our products has fluctuated significantly in recent years. Due to uncertainty in the supply and demand balances, market conditions and other factors, our business, prospects, financial condition and results of operation may be adversely affected.

2. *Changes in the availability and price of our raw materials, in particular coking coal, may adversely affect our business, financial condition, results of operations and prospects.*

The principal raw materials that we require for the production of steel are iron ore, coking coal and thermal coal. Our expenditure on iron ore and domestic and imported Coal in the six months ended September 30, 2011 and fiscal 2011 was ₹ 93,011 lacs and ₹ 1,25,867 lacs respectively out of our total expenditure of ₹ 4,15,408 lacs and ₹ 5,69,719 lacs in the six months ended September 30, 2011 and fiscal 2011, respectively. We import most of our coking coal requirements from Australia. Our iron-ore requirements are met through spot contracts and open market purchases. Additionally, at our Khopoli and Sahibabad facilities the principal raw material consumed by us for the production of steel products are HR Coils. The uninterrupted supply of raw materials is fundamental to our business. Although we seek to optimize our stocks of raw materials, we may not always be able to safeguard against any unanticipated interruptions in raw material supply. For instance, in the future if we are unable to supply HR Coils from our Meramandali facility to our Khopoli and Sahibabad facilities, these facilities may have to procure HR Coils from third party suppliers at a higher cost. The price and availability of these raw materials are subject to market conditions which can be negatively affected by a number of factors beyond our control, including, but not limited to, interruptions in production by suppliers, suppliers' allocation of materials to other purchasers, industry trends, transport logistics and costs, weather and natural disasters. In addition, with the exception of coking coal, we procure most of our raw materials domestically and are, therefore, susceptible to fluctuations in the supply and market price of raw materials in India and, accordingly, the supply of raw materials that we require may be adversely affected by factors such as changes in India's economic, fiscal, export-import and monetary policies, political and financial instability, decline in growth rates of the economy, changing consumer preferences and excess capacity. Any interruption in the supply of raw materials, or any substantial increases in their costs, could adversely affect our ability to produce and sell products economically, which could have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that we will be able to compensate for any increase in raw materials costs by raising prices for our products. Additionally, if we are unable to extract thermal coal and iron-ore from the mines allocated to us in the India states of Odisha and Paschim Banga, we may be forced to purchase such raw materials at higher prices, which may negatively impact our results of operations and financial condition. Similarly, any disruption in supply of coking coal from Bowen Energy Limited (and/or any of its subsidiaries) in the future may adversely affect our operations.

Historically, prices for coal, iron ore and other raw materials have increased as a result of increases in the world prices for steel products and remain subject to market volatility. Until the financial crisis in calendar years 2008 and 2009, the steel industry was fueled with high demand worldwide, and increasing steel prices were mirrored by increasing raw material prices. Conversely, prices for raw materials generally tend to decrease following decreases in the world price for steel products, although interim reductions in profit margins frequently occur due to a time lag of several months between the market acceptance of reduced selling prices for finished steel products and the decrease in raw material prices. Demand for steel decreases significantly during periods of economic slowdown, and as a result, steel prices and raw material prices also significantly decrease. If prices for steel products fall in the future, we may be exposed to reductions in our profit margins due to a delay in the reduction of raw material prices, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

3. *If we are unable to obtain coking coal or if we are unable to pass the cost of imported coking coal on to our customers, our business, results of operations and financial condition could suffer.*

Coking coal, from which coke is produced, is a key input for steel-making. As domestic sources of coking coal are not of sufficient quantity and quality, we depend on imports to meet our requirements. Imported coking coal is much more expensive than domestic sources. As there are a limited number of international suppliers of coking coal and there has been consolidation among suppliers, we believe that in the past

certain international suppliers have been able to heavily influence the price of coking coal. Because we have to purchase most of our coking coal requirements from abroad, and particularly the extent to which we may have to depend on the spot market, we are vulnerable to price increases that we may be unable to pass on to our customers, as a result of which our business, results of operations and financial condition could be materially and adversely affected.

4. *The production of steel is capital intensive, with long gestation periods.*

The production of steel is capital intensive, with a high proportion of investment in fixed assets such as land, plant and machinery. Further, setting up of new capacities or expansion of existing capacities require long lead times. If total capacity in the industry exceeds demand, there is a tendency for prices to fall sharply if supply is largely maintained. Conversely, if demand grows strongly, prices increase rapidly, as unutilized capacity cannot be brought on line as quickly. The result can be substantial price volatility. While we have taken steps to reduce operating costs, we may be negatively affected by significant price volatility, particularly in the event of excess production capacity in the global steel market, and incur operating losses as a result.

5. *We depend primarily on the Indian market for sales of our steel products and, accordingly, adverse economic and financial developments in India may have an adverse effect on our business, financial condition and results of operations.*

We focus and depend primarily on the Indian market for sales of our steel products. Our domestic sales (including export incentive) for the six months ended September 30, 2011 and fiscal 2011 was ₹ 4,41,881 lacs and ₹ 6,37,032 lacs out of our total consolidated sales of ₹ 5,11,845 lacs and ₹ 7,57,935 lacs, respectively. In addition, we procure our raw materials, other than coking coal, domestically and we depend on the supply and market price of raw materials in India. Demand for our products may be adversely affected by factors such as changes in India's economic, fiscal, export-import and monetary policies, political and financial instability, decline in growth rates of the economy, decreases in import duties on steel products, increases in the price of raw materials required for the production of steel products, changing consumer preferences and excess capacity. As a result, a decrease in demand for the products we sell in India or the industries we service such as the automotive and consumer goods industry, could have a significant adverse impact on our business, financial condition and results of operations.

6. *Any inability to effectively execute our expansion plans or to successfully implement our business plan and growth strategy may have an adverse effect on our business, results of operations and financial condition.*

The current phase of the expansion at the Meramandali facility is for the completion of a slab facility, another coke oven facility, a coal washery and two DRI kilns. On its completion, this expansion project is expected to bring our Company's aggregate installed capacity from 2.2 MTPA of crude steel to 4.7 MTPA. We have already completed acquisition of the project land, arranged financing and placed orders for all major equipment required for the third phase of expansion at the Meramandali facility, and have obtained all major environmental and labour-related regulatory approvals and commenced civil work and erection of equipment at the project site. We believe that implementation of our expansion plan will enable us to achieve significant savings in production costs, and to improve our overall productivity and financial flexibility and ensure a steady supply of HR Coils to our Khopoli and Sahibabad facilities. However, the execution of our expansion plans and the implementation of our business plan and growth strategy may be subject to the receipt of various regulatory approvals and lender or other third party consents as well as necessary funding for our working capital needs and future capital expenditure (whether through debt or equity, or a combination of both), and will place significant demands on our management, financial, technical and other resources, mechanisms and controls.

In addition to the above, we are in discussions with various parties in relation to the construction and implementation of a proposed integrated steel plant along with an associated captive power plant and related facilities in the state of Paschim Banga. However, in the event we are unable to acquire the required project land, project-related regulatory approvals, or the requisite financing for this project, we may not proceed with the implementation of this proposed project. Further, our decision to, and our ability to, proceed with the implementation of this project may be contingent on a number of other factors that may be beyond our control, including applicable state law or policy, or the possibility of civil or political resistance to industrial development in the region, as well as other operational difficulties that we may not be able to

predict at this stage.

Further, continued expansion increases the challenges involved in recruitment, training and retention of skilled and experienced technical and management personnel and developing our internal administrative infrastructure and controls. If we fail to install these systems and controls on a timely basis, or if there are weaknesses in such systems and controls that result in inconsistent internal standard operating procedures, we may not be able to meet our expected schedule of implementation or may exceed budgeted expenditure. We cannot be certain that our existing or future management, operational and financial resources, infrastructure and controls will be adequate to support our present and proposed operations as well as identify, assess and develop viable business opportunities in the future. In addition, such planned expansion or growth may not yield the expected or desired revenues, profitability, efficiency or cost reduction outcomes or result in any increase in the value of your investment in the Equity Shares.

7. *Our business is dependent on our operating facilities. The loss or shutdown of operations at our facilities could have a material adverse effect on our business, financial condition and results of operations.*

Our facilities at Meramandali, Sahibabad and Khopoli are subject to operating risks, such as shutdowns due to the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, adequate utilization rates, obsolescence of equipment, labor disputes, strikes, lock-outs, industrial accidents, disruption by extremist groups, or any other reason, and the need to comply with the directives and regulations of the Government of India (“GoI”) and relevant state government authorities. Moreover, we are required to carry out planned shutdowns of our facilities for scheduled maintenance, statutory inspections and testing. During our planned shutdowns, however, our production of steel is diminished and our results of operations may be adversely affected. Further, our operations involve a significant degree of integration, and our results of operations are dependent on the successful operation of each facility. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition, results of operations and prospects may be adversely affected by any disruption of operations at our facilities.

8. *Our steel-making operations are hazardous processes that can cause personal injury and loss of life, severe damage to and destruction of property and equipment and environmental damage, as a result of which we could suffer material liabilities, loss of revenues and increased expenses.*

Our steel-making operations are subject to various risks associated with the inherently hazardous production of steel. Hazards associated with our steel-making operations include accidents involving moving machinery, on-site transport, forklifts and overhead cranes; explosions, and resulting fires, in blast furnaces, coke ovens, steam generators and annealing ovens; fires in control rooms, electrical switch rooms, cable tunnels and vaults, transformers and lubricating oil rooms; fires caused by contact of molten metal in blast furnaces, open hearth furnaces; spills and spattering of molten materials; extreme temperatures, vibration and noise; and exposure to, through inhalation or contact with, hazardous chemicals including acids, ammonia, asbestos, carbon monoxide and various dusts such as coal dust and silica. These hazards may cause severe damage to and destruction of property and equipment, environmental damage and personal injury or even fatalities among our personnel. Any of these may result in temporary or lengthy interruptions of operations, damage to our business reputation and corporate image and the imposition of civil and criminal liabilities. Our employees, members of the public or government authorities may bring claims against us arising out of these hazardous production processes. Instances of fatal accidents among contract workers have arisen during the course of construction at the Meramandali plant. In the event that it is determined by the appropriate authorities that provisions and measures for safety within our premises are inadequate, the licenses granted to us for operations at such premises may be revoked, thereby adversely affecting our business and results of operations. Although we have or are in the process of paying due compensation and ensuring that such accidents are duly investigated and avoided in future, we cannot assure you that our contractors or we shall not be subject to legal proceedings or liabilities pursuant thereto, in the future. Such events may also adversely affect public perception of our business and the perception of our suppliers, customers and employees, leading to an adverse effect on our business.

9. *We sell our products in highly competitive markets and our inability to compete effectively may lead to lower market share or reduced operating margins, and adversely affect our results of operations.*

India is our primary market and we face competition in our business from domestic as well as international producers. Due to the commodity nature of most of our product sales, competition in these markets is based

primarily on demand and price. As a result, to remain competitive in our market, we must continuously strive to reduce our production, transportation and distribution costs, improve our operating efficiencies and secure our raw materials requirements. If we fail to do so, other producers of steel products may be able to sell their products at prices lower than our prices, which would have an adverse effect on our market share and results of operations. Increased consolidation in the steel industry means that many of our competitors may benefit from greater economies of scale, including the ability to negotiate preferential prices for products or receive discounted prices for bulk purchases of raw materials that may not be available to us. Further, we cannot assure you that our current or potential competitors will not offer products comparable or superior to our products.

10. *There are certain legal proceedings involving our Company and our Subsidiaries that, if determined against us, could have a material adverse impact on our financial condition and results of operations.*

There are outstanding material legal proceedings involving our Company and our Subsidiaries, which may adversely affect our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. These proceedings include two winding up petitions initiated by two customers that have alleged that we failed to deliver the contracted goods and that the Company is liable to be declared insolvent and wound-up on account of non-repayment of the advance amounts paid by them to us. The Company has entered into a settlement agreement dated January 11, 2012 with these two customers in this respect.

Should any new developments arise, such as a change in law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could adversely impact our reported financial condition and results of operations. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, there could be a material adverse effect on our business and profitability. We cannot provide any assurance that these matters will be decided in our favour. Further, there is no assurance that similar proceedings will not be initiated against us, our Directors or Promoters and our Group Companies in the future. For more information, see “*Outstanding Litigation*” on page 164.

11. *Our indebtedness, in terms of various conditions and restrictions imposed on us by our financing agreements, could adversely affect our ability to react to changes in our business. Moreover, if we are unable to comply with the terms of our loan agreements, our liquidity, business and results of operations could be adversely affected.*

As at September 30, 2011, our outstanding indebtedness totaled ₹ 18,60,061 lacs. Some of our financing agreements contain requirements to maintain specified security margins and financial ratios and also contain restrictive covenants, such as requiring lender consent for, among others things, issuance of new shares, making material changes to constitutional documents, incurring further indebtedness, creating further encumbrances on or disposing of assets, undertaking guarantee obligations, declaring dividends in case of default or incurring capital expenditures beyond certain limits. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are necessary to operate and grow our business. Our level of existing debt and any new debt that we may incur in the future has important consequences. For example, such debt could:

- increase our vulnerability to adverse economic and industry conditions;
- limit our ability to fund future working capital;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt;
- limit our flexibility to react to changes in our business and in the industry in which we operate;
- place us at a competitive disadvantage with respect to any of our competitors who have less debt or whose cost of debt is lower;
- require us to meet additional financial covenants;
- limit our ability to borrow additional funds; and
- lead to circumstances that result in an event of default, if not waived or cured. A default under one debt instrument may also trigger cross-defaults under other debt instruments.

Any of these developments could adversely affect our business, financial condition and results of operations. For more information, see “*Financial Statements*” on page 70.

We cannot provide any assurance that our business will generate cash in an amount sufficient to enable us to service our debt or to fund our other liquidity needs as they come due. In addition, under certain circumstances, we may need to refinance all or a portion of our debt on or before maturity. If we are unable to repay or refinance our outstanding indebtedness, or if we are unable to obtain additional financings on terms acceptable to us, our business, financial condition and results of operations may be adversely affected.

Further, as on date of this Draft Letter of Offer, while we have applied for consents from our lenders, we are yet to receive approval from 19 lenders (including the lead lenders or agents of consortium lenders) to undertake the Issue and other related matters. We are required to obtain prior consents from the abovementioned lenders for changes in our capital structure caused by the Issue. We cannot assure you that we will receive approvals from such lenders for the Issue and other related matters.

12. We derive a significant portion of our revenue from a few customers, and a loss of one or more significant customers or a reduction in their demand for our products and services would adversely affect our business, financial condition and results of operations.

We are dependent on a limited number of customers for a significant portion of our revenues. Payments from the top 10 customers of the Company amounted to ₹ 1,39,027 lacs and ₹ 1,60,065 lacs, whereas our unconsolidated income from operations amounted to ₹ 5,09,886 lacs and ₹ 7,57,628 lacs for the six months period ended September 30, 2011 and fiscal 2011, respectively. Because our business is concentrated among relatively few significant customers, we could experience a reduction in our cash flows and liquidity if we lose one or more of these customers or the amount of business we obtain from them is reduced for any reason, including any factors impacting the industries in which our customers operate. The loss of a significant customer, or a number of significant customers or a decline of a particular industry could have a material adverse effect on our results of operations. We cannot assure you that we will be able to maintain the historic levels of business from these customers, or that we will be able to replace these customers should we lose any of them.

13. Orders placed by customers may be delayed, modified, cancelled or not fully paid for by our customers, which may have an adverse effect on our business, financial condition and results of operations.

We may encounter problems in executing the orders in relation to our products, or executing it on a timely basis. Moreover, factors beyond our control or the control of our customers may postpone the delivery of such products or cause its cancellation, including delays or failure to obtain necessary permits, authorizations, permissions and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in scope and schedule of delivery of such products, resulting from our customers' discretion or problems we encounter in the delivery of such products or reasons outside our control or the control of our customers, we cannot predict with certainty when, if or to what extent we may be able to deliver the orders placed. Additionally, delays in the delivery of such products can lead to customers delaying or refusing to pay the amount, in part or full, that we expect to be paid in respect of such products. In addition, even where a delivery proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. While we have not yet experienced any material delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default with regard to the orders placed with us, or disputes with customers in respect of any of the foregoing, any such adverse event in the future could materially harm our cash flow position and income. Any delay, modification, cancellation of order by our large customers may have material adverse effect on our financial condition and results of operations.

14. Our business is dependent on the delivery of an adequate and uninterrupted supply of electric power at a reasonable cost and any supply insufficiency or interruption could adversely affect our business, financial condition and results of operations.

Steel production is energy intensive and we consume large amounts of energy in our operations. We have a 110 MW captive power plant at Meramandali, Odisha. Further, we have entered into a power purchase agreement with Bhushan Energy Limited dated March 29, 2007, for an additional 300 MW of power. We are dependent on public utilities for the remainder of our power requirements. An adequate, uninterrupted and cost effective supply of electrical power is critical to our operations. India suffers from significant energy shortages and power outages. While we believe that our current supply of electricity will be sufficient to meet our existing and future requirements, we cannot assure you that we will have an adequate,

uninterrupted or cost effective supply of electrical power, the lack of which could adversely affect our business, financial condition, results of operations and prospects.

15. *We rely on contractors or specialist agencies for the implementation of various aspects of our business, including the expansion of our Meramandali facility, and are therefore exposed to execution risks, including in relation to the timing or quality of their services, equipment or supplies.*

We rely on the availability of skilled and experienced contractors and specialist agencies for the implementation of our expansion plans and operation of various aspects of our business. Further, we have no prior operating history of operating mines and may have to rely on third party service providers for conducting exploration and mining operations. We do not have direct control over the timing or quality of the services and supplies provided by such third parties. Third party contracts expose us to various risks, including credit risk, settlement risk, operational risk, legal risk and reputation risk. The execution risks we face include the following:

- contractors hired by us may not be able to complete construction and installation on time, and within budgeted costs or to the agreed specifications and standards;
- delay in the delivery of equipment, meeting project milestones or achieving commissioning by the scheduled completion date may increase the financing costs associated with the construction and cause our budgets to be exceeded or result in delayed payment to us by customers, invoke liquidated damages or penalty clauses, or result in termination of contracts;
- we may not be able to recover the amounts that we have invested in construction contracts if the assumptions contained in the feasibility studies for these projects do not materialize;
- we may not be able to pass on certain risks to our contractors such as unforeseen site and geological conditions;
- as we expand, we may have to use contractors with whom we are not familiar, which may increase the risk of cost overruns or lower or no return on capital, construction defects and failures to meet scheduled completion dates; and
- our contractors may engage contract laborers to complete specified assignments and although we do not engage such laborers directly, we may be held responsible under applicable Indian laws for wage payments to such laborers should our contractors default on wage payments. Further, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, we may be required to retain such contract laborers as our employees. Any requirement to fund such payments and any such order from a court or any other regulatory authority may adversely affect our business and results of our operations.

While we attempt to monitor the implementation of various aspects of our business that have been contracted to other agencies and partners, and to manage our risk through performance guarantees, contractual indemnities, disclosure and confidentiality obligations and limitations of liability, it may not be possible for us to protect ourselves from all possible risks arising from third party default, or to enforce such contractual protections and recover the full amount of any losses that may be suffered by us as a result of any delay or shortfall in performance. In the event of a material failure or disruption in committed services or supplies, we cannot be certain that we will be able to make alternative arrangements in a reasonable time, on commercially acceptable terms, or at all. As a result, our business, results of operations and financial condition may be adversely affected.

Further, as a result of increased industrial development in India in recent years, the demand for contractors and agencies with specialist design, engineering and project management skills and services has increased, resulting in a shortage of and increasing costs of services of such contractors and agencies. We cannot be certain that such skilled and experienced contractors and agencies will continue to be available to us at reasonable rates in the future. Any deterioration in our relationships with our identified suppliers or our failure to renegotiate acceptable terms may result in our incurring substantial additional costs, beyond our budgeted expenditure, in identifying and entering into alternative arrangements with other suppliers.

Further, third party defaults that disrupt or otherwise affect our operations and that are not adequately resolved or cured in a timely manner may render us liable to regulatory intervention, cause damage to our reputation, and adversely affect our business, results of operations and financial condition.

16. We rely on our senior executives and our skilled workforce to operate successfully and implement the key elements of our business strategy. Our inability to attract and retain such personnel may adversely affect our business, results of operations and financial condition.

The success of our business and the continued implementation of our business strategy and growth plans will depend on the continued employment and performance of our senior executives and skilled workforce. For instance, we place significant reliance on the management and technical expertise and industry relationships of the members of our board of directors (the “**Board**”), including Brij Bhushan Singal, Neeraj Singal, Nittin Johari and Rahul Sen Gupta.

Our performance also depends on our ability to identify, recruit and retain sufficient numbers of technical, sales, administrative support and other qualified personnel. Further, in view of increased competitive pressures in the Indian business environment and in particular in the steel industry, we may face an increasing risk of employee attrition as well as increased demands for compensation and employee benefits. If any of our key personnel or significant numbers of our trained workforce resign or are unable to continue in their present roles and are not adequately replaced in reasonable time and at comparable or reasonable cost, our business, results of operations and financial condition may be adversely affected.

17. We have experienced negative cash flows in the past which could adversely affect our financial condition and the trading price of our Equity Shares.

We have recently experienced negative cash flows as set forth in the table below:

| | (In ₹ lacs) |
|--|------------------------------|
| | Year ended March 31, 2011 |
| Net cash generated from/(used in) operating activities | 99,419.87 |
| Net cash generated from/(used in) investing activities | (5,50,065.85) |
| Net cash generated from/(used in) financing activities | 4,42,236.05 |
| Net increase (decrease) in cash and cash equivalents | (8,409.93) |

Any negative cash flows in the future could adversely affect our financial condition and the trading price of our Equity Shares. In addition, our ability to pay dividends or to generate positive cash flows from operating activities in the future will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions and similar factors. For further information, see “*Financial Statements*” on page 70.

18. Our contingent liabilities, if they materialize, may adversely affect our financial condition.

The table below sets forth our contingent liabilities, as disclosed in our audited consolidated financial statements.

| | (₹ in lacs) |
|--|--------------------|
| Contingent liabilities not provided for | March 31, 2011 |
| Sales tax | 0.75 |
| Excise duty / service tax | 17,573.31 |
| Entry tax | 5,654.41 |
| Outstanding guarantees issued by the banks counter guaranteed by the Company including letter of credits | 78,354.15 |
| Bills discounted | 18,647.66 |
| Total | 1,20,230.28 |

Any or all of these contingent liabilities may become actual liabilities. If any or all of these liabilities materialize, there may be an adverse effect on our business, financial condition and results of operations.

For more information, see “*Financial Statements*” on page 70.

19. We have entered into certain transactions with related parties in fiscal 2011. These transactions or any future transactions with our related parties could potentially involve conflicts of interest and there can be no assurances that such transactions, individually or in the aggregate, will not have an adverse effect on our business, prospects, results of operations and financial condition.

We have entered into certain transactions with related parties, including our Promoters and associates and may continue to do so in future. These transactions or any future transactions with our related parties could potentially involve conflicts of interest. For instance, in fiscal 2011, we entered into related party transaction with Bhushan Energy Limited aggregating ₹ 40,752.46 lacs towards purchase of goods and services and ₹ 2,166.57 lacs towards sale of goods and services, respectively. Similarly, we also entered into related party transactions aggregating ₹ 5,217.80 lacs and ₹ 1,853.04 lacs with Arshiya International Limited and Bhushan Aviation Limited, respectively, in fiscal 2011. For further information, see “*Financial Statements*” on page 70. We cannot assure you that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, prospects, financial condition and results of operations, including because of potential conflicts of interest or otherwise. In addition, our business and growth prospects may decline if we cannot benefit from our relationships with our Promoters and associates in the future.

20. The reports of our statutory auditors (the “Auditors”) on our financial statements contains certain qualifications, as a result of which, the financial statements may be less reliable than they would be had we previously addressed the concerns raised by our Auditors in a satisfactory manner.

The reports of the Auditors on our financial statements contain certain qualifications, as a result of which, the financial statements may be less reliable than they would be had we previously addressed the concerns raised by our Auditors in a satisfactory manner. Brief details of the area of audit qualifications are set forth below:

| Area of Audit Qualification | Period |
|--|-----------------------|
| “We have relied on the unaudited consolidated financial statements of a foreign subsidiary, namely M/s Bowen Energy Limited (Australia), whose consolidated financial statements reflect total assets of ₹ 9,861.85 lacs as at 31st March, 2011, total revenue of ₹ 15.55 lacs, cash outflows amounting to ₹ 158.59 lacs for the year then ended and on the unaudited financial statements of an associate, namely M/s Angul Sukinda Railway Limited, wherein the Group’s share of profit aggregates ₹ NIL. These unaudited financial statements / consolidated financial statements have been furnished to us by the management and our report in so far as it relates to the amounts included in respect of the subsidiaries, associates is based solely on such unaudited financial statements / consolidated financial statements prepared by the management.” | Fiscal 2011 |
| “We did not review the unaudited financial statements of the foreign subsidiary of the company, namely M/s Bowen Energy Ltd (Australia) whose consolidated financial statement reflect total assets of ₹ 7,135.78 lacs as at September 30, 2011, and total revenue of ₹ 1.89 lacs for the period of six months ended on that date. We also did not reviewed the unaudited financial statement of one associates namely M/s Angul Sukhinda Railway Limited, where in group’s share of profit aggregates ₹ NIL and one joint venture, namely M/s Andal East Coal Company Pvt, Ltd., whose financial statements reflect total assets of ₹ 1,231.18 lacs as at 30th September 2011 and total revenue of ₹ NIL for six months then ended. These consolidated financial statement or financial statements have been prepared by the management but have not been audited or reviewed by the Auditors and our review in so far as it relates to the amounts included in respect of the said subsidiary / associate / joint venture is based solely on the consolidated financial statement or financial statements prepared and submitted by the management.” | September 30, 2011 |

For more information, see “*Financial Statements*” on page 70.

21. The Company’s estimates of its mineral reserves are subject to assumptions, and if the actual amounts of such reserves are less than estimated, or if the Company is unable to gain access to sufficient mineral reserves, the Company’s results of operations and financial condition may be adversely affected.

The Company’s estimates of its iron ore and coal resources are subject to probabilistic assumptions based on interpretations of geological data and projected rates of production in the future. Actual reserves and production levels may differ significantly from reserve estimates. Furthermore, it may take many years from the initial phase of exploration before production is possible during which time the economic feasibility of exploiting such reserves may change. In addition, none of the Company’s thermal coal and iron ore deposits in India have reached the production phase. The Company can offer no assurance that commercial levels of raw materials will be discovered or that the mines will produce raw materials at the

estimated amounts or at all. If the Company has overestimated its mineral reserves, or the quality of such reserves, it would deplete its existing mineral reserves more quickly than estimated, and the Company may be forced to purchase such minerals in the open market. Prices of minerals in the open market may significantly exceed the cost at which the Company might otherwise be able to extract these minerals, which would cause the Company's costs to increase and consequently adversely affect the Company's businesses, results of operations, financial condition and prospects.

22. *Increases in interest rates may adversely affect our results of operations and financial condition.*

Increases in interest rates will increase the cost of our borrowings, as substantially all of our borrowings have a floating rate of interest. If interest rates rise, interest payable on our debt will also rise, thus increasing the cost of new financing for the Company, increasing the Company's interest expense and limiting the Company's ability to implement its growth strategies. Such a rise in interest rates could materially and adversely affect the Company's business, results of operations, financial condition and results of operations.

23. *If we do not continue to invest in new technologies and equipment, our technologies and equipment may become obsolete and our cost of production may increase relative to our competitors, which may have an adverse impact on our business, results of operations and financial condition.*

Our profitability and competitiveness depend in large part on our ability to maintain a low cost of operations, including our ability to produce sufficient quantities of our products as per the agreed specifications. If we are unable to respond or adapt to changing trends and standards in technologies and equipment, or otherwise adapt our technologies and equipment to changes in market conditions or requirements, in a timely manner and at a reasonable cost, we may not be able to compete effectively and our business, results of operations and financial condition may be adversely affected.

24. *We are dependent on third party transportation providers for the delivery of raw materials and products. Accordingly, continuing increases in transportation costs or unavailability of transportation services for our products, as well the extent and reliability of Indian infrastructure, may have an adverse effect on our business, financial condition, results of operations and prospects.*

We use third party transportation providers for the supply of most of our raw materials and for delivery of our products to our customers. Transportation strikes could have an adverse effect on our receipt of raw materials and our ability to deliver our products to our customers. Non-availability of ships, barges, trucks and railway cars could also adversely affect our receipt of raw materials and the delivery of our products. In addition, transportation costs in India have been steadily increasing over the past several years. While usually the end consumer bears the freight cost, we may not always be able to pass on these costs to our customers. Continuing increases in transportation costs or unavailability of transportation services for our products may have an adverse effect on our business, financial condition, results of operations and prospects.

In addition, India's physical infrastructure is less developed than that of many developed nations, and problems with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity, including our supply of raw materials and the delivery of our products to customers by third-party transportation providers. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have a material adverse effect on our results of operations and financial condition.

25. *Following the Issue, we will continue to be controlled by our Promoters and members of our Promoter Group, and our other shareholders may not be able to affect the outcome of shareholder voting. The interests of our Promoters and members of the Promoter Group may conflict with your interests as a shareholder.*

The pre-Issue shareholding of our Promoters and Promoter Group, as on December 31, 2011 was 69.95%. The Promoters and members of our Promoter Group may subscribe for Equity Shares in the Issue by subscribing for renunciations, if any, made by any other shareholder in their favour. The Promoters along with the members of the Promoter Group, shall also subscribe to additional Equity Shares in the Issue, including acquisition in the event of under subscription. As a result, the shareholding of Promoters and the

Promoter Group may increase above their current shareholding. Subsequent to the Issue, our Promoters and Promoter Group will continue to exercise significant influence over our business policies and affairs and all matters requiring shareholders approval, including the composition of our Board, the adoption of amendments to our Memorandum of Association and Articles of Association, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of control also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of these stockholders. The interests of our Promoters and Promoter Group as our Company's controlling shareholders could conflict with our Company's interests or the interests of our other shareholders. We cannot assure you that our Promoters and Promoter Group will act to resolve any conflicts of interest in our Company's or your favour.

26. *If we are not able to renew or maintain the statutory and regulatory permits and approvals required to operate our business it may have a material adverse effect on our business.*

We require certain statutory and regulatory permits and approvals to operate our business, including environmental clearances and factory licenses. For more information on the status of our material statutory and regulatory permits, see "***Government and Other Approvals***" on page 172. We are required to renew such permits and approvals, and also obtain new permits and approvals for our proposed expansion and vertical integration. For instance, the following applications have been filed for renewal of requisite permits and approvals for the Company that have not been granted as on the date of this Draft Letter of Offer:

- a. Application dated December 15, 2011 to the Uttar Pradesh state pollution control board for renewal of consent to operate under the Water (Prevention and Control of Pollution) Act, 1974, as amended.
- b. Application dated December 15, 2011 to the Uttar Pradesh state pollution control board for renewal of consent to operate under the Air (Prevention and Control of Pollution) Act, 1981, as amended.

While we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any or all requisite permits or approvals in the time-frame anticipated by us, or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations or delay or prevent our expansion plans or vertical integration, and may have a material adverse effect on our business, financial condition and results of operations.

27. *We may incur material costs to comply with, or suffer material liabilities or other adverse consequences as a result of environmental laws and regulations, including ordering shut down of our operations. Any such alleged non-compliance or order asking us to stop our business operations at any of our facilities will have a material adverse effect on our business and results of operations.*

While we believe that our facilities are in compliance in all material respects with applicable environmental laws and regulations, additional costs and liabilities related to compliance with these laws and regulations are an inherent part of our business. We are subject to extensive central, state and local environmental, health and safety laws and regulations. Our steel-making operations produce certain waste products, such as slag, carbon monoxide, and waste-water sludge from our cooling, de-scaling and rinsing operations, which must be properly disposed of under applicable environmental laws. Like other steel producers, laws and regulations affecting us concern issues such as damage caused by air emissions and waste-water discharges; solid and hazardous waste handling and disposal, and the investigation and remediation of contamination. These environmental laws and regulations are becoming increasingly stringent. For example, the Ministry of Environment and Forests, GoI ("**MoEF**") in recent years has issued several show cause notices to manufacturing companies in the power, steel and mining sectors for alleged violations of environmental regulations.

While we seek to comply with applicable environmental legislation and regulatory requirements, it is possible that such compliance may prove restrictive and onerous. In addition to potential clean-up liability, we may become subject to monetary fines and penalties for violation of applicable laws, regulations or administrative orders. This may result in the closure or temporary suspension of, or impose adverse restrictions on, our operations. We may also, in the future, become involved in proceedings with various regulatory authorities that may require us to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for environmental compliance. Such proceedings, or

other statutory claims brought against us, could exceed or fall outside of our public liability insurance for claims arising from accidents in the handling of hazardous substances.

Further, new legislation or administrative regulations or new judicial interpretations or administrative enforcement of existing environmental laws and regulations, including proposals that would further regulate and tax the steel industry in India, restrict mining operations in certain areas by the MoEF or limit how mining operations may be conducted may also require us to change our operations significantly or incur increased costs. Such changes could have a material adverse effect on our financial condition and results of operations.

28. *Competition from substitutes for steel could reduce market prices and demand for steel products and thereby have an adverse effect on our business, financial condition and results of operations.*

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and thereby have an adverse effect on our business, financial condition and results of operations.

29. *Acquisitions and investments could result in operating difficulties, dilution and other adverse consequences.*

As a part of our business strategy, we intend to undertake investments in businesses and companies that operate in the steel industry or provides services related to the steel industry, whose resources, capabilities and strategies are complementary to and likely to enhance our business operations. It is possible that we may not be able to identify suitable investment opportunities, or if we do identify suitable opportunities, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects. Additionally, even if we find such suitable opportunities, they may not efficiently synergize with our Company.

Further, we may enter into, discussions regarding a wide array of potential strategic transactions, including joint ventures, acquisitions or other technical or business collaborations. Any of these transactions could be material to our financial condition and results of operations. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditure. The risks that we may face in connection with the integration of any acquisition with our Company include:

- we may not be able to achieve the strategic purpose of such acquisition;
- we may not be able to complete the acquisition on commercially acceptable terms;
- our management may be distracted by acquisition, transition or integration activities;
- our due diligence process may fail to identify all the problems, liabilities or other shortcomings or challenges of an acquired company;
- we may have higher than anticipated costs in continuing support and development of acquired companies' products and/or services;
- we may face cultural challenges associated with integrating employees from the acquired company into our organization;
- our relationship with current and new employees, customers, partners and distributors could be impaired;
- there may be unknown liabilities or issues that could materially and adversely affect our financial condition and results of operation;
- we may face litigation or other claims in connection with, or may inherit claims or litigation as a result of an acquisition, including claims from terminated employees, customers or other third parties; and
- we may have problems integrating each of the acquired company's accounting, management information, human resource and other administrative systems with our Company.

If any of the foregoing risks materialize, they could materially and adversely affect our business, results of operations, financial condition and prospects. Future acquisitions or dispositions may also result in dilutive issuances of our Equity Shares, the incurrence of debt, contingent liabilities or write-offs of goodwill, any

of which could harm our financial condition. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all. In the event that we are unable to successfully integrate our recent acquisitions and future acquisitions, we may need to invest in the reorganization of our operations, which may lead to lower operating profits.

- 30. *We may not be sufficiently protected or insured against all potential losses to which we may be subject. If we incur a significant liability for which we are not fully insured or are unable to successfully assert our claim, there may be an adverse effect on our business, results of operations and financial condition.***

We maintain comprehensive fire and special perils insurance cover for the majority of our assets, which covers material damage and loss of profits due to fire, accidents and natural disasters including earthquakes, as well as losses associated with the breakdown of equipment and machinery, with exclusionary exceptions as mentioned in the policy. We also maintain an erection and all risks policy and a marine cum storage cum erection policy for our Meramandali facility, which is presently under brownfield expansion. In addition, we maintain marine insurance that would cover losses caused by sea perils, theft, contamination or non-delivery of the products we ship to customers overseas and the raw materials and equipment we import, in relation to the Meramandali facility. Similarly, we insure shipment of our products and raw materials while in transit within India against such losses. We believe our insurance coverage is in accordance with relevant regulations and customary industry practices in India. However, the extent and amount of our existing or future insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that we may suffer. Further, there are events that may expose us to losses or third party liabilities that may cause significant damage to our operations, for which we are not insured or not fully insured. If we incur a significant liability for which we are not fully insured or are unable to successfully assert our claim, there may be an adverse effect on our business, results of operations and financial condition.

In addition, our policy of covering third-party risks through contractual limitations of liability, indemnities and insurance may not always be effective, in particular where we have not entered into binding long term contracts. Our third party contractors may not have adequate financial resources to meet their indemnity obligations to us. Losses may derive from risks not addressed in our indemnity agreements or insurance policies. It may not be possible to obtain adequate insurance against some risks on commercially reasonable terms. Failure to effectively cover ourselves against engineering and design risks for any of these reasons may expose us to substantial costs and potentially lead to material losses. Although certain of our agreements with third party contractors require them to maintain insurance in respect of items such as construction equipment, employer's liability and workers' compensation, and motor vehicles, we cannot be certain that such contractors will maintain adequate insurance, and that any liability incurred by them will not devolve on us.

For more information, see "*Our Business – Insurance*" on page 61.

- 31. *We are subject to risks arising from currency exchange rate fluctuations, which could adversely affect our business, financial condition and results of operations.***

While our principal revenues are in Rupees, we borrow funds from outside India in foreign currencies and we are otherwise exposed to exchange rate fluctuations owing to our import of raw materials and export sales. We are also exposed to foreign currency risk for our raw material imports and export sales which may not be fully hedged. Further, depreciation in the value of the Indian Rupee against such other currencies could increase the Indian Rupee cost of servicing our debt, purchasing raw materials or equipment. The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent months, and may continue to fluctuate significantly in the future. In addition, exchange rates also affect domestic steel prices in India, as such prices are determined by the landed costs of imports. Further, we may in the future enter into hedging arrangements, and there can be no assurance that current or future arrangements will successfully protect us from losses due to fluctuations in currency exchange rates. Changes in currency exchange rates may adversely affect our business, financial condition and results of operations.

- 32. *Our business and activities are regulated by the Competition Act, 2002. Any application of the Competition Act, 2002 to us may be unfavorable, and may have an adverse effect on our business and results of operations.***


The Indian Parliament enacted the Competition Act, 2002 (the "**Competition Act**") under the auspices of

the Competition Commission of India to prevent business practices from having an adverse effect on competition. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Provisions relating to the regulation of certain acquisitions, mergers or amalgamations which have an appreciable adverse effect on competition were recently notified to come into force on June 1, 2011 and the Competition Commission of India has also recently issued the Competition Commission of India (Procedure in regard to the Transaction of Business Relating to Combinations) Regulations, 2011, with respect to notification requirements for such combinations, which also come into force on June 1, 2011. It is as of yet unclear as to how the Competition Act and the Competition Commission of India will affect business practices in India. The application of the Competition Act may be unfavorable to us, and may have an adverse effect on our reputation, business and results of operations.

33. *Product liability claims could adversely affect our operations.*

We sell products to manufacturers who are engaged to sell a wide range of end products. If we were to sell steel that does not meet the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be significant consequential damages resulting from the use of such products. We do not have product liability insurance coverage, and a major claim for damages related to products sold could leave us uninsured against the award and, as a result, materially harm our financial condition and future operating results.

34. *Our future ability to use and protect our intellectual property rights may be impaired.*

We have registered “” as our logo under the Trademarks Act, 1999. However, we do not have any registered patents for any of the technological processes we implement or intend to implement in our operations, or any registered logos or trade or brand names or marks for any of the products that we market or intend to market. As we operate in an intensely competitive business environment, our inability to effectively use or protect our intellectual property rights, including the logo and name of our Company, may adversely affect our business, results of operations and financial condition. Additionally, third parties may infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Our efforts to protect our intellectual property may not be adequate and any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and a favorable outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. We cannot assure that any unauthorized use by third parties of the intellectual property will not similarly cause damage to our business prospects, reputation and goodwill.

For more information on our intellectual property, see “*Our Business— Intellectual Property*” on page 60.

35. *Our operations may be adversely affected by strikes, work stoppages or increased wage demands by our or our contractors' workforce or any other industrial unrest or dispute.*

While we have not experienced any major industrial unrest or dispute in the past, we cannot be certain that we will not suffer any disruption to our operations due to strikes, work stoppages or increased wage demands in the future. Further, if our or our contractors' work force unionizes in the future, collective bargaining efforts by labor unions may divert our management's attention and result in increased costs. We may be unable to negotiate acceptable collective wage settlement agreements with those workers who have chosen to be represented by unions, which may lead to union-initiated strikes or work stoppages. Any shortage of skilled and experienced workers caused by such industrial unrest or disputes may adversely affect our business, results of operations and financial condition. Further, under Indian law, we may be held liable for wage payments or benefits and amenities made available to contract workers engaged by our independent contractors, if any of our contractors default on their obligations to provide such wages, benefits and amenities. Any requirement to discharge such payment obligations, benefits or amenities, or to absorb a significant portion of the contract workforce on our own rolls may adversely affect our business, results of operations and financial condition.

36. We may not be able to identify or correct any defects or irregularities in title to the lands on which our facilities are situated, or any land acquired in the future for any planned expansion.

There may be legal defects or irregularities in the lands on which our facilities are situated, including land acquired in the future in connection with any planned expansion, which we may not be able to fully identify, assess or correct. For example, since registration of land title in India is not centralized and has not been fully computerized, title to land may be defective as a result of a failure on our part, or on the part of a prior transferee, to obtain the necessary consents or duly complete stamping and registration requirements. We may also be exposed to risks associated with the acquisition and ownership of land based on inaccurate, incomplete, dated or illegible information in local land records. Uncertainty of, or imperfection in, title to land may impede the processes of any future acquisition, verification and transfer of title to land by us, and any disputes in respect of land title that we may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Any such irregularities, dispute or proceedings may have an impact on the operation of our business and consequently on our results of operations and financial condition. Additionally, we are still in process of acquiring land for our thermal coal mine at Patrapada, Odisha and cannot assure you that land acquisition and other related formalities will be completed within the stipulated timelines or within the estimated costs. For more information, see “*Our Business– Properties*” on page 61.

37. Investment in partly paid-up Equity Shares in the Issue is exposed to certain risks.

The Issue Price of our Equity Shares is ₹ 335 per Equity Share. The Investors are required to pay 50% of the Issue Price on Application, 50% of the Issue Price on Call. The partly paid-up Equity Shares offered under the Issue will be traded under separate ISINs for the period as may be applicable prior to the record date for the Call. An active trading may not develop for the partly paid-up Equity Shares and, therefore, the trading price of the partly paid-up Equity Shares may be subject to greater volatility than our fully-paid Equity Shares. Further, the Company will fix a Call Record Date for the purpose of determining the list of holders of the partly paid-up Equity Shares to whom the notice for the Call will be sent. With effect from the Call Record Date, trading in the partly paid-up Equity Shares for which the Call has been made will be suspended for such period as may be applicable under the applicable rules and regulations. The holders of the partly paid-up Equity Shares will not be able to trade in these shares until they are credited to the holders’ account as fully paid-up Equity Shares.

Further, Investors in this Issue will be required to pay the money due on Call, even if, at that time, the market price of our Equity Shares is less than the Issue Price. If the Investor fails to pay the balance amount due with any interest that may have accrued thereon after notice has been delivered by the Company, then any of our Equity Shares in respect of which such notice has been given may, at any time thereafter, before payment of the Call Money and interest and expenses due in respect thereof, be forfeited by the Company. Such forfeiture shall include all dividends declared in respect of such forfeited Equity Shares and actually paid before such forfeiture. Additionally, Investors are only entitled to dividend in proportion to the amount paid up and the voting rights exercisable on a poll by Investors shall also be proportional to such Investor’s share of the paid-up equity capital of the Company. If certain Investors do not pay the full amount, we may not be able to raise the amount proposed under the Issue.

38. The deployment of funds for the Objects of the Issue is at the discretion of our Board. Pending utilization for the purposes described therein, we intend to temporarily invest funds from the Net Proceeds for meeting our short-term working capital requirements. We cannot be certain that the value of such short term investments will increase or will not decline, including as a result of factors beyond our control.

The deployment of funds as stated in “*Objects of the Issue*” on page 24 is at the discretion of our Board. Pending utilization for the purposes described above, we intend to temporarily invest the funds from the Net Proceeds for meeting short-term working capital requirements, through high quality interest bearing liquid instruments including investment in money market mutual funds, deposits with banks and other interest bearing securities for the necessary duration. Such investments will be approved by the Board or a committee thereof from time to time, in accordance with our investment policies. We cannot be certain that the value of such instruments will increase or will not decline, including as a result of risks and uncertainties that may be beyond our control.

In view of the dynamic nature of the sector and specifically that of our business, we may have to revise our

expenditure and fund requirements as a result of factors which may not be within the control of our management. Also, in case the Issue does not get completed within the stipulated time, we may not be able to utilize the funds as stated in “*Objects of the Issue*” on page 24. This may entail rescheduling and revising the planned expenditures and fund requirements and increasing or decreasing expenditures for a particular purpose at the discretion of our management, within the objects.

External Risk Factors

39. Excess capacity and oversupply in the steel industry globally and, particularly, in China, may hamper the steel industry’s recovery and prolong the downward cycle.

In addition to economic conditions globally and in India, the steel industry is affected by global production capacity and fluctuations in steel imports/exports and tariffs. The steel industry has historically suffered from structural over-capacity. The industry is currently characterized by a substantial increase in production capacity in the developing world, particularly in China, but also in India and other emerging markets. China is now the largest global steel producer by a large margin, with the balance between its domestic production and consumption being an important factor in global steel prices. Chinese steel exports, or conditions favorable to them (excess steel capacity in China and/or higher market prices for steel in markets outside of China) can have a significant impact on steel prices in other markets, including India. Over the short to medium term, we are exposed to the risk of steel production increases in China and other markets outstripping increases in real demand (particularly in India), which may weigh on price recovery. Additionally, protectionist measures, including anti-dumping laws, countervailing duties and tariffs and government subsidization adopted or currently contemplated by governments of certain countries could adversely affect our sales.

40. Our business and results of operations are also affected by government policy on duties, taxation and export incentives.

Taxes and other levies imposed by the GoI or state governments that affect our industry include:

- import duties on raw materials and consumables;
- import duties on imports of steel, including hot rolled coils;
- central excise duty;
- central sales tax;
- income tax;
- value added tax;
- royalties;
- service tax;
- entry tax; and
- other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time.

Increases or decreases in any of the above taxes or levies may significantly affect our business, financial condition, results of operations and prospects. Similarly, a withdrawal or changes in export incentives that we take advantage of may reduce realization on exports.

41. If the GoI imposes price controls on steel, the prices that we are able to receive for our steel products may decline. In addition, the monetary and fiscal policies of the GoI may decrease the demand for Indian steel, which could adversely affect our business, operations, and financial condition.

The Ministry of Steel, GoI (“**MoS**”) is responsible for coordinating and formulating policies for the growth and development of the Indian iron and steel industry. Prior to 1992, the MoS controlled the price that Indian primary steel producers could charge for steel. Today, the Indian steel industry is deregulated, and steel prices in India are generally determined by market forces. However, no assurance can be given that the GoI will not reinstitute price controls in the future or otherwise interfere with market prices. If the MoS intervenes in determining the price of steel in India, our results of operations and financial condition could be adversely affected. In addition, the GoI may enact monetary or fiscal policies to contain India’s fiscal deficit or curb inflation that may decrease the demand for Indian steel, which could adversely affect our business, operations and financial condition.

42. *Our ability to freely raise capital outside India may be constrained by Indian law, which may adversely affect our financial condition and prospects.*

We are required to obtain regulatory approvals to incur foreign currency denominated indebtedness outside India of more than US\$ 7,500 lacs within a fiscal year. The need to obtain such regulatory approvals for future indebtedness, if any, could constrain our ability to raise the most cost-effective funding for implementing major asset purchases, refinancing existing indebtedness, or financing acquisitions and other strategic transactions, which may adversely affect the Company's future growth. We cannot assure prospective investors that any required approvals will be given when needed, or at all, or that such approvals if given will not have onerous conditions.

Current GoI policy allows 100% foreign ownership of Indian companies in the steel manufacturing sector. The GoI may, however, change this policy in the future, and restrict foreign investors' shareholdings. If such a change were to restrict our ability to issue, and foreign investors' ability to hold, shares above such specified limits, we may be constrained in our ability to raise funds through equity issuances in the future, which could have a material adverse effect on the Company's results of operations and financial condition.

43. *The regulatory framework in India is evolving and regulatory changes (including in the steel industry as well as environmental and health and safety laws) may have an adverse effect on our business, results of operations and financial condition. Our inability to comply with such requirements may adversely affect our business, results of operations and financial condition.*

Our existing business is, as well our planned expansion, will be subject to a range of laws, rules, regulations and circulars issued and adopted by the central, state and local authorities in India. Compliance with regulations applicable to the steel industry as well as environmental and health and safety laws and regulations creates costs for us that are an inherent part of our business.

Further, the adoption of new laws and regulations, new interpretations of existing laws and regulations, increased or stricter governmental enforcement or other developments in the future may require that we make additional capital expenditure or incur additional operating expenses in order to maintain our current or future operations or take other actions that may have an adverse effect on our business, results of operations and financial condition. For instance, India is expected to tighten its carbon dioxide emission regulations in the future, which may impose substantial compliance costs for upgrading facilities and require further investment by us in green technology.

The measures we implement in order to comply with new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed current estimates. If we fail to meet compliance requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental or civil society groups and other individuals (including employee unions, if our employees were to unionize), which may result in substantial claims, penalties and damages against us as well as orders that may limit, disrupt or cause closure of our operations, any of which may have an adverse effect on our business, results of operations and financial condition. We may also be involved in or be held responsible in litigation or proceedings relating to environmental or health and safety matters in the future, the costs of which may be material, or which may cause damage to our reputation or trigger a default under the terms of our existing or future borrowings or other contractual commitments. Clean-up and remediation or compensation costs and related litigation may also adversely affect our cash flow, results of operations and financial condition. We may also incur liabilities for environmental or other damage caused by acts or omissions of our third party contractors, and we cannot be certain that we are adequately protected from any such unforeseen risks under the terms of our contractual arrangements, including terms as to limitation of liability, contractual indemnities and other protections against our transaction counterparties, or in terms of our insurance coverage.

44. *Inflation in India may adversely affect our business.*

India has experienced in the past and is currently experiencing high rates of inflation. We can provide no assurance that high rates of inflation will not continue or even increase in the future, which could have an impact on the demand for our products and our ability to sell those products. In addition, from time to time, the GoI has taken measures to control inflation, which have included tightening monetary policy by raising interest rates, restricting the availability of credit and inhibiting economic growth. Inflation, measures to

combat inflation and public speculation about possible governmental actions to combat inflation have also contributed significantly to economic uncertainty in India and heightened volatility in the Indian capital markets. Periods of higher inflation may also slow the growth rate of the Indian economy which could also lead to a reduction in demand for our products and a decrease in our sales of those products. Inflation may also increase some of our costs and expenses. Moreover, the reporting currency of our financial statements is the Indian Rupee, and fluctuations in the value of the Indian Rupee that result from inflation, could affect our consolidated results of operations and financial condition. To the extent demand for our products decreases or our costs and expenses increase and we are not able to pass those increases in costs and expenses on to our customers, our operating margins and operating income may be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations.

45. *There may be political, economic or other factors that are beyond our control but may have an adverse impact on our business and results of operations should they materialize.*

The following external risks may have an adverse impact on our business and results of operations should any of them materialize:

- Political instability, resulting from a change in the Government or a change in the economic and deregulation policies may adversely affect economic conditions in India in general and our business in particular;
- A slowdown in economic growth in India may adversely affect our business and results of operations. The growth of our business and our performance is linked to the performance of the overall Indian economy;
- Civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war involving India or other countries may adversely affect the financial markets which may impact our business. Such incidents may impact economic growth or create a perception that investment in Indian companies involves a higher degree in risk which may reduce the value of the Equity Shares;
- Natural disasters in India may disrupt or adversely affect the Indian economy, on the health of which our business depends;
- Any downgrading of India's sovereign rating by international credit rating agencies may negatively impact our business and access to capital. In such an event, our ability to grow our business and operate profitably may be severely constrained;
- Instances of corruption in India have the potential to discourage investors and derail the growth prospects of the Indian economy. Corruption creates economic and regulatory uncertainty and may have an adverse effect on our business, profitability and results of operations; and
- The Indian economy has had sustained periods of high inflation. Should inflation continue to increase sharply, our profitability and results of operations may be adversely impacted. High rates of inflation in India may increase our employee costs, decrease the disposable income available to our customers and decrease our operating margins, which may have an adverse effect on our profitability and results of operations.

46. *The proposed adoption of IFRS may result in our financial condition and results of operations appearing materially different than under Indian GAAP.*

Public companies in India, including us following the issue, may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI (“MCA”), through a press note dated January 22, 2010. Through a press release dated February 25, 2011, the MCA announced that it will implement the converged accounting standards in a phased manner after various issues, including tax-related issues, are resolved. The MCA is expected to announce the date of implementation of the converged accounting standards at a later date. Our cash flows, results of operations, financial condition or changes in shareholders’ equity may appear materially different under IFRS than under Indian GAAP.

In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems consequent to the listing of the Equity Shares and the reporting requirements applicable to listed companies in India under the Listing Agreements to be entered into with the Indian Stock Exchanges. Moreover, our transition may be hampered by increasing competition and increased costs for the relatively small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

Risks relating to the Equity Shares

47. *An active market for our Equity Shares may not be sustained, which may cause the price of our Equity Shares to fall.*

While our Equity Shares are traded on the Stock Exchanges, there can be no assurance regarding the continuity of the existing active or liquid market for our Equity Shares, the ability of investors to sell their Equity Shares or the prices at which investors may be able to sell their Equity Shares. The price of our Equity Shares on the Stock Exchanges may fluctuate after the Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; performance of our competitors; the perception of the market with respect to investments in the steel industry; adverse media reports about us or the steel industry; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies; and significant developments in India's fiscal regulations. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after the Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to the Issue.

48. *Our ability to pay dividends in the future will depend on our future earnings, financial condition, cash flows, working capital requirements, capital expenditure and other factors.*

Our business is inherently capital intensive and the amount and frequency of our future dividend payments, if any, will depend on our future earnings, financial condition, cash flows, working capital requirements, capital expenditure and other factors. We cannot be certain that we will have distributable funds after we commence operations. In addition, we may be prohibited by the terms of our future debt financing to make any dividend payments until the occurrence of certain events or until certain time periods as may be agreed with lenders.

49. *Economic developments and volatility in securities markets in other countries may cause the price of the Equity Shares to decline.*

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investor's reactions to developments in one country may have adverse effects on the market price of securities of companies situated in other countries, including India. For instance, the recent financial crisis in the United States and European countries lead to a global financial and economic crisis that adversely affected the market prices in the securities markets around the world, including Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

The Indian stock exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

50. *There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of the Equity Shares.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Listing approval will require all relevant documents authorizing the issuing of Equity Shares to be submitted. In accordance with the Companies Act, if the permission of listing the Equity Shares is denied by the Stock Exchanges, we are required to refund all monies collected to investors. There may be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval will restrict your ability to dispose of your Equity Shares.

In addition, pursuant to Indian regulations, certain actions are required to be completed before the Equity

Shares can be listed and trading may commence. Investors' book entry or dematerialized electronic accounts with depository participants (the "DPs") in India are expected to be credited only after the date on which the issue and allotment is approved by our Board. We cannot be certain that the Equity Shares allocated to investors will be credited to their dematerialized electronic accounts, or that trading will commence on time after Allotment has been approved by our Board, or at all.

51. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.*

Stock exchanges in India may subject us to a daily "circuit breaker", which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. In such event, the percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time may be affected.

Prominent Notes:

1. Issue of 1,41,57,220 Equity Shares at a premium of ₹333 per Equity Share for cash aggregating to ₹ 47,426.69 lacs on a rights basis to the existing Eligible Equity Shareholders in the ratio of one Equity Share for every 15 fully paid-up Equity Shares held by the Eligible Equity Shareholders on the Record Date. The Issue price is 167.50 times the face value of the Equity Shares.
2. As on March 31, 2011, our net worth on a consolidated basis was ₹ 6,60,677 lacs (excluding revaluation reserves), and on standalone basis was ₹ 6,59,473 lacs (excluding revaluation reserves) as described in "*Financial Statements*" on page 70.
3. For more information on our transactions with related parties during the preceding financial year, i.e., March 31, 2011, the nature of transactions and the cumulative value of transactions, see "*Financial Statements*" on page 70.
4. There has been no financing arrangement whereby the Promoter Group, the Directors and their relatives have financed the purchase by any other person of our securities other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Letter of Offer with SEBI.

SECTION III – INTRODUCTION

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in “*Terms of the Issue*” on page 181.

| Issue Details in Brief | |
|---|--|
| Equity Shares being offered pursuant to the Issue | 1,41,57,220 |
| Rights Entitlement | One Equity Share for every 15 fully paid-up Equity Share held on the Record Date |
| Record Date | [•] |
| Issue Price per Equity Share | ₹ 335 |
| Face value per Equity Share | ₹ 2 |
| Equity Shares subscribed and paid-up prior to the Issue | 21,23,58,310 Equity Shares |
| Equity Shares subscribed and paid-up after the Issue (assuming full subscription for and Allotment of the Rights Entitlement) | 22,65,15,530 Equity Shares |
| Terms of the Issue | For more information see, “ <i>Terms of the Issue</i> ” on page 181 |
| Use of Issue Proceeds | For more information see, “ <i>Objects of the Issue</i> ” on page 24 |

Terms of Payment

The Payment Method available to the Investors is as set forth below:

| | PAYMENT METHOD* | | |
|-----------------------|-------------------------------------|-------------|-----------|
| | AMOUNT PAYABLE PER EQUITY SHARE (₹) | | |
| | FACE VALUE (₹) | PREMIUM (₹) | TOTAL (₹) |
| On Application | 1 | 166.50 | 167.50 |
| On Call | 1 | 166.50 | 167.50 |
| Total | 2 | 333 | 335 |

* See risk factor 37 on page xxv for risks associated with the payment method. For more information, see “*Terms of the Issue*” on page 181.

The Issue Price of the Equity Shares for the Issue is ₹ 335 per Equity Share. Investors are required to pay ₹ 167.50 per Equity Share equivalent to 50% of the Issue Price on Application, and the balance of ₹ 167.50 per Equity Share equivalent to 50% of the Issue Price on Call respectively.

The Promoters and members of the Promoter Group may bring in an advance amount towards their Rights Entitlement in the Issue after filing of the Draft Letter of Offer with the SEBI but prior to the date of filing the Letter of Offer with the Stock Exchanges. In case the Issue fails or is withdrawn for any reason, such Application Money so received from the Promoters and members of the Promoter Group shall be treated as unsecured loans repayable on demand at terms to be decided thereon.

While making an Application, the Applicant shall make a payment, or instruct the relevant SCSB to block funds in the relevant account maintained with an SCSB, as specified in the Application Form (the “**ASBA Account**”) equivalent to the Application Money, calculated on the basis of the Issue Price of ₹ 335 per Equity Share. Out of the amount of ₹ 167.50 paid on Application per Equity Share, ₹ 1 per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ 166.50 shall be adjusted towards the share premium account per Equity Share. Accordingly, out of the amount of ₹ 167.50 paid on Call, ₹ 1 per Equity Share shall be adjusted towards the face value of the Equity Shares per Equity Share and ₹ 166.50 shall be adjusted towards the share premium account per Equity Share.

Notices for the payment of Call Money shall be sent by the Company to the holders of the partly paid-up Equity Shares on the Call Record Date fixed by the Company for the Call, provided that such notice is given in writing at least 15 days prior to the date of the Call.

In terms of Regulation 17 of the SEBI ICDR Regulations, the Company shall ensure that the Call is completed within 12 months from the date of the Allotment in the Issue. Any Applicant who fails to pay the amount of the Call within the said 12 months from the date of the Allotment in the Issue shall stand to have the Equity Shares

in respect of which any amount of the Call remains outstanding forfeited. In terms of the Articles of Association, Equity Shares in respect of which the balance amount payable remains unpaid on Call, may be forfeited by the Company at any time after the due date for payment of such balance amount due, after giving a prior notice of at least one month, as provided under the Articles of Association.

The Company has filed an application dated February 17, 2012 with the Foreign Investment Promotion Board, Ministry of Finance, GoI (the “**MoF**”) (the “**FIPB**”) to offer, issue and Allot partly paid-up Equity Shares of the Company on a rights basis to existing non-resident (“**NR**”) shareholders including FIIs, Non-Resident Indians (the “**NRIs**”) and other NRs. The Company has also filed an application dated February 21, 2012 with the Reserve Bank of India (the “**RBI**”) seeking approval by way of abundant caution for renunciation by resident Investors in favor of NR Investors (other than overseas corporate bodies (“**OCBs**”), by NR Investors (other than OCBs) in favor of resident Investors or by NR Investors (other than OCBs) in favor of other NR Investors (other than OCBs). For more information, see “*Government and Other Approvals*” on page 172.

SUMMARY FINANCIAL INFORMATION

SUMMARY UNCONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(₹ in lacs)

| | As at 31.03.2011 | As at 31.03.2010 |
|---|---------------------|---------------------|
| SOURCES OF FUNDS: | | |
| Shareholders' Funds | | |
| Share Capital | 11,115.77 | 7,915.47 |
| Reserves & Surplus | 5,78,525.11 | 3,91,251.59 |
| | 5,89,640.88 | 3,99,167.06 |
| Loan Funds | | |
| Secured Loans | 12,39,185.17 | 8,32,696.00 |
| Unsecured Loans | 4,20,078.33 | 3,07,714.53 |
| | 16,59,263.50 | 11,40,410.53 |
| Deferred Tax Liability (Net) | 69,831.83 | 32,953.82 |
| | 23,18,736.21 | 15,72,531.41 |
| APPLICATION OF FUNDS: | | |
| Fixed Assets | | |
| Gross Block | 14,42,440.30 | 3,68,589.43 |
| Less: Depreciation | 1,85,810.83 | 1,60,657.03 |
| Net Block | 12,56,629.47 | 2,07,932.40 |
| Capital Work in Progress | 7,39,321.48 | 11,10,932.50 |
| | 19,95,950.95 | 13,18,864.90 |
| Investments | 27,773.03 | 37,004.46 |
| Current Assets, Loans & Advances | | |
| Inventories | 3,16,840.55 | 1,96,267.17 |
| Sundry Debtors | 48,353.31 | 73,392.31 |
| Cash & Bank Balances | 3,507.90 | 12,019.78 |
| Loans & Advances | 1,33,067.77 | 95,341.57 |
| | 5,01,769.53 | 3,77,020.83 |
| Less :Current Liabilities & Provisions | | |
| Current Liabilities | 2,01,915.25 | 1,56,713.36 |
| Provisions | 4,842.05 | 3,645.42 |
| | 2,06,757.30 | 1,60,358.78 |
| Net Current Assets | 2,95,012.23 | 2,16,662.05 |
| Total | 23,18,736.21 | 15,72,531.41 |

**SUMMARY UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
MARCH 31, 2011**

(₹ in lacs)

| | Year Ended | | Year Ended | |
|---|------------------|--------------------|------------------|------------------|
| | 31.03.2011 | | 31.03.2010 | |
| INCOME | | | | |
| Sales of Products | 7,54,347.45 | | 5,97,398.64 | |
| Less: Excise Duty | <u>57,581.78</u> | 6,96,765.67 | <u>36,271.77</u> | 5,61,126.87 |
| Export Incentives | | 3,280.58 | | 2,908.16 |
| Other Income | | 6,951.28 | | 11,777.66 |
| TOTAL INCOME | | <u>7,06,997.53</u> | | 5,75,812.69 |
| EXPENDITURE | | | | |
| Manufacturing & Other Expenses | | 4,97,006.87 | | 4,18,761.43 |
| Profit Before Interest, Depreciation and Tax | | 2,09,990.66 | | 1,57,051.26 |
| Interest & Financial Charges | | 44,641.08 | | 21,001.21 |
| Profit Before Depreciation and Tax | | 1,65,349.58 | | 1,36,050.05 |
| Depreciation | | 27,784.53 | | 20,913.56 |
| Profit Before Tax | | 1,37,565.05 | | 1,15,136.49 |
| Less: -Income Tax | | | | |
| -Current Tax | 27,420.75 | | 19,570.00 | |
| -MAT Credit Utilized/(Available for Setoff) | (27,242.30) | | 2,665.00 | |
| -Deferred Tax | <u>36,878.01</u> | <u>37,056.46</u> | <u>8,321.83</u> | 30,556.83 |
| Profit After Tax | | 1,00,508.59 | | 84,579.66 |
| Profit Brought Forward from Previous Year | | <u>7,208.33</u> | | <u>7,318.24</u> |
| Profit Available For Appropriation | | <u>1,07,716.92</u> | | <u>91,897.90</u> |
| APPROPRIATIONS | | | | |
| Proposed Dividend on Equity shares | | 1,061.79 | | 1,061.79 |
| Proposed Dividend on Preference Shares | | 370.14 | | 23.31 |
| Provision For Dividend Tax | | 232.30 | | 180.22 |
| Transferred to Debenture Redemption Reserve | | 5,475.00 | | 1,975.00 |
| Release from Debenture Redemption Reserve | | (1,000.00) | | - |
| Transferred to General Reserve | | 1,01,200.00 | | 81,449.25 |
| Balance Carried Forward to Balance Sheet | | <u>377.69</u> | | <u>7,208.33</u> |
| | | <u>1,07,716.92</u> | | <u>91,897.90</u> |
| Basic Earning Per Share (₹) | | 47.13 | | 39.82 |
| Diluted Earning Per Share (₹) | | 47.13 | | 39.82 |
| Nominal Value of Share (₹) | | 2.00 | | 2.00 |

**SUMMARY UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH
31, 2011**

(₹ In lacs)

| | Current Year | | Previous Year |
|--|---------------------|--------------------|--------------------|
| (A) CASH FLOW FROM OPERATING ACTIVITIES : | | | |
| Net Profit before tax and extraordinary items | 1,37,565.05 | | 1,15,136.49 |
| Adjustments for : | | | |
| Depreciation | 27,784.53 | | 20,913.56 |
| Provisions (Retirement Benefits) | 426.92 | | 188.21 |
| Interest & Financial Charges | 44,641.08 | | 21,001.21 |
| Interest/Dividend Income on Investment | (462.75) | | (263.77) |
| Interest Income (others) | (1,781.16) | | (2,398.43) |
| Profit on Sale of Investment | (156.76) | | (0.21) |
| Loss / (Profit) on Sale of Fixed Assets | (154.64) | | (131.55) |
| Provision for Doubtful Debts | 204.32 | | 287.32 |
| Loss / (Gain) on Exchange Rate Change | 2,581.45 | | (3,511.88) |
| Sales Tax Subsidy | 4,120.46 | 77,203.45 | 2,383.82 |
| | | | 38,468.28 |
| Operating Profit Before Working Capital Changes | 2,14,768.50 | | 1,53,604.77 |
| Adjustments for : | | | |
| Increase(-) / Decrease in Inventories | (1,20,573.38) | | (73,231.28) |
| Increase(-) / Decrease in Other Receivables | 24,840.84 | | (11,708.77) |
| Increase(-) / Decrease in Loans & Advances | (10,500.91) | | (21,079.60) |
| Increase / Decrease(-) in Trade Payables | 23,727.48 | (82,505.97) | 10,726.96 |
| | | | (95,292.69) |
| Cash Flow from Operating Activities | 1,32,262.53 | | 58,312.08 |
| Direct Tax Paid (Net of Refund) | (27,192.58) | | (18,607.93) |
| Net Cash Flow from Operating Activities (A) | 1,05,069.95 | | 39,704.15 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | | |
| Purchase of Fixed Assets | (5,64,404.73) | | (2,90,274.80) |
| Sale of Fixed Assets | 190.28 | | 148.48 |
| Purchase of / Adv.for Investments in subsidiary /joint venture | (5,171.51) | | (3,787.56) |
| Purchase of Investment – Others | (35,422.52) | | (22,608.64) |
| Sale of Investments | 50,630.18 | | 500.21 |
| Interest Income | 2,382.80 | | 2,399.79 |
| Dividend Income | 45.70 | | 5.37 |

| | | |
|--|----------------------|----------------------|
| Net Cash Used In Investing Activities (B) | (5,51,749.80) | (3,13,617.15) |
| <hr/> | | |
| (C) CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Interest & Financial Charges Paid | (1,61,213.97) | (1,01,651.28) |
| Proceeds From Cash Credit from Banks(Net) | 27,768.44 | 6,865.64 |
| Proceeds From Other Borrowings | 4,85,229.77 | 2,99,376.98 |
| Proceeds From Share / Share Application Money | 87,509.00 | 70,005.00 |
| Dividend Paid | (945.05) | (919.93) |
| Dividend Tax Paid | (180.22) | (180.45) |
| Net Cash Flow From Financing Activities (C) | 4,38,167.97 | 2,73,495.96 |
| | <hr/> | <hr/> |
| Net Increase in Cash and Cash Equivalents (A+B+C) | (8,511.88) | (417.04) |
| | <hr/> | <hr/> |
| Opening Balances of Cash and Cash Equivalents | 12,019.78 | 12,436.82 |
| Closing Balances of Cash and Cash Equivalents | 3,507.90 | 12,019.78 |

Note:

- (i) The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard (AS)-3 on 'Cash Flow Statement'.
- (ii) Cash and Cash equivalents include ₹ 820.72 Lacs (Previous Year ₹ 680.67 Lacs) in respect of unclaimed dividend, the balance of which is not available to the Company.
- (iii) Figures in brackets represent cash out flow.

SUMMARY CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(₹ in lacs)

| | As at 31.03.2011 | As at 31.03.2010 |
|---|----------------------------|----------------------------|
| SOURCES OF FUNDS: | | |
| Shareholders' Funds | | |
| Share Capital | 11,115.77 | 7,915.47 |
| Reserves & Surplus | <u>5,78,886.16</u> | <u>3,91,338.44</u> |
| | <u>5,90,001.93</u> | <u>3,99,253.91</u> |
| Minority Interest | 2,062.50 | 2,497.17 |
| Loan Funds | | |
| Secured Loans | 12,39,185.17 | 8,32,696.00 |
| Unsecured Loans | <u>4,20,078.33</u> | <u>3,07,714.53</u> |
| | <u>16,59,263.50</u> | <u>11,40,410.53</u> |
| Deferred Tax Liability (Net) | 69,831.59 | 32,953.82 |
| Foreign Currency Translation Reserve | <u>843.63</u> | <u>360.66</u> |
| Total | <u><u>23,22,003.15</u></u> | <u><u>15,75,476.09</u></u> |
| APPLICATION OF FUNDS: | | |
| Fixed Assets | | |
| Gross Block | 14,42,476.38 | 3,68,596.55 |
| Less: Depreciation | <u>1,85,812.86</u> | <u>1,60,657.64</u> |
| Net Block | 12,56,663.52 | 2,07,938.91 |
| Capital Work in Progress | <u>7,53,993.07</u> | <u>11,19,464.38</u> |
| | <u>20,10,656.59</u> | <u>13,27,403.29</u> |
| Goodwill on Consolidation | - | 367.06 |
| Investments | 16,269.98 | 30,422.74 |
| Current Assets, Loans & Advances | | |
| Inventories | 3,18,617.88 | 1,97,546.28 |
| Sundry Debtors | 49,004.21 | 75,123.14 |
| Cash & Bank Balances | 4,715.37 | 13,125.30 |
| Loans & Advances | <u>1,33,315.87</u> | <u>95,513.41</u> |
| | <u>5,05,653.33</u> | <u>3,81,308.13</u> |
| Less :Current Liabilities & Provisions | | |
| Current Liabilities | 2,05,734.04 | 1,60,379.52 |
| Provisions | <u>4,842.71</u> | <u>3,645.61</u> |
| | <u>2,10,576.75</u> | <u>1,64,025.13</u> |
| Net Current Assets | <u>295,076.58</u> | <u>217,283.00</u> |
| Total | <u><u>2,322,003.15</u></u> | <u><u>1,575,476.09</u></u> |

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | <i>(₹ in lacs)</i> | |
|---|-----------------------------|--------------------------|
| | Year Ended 31.03.2011 | Year Ended 31.03.2010 |
| INCOME | | |
| Sales of Products | 7,54,654.83 | 5,96,600.46 |
| Less: Excise Duty | <u>57,581.78</u> | <u>36,271.77</u> |
| Export Incentives | 3,280.58 | 2,908.16 |
| Other Income | <u>6,935.53</u> | <u>11,571.27</u> |
| TOTAL INCOME | 7,07,289.16 | 5,74,808.12 |
| EXPENDITURE | | |
| Manufacturing & Other Expenses | 4,97,162.49 | 4,17,758.98 |
| Profit Before Interest, Depreciation and Tax | 2,10,126.67 | 1,57,049.14 |
| Interest & Financial Charges | 44,770.74 | 21,284.80 |
| Profit Before Depreciation and Tax | 1,65,355.93 | 1,35,764.34 |
| Depreciation | 27,785.91 | 20,913.85 |
| Profit Before Tax | 1,37,570.02 | 1,14,850.49 |
| Less: -Income Tax | | |
| -Current Tax | 27,421.29 | 19,570.00 |
| -MAT Credit Utilised/(Available for Setoff) | (27,242.30) | 2,665.00 |
| -Deferred Tax | <u>36,877.77</u> | <u>8,321.83</u> |
| Profit After Tax | 1,00,513.26 | 84,293.66 |
| Add: Share of Profit/(Loss) of Associates | 230.30 | 25.20 |
| Less: Minority Interest | <u>4.10</u> | <u>0.65</u> |
| | 1,00,739.46 | 84,318.21 |
| Profit Brought Forward from Previous Year | <u>7,295.18</u> | <u>7,666.54</u> |
| Profit Available For Appropriation | <u>1,08,034.64</u> | <u>91,984.75</u> |
| APPROPRIATIONS | | |
| Proposed Dividend on Equity shares | 1,061.79 | 1,061.79 |
| Proposed Dividend on Preference Shares | 370.14 | 23.31 |
| Provision For Dividend Tax | 232.30 | 180.22 |
| Transferred to Debenture Redemption Reserve | 5,475.00 | 1,975.00 |
| Release from Debenture Redemption Reserve | (1,000.00) | - |
| Transferred to General Reserve | 1,01,200.00 | 81,449.25 |
| Balance Carried Forward to Balance Sheet | <u>695.41</u> | <u>7,295.18</u> |
| | <u>1,08,034.64</u> | <u>91,984.75</u> |
| Basic Earning Per Share (₹) | 47.24 | 39.69 |
| Diluted Earning Per Share (₹) | 47.24 | 39.69 |
| Nominal Value of Share (₹) | 2.00 | 2.00 |

SUMMARY CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹ in Lacs)

| | Year Ended | Year Ended |
|--|--------------------|--------------------|
| | 31.03. 2011 | 31.03.2010 |
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items and share of profit of Associates | 1,37,570.02 | 1,14,850.49 |
| Adjustments for : | | |
| Depreciation | 27,785.91 | 20,913.85 |
| Provisions (Retirement Benefits) | 427.35 | 188.40 |
| Interest & Financial Charges | 44,770.74 | 21,284.80 |
| Interest/Dividend Income on Investments | (462.75) | (263.77) |
| Interest Income on Others | (1,781.16) | (2,398.43) |
| Profit on Sale of Investments | (156.76) | (0.21) |
| Diminution in value of investment written back | (15.55) | (1.61) |
| Loss / (Profit) on Sale of Fixed Assets | (154.64) | (131.55) |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| Loss/(Gain) on Exchange Rate Change | 2,993.71 | (2,977.85) |
| | 73,611.17 | 36,900.95 |
| Operating Profit Before Working Capital Changes | 2,11,181.19 | 1,51,751.44 |
| Adjustments for : | | |
| Increase(-) / Decrease in Inventories | (1,21,071.60) | (74,510.39) |
| Increase(-) / Decrease in Other Receivables | 25,951.20 | (12,518.24) |
| Increase(-) / Decrease in Loans & Advances | (10,561.45) | (20,808.31) |
| Increase / Decrease(-) in Trade Payables | 21,124.89 | 16,428.74 |
| | (84,556.96) | (91,408.20) |
| Cash Flow from Operating Activities | 1,26,624.23 | 60,343.24 |
| Direct Tax Paid (Net of Refund) | (27,204.36) | (18,607.93) |
| Net Cash Flow from Operating Activities (A) | 99,419.87 | 41,735.31 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets | (5,67,761.59) | (3,22,649.13) |
| Sale of Fixed Assets | 190.28 | 148.48 |
| Purchase of Investments | (36,079.14) | (22,904.22) |

| | | |
|---|----------------------|----------------------|
| Acquisition/ Purchase of Shares in Subsidiary | 508.57 | (1,723.40) |
| Sale of Investments | 50,630.18 | 500.21 |
| Interest Income | 2,400.15 | 2,402.78 |
| Dividend Income | 45.70 | 5.37 |
| Net Cash Used In Investing Activities (B) | (5,50,065.85) | (3,44,219.91) |
| (C) CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Interest & Financial Charges Paid | (1,61,496.23) | (1,01,946.90) |
| Proceeds From Cash Credit From Banks (Net) | 27,768.44 | 6,864.64 |
| Proceeds From Other Borrowings | 4,85,229.77 | 3,26,468.02 |
| Proceeds From Share/Share Application Money | 87,509.00 | 70,005.00 |
| Proceeds From Share Application Money of Minority Shareholder | 229.88 | --- |
| Capital Subsidy | 4,120.46 | 2,383.82 |
| Dividend Paid | (945.05) | (919.93) |
| Dividend Tax Paid | (180.22) | (180.45) |
| Net Cash Flow From Financing Activities (C) | 4,42,236.05 | 3,02,674.20 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | (8,409.93) | 189.60 |
| Opening Balances of Cash and Cash Equivalents | 13,125.30 | 12,892.32 |
| Addition on acquisition of Subsidiary | -- | 43.38 |
| Total | 13,125.30 | 12,935.70 |
| Closing Balances of Cash and Cash Equivalents | 4,715.37 | 13,125.30 |

Note:

Cash and Cash equivalents include ₹ 820.72 Lacs (Previous Year ₹ 680.67 Lacs) in respect of unclaimed dividend, the balance of which is not available to the company.

SUMMARY UNCONSOLIDATED STATEMENT OF ASSETS & LIABILITIES AS AT SEPTEMBER 30, 2011

(₹ in lacs)

| Particulars | As at 30.09.2011 | As at 31.03.2011 |
|---|-------------------------|-------------------------|
| | Unaudited | Audited |
| SOURCES OF FUNDS: | | |
| SHAREHOLDERS' FUND | | |
| (a) Capital | 11,116 | 11,116 |
| (b) Reserves and Surplus | 6,21,632 | 5,78,525 |
| | <u>6,32,748</u> | <u>5,89,641</u> |
| LOAN FUNDS | | |
| Secured Loans | 15,12,865 | 12,39,185 |
| Unsecured Loans | 3,47,196 | 4,20,078 |
| | <u>18,60,061</u> | <u>16,59,263</u> |
| Deferred Tax Liability (Net) | 73,992 | 69,832 |
| TOTAL | <u>25,66,801</u> | <u>23,18,736</u> |
| APPLICATION OF FUNDS: | | |
| FIXED ASSETS (including CWIP) | | |
| Gross Block | 14,59,427 | 14,42,440 |
| Less: Depreciation | 2,16,330 | 1,85,811 |
| Net Block | 12,43,097 | 12,56,629 |
| Capital Work in Progress | 10,28,676 | 7,39,322 |
| | <u>22,71,773</u> | <u>19,95,951</u> |
| INVESTMENTS | 28,235 | 27,773 |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| (a) Inventories | 3,11,244 | 3,16,841 |
| (b) Sundry Debtors | 85,492 | 48,353 |
| (c) Cash and Bank balances | 18,363 | 3,508 |
| (d) Loans and Advances | 1,12,670 | 1,33,067 |
| | <u>5,27,769</u> | <u>5,01,769</u> |
| Less: Current Liabilities and Provisions | | |
| (a) Current Liabilities | 2,53,719 | 2,01,915 |
| (b) Provisions | 7,257 | 4,842 |
| | <u>2,60,976</u> | <u>2,06,757</u> |
| Net Current Assets | <u>2,66,793</u> | <u>2,95,012</u> |
| TOTAL | <u>25,66,801</u> | <u>23,18,736</u> |

SUMMARY UNCONSOLIDATED (UNAUDITED) FINANCIAL RESULTS FOR THE HALF YEAR ENDED ON SEPTEMBER 30, 2011

(₹ In lacs)

| S. NO. | PARTICULARS | HALF YEAR | YEAR |
|--------|---|---------------------|---------------------|
| | | ENDED 30.09.2011 | ENDED 31.03.2011 |
| | | (Unaudited) | (Audited) |
| 1 | Gross Sales /Income from Operations | 5,09,886 | 7,57,628 |
| | Less : Excise Duty | 40,172 | 57,582 |
| | Net Sales/ Income from operations | 4,69,714 | 7,00,046 |
| 2 | Expenditure | | |
| | a) (Increase) / Decrease in Stock-in-Trade | 14,169 | (47,175) |
| | b) Consumption of Raw Materials | 2,44,491 | 4,23,826 |
| | c) Purchase of Traded Goods | - | - |
| | d) Staff Cost | 6,932 | 12,309 |
| | e) Other Expenditure | 65,911 | 108,047 |
| | f) Depreciation | 30,223 | 27,785 |
| | g)Total | 3,61,726 | 5,24,792 |
| 3 | Profit from Operations Before other income, Interest & exceptional items | 1,07,988 | 1,75,254 |
| 4 | Other Income | 1,087 | 6,952 |
| 5 | Profit Before Interest & exceptional items | 1,09,075 | 1,82,206 |
| 6 | Interest & Financial Charges | 51,765 | 44,641 |
| 7 | Profit after Interest but before Exceptional Items (5-6) | 57,310 | 1,37,565 |
| 8 | Exceptional Items | - | - |
| 9 | Profit (+)/Loss(-) from Ordinary Activities before Tax (7+8) | 57,310 | 1,37,565 |
| 10 | Provision For Tax Expenses | 15,626 | 37,056 |
| 11 | Net Profit(+)/ Loss(-) from Ordinary Activities after Tax (9-10) | 41,684 | 1,00,509 |
| 12 | Extraordinary items | - | - |
| 13 | Net Profit (11+12) | 41,684 | 1,00,509 |
| 14 | Paid-up Equity Share Capital (Face Value of ₹ 2/- each) | 4,247 | 4,247 |
| 15 | EPS (Not Annualised) | | |
| | i) Basic (₹) | 19.42 | 47.13 |
| | ii) Diluted (₹) | 19.42 | 47.13 |

SUMMARY CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES AS AT SEPTEMBER 30, 2011

| | (₹ in Lacs) | |
|---|-------------------------------------|----------------------------------|
| | As at 30.09.2011 (Un-audited) | As at 31.03.2011 (Audited) |
| SOURCES OF FUNDS: | | |
| Shareholders' Funds | | |
| Share Capital | 11,116 | 11,116 |
| Reserves & Surplus | <u>6,21,668</u> | <u>5,78,886</u> |
| | <u>6,32,784</u> | <u>5,90,002</u> |
| Minority Interest | 2,599 | 2,062 |
| Loan Funds | | |
| Secured Loans | 15,12,865 | 12,39,185 |
| Unsecured Loans | <u>3,47,196</u> | <u>4,20,078</u> |
| | <u>18,60,061</u> | <u>16,59,263</u> |
| Deferred Tax Liability (Net) | 73,992 | 69,832 |
| Foreign Currency Translation Reserve | 988 | 844 |
| Total | <u><u>25,70,424</u></u> | <u><u>23,22,003</u></u> |
| APPLICATION OF FUNDS: | | |
| Fixed Assets | | |
| Gross Block | 14,59,429 | 14,42,476 |
| Less: Depreciation | <u>2,16,330</u> | <u>1,85,812</u> |
| Net Block | 12,43,099 | 12,56,664 |
| Capital Work in Progress | <u>10,44,339</u> | <u>7,53,993</u> |
| | <u>22,87,438</u> | <u>20,10,657</u> |
| Investments | 16,271 | 16,270 |
| Current Assets, Loans & Advances | | |
| Inventories | 3,11,244 | 3,18,618 |
| Sundry Debtors | 85,492 | 49,004 |
| Cash & Bank Balances | 18,635 | 4,715 |
| Loans & Advances | <u>1,13,036</u> | <u>1,33,316</u> |
| | <u>5,28,407</u> | <u>5,05,653</u> |
| Less :Current Liabilities & Provisions | | |
| Current Liabilities | 2,54,435 | 2,05,734 |
| Provisions | <u>7,257</u> | <u>4,843</u> |
| | <u>2,61,692</u> | <u>2,10,577</u> |
| Net Current Assets | <u><u>2,66,715</u></u> | <u><u>2,95,076</u></u> |
| Total | <u><u>25,70,424</u></u> | <u><u>23,22,003</u></u> |

**SUMMARY CONSOLIDATED (UNAUDITED) FINANCIAL RESULTS FOR THE HALF YEAR ENDED
SEPTEMBER 30, 2011**

(₹ in Lacs)

| Particulars | Half Year Ended 30th September 2011 (Un-audited) | Year Ended 31st March 2011 (Audited) |
|---|---|---|
| 1 Gross Sales/Income from Operations | 5,11,845 | 7,57,935 |
| Less Excise Duty | 40,172 | 57,582 |
| Net Sales/Income from Operations | 4,71,673 | 7,00,353 |
| Total | 4,71,673 | 7,00,353 |
| 2 Expenditure | | |
| a)(Increase)/decrease in stock in trade and work in progress | 15,946 | (47,674) |
| b) Cost of Materials | 2,44,491 | 4,23,826 |
| c) Employees Cost | 6,940 | 12,375 |
| d) Purchase of traded goods | - | 249 |
| e) Other Expenditure | 66,033 | 1,08,386 |
| f) Depreciation | 30,223 | 27,786 |
| g) Total | 3,63,633 | 5,24,948 |
| 3 Profit from Operations before other income, Interest & Exceptional Items (1-2) | 1,08,040 | 1,75,405 |
| 4 Other Income | 704 | 6,936 |
| 5 Profit before Interest & Exceptional Items (3+4) | 1,08,744 | 1,82,341 |
| 6 Interest & Financial Charges | 51,775 | 44,771 |
| 7 Profit after Interest but before Exceptional Items (5-6) | 56,969 | 1,37,570 |
| 8 Exceptional Items | - | - |
| 9 Profit (+)/Loss(-) from Ordinary Activities before tax (7+8) | 56,969 | 1,37,570 |

| | | |
|---|---------------|----------|
| 10 Tax expenses | 15,626 | 37,057 |
| 11 Net Profit (+)/Loss(-) from Ordinary Activities after tax (9-10) | 41,343 | 1,00,513 |
| 12 Extraordinary Items | - | - |
| 13 Less Minority Interest profit/(loss) | (3) | 4 |
| 14 Share of Profit Of Associates | 11 | 230 |
| 15 Net Profit (+)/Loss(-) for the period | 41,357 | 1,00,739 |
| 14 Paid-up equity share capital (Face value ₹ 2/- each) | 4,247 | 4,247 |
| 15 EPS before and after Extraordinary items for the period / for the year to date (without annualising).(₹) | | |
| -Basic EPS | 19.27 | 47.24 |
| -Diluted EPS | 19.27 | 47.24 |

GENERAL INFORMATION

Pursuant to the resolution passed by the Board at its meeting held on January 28, 2012, it has been decided to make the following offer to the Eligible Equity Shareholders of the Company, with a right to renounce:

ISSUE OF 1,41,57,220 EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH OF THE COMPANY FOR CASH AT A PRICE OF ₹ 335 EACH (INCLUDING A PREMIUM OF ₹ 333 PER EQUITY SHARE), AGGREGATING TO ₹ 47,426.69 LACS BY THE COMPANY ON A RIGHTS BASIS TO ELIGIBLE EQUITY SHAREHOLDERS (AND RENOUNCEES) OF THE COMPANY IN THE RATIO OF ONE EQUITY SHARE FOR EVERY 15 EQUITY SHARES HELD ON THE RECORD DATE, BEING [●]. THE ISSUE PRICE PER EQUITY SHARE IS 167.50 TIMES THE FACE VALUE OF THE EQUITY SHARES.

Registered and Corporate Office of the Company

F Block, 1st Floor
International Trade Tower
Nehru Place
New Delhi 110 019
India

Registration Number: 014942

Corporate Identification Number: L74899DL1983PLC014942

Registrar of Companies (the "RoC")

The Registrar of Companies, National Capital Territory of Delhi and Haryana

4th Floor, IFCI Tower
61, Nehru Place
New Delhi 110 019
India

The Equity Shares of the Company are listed on the Stock Exchanges. For more information, see "*History and Certain Corporate Matters*" and "*Stock Market Data for Equity Shares of the Company*" on pages 62 and 160, respectively.

Company Secretary and Compliance Officer

Om Parkash Davra

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Fax: (+91 11) 4160 8970/2647 8750
E-mail: opdavra@bhushansteel.com

Investors may contact the Registrar to the Issue or the Company Secretary and Compliance Officer for any pre-Issue/post-Issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application Form was submitted by the ASBA Investors.

Global Co-ordinator and Lead Manager to the Issue

ICICI Securities Limited

ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai 400 020

India
Tel: (+91 22) 2288 2460
Fax: (+91 22) 2282 6580
E-mail: project.jewelstar@icicisecurities.com
Investor Grievance e-mail: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Mangesh Ghogle/Shubhra Pandey
SEBI Registration Number: INM000011179

Lead Managers to the Issue

Axis Bank Limited

5th floor, Axis House
Bombay Dyeing Mills Compound
P.B. Marg
Mumbai 400 025
India
Tel: (+91 22) 2425 4557
Fax: (+91 22) 2425 4500
E-mail: bhushanrights@axisbank.com
Investor Grievance E-mail: axbmbd @axisbank.com
Website: www.axisbank.com
Contact Person: Rajneesh Kumar/Amit Shah
SEBI Registration No: INM000006104

IDBI Capital Market Services Limited

3rd Floor, Mafatlal Centre
Nariman Point
Mumbai 400 021
India
Tel. No.: (+91 22) 4322 1212
Fax No.: (+91 22) 2285 0785
E-mail : bsl.rights@idbicapital.com
Investor Grievance E-mail: redressal@idbicapital.com
Website: www.idbicapital.com
Contact Person: Hemant Bothra/Keyur Desai
SEBI Registration Number: INM000010866

SBI Capital Markets Limited

202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
India
Tel: (+91 22) 2217 8300
Fax: (+91 22) 2218 8332
E-mail: bhushan.rights@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Abhilasha Kamath/Mandar Kulkarni
SEBI Registration Number: INM000003531[#]

[#] *The SEBI registration of SBI Capital Markets Limited, one of the Lead Managers, was valid up to July 31, 2011. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2011, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992, as amended. The approval of SEBI in this regard is currently awaited.*

Registrar to the Issue

RCMC Share Registry Private Limited

B 106, Sector 2
Noida 201 301

India
Tel: (+91 120) 401 5856
Fax: (+91 120) 244 4346
E-mail: rdua@rcmcdelhi.com/bsslrights@rcmcdelhi.com
Website: www.rcmcdelhi.com
Contact Person: Ravinder Dua
SEBI Registration No.: INR000000429

Bankers to the Issue

[•]

Experts

The Company has not obtained any expert opinions in respect of the Issue.

Grading

As the Issue is on a rights basis, no grading is required for the Issue.

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1325570097787.html.

Legal Advisor to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Amarchand Towers
216, Okhla Industrial Estate, Phase III
New Delhi 110 020
India
Tel: (+91 11) 2692 0500
Fax: (+91 11) 2692 4900

Credit rating

As the Issue is a rights issue of Equity Shares, no credit rating is required.

Debenture Trustee

As the Issue is a rights issue of Equity Shares, appointment of Debenture Trustee is not required.

Monitoring Agency

As the Issue is an issue of Equity Shares aggregating to an amount not exceeding ₹ 50,000 lacs, no monitoring agency is required to be appointed in respect of the Issue.

Appraisal of the Objects

As the Net Proceeds are not proposed to be utilized for any project, the Company has not obtained any appraisal of the use of proceeds of the Issue by any bank or financial institution. For more information, see "*Objects of the Issue*" on page 24.

Statement of inter-se allocation of responsibilities of the GCLM and the Lead Managers

The responsibilities and co-ordination for the various activities for the Issue are as follows:

| S. No. | Activities | Responsibility | Co-ordination |
|---------------|-------------------|-----------------------|----------------------|
|---------------|-------------------|-----------------------|----------------------|

| S. No. | Activities | Responsibility | Co-ordination |
|--------|--|---|--------------------------|
| 1. | Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, etc. in conformity with the SEBI ICDR Regulations. Undertaking liaison with the Stock Exchanges, as may be required under the prevailing framework of guidelines issued by the SEBI and the Stock Exchanges. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |
| 2. | Undertaking due diligence activities and together with the legal counsels assist in drafting and design of the Draft Letter of Offer and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the Draft Letter of Offer. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |
| 3. | Selection of various agencies connected with the Issue, such as registrars to the Issue, printers, advertising agencies, etc. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |
| 4. | Assisting, together with other advisors and legal counsels in securing all necessary regulatory approvals for the Issue and assisting in filing of the Issue related documents with SEBI, Stock Exchanges or any other authority whatsoever. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |
| 5. | Marketing of the Issue, which shall cover, <i>inter alia</i> , formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centers for holding conferences of stock brokers, investors, etc., (iii) bankers to the Issue, (iv) collection centers as per Schedule III of the SEBI ICDR Regulations, (v) brokers to the Issue, and (vi) distribution of publicity and Issue material including Application Form, Draft Letter of Offer and brochure and deciding upon the quantum of Issue material. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |
| 6. | Post-Issue activities, which shall involve essential follow-up steps including follow-up with bankers to the Issue and SCSBs to get quick estimates of collection and advising the Issuer about the closure of the Issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple Applications, listing of instruments, dispatch of certificates or de-mat credit and refunds and coordination with various agencies connected with the post-Issue activity such as registrars to the issue, bankers to the issue, SCSBs, etc. | ICICI Securities Limited, Axis Bank Limited, IDBI Capital Market Services Limited and SBI Capital Markets Limited | ICICI Securities Limited |

Principal Terms of Loan and Assets charged as security

For more information on our principal borrowings and assets charged as security, see “*Financial Statements*” on page 70.

Underwriting

The Company has not entered into any underwriting agreement in connection with the Issue.

CAPITAL STRUCTURE

I. Details of the Share Capital of the Company

Details of the share capital of the Company as on the date of this Draft Letter of Offer are set forth below.

| | Aggregate Value at Face Value (₹) | Aggregate Value at Issue Price (₹) |
|--|---|---------------------------------------|
| A Authorized Share Capital | | |
| 40,00,00,000 Equity Shares of ₹ 2 each | 80,00,00,000 | 1,34,00,00,00,000 |
| 1,45,00,000 preference shares of ₹ 100 each (“Preference Shares”) | 145,00,00,000 | - |
| B Issued Capital before the Issue | | |
| 21,64,48,000 Equity Shares of ₹ 2 each | 43,28,96,000 | 72,51,00,80,000 |
| 51,68,600 10% non-convertible cumulative redeemable Preference Shares | 51,68,60,000 | - |
| 9,00,000 4% non-convertible cumulative redeemable Preference Shares | 9,00,00,000 | - |
| 8,00,000 25% non-convertible cumulative redeemable Preference Shares | 8,00,00,000 | - |
| C Subscribed and Paid-up Capital before the Issue* | | |
| 21,23,58,310 Equity Shares of ₹ 2 each | 42,47,16,620 | 71,14,00,33,850 |
| 51,68,600 10% non-convertible cumulative redeemable Preference Shares | 51,68,60,000 | - |
| 9,00,000 4% non-convertible cumulative redeemable Preference Shares | 9,00,00,000 | - |
| 8,00,000 25% non-convertible cumulative redeemable Preference Shares | 8,00,00,000 | - |
| D Present Issue to the Eligible Equity Shareholders in terms of this Draft Letter of Offer | | |
| 1,41,57,220 Equity Shares at an Issue Price of ₹ 335 per Equity Share | 2,83,14,440 | 4,74,26,68,700 |
| E Issued Equity Share Capital after the Issue | | |
| 23,06,05,220 Equity Shares of ₹ 2 each fully paid-up | 45,30,31,060 | |
| F Subscribed and Paid-up Equity Share Capital after the Issue (assuming full subscription (including payment of amount for the Call) for and Allotment of the Rights Entitlement) | | |
| 22,65,15,530 Equity Shares of ₹ 2 each fully paid-up | 46,12,10,440 | |

* 40,89,690 Equity Shares are unsubscribed on account of share warrants equivalent to such Equity Shares being not opted for conversion to Equity Shares

II. Details of Outstanding Instruments

As on the date of this Draft Letter of Offer, the Company does not have any outstanding options or convertible securities.

III. Details of Equity Shareholding of the Promoters and members of the Promoter Group

As on December 31, 2011, details of the Equity Shares held by the Promoters and members of the Promoter Group as reported to the Stock Exchanges are set forth below.

| Name of Promoter/Member of Promoter Group | Details of Equity Shares Held | | Encumbered Equity Shares | | |
|---|-------------------------------|---|-----------------------------|-----------------------------------|---|
| | Number of Equity Shares Held | Percentage of Total Issued, Subscribed and Paid-up Equity Share Capital | Number of Shares Encumbered | Percentage of Equity Shareholding | Percentage of Total Issued, Subscribed and Paid-up Equity Share Capital |

| Name of Promoter/Member of Promoter Group | Details of Equity Shares Held | | Encumbered Equity Shares | | |
|--|-------------------------------|---|-----------------------------|-----------------------------------|---|
| | Number of Equity Shares Held | Percentage of Total Issued, Subscribed and Paid-up Equity Share Capital | Number of Shares Encumbered | Percentage of Equity Shareholding | Percentage of Total Issued, Subscribed and Paid-up Equity Share Capital |
| Brij Bhushan Singal | 4,15,58,130 | 19.57 | 1,59,65,680 | 38.42 | 7.52 |
| Neeraj Singal | 6,59,88,640 | 31.07 | 2,04,52,790 | 30.99 | 9.63 |
| Ritu Singal | 65,81,540 | 3.10 | - | - | - |
| Aarti Singal | 25,00,000 | 1.18 | - | - | - |
| Aishwarya Singal | 22,30,575 | 1.05 | - | - | - |
| Archana Mittal | 1,24,91,075 | 5.88 | 1,23,45,500 | 98.83 | 5.81 |
| Pushpa Garg | 10,00,000 | 0.47 | - | - | - |
| Brij Bhushan Singal Hindu Undivided Family (the "HUF") | 10,000 | 0 | - | - | - |
| Bhushan Infrastructure Private Limited | 1,61,50,450 | 7.60 | - | - | - |
| Marsh Capital Services Private Limited | 27,085 | 0.01 | - | - | - |
| Total | 14,85,37,495 | 69.95 | 4,87,63,970 | 32.83 | 22.96 |

IV. Details of Equity Shares acquired by the Promoters and members of the Promoter Group in the Year Preceding the Draft Letter of Offer

Details of the Equity Shares acquired by the Promoters and the members of the Promoter Group between January 31, 2011 and January 31, 2012 are set forth below.

| Date/Period of Acquisition/Transfer | Number of Equity Shares Acquired | Nature of Acquisition/Disposal* |
|---|----------------------------------|---|
| Bhushan Infrastructure Private Limited | | |
| November 24, 2011 | 1,60,375 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| December 5, 2011 | 37,51,125 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| December 14, 2011 | 2,30,000 | Transfer by purchase |
| December 15, 2011 | 1,10,000 | Transfer by purchase |
| December 16, 2011 | 2,36,000 | Transfer by purchase |
| December 19, 2011 | 2,50,000 | Transfer by purchase |
| December 22, 2011 | 2,80,000 | Transfer by purchase |
| December 27, 2011 | 2,65,000 | Transfer by purchase |
| December 28, 2011 | 2,01,000 | Transfer by purchase |
| December 30, 2011 | 1,10,000 | Transfer by purchase |
| January 3, 2012 | 1,25,603 | Transfer by purchase |
| January 5, 2012 | 2,65,479 | Transfer by purchase |
| January 6, 2012 | 1,12,562 | Transfer by purchase |
| January 7, 2012 | 66,451 | Transfer by purchase |
| January 10, 2012 | 48,222 | Transfer by purchase |
| January 11, 2012 | 50,674 | Transfer by purchase |
| January 13, 2012 | 48,910 | Transfer by purchase |
| January 14, 2012 | 50,000 | Transfer by purchase |
| January 17, 2012 | 3,39,230 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| January 18, 2012 | 11,60,770 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| January 20, 2012 | 500,000 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| January 27, 2012 | 500,000 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| Neeraj Singal | | |
| December 2, 2011 | 9,93,370 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| December 3, 2011 | 74,00,460 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |

| Date/Period of Acquisition/Transfer | Number of Equity Shares Acquired | Nature of Acquisition/Disposal* |
|-------------------------------------|----------------------------------|---|
| December 5, 2011 | 1,06,77,755 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |
| | 15,000 | Inter-se transfer within the Promoters/members of the Promoter Group pursuant to the Settlement |

* For details of the settlement Deed executed on November 14, 2011, pursuant to which Brij Bhushan Singal and Neeraj Singal acquired exclusive control of the Company and Sanjay Singal and his associates disassociated as Promoters (the "Settlement"), see "History and Certain Corporate Matters" on page 62.

The Company filed two letters, both dated February 18, 2012 with the Stock Exchanges intimating the dissociation of Sanjay Singal, Aarti Singal, Priyanka Singal, Radhika S. Dhoot, Sanjay Singal (HUF), ASL Investments Private Limited Adhunik Investments Private Limited, BIC Investments Private Limited, ESSENN Investments Private Limited, Rail Track India Limited, Evergrowing Iron and Finvest Limited, Flawless Holding and Industries Limited, Bhushan Information Tech Limited and Kishori Lal Construction Limited and the disposal of the holding of Equity Shares of such persons and entities in favor of the existing Promoters and members of the Promoter Group in terms of the Settlement. By such letter dated February 18, 2012, the Company also intimated the dissociation of Archana Mittal as a member of the Promoter Group of the Company, although she continues to retain her holding of Equity Shares. The dissociation of Archana Mittal as a member of the Promoter Group was further separately intimated to the Stock Exchanges pursuant to two letters, both dated February 15, 2012.

V. Details of Equity Shareholders holding more than 1% of the Equity Share Capital of the Company

Set forth below are the details of Equity Shareholders holding more than 1% of the Equity Share capital of the Company as on December 31, 2011, apart from the Promoters and members of the Promoter Group as disclosed above in point III, as reported to the Stock Exchanges.

| No. | Name of the Shareholder | No. of Shares held | Shares as % of Total No. of Shares |
|-----|---|--------------------|------------------------------------|
| 1. | Moonstar Securities Trading & Finance Company Private Limited | 1,01,87,057 | 4.80 |
| 2. | Mittal A | 22,30,776 | 1.05 |
| | Total | 1,24,17,833 | 5.85 |

VI. Intention and Extent of Participation by the Promoters and members of the Promoter Group in the Issue

The Promoters, namely Brij Bhushan Singal and Neeraj Singal have, through their letters, both dated February 21, 2012, confirmed that they and the members of the Promoter Group as on the Record Date intend to subscribe to the full extent of their respective Rights Entitlements in the Issue, and in addition, intend to subscribe to additional Equity Shares for any unsubscribed portion in the Issue and renunciations made in their favour by any other Eligible Equity Shareholder subject to compliance with Regulation 10(4) of the Takeover Code such that at least 90% or more of the Issue is subscribed. As a result of such additional subscription, the Promoters and members of the Promoter Group may acquire Equity Shares over and above their current shareholding along with their respective Rights Entitlements. The subscription to such additional Equity Shares to be made by the Promoters and members of the Promoter Group shall be in accordance with applicable law.

VII. Ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the Takeover Code

The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the Takeover Code is ₹ 341.14.

VIII. Shareholding Pattern

The Equity Shareholding pattern of the Company as per the latest filing with the Stock Exchanges dated December 31, 2011 is reproduced below.

| Category of Shareholder | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Shares | | Shares pledged or otherwise encumbered | |
|---|---------------------|---------------------|---|--|-------------------|--|-------------------------------|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of shares | As a % of Total No. of Shares |
| (A) Shareholding of Promoter and Promoter | | | | | | | |

| Category of Shareholder | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of total No. of Shares | | Shares pledged or otherwise encumbered | |
|---|---------------------|---------------------|---|--|-------------------|--|-------------------------------|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of shares | As a % of Total No. of Shares |
| Group | | | | | | | |
| <i>(1) Indian</i> | | | | | | | |
| Individuals/Hindu Undivided Family | 11 | 13,23,59,960 | 13,23,59,960 | 62.33 | 62.33 | 4,87,63,970 | 36.84 |
| Bodies Corporate | 4 | 1,61,77,535 | 1,61,77,535 | 7.62 | 7.62 | - | - |
| Sub Total | 15 | 14,85,37,495 | 14,85,37,495 | 69.95 | 69.95 | 4,87,63,970 | 32.83 |
| <i>(2) Foreign</i> | | | | | | | |
| Total shareholding of Promoter and Promoter Group (A) | 15 | 14,85,37,495 | 14,85,37,495 | 69.95 | 69.95 | 4,87,63,970 | 32.83 |
| (B) Public Shareholding | | | | | | | |
| <i>(1) Institutions</i> | | | | | | | |
| Mutual Funds/UTI | 4 | 44,000 | 40,000 | 0.02 | 0.02 | - | - |
| Financial Institutions/Banks | 2 | 4,000 | - | - | - | - | - |
| Insurance Companies | 3 | 16,43,315 | 16,43,315 | 0.77 | 0.77 | - | - |
| Foreign Institutional Investors | 43 | 37,34,197 | 37,34,197 | 1.76 | 1.76 | - | - |
| Sub Total | 52 | 54,25,512 | 54,17,512 | 2.55 | 2.55 | - | - |
| <i>(2) Non-Institutions</i> | | | | | | | |
| Bodies Corporate | 571 | 5,11,72,777 | 4,67,23,537 | 24.1 | 24.1 | - | - |
| Individuals | | | | | | | |
| Individual shareholders holding nominal share capital up to ₹ 1 lac | 24,634 | 42,61,728 | 34,26,988 | 2.01 | 2.01 | - | - |
| Individual shareholders holding nominal share capital in excess of ₹ 1 lac | 6 | 26,66,668 | 26,66,668 | 1.26 | 1.26 | - | - |
| Any Others (Specify) | 471 | 2,94,130 | 2,10,630 | 0.14 | 0.14 | - | - |
| Non Resident Indians | 292 | 1,64,367 | 80,867 | 0.08 | 0.08 | - | - |
| Clearing Members | 179 | 1,29,763 | 1,29,763 | 0.06 | 0.06 | - | - |
| Sub Total | 25,682 | 5,83,95,303 | 5,30,27,823 | 27.51 | 27.51 | - | - |
| Total Public shareholding (B) | 25,734 | 6,38,20,815 | 5,84,45,335 | 30.06 | 30.06 | - | - |
| Total (A)+(B) | 25,749 | 21,23,58,310 | 20,69,82,830 | 100 | 100 | 4,87,63,970 | 22.96 |
| (C) Shares held by Custodians and against which Depository Receipts have been issued | | | | | | | |
| (1) Promoter and Promoter Group | - | - | - | - | - | - | - |
| (2) Public | - | - | - | - | - | - | - |
| Sub Total | - | - | - | - | - | - | - |
| Total (A)+(B)+(C) | 25,749 | 21,23,58,310 | 20,69,82,830 | - | 100 | 4,87,63,970 | 22.96 |

We may, subject to necessary approvals including any lender consents and/or regulatory approvals as may be necessary and in compliance with all applicable laws, consider raising additional capital or to otherwise alter our capital structure in order to fund our business requirements, including by way of an issuance of Equity Shares or any other securities on bonus or rights or preferential basis or by way of a further public offer or split or consolidation of the denomination of such securities, during a period of six months following the Issue Opening Date or from the date the Application Money is refunded on account of failure of the Issue, as the case may be.

OBJECTS OF THE ISSUE

The proceeds of the Issue, after deducting Issue related expenses (the “**Net Proceeds**”), are estimated to be approximately [●] lacs.

The Net Proceeds are proposed to be utilized by our Company for the following objects (“**Objects**”):

1. Repayment of certain indebtedness;
2. General corporate purposes.

The main objects clause of the Memorandum of Association enables us to undertake the activities for which the funds are being raised by us in the Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of the Memorandum of Association.

The details of the proceeds of the Issue are summarised in the following table:

| | | (₹ in lacs) |
|--------|-----------------------------|-------------|
| S. No. | Particulars | Amount |
| (a) | Gross Proceeds of the Issue | 47,426.69 |
| (b) | Issue related Expenses* | [●] |
| (c) | Net Proceeds of the Issue | [●] |

**To be finalised at the time of filing the Letter of Offer.*

Requirement of Funds and Means of Finance

The fund requirements described below are based on our Company’s current business plan and have not been appraised by any bank or financial institution.

In view of the dynamic nature of the sector and specifically that of our business, we may have to revise our expenditure and fund requirements as a result of factors which may not be within the control of our management. This may entail rescheduling and revising the planned expenditures and fund requirements and increasing or decreasing expenditures for a particular purpose at the discretion of our management, within the objects.

For further information, see “**Risk Factors – Our management will have the discretion to make short term investments, pending the utilization of the Net Proceeds towards the Objects of the Issue**” on page xxv.

We intend to utilize the Net Proceeds of ₹ [●] for financing the objects as set forth below.

| | | (₹ in lacs) |
|--------------|---|------------------------|
| S. No | Expenditure Items | Estimated Net Proceeds |
| 1. | Repayment of certain indebtedness | 40,000 |
| 2. | Fund expenditure for general corporate purposes | [●]* |
| Total | | [●] |

**To be finalised at the time of filing the Letter of Offer.*

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

While we intend to utilize the Net Proceeds in the manner provided above, in the event of a surplus, we will use such surplus towards general corporate purposes including meeting future growth requirements. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. In the event of any shortfall in the Net Proceeds, we will bridge the fund requirements from internal accruals or debt/equity financing.

Details of the Objects

1. Repayment of certain indebtedness

Our Company has entered into various financing arrangements with banks and other lenders. We intend to utilize up to ₹ 40,000.00 lacs from the Net Proceeds towards repayment of certain of our outstanding loans in fiscal 2013, in accordance with the agreed repayment schedules.

As on the date of filing of this Draft Letter of Offer, the details of the loan facilities intended to be repaid from the Net Proceeds in fiscal 2013 are provided below:

| | | | | | | | (₹ in lacs) |
|----------------------|---|-------------------|-----------------------|---|---|---|-------------|
| Lenders | Loan utilized for | Sanctioned amount | Rate of interest | Repayment schedule ⁽¹⁾⁽²⁾ | Security | Amount outstanding as on February 18, 2012 [^] | |
| Vijaya Bank | Normal capital expenditure, to meet mismatches of cash flow, for upgradation/modernization/balancing equipment of the existing operational plants to maintain/enhance productivity [^] | 10,000 | Base rate plus 1%. | Single bullet repayment at the end of 12 months from the date of first disbursement. June 27, 2012 | <ul style="list-style-type: none"> • Subservient charge on all moveable plant and machinery of the Company; • Personal guarantees of Brij Bhushan Singal and Neeraj Singal; and • Post-dated cheque. | 10,000 | |
| United Bank of India | Normal capital expenditure, mismatch of funds and upgradation/modification/balancing equipment [^] | 10,000 | Base rate plus 1.50%. | One stroke payment after 12 months from first disbursement. June 23, 2012 | <ul style="list-style-type: none"> • Subservient charge of Company's available chargeable movable assets; • Personal guarantee of Neeraj Singal; and • Post-dated cheque. | 10,000 | |
| UCO Bank | Normal capital expenditure, mismatches of funds and upgradation/modification/balancing equipment [^] | 20,000 | Base rate plus 1.75%. | Bullet repayment at the end of 12 months. September 1, 2012 | <ul style="list-style-type: none"> • Subservient charge of Company's available chargeable movable assets; • Personal guarantee of Neeraj Singal; and | 20,000 | |

| Lenders | Loan utilized for | Sanctioned amount | Rate of interest | Repayment schedule ^{(1) (2)} | Security | Amount outstanding as on February 18, 2012 [^] |
|---------|-------------------|-------------------|------------------|---------------------------------------|----------|---|
|---------|-------------------|-------------------|------------------|---------------------------------------|----------|---|

- Post-dated cheque.

(1) The repayment schedule is based on the total sanctioned amount for each of the financing arrangements.

(2) There is no prepayment penalty payable on these loans as they are being repaid on their respective maturity dates.

[^] As per the certificate of Mehra, Goel & Co., Chartered Accountants, dated February 18, 2012, which further certifies that such loans were utilized for the purposes for which they were availed.

For details of consents required from lenders to the Company in respect of the Issue, see “*Risk Factors - Our indebtedness, in terms of various conditions and restrictions imposed on us by our financing agreements, could adversely affect our ability to react to changes in our business. Moreover, if we are unable to comply with the terms of our loan agreements, our liquidity, business and results of operations could be adversely affected*” on page xv.

2. General corporate purposes.

Our Company intends to deploy the balance Net Proceeds, if any, for general corporate purposes, including but not restricted to meeting working capital requirements, strategic initiatives, various organic and inorganic opportunities, repayment of debt and otherwise meeting the exigencies faced in the ordinary course of business, or any other purposes as approved by the Board.

Schedule of Implementation and Deployment of Funds

We propose to deploy the Net Proceeds towards the aforesaid objects by the end of fiscal 2013.

Appraisal of the Objects

As the Net Proceeds are not proposed to be utilized for any project, the Company has not obtained any appraisal of the use of proceeds of the Issue by any bank or financial institution.

Issue Related Expenses

The estimated Issue related expenses are as follows:

| Activity | Estimated expenses* | As a % of the total estimated Issue expenses | As a % of the total Issue size |
|---|---------------------|--|--------------------------------|
| Fees payable to the GCLM and the Lead Managers | [●] | [●] | [●] |
| Advertising and marketing expenses | [●] | [●] | [●] |
| Fees payable to the Registrar to the Issue | [●] | [●] | [●] |
| Fees payable to the Bankers to the Issue, brokerage and SCSBs | [●] | [●] | [●] |
| Others (legal fees, listing fees, etc.) | [●] | [●] | [●] |
| Total estimated Issue expenses | [●] | [●] | [●] |

* Will be incorporated at the time of filing of the Letter of Offer.

Interim Use of Funds

Our management, in accordance with the policies established by the Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to temporarily invest the funds from the Net Proceeds in high quality interest bearing liquid instruments including investment in money market mutual funds, deposits with banks and other interest bearing securities for the necessary duration. Such investments will be approved by the Board or a committee thereof from time to time, in accordance with our investment policies. In the event the Company utilizes the funds in part or whole, for meeting short-term working capital requirements pending utilization towards the purposes described above, the

Company undertakes that such funds shall eventually be utilized towards the stated Objects of the Issue. The Company confirms that, pending utilization of the Net Proceeds, it shall not use the funds for any investment in equity or equity linked securities.

Bridge Loan

We have not raised any bridge loans which are required to be repaid from the Net Proceeds.

Monitoring of Utilization of Funds

As this is an Issue for an amount not exceeding ₹ 50,000 lacs, there is no requirement for the appointment of a monitoring agency. The Board will monitor the utilization of the Net Proceeds.

Pursuant to Clause 49 of the Listing Agreements, the Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the Net Proceeds. We will disclose the utilization of the Net Proceeds under a separate head in our balance sheet(s) until such time as the Net Proceeds remain unutilized clearly specifying the purpose for which such Net Proceeds have been utilized. In the event that we are unable to utilize the entire amount that we have currently estimated for use out of the Net Proceeds in a fiscal, we will utilize such unutilized amount in the next fiscal.

We will also, under a separate head in our balance sheet, provide details, if any, in relation to all such Net Proceeds that have not been utilized thereby also indicating investments, if any, of such unutilized Net Proceeds.

Further, in accordance with Clause 43A of the Listing Agreements, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the utilization of the Net Proceeds for the objects stated in the Letter of Offer. This information will also be published in newspapers simultaneously with the interim or annual financial results of the Company after placing the same before the Audit Committee.

Other Confirmations

No part of the Net Proceeds will be paid by our Company as consideration to the Promoters, members of the Promoter Group, Directors, Group Companies, any of their associates or key managerial employees.

**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND
SHAREHOLDERS**

To,

The Board of Directors
Bhushan Steel Limited,
F-Block, 1st Floor,
International Trade Tower,
Nehru Place,
New Delhi-110019.

Dear Sirs,

Statement of Possible Tax Benefits Available to the Company and its shareholders

We hereby report that the enclosed statement provides the possible tax benefits presently available to the Company and to the shareholders of the Company under the Income tax Act, 1961 (as amended by the provisions of Finance Act, 2011) and Wealth Tax Act, 1957 presently in force in India. The statement does not take into account the provisions of the Direct Tax Code, 2010.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the abovementioned statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, investors are advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. While all reasonable care has been taken in the preparation of this statement, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

We do not express any opinion or provide any assurance as to whether:

- (i) The company or its shareholders will continue to obtain these benefits in future; or
- (ii) The conditions prescribed for availing the benefits have been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This statement is intended solely for information and for inclusion in the offer document in connection with the proposed right issue of equity shares of the company in accordance with SEBI Regulations and is not to be circulated or referred to for any other purpose without our prior written consent.

For **Mehra Goel & Co**
Chartered Accountants
Firm Registration No. 000517N

(R K Mehra)
Partner
M. No. 006102

Place: New Delhi
Date: 9th February 2012

STATEMENT OF TAX BENEFITS

Special Tax Benefits available to the Company under the Income Tax Act, 1961 (hereinafter referred to as “The Act”).

Deduction in respect of Profits & Gains from generation of power u/s 80 IA:

The company is entitled to deduction from the gross total income of the company, profits and gains derived from generation of power (hereinafter referred to as “eligible business”) of an amount equal to 100% of the profits & gains derived from such business for any ten consecutive assessment years falling within the first fifteen years commencing from the year in which Undertaking begins to operate generation of power or commences transmission or distribution of power.

I. GENERAL TAX BENEFITS

The Income Tax Act, 1961 (as amended by the provisions of Finance Act, 2011) and Wealth Tax Act, 1957, presently in force in India, make available the following general tax benefits which are available to all companies or to their shareholders. Several of these benefits are dependent on the companies or their shareholders fulfilling certain conditions prescribed under the relevant provisions of the statute or respective Acts.

A. BENEFITS TO THE COMPANY UNDER THE ACT

The Company will be entitled to exemption or deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

(a) **Dividends exempt under section 10 (34) and 10(35)**

Under section 10 (34) of the Act, the Company will be eligible for exemption of income by way of dividend (Interim or final) referred in section 115-O derived from another domestic Company.

The Company will be eligible for exemption of income received from units of mutual funds specified under section 10 (23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of section 10 (35) of the Act.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

(b) **Computation of Capital Gains**

Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company, listed securities, units of UTI, units of Mutual Fund specified under section 10 (23D) or zero coupon bonds will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as notified from time to time.

As per the provisions of section 112(1)(b) of the Act, long term capital gains as

computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1) of the Act, if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund, where the transaction of sale is subject to Securities Transaction Tax ("STT"), shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the Company will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gains of the said year. Balance loss, if any, as per provisions of section 74, can be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares/units purchased within a period of three months prior to the record date and sold / transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

(c) **Exemption of capital gains from income tax**

- (i) Under section 10(38) of the Act, any income arising on or after 1st October 2004 from transfer of a long-term capital asset, being an equity share in a company or unit of an equity oriented fund will be exempt provided that the transaction of sale of such shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB of the Act.
- (ii) According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only a part of the capital gains are so reinvested, the exemption shall be allowed to the extent of amount invested. However, investments made in the said bonds during any financial year should not exceed Rupees fifty lakhs. If the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

(d) **Computation of Business Income**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its business income:-

- (i) Under Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

Under Section 35 (1) (ii) of the Act, any sum paid to a scientific research association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research is eligible for weighted deduction to the extent of 1.75 times (175%) of the sum paid.

Under Section 35(1)(iia) of the Act any sum paid to a company registered in India which has as its main object the conduct of scientific research and development and is approved by the prescribed authority and fulfils such conditions as may be prescribed shall be eligible for deduction at 1.25 times (125%) of the amount so paid.

Under section 35(1)(iii) any sum paid to an approved research association or notified university, college or other institution to be used for research in social science or statistical research is eligible for deduction to the extent of 1.25 times (125%) of the sum so paid.

Similarly, payments to a National Laboratory, university or Indian Institute of Technology in respect of approved programmes of scientific research are also eligible for weighted deduction of 2 times (200%) of the sum paid under section 35(2AA).

Under section 35(2AB) of the Act, 200% deduction is admissible for any expenditure (not being cost of land or building) incurred by the Company on scientific research on in-house research and development facility approved by the prescribed authority.

- (ii) Subject to compliance with certain conditions laid down in section 32 of the Act, the company will be entitled to allowance for depreciation (including additional depreciation on eligible plant and machinery) in respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income tax Rules, 1962.

Unabsorbed depreciation allowance can be carried forward indefinitely and can be set off in the subsequent years.

- (iii) Under Section 72 of the Act, where the loss under the head 'profits and gains of business or profession' could not be set off in the same assessment year because either the company had no income under any other head or the income was less than the loss, such loss which could not be set off in the same assessment year, can be carried forward to the following assessment years and it shall be set off against the profit and gains of business or profession for eight successive assessment years subject to the conditions set-out in the said section.

(e) **Computation of tax on Book Profit**

Section 115JB of the Act provides that the company is liable to pay income tax at the

rate of 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on the “Book Profit” as computed in accordance with the provisions of the said section, where the total tax payable as computed under the regular provisions of the Act is less than 18.5% of the “Book Profit”.

Section 115JAA(1A) of the Act provides for tax credit in respect of any tax paid under section 115JB of the Act for any assessment year commencing on or after April 1, 2006 (hereinafter referred to as MAT credit). MAT credit is the difference between tax paid under section 115JB of the Act and the tax computed as per the regular provisions of the Act. Such MAT credit carried forward is available for set-off in the year in which the Company is liable to pay tax under the regular provisions of the Act. Such tax credit is available for set off up to ten years from the year in which the credit becomes allowable. The amount which can be set-off is restricted to the difference between the tax payable under the regular provisions of the Act and the tax payable under the provisions of section 115JB in that year.

(f) Tax rebates (Tax credits):

As per the provisions of section 90 of the Act, the Company is entitled to credit for taxes on income paid in foreign countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties). The Company shall be entitled to deduction from the Income-tax paid in India of a sum calculated on doubly taxed income to the extent of the relief provided in the Tax Treaties entered into with the respective foreign countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases the provisions of the Act shall apply to the extent they are more beneficial to the company. Section 91 of the Act provides for unilateral relief in respect of taxes paid in foreign countries with whom India has not entered into bilateral tax treaty.

(g) Deduction of dividend received from subsidiary company while computing Dividend Distribution Tax liability of the ultimate holding company

Every domestic company is liable to pay Dividend Distribution Tax (DDT) on the amount of dividend distributed by it whether interim or final @16.2225% (including surcharge, education cess and secondary & higher education cess). However, while computing the DDT liability of a domestic company which is the ultimate holding company, the amount of dividend so paid or distributed shall be reduced by the amount of dividend received from its subsidiary company where the subsidiary company has paid DDT on such dividend.

Thus, the ultimate holding company is eligible to take credit for the dividend distributed by its subsidiary company while computing the amount of DDT payable by itself on the dividend distributed.

B. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS:

(a) Dividends exempt under section 10 (34)

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from a domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

(b) Computation of Capital Gains

Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital asset if they are held for period exceeding 12 months.

Consequently, capital gains arising on sale of shares held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of shares held for 12 month or less are considered as “Short Term Capital Gains”.

Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as notified from time to time.

As per the provisions of section 112(1)(b) of the Act, long term capital gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1) of the Act, if the tax on long term capital gains resulting on transfer of listed securities, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is subject to STT, shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess).

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the resident shareholders will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gains of the said year. Balance loss, if any, as per provisions of section 74 can be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long term capital gains.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

(c) **Exemption of capital gains from income tax**

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares will be exempt from tax provided that the transaction of sale of such equity shares is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10 (38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only a part of the capital gains are so reinvested, the exemption shall be allowed to the extent of amount invested. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become

chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, investment made in the said bonds during any financial year should not exceed Rupees fifty lakhs.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The assessee should not own more than one residential house as on the date of sale/ transfer of the original long term capital asset. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the assessee purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

(d) **Deduction in respect of STT paid against Business Income**

Under section 36(1)(xv) of the Act, the amount of STT paid by an assessee in respect of taxable securities transactions offered to tax as "Profit and gains of business or profession" shall be allowable as a deduction against such Business Income.

C. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS:

(a) **Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

(b) **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of such shares held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of shares held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is re-converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term capital gains as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus education cess and secondary & higher education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112(1)(c), if the tax on long term gains resulting on transfer of listed securities calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus education cess and secondary & higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus education cess and secondary & higher education cess) at the discretion of assessee. However, as per the provisions of section 111A of the Act, short term capital gains arising on equity shares, where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus education cess and secondary & higher education cess).

Also, section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Section 206AA of the Income-tax Act, which overrides all other provisions of the Income-tax Act, provides that where the recipient of any income, sum or amount on which tax is to be withheld fails to furnish his Permanent Account Number (PAN) (Tax Identification Number in India) to the person responsible to withhold tax (deductor), tax shall be withheld at 'higher' of the following rates:

- a) The rate mentioned in the relevant provisions of the Income-tax Act; or
- b) The rate in force (as defined by section 2(37A) of the Act. Section 2(37A), in the context of withholding from non-residents, states that tax rate specified in the Finance Act or the tax rate specified in the Double Taxation Avoidance Agreements (DTAA's) which India has entered into with other countries whichever is beneficial to the deductee shall apply; or
- c) 20%

Thus, where a non-resident shareholder has not been allotted a PAN in India, and tax is required to be withheld on Capital Gains on sale of shares, the rate of withholding tax would be the higher of the tax rates stated above. The non-resident assessee is free to thereafter obtain a PAN, file his Return of Income and claim refund of tax excessively deducted due to the provisions of section 206AA.

Further the tax benefits related to capital gains are subject to the CBDT circular no. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.

(i) Capital gains tax - Options available under the Act

Where shares have been subscribed in convertible foreign exchange

Option of taxation under Chapter XII-A of the Act:

Non-resident Indians [as defined in section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of

Chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to, in convertible foreign exchange:

- According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable education cess and secondary & higher education cess) without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of a foreign exchange asset shall not be chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset (new asset). If part of such net consideration is invested within the prescribed period of six months in any specified asset, the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the foreign exchange asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the new asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred.
- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
- As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

Where shares have been subscribed in Indian Rupees:

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of

long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as notified from time to time.

As per the provisions of section 112(1)(c) of the Act, long term capital gains that are not exempt u/s. 10(38) of the Act as computed above would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary & higher education cess). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable education cess and secondary higher education cess).

As per the provisions of the Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

(ii) Exemption of capital gain from income tax

Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented mutual fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed to the extent of amount invested. Provided that investments made on or after 1st April 2007, in the said bonds during the financial year should not exceed Rupees fifty lakhs. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house provided that the individual does not own more than one residential house, other than the new asset, on the date of transfer of the original asset. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The assessee should not own more than one residential house as on the date of sale/ transfer of the original long term capital asset. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the assessee purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such

residential house is purchased or constructed.

As per section 70, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, as per provisions of section 74 can be carry forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains.

(c) **Deduction in respect of STT paid against Business Income**

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of Business or profession" shall be allowable as a deduction against such Business Income.

(d) **Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

D. BENEFITS AVAILABLE TO OTHER NON-RESIDENT INDIVIDUAL SHAREHOLDERS:

(a) **Dividends exempt under section 10 (34)**

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of Section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

(b) **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a Company will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of such assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains provisions in relation to computation of capital gains on transfer of shares of an Indian Company by a non-resident. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term gain as computed above that are not exempt under section 10 (38) of the Act would be subject to tax at a rate of 20 percent (plus applicable education cess and secondary and higher education cess). In case investment is made in Indian Rupees, the long-term capital gain is to be computed after indexing the cost.

However, as per the proviso to section 112 (1) (c), if the tax on long term gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short term capital gains of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 percent (plus applicable education cess and secondary higher education cess).

As per the provisions of Income-tax Act, tax needs to be withheld from payments made to non-residents, which constitute income which is not specifically exempt in the hands of the non-resident, at the rates applicable. Provisions of Section 206AA of the Income-tax Act, discussed under “Benefits to non-resident Indian shareholders” will apply to such withholding.

Further the tax benefits related to capital gains are subject to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the individual will be able to enjoy the concessional benefits of taxation on capital gains.

As per section 70 Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, as per provisions of section 74 could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long term capital gains.

(c) Exemption of capital gains from income tax

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007, in the said bonds during any financial year should not exceed Rupees fifty lakhs. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within

the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Further thereto, if the individual purchases within a period of two years or constructs within a period of three years after the date of transfer of the original long term capital asset, any other residential house, other than the residential house referred to above, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is purchased or constructed.

(d) Deduction in respect of Securities Transaction Tax paid against Business Income

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

(e) Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

E. BENEFITS AVAILABLE TO MUTUAL FUNDS

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax subject to the conditions as Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

F. BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS (‘FII’s’):

(a) Dividends exempt under section 10 (34)

Under section 10 (34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

However, in view of the provisions of section 14A of the Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

(b) Taxability of capital gains

Under section 10 (38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB.

The income by way of capital gains [other than those covered under section 10(38) of the Act] realized by FII’s on sale of the shares of Company would be taxed at the following rates as per section 115AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).

- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

Section 94(7) of the Act provides that losses arising from the sale / transfer of shares purchased within a period of three months prior to the record date and sold / transferred within three months after such date, will be disallowed to the extent dividend income on such shares is claimed as tax exempt.

According to provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains which are not exempt under section 10(38), shall not be chargeable to tax to the extent such capital gains are invested in notified bonds within six months from the date of transfer. If only a part of the capital gain is reinvested, the exemption shall be allowed to the extent of amount invested. The investment in the said bonds during any financial year should not exceed Rupees fifty lakhs. However, if the assessee transfers or converts the notified bonds into money within three years from the date of their acquisition, the amount of capital gain arising from the transfer of the original asset which was not charged to tax, will be deemed to be income by way of capital gain in the year in which the notified bonds are transferred or converted into money.

(c) Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

(d) Deduction in respect of Securities Transaction Tax paid against Business Income

Under Section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of Business or profession” shall be allowable as a deduction against such Business Income.

G. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

The company shall be charged to wealth-tax @ 1% on amount by which its net wealth determined on the basis of its residential status, on the corresponding valuation date relevant to the assessment year exceeds Rupees thirty lakhs subject to section 2(ea) r.w.s. 2(m) of the Wealth Tax Act, 1957.

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no wealth tax will be payable on the market value of shares of the company held by its shareholders.

Notes:

1. All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by the joint holders.
2. The above statement of possible direct tax benefits sets out the provision of law in summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

3. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Taxation Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, investors are advised to consult their tax advisors with respect to specific tax implications arising out of their participation in the issue.

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Letter of Offer is reliable, it has not been independently verified. Similarly, our internal estimates, while believed by us to be reliable, have not been verified by any independent agencies.

Overview of the Industry

Steel is a metal alloy consisting of iron as the key component. Steel also consists of carbon and other alloys, which vary according to the grade of steel, and is generally considered to be a cornerstone of industrial development. Steel is highly versatile, as it is hot and cold formable, weldable, hard, lustrous, a good conductor of heat and electricity, malleable, ductile, recyclable and resistant to corrosion, water and heat. The industries in which steel is used include construction, automotive and transportation and engineering. Steel is also used in the production of power lines, pipelines, electrical and electronic appliances and containers.

Production Process

The conventional production of steel from iron ore (which consists primarily of iron and oxygen) begins with the reduction of iron ore in a blast furnace using metallurgical coke as a reducing agent. The metal produced in the blast furnace is then processed in a basic oxygen furnace, where oxygen is blown into molten iron in order to reduce its carbon content. In 2009, the blast furnace-basic oxygen furnace process was used in the production of approximately 71% of the steel produced globally, according to the World Steel Association (the “WSA”) (formerly the International Iron and Steel Institute). The metallurgical coke used in the blast furnace-basic oxygen furnace process is produced out of low ash-content coking coal. Due to inadequate supplies of coking coal in some parts of the world, a second steel-producing process, the electric arc furnace method, was developed. In the EAF process, steel scrap or directly reduced iron is charged in an electric arc furnace and is melted using graphite electrodes charged with electricity produced using natural gas.

An alternative way of producing steel is by using a medium or high frequency electrical induction furnace. In the induction furnace, metal is melted through electro-magnetic induction in an electrically conductive metal coil. Mild steel, stainless steel and low and high alloy steel can be made by using induction furnaces. Alloying elements are added to the melted metal as needed. The major raw materials used in steel production depend on the production technology. The blast furnace-basic oxygen furnace process mainly requires iron ore and coke that, in turn, requires coking coal, the directly reduced iron-electric arc furnace process requires scrap or sponge iron and non-coking coal and the induction furnace requires scrap and directly reduced iron. The availability of the relevant raw materials at commercial prices is essential to sustain profits for steel producers.

Products

Steel produced by these processes is either cast into long products such as bars, rods, rails and structural shapes or into flat products such as hot rolled (“HR”) coils and sheets.

Long products

These products derive their name from their shape. They are made by using billets and blooms and include rods, bars, pipes, ropes and wires, which are used largely by the housing/ construction sector.

Flat Products

Derived from slabs, this category includes plates and HR steel such as Coils/ Sheets. While plates are used for applications such as ship-building, HR Steel is the most widely used variety for steel and other downstream flat products such as Cold Rolled (“CR”) Steel and Galvanized Steel are made from it.

The steel industry is divided into primary and secondary sectors. The primary sector products are billets, plates, rounds and Hot Rolled Coils/Plates (“**HRC/HRP**”). These form raw material for the secondary sector, which produces value added items such as angles, channels, wire rod, Cold Rolled Coils/Sheets (“**CRS/CRS**”) and galvanized coils/sheet. CRS is a thinner sheet used for consumer durables like refrigerators, washing machines, automobiles, bicycles, etc. CR Sheets are used by the automobile and domestic appliances industry whereas CR strips are used in manufacturing of bicycles, drums, barrel, fabrication, furniture etc. CR Coils are mainly used for manufacturing GP/GC sheets.

Global Steel Industry

Different economies have been affected differently by the recent global financial crisis. Notwithstanding the stimulus programs announced by various governments, the post-crisis economic situations in many developed countries have remained grim with uncertainties regarding their economic recovery and its sustenance. Given the inextricable linkage of steel with economic growth, this also meant an uncertainty in the growth of steel demand across the world and the performance of the steel industries. While China could be credited in large part for reviving the global demand for commodities after the crisis, the unpredictability of the strategies of the Chinese government and the absence of enough information about its economy has added to the uncertainty. Nonetheless, the crisis brought about some structural changes in the global steel industry, most prominently in the production pattern worldwide. Apart from China, the steel industries in the emerging economies ‘emerged’ decisively as hubs of activity for the future, given adequate growth opportunities in their domestic market as well as lower cost of production relative to the mature economies, which have already run their domestic market as well as lower cost of production relative to the mature economies, which have already run their course in previous decades. Among such countries, India is one of the most attractively positioned with its substantial resources of iron ore and low costs underpinning its supply-side competencies, while the low per capita consumption levels and strong growth drivers in the end use sectors, facilitated by a positive all-round environment, ensure reasonably stable growth prospects for the overall steel industry.

Global Steel Production:

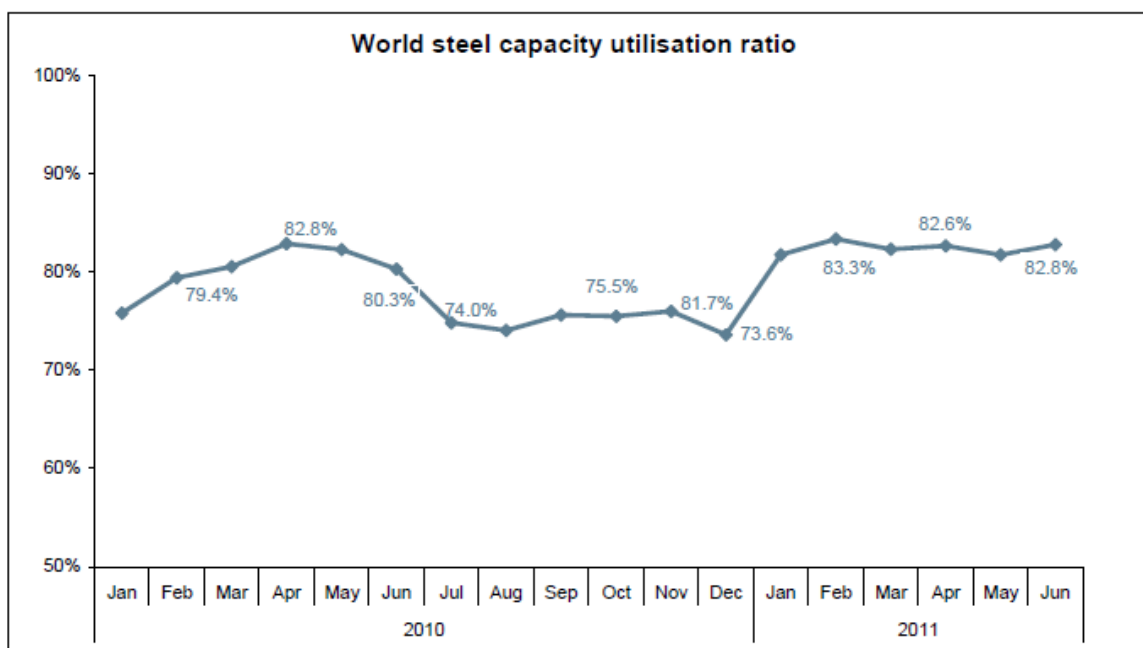
World crude steel production reached 1,527 megatonnes for the year of 2011. This is an increase of 6.8% compared to 2010 and is a record for global crude steel production.

All the major steel-producing countries apart from Japan and Spain showed growth in 2011. Growth was particularly robust in Turkey, South Korea and Italy.

Annual production for Asia was 988.2 megatonnes of crude steel in 2011, an increase of 7.9% compared to 2010. The region’s share of world steel production increased slightly from 64.0% in 2010 to 64.7% in 2011. China’s crude steel production in 2011 reached 695.5 megatonnes, an increase of 8.9% on 2010. China’s share of world crude steel production increased from 44.7% in 2010 to 45.5% in 2011. Japan produced 107.6 megatonnes in 2011, a 1.8% decrease from 2010. In 2011, South Korea’s crude steel production was 68.5 megatonnes, a 16.2% increase compared to 2010.

The European Union recorded an increase of 2.8% compared to 2010, producing 177.4 megatonnes of crude steel in 2011. Spain produced 15.6 megatonnes of crude steel in 2011, a 4.6% decrease on 2010 while Italy produced 28.7 megatonnes in 2011, an 11.3% increase over 2010. In 2011, crude steel production in North America was 118.9 megatonnes, an increase of 6.8% on 2010. The US produced 86.2 megatonnes of crude steel, 7.1% higher than 2010. The Commonwealth of Independent States showed an increase of 4.0% in 2011, producing 112.6 megatonnes of crude steel. Russia produced 68.7 megatonnes of crude steel, a 2.7% increase on 2010 and Ukraine recorded an increase of 5.7% with a year-end figure of 35.3 megatonnes. Annual crude steel production for South America was 48.4 megatonnes in 2011, an increase of 10.2% on 2010. Brazil produced 35.2 megatonnes in 2011, 6.8% higher than 2010.

Share of World Crude Steel Production



(Source: World Steel Association)

Ten Largest Steel-Producing Countries

(Figures in lac tonnes)

| Rank | Country | 2010 | 2009 | Change % |
|------|---------------|-------|-------|----------|
| 1. | China | 6,267 | 5,736 | 9.30% |
| 2. | Japan | 1,096 | 875 | 25.20% |
| 3. | United States | 806 | 582 | 38.50% |
| 4. | Russia | 670 | 600 | 11.70% |
| 5. | India | 668 | 628 | 6.40% |
| 6. | South Korea | 585 | 486 | 20.30% |
| 7. | Germany | 438 | 327 | 34.10% |
| 8. | Ukraine | 336 | 299 | 12.40% |
| 9. | Brazil | 328 | 265 | 23.80% |
| 10. | Turkey | 290 | 253 | 14.60% |

(Source: World Steel Association)

There was a recovery in the global economy in 2010 characterized by:

- Moderate growth in advanced economies, spurred by stimulus measures, private consumption which fell sharply during the crisis picked up.
- Growth in emerging and developing economies remained robust buoyed by resurgent capital inflows due to abundant global liquidity and strong domestic demand.
- Global liquidity improved, credit spreads narrowed, equity and debt capital markets opening up enabling several corporations to raise capital to meet funding requirements.

The global economy is on the recovery path while advanced economies are expected to pick up growth momentum. The emerging economies will consolidate with moderate growth as the focus is shifted to contain inflation rather than pursuing growth.

Indian Industry Outlook

Growth in the industrial sector was buoyant during the first two quarters (April-June and July-September) of the current financial year. The manufacturing sector, in particular, showed a remarkable robustness, growing at rates of 12.6% and 9.9% respectively, during these two quarters. Thereafter industrial output growth has begun to moderate. This compares with global trends as global manufacturing continued to rebound post crisis till the first half of 2010 and has thereafter moderated. India's post recovery industrial output growth has been largely

driven by a few sectors such as the automotive sector along with a revival in cotton textiles, leather, food products, and metal products. Some sectors have shown extreme month-on-month output volatility. The impact of favorable monsoon on the domestic-demand-driven industrial sector has not been widespread. On the consumer non-durable segment in particular it has not been discernible so far but is expected to be visible in the fourth quarter of this fiscal year. A higher base effect had adverse impact on the industrial growth rate in the third quarter and accordingly may moderate the industrial sector's contribution to the gross domestic product (the "GDP") in the third quarter of the current financial year. (Source: www.india.gov.in)

Indian Steel Scenario

We believe that over the past decade, India has emerged as one of the major players in the global steel market, both as one of the most rapidly growing consumption centers, as also a significant supply-side player to reckon with. The country is at an inflection point, where its buoyant economic situation and natural competencies promise to usher in an era of sustained high growth rates for steel industry, facilitated by the government's initiatives to create a supportive environment for its end user sectors. These are, nonetheless, tempered by uncertainties regarding the swiftness with which pending structural bottlenecks can be removed, and clarity on policy issues concerning the upstream mining sector (like land acquisition, allotment of mines and iron ore exports) can be achieved.

India is the 5th largest producer of crude steel in the world and is expected to become the 2nd largest producer by 2015-2016. India continues to maintain its lead position as the world's largest producer of DRI or sponge iron during calendar year 2010, a rank it has held since 2002. 222 memoranda of understanding have been signed with various state governments for planned capacity of around 2,760 lac tonne. Investment plans are proposed in respect of Odisha, Jharkhand, Chhattisgarh, Paschim Banga, Karnataka, Gujarat and Maharashtra. The details of such memoranda of understanding state-wise are provided below.

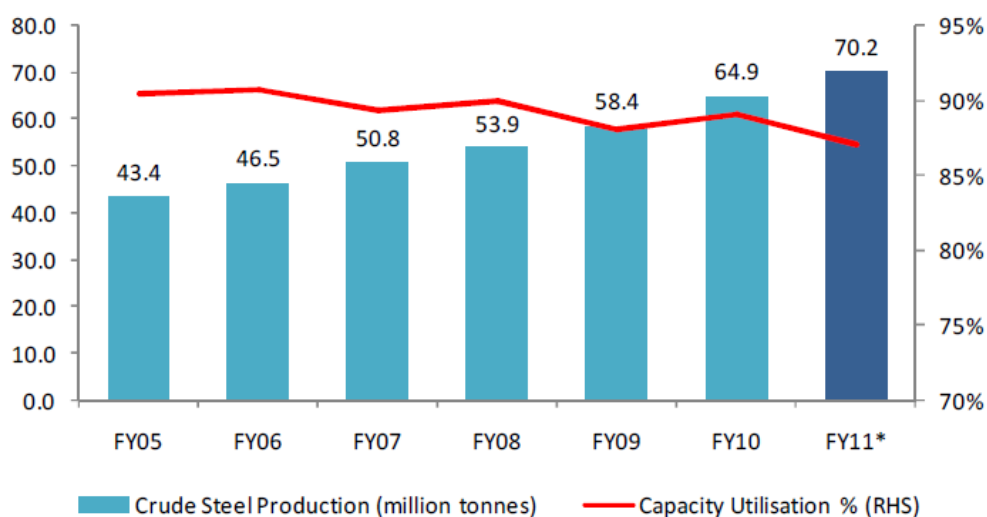
| State | No of MOUs signed | Approx. capacity (in lac tonne per annum) |
|---------------|-------------------|---|
| Odisha | 49 | 756.60 |
| Jharkhand | 65 | 1,042.30 |
| Chhattisgarh | 74 | 566.10 |
| Paschim Banga | 12 | 210 |
| Other States | 22 | 182 |
| Total | 222 | 2,757 |

(Source: www.steel.nic.in)

Production, Consumption and Growth of Steel in India

Crude Steel production in the country rose from 434 lac tonnes in fiscal 2005 to 702 lac tonnes in fiscal 2011 registering a compounded annual growth rate (the "CAGR") of 8.3% (Source: *Joint Plant Committee, MoS (the "JPC")*). During the period April to August in fiscal 2012, crude steel production has further increased by 4.1% to 299 lac tonnes. (Source: *World Steel Association*) The growth was driven by capacity expansion of Crude Steel from 479.90 lac tonnes per annum in 2004-2005 to 806 lac tonnes per annum as in March 2011. (Source: *JPC*)

Crude Steel Production and Capacity Utilisation Trend in India



(Source: Annual Report, MoS)

Pig iron production for sale during April-December 2010 was 42.20 lac tonne, a 0.7% decline over same period of last year. The main producers accounted for only 11.6% of the same, the rest being the share of the other producers.

In case of total finished steel (alloy and non-alloy) during April-December 2010:

- Production for sale was at 473 lac tonne, a growth of 7.9%.
- Steel exports increased by 17.3% as it reached an estimated 24.60 lac tonne while steel imports were at an estimated 53.60 lac tonne, a growth of 2.8%.
- India remained a net importer of steel.
- Domestic steel consumption was at 442.80 lac tonne and increased by 8%, indicating further strengthening of demand.

The table below shows the trend in production for sale, import, export and consumption of total finished steel (alloy and non-alloy) in the country:

| Year | Total finished steel (alloy + non-alloy) ('000 tonne) | | | |
|------------------|---|--------|--------|-------------|
| | Production for sale | Import | Export | Consumption |
| 2005-06 | 46566 | 4305 | 4801 | 41433 |
| 2006-07 | 52529 | 4927 | 5242 | 46783 |
| 2007-08 | 56075 | 7029 | 5077 | 52125 |
| 2008-09 | 57164 | 5841 | 4437 | 52351 |
| 2009-10 | 60892 | 7296 | 3235 | 57675 |
| Apr-Dec 2010-11* | 47296 | 5359 | 2462 | 44275 |

Major initiatives taken by the MoS during the year

- The National Steel Policy 2005 is under review and the process for drafting a 'National Steel Vision' has since been initiated.
- Five-year strategy paper has been prepared for promotion of Steel sector in the country.
- A policy paper on research and development has also been prepared with special focus on beneficiation, coal ash reduction and promotion of production of high grade value added Steel in the country.
- New techno-economic bench marks have been evolved on International pattern for improvement in performance of steel companies.

- Sevottam Compliant Citizen's Charter has been evolved and included in the Result Framework Document of the MoS.
- The present per capita consumption of steel in the country is only around 49 kg against the world average of 182 kg. A study has been commissioned through the JPC during fiscal 2011 to estimate the per capita demand for iron and steel in the rural sector of India and to determine the factors that can contribute to its enhancement. The findings of the study were finalized by June 2011.
- The MoS feels that Policy regarding iron ore export should aim at attracting investment in steel making capacity so that the value additions and export of finished products are promoted instead of exporting raw materials.
- In the meeting of the Group of Ministers to consider National Mineral Policy, 2008, there was an agreement that iron ore resources of the country should be conserved for the use of domestic steel industry. It was decided that although conservation of iron ore resources of the country is of paramount importance, the same may not be achieved by banning or capping the export of iron ore but by taking recourse to appropriate fiscal measures.
- In order to encourage research and development activities in iron and steel sector, the MoS is providing financial assistance from the Steel Development Fund and the Plan Fund. 64 research projects initiated by public and private undertakings, research laboratories, educational and other promotional institutions have so far been approved
- ₹ 11,800 lacs was allocated from the Plan Fund during the 11th five-year plan for promotion of research and development in the steel sector. Under this scheme 8 research and development projects have been approved with Plan fund of ₹11,100 lacs.
- For ensuring quality of steel, seven items such as galvanised sheet, steel wire for pre-stressed concrete and other products have been brought under a quality control order issued by the GoI. Proposals to bring more steel items under this order is under examination.

Challenges for the Indian Steel Industry

Iron ore: Although, India has the world's 8th largest reserve of iron ore and is the 4th largest iron ore producer globally, it exports about 54% of its production to other steel making nations, draining the nation of this precious natural resource and simultaneously importing steel from other countries. Since iron ore mines are not allotted to steel producers or approval for mining leases are delayed inordinately for value addition, no meaningful investment on the ground in the steel sector is happening to add new steel capacities.

Coking coal: A primary ingredient for steel making is in short supply. It accounts for only 12% of India's total coal reserves. Further, government delays in allotting coal blocks for captive consumption by steel manufacturers is severely impacting the competitive edge of the Indian steel sector. India's coking coal imports surged 39% between fiscal 2010 and fiscal 2011. This reflects the import dependency of 62% in fiscal 2011. The import of coking coal is expected to increase to 420 lac tonnes by fiscal 2012, from the current level of 320 lac tonnes. As an alternative solution, Indian steel producers have acquired or seek to acquire coal assets globally. As the operationalization of these assets takes considerable time, steel producers are beset with the problem of shortage of coking coal and they are constrained to import most of this coking coal requirement at exorbitant prices.

Water: One tonne of steel production requires around 2.60 cubic metres of water, depending upon recycling of efficiency levels. Accordingly, water as a resource, is immensely significant for producing steel.

Logistics: Every tonne of steel generates traffic of around 5 tonnes including the in-bound and out-bound material flow. Accordingly, logistic infrastructure is of immense importance for the Indian steel sector for a number of factors, including that raw material needs to be met largely through imports, steel consumption is widely dispersed across the country involving transportation of finished steel to consumption locations and high logistics costs make transportation a huge challenge. The railway network in India is inadequate, rakes are in short supply and port infrastructure is unable to cope up with increased volumes. Increasing fuel prices makes road transport costs prohibitive.

Expansion clearances: Land allocation, mining leases, environment and forest clearances and infrastructure connectivity for greenfield expansions remain the major challenges impacting the creation of new capacities.

Product development: India's steel industry expenditure in research and development is still below 1% of its total turnover. As the economy matures there is a growing need for special grades of steel like boiler quality, American Petroleum Institute (API) grade, auto-grade, requiring greater attention on technology and research

and development.

Environment: Environment management and energy efficiency constitute an important benchmark for assessing any sector or company performance, both globally and in India. The MoS through various schemes and regulations by the government is facilitating reduction in energy consumption and emission levels.

Capacity Expansion planned in India

The National Steel Policy 2005 had projected consumption to grow at 7% based on a GDP growth rate of 7%-7.5% and production of 1,100 lac tonnes by 2019-2020. These estimates will be largely exceeded and it has been assessed by government that, on a 'most likely scenario' basis, the crude steel production capacity in the country by the year 2012-2013 will be nearly 1,100 lac tonnes per annum from 754.60 lac tonnes as on December 31, 2010. (Source: Annual Report 2010-2011, MoS)

Growth Scenario and Future Outlook

Indian steel industry has just come out of the slowdown that affected its performance during 2008-2009. Domestically, 2010 ended on a relatively better and encouraging note, with the Central Statistical Organisation reporting an overall improvement of economic situation through its GDP data, which showed a robust 8.90% growth during the period between April 2011 and September 2011. The Index of Industrial Production too had registered a strong 10.20% growth during April 2011 and September 2011, further bolstering the idea that the demand side is back on stable footing. For steel, this is of key importance and the growth rates registered for leading end-use segments like manufacturing, consumer durables, construction, the stable growth of the service sector and agriculture sector spell good news. Provisional data for the period between April 2010 and December 2010 released by JPC indicates an 8% rise in consumption of total finished steel. Globally there are signs of improvement in economic conditions and firming up of demand and prices.

The following table highlights the total as also the contribution of the private and public sector in crude steel production in the country:

| | Indian Crude Steel production | | | | <i>(in million tonne)</i> | |
|-----------------------------|-------------------------------|---------|---------|---------|---------------------------|------------------------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 * | 2010-11* (April-December) |
| Public Sector | 16.964 | 17.003 | 17.091 | 16.372 | 16.714 | 12.579 |
| Private Sector | 29.496 | 33.814 | 36.766 | 42.065 | 48.161 | 38.015 |
| Total Production | 46.460 | 50.817 | 53.857 | 58.437 | 64.875 | 50.594 |
| % share of Public Sector | 36.5 | 33.5 | 32 | 28 | 26 | 25 |

(Source: Steel Ministry Annual Report 2010-11)

The pre-deregulation phase has seen the MoS in the key role of a regulator which was essential, given the operating economic conditions, the limited presence of industry and the scarcity of key raw material for steel-making at home. Through skillful and judicious decisions on allocation and pricing and formulating related policy measures, the MoS had played an important role in taking the steel industry forward in this phase. In the post-deregulation period, the role of the MoS has primarily been that of a facilitator for the Indian steel industry, being responsible for the planning and development of the iron and steel industry, development of essential inputs such as iron ore, limestone, dolomite, manganese ore, chromites, ferro-alloys, sponge iron, and other related functions. In its present day role, the MoS is extending all possible support for the development of the iron and steel industry in the country.

The growth in steel demand in India is being driven by the country's economic growth, which in turn is largely being influenced by the spending by the GoI on infrastructure development, growth in the real estate sector and continued firmness in the demand from other steel-consuming sectors like capital goods, automobile and consumer durables.

Automotive Sector - Key Growth Drivers

This sector is a key demand driver for flat steel products (including basic and specialty steels) as they form a

large component of the input cost for manufacture of automobiles. Growth expected in various sub-segments, namely, commercial vehicles, passenger vehicles, tractors and two- and three-wheelers would collectively drive the growth of the automobile sector. The healthy growth in the industrial output, rise in the freight demand, increase in personal disposable income, and improvement in infrastructure combined with better road connectivity and ease in liquidity position is expected to drive the growth in the abovementioned segments. On the other hand, the improvement in the road infrastructure, the increase in rural income after four consecutive years of agricultural growth during the period between 2005 and 2009, easy availability of finance and financial incentives are expected to drive two- and three-wheeler as well as tractor demand in rural and semi-urban areas. Additionally, the significant cost arbitrage available in India has lured foreign companies to set up manufacturing base in the country. Overall the automobile sector is expected to grow substantially in the next three to five years, which would augur well for the steel demand in this sector.

The automotive sector is one of the core industries of the Indian economy. The de-licensing of the sector in 1991 and the subsequent opening up of the sector to foreign direct investment levels of up to 100% and the permission of such investment under the automatic route were significant for the Indian automotive industry. Since the institution of these reforms, almost all the global major automotive players have set up facilities in India.

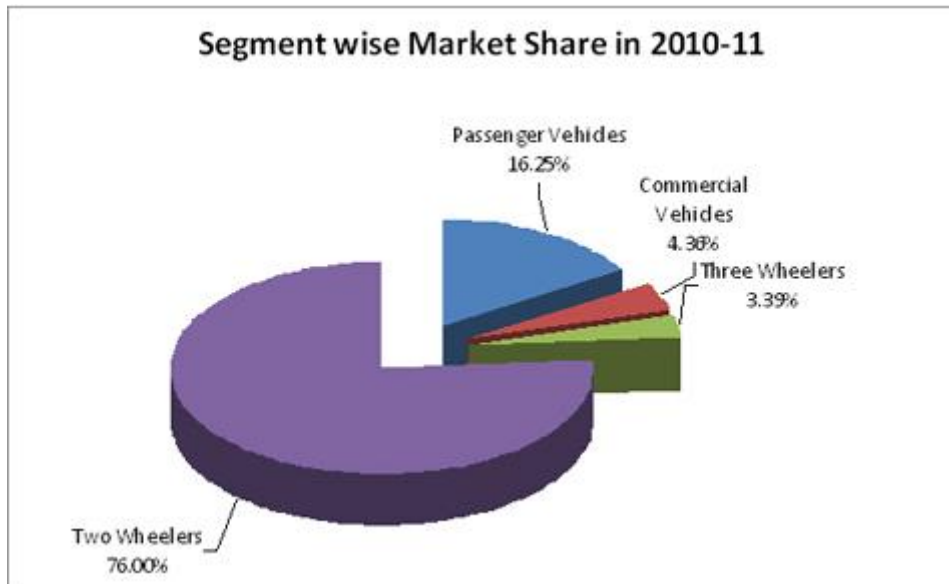
The GoI, through the Ministry of Heavy Industries and Public Enterprises, GoI has implemented the Automotive Mission Plan 2006-2016, a ten-year plan aimed to sustain and accelerate the growth of the Indian automotive sector. This plan intends to double the contribution of the automotive sector to the GDP of India by increasing the sector's output to USD 1,45,000 lacs in 2016. The plan aims to achieve this output by emphasising the export of small cars, multi-utility vehicles, two- and three-wheelers and automotive components. The plan projects that the size of the automotive industry will reach between USD 12,20,000 lacs and USD 15,90,000 lacs by 2016, including USD 3,50,000 lacs in export. This translates into a 10% to 11% contribution to the domestic GDP in 2016, equivalent to nearly twice that of corresponding contribution in 2006. (Source: Automotive Mission Plan 2006-2016)

There has been an increase in the production of commercial vehicles from 5,20,000 units in 2006-2007 to 7,52,597 units and of passenger vehicles from 15,44,850 units to 29,86,797 units in 2010-2011. Certain details of the increase in production volumes in the automotive sector from the period between fiscal 2007 to fiscal 2011 are set forth below:

| Automobile Production Trends | | | | | | | (Number of Vehicles) |
|------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| Category | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| Passenger Vehicles | 1,209,876 | 1,309,300 | 1,545,223 | 1,777,583 | 1,838,593 | 2,357,411 | 2,987,296 |
| Commercial Vehicles | 353,703 | 391,083 | 519,982 | 549,006 | 416,870 | 567,556 | 752,735 |
| Three Wheelers | 374,445 | 434,423 | 556,126 | 500,660 | 497,020 | 619,194 | 799,553 |
| Two Wheelers | 6,529,829 | 7,608,697 | 8,466,666 | 8,026,681 | 8,419,792 | 10,512,903 | 13,376,451 |
| Grand Total | 8,467,853 | 9,743,503 | 11,087,997 | 10,853,930 | 11,172,275 | 14,057,064 | 17,916,035 |

(Source: <http://www.siamindia.com>)

The graph below shows the segment-wise distribution pie for various vehicles in 2010-11:



(Source: <http://www.siamindia.com>)

The data provided below shows the automobile sales trends for last seven fiscal years.

| Automobile Domestic Sales Trends | | | | | | | (Number of Vehicles) |
|----------------------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|----------------------|
| Category | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| Passenger Vehicles | 1,061,572 | 1,143,076 | 1,379,979 | 1,549,882 | 1,552,703 | 1,951,333 | 2,520,421 |
| Commercial Vehicles | 318,430 | 351,041 | 467,765 | 490,494 | 384,194 | 532,721 | 676,408 |
| Three Wheelers | 307,862 | 359,920 | 403,910 | 364,781 | 349,727 | 440,392 | 526,022 |
| Two Wheelers | 6,209,765 | 7,052,391 | 7,872,334 | 7,249,278 | 7,437,619 | 9,370,951 | 11,790,305 |
| Grand Total | 7,897,629 | 8,906,428 | 10,123,988 | 9,654,435 | 9,724,243 | 12,295,397 | 15,513,156 |

(Source: <http://www.siamindia.com>)

OUR BUSINESS

This section should be read in conjunction with, and is qualified in its entirety by, the more detailed information about us and our financial statements, including the notes thereto, the “Risk Factors” and “Financial Statements” on pages xi and 70, respectively.

Overview

We are a producer of diversified and value-added steel flat products such as colour-coated sheets and coils, galvanized sheets and coils, ‘Galume’ (aluminum and zinc added) sheets and coils, high-tension steel strapping (“HTSS”), hardened and tempered (“H&T”) steel strips, cold rolled and close annealed (“CRCA”) steel, and precision pipes.

With over two decades of experience in steel making and a current installed production capacity of 2.2 MTPA, we supply primarily to the automotive and consumer durables manufacturing industry in India, including to the Original Equipment Manufacturing (“OEM”) segment, and also for the export market.

We presently have two fully operating manufacturing facilities. Our first operational facility is the 7,25,000 TPA Sahibabad facility, located at Sahibabad in the state of Uttar Pradesh, close to several major automotive manufacturers that constitute part of our customer base in North India, and close to Delhi, which is the political capital of India and a major business centre. The Sahibabad facility was upgraded in 1996, and caters primarily to the automotive and consumer durables manufacturing industry in India, including the OEM segment. Our second operational facility is the 5,25,000 TPA Khopoli facility, located at Khopoli in the state of Maharashtra, close to Mumbai, which is a port city and a major business centre, and it also serves two-wheeler automotive manufacturers based in and around Pune, Bengaluru and Chennai. It primarily caters to demand from the markets in Southern and Western India as well as export demand from international markets including South America, East, West and South Africa and the Middle East, in addition to European countries.

We are also in the process of commissioning a fully integrated steel plant in Meramandali, which is scheduled to be fully commissioned during fiscal 2013. On its completion, this project is expected to bring our aggregate installed capacity from 2.2 MTPA of crude steel to 4.7 MTPA. The Meramandali facility is located close to the Paradip port in the state of Odisha and would have secure long-term access to key raw materials, due to its proximity to a captive iron ore mine in Marsuan-Tiriba in the state of Odisha and captive coal mines in Patrapada in the state of Odisha, as well as its own 110 MW captive power plant, which would provide a secure captive supply of hot rolled coils to our cold rolling facilities in Meramandali.

Our net profit after tax on a consolidated basis increased from ₹ 84,318.21 lacs in fiscal 2010 to ₹ 1,00,739.46 lacs in fiscal 2011, reflecting 19.48% growth in profits, and reaching ₹ 41,357 lacs in the six months ended September 2011. Our consolidated income from sale of products (including export incentive) increased from ₹ 5,99,508.62 lacs to ₹ 7,57,935.41 lacs, reflecting 26.43% growth in fiscal 2011 over fiscal 2010, and reaching ₹ 5,11,845 lacs in the six months ended September 2011.

We have obtained ISO 9001:2008 certification for our quality systems at the Khopoli and Meramandali facilities and ISO/TS 16949:2009 for our quality systems at the Sahibabad facility, ISO 14001:2004 certification for our environmental management system at the Sahibabad and Khopoli facilities, and OHSAS 18001:2007 certification for our safety management system at the Sahibabad facility.

We are promoted by Brij Bhushan Singal, who is also our Chairman, and Neeraj Singal, who is our Managing Director. Our Company’s equity shares are listed on BSE and NSE, and our market capitalisation was ₹ 8,49,600 lacs and ₹ 8,51,132 lacs on the BSE and the NSE respectively, as on February 17, 2012.

Our Competitive Strengths

We believe we have the following competitive strengths:

Advanced plant configuration and quality assurance.

With over two decades of experience in steel making and a current installed production capacity of 2.2 MTPA, we rely on advanced technology and processes to optimize our production yield and product mix. The Khopoli facility is equipped for the production of ‘Galume’ steel, colour coated sheets and coils, as well as an electric

resistance welded (“ERW”) pipe mill designed to manufacture X-80 grade pipes specially required for high pressure service. The Sahibabad facility includes a cold rolling mill imported from Hitachi, Japan.

We have obtained ISO 9001:2008 certification for our quality systems at the Khopoli and Meramandali facilities and ISO/TS 16949:2009 for our quality systems at the Sahibabad facility, ISO 14001:2004 certification for our environmental management system at the Sahibabad and Khopoli facilities, and OHSAS 18001:2007 certification for our safety management system at the Sahibabad facility. The Sahibabad and Khopoli facilities also have research and development centres for quality checking and control, as well as their own on-site service centres, which provide technical and other customized support with a view to ensuring customer loyalty.

Due to a continual process of process and product improvement at each of our facilities, our capacity utilization has improved over the years. For the year ended March 31, 2011, our Sahibabad and Khopoli facilities had an average capacity utilization rates of 134% and 101%, respectively, in respect of cold rolled steel, and 110% and 121% in respect of galvanized steel.

Consistent financial performance.

Our net profit after tax on a consolidated basis increased from ₹ 84,318.21 lacs in fiscal 2010 to ₹ 1,00,739.46 lacs in fiscal 2011, reflecting 19.48% growth in profits, and reaching ₹ 41,357 lacs in the six months ended September 2011. Our consolidated income from sale of products (including export incentive) increased from ₹ 5,99,508.62 lacs to ₹ 7,57,935.41 lacs, reflecting 26.43% growth in fiscal 2011 over fiscal 2010, and reaching ₹ 5,11,845 lacs in the six months ended September 2011.

We believe that our consistent financial performance has enabled us to successfully finance our financial commitments for our operating facilities and planned expansions, service our existing obligations, and capitalize on attractive business opportunities, notwithstanding the cyclicity of the steel business as well as the general economic slowdown in the Indian and global economy in recent years, including in particular in the automotive and consumer durables manufacturing industry that constitutes our primary customer base.

We believe that our ability to compete effectively and successfully operate and expand our business is also due in part to our timely access to funds and ability to maintain a low effective cost of funds. We currently enjoy a long term credit rating of CARE A+ in respect of our long term borrowings, a rating of CARE A1+ in respect of our short term debt facilities/commercial papers, a short term rating of CARE A1 in respect of our short term credit facilities, and a CARE A rating for our subordinated debt facilities, in each case issued by Credit Analysis and Research Limited (“CARE”).

Diversified product range and locational advantage.

We produce diversified and value-added steel flat products primarily for the automotive and consumer durables manufacturing industry in India and for the export market, including products such as CRCA and colour-coated sheets and coils which are used in construction and roofing, and ‘Galume’ sheets which are used in the consumer durables manufacturing industry and in making exposed panels for outer bodies of automobiles.

The Sahibabad facility is strategically located in close proximity to several major automotive manufacturers in North India who form part of our customer base. The Khopoli facility, which caters primarily to demand from the markets in Southern and Western India as well as export demand from international markets, is located close to Mumbai, which is a port city and a major business centre, and it also serves two-wheeler automotive manufacturers based in and around Pune, Bengaluru and Chennai. The Meramandali facility, presently under expansion, is also located close to the Paradip port in the state of Odisha.

We believe that with our diversified product range and locational advantage, we are well positioned to take advantage of new geographical and product market opportunities.

Established sales network and strong customer relations.

We believe that we have established strong customer relations in the course of our two decades of operating experience. In addition to direct OEM sales conducted from our plant sites, we have 16 regional sales offices to carry out traded sales. Over the years, we have also expanded our export business to international markets including South America, East, West and South Africa and the Middle East, in addition to European countries, and intend to continue to explore marketing opportunities in these and other markets worldwide.

Experienced management team.

Our management team includes individuals who have significant experience in the Indian steel industry, including our Chairman Brij Bhushan Singal, our Vice-Chairman and Managing Director, Neeraj Singal, our Director (Finance), Nittin Johari and our Director (Technical), Rahul Sen Gupta. We believe that our management team has the industry knowledge and project execution skill necessary to provide strategic leadership and direction to successfully implement and improve our current and planned operations, and to explore emerging opportunities in our business. We believe that the skill and experience of our management, drawn from several years of experience in setting up and managing our existing operations and executing large scale projects at the Sahibabad and Khopoli facilities, will help us in expanding our operations and implementing our growth strategy.

Our Strategies

The key elements of our business strategy are as follows:

Further backward integration of our production facilities.

In addition to our existing facilities at Sahibabad and Khopoli, we are in the process of commissioning an integrated steel and power plant at Meramandali in the state of Odisha. The Meramandali facility is expected to be fully commissioned during fiscal 2013. On its completion, this project is expected to bring our Company's aggregate installed capacity from 2.2 MTPA of crude steel to 4.7 MTPA. The production of hot-rolled sheets and coils at Meramandali would primarily be used as captive feedstock for our existing cold rolling facilities in Sahibabad, Khopoli and in Meramandali, and is expected to further improve production volumes and our product mix.

The Meramandali facility would also have secure long-term access to key raw materials, due to its proximity to a captive iron ore mine in Marsuan-Tiriba in the state of Odisha and captive coal mines in Patrapada in the state of Odisha, and its own 110 MW captive power plant to meet our increased power requirements. In addition, our investment in Bhushan Steel (Australia) Pty Limited (which is listed on the Australian Securities Exchange and has downstream investments in asset-holding companies in Australia) gives us access to a coking coal mine in Queensland, Australia.

We believe that our backward integration will enhance our ability to produce higher-margin products by shifting our product mix towards the value-added product range sought by OEM and export customers. Subject to the receipt of necessary regulatory approvals and the acquisition of the requisite amount of land, we also seek to continue exploring other opportunities in India and overseas as and when they may arise, to obtain mining rights to key raw materials and otherwise for our organic or inorganic growth, to ensure our sustainable growth as an integrated steel producer.

Increase production capacity to benefit from economies of scale.

We expect that, on the full commissioning of our Meramandali facility, our installed production capacity across our facilities at Sahibabad, Khopoli and Meramandali will increase to 4.7 MTPA.

With a secure captive supply of hot rolled coils produced by the Meramandali facility, on its full commissioning, to our cold rolling facilities at Meramandali, we believe that we will be able to improve our production yield and product mix and reduce supply costs. Further, with a secure supply from our captive iron ore and coal mines that are currently under development, we believe that our raw material costs will further reduce over time and allow us to focus on increasing our customer base and improving customer relations to become a preferred supplier of high-grade value-added steel products worldwide. We also continue to place an emphasis on reducing our production costs by reducing cycle times, optimising inventories and improving logistics at our production facilities, including by reducing waste generation and power and fuel consumption, and following green practices.

Continue focus on the OEM and export segments of the automotive and consumer durables manufacturing industry.

We believe that the Indian and global economy and steel industry will continue to grow, driven by growth in the

automotive and consumer durables manufacturing sectors. We therefore intend to continue to provide diversified and value-added products primarily in the automotive and consumer durables manufacturing industry and, in particular, to shift our focus towards the OEM and export segments.

We believe that this shift in our customer base would be facilitated not only by our product range and quality assurance but also by our locational advantage in having set up our Sahibabad and Khopoli facilities in proximity to various important automotive manufacturers in North India and in Southern and Western India, respectively. Further, the Khopoli and Meramandali facilities are located close to the Mumbai and Paradip ports, respectively, and we intend to leverage our locational advantage to increase exports to provide us with not only an additional avenue for growth in the future, but also help reduce dependence on varying demand in the domestic market and reduce supply costs.

Our Products

We produce diversified and value-added steel flat products primarily for the automotive and consumer durables manufacturing industry in India and for the export market, including products such as CRCA and colour-coated sheets and coils which are used in construction and roofing, and 'Galume' sheets which are used in the consumer durables manufacturing industry and in making exposed panels for outer bodies of automobiles.

The table below provides details of our current product list, as well as the expected product list on the full commissioning of the Meramandali facility.

| Current Product List | Expected Product List (On full commissioning of the Meramandali facility) |
|---|---|
| <ul style="list-style-type: none"> • Colour coated sheets • Galume sheets • H&T steel strips and HTSS • CRCA • Precision pipes | <ul style="list-style-type: none"> • Billets • Hot rolled coil • Cold rolled coil • Colour coated sheets • Galume sheets • H&T steel strips and HTSS • CRCA • Precision pipes |

Our Operations

We presently have two fully operating manufacturing facilities, in Sahibabad and in Khopoli. We are also in the process of commissioning a fully integrated steel plant in Meramandali, which is scheduled to be fully commissioned during fiscal 2013.

The following diagram illustrates the standard steel-making process:

business centre, and also serves two-wheeler automotive manufacturers based in and around Pune, Bengaluru and Chennai.

Meramandali Facility

We are also investing significant resources towards a brownfield expansion project for our fully integrated steel facility in Meramandali, which is scheduled to be fully commissioned during fiscal 2013. For this purpose, we have entered into an agreement dated November 3, 2005, with the state government of Odisha, which provides that the land allotment and extension of facilities, concessions and waivers to us pursuant to this agreement shall be available where the final product is steel or steel products and not for manufacturing intermediary products except where such intermediary products are intended for captive use in the Meramandali facility.

A hot rolled steel facility along with allied facilities such as the induction furnaces, pig caster, oxygen plant, a coke oven plant, sinter plant, and other facilities have been set up at the Meramandali facility. The current phase of the expansion at the Meramandali facility is for the completion of a 3 MTPA slab facility, including a coke oven plant, a coal washery and two DRI kilns, as well as a captive power plant at the existing plant site. On its completion, this expansion project is expected to bring our Company's aggregate installed capacity from 2.2 MTPA of crude steel to 4.7 MTPA. On the full commissioning of the Meramandali facility, our cold rolling facilities at Meramandali would have a secure captive supply of hot rolled coils produced at the Meramandali facility. The Meramandali facility is also located close to the Paradip port in the state of Odisha, which would facilitate export sales as well as import of raw materials as and when needed.

The technical appraisal for the Meramandali facility has been carried out, and we have completed acquisition of the project land, arranged financing and placed orders for all major equipment required for the current phase of expansion at the Meramandali facility, and have obtained all major environmental and labour-related regulatory approvals and commenced civil work and erection of equipment at the project site. Water for the Meramandali facility is proposed to be drawn from the nearby Brahmani River, with power being drawn from captive sources as well as from the state grid, as necessary.

The Meramandali facility would also have secure long-term access to key raw materials, due to its proximity to a captive iron ore mine in Marsuan-Tiriba in the state of Odisha (where we hold a prospecting licence in respect of a 281 hectare iron ore mine located in villages Marsuan, Tiriba and Narsinghpur in the Keonjhar district of the state of Odisha) and captive coal mines in Patrapada in the state of Odisha (where we have been allocated a 325 MT coal block out of a total reserve of 688 MT, as a part of an eight-member consortium of companies) and in Andal East in the state of Paschim Banga (where we were allocated a 235 MT coal block as part of a three-member consortium of companies in the form of a joint venture, each having one-third interest in the allocated coal block), as well as its own 110 MW captive power plant. Under the agreement dated November 3, 2005, entered into between us and the state government of Odisha, it has been agreed that surplus power generated from this captive power plant, if any, shall be supplied by us, pursuant to a power purchase agreement to be separately entered into, in the first instance to the state grid or any other entity designated by the Odisha state government, or on their refusal, may be sold by us to any third party.

The geological plan for the Marsuan-Tiriba mine has been approved by the state government of Odisha, survey and boundary demarcation is complete and the prospecting scheme has been prepared and submitted to the state government of Odisha for approval. Forest clearance for diversion of forest land for has been received for the commencement of prospecting in the Marsuan-Tiriba mine. We have also commenced the process of land acquisition under the Land Acquisition Act, 1894 (the "**Land Acquisition Act**") for the land in Marsuan-Tiriba and have deposited requisite funds with the Odisha state government for this purpose. We are in the process of acquiring the land in Patrapada and have obtained the notification under the Land Acquisition Act, completed the socioeconomic survey, prepared and submitted the resettlement and rehabilitation policy to the Odisha state government, and commenced payment distribution to the project-affected families. We expect production of coal and iron ore from the Patrapada and Marsuan-Tiriba mines, respectively, to commence during fiscal 2013-2014.

Land acquisition for the coal block in Andal East is in process. However, our decision to proceed with the implementation of this project may be contingent on a number of factors that may be beyond our control, including our ability to acquire the required land, regulatory approvals or financing, the possibility of civil or political resistance to industrial development in the region, as well as other operational difficulties that we may not be able to predict at this stage.

For more information, see “*Risk Factors*” on page xi.

Sales and Customers

Our products are intended for a wide range of applications and are primarily sold directly to end users, including automotive companies and white goods and kitchen appliances manufacturers, as well as to steel service centres, construction companies, traders and stockists.

The Sahibabad facility, which caters primarily to the automotive and consumer durables manufacturing industry in India, is located in close proximity to several major automotive manufacturers who form part of our customer base. The Khopoli facility, which caters primarily to demand from the markets in Southern and Western India as well as export demand from international markets, is located close to Mumbai, which is a port city and a major business centre, and also serves two-wheeler automotive manufacturers based in and around Pune, Bengaluru and Chennai.

India is our primary market. We also export our products to international markets including South America, East, West and South Africa and the Middle East, in addition to European countries.

Marketing

We have three independent marketing segments:

OEM Marketing: Direct sales to customers are conducted from our plant sites, primarily to OEM customers whose units are located close to our facilities.

Trade Marketing: In addition to direct sales from customers from our plant sites, we have a wide distribution network comprising 16 sales offices situated in various states across India, primarily at locations selected for their proximity to our main customer bases.

Export Marketing: Export marketing is overseen by our corporate office.

Pricing of Products

We determine the sale prices of our products based primarily on market conditions, including international market prices, prices of raw materials such as sponge iron, steel scrap, iron ore and coal, as well as our production costs. The prices of our products are also based on product specifications like grade, hot rolled, cold rolled, thickness, finish, quantity, packing and destination. Generally, we review our prices for products sold in the domestic market on a regular basis. Prices for products sold in the international market are set at the time the order is placed based on our assessment of the factors listed above.

In accordance with the requirements of our primary customers and with a view to minimising inventory and exchange fluctuation risk, our products are typically supplied on a just-in-time basis.

Competition

India is our primary market and we face competition in the steel market from domestic as well as international producers. Due to the commodity nature of most of our product sales as well as our raw material purchases, competition in these markets is based primarily on demand and price. As a result, to remain competitive in our market, we must continuously strive to reduce our production, transportation and distribution costs, improve our operating efficiencies and secure our raw materials requirements. Particularly in view of increased consolidation and backward and forward integration in the steel industry, many of our competitors may have access to greater financial resources and economies of scale, including the ability to negotiate preferential prices for products or receive discounted prices for bulk purchases of raw materials, than may be available to us.

Domestically, while some consumers, particularly in the automotive industry, have chosen to purchase products from our international competitors over domestically produced products, we have in the past enjoyed a degree of protection due to high import duties on steel products. However, it is possible that these duties may decline and international competition may increase in our domestic market in the future. Further, India has entered, and is in the process of entering, into free trade agreements with countries and regional organisations in Asia, which, along with encouraging exports to these countries, may give rise to increased competition from international

competitors in our domestic market.

Domestic competition consists of a small number of large and medium sized producers and a few specialty steel companies that produce small volumes of steel products. The Steel Authority of India, Tata Steel, Essar Steel and JSW Steel are our primary competitors in India.

We also face competition from producers of other substitute products, such as aluminum (particularly in the automotive industry), plastic, copper, brass, wood, glass and composites. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and thereby have an adverse effect on our business, financial condition and results of operations.

For more information, see “*Risk Factors*” on page xi.

Raw Materials

The principal raw materials used in our production processed are coking coal, coke, thermal coal and iron ore.

While the availability of cost effective raw materials is critical to our operations, we believe that we are not dependent on any single supplier for any of the raw materials used for the manufacture of our products. Generally, we seek to maintain a three to five month inventory for raw materials, including for imported raw materials. Most of the raw material is received at the plant sites in railway wagons.

Coking coal is presently being imported from BHP Billiton Australia. Our investment in Bhushan Steel (Australia) Pty Limited also gives us access to a coking coal mine in Queensland, Australia, which is presently in the exploration stage.

Coke is presently being imported from Stemcor UK, CC Carbon Singapore, Mitsubishi Japan and Sinochem China, through the Paradip port in the state of Odisha, which is connected by rail with our Meramandali facility.

We have linkages for the procurement of thermal coal from Mahanadi Coal Field, a state government undertaking. In addition, we have been allocated a coal mine in Patrapada in the state of Odisha, close to the Meramandali facility. We are in the process of acquiring the land in Patrapada and have obtained the notification under the Land Acquisition Act, have completed the socioeconomic survey, prepared and submitted the resettlement and rehabilitation policy to the Odisha state government, and commenced payment distribution to the project-affected families. The coal mine in Patrapada is presently in the prospecting stage and we expect production of coal from this mine to commence during fiscal 2013-2014.

Presently, we buy iron ore primarily from domestic suppliers located in Odisha, including Odisha Mining Corporation, Rungta Mines Limited, Essel Mining & Industries Limited. We also hold a prospecting licence over a 281 hectare iron ore mine located in villages Marsuan, Tiriba and Narsinghpur in the Keonjhar district of the state of Odisha, close to the Meramandali facility. The geological plan for the Marsuan-Tiriba mine has been approved by the state government of Odisha, survey and boundary demarcation is complete and the prospecting scheme has been prepared and submitted to the state government of Odisha for approval. Forest clearance has been applied for and is currently awaited, for the commencement of prospecting in the Marsuan-Tiriba mine. We have also commenced the process of land acquisition for the land in Marsuan-Tiriba and deposited requisite funds with the Odisha state government for this purpose. We expect production of iron ore from these mines to commence during fiscal 2013-2014.

For more information, see “*Risk Factors*” on page xi.

Quality Control, Environment Management and Occupational Health and Safety

Our quality assurance department focuses on process control, for instance, monitoring all stages of the manufacturing process including quality of the input material, in-process material and finished products. The final product is subject to physical inspection and testing. We are also committed to sustainable environmental management and the occupational health and safety of our workers and have a goal of zero harm. We have an integrated Quality, Environment, Occupational Health and Safety Management System Policy under which we are committed to produce quality products in a safe, healthy and clean environment, by involving employees in

continual improvements in system implementation, technological advancement, operational integration, prevention of pollution and hazards maintaining. We have obtained ISO 9001:2008 certification for our quality systems at the Khopoli and Meramandali facilities and ISO/TS 16949:2009 for our quality systems at the Sahibabad facility, ISO 14001:2004 certification for our environmental management system at the Sahibabad and Khopoli facilities, and OHSAS 18001:2007 certification for our safety management system at the Sahibabad facility.

We monitor and analyse ambient air, stack and wastewater emissions regularly, carry out preventive maintenance, and treatment of wastewater to permissible limits at effluent treatment facilities and the reuse of treated wastewater for industrial applications and in the green areas in and around the perimeters of our facilities, and the utilization of waste gases at our waste heat recovery boilers for firing hot blast stoves and other industrial applications. In addition, the state pollution control boards periodically audit our environmental management systems. We also have qualified safety officers at all our facilities and appropriate safety equipment is provided to all employees, contractors and visitors to our facilities. Regular health check ups and training programmes are conducted at our facilities. Our facilities are regularly audited to ensure compliance with the environmental and occupational health and safety management systems. There are regular reports to management on the environmental and health and safety performance of our Company.

We have also implemented advanced enterprise resource management (“ERP”) systems through SAP at all our locations, to streamline the functioning of all our systems and processes.

Research and Development

Our research and development division is actively engaged in carrying on normal quality testing of raw materials, work in progress and finished goods, as well as optimising process parameters for quality improvement, energy saving and cost reduction. Working in close association with our marketing division, our research and development division also assists our customers in improving their product utilization through the sharing of knowledge and interaction, primarily in respect of special grade steels required for automotive applications.

Employees


The following table provides a breakdown of our human resources as on December 31, 2011.

| Facility/Unit | Number of Employees |
|------------------------------------|---------------------|
| Corporate Office and Sales Offices | 272 |
| Sahibabad facility | 1,520 |
| Khopoli facility | 1,181 |
| Meramandali facility | 2,351 |
| Total | 5,324 |

We also use contract labourers from time to time, through independent contractors for specific job contracts. We are registered as a principal employer under the Contract Labour Regulation (Abolition) Act, 1960. Our employees are not unionized.

We have regular staff training, performance enhancement and leadership programmes for our employees, conducted with the assistance of outside consultants, where appropriate. In addition to statutory rights with regard to dismissal or retrenchment, our employees receive a base salary and a performance linked variable pay, as well as benefits such as medical expenses, housing or rent assistance, subsidized work clothing, canteen facilities, annual leave and travel allowance, provident fund, healthcare, schooling, pension and group gratuity schemes. Our workers are also covered under specific insurance schemes which provide cover in the event of injuries or death sustained in course of employment.

Intellectual Property

We have registered our corporate logo  and own “Bhushan”, which may also be used by other members of the Promoter Group as part of their businesses.

For more information, see “*Risk Factors*” on page xi.

Insurance

We maintain comprehensive fire and special perils insurance cover for the majority of our assets, which covers material damage and loss of profits due to fire, accidents and natural disasters including earthquakes, as well as losses associated with the breakdown of equipment and machinery, with exclusionary exceptions as mentioned in the policy. We also maintain an erection and all risks policy and a marine cum storage cum erection policy for our Meramandali facility, which is presently under brownfield expansion. In addition, we maintain marine insurance that would cover losses caused by sea perils, theft, contamination or non-delivery of the products we ship to customers overseas and the raw materials and equipment we import, in relation to the Meramandali facility. Similarly, we insure shipment of our products and raw materials while in transit within India against such losses. We also maintain key man insurance with respect to directors' and officers' liability. We do not however, maintain product liability insurance or terrorism insurance.

For more information, see “*Risk Factors*” on page xi.

Corporate Social Responsibility

We recognise our responsibility towards the society in which we operate and are actively involved with the community in and around our facilities. We have undertaken and planned several large and small community development projects, including as a part of resettlement and rehabilitation in relation to acquisition of land for our project sites and planned mining operations. Our corporate social responsibility (“**CSR**”) initiatives are geared towards active employee participation and sustainable community development which integrates the social and environmental concerns relating to our business operations.

Properties

The following table provides brief details of the main properties presently owned or leased by us.

| Property | Leasehold/freehold |
|--|--------------------|
| Registered and Corporate Office | |
| New Delhi | On rent |
| Manufacturing facilities | |
| Sahibabad, Uttar Pradesh | Leasehold |
| Khopoli, Maharashtra | Freehold |
| Meramandali, Odisha | Leasehold |

In addition to the above, we presently have 16 sales offices situated in various states across India, primarily at locations selected for their proximity to our main customer bases. These premises are held by us on leasehold basis, renewed from time to time in accordance with the terms of the respective leases.

For more information, see “*Risk Factors*” on page xi.

HISTORY AND CERTAIN CORPORATE MATTERS

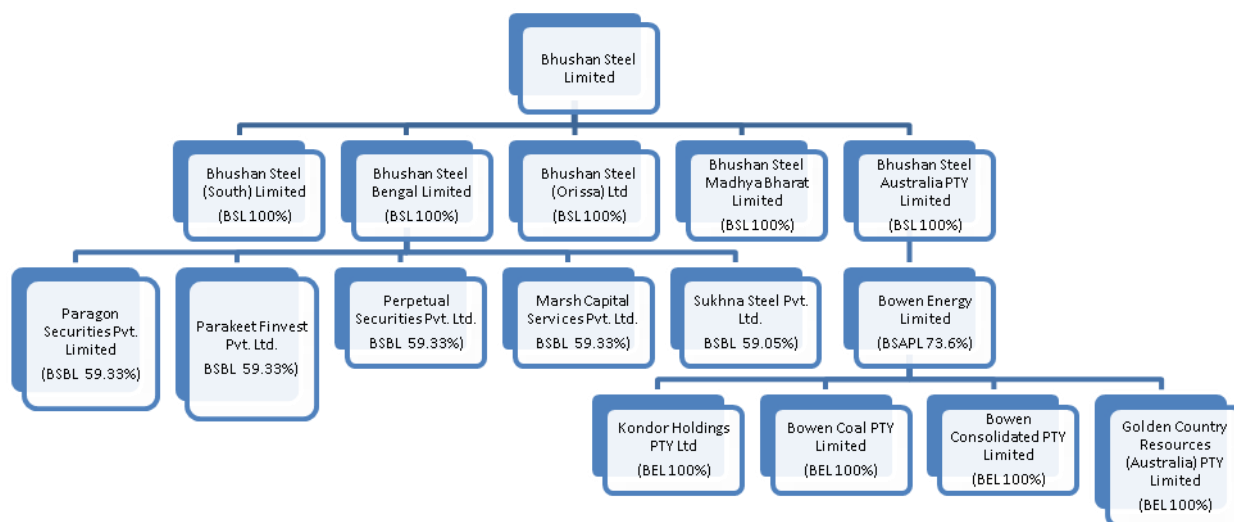
The Company was incorporated on January 7, 1983 under the name “Jawahar Metal Industries Private Limited”, a private limited company under the Companies Act. Subsequently, the Company was converted into a deemed public limited company, pursuant to which the name of the Company was changed to “Jawahar Metal Industries Limited” and the certificate of incorporation of the Company was amended consequent upon change of name on July 14, 1989. Pursuant to a resolution passed by the shareholders of the Company in their meeting dated March 30, 1992, the name of the Company was changed to “Bhushan Steel and Strips Limited”, consequent to which fresh certificate of incorporation consequent upon change of name dated June 9, 1992 was received. Subsequently, the shareholders of the Company passed a special resolution in their meeting held on September 30, 1992 for deleting the restrictive clauses stipulated by Section 3(1)(iii) of the Companies Act, pursuant to which the company became a public limited company. Thereafter, pursuant to resolution dated April 30, 2007, the name of the Company was changed to “Bhushan steel Limited”, and fresh certificate of incorporation consequent upon change of name dated April 12, 2007 was received. The registered office of the Company was changed from D 818, New Friends Colony, New Delhi 110 065, India to the present registered and corporate office situated at F Block, 1st Floor, International Trade Tower, Nehru Place, New Delhi 110 019, India.

The Equity Shareholders of the Company passed a special resolution in their meeting dated December 7, 1992 approving the issue of equity shares of face value of ₹ 10 of the Company to the public at a premium of ₹ 55 per Equity Share. Accordingly, pursuant to prospectus dated August 21, 1993, 22,00,000 equity shares of face value of ₹ 10 at a premium of ₹ 55 per Equity Share were issued by the Company, and pursuant to letter dated December 7, 1993 from the BSE, letters dated December 24, 1993 and December 29, 1993 from the Calcutta Stock Exchange Limited (the “CSE”) and letter dated December 21, 1993 from the Delhi Stock Exchange Limited (the “DSE”), the Equity Shares of the Company were listed on the BSE, the CSE and the DSE respectively. Further, pursuant to letter dated September 8, 1994 from the Ahmedabad Stock Exchange Limited (the “ASE”) and letters including letters dated November 19, 2003, August 4, 2005, June 21, 2006 and January 16, 2007 from the NSE, the Equity Shares of the Company were listed on the ASE and the NSE, respectively. However, pursuant to letter dated March 4, 2004 from the ASE, letter dated August 29, 2006 from the CSE and letter dated December 26, 2003 from the DSE, the Equity Shares of the Company were voluntarily delisted from the ASE, CSE and DSE.

The Company informed the Stock Exchanges on November 15, 2011, that in order to settle the then ongoing litigation between Brij Bhushan Singal, Neeraj Singal and erstwhile members of the Promoters and Promoter Group, Sanjay Singal and others (in relation to Company Petition No. 77/2006 instituted before the Company Law Board, Principal Bench, New Delhi), a settlement deed had been executed on November 14, 2011, pursuant to which Brij Bhushan Singal and Neeraj Singal will have exclusive control on the Company and Sanjay Singal and his associates would disassociate as Promoters. The Company Law Board, Principal Bench, New Delhi accordingly passed an order dated November 15, 2011, dismissing the C.P. No. 77/2006 as withdrawn in view of the Settlement. The Company filed two letters, both dated February 18, 2012 with the Stock Exchanges intimating the dissociation of Sanjay Singal, Aarti Singal, Priyanka Singal, Radhika S. Dhoot, Sanjay Singal (HUF), ASL Investments Private Limited Adhunik Investments Private Limited, BIC Investments Private Limited, ESSENN Investments Private Limited, Rail Track India Limited, Evergrowing Iron and Finvest Limited, Flawless Holding and Industries Limited, Bhushan Information Tech Limited and Kishori Lal Construction Limited and the disposal of the holding of Equity Shares of such persons and entities in favor of the existing Promoters and members of the Promoter Group in terms of the Settlement. By such letter dated February 18, 2012, the Company also intimated the dissociation of Archana Mittal as a member of the Promoter Group of the Company, although she continues to retain her holding of Equity Shares. The dissociation of Archana Mittal as a member of the Promoter Group was further separately intimated to the Stock Exchanges pursuant to two letters, both dated February 15, 2012.

For more information on the Equity Shares held by the Promoters and members of the Promoter Group as reported to the Stock Exchanges as on December 31, 2011 pursuant to the Settlement, see “*Capital Structure*” on page 20.

Corporate Structure*



* Additionally, the Company and Bhushan Steel Bengal Limited hold 49.46% and 46.06%, respectively in Bhushan Capital and Credit Services Private Limited and 49.11% and 49.18%, respectively in Jawahar Credit and Holding Private Limited. Accordingly, Bhushan Capital and Credit Services Private Limited and Jawahar Credit and Holding Private Limited may be deemed Subsidiaries.

Main Objects

The main objects of the Company as contained in the Memorandum of Association are set forth below.

| Clause Number | Object |
|---------------|---|
| A(i) | <i>“To carry on any or all the businesses of mechanical, electrical, hydraulic and general engineers, machine and engineering tool-makers, fitters, boiler-makers, iron founders, brass founders, millwrights, metal workers, steel converters, colliery owners, metallurgists, plate makers, electrical engineers, suppliers of electricity for all purposes, founders, wire drawers, tube factors, tube-makers, galvanisers, jappaners, annealers, enamellers and electro-platers.”</i> |
| A(ii) | <i>“To crush, win, set, quarry, smelt, calcine, refine, dress, amalgamate, manipulate and prepare for market ore, metal and mineral substance of all kinds and to carry on metallurgical operations in all its branches and to prepare, process, manufacture, assemble fabricate, cast, fit, press, machine, treat, weld, harden, plate, temper, anneal any kind of metals and consequential products and to do all such other acts or things necessary in connection with the same.”</i> |
| A(iii) | <i>“To procure, produce and deal in metallic and non-metallic minerals and its products, to benefit and carry out such processes as to obtain industrial and non-industrial raw materials, for the manufacture of industrial, consumer and non-consumer goods from the above-mentioned materials, to manufacture, procure and produce all types of iron, steel, ferrous and non-ferrous alloys and to fabricate all its components, raw materials and finished products for the relating industrial consumers and non-consumers purposes direct or indirect.”</i> |
| A(iv) | <i>“To carry on in India or elsewhere the business to generate, receive, produce, improve buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power in all its branches of such place or places as may be permitted by appropriate authorities by establishments of thermal power plants, hydel power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy as may be developed or invented in future.”</i> |
| A(v) | <i>“To act as consultant, advisor, conciliator in all its branches such as commercial, industrial, manufacturing, construction, production, engineering, engineering construction, marketing, sales promotion, corporate management, business management, banking, loan syndication, research and developments, quality control, technical know-how, etc. in India or elsewhere to any person (s) or Company (ies) carrying on or engaged in or about to carry on or engaged in any business (es) or transaction (s) which the Company is authorized to carry on.”</i> |

Major Events

| Calendar Year | Event |
|----------------------|---|
| 1983 | Incorporation of the Company as 'Jawahar Metals Industries Private Limited' |
| 1989 | Conversion of the Company into deemed public limited company and change of name to 'Jawahar Metals Industries Limited' |
| 1992 | Change of name of the Company to 'Bhushan Steel and Strips Limited' |
| 2007 | Change of the name of the Company to 'Bhushan Steel Limited' |
| 2010 | Stock split of the Equity Share capital of the Company by sub-division of each equity share of face value of ₹ 10 of the Company into five Equity Shares of face value of ₹ 2 |
| 2011 | The Promoters entered into the Settlement with Sanjay Singal and others |

OUR MANAGEMENT

The Articles of Association provide that the Board shall comprise a minimum of three directors (“**Directors**”) and a maximum of 15 Directors (excluding nominee Directors). As on the date of this Draft Letter of Offer, we have 10 Directors, of whom five are independent Directors, in accordance with the requirements of Listing Agreements.

The following table sets forth details regarding the Board as on date of filing of this Draft Letter of Offer:

| Name Designation, Occupation, Age, DIN and Term | Age | Address | Other directorships |
|--|-----|--|--|
| <p><i>Brij Bhushan Singal</i></p> <p>Designation: Whole-time Director (Chairman)</p> <p>Occupation: Industrialist</p> <p>DIN: 00083406</p> <p>Term: Liable to retire by rotation</p> | 75 | W 29, Greater Kailash II, New Delhi 110 048, India | <p>Public Companies</p> <ul style="list-style-type: none"> - Aayushi Credit and Capital Services Limited - Bhushan Energy Limited - Bhushan Steel Bengal Limited - Bhushan Steel Madhya Bharat Limited - Bhushan Steel (Orissa) Limited - Bhushan Steel (South) Limited - Shriraj Investment and Finance Limited - <p>Private Companies</p> <ul style="list-style-type: none"> - Benreeza Estates and Investments Private Limited - Bhushan Capital and Credit Services Private Limited - Bhushan Consumer Electronics Private Limited - Bhushan Energy Trading Private Limited - Bhushan Export Private Limited - Bhushan Finance Private Limited - Bhushan General Traders Private Limited - Bhushan Infrastructure Private Limited - Bhushan Natural Resources Private Limited - Bhushan Placement Services Private Limited - Jawahar Credit and Holdings Private Limited - Marsh Capital Services Private Limited - NRA Cement Private Limited - Nucleus Steel Private Limited - Paragon Securities Private Limited - Parakeet Finvest Private Limited - Perpetual Securities Private Limited - Pitties Strips Private Limited - Robust Transportation Private Limited - SRN Minerals and Mining Private Limited - Sukhna Steel Private Limited - UNA Steel Private Limited <p>Companies under Section 25 of the Companies Act</p> <ul style="list-style-type: none"> - Kishorilal Shantidevi Charitable Foundation <p>Foreign Companies</p> <ul style="list-style-type: none"> - Bowen Energy Limited |
| <p><i>Neeraj Singal</i></p> <p>Designation: Whole-time Director (Vice-Chairman and Managing Director)</p> <p>Occupation: Industrialist</p> <p>DIN: 00078057</p> | 44 | W 29, Greater Kailash II, New Delhi 110 048, India | <p>Public Companies</p> <ul style="list-style-type: none"> - Aayushi Credit and Capital Services Limited - Bhushan Aviation Limited - Bhushan Energy Limited - Bhushan Steel Bengal Limited - Bhushan Steel Madhya Bharat Limited - Bhushan Steel (Orissa) Limited - Bhushan Steel (South) Limited <p>Private Companies</p> |

| Name Designation, Occupation, Age, DIN and Term | Age | Address | Other directorships |
|---|-----|---|---|
| Term: Five years from October 1, 2009 | | | <ul style="list-style-type: none"> - Andal East Coal Private Limited - Benreeza Estates and investments Private Limited - Bhushan Capital and Credit Services Private Limited - Bhushan Consumer Electronics Private Limited - Bhushan Energy Trading Private Limited - Bhushan Export Private Limited - Bhushan General Traders Private Limited - Bhushan Infrastructure Private Limited - Bhushan Natural Resources Private Limited - Bhushan Placement Services Private Limited - Jawahar Credit and Holdings Private Limited - Marsh Capital Services Private Limited - NRA Cement Private Limited - Nucleus Steel Private Limited - Parakeet Finvest Private Limited - Paragon Securities Private Limited - Perpetual Securities Private Limited - Pitties Strips Private Limited - Robust Transportation Private Limited - SRN Minerals and Mining Private Limited - Sukhna Steel Private Limited - UNA Steel Private Limited |
| | | | <p>Companies under Section 25 of the Companies Act</p> <ul style="list-style-type: none"> - Kishorilal Shantidevi Charitable Foundation |
| | | | <p>Foreign Companies</p> <ul style="list-style-type: none"> - Bowen Energy Limited |
| <i>Nittin Johari</i> Designation: Whole-time Director (Director (Finance)) Occupation: Service DIN: 000278605 Term: Five years from June 1, 2010 | 48 | C 437, Sheikh Sarai, Phase I, New Delhi 110 017, India | <p>Public Companies</p> <ul style="list-style-type: none"> - Bhushan Aviation Limited <p>Foreign Companies</p> <ul style="list-style-type: none"> - Bowen Energy Limited |
| <i>Rahul Sen Gupta</i> Designation: Whole-time Director (Director (Technical)) Occupation: Service DIN: 00344357 Term: Five years from June 1, 2010 | 52 | House No. 318, Navniti Apartments, 51, I.P. Extension, Patparganj, 110 090, India | <p>Public Companies</p> <ul style="list-style-type: none"> - Bhushan Aviation Limited |
| <i>Prem Kumar Aggarwal</i> Designation: Whole-time Director (Director (Commercial)) Occupation: Service | 57 | 117, Shubham Apartments, 37, Patparganj, New Delhi 110 092, India | <p>Private Companies</p> <ul style="list-style-type: none"> - Classic Transportation Private Limited - Bohea Properties Private Limited - Pittie Strips Private Limited - Track Casting India (Private) Limited <p>Foreign Companies</p> |

| Name Designation, Occupation, Age, DIN and Term | Age | Address | Other directorships |
|--|------------|--|---|
| DIN: 00162252 | | | - Bhushan Steel (Australia) PTY Limited |
| Term: Five years from April 30, 2009 | | | |
| <i>Mohan Lal</i> | 88 | 19 A, Udham Singh Nagar, Civil Lines, Ludhiana 141 001, India | Public Companies |
| Designation: Independent Director | | | - Jadika Industries Limited - Vallabh Steels Limited |
| Occupation: Advocate | | | |
| DIN: 00038656 | | | |
| Term: Liable to retire by rotation | | | |
| <i>Vinod Kumar Mehrotra</i> | 73 | FF 2, Rajnigandha II, Gulmohar Avenue, Gokhle Marg, Lucknow 226 001, India | Nil |
| Designation: Independent Director | | | |
| Occupation: Retired | | | |
| DIN: 00602560 | | | |
| Term: Liable to retire by rotation | | | |
| <i>Brij Behari Tandon</i> | 70 | J 238, 1 st Floor, Saket, New Delhi 110 017, India | Public Companies |
| Designation: Independent Director | | | - ACB (India) Limited - Adani Power Limited - Ambience Limited - Birla Corporation Limited - Dhampur Sugar Mills Limited - Exicom Tele-system Limited - Filatex India Limited - Jaiprakash Power Ventures Limited - Jaypee Infratech Limited - Lanco Anpara Power Limited - Oriental Carbon and Chemicals Limited - Precision Pipes and Profiles Limited - Vikas Global One Limited - V.L.S. Finance Limited |
| Occupation: Retired | | | |
| DIN: 00740511 | | | |
| Term: Liable to retire by rotation | | | |
| | | | Private Companies |
| | | | - Price Waterhouse Coopers Private Limited |
| | | | Companies under Section 25 of the Companies Act |
| | | | - Ambuja Cement Foundation |
| | | | Trusts |
| | | | - Jaiprakash Power Venture Limited Trust |
| <i>Malakapalli Venkata Suryanarayana</i> | 66 | 12-2-417/A/11, Gudimalkapur, Jaya Nagar, Hyderabad 500 028, India | Nil |
| Designation: Independent Director | | | |
| Occupation: Retired | | | |
| DIN: 00372812 | | | |

| Name Designation, Occupation, Age, DIN and Term | Age | Address | Other directorships |
|---|-----|--|---------------------|
| Term: Liable to retire by rotation | | | |
| <i>Sunita Sharma</i> | 52 | 3/301, Millennium Apartment, Plot 2, Sector 9, Dwarka 110 077, India | Nil |
| Designation: Nominee Director | | | |
| Occupation: Service | | | |
| DIN: 0294529 | | | |
| Term: Until directed to be removed/replaced by the Life Insurance Corporation of India | | | |

All our Directors are Indian residents. Further, except for Brij Bhushan Singal, who is the father of Neeraj Singal, none of our Directors are related to each other. Brij Bhushan Singal and Neeraj Singal are also the Promoters.

Sunita Sharma has been nominated in terms of Article 131 of the Articles of Association, by the Life Insurance Corporation of India Limited pursuant to letter dated January 11, 2010, as a Director on the Board.

Details of our Directors

Brij Bhushan Singal is a non-executive Director on the Board and holds the position of Chairman of the Company. He holds a bachelor's degree in law from the University of Delhi, New Delhi. He has over 50 years of experience in the steel industry. He is also one of the Promoters of the Company. He is primarily responsible for strategizing technological and equipment-related operations of the Company.

Neeraj Singal is an executive Director on the Board and holds the position of Vice-Chairman and Managing Director of the Company. He holds a bachelor's degree in arts from Punjab University. He has over 24 years of experience in the steel industry. Prior to joining the Board, he worked with various departments of the Company, and with Bhushan Metalics Limited as an executive director. He is also one of the Promoters of the Company. He is responsible for overseeing all operational aspects of the Company, and is actively involved in planning of expansion projects.

Nittin Johari is an executive Director on the Board and holds the position of Director (Finance) of the Company. He holds a master's degree in commerce from the University of Rohilkhand at Bareilly, and is also a fellow member of the ICAI. He has experience of nearly 26 years in areas including corporate finance, management information systems, budgeting, accounting and indirect taxation. Prior to joining the Board, he was employed as financial controller with WIMCO Limited, and in other capacities with companies including Century Textiles Limited and Modi Rubber Limited. He is responsible for financial management, treasury, foreign exchange management and financial accounting functions of the Company, alongside legal matters including income taxation.

Rahul Sen Gupta is an executive Director on the Board and holds the position of Director (Technical) of the Company. He holds a bachelor's degree of science in mechanical engineering from the University of Calcutta, Kolkata. He has nearly 31 years of experience in the steel industry. Prior to joining the Board, he was employed with Indian Oxygen Limited. He is responsible for functional areas, planning, project conceptualization and technology evaluation.

Prem Kumar Aggarwal is an executive Director on the Board and holds the position of Director (Commercial) of the Company. He holds a bachelor's degree in science from Punjabi University and is also a fellow member of the ICAI. He has more than 30 years of experience in accounts and corporate finance, and prior to joining the Board, worked as an assistant general manager with Bhushan Industries Limited and in other capacities with Amrit Banaspati Limited and the Himachal Pradesh State Forest Corporation. He is responsible for the overseeing of commercial and legal matters involving the Company, including in particular indirect taxation

disputes.

Mohan Lal is an independent Director on the Board. He holds a master's degree in arts and a bachelor's degree in law, both from the University of Delhi at New Delhi. He has over 63 years of experience in the field of law, particularly in income taxation. He was designated a senior advocate.

Vinod Kumar Mehrotra is an independent Director on the Board. He holds a master's degree in commerce and a bachelor's degree in law from the University of Delhi, New Delhi. He also holds a certified associateship with the Indian Institute of Banking. He has nearly 38 years of experience in the banking industry. Prior to joining the Board, he was employed with numerous banks, including with the State Bank of India as the Deputy Managing Director.

Brij Bihari Tandon is an independent Director on the Board. He holds a master's degree in economics and a bachelor's degree in law from the University of Delhi, New Delhi, as well as a certificate of associateship from the Indian Institute of Bankers. Prior to joining the Board, he served as an officer of the Indian Administrative Service and has nearly 47 years of experience in such position. He served as the Chief Election Commissioner of India and the Election Commissioner of India, and also held numerous positions including as member of the delimitation commission of India, the Secretary to the Ministry of Personnel, Public Grievances and Pensions, GoI and the Secretary to the Ministry of Mines, GoI.

Malakapalli Venkata Suryanarayana is an independent Director on the Board. He is a fellow member of the ICAI. He has over 35 years of experience with the Life Insurance Corporation of India, and held various positions during his tenure, retiring as the executive director (audit). He joined the Board as an independent Director, previously being on the Board as a nominee Director of the Life Insurance Corporation of India.

Sunita Sharma is a nominee Director on the Board. She holds a master's degree in science from the University of Delhi at New Delhi. She has been nominated to the Board pursuant to letter dated January 11, 2010 from the Life Insurance Corporation of India. She has over 32 years of experience in working with the Life Insurance Corporation of India, and has held worked in different departments including housing finance and accounts, and has held positions such as secretary (personnel and industrial relations) and chief (personnel) of the Life Insurance Corporation of India.

Arrangement or Understanding with Major Shareholders, Customers, Suppliers or Others

As on the date of this Draft Letter of Offer, except Sunita Sharma, who has been nominated to the Board by the Life Insurance Corporation of India Limited, none of the Directors on the Board have been appointed pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others.

Details of Service Contracts

As on the date of this Draft Letter of Offer, none of the Directors on the Board have entered into service contracts with the Company providing for benefits upon termination of employment.

Other Confirmations

None of the Directors is or was a director on any listed companies during the five years immediately preceding the date of filing of the Draft Letter of Offer and until date, whose shares have been or were suspended from being traded on the Stock Exchanges, during the term of their directorship in such companies.

Except in respect of the Company, none of our Directors is or was a director on any listed companies which have been or were delisted from the any stock exchange, during the term of their directorship in such companies. For details of delisting of the Equity Shares of the Company, see "*History and Certain Corporate Matters*" on page 62.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT

To

**The Shareholders of
BHUSHAN STEEL LIMITED**

We have audited the attached Balance Sheet of BHUSHAN STEEL LIMITED as on 31st March, 2011 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred 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, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the accounts, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by the report comply with the requirements of Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;
 - ii) in the case of the Profit and Loss Account, of the Profit of the company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R.K. MEHRA
Partner
M. No.: 6102

Place: New Delhi
Dated: July 29, 2011

ANNEXURE

(Referred to in paragraph 1 of our report of even date)

- i) In Respect of its Fixed Assets :
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Fixed Assets covering significant value were physically verified during the year by the Management at such intervals which in our opinion, provides for the physical verification of all the Fixed Assets at reasonable interval having regard to the size of the Company and nature of its business. According to the information and explanations given to us by the Management, no material discrepancies have been noticed on such verification.
 - c) No substantial part of fixed assets have been disposed off during the year.
- ii) In Respect of its Inventory :
 - a) As per information & explanations given to us, the inventory of finished goods, semi-finished goods and raw material at works were during the year physically verified by the management. In respect of Stores and Spare Parts and stock at yards in the custody of the third party and stocks in transit were verified with the confirmation or statement of account or correspondence of the third parties or subsequent receipt of goods.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories of the Company followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories, no material discrepancies were noticed on such physical verification.
- iii) In our opinion and according to information & explanations given to us, the company has not taken/granted any loans, secured or unsecured from / to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, having regard to explanation that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our Audit we have not observed any continuing failure to correct major weaknesses in such internal control system.
- v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us.
 - a) The particular of contracts or arrangements referred to Section 301 that needed to be entered in the register maintained under the said Section have been so entered.
 - b) Where each of such transaction is in excess of Rs. 5 Lacs in respect of any party, the transaction have been made at a price which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi) To the best of our knowledge, the company has not accepted any deposits covered under section 58A and 58AA or any other provisions of the Companies Act, 1956.

- vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and the nature of its business.
- viii) To the best of our knowledge, the Central Government has prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, which have been maintained by the company and these have been broadly reviewed by us and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not, nor we are required, carried out any detailed examination of such accounts and records.
- ix) According to the information and explanations given to us, in respect of statutory dues :
- a) The Company has generally been regular in depositing undisputed dues including Provident Fund, Investors' Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax/VAT, Wealth Tax, Custom Duty, Excise Duty, Cess, Service Tax and any other statutory dues applicable to it with the appropriate authorities.
- b) There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Excise Duty, Cess, and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they become payable.
- c) The disputed statutory dues aggregating Rs. 23228.45 Lacs that have not been deposited on account of disputed matters pending before appropriate authorities are as under :

| Name of the Statute | Nature of the Dues | Amount (Rs. in Lacs) | Period to which amount related | Forum where dispute is pending |
|------------------------------|---|---------------------------------|---------------------------------------|--|
| The Central Excise Act, 1944 | Differential Duty on material supplied to earthquake victims | 0.31 | F.Y. 2001-02 | Commissioner CESTAT |
| | Seizure | 0.60 | Jan. 2002 | High Court, Allahabad |
| | Job work challan | 0.50 | Oct.2000 to Nov.2000 | High Court, Allahabad |
| | Modvat on Welding Electrodes | 0.40 0.46 | April – May 1998 | High Court, Allahabad |
| | Demand of Excise duty, refunded by the authorities, on returned of Imported Capital Goods | 0.52 | Sept.2003 | High Court, Allahabad |
| | Modvat on Tank Fitted on Trailer for Temporary storage used in emergency | 2.16 | Jan.1999 | Commissioner CESTAT |
| | Rejection of Cenvet credit on steel, cement , welding electrodes, sleepers,fuel oil etc. | 14,355.74 | Aug, 2005 to July, 2009 | CESTAT (Kolkatta) & Commissioner(A) |
| | | 113.11 | Oct, 2003 to Sep, 2005 | CESTAT |
| | Rejection of Cenvet Credit on HR Coils used for manufacture of HR Sheets etc. | 353.06 | Mar, 2005 to Jan, 2010 | Appeal under preparation |
| | Duty Demanded without considering credit and abatement | 257.10 | July, 2001 to May, | Commissioner(A) |

| | | | | |
|-------------|--|----------|---|------------------------------|
| | of freight | | 2003 | |
| | Duty Demanded on account of Under valuation | 1,259.80 | Oct, 1996 to Sep, 2000 | CESTAT |
| | Demand of Excise Duty on removal of Zinc Dross and Ash | 391.76 | Dec, 2006 to Feb, 2009 | CESTAT |
| | Rejection of Cenvat credit on Capital Goods | 90.43 | F.Y. 2001-2002 & F.Y. 2002-2003 | CESTAT |
| | | 0.72 | F.Y. 2007-2008 | Commissioner(A) |
| Service Tax | Service Tax on import of service | 653.69 | Dec, 2005 to Aug, 2008 | CESTAT |
| | Service Tax on Export of Goods by CHA & others | 52.33 | Dec, 2004 to Nov, 2007 | CESTAT |
| | | 40.60 | May, 2005 to Mar, 2010 | CCE(A) |
| Sales Tax | Penalty on Trade Tax (Net of Rs. 0.38 Lacs paid under protest) | 0.75 | F.Y.1993-1994 | Tribunal Trade Tax Ghaziabad |
| Entry Tax | Entry Tax (Net of Rs. 1290 Lacs paid under protest) | 5,654.41 | Various year up to 31 st March, 2011 | Supreme Court |

- x) The Company has no brought forward losses and has not incurred any cash losses during the financial year covered by our Audit and in the immediate preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks or Debenture holders.
- xii) On the basis of verification of accounts and records maintained by the Company and to the best of our knowledge and belief, the Company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provision of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- xiv) To the best of our knowledge and according to information given to us, the Company is not a dealer or trader in securities. The Company has invested in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts, and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.
- xv) To the best of our knowledge and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks/ Financial Institutions.
- xvi) To the best of our knowledge and according to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained, other than temporary deployment pending application.
- xvii) In our opinion and according to the information and explanations given to us and on an overall examination of Balance Sheet, we report that no funds raised on short term basis have not been used during the year for long term investments.
- xviii) According to the information and explanations given to us, the Company has made preferential allotment of Preference Shares during the year to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956. In our opinion and according to information and explanations given to us, the price, at which Preference Shares have been issued, is

not prejudicial to the interest of the Company.

- xix) To the best of our knowledge and according to the information and explanations given to us, the Company has created securities/ charges as on the date of our report, in respect of Secured Debentures issued to the satisfaction of the Trustee of the Debentures.
- xx) According to the information and explanations given to us, the Company has not raised any money by Public Issue during the year.
- xxi) Based upon the audit procedure performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R.K. MEHRA
Partner
M. No.: 6102

Place: New Delhi
Dated: July 29, 2011

BHUSHAN STEEL LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in lacs)

| | SCHEDULE NO. | As at 31.03.2011 | As at 31.03.2010 |
|--|-----------------|----------------------------|----------------------------|
| SOURCES OF FUNDS: | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 11,115.77 | 7,915.47 |
| Reserves & Surplus | 2 | <u>578,525.11</u> | <u>391,251.59</u> |
| | | <u>589,640.88</u> | <u>399,167.06</u> |
| Loan Funds | | | |
| Secured Loans | 3 | 1,239,185.17 | 832,696.00 |
| Unsecured Loans | 4 | <u>420,078.33</u> | <u>307,714.53</u> |
| | | <u>1,659,263.50</u> | <u>1,140,410.53</u> |
| Deferred Tax Liability (Net) (Refer Note No.13 of Schedule 17) | | <u>69,831.83</u> | <u>32,953.82</u> |
| Total | | <u><u>2,318,736.21</u></u> | <u><u>1,572,531.41</u></u> |
| APPLICATION OF FUNDS: | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 1,442,440.30 | 368,589.43 |
| Less: Depreciation | | <u>185,810.83</u> | <u>160,657.03</u> |
| Net Block | | 1,256,629.47 | 207,932.40 |
| Capital Work in Progress | | <u>739,321.48</u> | <u>1,110,932.50</u> |
| | | <u>1,995,950.95</u> | <u>1,318,864.90</u> |
| Investments | 6 | 27,773.03 | 37,004.46 |
| Current Assets, Loans & Advances | | | |
| Inventories | 7 | 316,840.55 | 196,267.17 |
| Sundry Debtors | 8 | 48,353.31 | 73,392.31 |
| Cash & Bank Balances | 9 | 3,507.90 | 12,019.78 |
| Loans & Advances | 10 | <u>133,067.77</u> | <u>95,341.57</u> |
| | | <u>501,769.53</u> | <u>377,020.83</u> |
| Less :Current Liabilities & Provisions | | | |
| Current Liabilities | 11 | 201,915.25 | 156,713.36 |
| Provisions | 12 | <u>4,842.05</u> | <u>3,645.42</u> |
| | | <u>206,757.30</u> | <u>160,358.78</u> |
| Net Current Assets | | <u>295,012.23</u> | <u>216,662.05</u> |
| Total | | <u><u>2,318,736.21</u></u> | <u><u>1,572,531.41</u></u> |
| Significant Accounting Policies | 16 | | |
| Notes on Accounts | 17 | | |

BHUSHAN STEEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| | | | | (Rs. in lacs) |
|---|----------|--------------------|------------------|-------------------|
| | SCHEDULE | Year Ended | | Year Ended |
| | NO. | 31.03.2011 | | 31.03.2010 |
| INCOME | | | | |
| Sales of Products | | 754,347.45 | 597,398.64 | |
| Less: Excise Duty | | <u>57,581.78</u> | <u>36,271.77</u> | 561,126.87 |
| Export Incentives | | 3,280.58 | | 2,908.16 |
| Other Income | 13 | 6,951.28 | | 11,777.66 |
| TOTAL INCOME | | 706,997.53 | | 575,812.69 |
| EXPENDITURE | | | | |
| Manufacturing & Other Expenses | 14 | 497,006.87 | | 418,761.43 |
| Profit Before Interest, Depreciation and Tax | | 209,990.66 | | 157,051.26 |
| Interest & Financial Charges | 15 | 44,641.08 | | 21,001.21 |
| Profit Before Depreciation and Tax | | 165,349.58 | | 136,050.05 |
| Depreciation | | 27,784.53 | | 20,913.56 |
| Profit Before Tax | | 137,565.05 | | 115,136.49 |
| Less: -Income Tax | | | | |
| -Current Tax | | 27,420.75 | 19,570.00 | |
| -MAT Credit Utilised/(Available for Setoff) | | <u>(27,242.30)</u> | 2,665.00 | |
| -Deferred Tax | | <u>36,878.01</u> | <u>8,321.83</u> | 30,556.83 |
| Profit After Tax | | 100,508.59 | | 84,579.66 |
| Profit Brought Forward from Previous Year | | <u>7,208.33</u> | | <u>7,318.24</u> |
| Profit Available For Appropriation | | 107,716.92 | | 91,897.90 |
| APPROPRIATIONS | | | | |
| Proposed Dividend on Equity shares | | 1,061.79 | | 1,061.79 |
| Proposed Dividend on Preference Shares | | 370.14 | | 23.31 |
| Provision For Dividend Tax | | 232.30 | | 180.22 |
| Transferred to Debenture Redemption Reserve | | 5,475.00 | | 1,975.00 |
| Release from Debenture Redemption Reserve | | <u>(1,000.00)</u> | | - |
| Transferred to General Reserve | | 101,200.00 | | 81,449.25 |
| Balance Carried Forward to Balance Sheet | | <u>377.69</u> | | <u>7,208.33</u> |
| | | 107,716.92 | | 91,897.90 |
| Basic Earning Per Share (Rs.) | | 47.13 | | 39.82 |
| Diluted Earning Per Share (Rs.) | | 47.13 | | 39.82 |
| Nominal Value of Share (Rs.) | | 2.00 | | 2.00 |
| (Refer Note No.15 of Schedule17) | | | | |
| Significant Accounting Policies | 16 | | | |
| Notes on Accounts | 17 | | | |

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2011

| | (Rs. In lacs) | |
|--|--------------------|--------------------|
| | Current Year | Previous Year |
| (A) CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net Profit before tax and extraordinary items | 137,565.05 | 115,136.49 |
| Adjustments for : | | |
| Depreciation | 27,784.53 | 20,913.56 |
| Provisions (Retirement Benefits) | 426.92 | 188.21 |
| Interest & Financial Charges | 44,641.08 | 21,001.21 |
| Interest/Dividend Income on Investment | (462.75) | (263.77) |
| Interest Income (others) | (1,781.16) | (2,398.43) |
| Profit on Sale of Investment | (156.76) | (0.21) |
| Loss / (Profit) on Sale of Fixed Assets | (154.64) | (131.55) |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| Loss / (Gain) on Exchange Rate Change | 2,581.45 | (3,511.88) |
| Sales Tax Subsidy | 4,120.46 | 2,383.82 |
| | 77,203.45 | 38,468.28 |
| Operating Profit Before Working Capital Changes | 214,768.50 | 153,604.77 |
| Adjustments for : | | |
| Increase(-) / Decrease in Inventories | (120,573.38) | (73,231.28) |
| Increase(-) / Decrease in Other Receivables | 24,840.84 | (11,708.77) |
| Increase(-) / Decrease in Loans & Advances | (10,500.91) | (21,079.60) |
| Increase / Decrease(-) in Trade Payables | 23,727.48 | 10,726.96 |
| | (82,505.97) | (95,292.69) |
| Cash Flow from Operating Activities | 132,262.53 | 58,312.08 |
| Direct Tax Paid (Net of Refund) | (27,192.58) | (18,607.93) |
| Net Cash Flow from Operating Activities | 105,069.95 | 39,704.15 |
| (A) | | |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets | (564,404.73) | (290,274.80) |
| Sale of Fixed Assets | 190.28 | 148.48 |
| Purchase of / Adv.for Investments in subsidiary /joint venture | (5,171.51) | (3,787.56) |
| Purchase of Investment – Others | (35,422.52) | (22,608.64) |
| Sale of Investments | 50,630.18 | 500.21 |

| | | |
|--|---------------------|---------------------|
| Interest Income | 2,382.80 | 2,399.79 |
| Dividend Income | 45.70 | 5.37 |
| Net Cash Used In Investing Activities (B) | (551,749.80) | (313,617.15) |

(C) CASH FLOW FROM FINANCING ACTIVITIES :

| | | |
|--|-------------------|-------------------|
| Interest & Financial Charges Paid | (161,213.97) | (101,651.28) |
| Proceeds From Cash Credit from Banks(Net) | 27,768.44 | 6,865.64 |
| Proceeds From Other Borrowings | 485,229.77 | 299,376.98 |
| Proceeds From Share / Share Application Money | 87,509.00 | 70,005.00 |
| Dividend Paid | (945.05) | (919.93) |
| Dividend Tax Paid | (180.22) | (180.45) |
| Net Cash Flow From Financing Activities (C) | 438,167.97 | 273,495.96 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | (8,511.88) | (417.04) |
| Opening Balances of Cash and Cash Equivalents | 12,019.78 | 12,436.82 |
| Closing Balances of Cash and Cash Equivalents | 3,507.90 | 12,019.78 |

Note:-

- i) The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard (AS) - 3 on 'Cash Flow Statement'.
- ii) Cash and Cash equivalents include Rs. 820.72 Lacs (Previous Year Rs. 680.67 Lacs) in respect of unclaimed dividend, the balance of which is not available to the Company.
- iii) Figures in brackets represent cash out flow.

As per our report of even date attached
For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R .K .MEHRA
PARTNER
M. No. 6102

B.B.SINGAL
CHAIRMAN

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING DIRECTOR

PANKAJ KUMAR
HEAD (ACCOUNTS)

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE)

O.P. DAVRA
COMPANY SECRETARY

Place: New Delhi
Dated: July 29, 2011

BHUSHAN STEEL LIMITED**SCHEDULES FORMING PART OF THE ACCOUNTS**

| | As at 31.03.2011 | As at 31.03.2010 |
|---|----------------------------|---------------------|
| SCHEDULE-1 SHARE CAPITAL | | |
| Authorised | | |
| 40,00,00,000 Equity Shares of Rs.2/- Each (Previous Year 8,00,00,000 Equity Shares of Rs.10/- Each) | 8,000.00 | 8,000.00 |
| 70,00,000 (Previous Year 45,00,000) Preference Shares of Rs.100/- Each | 7,000.00 | 4,500.00 |
| | 15,000.00 | 12,500.00 |
| Issued | | |
| 21,64,48,000* Equity Shares of Rs.2/- Each (Previous Year 4,32,89,600* Equity Shares of Rs.10/- Each) | 4,328.96 | 4,328.96 |
| 51,68,600 (Previous Year 36,68,300) 10% Redeemable Cumulative Preference Shares of Rs.100/- each | 5,168.60 | 3,668.30 |
| 9,00,000 (Previous Year Nil) 4% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 900.00 | - |
| 8,00,000 (Previous Year Nil) 25% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 800.00 | - |
| | 11,197.56 | 7,997.26 |
| Subscribed & Paid Up | | |
| 21,23,58,310* Equity Shares of Rs.2/- Each (Previous Year 4,24,71,662* Equity Shares of Rs.10/- each) fully paid up | 4,247.17 | 4,247.17 |
| 51,68,600 (Previous Year 36,68,300) 10% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 5,168.60 | 3,668.30 |
| 9,00,000 (Previous Year Nil) 4% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 900.00 | - |
| 8,00,000 (Previous Year Nil) 25% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 800.00 | - |
| | 11,115.77 | 7,915.47 |
| *(Of the above 10,47,74,600 (Previous Year 2,09,54,920) Equity Shares were allotted on conversion of Debentures) | | |

SCHEDULE-2 RESERVES & SURPLUS

Capital Reserve:

| | | |
|--------------------------------|-----------------|----------|
| At Commencement of the year | 2,428.70 | 44.88 |
| Add : Addition during the year | 4,120.46 | 2,383.82 |
| | 6,549.16 | 2,428.70 |

Debenture Redemption Reserve :

| | | |
|-----------------------------|-----------------|----------|
| At Commencement of the year | 7,400.00 | 5,425.00 |
|-----------------------------|-----------------|----------|

| | | |
|--------------------------------------|-------------------|-------------------|
| Add : From Profit & Loss Account | <u>5,475.00</u> | <u>1,975.00</u> |
| | 12,875.00 | 7,400.00 |
| Less : To Profit & Loss Account | <u>1,000.00</u> | <u>-</u> |
| | 11,875.00 | 7,400.00 |
| Securities Premium Account: | | |
| At Commencement of the year | 131,814.56 | 25,433.86 |
| Add : Addition during the Year | <u>84,308.70</u> | <u>106,380.70</u> |
| | 216,123.26 | 131,814.56 |
| General Reserve: | | |
| At Commencement of the year | 242,400.00 | 160,950.75 |
| Add : From Profit & Loss Account | <u>101,200.00</u> | <u>81,449.25</u> |
| | 343,600.00 | 242,400.00 |
| Surplus as per Profit & Loss Account | <u>377.69</u> | <u>7,208.33</u> |
| | 578,525.11 | 391,251.59 |

(Rs. in lacs)

| | | |
|--|-------------------|-------------------|
| | As at | As at |
| | 31.03.2011 | 31.03.2010 |

SCHEDULE-3 SECURED LOANS

Debentures

| | | |
|---|-------------------------|------------------|
| 60 8.15 % Redeemable Non Convertible Debentures of Rs.100 Lac each {See Foot Note No.1 & 6} | 4,000.00 | 6,000.00 |
| 1000 10.20 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.2 &6} | 10,000.00 | 10,000.00 |
| 3000 (Previous Year Nil) 10.50 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.3 & 6} | 30,000.00 | - |
| 100 12 % Redeemable Non Convertible Debentures of Rs.100 Lac each {See Foot Note No.4 & 7} | 10,000.00 | 10,000.00 |
| 1750 (Previous Year Nil) 10.90 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.5 & 6} | 17,500.00 | - |
| | <u>71,500.00</u> | <u>26,000.00</u> |

Cash Credit (See Foot Note No.8)

From Banks

| | | |
|---------------------------|------------------|------------------|
| a) Foreign Currency Loans | 41,909.19 | 6,454.91 |
| b) Rupee Loans | <u>39,259.57</u> | <u>46,945.41</u> |
| | 81,168.76 | 53,400.32 |

Term Loan (See Foot Note No.9)

1. From Banks

| | | |
|---------------------------|---------------------|-------------------|
| a) Foreign Currency Loans | 334,508.52 | 175,835.80 |
| b) Rupee Loans | <u>739,017.84</u> | <u>560,541.26</u> |
| | 1,073,526.36 | 736,377.06 |

2. From Financial Institutions

| | | |
|---|----------------------------|--------------------------|
| Rupee Loans | 12,942.80 | 16914.24 |
| Vehicle Loan from Bank (See Foot Note No.10) | 47.25 | 4.38 |
| | <u>1,239,185.17</u> | <u>832,696.00</u> |

The amount of loan includes interest due and accrued thereon.

Foot Note:

(1) 8.15% Redeemable Non-Convertible Debentures are redeemable at par in three equal annual installments commencing from 4th year from the date of disbursement i.e.24.04.2006. Rs 33.33 Lacs (Previous Year Nil) per Debenture have been redeemed during the year.

(2) 10.20% Redeemable Non-Convertible Debentures are redeemable at par in one bullet payment at the end of 7th year from the date of allotment i.e. 26.03.2007.

(3) 10.50 % Redeemable Non-Convertible Debentures are redeemable at par in three equal annual installments commencing from the end of 6th year from the date of allotment i.e.13.08.2010.

(4) 12% Redeemable Non-Convertible Debentures (subordinate debt) are redeemable at par in one bullet payment at the end of 10th year from the date of allotment i.e. 31.03.2008.

(5) 10.90 % Redeemable Non-Convertible Debentures are redeemable at par in Four equal annual installments commencing from the end of 5th year from the deemed date of allotment i.e.26.08.2010.

(6) Secured by first charge on pari passu basis inter-se on the fixed assets of the Company.

(7)Secured by Subsequent and subservient charge by way of hypothecation on the present and future assets of the company so as to maintain minimum asset coverage of 1.25 times, throughout the currency of the Debentures. Debentures are further secured by pledge of Equity Shares of Bhushan Steel Limited, having market value not less than 1.5 times of loans, held by promoters/ promoter entities, and Personal Guarantee of two promoter directors.

(8) Secured by hypothecation of stocks & book debts, second charge on company's land, building and other immovable properties ranking pari passu inter-se, personal guarantee of two promoter directors.

(9) Secured by mortgage of land & building and charge on all of the company's immovable & movable properties (except book debts) both present and future including movable machinery, spares, tools & accessories, ranking pari passu inter-se, with the trustee of Debentures holders subject to prior charges created in favour of banks on stocks etc. for securing borrowing for working capital requirement, except Rs. 180368 Lacs (Previous Year Rs.118277 Lacs) secured by subsequent and subservient charge on movable assets. The above includes Rs.105599 Lacs (Previous Year Rs.104955 Lacs) on which security by way of mortgage of land & building and charges on all the company's immovable properties is yet to be created. Out of these loans Rs. 846422 Lacs (Previous Year Rs. 572098 Lacs) is guaranteed by personal guarantee of two promoter directors and Rs. 240047 Lacs (Previous Year Rs. 171119 Lacs) is guaranteed by personal guarantee of one promoter director. Foreign currency loans include ECA loans of Rs.146366 Lacs (Previous Year Rs.121171 Lacs) secured by specific charge on the assets financed and personal guarantee of two promoter directors.

(10) Secured by hypothecation of specific assets.

| | (Rs. in lacs) |
|--|----------------------|
| | As at |
| | 31.03.2011 |
| | 31.03.2010 |

SCHEDULE-4 UNSECURED LOANS

Rupee Loans From Bank

| | | |
|----------------------------------|-------------------|------------|
| - Term Loan / Commercial Paper * | 262,079.04 | 180,465.31 |
|----------------------------------|-------------------|------------|

Foreign Currency Loans

| | | |
|-------------------------|-------------------|------------|
| - From Foreign Banks ** | 117,412.03 | 112,194.71 |
|-------------------------|-------------------|------------|

| | | |
|---------------------|------------------|-----------|
| - From Indian Banks | 39,210.71 | 13,440.00 |
|---------------------|------------------|-----------|

| | | |
|---------------|-------------------|-------------------|
| - From Others | <u>1,376.55</u> | <u>1,614.51</u> |
| | <u>157,999.29</u> | <u>127,249.22</u> |
| | <u>420,078.33</u> | <u>307,714.53</u> |

The amount of loan includes interest due and accrued thereon.

*Including Commercial Paper Rs.58500 Lacs (Previous Year Rs.10000 Lacs), maximum balance of Commercial Paper outstanding during the year Rs.70000 Lacs (Previous Year Rs.20000 Lacs), and are personally guaranteed by two promoter directors.

**Rs.98820 Lacs (Previous Year Rs.101730 Lacs), personally guaranteed by two promoter directors.

BHUSHAN STEEL LIMITED

SCHEDULE-5 FIXED ASSETS

(Rs. in lacs)

| DESCRIPTION OF ASSETS | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---------------------------------|-----------------------|--------------------------|----------------------|----------------------------|-----------------------|-------------------|------------------|------------------------------|----------------------------|-------------------|---------------------|------------------|
| | Cost as at 01.04.2010 | Addition During the Year | Sale During the Year | Adjustment During the Year | Cost as at 31.03.2011 | As at 01.04.2010 | During the Year | Written Back During the Year | Adjustment During the Year | Upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| <u>Tangible Assets</u> | | | | | | | | | | | | |
| - | | | | | | | | | | | | |
| Freehold Land | 14,817.45 | 1,909.10 | - | - | 16,726.55 | - | - | - | - | - | 16,726.55 | 14,817.45 |
| Leasehold Land | 7,177.64 | 1,976.86 | - | - | 9154.50 | 131.27 | 14.67 | - | - | 145.94 | 9,008.56 | 7,046.37 |
| Building | 76,731.67 | 188,272.72 | 3.27 | 349.62 | 264,651.50 | 10,458.44 | 4,946.08 | 1.66 | 349.62 | 15,053.24 | 249,598.26 | 66,273.23 |
| Railway Siding | 27.50 | 20,847.12 | - | - | 20,874.62 | 2.68 | 484.22 | - | - | 486.90 | 20,387.72 | 24.82 |
| Plant & Machinery | 262,851.74 | 861,527.28 | 694.88 | 3,384.38 | 1,120,299.76 | 146,190.20 | 20,764.00 | 680.39 | 3384.38 | 162,889.43 | 957,410.33 | 116,661.54 |
| Furniture & Fixtures | 1,296.13 | 125.40 | - | - | 1,421.53 | 718.64 | 118.62 | - | - | 837.26 | 584.27 | 577.49 |
| Vehicles | 4,168.77 | 1,011.44 | 84.23 | - | 5,095.98 | 1,901.98 | 405.16 | 64.69 | - | 2,242.45 | 2,853.53 | 2,266.79 |
| <u>Intangible Assets</u> | | | | | | | | | | | | |
| Computer Software | 420.96 | 63.69 | - | - | 484.65 | 385.36 | 39.04 | - | - | 424.40 | 60.25 | 35.60 |
| Assets Not Owned by Company | 1,097.57 | 2,633.64 | - | - | 3,731.21 | 868.46 | 2,862.75 | - | - | 3,731.21 | - | 229.11 |
| Total | 368,589.43 | 1,078,367.25 | 782.38 | 3,734.00 | 1,442,440.3 | 160,657.03 | 29,634.54 | 746.74 | 3,734.00 | 185,810.83 | 1,256,629.47 | 207,932.40 |

| | | | | | | | | | | | | |
|---|------------|-----------|--------|---|-------------------|------------|-----------|--------|---|-------------------|---------------------|--------------|
| | | | | | 0 | | | | | | | |
| Previous Year | 328,185.93 | 41,149.41 | 745.91 | - | 368,589.43 | 139,588.87 | 21,797.14 | 728.98 | - | 160,657.03 | | |
| Capital Work in Progress | | | | | | | | | | | 739,321.48 | 1,110,932.50 |
| [Includes Pre-operative expenses and advances to suppliers unsecured considered good] | | | | | | | | | | | | |
| | | | | | | | | | | | 1,995,950.95 | 1,318,864.90 |

NOTES :

1. Certain Buildings under possession of the Company are pending registration in the name of the Company.
2. No write off has been done for leasehold land acquired on lease of 90 years and more.
3. Additions to Plant & Machinery and Capital Work In Progress includes Adjustment on account of loss (previous year gain)of foreign exchange fluctuation for the year Rs.8046.82 Lacs (Previous Year Rs. 31119.58 Lacs).
4. Depreciation for the year includes Rs.1850.01 Lacs (Previous Year Rs.883.58 Lacs) charged to capital work in progress.
5. Adjustment During the year includes Rs.3734.00 Lacs (Previous Year Nil) amount of depreciation capitalised.

| | As at 31.03.2011 | As at 31.03.2010 |
|--|---------------------|---------------------|
| SCHEDULE-6 INVESTMENTS | | |
| LONG TERM INVESTMENTS (FULLY PAID) NON TRADE (AT COST) | | |
| QUOTED | | |
| Tata Steel Ltd. 13,500 Equity Shares of Rs. 10/- each | 58.08 | 58.08 |
| Sequent Scientific Ltd. (Earlier Known as P I Drugs & Pharmaceuticals Ltd.) 62,000 Equity Shares of Rs.10/- each | 43.58 | 43.58 |
| | 101.66 | 101.66 |
| UNQUOTED | | |
| Jawahar Credit & Holdings Limited 43,21,871 Equity Shares of Rs. 10/- each | 940.31 | 940.31 |
| Bhushan Capital & Credit Services Limited 43,21,871 Equity Shares of Rs. 10/- each | 940.31 | 940.31 |
| Bhushan Buildwell Pvt. Ltd. 4,900 Equity Shares of Rs. 10/- each | 0.49 | 0.49 |
| | 1,881.11 | 1,881.11 |
| TRADE (AT COST) | | |
| UNQUOTED | | |
| Bhushan Energy Limited 3,00,00,000 Equity Shares of Rs.10/- each | 10,500.00 | 10,500.00 |
| Andal East Coal Company Pvt. Ltd. 3,30,000(Previous Year 2,05,000) Equity Shares of Rs.10/- each | 145.50 | 20.50 |
| Saraswat Co-operative Bank Ltd. 2,500 (Previous Year Nil) Equity Shares of Rs.10/- each | 0.25 | - |
| In Subsidiaries | | |
| Bhushan Steel (Australia) Pty Ltd. 75,70,100 (Previous Year 39,99,929) Equity Shares of One AUD Per Share | 2,653.19 | 1,430.30 |
| Bhushan Steel Global FZE One Equity Share of One Million Dirhams | 111.53 | 111.53 |
| Bhushan Steel Madhya Bharat Limited 50,000 (Previous Year Nil) Equity Shares of Rs.10/- each | 5.00 | - |
| Bhushan Steel (Orissa) Limited 50,000 (Previous Year Nil) Equity Shares of Rs.10/- each | 5.00 | - |
| Bhushan Steel Bengal Limited | | |

| | | | | |
|--|------------------|------------------|------------------|-----------|
| 50,000 (Previous Year Nil) Equity Shares of Rs.10/- each | 5.00 | | - | |
| Bhushan Steel (South) Limited 50,000 (Previous Year Nil) Equity Shares of Rs.10/- each | 5.00 | | - | |
| | <u>13,430.47</u> | <u>15,413.24</u> | <u>12,062.33</u> | 14,045.10 |

**CURRENT INVESTMENTS
(FULLY PAID)
NON TRADE
QUOTED**

LIC MF Liquid Fund - Dividend Plan

Nil (Previous year 136639865.502) Units

- 15,003.19

UNQUOTED

Indusind Bank Limited

250 Redeemable Non Convertible Bonds of Rs.10,00,000/- each

2,475.00 2,475.00 2,475.00 17,478.19

ADVANCE FOR SHARE CAPITAL

17,888.24 31,523.29

In Subsidiaries

Bhushan Steel (Australia) Pty Ltd.

Share Application Money

5,884.79 5,081.17

Bhushan Steel (South) Limited

Share Application Money

3,000.00 8,884.79 - 5,081.17

In Others

Angul Sukinda Railway Ltd.

Share Application Money

1,000.00 400.00

TOTAL

27,773.03 37,004.46

As at

As at

31.03.2011

31.03.2010

Aggregate Value of

Book Value

Market Value

Book Value

Market Value

Quoted Investment

101.66

134.51

15,104.85

15,173.11

Unquoted Investment

17,786.58

-

16,418.44

-

(Rs. in lacs)

As at

As at

31.03.2011

31.03.2010

SCHEDULE-7 INVENTORIES

Raw Material

174,423.54

107,509.42

Finished Goods

79,296.48

39,775.54

Work-in-Progress

38,490.26

31,335.83

Stores

23,450.34

16,966.44

Scrap

1,179.93

679.94

316,840.55

196,267.17

SCHEDULE-8 SUNDRY DEBTORS

(Unsecured)

Outstanding for a Period exceeding Six Months

| | | |
|--------------------------|-------------------------|-------------------------|
| --Considered Good | 5,809.34 | 6,145.49 |
| --Considered Doubtful | <u>932.69</u> | <u>728.37</u> |
| | 6,742.03 | 6,873.86 |
| Less: Provision | <u>932.69</u> | <u>728.37</u> |
| | 5,809.34 | 6,145.49 |
| Others - Considered Good | <u>42,543.97</u> | <u>67,246.82</u> |
| | <u><u>48,353.31</u></u> | <u><u>73,392.31</u></u> |

SCHEDULE-9 CASH & BANK BALANCES

| | | |
|---|-----------------|------------------|
| Cash on Hand | 64.50 | 64.15 |
| Balances with Scheduled Banks | | |
| - In Current Accounts | 2,898.54 | 9,978.30 |
| - In Deposit Accounts* (Including interest accrued but not due) | 544.86 | 1,977.33 |
| * (Including Rs.8.57 Lacs (Previous Year Rs.776.06 Lacs under bank lien)) | <u>3,507.90</u> | <u>12,019.78</u> |

SCHEDULE-10 LOANS & ADVANCES

(Unsecured, considered good)

Advances Recoverable in Cash or in Kind or for Value to be Received

| | | |
|---|--------------------------|-------------------------|
| | 48,395.73 | 36,013.22 |
| Inter Corporate Deposit (Including Interest Accrued) | 7,923.80 | 10,050.00 |
| Security Deposits | 6,294.24 | 2,125.31 |
| MAT Recoverable | 27,242.30 | - |
| Balance with Excise Department Excise Duty Recoverable / Service Tax Recoverable | 15.72 | 24.21 |
| | <u>43,195.98</u> | <u>47,128.83</u> |
| | <u><u>133,067.77</u></u> | <u><u>95,341.57</u></u> |

SCHEDULE-11 CURRENT LIABILITIES

| | | |
|---|--------------------------|--------------------------|
| Sundry Creditors | 112,535.49 | 97,851.95 |
| Creditors for Capital Goods/ Expenditure | 84,060.25 | 55,563.48 |
| Unclaimed Dividend * | 820.72 | 680.67 |
| Due to Directors | 6.66 | 5.45 |
| Interest Accrued but not Due | <u>4,492.13</u> | <u>2,611.81</u> |
| | <u><u>201,915.25</u></u> | <u><u>156,713.36</u></u> |

* These figures do not include any amounts, due and outstanding, to be credited to Investors' Education and Protection Fund.

SCHEDULE-12 PROVISIONS

| | | |
|-------------------------|-----------------|----------|
| Proposed Dividend | 1,431.93 | 1,085.10 |
| Tax on Dividend | 232.30 | 180.22 |
| Provision For Tax (Net) | 1,875.62 | 1,504.82 |
| Retirement Benefits | 1,302.20 | 875.28 |
| | 4,842.05 | 3,645.42 |

(Rs. in lacs)**Year Ended**

Year Ended

31.03.2011

31.03.2010

SCHEDULE-13 OTHER INCOME

| | | |
|---|-----------------|----------|
| Profit on Sale of Non Trade Current Investments | 156.76 | 0.21 |
| Interest Earned* | | |
| -From Long Term Investments | 417.05 | 258.40 |
| -From Bank on FDRs | 6.01 | 0.57 |
| -From Others | 1,775.15 | 2,397.86 |
| | 2,198.21 | 2,656.83 |

*[Including Income Tax Deducted at Source Rs.153.91 lacs (Previous Year Rs.298.64 lacs) and Excluding interest earned of Rs41.96 lac (Previous Year Rs.41.60 lacs) transferred to Projects]

Dividend:

| | | |
|---|--------------|------|
| -From Long Term Non - Trade Investments | - | 2.18 |
| -From Current Non-Trade Investment | 45.70 | 3.19 |
| | 45.70 | 5.37 |

| | | |
|--------------------------------------|-----------------|-----------|
| Profit on Sale of Fixed Assets (Net) | 154.64 | 131.55 |
| Exchange Fluctuation (Net) | 4,313.68 | 8,554.52 |
| (Ref. Note No.17 of Schedule 17) | | |
| Miscellaneous Income | 82.29 | 429.18 |
| (Ref. Note No.18 of Schedule 17) | 6,951.28 | 11,777.66 |

| | (Rs. in lacs) | |
|--|-------------------|-------------------|
| | Year Ended | Year Ended |
| | 31.03.2011 | 31.03.2010 |
| SCHEDULE-14 | | |
| MANUFACTURING & OTHER EXPENSES | | |
| Raw Material Consumed | 427,688.65 | 385,757.82 |
| Purchase of Goods Traded | - | 641.98 |
| Stores Consumed | 20,020.59 | 16,407.22 |
| Packing Material Consumed | 2,839.79 | 2,470.54 |
| Power & Fuel | 52,202.52 | 21,498.03 |
| Repairs & Maintenance | | |
| - Plant & Machinery | 2,035.78 | 1,305.38 |
| - Buildings | 122.52 | 102.67 |
| Excise Duty Provided on Stock (Net) | 5,665.20 | 1,857.97 |
| Salary, Wages & Bonus | 21,463.87 | 13,349.34 |
| Contribution to P.F. and Other Funds | 414.40 | 498.50 |
| Staff Benefits | 335.48 | 245.72 |
| Rates & Taxes | 1,389.07 | 524.07 |
| Administrative Expenses | 33,026.74 | 17,415.10 |
| Legal & Professional Expenses | 892.38 | 783.90 |
| Rent | 418.43 | 402.07 |
| Insurance | 1,134.50 | 817.17 |
| Auditors' Remuneration | 77.00 | 70.00 |
| Selling & Distribution Expenses | 22,010.11 | 16,974.04 |
| Commission to Selling Agents | 477.43 | 464.20 |
| Bad Debts Written off | - | 24.83 |
| Less: Provision for Doubtful Debts Written back | - | 24.83 |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| | <u>592,418.78</u> | <u>481,873.04</u> |
| Increase/Decrease in Stock of Finished Goods, | | |
| Work-in-Progress and Scrap | | |
| Opening Stock | | |
| Finished Goods | 39,775.54 | 24,084.62 |
| Work-in-Progress | 31,335.83 | 16,325.08 |
| Scrap | 679.94 | 1,835.99 |
| | <u>71,791.31</u> | <u>42,245.69</u> |

| | | |
|--|--------------------|--------------------|
| Closing Stock | | |
| Finished Goods | 79,296.48 | 39,775.54 |
| Work-in-Progress | 38,490.26 | 31,335.83 |
| Scrap | 1,179.93 | 679.94 |
| | <u>118,966.67</u> | <u>71,791.31</u> |
| Net (Increase)/Decrease in Stock | <u>(47,175.36)</u> | <u>(29,545.62)</u> |
| | 545,243.42 | 452,327.42 |
| Less: Transfer to Project under Commissioning | | |
| Pre-operative Expenses / Trial Run Expenses (Net) | 44,373.43 | 30,176.25 |
| Cost of Material Transferred to Projects/ Internal Use | 3,863.12 | 3,389.74 |
| | <u>497,006.87</u> | <u>418,761.43</u> |

SCHEDULE-15 INTEREST & FINANCIAL CHARGES

| | | |
|---|------------------|------------------|
| Interest on : | | |
| - Debentures | 10,281.78 | 4,282.04 |
| - Term Loans | 112,715.13 | 80,569.12 |
| - Others | 11,689.20 | 8,575.15 |
| Exchange Fluctuation | 9,202.91 | - |
| Commission & Bank Charges | 19,205.27 | 7,143.65 |
| | 163,094.29 | 100,569.96 |
| Less: Borrowing cost transferred to Project Under Commissioning / Trial Run | 118,453.21 | 79,568.75 |
| | <u>44,641.08</u> | <u>21,001.21</u> |

SCHEDULE-16 SIGNIFICANT ACCOUNTING POLICIES

1. CONVENTION

Financial statements are prepared in accordance with generally accepted accounting principles, applicable Accounting Standards and in accordance with relevant requirements of the Companies Act, 1956. A summary of important accounting policies, which have been applied consistently, is set out below.

2. USE OF ESTIMATES

The preparation of Financial Statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

3. BASIS FOR PREPARATION OF ACCOUNTS

Financial statements are prepared in accordance with the historical cost convention on accrual basis.

4. FIXED ASSETS

Fixed Assets are stated at cost, net of Modvat/Cenvat/Vat/GST, less accumulated depreciation. All costs including borrowing costs till commencement of commercial production and adjustment arising from exchange rate variations relating to long term monetary items attributable to depreciable fixed assets are capitalised. Capital expenditure on assets not owned by the Company with exclusive right to use is reflected in capital work in progress till the period of completion and thereafter in the fixed assets. Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

5. INTANGIBLE ASSETS

Computer software is capitalized on the date of installation and is amortised over a period of three years.

6. IMPAIRMENT OF ASSETS

Carrying amount of cash generating units/assets is reviewed for impairment. Impairment, if any, is recognized where the carrying amount exceeds the recoverable amount being the higher of net realizable price and value in use.

7. DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except:

- a) Cold Rolling Plant situated at Sahibabad acquired prior to 1st April, 1996, Galvanizing Plant, Power Plant acquired before 1st April, 2002 including addition or, extension forming integral part of above plants on which depreciation is provided on written down value method.
- b) Plant situated at Khopoli (Maharashtra) on which depreciation has been provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

On incremental / decremental cost arising on account of translation of foreign currency liabilities for acquisition of Fixed Assets, depreciation has been provided as aforesaid over the residual life of the respective plants.

Capital expenditure on assets not owned by the company with exclusive right to use is amortized over a period of five years from the year in which the relevant assets have been completed and available for use. In other cases these are amortised in the year in which expenditure is incurred.

Premium on leasehold land is amortized over the period of lease except on leasehold land acquired on lease of ninety years or more. Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing Rs. 5000 or less are depreciated in full in the year of purchase.

8. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction. Monetary items denominated in foreign currency outstanding at the year end are translated at exchange rate applicable on the date of Balance Sheet. Non-monetary items denominated in foreign currency are valued at the exchange rate prevailing on the date of transaction. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases of long term monetary items, where these relate to the acquisition of depreciable fixed assets, are adjusted to the carrying cost of such assets and in other cases are amortized over the period of such long term monetary item or 31st March, 2012, whichever is earlier.

9. BORROWING COST

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

10. INVESTMENTS

Investments are classified into current investments and long term investments. Current investments are stated at the lower of cost and quoted / fair value. Long term investments are stated at cost, provision for diminution in the value of long term investments is made only if such a decline is other than temporary.

11. DIVIDEND INCOME

Dividend on investments is accounted for as and when the right to receive the same is established.

12. REVENUE RECOGNITION

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Sales are inclusive of sales during trial run, excise duty, custom duty and net of sales tax & discount. Export sales are net of ocean freight, insurance and discount.

13. INVENTORY VALUATION

Inventories are valued at lower of cost or net realisable value except scrap which is valued at net realisable value. The Cost is determined by using first-in-first-out (FIFO) method. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Excise Duty on closing stock of finished goods and scrap is accounted for on the basis of payments made in respect of goods cleared as also provision made for goods lying in the factory and included in the value of such stocks.

14. MODVAT /CENVAT/VAT

Modvat/Cenvat/VAT claimed on capital goods is credited to Assets / Capital work in progress account. Modvat/Cenvat/VAT on purchase of raw materials and other materials are deducted from the cost of such materials.

15. INCOME TAX

Provision for current income tax is made after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowance or otherwise, provision is made when the said liabilities are accepted by the Company.

Minimum Alternate Tax (MAT) paid in accordance with the Income Tax Act, 1961, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset.

In accordance with the Accounting Standard (AS)-22 "Accounting for Taxes on Income", the Deferred Tax Liability for timing differences between the book and tax profits is accounted for using the tax rates and tax laws that have been enacted or substantially enacted as of the Balance Sheet date. Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is virtual certainty that the assets can be realized in future.

16. CLAIMS

Claims receivables are accounted for depending on the certainty of receipt and claims payable are accounted for at the time of acceptance.

17. PROPOSED DIVIDEND

Dividend as proposed by the Directors is provided for in the books of accounts, pending approval at the Annual General Meeting.

18. EMPLOYEE BENEFITS

Short term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost. Long term employee benefits (which are payable after the end of twelve months from end of the period in which the employees render service) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and are recognized as an expense when employees have rendered services entitling them to the contribution.

Company's contribution to state defined contribution plans namely Employee State Insurance and Maharashtra Labour Welfare fund are made in accordance with the statute, and are recognized as an expense when employees have rendered services entitling them to the contribution.

The cost of providing leave encashment and gratuity, defined benefit plans, are determined using the Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The leave encashment and gratuity benefit obligations recognized in the balance sheet represent the present value of the obligations as reduced by the fair value of Plan Assets. Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the profit and loss account.

19. PROVISION AND CONTINGENT LIABILITY

Show cause notices issued by various government authorities are not considered as obligation. Where the demand notices are raised, the show cause notice, disputed by the company, are classified as possible obligation.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes.

20. FINANCIAL DERIVATIVES TRANSACTIONS

In respect of the financial derivative contracts the premium/ interest paid and profit/loss on settlement is charged to profit and loss account. The contracts entered into are mark to market at the year end and the resultant profit /loss is charged to profit and loss account except where these relate to long term monetary items attributable to depreciable fixed assets in which case it is adjusted to the cost of fixed assets.

SCHEDULE - 17 NOTES ON ACCOUNTS

| | | (Rs. In lacs) | |
|----|--|---------------|---------------|
| | | Current Year | Previous Year |
| 1. | Contingent Liabilities in respect of : | | |
| a) | Sales Tax | 0.75 | 0.75 |
| b) | Excise Duty/Service Tax | 17,573.31 | 4.95 |
| c) | Entry Tax | 5,654.41 - | |
| d) | Outstanding guarantees issued by the banks counter guaranteed by the company including letter of credits | 78,354.15 | 79,395.10 |
| e) | Bills Discounted | 18,647.66 | 11,524.91 |
| 2. | Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs.572893.35 Lacs (Previous Year Rs. 393176.57 Lacs) (Net of Advances). | | |
| 3. | There is no present obligation arising from past events requiring provision in accordance with the guiding principle as enunciated in Accounting Standard (AS)- 29, as it is not probable that an outflow of resources embodying economic benefit will be required. | | |
| 4. | | | |
| a) | 25% Non Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each are allotted at a price of Rs.2500/- per share during the year on private placement basis. The preference shares are redeemable at a price that shall give aggregate yield to the holders of 1% accrued on day to day basis on the face value together with the premium of the preference shares, within 48 Months from the date of allotment i.e. 28th March, 2011 in such trenches as stipulated in the subscription agreement . | | |
| b) | 4% Non Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each are allotted at a price of Rs.2500/- per share during the year on private placement basis. The Preference Shares shall be redeemed at an amount in INR , such that the subscribers get yield of 11.7% per annum on the amount outstanding within 36 Months from the date of allotment, i.e. 29th March, 2011 in such trenches as stipulated in the subscription agreement. | | |
| c) | 10% Redeemable Cumulative Preference Shares of Rs. 100/- each are allotted at a price of Rs.3000/- per share during the year on private placement basis. The Preference Shares are redeemable at a premium of Rs. 2900/- before the expiry of ten years from the date of allotment i.e. 30th March, 2011 for 15,00,300 shares . | | |
| d) | 10% Redeemable Cumulative Preference Shares of Rs. 100/- each are allotted at a price of Rs.3000/- per share during the previous year on private/preferential placement basis. The Preference Shares are redeemable at a premium of Rs. 2900/- before the expiry of ten years from the date of allotment i.e. 29th January, 2010 and 31st March, 2010 for 13,34,800 and 23,33,500 shares respectively. | | |
| 5. | The Company has during the year commissioned 4 Kilns, Blast Furnace, Conarc Furnace, Slab Caster, Hot Rolled Mill, Railway Siding and other ancillary equipments. | | |
| 6. | Based on the information available with the company in respect of Micro & Small Enterprises under “The Micro, Small and Medium Enterprises Development, Act 2006”. The details are as under :- | | |

(Rs. In lacs)

| Sr. No. | Particulars | Current Year | Previous Year |
|---------|---|--------------|---------------|
| 1 | Principal amount due and remaining unpaid | 74.03 | 85.30 |
| 2 | Interest due on (1) above and the unpaid interest | - | - |
| 3 | Interest paid on all delayed payments under the MSMED Act | - | - |
| 4 | Payment made beyond the appointed day during the year | - | - |
| 5 | Interest due and payable for the period of delay other than the (3) above | - | - |
| 6 | Interest accrued and remaining unpaid | - | - |
| 7 | Amount of further interest remaining due and payable in succeeding years | - | - |

(Rs. In lacs)

| | Current Year | Previous Year |
|---------------------------------|---------------|---------------|
| 7. (a) Managerial Remuneration: | | |
| Salary | 173.03 | 155.55 |
| Perquisites | 15.95 | 15.37 |
| Leave encashed during the year | 44.86 | - |
| | <u>233.84</u> | <u>170.92</u> |

Note: Provisions for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations, done on an overall company basis, hence, amount pertaining to the Directors is not ascertainable and, therefore, not included in the above figures.

(b) Administrative Expenses includes :

Directors' Sitting Fee **9.60** 1.60

(b) Computation of Net Profit in accordance with section 349 of the Companies Act 1956

| | | |
|--|--------------------------|-------------------|
| Profit Before Taxation | 137,565.05 | 115,136.49 |
| Add: Depreciation as per Accounts | 27,784.53 | 20,913.56 |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| Directors Sitting Fees | 9.60 | 1.60 |
| Managerial Remuneration | 233.84 | 170.92 |
| | <u>165,797.34</u> | <u>136,509.89</u> |
| Less: Depreciation as per Section 350 of Companies Act, 1956 | 27,784.53 | 20,913.56 |
| Profit on Sale of Fixed Assets (Net) | 154.64 | 131.55 |
| Profit on Sale of Investments (Net) | 156.76 | 0.21 |
| Net Profit for the year | <u>137,701.41</u> | <u>115,464.57</u> |
| Maximum Remuneration Allowed @ 11 % | 15,147.16 | 12,701.10 |
| Managerial Remuneration Paid | 233.84 | 170.92 |

8. **Auditors' Remuneration includes :**

| | Current Year (Rs. in lacs) | Previous Year (Rs. In lacs) |
|------------------|---------------------------------------|--|
| - Audit Fees | 55.00 | 50.00 |
| - Tax Audit Fees | 10.00 | 8.00 |
| - Other Services | 12.00 | 12.00 |
| | 77.00 | 70.00 |

9. **As per Accounting Standard (AS)-18, the disclosure of transaction with related parties as defined in the Accounting Standard are given below :**

(I) List of related parties where control exists and related parties with whom transactions have taken place and relationships:

a) Subsidiary companies

Bhushan Steel (Orissa) Ltd (Incorporated on 27th April, 2010)
Bhushan Steel Madhya Bharat Ltd (Incorporated on 27th April, 2010)
Bhushan Steel (South) Ltd (Incorporated on 27th April, 2010)
Bhushan Steel Bengal Ltd (Incorporated on 27th April, 2010)
Bhushan Steel Global FZE
Bhushan Steel (Australia) PTY Ltd.

-Bowen Energy Ltd, Australia (from 28th July, 2009)
-Kondor Holdings PTY Ltd.
-Bowen Coal PTY Ltd.
-Bowen Consolidated PTY Ltd.
-Capricorn Metals Ltd.
-Capricorn Resources (Australia) Ltd.
-Golden Country Resources (Australia) PTY Ltd.
-Bowen Energy (Asia) PTE Ltd. has been struck off.

b) Joint Venture

Andal East Coal Company Pvt. Ltd. (Incorporated on 22nd September, 2009)

c) Associates

Angul Sukinda Railway Ltd. (from 27th May, 2009)
Bhushan Energy Ltd. (from 2nd December, 2009)

d) Key Management Personnel

Sh. Neeraj Singal (Vice Chairman & Managing Director)
Sh. P.K. Aggarwal (Whole time Director)
Sh. Nittin Johari (Whole time Director)
Sh. Rahul Sen Gupta (Whole time Director)

e) Relatives of Key Management Personnel

Smt. Ritu Singal (Wife of Vice Chairman & Managing Director)
Shri B.B. Singal (Chairman & Father of Vice Chairman & Managing Director)

f) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence

Bhushan Energy Ltd. (up to 1st December, 2009)
Arshiya International Ltd.
Bhushan Aviation Ltd.

(II) Transactions Carried out with related parties referred in (I) above, in ordinary course of business:

| PARTICULARS | | Subsidiary Companies | Joint Venture | Associates | Key Management Personnel (KMP) | Relatives of KMP | Enterprises over which KMP & their relatives have significant influence | Grand Total |
|--|---------------------|----------------------|---------------|------------|--------------------------------|------------------|---|-------------|
| Remuneration and Perks | Current Year | - | - | - | 233.84 | 27.17 | - | 261.01 |
| | Previous Year | - | - | - | 170.92 | 19.52 | - | 190.44 |
| Directors Sitting Fees | Current Year | | | | | 5.45 | | 5.45 |
| | Previous Year | | | | | - | | - |
| Investments in Share Capital/Share Application Money | Current Year | 5,046.51 | 125.00 | 600.00 | - | - | - | 5,771.51 |
| | Previous Year | 3,808.06 | 20.50 | 7,400.00 | - | - | - | 11,228.56 |
| Purchase of Goods/ Services | Current Year | - | - | 40,752.46 | - | - | 7,070.84 | 47,823.30 |
| | Previous Year | - | - | 8,428.15 | - | - | 6,817.47 | 15,245.62 |
| Sales of Goods/ Services | Current Year | 19,703.41 | - | 2,166.57 | - | - | - | 21,869.98 |
| | Previous Year | 17,890.37 | - | 224.52 | - | - | - | 18,114.89 |
| Rent Received | Current Year | - | - | - | - | - | 1.20 | 1.20 |
| | Previous Year | - | - | - | - | - | 0.13 | 0.13 |
| Advance received for sale of Investment | Current Year | - | - | 1,500.00 | - | - | - | 1,500.00 |
| | Previous Year | - | - | - | - | - | - | - |
| OUTSTANDING | Current Year | 3,063.04 | - | - | - | - | - | 3,063.04 |
| Receivable | Previous Year | 336.76 | - | - | - | - | 154.55 | 491.31 |
| Payable | Current Year | - | - | 847.92 | 6.66 | - | 136.04 | 990.62 |
| | Previous Year | - | - | 308.27 | 5.45 | - | 481.90 | 795.62 |

Disclosure in Respect of Material Related Party Transactions during the year :

1. Remuneration & Perks include payment to Shri Neeraj Singal Rs. 90.95 Lacs (Pre. Year Rs. 90.37 Lacs), Shri P.K. Aggarwal Rs.45.14 Lacs (Pre. Year Rs.23.71 Lacs), Shri Nittin Johari

Rs.55.77 Lacs (Pre. Year Rs.33.24 Lacs), Shri Rahul Sengupta Rs.41.98 Lacs (Pre. Year Rs. 23.60 Lacs) and Smt Ritu Singal Rs.27.17 Lacs (Pre. Year Rs. 19.52 Lacs).

2. Directors sitting fees is paid to Shri B.B. Singal Rs. 5.45 Lacs (Pre. Year . Nil)
 3. Investment in Share Capital/ Share Application Money include Bhushan Steel (Australia) PTY Ltd. Rs. 2026.51 Lacs (Pre Year Rs. 3808.06 Lacs), Bhushan Steel (South) Ltd Rs 3005.00 Lacs (Pre Year Nil), Bhushan Steel Madhya Bharat Ltd Rs 5.00 Lacs (Pre Year . Nil), Bhushan Steel (Orissa) Ltd Rs 5.00 Lacs (Pre Year . Nil), , Bhushan Steel Bengal Ltd Rs 5.00 Lacs (Pre Year . Nil) Andal East Coal Company Pvt. Ltd. Rs. 125 Lacs (Pre. Year Rs. 20.50 Lacs), Bhushan Energy Ltd. NIL (Pre. Year Rs. 7000 Lacs) and Angul Sukinda Railway Ltd. Rs.600 Lacs (Pre. Year Rs.400 Lacs).
 4. Purchase of Goods/Services is from Arshiya International Ltd. Rs.5217.80 Lacs (Pre. Year Rs.3699.61 Lacs), Bhushan Energy Ltd. Rs. 40752.46 Lacs (Pre. Year Rs. 9847.39 Lacs) and Bhushan Aviation Ltd. Rs. 1853.04 Lacs (Pre.Year Rs. 1698.62 Lacs).
 5. Sale of Goods/ Services is to Bhushan Steel Global FZE Rs.19703.41 Lacs (Pre. Year Rs. 17890.37 Lacs) and Bhushan Energy Ltd. Rs.2166.57 Lacs (Pre. Year Rs.224.52 Lacs).
 6. Rent Received is from Bhushan Aviation Ltd. Rs. 1.20 Lacs (Pre. Year Rs.0.13 Lacs).
 7. Advance received for Sale of Investment is from Bhushan Energy Ltd Rs 1500.00 Lacs (Pre Year Nil) .
10. The Company has an Indian Joint Venture with Andal East Coal Company Pvt Ltd. as on 31st March, 2011 and having sharing of 33.33 %. Its proportionate share in the Assets, Liabilities, Income and Expenditure of the Joint Venture is as under:

| (Rs. in lacs) | | | | | |
|------------------------|--------------|---------------|----------------------|--------------|---------------|
| | Current Year | Previous Year | | Current Year | Previous Year |
| Capital | 33.00 | 20.50 | Income | - | - |
| Reserves & Surplus | 112.50 | - | Expenditure | 0.26 | 0.64 |
| Liabilities | 162.50 | 0.60 | Loss during the year | 0.26 | 0.64 |
| Assets | 307.10 | 20.46 | | | |
| Profit & Loss A/c | 0.90 | - | | | |
| Contingent Liabilities | 522.67 | 522.67 | | | |
| Capital Commitment | 261.67 | - | | | |

11. The Company is engaged in the steel business, which in the context of Accounting Standard (AS)-17 is considered the only primary business segment.

Gross Revenue of the company as per Geographical Segment is as follows:

| (Rs. in lacs) | | |
|---------------|--------------|---------------|
| | Current Year | Previous Year |
| Within India | 633,751.16 | 475,671.01 |
| Outside India | 120,596.29 | 121,727.63 |
| Total | 754,347.45 | 597,398.64 |

Debtors of the company as per Geographical Segment is as follows:

| (Rs. in lacs) | | |
|---------------|------------------------------|-------------------------------|
| | Current Year (Rs.in Lacs) | Previous Year (Rs.in Lacs) |
| Within India | 47,436.92 | 68,288.96 |
| Outside India | 916.39 | 5,103.35 |

| | | |
|-------|-----------|-----------|
| Total | 48,353.31 | 73,392.31 |
|-------|-----------|-----------|

The Company has common fixed assets, other assets and liabilities for producing goods for domestic as well as overseas market.

12. Fixed Assets include one cold rolling mill established in 1992 damaged in fire accident in the year 1998-99. The amount received from Insurance Company for reinstatement /repair of the mill is included in other liabilities as the matter is still sub-judice. The amount received shall be adjusted on final disposal of the pending suit.
13. Major components of deferred tax assets and liabilities arising on account of timing difference are :

| | (Rs. in lacs) | |
|---|------------------|------------------|
| | Current Year | Previous year |
| Deferred Tax Liability | | |
| (i) Related to Fixed Assets | 70,556.94 | 33,351.65 |
| Total (A) | <u>70,556.94</u> | <u>33,351.65</u> |
| Deferred Tax Assets | | |
| (i) Provision of Doubtful Debts | 302.61 | 247.57 |
| (ii) Other Items | 422.50 | 150.26 |
| Total (B) | <u>725.11</u> | <u>397.83</u> |
| Deferred Tax Liability Net (A-B) | <u>69,831.83</u> | <u>32,953.82</u> |

14. **Pre-operative Expenses** (In respect of project to be capitalized) :

| | (Rs. in lacs) | |
|--|-------------------|-------------------|
| | Current Year | Previous Year |
| Opening Balance | 250,976.99 | 146,820.75 |
| Add: Pre-operative Expenses | | |
| 1. Transferred from Profit & Loss Account | 52,122.66 | 24,033.03 |
| 2. Trial Run Exp./ (Gain) (Net) transferred from Profit & Loss Account | (7,749.23) | 6,143.22 |
| 3. Depreciation | 1,850.01 | 883.58 |
| 4. Interest & Financial Charges | | |
| - During Construction | 101,930.38 | 72,937.50 |
| - During Trial Run | <u>16,522.83</u> | <u>6,631.25</u> |
| | <u>415,653.64</u> | <u>257,449.33</u> |
| Less : Interest earned during construction period | 41.96 | 41.60 |
| | <u>415,611.68</u> | <u>257,407.73</u> |
| Less: Capitalised | | |
| - Pre-Operative Expenses | 266,859.71 | 6,430.74 |
| - Depreciation | 3,734.00 | --- |
| - Trial Run Expenses (Net) | <u>38,828.70</u> | <u>6,430.74</u> |
| TOTAL | <u>106,189.27</u> | <u>250,976.99</u> |

15. **Earning Per Share**

| | | |
|---|--------------------|-------------|
| (i) <u>Weighted Average No. of Equity Shares</u> | | |
| Equity Share at the beginning of the Year | 212,358,310 | 212,358,310 |
| (ii) <u>Equity Shares for Calculating Diluted Earning per Share</u> | | |
| Weighted Average No. of Equity Shares | 212,358,310 | 212,358,310 |
| (iii) Profit After Tax (Rs. In Lacs) | 100,508.59 | 84,579.66 |
| Less: -Dividend on preference shares (Including Dividend Tax) | 430.19 | 27.18 |
| Profit after dividend on preference shares | 100,078.40 | 84,552.48 |
| (iv) Earning Per Share (Rs.) | | |
| - Basic [(iii)/(i)] | 47.13 | 39.82 |
| - Diluted [(iii)/(ii)] | 47.13 | 39.82 |

Note : The company has split its Equity Shares of Rs 2/- each in September 2010, Accordingly Earning Per Share has been calculated/ recalculated based on the increased number of Equity Shares for the previous year as required by Accounting Standard (AS) -20.

16. Investments purchased (including dividend reinvested) and sold during the year:

| Sr. No. | Particulars | Unit / Shares (Nos.) | Cost (Rs.in Lacs) |
|---------|--|----------------------|-------------------|
| 1. | LICMF liquid fund – Dividend Plan | 41,703 | 4.58 |
| 2. | L1471G SBI-SHF-Ultra Short Term Fund – Institutional Plan – Growth | 182,804,197 | 22,527.75 |
| 3. | L072SG SBI Premier Liquid Fund – Super Institutional – Growth | 183,001,684 | 27,500.00 |
| 4. | Coal India | 180,037 | 441.09 |

17. Detail of Exchange Fluctuation

(Rs. in Lacs)

| S.No. | Particulars | Current Year | Previous Year |
|-------|--|-----------------|-----------------|
| 1. | Exchange Fluctuation Gain/(Loss) on Debtors | 315.22 | (672.33) |
| 2. | Exchange Fluctuation Gain/(Loss) on Creditors | 3,433.04 | 8,157.30 |
| 3. | Exchange Fluctuation Gain/(Loss) on Loan (other than Borrowing Cost) | 565.42 | 1,069.55 |
| | Total | 4,313.68 | 8,554.52 |

18. Detail of Misc Income

(Rs. in Lacs)

| S.No. | Particulars | Current Year | Previous Year |
|-------|------------------------------------|--------------|---------------|
| 1. | Insurance Claim Received | 33.31 | 54.97 |
| 2. | Rent Received | 1.20 | 0.13 |
| 3. | Bad Debts / Compensation Recovered | 46.01 | 369.20 |
| 4. | Short & Excess Recovery | 0.01 | 4.08 |
| 5. | Misc. Receipts | 1.76 | 0.80 |
| | Total | 82.29 | 429.18 |

19. The Company in respect of Khopoli unit has opted “Deferral Scheme” of sales tax and paid VAT on the basis of Net Present Value (NPV).

Tax difference between the amount payable and amount paid under NPV, amounting to Rs. 4120.46 Lacs (Previous Year Rs.2383.82 Lacs), being capital receipt, has been credited to Capital reserve.

20. DERIVATIVES

- I The company has not entered into any derivatives instruments to hedge the foreign currency contracts. There is no derivative contract outstanding as on the date of the Balance Sheet.
- II The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are given below :-

| | Current Year | | Previous Year | |
|---|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | US\$ equivalent (Million) | INR equivalent (Lacs) | US\$ equivalent (Million) | INR equivalent (Lacs) |
| a) Amount receivable in Foreign Currency on Account of | | | | |
| Sale of Goods | 2.06 | 916.39 | 11.39 | 5,103.35 |
| Advance against goods | 161.50 | 71,899.05 | 107.02 | 47,945.43 |
| b) Amount payable in Foreign Currency on Account of | | | | |
| Acceptances | 173.08 | 77,054.18 | 159.49 | 71,450.89 |
| Bills Discounted | 20.80 | 9,261.33 | 17.48 | 7,831.91 |
| Creditors | 131.37 | 58,484.51 | 31.00 | 13,886.25 |
| Loans /Interest Payable | 1,206.31 | 537,049.02 | 694.29 | 311,039.33 |

21. As per Accounting Standard (AS) -15 "Employee Benefits", the disclosure of employee benefits as defined in the Accounting Standards are given below:-

A. Defined Contribution Plans:

Contribution to defined contribution plan, recognized as expenses / pre-operative expenses is as under:

| | Current Year (Rs. In Lacs) | Previous Year (Rs. In Lacs) |
|---|----------------------------|-----------------------------|
| a) Employer contribution to Provident Fund /Other Funds | 414.25 | 498.39 |
| b) Employer contribution to State Plans | 56.35 | 31.84 |
| i) Employee State Insurance | 56.21 | 31.73 |
| ii) Maharashtra Labour Welfare Fund | 0.14 | 0.11 |

B. Defined Benefit Plans:

- a) Leave Encashment/ Compensated Absence.
b) Contribution to Gratuity Funds - Employee's Gratuity Fund.

In accordance with Accounting Standard (AS) - 15 (Revised 2005), the actuarial valuation carried out in

respect of the aforesaid defined benefit plans is based on the following assumptions:

| | (Rs. In Lacs) | | | |
|--|--|------------------|------------------------|------------------|
| | Leave Encashment /Compensated Absence | | Employee Gratuity Fund | |
| | Current Year | Previous Year | Current Year | Previous Year |
| i) Actuarial Assumption | | | | |
| Discount Rate (per annum) | 8% | 8% | 8% | 8% |
| Rate of increase in compensation levels | 5% | 5% | 5% | 5% |
| Rate of return on plan assets | - | - | 8% | 8% |
| Expected Average remaining working lives of employees (years) | 26 | 26 | 26 | 26 |
| ii) Change in the obligation during the year ended 31st March, 2011 | | | | |
| Present value of obligation as at 31 st March, 2010 | 816.91 | 687.07 | 987.54 | 640.44 |
| Impact of Transition provision of (AS)-15 | - | - | - | - |
| Interest cost | 65.35 | 54.97 | 77.04 | 48.97 |
| Past Service cost | - | - | - | - |
| Current service cost | 327.66 | 221.15 | 226.53 | 299.10 |
| Curtailement cost | - | - | - | - |
| Settlement cost | - | - | - | - |
| Benefits Paid | (294.36) | (36.41) | (49.04) | (56.54) |
| Actuarial (gain)/ loss on Obligations | 153.01 | (109.87) | 30.99 | 55.57 |
| Present value of obligation as at 31 st March, 2011 | 1,068.57 | 816.91 | 1,273.06 | 987.54 |
| iii) Change in fair value of Plan Assets | | | | |
| Fair value of Plan Assets as at 31 st March, 2010 | - | - | 929.17 | 647.50 |
| Expected return on Plan Assets | - | - | 72.39 | 60.85 |
| Contributions | - | - | 76.84 | 282.88 |
| Benefits Paid | - | - | (49.04) | (56.54) |
| Actuarial gain/ (loss) on Obligations | - | - | 10.07 | (5.52) |
| Fair value of Plan Assets as at 31 st March, 2011 | - | - | 1,039.43 | 929.17 |
| iv) Reconciliation of Present value of Defined Benefit obligation and Fair value of Plan Assets | | | | |
| Present value of obligation as at 31 st March, 2011 | 1,068.57 | 816.91 | 1,273.06 | 987.54 |
| Fair value of Plan Assets as at 31 st March, 2011 | - | - | 1,039.43 | 929.17 |
| Funded Status | (1,068.57) | (816.91) | (233.63) | (58.37) |
| Present value of un-funded obligation as at 31 st March, 2011 | - | - | - | - |
| Un-funded Actuarial (gains)/ losses | - | - | - | - |
| Un-funded Net Asset/ (Liability) recognised in Balance Sheet | (1,068.57) | (816.91) | (233.63) | (58.37) |

(Rs. In Lacs)

| v) Expenses / Pre-Operative expenses recognised in Profit and Loss Account | Leave Encashment /Compensated Absence | | Employee Gratuity Fund | |
|--|---------------------------------------|---------------|------------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Current service cost | 327.66 | 221.15 | 226.53 | 299.10 |
| Past Service cost | - | - | - | - |
| Interest cost | 65.35 | 54.97 | 77.04 | 48.97 |
| Expected return on Plan Assets | - | - | (72.39) | (60.85) |
| Curtailment cost | - | - | - | - |
| Settlement cost | - | - | - | - |
| Net Actuarial (gain)/ loss recognised during the year | 153.01 | (109.87) | 20.92 | 61.09 |
| Total Expense recognised in Profit and Loss Account / Pre-Operative expenses | 546.02 | 166.25 | 252.10 | 348.31 |

The estimate of future salary increase, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors.

22. The company has not entered into any finance / operating lease during the year.
23. Previous Year Figures have been regrouped wherever considered necessary.
24. **Additional information pursuant to the provisions of Schedule-VI to the Companies Act, 1956 (As certified by the management):**

| | Current Year Qty. (MT) | Previous Year Qty. (MT) |
|--|------------------------|-------------------------|
| (I) Installed Capacity : | | |
| Hot Rolled Steel Strips/Sheets/Coils | 1,900,000 | - |
| Cold Rolled Steel Strips/Sheets/Coils | 1,250,000 | 1,000,000 |
| Cold Rolled Galvanised Steel Strips/Sheets/Coils | 540,000 | 465,000 |
| Colour Coated Galvanised Steel Strips/Sheets/Coils | 160,000 | 80,000 |
| Precision Tubes | 140,000 | 100,000 |
| Hardened & Tempered Cold Rolled Steel Strips | 11,000 | 11,000 |
| High Tensile Steel Strappings | 20,000 | 20,000 |
| Sponge Iron | 900,000 | 680,000 |
| Billets | 340,000 | 340,000 |
| Wire Rods | 20,000 | 20,000 |
| Formed Sections | 3,000 | 3,000 |

Under the liberalised Industrial Policy of Government of India, the company's products do not require any Industrial licence.

| | Current Year Qty. (MT) | Previous Year Qty. (MT) |
|--|------------------------|-------------------------|
| (II) Production : | | |
| Hot Rolled Steel Strips/Sheets/Coils {Including 477649 MT (Previous Year Nil) used Captively and 1057 MT (Previous Year Nil) internally consumed} | 805,675 | - |

| | | |
|--|------------------|-----------|
| Cold Rolled Steel Strips/Sheets/Coils {Including 688045 MT (Previous Year 655175 MT) used Captively and 136 MT (Previous Year 304 MT) internally consumed} | 1,191,715 | 1,163,437 |
| Cold Rolled Galvanised Steel Strips/Sheets/ Coils {Including 119173 MT (Previous Year 86375 MT) used Captively and 342 MT (Previous Year 802 MT) internally consumed} | 545,196 | 531,149 |
| Colour Coated Galvanised Steel Strips/Sheets/ Coils {Including 3690 MT (Previous Year 3511 MT) internally consumed} | 118,691 | 97,593 |
| Precision Tubes {Including 1169 MT (Previous Year 884 MT) used Captively and 1068 MT (Previous Year 1639 MT) internally consumed} | 126,642 | 106,101 |
| Hardened & Tempered Cold Rolled Steel Strips | 12,412 | 9,596 |
| High Tensile Steel Strappings {Including 1129 MT (Previous Year 501 MT) internally consumed} | 9,865 | 7,536 |
| Sponge Iron * {Including 406787 MT (Previous Year 311528 MT) used Captively} | 406,787 | 400,619 |
| Billets {Including 9155 MT (Previous Year 35743 MT) used Captively } | 242,035 | 299,083 |
| Wire Rods {Including 294 MT (Previous Year 1527 MT) used internally} | 8,623 | 34,000 |
| Formed Sections | 780 | 962 |

* Production for Sponge Iron 100% captive use

(III) Quantitative information in respect of opening stock, closing stock & turnover of finished products and consumption of raw materials :

| | Current Year | | Previous Year | |
|--|---------------|------------------------|---------------|------------------------|
| | Qty. (MT) | Value (Rs. in lacs) | Qty. (MT) | Value (Rs. in lacs) |
| a) Opening Stock : | | | | |
| Hot Rolled Steel Strips/Sheets/Coils | - | - | - | - |
| Cold Rolled Steel Strips/ Sheets/Coils | 23,111 | 8,805.56 | 15,762 | 5,831.14 |
| Cold Rolled Galvanised Steel Strips/Sheets/Coils | 22,450 | 9,876.09 | 13,414 | 5,293.76 |
| Colour Coated Galvanised Steel Strips/Sheets/Coils | 2,362 | 1,137.45 | 2,071 | 970.36 |
| Precision Tubes | 7,110 | 2,940.61 | 7,189 | 2,780.53 |
| Hardened & Tempered Cold Rolled Steel Strips | 351 | 211.83 | 482 | 403.28 |
| High Tensile Steel Strappings | 404 | 184.19 | 492 | 217.40 |
| Sponge Iron* | 84,775 | 8,475.41 | 1,365 | 168.18 |
| Billets | 31,806 | 7,962.43 | 31,956 | 8,140.67 |
| Wire Rods | 564 | 176.69 | 999 | 273.79 |
| Formed Sections | 11 | 5.28 | 14 | 5.51 |
| | | 39,775.54 | | 24,084.62 |

* Include Transferred for Captive use 84775 MT (Previous Year Nil).

| | Current Year | | Previous Year | |
|---|--------------|------------------------|---------------|------------------------|
| | Qty. (MT) | Value (Rs. In lacs) | Qty. (MT) | Value (Rs. in lacs) |
| b) Closing Stock : | | | | |
| Hot Rolled Steel Strips/Sheets/Coils | 127,148 | 35,536.44 | - | - |
| Cold Rolled Steel Strips/ Sheets/Coils | 27,167 | 11,142.60 | 23,111 | 8,805.56 |
| Cold Rolled Galvanised Steel Strips/Sheets/Coils | 29,403 | 13,663.58 | 22,450 | 9,876.09 |
| Colour Coated Galvanised Steel Strips/Sheets/Coils | 7,563 | 4,087.55 | 2,362 | 1,137.45 |
| Precision Tubes | 9,804 | 4,460.97 | 7,110 | 2,940.61 |
| Hardened & Tempered Cold Rolled Steel Strips | 850 | 587.19 | 351 | 211.83 |
| High Tensile Steel Strappings | 1,127 | 595.45 | 404 | 184.19 |
| Sponge Iron | - | - | 84,775 | 8,475.41 |
| Billets | 28,827 | 9,206.75 | 31,806 | 7,962.43 |
| Wire Rods | - | - | 564 | 176.69 |
| Formed Sections | 34 | 15.95 | 11 | 5.28 |
| | | 79,296.48 | | 39,775.54 |

| | Current Year | | Previous Year | |
|---|--------------|------------------------|---------------|------------------------|
| | Qty. (MT) | Value (Rs. in lacs) | Qty. (MT) | Value (Rs. In lacs) |
| c) Turnover : | | | | |
| i) Finished Goods | | | | |
| Hot Rolled Steel Strips/Sheets/Coils | 199,821 | 71,947.79 | - | - |
| Cold Rolled Steel Strips/ Sheets / Coils | 499,478 | 237,565.92 | 500,609 | 205,137.94 |
| Cold Rolled Galvanised Steel Strips / Sheets / Coils | 418,728 | 204,247.85 | 434,936 | 191,349.26 |
| Colour Coated Galvanised Steel Strips/Sheets / Coils | 109,800 | 65,328.17 | 93,791 | 47,829.26 |
| Precision Tubes | 121,711 | 63,053.23 | 103,657 | 45,669.52 |
| Hardened & Tempered Cold Rolled Steel Strips | 11,913 | 10,655.23 | 9,727 | 7,776.39 |
| High Tensile Steel strappings | 8,013 | 4,632.64 | 7,123 | 3,586.86 |
| Sponge Iron | - | - | 5,681 | 771.41 |
| Billets | 235,859 | 72,649.29 | 263,490 | 70,611.09 |
| Wire Rods | 8,893 | 2,689.20 | 32,908 | 9,141.34 |
| Formed Sections | 757 | 383.66 | 965 | 434.16 |
| ii) Others | | 21,194.47 | | 15,091.41 |
| | | 754,347.45 | | 597,398.64 |

Others include resold of Coal waste 798013 MT (Previous Year 93634 MT), Coal NIL (Previous Year 59772 MT) and Zinc NIL (Previous Year 437 MT).

| | Current Year | | Previous Year | |
|---|---------------|-------------------|---------------|-------------------|
| | Qty.(MT) | Value | Qty. (MT) | Value |
| | (Rs. In lacs) | | (Rs. In lacs) | |
| d) Raw Material Consumed * : | | | | |
| HR / CR Steel Strips/Sheets/ Coils and Steel Scrap/ Sponge Iron | 1,035,128 | 250,995.69 | 1,326,089 | 294,954.28 |
| Zinc and Alloys | 39,432 | 42,679.33 | 42,457 | 42,584.60 |
| Iron Ore | 2,162,496 | 50,525.56 | 749,446 | 26,888.06 |
| Coal | 2,303,283 | 75,341.41 | 948,786 | 16,186.39 |
| Dolomite | 157,971 | 2,185.02 | 35,711 | 486.99 |
| Paints | 3,765 | 5,961.64 | 2,959 | 4,657.50 |
| | | <u>427,688.65</u> | | <u>385,757.82</u> |

* Notes :

- i) Including material resold i.e. Zinc NIL (Previous Year 437 MT), Coal Waste 798013 MT (Previous Year 93634 MT).
- ii) Including 10815 MT(Previous Year 6818 MT) Project Scrap consumed.
- iii) Excluding 105440 MT (Previous Year 166374 MT) coal used in AFBC Boiler for generation of Electricity.

e) Purchase of Goods Traded :

| | | | |
|------|----------|--------|---------------|
| Coal | - | 59,772 | 641.98 |
| | <u>-</u> | | <u>641.98</u> |

(IV) Value of Import on C.I.F. Basis:

| | | |
|-----------------------|------------|------------|
| -- Raw Material | 273,937.73 | 201,600.69 |
| -- Capital Goods | 78,615.98 | 58,383.49 |
| -- Stores/Spare parts | 10,916.88 | 2,347.27 |

(V) Expenditure in Foreign Currency :

| | | |
|---|-----------|-----------|
| --Travelling | 413.96 | 162.30 |
| --Sales Commission | 267.90 | 216.89 |
| --Machinery Repair & Maintenance | 280.91 | 64.56 |
| --Technical Consultancy | 3,366.12 | 486.73 |
| --Erection & Commissioning | 154.54 | - |
| --Interest & Finance Charges | 20,949.97 | 10,560.62 |
| --Capital Machinery / Indirect Expenses | - | 4,380.34 |
| --Legal Expenses | 37.92 | 59.64 |
| --Rates & Taxes | 10.52 | 30.62 |
| --Shipping Charges | - | 2.56 |
| --Subscription | 4.00 | 4.09 |

(VI) Earnings in Foreign Exchange :

| | | |
|-------------------------|------------|------------|
| --FOB Value of Export | 120,596.29 | 121,727.63 |
| --Interest Received | 22.60 | - |
| --Compensation Received | - | 369.20 |

VII) Value of Imported / Indigenous Raw Material, Stores and Spare Parts Consumed:

| | Current Year | | Previous Year | |
|----------------------------|------------------------|---------------|------------------------|--------|
| | Value (Rs. in lacs) | %age | Value (Rs. In lacs) | %age |
| Raw Material: | | | | |
| Imported | 146,019.41 | 34.14 | 189,297.61 | 49.07 |
| Indigenous | 281,669.24 | 65.86 | 196,460.21 | 50.93 |
| | 427,688.65 | 100.00 | 385,757.82 | 100.00 |
| Stores/Spare Parts: | | | | |
| Imported | 1,319.55 | 6.59 | 1,116.38 | 6.80 |
| Indigenous | 18,701.04 | 93.41 | 15,290.84 | 93.20 |
| | 20,020.59 | 100.00 | 16,407.22 | 100.00 |

(VIII) Remittance in foreign currency on account of Dividend :

The Company has paid dividend in respect of shares held by Non-Residents on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non-Resident External Account (NRE A/c). The total amount remittable in this respect is given herein below :

| | Current Year | | Previous Year | |
|---|--------------|--------------|---------------|-----------|
| | USD | INR | USD | INR |
| (a) Number of Non-Resident Shareholders | | 244 | | 234 |
| (b) Number of Equity Shares held by them | | 1,314,787 | | 977,507 |
| (c) (i) Amount of dividend paid (Gross) | 173 | 3,286,967.50 | 176 | 2,443,767 |
| (a) Amount of dividend paid through transfer in NRE a/c | --- | 3,278,967.00 | --- | 2,435,517 |
| (b) Amount of Dividend paid through Foreign Currency | 173 | 8,000.00 | 176 | 8,250 |
| (ii) Tax deducted at source | | - | | - |
| (iii) Year to which dividend relates | | 2009-2010 | | 2008-2009 |

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R .K .MEHRA
PARTNER
M. No. 6102

B.B.SINGAL
CHAIRMAN

NEERAJ SINGAL
VICE CHAIRMAN & MANAGING
DIRECTOR

PANKAJ KUMAR
HEAD (ACCOUNTS)

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE)

O.P.DAVRA
COMPANY SECRETARY

Place: New Delhi
Dated: July 29, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | |
|----------------------|-----------------|--------------|----|
| Registration No. | 14942 of 1983 | State Code : | 55 |
| Balance Sheet Date : | 31 03 2011 | | |
| | Date Month Year | | |

II. Capital Raised during the year (Rs. in lacs)

| | | | |
|--------------|-------|-------------------|-------|
| Public Issue | N i l | Rights Issue | N i l |
| Bonus Issue | N i l | Private Placement | 3200 |

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

| | | | |
|-------------------|-----------|--------------|-----------|
| Total Liabilities | 2,318,736 | Total Assets | 2,318,736 |
|-------------------|-----------|--------------|-----------|

SOURCES OF FUNDS

| | | | |
|------------------------------|---------|--------------------|-----------|
| Paid-up Capital | 11,116 | Reserves & Surplus | 578,525 |
| Deferred Tax Liability (Net) | 69,832 | Secured Loans | 1,239,185 |
| Unsecured Loans | 420,078 | | |

APPLICATION OF FUNDS

| | | | |
|--|-----------|-------------|--------|
| Net Fixed Assets (Including Capital Work-in-progress) | 1,995,951 | Investments | 27,773 |
| Net Current Assets | 295,012 | | |

IV. Performance of Company (Rs. in lacs)

| | | | |
|---|---------|-------------------|---------|
| Turnover & Other Income | 706,998 | Total Expenditure | 569,433 |
| Profit Before Tax | 137,565 | Profit After Tax | 100,509 |
| Earning Per Share in Rs. Basic & Diluted | 47.13 | Dividend | 25 % |

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

| | |
|--------------------------|---|
| Item Code No. (ITC Code) | 7 2 1 0 4 1 |
| Product Description | Corrugated coated with Zinc Cold Rolled Products of Iron or Non Alloy Steel of a width of 600 MM or more. |
| Item Code No. (ITC Code) | 7 2 1 0 4 9 |

| | |
|--------------------------|---|
| Product Description | Flat Coated with Zinc Cold Rolled Products of Iron or Non Alloy Steel of a width of 600 MM or more. |
| Item Code No. (ITC Code) | 7 2 0 9 1 8 |
| Product Description | Flat Cold Rolled Products of Iron or Non Alloy Steel of a width of 600 MM or more of a thickness of less than 0.5 MM. |

B.B.SINGAL
CHAIRMAN

NEERAJ SINGAL
VICE CHAIRMAN & MANAGING
DIRECTOR

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE)

PANKAJ KUMAR
HEAD (ACCOUNTS)

O.P.DAVRA
COMPANY SECRETARY

Place: New Delhi
Dated: July 29, 2011

Auditors' Report on Consolidated Financial Statements

To

The Board of Directors of

BHUSHAN STEEL LIMITED

We have audited the attached Consolidated Balance Sheet of BHUSHAN STEEL LIMITED (the Company), its subsidiaries, associates and joint venture (collectively referred to as "the Group") as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. Financial Statements of two foreign subsidiaries namely M/s Bhushan Steel (Australia) Pty Ltd. and M/s Bhushan Steel Global FZE, audited by us, have been prepared for the purpose of compliance with the provision of section 211 and 212 of the Companies Act, 1956. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. *We have relied on the unaudited consolidated financial statements of a foreign subsidiary, namely M/s Bowen Energy Limited (Australia), whose consolidated financial statements reflect total assets of Rs. 9861.85 Lacs as at 31st March, 2011, total revenue of Rs. 15.55 Lacs, cash outflows amounting to Rs. 158.59 Lacs for the year then ended and on the unaudited financial statements of an associate, namely M/s Angul Sukinda Railway Limited, wherein the Group's share of profit aggregates Rs.NIL. These unaudited financial statements / consolidated financial statements have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of the subsidiaries , associates is based solely on such unaudited financial statements / consolidated financial statements prepared by the management.*
2. We did not audit the financial statements of a joint venture, namely M/s Andal East Coal Company Pvt. Ltd. , whose financial statements reflect total assets of Rs. 433.77 Lacs as at 31st March, 2011, total revenue of Rs. (0.78)Lacs and cash outflows amounting to Rs. 2.14 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
3. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS)-21, Consolidated Financial Statements, (AS)-23, Accounting for Investments in Associates in Consolidated Financial Statements (AS)-27 and Financial Reporting of Interests in Joint Ventures, as notified by the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit as aforesaid and *subject to our comment in Para (1) above* , to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the State of Affairs of the Group as at 31st March, 2011;
 - b) in the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **MEHRA GOEL & CO.**

Chartered Accountants
(Registration No.000517N)

R.K.MEHRA

Partner

M. No. 6102

Place: New Delhi

Dated: July 29, 2011

BHUSHAN STEEL LIMITED**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

| (Rs. in lacs) | | | |
|---|----------|----------------------------|----------------------------|
| | SCHEDULE | As at | As at |
| | NO. | 31.03.2011 | 31.03.2010 |
| SOURCES OF FUNDS: | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 11,115.77 | 7,915.47 |
| Reserves & Surplus | 2 | <u>578,886.16</u> | <u>391,338.44</u> |
| | | <u>590,001.93</u> | <u>399,253.91</u> |
| Minority Interest | | 2,062.50 | 2,497.17 |
| Loan Funds | | | |
| Secured Loans | 3 | 1,239,185.17 | 832,696.00 |
| Unsecured Loans | 4 | <u>420,078.33</u> | <u>307,714.53</u> |
| | | <u>1,659,263.50</u> | <u>1,140,410.53</u> |
| Deferred Tax Liability (Net) (Refer Note No.11 of Schedule 17) | | 69,831.59 | 32,953.82 |
| Foreign Currency Translation Reserve | | <u>843.63</u> | <u>360.66</u> |
| Total | | <u><u>2,322,003.15</u></u> | <u><u>1,575,476.09</u></u> |
| APPLICATION OF FUNDS: | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 1,442,476.38 | 368,596.55 |
| Less: Depreciation | | <u>185,812.86</u> | <u>160,657.64</u> |
| Net Block | | 1,256,663.52 | 207,938.91 |
| Capital Work in Progress | | <u>753,993.07</u> | <u>1,119,464.38</u> |
| | | <u>2,010,656.59</u> | <u>1,327,403.29</u> |
| Goodwill on Consolidation | | - | 367.06 |
| Investments | 6 | 16,269.98 | 30,422.74 |
| Current Assets, Loans & Advances | | | |
| Inventories | 7 | 318,617.88 | 197,546.28 |
| Sundry Debtors | 8 | 49,004.21 | 75,123.14 |
| Cash & Bank Balances | 9 | 4,715.37 | 13,125.30 |
| Loans & Advances | 10 | <u>133,315.87</u> | <u>95,513.41</u> |
| | | <u>505,653.33</u> | <u>381,308.13</u> |
| Less :Current Liabilities & Provisions | | | |
| Current Liabilities | 11 | 205,734.04 | 160,379.52 |
| Provisions | 12 | <u>4,842.71</u> | <u>3,645.61</u> |
| | | <u>210,576.75</u> | <u>164,025.13</u> |

| | | | |
|--|--------------|----------------------------|---------------------|
| Net Current Assets | | <u>295,076.58</u> | <u>217,283.00</u> |
| | Total | <u>2,322,003.15</u> | <u>1,575,476.09</u> |
| Significant Accounting Policies | 16 | | |
| Notes on Accounts | 17 | | |

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R.K.MEHRA
Partner
M. No. 6102

Place: New Delhi
Dated: July 29, 2011

BHUSHAN STEEL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| | | (Rs. in lacs) | | |
|--|-----------------|-----------------------------|--------------------------|------------------|
| | SCHEDULE NO. | Year Ended 31.03.2011 | Year Ended 31.03.2010 | |
| INCOME | | | | |
| | | 754,654. | | |
| Sales of Products | | 83 | 596,600.46 | |
| | | 57,581.7 | | |
| Less: Excise Duty | | 8 | <u>36,271.77</u> | 560,328.69 |
| Export Incentives | | 3,280.58 | | 2,908.16 |
| Other Income | 13 | 6,935.53 | | <u>11,571.27</u> |
| TOTAL INCOME | | 707,289.16 | | 574,808.12 |
| EXPENDITURE | | | | |
| Manufacturing & Other Expenses | 14 | 497,162.49 | | 417,758.98 |
| Profit Before Interest, Depreciation and Tax | | 210,126.67 | | 157,049.14 |
| Interest & Financial Charges | 15 | 44,770.74 | | 21,284.80 |
| Profit Before Depreciation and Tax | | 165,355.93 | | 135,764.34 |
| Depreciation | | 27,785.91 | | 20,913.85 |
| Profit Before Tax | | 137,570.02 | | 114,850.49 |
| Less: -Income Tax | | | | |
| | | 27,421.2 | | |
| -Current Tax | | 9 | 19,570.00 | |
| -MAT Credit Utilised/(Available for Setoff) | | (27,242.30) | 2,665.00 | |
| | | 36,877.7 | | |
| -Deferred Tax | | 7 | <u>8,321.83</u> | <u>30,556.83</u> |
| Profit After Tax | | 100,513.26 | | 84,293.66 |
| Add: Share of Profit/(Loss) of Associates | | 230.30 | | 25.20 |
| Less: Minority Interest | | 4.10 | | <u>0.65</u> |
| | | 100,739.46 | | 84,318.21 |
| Profit Brought Forward from Previous Year | | 7,295.18 | | <u>7,666.54</u> |
| Profit Available For Appropriation | | 108,034.64 | | <u>91,984.75</u> |
| APPROPRIATIONS | | | | |
| Proposed Dividend on Equity shares | | 1,061.79 | | 1,061.79 |
| Proposed Dividend on Preference Shares | | 370.14 | | 23.31 |
| Provision For Dividend Tax Transferred to Debenture Redemption Reserve | | 232.30 | | 180.22 |
| Release from Debenture Redemption Reserve | | 5,475.00 | | 1,975.00 |
| Transferred to General Reserve | | (1,000.00) | | - |
| | | 101,200.00 | | 81,449.25 |

| | | | |
|---|----|-------------------|------------------|
| Balance Carried Forward to Balance Sheet | | <u>695.41</u> | <u>7,295.18</u> |
| | | <u>108,034.64</u> | <u>91,984.75</u> |
| Basic Earning Per Share (Rs.) | | 47.24 | 39.69 |
| Diluted Earning Per Share (Rs.) | | 47.24 | 39.69 |
| Nominal Value of Share (Rs.) (Refer Note No.13 of Schedule17) | | 2.00 | 2.00 |
| Significant Accounting Policies | 16 | | |
| Notes on Accounts | 17 | | |

As per our report of even date attached

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R.K.MEHRA
Partner
M. No. 6102

Place: New Delhi
Dated: July 29, 2011

BHUSHAN STEEL LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Rs. in Lacs)

| | Year Ended | Year Ended |
|--|--------------------|--------------------|
| | 31.03. 2011 | 31.03.2010 |
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items and share of profit of Associates | 137,570.02 | 114,850.49 |
| Adjustments for : | | |
| Depreciation | 27,785.91 | 20,913.85 |
| Provisions (Retirement Benefits) | 427.35 | 188.40 |
| Interest & Financial Charges | 44,770.74 | 21,284.80 |
| Interest/Dividend Income on Investments | (462.75) | (263.77) |
| Interest Income on Others | (1,781.16) | (2,398.43) |
| Profit on Sale of Investments | (156.76) | (0.21) |
| Diminution in value of investment written back | (15.55) | (1.61) |
| Loss / (Profit) on Sale of Fixed Assets | (154.64) | (131.55) |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| Loss/(Gain) on Exchange Rate Change | 2,993.71 | (2,977.85) |
| | 73,611.17 | 36,900.95 |
| Operating Profit Before Working Capital Changes | 211,181.19 | 151,751.44 |
| Adjustments for : | | |
| Increase(-) / Decrease in Inventories | (121,071.60) | (74,510.39) |
| Increase(-) / Decrease in Other Receivables | 25,951.20 | (12,518.24) |
| Increase(-) / Decrease in Loans & Advances | (10,561.45) | (20,808.31) |
| Increase / Decrease(-) in Trade Payables | 21,124.89 | 16,428.74 |
| | (84,556.96) | (91,408.20) |
| Cash Flow from Operating Activities | 126,624.23 | 60,343.24 |
| Direct Tax Paid (Net of Refund) | (27,204.36) | (18,607.93) |
| Net Cash Flow from Operating Activities (A) | 99,419.87 | 41,735.31 |
| (B) CASH FLOW FROM INVESTING ACTIVITIES : | | |

| | | |
|---|---------------------|---------------------|
| Purchase of Fixed Assets | (567,761.59) | (322,649.13) |
| Sale of Fixed Assets | 190.28 | 148.48 |
| Purchase of Investments | (36,079.14) | (22,904.22) |
| Acquisition/ Purchase of Shares in Subsidiary | 508.57 | (1,723.40) |
| Sale of Investments | 50,630.18 | 500.21 |
| Interest Income | 2,400.15 | 2,402.78 |
| Dividend Income | 45.70 | 5.37 |
| Net Cash Used In Investing Activities (B) | (550,065.85) | (344,219.91) |
| <hr/> | | |
| (C) CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Interest & Financial Charges Paid | (161,496.23) | (101,946.90) |
| Proceeds From Cash Credit From Banks (Net) | 27,768.44 | 6,864.64 |
| Proceeds From Other Borrowings | 485,229.77 | 326,468.02 |
| Proceeds From Share/Share Application Money | 87,509.00 | 70,005.00 |
| Proceeds From Share Application Money of Minority Shareholder Capital Subsidy | 229.88 4,120.46 | --- 2,383.82 |
| Dividend Paid | (945.05) | (919.93) |
| Dividend Tax Paid | (180.22) | (180.45) |
| Net Cash Flow From Financing Activities (C) | 442,236.05 | 302,674.20 |
| <hr/> | | |
| Net Increase in Cash and Cash Equivalents (A+B+C) | (8,409.93) | 189.60 |
| <hr/> | | |
| Opening Balances of Cash and Cash Equivalents | 13,125.30 | 12,892.32 |
| Addition on acquisition of Subsidiary | -- | 43.38 |
| <hr/> | | |
| Total | 13,125.30 | 12,935.70 |
| <hr/> | | |
| Closing Balances of Cash and Cash Equivalents | 4,715.37 | 13,125.30 |

Note:- Cash and Cash equivalents include Rs.820.72 Lacs (Previous Year Rs.680.67 Lacs) in respect of unclaimed dividend, the balance of which is not available to the company.

As per our report of even date attached

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R.K.MEHRA
Partner
M. No. 6102

Place: New Delhi
Dated: July 29, 2011

BHUSHAN STEEL LIMITED**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

(Rs. in lacs)

| | As at 31.03.2011 | As at 31.03.2010 |
|---|----------------------------|---------------------|
| SCHEDULE-1 SHARE CAPITAL | | |
| Authorised | | |
| 40,00,00,000 Equity Shares of Rs.2/- Each (Previous Year 8,00,00,000 Equity Shares of Rs.10/- Each) | 8,000.00 | 8,000.00 |
| 70,00,000 (Previous Year 45,00,000) Preference Shares of Rs.100/- Each | 7,000.00 | 4,500.00 |
| | 15,000.00 | 12,500.00 |
| Issued | | |
| 21,64,48,000 Equity Shares of Rs.2/- Each (Previous Year 4,32,89,600 Equity Shares of Rs.10/- Each) | 4,328.96 | 4,328.96 |
| 51,68,600 (Previous Year 36,68,300) 10% Redeemable Cumulative Preference Shares of Rs.100/- each | 5,168.60 | 3,668.30 |
| 9,00,000 (Previous Year Nil) 4% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 900.00 | - |
| 8,00,000 (Previous Year Nil) 25% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 800.00 | - |
| | 11,197.56 | 7,997.26 |
| Subscribed & Paid Up | | |
| 21,23,58,310* Equity Shares of Rs.2/- Each (Previous Year 4,24,71,662* Equity Shares of Rs.10/- each) fully paid up | 4,247.17 | 4,247.17 |
| 51,68,600 (Previous Year 36,68,300) 10% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 5,168.60 | 3,668.30 |
| 9,00,000 (Previous Year Nil) 4% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 900.00 | - |
| 8,00,000 (Previous Year Nil) 25% Non Convertible Cumulative Redeemable Preference Shares of Rs.100/- each | 800.00 | - |
| | 11,115.77 | 7,915.47 |
| *(Of the above 10,47,74,600 (Previous Year 2,09,54,920) Equity Shares were allotted on conversion of Debentures) | | |
| SCHEDULE-2 RESERVES & SURPLUS | | |
| Capital Reserve : | | |
| At Commencement of the year | 2,428.70 | 44.88 |
| Add : Addition during the year | 4,120.46 | 2,383.82 |
| Add : On Commencement of Subsidiaries (Net) | 43.33 | - |
| | 6,592.49 | 2,428.70 |
| Debenture Redemption Reserve : | | |
| At Commencement of the year | 7,400.00 | 5,425.00 |
| Add : From Profit & Loss Account | 5,475.00 | 1,975.00 |
| | 12,875.00 | 7,400.00 |
| Less : To Profit & Loss Account | 1,000.00 | - |
| | 11,875.00 | 7,400.00 |
| Securities Premium Account: | | |
| At Commencement of the year | 131,814.56 | 25,433.86 |
| Add : Addition during the Year | 84,308.70 | 106,380.70 |
| | 216,123.26 | 131,814.56 |
| General Reserve : | | |

| | | |
|--------------------------------------|-------------------|------------|
| At Commencement of the year | 242,400.00 | 160,950.75 |
| Add : From Profit & Loss Account | 101,200.00 | 81,449.25 |
| | 343,600.00 | 242,400.00 |
| Surplus as per Profit & Loss Account | 695.41 | 7,295.18 |
| | 578,886.16 | 391,338.44 |

(Rs. in lacs)

| | |
|-------------------|-------------------|
| As at | As at |
| 31.03.2011 | 31.03.2010 |

SCHEDULE-3 SECURED LOANS

Debentures

| | | |
|---|------------------|-----------|
| 60 8.15 % Redeemable Non Convertible Debentures of Rs.100 Lac each {See Foot Note No.1 & 6} | 4,000.00 | 6,000.00 |
| 1000 10.20 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.2 & 6} | 10,000.00 | 10,000.00 |
| 3000 (Previous Year Nil) 10.50 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.3 & 6} | 30,000.00 | - |
| 100 12 % Redeemable Non Convertible Debentures of Rs.100 Lac each {See Foot Note No.4 & 7} | 10,000.00 | 10,000.00 |
| 1750 (Previous Year Nil) 10.90 % Redeemable Non Convertible Debentures of Rs.10 Lac each {See Foot Note No.5 & 6} | 17,500.00 | - |
| | 71,500.00 | 26,000.00 |

Cash Credit (See Foot Note No.8)

From Banks

| | | |
|---------------------------|------------------|-----------|
| a) Foreign Currency Loans | 41,909.19 | 6,454.91 |
| b) Rupee Loans | 39,259.57 | 46,945.41 |
| | 81,168.76 | 53,400.32 |

Term Loan (See Foot Note No.9)

1. From Banks

| | | |
|---------------------------|--------------------|------------|
| a) Foreign Currency Loans | 334,508.52 | 175,835.80 |
| b) Rupee Loans | 739,017.84 | 560,541.26 |
| | 1073,526.36 | 736,377.06 |

2. From Financial Institutions

| | | |
|-------------|------------------|-----------|
| Rupee Loans | 12,942.80 | 16,914.24 |
|-------------|------------------|-----------|

Vehicle Loan from Bank (See Foot Note No.10)

| | | |
|--|---------------------|------------|
| | 47.25 | 4.38 |
| | 1,239,185.17 | 832,696.00 |

The amount of loan includes interest due and accrued thereon.

Foot Note:

- (1) 8.15% Redeemable Non-Convertible Debentures are redeemable at par in three equal annual installments commencing from 4th year from the date of disbursement i.e.24.04.2006. Rs 33.33 Lacs (Previous Year Nil) per Debenture have been redeemed during the year.
- (2) 10.20% Redeemable Non-Convertible Debentures are redeemable at par in one bullet payment at the end of 7th year from the date of allotment i.e. 26.03.2007.
- (3) 10.50 % Redeemable Non-Convertible Debentures are redeemable at par in three equal annual installments commencing from the end of 6th year from the date of allotment i.e.13.08.2010.
- (4) 12% Redeemable Non-Convertible Debentures (subordinate debt) are redeemable at par in one bullet payment at the end of 10th year from the date of allotment i.e. 31.03.2008.

(5) 10.90 % Redeemable Non-Convertible Debentures are redeemable at par in Four equal annual installments commencing from the end of 5th year from the deemed date of allotment i.e.26.08.2010.

(6) Secured by first charge on pari passu basis inter-se, on the fixed assets of the Company.

(7)Secured by Subsequent and subservient charge by way of hypothecation on the present and future assets of the company so as to maintain minimum asset coverage of 1.25 times, throughout the currency of the Debentures. Debentures are further secured by pledge of Equity Shares of Bhushan Steel Limited, having market value not less than 1.5 times of loans, held by promoters/ promoter entities, and Personal Guarantee of two promoter directors.

(8) Secured by hypothecation of stocks & book debts, second charge on company's land, building and other immovable properties ranking pari passu inter-se, personal guarantee of two promoter directors.

(9) Secured by mortgage of land & building and charge on all of the company's immovable & movable properties (except book debts) both present and future including movable machinery, spares, tools & accessories, ranking pari passu inter-se, with the trustee of Debentures holders subject to prior charges created in favour of banks on stocks etc. for securing borrowing for working capital requirement, except Rs. 180368 Lacs (Previous Year Rs.118277 Lacs) secured by subsequent and subservient charge on movable assets. The above includes Rs.105599 Lacs (Previous Year Rs.104955 Lacs) on which security by way of mortgage of land & building and charges on all the company's immovable properties is yet to be created. Out of these loans Rs. 846422 Lacs (Previous Year Rs. 572098 Lacs) is guaranteed by personal guarantee of two promoter directors and Rs. 240047 Lacs (Previous Year Rs. 171119 Lacs) is guaranteed by personal guarantee of one promoter director. Foreign currency loans include ECA loans of Rs.146366 Lacs (Previous Year Rs.121171 Lacs) secured by specific charge on the assets financed and personal guarantee of two promoter directors.

(10) Secured by hypothecation of specific assets.

| | (Rs. in lacs) | |
|-----------------------------------|---------------------------------|--------------------------|
| | As at | As at |
| | 31.03.2011 | 31.03.2010 |
| SCHEDULE-4 UNSECURED LOANS | | |
| Rupee Loans From Bank | | |
| - Term Loan / Commercial Paper * | 262,079.04 | 180,465.31 |
| Foreign Currency Loans | | |
| - From Foreign Banks ** | 117,412.03 | 112,194.71 |
| - From Indian Banks | 39,210.71 | 13,440.00 |
| - From Others | <u>1,376.55</u> | <u>1,614.51</u> |
| | <u>157,999.29</u> | <u>127,249.22</u> |
| | <u><u>420,078.33</u></u> | <u><u>307,714.53</u></u> |

The amount of loan includes interest due and accrued thereon.

*Including Commercial Paper Rs.58500 Lacs (Previous Year Rs.10000 Lacs), maximum balance of Commercial Paper outstanding during the year Rs.70000 Lacs (Previous Year Rs.20000 Lacs), and are personally guaranteed by two promoter directors.

**Rs.98820 Lacs (Previous Year Rs.101730 Lacs), personally guaranteed by two promoter directors.

BHUSHAN STEEL LIMITED

SCHEDULE-5 FIXED ASSETS

(Rs. in lacs)

| DESCRIPTION | GROSS BLOCK | | | | DEPRECIATION | | | | | | NET BLOCK | |
|-----------------------------|--------------------------|--------------------------------|----------------------------|----------------------------------|--------------------------|---------------------|--------------------|---------------------------------------|----------------------------------|--------------------|---------------------|---------------------|
| | Cost as at 01.04.2010 | Addition During the Year | Sale During the Year | Adjustment During the Year | Cost as at 31.03.2011 | As at 01.04.2010 | During the Year | Written Back During the Year | Adjustment During the Year | Upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| Tangible Assets | | | | | | | | | | | | |
| Freehold Land | 14,817.45 | 1,909.10 | - | - | 16,726.55 | - | - | - | - | - | 16,726.55 | 14,817.45 |
| Leasehold Land | 7,177.64 | 1,976.86 | - | - | 9,154.50 | 131.27 | 14.67 | - | - | 145.94 | 9,008.56 | 7,046.37 |
| Building | 76,731.67 | 188,272.72 | 3.27 | 349.62 | 264,651.50 | 10,458.44 | 4,946.08 | 1.66 | 349.62 | 15,053.24 | 249,598.26 | 66,273.23 |
| Railway Siding | 27.50 | 20,847.12 | - | - | 20,874.62 | 2.68 | 484.22 | - | - | 486.90 | 20,387.72 | 24.82 |
| Plant & Machinery | 262,855.10 | 861,528.71 | 694.88 | 3,384.38 | 1,120,304.55 | 146,190.47 | 20,764.34 | 680.39 | 3,384.38 | 162,890.04 | 957,414.51 | 116,664.63 |
| Furniture & Fixtures | 1,299.89 | 125.82 | - | - | 1,425.71 | 718.98 | 118.90 | - | - | 837.88 | 587.83 | 580.91 |
| Vehicles | 4,168.77 | 1,038.55 | 84.23 | - | 5,123.09 | 1,901.98 | 405.96 | 64.69 | - | 2,243.25 | 2,879.84 | 2,266.79 |
| Intangible Assets | | | | | | | | | | | | |
| Computer Software | 420.96 | 63.69 | - | - | 484.65 | 385.36 | 39.04 | - | - | 424.40 | 60.25 | 35.60 |
| Assets Not Owned by Company | 1,097.57 | 2,633.64 | - | - | 3,731.21 | 868.46 | 2,862.75 | - | - | 3,731.21 | - | 229.11 |
| Total | 368,596.55 | 1,078,396.21 | 782.38 | 3,734.00 | 1,442,476.38 | 160,657.64 | 29,635.96 | 746.74 | 3,734.00 | 185,812.86 | 1,256,663.52 | 207,938.91 |

| | | | | | | | | | | | | |
|---|------------|-----------|--------|---|-------------------|------------|-----------|--------|---|-------------------|-------------------|--------------|
| Previous Year | 328,188.79 | 41,153.67 | 745.91 | - | 368,596.55 | 139,589.19 | 21,797.43 | 728.98 | - | 160,657.64 | | |
| Capital Work in Progress | | | | | | | | | | | 753,993.07 | 1,119,464.38 |
| [Includes Pre-operative expenses and advances to suppliers unsecured considered good] | | | | | | | | | | | | |
| | | | | | | | | | | | 2,010,656.59 | 1,327,403.29 |

NOTES :

1. Certain Buildings under possession of the Company are pending registration in the name of the Company.
2. No write off has been done for leasehold land acquired on lease of 90 years and more.
3. Additions to Plant & Machinery and Capital Work In Progress includes Adjustment on account of loss (previous year gain) of foreign exchange fluctuation for the year Rs.8046.82 Lacs (Previous Year Rs. 31119.58 Lacs).
4. Depreciation for the year includes Rs.1850.05 Lacs (Previous Year Rs.883.58 Lacs) charged to capital work in progress.
5. Adjustment During the year includes Rs.3734.00 Lacs (Previous Year Nil) amount of depreciation capitalised.

| | As at 31.03.2011 | As at 31.03.2010 | |
|--|---------------------|---------------------|-----------|
| SCHEDULE-6 INVESTMENTS | | | |
| LONG TERM INVESTMENTS (FULLY PAID) | | | |
| NON TRADE (AT COST) | | | |
| QUOTED | | | |
| Tata Steel Ltd. | | | |
| 13,500 Equity Shares of Rs. 10/- each | 58.08 | 58.08 | |
| Sequent Scientific Ltd. | | | |
| (Earlier Known as P I Drugs & Pharmaceuticals Ltd.) | 43.58 | 43.58 | |
| 62,000 Equity Shares of Rs.10/- each | | | |
| Rocklands Rich Fields Ltd. | | | |
| 2,000 Ordinary Shares of AUD 0.20 each | 0.21 | 0.21 | |
| | <u>101.87</u> | <u>101.87</u> | |
| UNQUOTED | | | |
| Jawahar Credit & Holdings Limited | | | |
| 43,21,871 Equity Shares of Rs. 10/- each | 940.31 | 940.31 | |
| Bhushan Capital & Credit Services Limited | | | |
| 43,21,871 Equity Shares of Rs. 10/- each | 940.31 | 940.31 | |
| Bhushan Buildwell Pvt. Ltd. | | | |
| 4,900 Equity Shares of Rs. 10/- each | 0.49 | 0.49 | |
| | <u>1,881.11</u> | <u>1,881.11</u> | |
| | 1 | | |
| TRADE (AT COST) | | | |
| UNQUOTED | | | |
| In Associates | | | |
| Bhushan Energy Limited | | | |
| 3,00,00,000 Equity Shares of Rs.10/- each with Premium of Rs.25/- each | 10,500.00 | 10,500.00 | |
| Cost of Investment Including Rs.7398.58 Lacs Goodwill arising on Consolidation | | | |
| Add: Share of post acquisition profit | 255.50 | 25.20 | |
| In Others | | | |
| Saraswat Co-operative Bank Ltd. | | | |
| 2,500 (Previous Year Nil) Equity Shares of Rs.10/- each | 0.25 | - | |
| | <u>10,755.75</u> | <u>10,525.20</u> | 12,508.18 |
| | 12,738.73 | | |
| CURRENT INVESTMENTS (FULLY PAID) | | | |
| NON TRADE, QUOTED | | | |
| LIC MF Liquid Fund - Dividend Plan | | | |
| Nil (Previous Year 136639865.502 Units) | - | 15,003.19 | |
| Vector Resources Ltd. | | | |
| 8,55,000 shares of AUD 0.20 each and 3,12,500 options | 56.25 | 36.37 | |

| | | | | |
|--|---------------------|-------------------------|-----------------|-------------------------|
| | 56.25 | | 15,039.56 | |
| NON TRADE, UNQUOTED | | | | |
| Indusind Bank Limited | | | | |
| 250 Redeemable Non Convertible Bonds of Rs.10,00,000/- each | 2,475.0 <u>0</u> | <u>2,531.25</u> | <u>2,475.00</u> | <u>17,514.56</u> |
| | | 15,269.98 | | 30,022.74 |
| ADVANCE FOR SHARE CAPITAL | | | | |
| In Others | | | | |
| Angul Sukinda Railway Ltd. | | | | |
| Share Application Money | | <u>1,000.00</u> | | <u>400.00</u> |
| TOTAL | | <u>16,269.98</u> | | <u>30,422.74</u> |

| | Book Value | As at 31.03.2011 Market Value | Book Value | As at 31.03.2010 Market Value |
|---------------------------|---------------|--|------------|--|
| Aggregate Value of | | | | |
| Quoted Investment | 158.12 | 190.89 | 15,141.43 | 15,209.50 |
| Unquoted Investment | 15,111.86 | - | 14,881.31 | - |

BHUSHAN STEEL LIMITED

(Rs. in lacs)

| | As at 31.03.2011 | As at 31.03.2010 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

SCHEDULE-7 INVENTORIES

| | | |
|------------------|--------------------------|--------------------------|
| Raw Material | 174,423.54 | 107,509.42 |
| Finished Goods | 81,073.81 | 41,054.65 |
| Work-in-Progress | 38,490.26 | 31,335.83 |
| Stores | 23,450.34 | 16,966.44 |
| Scrap | <u>1,179.93</u> | <u>679.94</u> |
| | <u>318,617.88</u> | <u>197,546.28</u> |

SCHEDULE-8 SUNDRY DEBTORS

(Unsecured)

Outstanding for a Period exceeding Six Months

| | | |
|--------------------------|-------------------------|-------------------------|
| --Considered Good | 5,809.34 | 6,384.94 |
| --Considered Doubtful | <u>932.69</u> | <u>728.37</u> |
| | 6,742.03 | 7,113.31 |
| Less: Provision | <u>932.69</u> | <u>728.37</u> |
| | 5,809.34 | 6,384.94 |
| Others - Considered Good | <u>43,194.87</u> | <u>68,738.20</u> |
| | <u>49,004.21</u> | <u>75,123.14</u> |

SCHEDULE-9 CASH & BANK BALANCES

| | | |
|-------------------------------|-------|-------|
| Cash on Hand | 65.55 | 64.22 |
| Balances with Scheduled Banks | | |

| | | |
|--|----------|-----------|
| - In Current Accounts | 2,917.88 | 9,978.30 |
| - In Deposit Accounts* | 544.86 | 1,977.33 |
| (Including interest accrued but not due) | | |
| Balances with other Banks: | | |
| - In Current Accounts | 1,187.08 | 1,105.45 |
| *(Including Rs.8.57 Lacs (Previous Year Rs.776.06 Lacs under bank lien)) | 4,715.37 | 13,125.30 |

SCHEDULE-10 LOANS & ADVANCES

(Unsecured, considered good)

Advances Recoverable in Cash or in Kind

or for Value to be Received *

| | | |
|---|------------|-----------|
| | 48,600.09 | 36,172.44 |
| Inter Corporate Deposit (Including Interest Accrued) | 7,923.80 | 10,050.00 |
| Security Deposits | 6,314.50 | 2,137.93 |
| MAT Recoverable | 27,242.30 | - |
| Balance with Excise Department | 15.72 | 24.21 |
| Excise Duty Recoverable / Service Tax Recoverable | 43,219.46 | 47,128.83 |
| *[Includes Rs.16.98 Lacs (Previous Year Rs.27.09 Lacs) Due from Director of Foreign Subsidiary] | 133,315.87 | 95,513.41 |

SCHEDULE-11 CURRENT LIABILITIES

| | | |
|--|------------|------------|
| Sundry Creditors | 113,193.64 | 98,009.26 |
| Creditors for Capital Goods/ Expenditure | 84,060.25 | 55,563.48 |
| Unclaimed Dividend * | 820.72 | 680.67 |
| Due to Directors | 6.66 | 5.45 |
| Subsidiaries Bill Discounted | 3,160.64 | 3,508.85 |
| Interest Accrued but not Due | 4,492.13 | 2,611.81 |
| | 205,734.04 | 160,379.52 |

* These figures do not include any amounts, due and outstanding, to be credited to Investors' Education and Protection Fund.

SCHEDULE-12 PROVISIONS

| | | |
|-------------------------|----------|----------|
| Proposed Dividend | 1,431.93 | 1,085.10 |
| Tax on Dividend | 232.30 | 180.22 |
| Provision For Tax (Net) | 1,875.66 | 1,504.82 |
| Retirement Benefits | 1,302.82 | 875.47 |
| | 4,842.71 | 3,645.61 |

BHUSHAN STEEL LIMITED**(Rs. in lacs)**

| | Year Ended | | Year Ended |
|--|-----------------|-----------------|------------------|
| | 31.03.2011 | | 31.03.2010 |
| SCHEDULE-13 OTHER INCOME | | | |
| Profit on Sale of Non Trade Current Investments | | 156.76 | 0.21 |
| Interest Earned* | | | |
| -From Long Term Investments | 417.05 | | 258.40 |
| -From Bank on FDRs | 6.01 | | 0.57 |
| -From Others | 1,775.15 | 2,198.21 | <u>2,397.86</u> |
| * [Including Income Tax Deducted at Source Rs.153.91 Lacs (Previous Year Rs.298.64 Lacs) and Excluding interest earned of Rs.48.03 Lacs (Previous Year Rs.44.59 Lacs) transferred to Projects] | | | |
| Dividend: | | | |
| -From Long Term Non - Trade Investments | - | | 2.18 |
| -From Current Non-Trade Investment | 45.70 | 45.70 | <u>3.19</u> |
| Profit on Sale of Fixed Assets (Net) | | 154.64 | 131.55 |
| Exchange Fluctuation (Net) | | 4,276.56 | 8,341.00 |
| Diminution in the value of Investment Written Back | | 15.55 | 1.61 |
| Miscellaneous Income | | 88.11 | <u>434.70</u> |
| | | 6,935.53 | <u>11,571.27</u> |

BHUSHAN STEEL LIMITED

| | Year Ended | | Year Ended |
|---|------------|-------------------|------------|
| | 31.03.2011 | | 31.03.2010 |
| SCHEDULE-14 MANUFACTURING & OTHER EXPENSES | | | |
| Raw Material Consumed | | 427,688.65 | 385,757.82 |
| Purchase of Goods Traded | | 249.24 | 641.98 |
| Stores Consumed | | 20,020.59 | 16,407.22 |
| Packing Material Consumed | | 2,839.79 | 2,470.54 |
| Power & Fuel | | 52,202.52 | 21,498.03 |
| Repairs & Maintenance | | | |
| - Plant & Machinery | | 2,035.78 | 1,305.38 |
| - Buildings | | 122.52 | 102.67 |
| Excise Duty Provided on Stock (Net) | | 5,665.20 | 1,857.97 |
| Salary, Wages & Bonus | | 21,620.19 | 13,472.41 |
| Contribution to P.F. and Other Funds | | 414.64 | 498.57 |
| Staff Benefits | | 337.02 | 246.94 |
| Rates & Taxes | | 1,392.16 | 525.99 |
| Administrative Expenses | | 37,551.79 | 17,588.45 |
| Legal & Professional Expenses | | 1,920.36 | 977.78 |

| | | |
|---|--------------------|-------------|
| Rent | 479.99 | 441.15 |
| Insurance | 1,166.37 | 818.97 |
| Auditors' Remuneration | 91.81 | 91.55 |
| Selling & Distribution Expenses | 22,161.38 | 16,994.44 |
| Commission to Selling Agents | 554.34 | 605.24 |
| Bad Debts Written off | - | 24.83 |
| Less: Provision for Doubtful Debts Written back | - | 24.83 |
| Provision for Doubtful Debts | 204.32 | 287.32 |
| | 598,718.66 | 482,590.42 |
| Increase/Decrease in Stock of Finished Goods, | | |
| Work-in-Progress and Scrap | | |
| Opening Stock | | |
| Finished Goods | 41,054.65 | 24,084.62 |
| Work-in-Progress | 31,335.83 | 16,325.08 |
| Scrap | 679.94 | 1,835.99 |
| | 73,070.42 | 42,245.69 |
| Closing Stock | | |
| Finished Goods | 81,073.81 | 41,054.65 |
| Work-in-Progress | 38,490.26 | 31,335.83 |
| Scrap | 1,179.93 | 679.94 |
| | 120,744.00 | 73,070.42 |
| Net (Increase)/Decrease in Stock | (47,673.58) | (30,824.73) |
| | 551,045.08 | 451,765.69 |
| Less: Transfer to Project under Commissioning | | |
| Pre-operative Expenses / Trial Run Expenses (Net) | 50,019.47 | 30,616.97 |
| Cost of Material Transferred to Projects/ Internal Use | 3,863.12 | 3,389.74 |
| | 497,162.49 | 417,758.98 |
| SCHEDULE-15 INTEREST & FINANCIAL CHARGES | | |
| Interest on : | | |
| - Debentures | 10,281.78 | 4,282.04 |
| - Term Loans | 112,715.13 | 80,569.12 |
| - Others | 11,829.62 | 8,575.15 |
| Exchange Fluctuation | 9,202.91 | - |
| Commission & Bank Charges | 19,347.11 | 7,439.27 |
| | 163,376.55 | 100,865.58 |
| Less: Borrowing cost transferred to Project Under Commissioning / Trial Run | 118,605.81 | 79,580.78 |
| | 44,770.74 | 21,284.80 |

SCHEDULE- 16 SIGNIFICANT ACCOUNTING POLICIES

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiaries and joint venture company have been combined on a Line-by-Line basis by adding together like items of assets, liabilities, income & expenses. The intra-group balances and intra-group transactions and unrealized profits or losses are fully eliminated.
- ii. The Company holds 49.11% of equity of Jawahar Credit & Holding Limited and 49.56% of equity of Bhushan Capital & Credit Services Limited, however, the Company does not have significant influence on these companies i.e. Jawahar Credit & Holding Limited and Bhushan Capital & Credit Services Limited, hence, the financial statements of these companies have not been consolidated in terms of Accounting Standard (AS)-23 notified by Companies (Accounting Standards) Rules, 2006.
- iii. In case of foreign subsidiary, being integrated foreign operations, revenue items are consolidated at the exchange rate prevailing at the date of the transaction. Foreign currency monetary items are converted at rates prevailing at the end of the year. Non-Monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the transaction date. 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. Any exchange difference arising on consolidation is recognized in the Profit & Loss account.
- iv. In case of foreign subsidiaries, being non integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the foreign currency translation reserve.
- v. The excess of cost of the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies are made, is recognized as "Goodwill" being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investments, is in excess of cost of investment of the Company, it is recognized as "Capital Reserves" and shown under the head "Reserves and Surplus", in the consolidated financial statements.
- vi. In the case of Associates, investment in Associates is accounted for using equity method in accordance with Accounting Standard (AS)-23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- vii. The difference between the cost of investment in the Associates and the net assets at the time of acquisition of shares in the Associate is identified in the Financial Statements as Goodwill or Capital Reserve as the case may be.
- viii. Interest in Joint venture have been accounted by using the proportionate consolidation method as per Accounting Standards (AS)-27 on "Financial Reporting of Interest in Joint Ventures" notified by Companies (Accounting Standards) rules, 2006.
- ix. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

- x. The following subsidiary companies are considered in the preparation of consolidated financial statements:

| Name of the Company | Country of Incorporation | % age of Voting Power either directly or through Subsidiaries as at 31 st March, 2011 |
|--|--------------------------|--|
| Bhushan Steel Bengal Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel (Orissa) Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel (South) Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel Madhya Bharat Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel Global FZE | U.A.E. | 100.00 |
| Bhushan Steel (Australia) PTY Ltd. | Australia | 100.00 |
| Bowen Energy Ltd. (from 28 th July, 2009) # ** | Australia | 73.60 |
| Kondor Holdings PTY Ltd. * | Australia | 100.00 |
| Bowen Coal PTY Ltd. * | Australia | 100.00 |
| Bowen Consolidated PTY Ltd. * | Australia | 100.00 |
| Capricorn Metals Ltd. * | Australia | 100.00 |
| Capricorn Resources (Australia) Ltd. * | Australia | 100.00 |
| Golden Country Resources (Australia) PTY Ltd. * | Australia | 100.00 |
| Bowen Energy (Asia) PTE Ltd. * ^ | Singapore | 100.00 |

** Subsidiary of Bhushan Steel (Australia) PTY Ltd.

Earlier associate company became subsidiary company w.e.f 28th July, 2009.

* Subsidiaries of Bowen Energy Ltd. .

^ Has been struck off .

- xi. The Joint Venture Company considered in the Consolidated Financial Statement is :-

| Name of the Company | Country of Incorporation | Proportion of Ownerships Interest |
|---|--------------------------|-----------------------------------|
| Andal East Coal Company Pvt. Ltd. (Incorporated on 22 nd September, 2009) | India | 33 ¹ / ₃ % |

- xii. The Associate Companies considered in the Consolidated Financial Statement are:-

| Name of the Company | Country of Incorporation | Proportion of Ownerships Interest |
|---------------------|--------------------------|-----------------------------------|
|---------------------|--------------------------|-----------------------------------|

| | | |
|---|-------|-------------------|
| Bhushan Energy Ltd. (from 2 nd Dec.,2009) | India | 29.64% |
| Angul Sukinda Railway Ltd. (from 27 th May,2009) | India | Pending Allotment |

xiii. The financial statements of the subsidiary, associate and joint venture companies used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended 31st March, 2011.

2. Investments other than in Subsidiaries, Joint Venture and Associates have been accounted as per Accounting Standard (AS)-13, on “Accounting for Investments”.

3. OTHER SIGNIFICANT ACCOUNTING POLICIES:

I. CONVENTION

Financial statements are prepared in accordance with generally accepted accounting principles, applicable Accounting Standards and in accordance with relevant requirements of the Companies Act, 1956. A summary of important accounting policies, which have been applied consistently, is set out below.

II. USE OF ESTIMATES

The preparation of Financial Statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

III. BASIS FOR PREPARATION OF ACCOUNTS

Financial statements are prepared in accordance with the historical cost convention on accrual basis.

IV. FIXED ASSETS

Fixed Assets are stated at cost, net of Modvat/Cenvat/Vat/GST, less accumulated depreciation. All costs including borrowing costs till commencement of commercial production and adjustment arising from exchange rate variations relating to long term monetary items attributable to depreciable fixed assets are capitalised. Capital expenditure on assets not owned by the company with exclusive right to use is reflected in capital work in progress till the period of completion and thereafter in the fixed assets. Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

V. INTANGIBLE ASSETS

Computer software is capitalized on the date of installation and is amortised over a period of three years.

VI. IMPAIRMENT OF ASSETS

Carrying amount of cash generating units/assets is reviewed for impairment. Impairment, if any, is recognized where the carrying amount exceeds the recoverable amount being the higher of net realizable price and value in use.

VII. DEPRECIATION

Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except:-

Cold Rolling Plant situated at Sahibabad acquired prior to 1st April,1996, Galvanizing Plant, Power Plant acquired before 1st April,2002 including addition or, extension forming integral part of above plants on which depreciation is provided on written down value method.

Plant situated at Khopoli (Maharashtra) on which depreciation has been provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

On incremental / decremental cost arising on account of translation of foreign currency liabilities for acquisition of Fixed Assets, depreciation has been provided as aforesaid over the residual life of the respective plants.

Capital expenditure on assets not owned by the company with exclusive right to use is amortized over a period of five years from the year in which the relevant assets have been completed and available for use. In other cases these are amortised in the year in which expenditure is incurred.

Premium on leasehold land is amortised over the period of lease except on leasehold land acquired on lease of ninety years or more. Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing Rs. 5000 or less are depreciated in full in the year of purchase.

VIII. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction. Monetary items denominated in foreign currency outstanding at the year end are translated at exchange rate applicable on the date of Balance Sheet. Non-monetary items denominated in foreign currency are valued at the exchange rate prevailing on the date of transaction. Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases of long term monetary items, where these relate to the acquisition of depreciable fixed assets, are adjusted to the carrying cost of such assets and in other cases are amortized over the period of such long term monetary item or 31st March, 2012, whichever is earlier.

IX. BORROWING COST

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

X. INVESTMENTS

Investments are classified into current investments and long term investments. Current investments are stated at the lower of cost and quoted / fair value. Long term investments are stated at cost, provision for diminution in the value of long term investments is made only if such a decline is other than temporary.

XI. DIVIDEND INCOME

Dividend on investments is accounted for as and when the right to receive the same is established.

XII. REVENUE RECOGNITION

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Sales are inclusive of sales during trial run, excise duty, custom duty and net of sales tax & discount. Export sales are net of ocean freight, insurance and discount.

XIII. INVENTORY VALUATION

Inventories are valued at lower of cost or net realisable value except scrap which is valued at net realisable value. The Cost is determined by using first-in-first-out (FIFO) method. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Excise Duty on closing stock of finished goods and scrap is accounted for on the basis of payments made in respect of goods cleared as also provision made for goods lying in the factory and included in the value of such stocks.

XIV. MODVAT /CENVAT/VAT/GST

Modvat/Cenvat/VAT/GST claimed on capital goods is credited to Assets / capital work in progress account. Modvat/Cenvat/VAT/GST on purchase of raw materials and other materials are deducted from the cost of such materials.

XV. INCOME TAX

Provision for current income tax is made after taking credit for allowances and exemptions. In case of matters under appeal, due to disallowance or otherwise, provision is made when the said liabilities are accepted by the Company.

Minimum Alternate Tax (MAT) paid in accordance with the Income Tax Act, 1961, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset.

In accordance with the Accounting Standard (AS)-22 "Accounting for Taxes on Income", the Deferred Tax Liability for timing differences between the book and tax profits is accounted for using the tax rates and tax laws that have been enacted or substantially enacted as of the Balance Sheet date. Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is virtual certainty that the assets can be realized in future.

XVI. CLAIMS

Claims receivables are accounted for depending on the certainty of receipt and claims payables are accounted for at the time of acceptance.

XVII. PROPOSED DIVIDEND

Dividend as proposed by the Directors is provided for in the books of account, pending approval at the Annual General Meeting.

XVIII. EMPLOYEE BENEFITS

Short term employee benefits (benefits which are payable within twelve months after end of the period in which the employees render service) are measured at cost. Long term employee benefits (which are payable after the end of twelve months from end of the period in which the employees render service) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and are recognized as an expense when employees have rendered service entitling them to the contribution.

Company's contribution to state defined contribution plans namely Employee State Insurance and Maharashtra Labour Welfare Fund are made in accordance with the statute, and are recognized as an expense when employees have rendered services entitling them to the contribution.

The cost of providing leave encashment and gratuity, defined benefit plans, are determined using the Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The leave encashment and gratuity benefit obligations recognized in the Balance Sheet represent the present value of the obligations as reduced by the fair value of Plan Assets. Any Asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized immediately in the Profit and Loss account.

XIX. PROVISION AND CONTINGENT LIABILITY

Show cause notices issued by various government authorities are not considered as obligation. Where the demand notices are raised, the show cause notice, disputed by the company, is classified as possible obligation.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in notes.

XX. FINANCIAL DERIVATIVES TRANSACTIONS

In respect of the financial derivative contracts the premium/ interest paid and profit/loss on settlement is charged to Profit and Loss account. The contracts entered into are mark to market at the year end and the resultant profit /loss is charged to Profit and Loss account except where these relate to long term monetary item attributable to depreciable fixed assets in which case it is adjusted to the cost of fixed assets.

SCHEDULE- 17 NOTES ON ACCOUNTS

| | (Rs. in lacs) | |
|--|---------------|---------------|
| | Current Year | Previous Year |
| | Amount | Amount |
| | (Rs. in Lacs) | (Rs. in Lacs) |
| 1. Contingent Liabilities in respect of : | | |
| (a) Sales Tax | 0.75 | 0.75 |
| (b) Excise Duty/Service Tax | 17,573.31 | 4.95 |
| (c) Entry Tax | 5,654.41 | - |
| (d) Outstanding guarantees issued by the banks counter guaranteed by the company including letter of credits | 78,354.15 | 79,917.77 |
| (e) Bills Discounted | 18,647.66 | 8,016.06 |
| 2. Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs.572893.35 Lacs (Previous Year Rs. 393176.57 Lacs) (Net of Advances). | | |
| 3. There is no present obligation arising from past events requiring provision in accordance with the guiding principle as enunciated in Accounting Standard (AS)-29 as it is not probable that an outflow of resources embodying economic benefit will be required. | | |
| 4.a) 25% Non Convertible Cumulative Redeemable Preference Shares of Rs of Rs. 100/- each are allotted at a price of Rs.2500/- per share during the year on private placement basis. The preference shares are redeemable at a price that shall give aggregate yield to the holders of 1% accrued on day to day basis on the face value together with the premium of the preference shares, within 48 Months from the date of allotment i.e. 28th March, 2011, in such trenches as stipulated in the subscription agreement . | | |
| b) 4% Non Convertible Cumulative Redeemable Preference Shares of Rs of Rs. 100/- each are allotted at a price of Rs.2500/- per share during the year on private placement basis. The Preference Shares shall be redeemed at an amount in INR , such that the subscribers get yield of 11.7% per annum on the amount outstanding within 36 Months from the date of allotment, i.e. 29 th March, 2011, in such trenches as stipulated in the subscription agreement. | | |
| c) 10% Redeemable Cumulative Preference Shares of Rs. 100/- each are allotted at a price of Rs.3000/- per share during the year on private placement basis. The Preference Shares are redeemable at a premium of Rs. 2900/- before the expiry of ten years from the date of allotment i.e. | | |

- d) 30th March, 2011 for 15,00,300 shares .

10% Redeemable Cumulative Preference Shares of Rs. 100/- each are allotted at a price of Rs.3000/- per share during the previous year on private/preferential placement basis. The Preference Shares are redeemable at a premium of Rs. 2900/- before the expiry of ten years from the date of allotment i.e. 29th January, 2010 and 31st March, 2010 for 13,34,800 and 23,33,500 shares respectively.

5. Audited financial statements of Bhushan Energy Ltd. and un-audited financial statements of Angul Sukinda Railway Ltd., the Associate companies, have been considered for consolidation.
6. Bowen Energy Ltd. (Australia) was an associate company till 27th July, 2009 and has become subsidiary w.e.f. 28th July, 2009. The consolidated financial statement of Bowen Energy Ltd. and its subsidiaries has been consolidated as certified by the management to be in compliance with the applicable Indian Accounting Standards and relevant provisions of the Companies Act, 1956.
7. Bhushan Steel (Australia) Pty Ltd. is 100% subsidiary of Bhushan Steel Ltd. Bhushan Steel (Australia) Pty Ltd. is the holding company of Bowen Energy Ltd., a public quoted Co., listed in Security Exchange in Australia and holds 73.60% (Previous Year 59.65%) equity shares of Bowen Energy Ltd. Bhushan Steel (Australia) Pty Ltd. has invested the amount in Bowen Energy Ltd. out of the proceeds received from its Holding Company (i.e. Bhushan Steel Limited) which are being utilized by Bowen Energy Ltd. In exploration of mines.

In Notes to Accounts on the Financial Statements of subsidiary M/s Bowen Energy Ltd.(Australia), following notes have been given involving material items:

“The Consolidated Entity incurred a loss after tax for the half year of \$ 796,694 (2009: \$ 11,523,326) and, as of that date the Consolidated Entity’s current liabilities exceeded its current assets by \$6,540,798 (2009: \$4,906,698). At 31st December, 2010 the Consolidated Entity had a deficiency of equity amounting to \$3,361,306 (30 June, 2010: \$2,627,932).

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity’s ability to continue as a going concern.

The Consolidated Entity’s ability to continue as a going concern is reliant on funds being made available to finance future operations. The Consolidated Entity has a facility of \$10 million in place with its ultimate parent company, Bhushan Steel Limited from which to drawdown. A letter of support has been received from Bhushan Steel Limited which states that they will continue to support the Consolidated Entity, and will not call for repayment of their loan until the Consolidated Entity has sufficient funds to do so. The directors believe this is sufficient to ensure the Consolidated Entity can pay their debts as and when they fall due in the ordinary course of business.

The financial report has been prepared on the basis of a going concern. This basis assumes that funds will be available to finance future operations and that the realization of the assets and settlement of liabilities will occur in the normal course of business.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realize its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The half year financial report does not include any adjustments relating to the recoverability and classification of asset carrying amount or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.”

The loss shown in Balance Sheet of the Bowen Energy Ltd., Australia as mentioned in the above note, consist mainly expenditure incurred by the Company on exploration activity of its various mines which are still not operational, however, in accordance with generally accepted accounting

principles in India, the same has been treated as Capital work in progress.

In the opinion of the parent company's management, the note given by the auditors of Bowen Energy Ltd., Australia is not applicable as loss has been capitalised to CWIP in the consolidated Balance Sheet of Bhushan Steel Ltd as per generally accepted accounting principles in India.

8. Related Party Information:

(I) List of related parties where control exists and related parties with whom transactions have taken place and relationships:

a) Associates

Angul Sukinda Railway Ltd.

Bhushan Energy Ltd. (from 2nd December, 2009)

b) Key Management Personnel

Sh. Neeraj Singal (Vice Chairman & Managing Director)

Sh. P.K. Aggarwal (Whole time Director)

Sh. Nittin Johari (Whole time Director)

Sh. Rahul Sen Gupta (Whole time Director)

c) Relatives of Key Management Personnel

Smt. Ritu Singal (Wife of Vice Chairman & Managing Director)

Shri B.B. Singal (Chairman & Father of Vice Chairman & Managing Director)

d) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence

Arshiya International Ltd.

Bhushan Aviation Ltd.

Bhushan Energy Ltd. (up to 1st December, 2009)

(II) Transactions Carried out with related parties referred in (I) above, in ordinary course of business:

(Rs. in Lacs)

| PARTICULARS | | Associates | Key Management Personnel (KMP) | Relatives of KMP | Enterprises over which KMP & their relatives have significant influence | Grand Total |
|------------------------|---------------|------------|--------------------------------|------------------|---|-------------|
| Remuneration and Perks | Current Year | - | 278.36 | 27.17 | - | 305.53 |
| | Previous Year | - | 172.05 | 19.52 | - | 191.57 |
| Directors Sitting Fees | Current Year | - | - | 5.45 | - | 5.45 |
| | Previous Year | - | - | - | - | 0.00 |

| | | | | | | |
|--|---------------------|------------------|-------------|---|-----------------|------------------|
| Investments in Share Capital/Share Application Money | Current Year | 600.00 | - | - | - | 600.00 |
| | Previous Year | 7,400.00 | - | - | - | 7,400.00 |
| Purchase of Goods/ Services | Current Year | 40,752.46 | - | - | 7,070.84 | 47,823.30 |
| | Previous Year | 8,428.15 | - | - | 6,817.47 | 15,245.62 |
| Sales of Goods/ Services | Current Year | 2,166.57 | - | - | - | 2,166.57 |
| | Previous Year | 224.52 | - | - | - | 224.52 |
| Rent Received | Current Year | - | - | - | 1.20 | 1.20 |
| | Previous Year | - | - | - | 0.13 | 0.13 |
| Advance Received for sale of Investment | Current Year | 1,500.00 | - | - | - | 1,500.00 |
| | Previous Year | - | - | - | - | - |
| Outstanding | | | | | | |
| Receivable | Current Year | - | - | - | - | - |
| | Previous Year | - | - | - | 154.55 | 154.55 |
| Payable | Current Year | 847.92 | 6.66 | - | 136.04 | 990.62 |
| | Previous Year | 308.27 | 5.45 | - | 481.90 | 795.62 |

Disclosure in Respect of Material Related Party Transaction during the year :

1. Remuneration & Perks include payment to Shri Neeraj Singal Rs. 90.95 Lacs (Pre. Year Rs. 90.37 Lacs), Shri P.K Aggarwal Rs.45.14 Lacs (Pre. Year Rs.23.71 Lacs), Shri Nittin Johari Rs.55.77 Lacs (Pre. Year Rs.33.24 Lacs), Shri Rahul Sengupta Rs.41.98 Lacs (Pre. Year Rs. 23.60 Lacs), Smt Ritu Singal Rs.27.17 Lacs (Pre. Year Rs. 19.52 Lacs), and others Rs. 44.52 Lacs (Pre. Year Rs.1.13 Lacs).
2. Directors sitting fees is paid to Shri B.B. Singal Rs. 5.45 Lacs (Pre. Year Nil)
3. Investment in Share Capital/ Share Application Money include Bhushan Energy Ltd. Rs. Nil (Pre.Year Rs. 7000 Lacs) and Angul Sukinda Railway Ltd. Rs.600 Lacs (Pre. Year Rs.400 Lacs).
4. Purchase of Goods/Services is from Arshiya International Ltd. Rs.5217.80 Lacs (Pre. Year Rs.3699.61 Lacs), Bhushan Energy Ltd. Rs. 40752.46 Lacs (Pre. Year Rs. 9847.39 Lacs) and Bhushan Aviation Ltd. Rs. 1853.04 Lacs (Pre.Year Rs.1698.62 Lacs).
5. Sale of Goods/ Services is to Bhushan Energy Ltd. Rs.2166.57 Lacs (Pre.Year Rs.224.52 Lacs).
6. Rent Received is from Bhushan Aviation Ltd. Rs. 1.20 Lacs (Pre.Year Rs.0.13 Lacs).
7. Advance received for sale of Investment is from Bhushan Energy Ltd Rs 1500.00 Lacs (Pre. Year Nil)

9. The Company is engaged in the steel business, which in the context of Accounting Standard(AS)-17, is considered the only primary business segment and its subsidiary M/s Bowen Energy Ltd. has acquired Coal & other Metal Mines which are under exploration and are not under operation hence only one primary business segment has been considered.

Gross Revenue of the Company as per Geographical Segment is as follows:

| | (Rs. in lacs) | |
|---------------|----------------------|---------------|
| | Current Year | Previous Year |
| Within India | 633,751.16 | 475,671.01 |
| Outside India | 120,903.67 | 120,929.45 |
| Total | 754,654.83 | 596,600.46 |

The Company has common fixed assets, other assets and liabilities for producing goods for domestic as well as overseas market.

10. Fixed Assets include one cold rolling mill established in 1992 damaged in fire accident in the year 1998-99. The amount received from Insurance Company for reinstatement /repair of the mill is included in other liabilities as the matter is still sub-judice. The amount received shall be adjusted on final disposal of the pending suit.

11. Major components of deferred tax assets and liabilities arising on account of timing difference are:

| | (Rs. in lacs) | |
|---|----------------------|---------------|
| | Current Year | Previous Year |
| Deferred Tax Liability | | |
| (i) Related to Fixed Assets | 70,556.70 | 33,351.65 |
| Total (A) | 70,556.70 | 33,351.65 |
| Deferred Tax Assets | | |
| (i) Provision of Doubtful Debts | 302.61 | 247.57 |
| (ii) Other Items | 422.50 | 150.26 |
| Total (B) | 725.11 | 397.83 |
| Deferred Tax Liability Net (A-B) | 69,831.59 | 32,953.82 |

12. **Pre-operative Expenses** (In respect of projects to be capitalised)

| | (Rs. in lacs) | |
|---|----------------------|---------------|
| | Current Year | Previous Year |
| | (Rs. In Lacs) | (Rs. In Lacs) |
| Opening Balance | 251,483.28 | 146,877.28 |
| Add: Pre-operative Expenses | | |
| 1. Transferred from Profit & Loss Account | 57,768.70 | 24,473.75 |
| 2. Trial Run Exp./ (Gain) (Net) transferred from Profit & Loss Account | (7,749.23) | 6,143.22 |

| | | | | |
|---|-------------------------|--------------------------|------------------------|--------------------------|
| 3. Depreciation | 1,850.05 | | 883.58 | |
| 4. Interest & Financial Charges | | | | |
| - During Construction | 102,082.98 | | 72,949.53 | |
| - During Trial Run | <u>16,522.83</u> | 170,475.33 | <u>6,631.25</u> | 111,081.33 |
| | | <u>421,958.61</u> | | <u>257,958.61</u> |
| Less : Interest earned during construction period | | 48.03 | | 44.59 |
| | | <u>421,910.58</u> | | <u>257,914.02</u> |
| Less: Capitalised | | | | |
| - Pre-Operative Expenses | 266,859.71 | | 6,430.74 | |
| - Depreciation | 3,734.00 | | - | |
| - Trail Run Expenses (Net) | <u>38,828.70</u> | 309,422.41 | - | 6,430.74 |
| | | <u>112,488.17</u> | | <u>251,483.28</u> |
| TOTAL | | | | |

13. Earning Per Share

(i) Weighted Average No. of Equity Shares

| | | |
|--|--------------------|-------------|
| Equity Shares at the beginning of the Year | 212,358,310 | 212,358,310 |
|--|--------------------|-------------|

(ii) Equity Shares for Calculating Diluted Earning per Share

| | | |
|---------------------------------------|--------------------|-------------|
| Weighted Average No. of Equity Shares | 212,358,310 | 212,358,310 |
|---------------------------------------|--------------------|-------------|

| | | |
|--|-------------------|-----------|
| (iii) Profit After Tax including Minority interest and share of profit of Associates (Rs. In Lacs) | 100,739.46 | 84,318.21 |
|--|-------------------|-----------|

| | | |
|--------------------------------------|---------------|-------|
| Less: -Dividend on preference shares | 430.19 | 27.18 |
|--------------------------------------|---------------|-------|

(Including Dividend Tax)

| | | |
|--|-------------------|-----------|
| Profit after Dividend on preference shares | 100,309.27 | 84,291.03 |
|--|-------------------|-----------|

(iv) Earning Per Share (Rs.)

| | | |
|---------------------|--------------|-------|
| - Basic [(iii)/(i)] | 47.24 | 39.69 |
|---------------------|--------------|-------|

| | | |
|------------------------|--------------|-------|
| - Diluted [(iii)/(ii)] | 47.24 | 39.69 |
|------------------------|--------------|-------|

Note : The company has split its Equity Shares of Rs 2/- each in September 2010, Accordingly Earning Per Share has been calculated/ recalculated based on the increased number of Equity Shares for the previous year as required by Accounting Standard (AS) -20.

14. The Company in respect of Khopoli unit was availing sales tax exemption scheme. However, during the year the company has opted "Deferral Scheme" of sales tax and paid VAT on the basis of Net Present Value (NPV).

Tax difference between the amount payable and amount paid under NPV amounting to Rs. 4120.46 Lacs (Previous Year Rs. 2383.82 Lacs) being capital receipt has been credited to Capital Reserve.

15. DERIVATIVES

- I. The company has not entered into any derivatives instruments to hedge the foreign currency contracts. There is no derivative contract outstanding as on the date of the Balance Sheet.
- II. The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are given below :-

| | Current Year | | Previous Year | |
|---|------------------------------|--------------------------|------------------------------|--------------------------|
| | US\$ equivalent (Million) | INR equivalent (Lacs) | US\$ equivalent (Million) | INR equivalent (Lacs) |
| a) Amount receivable in Foreign Currency on Account of | | | | |
| Sale of Goods | 3.52 | 1,567.29 | 10.64 | 4,766.59 |
| Advance against Goods | 161.50 | 71,899.05 | 107.02 | 47,945.43 |
| b) Amount receivable in Foreign Currency on Account of | | | | |
| Acceptances | 173.08 | 77,054.18 | 159.49 | 71,450.89 |
| Bills Discounted | 20.80 | 9,261.33 | 9.65 | 4,323.06 |
| Creditors | 131.37 | 58,484.51 | 31.00 | 13,886.25 |
| Loans /Interest Payable | 1,206.31 | 537,049.02 | 694.29 | 311,039.33 |

16. As per Accounting Standards (AS)-15 on "Employee Benefits", the disclosure of employee benefits as defined in the Accounting Standards are given below :-

A. Defined Contribution Plans:

Contribution to defined contribution plans, recognized as expenses / Pre-Operative Expenses are as under.

| | Current Year (Rs. in Lacs) | Previous Year (Rs. in Lacs) |
|--|-------------------------------|--------------------------------|
| a) Employer contribution to Provident Fund & Other Funds | 414.25 | 498.46 |
| b) Employer contribution to State Plans | 56.35 | 31.84 |
| i) Employee State Insurance | 56.21 | 31.73 |
| ii) Maharashtra Labour Welfare Fund | 0.14 | 0.11 |

B. Defined Benefit Plans:

- a) Leave Encashment/ Compensated Absence.
- b) Contribution to Gratuity Funds - Employee's Gratuity Fund.

In accordance with Accounting Standard (AS)-15 (Revised 2005), the actuarial valuation carried out in respect of the aforesaid defined benefit plans is based on the following assumptions:

(Rs. in Lacs)

| | Leave Encashment /Compensated Absence | | Employee Gratuity Fund | |
|---|--|------------------|------------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| i) Actuarial Assumptions | | | | |
| Discount Rate (per annum) | 8% | 8% | 8% | 8% |
| Rate of increase in compensation levels | 5% | 5% | 5% | 5% |
| Rate of return on plan assets | - | - | 8% | 8% |
| Expected Average remaining working lives of employees (years) | 26 | 26 | 26 | 26 |
| ii) Change in the obligation during the year ended 31st March, 2011 | | | | |
| Present value of obligation as at 31 st March, 2010 | 816.91 | 687.07 | 987.54 | 640.44 |
| Impact of Transition provision of (AS) -15 | - | - | - | - |
| Interest cost | 65.35 | 54.97 | 77.04 | 48.97 |
| Past Service cost | - | - | - | - |
| Current service cost | 327.66 | 221.15 | 226.53 | 299.10 |
| Curtailement cost | - | - | - | - |
| Settlement cost | - | - | - | - |
| Benefits Paid | (294.36) | (36.41) | (49.04) | (56.54) |
| Actuarial (gain)/ loss on Obligations | 153.01 | (109.87) | 30.99 | 55.57 |
| Present value of obligation as at 31 st March, 2011 | 1,068.57 | 816.91 | 1,273.06 | 987.54 |
| iii) Change in fair value of plan Assets | | | | |
| Fair value of Plan Assets as at 31 st March, 2010 | - | - | 929.17 | 647.50 |
| Expected return on Plan Assets | - | - | 72.39 | 60.85 |
| Contributions | - | - | 76.84 | 282.88 |
| Benefits Paid | - | - | (49.04) | (56.54) |
| Actuarial gain/ (loss) on Obligations | - | - | 10.07 | (5.52) |

| | | | | |
|--|-------------------|----------|-----------------|---------|
| Fair value of Plan Assets as at 31 st March, 2011 | - | - | 1,039.43 | 929.17 |
| iv) Reconciliation of Present value of Defined Benefit obligation and Fair value of Plan Assets | | | | |
| Present value of obligation as at 31 st March, 2011 | 1,068.57 | 816.91 | 1,273.06 | 987.54 |
| Fair value of Plan Assets as at 31 st March, 2011 | - | - | 1,039.43 | 929.17 |
| Funded Status | (1,068.57) | (816.91) | (233.63) | (58.37) |
| Present value of un-funded obligation as at 31 st March, 2011 | - | - | - | - |
| Un-funded Actuarial (gains)/ losses | - | - | - | - |
| Un-funded Net Asset/ (Liability) recognized in Balance Sheet | (1,068.57) | (816.91) | (233.63) | (58.37) |

(Rs. In Lacs)

| | Current Year | Previous Year | Current Year | Previous Year |
|---|---------------------|---------------|---------------------|---------------|
| v) Expenses recognized/Pre-Operative Expenses in Profit and Loss Account | | | | |
| Current service cost | 327.66 | 221.15 | 226.53 | 299.10 |
| Past Service cost | - | - | - | - |
| Interest cost | 65.35 | 54.97 | 77.04 | 48.97 |
| Expected return on Plan Assets | - | - | (72.39) | (60.85) |
| Curtailment cost | - | - | - | - |
| Settlement cost | - | - | - | - |
| Net Actuarial (gain)/ loss recognized during the year | 153.01 | (109.87) | 20.92 | 61.09 |
| Total Expense recognized in Profit and Loss Account / Pre operative expenses | 546.02 | 166.25 | 252.10 | 348.31 |

The estimate of future salary increase, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors.

The above details do not include expenditure/payables of joint venture amounting to Rs. 0.62 Lacs (Previous Year Rs. 0.19 Lacs) provided on accrual basis.

17. Previous Year Figures have been regrouped wherever considered necessary.
18. Figures pertaining to the subsidiary companies and joint ventures have been reclassified where necessary to bring them in line with the company's financial statements.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No.000517N)

R .K .MEHRA
PARTNER
M. No. 6102

PANKAJ KUMAR
HEAD (ACCOUNTS)

B.B.SINGAL
CHAIRMAN

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE)

NEERAJ SINGAL
VICE CHAIRMAN & MANAGING
DIRECTOR

O.P.DAVRA
COMPANY SECRETARY

Place: New Delhi
Dated: July 29, 2011

Limited Review Report for the Period from April 1, 2011 to September 30, 2011 on the Interim Standalone Financial Statements of Bhushan Steel Ltd.

For the kind attention of the Board of Directors

Bhushan Steel Limited
F-Block First Floor,
International Trade Tower,
Nehru Place
New Delhi - 110019

- We have reviewed the accompanying un-audited and condensed Balance Sheet of Bhushan Steel Limited (the “Company”) as at September 30, 2011, and the related un-audited and condensed Profit and Loss Accounts for the six month ended on that date annexed thereto (all of which are hereinafter referred to as the “Statement”), for the purpose of its inclusion in the offer document prepared by the Company in connection with the proposed rights issue of Equity Shares of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 issued by SEBI on August 26 2009 [“SEBI (ICDR) Regulations 2009”]. The Statement is the responsibility of the Company’s management and has been approved by the Audit committee and Right Issue Committee of Board of Directors of the Company. Our responsibility is to issue a report on the Statement, based on our review of the Statement, which has been prepared by the Company’s management pursuant to SEBI (ICDR) Regulations 2009.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400 - Engagements to Review Financial Statements - issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A limited review of interim financial statements consists principally of applying analytical procedures to financial data and making enquiries with Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards followed in India, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.
 3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Statement, prepared fairly in all material respects and has not disclosed the information required to be disclosed in Paragraph A (5) in Clause X in Part E of SEBI (ICDR) Regulations 2009, including the manner in which it is to be disclosed, or that it contains any material misstatement.
 4. This report is intended solely for the use of the Company for filing with Securities and Exchange Board of India and Registrar of Companies in connection with the proposed rights issue of Equity Shares of the Company under SEBI (ICDR) Regulations 2009 and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

For **MEHRA GOEL & CO.**
Chartered Accountants
Firm Registration No 000517N

R.K. MEHRA
PARTNER
Membership No. 6102
Place : Delhi
Date : February 21, 2012

BHUSHAN STEEL LIMITED
STATEMENT OF ASSETS & LIABILITIES AS AT 30TH SEPTEMBER, 2011

(Rs in lacs)

| Particulars | As at 30.09.2011 | As at 31.03.2011 |
|---|-------------------------|-------------------------|
| | Unaudited | Audited |
| SOURCES OF FUNDS: | | |
| SHAREHOLDERS' FUND | | |
| (a) Capital | 11,116 | 11,116 |
| (b) Reserves and Surplus | 621,632 | 578,525 |
| | <u>622,748</u> | <u>589,641</u> |
| LOAN FUNDS | | |
| Secured Loans | 1,512,865 | 1,239,185 |
| Unsecured Loans | 347,196 | 420,078 |
| | <u>1,860,061</u> | <u>1,659,263</u> |
| Deferred Tax Liability (Net) | 73,992 | 69,832 |
| TOTAL | <u>2,566,801</u> | <u>2,318,736</u> |
| APPLICATION OF FUNDS: | | |
| FIXED ASSETS (including CWIP) | | |
| Gross Block | 1,459,427 | 1,442,440 |
| Less: Depreciation | 216,330 | 185,811 |
| Net Block | 1,243,097 | 1,256,629 |
| Capital Work in Progress | 1,028,676 | 739,322 |
| | <u>2,271,773</u> | <u>1,995,951</u> |
| INVESTMENTS | 28,235 | 27,773 |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| (a) Inventories | 311,244 | 316,841 |
| (b) Sundry Debtors | 85,492 | 48,353 |
| (c) Cash and Bank balances | 18,363 | 3,508 |
| (d) Loans and Advances | 112,670 | 133,067 |
| | <u>527,769</u> | <u>501,769</u> |
| Less: Current Liabilities and Provisions | | |
| (a) Current Liabilities | 253,719 | 201,915 |
| (b) Provisions | 7,257 | 4,842 |
| | <u>260,976</u> | <u>206,757</u> |

| | | |
|--------------------|-------------------------|-------------------------|
| Net Current Assets | <u>266,793</u> | <u>295,012</u> |
| TOTAL | <u>2,566,801</u> | <u>2,318,736</u> |

Notes to accounts annexed hereto form part of condensed Balance Sheet & Condensed Profit & Loss Accounts.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No. 000517N)

R .K .MEHRA
PARTNER
M. No. 6102

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING DIRECTOR

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE)

PANKAJ KUMAR
HEAD
(ACCOUNTS)

Place: New Delhi

BHUSHAN STEEL LIMITED

(UNAUDITED) FINANCIAL RESULTS FOR THE HALF YEAR ENDED ON 30TH SEPTEMBER, 2011

(Rs. In lacs)

| S. NO. | PARTICULARS | HALF YEAR | YEAR |
|-----------|---|------------------------------------|----------------------------------|
| | | ENDED 30.09.2011 (Unaudited) | ENDED 31.03.2011 (Audited) |
| 1 | Gross Sales /Income from Operations | 509,886 | 757,628 |
| | Less : Excise Duty | 40,172 | 57,582 |
| | Net Sales/ Income from operations | 469,714 | 700,046 |
| 2 | Expenditure | | |
| | a) (Increase) / Decrease in Stock-in-Trade | 14,169 | (47,175) |
| | b) Consumption of Raw Materials | 244,491 | 423,826 |
| | c) Purchase of Traded Goods | - | - |
| | d) Staff Cost | 6,932 | 12,309 |
| | e) Other Expenditure | 65,911 | 108,047 |
| | f) Depreciation | 30,223 | 27,785 |
| | g)Total | 361,726 | 524,792 |
| 3 | Profit from Operations Before other income, Interest & exceptional items | 107,988 | 175,254 |
| 4 | Other Income | 1,087 | 6,952 |
| 5 | Profit Before Interest & exceptional items | 109,075 | 182,206 |
| 6 | Interest & Financial Charges | 51,765 | 44,641 |
| 7 | Profit after Interest but before Exceptional Items (5-6) | 57,310 | 137,56 |
| 8 | Exceptional Items | - | - |

| | | | |
|----|--|---------------|--------------|
| 9 | Profit (+)/Loss(-) from Ordinary Activities before Tax (7+8) | 57,310 | 137,565 |
| 10 | Provision For Tax Expenses | 15,626 | 37,056 |
| 11 | Net Profit(+)/ Loss(-) from Ordinary Activities after Tax (9-10) | 41,684 | 100,509 |
| 12 | Extraordinary items | - | - |
| 13 | Net Profit (11+12) | 41,684 | 100,509 |
| 14 | Paid-up Equity Share Capital (Face Value of Rs.2/- each) | 4,247 | 4,247 |
| 15 | EPS (Not Annualised) | | |
| | i) Basic (Rs.) | 19.42 | 47.13 |
| | ii) Diluted (Rs.) | 19.42 | 47.13 |

Notes to accounts annexed hereto form part of condensed Balance Sheet & Condensed Profit & Loss Accounts.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No. 000517N)

R .K .MEHRA
PARTNER
M. No. 6102

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING DIRECTOR

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE) (ACCOUNTS)

PANKAJ KUMAR
HEAD

Place: New Delhi

SCHEDULE :- SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS FOR THE PERIOD FROM 01/04/2011 TO 30/09/2011

1. There is no change in the accounting policy in preparation of accounts during the period from 01.04.2011 to 30.09.2011.

| | Half Year ended 30.09.011 (Un-Audited) | Rs in Lacs Year ended 31.03.2011 (Audited) |
|---|--|--|
| 2. Contingent Liabilities in respect of : | | |
| a) Sales Tax | 1 | 1 |
| b) Excise Duty/Service Tax | 16,106 | 17,573 |
| c) Entry Tax | 7,490 | 5,654 |
| d) Outstanding guarantees issued by the banks counter guaranteed by the company including letter of credits | 44,898 | 78,354 |
| e) Bills Discounted | 10,933 | 18,648 |

3. Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs.471,242 Lacs (Year Ended 31.03.2011 : Rs. 572,893 Lacs) (Net of Advances).

4. **Earning Per Share**

(i) Weighted Average No. of Equity Shares

| | | |
|---|--------------------|-------------|
| Equity Share at the beginning of the Year | 212,358,310 | 212,358,310 |
|---|--------------------|-------------|

(ii) Equity Shares for Calculating Diluted Earning per Share

| | | |
|---------------------------------------|--------------------|-------------|
| Weighted Average No. of Equity Shares | 212,358,310 | 212,358,310 |
|---------------------------------------|--------------------|-------------|

| | | |
|--------------------------------------|---------------|---------|
| (iii) Profit After Tax (Rs. In Lacs) | 41,684 | 100,509 |
|--------------------------------------|---------------|---------|

| | | |
|--------------------------------------|------------|-----|
| Less: -Dividend on preference shares | 438 | 430 |
|--------------------------------------|------------|-----|

(Including Dividend Tax)

| | | |
|--|---------------|---------|
| Profit after dividend on preference shares | 41,247 | 100,078 |
|--|---------------|---------|

(iv) Earning Per Share (Rs.)

| | | |
|---------------------|--------------|-------|
| - Basic [(iii)/(i)] | 19.42 | 47.13 |
|---------------------|--------------|-------|

| | | |
|------------------------|--------------|-------|
| - Diluted [(iii)/(ii)] | 19.42 | 47.13 |
|------------------------|--------------|-------|

5. The Company is engaged in the steel business, which in the context of Accounting Standard (AS)-17 is considered the only primary business segment.

Gross Revenue of the company as per Geographical Segment is as follows:

Rs in Lacs

| | Half Year ended 30.09.2011 (Un-Audited) | Year ended 31.03.2011 (Audited) |
|---------------|--|---------------------------------------|
| Within India | 440,429 | 633,751 |
| Outside India | 68,005 | 120,596 |
| Total | 508,434 | 754,347 |

*Excluding export incentive Rs 1452 Lacs (Year ended 31.03.2011 :Rs 3,281 Lacs)

The Company has common fixed assets, other assets and liabilities for producing goods for domestic as well as overseas market.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No. 000517N)

R. K. MEHRA
PARTNER
M. No. 6102

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING DIRECTOR

NITIN JOHARI
WHOLE TIME DIRECTOR
(FINANCE) (ACCOUNTS)

PANKAJ KUMAR
HEAD

Place: New Delhi

Limited Review Report for the Period from April 1, 2011 to September 30, 2011 on the Interim Consolidated Financial Statements of Bhushan Steel Ltd.

For the kind attention of the Board of Directors

Bhushan Steel Limited
F-Block First Floor,
International Trade Tower,
Nehru Place
New Delhi - 110019

1. We have reviewed the accompanying un-audited, consolidated and condensed financial statement (incorporating Profit and Loss account and Assets and Liabilities) of Bhushan Steel Limited (the "Company") and its subsidiaries for the six months ended as at September 30, 2011 (all of which hereinafter referred to as "the Consolidated Statement"), for the purpose of its inclusion in the draft letter of offer prepared by the Company in connection with its the proposed rights issue of Equity Shares of the Company under SEBI (ICDR) Regulations. The Consolidated Statement is the responsibility of the Company's management and the same has been approved by the Audit committee and Right Issue Committee of Board of Directors of the Company. Our responsibility is to issue a report on the Consolidated Statement, based on our review of the Consolidated Statement, which has been prepared by the Company's management on the basis of separate financial statements and other financial information regarding components pursuant to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 issued by SEBI on August 26 2009 ["SEBI (ICDR) Regulations 2009"].
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400 - Engagements to Review Financial Statements - issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A limited review of interim financial statements consists principally of applying analytical procedures to financial data and making enquiries regarding the same with Company personnel responsible for financial and accounting matters. It is substantially lesser in scope than an audit conducted in accordance with the generally accepted auditing standards followed in India, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.
3. We did not review the unaudited financial statements of the foreign subsidiary of the company, namely M/s Bowen Energy Ltd (Australia) whose Consolidated financial statement reflect total assets of Rs. 7135.78 Lacs as at September 30, 2011, and total revenue of Rs. 1.89 Lacs for the period of six months ended on that date. We also did not reviewed the unaudited financial statement of one associates namely M/s Angul Sukhinda Railway Limited, where in group's share of profit aggregates Rs. NIL and one joint venture, namely M/s Andal East Coal Company Pvt, Ltd., whose financial statements reflect total assets of Rs.1231.18 Lacs as at 30th September 2011 and total revenue of Rs.NIL for six months then ended. These Consolidated financial statement or financial statements have been prepared by the management but have not been audited or reviewed by the auditors and our review in so far as it relates to the amounts included in respect of the said subsidiary / associate / joint venture is based solely on the Consolidated financial statement or financial statements prepared and submitted by the management.
4. Based on our review conducted as above and *subject to what in is stated paragraph 3 above*, nothing has come to our attention that causes us to believe that the Consolidated Statement, prepared fairly in all material and has not disclosed the information required to be disclosed in terms of Paragraph A (5) in Clause X in Part E of SEBI (ICDR) Regulations 2009, including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. This report is intended solely for the use of the Company for filing with Securities and Exchange Board of India and Registrar of Companies in connection with the proposed rights issue of Equity Shares of the Company under SEBI (ICDR) Regulations and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any

liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

For **MEHRA GOEL & CO.**
Chartered Accountants
Firm Registration No 000517N

R.K. MEHRA
PARTNER
Membership No. 6102
Place : Delhi
Date : February 21, 2012

Notes to accounts annexed hereto form part of condensed Consolidated Balance Sheet & Condensed Consolidated Profit & Loss Accounts.

For **MEHRA GOEL & CO.**

Chartered Accountants

(Registration No. 000517N)

R .K .MEHRA

PARTNER

M. No. 6102

NEERAJ SINGAL

VICE CHAIRMAN &

MANAGING

DIRECTOR

NITIN JOHARI

WHOLE TIME

DIRECTOR

(FINANCE)

PANKAJ KUMAR

HEAD

(ACCOUNTS)

Place: New Delhi

BHUSHAN STEEL LIMITED**Consolidated Unaudited Results for the Half Year Ended September 30, 2011****(Rs in Lacs)**

| Particulars | Half Year Ended 30th September 2011 | Year Ended 31st March 2011 |
|---|--|---------------------------------------|
| 1. Gross Sales/Income from Operations | 511,845 | 757,935 |
| Less Excise Duty | 40,172 | 57,582 |
| Net Sales/Income from Operations | 471,673 | 700,353 |
| Total | 471,673 | 700,353 |
| 2 Expenditure | | |
| a)(Increase)/decrease in stock in trade and work in progress | 15,946 | (47,674) |
| b) Cost of Materials | 244,491 | 423,826 |
| c) Employees Cost | 6,940 | 12,375 |
| d) Purchase of traded goods | - | 249 |
| e) Other Expenditure | 66,033 | 108,386 |
| f) Depreciation | 30,223 | 27,786 |
| g) Total | 363,633 | 524,948 |
| 3 Profit from Operations before other income, Interest & Exceptional Items (1-2) | 108,040 | 175,405 |
| 4 Other Income | 704 | 6,936 |
| 5 Profit before Interest & Exceptional Items (3+4) | 108,744 | 182,341 |
| 6 Interest & Financial Charges | 51,775 | 44,771 |
| 7 Profit after Interest but before Exceptional Items (5-6) | 56,969 | 137,570 |

| | | |
|---|---------------|---------|
| 8 Exceptional Items | - | - |
| 9 Profit (+)/Loss(-) from Ordinary Activities before tax (7+8) | 56,969 | 137,570 |
| 10 Tax expenses | 15,626 | 37,057 |
| 11 Net Profit (+)/Loss(-) from Ordinary Activities after tax (9-10) | 41,343 | 100,513 |
| 12 Extraordinary Items | - | - |
| 13 Less Minority Interest profit/(loss) | (3) | 4 |
| 14 Share of Profit Of Associates | 11 | 230 |
| 15 Net Profit (+)/Loss(-) for the period | 41,357 | 100,739 |
| 14 Paid-up equity share capital (Face value Rs.2/- each) | 4,247 | 4,247 |
| 15 EPS before and after Extraordinary items for the period / for the year to date (without annualising).(Rs.) | | |
| -Basic EPS | 19.27 | 47.24 |
| -Diluted EPS | 19.27 | 47.24 |

Notes to accounts annexed hereto form part of condensed Consolidated Balance Sheet & Condensed Consolidated Profit & Loss Accounts.

For **MEHRA GOEL & CO.**
Chartered Accountants
(Registration No. 000517N)

R.K.MEHRA
PARTNER
M. No. 6102

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING
DIRECTOR

NITIN JOHARI
WHOLE TIME
DIRECTOR
(FINANCE)

PANKAJ KUMAR
HEAD
(ACCOUNTS)

Place: New Delhi

SCHEDULE :- SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS FOR THE PERIOD FROM 01/04/2011 TO 30/09/2011

2. (i) There is no change in principles of consolidation from 31st March 2011.
(ii) Unaudited and un reviewed financial statements of M/s Bowen Energy Limited (consolidated), M/s Angul Sukinda Railway Ltd and M/s Andar East Coal Company Pvt. Ltd., have been considered for consolidation.
(iii) The following subsidiary companies are considered in the preparation of consolidated financial statements:

| Name of the Company | Country of Incorporation | % age of Voting Power either directly or through Subsidiaries as at 31st March, 2011 |
|--|---------------------------------|--|
| Bhushan Steel Bengal Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel (Orissa) Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel (South) Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel Madhya Bharat Ltd (Incorporated on 27 th April, 2010) | India | 100.00 |
| Bhushan Steel Global FZE (Upto 7 th May 2011) | U.A.E. | 100.00 |
| Bhushan Steel (Australia) PTY Ltd. | Australia | 100.00 |
| Bowen Energy Ltd. (from 28 th July, 2009) ** | Australia | 73.60 |
| Kondor Holdings PTY Ltd. * | Australia | 100.00 |
| Bowen Coal PTY Ltd. * | Australia | 100.00 |
| Bowen Consolidated PTY Ltd. * | Australia | 100.00 |
| Capricorn Metals Ltd. * (Deregistered on 04 th April 2011) | Australia | 100.00 |
| Capricorn Resources (Australia) Ltd. * (Deregistered on 04 th April 2011) | Australia | 100.00 |
| Golden Country Resources (Australia) PTY Ltd. * | Australia | 100.00 |

** Subsidiary of Bhushan Steel (Australia) PTY Ltd.

* Subsidiaries of Bowen Energy Ltd. .

- (iv) The Joint Venture Company considered in the Consolidated Financial Statement is :-

| Name of the Company | Country of Incorporation | Proportion of Ownerships Interest |
|-----------------------------------|---------------------------------|--|
| Andar East Coal Company Pvt. Ltd. | India | 33 ¹ / ₃ % |

(v) The Associate Companies considered in the Consolidated Financial Statement are:-

| Name of the Company | Country of Incorporation | Proportion of Ownerships Interest |
|----------------------------|--------------------------|-----------------------------------|
| Bhushan Energy Ltd. | India | 29.64% |
| Angul Sukinda Railway Ltd. | India | Pending Allotment |

(vi) During the half year ended Sep 30, 2011 two step down Foreign Subsidiary Companies in Australia namely M/s Capricon Metal Ltd and Capricon Resources (Australia) Ltd having Total Assets of Rs 0.07 Lacs have been deregistered. Further one Subsidiary Company namely M/s Bhushan Steel Global FZE having Total Net Assets of Rs 495.80 Lacs as at 7th May 2011 has been de-subsidiarised by way of sale of 100 % shares.

3. There is no change in the accounting policy in preparation of accounts during the period from 01.04.2011 to 30.09.2011.

| | | Rs. in lacs | |
|----|--|-------------------------------|--------------------------|
| | | Half Year ended 30.09.2011 | Year ended 31.03.2011 |
| | | (Un-Audited) | (Audited) |
| 3. | Contingent Liabilities in respect of : | | |
| a) | Sales Tax | 1 | 1 |
| b) | Excise Duty/Service Tax | 16,106 | 17,573 |
| c) | Entry Tax | 7,490 | 5,654 |
| d) | Outstanding guarantees issued by the banks counter guaranteed by the company including letter of credits | 44,898 | 78,354 |
| e) | Bills Discounted | 10,933 | 18,648 |

4. Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs.498509 Lacs (Year Ended 31.03.11 : Rs. 572893 Lacs) (Net of Advances).

5. **Earning Per Share**

(i) Weighted Average No. of Equity Shares

| | | |
|---|-------------|-------------|
| Equity Share at the beginning of the Year | 212,358,310 | 212,358,310 |
|---|-------------|-------------|

(ii) Equity Shares for Calculating Diluted Earning per Share

| | | |
|---------------------------------------|-------------|-------------|
| Weighted Average No. of Equity Shares | 212,358,310 | 212,358,310 |
|---------------------------------------|-------------|-------------|

| | | |
|--------------------------------------|---------------|---------|
| (iii) Profit After Tax (Rs. In Lacs) | 41,357 | 100,739 |
|--------------------------------------|---------------|---------|

| | | |
|--|---------------|---------|
| Less: -Dividend on preference shares | 438 | 430 |
| (Including Dividend Tax) | | |
| Profit after dividend on preference shares | 40,919 | 100,309 |
| (iv) Earning Per Share (Rs.) | | |
| - Basic [(iii)/(i)] | 19.27 | 47.24 |
| - Diluted [(iii)/(ii)] | 19.27 | 47.24 |

6. In Notes to Accounts on the Financial Statements of subsidiary M/s Bowen Energy Ltd.(Australia), following notes have been given involving material items:

“The Group has a recorded a loss of \$1,467,775 for the year ended 30 June 2011 (2010 : \$11,235,887) has cash outflows from operations of \$755,053(2010:\$2,119,037), current liabilities of the Group exceeded current assets by \$7,409,250 (2010:\$4,906,698) and the Group is also in a net liability position of \$4,043,124 (2010:\$2,627,932).

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern, and therefore whether they will realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial report.

The ongoing viability of the Group and the recoverability of its non-current assets is dependent on the success of raising cash flows from either equity raising or debt funding. The Directors have negotiated a \$ 10m loan facility with Bhushan Australia Pty Limited a wholly owned subsidiary of Bhushan Steel Limited, the parent entity of Bowen Energy Limited. At the reporting date the Group had drawn down \$6.8m of this loan. The Directors believe that taking into consideration the minimum required expenditure to maintain title to existing exploration licences, current levels of administrative expenditure and costs associated with the current litigation with 2KD Drilling Pty Limited, the available loan facility, assuming funding is made available under the terms and conditions of the loan, will be sufficient to ensure that the Group is able to settle its liabilities as they fall due in the ordinary course of business. On this basis the financial report has been prepared on the going concern basis.

Should the company be unable to continue as a going concern it may be required to realize its assets and discharge its liabilities other than the normal course of business and at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.”

The loss shown in Balance Sheet of the Bowen Energy Ltd., Australia as mentioned in the above note, consist mainly expenditure incurred by the Company on exploration activity of its various mines which are still not operational, however, in accordance with generally accepted accounting principles in India, the same has been treated as Capital work in progress.

In the opinion of the parent company’s management, the note given by the auditors of Bowen Energy Ltd., Australia is not applicable as loss has been capitalized to CWIP in the consolidated Balance Sheet of Bhushan Steel Ltd as per generally accepted accounting principles in India.

7. The Company is engaged in the steel business, which in the context of Accounting Standard(AS)-17, is considered the only primary business segment and its subsidiary M/s Bowen Energy Ltd. has acquired Coal & other Metal Mines which are under exploration and are not under operation hence only one primary business segment has been considered.

Gross Revenue of the Company as per Geographical Segment is as follows:

Rs in Lacs

| | Half Year ended 30.09.2011 (Un-audited) | Year ended 31.03.2011 (Audited) |
|---------------|--|---|
| Within India | 442,229 | 633,751 |
| Outside India | 68,164 | 120,904 |
| Total | 510,393 | 754,655 |

*Excluding export incentive Rs 1,452 Lacs (Year ended 31.03.2011 :Rs 3,281 Lacs)

The Company has common fixed assets, other assets and liabilities for producing goods for domestic as well as overseas market.

For **MEHRA GOEL & CO.**

Chartered Accountants

(Registration No. 000517N)

R .K .MEHRA
PARTNER
M. No. 6102

NEERAJ SINGAL
VICE CHAIRMAN &
MANAGING
DIRECTOR

NITIN JOHARI
WHOLE TIME
DIRECTOR
(FINANCE)

PANKAJ KUMAR
HEAD
(ACCOUNTS)

Place: New Delhi

STOCK MARKET DATA FOR EQUITY SHARES OF THE COMPANY

The stock market data for the Equity Shares issued by our Company listed on the NSE and /or BSE are set forth below. Our Company had a stock split from ₹ 10 per Equity Share to ₹ 2 per Equity Share with effect from September 23, 2010.

Listing

Our Company's Equity Shares are listed on the BSE and NSE.

As our Company's Equity Shares are actively traded on the NSE and BSE, stock market data has been given separately for each of the Stock Exchanges.

1. The high and low closing prices recorded on NSE during the last three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below.

| NSE | | | | | | |
|------|----------|--------------------|---|---------|-------------------|--|
| Year | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| 2011 | 520.75 | April 19, 2011 | 3,66,802 | 302.20 | December 20, 2011 | 3,42,246 |
| 2010 | 2151.45 | September 20, 2010 | 3,70,035 | 414.30 | December 10, 2010 | 13,09,208 |
| 2009 | 1456.55 | December 30, 2009 | 5,13,225 | 277.60 | February 24, 2009 | 1,26,659 |

Source: www.nseindia.com

2. The high and low prices and volume of Equity Shares traded on the respective dates on the NSE during the last six months are as follows:

| NSE | | | | | | |
|-----------------|----------|-------------------|---|---------|--------------------|--|
| Month | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| January, 2012 | 354.65 | January 31, 2012 | 3,23,372 | 311.25 | January 2, 2012 | 1,61,471 |
| December 2011 | 322.25 | December 2, 2011 | 2,18,004 | 302.20 | December 20, 2011 | 3,42,246 |
| November 2011 | 339.50 | November 8, 2011 | 1,68,303 | 313.40 | November 25, 2011 | 3,71,724 |
| October, 2011 | 342.45 | October 31, 2011 | 2,11,715 | 321.90 | October 18, 2011 | 1,37,898 |
| September, 2011 | 358.35 | September 2, 2011 | 385,242 | 320.65 | September 26, 2011 | 208,381 |
| August, 2011 | 384.60 | August 1, 2011 | 3,29,674 | 314.35 | August 19, 2011 | 2,02,352 |

Source: www.nseindia.com

3. The week-end prices of the Equity Shares on the NSE in the last four weeks together with the high and low prices are set out below:

| NSE | | | | | | |
|-------------------|----------|-------------------|---|---------|-------------------|--|
| Week ended on | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| February 17, 2012 | 400.75 | February 15, 2012 | 343,645 | 392.05 | February 14, 2012 | 178,425 |
| February 10, 2012 | 397.05 | February 9, 2012 | 785,406 | 358.50 | February 7, 2012 | 159,687 |
| February 3, 2012 | 360.35 | February 1, 2012 | 4,85,640 | 339.95 | January 30, 2012 | 2,60,003 |
| January 27, 2012 | 349.75 | January 27, 2012 | 2,87,064 | 328.60 | January 23, 2012 | 1,58,806 |

Source: www.nseindia.com

4. The high and low closing prices recorded on BSE during the last three years and the number of Equity

Shares traded on the days the high and low prices were recorded are stated below.

| BSE | | | | | | |
|------|----------|--------------------|---|---------|-------------------|--|
| Year | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| 2011 | 519.8 | April 20, 2011 | 1,54,759 | 302.20 | December 20, 2011 | 2,48,216 |
| 2010 | 2152.30 | September 20, 2010 | 1,52,852 | 415.75 | December 10, 2010 | 3,57,519 |
| 2009 | 1458.40 | December 30, 2009 | 1,75,342 | 277.65 | February 24, 2009 | 93,654 |

Source: www.bseindia.com

5. The high and low prices and volume of Equity Shares traded on the respective dates on the BSE during the last six months are as follows:

| BSE | | | | | | |
|-----------------|----------|-------------------|---|---------|--------------------|--|
| Year | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| January, 2012 | 354.10 | January 31, 2012 | 1,43,340 | 311.50 | January 2, 2012 | 1,20,504 |
| December 2011 | 322.30 | December 2, 2011 | 1,44,844 | 302.20 | December 20, 2011 | 2,48,216 |
| November 2011 | 339.50 | November 8, 2011 | 88,723 | 313.10 | November 25, 2011 | 1,46,509 |
| October, 2011 | 342.15 | October 28, 2011 | 1,73,067 | 322.05 | October 18, 2011 | 96,368 |
| September, 2011 | 356.80 | September 2, 2011 | 1,10,078 | 321.40 | September 26, 2011 | 88,892 |
| August, 2011 | 384.55 | August 1, 2011 | 1,44,339 | 314.45 | August 19, 2011 | 88,824 |

Source: www.bseindia.com

6. The week-end prices of the Equity Shares on the BSE in the last four weeks together with the high and low prices are set out below:

| BSE | | | | | | |
|-------------------|----------|-------------------|---|---------|-------------------|--|
| Week ended on | High (₹) | Date of High | Volume on date of high (No. of equity shares) | Low (₹) | Date of Low | Volume on date of low (No. of equity shares) |
| February 17, 2012 | 401.15 | February 15, 2012 | 1,69,465 | 391.65 | February 14, 2012 | 1,22,068 |
| February 10, 2012 | 395.55 | February 9, 2012 | 3,50,461 | 358.20 | February 7, 2012 | 87,277 |
| February 3, 2012 | 359.60 | February 1, 2012 | 1,75,737 | 340.15 | January 30, 2012 | 1,53,007 |
| January 27 2012 | 350.15 | January 27, 2012 | 1,24,821 | 328.00 | January 23, 2012 | 1,02,083 |

Source: www.bseindia.com

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

STATEMENT OF ACCOUNTING RATIOS

A. Consolidated:

| Particulars | For the Half Year Ended September 30, 2011 | Year Ended March 31, 2011 |
|---|---|------------------------------|
| Net Profit after Tax (₹ In Lacs) | 41,357 | 100,739 |
| Net Worth (Excluding Revaluation Reserve)*(₹ In Lac) | 7,07,764 | 6,60,677 |
| Earning Per Share (₹) (Basic) (Not Annualized) | | |
| Basic | 19.27 | 47.24 |
| Diluted | 19.27 | 47.24 |
| Net Asset Value Per Share (₹) | | |
| Basic | 329.85 | 307.88 |
| Diluted | 329.85 | 307.88 |
| Return on Net Worth (%)** (Annualized) | 12.52% | 23.29% |
| Weighted Average Number of Ordinary Shares for Basic Earnings per Share (In Nos.) | 2,12,358,310 | 2,12,358,310 |
| Weighted Average Number of Ordinary Shares for Diluted Earnings per Share (In Nos.) | 2,12,358,310 | 2,12,358,310 |

B. Standalone:

| Particulars | For the Half Year Ended September 30, 2011 | Year Ended March 31, 2011 |
|---|---|------------------------------|
| Net Profit after Tax (₹ In Lacs) | 41,684 | 1,00,509 |
| Net Worth (Excluding Revaluation Reserve)*(₹ In Lac) | 7,06,740 | 6,59,473 |
| Earning Per Share (₹) (Basic) (Not Annualized) | | |
| Basic | 19.42 | 47.13 |
| Diluted | 19.42 | 47.13 |
| Net Asset Value Per Share (₹) | | |
| Basic | 329.36 | 307.31 |
| Diluted | 329.36 | 307.31 |
| Return on Net Worth (%)** (Annualized) | 12.64% | 23.26% |
| Weighted Average Number of Ordinary Shares for Basic Earnings per Share (In Nos.) | 2,12,358,310 | 2,12,358,310 |
| Weighted Average Number of Ordinary Shares for Diluted Earnings per Share (In Nos.) | 2,12,358,310 | 2,12,358,310 |

* Net worth includes deferred tax liability, Foreign exchange translation reserve and excluding revaluation reserve.

** Return on Net worth Calculated on the basis of Net worth at the beginning of the period.

Notes: Definition of Ratios

| | |
|-------------------------------|--|
| Earnings Per Share (Rs) | (Net profit attributable to Equity Shareholders)/ (Weighted average number of Equity Shares outstanding during the period) |
| Net Asset Value Per Share (₹) | (Net Worth excluding Preference Share Capital and revaluation reserve at the end of the Period and including Deferred Tax) /(Weighted average number of Equity Shares outstanding during the Period) |
| Return on Net Worth (%) | (Net Profit after Tax) / (Net Worth excluding Revaluation Reserve at the beginning of the Period including deferred Tax) |

STATEMENT ON CAPITALIZATION

A. Consolidated

(₹ In lacs)

| Particulars | Pre-Issue As at September 30, 2011 | As Adjusted Post Issue # |
|-----------------------------|--|-----------------------------|
| Short-term Debt | 3,08,582 | [●] |
| Long-term-Debt | 15,51,479 | [●] |
| Total Debt | 18,60,061 | [●] |
| Shareholder's funds : | | [●] |
| Share Capital | 11,116 | [●] |
| Reserves * | 6,96,648 | [●] |
| Total Shareholder's Funds | 7,07,764 | [●] |
| Total Capitalization | 25,67,825 | [●] |
| Long-term Debt/Equity ratio | 2.19 | [●] |
| Total Debt/Equity ratio | 2.63 | [●] |

**Reserves includes Deferred Tax & Foreign Currency Translation Reserve
To be updated in the Letter of Offer*

B. Standalone

(₹ In lacs)

| Particulars | Pre-Issue As at September 30, 2011 | As Adjusted Post Issue |
|-----------------------------|--|---------------------------|
| Short-term Debt | 3,08,582 | [●] |
| Long-term-Debt | 15,51,479 | [●] |
| Total Debt | 18,60,061 | [●] |
| Shareholder's funds : | | [●] |
| Share Capital | 11,116 | [●] |
| Reserves * | 6,95,624 | [●] |
| Total Shareholder's Funds | 7,06,740 | [●] |
| Total Capitalization | 25,66,801 | [●] |
| Long-term Debt/Equity ratio | 2.20 | [●] |
| Total Debt/Equity ratio | 2.63 | [●] |

**Reserves includes Deferred Tax
To be updated in the Letter of Offer*

SECTION VI – LEGAL AND OTHER INFORMATION OUTSTANDING LITIGATION

Except as described below, there is no outstanding litigation including, suits, criminal or civil prosecutions and taxation related proceedings against the Company and the Subsidiaries that would have a material adverse effect on our operations or financial position. Further, there are no defaults, non-payment of statutory dues including, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on the business of the Company other than unclaimed liabilities against us as of the date of this Draft Letter of Offer.

Further, except as disclosed below, the Company and the Subsidiaries are not subject to any material litigation. In terms of the SEBI ICDR Regulations, the following litigation shall be considered material:

- a. Any litigation, which if resulting in adverse outcome, would materially and adversely affect the operations or financial position of the Company or the Subsidiaries.*
- b. Any litigation involving issues of moral turpitude or criminal liability on the part of the Company or the Subsidiaries, material violations of statutory regulations by the Company or the Subsidiaries, or economic offences where proceedings have been initiated against the Company or the Subsidiaries.*
- c. Any litigation which may not have any impact on the future revenues, where:*
 - 1. The aggregate amount involved in such individual litigation exceeds 1% of the net worth of the Company or the respective Subsidiary, as the case may be, for fiscal 2011; or*
 - 2. The decision in one case is likely to affect the decision in similar cases, even though the amount involved in a single case individually may not exceed 1% of the net worth of the Company or the respective Subsidiary, as the case may be, for fiscal 2011.*
- d. Any litigation which may have an impact on the future revenues, where:*
 - 1. The aggregate amount involved in such individual litigation is likely to exceed 1% of the total revenue of the Company or the respective Subsidiary, as the case may be, for fiscal 2011; or*
 - 2. The decision in one case is likely to affect the decision in similar cases, even though the amount involved in a single case individually may not exceed 1% of the total revenue of the Company or the respective Subsidiary, as the case may be, for fiscal 2011.*

Further from time to time, we and our management in their official capacity have been and continue to be involved in legal proceedings filed by and against us, arising in the ordinary course of our business. We believe that the number of proceedings in which we are/were involved is not unusual for a company of our size doing business in India.

LITIGATION INVOLVING THE COMPANY

Litigation against the Company

Criminal Cases

As of the date of this Draft Letter of Offer, there are 10 criminal proceedings pending against the Company before various courts, authorities and tribunals. The aggregate amount involved in these proceedings is not ascertainable. Brief particulars of such proceedings are set forth below.

1. There are three criminal proceedings pending against the Company in respect of violations of the provisions of the Factories Act, 1948, as amended, before various courts, authorities and tribunals. These proceedings primarily involve accidents occurring within our facilities. The aggregate amount involved in these proceedings is not ascertainable.

2. There is one criminal proceeding pending against the Company in respect of violation of provisions under the Maternity Benefit Act, 1961, as amended. The aggregate amount involved in these proceedings is not ascertainable.
3. The Directorate General of Central Excise Intelligence, New Delhi passed an order dated February 25, 2011 approving the initiation of prosecution against our Company for allegedly evading central excise duty amounting to ₹ 1,259.80 lacs during the period October 1, 1996 until December 31, 2000 by mis-declaration of price of goods sold in the invoices and by removing the goods without payment of appropriate excise duty. Our Company filed an appeal No. 1294 of 2010 before the Customs, Excise and Service Tax Appellate Tribunal (“CESTAT”), New Delhi challenging the order dated February 25, 2011. The CESTAT, New Delhi passed an order dated April 18, 2011 waiving the pre-deposit of duty, interest and penalty until final disposal of the appeal provided the amount of ₹ 1,123.38 lacs deposited by our Company is not withdrawn by our Company. The Union of India, through Assistant Commissioner, Customs and Central Excise, Division III, Ghaziabad has filed a criminal complaint No. 743 of 2011 against our Company before the Chief Judicial Magistrate, Meerut alleging that our Company was evading central excise duty on excisable products manufactured at Sahibabad by way of clandestine removal and under valuation. The complainant has prayed for summoning our Company and imposing appropriate punishment. Our Company filed criminal miscellaneous application No. 40087 of 2011 before the High Court of Allahabad which passed an order dated December 12, 2011 directing that no coercive action shall be taken against the Company during the pendency of the criminal case No. 743 of 2011.
4. Madan Bhowmick and others filed two reference cases (Nos. 64 and 66 of 2011) against the Company and others before the Chief Judicial Magistrate, Howrah, alleging that he is the owner of three plots of land situated at Mouza-Korola, Domjur, Howrah, which were sold to our Company pursuant to fraudulent sale deeds, and further, that misstatements were made in these sale deeds. Madan Bhowmick has sought investigation proceedings in this regard. The Chief Judicial Magistrate, Howrah passed two orders, both dated February 21, 2011 directing the police station, Domjur to commence investigation.
5. Ravi Kumar filed a first information report (“FIR”) dated June 18, 2010 with the police station, Ghaziabad, and further filed an application dated November 2, 2010 for grant of compensation under the Motor Vehicles Act, 1988 against Krishan Kumar, the Company and Universal Sompco General Insurance Company Limited before the Motor Accident Claims Tribunal, Ghaziabad seeking compensation of ₹ 22.50 lacs and an interim award of ₹ 0.25 lacs for the bodily injuries allegedly resulting from a motor accident on June 17, 2010 involving Krishan Kumar, a driver of the Company. The application dated November 2, 2010 was registered as motor accident claim petition (No. 518 of 2010) before the Motor Accident Claims Tribunal, Ghaziabad.
6. Chetan Kumar filed an FIR dated October 21, 2010 in the police station of Aurangabad. Chetan Kumar filed an application against Jamal, the Company and Universal Sompco General Insurance Company Limited before the Motor Accident Claims Tribunal, New Delhi seeking compensation of ₹ 10 lacs and an interim award of ₹ 0.25 lacs for bodily injuries caused to Chetan Kumar allegedly resulting from a motor accident caused a car driven by Jamal, a driver of the Company on October 18, 2010. The application was registered as case (No. 14 of 2011) before the Motor Accident Claims Tribunal, Ghaziabad.
7. Jasvir Sharma filed a criminal complaint (no. 1078 of 2007) against the Company and others before the Additional Chief Judicial Magistrate, Ghaziabad alleging that he was transferred and compelled to work in the rolling mill stand against his wishes, and thereby received injuries due to the Company’s failure to take appropriate safety measures. Further, Jasvir Sharma alleged that our Company has discontinued payment of wages. The Additional Chief Judicial Magistrate, Ghaziabad passed a summoning order dated November 11, 2007 against the Company. Thereafter, the Additional Chief Judicial Magistrate, Ghaziabad issued non-bailable warrants against the Company on March 25, 2008. Our Company filed a criminal miscellaneous application (No. 13543 of 2008) against the State of Uttar Pradesh and others before the High Court of Allahabad challenging the validity and legality of the summoning order dated November 11, 2007 and the non-bailable warrants against the Company. The High Court of Allahabad has passed an order dated May 29, 2008 staying action against the Company during the proceedings in respect of criminal miscellaneous application (No. 13543 of 2008).

As of the date of this Draft Letter of Offer, the following proceedings involving income tax pending against the Company before various courts, tribunals and authorities. The amount of income tax demand reflects the income tax demand inclusive of interest and penalty assessed at the stage of original assessment against the Company. The demand imposed on the Company has been substantially reduced during the appellate proceedings, and the aggregate amount involved in these proceedings as on the date of this Draft Letter of Offer is not ascertainable. In certain proceedings, no demand is outstanding against the Company as on the date of this Draft Letter of Offer, though appeals are presently ongoing. Brief particulars of such proceedings are set forth below.

1. Combined Appeals for Assessment Years from 1994-1995 to 1998-1999

The Company filed appeal ITA No. 3727/Del/1997 before the Income Tax Appellate Tribunal (“ITAT”), New Delhi in respect of assessment year 1994-1995, which was heard together with appeals ITA Nos. 5629 and 213/Del/1997 filed by the Deputy Commissioner of Income Tax (“CIT”), New Delhi against the Company for assessment years 1995-1996 and 1996-1997, appeal ITA No. 3068/Del/2000 filed by the Joint CIT, New Delhi against the Company for assessment year 1997-1998 and appeal ITA No. 1113/Del/2001 for assessment year 1998-1999, all of which involved disallowance of deduction claimed on depreciation of office building and treatment of the amount of sales tax deemed not payable/exempt. The ITAT, New Delhi passed an order dated February 27, 2003 allowing the appeal by the Company and dismissing appeals against the Company. The CIT, New Delhi filed appeals ITA Nos. 314, 315, 316 of 2003, and 349 of 2003 before the High Court of Delhi at New Delhi. The details of the disputes across assessment years are set forth below.

Assessment Year 1994-1995

The Deputy CIT, New Delhi, issued assessment order dated August 30, 1996 for assessment year 1994-1995, adding income earlier claimed as agricultural income and declared in revised return, disallowing deduction claimed on depreciation on property, partially disallowing deduction claimed under Section 80M of the I.T. Act claimed in respect of gross dividend without considering relevant provisions of the I.T. Act, disallowing deduction claimed on vehicle-running and maintenance expenses and expenditure incurred on residential telephones for our Directors, and allowing deduction under Section 80I of the I.T. Act. The Company filed appeal No. 268/1996-97 before the CIT (Appeals), New Delhi, challenging disallowance of deductions claimed on depreciation of office building, vehicle-running and maintenance and expenditure incurred on residential telephones for Directors. The CIT (Appeals), New Delhi, passed an order dated March 31, 1997, dismissing appeal No. 268/1996-97. Details of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above at “- **Income Tax – Combined Appeals for Assessment Years from 1994-1995 to 1998-1999**”.

Assessment year 1995-1996

The Deputy CIT, New Delhi, issued assessment order dated September 20, 1996, on the same grounds as enumerated in assessment order dated August 30, 1996, and further disallowing deduction claimed on sales tax deemed not payable/exempt. Accordingly, demand of ₹ 449.69 lacs was imposed. The Company filed appeal No. 269/1996-1997 before the CIT (Appeals), New Delhi, against the order dated September 20, 1996. The CIT (Appeals), New Delhi, passed an order allowing deductions of depreciation claimed on property and sales tax deemed not payable/exempt. Details of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above. Details of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above at “- **Income Tax – Combined Appeals for Assessment Years from 1994-1995 to 1998-1999**”.

Assessment Year 1996-1997

The Deputy CIT, New Delhi, issued assessment order dated March 31, 1997, disallowing deductions claimed on depreciation on property, partially disallowing deduction claimed under Section 80M of the I.T. Act claimed in respect of gross dividend without considering the relevant provisions of the I.T. Act, deductions claimed on expenditure incurred on vehicles and residential telephones and sales tax deemed not payable/exempt. Demand of ₹ 262.06 lacs was accordingly imposed. The Company filed appeal No. 116/97-98 before the CIT (Appeals), New Delhi, who passed an order dated October 14, 1997, deleting disallowance of deduction claimed on depreciation of property, deduction claimed in respect of sales tax and deleted the computation of deduction under Section 80I of the I.T. Act. Details

of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above at “- ***Income Tax – Combined Appeals for Assessment Years from 1994-1995 to 1998-1999***”.

Assessment Year 1997-1998

The Joint CIT, New Delhi issued assessment order dated September 30, 1999, making certain additions to assessable income for assessment year 1997-1998, including disallowance of deduction claimed on sales tax deemed not payable/exempt, depreciation on property, expenditure incurred on vehicles and telephone, and expenses to be allocated towards dividend income. Demand including penalty of ₹ 417.77 lacs was imposed. The Company filed appeal No. SR-2/254/99-2000 before the CIT (Appeals), New Delhi. The CIT (Appeals), New Delhi, passed an order dated March 31, 2000 in favour of the Company in respect of deductions including depreciation claimed on property and sales tax deemed not payable/exempt. Details of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above at “- ***Income Tax – Combined Appeals for Assessment Years from 1994-1995 to 1998-1999***”.

Assessment Year 1998-1999

The Additional CIT, New Delhi issued assessment order dated October 30, 2000 for assessment year 1998-1999, recalculating income under a different method than provided in the return filed by the Company, and disallowing deduction on sales tax deemed exempt/not payable, deductions on expenditure incurred on telephone and vehicle, depreciation on property, disallowance of deduction claimed on dividend income and deduction claimed on bonus payable. The Company filed appeal No. SR-2/91/2000-2001 before the CIT (Appeals), New Delhi, who passed an order dated December 22, 2000, deleting additions made to assessable income, deleting disallowance of deduction claimed in respect of sales tax, allowing deduction claimed on depreciation of income tax, and deleting interest charged under Section 234B and Section 234C on minimum alternate tax under the I.T. Act. Details of further appeals before the ITAT, New Delhi and the High Court of Delhi at New Delhi are provided above at “- ***Income Tax – Combined Appeals for Assessment Years from 1994-1995 to 1998-1999***”.

2. The Deputy CIT, New Delhi, issued assessment orders dated May 30, 2000 for assessment year 1999-2000 and June 19, 2001 for assessment year 2000-2001. The Company filed appeals Nos. T-85/2000-2001 and 82/01 before the CIT (Appeals), New Delhi, challenging the interest amount held payable by the Company. The CIT (Appeals), New Delhi, passed a common order dated December 24, 2001 dismissing both appeals, against which the Company filed appeals Nos. 1127 and 1129/Del/2002 before the ITAT, New Delhi, which were allowed by common order dated January 20, 2005. The CIT, New Delhi, filed appeal No. 435 of 2005 for assessment year 1999-2000 and appeal No. 431 of 2005 in for assessment year 2000-2001, before the High Court of Delhi at New Delhi against order dated January 20, 2005.
3. The Assistant CIT, New Delhi, issued assessment order dated March 27, 2002 for assessment year 1999-2000, making certain additions to assessable income, including disallowance of deductions of depreciation claimed on property and assets, depreciation on assets destroyed in fire and sales tax deemed not payable/exempt. Demand of ₹ 2,55,41,334 was imposed. The Company filed appeal No. 33/02-03 before the CIT (Appeals), New Delhi, who passed an order dated September 16, 2002, deleting disallowance of deductions including depreciation claimed on property, confirming disallowance of deduction of depreciation claimed on assets burnt in fire and other assets and deleting disallowance on sales tax deemed not payable/exempt. The Assistant CIT, New Delhi, had filed appeals ITA Nos. 4979/Del/2002, 3501 and 3502/Del/2003 for assessment years 1999-2000, 2000-2001 and 2001-2002 and the Company had filed appeals ITA Nos. 4333/Del/2002, 2981/Del/2003 and 2982/Del/2003 for assessment years 1999-2000, 2000-2001 and 2001-2002, before the ITAT, New Delhi, which were disposed of by common order dated January 5, 2005, allowing deductions including depreciation on property and sales tax deemed not payable/exempt and confirming disallowance of deduction for depreciation on assets burnt by fire. The appeals in respect of assessment years 2000-2001 and 2001-2001 had arisen out of assessment orders issued by the Assistant CIT, New Delhi dated January 31, 2003 and February 28, 2003 respectively. The CIT, New Delhi, filed appeal (No. 434 of 2005) before the High Court of Delhi at New Delhi in respect of assessment year 1999-2000. The Company has no intimation regarding any appeals filed in respect of assessment years 2000-2001 and 2001-2002.

4. The Deputy CIT, New Delhi issued assessment order dated March 3, 2003 in respect of assessment year 2001-2002, assessing the total tax for the Company at ₹ 4,90,44,851 (inclusive of interest of ₹ 68,75,675). The Company filed an appeal before the CIT (Appeals), New Delhi against such order dated March 3, 2003 challenging the assessment of interest payable by the Company. The CIT (Appeals), New Delhi dismissed the appeal pursuant to order dated March 31, 2003, against which the Company filed an appeal (ITA No. 2983/Del/2003) before the ITAT, New Delhi, which passed an order dated January 11, 2005 allowing the appeal of the Company. The CIT, New Delhi has filed an appeal (ITA No. 440 of 2005) before the High Court of Delhi at New Delhi against such order dated January 11, 2005.
5. The Deputy CIT, New Delhi issued assessment order dated January 27, 2005 for assessment year 2002-2003, disallowing deductions on account of sales tax subsidy, foreign exchange variation, depreciation on property and late payment of provident fund/employee state insurance dues, and further disallowed deduction of doubtful debts from the book profits while computing the minimum alternate tax. The demand imposed, with penalty, is ₹ 40.10 lacs. The Company filed appeal No. 217 of 2004-05 before the CIT (Appeals), New Delhi, who passed an order dated May 17, 2005 directing the Deputy CIT, New Delhi, to delete addition on account of sales tax subsidy, disallowance on account of depreciation on property, disallowance on account of late payment of provident fund/employee state insurance dues, disallowance of deduction on account of foreign exchange variation and addition of bad debts in book profits, while confirming disallowance of deduction of depreciation of power lines. The Company and the Deputy CIT, New Delhi filed appeals Nos. 3190/Del/05 and 3282/Del/05 before the ITAT, New Delhi. The ITAT, New Delhi passed an order dated November 7, 2008 allowed deduction on account of bad and doubtful debts and provident fund/employee state insurance dues and upheld the order dated May 17, 2005 disallowing deduction on account of sales tax exemption, depreciation on building, carried forward business losses and export incentive gains. The CIT, New Delhi filed appeal ITA No. 731 of 2009 before the High Court of Delhi at New Delhi.
6. The Deputy CIT, New Delhi issued assessment order dated March 31, 2005 for assessment year 2003-2004, disallowing deduction on account of sales tax subsidy, depreciation of building and power lines, provident fund/employee state insurance dues and other income such as foreign exchange variation and export incentive from the profits of eligible units. The Deputy CIT, New Delhi imposed demand of ₹ 590.28 lacs, with penalty. Our Company filed appeal No. 045 of 2005-06 before the CIT (Appeals), New Delhi, who passed an order dated May 30, 2005 directing the Deputy CIT, New Delhi to delete the addition on account of sales tax subsidy and depreciation of building while upholding the addition on account of depreciation of power lines and export incentive. Our Company and the Deputy CIT, New Delhi filed appeals Nos. 3191/Del/06 and 3281/Del/05 before the ITAT, New Delhi. The ITAT, New Delhi passed an order dated November 7, 2008 allowing the deduction on account of bad and doubtful debts and provident fund/employee state insurance dues and upheld the order dated May 30, 2005 disallowing deduction on account of sales tax exemption, depreciation on building, carried forward business losses and export incentive gains. The CIT, New Delhi filed two appeals ITA No. 733 of 2009 and ITA No. 724 of 2009 before the High Court of Delhi at New Delhi.
7. The Deputy CIT, New Delhi issued assessment order dated December 28, 2006 for assessment year 2004-2005 disallowing deduction on account of sales tax exemption, depreciation on building and power lines, amount of export incentive and foreign exchange, public issue expenses, excise duty and sales tax to the total turnover, carried forward business losses. The Deputy CIT, New Delhi imposed demand of ₹ 1,739 lacs as penalty. The Company filed appeal No. 159/06-07 before the CIT (Appeals), New Delhi. The CIT (Appeals), New Delhi passed an order dated March 16, 2007 allowing deduction on account of sales tax subsidy and depreciation on building while upholding disallowance of deduction on account of depreciation on power lines, public issue expenses, carried forward business losses and in case of deduction on account of export incentives and foreign exchange fluctuation, the deduction is upheld if such gains are found to be part of the export made by the industrial undertaking eligible for such deduction. The Company and the Deputy CIT, New Delhi filed appeals Nos. 2477/Del/07 and 2893/Del/07 before the ITAT, New Delhi. The ITAT, New Delhi by an order dated November 7, 2008 allowed deduction on account of bad and doubtful debts and excise duty and sales tax and upheld the order dated April 17, 2007 disallowing deduction on account of sales tax exemption, depreciation on building, foreign exchange variation gain, carried forward business losses. The CIT, New Delhi filed two appeals (ITA no. 705 of 2009 and ITA no. 716 of 2009) before the High Court of Delhi at New Delhi.

8. The Assistant CIT, New Delhi issued assessment order dated December 29, 2011 for assessment year 2004-2005, disallowing the further deductions amounting to ₹ 1.77 lacs claimed by our Company in the revised return. Our Company filed an appeal before the CIT (Appeals), New Delhi.
9. The Additional CIT, New Delhi issued assessment order dated December 7, 2007 for assessment year 2005-2006, disallowing reduction of book profits for computation of minimum alternate tax and deduction of bad and doubtful debts and foreign exchange fluctuations from book profits, deduction on account of sales tax exemption, depreciation on building and power lines and synchronization charges from eligible profits. Our Company filed appeal No. 92 of 2007-08 before the CIT (Appeals), New Delhi. The CIT (Appeals), New Delhi, passed an order dated March 12, 2008 directing the Additional CIT, New Delhi to delete addition on account of sales tax subsidy and depreciation on building while upholding disallowance of deduction on account of depreciation on power lines, synchronization charges and bad and doubtful debts. Our Company and the Additional CIT, New Delhi filed appeals Nos. 2104/Del/08 and 2177/Del/08 before the ITAT, New Delhi. The ITAT, New Delhi passed an order dated August 28, 2009 upheld the order dated March 12, 2008 on all issues except that deduction of bad and doubtful debts was allowed. The CIT, New Delhi filed two appeals ITA no. 1332 of 2010 and ITA no. 1334 of 2010 before the High Court of Delhi at New Delhi.
10. The Deputy CIT, New Delhi issued assessment order dated May 27, 2008 for assessment year 2006-2007, disallowing deduction on account of sales tax subsidy, depreciation on office building, reducing synchronization charges from eligible profits, and disallowing deduction of bad debts. The Deputy CIT, New Delhi, imposed demand of ₹ 2,766.93 lacs, with penalty. Our Company filed appeal No. 03/08-09 before the CIT (Appeals), New Delhi. The CIT (Appeals), New Delhi, passed an order dated December 16, 2008 directing the Deputy CIT, New Delhi to delete the additions on account of sales tax subsidy and depreciation, while upholding reduction of synchronization charges and increase in book profits for computation of minimum alternate tax. The Deputy CIT, New Delhi, filed appeal No. 1075/Del/09 and the Company filed appeal No. 807/Del/09 before the ITAT, New Delhi. The ITAT, New Delhi, by order dated November 13, 2009, upheld the order dated December 16, 2008. The CIT, New Delhi, filed appeal (ITA No. 1718 of 2010) before the High Court of Delhi at New Delhi.
11. The Deputy CIT, New Delhi, issued assessment order dated March 18, 2009 for assessment year 2007-2008, disallowing deduction on account of sales tax subsidy, depreciation on office building, synchronization charges from eligible profits and disallowing deduction of bad debts, profit from export business and fringe benefit tax from book profits. The Deputy CIT, New Delhi, imposed demand of ₹ 279.67 lacs as penalty. Our Company filed appeal No. 02 of 2009-10 before the CIT (Appeals), New Delhi. The CIT (Appeals), New Delhi, passed an order dated January 4, 2010 directing the Deputy CIT, New Delhi, to delete addition on account of sales tax subsidy, depreciation on building, while upholding reduction of synchronization charges and increase in book profits for computation of minimum alternate tax. The Company filed appeal No. 706/Del/2010 before the ITAT, New Delhi. The ITAT, New Delhi, passed an order dated September 22, 2011 upholding the order dated January 4, 2010 on all issues except that reduction of book profits by the amount of fringe benefit tax was allowed by the Company. The Deputy CIT also filed an appeal (no. 1487/Del/2010) before the ITAT challenging the order dated January 4, 2010 which was dismissed by an order of the ITAT dated June 7, 2010. The Commissioner of Income Tax I, New Delhi filed an appeal (ITA no. 503 of 2011) before the High Court of Delhi challenging the order dated June 7, 2010.
12. The Assistant CIT, New Delhi, issued assessment order dated December 29, 2011 for assessment year 2008-2009, disallowing deduction on account of sales tax subsidy, depreciation on office building, synchronization charges from eligible profits, salary made in cash without recording in books, income from investment, eligible deduction from book profits for computing minimum alternate tax, bad and doubtful debts and fringe benefit tax. Our Company filed an appeal before the CIT (Appeals), New Delhi.
13. The Assistant CIT, New Delhi, issued assessment orders dated December 29, 2011 for assessment years 2005-2006, 2006-2007 and 2007-2008, disallowing deduction of perks paid to employees out of unexplained income. The Company filed appeals before the CIT (Appeals), New Delhi on January 30, 2012.

Excise Duty

As on the date of this Draft Letter of Offer, there are 66 excise cases pending against the Company before various courts, authorities and tribunals, at various stages of adjudication. The aggregate amount involved in the cases is ₹ 578,21,61,740.

Customs Cases

As on the date of this Draft Letter of Offer, there are 21 customs cases pending against the Company before various courts, authorities and tribunals, at various stages of adjudication. The aggregate amount involved in the cases is ₹ 1,86,80,779.

Service Tax

As on the date of this Draft Letter of Offer, there are 20 service tax cases pending against the Company before various courts, authorities and tribunals, at various stages of adjudication. The aggregate amount involved in the cases is ₹ 31,97,64,406.

Sales Tax

As on the date of this Draft Letter of Offer, there are 139 sales tax cases, including cases in respect on entry tax on goods pending against the Company before various courts, authorities and tribunals, at various stages of adjudication. The aggregate amount involved in the cases is ₹ 221,84,04,306.

Miscellaneous Levies

1. As on the date of this Draft Letter of Offer, there is one case involving dues towards house/drainage tax payable to the Nagar Nigam, Ghaziabad pending against the Company before the High Court of Allahabad (Lucknow Bench). The aggregate amount involved in the cases is ₹ 2,84,32,427.
2. As on the date of this Draft Letter of Offer, there is one case involving trade tax in respect of amendment to the eligibility certificate issued to the Company for Uttar Pradesh Trade Tax pending by the Company against the order of the Joint Commissioner (Excise), Trade Tax, Range A, Ghaziabad dated July 18, 2008 before the High Court of Allahabad (Lucknow Bench). The aggregate amount involved in the case is not ascertainable.
3. As on the date of this Draft Letter of Offer, there is one case involving an amount of ₹ 16,96,09,222 demanded by the Tehsildar, Hindol as royalty in respect of extraction of earth and boulders by the Company for construction purposes before the High Court of Odisha at Bhubaneswar.

Company Cases

Set forth below are brief particulars of the material cases instituted under the Companies Act by the Company. The aggregate amount involved in these cases is not ascertainable.

1. Palle Iversen A/S filed a company petition (No. 130 of 2009), seeking winding-up of the Company before the High Court of Delhi at New Delhi, alleging that the Company had entered into contracts of sales with Palle Iversen A/S for shipment of coated steel coils, and despite payment of advance amount of USD 178,271, the Company failed to deliver the goods. Palle Iversen A/S alleged that on account of non-repayment of such advance amount, the Company is liable to be declared insolvent and wound-up. Further, Pimex APS filed a company petition (No. 129 of 2009), seeking winding-up of the Company before the High Court of Delhi at New Delhi, alleging that the Company had entered into contracts of sales with Pimex APS for shipment of coated steel coils, and despite payment of advance amount of USD 4,556.25, the Company failed to deliver the goods. Pimex APS alleged that on account of non-repayment of such advance amount, the Company is liable to be declared insolvent and wound-up. A settlement agreement has been executed on January 11, 2012 between the Company and Palle Iversen A/S and Pimex APS in respect of such claims against the Company.

Litigation by the Company

Criminal Cases

As of the date of this Draft Letter of Offer, there are 96 criminal proceedings filed by the Company, pending before various courts, authorities and tribunals. The aggregate amount involved in these proceedings is not ascertainable. Brief particulars of such proceedings are set forth below.

1. There are 95 proceedings pending by the Company in respect of dishonor of cheques under the N.I. Act before various courts, authorities and tribunals. These proceedings are primarily initiated against customers of the Company in respect of dues payable to the Company. The aggregate amount involved in these proceedings is ₹ 9,44,93,252.
2. The Company filed a criminal complaint (No. 688 of 2011) against M.M. Sethia, Mondal and others with the District and Sessions Judge, Howrah. The Company had purchased land for a total consideration of ₹ 131.30 lacs from eight land owners who were introduced to our Company by M.M. Sethia. Our Company has alleged that Mondal misrepresented himself as the legal attorney of the land owners and the land transferred by him did not correspond to the land mentioned in official records. Further, our Company has alleged that the land owners' signatures were forged in the power of attorney appointing Mondal as their legal attorney. Our Company has alleged the accused of forgery, cheating and conspiracy. The criminal complaint was registered pursuant to an FIR dated December 8, 2011 registered with the police station, Domjur.

Civil Suits

Set forth below are details of the material civil suits initiated by the Company, pending as on the date of this Draft Letter of Offer.

1. Our Company filed a civil writ petition (No. 204 of 2012) dated January 7, 2012 against the Union of India and others before the High Court of Delhi at New Delhi. The Company had applied for mining lease in respect of sites situated at village Balda, Nayagarh and Unchaballi, district Keonjhar, Odisha, which was rejected by an order dated March 23, 2001 by the Joint Secretary, Department of Steel and Mines, State Government of Odisha. The Company had filed a revision application challenging the order dated March 23, 2001 and the Revision Authority, Department of Steel and Mines, State Government of Odisha by an order dated June 18, 2008 had granted interim injunction restraining the State Government of Odisha from settling these sites with any third party during pendency of the revision application. Thereafter, the State Government of Odisha issued a letter dated December 20, 2008 seeking approval of the GoI to grant prospecting license in favour of Action Ispat and Power Limited in respect of these sites, pursuant to which the GoI issued a letter dated June 3, 2010 conveying such approval. The Company filed writ petition No. 204 of 2012 seeking quashing of the letters dated December 20, 2008 and June 3, 2010.
2. In respect of civil writ petition No. 204 of 2012, mentioned above, the Company Revision Authority, Department of Steel and Mines, State Government of Odisha passed an order dated March 22, 2011 dismissing the Company's revision application that challenged the order dated March 23, 2001 of the Joint Secretary, Department of Steel and Mines, State Government of Odisha. Our Company filed a civil writ petition (No. 4246 of 2011) against the State Government of Odisha seeking quashing of the orders dated March 22, 2011 and March 23, 2001.

LITIGATION INVOLVING THE SUBSIDIARIES

Except as disclosed below, there are no outstanding material litigations involving any of the Subsidiaries as on the date of the Draft Letter of Offer.

1. There are two income tax proceedings pending against Bhushan Capital and Credit Services Private Limited before the High Court of Delhi at New Delhi. As on the date of the Draft Letter of Offer, no demand against Bhushan Capital and Credit Services Private Limited is outstanding.

GOVERNMENT AND OTHER APPROVALS

We have received the necessary material consents, licenses, permissions and approvals from the GoI and various governmental agencies required for our present business and except as mentioned below, no further material approvals are required for carrying on our present business operations.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities.

I. Approvals related to the Issue

1. Resolution of the Board dated January 28, 2012 approving the Issue.
2. In-principle approval from the BSE dated [●] in respect of listing of the Equity Shares pursuant to the Issue.
3. In-principle approval from the NSE dated [●] in respect of listing of the Equity Shares pursuant to the Issue.

The following applications have been made in respect of the Issue:

1. Application dated February 17, 2012 to the FIPB to offer, issue and Allot partly paid-up Equity Shares of the Company on a rights basis to existing NR shareholders including FIIs, NRIs and other NRs.
2. Application dated February 21, 2012 to the RBI seeking approval by way of abundant caution for renunciation by resident Investors in favor of NR Investors (other than OCBs), by NR Investors (other than OCBs) in favor of resident Investors or by NR Investors (other than OCBs) in favor of other NR Investors (other than OCBs).

II. Material Approvals related to Business

Except as stated below in “- *Pending Material Approvals, Registrations and Renewals*”, we have received all requisite material consents, approvals, licenses, permits and registrations from the GoI and various regulatory, statutory and governmental agencies in respect of our business operations. We confirm that no material consents or approvals are required for conducting our business that we have not been granted, or we have not applied for the grant or renewal of.

III. Pending Material Approvals, Registrations and Renewals

As on the date of this Draft Letter of Offer, no applications are pending for any material approvals with the respective authorities.

As on the date of this Draft Letter of Offer, the following applications have been filed for the renewal of material approvals that have expired, with the respective authorities, the renewals for which are pending:

- c. Application dated December 15, 2011 to the Uttar Pradesh state pollution control board for renewal of consent to operate under the Water (Prevention and Control of Pollution) Act, 1974, as amended.
- d. Application dated December 15, 2011 to the Uttar Pradesh state pollution control board for renewal of consent to operate under the Air (Prevention and Control of Pollution) Act, 1981, as amended.

MATERIAL DEVELOPMENTS

In accordance with circular No. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, GoI, as amended by the Ministry of Finance, GoI through its circular dated March 8, 1977, the information required to be disclosed for the period between the last date of the financial statements provided to the shareholders and up to the end of the last but one month preceding the date of the Draft Letter of Offer is provided below:

| Particulars | Half year ended 30.09.2011 (Unaudited) | Nine months ended 31.12.2011 (Unaudited) | Year Ended 31.03.2011 (Audited) |
|--|---|---|---------------------------------------|
| Gross Sales (Including export incentives) | 5,09,886 | 7,70,404 | 7,57,628 |
| Other Income | 1,087 | 2,207 | 6,952 |
| EBIDTA | 1,39,298 | 2,12,821 | 2,09,991 |
| Depreciation | 30,223 | 45,385 | 27,785 |
| Interest | 51,765 | 74,669 | 44,641 |
| Taxes | 15,626 | 23,421 | 37,056 |
| Profit after tax | 41,684 | 69,346 | 1,00,509 |

In the opinion of the Rights Issue committee of the Board , there are no material changes and commitments, which are likely to affect the financial position of the Company since September 30, 2011 (which is the last date up to which updated financial information is incorporated in this Draft Letter of Offer.)

Set forth below are the limited reviewed unaudited financial results and notes for the quarter ended December 31, 2011, as submitted to the Stock Exchanges, as required under the provisions of the Listing Agreements,

| | | (₹ in lacs) | | | | | |
|---------|--|---------------|------------|------------|-------------------|------------|------------|
| Sl. No. | Particulars | (Unaudited) | | | | (Audited) | |
| | | Quarter Ended | | | Nine Months Ended | | Year Ended |
| | | 31.12.2011 | 30.09.2011 | 31.12.2010 | 31.12.2011 | 31.12.2010 | 31.03.2011 |
| 1 | Domestic Sales | 2,20,221 | 2,28,027 | 1,82,227 | 6,62,102 | 4,57,371 | 6,37,032 |
| 2 | Exports Sales | 40,297 | 39,321 | 28,805 | 1,08,302 | 87,652 | 1,20,596 |
| 3 | Total Gross Sales | 2,60,518 | 2,67,348 | 2,11,032 | 7,70,404 | 5,45,023 | 7,57,628 |
| 4 | Less: Excise Duty | 19,812 | 20,812 | 16,758 | 59,984 | 41,593 | 57,582 |
| 5 | Net Sales / Income from operations | 2,40,706 | 2,46,536 | 1,94,274 | 7,10,420 | 5,03,430 | 7,00,046 |
| 6 | Total Expenditure | | | | | | |
| | a) (Increase) / Decrease in Stock-in-Trade | (19,582) | 36,555 | 22,727 | (5,413) | (23,846) | (47,175) |
| | b) Consumption of Raw Materials | 1,51,106 | 1,01,534 | 87,453 | 3,95,597 | 3,01,883 | 4,23,826 |
| | c) Purchase of Traded Goods | - | - | - | - | - | - |
| | d) Staff Cost | 35,79 | 3,506 | 3,360 | 10,511 | 9,047 | 12,309 |
| | e) Other Expenditure | 33,200 | 32,834 | 26,975 | 99,111 | 72,870 | 1,08,047 |
| | f) Depreciation | 15,162 | 15,134 | 5,704 | 45,385 | 16,358 | 27,785 |
| | g) Total | 1,83,465 | 1,89,563 | 1,46,219 | 5,45,191 | 3,76,312 | 5,24,792 |
| 7 | Profit from Operations Before Other Income, | | | | | | |
| | Interest & exceptional items | 57,241 | 56,973 | 48,055 | 1,65,229 | 1,27,118 | 1,75,254 |
| 8 | Other Income | 11,20 | 334 | 998 | 2,207 | 2,721 | 6,952 |
| 9 | Profit Before Interest & exceptional items | 58,361 | 57,307 | 49,053 | 1,67,436 | 1,29,839 | 1,82,206 |
| 10 | Interest & Financial Charges | 22,904 | 30,195 | 10,199 | 74,669 | 28,132 | 44,641 |
| 11 | Profit Before Tax | 35,457 | 27,112 | 38,854 | 92,767 | 1,01,707 | 1,37,565 |
| 12 | Provision For Tax Expenses | 7,795 | 6,424 | 10,819 | 23,421 | 27,196 | 37,056 |
| 13 | Net Profit After Tax | 27,662 | 20,688 | 28,035 | 69,346 | 74,511 | 1,00,509 |
| 14 | Extraordinary items (net of tax) | - | - | - | - | - | - |
| 15 | Net Profit | 27,662 | 20,688 | 28,035 | 69,346 | 74,511 | 1,00,509 |
| 16 | Paid-up Equity Share Capital (Face Value of X21- each) | 4,247 | 4,247 | 4,247 | 4,247 | 4,247 | 4,247 |
| 17 | Reserves Excluding Revaluation Reserves | | | | | | 5,78,525 |
| 18 | EPS (Not Annualised) | | | | | | |
| | i) Basic | 12.92 | 9.64 | 13.16 | 32.35 | 34.94 | 47.13 |

| | | | | | | |
|---|--------------------|--------------|--------------|--------------------|--------------|---------------------|
| ii) Diluted | 12.92 | 9.64 | 13.16 | 32.35 | 34.94 | 47.13 |
| 19 Public Shareholding | | | | | | |
| - Number of Shares | 6,38,20,815 | 6,55,02,815 | 6,55,02,815 | 63,820,815 | 6,55,02,815 | 6,55,02,815 |
| - Percentage of Shareholding | 30.05% | 30.85% | 30.85% | 30.05% | 30.85% | 30.85% |
| 20 Promoters and Promoters Group Shareholding a) Pledged/Encumbered | | | | | | |
| - Number of Shares | 48,76,39,70 | 4,17,71,970 | 2,59,86,145 | 4,87,63,970 | 2,59,86,145 | 3,72,07,970 |
| - Percentage of Shares (as a Percentage of the total shareholding of promoter and promoter group) | 32.83% | 28.44% | 17.70% | 32.83% | 17.70% | 25.34% |
| - Percentage of Shares (as a Percentage of the total share capital of the company) | 22.96% | 19.67% | 12.23% | 22.96% | 12.23% | 17.52% |
| b) Non-encumbered | | | | | | |
| - Number of Shares | 9,97,73,525 | 10,50,83,525 | 12,08,69,350 | 9,97,73,525 | 12,08,69,350 | 10,96,47,525 |
| - Percentage of Shares (as a Percentage of the total shareholding of promoter and promoter group) | 67.17% | 71.56% | 82.30% | 67.17% | 82.30% | 74.66% |
| - Percentage of Shares (as a Percentage of the total share capital of the company) | 46.99% | 49.48% | 56.92% | 46.99% | 56.92% | 51.63% |

Notes:

- 1 *The above results have been reviewed by Audit committee and taken on record by the Board of Directors at New Delhi on January 28, 2012.*
- 2 *The limited review for the quarter ended on December 31, 2011 as required under clause 41 of the Listing Agreements has been carried out by the Statutory Auditors.*
- 3 *During the current quarter, the Company has put to use its large dia pipe Plant at its Khopoli unit near Mumbai.*
- 4 *The Company is engaged in the steel business, which in the context of Accounting Standard -17, is considered the only business segment.*
- 5 *No. of investor complaints for the quarter ended December 31, 2011*
(a) Pending at the beginning - Nil, (b) Received - 3, (c) Resolved -1, (d) Remaining Unresolved -2
- 6 *Previous year/period figures have been regrouped rearranged wherever considered necessary.*

The Company informed the Stock Exchanges on November 15, 2011, that in order to settle the then ongoing litigation between Brij Bhushan Singal, Neeraj Singal and erstwhile members of the Promoters and Promoter Group, Sanjay Singal and others (in relation to Company Petition No. 77/2006 instituted before the Company Law Board, Principal Bench, New Delhi), a settlement deed had been executed on November 14, 2011, pursuant to which Brij Bhushan Singal and Neeraj Singal will have exclusive control on the Company and Sanjay Singal and his associates would disassociate as Promoters. The Company Law Board, Principal Bench, New Delhi accordingly passed an order dated November 15, 2011, dismissing the C.P. No. 77/2006 as withdrawn in view of the Settlement. The Company filed two letters, both dated February 18, 2012 with the Stock Exchanges intimating the dissociation of Sanjay Singal, Aarti Singal, Priyanka Singal, Radhika S. Dhoot, Sanjay Singal (HUF), ASL Investments Private Limited Adhunik Investments Private Limited, BIC Investments Private Limited, ESSENN Investments Private Limited, Rail Track India Limited, Evergrowing Iron and Finvest Limited, Flawless Holding and Industries Limited, Bhushan Information Tech Limited and Kishori Lal Construction Limited and the disposal of the holding of Equity Shares of such persons and entities in favor of the existing Promoters and members of the Promoter Group in terms of the Settlement. By such letter dated February 18, 2012, the Company also intimated the dissociation of Archana Mittal as a member of the Promoter Group of the Company, although she continues to retain her holding of Equity Shares. The dissociation of Archana Mittal as a member of the Promoter Group was further separately intimated to the Stock Exchanges pursuant to two letters, both dated February 15, 2012.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of the Board passed at their meeting held on January 28, 2012, pursuant to Section 81 of the Companies Act.

The Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares to be issued and Allotted in the Issue pursuant to letters dated [●] and [●], respectively.

Prohibition by SEBI

Neither the Company, nor its Subsidiaries, nor the Directors, Promoters, the members of the Promoter Group, or persons in control of the Company, nor any companies with which the Company's Directors, Promoters or persons in control of the Company are or were associated with as directors or promoters or persons in control, have been debarred from accessing the capital markets under any order or direction passed by the SEBI.

Association with securities markets

None of the Directors of the Company are associated with the securities markets in any manner.

Prohibition by RBI

None of the Company, the Promoters (or any of their relatives), the Directors, the members of the Promoter Group and Group Companies have been identified as willful defaulters by the RBI or any other governmental authority.

Eligibility for the Issue

The Company is a listed company and has been incorporated under the Companies Act. The Equity Shares of the Company are presently listed on the Stock Exchanges. It is eligible to undertake the Issue in terms of Chapter IV of the SEBI ICDR Regulations.

Compliance with Part E of Schedule VIII of the SEBI ICDR Regulations

The Company is in compliance with the provisions specified in Clause (1), Part E, Schedule VIII of the SEBI ICDR Regulations as explained below:

- (a) The Company has been filing periodic reports, statements and information in compliance with the Listing Agreements for the three years immediately preceding the date of filing the Draft Letter of Offer with the SEBI.
- (b) The reports, statements and information referred to in sub-clause (a) above are available on the website of the Stock Exchanges.
- (c) The Company has an investor grievance-handling mechanism which includes meeting of the Shareholders/Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As the Company satisfies the conditions specified in Clause (1) of Part E of Schedule VIII of SEBI ICDR Regulations, disclosures in the Draft Letter of Offer have been made in terms of Clause (5), Part E, Schedule VIII of SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY

EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE GLOBAL CO-ORDINATOR AND LEAD MANAGER, ICICI SECURITIES LIMITED AND THE LEAD MANAGERS, AXIS BANK LIMITED, IDBI CAPITAL MARKET SERVICES LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE GLOBAL CO-ORDINATOR AND LEAD MANAGER AND THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE GLOBAL CO-ORDINATOR AND LEAD MANAGER, ICICI SECURITIES LIMITED AND THE LEAD MANAGERS, AXIS BANK LIMITED, IDBI CAPITAL MARKET SERVICES LIMITED AND SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 22, 2012 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION SUCH AS COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
 - (A) THE DRAFT LETTER OF OFFER FILED WITH SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI") IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - (C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID – COMPLIED WITH*;
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS; NOT APPLICABLE
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SPECIFIED SECURITIES AS PART OF PROMOTERS'

CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER; NOT APPLICABLE

6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER / LETTER OF OFFER; NOT APPLICABLE
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE; NOT APPLICABLE
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION;
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKER TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION; NOTED FOR COMPLIANCE, SUBJECT TO COMPLIANCE WITH REGULATION 56 OF THE SEBI ICDR REGULATIONS
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE;
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION;
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
 - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE;**
14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS' EXPERIENCE, ETC.;**
15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**
16. **WE ENCLOSE THE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY THE GLOBAL CO-ORDINATOR AND LEAD MANAGER AND THE LEAD MANAGERS', AS PER THE FORMAT SPECIFIED BY SEBI. NOT APPLICABLE**

** The SEBI registration of one of the Lead Managers, SBI Capital Markets Limited, was valid up to July 31, 2011. The application for renewal of the certificate of registration in the prescribed manner has been made by SBI Capital Markets Limited on April 29, 2011, to SEBI, three months before the expiry of the period of the certificate as required under Regulation 9(1) of the SEBI (Merchant Bankers) Regulations, 1992, as amended. The approval of SEBI in this regard is currently awaited.*

THE FILING OF THE DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE GLOBAL CO-ORDINATOR AND LEAD MANAGER AND THE LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.

CAUTION

Disclaimer clauses from the Company and the GCLM and the Lead Managers

The Company and the GCLM and the Lead Managers accept no responsibility for statements made otherwise than in the Draft Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The GCLM and the Lead Managers and the Company shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Draft Letter of Offer with SEBI.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this document. You must not rely on any unauthorized information or representations. The Draft Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in the Draft Letter of Offer is current only as of its date.

Investors who invest in the Issue will be deemed to have represented to the Company and the GCLM and the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying

on independent advice / evaluation as to their ability and quantum of investment in the Issue.

Disclaimer with respect to jurisdiction

The Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of the BSE

As required, a copy of the Draft Letter of Offer has been submitted to the BSE. The Disclaimer Clause as intimated by the BSE to us, post scrutiny of the Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchanges.

Disclaimer Clause of the NSE

As required, a copy of the Draft Letter of Offer has been submitted to the NSE. The Disclaimer Clause as intimated by the NSE to us, post scrutiny of the Draft Letter of Offer, shall be included in the Letter of Offer prior to filing with the Stock Exchanges.

Selling Restrictions

See “*Notice to Overseas Shareholders*” on page vi.

Filing

The Draft Letter of Offer has been filed with the Corporation Finance Department of the SEBI, located at SEBI Bhavan, C-4-A, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, India for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Companies Act. The Company confirms that the PAN, bank account numbers and passport numbers of the Promoters will be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

Issue Related Expenses

The expenses of the Issue payable by the Company include brokerage, fees and reimbursement to the GCLM and the Lead Managers, Auditors, Legal Advisor, Registrar to the Issue, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses and will be met out of the Issue Proceeds.

| <i>(₹ in lacs)</i> | | | |
|---|---------------------|--|--------------------------------|
| Activity | Estimated expenses* | As a % of the total estimated Issue expenses | As a % of the total Issue size |
| Fees payable to the GCLM and the Lead Managers | [●] | [●] | [●] |
| Advertising and marketing expenses | [●] | [●] | [●] |
| Fees payable to the Registrar to the Issue | [●] | [●] | [●] |
| Fees payable to the Bankers to the Issue, brokerage and SCSBs | [●] | [●] | [●] |
| Others (legal fees, listing fees, etc.) | [●] | [●] | [●] |
| Total estimated Issue expenses | [●] | [●] | [●] |

* Will be incorporated at the time of filing of the Letter of Offer.

Investor Grievances and Redressal System

The Company has made adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreements. The Shareholders’/Investors’ Grievance Committee currently comprises Brij Bhushan Singal, Neeraj Singal and Prem Kumar Aggarwal and its broad

terms of reference include look into the redressal of shareholders' and investors' complaints including transfer of Equity Shares, non-receipt of balance sheet and declared dividend. The time normally required for disposal of investor complaints is seven working days.

Status of outstanding investor complaints in relation to the Company

As on date of the Draft Letter of Offer, there were no outstanding investor complaints.

Investor Grievances arising out of the Issue

The Company's investor grievances arising out of the Issue will be handled by RCMC Share Registry Private Limited, who is the Registrar to the Issue. The Registrar to the Issue will have a separate team of personnel handling only post-Issue correspondence.

The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of Allotment Advice/share certificate/demat credit/refund order to enable the Registrar to the Issue to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue or the SCSB in case of ASBA Applicants giving full details such as folio No., name and address, contact telephone/cell numbers, e-mail ID of the sole/first Applicant, number and type of shares applied for, CAF serial number, Application Money and the name of the bank and the branch where the Application was deposited, along-with a photocopy of the acknowledgement slip, if any. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar to the Issue required for attending to routine grievances shall be 15 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. The Company undertakes to resolve the Investor grievances in a time bound manner.

Registrar to the Issue

RCMC Share Registry Private Limited

B 106, Sector 2

Noida 201 301

India

Tel: (+91 120) 401 5856

Fax: (+91 120) 244 4346

E-mail: rdua@rcmcdelhi.com/bsslrights@rcmcdelhi.com

Website: www.rcmcdelhi.com

Contact Person: Ravinder Dua

SEBI Registration No.: INR000000429

Investors may contact the Compliance Officer in case of any pre-Issue/post -Issue related problems such as non-receipt of Allotment Advice/Equity Share certificates/demat credit/refund orders. The contact details of the Compliance Officer are as follows:

Om Parkash Davra

Bhushan Steel Limited

F Block, 1st Floor

International Trade Tower

Nehru Place

New Delhi 110 019

India

Tel: (+91 11) 3919 4275

Fax: (+91 11) 4160 8970/2647 8750

E-mail: opdavra@bhushansteel.com

SECTION VII - ISSUE INFORMATION TERMS OF THE ISSUE

The Equity Shares proposed to be issued on a rights basis pursuant to the Issue, are subject to the terms and conditions contained in the Draft Letter of Offer, the Abridged Letter of Offer, the CAF, the Memorandum of Association and Articles of Association, and the provisions of the Companies Act, Foreign Exchange Management Act, 1999 (the “**FEMA**”), the guidelines and regulations issued by SEBI, approvals received from the FIPB, the RBI and any other governmental authorities, the guidelines, notifications and regulations for the issue of capital and for listing of securities issued by the GoI and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by the Company with the Stock Exchanges and terms and conditions as stipulated in the Allotment Advice or security certificate.

Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA Process. The Applicants that are not QIBs or whose Application Money does not exceed ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process. ASBA Applicants should note that the ASBA process involves Application procedures that may be different from the procedure applicable to non-ASBA process. ASBA Investors should carefully read the provisions applicable to such Applications before making their Application through the ASBA process. For more information, see “- *Procedure for Application through the ASBA Process*” on page 190 below.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and on the statutory register of members of the Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, being [●] as intimated to the Designated Stock Exchange.

Rights Entitlement

Eligible Equity Shareholders whose names appear as a beneficial owner in respect of the Equity Shares held in electronic form or appears in the register of members as an Equity Shareholder of the Company in respect of the Equity Shares held in physical form as on the Record Date, being [●] are entitled to the number of Equity Shares as set out in Part A of the enclosed CAF.

THE DISTRIBUTION OF THE DRAFT LETTER OF OFFER, THE LETTER OF OFFER AND THE ISSUE OF EQUITY SHARES ON A RIGHTS BASIS TO PERSONS IN CERTAIN JURISDICTIONS OUTSIDE INDIA PURSUANT TO THE ISSUE MAY BE RESTRICTED BY LEGAL REQUIREMENTS PREVAILING IN THOSE JURISDICTIONS. THE COMPANY IS MAKING THE ISSUE OF EQUITY SHARES ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS PURSUANT TO THE ISSUE, AND THE LETTER OF OFFER/ABRIDGED LETTER OF OFFER AND THE CAFs WILL BE DISPATCHED ONLY TO THOSE EQUITY SHAREHOLDERS WHO HAVE A REGISTERED ADDRESS IN INDIA. ANY PERSON WHO ACQUIRES RIGHTS ENTITLEMENTS OR EQUITY SHARES WILL BE DEEMED TO HAVE DECLARED, WARRANTED AND AGREED, BY ACCEPTING THE DELIVERY OF THE LETTER OF OFFER, THAT IT IS NOT AND THAT AT THE TIME OF SUBSCRIBING FOR THE EQUITY SHARES OR THE RIGHTS ENTITLEMENTS, IT WILL NOT BE, IN THE UNITED STATES. PERSONS WHO MAY ACQUIRE RIGHTS ENTITLEMENTS OR COME INTO POSSESSION OF THIS DRAFT LETTER OF OFFER OR CAF ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO WHAT RESTRICTIONS MAY BE APPLICABLE TO THEM AND TO OBSERVE SUCH RESTRICTIONS. THIS DRAFT LETTER OF OFFER MAY NOT BE USED FOR THE PURPOSE OF AN OFFER OR INVITATION IN ANY CIRCUMSTANCES TO SUBSCRIBE TO EQUITY SHARES IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORIZED. NO ACTION HAS BEEN TAKEN OR WILL BE TAKEN THAT WOULD PERMIT THE OFFERING OF THE EQUITY SHARES PURSUANT TO THE ISSUE TO OCCUR IN ANY JURISDICTION OTHER THAN INDIA, OR THE POSSESSION, CIRCULATION OR DISTRIBUTION OF THIS DRAFT LETTER OF OFFER RELATING TO THE COMPANY OR THE EQUITY SHARES IN ANY JURISDICTION WHERE ACTION FOR SUCH PURPOSE IS REQUIRED. ACCORDINGLY, THE EQUITY SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THIS DRAFT LETTER OF OFFER MAY NOT BE DISTRIBUTED OR PUBLISHED IN OR FROM ANY COUNTRY OR JURISDICTION EXCEPT

UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE RULES AND REGULATIONS OF ANY SUCH COUNTRY OR JURISDICTION.

PRINCIPAL TERMS OF THE EQUITY SHARES

Face Value

Each Equity Share will have the face value of ₹ 2.

Issue Price

Each Equity Share is offered at an Issue Price of ₹ 335 for cash at a premium of ₹ 333 per Equity Share. The Issue Price has been arrived at after consultation between the Company and the GCLM and the Lead Managers.

Rights Entitlement Ratio

The Equity Shares are being offered on rights basis to the Eligible Equity Shareholders in the ratio of one Equity Share for every 15 Equity Shares held on the Record Date.

Terms of Payment

The terms of payment available to the Investors are set forth below.

| | Payment method | | |
|-----------------------|-------------------------------------|-------------|---------------|
| | Amount payable per equity share (₹) | | |
| | Face value (₹) | Premium (₹) | Total (₹) |
| On Application | 1 | 166.50 | 167.50 |
| On Call | 1 | 166.50 | 167.50 |
| Total | 2 | 333 | 335 |

The Issue Price of the Equity Shares is ₹ 335 per Equity Share. The Investors are required to pay 50% of the Issue Price on Application, and the remaining 50% of the Issue Price on Call.

At the time of making an Application, the Investor shall make a payment of ₹ 167.50 per Equity Share, being equivalent to 50% of the Issue Price per Equity Share (the “**Application Money**”). Of the Application Money, ₹ 1 shall be adjusted towards the face value of the Equity Shares and ₹ 166.50 shall be adjusted towards the share premium account. Similarly, of the amount of ₹ 167.50 paid on Call, ₹ 1 shall be adjusted towards the face value of the Equity Shares, while ₹ 166.50 shall be adjusted towards the share premium account.

Notices for the payment of Call Money shall be sent by the Company to the holders of the partly paid-up Equity Shares on the Call Record Date fixed by the Company for the Call, provided that such notice is given in writing at least 15 days prior to the date of the Call.

In terms of Regulation 17 of the SEBI ICDR Regulations, the Company shall ensure that the Call is completed within 12 months from the date of the Allotment in the Issue. Any Applicant who fails to pay the amount of the Call within the said 12 months from the date of the Allotment in the Issue shall stand to have the Equity Shares in respect of which any amount of the Call remains outstanding forfeited.

Further, in terms of the Articles of Association, Equity Shares in respect of which the balance amount payable remains unpaid on Call, may be forfeited by the Company at any time after the due date for payment of such balance amount due, after giving a prior notice of at least one month, as provided under the Articles of Association.

Any amount paid on Application in excess of the Application Money shall be adjusted towards the Call Money, if such amount does not exceed the Call Money payable, subject to the provisions of the Companies Act and the Articles of Association. In the event the amount paid on Application in excess of the Application Money exceeds the Call Money payable, an amount equivalent to the Call Money payable out of such excess amount shall be adjusted towards the Call Money as abovementioned, and the balance amount shall be refunded, as provided for in “- **Payment of Refund**” on page 200.

For information in respect of approvals sought in respect of issuance of partly paid-up Equity Shares pursuant to the Issue, see “**Government and Other Approvals**” on page 172.

Fractional Entitlements

For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than 15 Equity Shares or not in the multiple of 15, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional entitlements are being ignored would be given preferential consideration for the Allotment of one additional Equity Share each if they apply for additional Equity Shares over and above their Rights Entitlement, if any.

For example, if an Eligible Equity Shareholder holds between 16 and 29 Equity Shares, he will be entitled to one Equity Share on a rights basis. He will also be given a preferential consideration for the Allotment of one additional Equity Share if he has applied for the same.

Further, if an Eligible Equity Shareholder holds between one and 14 Equity Shares, he will be entitled to zero Equity Shares on a rights basis. He will be given a preferential consideration for the Allotment of one additional Equity Share if he has applied for the same.

Those Eligible Equity Shareholders holding less than 15 Equity Shares will therefore be entitled to zero Equity Shares under this Issue and shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares. However, they cannot renounce the same in favour of third parties. CAFs with zero entitlement will be non-negotiable/non-renounceable.

Ranking

The Equity Shares being issued shall be subject to the provisions of the Memorandum of Association and Articles of Association. The Equity Shares allotted in the Issue shall rank *pari passu* with the existing Equity Shares in all respects, including dividend, provided that voting rights of and dividend payable to the Allottees shall be in proportion to the paid-up value of the Equity Shares held by such Allottee. In terms of Article 43 of the Articles of Association, money paid in advance of calls shall not confer a right to participate in profits or dividends of the Company.

Listing and trading of Equity Shares proposed to be issued

The Company’s existing Equity Shares are currently traded on the Stock Exchanges under the ISIN INE824B01021. In addition to the ISIN for the existing Equity Shares, the Company shall obtain separate ISIN for the partly paid-up Equity Shares. The partly paid-up Equity Shares offered pursuant to the Issue shall be listed and traded under a separate ISIN for the period prior to the record dates for the Call. On the record date for the Call, the trading of the existing partly paid-up Equity Shares shall be terminated. The process of corporate action for crediting the fully paid-up Equity Shares to the Investors’ demat accounts may take about two weeks’ time from the last date of payment of money under the notice for the Call. On payment of the Call Money, the partly paid-up Equity Shares shall be converted into fully paid-up Equity Shares and merged with the existing ISIN for the Equity Shares. The Equity Shares in respect of which the balance amount payable remains unpaid may be forfeited, at any time after the due date for payment of the balance amount due, with prior notice of at least one month, as provided under the Articles of Association.

The Equity Shares allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of the necessary formalities for listing and commencement of trading shall be taken within seven working days of finalisation of the basis of Allotment. The Company has received “in-principle” approvals from the NSE and the BSE for listing the Equity Shares allotted pursuant to the Issue (“**Allotted**”) dated [●] and [●] respectively.

The listing and trading of the Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders of the Company shall have the following rights:

- Right to receive dividend, if declared. The dividend payable on partly paid-up Equity Shares until fully

- paid-up, shall rank for dividend in proportion to the amount paid-up;
- Right to attend general meetings and exercise voting powers in, unless prohibited by law;
- Right to vote in person or by proxy in proportion to the paid-up value of the Equity Shares held;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of Equity Shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum of Association and Articles of Association.

General Terms of the Issue

Market Lot

The Equity Shares of the Company are tradable only in dematerialised form. The market lot for Equity Shares in dematerialised mode is one. In case an Eligible Equity Shareholder holds Equity Shares in physical form, the Company would issue to the Allottee one certificate for the Equity Shares allotted to each folio (the “**Consolidated Certificate**”). In respect of Consolidated Certificates, our Company shall, upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations within seven days from the receipt of the request in respect thereof. Our Company shall not charge a fee for splitting any of the Consolidated Certificates.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association.

Nomination

Nomination facility is available in respect of the Equity Shares in accordance with the provisions of the Section 109A of the Companies Act. An Eligible Equity Shareholder can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. In case of Eligible Equity Shareholders who are individuals, a sole Eligible Equity Shareholder or the first named Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole Eligible Equity Shareholder or all the joint Eligible Equity Shareholders, as the case may be, shall become entitled to the Equity Shares offered in the Issue. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered Eligible Equity Shareholder. Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Shares, in the event of death of the said Eligible Equity Shareholder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Shares are held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all such Eligible Equity Shareholders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company or such other person at such addresses as may be notified by the Company.

Only one nomination would be applicable for one folio. Hence, in case the Investor(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform its respective DP.

Notices

All notices to the Eligible Equity Shareholder(s) required to be given by the Company shall be published in one English language national daily newspaper and one Hindi national daily newspaper and/or will be sent by post

to the registered address of the Eligible Equity Shareholders in India or the registered Indian address provided by the Eligible Equity Shareholders from time to time.

Procedure for Application

The CAF for the Equity Shares would be printed in black ink for all Eligible Equity Shareholders. In case the original CAF is not received by the Eligible Equity Shareholder or is misplaced by the Eligible Equity Shareholder, the Eligible Equity Shareholder may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Eligible Equity Shareholder(s) does not match with the specimen registered with the Company or the DP, the Application is liable to be rejected.

Neither the Company nor the Registrar to the Issue shall be responsible for delay in the receipt of the CAF/duplicate CAF attributable to postal delays or if the CAF/duplicate CAF are misplaced in the transit. The request for a duplicate CAF should reach the Registrar to the Issue within seven days from the Issue Opening Date. Investors should note that those who are making the Application in such duplicate CAF should not utilize the original CAF for any purpose, including renunciation, even if the original CAF is received or found subsequently. If any Investor violates any of these requirements, they shall face the risk of rejection of both Applications.

Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process. The Investors who are not QIBs and whose Application Money does not exceed ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process.

Acceptance of the Issue

Investors may accept the offer to participate in the Issue and apply for the Equity Shares, either in full or in part, by filling Part A of the enclosed CAFs and submit the same along with the Application Money payable to any of the collection branches of the Bankers to the Issue as mentioned on the reverse of the CAFs before close of banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board in this regard. Investors at centers not covered by the branches of collecting banks can send their CAFs together with the cheque drawn at par on a local bank at New Delhi/demand draft payable at New Delhi to the Registrar to the Issue by registered post. Such Applications sent to anyone other than the Registrar to the Issue are liable to be rejected. For more information on the mode of payment, see “- ***Modes of Payment***” on page 196. Investors may also choose to accept the offer to participate in the Issue by plain-paper Applications. For more information, see “- ***Application on Plain Paper***” on pages 188 and 191.

Option available to the Eligible Equity Shareholders

The CAFs will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his Rights Entitlement of Equity Shares in full;
- Apply for his Rights Entitlement of Equity Shares in part;
- Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Equity Shares;
- Apply for his Rights Entitlement in full and apply for additional Equity Shares; or
- Renounce his Rights Entitlement in full.

Additional Subscription by the Promoters and members of the Promoter Group

The Promoters, namely Brij Bhushan Singal and Neeraj Singal have, through their letters, both dated February 21, 2012, confirmed that they and the members of the Promoter Group as on the Record Date intend to subscribe to the full extent of their respective Rights Entitlements in the Issue, and in addition, intend to subscribe to additional Equity Shares for any unsubscribed portion in the Issue and renunciations made in their favour by any other Eligible Equity Shareholder subject to compliance with Regulation 10(4) of the Takeover Code such that at least 90% or more of the Issue is subscribed. As a result of such additional subscription, the Promoters and members of the Promoter Group may acquire Equity Shares over and above their current shareholding along with their respective Rights Entitlements. The subscription to such additional Equity Shares to be made by the

Promoters and members of the Promoter Group shall be in accordance with applicable law.

For more information, see “- *Basis of Allotment*” on page 199.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Equity Shares offered to you without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under “- *Basis of Allotment*” on page 199.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. The Renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

The Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that the Company shall not Allot and/or register the Equity Shares in favour of (i) more than three persons (including joint holders); (ii) partnership firm(s) or their nominee(s); (iii) minors; (iv) HUF; or (v) any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares, as the case may be). Additionally, Eligible Equity Shareholders may not renounce in favour of persons or entities in the United States or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies Regulations, 2003. Accordingly, the Eligible Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renounee shall not renounce the same (whether for consideration or otherwise) in favour of any OCB(s).

The Company has made an application dated February 21, 2012 to the RBI seeking approval by way of abundant caution for renunciation by resident Investors in favor of NR Investors (other than OCBs), by NR Investors (other than OCBs) in favor of resident Investors or by NR Investors (other than OCBs) in favor of other NR Investors (other than OCBs). However, in the event the RBI does not grant such approval, Investors may be required to independently procure such approval from the RBI. Certain Investors may apply for/require such approval irrespective of the receipt of such approval by the Company as well.

Any renunciation (i) from resident Indian Eligible Equity Shareholder(s) to NR(s); (ii) from NR Eligible Equity Shareholder(s) to resident Indian(s); or (iii) from a NR Eligible Equity Shareholder(s) to other NR(s), is subject to the renouncer(s)/renounee(s) obtaining any necessary regulatory approvals from the RBI. The renouncer(s)/renounee(s) is/are required to obtain any such approval and attach the same to the CAF, along with any other approval that may be required by such renouncer(s)/renounee(s). All such renunciations shall be subject to any conditions that may be specified in such RBI approval. Applications not complying with conditions of the approval/not accompanied by such approvals are liable to be rejected.

Part ‘A’ of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the Application invalid. Submission of the CAF to any of the collection branches of the Bankers to the Issue specified on the reverse of the CAF with the form of renunciation (Part ‘B’ of the CAF) duly filled in shall be the conclusive evidence for the Company of the fact of renouncement to the person(s) applying for Equity Shares in Part ‘C’ of the CAF for the purpose of Allotment of such Equity Shares. The Renounees applying for all the Equity Shares renounced in their favour may also apply for additional

Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the Application invalid. Renouncee(s) will have no right to further renounce any Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to an Eligible Equity Shareholder in favour of one Renouncee

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renouncees, all joint Renouncees must sign Part 'C' of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either (i) accept this offer in part and renounce the balance, or (ii) renounce the entire offer under this Issue in favour of two or more Renouncees, the CAF must be first split into requisite number of SAFs. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs. On receipt of the required number of SAFs from the Registrar to the Issue, the procedure as mentioned in paragraph above shall have to be followed in respect of each SAF.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not match with the specimen registered with the Company/Depositories, the Application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAFs on or before the Issue Closing Date along with the Application Money in full.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three including you, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereto.

Instructions for Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered:

| Option Available | Action Required |
|--|---|
| 1. Accept whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part A (<i>All joint holders must sign</i>) |
| 2. Accept your Rights Entitlement in full and apply for additional Equity Shares | Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>) |
| 3. Accept a part of your Rights Entitlement and renounce the balance to more than one Renouncee(s) | Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once. |

OR

On receipt of the SAF take action as indicated below.

| Option Available | Action Required |
|---|---|
| Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee | (i) For the Equity Shares you wish to accept, if any, fill in and sign Part A. (ii) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncees. (iii) Each Renouncee should fill in and sign Part C for the Equity Shares accepted by them. |
| 4. Renounce your Rights Entitlement in full or part to one Renouncee (<i>Joint Renouncees are considered as one</i>). | In respect of the CAF, take the following action: (i) For the Equity Shares you wish to accept, if any, fill in and sign Part A. (ii) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncees. (iii) The Renouncee should fill in and sign Part C for the Equity Shares accepted by him. |
| 5. Introduce a joint holder or change the sequence of joint holders | This will be treated as renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C. |

Please note that:

- No part of the CAF except Part C, may be used by any person(s) other than the Eligible Equity Shareholder to whom the Letter of Offer/Abridged Letter of Offer/CAF has been addressed. If used, this will render the Application invalid.
- Request for each SAF should be made for a minimum of [●] Equity Share or, in each case, in multiples thereof and one SAF for the balance Equity Shares, if any.
- Request by the Eligible Equity Shareholder for the SAFs should reach the Registrar to the Issue on or before [●].
- Only the Eligible Equity Shareholder to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
- SAFs will be sent to the Eligible Equity Shareholder(s) by post at the applicant's risk.
- Eligible Equity Shareholders may not renounce in favour of persons or entities in the United States or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.
- While applying for or renouncing their Rights Entitlement, joint Eligible Equity Shareholders must sign the Application Form or SAF in the same order and as per specimen signatures recorded with the Company/Depositories.

Availability of duplicate CAF

See “- *Procedure for Application*” on page 185.

Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper, along with an account payee cheque drawn on a bank in New Delhi/demand draft, net of bank and postal charges payable at New Delhi and the Investor should send the same by registered post directly to the Registrar to the Issue. For more information on the mode of payment, see “- *Modes of Payment*” on page 196.

The envelope should be super-scribed “*Bhushan Steel Limited - Rights Issue*” and should be postmarked in India. The Application on plain paper, duly signed by the Investors including joint holders, in the same order and as per specimen recorded with the Company/Depositories, must reach the office of the Registrar to the Issue

before the Issue Closing Date and should contain the following particulars:

- Name of the Company, being 'Bhushan Steel Limited';
- Name and address of the including joint holders;
- Registered Folio Number/DP and Client ID Number
- Number of Equity Shares held as on Record Date;
- Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
- Allotment option preferred - physical or demat form, if held in physical form;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Application Amount payable at the rate of ₹ 335 per Equity Share;
- Application Money payable at the rate of ₹ 167.50 per Equity Share;
- Particulars of cheque/demand draft;
- Savings/current account number and name and address of the bank where the Investor will be depositing the refund order;
- Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Signatures of Eligible Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company and also depository records;
- If the payment is made by a draft purchased from NRE/FCNR/NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/NRO account; and
- Additionally, all such applicants are deemed to have accepted the following:

"I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "United States") or to, or for the account or benefit of a "U.S. Persons" (as defined in Regulation S of the US Securities Act ("Regulation S")). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that neither us, nor the Registrar, the GCLM and the Lead Managers or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the GCLM and the Lead Managers or any other person acting on behalf of us have reason to believe is, a resident of the United States or "U.S. Person" (as defined in Regulation S) or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, (ii) am/are not a "U.S. Person"

(as defined in Regulation S), and (iii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that we, the GCLM and the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Those who are making the Application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Eligible Equity Shareholder violates such requirements, he/she shall face the risk of rejection of both the Applications. The Company shall refund such Application Money to the Investor without any interest thereon.

Last date for Application

The last date for submission of the duly filled in Application Forms is [●], which is the Issue Closing Date. The Board may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days. The last date for receiving requests for SAFs is [●].

If the Application Form together with the amount payable is not received by the Banker to the Issue/Registrar to the Issue on or before the close of banking hours on the Issue Closing Date or such date as may be extended by the Board, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered, as provided under “- *Basis of Allotment*” on page 199.

PROCEDURE FOR APPLICATION THROUGH THE ASBA PROCESS

This section is for the information of the ASBA Applicants proposing to subscribe to the Issue through the ASBA Process. The Company and the GCLM and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Eligible Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1325570097787.html. For more information on Designated Branches of SCSBs collecting the CAF, see the abovementioned SEBI link.

Eligible Equity Shareholders who are eligible to apply under the ASBA Process

All Applicants that are QIBs and Applicants whose Application Money exceeds ₹ 2,00,000, can participate in the Issue only through the ASBA Process. The Applicants that are not QIBs and whose Application Money is not more than ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process.

Eligible Equity Shareholders shall qualify for Applications through the ASBA Process, if they:

- hold the Equity Shares in dematerialised form as on the Record Date and have applied towards his/her Rights Entitlements or additional Equity Shares in the Issue in dematerialised form;
- have not renounced his/her Rights Entitlements in full or in part;
- are not in the United States and are eligible under applicable securities laws to subscribe for the Rights Entitlements and Equity Shares in the Issue;
- are not a Renouncee; and
- are applying through a bank account maintained with SCSBs.

CAF

The Registrar to the Issue will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Eligible Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Eligible Equity Shareholders desiring to use the ASBA Process are required to submit their Applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Equity Shareholders shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the Application Money in the said ASBA Account.

More than one ASBA Applicant may apply using the same ASBA Account, provided that the SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar to the Issue, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board in this regard.

Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Eligible Equity Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from the Registrar to the Issue:

| Option Available | Action Required |
|--|---|
| 1. Accept whole or part of your Rights Entitlement without renouncing the balance. | Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>) |
| 2. Accept your Rights Entitlement in full and apply for additional Equity Shares. | Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>) |

The Eligible Equity Shareholders applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then such CAFs would be treated as if the Eligible Equity Shareholder have selected to apply through the ASBA process option.

Renunciation under the ASBA Process

Renouncees cannot participate in the ASBA Process.

Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an Application to subscribe to the Issue on plain paper and the Eligible Equity Shareholders should send the same by registered post directly to the SCSB. Applications on plain paper will not be accepted from any address outside India.

The envelope should be super-scribed “*Bhushan Steel Limited – Rights Issue*” and should be postmarked in India. The Application on plain paper, duly signed by the Eligible Equity Shareholders including joint holders, in the same order and as per the specimen recorded with the Company/Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being ‘Bhushan Steel Limited’;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;

- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Application Amount at the rate of ₹ 335 per Equity Share;
- Application Money at the rate of ₹ 167.50 per Equity Share;
- Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
- In case of NR Eligible Equity Shareholders, details of the NRE/FCNR/NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
- Except for Applications on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, PAN number of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue; and
- Additionally, all such applicants are deemed to have accepted the following:

"I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "United States") or to, or for the account or benefit of a "U.S. Persons" (as defined in Regulation S of the US Securities Act ("Regulation S")). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that neither us, nor the Registrar, the GCLM and the Lead Managers or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the GCLM and the Lead Managers or any other person acting on behalf of us have reason to believe is, a resident of the United States or "U.S. Person" (as defined in Regulation S) or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, (ii) am/are not a "U.S. Person" (as defined in Regulation S), and (iii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that we, the GCLM and the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

Option to receive Equity Shares in Dematerialized Form

ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY NOTE THAT THE EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

General instructions for Eligible Equity Shareholders applying under the ASBA Process

- (a) Read the instructions printed on the respective CAF carefully.
- (b) Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process. The Eligible Equity Shareholders who are not QIBs and whose Application Money is not more than ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non ASBA process.
- (c) Application made on the printed CAF should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected. The CAF must be filled in English. In case of non receipt of CAF, Application can be made on plain paper mentioning all necessary details as mentioned under “- *Application on Plain Paper*” on page 191.
- (d) The CAF in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar to the Issue or the GCLM and the Lead Managers to the Issue. Plain-paper Applications are to be submitted with the Registrar to the Issue.
- (e) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the Application. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, **Application Forms without PAN will be considered incomplete and are liable to be rejected. With effect from 16 August 2010, the demat accounts for Eligible Equity Shareholders for which PAN details have not been verified shall be “suspended credit” and no allotment and credit of Equity Shares pursuant to the Issue shall be made into the accounts of such Eligible Equity Shareholders.**
- (f) All payments will be made by blocking the amount in the ASBA Account. Cash payment is not acceptable. In case payment is affected in contravention of this, the Application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company and/or Depositories.
- (h) In case of joint holders, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the Company/Depositories. In case of joint Applicants, reference, if any, will be made in the first Applicant’s name and all communication will be addressed to the first Applicant.
- (i) All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole applicant Eligible Equity Shareholder, folio numbers and CAF number.
- (j) Only the person or persons to whom the Equity Shares have been offered and not renouncee(s) shall be eligible to participate under the ASBA process.
- (k) Only persons outside the United States and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.

Do’s:

- (a) Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of CAF, Application can be made on plain paper mentioning all necessary details as mentioned under “- *Application on Plain Paper*” on page 191.

- (b) Ensure that you submit your Application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- (c) Ensure that the details about your DP and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- (d) Ensure that the CAFs are submitted at the SCSBs and details of the correct bank account have been provided in the CAF. Ensure that the plain-paper Applications are submitted with the Registrar to the Issue and that the correct bank account number is mentioned.
- (e) Ensure that there are sufficient funds (equal to the Application Money {number of Equity Shares as the case may be applied for} X {50% of the Issue Price of Equity Shares, as the case may be}) available in the ASBA Account before submitting the Application Form to the respective Designated Branch of the SCSB.
- (f) Ensure that you have authorised the SCSB for blocking funds equivalent to the Application Money mentioned in the Application Form, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- (g) Ensure that you receive an acknowledgement from the SCSB for your submission of the Application Form in physical form.
- (h) Except for Application Forms submitted on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the I. T. Act.
- (i) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the DP. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form.
- (j) Ensure that the demographic details of these Eligible Equity Shareholders such as address, bank account details for printing on refund orders and occupation (“**Demographic Details**”)s are updated, true and correct, in all respects.
- (k) Ensure that you apply through ASBA process if you are a QIB or if you are an Applicant whose Application Money exceeds ₹ 2,00,000.

Don'ts:

- (a) Do not apply if you are in the United States or are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- (b) Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- (c) Do not apply through a CAF, as well as a plain-paper Application for additional Equity Shares, renunciation or any other purpose.
- (d) Do not pay the Application Money in cash, by money order or by postal order.
- (e) Do not send your physical CAFs to the GCLM and the Lead Managers to Issue/Registrar to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB)/to a branch of the SCSB which is not a Designated Branch of the SCSB/Company; instead submit the same to a Designated Branch of the SCSB only. Plain-paper Applications shall be submitted with the Registrar to the Issue.
- (f) Do not instruct your respective banks to release the funds blocked under the ASBA Process.
- (g) Do not submit more than five CAFs per ASBA Account;

- (h) Do not apply through non ASBA process if you are a QIB or if you are an Applicant whose Application Money exceeds ₹ 2,00,000.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under “- *Grounds for Technical Rejection*” on page 204, Applications under the ASBA Process are liable to be rejected on the following grounds:

- (a) Application for Rights Entitlements or additional Equity Shares in physical form.
- (b) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar to the Issue.
- (c) Sending CAF to the GCLM and the Lead Managers/Registrar to the Issue/Collecting Bank (assuming that such Collecting Bank is not a SCSB) /to a branch of a SCSB which is not a Designated Branch of the SCSB/Company.
- (d) Sending plain-paper Application to anyone other than the Registrar to the Issue.
- (e) Renounee applying under the ASBA Process.
- (f) Submission of more than five CAFs per ASBA Account.
- (g) Insufficient funds are available with the SCSB for blocking the amount equivalent to the Application Money.
- (h) Funds in the ASBA Account whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- (i) Account holder not signing the Application Form or declaration mentioned therein.
- (j) CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- (k) Application Forms which have evidence of being executed in/dispatched from the United States and other restricted jurisdictions.
- (l) Applications by Applicants, that are QIBs, or Applicants whose Application Money exceeds ₹ 2,00,000 who are eligible to apply through the ASBA Process, made through the non-ASBA Process.
- (m) Applications by Applicants ineligible to make Applications through the ASBA Process, made through the ASBA Process.

Depository account and bank details for Eligible Equity Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY THE ELIGIBLE EQUITY SHAREHOLDER AS ON THE RECORD. ALL ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DP'S NAME, DP IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE APPLICATION FORM.

Eligible Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Eligible Equity Shareholders, DP's name and Identification Number and beneficiary account number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository Demographic Details. Hence, Eligible Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the Application Form.

These Demographic Details would be used for all correspondence with such Eligible Equity Shareholders including mailing of the letters intimating unblocking of the amount in the relevant ASBA Account of the respective Eligible Equity Shareholder. The Demographic Details given by the Eligible Equity Shareholders in the Application Form would not be used for any other purposes by the Registrar to the Issue. Hence, Eligible Equity Shareholders are advised to update their Demographic Details as provided to their DPs.

By signing the Application Forms, the Eligible Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking of the amount in the relevant ASBA Account of the respective Eligible Equity Shareholder or refund (if any) would be mailed at the address of the Eligible Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account linked to the DP ID. Eligible Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of the amount in the relevant ASBA Account of the respective Eligible Equity Shareholder may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Eligible Equity Shareholder in the Application Form would be used only to ensure dispatch of letters intimating unblocking of the amount in the relevant ASBA Account of the respective Eligible Equity Shareholder.

Note that any such delay shall be at the sole risk of the Eligible Equity Shareholders applying under the ASBA Process and none of the Company, the SCSBs, the Registrar to the Issue or the GCLM and the Lead Managers shall be liable to compensate the Eligible Equity Shareholder applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such applications are liable to be rejected.

Modes of Payment

Mode of payment for Resident Investors

- All cheques/demand drafts accompanying the Application Form should be drawn in favour of “[●]” crossed ‘A/c Payee only’ and should be submitted along with the Application Form to the Bankers to the Issue/Collecting Bank or to the Registrar to the Issue, as the case may be;
- Investors residing at places other than places where the bank collection centers have been opened by the Company for collecting Applications, are requested to send their Application Forms together with an account payee cheque drawn on a bank in New Delhi/demand draft for the full Application Money, net of bank and postal charges drawn in favour of “[●]”, crossed ‘A/c Payee only’ and payable at New Delhi directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of Applications in transit, if any.
- The Eligible Equity Shareholder applying under the ASBA Process agrees to authorize the SCSB to block an amount equivalent to the Application Money in the relevant ASBA Account at the time of submission of the CAF. After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the Application Money mentioned in the CAF until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue's instruction from the ASBA Account. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by the Company as per the

provisions of the Companies Act. The balance amount remaining in the ASBA Accounts after the finalisation of the basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the GCLM and the Lead Managers to the respective SCSB. The Eligible Equity Shareholder applying under the ASBA Process would be required to give instruction to block the entire Application Money at the time of the submission of the CAF. The SCSB may reject the Application at the time of acceptance of CAF if the ASBA Account details of which have been provided by the Eligible Equity Shareholder in the CAF does not have sufficient funds equivalent to the Application Money mentioned in the CAF. Subsequent to the acceptance of the Application by the SCSB, the Company would have a right to reject the Application only on technical grounds.

Mode of payment for NR Investors

As regards the Application by NR Investor, the following conditions shall apply:

- Individual NRI Applicants who are permitted to subscribe for Equity Shares by applicable local securities laws can obtain Application Forms from the Registrar to the Issue at the following address:

RCMC Share Registry Private Limited

B 106, Sector 2

Noida 201 301

India

Tel: (+91 120) 401 5856

Fax: (+91 120) 244 4346

E-mail: rdua@rcmcdelhi.com/bsslrights@rcmcdelhi.com

Website: www.rcmcdelhi.com

Contact Person: Ravinder Dua

SEBI Registration No.: INR000000429

- Applications will not be accepted from NRI in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- All NR Investors should draw the cheques/demand drafts in favour of “*Bhushan Steel Limited – Rights Issue - NR*”, crossed “Account Payee Only” for the Application Money, net of bank and postal charges and which should be submitted along with the Application Forms to the Bankers to the Issue/collection centres or to the Registrar to the Issue.
- NR Investors applying from places other than places where the bank collection centres have been opened by the Company for collecting Applications, are requested to send their Application Forms together with cheques/demand drafts for the full Application Money, net of bank and postal charges drawn in favour of “*Bhushan Steel Limited – Rights Issue - NR*”, crossed “Account Payee Only” and postmarked in India payable at New Delhi directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of Applications in transit, if any.
- Payment by NRs must be made by demand draft payable at New Delhi/cheque payable drawn on a bank account maintained at New Delhi or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- By the ASBA Process, from an ASBA Account maintained with an SCSB;
- By Indian Rupee drafts purchased from abroad and payable at New Delhi or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque/draft drawn on an NRE or FCNR Account maintained in New Delhi; or
- By Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in New Delhi.

If the payment is made by a draft purchased from NRE/FCNR account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account. FIIs registered with SEBI must utilise funds from special non-resident rupee account. NR Investors applying with repatriation benefits should draw cheques/drafts in favor of “*Bhushan Steel Limited – Rights Issue - NR*” and must be crossed as “Account Payee Only” for the full Application Money, net of bank and postal charges.

Application without repatriation benefits

- By the ASBA Process, from an ASBA Account maintained with an SCSB;
- As far as NRs holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on NRO Account maintained in New Delhi or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at New Delhi.
- Applicants should note that where payment is made through drafts purchased from NRE/FCNR/NRO accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the Application Form. In the absence of such an account debit certificate, the Application shall be considered incomplete and is liable to be rejected.
- All cheques/drafts submitted by NRs applying on a non-repatriation basis should be drawn in favor of “*Bhushan Steel Limited – Rights Issue - R*” and must be crossed as “Account Payee Only” for the full Application Money, net of bank and postal charges. The Application Forms duly completed together with the Application Money must be deposited before the close of banking hours on or before the Issue Closing Date. If Application is made through CAF, the Collecting Bank shall be indicated on the reverse of the CAFs. A separate cheque or bank draft must accompany each CAF.
- An Eligible Equity Shareholder whose status has changed from resident to NR should open a new demat account reflecting the changed status.
- Any Application from a demat account which does not reflect the accurate status of the Applicant are liable to be rejected at the sole discretion of the Company and the GCLM and the Lead Managers.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the IT Act.
- In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- In case of an Application received from NRs, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.
- Applications received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under the FEMA, in respect of matters including Refund of Application Money, Allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest and export of share certificates.

Underwriting

The Issue is not underwritten.

Issue Schedule

| | |
|---|-----|
| Issue Opening Date: | [•] |
| Last date for receiving requests for SAFs: | [•] |
| Issue Closing Date: | [•] |

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association and the approval of the Designated Stock Exchange, the Board will proceed to Allot the Equity Shares in the following order of priority:

- (a) Full Allotment to those Investors who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/have applied for Equity Shares renounced in their favour, in full or in part.
- (b) Investors whose fractional entitlements are being ignored would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Share. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for allotment under for this head are more than number of Equity Shares available after allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.
- (c) Allotment to the Investors who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Equity Shares after making full Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.
- (d) Allotment to Renounees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purposes of Regulation 10(4) of the Takeover Code.

The Promoters, namely Brij Bhushan Singal and Neeraj Singal have, through their letters, both dated February 21, 2012, confirmed that they and the members of the Promoter Group as on the Record Date intend to subscribe to the full extent of their respective Rights Entitlements in the Issue, and in addition, intend to subscribe to additional Equity Shares for any unsubscribed portion in the Issue and renunciations made in their favour by any other Eligible Equity Shareholder subject to compliance with Regulation 10(4) of the Takeover Code such that at least 90% or more of the Issue is subscribed. As a result of such additional subscription, the Promoters and members of the Promoter Group may acquire Equity Shares over and above their current shareholding along with their respective Rights Entitlements. The subscription to such additional Equity Shares to be made by the Promoters and members of the Promoter Group shall be in accordance with applicable law. This subscription and acquisition of additional Equity Shares by the Promoters and members of the Promoter Group, if any will not result in change of control of the management of the Company. As such, other than meeting the requirements indicated in "*Objects of the Issue*" on page 24, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of Allotment to the Promoters and members of the Promoter Group pursuant to the Issue, the Promoter and the members of the Promoter Group exceeds their current shareholding. The Promoters undertake that subscription by the Promoters and members of the Promoter

Group Subscribers for the Equity Shares pursuant to the Issue and the Allotment of the Equity Shares shall be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements with the Stock Exchanges and other applicable laws.

Allotment Advice/Refund Orders

The Company will issue and dispatch Allotment advice/share certificates/demat credit and/or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day the Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to pay the money with interest as prescribed under the Companies Act.

Investors residing at centers where clearing houses are managed by the RBI will get refunds through National Electronic Clearing Service (“NECS”) except where Investors have not provided the details required to send electronic refunds, or where the Investors are otherwise disclosed as applicable or eligible to get refunds through direct credit and real-time gross settlement (“RTGS”).

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and the Company issues letter of Allotment, the corresponding share certificates will be kept ready within three months from the date of Allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of Allotment, which would be exchanged later for the share certificates.

Any letter of allotment/refund order exceeding ₹ 1,500 would be sent by registered post/speed post to the sole/first Investor’s registered address. Refund orders up to the value of ₹ 1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the Magnetic Ink Character Recognition code (the “MICR”) as appearing on a cheque leaf, from the Depositories/the records of the Registrar to the Issue. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).
2. National Electronic Fund Transfer (the “NEFT”) – Payment of refund shall be undertaken through NEFT wherever the concerned Investor’s bank has been assigned the Indian Financial System Code (“IFSC”), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of the RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to the Issue or with the DP while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
3. Direct Credit – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive

refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by the Company.

4. RTGS – If the refund amount exceeds ₹ 2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Application Form. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by the Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
5. For all other Investors, including such Investors that have not updated their bank particulars with the MICR code, the refund orders will be dispatched under the refund orders will be dispatched through Speed Post/Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
6. Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and is permitted by the SEBI from time to time.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice/Share Certificates/Demat Credit

Allotment advice/share certificates/demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. In case the Company issues Allotment advice, the relative share certificates will be dispatched within one month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates.

Option to receive Equity Shares in Dematerialized Form

Investors shall be allotted the Equity Shares in dematerialized form at the option of the Investor. The Company has signed a tripartite agreement with the National Securities Depository Limited (the "NSDL") and RCMC Share Registry Private Limited dated August 16, 2000 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates. The Company has also signed a tripartite agreement with the Central Depository Services Limited (the "CDSL") and RCMC Share Registry Private Limited dated August 21, 2000 which enables the Investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the Allottees who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account as given in the Application Forms, after verification with a DP. Investor will have to give the relevant particulars for this purpose in the appropriate place in the Application Form. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's DP will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account. Application Forms, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate Application Forms for Equity Shares in physical and/or dematerialized form should be submitted. If such Applications are made, the Application Forms for physical Equity Shares will be treated as multiple Applications and are liable to be rejected. In case of partial Allotment, Allotment will be done in demat option for the Equity Shares sought in demat and balance, if any, will be allotted in physical Equity Shares. Eligible Equity Shareholders of the Company holding Equity Shares in physical form may opt to receive Equity Shares in the Issue in dematerialized form.

INVESTORS MAY NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any DP (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Investors who have already opened such beneficiary account(s) need not adhere to this step.*
- For Eligible Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be provided on the Application Forms. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the Application Forms. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of the Company/Depositories.

The responsibility for correctness of information (including Investor's age and other details) filled in the Application Form in respect of such information with the Investor's DP, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's DP.

If incomplete/incorrect beneficiary account details are given in the Application Form the Investor will get Equity Shares in physical form.

The Equity Shares Allotted to Applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the Application Form after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the Applicant's DP will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

General instructions for Investors

- (a) Read the instructions printed on the CAF carefully.
- (b) Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process. The Investors who are not QIBs and whose Application Money does not exceed ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process.
- (c) Application should be made on the printed CAF, provided by the Company except as mentioned under the head "***Application on Plain Paper***" on pages 188 and 191 and should be completed in all respects. The Application Forms found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The Application Form must be filled in English and the names of all the Investors, details of occupation, address, father's/husband's name must be filled in block letters.

The Application Form together with the cheque/demand draft should be sent to the Bankers to the Issue/Collecting Bank or to the Registrar to the Issue and not to the Company or GCLM and the Lead Managers to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make

payment by Demand Draft payable at New Delhi of an amount net of bank and postal charges and send their Application Forms to the Registrar to the Issue by registered post. If any portion of the CAF is detached or separated, such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.

- (d) Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN number allotted under the I.T. Act, 1961, irrespective of the amount of the application. **Applications without PAN will be considered incomplete and are liable to be rejected.**
- (e) Eligible Equity Shareholders, holding Equity Shares in physical format, and Renounees (who are not Eligible Equity Shareholders holding Equity Shares in demat format) are advised that it is mandatory to provide information as to their savings/current account number and the name of the bank with whom such account is held in the Application Form to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (f) All payment should be made by cheque/demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application Form as per the specimen signature recorded with the Company and the Depositories.
- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and/or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the Application Form. In case the above referred documents are already registered with the Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (i) In case of joint holders, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the Company/Depositories. Further, in case of joint Investors who are Renounees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (j) Application(s) received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA, including the regulations relating to QFIs, in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Investor has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form. Additionally, Applications will not be accepted from NRs/NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.
- (k) All communication in connection with Application for the Equity Shares, including any change in address of the Investors should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number (if the

Application is made pursuant to CAF). Any intimation for change of address of Investors, after the date of Allotment, should be sent to the registrar and transfer agents of the Company, in the case of Equity Shares held in physical form and to the respective DP, in case of Equity Shares held in dematerialized form.

- (l) SAFs cannot be re-split.
- (m) Only the person or persons to whom Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain SAFs.
- (n) Investors must write their CAF number at the back of the cheque/demand draft.
- (o) Only one mode of payment per application should be used. The payment must be by cheque/demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque/draft must accompany each Application Form. Outstation cheques/demand drafts or post-dated cheques and postal/money orders will not be accepted and Applications accompanied by such cheques/demand drafts/money orders or postal orders will be rejected. The Registrar to the Issue will not accept payment against Application if made in cash.
- (q) No receipt will be issued for Application Money received. The Bankers to the Issue/Collecting Bank/Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (r) The distribution of the Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Equity Shares.
- (s) Investors are requested to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under applicable laws.

Grounds for Technical Rejections

Applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the Application Money;
- Bank account details (for refund) are not provided, or available with the depositories or Registrar to the Issue, as the case may be;
- PAN number not given for application of any value, except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts;
- In case of Application under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;
- If the signature of the Investor does not match with the one given on the Application Form and for renounce(s) if the signature does not match with the records available with their depositories;
- Applications are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer;
- Applications not duly signed by the sole/joint Investors;
- Applications by OCBs;

- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in the United States and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;
- Applications which have evidence of being executed in/dispatched from the United States or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws;
- Applications by ineligible NRs (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where the Company believes that Application Form is incomplete or acceptance of such Application Form may infringe applicable legal or regulatory requirements;
- In case the GIR number is submitted instead of the PAN;
- Applications by renounees who are persons not competent to contract under the Indian Contract Act, 1872, including minors, or where age not provided;
- Multiple Applications, including cases where an Investor submits CAFs along with a plain paper application; and
- Applications by Applicants that are QIBs or Applicants whose Application Money exceeds ₹ 2,00,000, not through ASBA process.

Read the Letter of Offer and the instructions contained therein and in the CAF carefully before submitting an Application Form. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The Application Form is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Equity Shares under this Issue to a single FII should not exceed 10% of the post-issue paid up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts the investment on behalf of each sub-account shall not exceed 5% of the total paid up capital of the Company. The Equity Shareholders of the Company have not passed a special resolution to increase Equity Shareholding of FIIs beyond 24%. Accordingly, the Allotment of Equity Shares to FIIs would remain restricted to 24% of the post-Issue paid-up Equity Share capital of the Company.

Applications will not be accepted from FIIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.

Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process. The Investors who are not QIBs and whose Application Money does not exceed ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Applications will not be accepted from NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws. Investors that are NRIs should note that Applications where a registered address is not provided in India are liable to be rejected.

NRI Applicants may please note that only such Applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRI Applicants who intend to make payment through NRO accounts shall use the Application Form meant for resident Indians and shall not use the Application Forms meant for reserved category.

Procedure for Applications by Mutual Funds

The Applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made. A separate Application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications, provided that such Applications clearly indicate the scheme for which such Application is submitted.

Applicants that are QIBs and other Applicants whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process. The Investors who are not QIBs and whose Application Money does not exceed ₹ 2,00,000 can participate in the Issue through either the ASBA process or the non-ASBA process.

No Mutual Fund scheme may invest more than 10% of its net asset value in equity shares or equity related instruments of any company, provided that the limit of 10% will not apply to investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own over 10% of any company's paid-up share capital carrying voting rights.

Investment by QFIs

In terms of circulars dated January 13, 2012, SEBI and RBI have permitted investment by QFIs in Indian equity issues, including in rights issues. A QFI can invest in the Issue through its DP with whom it has opened a demat account. No single QFI can hold more than five percent of paid up equity capital of the company at any point of time. Further, aggregate shareholding of all QFIs shall not exceed ten percent of the paid up equity capital of the Company at any point of time.

Applications will not be accepted from QFIs in restricted jurisdictions.

QFI applicants which are QIBs or whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA process.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-Section (1) of section 68A of the Companies Act which is reproduced below:

“Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.

Dematerialized dealing

The Company has entered into agreements dated August 16, 2000 and August 21, 2000 with NSDL and CDSL, respectively, and its Equity Shares bear the ISIN INE824B01021. In addition to the ISIN for the existing Equity Shares, the Company shall obtain separate ISIN for the partly paid-up Equity Shares. The partly paid-up Equity Shares offered pursuant to the Issue shall be listed and traded under a separate ISIN for the period prior to the record dates for the Call. On the record date for the Call, the trading of the existing partly paid-up Equity Shares shall be terminated.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated 5 November 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by the Company. However, the Bankers to the Issue/Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the Application Money received will be refunded. Wherever an application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the Investor within a period of 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day the Company becomes liable to repay it, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Companies Act.

For further instructions, read the CAF carefully.

Utilisation of Issue Proceeds

The Board declares that:

- (i) All monies received pursuant to the Issue will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by the Company as per the provisions of the Companies Act;
- (ii) Details of all monies utilized out of the Issue shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilized, under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- (iii) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested; and
- (iv) The Company may utilize the funds collected in the Issue only after the basis of Allotment is finalized.

Undertakings by the Company

The Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock exchanges where the Equity Shares are to be listed will be taken within seven working days of finalisation of basis of Allotment.
3. The funds required for making refunds to unsuccessful Applicants as per the modes disclosed shall be made available to the Registrar to the Issue by the Company.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Adequate arrangements shall be made to collect all ASBA applications and to consider then similar to non-ASBA applications while finalising the basis of Allotment.

6. At any given time, there shall be only one denomination for the Equity Shares.
7. The Company shall comply with such disclosure and accounting norms specified by the SEBI from time to time.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received within 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day the Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-Section (2) and (2A) of the Companies Act.

Important

- Read the Letter of Offer carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with the Letter of Offer or CAF and requests for SAFs must be addressed (quoting the Registered Folio Number/DP and Client ID number, the CAF number and the name of the sole/first Eligible Equity Shareholder as mentioned on the Application Form and super-scribed “*Bhushan Steel Limited - Rights Issue*” on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

RCMC Share Registry Private Limited

B 106, Sector 2

Noida 201 301

India

Tel: (+91 120) 401 5856

Fax: (+91 120) 244 4346

E-mail: rdua@rcmcdelhi.com/bsslrights@rcmcdelhi.com

Website: www.rcmcdelhi.com

Contact Person: Ravinder Dua

SEBI Registration No.: INR000000429

- The Rights Entitlement and the Equity Shares are not intended to be offered or sold to persons in the United States or any other jurisdiction where such offer or sale may be prohibited. The offering to which the Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights to sale in the United States, the territories or possessions thereof, or a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, the Letter of Offer and the CAF should not be dispatched or forwarded to or transmitted in or to, the United States at any time. The Company and the GCLM and the Lead Managers reserve absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States or any other jurisdiction where such acquisition may be prohibited.
- The Issue will remain open for a minimum 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

SECTION VIII - OTHER INFORMATION
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered in to in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered in to by the Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office of the Company, from 10 a.m. to 4 p.m. on any Business Day, from the date of this Draft Letter of Offer until the Issue Closing Date.

Material Contracts

1. Issue agreement dated February 21, 2012 between the Company and the GCLM and the Lead Managers.
2. Agreement dated February 21, 2012 between the Company and the Registrar to the Issue.

Material Documents

1. Certified copies of the updated Memorandum of Association and Articles of Association.
2. Certificate of incorporation of the Company dated January 7, 1983 amended on July 14, 1989, along with fresh certificate of incorporation consequent upon change of name dated June 9, 1992 and April 12, 2007.
3. Consents of the Directors, Company Secretary, Auditors, GCLM and the Lead Managers to the Issue, Bankers to the Issue, legal advisor, Registrar to the Issue to include their names in this Draft Letter of Offer to act in their respective capacities.
4. Certified copies of the resolution of the Board dated January 28, 2012 in relation to the Issue and other related matters.
5. Letter dated February 9, 2012 from the Auditor of the Company confirming “*Statement of Possible Tax Benefits Available to the Company and Shareholders*” as provided in this Draft Letter of Offer.
6. The audit reports dated July 29, 2011 on the consolidated and unconsolidated audited financial statements of the Company for fiscal 2011, comprising balance sheets of the Company as at March 31, 2011 and related profit and loss accounts and cash flow statements for the year ended March 31, 2011, including notes and related financial statement schedules.
7. The reports dated February 21, 2012 on the unaudited limited reviewed unconsolidated and consolidated balance sheet as at March 31, 2011 and statement of profit and loss for the six-month period ended September 30, 2011.
8. Annual Report of the Company as also that of Subsidiaries (wherever applicable) for the last five financial years.
9. Due Diligence Certificate dated February 21, 2012 from GCLM and the Lead Managers to the Issue.
10. Application dated February 17, 2012 to the FIPB to offer, issue and Allot partly paid-up Equity Shares of the Company on a rights basis to existing NR shareholders including FIIs, NRIs and other NRs.
11. Application dated February 21, 2012 to the RBI seeking approval by way of abundant caution for renunciation by resident Investors in favor of NR Investors (other than OCBs), by NR Investors (other than OCBs) in favor of resident Investors or by NR Investors (other than OCBs) in favor of other NR Investors (other than OCBs).
12. Tripartite Agreement dated August 16, 2000 between the Company, RCMC Share Registry Private Limited and NSDL for offering depository option to the Applicants.
13. Tripartite Agreement dated August 21, 2000, between the Company, RCMC Share Registry Private

Limited and CDSL for offering depository option to the Applicants.

14. Prospectus dated March 13, 1995 for the public issue of 68,94,800 14% unsecured fully convertible debentures of ₹240/₹ 250 each, including firm allotments of 20,24,800 debentures of ₹ 250 each.
15. Letter of offer dated March 31, 1995 for the issue of 82,50,000 unsecured zero-interest fully convertible debentures of ₹ 65 each to the then holders of Equity Shares on a rights basis.

DECLARATION

No statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder. All the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc. issued by the SEBI, GoI and any other competent authority in this behalf have been duly complied with. We further confirm that all the statements in this Draft Letter of Offer are true and correct.

Signed by all the Directors of the Company

Brij Bhushan Singal
Chairman

Nittin Johari
Director (Finance)

Prem Kumar Aggarwal
Director (Commercial)

Vinod Kumar Mehrotra
Independent Director

Malakapalli Venkata Suryanaraya
Independent Director

NITTIN JOHARI
Chief Financial Officer

Place: New Delhi
Date: February 21, 2012

Neeraj Singal
Vice-Chairman and Managing Director

Rahul Sen Gupta
Director (Technical)

Mohan Lal
Independent Director

Brij Behari Tandon
Independent Director

Sunita Sharma
Nominee Director
