



19th  
ANNUAL  
REPORT  
2010-2011

**NOVA**  
**IRON & STEEL LTD.**





**19th ANNUAL REPORT 2010-2011**  
Year ended 30th June, 2011

**BOARD OF DIRECTORS**

Mr. Narsingh Awatar  
Mr. R.K. Gambhir  
Mr. M. Ramachandran  
Mr. Sanjay Singal  
Mr. R.P. Goyal  
Mr. Arvind Gupta

**COMPANY SECRETARY**

Ms. Anuradha Tandon

**BANKERS**

Punjab National Bank  
Janpath, New Delhi

**AUDITORS**

M/s Antima & Goel  
Chartered Accountants  
A-6, Lower Ground Floor,  
Defence Colony, New Delhi-110024

**REGISTERED OFFICE**

Village Dagori  
Tehsil Belha, District Bilaspur, (Chhattisgarh) Pin 495224

**CORPORATE OFFICE**

4th Floor, Tolstoy House, 15-17th Tolstoy Marg  
Connaught Place, New Delhi-110001

**PLANT**

Village-Dagori Tehsil-Belha  
Distt. Bilaspur (Chhattisgarh) Pin 495224

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**NOTICE**

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of Nova Iron And Steel Limited will be held on Tuesday the 11<sup>th</sup> day of October 2011 at 12.30 P.M at its Regd. Office at Village Dagori, Tehsil Belha, District Bilaspur, Chattisgarh to transact the following Business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> June, 2011 and Profit & Loss Account and Cash Flow Statement for the year ended as on that date and the Report of the Auditors and Directors thereon
2. To appoint a Director in place of Shri Narsingh Awatar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. M. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
4. To Appoint Auditors of the Company and to fix their remuneration M/s Antima & Goel, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Mr Arvind Gupta who was appointed as an Additional Director under the Articles of Association of the Company and who ceases to hold office by the date of ensuing Annual General Meeting and in respect of whom the Company has also received a Notice under Section 257 of the Companies Act, 1956 from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement by rotation."

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

**"RESOLVED THAT** Mr Sanjay Singal, who was appointed as an Additional Director under the Articles of Association of the Company and who ceases to hold office by the date of ensuing Annual General

Meeting and in respect of whom the Company has also received a Notice under Section 257 of the Companies Act, 1956 from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement by rotation."

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

**"RESOLVED THAT** Mr Ravi Parkash Goyal who was appointed as an Additional Director under the Articles of Association of the Company and who ceases to hold office by the date of ensuing Annual General Meeting and in respect of whom the Company has also received a Notice under Section 257 of the Companies Act, 1956 from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement by rotation."

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

**AUTHORITY TO CREATE CHARGE ON IMMOVABLE AND MOVABLE ASSETS OF THE COMPANY**

**"RESOLVED THAT** in supercession of resolution passed by shareholders in their meeting held on 03.04.1992, the consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956 to mortgage/hypothecate or/and to create of all the immovable and movable assets of the Company, through deposits of title deeds or any other manner, wherever situate, present and future, with power to take over the management of the business and concern of the Company in certain events, to or in favour of all or any of: -

- (a) Any Indian/Overseas Finance Corporation or Institution or Credit Corporation of any other Finance Company or Investment Company or Trading House or any other body corporate/entity whether in Public Sector or in Private Sector or in Joint Sector or
- (b) ICICI Bank Ltd, IDBI Bank Ltd, IFCI, LIC, Axis Bank Ltd, Export Import Bank of India, Punjab National Bank, Allahabad Bank, Vysya Bank, ING Bank, State Bank of India, Canara Bank, Federal Bank Ltd., Bank



of India, HDFC Bank Ltd., China Trust Commercial Bank, Oriental Bank of Commerce, The Jammu & Kashmir Bank Ltd., Central Bank of India, Bank of India, UCO Bank, United Bank of India, Union Bank of India, State Bank of Hyderabad, State Bank of Bikaner & Jaipur, Indian Overseas Bank, IndusInd Bank Ltd., State Bank of Travencore, Bank of Maharashtra, Bank of Baroda, Punjab & Sind Bank, Vijaya Bank, Dena Bank, Syndicate Bank, State Bank of Mysore, State Bank of Patiala, or any other Indian/ Foreign Banks or Financial Institution whether in Public Sector or in Private Sector or in Joint Sector or in Govt. Sector.

To secure loans of the Company taken/to be taken Together with the interest at the respective agreed rates, compound/additional interest, commitment charge, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable in terms of respective Loan Agreements/ Heads of Agreement/Letters of Sanction/ Memorandum of terms and conditions, entered into/ to be entered into by the Transferor Companies/by the Company, in respect of the said Term Loan(s)/ Working Capital Loan(s)/ Limit(s) etc."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to negotiate and finalise with any Indian/Overseas Corporation or Credit Corporation or Institutions or any other Finance Company or Investment Company or Trading House or any other Body, ICICI Bank Ltd, IDBI Bank Ltd., Axis Bank Ltd, Export Import Bank of India, Punjab National Bank, Allahabad Bank, Vysya Bank, ING Bank, State Bank of India, Canara Bank, Federal Bank Ltd., Bank of India, HDFC Bank Ltd., China Trust Commercial Bank, Oriental Bank of Commerce, The Jammu & Kashmir Bank Ltd., Central Bank of India, Bank of India, UCO Bank, United Bank of India, Union Bank of India, State Bank of Hyderabad, State Bank of Bikaner & Jaipur, Indian Overseas Bank, IndusInd Bank Ltd., State Bank of Travencore, Bank of Maharashtra, Bank of Baroda, Punjab & Sind Bank, Vijaya Bank, Dena Bank, Syndicate Bank, State Bank of Mysore, State Bank of Patiala, or any other Nationalized Banks, or any other Indian/Foreign Banks whether in Public Sector or Private Sector or Joint Sector. or any other Nationalized Banks or any other Indian/ Overseas Public Sector or Private Sector or Joint Sector Banks, the documents for creating/ modifying/amending aforesaid mortgage and/or charge either by way of First Charge or by way of Second Charge and to do all such acts, deeds, matters and

things as may be necessary, desirable or expedient for giving effect to this Resolution."

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

**AUTHORITY TO BOARD OF DIRECTORS TO BORROW**

**"RESOLVED THAT** in supercession of Resolution passed by the Shareholders of the Company in their meeting held on 03.04.1992, and pursuant to the provisions of section 293 (1)(d) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory amendments/modifications or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors for borrowing for and on behalf of the Company from time to time any sum or sums of money on such terms and conditions as the Board may deem fit notwithstanding that the money to be borrowed together with money already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed in the aggregate for the time being of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount upto which money may be borrowed together with the money already borrowed under section 293.(1) (d) of the Companies Act, 1956, shall not at any time exceed Rs. 3000 Crores (Rupees Three Thousand Crores only) over and above the paid up capital and free reserves of the Company."

**By order of the Board  
For Nova Iron & Steel Ltd**

Place: New Delhi  
Date: 27.08.2011

Sd/  
**(Anuradha Tandon)  
Company Secretary**



**NOTES:-**

1. A member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy, In order to be effective, must be deposited with the Company at its Registered Office not less than 48 hours before the time fixed for the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed
3. Members are informed that as per SEBI directive the Company has entered into an agreement with M/s Abhipra Capital Limited, to act as Share Transfer Agents of the Company for all matters connected with Transfers and Transmission of shares and also dematerialization of Shares and other related functions etc.  
Any Correspondence relating to shares can be made to the Company's Registrar at :  
M/s Abhipra Capital Limited  
Unit: NOVA IRON & STEEL LIMITED  
F-7/4, Sector-16, ROHINI, NEW DELHI-110085
3. Corporate members are requested to send duly certified copy of Board Resolution authorizing representatives to attend and vote at the Annual General Meeting
4. In case of joint holders of shares attending the meeting, only such joint holders who is higher in the order of names will be entitled to vote.
5. The Register of Members and the Share Transfer Books shall remain closed from 5<sup>th</sup> to 11<sup>th</sup> October, 2011 (both days inclusive)
6. Members seeking information about the accounts are requested to write atleast 10 days before the date of the meeting to the Company so that it may be convenient to keep the information ready for the meeting. All the documents referred to accompanying Notice and Explanatory Statement are open for inspection at the corporate office of the Company on all working days except Sundays between 11.00 AM to 1.00 PM upto the date of Annual General Meeting.
7. Members are requested to bring their copy of Annual Report at the Meeting and proxies should bring attendance slips duly filled in for attending the Meeting.
8. Members are requested to notify immediately any change in their addresses quoting their folio numbers to Registrar and Transfer Agent of the Company.
9. Non Resident members are requested to inform immediately to RTA (a) change in residential status on relating to India for permanent settlement (b) particulars of bank account maintained in India with complete name of bank, branch address, account type, account number, if not furnished earlier
10. As per the requirement of Clause 49 of the Listing Agreement with Stock Exchanges, the details of Directors proposed to be appointed/re-appointed at the Annual General Meeting is annexed hereto.

Particulars	Name of Director to be Appointed/Re-appointed				
	Mr Arvind Gupta	Mr Sanjay Singal	Mr Ravi Parkash Goyal	N. Awatar	M. Ramachandran
Date of Birth	22/12/1957	19/06/1960	09/09/1951	26/02/1937	13/02/1947
Expertise in Area	Legal	Administration, Decision Making, Planning & Project Implementation	Commercial and legal	Accountancy & Taxation	Management and Consultancy of Sponge Iron and Steel Projects
Qualification	LLB	Graduate	Graduate	Chartered Accountant	M. Tech
Directorship in other Companies	Nil	1. Bhushan Power & Steel Limited 2. Essenn Investments Pvt. Ltd. 3. Atmaram House Investment Pvt. Ltd. 4. Skap Electronics Pvt. Ltd. 5. Pittie Strips Pvt. Ltd.	1. Marble Finvest Ltd. 2. Bhushan Power & Steel Ltd. 3. Pittie Strips Pvt. Ltd. 4. Atmaram House Investment Pvt. Ltd. 5. Bhushan Aluminium & Power Ltd. 6. Priyanka Iron & Envergy Ltd. 7. Rohne Coal Company Pvt. Ltd.	1. Shubh Labh Leasing Ltd. 2. NTR Estates Pvt. Ltd. 3. Excel Portfolios Pvt. Ltd.	Management and Consultancy of Sponge Iron and Steel Projects
Shareholding in the Company as on 30.06.2011	Nil	Nil	Nil	Nil	Nil

11. Ministry of Corporate Affairs, Govt. of India, vide Circular No. 35/2011 dated 06/06/2011 has facilitated shareholders to have soft copy of annual report and vote through E-Voting. Company is taking steps to facilitate the shareholders for E-Voting. Shareholders are requested to register their mail ID with the Registrar & Transfer Agent to avail the said facilities



**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**ITEM NO. 5,**

Shareholders are informed that Mr Arvind Gupta was appointed as Additional Director on 6<sup>th</sup> May 2011 pursuant to Section 260 of the Companies Act, 1956 and under the Articles of Association of the Company as an Independent Director and holds office as a Director only up to the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 have been received from a member signifying intention to propose the appointment of Mr Arvind Gupta as a Director. Company has also received Form DD-A pursuant to section 274(1)(g) of the Companies Act, 1956. The Board considered it desirable that the Company should continue to avail itself of her services. Hence this resolution.

Yours Directors recommend the Resolution set out at Item No. 5 of the Notice for the approval of the Members.

None of the Directors are concerned or interested in this Resolution except Mr Arvind Gupta.

**ITEM NO 6 & 7**

Pursuant to the Share Purchase Agreement dated 10.06.2011 entered into with the existing promoters of the Company and subsequent offer for acquisition of shares under Securities & Exchange Board of India (Substantial Acquisition & Shares Transfer), Regulation, 2009 SEBI(SAST) Mr. Sanjay Singal and Mr. Ravi Parkash Goyal has been appointed as the additional directors on 08.07.2010 pursuant to Section 260 of the Companies Act, 1956 and under the Articles of Association of the Company and hold office as a Director only up to the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 have been received from a member signifying intention to propose the appointment of Mr Sanjay Singal and Mr Ravi Parkash Goyal as Directors. Company has also received Form DD-A pursuant to section 274(1)(g) of the Companies Act, 1956. The Board recommend the appointment of Mr Sanjay Singal and Mr Ravi Parkash Goyal as Directors and Company should continue to avail itself of their Services. Hence these resolutions.

Yours Directors recommend the Resolution set out at Item No. 6 & 7 of the Notice for the approval of the Members.

None of the Directors are concerned or interested in this Resolution except Mr Sanjay Singal and Mr Ravi Parkash Goyal.

**ITEM NO. 8**

In order to increase the operations of the Company and modernize the existing plant, company is required to approach the banks/financial institutions/ Credit Corporation of any other Finance Company or Investment Company or Trading House or any other body corporate/entity whether in Public Sector or in Private Sector or in Joint Sector both Indian and foreign to avail the credit facilities at most competitive rates and most beneficial to the company. At present a reference under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 has been made to Board of Industrial and Financial Reconstruction (BIFR). Shareholders are also informed that M/s Bhushan Power & Steel Ltd has made a public offer to the shareholders for acquisition of shares under SEBI (SAST) and has also acquired shares from the existing promoters. The new management shall in the course of business activities will approach Indian/Financial Institutions/Banks for sanctioning of various loans, credit facilities to the Company in the best interest of the Company and to improve the working of the company from time to time and require the Company to mortgage/charge movable/immovable properties of the Company by way of First/Second Charge both present and future in order to provide securities to Indian/Foreign Financial Institutions/Banks for their Term Loans and working Capital Facilities.

Pursuant to Section 293(1)(a) of the Companies Act, 1956, approval of the Shareholders is required before mortgaging/charging movable/immovable properties of the Company in favour of Bank/Financial Institutions/Other entities both Indian/Foreign for sanction of Terms Loans and Working Capital Facilities. Board of Directors has recommended for approval of the Shareholders the Resolution as set out in the Notice for consenting to mortgage/charge movable and/or immovable properties of the company by way of First/Second Charge to Bank/Financial Institutions/ Other entities both Indian/Foreign, whether in public sector or in private sector or in joint sector or in Govt. sector who may sanction various Term Loans, Working Capital Facilities to the Company. Board recommends adoption of the said resolution.

None of the Directors is concerned or interested in the resolution.



**ITEM NO 9**

At present the company is referred under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 to the Board of Industrial and Financial Reconstruction (BIFR). M/S Bhushan Power & Steel Ltd has made a public offer to the shareholders for acquisition of shares under SEBI (SAST) and has also acquired shares from the existing promoters.

In process of improving the working of the company by adding new machineries, modernization of the existing plant, expansion, overhauling the production process and to increase production capacity Board of Directors will be required, in the course of business activities and to improve the working of the Company, to approach various Indian/ Financial Institutions/Banks for sanctioning of Term Loans, Working capital Facilities and/or any other kind of Credit Facilities to the Company in the best interest of the Company from time to time. At present company is not availing any term loan or working credit facilities from Bank/FIs.

Shareholders in their meeting held on 03.04.1992 has authorized the Board of Directors of the Company to borrow money including money already borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto a limit of Rs. 200 Crores (Rupees Forty Crores only). Board now recommend that the present limit be revised to 3,000 Crores (Rupees Three Thousand Cores only). Pursuant to Section 293(1)(d) of the Companies Act, 1956, consent of the Shareholders is required to increase the borrowing limits to Rs. 3,000 Crores and give authority to Board of Directors (which term include Committee of Directors on Borrowings thereof) to give effect to this resolution. Board recommends adoption of the said Resolution as set out in the Notice.

None of the Directors is concerned or interested in the resolution.

**By order of the Board  
For Nova Iron & Steel Ltd**

Place: New Delhi  
Date: 27.08.2011

Sd/  
**(Anuradha Tandon)  
Company Secretary**



**DIRECTORS' REPORT**

To Members,

Your Directors have pleasure in presenting the 19th Annual Report together with Audited Accounts for the year ended 30th June, 2011.

**FINANCIAL RESULTS**

S.No.	Particulars	F.Y. (2010-11) 12 Months	F.Y. (2009-10) 15 Months
a	Total Income	876.16	15873.03
b	Loss before Interest , Depreciation and Tax	492.84	485.74
c	Interest & Financial Charges	106.18	30.56
d	Depreciation	276.94	385.01
e	Loss before Tax	875.97	901.32
f	Deferred Tax	22.00	9.41
g	Loss after Tax	853.97	891.91
h	Net Loss transferred to Balance Sheet	853.97	891.91

**DIVIDEND**

In view of the losses incurred, Directors express their inability to recommend dividend for the period under review.

**OPERATIONS & FUTURE OUTLOOK**

During the year under review, company achieved turnover of Rs 876.16 lacs. Decrease in turnover is mainly because of the plant remained closed throughout the year due to non-availability of iron ore and other raw materials i.e. coal. Company depends on the availability of iron ore on market conditions. Cost of iron ore and coking coal has increased in international market due to heavy floods in Australia. The demand of Sponge Iron in the market also remained low because of higher cost of production resulting into lower turnover. Due to costly technology, changes in Govt. Policies, power shortage and various other reasons company suffered unaffordable losses.

Your Company does not have its own captive iron ore mines. Irregular power supply from the State Govt. also contributed to close of plant in addition to non availability of raw material during the year under report. Efforts are being made to own iron ore mines which shall improve production output and quality of Sponge Iron. In the current market conditions, to compete in the market, installation of captive power plant for power continues supply, utilization of waste heat of kilns, maximize production capacity utilization, installation of furnace, is needed to produce cost effective Sponge Iron. However, till the time the continuous supply of iron ore is ensured, the aforesaid

new projects shall have to wait. Your Company is making efforts in this direction.

**ACQUISITION OF SHARES**

M/s Bhushan Power & Steel Ltd, New Delhi has acquired 23.03% shares of the Company from promoters and also acquired entire shareholding of another promoter namely Ambey Steel & Power Pvt. Ltd which in turn holds 27.57% shares of the Company. Acquirer has also entered into Share Purchase Agreement with existing promoters for acquisition of 11.33% shares subject to compliance of SEBI (SAST) and other applicable regulations. Bhushan Power & Steel Ltd has made public offer under regulation of 10 and 12 of Securities & Exchange Board of India (Substantial Acquisition of shares & Takeover) Regulation, 1997 and subsequent amendments thereto or replacement thereof (SEBI [SAST] for further acquisition of 20% shares.

**LISTING OF SHARES**

At Present the shares of the Company are listed with the Stock Exchanges at Ahmedabad, Bombay, Calcutta, Delhi, Madras and with the National Stock Exchange. Pursuant to approval of Board of Directors in its meeting held on 08.10.2010, Company has filed application for delisting of shares from National Stock Exchange vide letter dated 27.10.2010 and Ahmedabad, Calcutta, Delhi, Madras vide letter dated 02.06.2011. The annual fee for the year 2011-12 is yet to be paid to Bombay Stock Exchange.

**DIRECTORS**

Since last Annual General Meeting the following changes has taken place in the Directorship of the Company.

Mr. V. K. Sakhuja resigned on 06.05.2011, Mr Rajshekhran resigned on 04.06.2011 from the Directorship of the Company and Mr. S.P. Maken resigned on 08.07.2011 from the Directorship & Company Secretaryship of the Company.

Mr Arvind Gupta has been appointed as Additional Director on 06.05.2011. Mr. Sanjay Singal and Mr. Ravi Paraksh Goyal have been appointed as Additional Directors on 08.07.2011 on the Board of the Company.

In accordance with the provisions of Articles of Association of the Company, Sh. N. Awatar and Sh. M. Ramachandran, Directors retire by rotation and offer themselves for re-appointment.

None of the present Directors has incurred disqualification under section 274(1)(g) of the Companies Act, 1956.

**DIRECTOR IDENTIFICATION NUMBER (DIN)**

Present Directors on the Board have obtained Director Identification Number (DIN) and have complied with the Companies (Director Identification Number) Rules, 2006 as amended to date.

**DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956**

Pursuant to Section 217(2AA) of Companies Act, 1956, with regard to Directors' Responsibility Statement, your Directors hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period. ;
- (iii) the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

**AUDIT COMMITTEE**

In compliance with the provisions of Section 292A of Companies Act, 1956, Audit Committee of Directors was constituted. Audit Committee now reconstituted by Board of Directors consisting on 08.07.2011. Mr. N. Awatar, Independent Director as Chairman and Mr. R. P. Goyal and Mr Arvind Gupta, Independent Directors as Members of the Committee. Audit Committee shall have powers and authority as provided under the aforesaid provisions and shall act in accordance with the terms of reference specified by the Board of Directors from time to time.

**AUDITORS**

M/s Antima & Goel, Chartered Accountants, New Delhi hold office until the conclusion of Annual General Meeting and are eligible for re-appointment. M/s Antima & Goel, Chartered Accountants, New Delhi has confirmed their eligibility under Section 224(1B) of the Companies Act, 1956. Accordingly members approval is being sought for their re-appointment as Statutory Auditors of the Company at the ensuing Annual General Meeting.

**AUDITORS' REPORT**

Auditors have not made any qualification/adverse remarks on the annual accounts for the year ended 30<sup>th</sup> June 2011. Notes to Accounts are self-explanatory and therefore calls for no further comments.

**COST AUDITORS**

Pursuant to the notification issued by Ministry of Corporate Affairs Cost Audit is applicable to the Company for the year 2011-12. Subject to the approval of Central Govt., Company has appointed Kabra & Associates, Cost Accountants, New Delhi as Cost Auditors of the Company for the financial year 2011-2012.

**PUBLIC DEPOSITS**

The Company has not invited or accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956.

**SEGMENT REPORTING**

The Company is engaged in iron & Steel business, which in the context of Accounting Standard -17 of Companies (Accounting Standard) Rules, 2006 as amended to date is considered only business segment.

**SUBSIDIARY COMPANY**

The Company do not have any subsidiary company.

**REFERENCE TO BIFR**

Net worth of the Company has eroded by more than 50% based on the last audited Balance Sheet. Pursuant to the provisions of Sick Industrial Companies (Special Provision Act, 1985, a reference has been made to BIFR on 06.12.2010

**PARTICULARS RELATING TO EMPLOYEES**

During the year the Company had there is no employees to whom the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules, 1975, as amended from time to time, is applicable hence the information be treated as NIL.

**PARTICULARS RELATING TO TECHNOLOGY ABSORPTION CONSERVATION OF ENERGY & FOREIGN EXCHANGE EARNINGS AND OUTGO.**

During the year under report plant remained closed due to non availability of raw material as such there was no production. Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of Energy, Technology Absorption, foreign exchange earnings and outgo be treated as NIL.

**CORPORATE GOVERNANCE**

A detailed report on Corporate Governance and a Certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance in terms of Clause 49 of Listing Agreement are appended at **Annexure -A** and **Annexure-B** to this report.

**INDUSTRIAL RELATIONS**

Relations between the Management and its Employees/ Workmen have been cordial and the Directors wish to express their appreciation for the co-operation and dedication of the Employees/Workmen at all levels of the Company.

Company has not issued Sweat Equity Shares or ESOP (Employees Stock Option).

**ACKNOWLEDGEMENTS**

Your Directors convey their sincere thanks to the Bankers, various departments in Central and State Governments and all others associated with the Company for their co-operation, continued support and confidence reposed by them in the Company.

**For and on behalf of the Board**

Place: New Delhi  
Date: 27.08.2011

Sd/-  
Narsingh Awatar  
Chairman  
Din-00376193



## ANNEXURE- A

## REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy

The Company is committed to good Corporate Governance practices. Your Directors endeavour to adhere to the Standards set out by the Securities And Exchange Board of India (SEBI). Your Company is, therefore, complying in all material respects the mandatory requirements as explained hereunder.

## 2 Board of Directors

## a) Composition :

The Board consists of six directors. More than 50% are non-executive independent Directors. Consequent upon resignation of Mr. S. P. Maken, there is no Executive Directors on the Board at present.

Mr. V. K. Sakhuja, Mr Rajshekhran and Mr. S.P. Maken resigned from Directorship and Mr Arvind Gupta, Mr. Sanjay Singal and Mr. Ravi Paraksh Goyal were appointed as Additional Directors

## b) Meetings and attendance records of each Director

Attendance Record of Directors in the Board Meetings and Committee meetings held during the period under review –

During the year six meeting of Board of Directors were held on 31.07.2010, 25.08.10, 08.10.10, 29.10.10, 31.01.11, 06.05.11. The intervening period between two Board Meetings was well within the maximum prescribed gap of three months.

Attendance record of Directors at Board/Committee/General Meetings and details of directorship/committee membership/Chairmanship during the year ended 30<sup>th</sup> June 2011 is are given below :-

SN	Name of Director	Attendance Particulars				No. of Other Directorship and Committee Member/Chairmanship		Remarks
		No. of Board Meetings held	No of Board Meetings	Attendance at last AGM attended	Other DirectorShips	Committee Members(**)	Committee Chairmanships(**)	
1	R. K. Gambhir	06	05	No	Nil	02	02	
2	N. Awatar	06	06	Yes	01	04	01	
3	V. K. Sakhuja	06	05	No	Nil	01	Nil	Resigned on 06.05.2011
4	S. P. Maken	06	06	Yes	Nil	02	Nil	Resigned on 08.07.2011
5	M. Ramachandran	06	01	Yes	Nil	Nil	Nil	
6	Bhaskar Thatikonda	06	00	No	Nil	Nil	Nil	Resigned on 01.10.2010
7	A. Rajasekaran	06	00	No	Nil	Nil	Nil	Resigned on 04.06.2011
8	Arvind Gupta	06	01	N. A.	N. A.	N. A.	N. A.	Appointed Additional Director on 06.05.2011
9	Sanjay Singal	NA	NA	N.A.	N. A.	N. A.	N. A.	Appointed Additional Director on 08.07.2011
10	R. P. Goyal	NA	NA	N.A.	N. A.	N. A.	N. A.	Appointed Additional Director on 08.07.2011

(\*\*) Committee here means Audit Committee, Remuneration Committee, Share Transfer Committee and Shareholders' Grievance Committee

- c) The Non-Executive Directors had no pecuniary relationship or transactions with the Company in their personal capacity during the period under review.
- d) Sh. N. Awatar and Sh. M. Ramachandran are retiring by rotation and have offered themselves for re-appointment.



Sh. N. Awatar is a practicing Chartered Accountant and has a vast experience of about 50 years in Commerce & Industry. He is an independent Director on the Board.

Sh. M. Ramachandran is M. Tech and has an overall experience of more than 36 years in setting up, Management and Consultancy for Sponge Iron and Steel Projects. He is an independent Director on the Board.

### **3. AUDIT COMMITTEE**

The Company has an Audit Committee. The Audit Committee was reconstituted on 08.07.2011 and at present consists 3 members namely Mr N Awatar, Mr R. P. Goyal and Mr Arvind Gupta as its members. Mr. N Awatar is Chairman of the Committee and is independent and non-executive Director and is a very senior practicing Chartered Accountant.

The Company Secretary is the Secretary of the Audit Committee. Sr. General Manager (Accounts) who is the head of the Accounts functions is invited to all the meetings of the Audit Committee. A representative of the Statutory Auditors is a permanent invitee to the Audit Committee Meetings.

The terms of reference of the Committee conform to the provisions of section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement as detailed hereunder-

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.



13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.  
During the year Committee met Five times on 22.07.2010, 17.08.2010, 22.10.2010, 22.01.2011 and 25.04.2011 during the year.

**4. REMUNERATION COMMITTEE**

Committee has been constituted for fixation of Remuneration of Executive Directors of the Company. Committee review Company's Policy on specific remuneration package for the executive directors.

Remuneration Committee was reconstituted on 08.07.2011 and Mr. N Awatar and Mr. Arvind Gupta, independent directors, are the members of the Committee. Mr. N Awatar is the Chairman of the Committee. The Committee held No meeting during the year.

- a) Details of remuneration paid to the Directors during the Period under review :

(i) Executive Directors

SN	Name of the Director	Salary (Rs)	Perquisites & Allowances(Rs.)	PERIOD	
				From	To
1	Mr. S. P. Maken	6,70,000	2,34,667	01.07.2010	30.06.2011
2	Mr. T Bhaskar	90,000	28,500	01.07.2010	30.06.2011

(i) Non- Executive Directors

SN	Name of the Director	Sitting Fee Paid during the year (Rs)	Remarks	PERIOD	
				From	To
1	Mr N. Awatar	10,000/-	Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings	01.07.2010	30.06.2011
2	Mr V. K. Skhuja	10,000/-	Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings	01.07.2010	30.06.2011

- b) Mr. S.P. Maken was re-appointed as Whole Time Director for a period of 3 years w. e. f. 21-06-2010 on the terms of appointment of the Whole-time Directors are as per Shareholders' Resolutions.  
Mr S.P. Maken resigned from Directorship & Company Secretaryship w.e.f. 08.07.2011.

**5. SHAREHOLDERS' GRIEVANCES COMMITTEE**

Shareholders' Grievances Committee has been constituted to look into the grievance of the Shareholders. During the year under review four Meetings of Shareholders' Grievances Committee held on 22.07.2010, 22.10.2010, 22.01.2011, 25.04. 2011. The Committee was reconstituted on 08.07.2011 and Mr R. P. Goyal, Mr N Awatar and Mr Arvind Gupta are members of the Committee. Mr R. P. Goyal is Chairman of the Committee. Board has designated Ms Anuradha Tandon as Compliance Officer.

Since the last AGM 213 nos of complaints were received from various shareholders and all of them have been replied resolved satisfactorily. As on date there are no pending request for share transfer.

**6. SHARE TRANSFER COMMITTEE**

Share Transfer Committee has been constituted to consider and approve transfer of shares lodged for transfer with RTA. The Share Transfer Committee meetings are being held every fortnight.

Share Transfer Committee has been reconstituted on 08.07.2011 consisting Mr. Sanjay Singal , Mr. R. P. Goyal and Mr. Arvind Gupta Members of the Committee.



**7 GENERAL BODY MEETINGS:**

The details of Annual General Meetings held during the preceding three years and special Resolutions passes is as under

AGM	Date	Time	Venue	Special Resolution Passed
16 <sup>th</sup>	23.09.2008	12.30 PM	Registered Office	No Special Resolution passed
17 <sup>th</sup>	25.09.2009	12.30 PM	Registered Office	Appointment of Mr T. Bhaskar as Whole Time Director for a period of 3 years w.e.f. 16.03.2009
18 <sup>th</sup>	08.10.2010	12.30 PM	Registered Office	Re-appointment of Mr S.P. Maken as Whole Time Director Re-allotment of forfeited shares at a rate not less than Rs 17.42 per share

(a) **Extra Ordinary General Meeting**

The details date, time and venue of EGM of the Company held and Special Resolutions Passed during the preceding three years is as under :-

Date	Time	Venue	Special Resolution Passed
03.12.2010	12.30 P.M.	Registered office	Re-allotment of forfeited shares at a rate not less than Rs 17.42 per share

Note : During the year 2008-09 and 2009-10 , no Extra Ordinary General Meeting was held.

(c) **Special Resolutions passed through Postal Ballot during the year 2010-2011 :-**

Date of Notice	Last Date of receiving of Postal Ballot	Date of Declaration of Results	Resolution passed by Postal Ballot
NIL	NIL	NIL	NIL

**8. DISCLOSURES**

a) **Related party transactions**

The Company has not entered into any transaction of material nature with Promoters, Directors or their relatives etc. which may have potential conflict with the interests of the Company at large.

b) **Compliances by the Company**

The Company has complied with the material requirements of the Stock Exchanges, SEBI and other Statutory Authorities on matters related to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authorities relating to the above.

Non-mandatory requirements have not been adopted for compliance.

**9. MEANS OF COMMUNICATION :**

The Company normally publishes quarterly and annual financial results in Hitavada in English Daily and in Hari Bhoomi in Hindi daily and results are promptly furnished to stock exchanges for display on their website. Annual Reports and other important information is circulated to members.

**10. MANAGEMENT DISCUSSION & ANALYSIS REPORT:**

The Management Discussion & Analysis Report under clause 49 of the Listing Agreement forms part of Annual Report

**11. GENERAL SHAREHOLDERS INFORMATION:**

a) Annual General Meeting for the year 30<sup>th</sup> June 2011 - 11<sup>th</sup> October , 2011 at 12.30 PM at registered office of the Company.

b) Financial calendar: 1<sup>st</sup> July 2010 to 30<sup>th</sup> June 2011  
Financial reporting for the quarter ending

30 <sup>th</sup> September 2010	October 2010
31 <sup>st</sup> December 2010	January 2011
31 <sup>st</sup> March 2010	April 2011
30 <sup>th</sup> June 2011	August 2011

**c) Dates of Book Closure**

5<sup>th</sup> October 2011 to 11<sup>th</sup> October 2011 (both inclusive)

**d) Dividend Payment Dates**

No dividend is recommended for the financial year ended 30<sup>th</sup> June 2011

**e) Listing of Securities**

At Present the shares of the Company are listed with the Stock Exchanges at Bombay Stock Exchange, Ahmedabad Stock Exchange, Calcutta Stock Exchange, Delhi Stock Exchange, Madras Stock Exchange and National Stock Exchange. Pursuant to Board approval, Company has filed application for delisting of shares from National Stock Exchange on 27.10.2010 and Ahmedabad Stock Exchange, Calcutta Stock Exchange, Delhi Stock Exchange, Madras Stock Exchange on 02.06.2011.

Company has yet to pay Annual Listing fee for the year 2011-12 to Bombay Stock Exchange.

Stock Code/Security Symbol

Stock Code	Symbol in BSE
513566	NOVIS

**f) ISIN No. for dematerialisation of Equity Shares**

INE 608C01018.

**g) Market Price Data at BSE**

The details of High Low share price of equity shares of the Company during each month of the year under report are as under –

Month	High (Rs. Per share)	Low (Rs. Per share)	Volume (No. of share)
July 2010	17.50	11.01	3798940
August 2010	20.67	14.22	4699376
September 2010	18.00	12.80	1196489
October 2010	15.93	12.42	5538325
November 2010	12.85	8.68	863798
December 2010	10.12	7.18	576183
January 2011	8.55	7.75	434002
February 2011	9.84	7.72	436960
March 2011	11.80	8.45	6556282
April 2011	11.75	9.55	1067755
May 2011	11.00	9.10	577874
June 2011	15.50	9.61	41607928

Note : Trading of shares was allowed by BSE on 07.05.2010. Trading of shares with NSE, ASE, DSE, MSE & CSE remained suspended.

**h) Distribution of Shareholding as on 30<sup>th</sup> June, 2011.**

Range	No of Shareholders	Nos of Shares	%age
1-500	167751	25433187	16.89
501-1000	3885	3258801	2.16
1001-2000	1302	2028943	1.35
2001-3000	388	1002981	0.67
3001-4000	173	631619	0.42
4001-5000	171	819918	0.54
5001-10000	177	1371483	0.91
10001 and above	195	116034268	77.06
Total	174042	150581200	100.00

**i) Shareholding pattern as on 30<sup>th</sup> June, 2011.**

Category	No. of Shares held	%
Promoters & Associates	5,85,70,000	38.90
Financial Institution(s)	600	0.00
Mutual Funds/Insurance Companies	35,07,500	2.33
NRIs	11,10,813	0.74
Private Corporate Bodies	5,08,53,128	33.77
General Public	3,65,39,159	24.26
Total	15,05,81,200	100.00

**j) Registrar & Share Transfer Agent (RTA)**

M/s Abhipra Capital Ltd. (Unit NISL) F-7/4, Ground Floor, Sector-16, Rohini, Delhi – 110085 is the Registrar and Transfer Agent in terms of SEBI Circular No. D&CC/FITT/CIR-15/2002 dated 27-12-2002. Company Pursuant to Board Resolution dated 08.07.2011 decided to change RTA. M/s Skyline Financial Services Private Limited, D-153A, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase-1 New Delhi -110020. Ph Nos 011-30857575 (10 lines) Fax-011-30857562 has been considered in place of present RTA. M/s Abhipra Capital Ltd has been given Notice of termination of their services.

**Delegation of Authority to the Registrar & Share Transfer Agents.**

The Board has delegated to M/s Abhipra Capital Ltd., the Registrar for electronic connectivity and Share Transfer Agents of the Company, the authority to attend to Share Transfer formalities atleast once in a fortnight, to be approved/ratified by the Share Transfer Committee. This facilitates expeditious processing of Share Transfers in the interest of Shareholders.

**k) Share Transfer System**

Transfer of shares held in physical form can be lodged with Registrar & Share Transfer Agent at the above mentioned address. The transfer requests are normally processed within 15 days of receipt of documents, if documents are found in order. Shares under objections are returned within two weeks.

**Share Transfer Committee**

Board has delegated the authority for approving transfer, transmission etc. of the Company's securities to Share Transfer Committee. The decisions of Share Transfer Committee is/are placed at the next Board Meeting.

**Reconciliation of Share Capital Audit Report**

SEBI has vide Circular No CIR/MRD/DP/30/2010 dated 06.09.2010 renamed "Secretarial Audit Report" as "Reconciliation of Share Capital Audit Report" The Company obtains the said report from a Company Secretary in Practice, confirming that total issued capital of the Company is in agreement with the total number of shares held in physical form and total number of shares held in dematerialized form and is placed before the Board on a quarterly basis. A certificate from Company Secretary in Practice is also obtained half yearly and placed before the Board Meeting as required under clause 47(c) of Listing Agreement with Stock Exchanges.

**l) Nomination Facility:**

Pursuant to provisions of Section 109A of Companies Act, 1956, members are entitled to make nomination in respect of shares held by them. Members holding shares in physical form and are intending to make / change nomination in respect of their shares may submit Form 2B to company's Registrar & Transfer Agent. All correspondence by the Shareholders may be sent at the following address :-

**Registered office & Plant Location**

Registered office address and location of the plant of the company is  
Nova Iron & Steel Ltd.  
Village-Dagori, Tehsil-Belha,  
Distt. Bilaspur- (Chattisgarh)





**m) Compliance Officer and Address for Communication**

Ms Anuradha Tandon, Company Secretary has been designated Compliance officer w.e.f. 08.07.2011.

**Address:** Nova Iron & Steel Ltd.

4<sup>th</sup> Floor, Tolstoy House,

15-17 Tolstoy Marg, Connaught Place, New Delhi-110001.

Tel:91-11-30451200, 0172-3911744

Fax 011-23712737, 0172-3911704

E-mail: rai\_nisl2007@rediffmail.com

**CODE OF CONDUCT**

The Board had approved a 'Code of Conduct' binding on all Board Members and Senior Management Personnel in its meeting held on 28<sup>th</sup> April, 2006. The same was circulated to all concerned for compliance.

**CERTIFICATION**

The Company has obtained a Certificate as stipulated in clause 49 of Listing agreement regarding compliance of conditions of Corporate Governance and is annexed herewith.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Sponge Iron is Iron Ore reduced directly in solid state using Coal gas, natural gas or Coal reductants and is also known as Directly Reduced Iron (DRI). Basically, Sponge Iron is a substitute for steel scrap and therefore the price of Sponge Iron varies from time to time in view of the availability of the Steel scrap in the country.

NISL's project is one of the initial coal-based Sponge Iron Projects in India with the Technical know how from Lurgi Chemie Metallurgie Industriebau GmbH, Germany. Major equipment-Imported and indigenous has been as per LURGI's proprietary design. The technology being new at that time the cost of project was high. In today's scenario, the cost of project of similar capacity would be much lower.

Because the project involved huge amount of capital arranged at very high rates of interest, the elements of interest and depreciation were very high. This, coupled with the fact of continuous increase in the price of the raw materials is increasing the total cost of production, resulting into losses.

On the other hand in the recent years smaller Sponge Iron plants, developed indigenously, involving very less capital have been set up right near the iron ore mines. These smaller plants are giving tough competition in the market on the price front. At the same time it has started affecting the supply and price of Iron Ore. During the last about 3/4 years the price of Iron Ore has increased many fold. Besides, since 1-1-2008 as per the new Coal Distribution Policy of the Govt., only 75% of the coal linkage through Fuel Supply Agreement at notified price is available. The balance 25% requirement of coal has to be sourced through e-auction, rates for which are quiet exorbitant and thus increasing the cost of production. This has further shaken the business economics and profitability.

At present the availability of right quality of iron ore at the right price is a big problem. The cost of iron ore is prohibitive as a result of which the selling price of Sponge iron is not lucrative. In the current scenario, for a sponge iron plant, it is very difficult to make profits without having own captive iron ore mines. The Company is putting in its best efforts to acquire an iron ore mine to ensure the smooth and profitable operations of the Company.

During the year due to non availability of raw material, plant remained closed and there with no production. Manufacturing Sponge Iron and selling it as such does not seem to be too lucrative. The operations can be made profitable only by first having own captive mines and then installation of power plant utilizing waste heat of the Kiln; expansion of production capacity; installation of furnace and manufacturing items of steel.



**CERTIFICATE**

**To The Members of  
Nova Iron & Steel Ltd.**

We have examined the compliance of conditions of Corporate Governance by Nova Iron & Steel Ltd. ('the Company') for the year ended on 30<sup>th</sup> June, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges. The Company has complied the same materially.

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

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied in material respects with the conditions of Corporate Governance, except as reported in the Corporate Governance report, as stipulated in the Listing Agreement.

We have been explained that no investor grievances remained un-attended for a period exceeding one month, as at 30<sup>th</sup> June, 2011 against the Company as per the records maintained by the Company.

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

**FOR ANTIMA & GOEL**

Chartered Accountants  
Firm Registration No: 009062N

Sd/-  
R.B.GOEL  
Partner  
M.No. : 086862

Place: New Delhi  
Date: 27.08.2011



## AUDITORS' REPORT

TO THE MEMBERS OF

NOVA IRON & STEEL LIMITED

- 1) We have audited the attached Balance Sheet of **NOVA IRON & STEEL LIMITED** as at 30<sup>th</sup> June, 2011, and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order, 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4) Further to our comments in the Annexure referred to above, we report that :-
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the applicable 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 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30<sup>th</sup> June, 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 read together with the significant Accounting Policies and Notes thereon in Schedule 17 & 18 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 30<sup>th</sup> June, 2011;
  - ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date ; and
  - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

### FOR ANTIMA & GOEL

Chartered Accountants

Firm Registration No. :009062N

sd/-

(R.B. GOEL)

Partner

M.No. : 086862

Place: New Delhi

Date : 27.08.2011

**ANNEXURE**

(Referred to in paragraph 3 of our report of even date)

(Re : Nova Iron & Steel Ltd. (' the Company' )

- i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. On the basis of available information, in our opinion, the fixed assets covering significant value have been physically verified by the management at reasonable intervals, having regard to the size of the Company and the nature of its fixed assets. As informed to us, no material discrepancies were noticed on such verification. No substantial part of fixed assets has been disposed off during the year, which may affect the going concern status of the company.
- ii) In our opinion and according to the information and explanations given to us, the inventory of the Company in its possession has been physically verified by the Management at reasonable intervals. Stocks in the possession and custody of the third parties and stocks in transit as on 30<sup>th</sup> June, 2011 have been verified by the Management with regard to confirmation or statement of account or correspondence of the third parties or subsequent receipt of goods. The procedures of physical verification of inventory of the Company followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of inventory. As explained to us, no material discrepancies were noticed on such physical verification as compared to book records.
- iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in Register maintained U/s 301 of the Companies Act, 1956.  
(b) The Company has taken unsecured loan from one company, listed in Register maintained U/s 301 of the Companies Act, 1956. The amount outstanding as on the opening and close of the year is Rs. 34 lacs. In our opinion the rate of Interest and other term and conditions are not prejudicial to the Interest of the Company.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in such internal controls.
- v) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained U/s 301 of the Companies Act, 1956.
- vi) To the best of our knowledge, the Company has not accepted any deposits covered under section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- vii) To the best of our knowledge and explanations given to us, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government has under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 prescribed maintenance of Cost Records for the Company. On the basis of records produced to us, we are of the opinion that, prima facie, such accounts and records have been made and maintained by the Company.
- ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection fund, Income Tax, Sales Tax (VAT), Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given by the management, there was no disputed dues of custom duty, excise duty were outstanding, at the year end for a period of more than six months from the date they became payable except Entry Tax (including interest due) & Service Tax amounting to Rs. 4,14,14,300/- & Rs. 21,39,803/- respectively.  
(b) According to the information and explanations given to us and according to records of the Company, there are no dues outstanding of Wealth Tax, Custom Duty, Cess etc. on account of any dispute, Except Sales Tax (VAT), Income Tax and Excise Duty, as per details given below:-

Nature of the statute	Nature of dues	Amount (Rs. In Lacs)	Period to which amount related	Forum where dispute is pending
Excise Duty	Modvat Credit Disallowed	72.62 Plus Penalty	A.Y. 2004-05	Appeal filed with Custom Excise & Service Tax Appellate Tribunal, New Delhi.
Excise Duty	Demand	2.90	A.Y. 2007-08	Commissioner Central Excise.
Entry Tax	Tax Demand	5.05	A.Y. 2006-07	Revision Pending with Addl. Commissioner of Commercial Tax.
Income Tax	Demand	18.70	A.Y. 1994-95	Appeal Pending before ITAT.



VAT	Demand	2.23	A.Y.2004-05	Commissioner of Commercial Tax.
VAT	Demand	0.25	A.Y. 2006-07	Revision Pending with Asstt. Commissioner of Commercial Tax
VAT	Demand	530.60	A.Y. 2003-04	Revision filed before Addl. Comm. Commercial Tax was filed and order was issued in favour of the Company Case remanded back to A.C. Commercial Tax.
VAT	Demand	594.08	A.Y. 2004-05	Revision filed before Addl. Comm. Commercial Tax was filed and order was issued in favour of the Company Case remanded back to A.C. Commercial Tax.

- x) The company has accumulated losses at the end of the year of audit that exceeds 50% of the Net worth of the Company and it has incurred Cash Loss during the current year and in the immediately preceding audit period also. Reference under Sick Industrial Companies (Special Provisions) Act,1985 has been made on 06.12.2010 by the Company.
- xi) According to the information and explanations given to us and to the best of our knowledge the Company has not defaulted in repayment of both principal and interest to any financial institutions or banks or debenture holders during the year.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies. The Company is not chit fund or a nidhi/mutual benefit fund/society
- xiv) The Company has not dealt or traded in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its subsidiaries and associates from banks or financial institutions during the current year.
- xvi) Based on information and explanations given to us by the management, no term loans were obtained during the current year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any secured Debentures during the period and there is no outstanding Debenture as on the Balance Sheet date for which security need to be created.
- xx) According to the information and explanations given to us, the Company has not raised any money by a 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 ANTIMA & GOEL**

Chartered Accountants

Firm Registration No. :009062N

Sd/-

**R.B. GOEL**

Partner

M.No. : 086862

Place : New Delhi

Date : 27.08.2011

**NOVA IRON & STEEL LTD.****BALANCE SHEET AS AT 30TH JUNE, 2011**

	<b>SCHEDULE No</b>	<b>AS AT 30TH JUNE, 2011 Rs.</b>	<b>AS AT 30TH JUNE, 2010 Rs.</b>
<b>SOURCES OF FUNDS</b>			
Share Capital	1	1519612000	1519605500
Reserves & Surplus	2	229773000	115173000
		<b>1749385000</b>	<b>1634778500</b>
<b>Loan Funds</b>			
Secured Loans	3	446348	1075517
Unsecured Loans		3400000	3500000
		<b>3846348</b>	<b>4575517</b>
		<b>1753231348</b>	<b>1639354017</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	2219394938	2220514159
Less: Depreciation		2024879438	1999189731
<b>Net Block</b>		<b>194515500</b>	<b>221324429</b>
<b>Capital Work in Progress</b>		<b>-</b>	<b>1081978</b>
		<b>194515500</b>	<b>222406407</b>
		<b>10275722</b>	<b>8075838</b>
<b>Deferred Tax Assets (Net)</b>			
<b>Current Assets, Loans and Advances</b>			
Inventories	5	13039976	85981074
Sundry Debtors	6	-	31821447
Cash & Bank Balances	7	213794356	157347875
Loans & Advances	8	73835563	31678643
		<b>300669895</b>	<b>306829038</b>
<b>Less : Current Liabilities &amp; Provision</b>			
Current Liabilities	9	53710314	109085331
Provision	10	8068024	13381138
		<b>61778338</b>	<b>122466469</b>
<b>Net Current Assets</b>		<b>238891557</b>	<b>184362569</b>
<b>Misc. Expenditure</b> (to the extent not written off or adj.)	11	<b>2413125</b>	<b>2770625</b>
<b>Profit &amp; Loss A/c</b>		<b>1307135444</b>	<b>1221738579</b>
		<b>1753231348</b>	<b>1639354017</b>
Significant Accounting Policies	17		
Notes Forming Part of Accounts	18		

**As per our report of even date attached**

For Antima & Goel  
Chartered Accountants  
Firm Regn No. 009062N

Sd/-  
R.B. Goel  
Partner  
Membership No. 086962

Place : New Delhi  
Date : 27.08.2011

**For and on behalf of the Board**

Sd/-  
N. Awatar  
Director

Sd/-  
R.P. Goyal  
Director

Sd/-  
Anuradha Tandon  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2011**

	<b>SCHEDULE No.</b>	<b>FOR THE YEAR ENDED 30.06.2011 Rs.</b>	<b>FOR THE PERIOD ENDED 30.06.2010 Rs.</b>
<b>INCOME</b>			
Sales of Products	12	81120091	1584811740
Other Income	13	6496414	2491742
		<b>87616505</b>	<b>1587303482</b>
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	14	136543245	1635430524
Misc. Expenditure Written Off	15	357500	446875
		<b>136900745</b>	<b>1635877399</b>
Loss Before Interest, Depreciation and Tax		49284240	48573917
Interest & Financial Charges	16	10618108	3056737
Loss Before Depreciation & Tax		59902348	51630655
Depreciation		27694401	38501042
Loss Before Tax		87596749	90131697
Deferred Tax (Credit)/Charge		-2199884	-940745
Loss After Tax		85396865	89190952
Balance Brought Forward		1221738579	1132547627
Balance Carried Over to Balance Sheet		1307135444	1221738579
Significant Accounting Policies	17		
Notes Forming Part of Accounts	18		

**As per our report of even date attached**For Antima & Goel  
Chartered Accountants  
Firm Regn No. 009062NSd/-  
R.B. Goel  
Partner  
Membership No. 086862Place : New Delhi  
Date : 27.08.2011**For and on behalf of the Board**Sd/-  
N. Awatar  
DirectorSd/-  
R.P. Goyal  
DirectorSd/-  
Anuradha Tandon  
Company Secretary

**NOVA IRON & STEEL LTD.****CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2011****(PURSUANT TO AMENDMENT TO CLAUSE 32 OF THE LISTING AGREEMENT)**

	<b>CURRENT YEAR</b>		<b>PREVIOUS PERIOD</b>	
	<b>RS.</b>		<b>RS.</b>	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
NET PROFIT / (LOSS) BEFORE TAX		<b>-87596749</b>		<b>-90131697</b>
<b>ADJUSTMENT FOR:</b>				
DEPRECIATION	27694401		38501042	
INTEREST (NET)	7036650		719606	
(PROFIT)/LOSS ON SALE OF FIXED ASSETS	277528	35008579	-35917	39184731
<b>OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES</b>		<b>-52588170</b>		<b>-50946966</b>
<b>ADJUSTMENT FOR:</b>				
(INCREASE ) / DECREASE IN TRADE AND OTHER RECEIVABLES	-10335474		166513463	
(INCREASE ) / DECREASE IN INVENTORIES	72941097		18217419	
MISC. EXPENDITURE NOT WRITTEN OFF (NET)	357500		446875	
(INCREASE) / DECREASE IN TRADE PAYABLES	60688131	2274993	105970305	79207453
<b>CASH GENERATED FROM OPERATIONS</b>		<b>-50313177</b>		<b>28260487</b>
INTEREST PAID		-10241968		-2824898
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES : A</b>		<b>-60555145</b>		<b>25435589</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
(INCREASE ) / DECREASE IN FIXED ASSETS	-815922		-6655706	
SALE OF FIXED ASSETS	734900		78500	
INTEREST RECEIVED	3205318	3124295	2105292	-4471914
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES : B</b>		<b>3124295</b>		<b>-4471914</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
PROCEEDS FROM SHARE PREMIUM ACCOUNT		114606500		115846315
PROCEEDS FROM LONG-TERM AND OTHER BORROWINGS (NET)		-729169		1990361
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES : C</b>		<b>113877331</b>		<b>117836676</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>56446481</b>		<b>138800351</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>157347875</b>		<b>18547523</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>213794356</b>		<b>157347875</b>

As per our report of even date attached

For and on behalf of the Board

For Antima & Goel  
Chartered Accountants  
Firm Regn No. 009062NSd/-  
R.B. Goel  
Partner  
Membership No. 086862Sd/-  
N. Awatar  
DirectorSd/-  
R.P. Goyal  
DirectorPlace : New Delhi  
Date : 27.08.2011Sd/-  
Anuradha Tandon  
Company Secretary



**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS**

	AS AT 30th JUNE, 2011 Rs.	AS AT 30th JUNE, 2010 Rs.
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
16,00,00,000 Equity Shares of Rs. 10/- each	<u>1600000000</u>	<u>1600000000</u>
<b>ISSUED CAPITAL</b>		
15,50,00,000 Equity Shares of Rs. 10/- Each	<u>1550000000</u>	<u>1550000000</u>
<b>SUBSCRIBED AND PAIDUP</b>		
15,05,81,200 (Previous Year 15,05,80,200) Equity Share of Rs. 10/- Each	1505812000	1505802000
<b>ADD: AMOUNT OF FARFEITTED SHARES</b>		
44,18,800 (Previous Year 44,19,800) Equity Share of Rs. 10/- Each	13800000	13803500
	<u>1519612000</u>	<u>1519605500</u>
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
<b>SHARE PREMIUM ACCOUNT</b>		
As per last Balance Sheet	115173000	115173000
Add: During the year (refer to note no 9 of Schedule-18)	114600000	
	<u>229773000</u>	<u>115173000</u>
<b>SCHEDULE 3 : LOAN FUNDS</b>		
<b>SECURED LOANS</b>		
Deferred Credits From Banks*	446348	107551
*Secured by Hypothecation of Specific Assets		
<b>UNSECURED LOANS</b>		
From Companies	3400000	3500000
<b>TOTAL LOAN FUNDS</b>	<u>3846348</u>	<u>457551</u>



**NOVA IRON & STEEL LTD.**

**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS**

**SCHEDULE : 4 FIXED ASSETS**

(Figure in Rs.)

DESCRIPTION OF FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST AS AT 01.07.2010	ADDITIONS DURING THE YEAR	ADJUSTMENT/ SALE DURING THE YEAR	COST AS AT 30.06.2011	AS AT 30.06.2010	FOR THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL UPTO 30.06.2011	AS AT 30.06.2011	AS AT 30.06.2010
LAND - LEASE HOLD*	6700507			6700507	493531	74163		567694	6132813	6206976
- FREE HOLD	967730	1842600		2810330					2810330	967730
BUILDING	422228851			422228851	290234700	8952931		299187631	123041220	131994151
PLANT & MACHINERY	1726516887			1726516887	1664441052	15518959		1679960011	46556876	62075835
RAILWAY SLIDING	21477461			21477461	7593139	1931309		9524449	11953012	13884322
OFFICE EQUIPMENTS	10770473	55300	129146	10696626	8668163	327847	91310	8904700	1791926	2102310
FURNITURE & FIXTURES	23261612		137588	23124024	21997513	227943	125821	22099635	1024389	1264100
VEHICLES	8590638		2750388	5840251	5761632	661249	1787564	4635318	1204933	2829006
<b>TOTAL</b>	<b>2220514159</b>	<b>1897900</b>	<b>3017122</b>	<b>2219394938</b>	<b>1999189731</b>	<b>27694401</b>	<b>2004694</b>	<b>2024879 438</b>	<b>194515500</b>	<b>221324429</b>
PREVIOUS YEAR BALANCE	2180865907	41444817	1796565	2220514159	1962442670	38501042	1753982	1999189 731	-	-
CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCE)									-	1081978
<b>TOTAL</b>									<b>194515500</b>	<b>222406407</b>

\* Out of this Rs. 4244322/- registration of leasehold land in the name of the company is yet pending.



	AS AT 30th JUNE, 2011 Rs.	AS AT 30th JUNE, 2010 Rs.
<b>SCHEDULE 5 : INVENTORIES</b>		
<b>(as taken, valued &amp; certified by the management)</b>		
Raw Materials	-	66272213
Finished Goods	-	2907039
Work in Progress	-	573750
Scrap & Waste	3310508	5521845
Stores & Spares	9729468	10706227
	<u>13039976</u>	<u>85981074</u>
<b>SCHEDULE 6 : SUNDRY DEBTORS</b>		
<b>(Unsecured &amp; Considered Good)</b>		
Outstanding for a period exceeding six months	-	4625371
Other Debts	-	27196076
	<u>-</u>	<u>31821447</u>
<b>SCHEDULE 7 : CASH &amp; BANK BALANCES</b>		
Cash in Hand	23305668	6351207
Balance with Scheduled Banks	-	-
In current Accounts	351565	137171168
In fixed Deposit Accounts*	190137123	13825500
	<u>213794356</u>	<u>157347875</u>
<b>(Including interest accrued)</b>		
*Under lien Rs. 20,000/- (Previous Year 1,38,25,500/-)		
<b>SCHEDULE 8 : LOANS &amp; ADVANCES</b>		
<b>(Unsecured &amp; Considered Good)</b>		
Advances Recoverable in cash or in kind or for value to be received	64782928	22248560
Security Deposit with Government Deptt. & Others	6310867	6842437
Balance with Excise Authority	1552849	1649315
Advance Tax	1188919	938331
	<u>73835563</u>	<u>31678643</u>
<b>SCHEDULE 9 : CURRENT LIABILITIES</b>		
Sundry Creditors	1661067	40458698
Other Liabilities	50895667	51847872
Advances from Customers	1153580	16778761
	<u>53710314</u>	<u>109085331</u>
<b>SCHEDULE 10 : PROVISIONS</b>		
-Wealth Tax	-	10000
-Gratuity	6523969	10040101
-Earned Leave	1544055	3331037
	<u>8068024</u>	<u>13381138</u>
<b>SCHEDULE 11 : MISC. EXPENDITURE</b>		
<b>(To the extent not Written off or Adjusted)</b>		
Preliminary Expenses	2770625	3217500
Less: Amount Written Off	357500	446875
	<u>2413125</u>	<u>2770625</u>



**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS**

	FOR THE YEAR ENDED 30.06.2011 Rs.	FOR THE PERIOD ENDED 30.06.2010 Rs.
<b>SCHEDULE 12: SALES OF PRODUCTS</b>		
Sales Including Excise Duty	81120091	1584811740
	<u>81120091</u>	<u>1584811740</u>
<b>SCHEDULE 13: OTHER INCOME</b>		
Interest	3205318	2105292
Misc. Income	3291096	350533
Profit on Sale of asset	-	35917
	<u>6496414</u>	<u>2491742</u>
<b>SCHEDULE 14: MANUFACTURING &amp; OTHER EXPENSES</b>		
Raw Material Consumed / Stocks Written Off	46461622	1225233671
Store Consumed	104224	2069988
Power & Fuel	9901977	41307574
Salary, Wages & Bonus	32758826	54466916
Contribution To Provident Fund & Others Funds	1557927	2469339
Staff Benefits	306860	1390460
Excise Duty	876404	118515844
Rates & Taxes	941534	15921744
Legal & Professional Charges	699993	2700625
Insurance	292229	261160
Auditor's Remuneration	326973	283521
Travelling & Conveyance	3602520	7299919
Advertisement	247215	315258
Postage, Telegrams & Telephone	2133500	3551825
Rebate & Discount	2958361	14766398
Selling & Distribution Expenses	-	25351913
<b>Repair &amp; Maintenance</b>		
- Machinery	1170666	41015195
- Building	261016	439886
- Vehicle	153702	508743
- Others	1179945	8020920
Rent	2294299	2314077
Material Handling Charges	189073	25472580
Director's Remuneration	1023167	1437000
Printing & Stationery	238913	660788
Sitting Fee	20000	33000
Freight & Cartage	54900	1332650
Misc. Expenses	19506241	13088040
Prior Period Expenses (Net)	1311505	-
Loss on Sale of Assets	277528	-
	<u>130851119</u>	<u>1610229033</u>
<b>(INCREASE) / DECREASE IN INVENTORIES</b>		
<b>OPENING STOCK:</b>		
Finished Goods	2907039	20527792
Work in Progress	573750	9925875
Scrap	5521845	3750458
	<u>9002634</u>	<u>34204125</u>
<b>CLOSING STOCK</b>		
Finished Goods	-	2907039
Work in Progress	-	573750
Scrap	3310508	5521845
	<u>3310508</u>	<u>9002634</u>
<b>NET (INCREASE) / DECREASE IN INVENTORY</b>	<u>5692126</u>	<u>25201491</u>
	<u>136543245</u>	<u>1635430524</u>

**NOVA IRON & STEEL LTD.**

	<b>FOR THE YEAR ENDED 30.06.2011 Rs.</b>	<b>FOR THE PERIOD ENDED 30.06.2010 Rs.</b>
<b>SCHEDULE : 15 MISC.EXPENDITURE WRITTEN OFF</b>		
Preliminary Expenses	357500	446875
	<u>357500</u>	<u>446875</u>
<b>SCHEDULE: 16 INTEREST &amp; FINANCIAL CHARGES</b>		
Interest	10241968	2824898
Commision & Bank Charges	376140	231839
	<u>10618108</u>	<u>3056737</u>

**SCHEDULE - 17 – Forming part of the Accounts as at 30<sup>th</sup> June, 2011****SIGNIFICANT ACCOUNTING POLICIES****1 BASIS FOR PREPARATION OF ACCOUNTS**

The Financial Statements have been prepared under historical cost convention on accrual basis in accordance with generally accepted accounting principles and applicable Accounting Standards as notified under Companies (Accounting Standard) Rules, 2006 and the provisions of Companies Act, 1956.

**2 USE OF ESTIMATES**

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

**3 FIXED ASSETS**

Fixed Assets are stated at cost, net of VAT/ MODVAT/ CENVAT, less accumulated depreciation. All costs including borrowing costs till commencement of commercial production and adjustment arising from exchange rate variations relating to long term borrowings/monetary items attributable to the depreciable fixed assets are capitalized. Capital expenditure on assets incurred by the Company is reflected in capital work in progress account till these are commercially commissioned 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 capitalized. Replacement of such spares is charged to revenue.

**4 MISCELLANEOUS EXPENDITURE**

Preliminary, public issue and deferred revenue expenditure are being written off over a period of ten years.

**5 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.

**6 DEPRECIATION**

Depreciation on the assets other than Plant & machinery is provided for at written down value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956. Plant & Machinery is being depreciated @ 25% per annum on written down method.

Freehold Land is not depreciated. Leasehold land is being written off over the lease period.

**7 FOREIGN CURRENCY TRANSACTIONS**

Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the date of the transactions. Monetary items denominated in foreign currencies outstanding at the year-end are translated at the exchange rate applicable as on that date. Non monetary items are valued at the exchange rate prevailing on the date of transaction.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2006 on 31<sup>st</sup> March 2009, Which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long-term monetary items are dealt with in the following manner.

Exchange differences relating to long-term monetary items, arising during the year, in so far as they relate to the acquisition of depreciable capital assets are added to/deducted from the cost of asset and depreciated over the remaining useful life of the asset.

**8 SALES**

Sale have been recognized at the point of despatch to the customers. These are inclusive of excise duty and net of discounts and rebates on account of quality claims as and when settled.

Sales if any, are inclusive of trial run Sales, Excise Duty and net of Sales Tax/ Vat.

**9 INVENTORY VALUATION**

Inventories are valued at lower of cost or net realizable value except scrap which is valued at net realizable 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 are 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.

**10 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 Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the Profit & Loss account and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay Income Tax higher than MAT during the specified period.

**11 BORROWING COST**

Borrowing costs that are attributable to the acquisition or the construction of qualifying assets are capitalized as part of 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.

**12 CENVAT / VAT**

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

**13 RETIREMENT/POST RETIREMENT BENEFITS**

- (i) Short term employee benefits are recognized as an expense at the undiscounted amount in the year in which related service is rendered.
- (ii) The Company has defined contribution plan for post retirement benefits, namely Employees Provident Fund scheme administered through Provident Fund Commissioner. The Company's contribution is charged to revenue every year.
- (iii) Leave Encashment is accounted for on accrual basis and charged to the Profit & Loss in the year in which employee has rendered services.
- (iv) Provision for Gratuity has been made in the books of Accounts, as per the provisions of Payment of Gratuity Act, 1972 on the assumption that all the employees are entitled to gratuity at the end of the accounting period.

**14 PROVISIONS AND CONTINGENT LIABILITIES**

Show cause notices issued by various government authorities are not considered as obligation. When the demand notice are raised against such show cause notice and are disputed by the Company then these are classified as possible obligations.

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

**15 DEFERRED TAX**

Deferred Tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax law enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty support by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date, the company reassesses unrecognized deferred tax assets. It recognised unrealized deferred tax assets to the extent it has become reasonably or virtually certain, as the case may be, that sufficient taxable income will be available against which the deferred tax can be realized.



**SCHEDULE - 18 NOTES FORMING PART OF ACCOUNTS**

1	<b>Contingent liabilities not provided for:</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
		<b>(Rs. In lacs)</b>	<b>(Rs. In lacs)</b>
	Claims not acknowledged as debts(*)	592.08	592.08
	Income Tax demands under appeal	18.70	18.70
	Excise & Service Tax demand under dispute	75.52	75.52
	Interest on Entry Tax	Nil	131.95
	Sales Tax (2004-05) Demand under Dispute	2.23	2.23
	(*) The Company also, has its own claims/counter claims against these parties as per terms of their respective contracts. In effect the Management does not expect any major liability devolve upon the Company on account of these cases.		
	Besides the above, the amount in respect of claims of Interest etc. claimed by the parties cannot be quantified.		
2	The accounts have been prepared for a period of 12 months i.e. from 1 <sup>st</sup> July, 2010 to 30 <sup>th</sup> June, 2011 and of previous year figures are of 15 month's period and hence Previous period figures are not comparable.		
3	In the opinion of the Management, the Current Assets, Loans and Advances etc., are of the approximate value stated, if realised in the ordinary course of business.		
4	The balances of the accounts with parties in respect of creditors and advances are subject to confirmation/reconciliation there off.		
5	As per the Balance Sheet as on 30.06.2010, the net worth of the Company had eroded by more than 50% and the Company had become potentially Sick, With the approval of the Shareholders in the Extra Ordinary General Meeting held on 03.12.2010, a reference was filed with BIFR on 06.12.2010 under the provisions of Sick Industrial Companies (Special Provisions) Act,1985.		
6	<b>(A) : Managerial Remuneration :</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
		<b>Rs.</b>	<b>Rs.</b>
	Salary	7,60,000	9,00,000
	Other perquisites	2,63,167	5,37,000
	<b>Total :</b>	<b><u>10,23,167</u></b>	<b><u>14,37,000</u></b>
	<b>(B) : Administrative Expenses Includes:</b>		
	-Sitting Fee	<b>20,000</b>	<b>33,000</b>
7	<b>Auditor's Remuneration includes:</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
		<b>Rs.</b>	<b>Rs.</b>
	Audit Fee	1,75,000	2,18,750
	Tax Audit Fee	25,000	25,000
	Fees for other Services	85,000	-
	Out of Pocket Expenses	41,973	39,771
	<b>Total :</b>	<b><u>3,26,973</u></b>	<b><u>2,83,521</u></b>
8	In respect of amounts due to Micro, Small and Medium enterprises under "The Micro, Small and Medium Enterprises Development Act 2006", the Company has certified that as a policy the payment to suppliers is made within 30 days except in disputed cases. The amount remaining unpaid as at 30 <sup>th</sup> June 2011 was Rs. 0.06 lacs (Previous year Rs. 7.99 lacs). In identified cases, no interest was paid or payable under the Act. The name of such undertaking who have outstanding for more than 30 days is only one company i.e. Rishi Gases Pvt. Ltd.		
9	The Company had allotted 5,73,00,000 shares on 28.06.2010. The allotment price was recomputed in terms of Regulation 76(3) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Thus the Company has received Additional share Premium amount of Rs. 11,46,00,000/- at the rate of Rs. 2/- on 22.11.2010 and the same is included in the Share Premium account.		
10	During the year the plant remained closed for non availability of raw material. Pursuant to Public offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for acquisition of shares, the management		





of the Company is likely to be changed. Effective steps have been initiated for starting production. Also, the net worth of the Company is Positive on the Balance Sheet date. Thus the accounts are prepared on the basis of going concern.

**11 The break up of deferred tax assets and liabilities into major components arising on account of timing differences at the year end are as below :-**

Particulars	30.06.2011 Rs.	30.06.2010 Rs.
<b>Deferred Tax Assets on account of :</b>		
Related to fixed assets	67,00,198	46,05,225
<b>Deferred Tax Assets on account of :</b>		
Disallowance under the Income Tax Act 1961	19,99,330	19,41,041
Employee Retirement Benefits	15,76,194	15,29,572
<b>Net Deferred Tax Assets</b>	<b>1,02,75,722</b>	<b>80,75,838</b>
Opening Deferred Tax Assets	80,75,838	71,35,093
<b>Deferred Tax Assets during the Year</b>	<b>21,99,884</b>	<b>9,40,745</b>

**12 A. Disclosure of related parties / related party transactions:**

**(i) Key Managerial Personnel:**

Sh. R.K.Gambhir	Director
Sh. T.Bhaskar (Upto 01.10.2010)	Whole Time Director
Sh. S.P.Maken (Upto 08.07.2011)	Whole Time Director

**(ii) Name of related party of Key Management Personnel:**

1) M/s Ambey Steel & Power P. Ltd.	Promoter Company
2) Mrs. Santosh Maken	Relative of Director
3) Sh. G.K.Gambhir	Relative of Director

**B. Transactions with above related party as identified by the management, in accordance with Accounting Standard – 18. "Related Party Disclosures" are as follows:-**

Name of the related party	Nature of Transactions	Amount (Rs.)	Relationship
i) Sh. S.P. Maken	Payment of remuneration	6,70,000 (4,50,000)	Whole Time Director
	Reimbursement of Expenses	2,34,667 (2,52,000)	
ii) Sh. T. Bhaskar	Payment of remuneration	90,000 (4,50,000)	Whole Time Director
	Reimbursement of expenses	28,500 (1,42,500)	
iii) Mrs. Santosh Maken	House Rent	2,09,500 (1,42,500)	Relative of Director
iv) Sh. R.K. Gambhir	Share Premium Amount Received	1,70,59,000 (1,71,44,295)	Director
v) Sh. G.K. Gambhir	Share Premium Amount Received	1,70,59,000 ( 1,71,44,295)	Relative of Director
vi) M/s Ambey Steel & Power P. Ltd.	Share Premium Amount Received	8,04,82,000 (8,08,84,410)	Promoter Co.

Previous Year figures are given in Brackets.

**13 Earning Per Share (EPS)**

Particulars	30.06.2011 Rs.	30.06.2010 Rs.
<b>(A) Basic EPS:</b>		
(i) -Net Loss	8,53,96,865	8,91,90,952
(ii) -Weighted average number of Equity Shares	15,05,81,200	9,78,24,967
<b>Basic EPS (Rs.) (i) / (ii)</b>	<b>- 0.56</b>	<b>- 0.91</b>
<b>(B) Diluted EPS:</b>		
(iii) Weighted average number of Equity Shares Outstanding	15,05,81,200	15,47,47,993
<b>Diluted EPS (Rs.) {(A) (i) } / (iii)</b>	<b>- 0.56</b>	<b>- 0.58</b>
<b>Face value of Shares (Rs.)</b>	<b>10</b>	<b>10</b>



## NOVA IRON & STEEL LTD.

14. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARA 3 AND 4 OF PART II OF SCHEDULE-VI TO THE COMPANIES ACT, 1956 IS AS UNDER:-

A. PRODUCT, CAPACITY AND PRODUCTION (AS CERTIFIED BY THE MANAGEMENT WHICH HAVE BEEN RELIED UPON BY THE AUDITOR)

	Current Year		Previous Period	
	Quantity (Mt.)		Quantity (Mt.)	
<b>i) Installed Capacity:</b>				
-Sponge Iron	1,50,000		1,50,000	
<b>ii) Production:</b>				
-Sponge Iron	80		1,08,195	

B. DETAIL OF OPENING STOCK, CLOSING STOCK AND SALES

	Current Year		Previous Period	
	Quantity (Mt.)	Value (Rs.)	Quantity (Mt.)	Value (Rs.)
<b>i) Opening Stock :-</b>				
-Sponge Iron	352	29,07,039	1,405	2,05,27,792
<b>ii) Closing Stock:-</b>				
-Sponge Iron	Nil	Nil	352	29,07,039
<b>iii) Turnover :-</b>				
-Sponge Iron	432	35,69,419	1,09,248	1,52,13,81,389
-Others	Nil	7,75,50,672	Nil	6,34,30,351
<b>Total :</b>	<b>432</b>	<b>8,11,20,091</b>	<b>1,09,248</b>	<b>1,58,48,11,740</b>

C. CONSUMPTION OF RAW MATERIAL AND COMPONENTS

	Current Year		Previous Period	
	Quantity (Mt.)	Value (Rs.)	Quantity (Mt.)	Value (Rs.)
<b>Raw Material Consumed</b>				
Iron Ore	Nil	Nil	1,86,301	83,60,40,563
*Coal Consumed	Nil	Nil	1,61,790	38,85,79,463
Dolomite	Nil	Nil	1,257	6,13,645

\*The Coal, Iron Ore & Dolomite of Rs. 4,64,61,622/- is of no use, hence written off.

D. C.I.F. value of Imports :-

	Current Year		Previous Period	
	Value (Rs.)		Value (Rs.)	
i) Stores & Spares	Nil		14,67,493	

E. Value of Imported and Indigenous Raw Material, Spares and Components consumed :-

	Current Year		Previous Period	
	Value (Rs.)	% age	Value (Rs.)	% age
<b>Raw Material</b>				
Indigenous	4,64,61,622	100	1,22,52,33,671	100
<b>Stores &amp; Spares</b>				
Indigenous	1,04,224	100	20,69,987	100



- 15 Previous year figures have been regrouped, or rearranged, wherever necessary to conform to current year's presentation.
- 16 Schedule No. 1 to 18 form an integral part of the accounts and has duly been authenticated.

**As per our report of even date attached**

For Antima & Goel  
Chartered Accountants  
Firm Regn No. 009062N

Sd/-  
R.B. Goel  
Partner  
Membership No. 086862

Place : New Delhi  
Date : 27.08.2011

**For and on behalf of the Board**

Sd/-  
N. Awatar  
Director

Sd/-  
R.P. Goyal  
Director

Sd/-  
Anuradha Tandon  
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

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

**i) Registration details:**

Registration No. : 010-010052  
State Code : 10  
Balance sheet date : 30-June-2011

**ii) Capital raised during the period (Amount Rs.)**

Public Issue : -  
Bonus Issue : -  
Right Issue : -  
Conversion of FCDs : -  
Private Placement : -

**iii) Position of Mobilisation and Deployment of funds (Amount Rs.)**

<b>Total Liabilities</b>	1753231348	<b>Total Assets</b>	1753231348
<b>Sources of Funds:</b>			
Paid-up Capital	1519612000	Reserves & Surplus	229773000
Secured Loans	446348	Unsecured Loans	3400000
<b>Application of Funds:</b>			
Net Fixed Assets (including capital work in progress)	194515500	Deferred Tax Assets (Net)	10275722
Net Current Assets	238891557	Investments	NIL
Accumulated Losses	1307135444	Misc. Expenditure	2413125

**iv) Performance of Company**

Turnover	87616505	<b>Total Expenditure</b>	175213254
including other income			
(Loss) before Tax & Extraordinary Items	-87596749	(Loss) after Tax & Extraordinary Items	-85396865
Earning Per Share		Dividend Rate	NIL
Basic in Rs.	-0.56		
Diluted in Rs.	-0.56		

**v) Generic names of three principal products of the Company (as per monetary terms)**

Item Code No. (ITC Code)	720310.00	Product Description	Sponge Iron
Item Code No. (ITC Code)	NIL	Product Description	NIL
Item Code No. (ITC Code)	NIL	Product Description	NIL

As per our report of even date attached

For and on behalf of the Board

For Antima & Goel  
Chartered Accountants  
Firm Regn No. 009062N

Sd/-  
N. Awatar  
Director

Sd/-  
R.P. Goyal  
Director

Sd/-  
R.B. Goel  
Partner  
Membership No. 086862

Sd/-  
Anuradha Tandon  
Company Secretary

Place : New Delhi  
Date : 27.08.2011



# NOVA IRON & STEEL LIMITED

Regd. Office : Village Dagori, Tehsil Belha  
Distt. Bilaspur (Chhattisgarh) PIN 495224

## ATTENDANCE SLIP

1. Full Name of Shareholder / Proxy : .....
2. Registered Folio No. : ..... No. of Shares : .....
3. Client ID ..... DP ID .....
3. If Proxy, Full Name of Shareholder : .....

I hereby record my presence at the 19th Annual General Meeting of the Company held at **Village Dagori, Tehsil-Belha, Distt. Bilaspur (Chhattisgarh) PIN-495 224**, on Tuesday the 11th day of October, 2011 at 12.30P.M.

(Signature of Shareholder / Proxy)

### IMPORTANT

This attendance slip must be handed over at the entrance of the Meeting Hall.



# NOVA IRON & STEEL LIMITED

RRegd. Office : Village Dagori, Tehsil Belha  
Distt. Bilaspur (Chhattisgarh) PIN 495224

## PROXY

Registered Folio No. : ..... No. of Shares : .....  
Client ID ..... DP ID .....

I / We.....of.....  
being member/members of NOVA IRON & STEEL LIMITED, hereby appoint Mr./Mrs./Miss. ....

.....of.....as my/our Proxy in my/our absence  
to attend and vote for me/us and on our behalf at the 19th Annual General Meeting of the Company to be held at  
Village Dagori, Tehsil-Belha, Distt. Bilaspur (Chhattisgarh) PIN-495224 on Tuesday the 11th day of October, 2011  
at 12.30 P.M. and at any adjourned there of.

Signed his ..... day of ..... 2011

Signature of the Shareholder (s) .....

Affix 30  
Paise  
Revenue  
Stamp.

Note : This proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting. A Proxy need not be a member of the Company.

BOOK POST

*If undelivered, Please return to :*

**NOVA IRON & STEEL LIMITED**

Corporate Office : 4th Floor, Tolstoy House  
15-17th Tolstoy Marg, Connaught Place,  
New Delhi-110001