MESCO STEEL

17TH ANNUAL REPORT
2009-2010

MIDEAST INTEGRATED STEELS LTD.
NEW DELHI

CHAIRMANS STATEMENT

Dear Shareholders'

Following two years of the worst global economic downturn, the world seems to be regaining some economic stability but with some dramatic shifts in concentration of economic strength. The growth rates in the economies of the developed world are still extremely moderate, while countries in the developing world have registered high levels of economic growth and some have become new centre of global capacity, demand and control over natural resources. In the developed world, there are definite signs of a recovery in the United States. Continental Europe is seeing a much more modest level of economic revival with some concerns about its sustainability. In the United Kingdom, a recovery is yet to take place. By contrast, in the developing world like Brazil, Russia, India, China and certain Asian countries are registering very strong and sustainable economic growth with robust domestic markets. By 2025, it is forecast that the BRIC countries Brazil, Russia, India, China will have 42% of the global population, will consume 60% of the global production and will have 70% of the global GDP. The steel industry has also been impacted by these global shifts. The requirement of steel is growing in Asia, where downstream user industries are experiencing high demand, whereas the markets for steel in the United Kingdom and Continental Europe have remained depressed especially in Spain.

There has nevertheless been need to re-schedule and re-prioritize investment strategies in consonance with market conditions during this period. Your Company has given top priority to the expansion program of its mining and integrated steel plant in Orissa. Your Company's Iron Ore mining output during the FY 09-10 has been 2.94 million ton. Going forward your company has planned to scale up Iron Ore mining operation to touch mining output of 6 million ton per annum in the coming years. Equal importance has been given to raw material security and cost reduction through the acquisition of coking coal blocks in the state of Madhya Pradesh and in addition had acquired Lime Stone & Dolomite mines. Thus, making your company almost 100% reliant on its own raw-materials except for hard coking coal, which needs to be imported. Your company is also sourcing hard coking coal concessions overseas. Commitment in commissioning sinter plant, the oxygen plant and pulverized coal dust injection unit and reheating furnace during the year thus making your company very competitive and cost effective given existing location and technologies.

While your companies mining operations have remained profitable at a higher level than the previous year, your Plant operations remained underutilized and hence unprofitable. But now having tied up placing of met coke price quite often higher than the finished product price leaving no margins for any other raw materials etc. effecting production and with all the raw-materials required for steel making and now in possession of the company that uncertainty is also getting obviated. However, with the commissioning of sinter plant and acquisition of coking coal blocks, the Pig Iron operations will become EBITDA positive in the coming years. As the economies of several nations return to normalcy, the demand for steel-based goods will undoubtedly grow. This is already starting to be evident in automotive products, building construction and large infrastructure projects. Steel has been and will be the basic foundation material for national growth and is the mother industry will continue to be an important ingredient in the global economic recovery. The concentration of economic growth rates, manufacturing capacities, market size and control over natural resources will shift markedly towards Asia, Latin America and the CIS countries. China, India, Brazil and Russia will become important hub of economic growth in the coming decade. In the coming years, your company expects to emerge as one of the lowest cost producer in the world with its own iron ore, coking coal and dolomite with good quality lime stone.

Your company plans to launch expansion of its capacity to 3 million tonnes steel making in the same location at Jajpur for making long products. Most of the infrastructure for additional capacity of 3 million tonne is already in existence. Some augmentation and additional facilities would be required. We are tying up suppliers' credit at good terms for getting the financing because of the global depressed market such offers are available. The Company also plans to re-list itself in major stock exchanges and start rewarding the share holders who have been patient and co-operative. With the raw-materials, location and technology, Iron Ore mining will definitely keep your company in a good shape by next year and be able to reward the shareholders. Your company is virtually debt free in terms of term debts and confident of better financial results in the immediate future.

Sd/-
J.K. Singh
CHAIRMAN

Directors' Report

TO THE MEMBERS,

The Directors hereby present their 17th annual report on the business and operations of the Company and the financial results for the year ended 31st March 2010.

	Financial Results		
MESCO STEEL	PARTICULARS	2009-2010 INR in Mn	2008 - 2009 INR in Mn
(a)	Sales / Income	**2,101.70**	**5,836.18**
(b)	Total Expenditure	**1,596.53**	**6,786.59**
(c)	Operating Profit	**505.16**	**(950.41)**
(d)	Add : Other Income	**32.37**	**520.67**
(e)	Profit before Interest, Forex Fluctuation, Depreciation, Prior period items and Taxes	**537.53**	**(429.73)**
(f)	Less : Interest	**205.33**	**491.78**
	: Foreign Exchange Fluctuation	**54.95**	**218.51**
(g)	Profit / (Loss) before Depreciation, Prior period Items and Taxes	**277.25**	**(1,140.02)**
(h)	Less : Depreciation	**78.97**	**349.25**
(i)	Less : Miscellaneous Exp written off	**9.17**	**11.29**
(j)	Profit / (Loss) before Prior Period Items & Taxes	**189.11**	**(1,500.56)**
(k)	Add: Prior Period Item	**124.72**	**72.08**
(l)	Profit Before Tax	**64.39**	**(1,428.48)**
(m)	Less: Provision for current Taxes	**-**	**-**
(n)	Less: Provision for Deferred Tax Liability/(Asset)	**(107.48)**	**(141.46)**
(o)	Less: Provision for FB Taxes.	**-**	**2.58**
(p)	Less: Provision for Earlier Years' taxes	**-**	**-**
(q)	Profit/(Loss) after Taxes	**171.87**	**(1,289.61)**
(r)	Add : Balance brought forward from the previous year	**(1,275.96)**	**13.65**
(s)	Balance carried to Balance Sheet	**(1,104.09)**	**(1,275.96)**

The company has improved its performance for the financial year 2009-10 even though there was recession in the industry during 1st half of the year. In most part of the year under review the pig iron plant was closed resulting in lower pig iron sales in the year. The company has incurred operating profit of Rs 523.64 million. Going forward Your Company remains cautiously optimistic of overcoming the obstacles and delivering a strong performance in 2010-11.

The Global Scenario

Mid-term market estimates suggest a steady growth in demand for iron ore driven primarily by the emerging economies, especially China. On the supply side, enhanced exploration activities and increased production from mines is already taking place. And supply-side constraints of the past are expected to change by 2014. Much of the growth in demand is expected from China. Though China has its own source of iron ore, the deposits are of a quality that makes extraction expensive. Importing iron ore from Australia, Brazil and India is often more viable in an economic sense. What this means is that while the world may see an over-supply condition by 2014 at the macro level, it will also witness a rapid growth in sea-borne iron ore trade driven primarily by exports to China. In fact, seaborne trade has become dominant, and shapes the market by accounting for 95% of international iron ore trade and 55% of world iron ore consumption. The seaborne share of all iron ore consumed is estimated to rise by almost two-thirds by 2017.

Over the last five to seven years, given the lower cost structures, global steel production has been shifting away from developed countries to emerging economies, particularly China. The crude steel production for 66 countries reporting to the World Steel Association was 1220 million metric tons for calendar year 2009, lower by 8% against that of 2008. Hit by the economic downturn, the drop in production was nearly in all steel producing countries barring positive growth recorded in China, India and the Middle East. In most countries including the developed steel markets of the EU, the U.S.A., Japan, Brazil, CIS deterioration in the economy resulted in a sharp decline of demand in key steel using sectors.

China's production has been growing at a much faster pace than global output over the last eight quarters. Post the financial and economic crisis of 2008, steel demand is also shifting towards the emerging economies. The steel consumption in the emerging economies of Brazil, Russia, India and China (BRIC) increasing by 3.2% in 2008 and 19.2% in 2009. China alone witnessed a massive 27.4% increase in steel consumption in 2009. Growth in steel demand is now emanating from emerging economies. This changing landscape of the global iron and steel industry in terms of demand and supply has resulted in new opportunities and challenges. Fundamentally, given that China, Brazil, India and other emerging economies are in different phases of development compared to the advanced world, there is a re-alignment in favour of costs and towards more value-driven products. Consequently, competitive pricing and effective utilization of resources are increasingly becoming key strategic objectives for steel producers.

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OPERATIONS REVIEW:

DIVIDEND

In view of the expansion program undertaken by the company to become an Integrated Steel Plant, the Board of Directors of the company, therefore, does not recommend any dividend for the year 2009-10.

EXPANSION

The company is on the committed path in commissioning the Sinter Plant, the Oxygen Plant and Pulverized coal dust injection unit and re-heating furnace during 2009- 10 with a forward integration to manufacture 0.8 Mt of billets and Blooms. In the immediate next phase of expansion the company will be installing an Electric Arc Furnace to increase the production of steel to 1 million tonnes per annum and also add a rolling mill to manufacture long products and a coke oven battery for manufacture of coke which will help reduce the cost of production. Apart from this the company is strategically tying up for expanding the capacity further to 3MTPA steel manufacturing plant in 2 phases by using the new high cost saving technologies, which are being examined.

FINANCE

Your company repaid all the secured creditors a One Time Settlement last year except for IIBI and IPICOL. As IIBI is under liquidation we are at government instruction in the matter. As regards IPICOL it is subjoined in the court. However we have already told the court that we are prepared to settle the loan under OTS for which no response is forthcoming from IPICOL. Negotiations are on with IIBI and IPICOL for reaching a reasonable and mutually convincing settlement. SBI loan is being repaid as per mutually concluded settlement under the aegis of DRT. Stemcor Group continued to support the company in its requirement of finance for the operations and for the above one-time settlement payments.

DIRECTORS

The Honorable High court has appointed a committee chaired by Mr. Arvind Pandey the Ex- CMD of SAIL India to oversee and monitor the progress of the company.

Auditors

M/s Sangram Paul & Co. Chartered Accountants, Bhubaneswar Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received letter from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the companies Act,1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

Energy Conservation, Technology Absorption & Foreign Exchange Earnings & Outgo (to be given by technical team)

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

Foreign Exchange Earning and Outgo

The particulars with respect to foreign exchange earnings & outgo are set out in a separate annexure attached hereto and forms part of this Report.

Particulars Of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in annexure 'B" to the Directors' Report.

Corporate Governance –

Your Company is committed to maintain the highest standards of Corporate Governance..

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
2. 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 of the Company for that year;
3. The directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The directors have prepared the annual accounts of the Company on a 'going concern' basis.

Acknowledgement

Your director's place on record their sincere appreciation for the continued co-operation and support extended by various government and regulatory authorities, bankers, shareholders, all business associates and stakeholders of the company. The Directors also extend their sincere appreciation to the members of the staff and workers of the company for their commitment and involvement during the period under review.

On behalf of the Board of Directors

Sd/-
J.K.SINGH
CHAIRMAN

Place: NEW DELHI
Date: 20th August, 2010

Annexure 'A' to Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

a) ENERGY CONSERVATION MEASURES TAKEN:

- Commissioning of Two units (4.5 MW) our Captive Power Plant (CPP) reduced flaring of Carbon Monoxide (CO) gas, generated from Blast Furnace, to atmosphere.
- More than 90% CO gas generated from our Blast Furnace is being utilized for steam making, which helps to run Turbo-Generator to produce Power for our own consumption.
- CPP is being run in optimized condition so that, there is negligible wastage of CO gas to atmosphere.

- Optimized operation of Gas Cleaning Plant has improved availability of CO gas in CPP and Stoves for Captive energy uses.
- Installation and successful operation of Staker- cum- Reclaimer has reduced fines generation in Raw Material Yard which consists of Imported Coke, costliest energy provider to Blast Furnace. Hence, lot of energy wastage has been reduced in terms of Coke fines.
- Water Treatment Plant (WTP) has been commissioned to provide good quality of water to process line, hence reducing wastage of water during process.
- Use of dry quenching coke to utilize the sensible heat of coke to increase heat and reduce the consumption of coke.

c) **IMPACT OF THE ABOVE MEASURES:**

Energy conservation measures have resulted in achieving:

i) Lowest ever Plant specific energy consumption

ii) Higher boiler efficiency and higher efficiency of turbo-generating set.

d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION:

Form - A enclosed.

B. **TECHNOLOGY ABSORPTION**

Efforts made in technology absorption as per Form B:

Form B enclosed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) Activities relating to exports, initiatives taken to increase exports; development of the new export markets for products and services; and export plans.

g)	Total foreign exchange used and earned	Rs. in Mn
i)	CIF value of imports	269.32
ii)	Expenditure in foreign currency	3.92
iii)	Foreign exchange earned	401.33

FORM - A			
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY			
	PARTICULARS	**2009-2010**	**2008-2009**
(A)	***POWER AND FUEL CONSUMPTION***		
1	**ELECTRICITY PURCHASED**		
	UNITS / KWH ('000)	2,801.28	5,915.76
	TOTAL AMOUNT (Rs. / Mln)	15.50	23.18
	RATE / UNIT (Rs.)	5.53	3.92
2	**OWN GENERATION**		
	THROUGH STEAM TURBINE GEN. UNIT:		
	UNITS / KWH ('000)	-	6,065.51
3	**FUEL / LDO CONSUMPTION**		
	QUANTITY (K. LTRS.)	121.70	397.18
	TOTAL COST (RS IN Mln)	4.93	16.09
4	**UNITS / KWH EX+B20PORTED ('000)**	**-**	169.00
(B)	***CONSUMPTION FOR PRODUCTION***		
1	**ELECTRICITY**		
	UNITS / KWH ('000)	2,801.28	11,812.27
	COST PER TONNE OF PRODUCTION (RS)	1,173.45	217.97
	TOTAL COST (RS IN Mln)	15.50	23.18
2	**LOW ASH MET COKE**		
	QUANTITY CONSUMED (MT)	11,984.53	**96,159.00**
	VALUE (RS IN Mln)	174.02	2,729.83
	COST PER TONNE OF PRODUCTION (RS)	13,174.25	25,671.30
3	**FUEL/LDO**		
	QUANTITY (K. LTRS.)	121.70	397.18
	TOTAL COST (RS IN Mln)	4.93	16.09
	COST PER TONNE OF PRODUCTION (RS)	373.06	151.28

Form - B

Form for disclosure of particulars with respect to Technology Absorption: 2009-2010.

RESEARCH AND DEVELOPMENT

1. **SPECIFIC AREAS IN WHICH R & D WAS CARRIED OUT BY THE COMPANY**

   Research was carried out in the areas of raw materials including coal, coke, energy utilization, energy conservation, waste utilization, blast furnace productivity, product development and improvement in life of plant and machinery.

   Modifications have been made in hot air blasting, reheating of cooled air, water cooling system of Blast furnace, hot metal weighing system, raw material weighing system, spectrometer for quality check & control.

2. **BENEFITS DERIVED**
   Improvement in blast furnaces productivity;

3. **FUTURE PLAN OF ACTION**
   Standardization of processes and systems
   Full Implementation of ERP systems

4. **EXPENDITURE ON R & D Rs. Lakhs**
   (a) Capital
   (b) Recurring
   (c) Total
   (d) Total R & D expenditure as a percentage of total turnover (%)

Annexure 'B' to Directors Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

SL NO	Nam	Age	Design.	Gross Remuneration	Net Remuneration	Qualification	Date of Joining	Last Employment
1	B.P. Singh	67	CEO	4,70,966	4,26,684	B.Sc (Mett, Eng)	1.4.2004	MD Nilanchal Ispat Nigam Ltd.

Net remuneration is after tax and is exclusive of companies' contribution to Superannuation funds and monetary value of non-cash perquisites.

Management Discussion and Analysis

The Management's discussions on the Company's performance are given below:

I) BUSINESS REVIEW

Your company has a profit before depreciation, Interest and tax of Rs 537.53 Mn against previous years' loss of Rs. (429.73 Mn) on account of better price realization and improved market condition this year.

2) INDUSTRIAL STRUCTURE & DEVELOPMENT

The company will be commissioning the sinter plant, the oxygen plant and pulverized coal dust injection unit during 2011. This apart the company is also tying up strategic alliance for installation of 3MTPA steel manufacturing facilities. This will position your company among fully integrated steel companies and to reap the benefits of economies of scale.

3) OPPORTUNITIES & THREATS

You company has secure iron ore deposit to meet not only the present but also the future expansion plans and that positions it uniquely and strategically against any other industry or unit of its stature. The demand for steel being robust globally and consumption growing at double digits domestically your company sees growing opportunities in the coming years.

Strengthening rupee is a source of threat, as MISL has to export maximum of its production as an EOU with margins taking a beating. As international markets are expected to improve pushed by growth in consumption we expect to realize better price from our customers and offset the effects of rising of rupee.

4) OUTLOOK

The overall Industrial and Infrastructural climate in India coinciding with reported GDP of 10% exudes confidence. The real estate growth is also encouraging. All these foretell sanguine future for steel Industry.

5) DISCUSSION ON FINANCIAL PERFORMANCE

Your company reported a turnover at Rs 2101.70 Mn (previous year Rs.5836.18 Mn) and a operating profit of (Rs. 505.16 Mn), (previous year loss of Rs 950.41 mn) adding the other income of Rs. 32.37 mn, profit before depreciation, Interest, prior period items and tax stood at Rs. 537.53 mn (Previous year loss of Rs. (429.73 mn). Interest represents entirely on amount borrowed for working capital purposes. Depreciation has been provided as per company law on assets put to use during the relevant period. The financial highlights during the year are as under.

	Financial Results		
		2009-2010	2008 - 2009
MESCO STEEL	PARTICULARS	INR in Mn	INR in Mn
(a)	Sales / Income	2,101.70	5,836.18
(b)	Total Expenditure	1,596.53	6,786.59
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(d)	Add : Other Income	32.37	520.67
(e)	Profit before Interest, Forex Fluctuation, Depreciation, Prior period items and Taxes	537.53	(429.73)
(f)	Less : Interest	205.33	491.78
	: Foreign Exchange Fluctuation	54.95	218.51
(g)	Profit / (Loss) before Depreciation, Prior period Items and Taxes	277.25	(1,140.02)
(h)	Less : Depreciation	78.97	349.25
(i)	Less : Miscellaneous Exp written off	9.17	11.29
(j)	Profit / (Loss) before Prior Period Items & Taxes	189.11	(1,500.56)
(k)	Add: Prior Period Item	124.72	72.08
(l)	Profit Before Tax	64.39	(1,428.48)
(m)	Less: Provision for current Taxes	-	-
(n)	Less: Provision for Deferred Tax Liability/(Asset)	(107.48)	(141.46)
(o)	Less: Provision for FB Taxes.	-	2.58
(p)	Less: Provision for Earlier Years' taxes	-	-
(q)	Profit/(Loss) after Taxes	171.87	(1,289.61)
(r)	Add : Balance brought forward from the previous year	(1,275.96)	13.65
(s)	Balance carried to Balance Sheet	(1,104.09)	(1,275.96)

6) **SEGMENT/PRODUCT WISE PERFORMANCE**

The current business of the company comprises of manufacture of pig iron and mining of iron ore. During the period under review the key financials of your company were as follows:

Information about Primary Business Segment				
Particulars	Business Segment		Total	Previous
	Pig irons	Minerals		Year Figure
	QTY. M.T.	QTY. M.T.	QTY M.T.	QTY M.T.
Total Pig Iron Sales (MT)	2,000.160		2,000.160	1,00,508.680
Total Mineral Sales (MT)		19,45,912.719	19,45,912.719	21,56,983.000
Less: Transferred for Internal Consumption (MT)		27,959.130	27,959.130	1,06,678.000
Total External Sales (MT)	2,000.160	19,17,953.589	19,19,953.749	21,50,813.680
- Domestic	2,000.160	17,74,623.589		
- Export		1,43,330.000		
	Rs. In Mln	Rs. In Mln	Rs. In Mln	Rs. In Mln
Total Sales	42.79	2,058.91	2,101.70	6,415.52
Less: Inter segment Transfer		79.56	79.56	39.29
Total External Sales	42.79	1,979.35	2,022.14	6,376.23
Other Income			32.37	520.67
Segment Profit Before Interest & Tax			537.53	(429.73)
Less : Interest			205.33	491.78
Profit Before Taxes			64.39	(1,428.48)
Provision for Taxes			-	-
Profit after Tax			64.39	(1,428.48)
Segment Assets (Gross Block)	**8,556.05**	**427.08**	**8,983.13**	**10,537.48**

7) INTERNAL CONTROLS & SYSTEMS

The Company has proper and adequate systems of internal controls to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported correctly and to ensure compliance with policies, statutes and Code of Conduct. The internal control system provides for well-documented policies, guidelines, authorizations and approval procedures. The Company also discusses with the Company's statutory auditors to ascertain their views on the adequacy of the internal control systems in the Company and their observations on the financial reports.

8) RISK MANAGEMENT

The Company is conscious of the fact that steel Industry is subject to both systematic and non-systematic risks. Systematic risk that common to all units in the sector that is facing raw material shortage is abated by positioning the company uniquely with secure source for supply of raw materials. Non-Systematic risk particular to the company is controlled by forming risk management team for timely risk management and solution. Specific identified risks are covered by Insurance.

Contingent Liabilities

Details of contingent liabilities are given in Schedule Q of the Notes on Balance Sheet and Profit and Loss Account.

9) ENVIRONMENT MANAGEMENT

The Company is aware of the impact of its activities, products and services on the environment. Its endeavor is not limited to mere compliance with applicable legislation. All efforts are made to go well beyond compliance by minimization of process waste, optimization of recovery and recycling of waste material, phasing out old and outdated units and installation of state-of-the-art technology for preservation and protection of the environment. Numerous initiatives were undertaken during the year for improving the state of environment. Important measures include reduction in greenhouse gas emissions, reduction in specific energy consumption. The levels of particulate matter, sulphur dioxide and oxides of nitrogen continued to improve and were well under the statutory levels. During the year, water consumption was lowered due to recycling and treatment of water in the water treatment plant. Maximum quantity of CO gas formed in the production process of pig iron is utilized to run the boiler and generate power with the commissioning of the first 4.5 mw turbo generator.

10) INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Industrial relations remained normal at all locations and there were no significant labour issues outstanding or remaining unresolved during the year. The Board of Directors and the Management wish to place on record their appreciation of the efforts put in by all employees to achieve record performances,

11) CAUTIONARY STATEMENT

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

Report on Corporate Governance

Corporate Governance Our Philosophy

Mideast Integrated Steels Ltd (MISL) defines Corporate Governance as a systemic process by which company is directed and controlled to enhance their wealth generating capacity to optimize returns for shareholders. Large corporations employ vast quantum of societal resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholders aspirations and societal expectations.

MISL firmly believes that Management must have the executive freedom to drive the enterprise forward without undue restraints; and this freedom of management should be exercised within a framework of effective accountability. MISL believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management is not only not misused, but is used with care and responsibility to meet stakeholder aspirations and societal expectations.

The core principles of Corporate Governance of MISL emerge as governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. We believe that the practice of each of these leads to the creation of the right corporate culture in which the company is managed in a manner that fulfills the purpose of Corporate Governance

MISL had made a public issue of shares in September 1994 and these shares were listed on the 22nd November 1994 in the BSE and six other stock Exchanges in India. However due to circumstances beyond the control of the management the MESCO group went into innumerable problems which were not management driven and eventually the shares were de listed from the BSE and the Delhi Stock Exchange on July 2004. The shares continue to be listed on the other stock Exchanges but trading remains suspended. Necessary applications for re listing/and resumption of trading has been made to these Stock Exchanges and the responses are encouraging

However, the Company had initiated steps to comply with the requirements of Clause 49 of the Listing Agreement.

Compliance with the SEBI Code on Corporate Governance

In line with this, we are pleased to inform you that as on 31st March 2010, the Company is in compliance with most of the requirements of Clause 49 of the Listing Agreement though many of the sub-clauses would become fully applicable only after it is listed; however the Company has made significant disclosures on its performance and outlook etc.

Board of Directors

Composition of the Board

Board / Committee Position as on 31st March 2010

	Executive /Non-Executive /Independent	No. of Outside Directorship(s) held			Outside Committee Positions held	
		Public	Private	Foreign	Chairman	Member
Mr. Jitendra Kumar Singh	Executive Chairman	9	--	--	--	--
Mrs. Rita Singh	Managing Director	7	--	--	--	--
Mr. Dong Zhixiong	Non-Executive / Independent	--	--	--	--	--
Mr. Liu Gaungyu	Non-Executive / Independent	--	--	--	--	--
Mrs. Natasha Singh Sinha	Executive Director.	4	--	--	--	--
Mr. G. N. Srivastava	Non-Executive / Independent	--	--	--	--	--
Mr.N.G.Banerjee	Director – Works	--	--	--	--	--

Independent director is as defined in Clause 49 of the Listing Agreement.

The Honorable High court has appointed a committee chaired by Mr. Arvind Pandey the Ex- CMD of SAIL India to oversee and monitor the progress of the company.

It is proposed to broad base the Board with the induction of new members in addition to the promoter Directors.

PROMOTER DIRECTORS:

Mr. J.K. Singh : Chairman
Mrs. Rita Singh : Managing Director
Mrs. Natasha Singh Sinha : Director

PROFESSIONAL DIRECTORS:

Mr. Matthew Stock : Director Commercial
Mr. N. G. Banerjee - : Director (Works)
Mr. K.B.R Sood : Director (Projects)

INDEPENDENT DIRECTORS:

Mr. Arvind Pandey ; Advisor (Former Chairman & Managing Director SAIL)
Mr. Dave Sandy : Mining advisor (Current Managing Director Savage River Mines Australia)
Sino Steel nominees

MANAGEMENT COMMITTEE

The Board of Directors under the guidance & supervision of the Managing committee comprising the following members is presently running the operations of the company.

Mr. Arvind Pandey - Ex- Chairman, Steel Authority of India Ltd.,
Mr. N. G. Banerjee – Director (Works).
Prof. J.D. Aggarwal - Indian Institute of Finance, Hindustan Steel Works Construction Ltd.,

The following committees are operational as per the listing Agreement to comply with the provisions of Clause 49 of the listing agreement.

Audit Committee.
Remuneration Committee.
Share Transfer and Investor Grievance Committee
Finance & Banking Committee
Selection Committee.

The committee meets every quarter and evaluates the performance of the company with regards to its working, compliances, accounting, controls etc.

The promoters and the members of the Board also meet at frequent intervals to supervise, guide, direct and manage the affairs of the company.

The Board and the committee is assisted by a multi-disciplined team of Senior Professionals (CEO, Projects In charge, Senior Resident In charge, Director, Mines In charge, Commercial In charge, COO, Company Secretary, CGM's/GMs/DGMs/AGMs, Legal Counselors, in Project, Finance and Corporate Finance Departments, Strategic Management cell, HR Department, Administration / Facility Planning)' who have both wide experience and specific expertise in their respective domains/disciplines, to support the Corporate Management in achieving the Enterprise's Mission and Vision, while upholding its Core Values.

III. SUBSIDIARY COMPANIES

The Company has no subsidiary company.

IV. DISCLOSURES

Related Party transactions

A comprehensive list of Related Parties and their transactions as specified under Clause 49 of the Listing Agreement and as required by AS-18 issued by the Institute of Chartered Accountants of India, forms part of Schedule to the Accounts in the Annual Report.

Disclosure of Accounting Treatment

There has been no change in accounting treatment other than that prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India, in the preparation of financial statements.

Code of Conduct

The Code of Conduct applicable to Directors and Senior Management and other employees of the company approved by the Board of Directors is being issued to the employees of the company and the said Code of Conduct to be followed by the Directors and Senior Management and all employees of the company with effect from the date of issue.

Risk Management

There are risk management procedures in place and Board of Directors evaluates the risks and takes necessary steps to mitigate the risks, however, the same will be formalized and documented in due course.

Management Discussion & Analysis Report

The Management Discussion & Analysis Report forms part of the Directors Report.

Means of communications

The Annual Report - Yes

General Body Meetings

Current AGM, date, time and venue:

Date: 27th Sept, 2010
Time: 9:30am
Venue: D-3A, Ansal Villa, Satbari, New Delhi – 110 030

Location and time, where last three AGM held

Year	Location	Date	Time	Whether special resolutions passed
2008-09	D-3A, Ansal Villa, Satbari, New Delhi- 110 030	30.09.2009	9.30 A.M	NO
2007-08	D-3A, Ansal Villa, Satbari, New Delhi- 110 030	30.09.2008	9.30 A.M	NO
2006-07	D-3A, Ansal Villa, Satbari, New Delhi- 110 030	28.09.2007	9.30 A.M	NO

Postal Ballot
* Whether resolutions were put through postal ballot last year : NO
* Details of voting pattern : NA
* Person who conducted the postal ballot exercise : NA
* Whether any resolution is proposed to be conducted through postal ballot : NA
* Procedure for postal ballot : NA
* Details of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There are no penalties or strictures imposed on the Company by SEBI or Stock Exchange or any statutory authority on any capital market issue during the last 3 years.

Registered Office:
Mesco Towers
H – 1, Zamrudpur Community Centre
Kailash Colony
New Delhi – 110 048

Registrars & Transfer Agents.
(For Information, Change of address, Share certificates etc.)
Skyline Financial Services (P) Ltd.,
D-153/A, 1st Floor, Okhla Industrial Area Phase – I
New Delhi – 110 020.

Compliance
The company has complied with the mandatory and non-mandatory requirements wherever applicable of the code of corporate governance as stipulated under clause 49 of the listing requirements.

Certificate from the Auditors regarding compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed herewith.

On behalf of the Board of Directors

Sd/-
J.K.SINGH
CHAIRMAN

AUDITORS’ CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

MIDEAST INTEGRATED STEELS LIMITED

We have examined the compliance of conditions of Corporate Governance by Mideast Integrated Steels Limited, for the year ended on 31st March 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as Stipulated in Clause 49 of the above-mentioned Listing Agreements.

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

For Sangram Paul
Chartered Accountants
Firm Regn no.

Sd/-
S.K.Paul
Proprietor
Membership No: 13015

Place: Bhubaneswar
Date: 20th August, 2010

AUDITOR'S REPORT

TO THE MEMBERS OF MIDEAST INTEGRATED STEELS LTD

1. We have audited the attached Balance Sheet of Mideast Integrated Steels Ltd. as at 31st March 2010, the Profit and Loss Account and also 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 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 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

v) On the basis of 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 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;

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

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

For Sangram Paul
Chartered Accountants
Firm Regn No.
Sd/-
S.K.Paul
Proprietor
Membership No: 13015

Place: Bhubaneswar
Date: 20th August, 2010

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

(i) **Fixed Assets**

a. The Company has maintained proper records showing particulars, including quantitative details and situation of fixed assets.
b. Physical verification of fixed assets is carried out in a phased manner as determined by management, whereby assets held at the Company's factories have been verified during the year. The programme of verification is reasonable considering the nature of assets and size of the Company and no material discrepancies were noticed on such verification.
c. No substantial part of the fixed assets of the Company has been disposed off during the year.

(ii) **Physical verification and reconciliation of Inventories.**

a. The inventories have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) **Loans and advances to parties covered in the register maintained under section 301 of the Act.**

a. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
b. The Company has not taken any loans, secured or unsecured from Companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956.

(iv) **Internal Control Procedure**:

In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods and services.

(v) **Transaction to be entered into registers maintained under section 301 of the Companies Act.**

a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section; and

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) **Acceptance of Public Deposit:**

The Company has not accepted any deposits from the public during the year.

(vii) **Internal Audit System:**

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

(viii) **Maintenance of Cost Records;**

The Central Government of India has not prescribed the maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Act for any of the products of the company.

(ix) **Payment and remittances to Statutory Authorities:**

a. According to the records of the company, the Company is regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Investor Education and protection Fund, Employee's State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

b. According to the information and explanations given to us, no undisputed amounts in respect of Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March, 20010 for a period more than six months from the date they became payable.

c. According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth Tax, Service tax, Customs Duty, Excise Duty and Cess which have not been deposited on account of any dispute.

(x) **Accumulated losses:**

The company are accumulated loss of Rs.1104.09 mn during the current year and Rs.1275.96 mn in the preceding year , Company has cash profit of Rs.1608.30 mn during the current and Rs. 1321.67 mn in the preceding year covered by our audit.

(xi) **Repayment of dues to Bank and Financial Institutions.**

In our opinion and according to the information and explanations given to us, the company has repaid dues to banks and financial institutions as per details given in note to accounts.

(xii**)** **Loans and Advances on the basis of security by way of pledge of shares etc:**

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) **Chit Fund or Nidhi/Mutual Benefit Fund/Society:**

In our opinion, the Company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) **Trading in shares etc;**

In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) **Guarantee for loan taken by others:**

In our opinion and according to the information and explanations given to us, the Company has not during the year given any guarantee for loan taken by others from banks or financial institutions. In respect of a guarantee issued by the Company in an earlier year and remaining enforceable, the terms and conditions of the guarantee for a loan taken by a Company from a bank, are not prima facie prejudicial to the interests of the Company.

(xvi) **Application for Term Loans:**

According to the information and explanations given to us, term loans availed by the Company was applied for the purpose for which these loans were raised.

(xvii) **Usage of Short Term and Long Term Funds:**

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. The company has not raised any funds on long term basis during the year.

(xviii) **Preferential Allotment of Shares:**

According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

(xix) **Issue of Debentures:**

According to the information and explanation given to us the company had not issued debentures during the year.

(xx) **End use of money raised by Public Issue:**

The Company has not raised money by way of public issues during the year.

(xxi) **Fraud:**

To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Sangram Paul
Chartered Accountants
Firm Regn No.

Sd/-
S.K.Paul
Proprietor
Membership No:13015

Place: Bhubaneswar
Date: 20th August, 2010

MIDEAST INTEGRATED STEELS LTD.

H-1, Zamrudpur Community Centre,Kailash Colony, New Delhi - 110048

MESCO STEEL

BALANCE SHEET AS AT 31ST MARCH, 2010	Schedule	As at 31.03.2010 Rs. In Mn.	As at 31.03.2009 Rs. In Mn.
SOURCES OF FUNDS			
a) SHAREHOLDERS' FUNDS			
(i) Share Capital	A	1,378.75	1,378.75
(ii) Reserve & Surplus	B	677.70	677.70
		2,056.45	**2,056.45**
b) LOAN FUNDS			
(i) Secured Loans	C	822.69	2,407.02
(ii) Unsecured Loans	D	2,299.09	3,365.53
		3,121.78	**5,772.55**
c) DEFERRED TAX LIABILITIES (NET)		-	-
		5,178.23	**7,829.00**
APPLICATION OF FUNDS			
d) FIXED ASSETS	E		
(i) Gross Block		8,200.32	7,936.54
(ii) Less : Accumulated Depreciation		955.49	876.54
(iii) Net Block		7,244.83	7,060.00
(iv) Capital Work-In-Progress		773.09	2,600.94
		8,017.92	**9,660.94**
e) INVESTMENTS	F	19.12	19.12
f) CURRENT ASSETS, LOAN AND ADVANCES			
(i) Inventories	G	1,067.55	824.90
Deposits (Asset)			
(ii) Sundry Debtors	H	26.51	149.14
(iii) Cash and bank Balances	I	530.69	259.98
(iv) Loans & Advances	J	1,238.38	930.97
g) CURRENT ASSETS		**2,863.14**	**2,164.99**
h) Less:(i) Current Liabilities	K	**7,099.20**	**5,484.91**
(ii) Provisions		-	1.08
Net Working Capital		**(4,236.06)**	**(3,321.00)**
i) MISCELLANEOUS EXPENSES	L	29.87	58.15
(To the extent not written off)			
j) DEFERRED TAX ASSET		243.30	135.83
PROFIT & LOSS A/C		1,104.09	1,275.96
TOTAL		**5,178.23**	**7,829.00**
k) SIGNIFICANT ACCOUNTING POLICIES AND NOTES	M		
Schedule to form an integral part of these accounts			

As per our Audit Report of even date attached
For Sangram Paul & Co.
Chartered Accountants

For and On Behalf of the Board

Sd /-J.K.Singh
Chairman

Sd/- Mrs.Rita Singh
Managing DIrecto

Sd/- S.K.Paul
Proprietor

Sd /- N.S.Parmeswaram
Company Secretary

H-

ST INTEGRATED STEELS LTD.

MESCO STEEL

1,Zamrudpur Community Centre,Kailash Colony, New Delhi - 110048

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31 ST MARCH, 2010

PARTICULARS	Schedule	Year ended 31.03.2010 Rs. In Mn.	Year ended 31.03.2009 Rs. In Mn.
INCOME			
a) Sales	M	2,101.70	5,836.18
b) Other Income	N	32.37	520.67
TOTAL INCOME		**2,134.07**	**6,356.85**
EXPENDITURE			
c) Mining Expenses	O	541.35	794.63
e) Material Consumed	P	166.06	3,591.68
f) Payment to and Provisions for Employees	Q	96.11	133.24
g) Manufacturing Operation and other expenses	R	793.02	2,267.05
		1,596.53	**6,786.59**
EARNINGS BEFORE INTEREST,DEPRICIATION,PRIOR PERIOD ITEMS AND TAXATION		**537.53**	**(429.73)**
* Foreign Exchange Fluctuation		54.95	218.51
h) Finance Cost		205.33	491.78
i) Depreciation	E	78.97	349.25
j) Miscellaneous Expenses written Off		9.17	11.29
PROFIT / (LOSS) BEFORE PRIOR PERIOD ITEM & TAX ATION		**189.11**	**(1,500.56)**
Prior Period Item		124.72	(72.08)
PROFIT/ (LOSS) BEFORE TAX FOR THE YEAR		**64.39**	**(1,428.48)**
k) Provision for Taxation			
a) Current Taxes		-	-
b) Deferred tax Liability/ (Asset)		(107.48)	(141.46)
c) Fringe Benefit tax		-	2.58
d) Earlier Years		-	-
NET PROFIT / (Loss) FOR THE YEAR		**171.87**	**(1,289.61)**
l) BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		(1,275.96)	13.64
m) BALANCE CARRIED TO BALANCE SHEET		**(1,104.09)**	**(1,275.96)**
n) **SIGNIFICANT ACCOUNTING POLICIES AND NOTES** Schedule to form an integral part of these accounts	L		

As per our Audit Report of even date attached

For Sangram Paul & Co.
Chartered Accountants

For and On Behalf of the Board

Sd/-
S.K.Paul
Proprietor

Sd /- J.K.Singh
Chairman

Sd/- Mrs.Rita Singh
Managing Director

Place:
Date :

Sd/- N.S.Parameswaram
Company Secretary

Schedules forming part of the Balance Sheet

	As at 31.3.2010	Rs. (in Mn) As at 31.3.2009
Schedule A: Share Capital:		
Authorised		
140,000,000 Equity Shares of Rs.10/- each	**1,400.00**	**1,400.00**
Issued, Subscribed and Paid up		
137,875,000 Equity Shares of Rs 10/- each fully paid-up	**1,378.75**	**1,378.75**
	1,378.75	**1,378.75**
Schedule B: Reserves and Surplus:		
(i)Share Premium Account	**677.70**	**677.70**
(ii) Balance in Profit & Loss Account	**0.00**	**0.00**
	677.70	**677.70**
Schedule C: Secured Loan:		
a) Debentures		
18% Debentures	**71.68**	**71.68**
30% Convertible Debentures (IPICOL)	**170.00**	**170.00**
b) Loan from Banks / Financial Institutions		
Term Loan SASF	**0.00**	**1,642.61**
Term Loan IIBI	**150.00**	**150.00**
Accrued Interest	**219.67**	**219.68**
c) Working Capital Loan SBI	**43.37**	**43.37**
d) Srei Infrastructure Finance	**167.96**	**109.68**
	822.69	**2,407.02**

Notes :

a) Debentures are secured by way of creation of second charge in favour of debenture holders by way of hypothecation of whole movable properties of the Company including Plant and Machineries and buildings , the charge to be subject to first charge created in favour of Financial Institutions and ranking pari-pasu with financers for working capital.

b)The above loans are secured by equitable mortgage and first charge on all immovable and movable assets , present and future, of the Company (subject to prior charge on specified movable assets created, to be created in favour or Company's bankers for Working Capital).

c)Working Capital Loan is secured by hypothecation of company's present and future stocks of raw materials , Work In Progresss , Finished Goods and cosumables.
Working Capital Loan is further secured by Personal Gurantee of three Promoter Directors.

d) Charge on Srei Infrastructure Finance is secured by charge on Two Rakes consisting of 1222 Nos. BOXN HS Wagons and Two Break Vans accquired out of the facility and Personnel Gaurantee of three Promoter Directors.

Schedule D: Unsecured Loan:		
a) Loan from Directors	**295.51**	**295.51**
b) Loan From Others	**2,003.58**	**3,070.02**
	2,299.09	**3,365.53**

Fixed Assets Schedule for the year ended 31st March 2010

Particulars	Gross Block				Depreciation				Net Block	
	Opening Bal as per last year	Additions	Deductions	Total	Opening Bal as per last year	During the year	Deduction	Total	Last Year	Current Year
Land	5,69,51,267	(4,50,76,062)	-	1,18,75,205	-	-	-	-	5,69,51,267	1,18,75,205
Land and Site Development	18,18,28,072	7,67,66,438	-	25,85,94,510	-	-	-	-	18,18,28,072	25,85,94,510
Building	1,27,47,20,836	93,51,999	-	1,28,40,72,835	7,47,38,687	55,32,082	-	8,02,70,769	1,19,99,82,149	1,20,38,02,066
Plant and Machinery	6,28,08,32,860	19,60,68,418	-	6,47,69,01,278	76,48,48,121	5,35,03,949	-	81,83,52,070	5,51,59,84,740	5,65,85,49,208
Furniture and Fixtures	10,54,14,991	9,92,756	-	10,64,07,747	92,95,042	27,93,521	-	1,20,88,563	9,61,19,949	9,43,19,184
Office Equipment	49,48,325	(13,02,413)	-	36,45,912	6,26,227	2,61,109	-	8,87,336	43,22,098	27,58,576
Computer	3,27,42,227	63,12,855	-	3,90,55,082	2,32,93,203	1,51,66,701	-	3,84,59,904	94,49,024	5,95,177
Vehicles	1,78,80,409	13,99,976	-	1,92,80,385	36,97,918	16,98,860	-	53,96,778	1,41,82,491	1,38,83,607
V Sat	3,43,200	1,48,319	-	4,91,519	22,861	16,302	-	39,163	3,20,339	4,52,356
Total	**7,95,56,62,188**	**24,46,62,285**	**-**	**8,20,03,24,472**	**87,65,22,059**	**7,89,72,524**	**-**	**95,54,94,583**	**7,07,91,40,128**	**7,24,48,29,889**
Previous Year	**7,61,51,45,620**	**34,05,16,567**	**-**	**7,95,56,62,187**	**52,72,93,401**	**34,92,28,658**	**-**	**87,65,22,059**	**7,08,78,52,219**	**7,07,91,40,128**

Capital Work in Progress

Particulars	Opening Balance	Addition	Deduction	Closing Balance
Plant & Machinery	22,60,55,509	19,76,23,780	40,14,95,351	2,21,83,938
Barbil Township	2,68,73,226	1,37,80,131	2,74,80,034	1,31,73,323
Jajpur Guest House	28,06,245	19,97,243	48,03,488	-
Railway Siding	10,22,47,184	2,56,00,737	2,52,92,887	10,25,55,034
Pre-operative Expenses	2,24,13,01,173	38,35,70,861	1,99,75,57,099	62,73,14,935
CWIP - Coal Block	14,79,755	76,46,550	38,20,714	53,05,591
CWIP - Lime Stone Mines	1,76,000	21,11,346	11,62,738	11,24,608
CWIP - Builiding		1,50,11,128	1,35,78,850	14,32,278
Total	**2,60,09,39,092**	**64,73,41,775**	**2,47,51,91,161**	**77,30,89,707**

Schedule F: Investments		
Investments	**19.12**	**19.12**
(unquoted investements)		
	19.12	**19.12**

[redacted]

SCHEDULES OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2010

Schedule M: Sale of Products	Current Year	Previous Year
	Rs (in Mn)	
Domestic Sales		
- Pig Iron	44.33	2,414.44
- Minerals	1,657.57	1,564.97
Export Sales		
- Pig Iron	-	566.82
- Minerals	401.33	1,869.29
Less: Excise Duty	(1.54)	(332.78)
: Export Duty	-	(246.56)
	2,101.70	**5,836.18**

Schedule N: Other Incomes

Bank interest (TDS for C.Y. 2.276 MN)	20.43	1.19
Other Incomes	11.94	519.48
	32.37	**520.67**

Schedule O: Mining Expenses

Opening Stock	576.71	513.55
Less: Closing Stock	583.30	576.71
Net Increase/(Decrease) in Stock	**6.59**	**63.16**
Mining Expenses	544.39	678.94
Commission	3.54	178.84
	541.35	**794.63**

Schedule P: Raw Material Consumed

Opening Stock	172.34	726.24
Add: Purchase Accounts	402.12	2,694.25
Less: Closing Stock	178.63	172.34
Increase / (Decrease) in Stock	**395.82**	**3,248.15**
Add:Accretion/(reduction) in stocks of Finished and Semi-Finished Productes and Work-in Process		
a) Opening Stock	75.85	419.38
b) Less: Closing Stock	305.62	75.85
	(229.77)	343.53
Less: Stock with Consignment Agents	-	-
	(229.77)	343.53
Material consumed	**166.06**	**3,591.68**

Schedule Q: Payments to and provisions for Employees		
a) Salaries, Wages and Allowances	87.92	120.48
b) Staff Welfare	2.93	6.37
c) Companies Contribution to PF	5.25	6.39
	96.11	**133.24**
Schedule R: Manufacturing Operation & Other Expenses		
a) Stores Consumed	10.78	19.96
b) Fuel Oil Consumed	4.95	16.00
c) Repairs to Buildings	6.35	12.26
d) Repairs to Machinery	19.74	41.31
e) Power & Fuel	16.60	25.08
f) Other Manufacturing Expenses	27.25	224.86
g) Rates & Taxes	0.76	0.73
h) Insurance Charges	8.00	5.68
i) Commission	-	73.72
j) Selling & Distribution Expenses	467.56	1,670.27
k) Travelling Expenses	33.89	33.99
l) Auditors Remuneration	0.06	0.20
m) Telephone Charges	4.20	3.32
n) Other Expenses	103.91	139.67
o) Bad Debts	88.98	-
	793.02	**2,267.05**

SCHEDULE L: NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1) <u>Significant Accounting Policies:</u>

(a) Basis of Preparation of Financial Statements:

- The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The Company follows mercantile system of accounting and recognizes Income & Expenditure on accrual basis to the extent measurable and where there is certainty of ultimate realization in respect of incomes. Accounting policies not specifically referred to or otherwise, are consistent with and in consonance with the generally accepted accounting principles.

***(b)* Sale :**

- The sales are net of Excise Duty, export Duty & Sales Tax.

- Materials returned / rejected are accounted for in the year of return / rejection.

- Revenue in respect of sale of goods is recognized either on delivery or on transfer of significant risk and rewards of ownership of the goods.

- Incentives on exports and other Government Grants are recognized in books after due consideration of certainty of utilization / receipt of such incentive / grant.

***(c)* Fixed Assets & Depreciation:**

- **Fixed Assets**: Fixed Assets are stated at Cost of acquisition and incidental expenses related thereto and are net of CENVAT / VAT credit.

- **Expenditure during construction period**: All expenditure which is not directly attributable to a project during construction period in respect of new projects including interest on borrowed loans are carried to pre-operative expenditure till the completion of the project. All direct incidental and ancillary expenditure incurred during the construction are included under capital work-in-progress till the completion of the project. On completion of the project, capital work in progress along with preoperative expenses are capitalized under fixed assets.

- **Intangible Assets:** Computer software had been capitalized on the as intangible asset and is being amortized over its useful life.

- **Disposal of Assets:** Profit or loss on disposal of fixed assets is recognized in the Profit & Loss account. Capital Work In progress includes advance against capital expenditure, cost of machineries and progressive payment towards civil and structural works of various buildings.

- **Depreciation :**

- Depreciation: On all the Fixed Assets of the Company is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, as amended up to date.

- Depreciation is provided on the basis of number of days the assets is used during the period.

***(d) Valuation of In*ventories:**

- Finished and semi-finished products produced and purchased by the Company are carried at lower of cost and net realisable value.
- Work-in-progress is carried at lower of cost and net realisable value.
- Coal, iron ore and other raw materials produced and purchased by the Company are carried at lower of cost and net realizable value.
- Stores and spare parts are carried at lower of cost and net realisable value. Necessary provision is made and charged to revenue in case of identified obsolete and non-moving items.

Cost of inventories is generally ascertained on the 'weighted average' basis. Work-in-progress and Finished and semi-Finished products are valued on full absorption cost basis.

(e) Interest on Long Term Loans from Banks, Financial Institutions, Debentures and Working Capital Loan from SBI:

- Debentures, Financial Institutions, and SBI has filed cases with DRT / Court and are pending for finalization of the proposal of the company for rescheduling and restructuring of the liability therefore the interest is not provided in books..

(f) Miscellaneous Expenditure:

- Preliminary expenses incurred in connection with the formation of the company are being written off in ten equal installments.

- Public issue expenses are being amortized over a period of ten years.

(g) Taxes on Income:

- In accordance with Accounting Standard AS-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred taxes resulting from timing differences between book and tax profits are accounted for at tax rate substantively enacted by the Balance Sheet date to the extent the timing differences are expected to be crystallized. Deferred tax assets are recognized to the extent there is virtual certainty of realizing such assets against future taxable income.

(h) Contingent Liabilities:

- Contingent liabilities are not provided for in the accounts but are separately disclosed by way of a note.

2) NOTES TO ACCOUNTS

(a) Contingent Liabilities:

- No provision is to be made for liabilities which are contingent in future, unless it is probable that future events will confirm that an asset has been impaired or a liability incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.
- **Claims not acknowledged by the Company**

[redacted]

- The company has given counter guarantees to banks against the bank guarantees issued to secure B -17 bonds for Central Excise purpose to the extent of Rs. 2.92 Mn, towards Mines block to the extent of Rs. 69.12 mn.

- Liability on account of Interest on Term Loan IIBI, IPICOL & Debentures has not been provided for during the year since these Financial Institutions & debenture holders have filed cases with the DRT / courts and pending finalization of the proposal of the company for rescheduling / restructuring of liability of Financial Institutions and other entities.

- The Company has received advance in foreign currency against the supplies of goods and the advance received is recorded at the rate prevailing at the time of receipt of the advance. As the advance will be settled through supplies of goods (material) through Export performance hence the same are not revalued at the year end exchange rate .

(b) Provision for Current Taxation:

- Company's Income Tax Assessment is completed for Assessment Year 2007-2008 and have filed returns for the Assessment Year 2009 - 2010, in view of the carried forward losses and carried forward depreciation Company has not made any provision for Income Tax for the period.

- Movement of deferred tax provision / adjustment in accordance with Accounting Standard AS – 22 " Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India : -

CALCULATION OF DEFERRED TAX LIABILITY			
	W .D. V		
CALLUTATION PARTICULARS	As per Companies Act.	As per Income Tax	Balance
Difference in Depreciation as per Co.Act & IT	7,24,48,29,889.05	5,20,66,34,677.85	(2,03,81,95,211.20)
Brought Forward Losses IT		(:Add)	94,08,63,731.00
Brought Forward Depreciation IT		(:Add)	1,40,40,70,169.00
Unabsorbed Dep. IT for A.Y (2010-2011)			48,06,25,241.28
Total Differences			**78,73,63,930.08**
Deferred Tax Asset for the year (For Provisioning)			24,32,95,454.39
Opening Balance (closing last year)			13,58,18,759.75
Current Provision			**10,74,76,694.64**

(c) Auditors' Remuneration

(Rs. In Mn**)**

	31.03.2010	**31.03.2009**
Audit Fees	0.06	0.05
For Others	0.15	0.15
Total	0.06	0.20

(d) i) Sundry Creditors include Rs 18.98 mn due to Micro, Small & Medium enterprises .

ii) The list of small-scale undertakings to whom, amount is outstanding for more than 30 days is 45.18

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

(e) Sundry Debtors, Creditors and other advances are subject to confirmation. The effect of the same, if any, which is not likely to be material, will be adjusted at the time of confirmation.

(f) Segment Reporting:

Information about Primary Business Segment				
Particulars	Business Segment		Total	Previous
	Pig irons	Minerals		Year Figure
	QTY. M.T.	QTY. M.T.	QTY M.T.	QTY M.T.
Total Pig Iron Sales (MT)	2,000.160		2,000.160	1,00,508.680
Total Mineral Sales (MT)		19,45,912.719	19,45,912.719	21,56,983.000
Less: Transferred for Internal Consumption (MT)		27,959.130	27,959.130	1,06,678.000
Total External Sales (MT)	2,000.160	19,17,953.589	19,19,953.749	21,50,813.680
- Domestic	2,000.160	17,74,623.589		
- Export		1,43,330.000		
	Rs. In Mln	Rs. In Mln	Rs. In Mln	Rs. In Mln
Total Sales	42.79	2,058.91	2,101.70	6,415.52
Less: Inter segment Transfer		79.56	79.56	39.29
Total External Sales	42.79	1,979.35	2,022.14	6,376.23
Other Income			32.37	520.67
Segment Profit Before Interest & Tax			537.53	(429.73)
Less : Interest			205.33	491.78
Profit Before Taxes			64.39	(1,428.48)
Provision for Taxes			-	-
Profit after Tax			64.39	(1,428.48)
Segment Assets (Gross Block)	**8,556.05**	**427.08**	**8,983.13**	**10,537.48**

Notes:

(i) The Company has disclosed Business Segment taking into account the nature of the products, the differing risks and returns, the organizational structure and internal reporting system. The Company's operations predominantly relate to manufacture of Pig Iron and Iron ore mining.

(ii) Segment Revenue, Segment Results, include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis.

(iii) Transactions between segments are primarily for iron-ore, which are transferred to plant for manufacture of Pig Iron.

(h) Related Party Transactions

(Rs. in millions)

PARTICULARS	SUBSIDIARIES	ASSOCIATES AND JV	KEY MANAGERIA PERSON	RELATIVES OF KEY MANAGERIAL PERSONNEL	PROMOTER	TOTAL
Ms.Natasha Singh Sinha			3.60 (3.60)			3.60 (3.60)

(i) Installed Capacities & Production

Licensed and installed capacities and production:	Licensed MT	Installed MT	Production MT
Pig Iron	N.A	592000	95508
Scrap	NA	NA	8984

(1) Licensed capacity is not applicable in terms of the Government of India's Notification No. S.O. 477(E) dated 25th July, 1991.

(2) Excluding items intended for captive consumption.
(3) As certified by the Managing Director and accepted by the Auditors.
(4) Including production for Iron ore for works use

a. Turnover, Closing and Opening Stocks:

Item	2009-2010					
	Turnover		Opening Stock		Closing stock	
	Mts	Rs. in Mln	Mts	Rs. in Mln	Mts	Rs. in Mln
Pig Iron-DTA	**2,000.160**	**27.82**	**4,665.140**	**72.30**	**11809.964**	**273.47**
	(79,851.380)	(1,863.57)	(14,043.360)	(329.62)	(4,665.140)	(72.30)
Pig Iron-Exports	-	-	-	-	-	-
	(20,200.000)	(566.82)	-	-	-	-
Scrap	**716.930**	**4.78**	**499.670**	**2.90**	**1,491.741**	**25.36**
	(13,531.280)	(181.67)	(7,003.950)	(80.38)	(499.670)	(2.90)
Iron Ore - DTA	**18,02,582.719**	**1,657.57**	**19,35,997.490**	**589.05**	**28,27,299.352**	**585.06**
	(16,87,274.140)	(1,575.46)	(12,01,189.898)	(525.89)	(19,35,997.490)	(589.05)
Iron Ore Fines - Export	**1,43,330.000**	**401.33**	**-**	**-**	**-**	**-**
	(10,853.590)	(594.28)	-	-	-	-
Coke Breeze	**13,830.310**	**11.73**	**14,165.360**	**8.49**	**2232.030**	**2.34**
	(11,758.640)	(29.59)	(17,617.857)	(47.57)	(14,165.360)	(8.49)
Lime Sludge	**-**	**-**	**-**	**-**	**-**	**-**
	(878.220)	(0.47)	-	-	-	-
Granulated Slag	**-**	**-**	**5,151.670**	**0.64**	**8938.970**	**2.68**
	(1,18,008.970)	(14.81)	(74,998.130)	(9.37)	(5,151.670)	(0.64)

Note: (i) Data in Bracket indicate previous year figures.
(ii) Sale Turnover is net of Excise duty

b. Raw Materials consumed.

	2009-10		2008-09	
Raw Material Consumed	**Mts**	**Rs In Mn**	**Mts**	**Rs In Mn**
Iron Ore	22,378.079	85.28	2,23,237.210	402.24
Imported LAM Coke	11,984.528	174.34	84,322.000	2,041.46
Indigenous Coke	-	-	25,829.230	724.33
Dolomite	2,337.528	3.49	16,647.750	18.15
Lime Stone	1,443.421	2.24	13,015.540	18.81
Quarzite	557.815	0.36	7,242.190	6.28
Manganeese	-	-	109.000	0.20
Consumables	-	22.99	-	15.99
Total		**288.69**		**3,227.46**

Note The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

c. Value of direct imports (C.I.F. value):

CIF Value of Direct Import	**2009-10**	**2008-09**
	Rs in Mn	Rs in Mn
Import of LAM Coke	269.32	1612.11
Import of Capital Goods	0	0

(i) Raw Materials
(ii) Semi-finished products - NIL
(iii) Components, stores and spare parts - NIL

(iv) Capital goods - NIL

d. The value of consumption of directly imported and indigenously obtained raw materials, stores and spare parts and the percentage of each to the total consumption:

	2009-10		2008-09	
Consumption of Imported and Indigenous raw Material	**Rs in Mn**	**Percentage**	**Rs in Mn**	**Percentage**
Imported	174.90	64.56%	2041.46	63%
Indigenous	95.99	35.44%	1186.00	37%
	270.89	100%	3227.46	100%

e. Expenditure in foreign currency :

Expenditure in Foreign Currency	**2009-10 Rs. in Mn**	**2008-09 Rs. in Mn**
Commission	Nil	14.62
Other expenses	3.92	18.77

f. Earnings in foreign exchange :

Earnings in Foreign Currency	**2009-10 Rs. in Mn**	**2008-09 Rs. in Mn**
FOB value of Physical Exports	401.33	1556.97

(h) Previous years figures have been regrouped/re-arranged wherever necessary and practical.

(j) Schedule A to L are annexed and form integral part of Balance Sheet and Profit and Loss Account.

For and On behalf of the Board

For Sangram Paul & Co
Chartered Accountants

Sd/-
J.K.Singh
Chairman

Sd/-
Mrs. Rita Singh
Managing Director

Sd/-
(S.K.Paul)
Proprietor

Sd/-
N.S.Parameswarn
Company Secretary

MIDEAST INTEGRATED STEELS LTD.

STATEMENT PURSUANT TO PART IV OF SHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration Details**

Registration No. 0 5 0 2 1 6 State Code 5 5

Balance Sheet Date 3 1 | 0 3 | 2 0 1 0 (Date / Month / Year)

II Capital Raised during the year (Amount in Rupees Million)

Public Issue N I L Right Issue N I L

Bonus Issue N I L Private Placement N I L

III Position of Mobilization and Deployment of Funds (Amount in Rupees Million)

Total Liabilities	5178.23	Total Assets	5178.23
Sources of Funds			
Paid up Capital	1378 75	Reserves & Surplus	677 70
Secured Loans	822 69	Unsecured Loans	2299 09
Deferred Tax Asset	135 83		
Application of Funds			
Net Fixed Assets	8046 53	Misc. Expenditure	29 87
Net Current Assets	-4247 52		

IV Performance of Company (Amount in Rupees Million)

Turnover *	2101 70	Total Expenditure	1598 27
Profit before Tax	62 43	Profit after Tax	170 52
Earnings per share in Rs.	NIL	Dividend %	NIL

*Includes Other Income

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

Item Code No. (ITC Code)	7 2 0 1 1 0 0 0
Product Description	P I G I R O N
Item Code No. (ITC Code)	7 2 0 4 1 0 0 0
Product Description	S C R A P
Item Code No. (ITC Code)	2 6 1 8 0 0 0 0
Product Description	G R A N U L A T E D S L A G

	Cash Flow Statement for the year ended on 31st March 2010		
	Particulars	**31.03.10**	**31.03.09**
		Rs. (In Mn.)	**Rs. (In Mn.)**
A	**Cash Flow From Operating Activities**		
	Net Profit before Tax	62.43	(1,425.89)
	Adjustments For:		
	Depreciation	79.19	349.25
	Miscellaneous expenses written off	9.17	11.29
	Interest charged to profit & loss account	205.33	491.77
	Exchange Loss	54.95	-
	Operating Profit/(Loss) before working capital change	**411.08**	**(573.58)**
	Adjustments For:		
	Trade & other receivables	33.65	366.73
	Inventories	(242.65)	834.27
	Loans & Advances	(297.70)	21.67
	Trade payments & other liabilities	1,703.93	672.58
	Cash generated from operations	**1,608.30**	**1,321.67**
B	**Cash Flow from Investing Activities**		
	Increase in Fixed Assets	1,554.35	(423.18)
	Net Cash used in Investing Activities	**1,554.35**	**(423.18)**
		`	
C	**Cash Flow from Financing Activities**		
	Capital Contribution received		
	Proceeds from borrowings	(2,650.77)	(653.56)
	Preliminary expenses	19.12	(30.74)
	Interest Paid	(205.33)	(491.77)
	Exchange Loss	(54.95)	(218.51)
	Deferred Tax Asset	-	196.94
	Net Cash used for Financing Activities	**(2,891.94)**	**(1,197.64)**
	Net Increase / (Decrease) in cash and cash equivalent	270.71	(299.15)
	Cash & Cash equivalent as at 1st April 2009	259.98	559.34
	Cash & Cash equivalent as at 31st March 2010	530.69	259.98
Notes: Figures in negative represent outflows			
The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standards on Cash Flow Statements (AS-3) issued by Institute of Chartered Accountants of india			

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