MESCO STEEL

18th ANNUAL REPORT
2010 - 2011

MIDEAST INTEGRATED STEELS LTD.
NEW DELHI

MESCO STEEL

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CHAIRMAN'S STATEMENT

Dear Shareholders'

Advantage India!! Advantage MESCO!!!

It has been a good year for MESCO. We have achieved record sales and impressive 161.10 % increase in EBITDA as we continue our focus on delivering value to our stakeholders.

Financial Performance

Against a backdrop of recovering economic conditions in the developed world, we have delivered an improved financial performance with better realisation and continued focus on improving operational efficiencies, contributed to growth in revenues to Rs. 3,878 Millions, up 84.55 % on last year and a record EBITDA of Rs. 1,403 Million. The balance Sheet improved with net debt reducing to Rs. 2,261.20 million at the year end and is near debt-free.

On behalf of board, I would like to thank all our employees for their contribution to these excellent results. Their commitment and hard work is critical to our performance.

Operational Performance

Roida mines, Barbil continued to achieve better realisation through improved operational efficiencies and is ready with the basic infrastructure for ramping up its production levels in the next year. Pig Iron Production at Jajpur plant witnessed reduced volumes due to on-going sinter plant commissioning. However, commissioning of Sinter would ensure better operational efficiencies and reduction in operating cost in coming year.

Reserves and Resources

Company continues to explore opportunities in India and overseas for adding mineral resources apart from iron ore and continue to engage in discussion with Government of Orissa / Madhya Pradesh for access to other minerals. Your company is adequately secured for Iron Ore, Manganese, and Dolomite, the basic ingredient for making steel.

Markets

Commodity prices specially iron ore hardened during the year with increased Chinese demand. The need for increased and improved infrastructure in India and China would continue to drive strong demand for our products. With US consolidating from 2008 economic issue and Euro Zone facing serious economic crisis, the action in commodities would be seen in Asian Region with India leading the way. Your company scores better in view of owning a merchant mine. Rupee depreciation will further help iron ore exports realisation.

Corporate Social Responsibility

We remain committed to rural development and adherence of environmental concerns have been top most priorities and focus of our corporate social responsibility. Our efforts in villages surrounding our mines and plant have won your company accolades in public and media. Implementation of Sinter would ensure reduction in energy needs, no liquid waste and no solid waste thereby keeping environment safe. Your company wishes to enhance the scope of CSR to include regular Environment impact assessment and institute best international practices in conserving our nature, on ongoing basis.

Outlook

Going forward, we foresee continued growth in metal consumption especially Iron and Steel sector in India and China, driven by the need for increased and improved infrastructure commensurating with the size and population of respective countries. With Iron and Steel industry ensuring organic growth, India as a country and MESCO in particular are poised to grow significantly in coming years. MESCO is well placed on International map with all essential ingredients in place, to be lowest cost steel manufacturer, thereby delivering growth and long-term value for our stakeholders.

J. K. Singh
Chairman
22 Aug 2011

MESCO STEEL

Directors' Report

TO THE MEMBERS

The Directors hereby present their 18th annual report on the business and operations of the Company and the financial results for the year ended 31st March 2011.

Financial Results

	PARTICULARS	2010-2011 INR in Mn	2009 - 2010 INR in Mn
(a)	Sales / Income	3,878.38	2,101.70
(b)	Total Expenditure	2,500.09	1,596.53
(c)	Operating Profit	1,378.29	505.16
(d)	Add : Other Income	25.18	32.37
(e)	**Profit before Interest, Forex Fluctuation, Depreciation, Prior period items and Taxes**	**1,403.47**	**537.53**
(f)	Less : Interest	283.81	205.33
	: Foreign Exchange Fluctuation	350.08	54.95
(g)	**Profit / (Loss) before Depreciation, Prior period Items and Taxes**	**769.58**	**277.25**
(h)	Less : Depreciation	353.10	78.97
(i)	Less : Miscellaneous Exp written off	9.17	9.17
(j)	**Profit / (Loss) before Prior Period Items & Taxes**	**407.31**	**189.11**
(k)	Add: Prior Period Item	-	124.72
(l)	**Profit Before Tax**	**407.31**	**64.39**
(m)	Less: Provision for current Taxes	11.66	-
(n)	Less: Provision for Deferred Tax Liability/(Asset)	(17.25)	(107.48)
(o)	Less: Provision for FB Taxes.	(11.66)	-
(p)	Less: Provision for Earlier Years' taxes	-	-
(q)	**Profit/(Loss) after Taxes**	**424.55**	**171.87**
(r)	Add : Balance brought forward from the previous year	(1,104.09)	(1,275.96)
(s)	Balance carried to Balance Sheet	(679.54)	(1,104.09)

During the year strong demand of Iron ore had effect on the prices of the products and Iron ore prices increased substantially. Higher realization on Iron ore sales resulted in a positive impact on the performance of the company. The company has achieved operating profit of Rs. 1403.47 million, an increase of Rs. 865.94 million over previous year. During the year company witnessed lower volumes of pig iron due to the ongoing sinter plant commissioning.

The Global Economy

The world GDP, as reported by International Monetary Fund, was on an upturn, growing by 5% in 2010 as compared to a negative growth of 0.5% in 2009. While the growth in the advanced economies was 3.0% in 2010, in contrast to -3.4% in 2009, the emerging and developing economies grew by 7.3% in 2010 when compared to the growth of 2.7% in 2009. The growth in the developing and emerging economies slowed down during the end of 2010 as stimulus measures were slowly removed and policies were tightened in response to rising inflation and overheating concerns.

The US: The US GDP increased by 2.8% in 2010 as compared to a negative growth of 2.6% in 2009, but the country still faces large fiscal deficit. In late 2009 and early 2010 there was a deceleration in growth in the US economy as the effect of one time stimulus factors faded. However, in the second half of the year, growth picked up with a decline in the rate of unemployment and consumer spending picking up at its fastest pace in the last five years with further major stimulus measures being introduced along with tax cuts and investment incentives. The housing market, non-residential construction and overall credit growth still remained weak with tight bank lending conditions starting to ease for not only large firms but also for small and medium-sized firms.

Europe: GDP in the Euro zone increased by 1.9% in 2010-11 over 2009-10 with a high unemployment rate of around 10% and divergent performances by member countries. While Germany posted a growth of 4% driven by strong export demand and lower unemployment, the Spanish economy was adversely affected by fiscal tightening and a weak housing market with a rise in unemployment. Ireland, Portugal and Greece are seeking financial assistance from the EU and IMF after facing sharp increases in their borrowing costs and potential shortfall in funding. The UK GDP grew by 1.9% in 2010-11, continuing to recover but uneven growth, high unemployment and rising inflation has resulted in the UK household disposable income coming under pressure. The fiscal austerity announced by the UK Government will see a 24% cut in public investment and 7% cut in real government consumption in the next five years.

India: As reported in the Economic Survey of 2010-11, GDP is expected to grow by 8.6% in 2010-11 as compared to the growth of 8.0% in 2009-10. The agricultural output grew by 5.4% as compared to a nominal 0.4% growth in 2009-10 when the country was hit by a deficient monsoon. Manufacturing grew by 8.8% during the year being at par with the growth noticed in the last fiscal. Overall growth in industry was 8.1% during 2010-11 compared to 8.0% in the last year. Services witnessed a decelerated growth of 9.6% as compared to a growth of 10.1% in 2009-10. Amongst the key macro-economic indicators, fiscal deficit was limited to 4.8% of GDP in 2010-11 as compared to 6.3% in 2009-10. Export and import grew positively by 29.5% and 19.0% in contrast to the negative growths experienced in the previous year. Clouds of high inflation and a temporary slowdown in the industrial growth are looming in the country as steps are being taken to mitigate such adversities. Government of India is seized of the problems and will consciously act to bring much needed investment and take the economy to a rapid growth path. Fortunately inflation in India is controlled logically but at the cost of growth hence interest rate should move southwards, that will give necessary fillip to the Indian economy. India is much better placed; per capita steel consumption is on the rise thus your company is poised to grow faster in the coming years.

The Global Iron & Steel Market:

The macroeconomic environment has a significant bearing on global steel demand and supply. Estimates suggest that global steel consumption has grown by around 1.5x of world GDP growth over the last decade. Steel consumption has gained traction with global economic recovery. Global steel production rose by 16.8%, to 1,414 million tonnes in 2010. With a share of over 44%, China continued to be the driving force in the industry. Crude steel output in China grew by 9.3% to 627 million tonnes.

There were apprehensions in some quarters about a possible long term slowdown in the output of Chinese steel, on account of the completion of many government-backed stimulus projects and restrictions levied by the Chinese government on energy inefficient steel producers. That has not happened. First quarter of 2011 has again seen a strong uptick in Chinese steel production, driven mainly by the demand for social housing in the interior provinces of China and its railways.

In the short- to medium-term, therefore, Chinese steel production is expected to continue to grow fairly rapidly. However, over a longer horizon, one could expect China's steel intensity to start declining as the economy moves away from being investment-driven to being more domestic consumption driven.

The growth in steel output resulted in strong demand for iron ore. This, coupled with logistics and environment related constraints on the supply side, saw significant increases in prices of the materials during much of 2010-11.

OPERATIONS REVIEW:
DIVIDEND

In order to become cost efficient and putting up all related infrastructure in place, the company has taken up the capex plan to complete Sinter and Railway siding work at plant during the year out of internal accruals, in view of this Board of Directors of the company does not recommend any dividend for the year 2010-11.

EXPANSION

The company is on the committed path in commissioning the Sinter Plant and Railway siding during FY 11-12. In the immediate next phase of expansion it is working on the plan to put up Oxygen Plant, Pulverized coal dust injection unit, coke oven battery, Rolling Mill and re-heating furnace with a forward integration to manufacture 1.2 million MT of long products like Bars, Rebars, Rods, billets and Blooms. Apart from this the company is strategically working on for expanding the capacity further to 3.5MTPA steel producing plant.

The company has already taken up steps of taking approvals / clearances to double the capacity of Iron ore mining output with the regulators. Simultaneously it has already started the processes of taking regulatory approvals to start the coal mining which will help company to reduce the production cost of steel substantially.

FINANCE

Your company has repaid all secured creditors except a few. The company is in discussion with the pending secured creditors & hopeful of an early settlement. IPICOL matter is pending in the court, and the company has started paying the dues in installments to IPICOL as per the directions of the Hon'ble high court. This total repayment of principle would be completed by December 2011. The company expects to repay all the balance secured creditors during the next financial year. Stemcor Group continues to support the plant in its requirement of finance for the operations.

The company proposes to augment long term funds to meet its expansion program.

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

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

There are no employees covered in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

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

J.K.SINGH
CHAIRMAN

Place: NEW DELHI
Date: 22nd August, 2011

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

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.

IMPACT OF THE ABOVE MEASURES:

Energy conservation measures have resulted in achieving:

Lowest ever Plant specific energy consumption

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

B TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION:

Form - A enclosed.

C TECHNOLOGY ABSORPTION

Form B enclosed.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Total foreign exchange used and earned	**Rs. in Mn**
i)	CIF value of imports	NIL
ii)	Expenditure in foreign currency	43.51
iii)	Foreign exchange earned	885.35

FORM - A
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	PARTICULARS	2010-2011	2009-2010
(A)	*POWER AND FUEL CONSUMPTION*		
1	**ELECTRICITY PURCHASED**		
	UNITS / KWH ('000)	3,728.66	2,801.28
	TOTAL AMOUNT (Rs. / MN)	27.88	15.50
	RATE / UNIT (Rs.)	7.48	5.53
2	**OWN GENERATION**		
	THROUGH STEAM TURBINE GEN. UNIT:		
	UNITS / KWH ('000)	3,073.86	833.66
3	**FUEL / LDO CONSUMPTION**		
	QUANTITY (K. LTRS.)	259.70	121.70
	TOTAL COST (RS IN MN)	11.44	4.93
4	**UNITS / KWH EXPORTED ('000)**	182.30	92.00
(B)	*CONSUMPTION FOR PRODUCTION*		
1	**ELECTRICITY**		
	UNITS / KWH ('000)	6,620.22	3,542.94
	COST PER TONNE OF PRODUCTION (RS)	587.73	1,173.45
	TOTAL COST (RS IN MN)	27.88	15.50
2	**LOW ASH MET COKE**		
	QUANTITY CONSUMED (MT)	40,726.48	11,984.53
	VALUE (RS IN MN)	740.21	174.02
	COST PER TONNE OF PRODUCTION (RS)	15,603.05	13,174.25
3	**FUEL/LDO**		
	QUANTITY (K. LTRS.)	259.70	121.70
	TOTAL COST (RS IN MN)	11.44	4.93
	COST PER TONNE OF PRODUCTION (RS)	241.07	373.06

Form - B

Form for disclosure of particulars with respect to Technology Absorption: 2010-2011.

RESEARCH AND DEVELOPMENT

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

Regular R&D 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. million

(a) Capital Rs. 244.85
(b) Recurring
(c) Total Rs. 244.85
(d) Total R & D expenditure as a percentage of total turnover (%) 6.31%

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

1) BUSINESS REVIEW

Your company has made a profit before depreciation, Interest and tax of Rs 1,403.47 Mn against previous years' profit of Rs. 537.53 Mn. on account of better price realization on Iron ore products and higher net realizations on Pig Iron products. The fourth coming year will be having better financial outlook because of the positive impact of commissioning of the Sinter plant.

2) INDUSTRIAL STRUCTURE & DEVELOPMENT

The company will complete and commission the Sinter plant and Railway siding during the next year. Apart from this the company is also tying up funds for putting up facilities for coke oven, PCI, Oxygen, and rolling mill for production of long products upto 1.2 million MT. Company is also working on strategic alliance for taking up steel producing facilities upto 3.5 million MT in the next phase of expansion. This will position your company among fully integrated steel companies and to reap the benefits of economies of scale and having most of the raw material required to produce steel in its fold.

3) OPPORTUNITIES & THREATS

Your company has secured all the major raw material resources like Iron ore, coal and limestone which will position company among one of the lowest cost producers of steel in the world, also to meet not only the present but also the future expansion plans. The demand for steel being robust globally and consumption growing at double digits domestically your company sees growing opportunities in the coming years.

Weakening rupee is a source of threat, as the company would import good quality coke. However export by company will offset the effect and also coal from own mines will reduce dependence on the imports drastically. Further the company is tying up with local suppliers for long term supplies of material at very competitive prices.

4) OUTLOOK

As reported by the 'World Economic Outlook' (WEO) issued by the International Monetary Fund in April 2011, the world economy is expected to grow at 4.5% in the years 2011 as well as 2012. The advanced economies are projected to grow at 2.5% while the emerging and developing economies will be growing at a higher level of 6.5%.

The recovery from the global economic downturn remains imbalanced. In the advanced economies, output is far below potential and the unemployment continues to be high, with a risk of having a lower growth in these economies fuelling the unemployment issue further. In the US, the fiscal consolidation is ongoing with the housing market remaining depressed. In Japan, the immediate focus is on reconstruction and there will be an effort to link the reconstruction spending to a fiscal strategy to bring down the public debt ratio over the medium term. In the EU, recovery is proceeding in a modest pace with the output still below potential and unemployment high. WEO reports that Germany and France are expected to grow at 2.5% and 1.5% respectively during 2012 while rapid growth is expected to continue in Asia with a growth projection of 6.7% in 2011 and 6.8% in 2012. China and India, as a part of the developing Asia are set to grow at 9.6% and 8.2% respectively during 2011 and 9.5% and 7.8% in 2012 with private demand growing in China while infrastructure remains a key contributor to growth in India.

The World Steel Association (WSA) in its short range outlook issued in April 2011 states that the world consumption of steel is expected to be 1.359 billion tonnes in 2011 registering a growth of 6% over 2010, following a growth of 13.2% growth in 2010. Steel demand is expected to grow further by 6% to 1.441 billion tonnes in 2012. The forecast of WSA suggests that the steel demand in China in 2011 is set to rise by 5% to 605 million tonnes while that in India it is expected to reach 68.7 million tonnes, registering a growth of 13.3%. In 2012, China is expected to maintain the growth of 5% while India is expected to accelerate by 14.3%. Apparent steel use in the EU is forecast to grow by 4.9% in 2011 to be at 151.8 million tonnes with Germany and France the leading economies which are expected to lead the steel use recovery particularly in the automotive and machine building sectors.

5) DISCUSSION ON FINANCIAL PERFORMANCE

Your company reported a turnover at Rs 3,878.38 Mn (previous year Rs.2,101.70 Mn) and a operating profit of Rs. 1,378.29 Mn, (previous year Rs 505.16 mn) adding the other income of Rs. 25.18 mn,(previous year Rs. 32.37 million) profit before depreciation, Interest, prior period items and tax stood at Rs. 1,403.47 mn (Previous year profit Rs. 537.53 million). Interest represents entirely on amount borrowed for working capital purposes.

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:

Particulars	Business Segment (2010-2011)		Total	Previous Year
	Pig Iron	Minerals		
	QTY. M.T.	QTY. M.T.	QTY M.T.	QTY M.T.
Total Sales (MT)	35,936	13,96,874	14,32,810	19,47,913
Less: Transferred for Internal Consumption (MT)		1,02,105	1,02,105	27,959
Total External Sales (MT)	35,936	12,94,769	13,30,705	19,19,954
- Domestic	35,936	11,28,867	11,64,803	17,76,624
- Export		1,65,902	1,65,902	1,43,330
	Rs. In MN	Rs. In MN	Rs. In MN	Rs. In MN
Total Sales	814.76	3,063.62	3,878.39	2,086.72
Less: Inter segment Transfer		51.05	51.05	79.56
Total External Sales	814.76	3,012.57	3,827.33	2,007.16

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 company emphasizes on continued review of internal control & systems. 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.

9) CONTINGENT LIABILITIES

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

10) 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 implementation of Sinter which would ensure reduction in energy needs, no liquid waste and no solid waste thereby keeping environment clean & safe, 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. 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.

11) 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,

12) 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 its wealth generating capacity to optimize returns for shareholders. Large corporations who employs vast quantum of societal resources, we 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

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

I) Compliance with the SEBI Code on Corporate Governance

In line with this, we are pleased to inform you that as on 31st March 2011, 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 relisted; 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 2011

	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	--	--	--	--
Mrs. Natasha Singh Sinha	Executive Director.	4	--	--	--	--
Mr. N.G.Banerjee	Executive Director	--	--	--	--	--
Mr. R.H. Rao	Executive Director					

The Hon'ble 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 present Directors.

PROMOTER DIRECTORS:

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

II) MANAGEMENT COMMITTEE

The Board of Directors under the guidance & supervision of the Managing committee constituted by Hon'ble Delhi High Court comprising of 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: 23rd Sept, 2011
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
2009-10	D-3A, Ansal Villa, Satbari, New Delhi- 110 030	30.09.2010	9.30 A.M	NO
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

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.

The company intends to apply at Bhubaneshwar stock exchange for relisting of its shares.

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

J.K.SINGH
CHAIRMAN

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the member 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 2011, 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 thereof, 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

Place - Bhubaneshwar

S.K.Paul
Proprietor

Date - 22nd Aug - 2011

Membership No: 13015

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 2011, 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 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;

(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
S.K.Paul
Proprietor
Membership No: 13015

Place - Bhubaneshwar

Date - 22nd Aug - 2011

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 program 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, 2011 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 has accumulated loss of Rs.679.54 mn during the current year and Rs.1104.09 mn in the preceding year , Company has cash profit of Rs.1757.14 mn during the current and Rs. 1598.58 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
S.K.Paul
Proprietor
Membership No:13015

Place - Bhubaneshwar

Date - 22nd Aug - 2011

MIDEAST INTEGRATED STEELS LTD.

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

MESCO STEEL

BALANCE SHEET AS AT 31ST MARCH, 2011	Schedule	As at 31.3.2011 Rs. In Mn.	As at 31.3.2010 Rs. In Mn.
SOURCES OF FUNDS			
a) SHAREHOLDERS' FUNDS			
(i) Share Capital	A	1,378.75	1,378.75
(ii) Reserve & Surplus	B	2,320.31	677.70
		3,699.06	**2,056.45**
b) LOAN FUNDS			
(i) Secured Loans	C	834.59	2,465.30
(ii) Unsecured Loans	D	1,426.62	2,299.09
		2,261.20	**4,764.39**
c) DEFERRED TAX LIABILITIES (NET)		-	-
		5,960.26	**6,820.84**
APPLICATION OF FUNDS			
d) FIXED ASSETS	E		
(i) Gross Block		8,220.98	8,200.32
(ii) Less : Accumulated Depreciation		1,308.60	955.49
(iii) Net Block		6,912.38	7,244.83
(iv) Capital Work-In-Progress		2,777.29	2,415.70
		9,689.67	**9,660.53**
e) INVESTMENTS	F	19.12	19.12
f) CURRENT ASSETS, LOAN AND ADVANCES			
(i) Inventories	G	1,196.29	1,067.55
Deposits (Asset)			
(ii) Sundry Debtors	H	74.56	26.51
(iii) Cash and bank Balances	I	411.13	530.69
(iv) Loans & Advances	J	1,379.26	1,238.38
g) CURRENT ASSETS		**3,061.25**	**2,863.13**
h) Less:(i) Current Liabilities	K	**7,765.37**	**7,099.20**
(ii) Provisions		8.45	-
Net Working Capital		**(4,712.57)**	**(4,236.07)**
i) MISCELLANEOUS EXPENSES	L	20.70	29.87
(To the extent not written off)			
j) DEFERRED TAX ASSET		263.81	243.30
PROFIT & LOSS A/C		679.54	1,104.09
TOTAL		**5,960.26**	**6,820.84**
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

S.K.Paul
Proprietor

J.K.Singh
Chairman

Mrs.Rita Singh
Managing Director

Place: - Bhubaneshwar

22nd August 2011

N.S.Parmeswaram
Company Secretary

MESCO STEEL

MIDEAST INTEGRATED STEELS LTD.

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

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

PARTICULARS		Year ended 31.03.2011 Rs. In Mn.	Year ended 31.03.2010 Rs. In Mn.
INCOME			
a) Sales	N	3,878.38	2,101.70
b) Other Income	O	25.18	32.37
TOTAL INCOME		**3,903.56**	**2,134.07**
EXPENDITURE			
c) Mining Expenses	P	591.49	541.35
d) Material Consumed	Q	730.09	166.06
e) Payment to and Provisions for Employees	R	114.61	96.11
f) Manufacturing Operation and other expenses	S	1,063.91	793.02
		2,500.09	**1,596.53**
EARNINGS BEFORE INTEREST,DEPRICIATION,PRIOR PERIOD ITEMS AND TAXATION		**1,403.47**	537.53
g) Foreign Exchange Fluctuation		350.08	54.95
h) Finance Cost		283.81	205.33
I) Depreciation	E	353.10	78.97
j) Miscellaneous Expenses written Off		9.17	9.17
PROFIT / (LOSS) BEFORE PRIOR PERIOD ITEM & TAX ATION		**407.31**	**189.11**
Prior Period Item		-	124.72
PROFIT/ (LOSS) BEFORE TAX FOR THE YEAR		**407.31**	**64.39**
k) Provision for Taxation			
a) Current Taxes		11.66	-
b) Deferred tax Liability/ (Asset)		(17.25)	(107.48)
c) MAT Credit		(11.66)	-
NET PROFIT / (Loss) FOR THE YEAR		**424.55**	**171.87**
I) BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		(1,104.09)	(1,275.96)
m) BALANCE CARRIED TO BALANCE SHEET		**(679.54)**	**(1,104.09)**
n) 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

J.K.Singh
Chairman

Mrs.Rita Singh
Managing Director

S.K.Paul
Proprietor

Place: Bhubnewar
22nd August 2011

N.S.Parmeswaram
Company Secretary

Cash Flow Statement for the year ended on 31st March 2011

	Particulars	31.03.11 Rs. (In Mn.)	31.03.10 Rs. (In Mn.)
A	**Cash Flow From Operating Activities**		
	Net Profit before Tax	407.31	64.39
	Adjustments For:		
	Depreciation	353.10	78.97
	Miscellaneous expenses written off	9.17	9.17
	Interest charged to profit & loss account	283.81	205.33
	Exchange Loss	350.08	54.95
	Operating Profit before working capital change	**1,403.47**	**412.81**
	Adjustments For:		
	Trade & other receivables	(48.05)	122.63
	Inventories	(128.74)	(242.65)
	Loans & Advances	(144.15)	(307.41)
	Trade payments & other liabilities	674.62	1,613.20
	Cash generated from operations	**1,757.14**	**1,598.58**
B	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	(382.23)	1,564.07
	Capital reserve	1,642.61	-
	Net Cash used in Investing Activities	**1,260.38**	**1,564.07**
C	**Cash Flow from Financing Activities**		
	Capital Contribution received		
	Proceeds from borrowings	(2,503.19)	(2,650.77)
	Preliminary expenses	(0.00)	19.11
	Interest Paid	(283.81)	(205.33)
	Exchange Loss	(350.08)	(54.95)
	Deferred Tax Asset	-	
	Net Cash from Financing Activities	**(3,137.08)**	**(2,891.94)**
	Net Increase / (Decrease) in cash and cash equivalent	(119.56)	270.71
	Cash & Cash equivalent as at 1st April (OB)	530.69	259.98
	Cash & Cash equivalent as at 31st March (Closing Balance)	411.13	530.69

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

For Sangram Paul & Co.
Chartered Accountants

(S.K. Paul)
Proprietor

Bhubaneshwar
22nd August 2011

For and on behalf of the Board

J.K. Singh
Chairman

Mrs. Rita Singh
Managing Director

N.S. Parmeswaran
Company Secretary

Schedules forming part of the Balance Sheet

	Rs. (in Mn) As at 31.3.2011	Rs. (in Mn) As at 31.3.2010
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) Capital Reserve	1,642.61	
(ii)Share Premium Account	677.70	677.70
(iii) Balance in Profit & Loss Account	0.00	0.00
	2,320.31	677.70
Schedule C: Secured Loan:		
a) Debentures		
18% Debentures	71.52	71.68
30% Convertible Debentures (IPICOL)	170.00	170.00
b) Loan from Banks / Financial Institutions		
Term Loan IIBI	150.00	150.00
Accrued Interest	219.67	219.67
Working Capital Loan SBI	28.37	43.37
Srei Infrastructure Finance	189.73	167.96
L & T Finance Ltd.	5.30	0.00
SASF	-	1,642.61
	834.59	2,465.30

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- passu with financers for working capital

(b) The above loans are secured by equitable mortgage and first charge of 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 progress, finished goods and consumables. 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 122 nos, BOXN HS Wagons and two break vans accquired out of the facility and personal gurantee of three promoter directors.

Schedule D: Unsecured Loan:	Rs. (in Mn) As at 31.3.2011	Rs. (in Mn) As at 31.3.2010
a) Loan from Directors	121.46	295.51
b) Loan From Others	1,305.16	2,003.58
	1,426.62	2,299.09

Schedule - E

Fixed Assets Schedule for the year ended 31st March 2011 — *Amt in MN*

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	11.88	9.65	-	21.52	-	-	-	-	11.88	21.52
Land and Site Development	258.59	-	-	258.59	-	-	-	-	258.59	258.59
Building	1,284.07	1.45	-	1,285.52	80.27	2 1.21	-	101.48	1,203.80	1,184.04
Plant and Machinery	6,496.90	0.54	-	6,477.44	818.35	323.35	-	1,141.70	5,658.55	5,335.74
Furniture and Fixtures	106.41	2.70	-	109.10	12.09	3.01	-	15.09	94.32	94.01
Office Equipment	3.65	2.29	-	5.93	0.89	0.42	-	1.31	2.76	4.62
Computer	39.06	2.66	-	41.72	38.46	3.26	-	42	0.60	0.00
Vehicles	19.28	1.04	-	20.32	5.40	1.83	-	7.23	13.88	13.09
V Sat	0.49	0.33	-	0.82	0.04	0.03	-	0.06	0.45	0.76
Total	**8,440.32**	**20.65**	**-**	**8,220.98**	**955.49**	**353.10**	**-**	**1,308.60**	**7,244.83**	**6,912.38**
Previous Year	**7,955.66**	**244.66**	**-**	**8,200.32**	**876.52**	**78.97**	**-**	**955.49**	**7,079.14**	**7,244.83**

Capital Work In Progress (CWIP) — *Amt in MN*

Particulars	Opening Balance	Addition	Deduction	Closing Balance
Plant and Machinery	131.17	312.62	2.59	441.19
Building	14.61	15.43	0.03	30.01
Pre - Operative Expenses	2,269.93	36.16	-	2,306.08
Total	2,415.70	364.21	2.62	2,777.29

	Rs. (in Mn) As at 31.3.2011	Rs. (in Mn) As at 31.3.2010
Schedule F: Investments:		
Investments	19.12	19.12
(unquoted , long term)		
	19.12	19.12
Schedule G: Inventories		
a) Stores and Spares	27.99	22.99
b) Stock in Trade:		
- Finished Goods	1,033.72	888.92
- Raw Materials	134.58	155.64
	1,196.29	1,067.55
Schedule H:		
Sundry Debtors		
a)Over Six months old	-	0.00
Less Provision		
b)Others	74.56	26.51
	74.56	26.51
Schedule I:		
Cash in Hand	53.26	30.86
Balances with Scheduled banks:		
- In Current Accounts	113.02	119.64
- In Deposit Accounts	244.86	380.19
	411.13	530.69
Schedule J:		
Loans and Advances		
a) Advances with Govt/Public bodies	234.84	64.65
b) Other advances	1,077.00	1,147.43
c) Advance to suppliers	58.98	26.30
d) MAT Credit	8.45	-
	1,379.26	1,238.38
Schedule K		
Current Liabilities & Provisions		
a) Current Liabilities		
I) Sundry Creditors for expenses	1,153.03	1,222.08
II) Sundry Creditors for Goods Supplied	731.75	3,475.09
III) Other liabilities	101.52	132.98
IV) Advance Received from customers	5,779.07	2,269.05
	7,765.37	7,099.20
b) Provisions:		
Provision for Current Taxes	8.45	-
	8.45	0.00
	7,773.82	7,099.20
Schedule L		
Miscellaneous Expenses	29.87	39.04
Less :Written off During the Year	(9.17)	(9.17)
	20.70	29.87

SCHEDULES OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31.03.2011

	Rs. (in Mn) As at 31.3.2011	Rs. (in Mn) As at 31.3.2010
Schedule N: Sale of Products		
Domestic Sales		
- Pig Iron	836.26	44.33
- Minerals	2,155.91	1,657.57
Export Sales		
- Pig Iron	-	-
- Minerals	886.21	401.33
Less: Excise Duty	-	(1.54)
: Export Duty	-	-
	3,878.38	**2,101.70**
Schedule O: Other Incomes		
Bank interest	18.85	20.43
Other Incomes	6.33	11.94
	25.18	**32.37**
Schedule P : Mining Expenses		
Opening Stock	583.30	576.71
Less: Closing Stock	511.03	583.30
Net Increase/(Decrease) in Stock	**(72.27)**	**6.59**
Mining Expenses	477.99	544.39
Commission	41.23	3.54
	591.49	**541.36**
Schedule Q: Raw Material Consumed		
Opening Stock	178.63	172.34
Add: Purchase Accounts	931.10	402.12
Less: Closing Stock	162.57	178.63
Increase / (Decrease) in Stock	**947.17**	**395.82**
Add:Accretion/(reduction) in stocks of Finished and Semi-Finished Productes and Work-in Process		
a) Opening Stock	305.62	75.85
b) Less: Closing Stock	522.69	305.62
	(217.07)	(229.77)
Less: Stock with Consignment Agents	-	-
	(217.07)	(229.77)
Material consumed	**730.09**	**166.06**

Schedule R: Payments to and provisions for Employees	Rs. (in Mn) As at 31.3.2011	Rs. (in Mn) As at 31.3.2010
a) Salaries, Wages and Allowances	102.30	87.92
b) Staff Welfare	5.31	2.93
c) Companies Contribution to PF	7.00	5.25
	114.61	96.11

Schedule S: Manufacturing Operation & Other Expenses		
a) Stores Consumed	21.58	10.78
b) Fuel Oil Consumed	4.00	4.95
c) Repairs to Buildings	3.01	6.35
d) Repairs to Machinery	8.20	19.74
e) Power & Fuel	27.88	16.60
f) Other Manufacturing Expenses	29.46	27.25
g) Rates & Taxes	0.01	0.76
h) Insurance Charges	-	8.00
j) Selling & Distribution Expenses	774.91	467.56
k) Travelling Expenses	13.46	33.89
l) Auditors Remuneration	0.20	0.06
m) Telephone Charges	3.14	4.20
n) Other Expenses	178.03	103.91
o) Bad Debts	-	88.98
	1,063.91	793.02

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

1) Significant Accounting Policies:

(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 / CENVAT credit & Sales Tax / VAT Credit.
- 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 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 :** 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.

(d) *Valuation of Inventories:*

- 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**

	As on 31st March 2011 Rs. In Mn	As on 31st March 2010 Rs. In Mn
(i) Excise		0.75
(ii) Customs		6.42
(iii) State , Sales Tax and Vat	3.97	19.35
(iv) Suppliers & Service Contract		90.72

- 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. 2.52 Mn, towards Mines block to the extent of Rs. 69.12 mn.

- Liability on account of Interest on Term Loan of IIBI, IPICOL & Debentures and interest on working capital loans from SBI has not been provided for during the year since these Financial Institutions, banks & 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 2008-2009 and have filed returns for the Assessment Year 2010 - 2011, 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

CALLUTATION PARTICULARS	W .D. V As per Companies Act.	As per Income Tax	Balance
Difference in Depreciation as per Co.Act & IT	6,632	4,559	(2,072.82)
Brought Forward Losses IT		(:Add)	730.08
Brought Forward Depreciation IT		(:Add)	1,995.03
Expenses disallowed during A.Y. 2011-12		(:Add)	192.84
Total Differences			845.14
Deferred Tax Asset for the year (For Provisioning)			261.15
Opening Balance (closing last year)			243.90
Current Provision			17.25

(C) Auditors' Remuneration

	(Rs. In Mn) 31.03.2011	(Rs. In Mn) 31.03.2010
Audit Fees	0.06	0.06
For Others	0.14	0.15
Total	0.20	0.21

(d) The company has settled and paid off outstanding dues to Financial Institutions and Banks at lower value then the payables to the respective Financial institutions and Banks. In this view company during this year has created Capital Reserve on the differential amount to the tune of Rs. 1642.61mn.

(e) i) Sundry Creditors include Rs.34.19 (Rs 18.98 mn) due to Micro, Small & Medium enterprises .

ii) The list of small-scale undertakings to whom, amount is outstanding for more then 30 days is Rs.64.29 mn (Rs.45.18 mn)

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.

(f) Sundry Debtors, Creditors and other advances (includes advances received from customers for long term supply of iron ore in next 8-10 yrs) 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.

(g)Segment Reporting:

Particulars	Business Segment (2010-2011)		Total	Previous Year
	Pig Iron	Minerals		
	QTY. M.T.	QTY. M.T.	QTY M.T.	QTY M.T.
Total Sales (MT)	35,936	13,96,874	14,32,810	19,47,913
Less: Transferred for Internal Consumption (MT)		1,02,105	1,02,105	27,959
Total External Sales (MT)	35,936	12,94,769	13,30,705	19,19,954
- Domestic	35,936	11,28,867	11,64,803	17,76,624
- Export		1,65,902	1,65,902	1,43,330
	Rs. In MN	Rs. In MN	Rs. In MN	Rs. In MN
Total Sales	814.76	3,063.62	3,878.39	2,086.72
Less: Inter segment Transfer		51.05	51.05	79.56
Total External Sales	814.76	3,012.57	3,827.33	2,007.16
Other Income			25.18	32.37
Segment Profit Before Interest & Tax			1,403.47	537.53
Less : Interest			283.81	205.33
Profit Before Taxes			407.31	64.39
Provision for Taxes			(17.25)	-
Profit after Tax			424.55	64.39
Segment Assets (Gross Block)			**10,998.27**	**10,616.02**

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	43440
Scrap	NA	NA	4081

(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	2010-2011					
	Turnover		Opening Stock		Closing stock	
	Mts	Rs. in Mln	Mts	Rs. in Mln	Mts	Rs. in Mln
Pig Iron-Domestic	35,935.74	753.73	11,809.96	273.47	19,314.30	443.86
	(2,000.16)	(27.82)	(4,665.14)	(72.30)	(11,809.96)	(273.47)
Pig Iron-Exports	-	-	-	-	-	-
	-	-	-	-	-	-
Scrap	4,063.04	61.03	1,491.74	25.36	1,904.95	28.74
	(716.93)	(4.78)	(499.67)	(2.90)	(1,491.74)	(25.36)
Iron Ore - Domestic	12,30,971.71	2,186.05	28,37,132.65	583.30	15,78,094.73	522.49
	(18,02,582.72)	(1,657.57)	(19,35,997.49)	(589.05)	(28,37,132.65)	(583.30)
Iron Ore Fines - Export	1,65,902.00	886.21	33,152.27	57.93	18,837.12	66.78
	(1,43,330.00)	(401.33)	(881.00)	(1.66)	(33,152.27)	(57.93)
Coke Breeze	2,999.86	16.00	2,232.03	2.34	4,720.26	25.49
	(13,830.31)	(11.73)	(14,165.36)	(8.49)	(2,232.03)	(2.34)
Lime Sludge	48.70	0.02	-	-	-	-
	-	-	-	-	-	-
Granulated Slag	9,701.62	3.41	8,938.97	2.68	10,828.45	3.79
	-	-	(5,151.67)	(0.64)	(8,938.97)	(2.68)

Note: (i) Data in Bracket indicate previous year figures.
(ii) Sale Turnover is net of Excise duty
(iii) During the current year the company has made adjustment in the closing stock of Iron ore which included over burden in the stock in previous years which does not have any realisable value.

b. Raw Materials consumed.

	2010-11		2009-10	
Raw Material Consumed	Mts	Rs in Mn	Mts	Rs in Mn
Iron Ore	81,460	177.60	22,378	85.28
Imported LAM Coke	7,745	111.49	11,985	174.34
Indigenous Coke	32,981	628.72	-	-
Dolomite	7,561	11.85	2,338	3.49
Lime Stone	5,711	8.85	1,443	2.24
Quarzite	1,189	1.08	558	0.36
Manganeese	17	0.11	-	-
Consumables - LDO	114	5.58	-	22.99
Total		**945.28**		**288.69**

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	2010-11	2009-10
	Rs in Mn	Rs in Mn
Import of LAM Coke	—	269.32
Import of Capital Goods	44.14	—

(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:

	2010-11		2009-10	
Consumption of Imported and Indigenous Raw material	Rs in Mn	PCT %	Rs in Mn	PCT %
Imported	111.490	11.79%	174.34	60.39%
Indigenous	833.79	88.21%	114.36	39.61%
Total :	**945.28**	**100%**	**288.69**	**100%**

e. Expenditure in foreign currency :

Expenditure in Foreign Currency	**2010-11 Rs. in Mn**	**2009-10 Rs. in Mn**
Commission	40.83	Nil
Other expenses	3.68	3.92

f. Earnings in foreign exchange :

	2010-11 Rs. in Mn	**2009-10 Rs. in Mn**
FOB value of Physical Exports	885.35	401.33

g. Previous year's figures have been regrouped/re-arranged wherever necessary and practical.

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

For Sangram Paul & Co.
Chartered Accountants

(S.K. Paul)
Proprietor

Bhubaneshwar
22nd August 2011

For and on behalf of the Board

J.K. Singh
Chairman

Mrs. Rita Singh
Managing Director

N.S. Parmeswaran
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	1	
	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		5	9	6	0	.	2	6
Total Assets		5	9	6	0	.	2	6
Sources of Funds								
Paid up Capital		1	3	7	8		7	5
Reserves & Surplus		1	6	4	0		7	7
Secured Loans			8	3	4		5	9
Unsecured Loans		1	4	2	6		6	2
Deferred Tax Asset			2	6	3		8	1
Application of Funds								
Net Fixed Assets		9	7	0	8		7	8
Misc. Expenditure				2	0		1	7
Net Current Assets	-	4	7	1	2		5	7

IV Performance of Company (Amount in Rupees Million)

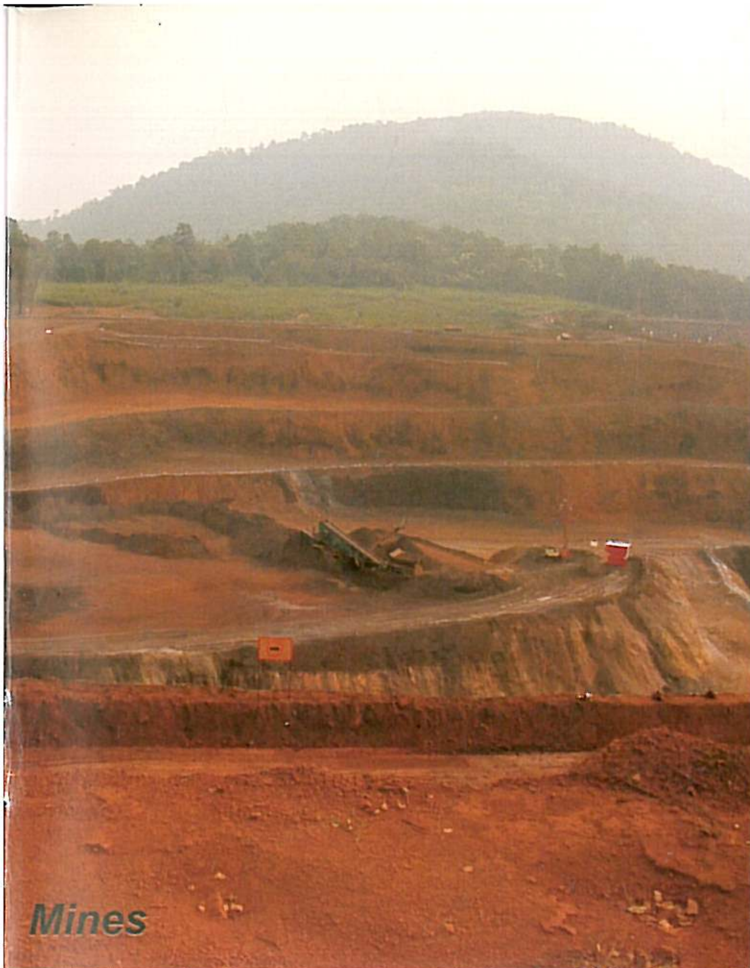
Turnover *		3	9	0	3		5	6
Total Expenditure		3	4	9	6		2	5
Profit before Tax			4	0	7		3	1
Profit after Tax			4	2	4		5	5
Earnings per share in Rs.	N	I	L					
Dividend %	N	I	L					

*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						

NOTES



Mines

Sinter Plant

Crusher

Railway siding