

16th
ANNUAL
REPORT
2007-2008

NOVA R.G.
GROUP



NOVA IRON & STEEL LIMITED



NOTICE

BOARD OF DIRECTORS

Sh. R.K. Gambhir - Chairman
Sh. Narsingh Awatar
Sh. V.K. Sakhuja
Sh. M. Ramachandran
Sh. A. Rajasekaran - Whole Time Director

DIRECTOR-CUM - COMPANY SECRETARY

Sh. S.P. Maken

BANKERS

Bank of India

AUDITORS

M/s Anitma & Goel
Chartered Accountants
3618/XI, Netaji Subhash Marg,
Darya Ganj, New Delhi-110002

CORPORATE OFFICE

506, Hemkunt Tower,
98, Nehru Place, New Delhi-110 019

PLANT & REGD. OFFICE

Village - Dagon, Tehsil-Belha
Distt. Bilaspur (Chhattisgarh)
Pin 495 224

REGISTRAR & SHARE TRANSFER AGENTS

Abhidpra Capital Limited
F-7/4, Ground Floor, Sector-16,
Rohini, Delhi-110065

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NOVA IRON & STEEL LIMITED

NOTICE

Notice is hereby given that the 16th Annual General Meeting of Nova Iron & Steel Limited will be held at the plant site & Regd. Office at Village Dagori, Tehsil Belha, District Bilaspur, Chattisgarh on Tuesday, the 23rd September, 2008 at 12-30 PM. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the profit & loss Account of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R.K. Gambhir who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri V.K. Sakhuja who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration. M/s Antima & Goel, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

By order of the Board

(S.P. Maken)
Director & Company Secretary

Place : New Delhi
Dated : 31st July, 2008

NOTES :-

1. A member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy, in order to be effective, must be deposited with the Company at its Registered Office not less than 48 hours before the time fixed for the meeting.
2. The Register of Members and the Share Transfer Books shall remain closed from 12/09/2008 to 23/09/2008 (both days inclusive).
3. Members seeking information about the accounts are requested to write atleast 10 days before the date of the meeting so that it may be convenient to keep the information ready at the meeting.
4. Members are requested to bring their copy of Annual Report at the Meeting.
5. Members are requested to notify immediately any change in their addresses quoting their folio numbers.



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NOVA IRON & STEEL LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixteenth Annual Report together with Audited Accounts for the Year ended 31st March, 2008.

FINANCIAL RESULTS

	(2007-2008)	(2006-2007)
	(Rs. in Lakhs)	(Rs. in Lakhs)
Total Income	18466.67	13772.48
Gross Profit / (Loss)		
Before interest and depreciation	295.95	180.08
Profit / (Loss) before depreciation	266.86	169.50
Depreciation	294.60	322.33
Provision for Fringe Benefits Tax	3.06	5.00
Net Profit / (Loss) Transferred	(30.80)	(157.83)
to Balance Sheet		

OPERATIONS & FUTURE OUTLOOK

The operations of the Company during the period under review continue to be under strain. Such strain is reflected in the rising costs of Iron Ore, Coal, Power, freight and other inputs. For the last about 3/4 years the prices of Iron Ore have increased many fold. This has further shaken the business economics and has eroded the bottom line of the Company and the business of manufacturing and sale of Sponge Iron as such has become quite unviable. The sponge iron industry is yet to get encouraging support from the Government, particularly with regard to the price and availability of Iron Ore. Continuous supply of good quality iron ore at reasonable price is the main concern.

As informed in the previous reports the company was declared a Sick Company by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 23rd June, 1998 and it continues to be registered with BIFR. As informed in the last years' report an OTS proposal was submitted to the Secured lenders through IFCI, the lead Financial Institution on 20-04-2007. The said OTS proposal was approved at the joint Meeting of Secured Lenders held on 25th April, 2007. Entire money payable under the OTS to all the Banks/Financial Institutions has since been paid. As on date, therefore, no amount is due to the secured lenders and thus no interest liability. The Management has now started concentrating on expansion plans. The operations may comparatively improve in future, although the dependency is mainly on the prices of iron ore and coal.

DIVIDEND

Your Directors express their inability to recommend dividend for the period under review. In accordance with the provisions of Articles of Association of the Company, Sh. R.K. Gambhir and Sh. V.K. Sakhuja, Directors retire by rotation and offer themselves for re-appointment.

AUDITORS

The Company's Auditors M/s Antima & Goel, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Your Directors recommend their appointment as Statutory Auditors for another year.

AUDITORS' REPORT ON THE ACCOUNTS

The Board and clarified, wherever necessary, in the Schedule "NOTES ON ACCOUNTS".

PUBLIC DEPOSITS

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

CORPORATE GOVERNANCE

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

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

As stipulated in Section 217(2AA) of Companies Act, 1956, your Directors hereby confirm that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of



the profit and loss of the Company for the period ended on that date ;

- (iii) the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS RELATING TO EMPLOYEES

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

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

Statement giving information regarding conservation of energy, technology absorption etc. required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended as Annexure-II and forms part of this Report.

INDUSTRIAL RELATIONS

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

COMPLIANCE CERTIFICATE FROM THE AUDITORS IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT.

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance in terms of Clause 49 of the Listing Agreement is appended as Annexure III to this report.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

R.K.GAMBHIR
(Chairman)

Place : New Delhi
Date : 31-7-2008.



ANNEXURE -II TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS) IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

(A) CONSERVATION OF ENERGY:

i) Energy conservation measures taken:

- Provision of Inverter for I.D. Fan.
- Repair/replacement of hot gas ducts in waste gas cleaning plant.

ii) Additional investment & proposal being implemented for reduction of consumption of energy:

- Provision of Inverter for I.D. Fan at a cost of Rs.12.00 Lacs
- Repair/replacement of Hot Gas Ducts and ESP at a cost of Rs. 3.0 Lacs

iii) Impact of above measures:

With the implementation of above measures, savings in electrical energy has been achieved as given below:

Inverter for I.D. Fan and repair of Gas Ducting/ESP	Kwh/Annum
	360000

TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form-B Annexed

ACTIVITIES RELATING TO EXPORTS, INITIATIVES TAKEN TO INCREASE EXPORTS, DEVELOPMENTS OF NEW EXPORT MARKETS FOR PRODUCTS AND SERVICES AND EXPORT PLANS.

Cost of key inputs to manufacture Sponge Iron, like Iron Ore, Coal, Power and transportation etc., have increased substantially. Indian Coal based sponge Iron industry continues to be at a disadvantageous position compared to its overseas counterparts. However, company is making efforts to counter the difficulties and explore the export markets.

TOTAL FOREIGN EXCHANGE USED & EARNED (2007-08)

- Earned : Nil
- CIF Value of Imported : Nil
- Other Expenses : Nil
- Interest on Loans : Nil

FORM B : RESEARCH AND DEVELOPMENT (R&D)

1. SPECIFIC AREA IN WHICH R & D CARRIED OUT BY THE COMPANY:

- Implementation of condition monitoring and predictive maintenance practices.
- Use of Iron Ore in the size of 4-18 mm instead of 5-18mm.

utilization of ESP Dust for domestic fuel and Dolo Char for power generation.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D.

With good use of condition monitoring techniques, use of lubricants and replacement of spares have been optimized. With use of iron ore 4-18mm, the quantity of waste iron ore fines has been reduced by 2-3 percent. Market for sale of ESP dust and Dolo Char has been developed particularly for power generation.

3. FUTURE PLAN OF ACTION:

Installation of Waste heat Recovery Boilers for Power generation.
Installation of new Electrostatic Precipitator and pulse jet gas filter to achieve revised norms of Chattisgarh Pollution Conservation Board.

4. EXPENDITURE ON R & D:

Since in-house expertise, available equipments and instruments were used, separate identification/allocation of expenditure towards R&D is not feasible.

TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION:

Lurgi's technology based on SL/RN Process has been fully absorbed and Process/operations parameters have been optimized.



CERTIFICATE

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

We have examined the compliance of conditions of Corporate Governance by Nova Iron & Steel Ltd. ('the Company') for the year ended on 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges. The Company has complied the same materially.

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

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

We have been explained that no investor grievances remained un-attended for a period exceeding one month, as at 30th April, 2008 against the Company as per the records maintained by the Company.

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

**For ANTIMA & GOEL
Chartered Accountants**

**(R.B.Goel)
Partner**

New Delhi
31st July, 2008



ANNEXURE-I TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

Pursuant to SEBI Circular No. SMDRP/Policy/CIR-10/2000 dated February 21, 2000, Corporate Governance norms have been enshrined in Clause 49 of the Listing Agreement with the Stock Exchanges.

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

BOARD OF DIRECTORS

a) The Board consists of Six directors. More than 50% (2/3rd in our case) are non-executive Directors, and more than one third of the board comprises of independent directors.

b) Attendance Record of Directors in the Board Meetings held during the period under review -

Date of Board Meeting

R.K.Gambhir N.Awatar V.K.Sakhujia S.P.Maken M.Ramachandran A.Rajasekaran R.P.Singh*

Meeting	R.K.Gambhir	N.Awatar	V.K.Sakhujia	S.P.Maken	M.Ramachandran	A.Rajasekaran	R.P.Singh*
28.04.2007	✓	✓	✓	✓	✓	✓	✓
31.07.2007	✓	✓	✓	✓	✓	✓	✓
31.10.2007	✓	✓	✓	✓	✓	✓	✓
30.01.2008	✓	✓	✓	✓	✓	✓	✓

* Sh. R.P. Singh ceased to be a Director of the Company w.e.f. 28-04-2008

c) NUMBER OF DIRECTORSHIPS/NUMBER OF BOARD COMMITTEE MEMBERSHIPS HELD IN OTHER PUBLIC LIMITED COMPANIES.

Name of the Director	No. of Directorships held in other Public Ltd. Companies	Number of Board Committee Memberships held in other Companies
Sh. R.K.Gambhir	-	-
Sh. Narsingh Awatar	1	-
Sh. V.K.Sakhujia	-	-
Sh. M.Ramachandran	-	-
Sh. S.P.Maken	-	-
Sh. A.Rajasekaran	-	-

d) The Non-Executive Directors had no pecuniary relationship or transactions with the Company in their personal capacity during the period under review.

e) Sh. R.K. Gambhir and Sh. V.K. Sakhujia are retiring by rotation and have offered themselves for re-appointment. Sh. R.K. Gambhir is a Promoter Director and is one of the first Directors of the Company. He is a Graduate with about 29 years of experience in Steel and Electronics Industry.

Sh. V.K. Sakhujia is an Ex-Banker. He has a rich experience of working of Industrial Companies including Steel Industry.

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

(i) Executive Directors		(ii) Non-Executive Directors	
S.No.	Name of the Director	Salary(Rs.)	Perquisites and Allowances(Rs.)
1.	Mr. S.P. Maken	2,18,667/-	3,01,600/-
2.	Mr. A. Rajasekaran	8,50,000/-	6,00,000/-
(iii)			
S.No.	Name	Sitting Fee(Rs.)	
1.	Mr. N. Awatar	9,000/- @ Rs. 1000/- per meeting of the Board or Committee except Share Transfer Committee Meetings.	

The terms of appointment of the Whole-time Directors as per Shareholders' Resolutions. There are no separate contracts entered into with them.

There is no Stock option Scheme offered to them.

BOARD PROCEDURE

During the year under review 4 meetings of the Board were held. The intervening period between two Board Meetings was well within the maximum prescribed gap of four months.

Last Annual General Meeting was held on 29.9.2007 which was attended by Mr.N.Awatar and Mr. S.P.Maken, Directors.

CODE OF CONDUCT

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

AUDIT COMMITTEE

An Audit Committee consisting of 3 members, all being non-executive directors, has been constituted. Two of the 3 members are independent directors and the Chairman of the Committee is also independent director and he is a very senior practising Chartered Accountant.

The Company Secretary is the Secretary of the Audit Committee.

The following are the members of the Audit Committee.

1. Sh. N.Awatar (Chairman)
2. Sh. V.K.Sakhujā
3. Sh. R.K.Gambhir

The General Manager (Accounts) who is the head of the Accounts functions is invited to all the meetings of the Audit Committee.

A Representative of the Statutory Auditors is a permanent invitee to the Audit Committee Meetings.

The following are the terms of reference of the Committee –

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
- b. Changes, if any, in accounting policies and practices and reasons for the same
- c. Major accounting entries involving estimates based on the exercise of judgment by management
- d. Significant adjustments made in the financial statements arising out of audit findings
- e. Compliance with listing and other legal requirements relating to financial statements
- f. Disclosure of any related party transactions
- g. Qualifications in the draft audit report.



5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee has had four Meetings during the year.

Attendance of Directors in the Audit Committee Meetings -

Date of Meeting	N. Awatar	V.K. Sakhuja	R.K. Gambhir
16.04.2007	✓	✓	✓
23.07.2007	✓	✓	✓
22.10.2007	✓	✓	✓
21.01.2008	✓	✓	✓

REMUNERATION COMMITTEE

Remuneration Committee consisting the following directors has been constituted -

1. Sh.N. Awatar - Chairman
2. Sh. R.K. Gambhir
3. Sh. V.K. Sakhuja

The Committee had one meeting during the year.

SHAREHOLDERS' GRIEVANCE COMMITTEE

Shareholders' Grievances Committee consisting the following directors has been constituted to look into the complaints of the Shareholders-

1. Sh. R.K. Gambhir - Chairman
2. Sh. N. Awatar
3. Sh. S. P. Maken

The Committee had 4 meetings during the year and were attended by all the three members.

SHARE TRANSFER COMMITTEE

Share Transfer Committee consisting the following directors has been constituted.



NOVA IRON & STEEL LIMITED

1. Sh. R.K. Gambhir
2. Sh. N. Awatar
3. Sh. S. P. Maken

The Share Transfer Committee meetings are being held every fortnight.

GENERAL SHAREHOLDER INFORMATION

Sh. S. P. Maken, Director-cum-Company Secretary is designated as the Compliance Officer.

Since the last AGM, 269 Nos. complaints were received from various Shareholders and all of them have been replied/resolved satisfactorily. As on date there are no pending requests for Share Transfer.

Since 26.12.2000 when the Company was covered in the compulsory demat list 28,572 Nos. demat requests, involving 29,543 Folijs in respect of 23709400 Shares have been processed so far which is 24.27% of the total shares. The Company has been allotted ISIN No. INE 608-C 01018 by NSDL/CDSL.

M/s Abhipra Capital Ltd., F-7/4, Ground Floor, Sector -16, Rohini, Delhi - 110085 are the Registrar for electronic connectivity and Share Transfer Agents in terms of SEBI Circular No. D&CC/FIT/CIR-15/2002 dated 27-12-2002.

All correspondence by the Shareholders may be sent at the following address :-

M/s Abhipra Capital Limited
(UNIT NISL)
F-7/4, Ground Floor
Sector-16, Rohini
Delhi-110085
Novra Iron & Steel Ltd.
Village-Dagori
Tehsil-Belha,
Dist. Bilaspur-(Chattisgarh)

The shares of the Company are listed with the Stock Exchanges at Ahmedabad, Bombay, Calcutta, Delhi, Madras and with the National Stock Exchange. Annual Listing Fee for the Financial year 2006-2007 has not been paid to them due to paucity of funds.

High/Low monthly price data quoted at Delhi Stock Exchange (Regional Exchange) - Rates not available because the trading of the shares at the Stock Exchanges is currently suspended. The Company has, however, initiated action for the revocation of suspension with the Bombay Stock Exchange and National Stock Exchange.

Next Annual General Meeting is being held on Tuesday, the 23rd September, 2008 at 12-30 PM. at the Registered Office of the Company. In this connection the Share Transfer Books and Register of Members shall remain closed from 12.09.2008 to 23.09.2008 (both days inclusive).

Distribution of Shareholding as on 31st July, 2008

Range	No. of Share Holders	No. of Shares	%
upto - 500	216280	31351736	32.09
501 - 1000	4068	3404449	3.48
1001 - 2000	1408	2186848	2.24
2001 - 3000	404	1031667	1.06
3001 - 4000	165	599820	0.61
4001 - 5000	192	920500	0.94
5001 - 10000	198	1510000	1.55
Above 10000	170	56694980	58.03
Total	222885	97700000	100.00



Shareholding pattern as on 30th June, 2008.

Category	No. of Shares held	%
Promoters & Associates	2,91,00,000	29.79
Financial Institution(s)	52,70,400	5.39
Mutual Funds	1,20,61,800	12.35
NRIs	11,66,300	1.19
Private Corporate Bodies	65,35,884	6.69
General Public	4,35,65,616	44.07
Total	9,77,00,000	100.00

DISCLOSURES

a) Related party transactions

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

b) Compliances by the Company

The Company has complied with the material requirements of the Stock Exchanges, SEBI and other Statutory Authorities on matters related to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authorities relating to the above. Trading in the shares of the company at the Stock Exchanges is suspended. Non-mandatory requirements have not been adopted for compliance.

Delegation of Authority to the Registrar & Share Transfer Agents.

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

GENERAL BODY MEETINGS

The last three AGMs were held at the Registered Office of the Company as under-

Meeting	Date	Time
15th AGM	29-09-2007	12-30 PM.
14th AGM	22-09-2006	3-30 PM.
13th AGM	27-06-2005	2-00 PM.

7 Resolutions – One ordinary and 6 Special Resolutions relating to the following matters were put to postal ballot during the period under review-

1 to 3 increase in the authorised capital from the existing 105 crores to Rs. 160 crores and consequential alterations of the relevant clauses of Memorandum and Articles Associations of the Company.

4. Resolution under section 81(1A) for the allotment of 5,73,00,000 equity shares to the persons amongst promoters and M/s Ambeysteel Pvt. Ltd., the investor, by way of preferential allotment in return for the funds brought in by them for paying to the Financial Institutions and Banks the OTS amount.

5. Alteration of clause III-A of Memorandum of Association relating to the mining activities

5. Alteration of clause III-C of the Memorandum of Association so as to include the activities of power generation, real estate and hospitality

6. Resolution under section 149(2A) of the Companies Act, 1956 to utilize the waste heat, coal, coal waste for generation of power and to explore the possibility of entering into the business of real estate and hospitality.



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NOVA IRON & STEEL LIMITED

PUBLICATION OF UNAUDITED FINANCIAL RESULTS.

In view of the general shortage of qualified accounting staff at the plant site, the Company has not been able to arrange the publishing of the un-audited Quarterly Results in the Newspapers as stipulated. The Company has now planned to do the needful from the next quarter.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

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

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

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

In view of the above, the outlook and future of Sponge Iron industry does not appear to be encouraging. Manufacturing Sponge Iron and selling it as such does not seem to be a profitable business. The operations can be made viable only with a forward and backward integration. The need of the hour, therefore, is to have own captive mines; installation of power plant utilizing waste heat of the Kiln; expansion of production capacity; installation of furnace and manufacturing items of steel.

With the approval of OTS by the Financial Institutions/Banks and the Company having already paid the entire OTS amount, there are now no secured loans and thus no interest burden. The things may, therefore, improve to some extent. At the same time the Management has started focusing on the expansion plan and exploring the possibilities of acquiring captive mines.



AUDITOR'S REPORT

TO
THE MEMBERS OF
NOVA IRON & STEEL LTD.

We have audited the attached Balance Sheet of NOVA IRON & STEEL LIMITED as at 31st March, 2008, the Profit & Loss account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared, in all material respects, in accordance with an identified financial reporting framework, are free of material misstatements. 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. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, as amended, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable.

2. Further to our comments in the Annexure referred to in paragraph 1 above:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

c) The Balance Sheet, Profit and Loss Account and the cash flow statement dealt with by this report are in agreement with the books of accounts.

d) In our opinion, the attached Balance Sheet, Profit & Loss account and the cash flow statement generally comply with the Accounting Standards, except otherwise wherever indicated, referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.

e) According to the information and explanation given to us and on the basis of written representation received from the Directors, taken on record by the Board of Directors, no director is disqualified as on 31.03.2008 from being appointed as a director in this Company, as per the OTS scheme approved by the Secured Lenders.

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together

NOVA IRON & STEEL LIMITED

with significant accounting policies and Notes thereon in Schedule 17, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India.

- i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2008 and:
- ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
- iii) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For ANTIMA & GOEL
Chartered Accountants

(R.B. GOEL)
Partner

Place: New Delhi
Date: 31st July, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE
AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF
NOVA IRON & STEEL LIMITED ON THE ACCOUNTS FOR THE
PERIOD ENDED 31ST MARCH, 2008.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As informed to us, the management has carried out a physical verification of most of its fixed assets during the period. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets and there have been no material discrepancies. There has been no disposal of fixed assets during the year.

2. The management has conducted physical verification of inventory at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3. As informed to us, 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.

4. As informed to us, the company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and rendering of services. During the course of our audit, no major material weakness has been noticed in the internal controls.

In our opinion and according to the information and explanations given to us, the company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

6. Based on the audit procedures applied by us and according to the information and explanations provided by the management, there are no transactions exceeding the value of Rupees five lacs in respect of any party in the financial year, that need to be entered in register maintained under section 301 of the Companies Act, 1956. Accordingly this clause is not applicable for the current year.
7. The Company has not accepted any deposits from public. No order was passed by Company Law Board or NCLT, RBI or any court or Tribunal.
8. In our opinion, the Company has an external professional firm for internal audit and it is reasonably commensurate with the size and nature of its business.
9. According to the information and explanations given to us and to the best of our knowledge, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
10. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Entry Tax and other statutory dues with the appropriate authorities. According to the information and explanations given to us, NO UNDISPUTED amount payable in respect of Sales Tax, Custom Duty, Excise Duty, were outstanding, at the year end for a period of more than six months from the date they became payable EXCEPT Entry Tax & Sales Tax amounting to Rs. 3226414/- & Rs.130328/- respectively (excluding interest payable there upon, if any. According to the records of the Company, there are no dues outstanding of Wealth Tax, Custom Duty, Cess etc. ON ACCOUNT OF ANY DISPUTE, Except Sales Tax, Income Tax and Excise Duty, as per details given below.

Nature of statute	Nature of Dues	Amount (Rs.)	Period to which Forum	Dispute is pending where
Excise Duty	Modvat Credit plus Penalty	Rs. 70.63 Lacs	A.Y. 2004-05	Appeal filed with Service Tax Appellate Tribunal New Delhi, hearing awaited
Excise Duty	Penalty	Rs. 0.50 Lacs	A.Y. 2007-08	Appeal pending before Commissioner (Appeal) Raipur.
Income Tax	Demand	Rs. 18.70 Lacs	A.Y. 1994-95	Appeal pending before ITAT.
Sales Tax	Demand	Rs. 2.23 Lacs	A.Y. 2004-05	Commissioner of Commercial Tax.

11. The company has accumulated losses at the end of the financial year that exceeds 100% Net worth of the Company (excluding share application money received) and it has earned cash profit in the current year and in the immediately preceding financial year. The Company is a Sick Industrial Company within the meaning of Section 3(1)(0) of the Sick Industrial Companies (Special Provisions) Act, 1985 and has been registered with the Board for Industrial & Financial Reconstruction as a Sick Industrial unit w. e. f. 23rd June, 1998.
12. The Company has not defaulted in repayment of both principal and interest to any financial institution or banks or debenture holders as per the Scheme of OTS approved by the lenders during the year.
13. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and mutual benefit fund/ societies.
15. The Company does not deal or trade in shares, securities, debentures and other investments.
16. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its subsidiaries and associates from banks or financial institutions during the current year.
17. Based on information and explanations given to us by the management, no term loans were obtained during the current year.
18. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
19. The Company has not made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the companies Act, 1956. However, the company has received Share application money and is in the process of allotting shares, after taking necessary statutory approvals, which is not prejudicial to the interest of the Company. The Company has not issued any debentures.
20. In respect of the Debentures issued by the Company to FI/ Mutual Funds/Banks in the year 1994-1995, the Company has neither executed the Debenture Trust Deed under Section 117A, of the Act and Nor has created any Security in favour of the Debenture Trust. However as per the OTS scheme approved by the Lenders, the company has repaid the entire amount to Debenture holders subsequently, thus creation of debenture Trust deed and Security has become infructuous and redundant subsequently.
21. The Company has not raised any money through a public issue during the year, except receipt of share application money. The last Public issue by the Company was made in 1994 and as informed to us, the Company had then disclosed the end use of the money raised in the public issue.
22. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For ANTIMA & GOEL
Chartered Accountants

(R.B. Goel)
Partner

Place : New Delhi.
Date : 31st July, 2007



NOVA IRON & STEEL LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

SCHEDULE		AS AT 31ST MARCH, 2008	AS AT 31ST MARCH, 2007
		Rs.	Rs.

SOURCES OF FUNDS			
1	Share Capital	945932185.40	945932185.40
2	Share Application Money (Pending Allotment)	474603720.00	—
3	Reserves & Surplus	1420535905.40	945932185.40
4	Loan Funds	100181434.00	9333617613.16
5	Secured Loans	23827960.00	260410671.00
6	Unsecured Loans	124009394.00	9594028284.16
APPLICATION OF FUNDS		1544545299.40	10539960469.56
7	Fixed Assets	2171474503.76	2159062968.36
8	Gross Block	1934665410.88	1905224154.18
9	Less : Depreciation	40313.00	253838814.18
10	Net Block	236809092.88	10378533.48
11	Capital Work in Progress	236849405.88	264217347.66
12	Investments	—	—
13	Current Assets, Loans and Advances	128399161.29	103743199.06
14	Inventories	78149778.58	80465506.34
15	Sundry Debtors	21149568.56	30090840.55
16	Cash & Bank Balances	131840057.22	102470163.47
17	Loans & Advances	359538565.65	316769709.42
18	Less : Current Liabilities & Provision	312206747.88	238037875.88
19	Current Liabilities	9801054.00	7723148.00
20	Provision	322007801.88	245761023.88
21	Net Current Assets	1270165129.75	37530763.77
22	Profit & Loss Account	10204734436.36	71008685.54
23	Notes to the accounts	1544545299.40	10539960469.56

For & on behalf of the Board

R.K.Gambhir Chairman
N.Awatar Director

S.P.Maken Director and Company Secretary

Bhanu Parkash G.M.(Accounts)

New Delhi, 31st JULY, 2008

R.B. Goel Partner

For Antima & Goel Chartered Accountants

Per our report of even date

Notes to the accounts

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PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1ST APRIL 2007 TO 31ST MARCH, 2008

PREVIOUS YEAR	CURRENT YEAR	SCHEDULE
---------------	--------------	----------

Rs.	Rs.	
1376720865.00	1845968265.00	12 Sales
527359.34	698016.72	13 Other Income
1377248224.34	1846666281.72	
1369454744.06	1808005933.87	14 Manufacturing and Other Expenses
1058086.00	2909490.65	15 Interest and Financial Charges
(10214233.00)	9065375.00	16 (Increase)/Decrease in Stock
1360298597.06	1819980799.52	
16949627.28	26685482.20	Profit / (Loss) before depreciation
32232788.85	29459851.75	Depreciation
15283161.57	(2774369.55)	Profit / (Loss) before tax
500000.00	305808.00	Fringe Benefit Tax
	(144192.00)	Provision of FBT of earlier year written back
15783161.57	(3080177.55)	Profit / (Loss) before extraordinary items
0.00	8937649484.16	Extraordinary Items
	670134214.07	Interest Payable written back
	8267515270.09	Amount written back
15783161.57	8934569306.61	Net Profit / (Loss) after tax & extraordinary items
(10188951274.79)	(10204734436.36)	Profit / (Loss) brought forward
(10204734436.36)	(1270165129.75)	Profit / (Loss) carried over to Balance Sheet

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Notes to the accounts

Per our report of even date

For Antima & Goel
Chartered Accountants

R.B. Goel
Partner

S.P.Maken
Director and Company Secretary

N.Awatar
Director
R.K.Gambhir
Chairman

For & on behalf of the Board

Bhanu Parkash
G.M.(Accounts)



NOVA IRON & STEEL LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

AS AT 31ST
MARCH, 2007
RS.

AS AT 31ST
MARCH, 2008
RS.

SCHEDULE - 1	
SHARE CAPITAL	
10,50,00,000 Equity Shares of Rs. 10/- each	1050000000.00
Issued, subscribed & paid up 9,77,00,000 Equity Shares of Rs. 10/- each	977000000.00
Less : Calls unpaid by others	31067814.60
	945932185.40
Share Application Money (Pending Allotment)	474603720.00
	0.00

SCHEDULE - 2	
RESERVES & SURPLUS	
Surplus in Profit & Loss account	0.00

SCHEDULE - 3	
SECURED LOANS	
19% Non Convertible Debentures of Rs. 100/- each fully paid up	63877384.00
Interest accrued & due on above	0.00
20% Non Convertible Debentures of Rs. 100/- each fully paid up	7354891.00
Interest accrued & due on above	0.00
From Financial Institutions	0.00
Term Loans	0.00
Interest accrued & due on above	0.00
Short term loans	0.00
Interest accrued & due on above	0.00
From Banks	25455542.00
Buyer's credit from BHF Bank, Germany	3483617.00
Interest accrued & due on above	0.00
Working Capital facilities	121564703.15
Interest accrued & due on above	941852455.22
	9403617613.16
	70000000.00
	9333617613.16

Notes :	
1) The amount of the Secured Loans, mentioned herein above is the amount remaining payable under the OTS as on 31st March 2008.	
2) Debentures are secured by first charge by way of hypothecation of all the Company's movables including movable machinery/spares, tools and accessories, both present and future (save and except book debts, raw materials, finished goods and semi finished goods, and consumable stores and packing material etc for which the bankers have a prior first charge) ranking pari passu interest.	
3) Term loans from the Financial Institutions are secured by a first charge of all the Company's immovable properties, both present and future, ranking pari passu interest and a first charge by way of hypothecation of all the Company's movables including movable machinery/spares, tools & accessories, both present and future, subject to prior charge created in favour of the Company's bankers on inventories & other specified movables for securing the borrowings of working capital requirements. The first charge on the company's immovable properties created in favour of IFCI Ltd. under the Term Loan has been assigned by IFCI in favour of M/s Ambeey Steel & Power Pvt. Ltd. (ASPL) by Deed of Assignment dated 31-03-2008, for a consideration of a sum of Rs. 39.50 crores, being the IFCI's share under the OTS.	
A sum of Rs. 42,24,10,000/- including the above mentioned sum of Rs. 39.50 crores has been shown as the share application money as per the request of ASPL. However, till the time the shares are allotted to ASPL and till the time all moneys, besides the Share Application Money, are paid to ASPL it shall continue to be a secured creditor.	
4) Working capital facilities from the banks are secured by way of hypothecation of stock of raw materials, stock in progress, consumable stores, spares & finished goods and collateral secured with equitable mortgage of all movable & immovable assets of the Company, both present & future.	
5) a) The term loans and working capital facilities are further secured by irrevocable and unconditional, joint and several guarantees, from Shri. R.K. Gambhir, Chairman of the Company and Shri. G.K. Gambhir.	
b) The term loans and working capital facilities are also guaranteed by Nova Electro Magnetics Limited and Nova Steels (India) Limited, the companies in which a Director is interested.	
6) Buyer's credit from BHF Bank is guaranteed by Company's bankers against hypothecation of machinery purchased thereunder and counter guarantees by Shri. R.K. Gambhir, Chairman and Shri. G.K. Gambhir, Director is interested.	
7) Entire money as per OTS has since been paid to all the Banks/Financial Institution and all obligations under the Personal/Corporate Guarantees stand discharged.	

AS AT 31ST MARCH, 2008
AS AT 31ST MARCH, 2007

**SCHEDULE - 4
UNSECURED LOANS**

Other Loans and Advances
From Others
Deferred payment liabilities (Amount written Back)

23827960.00	23827960.00
92027791.00	1683828880.00
260410671.00	

**SCHEDULE - 5
FIXED ASSETS**

(Figures in Rupees)

Description	As at 31st March, 2007	As at 31st March, 2008	Upto 31st Mar, 2008	Upto 31st Mar, 2007	For the Period	Adjustment	Depreciation	Net Block
Land (Leasehold)	2456175.41	6700507.41	301855.00	24810.00			32665.00	2154320.41
(Freehold)	967729.60	967729.60	0.00	0.00			0.00	967729.60
Building	415481575.01	6747276.00	255767754.95	11345210.19			267112965.14	155115885.87
Plant & Machinery	1676940725.01	928897.00	1614638892.88	15643091.23			1630281984.11	47587637.90
Railway Siding	23296066.00	114875.00	834535.29	1123092.23			1957627.52	22461530.71
Office Equipments	10290690.58	296910.00	7561251.72	462197.88	(18595.05)		8004854.55	2729438.86
Furniture & Fixtures	23147527.35	13540.00	20880679.65	412345.74			21293025.39	2266847.70
Vehicles	6482479.40	87294.00	5239184.69	449104.48			5688289.17	1243294.71
	2159062968.36	12433124.00	1905224154.18	29459851.75	(18595.05)		1934665410.88	253838814.18
	2159062968.36	2171474503.76					236809092.88	253838814.18

Capital Work in progress (including capital advances)

40313.00	10378533.48
236849405.88	264217347.66

Previous Year 2122356284.48 37046675.00 2159062968.36 1873273614.96 32232788.85 (282249.63) 1905224154.18 253838814.18 249082669.52

* This is the amount which has been paid to IDBI (Stressed Assets Stabilization Fund (SASF)) being the consideration for the purchase of 60 acres of leasehold land belonging to Nova Steels India Ltd. (NSIL), which IDBI had acquired by taking action under Securitisation & Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI). The registration of the said land in the name of the company is yet to be done.

AS AT 31ST MARCH, 2008
AS AT 31ST MARCH, 2007

**SCHEDULE - 6
INVENTORIES**

Raw materials
Work in progress
Finished goods
Goods in transit
Stores & spares etc.
Scrap & waste

18335822.24	9043575.00	18335822.24	9043575.00
30947164.00	35058446.00	30947164.00	35058446.00
8923805.82	1434386.00	8923805.82	1434386.00
1529093.00	9529122.72	1529093.00	9529122.72
128399161.29	1036559.00	128399161.29	1036559.00



NOVA R.G. GROUP

NOVA IRON & STEEL LIMITED

AS AT 31ST MARCH, 2008
 AS AT 31ST MARCH, 2007
 RS.

**SCHEDULE - 7
 SUNDRY DEBTORS
 (Unsecured & Considered good)**

17639422.58	78149778.58
60510356.00	80465506.34
200722779.59	
60392726.75	

**SCHEDULE - 8
 CASH AND BANK BALANCES**

3889166.84	2296019.90
17240401.72	27774820.65
20000.00	20000.00
21149568.56	30090840.55

Note : Fixed Deposit of Rs.20,000/- (Previous period Rs.20,000) is kept as security with the Sales Tax department

**SCHEDULE - 9
 LOANS AND ADVANCES
 (Unsecured & Considered good)**

123654538.96	93761031.21
6730775.26	7246223.26
517360.00	479845.00
937383.00	983064.00
131840057.22	102470163.47

**SCHEDULE - 10
 CURRENT LIABILITIES**

123833295.67	104876663.66
131764588.94	86149908.95
56608863.27	47011303.27
312206747.88	238037875.88

**SCHEDULE - 11
 PROVISIONS**

57383.00	57383.00
6415692.00	4920106.00
2377979.00	1645659.00
950000.00	1100000.00
9801054.00	7723148.00

Advances recoverable in cash or in kind or for value to be received
 Security Deposit with Government
 Departments & Others
 Tax deducted at source
 Fringe Benefit tax

Advances from customers
 Other liabilities
 Sundry creditors

For Wealth tax
 For Gratuity
 For Earned Leave
 For Fringe Benefit Tax

Cash on hand
 Balances With scheduled banks
 On Current accounts
 On Fixed deposits

Debits outstanding for a period exceeding six months
 Other Debits



NOVA IRON & STEEL LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM 1ST APRIL 2007 TO 31ST MARCH, 2008

PREVIOUS PERIOD	CURRENT PERIOD	
Rs.	Rs.	
1360234771.00	1788903060.00	SCHEDULE - 12
16486154.00	29172220.00	SALES
0.00	1788903060.00	Sponge Iron
1376720865.00	27892985.00	Others
518892.34	1845968265.00	Traded Goods - Iron Ore
8467.00	646720.72	SCHEDULE - 13
527359.34	51296.00	OTHER INCOME
		Interest
		Miscellaneous
1016610057.66	1296603346.98	SCHEDULE - 14
0.00	27295250.00	MANUFACTURING & OTHER EXPENSES
632751.78	1681181.52	Raw materials consumed
39603695.04	39543711.35	Purchase of Trade Goods
10695186.00	13269399.00	Stores,spares & consumables
1992226233.00	254002851.00	Power,water & electricity
6474638.99	18425693.40	Material handling charges
417600.00	1970267.00	Excise duty
28177831.90	32410299.27	Machinery repairs & maintenance
1178439.00	1378961.00	Director's remuneration
669759.00	745134.00	Salaries & allowances
1073526.00	1754979.00	Contribution to provident & other funds
0.00	23651918.00	Staff & labour welfare
12138745.00	12783878.00	Rent
346460.00	297426.00	Transit Loss - Raw Material
95551.00	99650.00	Rates,fees & taxes
682965.50	190891.00	Insurance
95551.00	99650.00	Traveling & conveyance
7696162.00	5904892.50	Printing & stationery
2505678.00	2774685.00	Postage & telephone
180544.00	190891.00	Vehicle running & maintenance
13000.00	51000.00	Advertisement
18487928.00	24296937.00	Packing & forwarding
365830.00	646685.00	Legal, professional & consultancy
3200977.31	26733643.51	Auditors remuneration
239165.00	532617.00	Directors' sitting fee
11770867.64	13080274.37	Commission on sales
48241.49	493.55	Building repairs & maintenance
		Other repairs & maintenance
		Freight & Cartage
		Miscellaneous expenses
		Loss on Sale of Asses
260975.00	1840313.00	SCHEDULE - 15
797111.00	1069177.65	INTEREST & FINANCIAL CHARGES
		Interest on Others
		Bank charges & others
1369454744.06	1808005933.87	
1058086.00	2909490.65	



SCHEDULE - 16
(INCREASE) / DECREASE IN STOCK

Closing Stock of:	30947164.00	9987290.00	1529093.00	32359750.00	41425125.00
Finished goods	30947164.00	9987290.00	1529093.00	32359750.00	41425125.00
Work in progress					
Scrap & waste					
Less:					
Opening Stock of:	21318549.00	7668225.00	2224118.00	41425125.00	31210892.00
Finished goods	21318549.00	7668225.00	2224118.00	41425125.00	31210892.00
Work in progress					
Scrap & waste					
Total	9065375.00	9065375.00	9065375.00	9065375.00	(10214233.00)

Accounting Policies & Notes to Accounts for the period of 12 months ending 31/03/2008

Significant Accounting Policies

- (1) **Basis of Accounting**
Unless specifically stated elsewhere, the Company follows accrual basis of accounting and the accounting policies followed by it are consistent. The Accounting Standards referred under Section 211(3C) of the Companies Act, 1956 have been adopted by the Company and disclosures made in accordance with the requirements of Schedule VI of the Companies Act, 1956 and the Indian Accounting Standards.
- (2) **Fixed Assets**
Fixed assets are stated at cost (Net of MODVAT) less accumulated depreciation. Cost of acquisition or construction is inclusive of freight, duties, taxes & incidental expenses related to such acquisition or construction.
- (3) **BORROWING COSTS**
Interest and other costs in connection with the borrowing of the funds to the extent, related/attributable to the acquisition/construction of qualifying Fixed Assets are capitalized upto the date when such assets are ready for its intended use. However the borrowing cost is not capitalized during the extended periods in which active development is interrupted/there is considerable delay in commissioning of the respective Assets and is charged to Profit & Loss A/c.
- (4) **Depreciation**
Depreciation on the assets other than Plant & machinery is provided for at written down value method as per the rates prescribed under Schedule XIV of the Companies Act, 1956. Plant & Machinery is being depreciated @ 25% per annum on written down method.
- (5) **Foreign Exchange Transactions**
Transaction in foreign currency are recognised at the rate(s) prevailing on the date of the transaction. Foreign Currency Liabilities are accounted for at the exchange rate(s) prevailing on the closing day of the accounting period and the losses or gains arising on realignment of foreign currency liabilities relating to the acquisition of fixed assets are adjusted to the cost of such assets and on such exchange fluctuation the depreciation is charged/adjusted on the basis of full year's use.
- (6) **Inventory Valuation**
Raw materials are valued at cost under average cost method. Stores, spares & consumable tools are valued at cost under first in first out method.
Stock in progress is valued at material cost including appropriate direct & manufacturing overheads.
Finished goods are valued at cost or net realisable value whichever is lower. Cost represents production cost including appropriate overheads and excise duty but excluding commission on sales.
Inventories of scrap & waste is valued at estimated net realisable value.



- (7) **Sales**
Sale has been recognised at the point of despatch to the customers. These are inclusive of excise duty and net of discounts and rebates including rebates on account of quality claims as and when settled.
- (8) **Other Revenues**
Claims including insurance claims are accounted for on the acceptance and determination of the amounts recoverable by the concerned authorities.
- (9) **Retirement Benefits/Other Expenses**
Provision for gratuity has been made in the books of Accounts as per the provisions of payment of gratuity Act 1972 on the assumption that all the employees are entitled to gratuity at the end of the accounting period. The Leave encasement is accounted for on accrual basis.
- (10) **Excise Duty**
Excise duty on finished goods lying at the works is accounted for at the year end & corresponding liability for Excise duty is also created in the accounts. This treatment is as per guidance Note on accounting treatment of Excise duty issued by Institute of Chartered Accountants of India.
- MODVAT credits are adjusted towards the cost of materials/assets.
- (11) **Miscellaneous Expenditure**
Preliminary, public issue and deferred revenue expenditure are being written off over a period of ten years from the date of commencement of commercial production.
- (12) **Provision for Taxation**
1. Provision for taxation, if any, is made in respect of the taxable income of the previous year as defined in the Income Tax Act, 1961.
2. Fringe Benefits tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI regarded as an additional income tax and considered in determination of the profits/(losses) for the year.
- (13) **Contingent Liabilities**
No provision is made for liabilities, which are considered by the management contingent in nature and the same are disclosed by way of notes to accounts.
- (14) The Earning per share has been calculated as per AS-20. The basic and diluted earning per share has also been calculated as per AS-20 issued by Institute of Chartered Accountants of India (ICAI).
- (15) **AS-22 "Accounting for Taxes on Income" issued by ICAI**
Deferred Tax is recognized, subject to consideration of prudence, on timing differences, representing the difference between the taxable income/loss and the accounting income/(loss) that originated in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax assets viz. unabsorbed depreciation and carry forward losses are recognized if there is 'virtual certainty' that sufficient future taxable income will be available against which such deferred tax assets can be realized.
- (16) **Segment reporting (AS-17)**
As the Company operates in only one line of activity thus segment wise figures are not given, as and when new segments are added/diversified, figures/details of such segment shall be given.
- (17) **Impairment of Assets**
Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use.



Notes on Accounts

	As at 31st March, 2008	As at 31st March, 2007
	(Rs. in Lacs)	(Rs. in Lacs)
1. Contingent liabilities not provided for :		
a) Claims not acknowledged as debts	516.63	516.83
b) Income Tax demands under appeal	18.70	18.70
c) Excise & Service tax demand under dispute	71.13	69.53
d) Interest on Entry Tax	124.61	124.61
e) Sales Tax (2004-05) Demand under Dispute	2.23	-
Besides the above, the claim of interest/damages etc. and legal expenses claimed by the parties, the amount of which cannot be quantified.		
2. Based on the information available, Sundry Creditors include a sum of Rs. 14.25 Lacs due to Small Scale Industrial Undertakings.		
The names of Small Scale Industrial Undertakings who have outstanding for more than thirty days are Rishi Gases Pvt.Ltd, Digital Weigh System Pvt.Ltd., Bajrang Conveyor, Associated Mining Co., Alfa Controls, M.K.Diesels Ltd., Yoganter Power Pvt.Ltd. & Spin Packaging Ltd. Necessary letters to all the suppliers have been issued by the Company seeking the declaration. The Company has not received any information from them of their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid, if any, to them as at the year end together with interest paid/payable as required under the said Act has not been made.		
3. In the opinion of the Management, the Current Assets, Loans and Advances etc., are approximately of the value stated, if realised in the ordinary course of business.		
4. Previous period's expenditure debited under the respective heads of accounts during the current period are Rs.21,94,548/- (Previous period Rs.37,74,332/-) and previous period income credited under respective heads Rs.7,40,201/- (Previous period NIL).		
5. Advances recoverable include an amount of Rs.31,07,831/- (as at 31st March, 2007, Rs. 28,11,051/-) outstanding on current account with companies in which a director is interested.		
6. The Company has already made the entire payment under the OTS to all the concerned Banks/Financial Institutions, including the Debenture holders as on date. All the Debentures are, therefore, deemed to have been redeemed. There is, therefore, no need to transfer any amount to the Debenture Redemption Reserve.		
7. Some balances of accounts with parties in respect of debtors, creditors and advances and the loan accounts are subject to confirmation/reconciliation.		
8. There was a winding up petition filed by IFCI in the High Court of Jabalpur (M.P.). After the payment of the entire money to IFCI under the OTS and upon receipt of "No Dues Certificate" from them, the winding up petition has become infructuous and redundant.		
9. The Company is a sick Industrial Company within the meaning of section 3(1)(c) of The Sick Industrial Companies (Special Provisions) Act, 1985 and has been declared and registered as such with the Board For Industrial and Financial Reconstruction (BIFR) on 23-06-1998.		
The BIFR vide its communication dated 05-06-2008, pursuant to the order of AIFR dated 22-4-2008 has directed to file a revised rehabilitation scheme with BIFR. The company is in the process of finalization and filing of revised rehabilitation scheme with BIFR.		
10. The OTS proposal which was submitted to the secured lenders through IFCI, the lead financial institution on 20-04-2007 was considered and approved by the secured lenders in their joint meeting held on 25-04-2007. The entire payment under the OTS has since been made to all the Banks/Financial institutions and "No Dues Certificates" have also been received from most of them. As on date, therefore, no amount is due to the secured lenders. There being		

no secured loans, no interest shall be payable. Though, the net worth of the Company is negative as on the date of Balance Sheet, considering receipt of substantial Share Application Money, the management is confident that the operations of the company would improve considerably. Accordingly, accounts have been prepared on a going concern basis.

11. The interest provided on the Secured Loans up to the Financial Year ended 31st March, 2006 has been reversed in view of the OTS. The difference between the principal amount of the Secured Lenders and the total amount paid/payable under the OTS has been adjusted/ written back accordingly, in the Profit & Loss Account as Extraordinary items.

12. Plant & Machinery, Factory Building and stocks of the Company are not insured, due to tight liquidity position.

13. On a prudent and conservative basis, Deferred Tax Asset, due to timing differences, arising from Unabsorbed Depreciation, Business Loss and write back under OTS scheme have not been recognised in the absence of any certainty that sufficient future taxable income will be available in the foreseeable future against which the net Deferred Tax Assets can be realized.

14. Current Tax provision on account of substantial carried forward losses and unabsorbed depreciation, the management is of the opinion that there will not be any tax payable on current year profits, which are adjustable against unabsorbed depreciation and carried forward of losses. As such no provision for current tax has been made under the Income Tax Act, 1961.

15. Auditor's remuneration :

Current Period	Previous period
Rs. 1,40,450	Rs. 1,40,450
28,090	0.00
42,902	40,094
<u>2,11,442</u>	<u>1,80,544</u>

16. Remuneration to Directors:

Current Period	Previous Period
Rs. 10,68,667	Rs. 1,44,000
9,01,600	2,73,600
<u>19,70,267</u>	<u>4,17,600</u>

17. Related party disclosure as required by Accounting Standard-18 issued by the Institute of Chartered Accountants of India are as under :-
 A) List of related Parties with whom transactions have taken place and nature of relationship.

- (a) Key Management personnel
 1. Sh. R.K. Gambhir
 2. Sh. S.P. Maken
 3. Sh. Rajasekaran

- (b) Relative of Key Management Personnel.
 1. Mrs. R. Andal (Manager Personnel)
 (Relative of a director)
 2. Mrs. Santosh Maken (Relative of a Director)
 3. Sh. G.K. Gambhir (Relative of a Director)



B) Transaction with related party as identified by the management, in accordance with Accounting Standard-18 "Related Party Disclosures" is as follows.

Sl. No.	Name of the related party	Nature of Transactions	Amount (Rs.)	Relationship
1.	Mrs. R. Andal	Salary & reimbursement of expenses	182926	Relative of a Director
2.	Sh. S.P. Maken	Payment of remuneration of reimbursement of expenses	218667	Whole time Director
3.	Sh. A. Rajasekaran	Payment of Remuneration	1450000	Whole time Director
4.	Mrs. Santosh Maken	House rent	100000	Relative of a Director
5.	Sh. G.K. Gambhir	Share Application Money Received	72193720	Relative of a Director

(C) The Company has received a sum of Rs. 40,24,10,000/- from M/s Ambey Steel & Power Pvt.Ltd. which has been shown/ treated in the Balance Sheet as Share Application Money as per party's request.

18. Earning Per Share (EPS)

	Current Period (Rs. in Lacs)	Previous Period (Rs. in Lacs)
Net Profit / (Loss)	89345.69	(157.83)
Net Loss before Extraordinary Items	(30.80)	(157.83)
Weighted average number of Equity Share outstanding during the year	101655031	97700000
Basic Earning Per Share BEFORE Extraordinary Items (Rs.)	(0.03)	(0.16)
Basic Earning Per Share AFTER Extraordinary Items (Rs.)	91.45	(0.16)
Diluted Earning Per Share BEFORE Extraordinary Items (Rs.)	(0.03)	(0.16)
Diluted Earning Per Share AFTER Extraordinary Items (Rs.)	87.90	(0.16)

19. Additional information pursuant to paras 3, 4C and 4D of Part II of the Schedule VI of the Companies Act, 1956 :

a) Particulars of Capacity & production:-

Item of Manufacture	Licensed Capacity	Installed Capacity (per annum)	Current Period	Previous Period
Sponge Iron	Not Applicable	1,50,000	1,50,000	1,11,969
			M.T	M.T
Production			Current Period	Previous Period
			1,09,836	1,11,969

* As certified by the management and relied upon by the auditors being a technical matter.

b) Particulars in respect of sales and stock of finished goods:-

Item	Current Period		Previous Period	
	Quantity	Value	Quantity	Value
Opening Stock-	2619	30947164	1860	21318549
Sponge Iron				
Trade Purchases	6601	27295250	NII	NII
Iron Ore				
Turnover	113247	1788903060	109077	1360234711
Sponge Iron				
Trade Goods-Iron Ore	6601	27892985	NII	NII
Closing stock	1341	20843367	2619	30947164
Sponge Iron				
Trade Goods- Iron Ore	NII	NII	NII	NII
c) Raw materials consumed:-				
Iron Ore	216911	992579814	188720	754263003
Coal	163651	303139506	150810	262042560
Dolomite	1772	884027	666	304494

(d) Consumption of imported & indigenous raw materials, stores and spares and its percentage to total consumption (as verified & certified by the Auditors, it being a technical matter) :-

Raw Material	Current Period		Previous Period	
	Value	Percentage	Value	Percentage
Imported	--	--	--	--
Indigenous	1296603347	100%	1016610057	100%
Stores & Spares				
Imported	--	--	--	--
Indigenous	1681182	100%	632752	100%

e) Other sale consists of sales of scrap & waste materials.

20. (a) Expenditure incurred in foreign currency :

	Current Period	Previous Period
(a) Expenditure incurred in foreign currency :	Rs.	(Rs.)
C.I.F. Value of Imported :		
(Stores & Spares)	NII	NII
Interest on loans	NII	NII
(b) Income in foreign currency	NII	NII

21. Previous period figures have been regrouped, or rearranged, wherever necessary to conform to current periods presentation.

22. Schedule No.1 to 17 forms an integral part of the accounts and has duly been authenticated.

Per our report of even date

FOR & ON BEHALF OF THE BOARD

For Antima & Goel
Chartered Accountants

R.K.Gambhir Chairman
N.Awtar Director

S.P.Maken Director and Company Secretary

Bhanu Parkash G.M.(Accounts)

New Delhi
31st JULY, 2008



NOVA IRON & STEEL LIMITED

CASHFLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2008

(Pursuant to amendment to Clause 32 of the Listing Agreement)

A. CASH FLOW FROM OPERATING ACTIVITIES

Current Period (Rs.)	Previous Period (Rs.)
2774369.55	(15283161.57)
29459851.75	32232788.85
1193592.28	(257917.34)
493.55	48241.49
27879568.03	16739951.43

OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES

Current Period	Previous Period
27054165.99	(24696513.63)
(24655962.23)	(40140518.98)
76246778.00	54240995.12

CASH GENERATED FROM OPERATIONS

Current Period	Previous Period
52416217.81	6143913.94
(1840313.00)	(260975.00)
(305808.00)	(500000.00)
50270096.81	5382938.94
8937649484.16	—
8987919580.97	5382938.94

NET CASH (USED IN)/FROM OPERATING ACTIVITIES

Current Period	Previous Period
2094903.52	(11818432.00)
2500.00	9500.00
646720.72	518892.34
(1445682.80)	(11290039.66)

B. CASH FLOW FROM INVESTING ACTIVITIES

Current Period	Previous Period
(2094903.52)	(11818432.00)
2500.00	9500.00
646720.72	518892.34
(1445682.80)	(11290039.66)

C. CASH FLOW FROM FINANCING ACTIVITIES

Current Period	Previous Period
474603720.00	16277791.00
(9470018890.16)	16277791.00
(895415170.16)	10370690.28
(8941271.99)	19720150.27
30090840.55	19720150.27
21149568.56	30090840.55

NOTES:

- Purchase of fixed assets include movements of Capital Work-in-progress.
- Proceeds from long-term and other borrowings are shown net of repayments.
- Cash and Cash equivalents represent cash and bank balances only.

For Antima & Goel Chartered Accountants
R. B. Goel Partner
 New Delhi 31st JULY 2008

For & on behalf of the Board
R.K. Gambhir Chairman
N. Awatar Director
S.P. Maken Director and Company Secretary
Bhanu Parkash G.M.(Accounts)



NOVA IRON & STEEL LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
 Information pursuant to Part IV of Schedule VI to the Companies Act, 1956:

i) Registration details:

Registration No.
 State Code
 Balance sheet date

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

Public Issue
 Bonus Issue
 Right Issue
 Conversion of FCDs
 Private Placement

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

Total Liabilities
 Paid-up Capital
 Share Application Money
 Secured Loans
 Unsecured Loans
 Investments
 Reserves & Surplus
 To tal Assets

Sources of Funds:

Net Fixed Assets (including capital work in progress)
 Net Current Assets
 Accumulated Losses

Application of Funds:

Total Expenditure
 Profit/Loss before Tax & Extraordinary Items
 Profit/Loss after Tax & Extraordinary Items
 Misc. Expenditure
 Investments

iv) Performance of Company (Amount Rs.)

Earning per share
 Basic in Rs.
 Diluted in Rs.
 Turnover
 Dividend rate

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

Product description	Item code No. (ITC code)
<input type="text" value="NII"/>	<input type="text" value="72031000"/>
Product description	Item code No. (ITC code)
<input type="text" value="NII"/>	<input type="text" value="NII"/>
Product description	Item code No. (ITC code)
<input type="text" value="NII"/>	<input type="text" value="NII"/>

ATTENDANCE SLIP

NOVA IRON & STEEL LIMITED

Plant & Regd. Office : Village-Dagori, Tehsil-Belha
Distt. Bilaspur (CHHATTISGARH) Pin-495 224

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

I hereby record my presence at the 16th Annual General Meeting of the Company held at Village - Dagori, Tehsil - Belha Distt. Bilaspur (CHHATTISGARH) on Tuesday, the 23rd September, 2008 at 12:30 PM.

(Signature of Shareholder / Proxy)

IMPORTANT

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

PROXY

NOVA IRON & STEEL LIMITED

Plant & Regd. Office : Village-Dagori, Tehsil-Belha
Distt. Bilaspur (CHHATTISGARH) Pin-495 224

Registered Folio No. : No. of Shares :

I/We

being member/members of NOVA IRON & STEEL LIMITED, hereby appoint

of

or failing him

of

as my/our Proxy in my/our absence to attend and vote for me/us, and on/our behalf, at the 16th Annual General Meeting of the Company to be held at Village - Dagori, Tehsil-Belha Distt. Bilaspur (CHHATTISGARH) on Tuesday, the 23rd September, 2008 at 12:30 p.m. and at any adjournment thereof.

Signed this day of 2008

Signature(s) of the Shareholder(s)

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

If undelivered, Please return to :
NOVA IRON & STEELS LIMITED
Plant & Regd. Office : Village - Dagori, Tehsil-Belha
Distt. Bilaspur (CHATTISGARH) Pin 495 224

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