



**35th
ANNUAL
REPORT
2008-09**



MODERN STEELS LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director
Mr. Amarjit Goyal

Managing Director & CEO
Mr. Krishan Kumar Goyal

Prof. Triloki Nath Kapoor
Mr. Beant Singh
Mr. D.S. Gill
Mr. D.N. Pandit
Mr. Partap K. Aggarwal
Mr. Aditya Goyal - Whole time Director
Mr. P.L. Talwar - Director (Operations)

**GM (SECRETARIAL)
& COMPANY SECRETARY**

Mr. Ashish Sharma

AUDITORS

M/s A. Goel & Associates
Chartered Accountants

BANKERS

State Bank of India
Punjab National Bank
State Bank of Patiala
Canara Bank

CORPORATE OFFICE

SCO 98-99, Sub City Centre,
Sector 34, Chandigarh-160 022

REGISTERED OFFICE & WORKS

G.T. Road, Mandi Gobindgarh,
Distt. Fatehgarh Sahib, Punjab - 147 301

REGISTRARS & SHARE TRANSFER AGENTS

M/s MCS Limited
F-65, First Floor, Okhla Industrial Area, Phase 1,
New Delhi- 110 020

CONTENTS

| | |
|-----------------------------------|----|
| Notice ----- | 2 |
| Director's Report ----- | 6 |
| Corporate Governance Report ----- | 11 |
| Auditor's Report ----- | 19 |
| Balance Sheet ----- | 22 |
| Profit & Loss Account ----- | 23 |
| Cash Flow Statement ----- | 24 |
| Schedules ----- | 25 |



MODERN STEELS LIMITED

NOTICE

Notice is hereby given that the 35th Annual General Meeting of the members of Modern Steels Limited will be held on Wednesday, the 9th September, 2009 at 11.00 a.m. at the Registered Office of the Company at G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab -147 301 to transact the following business:-

As Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2009, the Profit and 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 Prof. Triloki Nath Kapoor who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. A. Goel & Associates, Chartered Accountants, are eligible for re-appointment.

As Special Business:

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT Mr. P.L. Talwar, who was appointed as Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice of intension u/s 257 of the Companies Act, 1956 from a shareholder signifying his intension of proposing the name of Mr. P.L. Talwar for appointment as Director, be and is hereby appointed as Director of the Company, whose term of office shall be liable to be determined to retire by rotation as per provisions of the Companies Act, 1956 and Articles of Association of the Company."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended up-to-date, the consent & approval of the Company be and

is hereby accorded to the appointment of Mr. P.L. Talwar, as Director (Operations) of the Company for a period of three years w.e.f. 27th September, 2008 on the remuneration and on such terms and conditions as set out in the explanatory statement attached to this notice, and as approved by the remuneration committee with further liberty and authority to the Board to alter and vary such terms and conditions including remuneration as agreed to by the Board of Directors of the Company and Mr. P. L. Talwar subject to the conformity with the provisions of the Companies Act, 1956".

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT Mr. Partap K. Aggarwal, who was appointed as Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice of intension u/s 257 of the Companies Act, 1956 from a shareholder signifying his intension of proposing the name of Mr. Partap K. Aggarwal for appointment as Director, be and is hereby appointed as Director of the Company, whose term of office shall be liable to be determined to retire by rotation as per provisions of the Companies Act, 1956 and Articles of Association of the Company."

By order of the Board of Directors

Place : Chandigarh
Dated : 30th July, 2009

Ashish Sharma
GM (Secretarial) &
Company Secretary

NOTES:-

- i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll) instead of himself and the proxy need not be a member of the Company. A proxy in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy so appointed shall not have any right to speak at the meeting.
- ii) Explanatory Statement under Section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the Meeting is annexed hereto.
- iii) The Register of Members and share transfer books of the Company will remain closed from 7th September, 2009 to 9th September, 2009 (both days inclusive) for the purpose of Annual General Meeting.

- iv) Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their addresses, bank details, mandate etc., to their respective Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.
- v) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31st March, 2009, may send their queries at least 10 days before the Annual General Meeting to the Company Secretary at Company's Office at SCO 98-99, Sub City Centre, Sector-34, Chandigarh- 160022.
- vi) Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of Directors seeking appointment/re-appointment at the Annual General Meeting, is annexed hereto.

By order of the Board of Directors

Ashish Sharma

Place : Chandigarh
Dated : 30th July, 2009

GM (Secretarial) &
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO. 4 & 5

Mr. P.L. Talwar was co-opted as Additional Director designated as Director (Operations) by the Board of Directors of the company on 27th September, 2008. In terms of the Articles of Association of the company and Section 260 of the Companies Act, 1956 he holds office upto the conclusion of 35th Annual General Meeting. A notice has been received from a shareholder under Section 257 of the Companies Act, 1956 signifying his intension of proposing the name of Mr. P.L. Talwar as Director of the company liable to retire by the rotation.

Mr. P.L. Talwar, aged about 63 years joined the Company as Senior General Manager on 22nd May, 2006 and was elevated as Chief General Manager w.e.f. 3rd September, 2007 and thereafter has been managing the operations of the works. Mr. P.L. Talwar is B.Sc Engineering (Metallurgy) and has vast experience of 42 years in the industry. Your Board of Directors feel that his rich knowledge and experience shall be highly beneficial to the Company and hence has appointed Mr. P.L. Talwar

as Director (Operations) of the Company for a period of three years w.e.f. 27th September, 2008. The Board of Directors while approving appointment of Mr. P.L. Talwar has also approved remuneration to him as such by way of Salary & perquisites for a period of three years from the date of appointment as given herein below:

TERMS & CONDITIONS

1. SALARY

Rs.1,25,000 (Rupees One Lac Twenty Five Thousand Only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

2. PERQUISITES

- (i) **Furnished Accommodation:** Mr. P.L. Talwar shall be provided with free furnished accommodation.
- (ii) **Provident Fund:** Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.
- (iii) **Gratuity:** Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- (iv) **Leave:** As per the rules of the Company but not exceeding one month's leave with full salary for every 11 months of service.
- (v) **Medical Reimbursement:** Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month salary, as per rules of the Company.
- (vi) **Club Fees:** Fees in respect of two clubs.
- (vii) **Car:** Free use of Company's car for official purposes along with driver.
- (viii) **Telephone / Telefax:** Telephone, telefax and other communication facilities at Company's cost.
- (xi) **Insurance:** Cost of insurance cover against the risk of any financial liability or loss because of any error of judgment, as may be approved by the Board of Directors from time to time.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Director (Operations) shall be paid remuneration by way of salary and perquisites as set out above, as



minimum remuneration, subject to restrictions, if any, set out in Schedule XIII of the Companies Act, 1956, from time to time."

The explanatory statement together with the notice be also treated as an abstract of the terms of the Agreement and Memorandum of interest under Section 302 of the Companies Act, 1956.

The Documents referred herewith and explanatory statement are open for inspection by any member at the registered office of the Company during business hours on any working day of the Company upto and including the date of meeting.

Your Directors commend the resolutions at item no. 4 & 5.

MEMORANDUM OF INTEREST

None of the Directors except Mr. P.L. Talwar himself is either concerned or interested in the aforesaid resolutions.

ITEM NO. 6

Mr. Partap K. Aggarwal was appointed as Additional Director by the Board of Directors of the Company on 30th July, 2009. In terms of the Articles of Association of the Company and Section 260 of the Companies Act 1956, he holds office up to the conclusion of 35th Annual General Meeting. A notice has been received from a shareholder under Section 257 of the Companies Act, 1956 signifying his intension of proposing the name of Mr. Aggarwal as Director of the company liable to retire by the rotation.

Mr. Aggarwal, aged about 51 years is B.E. Electrical (Electronics) Engineering with honours from Punjab Engineering College, Chandigarh. He has valuable experience in working on Technical lead positions for companies in USA, like Incomnet Inc., MTI Inc., Leach Corp. and CITC.

Mr. Aggarwal is involved in promoting and managing a global IT solution and BPO company IDS Infotech Ltd. He is also involved in promoting Education, Training and Global Learning Solutions business in mirror image partnership with NIIT Limited.

Mr. Aggarwal was awarded for International Understanding & Friendship by IFC Society and certified as a Quality Management trainer by "Philips Crosby and Associates" USA.

Presently he is Chairman of Confederation of Indian Industry (CII) Chandigarh Council, Chairman of Indo American Chamber of commerce for the state of

Punjab, Haryana and Himachal and Vice-President & Charter Member of 'TIE', Chandigarh.

Your board of Director feel that his rich knowledge and experience shall be highly beneficial to the company.

Your Directors commend the resolutions at item no. 6.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Partap K. Aggarwal himself is either concerned or interested in the aforesaid resolution.

By order of the Board of Directors

Ashish Sharma
GM (Secretarial) &
Company Secretary

Place : Chandigarh
Dated : 30th July, 2009

Information regarding details of the Directors seeking Appointment / Re-appointment in Annual General Meeting fixed on 9th September, 2009 pursuant to Clause 49 of the Listing Agreement

1. Name of the Director : Prof. Triloki Nath Kapoor

Date of Birth : 02.06.1932

Date of Appointment : 01.08.1992

Expertise in specific functional Area: Prof. Kapoor possesses a diverse and wide ranging experience and knowledge of corporate affairs having been associated as independent / non-executive / nominee Director with several well known public limited companies for the past over 31 years. An eminent management advisor and educationist of over 44 years standing, Prof. Kapoor's subject areas of specialization include Corporate Management Policy, Finance and Human Resource Management. As on 31st March, 2009, Prof. Kapoor is holding NIL equity shares of the Company.

Qualification: Master's degree in Commerce, a Bachelor's degree in Law and Ph.D. from the University of Lucknow. He also had professional training in Management, both in India and abroad.

List of outside Directorships held :

- i. Omax Autos Ltd.
- ii. Swaraj Engines Ltd.
- iii. Sterling Tools Ltd.
- iv. Haryana Telecom Ltd.
- v. KDDL Ltd. (formerly Kamla Dials & Devices Ltd.)

Chairman/Member of the Committee of Board of Directors of the Company:

Audit Committee – Member
 Investors Grievances Committee – Member

Chairman/ Member of the Committee of Directors of other Companies:

i. Omax Autos Ltd.
 Investor Grievances Committee – Chairman
 Audit Committee – Member

ii. Swaraj Engines Ltd.
 Investor Grievances Committee – Chairman
 Audit Committee – Member

iii. Sterling Tools Ltd.
 Investor Grievances Committee – Chairman
 Audit Committee – Member

iv. KDDL Ltd.
 Audit Committee – Chairman

2. Name of the Director : Mr. P.L. Talwar
Date of Birth : 10.04.1946
Date of Appointment : 27.09.2008

Expertise in specific functional Area: Mr. P.L. Talwar joined the Company as Senior General Manager and was elevated as Chief General Manager and thereafter has been managing the operations of the works. He is having vast experience of 42 years in the industry. As on 31st March, 2009, Mr. P.L. Talwar is holding Nil Shares in the Company.

Qualification: B.Sc Engineering (Metallurgy)

List of outside Directorships held : NIL

Chairman/ Member of the Committee of Board of Directors of the Company: NIL

Chairman/ Member of the Committee of Directors of other Companies: NIL

3. Name of the Director : Partap K. Aggarwal
Date of Birth : 07.09.1958
Date of Appointment : 30.07.2009

Expertise in specific functional Area : Mr. Partap K. Aggarwal has valuable experience in working on Technical lead positions for companies in USA, like Incomnet Inc., MTI Inc., Leach Corp. and CITC.

Mr. Aggarwal is involved in promoting and managing a global IT solution and BPO company IDS Infotech Ltd. He is also involved in promoting Education, Training and Global Learning Solutions business in mirror image partnership with NIIT Limited.

Mr. Aggarwal was awarded for International Understanding & Friendship by IFC Society and certified as a Quality Management trainer by "Phillips Crosby and Associates" USA.

Presently he is Chairman of Confederation of Indian Industry (CII) Chandigarh Council, Chairman of Indo American Chamber of commerce for the state of Punjab, Haryana and Himachal and Vice-President & Charter Member of 'TIE', Chandigarh. Mr. Aggarwal is holding NIL equity shares of the Company.

Qualification : B.E. Electrical (Electronics) Engineering with honours from Punjab Engineering College, Chandigarh.

List of outside Directorships held :
 i. IDS Infotech Limited
 ii. Delta Information Services Limited

Chairman/Member of the Committee of Board of Directors of the Company: NIL

Chairman / Member of the Committee of Directors of other Companies : NIL

By order of the Board of Directors

Place : Chandigarh
 Dated : 30th July, 2009

Ashish Sharma
 GM (Secretarial) &
 Company Secretary

**DIRECTOR'S REPORT**

To
The Members
Modern Steels Limited

Dear Members,

Your Directors hereby present their 35th Annual Report and audited accounts of the Company for the year ended 31st March, 2009.

FINANCIAL HIGHLIGHTS

| | (Rs. in Lacs) | |
|------------------------------|---------------|------------|
| | Year Ended | Year Ended |
| | 31.03.2009 | 31.03.2008 |
| Gross Sales & other Receipts | 31398 | 33417 |
| Operating Profit | 883 | 1647 |
| Interest | 1093 | 886 |
| Cash Profit/Loss | (210) | 761 |
| Depreciation | 431 | 343 |
| Profit before Tax (PBT) | (641) | 418 |
| Net Profit/Loss | (472) | 257 |

PERFORMANCE

During the year under review, the company achieved gross sales & other receipts of Rs. 313 crores as compared to Rs. 334 crores in the previous year. The company has suffered a net loss of Rs. 4.72 crores as compared to profit after tax of Rs. 2.57 crores in the previous year.

You may recall that Directors in their last year's report had informed about steep increase in steel market prices at the start of the fiscal year and cautioned about demand. As the year progressed it witnessed a change in market demand. During the second half, market witnessed unprecedented global financial crisis which affected the entire industrial sector but certain sectors were more severely hit.

Your company was also affected due to downturn in the automotive sector. The raw materials in the pipeline were of high cost but when the market prices tumbled the company had to liquidate the stocks at lower prices. The lower production volumes and unremunerative sales prices resulted in financial losses during the year.

PROJECTS

The ongoing work on the projects for improvement in the facilities, as per OEMs' requirements, were completed satisfactorily.

The second Electric Arc Furnace (EAF) which was scheduled to go for production in October 2008 was delayed due to slowdown in the demand. The Directors are pleased to inform that second EAF has been commissioned on 30th July, 2009. Thereby, installed capacity of the EAF Steel Melting Shop has increased from 50,000 MT per annum to 100,000 MT per annum.

CURRENT OPERATIONS

The Directors are glad to inform that the domestic demand of special and alloy steels has revived in this fiscal and expect that it will sustain in the current year.

As you are aware that your company was catering to the requirements of commercial vehicles and tractor industry earlier. For the last few years it has focused to add value added steel requirements of two-wheelers and car segment. The work towards this direction is progressing well.

As mentioned the second EAF has now been commissioned and the company expects that the production volumes will increase which augurs well for the company.

During the first quarter, the Company has achieved Net Sales of Rs. 68.50 crores as compared to Rs. 77.15 crores in the same period, previous year. It has earned profit before tax of Rs. 1.68 crores as compared to Rs. 3.18 crores in the same quarter, previous year.

FINANCIAL ASSISTANCE

Due to financial constraints the company has got its existing Term Loan rescheduled/restructured from its bankers.

Further, to increase its working capital funds, the company has availed Rs. 11 crores as Working Capital Term Loan from its bankers.

KAIZEN & TS 16949 ACCREDITATION

During the year the company continued implementation of Kaizen project and conducted a number of workshops. The Company has undertaken six projects in the area of S5 & Cost Control.

Your Company's manufacturing facilities continue to

maintain TS 16949 Certification by DNV Netherlands, a leading international Certification Company.

DIRECTORS

The Board of Directors has appointed Mr. P.L. Talwar as Director (Operations) for a period of 3 years w.e.f 27.09.2008 subject to approval of the shareholders at the ensuing Annual General Meeting.

Prof. Triloki Nath Kapoor, Director shall retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. Partap K. Aggarwal has been appointed as Additional Director by the Board of Directors in its meeting held on 30th July, 2009 and as such he holds office till the conclusion of the forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a shareholder proposing the name of Mr. Partap K. Aggarwal as Director, liable to retire by rotation.

Mr. D.N. Pandit having successfully completed his tenure as Director and shall retire at the ensuing Annual General Meeting. The Board of Directors place on record their appreciation on the contributions made by Mr. Pandit during his tenure.

AUDITORS

M/s A. Goel & Associates, Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors for the year 2009-10 to conduct the cost audit subject to the approval of the Central Government.

AUDITOR'S REPORT

All the comments of the Statutory Auditors on the Annual Accounts of the Company are self-explanatory and require no further comments.

FIXED DEPOSITS

The outstanding deposits at the end of the year under review amount to Rs. 238.38 Lacs (Previous year Rs. 188.85 Lacs). There are no overdue deposits.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSIONS & ANALYSIS

A separate report on Corporate Governance and Management Discussions & Analysis is attached herewith and forms part of this report.

RESEARCH, DEVELOPMENT & TECHNOLOGY ABSORPTION

Though Company is not engaged in any major research work, it utilized the available facilities for research and development work. During the year, various Research & Development activities were carried out in the field of new grade development, new product development, process improvement in view of quality improvement and cost reduction, in house failure investigations and internal investigations for customers.

HUMAN RESOURCES

Harmonious employee relations prevailed throughout the year. Your Directors place on record their appreciation of all employees for their hard work and dedication.

The statement showing particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is enclosed as Annexure 'A' and forms part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO

Information as per Section 217 (1) (e) of Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is given in the Annexure 'B' forming part of the report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant of Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- i) In the preparation of annual accounts for the financial year ended 31st March 2009, the applicable accounting standards have been followed and that there were no material departures;
- ii) The accounting policies selected by them have been applied consistently, and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the Company as on 31st March 2009 and loss of the Company for the year ended 31st March 2009;
- iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in



accordance with the provisions of the Companies Act, 1956 to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv) The annual accounts have been prepared on a going concern basis.

APPRECIATION

Your Directors wish to place on record their sincere thanks to the Company's Bankers for their valuable support.

For & on behalf of the Board

Place : Chandigarh **KRISHAN KUMAR GOYAL**
Dated : 30th July, 2009 Managing Director & CEO

MANAGEMENT DISCUSSIONS AND ANALYSIS

1. Industry's Structure and Developments

The Special and Alloy Steel industry is mainly linked to the automotive sector. The Indian automotive sector has a wide range of vehicles which includes two-wheelers, cars, tractors, LCVs, HCVs etc. and produces world class vehicles for the domestic consumption as well as for exports.

This sector had robust growth for the last couple of years but due to global meltdown it had come down in the last year.

The Indian economy's resilience backed by various government initiatives, the domestic market has picked up again. With the estimates of GDP growth at 6.7% plus during the current fiscal it will sustain and will have a steady domestic demand.

2. Opportunities & Threats

Key Opportunities include:

- Upgradation of technology.
- Utilization of additional steel making capacity.
- Approval from remaining 2 wheeler and car manufacturers.

Key Threats include:

- Lower export of auto components.
- Cheaper availability of imported steel.
- Location disadvantage of being away from the ports and some of the markets.
- Power shortage especially in summers.

3. Risks and concerns the management perceives

The steel industry is now integrated with international steel markets and any major change in the global demand & supply scenario shall affect the steel industry in India.

4. Internal control system and their adequacy

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls including an internal audit process. Internal controls are supported by Management reviews.

The Board of Directors has an Audit Committee that is chaired by an Independent Director. The committee meets periodically with Management, Internal Auditor, Statutory Auditors to review the Company's programme of internal controls, audit plans and results and recommendations of the auditors and management's responses to those recommendations.

5. Performance

During the year under review, the company achieved gross sales & other receipts of Rs. 313 crores as compared to Rs. 334 crores in the previous year. The company has suffered a net loss of Rs. 4.72 crores as compared to profit after tax of Rs. 2.57 crores in the previous year.

You may recall that Directors in their last year's report had informed about steep increase in steel market prices at the start of the fiscal year and cautioned about demand. As the year progressed it witnessed a change in market demand. During the second half, market witnessed unprecedented global financial crisis which affected the entire industrial sector but certain sectors were more severely hit.

Your company was also affected due to downturn in the automotive sector. The raw materials in the pipeline were of high cost but when the market prices tumbled the company had to liquidate the stocks at lower prices. The lower production volumes and unremunerative sales prices resulted in financial losses during the year.

6. Human Resources

Human resources are the most valuable assets of the Company and the Company recognizes employees' contributions to the growth of the Company. The Company is having professionalized and motivated work force.

forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed & implied. Important factors that could make difference to the Company's decisions include economic conditions effecting demand & supply and price conditions in the domestic market.

7. Cautionary statement

The statement in this management discussion and analysis describing the Company's objectives, projections, estimates, expectations may be

For & on behalf of the Board

Place : Chandigarh
Dated : 30th July, 2009

KRISHAN KUMAR GOYAL
Managing Director & CEO

Annexure 'A' to Directors Report

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

| S. No | Name | Age (Years) | Designation/ Nature of Duties | Gross Remuneration (Rs.) | Qualification | Total Experience (Years) | Date of Commencement of Employment | Previous employment/ position held |
|-------|-------------------------|-------------|-------------------------------|--------------------------|---------------|--------------------------|------------------------------------|--|
| 1 | Mr. Amarjit Goyal | 73 | Chairman & M.D. | 23,70,000 | FSC | 46 | 19.11.1973 | Rainbow Steels Ltd. - Technical Director (2 Years) |
| 2 | Mr. Krishan Kumar Goyal | 52 | Mg. Director & CEO | 65,17,548 | B.Com., LLB | 29 | 02.10.1978 | - |

- Notes: (1) Gross remuneration comprises salary, allowances, monetary value of perquisites and the Company's contribution to Provident and Superannuation Funds.
(2) The nature of employment is contractual.
(3) Mr. Krishan Kumar Goyal is also Chairman & Mg. Director of Modern Dairies Limited.

For & on behalf of the Board

Place : Chandigarh
Dated : 30th July, 2009

KRISHAN KUMAR GOYAL
Managing Director & CEO

**Annexure 'B' to Directors' Report**

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009.

FORM 'A'

| A) POWER AND FUEL CONSUMPTION | Current Year 2008-09 | Previous Year 2007-08 |
|--|---------------------------------|----------------------------------|
| 1. Electricity | | |
| Purchased Units (kwh) | 5,58,30,000 | 6,57,05,000 |
| Total Amount (Rs.) | 24,08,54,020 | 26,46,00,274 |
| Rate Per unit (Rs.) | 4.32 | 4.03 |
| 2. Furnace Oil | | |
| Quantity (Kgs) | 26,51,106 | 29,13,508 |
| Total Amount (Rs.) | 6,46,52,017 | 6,18,12,328 |
| Rate Per Unit (Rs.) | 24.38 | 21.22 |
| 3. Propane Gas | | |
| Quantity (Kgs) | 6,71,245 | 7,20,397 |
| Total Amount (Rs.) | 2,94,24,674 | 2,26,01,340 |
| Rate Per Unit (Rs.) | 43.84 | 31.37 |
| B) CONSUMPTION PER UNIT OF PRODUCTION | | |
| 1. Production (Concast Billets) MT | 41,478 | 57,420 |
| a. Electricity Units | 760 | 733 |
| b. Furnace Oil (Kgs) | 13.20 | 15.48 |
| 2. Production (Ingots) MT | 28,743 | 30,695 |
| a. Electricity Units | 650 | 633 |
| b. Furnace Oil (Kgs) | 1.57 | 1.88 |
| 3. Production (Rolled Products with Oil) MT | 35,714 | 37,567 |
| Production (Rolled Products with Gas) MT | 13,266 | 17,455 |
| a. Electricity Units | 80.42 | 77.21 |
| b. Furnace Oil (Kgs) | 57.56 | 49.66 |
| c. Propane Gas (Kgs) | 50.59 | 41.27 |

FORM 'B'**1. TECHNOLOGY ABSORPTION**

Research & Development (R&D), Technology Absorption, Adaptation and Innovation

- a. Automatic Mould Level Controller in Continuous Casting Machine.
- b. Automatic Eddy Current Tester for surface inspection of Black Bars.

2. FOREIGN EXCHANGE EARNING AND OUTGO

Particulars with regard to Foreign Exchange earning and outgo appear on the relevant Schedule of the Balance Sheet.

For & on behalf of the Board

Place : Chandigarh
Dated : 30th July, 2009

KRISHAN KUMAR GOYAL
Managing Director & CEO

CORPORATE GOVERNANCE REPORT

In line with the requirement for providing a "Report on Corporate Governance" as per Clause 49 of the revised Listing Agreement of the Stock Exchanges as applicable, given below is a report on the Company's Corporate Governance norms.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Modern Steels Limited is committed in adopting the best practices of Corporate Governance. The Company endeavours to act on the principles of transparency, accountability, trusteeship and integrity. The ultimate objective being of realising long term shareholder.

1 BOARD OF DIRECTORS

A. Composition of the Board of Directors

A list of Directors including the Chairman of the Board and their status as Executive / Non-Executive and Independent / Non-Independent during the year ended 31st March, 2009 is set out below:-

| Name of the Director | Category of the Director | No of Board meetings attended | No of others Directorships in Public co. | No. of Committee positions held | | Last AGM attended |
|---------------------------|---|-------------------------------|--|---------------------------------|--------|-------------------|
| | | | | Chairman | Member | |
| Mr. Amarjit Goyal | Chairman & Managing Director - Non Independent (Promoter Director) | 7 | 1 | - | - | YES |
| Mr. Krishan Kumar Goyal | Managing Director & CEO - Non Independent (Promoter Director) | 7 | 3 | - | 1 | YES |
| Prof. Triloki Nath Kapoor | Non Executive - Independent Director | 6 | 5 | 4 | 5 | YES |
| Mr. Beant Singh | Non Executive - Independent Director | 5 | - | 1 | 1 | YES |
| Mr. D.S.Gill | Non Executive - Independent Director | 7 | 1 | 1 | - | YES |
| Mr. D.N.Pandit | Non Executive - Independent Director | 7 | - | - | - | YES |
| Mr. Aditya Goyal | Executive - Non Independent Director | 5 | 2 | - | - | YES |
| Mr. P.L. Talwar | Executive - Non Independent Director | 4 | - | - | - | NA* |

Disclosure of change :- Mr. P.L. Talwar has been appointed as Director (Operations) w.e.f. 27th September, 2008 for a period of 3 years subject to the approval of shareholders at the ensuing Annual General Meeting. Mr. Partap K. Aggarwal has been appointed as Additional Director w.e.f. 30th July, 2009 pursuant to Section 260 of the Companies Act, 1956. Mr. D.N.Pandit having successfully completed his tenure as Director shall retire at the ensuing Annual General Meeting.

B. Board Meeting and Attendance

During the financial year ended 31st March, 2009, seven meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:-

| S.No. | Date of Board Meeting | Board's Strength | No of Directors Present |
|-------|----------------------------------|------------------|-------------------------|
| 1. | 24 th April, 2008 | 7 | 6 |
| 2. | 25 th July, 2008 | 7 | 6 |
| 3. | 25 th August, 2008 | 7 | 6 |
| 4. | 27 th September, 2008 | 8 | 8 |
| 5. | 20 th October, 2008 | 8 | 8 |
| 6. | 22 nd December, 2008 | 8 | 6 |
| 7. | 27 th January, 2009 | 8 | 8 |



C. Board's Processes

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc., are regularly placed before the Board.

The information as required under Corporate Governance is being made available to the Board.

2. COMMITTEES OF THE BOARD

A. Audit Committee

- a. i) The Company has Audit Committee as per the provisions of the Listing Agreement and under Section 292A of the Companies Act, 1956, which consists of Independent and Non-Executive Directors namely Mr. D.S. Gill, Prof. Triloki Nath Kapoor and Mr. Beant Singh.
 - ii) The Chairperson of Audit Committee Mr. D. S. Gill is a Non-Executive Independent Director.
 - iii) All of the above Directors are financially literate and have accounting and related financial management expertise.
 - iv) The Chairperson was present at the last Annual General Meeting to answer the shareholders queries.
 - v) The Company Secretary of the Company Mr. Ashish Sharma is the Secretary of the Audit Committee.
- b. The Committee met six times during the year on 24th April 2008, 25th July 2008, 25 August 2008, 27th September 2008, 20th October 2008 and 27th January 2009. The status of attendance of members at the Audit Committee meetings was as under:-

| Name of Director | No. of Meetings attended during 2008-2009 |
|---------------------------|---|
| Mr. D.S. Gill | 6 |
| Prof. Triloki Nath Kapoor | 6 |
| Mr. Beant Singh | 4 |

- c. **Powers of Audit Committee:** The Audit Committee has the following powers as amended from time to time:-
1. To investigate any activity within its terms of reference.
 2. To seek any information from any employee.
 3. To obtain outside professional legal advice.
 4. To secure attendance of outsiders with relevant expertise, if considered necessary.
- d. **Role of Audit 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 fee.
 3. Approval of payment to the Statutory Auditors for any other services rendered by the Statutory Auditors.
 4. Reviewing, with management, the annual financial statements before submission to the Board for approval with particular reference to:
 - a) Matters required to be included in the Directors' 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 judgement by management.

- d) Significant adjustments made in the financial statements arising out of the audit findings.
 - e) Compliance with Listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
 - g) Qualifications in 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 the Statutory and Internal Auditors, adequacy of 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 the Internal Auditors on any significant findings and follow-up thereon.
 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 the 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 Whistle Blower mechanism, in case the same is existing.
 13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the Listing Agreement, the Companies Act, 1956, and other statutes.

e. Review of information by Audit Committee:

The Audit Committee has the power to mandatorily review the following information:-

1. Management discussion and analysis of financial conditions and results of operations;
2. Statement of significant related party transaction (as defined above), as submitted by management;
3. Management letters/ letters of internal control weakness issued by the Statutory Auditors;
4. Internal Audit Reports relating to internal control weakness; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditors shall be subject to review by the Audit Committee.

B. Remuneration Committee

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors. The Committee fixes the remuneration after taking into consideration remuneration practices followed by companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in remuneration package of the Executive Directors to the Board.

All members of the Committee are Non Executive and persons of repute and have sound knowledge of management practices. Chairman of the Committee Mr. Beant Singh is a Non-Executive Independent



MODERN STEELS LIMITED

Director nominated by the Board. The power and role of the Remuneration Committee is as per guidelines set out in the Listing Agreement.

During the year two meetings of the Remuneration Committee were held on 25th August, 2008 and 27th September, 2008.

Remuneration Policy

The Executive Directors are paid remuneration as per the terms approved by the Board of Directors and confirmed by the shareholders of the Company. Service contracts are entered into in terms of regulations governing their appointment and terms of remuneration. The Remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the competitive industries, financial position of the Company etc. The remuneration structure comprises Basic Salary, Perquisites and allowances, contribution to Provident Fund and other funds in accordance with various related provisions of the Companies Act, 1956.

Details of Remuneration paid to the Directors during the financial year ended 31st March, 2009.

| Name of the Director | Salary | Benefits | Perquisites | Stock Option | Sitting Fee | Total |
|---------------------------|-----------|----------|-------------|--------------|-------------|-----------|
| Mr. Amarjit Goyal | 21,00,000 | 2,70,000 | - | Nil | - | 23,70,000 |
| Mr. Krishan Kumar Goyal* | 59,12,903 | 9,914 | 5,94,731 | Nil | - | 65,17,548 |
| Prof. Triloki Nath Kapoor | - | - | - | Nil | 80,000 | 80,000 |
| Mr. Beant Singh | - | - | - | Nil | 70,000 | 70,000 |
| Mr. D.S. Gill | - | - | - | Nil | 85,000 | 85,000 |
| Mr. D.N. Pandit | - | - | - | Nil | 35,000 | 35,000 |
| Mr. Aditya Goyal** | 10,83,871 | 5,636 | - | Nil | 15,000 | 11,04,507 |
| Mr. P.L. Talwar*** | 7,66,667 | 4,784 | 1,20,823 | Nil | - | 8,92,274 |

*The company has received the approval of the Central Government under Section 309 of the Companies Act, 1956 vide letter no A42284141-CL.VII dated 20-01-2009 for the payment of the remuneration to Mr. Krishan Kumar Goyal.

**Mr. Aditya Goyal has been appointed as an Executive Director w.e.f. 25th August, 2008, hence he is not entitled for sitting fee afterwards.

***Mr. P.L. Talwar has been appointed as Director (Operations) w.e.f. 27th September, 2008 for a period of 3 years subject to the approval of shareholders in the ensuing Annual General Meeting.

Mr. D.S. Gill holds 500 equity shares in the Company. No other Non-Executive Director is holding any shares in the Company.

C. Shareholders/ Investors Grievances Committee

The Company has formed a Shareholders/Investors Grievances Committee under the Chairmanship of Mr. Beant Singh, a Non-Executive Independent Director. Mr. Krishan Kumar Goyal and Prof. Triloki Nath Kapoor are the members of the Committee.

The Committee looks into the redressing of shareholders and investors complaints like transfer of shares, non receipt of balance sheet, change of address etc. The Committee met four times during the year on 24th April 2008, 25th July 2008, 20th October 2008 and 27th January 2009.

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange.

D. Share Transfer Committee

For the expeditious disposal of the share transfer and allied services, Company has formed a Share Transfer Committee to look into and decide matters pertaining to share allotment, transfer, duplicate share certificates and related matters.

E. Banking & Finance Committee

The Company has also constituted a Banking & Finance Committee under the chairmanship of Mr. D.S. Gill, a Non-Executive Independent Director. Mr. Beant Singh and Mr Aditya Goyal are the members of the Committee.

The Committee oversees the Company's banking operations and borrowing from banks and financial institutions and allied matters, which otherwise require the consent of Board of Directors.

3. Mr. Ashish Sharma, GM (Secretarial) & Company Secretary is the Compliance Officer of the Company.**4. Details of last three Annual General Meetings (AGMs)**

| Financial Year | Location | Date | Time |
|----------------|--|------------|-------------|
| 2005-06 | Regd. office: G.T. Road, Mandi Gobindgarh (Pb) | 23.06.2006 | 11.00 a.m. |
| 2006-07 | Regd. office: G.T. Road, Mandi Gobindgarh (Pb) | 31.08.2007 | 11.00 a.m. |
| 2007-08 | Regd. office: G.T. Road, Mandi Gobindgarh (Pb) | 27.09.2008 | 11.30 a.m.. |

Special Resolutions passed in previous three AGMs

- (i) In the 32nd AGM dated 23.06.2006 the following Special resolutions were passed:
- The appointment and remuneration of Mr. Krishan Kumar Goyal as MD & CEO of the Company.
 - The appointment and remuneration of Mr. R.K. Sinha as Director (Operations) of the Company.
 - Amendment in Articles of Association of the Company regarding the increase in Authorized Share Capital of the Company to Rs.25 Crore.
- (ii) In the 33rd AGM dated 31.08.2007 the following Special resolutions were passed:
- The appointment and remuneration of Mr. Amarjit Goyal as Chairman & MD of the Company.
 - Allotment of Bonus Shares to the existing shareholders of the Company in the ratio of 3:2.
- (iii) In the 34th AGM dated 27.09.2008 the following Special resolution was passed:
- The appointment and remuneration of Mr. Aditya Goyal as Whole time Director of the Company.
- During the year the Company passed no resolution through postal ballot.

5. Disclosures

- None of the transactions with any of the related parties were in conflict with the interests of the Company at large. Transaction with related parties are disclosed in Notes to the Accounts in the Annual Report.
- There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with the above Mandatory Requirements of Corporate Governance & the Company has not adopted any Non Mandatory Requirements of Corporate Governance except Remuneration Committee and Banking and Finance Committee.

6. Means of Communication

The quarterly /Half yearly/ Yearly results of the Company, Notice of Board Meeting and information relating to Annual General Meeting, Book Closures is published in The Financial Express (all editions)/Financial World and Punjabi Tribune i.e in English and regional language newspaper and is also notified to the Stock Exchange as required under the Listing Agreement. In addition, the Company also files quarterly results, Shareholding Pattern etc. in such form so as to enable Stock Exchange to put it on their website.

Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders.



MODERN STEELS LIMITED

GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting:-

Day, Date & Time : Wednesday, the 9th day of September, 2009 at 11.00 a.m.
 Venue : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

2. Financial Calendar for:-

| Adoption of Quarterly Results Ended | In the Month of (tentative) |
|-------------------------------------|--|
| 30 th June, 2009 | 30 th July, 2009 (Already held) |
| 30 th September, 2009 | October, 2009 (Last week) |
| 31 st December, 2009 | January, 2010 (Last week) |
| 31 st March, 2010 | May, 2010 (Last week) |
| Annual General Meeting | By September, 2010 |

3. Book Closure Date:-

From 7th September, 2009 to 9th September, 2009 (both days inclusive)

4. Listing on Stock Exchanges:-

Your Company is listed at the Bombay Stock Exchange Limited

5. Stock Code:-

BSE: 513303
 ISIN No. in NSDL & CDSL: INE001F01019

6. Stock Data:-

| MONTH | Modern Steels Limited at BSE | | | | BSE SENSEX | | |
|-------------|------------------------------|-----------|-------------|--------|------------|-----------|-----------|
| | High (Rs.) | Low (Rs.) | Close (Rs.) | Volume | High | Low | Close |
| 2008 | | | | | | | |
| April | 30.95 | 22.40 | 26.15 | 94963 | 17,480.74 | 15,297.96 | 17,287.31 |
| May | 26.80 | 22.00 | 22.20 | 83723 | 17,735.70 | 16,196.02 | 16,415.57 |
| June | 23.00 | 18.25 | 19.00 | 54714 | 16,632.72 | 13,405.54 | 13,461.60 |
| July | 21.10 | 16.80 | 18.10 | 98130 | 15,130.09 | 12,514.02 | 14,355.75 |
| August | 21.50 | 17.05 | 18.35 | 147077 | 15,579.78 | 14,002.43 | 14,564.53 |
| September | 20.00 | 13.60 | 14.35 | 62606 | 15,107.01 | 12,153.55 | 12,860.43 |
| October | 14.30 | 6.52 | 7.30 | 75815 | 13,203.86 | 7,697.39 | 9,788.06 |
| November | 11.17 | 7.07 | 7.14 | 51864 | 10,945.41 | 8,316.39 | 9,092.72 |
| December | 9.75 | 6.50 | 9.64 | 52767 | 10,188.54 | 8,467.43 | 9,647.31 |
| 2009 | | | | | | | |
| January | 10.12 | 7.23 | 7.32 | 25356 | 10,469.72 | 8,631.60 | 9,424.24 |
| February | 8.00 | 6.45 | 6.45 | 11445 | 9,724.87 | 8,619.22 | 8,891.61 |
| March | 6.85 | 5.90 | 6.80 | 24475 | 10,127.09 | 8,047.17 | 9,708.50 |

7. Registrars and Share Transfer Agents (For Physical as well as for Demat Segment):—

M/s. MCS Limited

F- 65, First Floor, Okhla Industrial Area Phase-I, New Delhi - 110 020.

Tel.No. : 91-11- 41406149, Fax No.: 91-11- 41709881, E-mail : admin@mcsdel.com

Website: www.mcsdel.com

All shareholders of the Company can avail online services from our Registrar & Share Transfer Agents M/s. MCS Limited, with regard to Investor Grievances. Please login on the site of MCS Limited www.mcsdel.com and click on Investors Services and you can register your queries/Grievances and details as required by you. The registered queries/Grievances on the site will be responded by M/s. MCS Limited on priority basis.

8. Shareholding Pattern of the Company as on 31st March, 2009:-

| Category | No. of shares held | %age of shareholding (rounded off) |
|--|--------------------|------------------------------------|
| 1. Promoters & Promoter Group | 72,20,577 | 60.35 |
| 2. Mutual Funds and UTI | 6,000 | 0.05 |
| 3. Financial Institutions / Banks | 1,000 | 0.01 |
| 4. Bodies Corporate (not included above) | 3,40,935 | 2.85 |
| 5. Indian Public | 43,57,112 | 36.42 |
| 6. NRIs/OCBs | 38,376 | 0.32 |
| TOTAL | 1,19,64,000 | 100.00 |

9. Distribution of Shareholding as on 31st March, 2009 :-

| SHAREHOLDING IN (RS.) | | SHARE HOLDERS | | NO. OF SHARES | |
|-----------------------|-----------|---------------|---------------|--------------------|---------------|
| From | To | Number | % of total | No. of Shares | % of total |
| Upto | 5000 | 7,826 | 86.53 | 18,42,463 | 15.40 |
| 5001 | 10000 | 621 | 6.87 | 5,08,364 | 4.25 |
| 10001 | 20000 | 319 | 3.53 | 4,59,294 | 3.84 |
| 20001 | 30000 | 108 | 1.19 | 2,70,886 | 2.26 |
| 30001 | 40000 | 42 | 0.46 | 1,48,229 | 1.24 |
| 40001 | 50000 | 28 | 0.31 | 1,28,989 | 1.08 |
| 50001 | 100000 | 47 | 0.52 | 3,25,936 | 2.72 |
| 100001 | and above | 53 | 0.59 | 82,79,839 | 69.21 |
| TOTAL | | 9,044 | 100.00 | 1,19,64,000 | 100.00 |

10. Dematerialisation of Shares:-

The trading in Company's shares is permitted only in dematerialised form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Share Dematerialisation record: The following data indicates the extent of Dematerialization of Company's shares as on 31st March, 2009.

| | | |
|---------------|-----------|-----------------------------------|
| No. of shares | 40,84,210 | 34.14% of the total Share Capital |
|---------------|-----------|-----------------------------------|



MODERN STEELS LIMITED

11. Plant Locations of the Company:-

Registered Office & Works : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

12. Investors Correspondence Address:-

All queries of investors regarding the Company's shares in Physical / D'mat form may be sent at the following addresses:

- i) Modern Steels Limited
Corporate Office: SCO 98-99, Sub City Centre, Sector 34, Chandigarh-160022
Tel.: 0172-2609001, 2609002, 2609003, Fax.: 0172-2609000
E-mail: secretarial@modernsteels.com, Company's Website: www.modernsteels.com
- ii) M/s.MCS Limited
F- 65, First Floor, Okhla Industrial Area Phase-I, New Delhi 110 020.
Tel.No. : 91-11-41406149, Fax No.: 91-11-41709881,
E-mail : admin@mcsdel.com, Website: www.mcsdel.com

Declaration under Clause 49.1 (D)(ii) by the Executive Director, of affirmation by the Board of Director and Senior Management of compliance with code of conduct.

The Shareholders,

I, Krishan Kumar Goyal, Managing Director & CEO of the Company do hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board of Directors, as applicable to the Board of Directors and Senior Management of the company.

Place : Chandigarh
Dated : 30th July, 2009

Krishan Kumar Goyal
Managing Director & CEO

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The Members
Modern Steels Limited

We have examined the compliance of Corporate Governance by Modern Steels Limited for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of the Corporate Governance is the responsibility of the Management. Our examination has been limited to the review of the procedures and implementations thereof adopted by the company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. 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 and the representations made by the Directors and the management, We certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that no investor complaint is pending for a period exceeding one month as on 31st March, 2009 against the company, as per records maintained by the Investor Grievance Committee of the Company.

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

FOR A. GOEL & ASSOCIATES
Chartered Accountants

Place: Chandigarh
Dated: 30th July, 2009

ASHOK K. GOEL
Partner

AUDITORS REPORT

To

The Members,
Modern Steels Ltd.
MANDI GOBINDGARH

Dear Members,

1. We have audited the attached Balance Sheet of MODERN STEELS LTD, MANDI GOBINDGARH as at 31st March 2009 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed there to. These financial statements are the responsibility of 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 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in term of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- i) We have obtained all the information & explanations, which to the best of our knowledge

and belief were necessary for the purpose of our audit;

- ii) In our opinion, proper books of accounts 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 & 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 applicable 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, as on 31st March 2009, and taken on record by the Board of Directors; none of the director is disqualified as on 31st March 2009 from being appointed as a director in term 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 read with the Significant Accounting Policies and other notes thereon together 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, 2009;
 - b) In the case of the Profit & Loss Account, of the loss for the company for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

FOR A. GOEL & ASSOCIATES
Chartered Accountant

Place : Chandigarh
Dated : 22nd June 2009

ASHOK K. GOEL
M.No. 81342



REFERRED TO PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

To the best of our knowledge and belief and according to the information and explanations given to us, we further report that :-

1. a) The company has maintained proper records to show full particulars including quantitative details & situation of its fixed assets.
b) As explained to us, the fixed assets have been physically verified by the management which in our opinion is reasonable having regards to size of the company and nature of its assets. No material discrepancies have been noticed during the year.
c) During the year substantial part of fixed assets have *not been disposed off by the company*.
2. a) The inventory of the company has been physically verified by the management during the year.
b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
c) The Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. a) The Company has granted loan to four companies covered in register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs 9.94 crore & year end outstanding is NIL. The rate of interest and other terms & conditions of the above loan is not prima facie prejudicial to the interest of the company. The principal amount and interest are regular. There are no overdue amount exceeding Rs. One lakh.
b) The company has taken unsecured loan from two companies covered in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs.0.17 Crore and year end outstanding is Rs. 0.17 Crore.
c) The rate of interest and other terms and conditions of the unsecured loans taken from the Companies covered in the register maintained u/s 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. The Company has been regular in the payment of principal and interest amount.
4. There is adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets, inventory, sale of goods & services. Further on the basis of our examination of books and records of the company and according to information and explanations given to us we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.
5. To the best of our knowledge and belief and according to the information and explanations given to us we are of the opinion that the transactions need to be entered into the register maintained u/s 301 of the Companies Act, 1956 have been so entered. In our opinion and according to the information and explanation given to us, the transactions made in Pursuance of Contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
7. In our opinion the Company's present internal audit system is commensurate with its size and nature of business.
8. On the basis of records produced to us, we are of the opinion that prima facie the cost records prescribed by the Central Government of India under Section 209(1)(d) of the Companies Act, 1956 have been made & maintained. We have not carried out any detailed examination of such Account & records.
9. a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, undisputed statutory dues in respect of Provident Fund, Employee's State Insurance dues, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues have generally been regularly deposited by the Company during the year with the appropriate authorities in India and there were no arrear outstanding in respect of above for a period of more than six months as on 31.3.2009.
b) According to the information and explanations given to us, there have been no disputed dues which have not been deposited in respect of Income tax, Wealth tax, Service Tax, except Sale Tax & excise duty & custom duty on account of dispute as given below:-

- i) The Sales Tax penalty under the Punjab General Sales Tax Act, 1948 amounting to Rs 2.77 lacs for the financial year 2003-04. Dispute pending before Commissioner (Appeals), Patiala.
- ii) Excise Duty under the Central Excise Act, 1944 amounting to Rs 1.03 lacs for the Financial Year 2003-04. Dispute pending before CESTAT, New Delhi.
- iii) Excise Duty under the Central Excise Act, 1944 amounting to Rs 0 10 lacs for financial year 2001-02. Dispute pending before CESTAT, New Delhi.
- iv) Excise Duty under the Central Excise Act, 1944 amounting to Rs 4.16 lacs for the financial year 1999-2000 & 2000-2001. Dispute pending before CESTAT, New Delhi.
- v) Excise Duty under the Central Excise Act, 1944 amounting to Rs 7.94 lacs for the financial year 2005-2006. Dispute pending before Commissioner of Central Excise (Appeals)
- vi) Excise Duty under the Central Excise Act, 1944 amounting to Rs 1.18 lacs for the financial year 2003-04. CESTAT accepted Department Appeal & the Company has to file appeal before Punjab & Haryana High Court.
- vii) Custom Duty amounting to Rs 25.67 lacs under Custom Act, 1962 for financial year 2004-05. Dispute pending before CESTAT, Ahmedabad.
- viii) Excise Duty under the Central Excise Act, 1944 amounting to Rs 5.29 lacs for the financial year 2006-07. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- ix) Excise Duty under the Central Excise Act, 1944 amounting to Rs 2.56 lacs for the financial year 2007-08. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- x) Excise Duty under the Central Excise Act, 1944 amounting to Rs 2.59 lacs for the financial year 2007-08 and 2008-09. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- xi) Excise Duty under the Central Excise Act, 1944 amounting to Rs 91.48 lacs for the financial year 2004-05 to 2007-08. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- xii) Excise Duty under the Central Excise Act, 1944 amounting to Rs 3.11 lacs for the financial year 2007-08 to 2008-09. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- xiii) Excise Duty under the Central Excise Act, 1944 amounting to Rs 14.20 lacs for the financial year 2004-05 to 2005-06. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- xiv) Excise Duty under the Central Excise Act, 1944 amounting to Rs 20.78 lacs for the financial year 2003-04 to 2007-08. Dispute pending before Commissioner of Central Excise (Appeals), Chandigarh.
- xv) Custom duty amounting to Rs 0.79 lacs under Custom Act, 1962 for financial year 2004-05. Dispute pending before CESTAT, New Delhi.
10. The Company has no accumulated losses as at March 31, 2009. But it has incurred cash loss during the financial year ended on that date.
11. Based on our audit procedures and according to the information and explanation given to us, the Company has not defaulted in any repayment of dues to financial institutions, banks, institution and have not issued any debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special / statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it.
14. The Company has not dealt or traded in shares, securities debentures or other securities during the year.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans have been applied for the purpose for which they were raised during the year.
17. On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short term basis have not been used for long term investment.
18. According to the information and explanation given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in register maintained under Section 301 of the Companies Act, 1956
19. The Company has not issued any debentures that were outstanding at any time during the year.
20. The Company has not raised any money by public issue during the year.
21. As per the information and explanation given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the course of our audit.

FORA. GOEL & ASSOCIATES
Chartered Accountants

Place : Chandigarh
Dated : 22nd June, 2009

ASHOK K. GOEL
M.No. 81342



MODERN STEELS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Schedule | 31st March, 2009 (Rs.'000) | | 31st March, 2008 (Rs.'000) | |
|--|----------|-------------------------------|-------------------|-------------------------------|-------------------|
| I SOURCES OF FUNDS | | | | | |
| 1. Shareholder's Funds | | | | | |
| a) Capital | I | 11,96,73 | | 11,96,73 | |
| b) Reserves and Surplus | II | 28,68,63 | 40,65,36 | 33,40,95 | 45,37,68 |
| 2. Loan Funds | | | | | |
| a) Secured Loans | III | 64,84,56 | | 76,51,03 | |
| b) Unsecured Loans | IV | 2,38,38 | 67,22,94 | 1,88,85 | 78,39,88 |
| 3. Deferred Tax Liabilities (Net) | | | | | |
| | | | 2,88,82 | | 4,89,64 |
| | | | <u>1,10,77,12</u> | | <u>1,28,67,20</u> |
| II APPLICATION OF FUNDS | | | | | |
| 1. Fixed Assets | | | | | |
| a) Gross Block | V | 84,60,60 | | 77,95,55 | |
| b) Less: Depreciation | | 29,47,68 | | 25,26,23 | |
| c) Net Block | | 55,12,92 | | 52,69,32 | |
| d) Capital Work-in-Progress | | 3,62,24 | 58,75,16 | 5,36,13 | 58,05,45 |
| 2. Investments | | | | | |
| | VI | | 2,02,46 | | 2,01,12 |
| 3. Current Assets, Loans & Advances | | | | | |
| i) Inventories | VII | 29,04,94 | | 35,26,32 | |
| ii) Sundry Debtors | | 41,12,74 | | 38,43,48 | |
| iii) Cash & Bank Balance | | 1,34,54 | | 1,58,03 | |
| iv) Other Current Assets | | 2,62,72 | | 2,52,12 | |
| v) Loans & Advances | | 8,40,16 | | 10,13,95 | |
| | | 82,55,10 | | 87,93,90 | |
| Less : | | | | | |
| Current Liabilities & Provisions | | | | | |
| a) Current Liabilities | VIII | 31,24,55 | | 18,28,82 | |
| b) Provisions | | 1,31,05 | | 1,04,45 | |
| Net Current Assets | | 49,99,50 | | 68,60,63 | |
| | | | <u>1,10,77,12</u> | | <u>1,28,67,20</u> |
| Significant Accounting Policies & Notes on Accounts | XIV | | | | |

This is the Balance Sheet referred to in our Report of even date

The schedules referred to above form an integral part of the Balance Sheet

ASHOK K. GOEL
Partner

AMARJIT GOYAL
Chairman & Mg. Director

KRISHAN KUMAR GOYAL
Managing Director & CEO

For A.GOEL & ASSOCIATES
Chartered Accountants

MUKESH SEHGAL
General Manager (Corporate Finance)

PROF. TRILOKI NATH KAPOOR
BEANT SINGH

Place : Chandigarh
Dated : 22nd June, 2009

ASHISH SHARMA
GM (Secretarial) & Company Secretary

D.S. GILL
D. N. PANDIT
ADITYA GOYAL
P.L. TALWAR
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Schedule | 31st March, 2009 (Rs.'000) | 31st March, 2008 (Rs.'000) |
|--|----------|-------------------------------|-------------------------------|
| INCOME | | | |
| Gross Sales & Other Receipts | IX | 3,13,98,07 | 3,34,17,46 |
| Less: Excise Duty | | <u>36,25,48</u> | <u>46,04,41</u> |
| Net Sales / Other Receipts | | 2,77,72,59 | 2,88,13,05 |
| Other Income | X | 2,91,76 | 1,75,24 |
| | | <u>2,80,64,35</u> | <u>2,89,88,29</u> |
| EXPENDITURE | | | |
| Manufacturing Cost | XI | 2,58,71,80 | 2,58,64,96 |
| Administrative & Selling Expenses | XII | 7,30,55 | 8,01,42 |
| Financial Expenses | XIII | 16,64,46 | 15,51,73 |
| Depreciation | V | 4,31,46 | 3,43,38 |
| | | <u>2,86,98,27</u> | <u>2,85,61,49</u> |
| Profit/(Loss) Before Tax | | (6,33,92) | 4,26,80 |
| Expenses/Income(net) Relating to Previous Year | | 7,56 | 8,64 |
| Provision for taxation | | | |
| - Current | | 1,98 | 47,44 |
| - Fringe Benefit Tax | | 10,55 | 12,20 |
| - Deferred Tax | | (2,00,82) | 1,20,24 |
| - Previous year Tax Adjustment | | 19,13 | (3,47) |
| ADD | | | |
| MAT Tax Assets | | — | (15,46) |
| Profit/(Loss) after tax | | <u>(4,72,32)</u> | <u>2,57,21</u> |
| Profit Brought forward from last year | | 6,99,61 | 4,42,40 |
| Balance carried to Balance Sheet | | 2,27,29 | 6,99,61 |
| Earning Per Share (in Rs) (Basic & Diluted) | | (3.95) | 2.15 |
| Significant Accounting Policies & Notes on Accounts | XIV | | |

This is the Profit & Loss referred to in our Report of even date

The schedules referred to above form an integral part of the Profit & Loss Account

ASHOK K. GOEL
Partner

AMARJIT GOYAL
Chairman & Mg. Director

KRISHAN KUMAR GOYAL
Managing Director & CEO

For A.GOEL & ASSOCIATES
Chartered Accountants

MUKESH SEHGAL
General Manager (Corporate Finance)

PROF. TRILOKI NATH KAPOOR
BEANT SINGH
D.S.GILL

Place : Chandigarh
Dated : 22nd June, 2009

ASHISH SHARMA
GM (Secretarial) & Company Secretary

D. N. PANDIT
ADITYA GOYAL
P.L. TALWAR
Directors



MODERN STEELS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| PARTICULARS | Year Ended 31st March, 2009 (Rs.'000) | Year Ended 31st March, 2008 (Rs.'000) |
|--|---|---|
| A. Cash Flow from Operating Activities : | | |
| Net Profit/(Loss) | | |
| Adjusted for : | (4,72,32) | 2,57,20 |
| i. Depreciation | 4,31,46 | 3,43,38 |
| ii. Profit on Sale of Fixed Assets | (38,39) | (9,01) |
| iii. Deferred Tax Liability | (2,00,82) | 1,20,24 |
| iv. Provision for taxation including fringe benefit | 31,66 | 40,71 |
| v. Interest on Borrowings | 10,93,28 | 8,86,28 |
| vi. Dividend from Investments | (95) | (39) |
| | 13,16,23 | 13,81,21 |
| Operating profit before working capital Changes | 8,43,91 | 16,38,41 |
| Adjusted for : | | |
| i. Inventories | 6,21,38 | (7,24,34) |
| ii. Trade & Other receivables | 14,90 | 76,22 |
| iii. Trade Payable & Other Liabilities | 13,22,34 | (5,26,52) |
| | 19,58,62 | (11,74,64) |
| Cash Generated from Operations | 28,02,53 | 4,63,77 |
| i. Income tax Paid | (1,52,62) | (1,27,47) |
| Net Cash outflow from Operating Activities (A) | 26,49,91 | 3,36,30 |
| B. Cash Flow from Investing Activities | | |
| i. Purchase of Fixed Assets | (5,00,67) | (15,15,40) |
| ii. Sale of Fixed Assets | 37,88 | — |
| iii. Depreciation on assets written off | — | 10,40 |
| iv. Purchase of Investments | (1,34) | (1,56) |
| v. Dividend from Investments | 95 | 39 |
| Net Cash used in Investing Activities (B) | (4,63,17) | (15,06,17) |
| C. Cash Flow from Financing Activities | | |
| i. Net Increase(Decrease) in Secured Borrowings | (11,66,47) | 2,98,62 |
| ii. Net Increase (Decrease) in Other Borrowing & Loans | 49,53 | 8,82,46 |
| iii. Interest Paid | (10,93,28) | (8,86,28) |
| iv. Dividend Paid | — | (1,11,97) |
| Net Cash from Financing Activities (C) | (22,10,22) | 1,82,83 |
| Net increase/decrease in Cash & Cash Equivalent (A+B+C) | (23,48) | (9,87,04) |
| Cash & Cash equivalent as on 1st April, 2008 | 1,58,03 | 11,45,07 |
| Cash & Cash equivalent as on 31st March, 2009 | 1,34,54 | 1,58,03 |

This is the Cash Flow statement referred to in our Report of even date

For & on behalf of the Board

ASHOK K. GOEL
Partner

AMARJIT GOYAL
Chairman & Mg. Director

KRISHAN KUMAR GOYAL
Managing Director & CEO

For A.GOEL & ASSOCIATES
Chartered Accountants

MUKESH SEHGAL
General Manager (Corporate Finance)

PROF. TRILOKI NATH KAPOOR
BEANT SINGH

Place : Chandigarh
Dated : 22nd June, 2009

ASHISH SHARMA
GM (Secretarial) & Company Secretary

D.S.GILL
D. N. PANDIT
ADITYA GOYAL
P.L. TALWAR
Directors

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE : I****SHARE CAPITAL**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|---|--|--|
| Authorised | | |
| 2,49,00,000 Equity Shares of Rs. 10/- each | 24,90,00 | 24,90,00 |
| 10,000 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each | 10,00 | 10,00 |
| | <u>25,00,00</u> | <u>25,00,00</u> |
| Issued, Subscribed and Paid Up | | |
| *1,19,64,000 (Prev. 1,19,64,000) Equity Shares of Rs. 10/- each | 11,96,40 | 11,96,40 |
| Add: Forfeited Shares(Amount paid up) | 33 | 33 |
| | <u>11,96,73</u> | <u>11,96,73</u> |
| *Out of the above | | |
| 94,46,400 (Previous 94,46,400) Shares of Rs. 10/- each have been Alloted as Bonus Shares by capitalisation of General Reserve. | | |

SCHEDULE : II**RESERVES & SURPLUS**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-------------------------------|--|--|
| 1. General Reserve | 24,96,66 | 32,14,50 |
| Less utilised for bonus issue | <u>—</u> | <u>7,17,84</u> |
| | 24,96,66 | 24,96,66 |
| 2. Share Premium Account | 1,44,68 | 1,44,68 |
| 3. Profit & Loss Account | 2,27,29 | 6,99,61 |
| | <u>28,68,63</u> | <u>33,40,95</u> |

**SCHEDULE : III****SECURED LOANS**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|--|---|---|
| (a) Term Loans - Banks | | |
| State Bank of India | 14,90,79 | 18,97,35 |
| Punjab National Bank | 6,38,56 | 8,29,47 |
| Canara Bank | 3,26,85 | 4,37,80 |
| (b) Working Capital From Banks | | |
| Cash Credits (Stocks & Book Debts) | 36,24,00 | 38,82,17 |
| (c) Working Capital from State Bank of India (Special line of credit, short term) (includes interest accrued and due) | 4,04,36 | 6,04,24 |
| | <u>64,84,56</u> | <u>76,51,03</u> |

NOTES:

1. Term loans from State Bank of India, Punjab National Bank and Canara Bank are secured by equitable mortgage of Land and Building of the company's properties situated at Village Ajnali, Ambey Majra and Kukkar Majra & by hypothecation of all the movable properties forming part of the fixed assets of the Company on pari passu basis. The term loans from SBI and PNB are also secured by way of second charge on all the current assets of the Company. These loans are also secured by personal guarantee of some of the Directors.
2. Cash Credits from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala is secured by hypothecation of Raw material, Finished Goods, Consumables Stores, Book Debts on pari passu basis and second charge on Fixed Assets of the Company and personal guarantee of some of the Directors.
3. Working Capital from State Bank of India special line of credit (Short Term) is secured by way of second charge on all the current assets of the company which is pari passu with term loan of PNB & SBI.

SCHEDULE : IV**UNSECURED LOANS**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-----------------------|---|---|
| From Directors | 1,56,67 | 1,20,51 |
| From Corporate Bodies | 17,12 | 6,22 |
| From Others | 64,59 | 62,12 |
| | <u>2,38,38</u> | <u>1,88,85</u> |

SCHEDULE : V

FIXED ASSETS

(Rs. '000)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|--------------------------|----------------|----------------------------|---------------------------|---------------------------|-----------------------|----------------------|---------------------------|---------------------------|---------------------------|
| | As at 1st Apr,2008 | Addi- tions | Sales/ Adjust- ments | As at 31st Mar,2009 | Up To 31st Mar,2008 | During the year | Sold/ Adjustments | Up To 31st Mar,2009 | As at 31st Mar,2009 | As at 31st Mar,2008 |
| Land | 24,73 | — | — | 24,73 | — | — | — | — | 24,73 | 24,73 |
| Buildings | 9,27,90 | 20,86 | 1,49 | 9,47,27 | 1,99,75 | 29,74 | 51 | 2,28,98 | 7,18,29 | 7,28,15 |
| Plant & Machinery & Office Equipment | 64,99,66 | 6,24,91 | 9,50 | 71,15,07 | 22,09,92 | 3,68,60 | 9,50 | 25,69,02 | 45,46,05 | 42,89,74 |
| Furniture | 1,01,94 | 6,92 | — | 1,08,86 | 50,31 | 5,59 | — | 55,90 | 52,96 | 51,63 |
| Vehicles | 2,19,45 | 8,29 | — | 2,27,74 | 54,66 | 20,29 | — | 74,95 | 1,52,79 | 1,64,79 |
| Intangible Assets | 21,87 | 15,06 | — | 36,93 | 11,59 | 7,24 | — | 18,83 | 18,10 | 10,28 |
| Total | 77,95,55 | 6,76,04 | 10,99 | 84,60,60 | 25,26,23 | 4,31,46 | 10,01 | 29,47,68 | 55,12,92 | 52,69,32 |
| Previous Year | 59,02,07 | 18,97,78 | 4,30 | 77,95,55 | 21,85,75 | 3,43,38 | 2,91 | 25,26,23 | 52,69,32 | 37,16,32 |
| Capital | 5,36,13 | 4,16,77 | 5,90,66 | 3,62,24 | — | — | — | — | 3,62,24 | — |
| Work-in-Progress* | | | | | | | | | | |
| Previous Year | 9,18,51 | 14,08,34 | 17,90,72 | 5,36,13 | — | — | — | — | 5,36,13 | — |

*NOTE: Capital Work in Progress Includes payment of Rs. 36.93 lacs made to suppliers as advance for Capital goods (Previous Year Rs 37.18 lacs)

SCHEDULE : VI

INVESTMENTS

Long Term Investments (Non Trade) at Cost

| | Face Value | Quantity (in Nos.) | | Cost (Rs. '000) | |
|--|------------|--------------------|-----------|-----------------|----------------|
| | | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| (A) Equity Shares Fully Paid (Quoted) | | | | | |
| Hindalco Industries Ltd. | 1 | 4,642 | 3,250 | 4,46 | 3,12 |
| Infosys Technologies Ltd. | 5 | 2,000 | 2,000 | 29,83 | 29,83 |
| Reliance Communications Ltd. | 5 | 1,000 | 1,000 | 2,92 | 2,92 |
| Tata Consultancy Services Ltd. | 1 | 1,000 | 1,000 | 7,25 | 7,25 |
| Aggregate cost of Quoted Investments | | | | 44,46 | 43,12 |
| Market Value of Quoted Investments | | | | 36,04 | 47,15 |
| (B) Equity Shares Fully Paid (Unquoted) | | | | | |
| Nimbus Green Field (Punjab) Ltd. | 10 | 50,000 | 50,000 | 5,00 | 5,00 |
| Modern Automotives Ltd. | 10 | 15,30,000 | 15,30,000 | 1,53,00 | 1,53,00 |
| Aggregate cost of Unquoted Investments | | | | 1,58,00 | 1,58,00 |
| TOTAL (A+B) | | | | 2,02,46 | 2,01,12 |

**SCHEDULE : VII****CURRENT ASSETS, LOANS & ADVANCES**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|--|--|--|
| CURRENT ASSETS | | |
| 1. Inventories | | |
| a) Raw Materials (Including In-transit) | 8,73,46 | 11,69,16 |
| b) Work in Process - Rolling Mill Material | 6,69,57 | 7,23,58 |
| c) Finished Goods | 4,43,99 | 5,16,62 |
| d) Stores, Spares & Fuel | 9,17,92 | 11,16,96 |
| | <u>29,04,94</u> | <u>35,26,32</u> |
| 2. Sundry Debtors | | |
| (Unsecured) | | |
| a) Debts Outstanding for period exceeding six months | | |
| - Considered Good | 3,02,68 | 1,13,85 |
| b) Other Debts, Considered Good | 38,10,06 | 37,29,63 |
| | <u>41,12,74</u> | <u>38,43,48</u> |
| 3. Cash & Bank Balances | | |
| a) Cash in hand | 30,98 | 44,90 |
| b) Bank Balances with Scheduled Banks | | |
| i) Fixed Deposits Accounts Inclusive of Interest accrued thereon | 99,30 | 1,08,22 |
| ii) Current Accounts | 4,26 | 4,91 |
| | <u>1,34,54</u> | <u>1,58,03</u> |
| 4. Other Current Assets | 2,62,72 | 2,52,12 |
| 5. Loans & Advances | | |
| (Unsecured, Considered Good) | | |
| Advances Recoverable in Cash or in kind or for value to be received | 8,40,16 | 10,13,95 |
| TOTAL (1 to 5) | <u>82,55,10</u> | <u>87,93,90</u> |

SCHEDULE : VIII

CURRENT LIABILITIES & PROVISIONS

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-------------------------------|---|---|
| A. Current Liabilities | | |
| 1 Sundry Creditors | 25,55,21 | 12,14,18 |
| 2 Due to Directors | 29,51 | 45,14 |
| 3 Advances from Customers | 2,35 | 30,22 |
| 4 Other Liabilities | 5,37,48 | 5,39,28 |
| | <u>31,24,55</u> | <u>18,28,82</u> |
| B. Provisions | | |
| 1 Gratuity | 1,26,82 | 1,01,15 |
| 2 Tax Payable | 4,23 | 3,30 |
| | <u>1,31,05</u> | <u>1,04,45</u> |
| TOTAL (A+B) | <u>32,55,60</u> | <u>19,33,27</u> |

SCHEDULE : IX

GROSS SALES & OTHER RECEIPTS

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-----------------------|---|---|
| A. Gross Sales | 3,13,98,07 | 3,31,01,86 |
| B. Conversion Charges | — | 3,15,61 |
| TOTAL | <u>3,13,98,07</u> | <u>3,34,17,46</u> |

**SCHEDULE : X****OTHER INCOME**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|--|--|--|
| Interest (Gross, Tax Deducted Rs 33,82,202/- Previous Year Rs 17,81,145/-) | 1,50,08 | 91,89 |
| Misc. Income | 1,02,34 | 73,95 |
| Profit on Sale/transfer of Fixed Assets | 38,39 | 9,01 |
| Dividend from Long Term Investments (Non Trade) | 95 | 39 |
| TOTAL | <u>2,91,76</u> | <u>1,75,24</u> |

SCHEDULE : XI**MANUFACTURING COST**

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|---|--|--|
| (A) Cost of Raw Materials Consumed | 1,65,85,05 | 1,58,77,38 |
| (B) Manufacturing Expenses | | |
| Stores Consumed | 41,73,74 | 42,94,93 |
| Power | 24,08,54 | 26,46,00 |
| Fuel | 9,40,77 | 8,44,13 |
| Conversion Charges | 1,48,21 | 6,79,74 |
| Repairs to Plant & Machinery including Spares | 1,72,01 | 1,65,09 |
| Other Manufacturing Expenses | 3,00,54 | 3,56,88 |
| Excise Duty on increase /(decrease) of closing stock | (31,57) | (54,47) |
| | <u>81,12,24</u> | <u>89,32,30</u> |
| (C) Employee's Cost | | |
| Salary, Wages & Bonus | 8,07,97 | 7,48,75 |
| Remuneration to Managing Directors & Directors | 98,63 | 82,14 |
| Staff & Workers Welfare | 57,55 | 47,18 |
| Employer's Cont. to Employees PF, ESI etc. | 83,72 | 84,50 |
| | <u>10,47,87</u> | <u>9,62,57</u> |
| (D) (Accretion)/Decretion to the Closing Stock (Finished Goods, Work in Process & Rolling Mill Material) | | |
| Opening Stock | 12,40,20 | 13,32,91 |
| Less: Closing Stock | 11,13,56 | 12,40,20 |
| | <u>1,26,64</u> | <u>92,71</u> |
| TOTAL (A+B+C+D) | <u>2,58,71,80</u> | <u>2,58,64,96</u> |

SCHEDULE : XII

ADMINISTRATIVE & SELLING EXPENSES

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-----------------------------|--|--|
| Advertisement | 7,70 | 8,43 |
| Travelling & Conveyance | 66,22 | 62,21 |
| Rent, Rates & Taxes | 24,88 | 46,44 |
| Communication Expenses | 26,65 | 31,94 |
| Bad Debts written off | 12,69 | — |
| Insurance | 24,42 | 47,67 |
| Consultancy Charges | 7,34 | 10,60 |
| Misc. Expenses | 88,67 | 1,22,26 |
| Auditors Remuneration | | |
| - Audit Fee | 3,50 | 3,50 |
| - Tax Audit Fee | 15 | 15 |
| - Tax consultancy Fee | 35 | 35 |
| - Certification Fee | — | 3 |
| - Reimbursement of Expenses | 35 | 23 |
| Repair & Maintenance | | |
| a) Building | 3,67 | 12,92 |
| b) Vehicles | 7,69 | 5,68 |
| c) Others | 2,09 | 3,74 |
| Exchange Rate Variations | 68,93 | — |
| Forwarding Expenses | 1,36,90 | 2,47,23 |
| Market Promotion Expenses | 2,48,36 | 1,98,04 |
| | 7,30,55 | 8,01,42 |

SCHEDULE : XIII

FINANCIAL EXPENSES

| | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
|-------------------------------------|--|--|
| Interest | | |
| a) Term Loans | 3,02,73 | 2,64,21 |
| b) Others | | |
| - Cash Credit | 6,13,58 | 4,66,10 |
| - Unsecured Loans and Others | 19,56 | 16,96 |
| - To Bank and others (Against L/Cs) | 1,57,41 | 1,39,01 |
| | 7,90,55 | 6,22,07 |
| Cash Discount | 4,93,37 | 6,06,78 |
| Bank Charges | 77,81 | 58,67 |
| | 16,64,46 | 15,51,73 |



SCHEDULE –XIV

NOTES ON ACCOUNTS

1. Significant Accounting Policies

a) Accounting Convention

The Financial Statements are prepared under the Historical Cost Convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

b) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and other attributable cost including financing & other cost of borrowed funds attributable to construction or acquisition of fixed assets for the period upto the date when the assets are first put to use. Modvat credit availed and VAT credit on Fixed Assets has been reduced from the cost. Expenditure during construction is being capitalized.

Depreciation on Fixed Assets has been provided on straight-line method according to the Schedule XIV of the Companies Act 1956.

c) Intangibles and Amortisation

Intangible assets are recognized if it is probable that the future economic benefits attributable to the assets will flow to the enterprise and cost of the asset can be measured reliably in accordance with Accounting Standard-26 on "Intangibles" issued by the Institute of Chartered Accountant of India.

Intangible assets are amortised on straight line basis over their useful lives, which ranges from 1-5 years, determined on the basis of expected future economic benefits. The amortization period and method would be reviewed at the end of each financial year.

d) Inventories

i) Closing stock of Raw-material, Stores and spares has been valued at cost and net realizable value (net of Modvat & Vat) on FIFO Basis. Disposable Stores and used items have been valued at net realizable value.

ii) Work in Process - Rolling Mill Raw Material are valued at monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.

iii) Finished stocks are valued at cost or net realizable value whichever is lower. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads and Excise Duty thereon.

e) Foreign Exchange Transaction

The transactions in Foreign exchange are accounted for at the exchange rates prevailing on the date of the transactions. The current assets and current liabilities are converted at the exchange rate prevailing at the last working day of the accounting year. The resultant gains/losses are recognized in the profit & loss account relating to current assets & current liabilities. In case of forward exchange contract, the premium or discount arising at the inception of such contract, is amortized as income or expense over the life of contract as well as exchange difference on such contract i.e. difference between the exchange rate at the reporting/ settlement date and the exchange rate on the date of inception/ the last reporting date, is recognized as income/ expense for the period.

f) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. As per the announcement of The Institute of Chartered Accountants of India, accounting for derivative contracts other than those covered under AS-11 are marked to market on the Portfolio basis and loss is charged to Income Statement. Net Gains are ignored.

g) Sales & Conversion Charges

Sale & Conversion Charges represents the amount receivable for goods sold including excise duty thereon. Excise duty is reduced from gross sale to arrive net sales.

h) Retirement Benefits**i) Provident Fund**

Retirement benefit in the form of Provident Fund whether in pursuance of law or otherwise is accounted on accrual basis and charged to Profit & Loss account of the year.

ii) Gratuity

The retirement benefits in the form of Gratuity Scheme has been provided for the year ended as on 31st March 2009. In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined "benefit" scheme.

i) Borrowing Costs

To capitalize the borrowing costs that are directly attributable to the acquisition or Construction of that Capital asset. Other borrowing Costs are recognized as an expense in the period in which they are incurred.

j) Revenue Recognition

Revenues / Incomes and Cost /Expenditures are being generally accounted on accrual basis, as they are earned or incurred. Expenditures have been disclosed net of Service Tax which are Modvatble.

k) Taxes on Income

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of tax to extent the timing differences are expected to crystallize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realized.

l) Segment Reporting

The Company is engaged in the business of Steel Manufacturing which in context of Accounting Standards - 17 - "Segment Report" issued by the Institute of Chartered Accountants of India is considered the only business segment. So separate segment reporting is not necessary.

m) Impairment of Fixed Assets

As at 31st March, 2009, the company has reviewed the future earning of its cash generating unit in accordance with the "Accounting Standards 28 Impairment of Assets" issued by the Institute of Chartered Accountants of India. As the carrying amount of the assets does not exceed the future recoverable amount consequently, no adjustment is considered necessary by the management

n) Provisions Contingent liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be outflow of resources. Contingent liabilities are disclosed by way of notes. Contingent assets are neither recognized nor disclosed in the financial statement.

o) Long term investments are stated at cost less provision, if any, for diminution other than temporary in the value of such investments. Current investments are valued at lower of cost and realizable fair value.

p) Accounting policies not specifically referred to above are consistent with Generally Accepted Accounting Practices (GAAP).



MODERN STEELS LIMITED

| | | |
|--|--|--|
| 2. i) Contingent Liabilities | As at 31st March, 2009 (Rs.'000) | As at 31st March, 2008 (Rs.'000) |
| a) Letters of Credit | 16,30,07 | 26,88,04 |
| b) Bills Discounted | 8,70,35 | 8,07,05 |
| c) Disputed demand for Excise, Sale Tax, Power & Others | 2,93,25 | 2,49,35 |
| ii) Capital Commitments - Contract under Capital commitments for Rs. 98.90 lacs (previous year Rs. 70.00 Lacs) for which liability not provided for. | | |
| 3. Payment to Directors | Year Ended 31st March, 2009 (Rs.'000) | Year Ended 31st March, 2008 (Rs.'000) |
| a) Remuneration to Managing Directors and Director including Perks value | 1,05,79 | 92,04 |
| b) Reimbursement of Traveling Expenses & conveyance | 21,81 | 15,25 |
| c) Meeting Fee | 2,85 | 2,45 |
| d) Interest | 12,24 | 10,77 |
| e) Contribution to P.F. | 2,90 | 3,50 |
| Provisions for incremental gratuity liability has not been considered, since the provision is based on actuarial basis for the company as a whole. | | |
| 4. The company has adopted Accounting Standard AS15 (Revised 2005) on employment benefit on 1 st April 2007, consequent to the clarification issued by ASB of Institute of Chartered Accountants of India for implementing AS15, the liability in respect of the same benefits have been reworked as on 31/3/2009 based on the following assumptions- | | |
| A) Actuarial Assumptions:- | | As on 31.03.2009 |
| Discount Rate (per annum) | | 7.50% |
| Rate of increase in compensation levels | | 5.50% |
| Rate of return on plan assets | | N.A |
| Expected average remaining working Lives of employees (year) | | 23.30 |
| B) Table showing changes in present value of obligations: | | 01.04.2008 to 31.03.2009 (Amount in Rs.) |
| Present Value of Obligation as at the beginning of the year | | 1,01,15,382 |
| Acquisition adjustment | | NIL |
| Interest Cost | | 7,08,077 |
| Past Service Cost | | NIL |
| Current Service Cost | | 17,18,897 |
| Curtailment Cost/(Credit) | | NIL |
| Settlement Cost/(Credit) | | NIL |
| Benefits Paid | | (9,15,921) |
| Actuarial (gain)/loss on obligations | | 10,55,808 |
| Present Value of Obligation as at the end of the year | | 1,26,82,243 |
| C) Actuarial Gain/Loss Recognized: | | |
| Actuarial (gain)/loss for the year – Obligation | | 10,55,808 |
| Actuarial (gain)/loss for the year – Plan Assets | | NIL |
| Total (gain)/loss for the year | | 10,55,808 |
| Actuarial (gain)/loss recognized in the year | | 10,55,808 |
| Unrecognized actuarial (gain)/loss at the end of year | | NIL |

D) The amounts to be recognized in Balance Sheet and Statements of Profit & Loss:

| | |
|---|---------------|
| Present Value of Obligation as at the end of the year | 1,26,82,243 |
| Fair Value of Plan Assets as at the end of the year | NIL |
| Funded Status | (1,26,82,243) |
| Unrecognized Actuarial (gain)/loss | NIL |
| Net Asset/(Liability) Recognized in Balance Sheet | (1,26,82,243) |

E) Expenses recognized in the statement of Profit & Loss:

| | |
|---|-----------|
| Current Service Cost | 17,18,897 |
| Past Service Cost | NIL |
| Interest Cost | 7,08,077 |
| Expected Return on Plan Assets | NIL |
| Curtailment Cost/(Credit) | NIL |
| Settlement Cost/(Credit) | NIL |
| Net actuarial (gain)/Loss recognized in the year | 10,55,808 |
| Expenses Recognized in the statement of Profit & Loss | 34,82,782 |

5. Market Promotion Expenses includes Rebate and Discount Rs.244.20 Lacs.(Previous Year Rs.190.17 Lacs).
6. Payment to Auditor's in addition to Fee refer in Schedule XII to the extent of Rs.0.41 lacs (previous year Rs.0.50 lacs) on account of Service Tax paid.
7. Expenditure Capitalised during the year under various projects commissioned and under capital work in progress includes Interest Rs 28.77 Lacs (Previous Year Rs 83.19 Lacs), Salary Rs 1.00 Lacs (Previous Year Rs 9.60 Lacs), Power Rs 2.46 Lacs (Previous Year Rs 3.52 Lacs).

| | | |
|---|--------------------|-------------|
| 8. Earnings per share | 2009 | 2008 |
| Profit / Loss after taxation as per profit & loss (Rs. In '000) | (4,72,31) | 2,57,19 |
| Weighted average number of equity shares outstanding | 1,19,64,000 | 1,19,64,000 |
| Basic & diluted earnings per share in rupees (face value 10/-) | (3.95) | 2.15 |

9. In the opinion of the Board, the Current assets, loans and advances, are approximately of the value stated which if realized in the ordinary course of business, except stated otherwise.

10. As per the Accounting Standard – 18 issued by the Institute of Chartered Accountants of India " Related Party Disclosure ". In view of this the company has given the following disclosures for the year.
The company has identified the related parties having transactions during the year, as per detail given below.
No provision for doubtful debts is required to be made & no amount was written off.

A) Related Party and their relationship

Key Management Personnel Relatives of Key Management Personnel (KMP)

| | |
|---|---|
| Mr. Amarjit Goyal | Mrs. Rattan Mala Goyal , Mrs. Alka Goyal, Miss Sonam Goyal, |
| Mr. Krishan Kumar Goyal | Mrs. Anita Bansal |
| Mr. Aditya Goyal | |
| Mr P. L. Talwar (from 27 th Sep. 08) | |

Enterprises over which KMP and relatives of such personnel are able to exercise significant influence.

M/s Amarjit Goyal HUF, M/s Krishan Kumar Goyal HUF, M/s Chandigarh Finance Pvt. Ltd., M/s Mala Builders Pvt. Ltd. M/s Modern Dairies Ltd., M/s Modern Automotives Ltd, M/s PHi Business Solutions Ltd., M/s Times Finvest & Commerce Ltd., M/s Shree Ganesh Investments & Industries Ltd, M/s Nabha Finance Pvt Ltd.

Associates -

Nil



MODERN STEELS LIMITED

B) Transactions with the related parties

(Rs. In Lacs)

| | Key Management Personnel | Relatives of Key Management Personnel & their enterprises |
|------------------------------|-----------------------------|--|
| Remuneration including Perks | 108.69 | — |
| Interest on Unsecured Loan | 12.24 | 4.51 |
| Rent | — | 12.00 |
| Loan Taken | 75.00 | 10.00 |
| Loan Repaid | 50.25 | -- |
| Loan Given | — | 1001.78 |
| Loan Received back | — | 1001.79 |
| Interest Received | — | 108.34 |
| Sharing of Expenses Received | — | 9.94 |
| Sharing of Expenses paid | — | 0.24 |
| Purchase of Steel Scrap | — | 94.64 |
| Purchase Others | — | 1.61 |
| Sales | — | 816.43 |

11. Excise duty amounting to Rs. 3625.49 lacs (Previous year Rs.4604.41 lacs) has been reduced from gross turnover as the same is included in the figure of gross turnover. Further the differences of excise duty between the closing stock and opening stock has been disclosed separately in the Manufacturing Cost forming part of the Profit and Loss Account.
12. Under the Micro, Small and Medium Enterprises Development Act 2006, which came into force on October 2, 2006 certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in communication with its suppliers to ascertain the applicability of this Act. As on the date of this Balance Sheet, the Company has not received any communication from any of its suppliers regarding the applicability of this act to them. This information has been relied upon by the Auditors.
13. The major Components of Deferred Tax Liabilities (Net) as on 31.03.2009 are as given below:

(Rs. In Lacs)

| Deferred Tax Asset on Accounting of timing difference in: | As on 01.04.2008 | Adjustments During the Year | Balance as at 31.03.2009 |
|--|---------------------|--------------------------------|-----------------------------|
| Gratuity Provision | 34.06 | 9.05 | 43.11 |
| Bonus | 26.75 | 4.39 | 31.14 |
| Others | — | 0.00 | 0.00 |
| Business Loss | 0.00 | 282.86 | 282.86 |
| Total | 60.81 | 296.30 | 357.11 |
| Deferred Tax Liability | | | |
| Cumulated Depreciation | 550.45 | 95.48 | 645.93 |
| Net Deferred Tax Liability | 489.64 | (200.82) | 288.82 |

14. Figures for the Previous Year have been regrouped / rearranged wherever considered necessary.

15. Additional Information pursuant to Provisions of paragraphs 3 & 4 (Part-II) of the Schedules - VI to the Companies Act, 1956.

| 1) Capacities | Licensed Capacity Installed Capacity* | -Not Applicable |
|------------------------------------|--|-----------------|
| | 2009 | 2008 |
| Concast Billets/Ingots (MT) | 50,000 | 50,000 |
| Induction Ingots (MT) | 50,000 | 50,000 |
| Rolled Products (MT) | 75,000 | 75,000 |
| * (As certified by the Management) | | |
| | 2009 | 2008 |
| 2) Actual Production | | |
| Concast Billets(MT) | 41,480* | 57,420* |
| Induction Ingots (MT) | 28,744** | 30,695** |
| Rolled Products (MT) | 48,980 | 74,773 |

(Includes Goods Processed by / for others on Job Basis)

* 36,187 MT Billet (previous year 55,669 MT) used for Rolled Products including 1,276 MT (Previous year 980 MT) recycled billets.

** 19,428 MT Ingots used for Rolled Products (Previous Year 29,760 MT for Rolled Products) including 61 MT (Previous Year 20 MT) recycled ingots.

3) Statement of Turnover and Closing Stock (Quantity figures are rounded off to Metric Ton).

| | Unit | Turnover | | Closing Stock | | Opening Stock | |
|--|-----------|----------------|--------------------|---------------|--------------------|---------------|--------------------|
| | | Qty. | Value (Rs.'000) | Qty. | Value (Rs.'000) | Qty. | Value (Rs.'000) |
| Concast Billets | | | | | | | |
| This Year | MT | 11,86 | 5,18,93 | — | — | — | — |
| Previous Year | MT | 17,52 | 4,57,64 | — | — | — | — |
| Rolled Products | | | | | | | |
| This Year | MT | 5,31,08 | 2,81,28,89 | 11,43 | 4,43,99 | 10,89 | 5,16,61 |
| Previous Year | MT | 7,60,72 | 3,22,90,60 | 10,89 | 5,16,61 | 24,37 | 8,42,69 |
| Induction Ingots | | | | | | | |
| This Year | MT | 89,69 | 27,16,50 | — | — | — | — |
| Previous Year | MT | 9,35 | 3,21,50 | — | — | — | — |
| Others | | | | | | | |
| This Year | MT | 96 | 33,75 | — | — | — | — |
| Previous Year | MT | 1,03 | 32,12 | — | — | — | — |
| Work in Process - Rolling Mill Material | | | | | | | |
| This Year | | | | | | | |
| Billet | MT | — | — | 14,30 | 4,69,06 | 13,28 | 5,56,24 |
| Ingot | MT | — | — | 7,11 | 1,84,93 | 4,51 | 1,38,14 |
| Round | MT | — | — | 60 | 15,58 | 73 | 29,20 |
| Previous Year | | | | | | | |
| Billet | MT | — | — | 13,28 | 5,56,24 | 10,61 | 3,16,66 |
| Ingot | MT | — | — | 4,51 | 1,38,14 | 7,32 | 1,73,56 |
| Round | MT | — | — | 73 | 29,20 | — | — |
| TOTAL: This Year | | 6,33,59 | 3,13,99,35 | 33,44 | 11,13,56 | 29,41 | 12,40,19 |
| Previous Year | | 7,88,62 | 3,31,01,86 | 29,41 | 12,40,19 | 42,30 | 13,32,91 |



MODERN STEELS LIMITED

| | | | | |
|---|--|--|-------------|----------------------------|
| 4) Raw Material Consumed | Quantity (MT) | Value (Rs. '000) | | |
| a) Melting Scrap | | | | |
| This year | 7,08,61 | 1,65,85,05 | | |
| Previous Year | 8,59,23 | 1,58,77,38 | | |
| 5) Value of Imports (CIF Basis) | Year Ended 31st March, 2009 (Rs.'000) | Year Ended 31st March, 2008 (Rs.'000) | | |
| 1) Raw Material | 29,05,90 | 20,68,01 | | |
| 2) Stores & Spares | 3,19,51 | 2,16,82 | | |
| 3) Capital Assets | 1,64,26 | 69,02 | | |
| 6) Value of Raw Material Consumed | Year Ended 31st March, 2009 | Year Ended 31st March, 2008 | | |
| | %age | Value (Rs.'000) | %age | Value (Rs.'000) |
| Melting Scrap | | | | |
| Imported | 45.43 | 75,34,66 | 35.18 | 55,85,28 |
| Indigenous | 54.57 | 90,50,39 | 64.82 | 1,02,92,10 |
| Store & Spares | | | | |
| Imported | 4.60 | 1,92,20 | 5.38 | 2,30,97 |
| Indigenous | 95.40 | 39,81,53 | 94.62 | 40,63,96 |
| 7) Earning in Foreign Currency | Nil | | Nil | |
| 8) Expenditure in Foreign Currency | | | | |
| Travelling Expenses | | 5.65 | | |



MODERN STEELS LIMITED

ATTENDANCE SLIP MODERN STEELS LIMITED

Regd. Off. : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab - 147301

Please complete the attendance slip and handover at the entrance of the Meeting Hall

NAME OF THE SHARE HOLDER(S) / PROXY*
(IN BLOCK LETTER)

Regd. Folio No./ Client I.D. No.:

ADDRESS

NO. OF SHARES HELD

I, hereby record my presence at the 35TH ANNUAL GENERAL MEETING of the Company held on Wednesday, the 9th September, 2009 at 11.00 a.m. at the Regd. Office of the Company at G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab- 147301.

*Strike out whichever is not applicable

SIGNATURE OF THE SHAREHOLDER/PROXY*

PROXY MODERN STEELS LIMITED

Regd. Off. : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab - 147301

Regd. Folio No./ Client I.D. No.

I/We, _____
of _____ being a member/ members of
MODERN STEELS LIMITED hereby appoint _____
of _____ or
failing him/her _____
of _____ as my/our proxy to vote
for me/us and on my/our behalf at the 35TH ANNUAL GENERAL MEETING of the Company to be held on
Wednesday, the 9th September, 2009 at 11.00 a.m and at any adjournment thereof.
Signed this _____ day of _____ 2009.

NOTE: The proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

Shareholders are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting as copies of the same will not be distributed at the meeting.