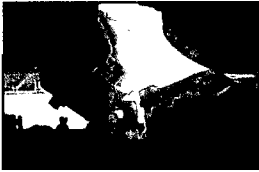




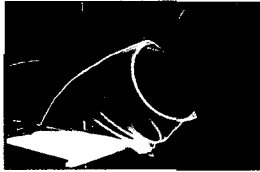
Panchmahal
Steel Limited

Stainless Steel

WIRE ROD • BARS • WIRES



Steel Making



Hot Rolling



Cold Finishing

Annual Report

2008-2009

BOARD OF DIRECTORS	: SHRI ASHOK MALHOTRA	- Chairman & Managing Director
	SHRI M. M. SINGHI	- Director
	SHRI NILESH B. MEHTA	- Director
	SHRI AMAL DHRU	- Director
	SHRI MILAN SHAH	- Director
	SHRI R. R. RAJYAGURU	- Nominee of GIIC
	SHRI HANISH MALHOTRA	- Director (Marketing)
	SHRI PRADEEP SHARMA	- Director (Operations)

SECRETARY : SHRI DEEPAK NAGAR

AUDITORS : M/S J.R.S. PATEL & CO.
Chartered Accountants
Vadodara.

BANKERS : State Bank of India

REGISTERED OFFICE : G.I.D.C. Industrial Estate,
Kalol - 389 330
Dist. Panchmahals, Gujarat.

CORPORATE OFFICE : "Landmark", 7th Floor,
Race Course Circle,
Vadodara - 390 007.

**36th Annual General Meeting on Wednesday, the
30th September, 2009 at 10.00 a.m. at the
Registered Office of the Company at
G.I.D.C. Industrial Estate, Kalol-389 330,
Dist. Panchmahals, (Gujarat)**

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NOTICE

Notice is hereby given that the 36th Annual General Meeting of the Members of Panchmahal Steel Ltd. will be held at the Registered Office of the Company at G.I.D.C. Industrial Estate, Kalol - 389 330 Dist. Panchmahals (Gujarat) on Wednesday, the 30th day of September, 2009 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Mohanraj M. Singhi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Milan Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and for the purpose to consider and if thought fit, to pass with or without modification, the following Ordinary Resolution:

"RESOLVED THAT M/s J.R.S. Patel & Co., Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII as amended up-to-date and other applicable provisions, if any, of the Companies Act, 1956 (including any modifications or re-enactment thereof for the time being in force), approval of the members be and is hereby accorded to the re-appointment of Mr. Hanish Malhotra as Director (Marketing) of the Company for a further period of three (3) years commencing from 1st February, 2009 upon the terms and conditions as set out in the draft Agreement submitted to this meeting and which Agreement is hereby specifically sanctioned, with liberty to the Board of Directors or its Committee to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board or its Committee and Mr. Hanish Malhotra."

NOTES :

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business at item no. 5 set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF /HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 26th day of September, 2009 to Tuesday, the 29th day of September, 2009 (both days inclusive).
4. Members are requested to make all correspondence including Share Transfer or Demat work to M/s MCS Limited at their office situated at Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara-390 007.
5. SEBI vide its circular dated April 27, 2007 and May 20, 2009 has made it mandatory for every participant in the securities/capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical mode are requested to furnish their PAN along with photocopy of PAN Card to the Share Transfer Agent. Members holding shares in demat mode are requested to register the details of their PAN with their DPs.
6. Members who desire to seek any information pertaining to accounts and operations of the Company are requested to address their question/queries to the Secretary of the Company so as to reach at least seven days before the date of the Annual General Meeting to enable the Company to make the information sought available to the best extent possible.
7. Members desirous of making nomination in terms of Section 109A of the Companies Act, 1956, in respect of their shareholding may approach the Company's Registrar & Transfer Agent for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.

Regd. Office :
G.I.D.C. Industrial Estate,
Kalol - 389 330,
Dist. Panchmahals (Gujarat)
Date: 29th July, 2009

By order of the Board of Directors

Deepak Nagar
AGM (Legal) & Company Secretary

Explanatory Statement under Section 173(2) of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to Item No. 5 of the accompanying Notice of the 36th Annual General Meeting to be held on Wednesday, the 30th day of September, 2009.

Item No. 5

At the 33rd Annual General Meeting held on 30.09.2006, the members appointed Mr. Hanish Malhotra as Director (Marketing) of the Company for a period of 3 years with effect from 1st February, 2006 and have subsequently approved the revision in his emoluments w.e.f. 1st September, 2008 at the last AGM held on 30th September, 2008.

The Board of Directors of the Company have re-appointed Mr. Hanish Malhotra as Director (Marketing) of the Company at its meeting held on 30th January, 2009 for a further period of 3 years w.e.f. 1st February, 2009 to 31st January, 2012.

The main terms and conditions regarding the re-appointment and payment of remuneration and perquisites proposed to be paid to Mr. Hanish Malhotra from the date of his re-appointment are set out in the draft Agreement placed before the meeting for its approval. The Remuneration Committee of the Company approved the said terms and on its recommendation the same were approved by the Board of Directors, subject to the approval of the Shareholders of the Company at the ensuing annual general meeting.

The said draft Agreement, inter alia, contains the following terms and conditions:

1. Period of Appointment: From 1st February, 2009 to 31st January, 2012.
2. Remuneration:
 - a) Salary: Rs.1,50,000/- per month.
 - b) Perquisites: Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave travel assistance, encashment of leave, provident fund, superannuation fund and gratuity in accordance with the applicable rule(s) and scheme(s) of the Company.

The total remuneration by way of salary and perquisites shall be restricted to an overall ceiling limit of Rs.2,50,000/- per month. Following perquisites shall not be included for computation of aforesaid ceiling on remuneration:
 - (i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961;
 - (ii) Gratuity payable at the rate not exceeding half a month salary for each completed year of service; &
 - (iii) Encashment of leave at the end of tenure.
3. Minimum Remuneration:
Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances as set out in Section-II of Part II of Schedule XIII of the Companies Act, 1956.
4. As long as Mr. Hanish Malhotra functions as Director (Marketing), no sitting fee to be paid to him for attending the meetings of the Board of Directors or committee(s) thereof.
5. The said appointment may be terminated by either party by giving the other three calendar months' notice in writing.
6. The Director (Marketing) shall look after overall Marketing functions of the Company subject to the superintendence, control and direction of the Managing Director.

Other terms and conditions of the Agreement are such as are customarily contained in an agreement of similar nature.

The terms and conditions of appointment of Mr. Hanish Malhotra as set out above may also be treated as an abstract of the terms of the Agreement to be executed between Mr. Hanish Malhotra and the Company under Section 302 of the Companies Act, 1956.

In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members at the Annual General Meeting for their approval.

The draft Agreement to be executed between Mr. Hanish Malhotra and the Company is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day up to the date of the Annual General Meeting.

The Board recommends to pass the Ordinary Resolution as set out in item no. 5 of the accompanying Notice.

Mr. Hanish Malhotra is interested individually in this Resolution. None of the other Directors, except Mr. Ashok Malhotra, being related to Mr. Hanish Malhotra, is deemed to be concerned or interested in the said Resolution.

Additional Information relevant to the said appointment of Director (Marketing) as per Notification No. GSR 36(E) dated January 16, 2002 issued by the Department of Company Affairs and also under the Clause 49 of the Listing Agreement.

General Information :

- (i) Nature of Industry : Steel Manufacturing
- (ii) Date of commencement of commercial production : November, 1973
- (iii) Financial Performance based on given indicators- as per published audited financial results for the year ended March 31, 2009:

	(Rs.in crores)
Turnover & Other Income	472.51
(Loss)/Profit for the year	(13.19)
Equity Share Capital	13.99
Reserves & Surplus	42.13

- (iv) Export Performance: (FOB Value -Rs.in crores)
- | | |
|---------|--------|
| 2006-07 | 178.45 |
| 2007-08 | 190.64 |
| 2008-09 | 180.22 |

- (v) Foreign Investment or Collaborators, if any : Not Applicable

Information about the Appointee :

- (i) Background Details :

Mr. Hanish Malhotra, aged 33 years, is a Management Graduate with 10 years of experience in marketing of Stainless Steel Products. He has been instrumental in establishing and developing the market for the Company's products.

- (ii) Past Remuneration drawn :

During financial year 2008-09 : Rs.21.45 lacs

(iii) Job Profile & suitability :

Mr. Hanish Malhotra is serving as Director (Marketing) since 1st February, 2006. He is responsible for marketing the products of the Company both globally and indigenously. His activities are subject to the superintendence, control and direction of the Chairman & Managing Director of the Company.

The Company has already established itself as a quality producer and a reliable supplier of Stainless Steel long products. The dexterity, vision and commitment of Mr. Hanish Malhotra provides the Company an opportunity to further strengthen its customer base, improve volumes and to vie other competitors on the international arena.

(iv) Proposed Remuneration :

a) Salary: Rs.1,50,000/- per month.

b) Perquisites: Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave travel assistance, encashment of leave, provident fund, superannuation fund and gratuity in accordance with the applicable rule(s) and scheme(s) of the Company.

The total remuneration by way of salary and perquisites shall be restricted to an overall ceiling limit of Rs.2,50,000/- per month. Following perquisites shall not be included for computation of aforesaid ceiling on remuneration:

(i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.

(ii) Gratuity payable at the rate not exceeding half a month salary for each completed year of service; &

(iii) Encashment of leave at the end of tenure.

c) Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances as set out in Section-II of Part II of Schedule XIII of the Companies Act, 1956.

(v) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person :

Taking into consideration the size of the Company, the profile of the appointee, the responsibility shouldered by him and the industry benchmarks, the remuneration proposed to be paid is reasonable and commensurate with the remuneration packages paid to similar senior level appointees in other companies.

(vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any :

He does not have any other pecuniary relationship with the Company. He is related to Mr. Ashok Malhotra, Chairman & Managing Director of the Company.

Other Information :

(i) Reasons of Loss or Inadequate Profit :

The Company's performance was adversely affected on account of global financial meltdown effecting the general business environment particularly the entire steel industry.

(ii) Steps taken or proposed to be taken for improvement :

Amidst adverse scenario, the Company has taken several steps towards cost control, productivity improvements and market consolidation to overcome in the phase of challenges due to global financial meltdown.

(iii) Expected increase in productivity and profits in measurable terms :

The Company has been performing well over the past several years. The setback during the year is in aberration on account of global financial meltdown and depressed business environment. The Company continues to focus on improving efficiencies and market developments.

Regd. Office :

G.I.D.C. Industrial Estate,

Kalol - 389 330,

Dist. Panchmahals (Gujarat)

Date : 29th July, 2009

By order of the Board of Directors

Deepak Nagar

AGM (Legal) & Company Secretary

Details of Director seeking Appointment/Re-appointment in forthcoming Annual General Meeting.

(in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr. Mohanraj M. Singhi	Mr. Milan Shah	Mr. Hanish Malhotra
Date of Birth	19.12.1939	14.02.1960	21.09.1976
Date of Appointment	24.03.1992	01.09.2006	01.02.2006
Qualifications	B.Com., LL.M.	B.Com., FCA, ACS	BBA
Expertise in specific functional areas	Renowned Solicitor having expertise in legal counseling and documentation.	Finance, Accounts & Taxation	Sales & International Marketing
List of other Public Limited Companies in which Directorship held	Not Applicable	- Arvind Brands Limited - Anagram Knowledge Academy Limited	Not Applicable
Chairman/Member of the Committees of the Board of other Public Limited Companies in which he is a Director	Not Applicable	Not Applicable	Not Applicable

DIRECTORS' REPORT

To,

The Members

The Directors of your Company present to you the 36th Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

(Rs. in crores)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Sales & Other Income	472.51	509.48
Total Expenditure	451.61	459.18
Operating Profit	20.90	50.30
Interest, Finance Charges & Exchange Variation	20.43	4.99
Gross Profit for the year	0.47	45.31
Depreciation	14.31	4.15
Profit before Taxation	(13.84)	41.16
Less : Provisions for Taxation	1.18	5.60
Add : Deferred Tax	6.17	5.69
Profit before Exceptional Items	(8.85)	41.25
Less : Prior Period Adjustments	4.34	-
Profit for the year	(13.19)	41.25
Surplus brought forward from the previous year	37.61	(3.64)
Balance carried over to Balance Sheet	24.42	37.61

OPERATIONS

The sales and other income of the Company was Rs.472.51 crores as against Rs.509.48 crores in the previous year. The operating profit was Rs.20.90 crores as compared to Rs. 50.30 crores in the previous year.

The unprecedented meltdown in the global markets affected the Company's performance adversely on account of depressed demand. The fall in the prices of all steel products resulted in losses on the inventory being held by the Company. Weakening of the Indian Rupee against US Dollar also resulted in foreign exchange losses on the exposure for the import of major raw materials by the Company.

DIVIDEND

Your Directors do not recommend any dividend for the year.

FINANCIAL RESTRUCTURING

The Scheme of Compromise and/or Arrangement between the Company and its Secured Lenders and Equity Shareholders as proposed by the Company has been sanctioned by the Hon'ble High Court of Gujarat, subject to the result of the appeal vis-à-vis a dissenting creditor.

The Company has implemented the Scheme and allotted (i) 1438 Nos. of Secured Zero Coupon Debentures of the aggregate nominal value of Rs.14.38 crores, (ii) 1376 Nos. of Non-Convertible Debentures (Series - I) of the aggregate nominal value of Rs.13.76 crores : & (iii) 6,60,80,000 - Secured Fully Convertible Debentures of the aggregate nominal value of Rs.66.08 crores to the Secured Lenders as per the terms of the Scheme.

DEPOSITS

The Company has not accepted any deposits and as such, no amount of principal or interest was outstanding as on 31st March, 2009.

STATUTORY DISCLOSURES

1. The statutory disclosures in accordance with Section 217(1)(e) of the Companies Act, 1956, with respect to conversation of energy, technology absorption and foreign exchange earnings and outgo are made in Annexure-A to this report.
2. The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report, is given in Annexure-B of this report.
3. A Report on Corporate Governance, pursuant to the revised Clause 49 of the listing Agreement, along with the Auditors Certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis are separately given as Annexure - C to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Yours Directors affirm that the audited accounts containing financial statements for the financial year 2008-09 are in full conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly, the form and substances of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These statements are audited by the statutory auditors M/s JRS Patel & Co., Chartered Accountants, Vadodara.

Your Directors further confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) the Directors have taken proper care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

Your Company's Internal Auditors have conducted periodic audits to provide reasonable assurances that established policies and procedures have been followed.

DIRECTORS

Mr. Ambalal C. Patel ceased to be a director with effect from 25th October, 2008 and Mr. Rajendra R. Rajyaguru was appointed as Nominee Director of GILC Limited in his place with effect from 30th January, 2009. The Board records its appreciation for the valuable services rendered by Mr. Ambalal C. Patel.

In accordance with the provisions of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company, Mr. Mohanraj M. Singhi and Mr. Milan Shah, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Your Board of Directors have re-appointed Mr. Hanish Malhotra as Director (Marketing) for a further period of 3 years with effect from 1st February, 2009. The Board recommends his re-appointment.

AUDITORS

The observations made by the Auditors, read with the relevant Notes to the Accounts and Accounting Policies are self explanatory.

The Auditors M/s. JRS Patel & Co., Chartered Accountants, retire and offer themselves for re-appointment.

APPRECIATION

The Directors thank the Banks, Financial Institutions, Shareholders, Customers, Suppliers for their co-operation and support to the Company. The Directors express their appreciation for the dedication and commitment of all its employees.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 29th July, 2009

Ashok Malhotra
Chairman & Managing Director

Annexure - A to Directors' Report
FORM - A

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

	<u>Year</u> <u>2008-09</u>	<u>Year</u> <u>2007-08</u>
A. Power and Fuel Consumption :		
1. Electricity		
(a) Purchased		
Units (kwh)	44665000	46600350
Total Amount (Rs.)	329759648	274721526
Rate/Unit Rs./kwh	7.38	5.90
(b) Own Generation		
(i) Through Diesel Generator	-	-
(ii) Through Steam Turbine/Generator	-	-
2. Coal	-	-
3. Furnace Oil		
Qty. (M.T.)	2163.714	2315.785
Value (Rs.)	60293993	47232120
Average Rate per Kg.(Rs.)	27.87	20.40
B. Consumption per unit of Production :		
Products		Electricity (kwh per Tonne)
Billets	887	837
Rolled Products	236	238
Forged Products	0	447
		Furnace Oil (Kgs. per Tonne)
Billets	21.52	21.05
Rolled Products	42.05	42.54
Forged Products	0	148.21

FORM - B

Disclosure of Particulars with Respect to Technology Absorption 2008-09.

I. Research & Development (R&D)

1. Specific area in Which R & D Carried out by the Company : Nil
2. Benefits derived as a result of the above R & D : Nil
3. Future Plan of Action : Nil
4. Expenditure on R & D : Nil

II. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, Made towards, Technology Absorption and Innovation :

Innovation and Technology adaptation is an integral Part of Company work culture. The operating Personnel work as a team for effective adaptation and absorption of technology.

2. Benefits derived as a result of the above efforts :

The above efforts have resulted in improved quality and reproducibility of Company's Products. It has also helped improved yields and reduced costs.

3. Technology Imported during last 5 years : Nil

III. Foreign Exchange Earned and outgo :

- i) Foreign Exchange earned : Rs.180.22 Crores (Rs.190.64 crores)
- ii) Foreign Exchange used : Rs.232.29 Crores (Rs.236.94 Crores)

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 29th July, 2009

Ashok Malhotra
Chairman & Managing Director

Annexure - B to Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2009

Sr.No.	Name of the Employee	Age	Designation	Remuneration Received (Rs. in lacs)	Qualification	Experience (Years)	Date of Employment	Particular of Last employment
01	Shri Ashok Malhotra	57	Chairman & Managing Director	102.34	B.Com.	35	01.12.1976	Nil

Note :

1. The amount of remuneration comprises salary, allowances & monetary value of perquisites to the Chairman & Managing Director and the Company's contribution to Provident Fund but excludes contribution to Gratuity Fund. No commission is payable to him for the financial year ended 31st March, 2009.
2. The Chairman & Managing Director is a relative of Mr. Hanish Malhotra, Director (Marketing) of the Company.
3. The appointment is contractual in nature and is for a period of 5 years from 1st April, 2007.
4. In view of the losses incurred by the Company for the financial year ended 31st March, 2009, the Company has applied to the Central Government for the waiver of the excess remuneration paid to the Chairman & Managing Director and the approval is awaited.

Annexure - C to the Directors' Report for the year ended 31st March, 2009

I Report on Corporate Governance

1. Corporate Governance Philosophy

Your Company's philosophy on Corporate Governance encompasses the active observance of fair and ethical business practices ensuring transparency, accountability, integrity and the statutory compliance of various laws with the primary objective of enhancing the value of all its stakeholders. The Company is committed to good corporate governance by creating an environment based on professionalism, entrepreneurship and pursuit for excellence.

During the year under review, the Board continued its pursuit of achieving these objectives through the adoption of corporate strategies, prudent business plan and ensuring that the Company peruses policies and procedures to satisfying its legal and ethical responsibilities.

2. Board of Directors

(i) Composition of the Board

Name of the Director	Category	Number of other		
		Directorships	Committee Memberships	Committee Chairmanships
Mr. Ashok Malhotra	Non-Independent Executive Director	2	Nil	Nil
Mr. Nilesh B. Mehta	Independent Non-Executive Director	12	2	3
Mr. Mohanraj M. Singhi	Independent Non-Executive Director	Nil	Nil	Nil
Mr. Amal Dhru	Independent Non-Executive Director	3	1	Nil
Mr. Milan Shah	Independent Non-Executive Director	2	Nil	Nil
Mr. Ambalal C. Patel* (GLIC Nominee)	Independent Non-Executive Director	11	2	1
Mr. Rajendra R. Rajyaguru# (GLIC Nominee)	Independent Non-Executive Director	3	3	Nil
Mr. Hanish Malhotra	Non-Independent Executive Director	1	Nil	Nil
Mr. Pradeep Sharma	Non-Independent Executive Director	Nil	Nil	Nil

* ceased w.e.f. 25.10.2008

appointed w.e.f. 30.01.2009

(ii) Board Meetings held and attendance of Directors

During the year under review, 5 (five) Board Meetings were held on 30th April, 2008, 30th July, 2008, 29th August, 2008, 25th October, 2008 & 30th January, 2009. The Thirty Fifth Annual General Meeting was held on 30th September, 2008. The attendance of each Director at these meetings was as follows:

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at the AGM held on 30.09.2008
1	Mr. Ashok Malhotra	5	Yes
2	Mr. Nilesh B. Mehta	2	Yes
3	Mr. Mohanraj M. Singhi	4	No
4	Mr. Amal Dhru	5	No
5	Mr. Milan Shah	5	No
6	Mr. Ambalal C. Patel	4	No
7	Mr. Rajendra R. Rajyaguru	—	No
8	Mr. Hanish Malhotra	4	Yes
9	Mr. Pradeep Sharma	5	Yes

3. Audit Committee

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with the requirements specified under Section 292A of the Companies Act and Clause 49 of the Listing Agreement. These inter alia include review of annual financial statement, adequacy of internal control systems and internal audit function.

Details of Audit Committee meetings held during the year April 2008 to March 2009 and the attendance of the Audit Committee Members are as follows:

Sr. No.	Name	Status	Category	No. of Meetings	
				Held	Attended
1	Mr. Nilesh B. Mehta	Chairman	Independent & Non-Executive Director	5	2
2	Mr. Amal Dhru	Member	Independent & Non-Executive Director	5	5
3	Mr. Milan Shah	Member	Independent & Non-Executive Director	5	5

4. Remuneration Committee

The Remuneration Committee was set up to evaluate compensation and benefits for Directors and to frame suitable policies and systems for the same.

Terms of Reference :

The remuneration and other terms of appointment of the Whole Time Directors are decided by the Board of Directors on the basis of recommendations of the Remuneration Committee and approved by the Shareholders/Central Government as may be required.

Composition of Remuneration Committee as on 31st March, 2009 :

The Remuneration Committee comprises three independent Directors, including Chairman of the Committee. The details of the composition of the Committee and attendance at its Meetings are set out in the following table-

Sr. No.	Name	Status	No. of Meetings	
			Held	Attended
1	Mr. Mohanraj M. Singhi	Chairman	2	2
2	Mr. Nilesh B. Mehta	Member	2	1
3	Mr. Amal Dhru	Member	2	2

Details of Remuneration paid to the Directors for the year ended 31st March, 2009

Remuneration of Executive Directors is decided by the Board based on recommendations of the Remuneration Committee as per the remuneration policy of the Company, within the ceiling fixed by the shareholders. In view of the loss incurred by the Company for the financial year ended March 31, 2009, the Company has applied to the Central Government for the waiver of the excess remuneration paid to the Chairman & Managing Director of the Company and the approval is awaited. The details of the remuneration paid to the Directors for the year ended March 31, 2009 are as under:

(Rs. in lacs)

Sr. No.	Name of the Director	Sitting Fees (including Committee Meetings)	Gross * Remuneration	Commission	Contribution to Provident and Superannuation Funds
1	Mr. Ashok Malhotra	Nil	95.14	Nil	7.20
2	Mr. Nilesh B. Mehta	0.25	Nil	Nil	Nil
3	Mr. Mohanraj M. Singhi	0.30	Nil	Nil	Nil
4	Mr. Amal Dhru	0.60	Nil	Nil	Nil
5	Mr. Milan Shah	0.50	Nil	Nil	Nil
6	Mr. Ambalal C. Patel	0.35	Nil	Nil	Nil
7	Mr. Rajendra R. Rajyaguru	Nil	Nil	Nil	Nil
8	Mr. Hanish Malhotra	Nil	19.74	Nil	1.71
9	Mr. Pradeep Sharma	Nil	18.28	Nil	1.55

* The gross remuneration includes salary, allowances, ex-gratia and perquisites.

In view of the loss incurred by the Company for the year ended March 31, 2009, no commission is payable to Mr. Ashok Malhotra, Chairman & Managing Director of the Company.

5. Shareholders and Investor Grievance Committee

The Company has a Shareholders & Investor Grievance Committee at the Board level to specifically look into the redressal of the grievance, complaints and other issues concerning the shareholders/investors including transfer and transmissions of shares, issue of duplicate/consolidated/split share certificates etc.

The Shareholders & Investor Grievance Committee comprises of two Directors and is presently chaired by Mr. Milan Shah, an Independent Director. The Committee met 3 times during the year. The details of composition of the Committee and attendance at its Meetings are given below :

Name of Director	No. of Meetings	
	Held	Attended
Mr. Milan Shah, Chairman*	–	–
Mr. Ambalal C. Patel, Ex-Chairman#	3	3
Mr. Hanish Malhotra, Member	3	3

* appointed w.e.f. 30.05.2009

ceased w.e.f. 25.10.2008

All the transfers received have been processed in time with no pending share transfers. There are no unresolved shareholders' complaints pending.

The Board has designated Mr. Deepak Nagar, AGM (Legal) & Company Secretary as Compliance Officer to monitor share transfers, shareholders' grievances and complaints and liaise with regulatory authorities.

6. CEO/CFO Certificate

A Certificate from Chairman & Managing Director on the financial statements of the Company was placed before the Board.

7. General Body Meetings

The Annual General Meetings of the Company have been held at the following places in the last three years:

Year	Date	Time	Venue
2005-06	30.09.2006	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2006-07	28.12.2007	2.00 p.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2007-08	30.09.2008	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)

All special resolutions set out in the respective Notices were passed unanimously on a show of hands by the shareholders present at the meeting. No postal ballots were used/invited for voting at these meetings. None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

8. Disclosures

- There are no materially significant transactions with related party i.e. transactions of the Company of material nature with its Promoters, the Directors or the management, their subsidiaries or relatives etc. which may have potential conflict with the interests of the Company at large.

Related Party Transactions are disclosed as per Note No. 8 of Schedule-S, which in the opinion of Management may not have potential conflict with the interests of the Company at large.

- No penalties and strictures have been imposed on the Company by the Stock Exchange, SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

9. Means of Communication

- (i) Financial Results are published in leading financial news papers as well as copies of the same are also being send to all the Stock Exchanges where the Shares of the Company are listed. These results are simultaneously displayed on the Company's website.

Financial Results are published normally in leading English news paper viz. The Economic Times, Business Standard, Indian Express and in Financial Express (Gujarati).

Website of the Company is www.panchmahalsteel.co.in

- (ii) The Management Discussion and Analysis Report prepared by the management and forming part of the Annual Report is separately attached.

10. General Shareholder information

(i) 36th Annual General Meeting

Date & Time : Wednesday, the 30th September, 2009 at 10.00 a.m.

Venue : Regd. Office : GIDC Industrial Estate, Kalol - 389 330, Dist. Panchmahals (Gujarat).

(ii) Financial Calendar (tentative)

Financial reporting for the quarter ending June 30, 2009	End July, 2009
Financial reporting for the quarter ending September 30, 2009	End October, 2009
Financial reporting for the quarter ending December 31, 2009	End January, 2010
Financial reporting for the quarter ending March, 2010	End June, 2010

- (iii) **Date of Book Closure** : Saturday, the 26th day of September, 2009 to Tuesday, the 29th day of September, 2009 (both days inclusive).

- (iv) **Dividend Payment Date** : Not applicable.

- (v) **Listing on Stock Exchanges** : The Bombay Stock Exchange Limited

The Company has paid Listing Fees for the year 2009-10 to the Bombay Stock Exchange Limited.

Stock Code :

The Bombay Stock Exchange Ltd. - 513511

ISIN for NSDL & CDSL - INE798F01010

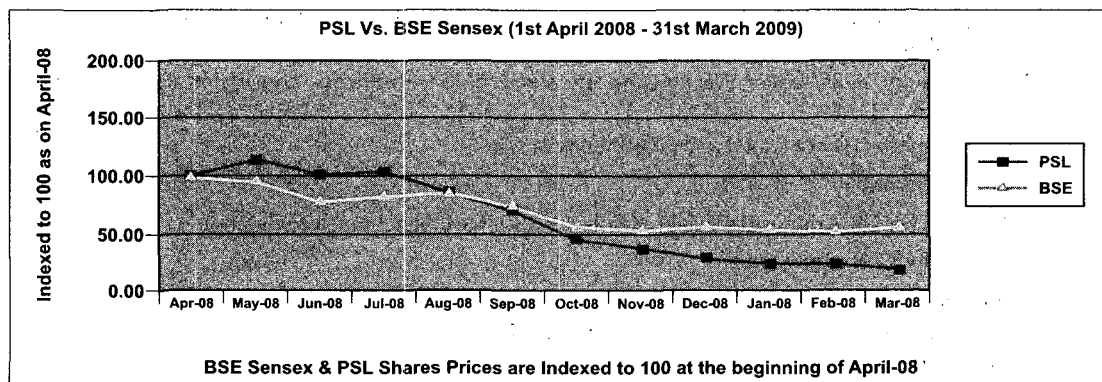
(vi) Market Price Data

The high and low prices recorded on the Bombay Stock Exchange Limited are as under:

Month	Share Price (Rs.)		Quantity Traded (No. of Shares)	BSE Index ¹	
	High	Low		High	Low
April, 2008	177.00	120.55	4389	17481	15298
May, 2008	200.00	146.00	7747	17736	16196
June, 2008	204.00	135.00	5594	16633	13406
July, 2008	176.00	110.00	6548	15130	12514
August, 2008	164.75	120.00	5370	15580	14002
September, 2008	142.00	104.50	4600	15107	12154
October, 2008	108.00	67.10	1022	13204	7697
November, 2008	64.00	53.25	592	10945	8316
December, 2008	51.00	38.05	2491	10189	8467
January, 2009	44.40	34.70	1356	10470	8632
February, 2009	-	-	-	9725	8619
March, 2009	34.50	27.50	1819	10127	8047

(vii) Performance in comparison to the BSE Senex

The following chart shows the performance of the price of the Company's Shares as compared to the BSE Sensex during the year 2008-09.

**(viii) Registrar & Share Transfer Agents**

M/s MCS Limited is the Registrar & Share Transfer Agent for share registry work held both in the physical and electronic forms.

The Members and the Depository Participants are requested to kindly send their requests for transfer, dematerialisation and rematerialisation of shares directly to the Registrar at the following address:

M/s MCS Limited
Unit - Panchmahal Steel Limited
Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara-390 007.
Phone No.: 0265-2339397, Fax No.: 0265-2341639
E-mail : mcsbaroda@iqara.net

(ix) Share Transfer System

M/s. MCS Ltd. (RTA) process the share transfer/transmission requests on fortnightly basis. Shares lodged for transfer in the physical form are normally processed at the earliest within the statutory time frame from the date of lodgment provided the documents are complete in all respect. The Company Secretary is empowered to approve transfers and the gist are placed before the meetings of the Shareholders & Investors Grievance Committee and Board of Directors for their noting.

(x) Distribution of Shareholding & Shareholding Pattern as on 31.03.2009

Shareholding Pattern			Distribution of Shareholding		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares held in each class
Promoters/ Promoters Group	12000000	85.78	01 - 500	3640	417428
FII's	1000	00.01	501 - 1000	73	57495
NRI's	1610	00.01	1001 - 2000	25	34575
Mutual Funds & Banks	6100	00.04	2001 - 3000	9	23753
Bodies Corporate	1130880	08.08	3001 - 4000	7	25903
Public	849710	06.08	4001 - 5000	7	31067
			5001 - 10000	3	21500
			10001 & above	20	13377579
Total	13989300	100.00	Total	3784	13989300

(xi) Dematerialisation of Shares

The Equity Shares of the Company are compulsorily traded in dematerialized form and are available for trading on both the depositories - NSDL and CDSL.

1,37,25,697 number of Equity Shares of the Company representing 98.12% of the Share Capital are dematerialised upto 31.03.2009.

(xii) Outstanding GDRs/ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDR/ADR/Warrant.

(xiii) Plant Location

Plot No.117, GIDC Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

(xiv) Address for Correspondence

7th Floor, Landmark, Race Course Circle, Vadodara-390 007.

Phone Nos. (0265) 3051777, Fax No. (0265) 3051705

E-mail : dnagar@panchmahalsteel.co.in

A separate e-mail id : shares@panchmahalsteel.co.in has been created specifically for investor query / complaints.

Declaration by the Chairman & Managing Director

(Code of Conduct - Pursuant to Clause 49 of the Listing Agreement)

To,
The Members of
Panchmahal Steel Limited

I, Ashok Malhotra, Chairman & Managing Director of the Panchmahal Steel Limited hereby declare that all Directors and Senior Management Personnel have affirmed compliance with code of conduct as applicable to them in respect of the financial year 2008-09.

Place : Ahmedabad
Date : 29th July, 2009

Ashok Malhotra
Chairman & Managing Director

II. Management Discussions and Analysis Report

Industry Structure, Developments and Outlook

The Company is primarily engaged in the manufacture of stainless steel long products in the form of wire rods, bars and wires, which find application in a wide range of applications in engineering, construction and infrastructure, automotive and railways, consumer durables, food processing and dairy industry, housing and pharmaceutical.

The global financial meltdown in the second half of the previous year resulted in a sudden and unexpected decline in demand across industry segments the world over. Your company was also adversely affected on account of the unprecedented global meltdown.

The economies around the world are slowly but surely coming out of the recession and the business is witnessing a gradual revival. Your Company is fully geared to take advantage of the turnaround in the business environment and the growing demand of stainless steel, particularly in the domestic market.

Internal Control Systems

The Company has a proper and adequate systems of internal control ensuring efficiency of operations, statutory compliances, reporting and recording of transactions. The system is supported by management and internal audit.

Human Resources

The Company's human resource policy lays stress on motivating and training people for better work culture and environment and continuous improvement in productivity, efficiency and quality.

For and on behalf of the Board of Directors

Place: Ahmedabad
Date : 29th July, 2009

Ashok Malhotra
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Panchmahal Steel Limited

We have examined the compliance of conditions of Corporate Governance by Panchmahal Steel Limited for the financial year 2008-09, as stipulated in Clause 49 of Listing Agreement entered into by the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, 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 abovementioned Listing Agreement.

We state that no grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Shareholders/Investors Grievance Committee.

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

For **JRS Patel & Co.**
Chartered Accountants,

Place : Vadodara
Date : 29th July, 2009

Nitin Patni
Partner
Membership No. 15612

AUDITORS' REPORT

To
The Members of
PANCHMAHAL STEEL LIMITED

1. We have audited the attached Balance Sheet of PANCHMAHAL STEEL LIMITED as at 31st March 2009, Profit and Loss Account and also Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report generally comply with the applicable mandatory 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, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon, 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 and Loss Account, of the Loss for the year ended on that date ; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **JRS Patel & Co.**
Chartered Accountants,

Nitin Patni
Partner

Membership No. 15612

Place : Vadodara
Date : 30th May, 2009

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH, 2009 OF PANCHMAHAL STEEL LIMITED, KALOL.

1. In respect of its Fixed Assets :
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.
 - (b) As explained to us, part of the fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) In our opinion, the fixed assets disposed off do not constitute substantial part of the fixed assets of the Company and such disposal has, as such not affected the going concern status of the Company.
2.
 - (a) As explained to us, the inventories have been physically verified by the management during the year at reasonable intervals other than material lying with branches and consignment agent/stockist, which have been substantially confirmed by them. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations 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 the nature of its business.
 - (c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of its inventories. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventory as compared to the book records.
3. Loans granted/taken by the Company:
 - (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
 - (b) Since the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, therefore, sub-clauses (b), (c) and (d) of (iii) of the said Order are not applicable.
 - (c) The Company has taken unsecured loan from one company, listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 350.18 lakhs and the year end balance was Rs. Nil.
 - (d) In our opinion, the rate of interest and other terms and conditions in respect of loans taken from the company listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima-facie, prejudicial to the interest of the Company.
 - (e) In respect of loan taken from the company listed in the register maintained under Section 301 of the Companies Act, 1956, the interest payments are regular and the principal amount is repayable on demand.
4. In our opinion and according to explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control systems.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 :
 - (a) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
 - (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contract or arrangements entered in to the register in pursuance of Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, wherever applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year and hence the question of complying with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India, wherever applicable, does not arise.
7. On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.
8. On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Companies Act, 1956, have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.

9. According to the information and explanations given to us in respect of statutory and other dues :

- (a) The Company is generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us and on the basis of records produced before us by the Company, the details of disputed Income Tax/Custom Duty/Excise Duty/Service Tax which have not been deposited as on 31st March, 2009 are given below:

Name of Statute	Nature of Dues	Amount (Rs. in Lacs)	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	57.42	Gujarat High Court
The Central Excise Act, 1944	Excise Duty	5.05	CESTAT, Mumbai
The Central Excise Act, 1944	Excise Duty	21.00	CEGAT, Mumbai
The Central Excise Act, 1944	Excise Duty	5.64	Commissioner (Appeals)
Finance Act, 1994 (Service Tax Provision)	Service Tax	3.42	Commissioner (Appeals)
Finance Act, 1994 (Service Tax Provision)	Service Tax	26.85	CESTAT, Ahmedabad.
The Custom Act, 1962	Custom Duty	70.54	CESTAT, Mumbai.
Income Tax Act, 1961	Income Tax	484.42	Commissioner (Appeals)

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of its dues having regards to the stipulations, negotiations, pending approval to the proposed restructuring scheme and sanctions by the financial institutions or banks during the year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities debentures and other investments. Accordingly, the provisions of Clauses 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, the requirements of Clause 4(xiv) of the Order, to comment on whether the terms and conditions, whereof are prejudicial to the interest of the Company, is not applicable.
16. The Company has not taken any term loans during the year.
17. On the basis of the information and explanations given to us and on an overall examination of the Cash Flow and Balance Sheet of the Company, we report that the Company has used part short-term funds for long-term purpose.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties or companies covered in the Register maintained under Section 301 of Companies Act, 1956.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year and therefore the question of creating security in respect thereof does not arise.
20. According to the information and explanations given to us, the Company has not made any public issues during the year and therefore the question of disclosing the end use of money does not arise.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

FOR J.R.S. PATEL & CO.
Chartered Accountants

Place : Vadodara
Date : 30th May, 2009

Nitin Patni
PARTNER
Membership No: 15612

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	Rupees	31.03.2009 Rupees	Rupees	31.03.2008 Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A	139,940,900		139,940,900	
Reserves & Surplus	B	421,302,255		553,166,286	
			561,243,155		693,107,186
Loan Funds					
Secured Loans	C	1,367,242,097		1,366,818,153	
Unsecured Loans	D	—		36,000,000	
			1,367,242,097		1,402,818,153
Total			1,928,485,252		2,095,925,339
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block (At Cost)	E	2,172,875,475		1,956,815,564	
Less: Depreciation		736,380,990		604,608,481	
Net Block		1,436,494,485		1,352,207,083	
Capital Work-in-Progress		12,965,463		195,193,035	
			1,449,459,948		1,547,400,118
Deferred Tax Assets (Net)			118,651,103		56,905,549
Investments	F		5,025		5,025
Current Assets, Loans and Advances					
Inventories	G	823,511,885		1,078,938,130	
Sundry Debtors	H	228,241,463		299,162,235	
Cash and Bank Balances	I	77,587,347		42,506,444	
Loans and Advances	J	203,754,600		197,333,694	
		1,333,095,295		1,617,940,503	
Less:					
Current Liabilities and Provisions					
Current Liabilities	K	912,142,068		1,109,608,212	
Provisions		60,584,051		16,717,644	
		972,726,119		1,126,325,856	
Net Current Assets			360,369,176		491,614,647
Total			1,928,485,252		2,095,925,339
Notes to Accounts					
	S				

The Schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet.

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Pradeep Sharma
Director (Operations)

Nitin Patni
Partner
Membership No.15612

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 30th May, 2009

Vadodara, 30th May, 2009

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

	Schedule	Rupees	31.03.2009 Rupees	Rupees	31.03.2008 Rupees
INCOME					
Gross Sales/ Income from Operations	L	5,077,957,635		5,583,333,971	
Less : Excise Duty		371,494,057		493,563,690	
		<u>4,706,463,578</u>		<u>5,089,770,281</u>	
Other Income	M		18,663,366		5,033,967
(Decrease)/ Increase in Finished Goods Stock	N		(131,765,247)		(117,294,129)
TOTAL			<u>4,593,361,697</u>		<u>4,977,510,119</u>
EXPENDITURE					
Raw Materials Consumed		3,441,129,200		3,612,679,318	
Manufacturing and Operating Cost	O	719,617,191		611,649,142	
Excise Duty on Finished Goods		(30,940,321)		(12,102,716)	
Employment Cost	P	133,955,172		146,844,855	
Administrative, General & Selling Expenses	Q	120,609,252		115,425,549	
Interest, Finance Charges & Exchange Variation	R	204,313,924		49,923,968	
Depreciation		143,116,120		41,480,341	
TOTAL			<u>4,731,800,538</u>		<u>4,565,900,457</u>
(Loss)/ Profit for the Year before Tax			<u>(138,438,841)</u>		<u>411,609,662</u>
Less: Provision for Taxation					
Income Tax		—		55,000,000	
Deferred Tax		(61,745,554)		(56,905,549)	
Fringe Benefit Tax		1,027,917		865,000	
Wealth Tax		109,270		128,000	
Income Tax for earlier years'		10,640,912		—	
			<u>(49,967,455)</u>		<u>(912,549)</u>
(Loss)/ Profit before Exceptional Item			<u>(88,471,386)</u>		<u>412,522,211</u>
Less: Prior Period adjustments (net)			<u>43,392,645</u>		<u>—</u>
Net (Loss)/ Profit for the year			<u>(131,864,031)</u>		<u>412,522,211</u>
Surplus brought forward from previous years'			<u>376,072,751</u>		<u>(36,449,460)</u>
Balance carried over to Balance Sheet			<u>244,208,720</u>		<u>376,072,751</u>
Basic and Diluted Earnings per Share (Rs.)			Nil		29.48
Face Value of Rs.10 per Share					

Notes to Accounts

S

The Schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account.

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Pradeep Sharma
Director (Operations)

Nitin Patni
Partner
Membership No.15612
Vadodara, 30th May, 2009

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 30th May, 2009

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2008-09

	Year ended 31.03.2009	Year ended 31.03.2008
(Rs. in lacs)		
A. Cash Flow from Operating Activities		
(Loss) / Profit for the Year before Tax	(1818.32)	4116.10
Adjustment for :		
Depreciation:	1431.16	414.80
Interest, Finance Charges and Exchange variation	2043.14	499.24
Loss on Disposal of Fixed Assets	45.08	2.53
Profit on sale of Fixed Assets	(4.50)	—
Operating Profit before Working Capital Changes :	<u>1696.56</u>	<u>5032.67</u>
Changes in Working Capital :		
(Increase)/Decrease in Trade and Other Receivables	645.00	(705.07)
(Increase)/Decrease in Inventories	2554.26	2051.44
Increase/(Decrease) in Trade Payables	(1536.00)	(1206.06)
Cash Generated from Operations	3359.83	5172.98
Taxes paid	(117.78)	(559.93)
Net Cash from Operating Activities ...A	<u>3242.05</u>	<u>4613.05</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(527.65)	(3233.88)
Change in Investments	0.00	0.03
Sale of Fixed Assets	35.31	2.78
Net Cash (used in) / from Investing Activities ...B	<u>(492.34)</u>	<u>(3231.08)</u>
C. Cash Flow from Financing Activities		
Repayment of Secured Loans	(1790.01)	(1168.25)
Changes in Working Capital Advances	1877.01	147.26
Changes in Unsecured Loan	(360.00)	185.00
Interest Paid	(2125.90)	(488.82)
Net Cash (used in)/ from Financing Activities ...C	<u>(2398.90)</u>	<u>(1324.80)</u>
Net increase/(decrease) in Cash & Cash equivalents (A+B+C)	<u>350.81</u>	<u>57.16</u>
Cash and Cash equivalents as at the beginning of the year	425.06	367.90
Cash and Cash equivalents as at the end of the period	<u>775.87</u>	<u>425.06</u>
	<u>350.81</u>	<u>57.16</u>

The Schedules referred above and Notes to Accounts form an integral part of Cash Flow Statement.

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Pradeep Sharma
Director (Operations)

Nitin Patni
Partner
Membership No.15612

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 30th May, 2009

Vadodara, 30th May, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

	31.03.2009	31.03.2008
	Rupees	Rupees
SCHEDULE - A		
SHARE CAPITAL		
Authorised		
400,00,000 Equity Shares of Rs.10/- each (400,00,000)	<u>400,000,000</u>	<u>400,000,000</u>
	<u>400,000,000</u>	<u>400,000,000</u>
Issued, Subscribed & Paid up		
139,89,300 Equity Shares of Rs.10/- each fully paid up. (139,89,300)	139,893,000	139,893,000
Add : Forfeited Equity Shares		
5,600 Forfeited Equity Shares (Paid up Rs.3/-)	16,800	16,800
4,600 Forfeited Equity Shares (Paid up Rs.6/-)	27,600	27,600
500 Forfeited Equity Shares (Paid up Rs.7/-)	3,500	3,500
	<u>139,940,900</u>	<u>139,940,900</u>
SCHEDULE - B		
RESERVES AND SURPLUS		
Capital Reserve		
As per Previous Balance Sheet	17,523,435	17,523,435
Share Premium Account		
As per Previous Balance Sheet (including Rs.426,100/- on Forfeited Shares)	159,570,100	159,570,100
Surplus in Profit and Loss Account		
	244,208,720	376,072,751
	<u>421,302,255</u>	<u>553,166,286</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

	Rupees	31.03.2009 Rupees	Rupees	31.03.2008 Rupees
SCHEDULE - C				
SECURED LOANS				
A. Term Debts				
i. Asset Reconstruction Co. (India) Ltd. (ARCIL)	763,800,000		877,038,750	
ii. Gujarat Industrial Investment Corp. Ltd (GIIC)	110,500,000		167,062,000	
iii. Life Insurance Corporation of India (LIC)	62,300,000		71,500,000	
iv. Interest Outstanding	—		8,588,924	
		<u>936,600,000</u>		<u>1,124,189,674</u>
B. Working Capital Advances				
i. State Bank of India (SBI) :				
Cash Credit	312,937,256		74,444,634	
Bills Discounting	37,307,330		—	
Export Packing Credit	80,000,000		—	
Interest Outstanding	397,511		—	
	<u>430,642,097</u>		<u>74,444,634</u>	
ii. State Bank of Saurashtra (SBS) :				
Cash Credit	—		112,580,183	
Bills Discounting	—		43,019,168	
Export Packing Credit	—		12,500,000	
Interest Outstanding	—		84,494	
	<u>—</u>		<u>168,183,845</u>	
		<u>430,642,097</u>		<u>242,628,479</u>
		<u>1,367,242,097</u>		<u>1,366,818,153</u>

Notes :

- All Term Loans are secured by First Joint Equitable Mortgage over all the immovable properties situated at the Registered Office of the Company at Kalol, Dist. Panchmahals (Gujarat) and are also secured by First Charge by way of Hypothecation of Movable Properties, subject to the prior charge of Bankers over current assets for working capital advances.
- Working Capital Advances from State Bank of India (including advances of erstwhile State Bank of Saurashtra, now merged with S.B.I.) are secured by First Charge over the Current Assets, Second Charge over the immovable properties and is further guaranteed by Director of the Company.

SCHEDULE - D**UNSECURED LOANS****Short Term Loans & Advances**

(a) From Others :

- Inter Corporate Deposits	—	36,000,00
	<u>—</u>	<u>36,000,00</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

	31.03.2009	31.03.2008
	Rupees	Rupees
SCHEDULE - G		
<u>INVENTORIES</u>		
(As Verified, Valued and Certified by the Management)		
Raw Materials	267,420,299	438,273,122
Production Stores	65,155,092	36,428,088
General Stores and Spares	67,487,893	49,023,072
Finished Goods	423,448,601	555,213,848
	<u>823,511,885</u>	<u>1,078,938,130</u>

SCHEDULE - H
SUNDRY DEBTORS

Unsecured		
(i) Debts due over six months, considered good	6,003,081	2,960,076
(ii) Debts due over six months, considered doubtful	1,364,645	1,364,645
(iii) Other Debts, considered good *	222,238,382	296,202,159
	<u>229,606,108</u>	<u>300,526,880</u>
Less : Provision for Doubtful Debts	(1,364,645)	(1,364,645)
	<u>228,241,463</u>	<u>299,162,235</u>

* Bills Discounted with Banks are included amounting to Rs.373.07 lacs (Previous year Rs.430.19 lacs).

SCHEDULE - I
CASH AND BANK BALANCES

(i) Cash on hand	329,846	235,920
(ii) Bank Balances with Scheduled Banks :		
- in Current Accounts	2,257,501	8,370,524
- in Fixed Deposits (Margin Money)	75,000,000	33,900,000
	<u>77,257,501</u>	<u>42,270,524</u>
	<u>77,587,347</u>	<u>42,506,444</u>

SCHEDULE - J
LOANS AND ADVANCES

Advances recoverable in cash or in kind or for value to be received including Rs.19,91,981/- for Capital Expenditure (Previous Year Rs.41,63,841/-)

Unsecured, considered good	40,407,944	55,850,062
Balance with Custom and Excise Department	49,914,024	40,147,257
Deposits	109,148,320	101,336,375
Advance Tax and Tax deducted at Source (Net of Provision)	4,284,312	-
	<u>203,754,600</u>	<u>197,333,694</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

	31.03.2009	31.03.2008
	Rupees	Rupees
SCHEDULE - K		
<u>CURRENT LIABILITIES AND PROVISIONS</u>		
Current Liabilities		
Bills Payable	410,909,504	143,709,130
Sundry Creditors		
- Due to Micro and Small Enterprises	10,061,129	—
- Others	<u>374,772,689</u>	<u>800,407,200</u>
	384,833,818	800,407,200
Other Liabilities	<u>116,398,746</u>	<u>165,491,882</u>
	912,142,068	1,109,608,212
Provisions		
Leave Salary/ Wages	8,298,891	7,008,161
Provident Fund	716,017	764,442
Interest	51,459,873	—
Income Tax (Net of Advance payment)	—	8,817,041
Wealth Tax	<u>109,270</u>	<u>128,000</u>
	60,584,051	16,717,644
	<u>972,726,119</u>	<u>1,126,325,856</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	31.03.2009	31.03.2008
	Rupees	Rupees
SCHEDULE - L		
<u>GROSS SALES/ INCOME FROM OPERATIONS</u>		
Sales (Net of Returns)		
(a) Domestic Sales	3,173,771,379	3,581,737,044
(b) Export Sales	1,838,525,701	1,938,257,339
	<u>5,012,297,080</u>	<u>5,519,994,383</u>
Trading Sales	453,691	—
Income from Job Work	15,626,434	16,502,422
Export Incentives	49,580,430	46,837,166
	<u>5,077,957,635</u>	<u>5,583,333,971</u>
SCHEDULE - M		
<u>OTHER INCOME</u>		
Miscellaneous Sales	2,516,860	2,317,175
Miscellaneous Income	427,625	3,038
Interest Income	15,268,420	2,713,754
(Tax Deducted at Source Rs.8,71,090/- Prev. year Rs.1,93,983/-)		
Profit on Sale of Assets	450,461	—
	<u>18,663,366</u>	<u>5,033,967</u>
SCHEDULE - N		
<u>VARIATION IN FINISHED GOODS STOCK</u>		
Closing Stock	423,448,601	555,213,848
Less : Opening Stock	555,213,848	672,507,977
(Decrease)/ Increase in Finished Goods Stock	<u>(131,765,247)</u>	<u>(117,294,129)</u>
SCHEDULE - O		
<u>MANUFACTURING AND OPERATING COST</u>		
Stores, Spares and Production Materials Consumed	255,790,593	217,499,321
Power and Fuel	445,799,737	372,804,467
Processing Charges	29,136	2,315,534
Repairs and Maintenance :		
Buildings	815,466	1,338,539
Plant & Machineries	11,848,758	11,932,371
	<u>12,664,224</u>	<u>13,270,910</u>
Other Manufacturing Expenses	5,333,501	5,758,909
	<u>719,617,191</u>	<u>611,649,142</u>
SCHEDULE - P		
<u>EMPLOYMENT COST</u>		
Salaries and Wages	117,903,260	131,722,140
Contribution to Provident Fund and ESIC	13,216,533	12,471,650
Staff Welfare Expenses	2,835,379	2,651,065
	<u>133,955,172</u>	<u>146,844,855</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	31.03.2009	30.03.2008
	Rupees	Rupees
SCHEDULE - Q		
ADMINISTRATIVE, GENERAL AND SELLING EXPENSES		
Administrative and General Expenses :		
Rent, Rates and Taxes	2,344,886	2,291,509
Insurance Charges	1,078,904	1,505,776
Legal and Professional Fees	4,252,722	6,228,065
Auditors' Remuneration	684,883	720,102
Travelling and Conveyance	4,214,106	5,003,616
Vehicle Expenses	3,535,048	2,848,206
Communication Expenses	2,468,371	2,451,964
Printing and Stationery Expenses	960,151	1,307,217
Advertisement, Subscription & Membership	1,115,460	1,971,139
Repairs & Maintenance - Others	1,779,818	2,787,585
Electrical Expenses	979,348	935,128
Other Administrative Expenses	1,708,956	1,239,144
Loss on disposal of Assets	4,508,392	253,096
Charities and Donations	250,000	141,000
	29,881,045	29,683,547
Selling Expenses :		
Carriage Outward	70,485,944	67,272,432
Commission on Sales	8,516,310	8,508,965
Discounts and Claims	2,896,641	296,232
Marine & ECGC Insurance	4,077,994	4,349,975
Other Selling Expenses	4,751,318	5,314,397
	90,728,207	85,742,001
	120,609,252	115,425,548
SCHEDULE - R		
INTEREST, FINANCE CHARGES AND EXCHANGE VARIATION		
Interest on Term Debts	11,714,061	18,020,000
Interest on Working Capital Advances	35,595,902	11,205,980
Other Interest	2,482,312	7,306,676
Bank Commission & Charges	43,705,358	36,079,971
Exchange Variation	110,816,291	(22,688,659)
	204,313,924	49,923,968

SCHEDULE - S**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009.****1) Significant Accounting Policies :****a) Basis of Accounting :**

The financial statements are prepared under the historical cost convention, on the basis of a going concern in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants of India, as applicable and the relevant provisions of the Companies Act, 1956. The Company generally follows Accrual System of Accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties or stated otherwise.

b) Fixed Assets and Depreciation :

i) Fixed Assets are stated at cost net of CENVAT, VAT & Service Tax Credit less accumulated depreciation/ amortization.

ii) Depreciation and Amortization :

- Lease hold Land: Premium on leasehold land is amortized over the period of lease.
- Other Fixed Assets :
 1. Depreciation has been calculated for the year on all other fixed assets of the Company on Straight Line Method at the rates as specified in Schedule XIV to the Companies Act, 1956.
 2. In respect of additions to/deletions from the Fixed Assets, on pro rata basis with reference to the date of addition/ deletion of the Assets.

iii) Expenditure during Implementation of Projects :

- In case of new projects and substantial Modernization/ Expansion at existing units of the Company, all relative Pre-operative expenditure and initial spares acquired with machines for the purpose are capitalized up to the date of installation to the cost of fixed assets.
- Interest on specific borrowing incurred for the purpose of acquisition of fixed assets are dealt in line with Accounting Standard (AS-16) relating to borrowing cost.

iv) Capital Work-in-Progress :

Project under commissioning and other Capital work-in-progress are carried at cost comprising direct cost and related incidental expenses.

c) Investments :

Long Term Investments are stated at cost less permanent diminution in value, if any.

d) Inventories :

- i) Raw Materials, Production Materials, Stores and Spares are valued at cost using weighted average method. The cost includes freight inward, direct expenses and other cost incurred in bringing the inventories to their present location and condition.
- ii) Finished Goods are valued at lower of cost or net realizable value. Cost includes raw-materials cost, production materials cost, related overheads and excise duty.

e) Revenue Recognition :

- i) Domestic Sales are recognized on dispatch of goods, and inclusive of excise duty but are net of sales return and VAT (Sales Tax).
- ii) Export Sales are accounted on the date of bill of lading.
- iii) Consignment Sales are recognized as sales only on goods sold by the consignee.
- iv) Export Benefits/Incentives are recognized as income in the year of exports.
- v) Revenue from job work is recognized on completion of the job.
- vi) Interest income is recognized on time proportion basis except those with significant uncertainty are recognized on realization basis.

f) Employee Benefits :

Company's contribution to Provident Fund, Superannuation Fund, Employee State Insurance and other funds are determined under the relevant schemes and/or statute and charged to revenue.

Company's liability towards Gratuity and other retirement benefits are made in terms of schemes of LIC of India.

Provision for Leave Encashment is made on the basis of estimated liability as at the year end.

g) Borrowing Costs :

Borrowing Costs directly attributable to acquisition or construction of qualifying fixed assets are capitalized as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to the Profit and Loss Account in the year in which they are incurred.

h) Foreign Currency Transactions :

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are booked at the exchange rate prevailing at the time of recording of such transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the date of the Balance Sheet and resultant exchange differences are recognised in the Profit and Loss Account for the year.

i) Taxation:

Tax expenses comprise current, deferred and fringe benefit tax.

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax Assets are recognized only if there is virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

j) Impairment of Assets :

An Asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An Impairment Loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The Impairment Loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

k) Earnings per share:

Basic and Diluted Earnings per Share are computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of equity shares outstanding during the year.

2) Micro, Small and Medium Enterprises Development Act, 2006:

The Company has amounts due to suppliers under MSMED Act, as at 31st March, 2009. The disclosure pursuant to the said Act is as under:

	(Rs. in lacs)
Principal amount due to suppliers under MSMED	100.61
Interest accrued and due to suppliers under MSMED on the above amount, unpaid	1.88
Payment made to suppliers (other than interest) beyond the appointed day during the year	335.45
Interest paid to suppliers under MSMED	Nil
Interest due and payable towards suppliers under MSMED Act towards payment already made	10.15

The information has been given in respect of such vendors to the extent they could be identified as 'micro and small enterprises' on the basis of information available with the Company. The identification of enterprises as micro, small or medium suppliers has been carried out during the current year. Hence comparative figures for the previous year have not been furnished.

3) (A) Managerial Remuneration :

Amount - Rs.in lacs

		31.03.2009	31.03.2008
I.	Directors Sitting Fee	2.00	1.70
II.	Other Remuneration :		
	Salary and House Rent Allowance	114.58	104.64
	Commission	Nil	86.60
	Company Contribution to PF	10.46	9.36
	Other Perquisites (valued as per Income Tax Rules)	18.57	12.31
		143.61	212.91
	Total	145.61	214.61

The remuneration to the Directors is approved by the shareholders of the Company. However, owing to losses during the year, not determinable on the date of such approval, the remuneration so approved and paid to the Managing Director of the Company is in excess of the requirements of the Companies Act, 1956. The Company has made an application to the Central Government for waiver of the excess remuneration.

(B) Determination of net profits in accordance with the provisions of Section 349 of the Companies Act, 1956 has not been given since no commission is payable to the Directors.

- 4) Civil suit against the Company is pending with Civil Court at Baroda in respect of 27 M.T. of Nickel supplied by a party. The Company has contested the said suit.
- 5) Contingent Liabilities not provided for :

Amount - Rs. in Lacs

		31.03.09	31.03.08
a)	Guarantee given to Suppliers by Company's Banker	Nil	30.00
b)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances)	63.55	212.93
c)	Letter of Credits Outstanding	551.72	2391.26
d)	Claims against Company not acknowledged as debts	208.02	276.63
e)	Disputed Excise, Custom & Service Tax Liabilities	189.92	173.78
f)	Disputed Income Tax Liabilities	484.42	Nil

Based on the favourable decision in similar cases and in the opinion of lawyers, the Management believes that it has good cause in respect of all the items listed under (d) to (f) above, therefore no provision against is considered.

- 6) Free-hold Land & Staff Executive Building include shares of Rs.750/- (Previous year Rs.750/-) held in Co-operative Societies, which are in the name of nominees of the Company.
- 7) Balances of some of the Debtors, Creditors and Loans of the Company are subject to confirmation and Company is in the process of obtaining the same.

8) Related Party Disclosures :

A. List of Related Parties :

- | | |
|------------------------------------|---|
| i) Associate Companies | : AMIL Enterprises Private Limited
Honeyvick Enterprises Private Limited |
| ii) Chairman and Managing Director | : Mr. Ashok Malhotra |
| iii) Director (Marketing) | : Mr. Hanish Malhotra (Relative) |
| iv) Executive | : Mr. Vikas Malhotra (Relative) |

B. Related Party Transactions :

Trade Transaction	: Rs. Nil
Remuneration	: Rs.128.08 (199.94) lacs
Deposit received	: Rs. 75.00 (400.00) lacs
Deposit refunded	: Rs. 335.00 (140.00) lacs
Interest paid	: Rs. 15.19 (47.17) lacs

C. Outstanding Balances (Credit) as on 31.03.2009 :

Commission	: Rs. Nil (86.60) lacs
Deposit	: Rs. Nil (260.00) lacs

D. There are no write-back/write-off for any of the above parties.

9) Segment Disclosures :

The Company is engaged in a single segment of manufacture and marketing of "Steel Products " in accordance with Accounting Standards (AS - 17).

10) Deferred Tax :

Deferred Tax components are as under:

(Rs. in lacs)

		31.03.2009	31.03.2008
a)	Deferred Tax Liability		
	(i) Difference in Tax & Book Depreciation	112.69	Nil
b)	Deferred Tax Assets :		
	(i) on account of Unabsorbed Depreciation	1055.16	288.13
	(ii) on account of disallowances u/s 43-B	244.04	280.92
	Total	1186.51	569.05

11) Prior Period Adjustment:

Provision for Interest of Rs.510.36 lacs related to earlier years has been made which may be payable to secured lender after reconciliation of accounts with such secured lender.

12) Financial Restructuring

The Hon'ble High Court of Gujarat vide its order dtd. 24.11.2008 sanctioned the Scheme of Compromise and/or Arrangement between the Company and its Secured Lenders and Equity Shareholders as proposed by the Company subject to modification in the Scheme vis-à-vis the dissenting creditor. The Division Bench of the Hon'ble Court vide its order dtd. 13.02.2009 was pleased to stay the modifications in so far as it effects modifications in the Scheme vis-à-vis the dissenting creditor as per the order dtd. 24.11.2008 passed by the Learned Single Judge while sanctioning the said Scheme.

The Hon'ble Court has subject to the result of the appeal, inter-alia directed the Registry to issue the drawn up orders in terms of the Scheme of Compromise and/or Arrangement as proposed by the Company vide its order dtd. 27th April, 2009 so as to enable the Company to effectively implement the arrangement embodied in the Scheme.

The Company is complying with the Orders and implementing the Scheme.

13) Details of Earnings Per Share:

		Unit	Year ended 31.03.2009	Year ended 31.03.2008
a)	Amount used as Numerator (Profit after Provision for Taxes)	Rs. in '000 s	(131864)	412522
b)	Weighted average number of Equity Shares used as the denominator	Nos. in '000 s	13989	13989
c)	Nominal Value Per Share	Rs.	10.00	10.00
d)	Earnings per Share (Basic and Diluted)	Rs.	Nil	29.48

14) (a) Registered/Installed Capacity, Production, Opening/Closing Stock:

Class of Goods	Units	Registered Capacity	Installed Capacity (As certified by the Managing Director)	Production
Steel Billets	M.T.	150,000 (150,000)	150,000 (150,000)	32,835 (33,324)
Bars, Rods, Coils & Wires	M.T.	150,000 (150,000)	72,000 (72,000)	31,837* (33,391)*
Forged Products	M.T.	6,000 (6,000)	4,200 (4,200)	— (514)
Oxygen Gas	M ³	3,000,000 (3,000,000)	3,000,000 (3,000,000)	991,050 (2,478,687)
Nitrogen Gas	M ³	10,000,000 (10,000,000)	10,000,000 (10,000,000)	822,730 (1,692,600)

* Include Job work Production 1163 M.T. (1506 M.T.)

(b) Production, Sales and Stocks:

CLASS OF GOODS	OPENING STOCK		PROD.	PUR./JOB FROM MARKET		SALES CONSUM.		JOB/OWN	CLOSING STOCK	
	QTY.	VALUE Rs.		QTY.	QTY.	QTY.	VALUE Rs.		QTY.	QTY.
Steel Billets										
Qty.	932	1053.33	32835	0	215	252.53	32072	1481	1429.35	
M.T.	(640)	(806.75)	(33324)	(0)	(5)	(2.96)	(33085)	(932)	(1053.33)	
Bars, Rods, Coils & Wires										
Qty.	3206	4487.85	31837*	2	29300	49870.44	2080	2502	2798.78	
M.T.	(4129)	(5806.48)	(33391)	(139)	(30142)	(54395.31)	(2804)	(3206)	(4487.85)	
* Include Job work Prod. 1163 M.T. (Previous Year 1506 M.T.)										
Forged Products										
Qty.	4	10.96	0	0	0	0	0	4	6.35	
M.T.	(78)	(111.85)	(514)	(0)	(587)	(801.67)	(0)	(4)	(10.96)	
Oxygen Gas										
Qty.	36953	2.88	991050	1296180	0	0	2296271	27912	2.26	
M ³	(7140)	(0.96)	(2478687)	(585126)	(0)	(0)	(3034000)	(36953)	(2.88)	
Nitrogen Gas										
Qty.	9715	0.74	822730	1194111	0	0	2010405	16151	1.31	
M ³	(6080)	(0.79)	(1692600)	(189502)	(0)	(0)	(1878467)	(9715)	(0.74)	

Notes :

- Figures in the bracket are for previous year.
- Quantity for item Sr. Nos. 1 to 3 are in MT and for Sr. Nos. 4 & 5 are in M³
- Value in Rupees in lacs.

(c) Raw Materials consumed:

Description (Principal Items)	Year 2008-2009		Year 2007-2008	
	Qty. (M.T.)	Value (in Rs.)	Qty. (M.T.)	Value (in Rs.)
Scrap *	21318	1211976665	25778	1429611586
Nickel	3260	1313638850	1068	1571329570
Ferro Chrome	6211	492765813	5470	296984790

*excluding internal arising

(d) Total Value of Imported and Indigenous raw materials and parts consumed and percentage to total consumption:

Raw Materials	Value (Rs.)	%	Value (Rs.)	%
Imported	2361146850*	68.62	2636527816	72.98
Indigenous	1079982350	31.38	976151502	27.02
Total	3441129200	100.00	3612679318	100.00

* including consumption of traded materials of Rs.3,91,677/- (P.Y. Rs. Nil)

Production Materials & Stores & Spares :				
Imported	30907883	12.08	20983162	9.65
Indigenous	224882710	87.92	196516159	90.35
Total	255790593	100.00	217499321	100.00

(e) Expenditure in Foreign Currency:

(in Rs.)

	31.03.2009	31.03.2008
<u>CIF Value of Imports :</u>		
Raw Materials	2253001421	2258219211
Production Materials and Stores & Spares	56243000	18558060
Capital Equipments	1064010	85511062
<u>Other Expenditure :</u>		
On Foreign Travelling	1128723	730097
Foreign Bank Charges	1597569	2481518
On Professional Fees Subscription, Books & Periodicals etc.	441702	801805
Commission on Export Sales	5858591	1294410
Discounts & Claims	2380570	195153
On Foreign Exhibitions	1159784	1607853
Total	2322875370	2369399169

(f) Foreign Exchange Earned:

FOB Value of Exports	1802166878	1906433150
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(g) Auditors' Remuneration:

<u>Statutory Auditors</u>		
Audit Fees	425000	425000
Tax Audit Fees	75000	75000
Taxation Matters	50000	50000
Out of Pocket Expenses	16306	35069
<u>Cost Auditors :</u>		
Cost Audit Fees	100000	115820
Out of Pocket expenses	18577	19213

15) Previous year's figures have been recast and regrouped wherever necessary to conform to current year's classification.

16) Balance Sheet Abstract and Company's General Business Profile:**I. Registration Details**

CIN	:	L27104GJ1972PLC002153
Registration No.	:	2153
State Code	:	04
Balance Sheet Date	:	31.03.2009

II. Capital Raised during the year (Amount in Rs. '000).

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	:	19284.85
Total Assets	:	19284.85

Sources of Funds

Paid-up Capital	:	1399.41
Reserves & Surplus	:	4213.02
Secured Loans	:	13672.42
Unsecured Loans	:	Nil

Application of Funds

Net Fixed Assets	:	14494.60
Investments	:	0.05
Net Current Assets	:	3603.69
Deferred Tax Assets (Net)	:	1186.51
Accumulated Losses	:	Nil

IV. Performance of Company (Amount in Rs. '000)

Turnover (Total Income)	:	47251.27
Total Expenditure	:	48635.66
Profit before Tax & Exceptional Items	:	(1384.39)
Profit after Tax & before Exceptional Items	:	(884.71)
Profit after Exceptional Items	:	(1318.64)
Earning Per Share in Rs.	:	Nil
Dividend Rate	:	Nil

V. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

Item Code No. (ITC Code)	:	72221100
Product Description	:	Rolled Products
Item Code No. (ITC Code)	:	72222000
Product Description	:	Bright Bars
Item Code No. (ITC Code)	:	73261910
Product Description	:	Forged Products
Item Code No. (ITC Code)	:	72189910
Product Description	:	Steel Billets

As per our Report of even date attached

For J.R.S. Patel & Co.
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Pradeep Sharma
Director (Operations)

Nitin Patni
Partner
Membership No.15612
Vadodara, 30th May, 2009

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 30th May, 2009



Regd. Office : G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat)

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

DP. Id*	
---------	--

Regd. Folio No.	
-----------------	--

Client Id*	
------------	--

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **36th ANNUAL GENERAL MEETING** of the Company held on Wednesday, the 30th September, 2009 at 10.00 a.m. at the Regd. Office of the Company at G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

Signature of the Shareholder or proxy

*Applicable for investors holding shares in electronic form



Regd. Office : G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat)

DP. Id*	
---------	--

Regd. Folio No.	
-----------------	--

Client Id*	
------------	--

I/We _____ of

_____ being a member/members of PANCHMAHAL STEEL LIMITED

hereby appoint _____ of

_____ or failing him

_____ of _____

as my/our proxy to vote for me/us on my/our behalf at the **36th ANNUAL GENERAL MEETING** to be held on Wednesday, the 30th September, 2009 at 10.00 a.m. or at any adjournment thereof.

Signed this _____ day of _____ 2009.

Affix 1/- Rupee Revenue Stamp
--

* Applicable for investors holding shares in electronic form.

NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at 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.

BOOK-POST

TO,



Stainless Steel
WIRE ROD • BARS • WIRES

Corporate Office :

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Vadodara - 390 007, Gujarat, INDIA

Phone : +91 265 305 1777

Fax : +91 265 305 1705

Sales Office :

GIDC Estate, Kalol - 389 330,
Dist. Panchmahal, Gujarat, INDIA

Phone : +91 2676 304 777

Fax : +91 2676 304 888

E-mail : sales@panchmahalsteel.co.in

Website : www.panchmahalsteel.co.in