

**37<sup>th</sup>**  
**ANNUAL REPORT**  
**2010-11**



**MODERN STEELS LIMITED**

**BOARD OF DIRECTORS**

Chairman & Whole Time Director  
Mr. Amarjit Goyal

Managing Director & CEO  
Mr. Krishan Kumar Goyal

Prof. Triloki Nath Kapoor  
Mr. D.S. Gill  
Mr. Partap K. Aggarwal  
Mr. Ramesh C. Jain  
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, India

**REGISTERED OFFICE & WORKS**

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

**REGISTRARS & SHARE TRANSFER AGENTS**

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

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## MODERN STEELS LIMITED

### NOTICE

Notice is hereby given that the 37<sup>th</sup> Annual General Meeting of the members of Modern Steels Limited will be held on Saturday, the 16<sup>th</sup> July, 2011 at 11.30 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 31<sup>st</sup> March, 2011, 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 a Director in place of Mr. Partap K. Aggarwal who retires by rotation and being eligible, offers himself for re-appointment.
4. 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:

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

"RESOLVED THAT Mr. Ramesh C. Jain, 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. Ramesh C. Jain 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."

6. To consider and if thought fit, to pass with or without modification(s) 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, consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Krishan Kumar Goyal, as Managing Director & CEO of the Company for a period of five years

w.e.f. 1<sup>st</sup> May, 2011 at a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice and as approved by the Remuneration Committee, with further authority to the Board to alter and vary such terms & conditions including remuneration as agreed by the Board of Directors of the Company and Mr. Krishan Kumar Goyal subject to the conformity with the provisions of the Companies Act, 1956."

7. To consider and if thought fit, to pass with or without modification(s) 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, consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Aditya Goyal, as Whole Time Director of the Company for a period of three years w.e.f. 25<sup>th</sup> August, 2011 at a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice and as approved by the Remuneration Committee, with further authority to the Board to alter and vary such terms and conditions including remuneration as agreed by the Board of Directors of the Company and Mr. Aditya Goyal subject to the conformity with the provisions of the Companies Act, 1956."

8. To consider and if thought fit, to pass with or without modification(s) 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, consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. P.L. Talwar, as Director (Operations) of the Company for a period of three years w.e.f. 27<sup>th</sup> September, 2011 at a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice and as approved by the Remuneration Committee, with further authority to the Board to alter and vary such terms and conditions including remuneration as agreed 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."

By order of the Board of Directors

Place : Chandigarh  
Dated : 12<sup>th</sup> May, 2011

**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 11<sup>th</sup> July, 2011 to 16<sup>th</sup> July, 2011 (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 31<sup>st</sup> March, 2011, 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 : 12<sup>th</sup> May, 2011

GM (Secretarial) &  
Company Secretary

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

**ITEM NO. 5**

Mr. Ramesh C. Jain was appointed as Additional Director by the Board of Directors of the Company on 14<sup>th</sup> February, 2011. 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 37<sup>th</sup> 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. Ramesh C. Jain as Director of the Company liable to retire by rotation.

Mr. Ramesh C. Jain, aged about 64 years is B.Tech. (Hons.) in Mechanical Engineering from IIT, Kharagpur and Masters Degree in Industrial Administration from Cranfield University, Bedford, U.K. He has a rich 42 years of experience. He has worked for Eicher Group, India (manufacturing Commercial Vehicles, Motorcycles and Agricultural Tractors) at various senior levels for 25 years including as Group Vice Chairman and Managing Director of Eicher Tractors.

Your Board of Directors feel that his rich knowledge and experience shall be highly beneficial to the Company.

Your Directors commend the Resolution as given at Item No. 5.

**MEMORANDUM OF INTEREST**

None of the Directors except Mr. Ramesh C. Jain himself is either concerned or interested in the aforesaid resolution.

**ITEM NO. 6**

Mr. Krishan Kumar Goyal has been the Managing Director of the Company since 1<sup>st</sup> July, 1986. His last appointment as Managing Director & CEO was made on 1<sup>st</sup> May, 2006 for a period of five years. Mr. Goyal's present term of office expired on 30<sup>th</sup> April, 2011. Having regard to his outstanding contribution, experience and inspiring leadership the Board of Directors of the Company has re-appointed him as Managing Director & CEO of the Company for another period of five years w.e.f. 1<sup>st</sup> May, 2011. The Board of Directors while approving appointment of Mr. Goyal had also approved remuneration by way of salary, perquisites and commission for a period of five years from the date of appointment as given herein below:

**TERMS & CONDITIONS**

**1. SALARY**

₹ 5,00,000 (Rupees Five Lacs Only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

**2. COMMISSION**

Commission on profits not exceeding 1% of net profits of the Company in any financial year as the Board may determine from time to time subject to further ceiling of twice the amount of salary for the relevant period.

The amount of commission shall be payable after the annual accounts are approved by the Board of Directors and adopted by shareholders.

**3. PERQUISITES**

- (i) **Provident Fund:** Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.



## MODERN STEELS LIMITED

- (ii) **Gratuity:** Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- (iii) **Leave:** As per the rules of the Company but not exceeding one month's leave with full salary for every 11 months of service.
- (iv) **Accommodation:** Free furnished residential accommodation with gas, electricity, water and furnishings.
- (v) **Medical Reimbursement:** Reimbursement of medical expenses incurred for self and family.
- (vi) **Leave Travel Concession:** Leave travel concession for self and family.
- (vii) Personal Accident Insurance.
- (viii) **Club Fees:** Fees in respect of two clubs.
- (ix) **Car:** Free use of Company's car for Company's work as well as for personal purposes along with driver.
- (x) **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.
- (xii) **Reimbursement of servant's salary:** Reimbursement of servant's salary, subject to a maximum of two servants on a salary of upto ₹ 10,000 per servant per month.
- (xiii) **Reimbursement of Expenses:** Reimbursement of all entertainment, traveling, hotel and other expenses incurred by Mr. Krishan Kumar Goyal during the course of and in connection with the business of the Company.
- (xiv) **Others:** Subject to any statutory ceilings, Mr. Krishan Kumar Goyal may be given any other allowances, perquisites and facilities as the Board of Directors may decide from time to time.

#### 4. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Managing Director & CEO 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 may be 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 Resolution as given at Item No. 6.

#### MEMORANDUM OF INTEREST

Except Mr. Krishan Kumar Goyal himself, Mr. Amarjit Goyal (Father of Mr. Krishan Kumar Goyal) and Mr. Aditya Goyal (Son of Mr. Krishan Kumar Goyal), no other Director is either concerned or interested in the aforesaid resolution.

#### ITEM NO. 7

Mr. Aditya Goyal was appointed Whole Time Director of the Company on 25<sup>th</sup> August, 2008 for a period of three years. His present term shall expire on 24<sup>th</sup> August, 2011. Having regard to his outstanding contribution, his business & corporate knowledge, the Board of Directors of the Company has re-appointed Mr. Aditya Goyal as Whole Time Director of the Company for a period of three years w.e.f. 25<sup>th</sup> August, 2011. The Board of Directors while approving appointment of Mr. Aditya Goyal had also approved remuneration by way of salary & perquisites for a period of three years from the date of appointment as given herein below:

#### TERMS & CONDITIONS

##### 1. SALARY

₹ 2,00,000 (Rupees Two Lacs Only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

##### 2. PERQUISITES

- (i) **Provident Fund:** Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.
- (ii) **Gratuity:** Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- (iii) **Leave:** As per the rules of the Company but not exceeding one month's leave with full salary for every 11 months of service.
- (iv) **Medical Reimbursement:** Reimbursement of medical expenses incurred for self and family.
- (v) **Leave Travel Concession:** Leave travel concession for self and family.
- (vi) Personal Accident Insurance.
- (vii) **Club Fees:** Fees in respect of two clubs.
- (viii) **Car:** Free use of Company's car for Company's work as well as for personal purposes along with driver.
- (ix) **Telephone/ Telefax:** Telephone, telefax and other communication facilities at Company's cost.

- (x) **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 Whole Time Director 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 may be 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 resolution as given at Item No. 7.

### MEMORANDUM OF INTEREST

Except Mr. Aditya Goyal himself, Mr. Krishan Kumar Goyal (Father of Mr. Aditya Goyal) and Mr. Amarjit Goyal (Grand father of Mr. Aditya Goyal) no other Director is either concerned or interested in the aforesaid resolution.

### ITEM NO. 8

Mr. P.L. Talwar was appointed as Director (Operations) on 27<sup>th</sup> September, 2008. Mr. Talwar's present term of office shall expire on 26<sup>th</sup> September, 2011. Having regard to his rich knowledge and experience, the Board of Directors of the Company has re-appointed him as Director (Operations) of the Company for a period of three years w.e.f. 27<sup>th</sup> September, 2011. The Board of Directors while approving appointment of Mr. P.L. Talwar had also approved remuneration to him as such by way of salary & perquisites for a period of three years from the date of re-appointment as given herein below:

### TERMS & CONDITIONS

#### 1. SALARY

₹ 1,75,000 (Rupees One Lac Seventy 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. 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.

- (ix) **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 may be 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 resolution as given at Item No. 8.

### MEMORANDUM OF INTEREST

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

By order of the Board of Directors

Place : Chandigarh  
Dated : 12<sup>th</sup> May, 2011

**Ashish Sharma**  
GM (Secretarial) &  
Company Secretary



**Information regarding details of the Directors seeking Appointment / Re-appointment in Annual General Meeting fixed on 16<sup>th</sup> July, 2011 pursuant to Clause 49 of the Listing Agreement**

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

**Date of Birth** : 2<sup>nd</sup> June, 1932

**Date of Appointment** : 1<sup>st</sup> August, 1992

**Expertise in specific functional Area:** Prof. Triloki Nath 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 33 years. An eminent management advisor and educationist of over 46 years standing, Prof. Kapoor's subject areas of specialization include Corporate Management Policy, Finance and Human Resource Management.

**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 :**

1. OmaxAutos Ltd.
2. Swaraj Engines Ltd.
3. Sterling Tools Ltd.
4. KDDL Ltd. (formerly Kamla Dials & Devices Ltd.)

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

Audit Committee	- Member
Investor Grievances Committee	- Chairman
Remuneration Committee	- Chairman

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

- i) OmaxAutos 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

**Shareholding in the Company:** As on 31<sup>st</sup> March, 2011, Prof. Kapoor is holding Nil equity shares in the Company.

**2. Name of the Director : Mr. Partap K. Aggarwal**

**Date of Birth** : 7<sup>th</sup> September, 1958

**Date of Appointment** : 30<sup>th</sup> July, 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 from IFS Society and certified as a Quality Management trainer by "Philips Crosby and Associates", USA.

He was past Chairman of Confederation of Indian Industry (CII), Chandigarh. Presently he is Chairman of Indo American Chamber of Commerce for the State of Punjab, Haryana and Himachal and Charter Member, TIE (The Indus Entrepreneur) and also heading the mentoring group of TIE, Chandigarh.

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

**List of outside Directorships held :**

1. IDS Infotech Limited
2. Delta Information Services Limited
3. Shivalik Motors & Tractors P. Limited

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

Audit Committee	- Member
Remuneration Committee	- Member

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

**Shareholding in the Company :** As on 31<sup>st</sup> March, 2011 Mr. Aggarwal is holding Nil equity shares in the Company.

**3. Name of the Director : Mr. Ramesh C. Jain**

**Date of Birth** : 22<sup>nd</sup> December, 1946

**Date of Appointment** : 14<sup>th</sup> February, 2011

**Expertise in specific functional Area:** Mr. Ramesh C. Jain has a rich 42 years of experience. He has worked for Eicher Group, India (manufacturing Commercial Vehicles, Motorcycles and Agricultural Tractors) at various senior levels for 25 years including as Group Vice Chairman and Managing Director of Eicher Tractors.

**Qualification:** B.Tech. (Hons.) in Mechanical Engineering from IIT, Kharagpur and Masters Degree

in Industrial Administration from Cranfield University, Bedford, U.K.

**List of outside Directorships held :**

Hi Tech Robotics Systems Ltd.

Graziano Transmission India P. Ltd.

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

Investors Grievances Committee - Member

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

**Shareholding in the Company:** As on 31<sup>st</sup> March, 2011, Mr. Jain is holding Nil equity shares in the Company.

**4. Name of the Director : Mr. Krishan Kumar Goyal**

**Date of Birth** : 6<sup>th</sup> September, 1956

**Date of Appointment** : 2<sup>nd</sup> October, 1978

**Expertise in specific functional Area:** Mr. Krishan Kumar Goyal is a highly qualified, energetic and dynamic person. He has a vast experience in the steel business and is well versed with the modern management techniques. He has steered the Company to its present position of eminence.

Mr. Goyal joined the Board as Director in October, 1978 and has been the Managing Director of the Company since 1<sup>st</sup> July, 1986. Mr. Goyal is actively associated with Confederation of Indian Industry (CII). Currently he is member CII National Council.

**Qualification** : B.Com, LLB

**List of outside Directorships held :**

1. Modern Automotives Limited
2. PHi Business Solutions Limited
3. Mala Builders Private Limited
4. Nabha Finance Private Limited
5. Bharat Forgings Private Limited
6. Modern Dairies Limited\*
7. Chandigarh Finance Private Limited

\* Ceased to be a Director w.e.f. 20<sup>th</sup> May, 2011

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

Investors Grievances Committee - Member

Allotment Committee - Member

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

**Shareholding in the Company :** As on 31<sup>st</sup> March, 2011, Mr. Goyal is holding 23,96,179 equity shares in the Company.

**5. Name of the Director : Mr. Aditya Goyal**

**Date of Birth** : 21<sup>st</sup> February, 1982

**Date of Appointment** : 24<sup>th</sup> July, 2007

**Expertise in specific functional Area:** Mr. Aditya Goyal is young, energetic and has a dynamic personality. His business and corporate knowledge is of immense benefit to the Company in the business development.

**Qualification** : B.Com, MBA from Cardiff Business School, U.K. with specialization in Finance & Acquisitions.

**List of outside Directorships held :**

1. Modern Automotives Limited
2. PHi Business Solutions Limited

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

Banking & Finance Committee - Member

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

**Shareholding in the Company:** As on 31<sup>st</sup> March, 2011, Mr. Goyal is holding 7,95,590 equity shares in the Company.

**6. Name of the Director : Mr. P.L. Talwar**

**Date of Birth** : 10<sup>th</sup> April, 1946

**Date of Appointment** : 27<sup>th</sup> September, 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 then as Director (Operations) of the Company w.e.f. 27<sup>th</sup> September, 2008 and thereafter has been managing the operations of the works. He is having vast experience of 44 years in the industry.

**Qualification** : B.Sc. Engineering (Metallurgy)

**List of outside Directorships held : NIL**

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

Allotment Committee - Member

Banking & Finance Committee - Member

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

**Shareholding in the Company :** As on 31<sup>st</sup> March, 2011, Mr. Talwar is holding Nil equity shares in the Company.

By order of the Board of Directors

Place : Chandigarh  
Dated : 12<sup>th</sup> May, 2011

**Ashish Sharma**  
GM (Secretarial) &  
Company Secretary



**DIRECTOR'S REPORT**

To  
The Members  
Modern Steels Limited

Dear Members,

Your Directors hereby present their 37<sup>th</sup> Annual Report and audited accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

**FINANCIAL HIGHLIGHTS**

	₹ in Lacs	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Gross Sales	38223	31415
Excise Duty	3568	2453
Net Sales & Income from Operations	34655	28962
Operating Profit	2939	2434
Interest	1237	1031
Cash Profit	1702	1403
Depreciation	476	454
Profit before Tax (PBT)	1226	949
Net Profit	823	615

**PERFORMANCE**

During the year under review, the Company achieved gross Sales of ₹ 382.23 Crores as compared to ₹ 314.15 Crores in the previous year. The Company has achieved a net profit of ₹ 8.23 Crores as compared to net profit of ₹ 6.15 Crores in the previous year.

In the year under review, the domestic demand continue to be strong for special alloy steels for the Automobile and Engineering Industry. The rolled product sales volume increased from 68,495 MT in the year 2009-10 to 73,482 MT in the year 2010-11.

The raw material prices and cost of power increased during the year. The Company was able to partially pass on the increase to consumers and hence the margins remained under pressure.

Your Company has been continuously taking initiatives for last few years to enter the value added market segment, by getting the approval from OEMs for two wheeler and car industry. This initiative has been further consolidated by getting approvals from many auto majors in this sector. The performance of the Company will improve in the times ahead from these initiatives.

**DIVIDEND**

In view of the funds required for the projects, the Directors have decided to skip the dividend this year.

**PROJECTS**

Your Company has undertaken a project for modernization of its various production facilities in SMS and Rolling Mills to cater to the requirements of the OEMs.

**CURRENT OPERATIONS**

The growth in the automotive sector is expected to continue to be good, hence the Company expects good operating results in the current year.

**ISSUE OF 6,28,359 EQUITY SHARES UPON CONVERSION OF WARRANTS TO PROMOTERS**

In April 2010, the Promoter & Promoter group were allotted 14,00,000 warrants on preferential basis convertible into equity shares at a price of ₹ 33 per share share (price being not less than the SEBI price) to be converted within a period of 18 months from the date of BSE's approval and allotment. Accordingly on 28<sup>th</sup> March, 2011, upon exercise of option the Promoter and Promoter group were allotted 6,28,359 equity shares upon receipt of the full consideration amount.

**KAIZEN & TS 16949 ACCREDITATION**

Your Company's manufacturing facilities and systems were successfully audited in accordance with the latest version of ISO/TS-16949: 2009- 3rd edition by DNV, Netherland.

Various Kaizen projects were taken up during the year for improving processes, systems and 5 S activities

**DIRECTORS**

Mr. Ramesh C. Jain has been appointed as Additional Director by the Board of Directors in its meeting held on 14<sup>th</sup> February, 2011 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. Ramesh C. Jain as Director, liable to retire by rotation.

Mr. Krishan Kumar Goyal was appointed as Managing Director & CEO on 1<sup>st</sup> May, 2006 for a period of five years. His present term expired on 30<sup>th</sup> April, 2011. The Board in its meeting held on 12<sup>th</sup> May, 2011 re-appointed him for another period of five years w.e.f. 1<sup>st</sup> May, 2011, subject to the approval of the shareholders.

Mr. Aditya Goyal was appointed as Whole Time Director of the Company on 25<sup>th</sup> August, 2008 for a period of three years. His present term shall expire on 24<sup>th</sup> August, 2011. The Board in its meeting held on 12<sup>th</sup> May, 2011 re-

appointed him for another period of three years w.e.f. 25<sup>th</sup> August, 2011, subject to the approval of the shareholders.

Mr. P.L. Talwar was appointed as Director (Operations) on 27<sup>th</sup> September, 2008 for a period of three years. His present term shall expire on 26<sup>th</sup> September, 2011. The Board in its meeting held on 12<sup>th</sup> May, 2011 re-appointed him for another period of three years w.e.f. 27<sup>th</sup> September, 2011, subject to the approval of the shareholders.

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

#### **AUDITORS**

M/s. A. Goel & Associates, 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 of the Company for the year 2011-12 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 ₹ 260.15 Lacs (Previous year ₹ 258.13 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.

#### **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.

There were no employees employed throughout the financial year or part of the financial year drawing remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Disclosure of Particulars in the Report of Board of Directors Rules, 1988, as amended.

#### **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 'A' 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 31<sup>st</sup> March, 2011, 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 31<sup>st</sup> March, 2011 and profit of the Company for the year ended 31<sup>st</sup> March, 2011;
- 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  
Dated: 12<sup>th</sup> May, 2011

**AMARJIT GOYAL**  
Chairman & Whole Time Director

**MANAGEMENT DISCUSSIONS AND ANALYSIS****1. Industry's Structure and Developments**

The Indian Automotive industry is continuously showing a positive growth. The Country has become a major automotive hub. Many international automobile Companies who have already established their production facilities in the country, looking at the robust demand are in the expanding mode for the domestic market as well as for the exports. Many new entrants are also opening their manufacturing facilities in the country.

Increase in per capita income of individuals and mechanization of farming will further contribute to the growth of automotive sector. This augurs well for the special and alloy steel industry catering to the automobile and engineering industry.

**2. Opportunities & Threats****Key Opportunities include:**

- Demand in the Auto Sector is continuously growing.
- Substantial growth in Auto Export Market.
- Foreign auto makers are indigenizing their auto components.

**Key Threats include:**

- Wide fluctuations in input cost.
- High Inflation and continues rise in the bank lending rates may affect the demand adversely.
- Locational disadvantage being away from the port and major raw material producers.
- Continuous increase in production capacity of Alloy Steel Producers.

**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 have 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, recommendations of the auditors and management's responses to those recommendations.

**5. Performance**

During the year under review, the Company achieved gross sales of ₹ 382.23 Crores as compared to ₹ 314.15 Crores in the previous year. The Company has achieved a net profit of ₹ 8.23 Crores as compared to net profit of ₹ 6.15 Crores in the previous year.

The growth in the automotive sector is expected to continue to be good, hence the Company expects good operating results in the current 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.

**7. Cautionary statement**

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

For & on behalf of the Board

Place : Chandigarh  
Dated: 12<sup>th</sup> May, 2011

**AMARJIT GOYAL**  
Chairman & Whole Time Director

**Annexure 'A' 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 31<sup>ST</sup> MARCH, 2011.**

**FORM 'A'**

<b>A) POWER AND FUEL CONSUMPTION</b>	<b>Current Year 2010-11</b>	<b>Previous Year 2009-10</b>
1. Electricity		
Purchased Units (kwh)	7,47,89,000	6,87,91,000
Total Amount ₹	35,53,53,053	31,39,43,981
Rate Per unit ₹	4.75	4.56
2. Furnace Oil		
Quantity (Kgs)	50,23,151	36,72,760
Total Amount ₹	14,09,40,964	8,86,61,900
Rate Per Unit ₹	28.06	24.14
3. Propane Gas		
Quantity (Kgs)	67,013	4,78,035
Total Amount ₹	25,89,343	1,41,33,014
Rate Per Unit ₹	38.64	29.56
 <b>B) CONSUMPTION PER UNIT OF PRODUCTION</b>		
1. Production (Concast Billets) MT	63,838	53,868
a. Electricity Units	795.15	765.40
b. Furnace Oil (Kgs)	18.56	17.88
2. Production (ingots) MT	23,395	32,285
a. Electricity Units	662.68	650.97
b. Furnace Oil (Kgs)	1.32	1.86
3. Production (Rolled Products with Oil) MT	57,145	42,699
Production (Rolled Products with Gas) MT	1,329	8,813
a. Electricity Units	94.89	82.82
b. Furnace Oil (Kgs)	66.63	61.44
c. Propane Gas ( Kgs)	50.44	54.24

**FORM 'B'**

**1. TECHNOLOGY ABSORPTION**

**Research & Development**

- a. Development of new grades and products for auto sector.
- b. Technological improvements in processes & systems of steel making to improve quality of our products.

**Technology Absorbtlon, Adaptation and Innovation**

- a. Commissioned slide gate mechanism system in E.A.F.-1 for slag control.

**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 : 12<sup>th</sup> May, 2011

**AMARJIT GOYAL**  
Chairman & Whole Time Director



**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 realizing 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 31<sup>st</sup> March, 2011 is set out below:-

Name of the Director	Category of the Director	No of Board meetings attended	No of other Directorships in Public co.	No. of Committee positions held		Last AGM attended
				Chairman	Member	
Mr. Amarjit Goyal	Chairman & Whole Time Director - Non Independent (Promoter Director)	6	1	-	-	YES
Mr. Krishan Kumar Goyal	Managing Director & CEO - Non Independent (Promoter Director)	6	3	-	1	YES
Prof. Triloki Nath Kapoor	Non Executive - Independent Director	6	4	5	4	YES
Mr. Beant Singh	Non Executive - Independent Director	2	-	-	-	N.A.
Mr. D.S.Gill	Non Executive - Independent Director	6	1	1	-	YES
Mr. Partap K. Aggarwal	Non Executive - Independent Director	5	2	-	1	NO
Mr. Ramesh C. Jain	Non Executive - Independent Director	N.A.	1	-	1	N.A.
Mr. Aditya Goyal	Executive - Non Independent Director	3	2	-	-	YES
Mr. P.L. Talwar	Executive - Non Independent Director	4	-	-	-	YES

**Disclosure of change :-**

Mr. Beant Singh having successfully completed his tenure as Director retired at the Annual General Meeting held on 29<sup>th</sup> September, 2010 and didn't seek re-appointment. Mr. Ramesh C. Jain was appointed as Additional Director on 14<sup>th</sup> February, 2011.

The Committee composition of Directors underwent the following changes:

Mr. Partap K. Aggarwal replaced Mr. Beant Singh as member of Audit Committee w.e.f. 28<sup>th</sup> July, 2010.

Mr. Ramesh C. Jain replaced Mr. D.S. Gill as member of the Investors' Grievances Committee w.e.f.

14<sup>th</sup> February, 2011.

**B. Board Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March, 2011, six 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.	19 <sup>th</sup> April, 2010	8	8
2.	28 <sup>th</sup> July, 2010	8	7
3.	30 <sup>th</sup> August, 2010	8	7
4.	29 <sup>th</sup> September, 2010	7	6
5.	12 <sup>th</sup> November, 2010	7	5
6.	14 <sup>th</sup> February, 2011	7	5

**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. Partap K. Aggarwal.
  - 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 five times during the year on 19<sup>th</sup> April, 2010, 28<sup>th</sup> July, 2010, 30<sup>th</sup> August, 2010, 12<sup>th</sup> November, 2010 and 14<sup>th</sup> February, 2011. The status of attendance of members at the Audit Committee meetings was as under:-

Name of Director	No. of Meetings attended during 2010-2011
Mr. D.S. Gill	5
Prof. Triloki Nath Kapoor	5
Mr. Beant Singh	2
Mr. Partap K. Aggarwal	3

Mr. Partap K. Aggarwal replaced Mr. Beant Singh as member of Audit Committee w.e.f. 28<sup>th</sup> July, 2010.

- 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. The power and role of the Remuneration Committee is as per guidelines set out in the Listing Agreement. The constitution of the Remuneration Committee is as under:

Name of the Director	Category of the Director	Member / Chairman
Prof. Triloki Nath Kapoor	Non Executive Independent	Chairman
Mr. D.S. Gill	Non Executive Independent	Member
Mr. Partap K. Aggarwal	Non Executive Independent	Member

During the year one meeting of the Remuneration Committee was held on 30<sup>th</sup> August, 2010.

### 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 31<sup>st</sup> March, 2011.

Amount in ₹

Name of the Director	Salary	Benefits	Perquisites	Stock Option	Sitting Fee	Total
Mr. Amarjit Goyal	21,00,000	-	2,73,600	Nil	-	23,73,600
Mr. Krishan Kumar Goyal*	36,00,000	-	6,41,646	Nil	-	42,41,646
Prof. Triloki Nath Kapoor	-	-	-	Nil	95,000	95,000
Mr. Beant Singh**	-	-	-	Nil	30,000	30,000
Mr. D.S. Gill	-	-	-	Nil	1,05,000	1,05,000
Mr. Partap K. Aggarwal	-	-	-	Nil	55,000	55,000
Mr. Aditya Goyal	18,00,000	-	30,960	Nil	-	18,30,960
Mr. P.L. Talwar	15,00,000	-	2,55,103	Nil	-	17,55,103

\* The Company has received the approval of the Central Government under Section 309 of the Companies Act, 1956 vide letter no. A81967366-CL. VII dated 24<sup>th</sup> September, 2010 for the payment of the remuneration to Mr. Krishan Kumar Goyal.

\*\* Mr. Beant Singh having successfully completed his tenure as Director retired at the Annual General Meeting held on 29<sup>th</sup> September, 2010 and did not seek re appointment.

Mr. Ramesh C. Jain was appointed as Additional Director as on 14<sup>th</sup> February, 2011.

Mr. D.S. Gill is holding 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 which 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 19<sup>th</sup> April, 2010, 28<sup>th</sup> July, 2010, 12<sup>th</sup> November, 2010 and 14<sup>th</sup> February, 2011.

The Chairman of the Committee Prof. Triloki Nath Kapoor is a Non-Executive Independent Director nominated by the Board. The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange. The constitution of the Shareholders/Investors Grievances Committee is as under:

Name of the Director	Category of the Director	Member / Chairman
Prof. Triloki Nath Kapoor	Non Executive Independent	Chairman
Mr. Krishan Kumar Goyal	Executive Non Independent	Member
Mr. Ramesh C. Jain*	Non Executive Independent	Member

\*Investors Grievance Committee has been reconstituted by joining of Mr. Ramesh C. Jain in place of Mr. D. S. Gill as a member w.e.f. 14<sup>th</sup> February, 2011.

**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. Aditya Goyal and Mr. P. L. Talwar\* 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.

During the year one meeting of the Banking & Finance Committee was held on 28<sup>th</sup> February, 2011.

\* Mr. P. L. Talwar has been appointed as member of the Banking & Finance Committee in the Board of Directors meeting held on 14<sup>th</sup> February, 2011. Mr. Beant Singh ceased to be a member of the Committee consequent to his cessation as director w.e.f. 29<sup>th</sup> September, 2010.

**F. Allotment Committee**

The Company has also constituted an Allotment Committee under the chairmanship of Mr. D. S. Gill, a Non-Executive Independent Director. Mr. Krishan Kumar Goyal and Mr. P.L. Talwar are the members of the Committee.

The Committee approves the allotment of Securities i.e Shares / Debentures / Warrants etc. from time to time. During the year one meeting of the Committee was held on 28<sup>th</sup> March, 2011 for approval of allotment of 628359 equity shares to the promoter and promoter group on preferential basis.

**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
2007-08	Regd.office: G. T. Road, Mandi Gobindgarh (Pb)	27.09.2008	11.30 a.m.
2008-09	Regd.office: G. T. Road, Mandi Gobindgarh (Pb)	09.09.2009	11.00 a.m.
2009-10	Regd.office: G. T. Road, Mandi Gobindgarh (Pb)	29.09.2010	11.30 a.m.

Special Resolutions passed in previous three AGMs:

(i) In the 34<sup>th</sup> AGM dated 27.09.2008, the following Special resolution was passed:

a) The appointment and remuneration of Mr. Aditya Goyal as WholeTime Director of the Company.

- (ii) In the 35<sup>th</sup> AGM dated 09.09.2009, the following Special resolution was passed:
  - a) The appointment and remuneration of Mr. P.L. Talwar as Director (Operations) of the Company.
- (iii) In the 36<sup>th</sup> AGM dated 29.09.2010, the following Special resolution was passed:
  - a) The appointment and remuneration of Mr. Amarjit Goyal as Whole Time Director of the Company.

During the year the Company passed no resolution through postal ballot.

**5. Disclosures**

- 1. 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.
- 2. 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.
- 3. 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, Banking & Finance Committee and Allotment 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.**

**GENERAL SHAREHOLDER INFORMATION**

**1. Annual General Meeting:-**

Day, Date & Time : Saturday, the 16<sup>th</sup> day of July, 2011 at 11.30 a.m.  
 Venue : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

**2. Financial Calendar for:-**

<b>Adoption of Quarterly Results Ended</b>	<b>In the Month of (tentative)</b>
30 <sup>th</sup> June, 2011	July, 2011 (Last week)
30 <sup>th</sup> September, 2011	October, 2011 (Last week)
31 <sup>st</sup> December, 2011	January, 2012 (Last week)
31 <sup>st</sup> March, 2012	May, 2012 (Last week)
Annual General Meeting	By September, 2012

**3. Book Closure Date:-**

From 11<sup>th</sup> July, 2011 to 16<sup>th</sup> July, 2011 (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

**MODERN STEELS LIMITED****6. Stock Data:-**

MONTH	Modern Steels Limited at BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
<b>2010</b>							
April	43.40	34.00	34.55	2,81,033	18,047.86	17,276.80	17,558.71
May	34.95	24.60	26.70	88,539	17,536.86	15,960.15	16,944.63
June	35.95	25.60	30.15	89,091	17,919.62	16,318.39	17,700.90
July	33.00	28.05	29.45	1,59,188	18,237.56	17,395.58	17,868.29
August	32.35	27.00	30.05	92,375	18,475.27	17,819.99	17,971.12
September	39.30	30.05	33.00	1,78,836	20,267.98	18,027.12	20,069.12
October	52.20	32.60	41.80	6,10,019	20,854.55	19,768.96	20,032.34
November	53.30	35.00	42.40	3,82,895	21,108.64	18,954.82	19,521.25
December	54.05	35.10	48.55	4,38,731	20,552.03	19,074.57	20,509.09
<b>2011</b>							
January	62.80	42.10	47.20	12,45,593	20,664.80	18,038.48	18,327.76
February	58.25	43.20	50.45	13,68,171	18,690.97	17,295.62	17,823.40
March	54.60	31.35	38.30	11,34,589	19,575.16	17,792.17	19,445.22

**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](http://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 31<sup>st</sup> March, 2011:-**

Category	No. of shares held	%age of shareholding (rounded off)
1. Promoters & Promoter Group	78,48,936	62.33
2. Mutual Funds and UTI	6,000	0.05
3. Financial Institutions / Banks	1,000	0.01
4. Bodies Corporate (not included above)	6,61,723	5.25
5. Indian Public	40,38,984	32.08
6. NRIs/OCBs	35,716	0.28
<b>TOTAL</b>	<b>1,25,92,359</b>	<b>100.00</b>

**9. Distribution of Shareholding as on 31<sup>st</sup> March, 2011 :-**

SHAREHOLDING IN ₹		SHARE HOLDERS		NO. OF SHARES	
From	To	Number	% of total	No. of Shares	% of total
Upto	5000	6,627	88.88	15,05,483	11.95
5001	10000	419	5.61	3,46,769	2.75
10001	20000	215	2.88	3,09,396	2.46
20001	30000	55	0.74	1,39,215	1.11
30001	40000	26	0.35	92,601	0.74
40001	50000	21	0.28	96,923	0.77
50001	100000	39	0.52	2,73,500	2.17
100001	and above	54	0.72	98,28,472	78.05
<b>TOTAL</b>		<b>7,456</b>	<b>100.00</b>	<b>1,25,92,359</b>	<b>100.00</b>

**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 31<sup>st</sup> March, 2011.

No. of shares	89,39,969	71% of the total Share Capital
---------------	-----------	--------------------------------

**11. Plant Location 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.: 91 -172- 2609001, 2609002, 2609003, Fax.: 91-172- 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.I (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.

Chandigarh  
Dated : 12<sup>th</sup> May, 2011

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 31<sup>st</sup> March, 2011, 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 31<sup>st</sup> March, 2011 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: 12<sup>th</sup> May, 2011

**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 31<sup>st</sup> March, 2011 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 and 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 & 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 31<sup>st</sup> March, 2011, and taken on record by the Board of Directors; none of the Director is disqualified as on 31<sup>st</sup> March, 2011 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 31<sup>st</sup> March, 2011;
  - b) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
  - c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

**FOR A. GOEL & ASSOCIATES**  
Chartered Accountant  
Firm Registration No. 002743N

Place : Chandigarh  
Dated : 12<sup>th</sup> May, 2011

**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 under section 301 of the Companies Act, 1956. The maximum amount involved during the year is ₹ 18.00 Crores & year end outstanding is ₹ 6.65 Crores. 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 ₹ 1 lakh.  
b) The Company has taken unsecured loan from two Companies and eight parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year is ₹ 2.26 Crores and year end outstanding is ₹ 1.57 Crores.  
c) The rate of interest and other terms and conditions of the unsecured loans taken from the Companies covered in the register maintained under Section 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 under Section 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 month as on 31<sup>st</sup> March, 2011.  
b) According to the records of the Company examined by us and the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute other than the following amounting to ₹ 2.03 Crores. The details are as under:-

NATURE OF DUES/ NAME OF STATUTES	FORUM WHERE DISPUTE IS PENDING	YEAR	DISPUTED AMOUNT ₹
<b>EXCISE DUTY</b>			
CENTRAL EXCISE ACT 1944	PUNJAB AND HARYANA HIGH COURT	1989-90	6,47,885
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08	2,56,533
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08 to 2008-09	2,59,085
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-09	8,50,927
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2004-05 to 2006-07	91,48,349
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2004-05	79,579
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2002-03 to 2004-05	15,87,580
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2005-06 to 2006-07	11,30,998
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08	3,97,401
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2004-05 to 2005-06	3,55,235
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2008-09	1,10,550
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2003-04 to 2007-08	20,78,246
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2004-05	5,16,272
<b>CUSTOMS DUTY</b>			
CUSTOMS ACT 1962	CESTAT, AHMEDABAD	2004-05	25,35,450

10. The Company has no accumulated losses as at 31<sup>st</sup> March, 2011. It has earned cash profit during the financial year ended on that date and in the immediately preceding financial year.
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, institutions and has 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 made preferential allotment of Equity shares to three parties 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  
Firm Registration No. 002743N

**ASHOK K. GOEL**  
Partner  
M.No. 81342

Place : Chandigarh  
Dated : 12<sup>th</sup> May, 2011



**MODERN STEELS LIMITED****BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

	Schedule	31 <sup>st</sup> March, 2011 ₹ '000	31 <sup>st</sup> March, 2010 ₹ '000
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholder's Funds</b>			
a) Capital	I	12,59,57	11,96,73
b) Reserves and Surplus	II	44,51,67	34,84,02
c) Equity Warrants	III	63,66	57,74,90
			46,80,75
<b>2. Loan Funds</b>			
a) Secured Loans	IV	1,03,44,84	84,57,27
b) Unsecured Loans	V	2,60,15	1,06,04,99
			2,58,13
			87,15,40
<b>3. Deferred Tax Liabilities (Net)</b>			
		5,29,55	5,84,24
		<u>1,69,09,44</u>	<u>1,39,80,39</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	VI	88,55,59	87,98,29
b) Less: Depreciation		38,67,65	33,91,56
c) Net Block		49,87,94	54,06,73
d) Capital Work-in-Progress		3,38,06	53,26,00
			2,94,58
			57,01,31
<b>2. Investments</b>			
	VII	3,03,75	3,05,00
<b>3. Current Assets, Loans &amp; Advances</b>			
i) Inventories	VIII	50,51,75	42,05,65
ii) Sundry Debtors		77,13,46	55,31,41
iii) Cash & Bank Balance		4,10,49	3,06,79
iv) Other Current Assets		2,64,08	2,64,46
v) Loans & Advances		13,07,65	7,49,31
		1,47,47,43	1,10,57,62
Less :			
<b>Current Liabilities &amp; Provisions</b>			
a) Current Liabilities	IX	31,26,71	29,32,31
b) Provisions		3,41,03	1,51,23
Net Current Assets		1,12,79,69	79,74,08
		<u>1,69,09,44</u>	<u>1,39,80,39</u>
<b>Significant Accounting Policies &amp; Notes on Accounts</b>			
XV			

As per our report of even date attached.

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

**ASHOK K. GOEL**Partner  
M.No. 81342**For & on behalf of the Board of Directors****For A.GOEL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No 002743N**MUKESH SEHGAL**  
General Manager  
(Corporate Finance)**KRISHAN KUMAR GOYAL**  
DirectorPlace: Chandigarh  
Dated: 12<sup>th</sup> May, 2011**ASHISH SHARMA**  
General Manager (Secretarial)  
& Company Secretary**D.S. GILL**  
Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	Schedule	31 <sup>st</sup> March, 2011 ₹ '000	31 <sup>st</sup> March, 2010 ₹ '000
<b>INCOME</b>			
Gross Sales	X	3,82,23,22	3,14,15,18
Less: Excise Duty		<u>35,67,81</u>	<u>24,52,62</u>
Net Sales		3,46,55,41	2,89,62,56
Other Income	XI	<u>2,66,66</u>	<u>2,61,93</u>
		<u>3,49,22,07</u>	<u>2,92,24,49</u>
<b>EXPENDITURE</b>			
Manufacturing Cost	XII	3,07,67,10	2,55,64,84
Administrative & Selling Expenses	XIII	7,72,29	7,61,77
Financial Expenses	XIV	16,71,23	14,77,02
Depreciation	VI	<u>4,76,09</u>	<u>4,54,01</u>
		<u>3,36,86,71</u>	<u>2,82,57,64</u>
<b>Profit/(Loss) Before Tax</b>		12,35,36	9,66,85
Expenses/Income(net) Relating to Previous Year		9,29	18,15
<b>Provision for taxation</b>			
- Current		4,57,72	1,27,08
- Deferred Tax		(54,69)	2,95,43
- Previous year Tax Adjustment		(9)	(23)
<b>ADD</b>			
MAT Tax Assets		-	88,97
<b>Profit/(Loss) after tax</b>		<u>8,23,13</u>	<u>6,15,39</u>
Earning Per Share (in ₹) (Basic & Diluted)		6.54	5.14
<b>Significant Accounting Policies &amp; Notes on Accounts</b>	XV		
As per our report of even date attached.		The schedules referred to above form an integral part of the Profit & Loss Account	
<b>ASHOK K. GOEL</b> Partner M.No. 81342		<b>For &amp; on behalf of the Board of Directors</b>	
<b>For A.GOEL &amp; ASSOCIATES</b> Chartered Accountants Firm Registration No 002743N	<b>MUKESH SEHGAL</b> General Manager (Corporate Finance)	<b>KRISHAN KUMAR GOYAL</b> Director	
Place: Chandigarh Dated: 12 <sup>th</sup> May, 2011	<b>ASHISH SHARMA</b> General Manager (Secretarial) & Company Secretary	<b>D.S. GILL</b> Director	

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

PARTICULARS	Year Ended	
	31 <sup>st</sup> March, 2011 ₹ '000	Year Ended 31 <sup>st</sup> March, 2010 ₹ '000
<b>A. Cash Flow from Operating Activities :</b>		
<b>Net Profit/(Loss)</b>		
Adjusted for :		
i. Depreciation	4,76,10	8,23,13
ii. Profit on Sale of Fixed Assets	-	4,54,01
iii. Deferred Tax Liability	(54,69)	(2,16)
iv. Provision for taxation	4,57,64	2,95,42
v. Interest on Borrowings	11,08,05	37,86
vi. Dividend from Investments	-	10,31,10
vii. Income / (Loss) from investments (net)	(63)	(71)
	<b>19,86,47</b>	<b>33,78</b>
Operating profit before working capital changes	<b>28,09,60</b>	<b>24,64,69</b>
Adjusted for :		
i. Inventories	(8,46,10)	(13,00,71)
ii. Trade & Other receivables	(28,28,98)	(12,10,11)
iii. Trade Payable & Other Liabilities	2,50,24	(2,09,92)
	<b>(34,24,84)</b>	<b>(27,20,74)</b>
Cash Generated from Operations	<b>(6,15,24)</b>	<b>(2,56,05)</b>
i. Income tax Paid	(2,34,71)	(1,19,45)
<b>Net Cash outflow from Operating Activities (A)</b>	<b>(8,49,95)</b>	<b>(3,75,50)</b>
<b>B. Cash Flow from Investing Activities</b>		
i. Purchase of Fixed Assets	(1,00,79)	(2,81,07)
ii. Sale of Fixed Assets	-	3,08
iii. Increase in Share Capital	62,84	-
iv. Increase in Share Premium	1,44,52	-
v. Increase in Equity Warrants	63,66	-
vi. Purchase of Investments	-	(1,47,00)
vii. Sale of Investment	1,87	10,68
viii. Dividend from Investments	-	71
<b>Net Cash used in Investing Activities (B)</b>	<b>1,72,10</b>	<b>(4,13,60)</b>
<b>C. Cash Flow from Financing Activities</b>		
i. Net Increase/ (Decrease) in Long Term Borrowings	(7,07,02)	(22,85)
ii. Net Increase/ (Decrease) in Short Term Borrowings	25,68,12	20,15,31
iii. Interest Paid	(10,79,55)	(10,31,10)
<b>Net Cash from Financing Activities (C)</b>	<b>7,81,55</b>	<b>9,61,36</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent (A+B+C)</b>	<b>1,03,70</b>	<b>1,72,25</b>
<b>Cash &amp; Cash equivalent as on 1<sup>st</sup> April, 2010</b>	<b>3,06,79</b>	<b>1,34,54</b>
<b>Cash &amp; Cash equivalent as on 31<sup>st</sup> March, 2011</b>	<b>4,10,49</b>	<b>3,06,79</b>

As per our report of even date attached.

**ASHOK K. GOEL**

Partner

M.No. 81342

For &amp; on behalf of the Board of Directors

**For A.GOEL & ASSOCIATES**

Chartered Accountants

Firm Registration No 002743N

**MUKESH SEHGAL**

General Manager

(Corporate Finance)

**KRISHAN KUMAR GOYAL**

Director

Place: Chandigarh

Dated: 12<sup>th</sup> May, 2011**ASHISH SHARMA**

General Manager (Secretarial)

&amp; Company Secretary

**D.S. GILL**

Director

**SCHEDULES FORMING PART OF THE ACCOUNTS**

**SCHEDULE : I**

**SHARE CAPITAL**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
<b>Authorised</b>		
2,49,00,000 Equity Shares of ₹ 10/- each	<b>24,90,00</b>	24,90,00
10,000 9.5% Redeemable Cumulative Preference Shares of ₹ 100/- each	<b>10,00</b>	10,00
	<b>25,00,00</b>	<b>25,00,00</b>
<b>Issued, Subscribed and Paid Up</b>		
*1,25,92,359 Equity Shares (Previous Year 1,19,64,000) of ₹ 10/- each	<b>12,59,24</b>	11,96,40
Add: Forfeited Shares(Amount paid up)	<b>33</b>	33
	<b>12,59,57</b>	<b>11,96,73</b>
<b>*Out of the above</b>		
94,46,400 shares (Previous Year 94,46,400) of ₹ 10/- each have been allotted as bonus shares by capitalisation of General Reserve.		

**SCHEDULE : II**

**RESERVES & SURPLUS**

		As at 31 <sup>st</sup> March, 2011 ₹ '000		As at 31 <sup>st</sup> March, 2010 ₹ '000
1. General Reserve		<b>24,96,66</b>		24,96,66
2. Share Premium Account	<b>1,44,68</b>			
Additions during the year	<b>1,44,52</b>	<b>2,89,20</b>		1,44,68
3. Profit & Loss Account				
- Opening Balance	<b>8,42,68</b>		2,27,29	
Add: Transferred from Profit & Loss A/c	<b>8,23,13</b>	<b>16,65,81</b>	<b>6,15,39</b>	8,42,68
		<b>44,51,67</b>		<b>34,84,02</b>

**SCHEDULE : III****EQUITY WARRANTS**

		As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
Gross amount received	2,71,02		-
Less: Converted during the year			
6,28,359 warrants at premium @ ₹ 23/- per share	<u>2,07,36</u>	63,66	-
14,00,000 (Previous Year Nil) equity warrants allotted on preferential basis, carry on option to the holder of such warrants to subscribe to one equity share of ₹10/- at a premium of ₹ 23/- per share for every warrant held, within 18 months from the date of allotment (i.e. 19 <sup>th</sup> April, 2010).		<u>63,66</u>	-

**SCHEDULE : IV****SECURED LOANS**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
<b>(a) Term Loans from Banks</b>		
State Bank of India	13,11,32	14,78,68
Punjab National Bank	5,26,78	5,96,39
Canara Bank	2,89,57	3,25,57
Interest accrued and due	21,25	12,95
<b>(b) Working Capital Term Loans from Banks</b>	4,61,74	8,77,15
- Interest accrued and due	5,43	5,90
<b>(c) Working Capital from Banks</b>		
- Cash Credits (Stocks & Book Debts)	67,81,57	51,60,63
- Buyer's Credit	9,47,18	-
<b>TOTAL</b>	<u>1,03,44,84</u>	<u>84,57,27</u>

**NOTES :**

- 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 Chairman, Managing Director and other Director.
- Working Capital Term loans from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala 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.
- Working Capital Funds such as Cash Credit & Buyer's Credit from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala is secured by hypothecation of entire current assets of the Company on pari passu basis and second charge on Fixed Assets of the Company and personal guarantee of Chairman, Managing Director and other Director.

**SCHEDULE : V**

**UNSECURED LOANS**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
From Directors	1,83,36	1,78,34
From Corporate Bodies	3,57	7,91
From Others	73,22	71,88
<b>TOTAL</b>	<b>2,60,15</b>	<b>2,58,13</b>

**SCHEDULE : VI**

**FIXED ASSETS**

₹ '000

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 1 <sup>st</sup> Apr,2010	Addi- tions	Sales/ Adjust- ments	As at 31 <sup>st</sup> Mar,2011	Up To 31 <sup>st</sup> Mar,2010	During the year	Sold/ Adjust- ments	Up To 31 <sup>st</sup> Mar,2011	As at 31 <sup>st</sup> Mar,2011	As at 31 <sup>st</sup> Mar,2010
Land	24,73	—	—	24,73	—	—	—	—	24,73	24,73
Buildings	9,47,27	—	—	9,47,27	2,59,19	30,21	—	2,89,40	6,57,87	6,88,08
Plant & Machinery & Office Equipment	73,93,97	48,82	—	74,42,79	29,40,44	4,01,49	—	33,41,93	41,00,86	44,53,53
Furniture	1,09,23	21	—	1,09,44	61,22	5,30	—	66,52	42,92	48,01
Vehicles	2,27,74	54	—	2,28,28	95,97	21,05	—	1,17,02	1,11,26	1,31,77
Intangible Assets	95,35	7,73	—	1,03,08	34,74	18,04	—	52,78	50,30	60,61
<b>Total</b>	87,98,29	57,30	—	88,55,59	33,91,56	4,76,09	—	38,67,65	49,87,94	54,06,73
Previous Year	84,60,60	3,48,73	11,04	87,98,29	29,47,68	4,54,01	10,13	33,91,56	54,06,73	—
<b>Capital</b>	2,94,58	84,66	41,18	3,38,06	—	—	—	—	3,38,06	—
<b>Work-in-Progress*</b>										
Previous Year	3,62,24	1,98,51	2,66,17	2,94,58	—	—	—	—	2,94,58	—

\* NOTE : Capital Work in Progress Includes payment of ₹ 30.58 lac made to suppliers as advance for Capital goods (Previous Year ₹ 31.33 lac)

**SCHEDULE : VII**

**INVESTMENTS**

**Long Term Investments (Non Trade) at Cost**

	Face Value	Quantity (in Nos.)		Cost ₹ '000	
		2010-11	2009-10	2010-11	2009-10
Equity Shares Fully Paid (Unquoted)					
Nimbus Green Field (Punjab) Ltd.	10	37,500	50,000	3,75	5,00
Modern Automotives Ltd.	10	30,00,000	30,00,000	3,00,00	3,00,00
<b>Aggregate cost of Unquoted Investments</b>				<b>3,03,75</b>	<b>3,05,00</b>

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

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
<b>CURRENT ASSETS</b>		
<b>1. Inventories</b>		
a) Raw Materials (including in transit ₹ 3,67,42 /-, P.Y. ₹ 8,32,40/-)	9,59,20	12,56,07
b) Work in Process - Rolling Mill Material	10,36,31	8,85,49
c) Finished Goods	18,46,95	9,02,80
d) Stores, Spares & Fuel	12,09,29	11,61,29
	<u>50,51,75</u>	<u>42,05,65</u>
<b>2. Sundry Debtors</b> (Unsecured)		
a) Debts Outstanding for period exceeding six months - Considered Good	78,94	60,12
b) Other Debts, Considered Good	76,34,52	54,71,29
	<u>77,13,46</u>	<u>55,31,41</u>
<b>3. Cash &amp; Bank Balances</b>		
a) Cash in hand	18,25	37,31
b) Bank Balances with Scheduled Banks		
i) Fixed Deposits Accounts Inclusive of Interest accrued thereon	1,85,85	1,31,19
ii) Current Accounts	36,39	1,38,29
c) Cheque in Hand	1,70,00	-
	<u>4,10,49</u>	<u>3,06,79</u>
<b>4. Other Current Assets</b>	2,64,08	2,64,46
<b>5. Loans &amp; Advances</b> (Unsecured, Considered Good)		
<b>LOANS</b>	5,65,16	-
<b>ADVANCES</b>		
a) Advances Recoverable in Cash or in kind or for value to be received	7,42,49	6,60,34
b) Mat Tax Assets	-	88,97
<b>TOTAL (1 to 5)</b>	<u>1,47,47,43</u>	<u>1,10,57,62</u>

**SCHEDULE : IX****CURRENT LIABILITIES & PROVISIONS**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
<b>A. Current Liabilities</b>		
1 Sundry Creditors		
a) Dues of Micro, Small and Medium Enterprises	97,38	1,21,74
b) Dues of creditors other than Micro, Small and Medium Enterprises	23,54,58	21,23,96
2 Due to Directors	14,53	20,82
3 Advances from Customers	12,24	4,22
4 Other Liabilities	6,47,98	6,61,57
	<u>31,26,71</u>	<u>29,32,31</u>
<b>B. Provisions</b>		
1 Gratuity	1,99,44	1,43,60
2 Tax Payable	1,41,59	7,63
	<u>3,41,03</u>	<u>1,51,23</u>
<b>TOTAL (A+B)</b>	<u>34,67,74</u>	<u>30,83,54</u>

**SCHEDULE : X****GROSS SALES**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
Gross Sales	3,82,23,22	3,14,15,18
<b>TOTAL</b>	<u>3,82,23,22</u>	<u>3,14,15,18</u>



**SCHEDULE : XI****OTHER INCOME**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
Interest	2,19,24	1,78,01
(Tax deducted at source ₹ 25.48 lac (Previous Year ₹ 22.48 lac)		
Misc. Income	40,61	47,27
Exchange Fluctuations	6,18	—
Profit on sale/transfer of Fixed Assets	—	2,16
Profit on sale of Long Term Investment	63	33,78
Dividend from Long Term Investments (Non Trade)	—	71
<b>TOTAL</b>	<u>2,66,66</u>	<u>2,61,93</u>

**SCHEDULE : XII****MANUFACTURING COST**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
<b>(A) Cost of Raw Materials Consumed</b>	1,83,27,79	1,54,27,47
<b>(B) Manufacturing Expenses</b>		
Stores Consumed	58,30,60	42,63,31
Power Expenses	35,53,53	31,43,29
Fuel	14,35,31	10,28,91
Conversion Charges	5,38,03	5,23,53
Repairs to Plant & Machinery including Spares	3,21,26	2,56,53
Other Manufacturing Expenses	4,80,50	4,08,76
Excise Duty on increase / (decrease) of closing stock of Finished Goods	90,14	48,74
	<u>1,22,49,37</u>	<u>96,73,07</u>
<b>(C) Employee's Cost</b>		
Salary, Wages & Bonus	10,35,33	8,83,42
Remuneration to Managing Directors & Executive Directors	90,00	1,14,00
Staff & Workers Welfare	58,65	57,04
Employer's Cont. to Employees PF, ESI etc.	1,00,93	84,57
	<u>12,84,91</u>	<u>11,39,03</u>
<b>(D) (Increase) / Decrease in the Closing Stocks (Finished Goods, Work in Process &amp; Rolling Mill Material)</b>		
Opening Stock	17,88,29	11,13,56
Less: Closing Stock	<u>28,83,26</u>	<u>17,88,29</u>
	<u>(10,94,97)</u>	<u>(6,74,73)</u>
<b>TOTAL (A+B+C+D)</b>	<u>3,07,67,10</u>	<u>2,55,64,84</u>

**SCHEDULE : XIII****ADMINISTRATIVE & SELLING EXPENSES**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
Advertisement	4,88	4,89
Travelling & Conveyance	85,29	52,44
Rent, Rates & Taxes	24,37	23,48
Communication Expenses	23,69	26,76
Water and Electricity charges	8,49	8,69
Insurance	33,28	29,91
Professional Charges	24,73	14,60
Misc. Expenses	78,39	76,44
Auditor's Remuneration		
- Audit Fee	3,50	3,50
- Tax Audit Fee	15	15
- Tax Consultancy Fee	35	70
- Reimbursement of Expenses	33	75
Repairs & Maintenance		
a) Building	10,38	3,09
b) Vehicles	14,07	9,96
c) Others	4,62	3,89
Exchange Rate Variations(Net)	-	17,31
Forwarding Expenses	2,44,71	1,97,79
Market Promotion Expenses	2,11,06	2,87,42
<b>TOTAL</b>	<b>7,72,29</b>	<b>7,61,77</b>

**SCHEDULE : XIV****FINANCIAL EXPENSES**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
Interest		
a) Term Loans	2,67,47	2,48,79
b) Others		
- Cash Credit	8,19,00	6,47,96
- Unsecured Loans	21,58	23,13
- Bank and Others (against L/Cs)	1,29,51	1,11,21
Cash Discount	3,30,04	3,63,98
Bank Charges	1,03,63	81,95
<b>TOTAL</b>	<b>16,71,23</b>	<b>14,77,02</b>



## **SCHEDULE –XV**

### **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 referred to in Section 211(3c) and relevant presentational requirements of the Companies Act, 1956.

##### **b) Fixed Assets and Depreciation**

All tangible 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 tangible fixed assets for the period upto the date when the assets are first put to use. Modvat credit availed service tax credit and VAT credit on tangible fixed assets has been reduced from the cost. Expenditure during construction is being capitalized.

Depreciation on tangible fixed assets has been provided on straight-line method according to the Schedule XIV of the Companies Act 1956, except for assets costing less than and upto ₹ 5000/- which are fully depreciated in the year of purchase

##### **c) Use of Estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principals, require estimates and assumptions to be made that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results materialize.

##### **d) Intangibles and Amortisation**

Intangible assets are recognized if it is probable that the future economic benefits attributable to that 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 range 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.

##### **e) Inventories**

Inventories are valued at cost or net realizable value, which ever is lower. The cost in respect of various items of inventory is computed as under:-

- i) In case of Raw-material, Stores, Spares & Fuel on FIFO Basis (net of Modvat, Service Tax & VAT).
- ii) In case of 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) In case of Finished Goods at cost plus all appropriate allocable overheads and Excise Duty thereon. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads and Excise Duty thereon.

Disposable Stores and Used items have been valued at net realizable value.

##### **f) 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. Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India are adjusted to revenue.

**Forward Exchange contracts not intended for trading or speculation purpose.**

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.

**g) Retirement Benefits****i) Provident Fund**

Retirement benefits in the form of Provident Fund and Family Pension 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 have been provided for the year ended as on 31<sup>st</sup> March, 2011. In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined "benefit" scheme.

**h) Borrowing Costs**

To capitalize the borrowing costs that is 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.

**i) 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 Excise Duty, Service Tax and VAT which are modvatable.

**i) Sales**

Sales comprise of value of sales of goods (net of returns) excluding VAT and trade discounts but including excise duty. Sales are recognized when the title of the goods is passed to the customers. Excise duty is reduced from gross sales to arrive at net sales.

**ii) Interest**

Interest income is recognized on a time proportion basis (accrual basis) taking into account the amount outstanding and the rate applicable.

**iii) Dividend**

Dividend Income is accounted for in the year in which the right to receive the same is established.

**j) Taxes on Income & Wealth**

Provision for income tax is made on the basis of the taxable profits computed for the current accounting year in accordance with the provisions of Income Tax Act, 1961. Provision for wealth tax is made as per provisions of Wealth Tax Act, 1957. 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.

**k) 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.

**l) Impairment of Fixed Assets**

As at 31<sup>st</sup> March, 2011 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 Accountant 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.

**m) 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.

- n) 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 cost.
- o) Accounting policies not specifically referred to above are consistent with Generally Accepted Accounting Principles (GAAP).

**2. i) Contingent Liabilities**

	As at 31 <sup>st</sup> March, 2011 ₹ '000	As at 31 <sup>st</sup> March, 2010 ₹ '000
a) Letters of Credit	26,34,79	19,71,08
b) Bills Discounted	11,22,56	7,67,56
c) Disputed demand for Excise, Power & Others	2,94,85	3,37,22

**3. Payment to Directors**

	Year Ended 31 <sup>st</sup> March, 2011 ₹ '000	Year Ended 31 <sup>st</sup> March, 2010 ₹ '000
a) Remuneration to Managing Director and Directors including Perks value excluding Company's Contribution to PF	99,25	1,23,05
b) Reimbursement of Traveling Expenses & Conveyance	40,71	15,94
c) Meeting Fee	2,85	2,45
d) Interest	13,91	15,52
e) Contribution to P.F	2,76	2,89

Provisions for incremental gratuity liability have 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<sup>st</sup> April, 2007, consequent to the clarification issued by ASB of the Institute of Chartered Accountants of India for implementing AS15, the liability in respect of the same of the benefits have been reworked as on 31<sup>st</sup> March, 2011 based on the following assumptions-

**A) Actuarial Assumptions:**

	As on 31.03.2011
Discount Rate (per annum)	8.00%
Rate of increase in compensation levels	5.50%
Rate of return on plan assets	N.A
Expected average remaining working Lives of employees (year)	23.20

**B) Table showing changes in present value of obligations:**

	01.04.2010 to 31.03.2011 Amount in ₹
Present Value of Obligation as at the beginning of the year	1,43,60,301
Acquisition adjustment	NIL
Interest Cost	11,48,824
Past Service Cost-Vested	27,57,545
Current Service Cost	20,95,553

Curtailment Cost/(Credit)	NIL
Settlement Cost/(Credit)	NIL
Benefits Paid	(6,90,536)
Actuarial(gain)/ loss on obligations	2,72,012
Present Value of Obligation as at the end of the year	1,99,43,699

**C) Actuarial (gain)/loss Recognized:**

Actuarial(gain)/loss for the year – Obligation	2,72,012
Actuarial(gain)/loss for the year – Plan Assets	NIL
Total(gain)/loss for the year	2,72,012
Actuarial(gain)/loss recognized in the year	2,72,012
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	1,99,43,699
Fair Value of Plan Assets as at the end of the year	NIL
Funded Status	(1,99,43,699)
Unrecognized Actuarial (gain)/loss	NIL
Net Asset/(Liability) Recognized in Balance Sheet	(1,99,43,699)

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

Current Service Cost	20,95,553
Past Service Cost- Vested	27,57,545
Interest Cost	11,48,824
Expected Return on Plan Assets	NIL
Curtailment Cost/(Credit)	NIL
Settlement Cost/(Credit)	NIL
Net actuarial (gain)/Loss recognized in the year	2,72,012
Expenses Recognized in the statement of Profit & Loss	62,73,934

5. Market Promotion Expenses includes Rebate and Discount ₹ 204.88 lacs (Previous Year ₹ 281.70 lacs).
6. Payment to Auditor's in addition to Fee refer in Schedule XIII to the extent of ₹ 0.41 lacs (previous year ₹ 0.41 lacs) on account of Service Tax paid.
7. Expenditure capitalized during the year under various projects commissioned and under capital work in progress includes Interest ₹ 30.86 lacs (Previous Year ₹ 33.53 lacs), Salary ₹ Nil (Previous Year ₹ Nil lacs), Power ₹ Nil (Previous Year ₹ Nil lacs).
8. Excise duty amounting to ₹ 3567.81 lacs (Previous year ₹ 2452.62 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.
9. 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 received communication from its suppliers regarding the applicability of this act to them and the Company has disclosed such information accordingly. This information has been relied upon by the Auditors.
10. The Company on 19<sup>th</sup> April, 2010 had issued 14,00,000 Equity Warrants carrying an option to the promoters and promoter group of such warrants to subscribe to equity share of ₹ 10/- of every warrant held within 18 months from the date of allotment of warrants at premium of ₹ 23/- per share. Since allottee of the warrants expressed its willingness to convert these warrants into equity shares, as a result 6,28,359 equity warrants @ ₹ 33/- (including premium @ ₹ 23/-) were converted into equity shares during the year.



## MODERN STEELS LIMITED

11. Earnings per share	<b>2011</b>	<b>2010</b>
Profit / (Loss) after taxation as per profit & loss ₹ in '000	<b>8,23,13</b>	6,15,39
Weighted average number of equity shares outstanding	<b>1,25,92,359</b>	1,19,64,000
Basic & diluted earnings per share in rupees (face value ₹10/-)	<b>6.54</b>	5.14

12. 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

13. 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 during the year.

### 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  
 Mr. Aditya Goyal  
 Mr. P. L. Talwar

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

Amarjit Goyal HUF, 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

### B) Transactions with the related parties

	<b>Key Management Personnel</b>	<b>Relatives of Key Management Personnel &amp; their enterprises</b>
Remuneration including Perks	102.01	—
Interest on Unsecured Loan	13.91	4.45
Rent	—	10.80
Loan Taken	—	1.70
Loan Repaid	77.50	8.70
Loan Given	—	2425.56
Loan Received back	—	1922.92
Interest Received	—	180.58
Share of Expenses Received	—	30.19
Share of Expenses paid	—	0.78
Purchase of Steel Scrap	—	227.83
Purchase Others	—	15.41
Sales	—	2160.95
Share Warrant Money Received (1400000 @ ₹ 8.25/- per warrant)	86.63	28.87
Shares Alloted @ ₹ 33/- per share	4,71,269	1,57,090

14. The major Components of Deferred Tax Liabilities (Net) as on 31<sup>st</sup> March, 2011 are as given below:

₹ in Lacs

<b>Deferred Tax Asset on Accounting of timing difference in:</b>	<b>As on 01.04.2010</b>	<b>Adjustments During the Year</b>	<b>Balance as at 31.03.2011</b>
Gratuity Provision	48.15	18.09	66.24
Bonus	32.94	4.31	37.25
Others	—	—	—
Business Loss	—	—	—
<b>Total</b>	<b>81.09</b>	<b>22.40</b>	<b>103.49</b>
<b>Deferred Tax Liability</b>			
Cumulated Depreciation	665.33	(32.29)	633.04
<b>Net Deferred Tax Liability</b>	<b>5 84.24</b>	<b>54.69</b>	<b>529.55</b>

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

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

<b>1) Capacities</b>	<b>Licensed Capacity Installed Capacity*</b>	<b>- Not Applicable</b>
	<b>2011</b>	<b>2010</b>
Concast Billets (MT)	<b>100,000</b>	100,000
Induction Ingots (MT)	<b>50,000</b>	50,000
Rolled Products (MT)	<b>75,000</b>	75,000
* (As certified by the Management)		
<b>2) Actual Production</b>	<b>2011</b>	<b>2010</b>
Concast Billets(MT)	<b>63,836*</b>	53,868*
Induction Ingots (MT)	<b>23,396**</b>	32,285**
Rolled Products (MT)	<b>58,474***</b>	51,519

\* 49,212 MT Billet (previous year 41,967 MT) used for own production of Rolled Products.

\*\* 14,525 MT Ingots used for own production of Rolled Products (Previous Year 14,216 MT).

\*\*\* Excludes production of rolled products from outside sources.





## MODERN STEELS LIMITED

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

	Unit	Turnover		Closing Stock		Opening Stock	
		Qty.	Value ₹ '000	Qty.	Value ₹ '000	Qty.	Value ₹ '000
<b>Concast Billets</b>							
This Year	MT	1,607	4,51,66	—	—	—	—
Previous Year	MT	1,443	3,61,56	—	—	—	—
<b>Rolled Products</b>							
This Year	MT	73,482	3,75,94,74	3,855	18,46,95	2,222	9,02,81
Previous Year	MT	68,495	2,95,33,43	2,222	9,02,81	1,143	4,43,99
<b>Induction Ingots</b>							
This Year	MT	548	1,76,23	—	—	—	—
Previous Year	MT	6,003	15,19,86	—	—	—	—
<b>Others</b>							
This Year	KG	68	59	—	—	—	—
Previous Year	MT	575	32	—	—	—	—
<b>Current Year</b>		<b>75,705</b>	<b>3,82,23,22</b>	<b>3,855</b>	<b>18,46,95</b>	<b>2,222</b>	<b>9,02,81</b>
Previous Year		76,606	3,14,15,17	2,222	9,02,81	1,443	4,43,99
<b>Work in Process - Rolling Mill Material</b>							
<b>This Year</b>							
Billet	MT	—	—	1,737	7,05,32	1,584	5,44,38
Ingot	MT	—	—	893	2,82,14	1,011	2,76,97
Round	MT	—	—	106	48,85	167	64,14
<b>Current Year</b>				<b>2,736</b>	<b>10,36,30</b>	<b>2,762</b>	<b>8,85,49</b>
<b>Previous Year</b>							
Billet	MT	—	—	1,584	6,95,51	1,430	4,69,06
Ingot	MT	—	—	1,011	2,76,97	711	1,84,93
Round	MT	—	—	167	64,14	60	15,58
Previous Year				2,762	8,85,49	2,201	6,69,57

<b>4) Raw Material Consumed</b>	<b>Quantity</b>	<b>Value</b>		
	<b>(MT)</b>	<b>₹ '000</b>		
<b>a) Melting Scrap</b>				
<b>This year</b>	<b>87,762</b>	<b>1,83,27,78</b>		
<b>Previous Year</b>	<b>87,144</b>	<b>1,54,27,47</b>		
<b>5) Value of Imports (CIF Basis)</b>	<b>Year Ended</b>	<b>Year Ended</b>		
	<b>31<sup>st</sup> March, 2011</b>	<b>31<sup>st</sup> March, 2010</b>		
	<b>₹ '000</b>	<b>₹ '000</b>		
1) Raw Material	<b>48,05,36</b>	<b>24,77,33</b>		
2) Stores & Spares	<b>3,36,14</b>	<b>3,07,16</b>		
3) Capital Assets		<b>56,84</b>		
<b>6) Value of Raw Material Consumed</b>	<b>Year Ended</b>	<b>Year Ended</b>		
	<b>31<sup>st</sup> March, 2011</b>	<b>31<sup>st</sup> March, 2010</b>		
	<b>%age</b>	<b>%age</b>		
		<b>Value</b>		<b>Value</b>
		<b>₹ '000</b>		<b>₹ '000</b>
<b>Melting Scrap</b>				
Imported	<b>39.83</b>	<b>72,99,16</b>	<b>64.93</b>	<b>1,00,17,05</b>
Indigenous	<b>60.17</b>	<b>1,10,28,62</b>	<b>35.07</b>	<b>54,10,42</b>
<b>Store &amp; Spares</b>				
Imported	<b>9.66</b>	<b>5,63,79</b>	<b>7.29</b>	<b>3,12,60</b>
Indigenous	<b>90.34</b>	<b>52,66,81</b>	<b>92.71</b>	<b>39,76,68</b>
<b>7) Earning in Foreign Currency</b>	<b>Nil</b>		<b>Nil</b>	
<b>8) Expenditure in Foreign Currency</b>				
Travelling Expenses	<b>5.05</b>		<b>Nil</b>	

**For A.GOEL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No 002743N

**For & on behalf of the Board of Directors**

**ASHOK K. GOEL**  
Partner  
M.No. 81342

**MUKESH SEHGAL**  
General Manager  
(Corporate Finance)

**KRISHAN KUMAR GOYAL**  
Director

Place: Chandigarh  
Dated: 12<sup>th</sup> May, 2011

**ASHISH SHARMA**  
General Manager(Secretarial)  
& Company Secretary

**D.S. GILL**  
Director



# MODERN STEELS LIMITED

## BALANCE SHEET ABSTRACT AND Company'S GENERAL BUSINESS PROFILE

State Code

16

### I. Registration Details

Registration No.

L27109PB1973PLC003358

Balance Sheet Date

31 03 2011

### II. Capital Raised during the year

Public Issue

NIL

Right Issue

NIL

Bonus Share

NIL

Private Placement

6284

### III. Position of Mobilisation and Deployment of Funds

(Amount in ₹ Thousand)

Total Liabilities

2037718

Total Assets

2037718

#### Source of Funds

Paid-up Capital

125957

Reserves &amp; Surplus

445167

Secured Loans

1034484

Unsecured Loans

26015

Deferred Tax Liabilities

52955

#### Application of Funds

Net Fixed Assets

532600

Investments

30375

Net Current Assets

1127969

Misc. Expenditure

NIL

Accumulated Losses

NIL

### IV. Performance of Company

(Amount in ₹ Thousand)

Turnover (Gross Revenue)

3822322

Total Expenditure

3699715

+/- Profit /Loss before tax

+ 122607

+/- Profit /Loss after tax

+ 82313

Earning Per Share in ₹

+6.54

Dividend Rate %

NIL

### V. Generic Name of Three Principle Production / Services of Company (as per monetary terms)

Item Code No.(ITC Code)

7228

Product Description

ALLOY BARS &amp; RODS

Item Code No. (ITC Code)

7214

Product Description

NON-ALLOY BARS &amp; RODS

Item Code No. (ITC Code)

7206

Product Description

NON-ALLOY BILLETS/INGOTS

**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 Annual General Meeting of the Company held on Saturday, the 16<sup>th</sup> day of July, 2011 at 11:30 a.m. at the Regd. Office of the Company at G.T. Road, Mandi Gobindgarh, 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 Annual General Meeting of the Company to be held on

Saturday, the 16<sup>th</sup> day of July, 2011 at 11:30 a.m. and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_ 2011.

**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.

