

38th

ANNUAL REPORT 2011-12



MODERN STEELS LIMITED

BOARD OF DIRECTORS

Chairman & WholeTime 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
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

CONTENTS

Notice -----	2
Director's Report -----	4
Corporate Governance Report -----	8
Auditor's Report -----	17
Balance Sheet -----	20
Statement of Profit & Loss -----	21
Cash Flow Statement -----	22
Notes -----	23



MODERN STEELS LIMITED

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the members of Modern Steels Limited will be held on Monday, the 24th September, 2012 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 31st March, 2012, 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 Mr. D.S. Gill who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ramesh C. Jain 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.

By order of the Board of Directors

Place : Chandigarh
Dated : 14th August, 2012

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) The Register of Members and share transfer books of the Company will remain closed from 19th September, 2012 to 24th September, 2012 (both days inclusive) for the purpose of Annual General Meeting.
- iii) 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.

iv) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31st March, 2012, 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.

v) In terms of the provision of Section 205 of the Companies Act, 1956, any amount of dividend that remain unpaid / unclaimed for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government and it cannot be claimed from that Fund. Accordingly the unpaid / unclaimed amount of dividend for financial year 2004-05 has been transferred to the IEPF.

Members who have not encashed their Dividend warrant(s) for the year 2005-06 and 2006-07 within the validity period may write to the Company Secretary, Modern Steels Limited, SCO 98-99, Sub-City Centre, Sector 34, Chandigarh -160022, for obtaining payment in lieu of such warrants.

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.

vii) The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. **Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled-in 'E-Communication Registration Form' attached at the end of this report (also available on our website www.modernsteels.com), with M/s. MCS Limited or with the Company.** The Members holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants only.

Even after registering for "e-communication" the Shareholders of the Company are entitled to receive such communication in physical form, upon request.

By order of the Board of Directors

Place : Chandigarh
Dated : 14th August, 2012

Ashish Sharma
GM (Secretarial) &
Company Secretary

Information regarding details of the Directors seeking Re-appointment in Annual General Meeting fixed on 24th September, 2012 pursuant to Clause 49 of the Listing Agreement

1. Name of the Director : Mr. D.S. Gill
Date of Birth : 9th April, 1932
Date of Appointment : 27th January, 2003
Expertise in specific functional area : Mr. D.S. Gill has a very rich knowledge and experience in the field of Industrial Management and he has been associated with the Company since 1994.
Qualification: M.Sc in Metallurgical Engineering
List of outside Directorships held :
 Modern Automotives Limited
Chairman/Member of the Committee of the Board of Directors of the Company :
 Audit Committee - Chairman
 Remuneration Committee - Member
 Banking & Finance Committee - Member
Chairman/Member of the Committee of Directors of other Companies : Nil
Shareholding in the Company : As on 31st March, 2012, Mr. Gill is holding 500 equity shares in the Company.

2. Name of the Director : Mr. Ramesh C. Jain
Date of Birth : 22nd December, 1946
Date of Appointment : 14th February, 2011
Expertise in specific functional area : Mr. Ramesh C. Jain has a rich 43 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 the Board of Directors of the Company :
 Investor Grievances Committee - Member
Chairman/Member of the Committee of Directors of other Companies : Nil
Shareholding in the Company : As on 31st March, 2012, Mr. Jain is holding Nil equity shares in the Company.

**DIRECTORS' REPORT**

To

The Members
Modern Steels Limited

Dear Members,

Your Directors hereby present their 38th Annual Report and audited accounts of the Company for the year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS

	₹ in Lacs	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Gross Sales	37297	38262
Excise Duty	3501	3568
Net Sales & Income from Operations	33796	34694
Operating Profit	598	2939
Interest	1584	1237
Cash Profit/ (Loss)	(986)	1702
Depreciation	441	476
Profit/(Loss) before Tax	(1427)	1226
Net Profit / (Loss)	(981)	823

PERFORMANCE

During the year under review, the Company achieved Gross Sales of ₹ 372.97 Crores as compared to ₹ 382.62 Crores in the previous year. The Company has reported a Net Loss of ₹ 9.81 Crores as compared to Net Profit of ₹ 8.23 Crores in the previous year.

The fiscal witnessed continuous rise in cost of its all major raw materials/inputs. The overall demand of automotive steels was lower due to turmoil in the global market & slowdown in the domestic economy. The cost of inputs was moving up and demand was decreasing in the automotive sector, which has impacted the sales performance.

Due to stiff competition, the Company could not pass its increased cost to its customers. This has resulted into lower sales volume & financial losses.

DIVIDEND

In view of the funds constraint the Directors have not recommended any dividend this year.

PROJECTS

During the year, the Company has strengthened and modernized its production facilities in SMS and Rolling Mill in line with the requirements of OEMs.

CURRENT OPERATIONS

During the first quarter, the Company has achieved Net Sales of ₹ 76.06 Crores as compared to ₹ 87.47 Crores in the same period, in the previous year. It has incurred loss of ₹ 6.93 Crores as compared to Profit before tax of ₹ 0.53 Crores in the same quarter, previous year.

The current year too has started on a difficult note affecting Company's sales & performance. Your Company is taking various steps to overcome challenges in the present scenario. The focus of the Company is on the two wheelers and car segment. The initiative in this direction has been further consolidated by getting approvals from many auto majors. These initiatives are expected to improve the performance.

KAIZEN & TS 16949 ACCREDITATION

Your Company's manufacturing facilities continue to maintain the prestigious TS 16949 certification by DNV Netherlands, a leading international Certification Company.

During the year, the Company continued implementation of Kaizen and 5'S' projects to come up to the expectations of major global OEMs.

DIRECTORS

Mr. Aditya Goyal, Whole Time Director expressed his inability to continue as a Whole Time Director of the company w.e.f. 18th May, 2012. However Mr. Goyal will continue to be a Non-Executive Non-Independent Director of the Company w.e.f. that date. The Board placed on record, its appreciation for the hard work done by Mr. Aditya Goyal during his tenure as whole time director of the Company.

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

Mr. Ramesh C Jain, 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 2012-13 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 ₹ 261.44 Lacs (Previous year ₹ 260.15 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

The Company is having motivated work force. Harmonious employee relations prevailed throughout the year. Your Directors place on record their appreciation of all employees for their hard work and dedication.

The statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Disclosure of Particulars in the Report of Board of Directors Rules, 1988, as amended, is enclosed as Annexure 'A' and forms part of this report.

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

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

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- i) In the preparation of annual accounts for the financial year ended 31st March, 2012, the applicable accounting standards have been followed and that there were no material departures;
- ii) The accounting policies selected by them have been applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the Company as on 31st March, 2012 and loss of the Company for the year ended 31st March, 2012;
- 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: 14th August, 2012

AMARJIT GOYAL
Chairman & Whole Time Director

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Company is secondary producer of special and alloy steel through steel scrap as its main raw material and caters mainly to Automotives and Bearings sector.

1. Industry's Structure and Developments

The performance of special and alloy steel industry mainly depends on demand from Automobile, Engineering industry and growth in infrastructure development.

The Indian Automotive industry continues to be in the focus as the world auto major are strengthening their base and facilities to serve domestic market and outsource their global requirements. Some new entrants are entering into growing Indian automobile market and country has become a major automotive hub. Existing automotive industry is expanding their capacities to increase their market share in domestic as well as in global market.

On the other hand, special and alloy steel producers have increased their production capacity and major integrated steel producers have shifted their focus to special and alloy steels. This shift in focus has led to oversupply situation in alloy steels market.

2. Opportunities & Threats

Key Opportunities include:

- Localization of imported steel by foreign auto majors.
- Continuous growth in automobile market.
- Identify and implement cost reduction measures.

Key Threats include:

- Stiff competition from Alloy Steel Manufacturers (Blast Furnace Route), having captive Iron Ore & Coal Mines.
- Over supply situation in the auto market in India.
- Slowdown in demand in the western world.
- Volatility of raw material prices & foreign exchange rate.

3. Risks and concerns the management perceives

The stiff competition from Alloy Steel Manufacturers (Blast Furnace Route), having captive Iron Ore & Coal Mines. 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 program 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 ₹ 372.97 Crores as compared to ₹ 382.62 Crores in the previous year. The Company has reported a Net Loss of ₹ 9.81 Crores as compared to Net Profit of ₹ 8.23 Crores in the previous year.

The fiscal witnessed continuous rise in cost of its all major raw materials/inputs. The overall demand of automotive steels was lower due to turmoil in the global market & slowdown in the domestic economy. The cost of inputs was moving up and demand was decreasing in the automotive sector, which has impacted the sales performance.

Further with stiff competition, the Company could not pass its increased cost to its customer. This has resulted into lower sales volume & financial losses.

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

AMARJIT GOYAL

Dated: 14th August, 2012

Chairman & Whole Time Director

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

S. No.	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration (₹)	Qualification	Total Experience (Years)	Date of Commencement of Employment	Previous employment / positions held
1.	Mr. Krishan Kumar Goyal	56	Mg. Director & CEO	66,52,778	B.Com, LLB	34	02.10.1978	-

Notes:

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

For & on behalf of the Board

Place : Chandigarh
Dated : 14th August, 2012

AMARJIT GOYAL
Chairman & Whole Time Director

Annexure 'B' to Directors' Report

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

FORM 'A'

A) POWER AND FUEL CONSUMPTION

	Current Year 2011-12	Previous Year 2010-11
1. Electricity		
Purchased Units (kwh)	6,16,13,000	7,47,89,000
Total Amount ₹	33,41,66,047	35,53,53,053
Rate Per unit ₹	5.42	4.75
2. Furnace Oil		
Quantity (Kgs)	40,78,902	50,23,151
Total Amount ₹	15,40,99,835	14,09,40,964
Rate Per Unit ₹	37.78	28.06
3. Propane Gas		
Quantity (Kgs)	12,117	67,013
Total Amount ₹	5,42,220	25,89,343
Rate Per Unit ₹	44.75	38.64

B) CONSUMPTION PER UNIT OF PRODUCTION

1. Production (Concast Billets) MT	51,789	63,838
a. Electricity Units	800	795.15
b. Furnace Oil (Kgs)	20.29	18.56
2. Production (Ingots) MT	21,294	23,395
a. Electricity Units	674	662.68
b. Furnace Oil (Kgs)	1.89	1.32
3. Production (Rolled Products with Oil) MT	51,874	57,145
Production (Rolled Products with Gas) MT	401	1,329
a. Electricity Units	100	94.89
b. Furnace Oil (Kgs)	57.58	66.63
c. Propane Gas (Kgs)	44.75	50.44

FORM 'B'

1. TECHNOLOGY ABSORPTION

Research & Development

- a. Development of new grades for import substitution for auto major.
- b. Technological improvement in processes & systems of steel making to improve quality of our products.

Technology Absorption, Adaptation and Innovation

Commissioning of shearing machine and replacement of mill stand and few cranes

2. FOREIGN EXCHANGE EARNING AND OUTGO

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

For & on behalf of the Board

Place : Chandigarh
Dated : 14th August, 2012

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 value, while taking into account the interest of other stakeholders.

1. BOARD OF DIRECTORS**A. Composition of the Board of Directors**

A list of Directors including the Chairman of the Board and their status as Executive / Non-executive and Independent / Non-independent during the year ended 31st March, 2012 is set out below:-

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

Disclosure of change :-

* Mr. Aditya Goyal, Whole Time Director expressed his inability to continue as a Whole Time Director of the Company and hence resigned as such but shall continue to be a Non-Executive Non-Independent Director of the Company w.e.f. 18th May, 2012.

B. Board Meeting and Attendance

During the financial year ended 31st March, 2012, five 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.	12 th May, 2011	8	8
2.	16 th July, 2011	8	7
3.	8 th August, 2011	8	7
4.	14 th November, 2011	8	8
5.	14 th February, 2012	8	6

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 an 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 four times during the year on 12th May, 2011, 8th August, 2011, 14th November, 2011 and 14th February, 2012. The status of attendance of members at the Audit Committee meetings was as under:-

Name of Director	No. of Meetings attended during 2011-2012
Mr. D.S. Gill	4
Prof. Triloki Nath Kapoor	4
Mr. Partap K. Aggarwal	2

- 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 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 12th May, 2011.

Remuneration Policy

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

Details of Remuneration paid to the Directors during the financial year ended 31st March, 2012.

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 *	60,00,000	--	6,52,778	Nil	--	66,52,778
Prof. Triloki Nath Kapoor	--	--	--	Nil	1,40,000	1,40,000
Mr. D.S. Gill	--	--	--	Nil	1,10,000	1,10,000
Mr. Partap K. Aggarwal	--	--	--	Nil	60,000	60,000
Mr. Ramesh C. Jain	--	--	--	Nil	70,000	70,000
Mr. Aditya Goyal	21,00,000	--	30,960	Nil	--	21,30,960
Mr. P.L. Talwar	18,06,667	--	3,05,576	Nil	--	21,12,243

*The Company has received the approval of the Central Government under Section 309 of the Companies Act, 1956 vide letter no. B21009832/2/2011-CL-vii dated 9th May, 2012 for the payment of the remuneration to Mr. Krishan Kumar Goyal.

Mr. D.S. Gill is holding 500 equity shares in the Company. No other Non-Executive Director is holding any shares in the Company as on 31st March, 2012.

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 12th May, 2011, 8th August, 2011, 14th November, 2011 and 14th February, 2012.

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 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

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.

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. No Meeting of this Committee was held during the year.

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
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.
2010-11	Regd.office: G.T. Road, Mandi Gobindgarh (Pb)	16.07.2011	11.30 a.m.

Special Resolutions passed in previous three AGMs:

- (i) In the 35th 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.
- (ii) In the 36th 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.
- (iii) In the 37th AGM dated 16.07.2011 the following Special resolutions were passed:
 - a) Re-appointment and remuneration of Mr. Krishan Kumar Goyal as Mg. Director & CEO of the Company.
 - b) Re-appointment and remuneration of Mr. Aditya Goyal as Whole Time Director of the Company.
 - c) Re-appointment and remuneration of Mr. P.L. Talwar as Director (Operations) 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, Allotment Committee and Banking & Finance Committee.

6. Means of Communication

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

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

GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting:-

Day, Date & Time : Monday, the 24th September, 2012 at 11.30 a.m.
 Venue : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

2. Financial Calendar for:-

Adoption of Quarterly Results Ended	In the Month of (tentative)
30 th June, 2012	14 th August, 2012 (Already held)
30 th September, 2012	November, 2012 (2 nd week)
31 st December, 2012	February, 2013 (2 nd week)
31 st March, 2013	May, 2013 (2 nd week)
Annual General Meeting	By September, 2013

3. Book Closure Date:-

From 19th September, 2012 to 24th September, 2012 (both days inclusive)

4. Listing on Stock Exchanges:-

Your Company is listed at the Bombay Stock Exchange Limited.

5. Stock Code:-

BSE: 513303

ISIN No. in NSDL & CDSL: INE001F01019

6. Stock Data:-

Month	Modern Steels Limited at BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
2011							
April	44.30	34.50	35.60	2,53,164	19,811.14	18,976.19	19,135.96
May	38.00	25.60	31.70	94,433	19,253.87	17,786.13	18,503.28
June	33.50	23.70	25.35	38,486	18,873.39	17,314.38	18,845.87
July	30.00	23.45	24.15	58,046	19,131.70	18,131.86	18,197.20
August	24.80	15.50	17.20	31,754	18,440.07	15,765.53	16,676.75
September	20.35	16.55	17.70	27,850	17,211.80	15,801.01	16,453.76
October	20.20	16.50	18.50	19,744	17,908.13	15,745.43	17,705.01
November	21.20	15.10	16.00	36,082	17,702.26	15,478.69	16,123.46
December	18.25	13.65	14.50	32,504	17,003.71	15,135.86	15,454.92
2012							
January	21.70	14.05	19.39	28,206	17,258.97	15,358.02	17,193.55
February	19.75	15.00	15.95	38,425	18,523.78	17,061.55	17,752.68
March	18.00	12.50	14.35	71,715	18,040.69	16,920.61	17,404.20

**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 Registrars & Share Transfer Agents M/s. MCS Limited, with regard to Investor Grievances. Please login on the site of MCS Limited at www.mcsdel.com and click on Investors Services and you can register your queries/grievances and details as required by you. The registered queries/grievances on the site will be responded by M/s. MCS Limited on priority basis.

8. Shareholding Pattern of the Company as on 31st March, 2012:-

Category	No. of shares held	%age of shareholding (rounded off)
Promoters & Promoter Group	78,48,936	62.33
Mutual Funds and UTI	6,000	0.05
Financial Institutions / Banks	1,000	0.01
Bodies Corporate (not included above)	4,56,514	3.63
Indian Public	42,35,613	33.63
NRIs/OCBs	44,296	0.35
TOTAL	1,25,92,359	100.00

9. Distribution of Shareholding as on 31st March, 2012:-

SHAREHOLDING		SHAREHOLDERS		NO. OF SHARES	
From	To	Number	% of total	Number	% of total
upto	5000	6,555	88.31	14,89,005	11.82
5001	10000	439	5.91	3,58,512	2.85
10001	20000	226	3.04	3,24,914	2.58
20001	30000	52	0.70	1,31,819	1.05
30001	40000	28	0.38	1,00,238	0.80
40001	50000	23	0.31	1,06,640	0.85
50001	100000	48	0.65	3,36,167	2.67
100001	and above	52	0.70	97,45,064	77.38
TOTAL		7,423	100.00	1,25,92,359	100.00

10. Dematerialisation of Shares:-

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

Share Dematerialisation record: The following data indicates the extent of Dematerialization of Company's shares as on 31st March, 2012.

No. of Shares	89,68,219	71.22 % 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'emat 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, Okhia Industrial Area Phase-I, New Delhi 110 020.
Tel.No. : +91-11-41406149, Fax No.: +91-11-41709881,
E-mail : admin@mcsdei.com, Website: www.mcsdel.com

Declaration under Clause 49.I (D)(ii) by the Executive Director, of affirmation by the Board of Directors and Senior Management of compliance with code of conduct.

The Shareholders,

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

Place : Chandigarh
Dated : 14th August, 2012

Krishan Kumar Goyal
Managing Director & CEO



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

**To,
The Members
Modern Steels Limited**

We have examined the compliance of Corporate Governance by Modern Steels Limited for the year ended 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange. The compliance of conditions of the Corporate Governance is the responsibility of the Management. Our examination has been limited to the review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that no investor complaint is pending for a period exceeding one month as on 31st March, 2012 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: 14th August, 2012

ASHOK K. GOEL
Partner

AUDITORS REPORT

To

The Members,
Modern Steels Ltd.
MANDI GOBINDGARH

Dear Members,

1. We have audited the attached Balance Sheet of MODERN STEELS LTD, MANDI GOBINDGARH as at 31st March, 2012 and also the Statement of Profit & Loss 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, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors as on 31st March, 2012, and taken on record by the Board of Directors; none of the director is disqualified as on 31st March, 2012 from being appointed as a Director in term of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and other notes thereon together give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - b) In the case of the Statement of Profit & Loss, of the loss 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 : 18th May, 2012

ASHOK K. GOEL

Partner
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. In respect of loans, secured or unsecured granted by the Company to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanation given to us:
 - a) The Company has granted unsecured loan to two companies during the year. The maximum amount involved during the year is ₹12.80 Crores & year end outstanding is ₹ 1.86 Crores.
 - b) The rate of interest and other term & conditions of the above loan is, in our opinion, not prima facie prejudicial to the interest of the Company.
 - c) The receipts of principal amounts and interest have been regular as per stipulations.
 - d) There was no overdue amount.

In respect of loans, secured or unsecured taken by the Company from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanation given to us.

 - e) The Company has taken unsecured loan from two companies and eight parties during the year. The maximum amount involved during the year is ₹ 3.31 Crores and year end outstanding is ₹.2.28 Crores.
 - f) The rate of interest and other terms and conditions of such loans are in our opinion, prima facie not prejudicial to the interest of the Company.
 - g) Payment of principal amount and interest have been regular/ as per stipulations.
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 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 months as on 31st March, 2012.
- (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 ₹ 2.12 Crores. The details are as under:-

NATURE OF DUES/ NAME OF STATUTES	FORUM WHERE DISPUTE IS PENDING	YEAR	DISPUTED AMOUNT ₹
EXCISE DUTY			
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	89,56,212
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	2,64,934
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2008-09 & 2009-10	1,46,314
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08 to 2008-09	3,11,332
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
CUSTOMS DUTY			
CUSTOMS ACT 1962	CESTAT, AHMEDABAD	2004-05	25,35,450
INCOME TAX			
INCOME TAX ACT 1961	COMMISSIONER (APPEAL), GURGAON	A/Y 2005-06 to 2010-11	10,73,510

10. The Company has no accumulated losses as on 31st March, 2012. it has suffered cash loss during the financial year ended on that date and earned cash profit 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, institution and have not issued any debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special / statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it.
14. The Company has not dealt or traded in shares, securities debentures or other securities during the year.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans have been applied for the purpose for which they were raised during the year.
17. On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company, related information as made available

to us and as represented to us by the management, funds raised on short term basis have not been used for long term investment.

18. According to the information and explanation given to us. During the year the Company has not made any preferential allotment of shares to any companies, parties or firms 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
M.No. 81342

Place : Chandigarh
Dated : 18th May, 2012



BALANCE SHEET AS AT 31st MARCH, 2012

Particulars	Notes	31 st March, 2012		31 st March, 2011	
		₹ in Lacs		₹ in Lacs	
EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	II	13,23		12,60	
Reserves and Surplus	III	34,70		44,52	
Money received against share warrants	IV	-	47,93	63	57,75
Non-current Liabilities					
Long Term Borrowings	V	17,00		22,73	
Deffered Tax Liabilities (Net)	VI	85		5,30	
Other Long-Term Liabilities	VII	3		2	
Long Term provisions	VIII	1,93	19,81	1,72	29,77
Current Liabilities					
Short Term Borrowings	IX	89,33		77,29	
Trade payables	X	29,51		25,24	
Other Current Liabilities	XI	12,04		12,03	
Short-Term provisions	XII	38	1,31,26	1,69	1,16,25
TOTAL			1,99,00		2,03,77
ASSETS					
Non-Currents assets					
Fixed Assets					
Tangible Assets	XIII	50,19		49,38	
Intangible Assets	XIII	43		50	
Capital Work-in-Progress	XIII	3,60		3,07	
Non Current Investment	XIV	7,03		3,04	
Long Term Loans and advances	XV	6,32		8,60	
Other Non Current Assets	XVI	60	68,17	57	65,16
Current Assets					
Inventories	XVII	48,14		50,52	
Trade Receivables	XVIII	68,97		77,14	
Cash and Bank Balances	XIX	4,70		4,10	
Short Term Loans & Advances	XX	8,66		6,37	
Other Current Assets	XXI	36	1,30,83	48	1,38,61
TOTAL			1,99,00		2,03,77
Significant Accounting Policies I					
The Notes I to XXXVIII form an integral part of the Financial Statements.					

As per our report of even date attached.

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
Director

ASHOK K. GOEL
Partner
M.No. 81342

ASHISH SHARMA
General Manager (Secretarial)
& Company Secretary

D.S. GILL
Director

Place: Chandigarh
Dated: 18th May, 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Notes	31 st March, 2012 ₹ in Lacs	31 st March, 2011 ₹ in Lacs
REVENUE			
Revenue from Operations (Gross)	XXII	3,72,97	3,82,62
Less: Excise Duty		<u>35,01</u>	<u>35,68</u>
Revenue from Operations (Net)		3,37,96	3,46,94
Other Income	XXIII	<u>3,41</u>	<u>2,28</u>
TOTAL		<u>3,41,37</u>	<u>3,49,22</u>
EXPENSES			
Cost of materials consumed	XXIV	2,19,51	2,23,62
Changes in inventories of finished goods and work-in-progress	XXV	7,01	(10,95)
Employee benefits expense	XXVI	13,49	12,59
Finance Costs	XXVII	19,23	13,31
Depreciation and Amortisation expense	XIII	4,41	4,76
Other expenses	XXVIII	91,87	93,55
Prior period items	XXIX	<u>12</u>	<u>9</u>
TOTAL		<u>3,55,64</u>	<u>3,36,97</u>
Profit /(Loss) before Tax		(14,27)	12,25
Tax Expense:			
- Current Tax		-	4,56
- Deferred Tax Liability		(4,45)	(55)
- Previous year Tax adjustment a/c		<u>(1)</u>	<u>-</u>
Profit/(Loss) for the year		<u>(9,81)</u>	<u>8,24</u>
Earning Per Share (Face Value ₹ 10 per share) Basic & Diluted (In Rupees)	XXXI	(7.79)	6.54
Significant Accounting Policies I			
The Notes I to XXXVIII form an integral part of the Financial Statements.			
As per our report of even date attached.		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 Director	
ASHOK K. GOEL Partner M.No. 81342	ASHISH SHARMA General Manager (Secretarial) & Company Secretary	D.S. GILL Director	
Place: Chandigarh Dated: 18 th May, 2012			


CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	31 st March, 2012 ₹ in Lacs	31 st March, 2011 ₹ in Lacs
Cash Flow from Operating Activities :		
Net Profit/(Loss)		8,24
Adjusted for :	(9,81)	
Depreciation & Amortized Expenses	4,41	4,76
Profit/(Loss) on Sale of Fixed Assets	(1)	-
Deferred Tax Liability	(4,45)	(55)
Provision for taxation/Previous year Tax Adj.	(1)	4,58
Finance Cost	19,24	13,30
Net Gain/Loss on the sale of Investment	(1)	(1)
Interest Income	(3,40)	(2,19)
	<u>15,77</u>	<u>19,89</u>
Operating profit before working capital changes	5,96	28,13
Adjusted for :		
Inventories	2,36	(8,46)
Trade & Other receivables	8,25	(28,30)
Trade Payable & Other Liabilities	4,59	2,78
	<u>15,20</u>	<u>(33,98)</u>
Cash Generated from Operations	21,16	(5,85)
Taxes Paid	(1,39)	(2,35)
Net Cash outflow from Operating Activities	19,77	(8,20)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(5,71)	(1,01)
Sale of Fixed Assets	4	-
Purchase of Investments	(4,00)	-
Sale of Investments	2	2
Interest Income	3,40	2,19
	<u>(6,25)</u>	<u>1,20</u>
Net Cash used in Investing Activities	(6,25)	1,20
Cash Flow from Financing Activities		
Increase in Share Capital	-	63
Increase in Share Premium	-	1,45
Increase/(Decrease) in Share Warrants	-	65
Net Increase/(Decrease) in Long Term Borrowings	(5,73)	(7,07)
Net Increase/(Decrease) in Short Term Borrowings	12,05	25,68
Finance Cost	(19,24)	(13,31)
	<u>(12,92)</u>	<u>8,03</u>
Net Cash used in Financing Activities	(12,92)	8,03
Net Increase/(Decrease) in cash & cash equivalent	60	1,03
Opening Balance of cash & cash equivalent	4,10	3,07
Closing balance of cash & cash equivalent	4,70	4,10

As per our report of even date attached.

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

Director

ASHOK K. GOEL

 Partner
 M.No. 81342

ASHISH SHARMA

 General Manager (Secretarial)
 & Company Secretary

D.S. GILL

Director

 Place: Chandigarh
 Dated: 18th May, 2012

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012**NOTE : I SIGNIFICANT ACCOUNTING POLICIES****1.1) 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.

1.2) 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.

1.3) 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, 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 ₹ 5,000/- which are fully depreciated in the year of purchase.

1.4) 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 Accountants of India.

Intangibles 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.

1.5) 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 Progress 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.

1.6) 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 Statement of Profit & Loss relating to current assets & current liabilities. Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India have been 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.

**1.7) Investments**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non current investments.

Currents investments are carried in the financial statements at lower of cost and fair value determined and long term investments are carried at cost. However, provision for dilution in value is made to recognise a decline other than temporary in the value of investments.

1.8) Retirement Benefits**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 Statement of Profit & Loss of the year.

Gratuity

The retirement benefits in the form of Gratuity Scheme have been provided for the year ended as on 31st March, 2012. In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined "benefit" scheme.

1.9) 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.

1.10) 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.

Sales

Sales comprise of value of sales of products (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.

Interest

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

Dividend

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

1.11) Taxes on Income

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961 and Wealth Tax Act. 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.

1.12) Impairment of Fixed Assets

As at 31st March, 2012, the Company has reviewed the future earning of its cash generating unit in accordance with the "Accounting Standard 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.

1.13) Provisions for 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.

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

NOTE : II

SHARE CAPITAL

Particulars	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	₹ in Lacs	Number	₹ in Lacs
Authorised				
Equity Shares of ₹ 10/- each	2,49,00,000	24,90	2,49,00,000	24,90
9.5% Redeemable Cumulative Preference Shares of ₹ 100/- each	10,000	10	10,000	10
		25,00		25,00
Issued, Subscribed and Fully Paid Up				
Equity Shares of ₹ 10/- each	1,25,92,359	12,59	1,25,92,359	12,59
Forfeited Shares (Amount paid up)		1		1
Forfeited Warrants (Amount paid up)		64		-
TOTAL		13,23		12,60

a) Reconciliation of the number of equity shares:-	No. of Shares	No. of Shares
Number of Equity shares at the beginning of the year	1,25,92,359	1,19,64,000
Add: New shares issued	-	6,28,359
Number of Equity shares at the year end	1,25,92,359	1,25,92,359

b) Rights, Preferences, Restrictions attached to Equity Shareholders:-

The Company has two classes of shares referred to as Equity Shares having par value of ₹ 10/- each and 9.5% Redeemable Cumulative Preference Shares of ₹ 100/- each.

The Company has issued equity shares only. Hence rights / preferences applicable for Redeemable Cumulative Preference Capital are not disclosed separately.

Each Equity Shareholder is entitled to one vote per share.

The Company declares and pays dividend in Indian Rupees. In respect to Equity Shares, the dividend if any, proposed by the Board of Directors will be subject to approval of shareholders in Annual General Meeting.

In the event of liquidation of Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

c) Shareholders holding more than 5% shares as at balance sheet date:-

Name of Equity Shareholders	No. of Shares	No. of Shares
1. Krishan Kumar Goyal	23,96,179	23,96,179
2. Alka Goyal	12,32,590	12,32,590
3. Amarjit Goyal	10,99,250	10,99,250
4. Nabha Commerce Pvt. Ltd. (formerly Nabha Finance Pvt. Ltd.)	8,37,750	8,37,750
5. Aditya Goyal	7,95,590	7,95,590
	<u>63,61,359</u>	<u>63,61,359</u>

**d) Detail of Equity shares allotted as fully paid up by way of Bonus Shares:-**

During the last five years 71,78,400 Equity shares have been allotted as Bonus Shares.

e) Forfeiture of share warrants:-

7,71,641 warrants which were not converted into equity shares within stipulated period and henceforth the amount paid up on 7,71,641 warrants @ ₹ 8.25 (per warrant) amounting to ₹ 63.66 Lacs stands forfeited.

NOTE : III**RESERVES & SURPLUS**

Particulars	As at		As at	
	31 st March, 2012		31 st March, 2011	
	₹ in Lacs		₹ in Lacs	
Securities Premium Account -Opening Balance	2,89		1,45	
Add: Receipts on the issue of Share Capital	-	2,89	1,44	2,89
General Reserve (Opening and Closing Balance)		24,97		24,97
<u>Surplus in the Statement of Profit & Loss</u>				
Balance at the beginning of year	16,66		8,43	
Add/(Less): Transferred from Statement of Profit & Loss	(9,81)	6,85	8,23	16,66
Balance at the end of the year		34,70		44,52

NOTE : IV**MONEY RECEIVED AGAINST SHARE WARRANTS**

Particulars	As at		As at	
	31 st March, 2012		31 st March, 2011	
	₹ in Lacs		₹ in Lacs	
Opening Balance	63		-	
Gross amount recieved	-		1,15	
Less: Utilised during the year 6,28,359 warrants @ ₹ 8.25/- per share	-		52	
Less: forfeited during the year	63	-	-	63
Balance at the end of year		-		63

The Company allotted NIL (14,00,000) warrants convertible into Equity shares within a period of 18 months from the date of issue, on preferential basis to promoter and promoter group. Out of these NIL (6,28,359) warrants were converted into Equity shares.

Amount received on 7,71,641 share warrants stand forfeited during the year (P.Y. Nil) being unsubscribed.

NOTE: V

LONG TERM BORROWINGS

₹ in Lacs

Particulars	NON CURRENT		CURRENT MATURITIES	
	31 st March, 2012	31 st March 2011	31 st March, 2012	31 st March 2011
(A) SECURED BORROWINGS				
Term Loans from Banks				
State Bank of India	8,74	10,92	2,19	2,19
Punjab National Bank	3,58	4,42	84	84
Canara Bank	1,94	2,42	48	48
Working Capital Term Loans (WCTL)	14	2,36	2,23	2,25
(A)	14,40	20,12	5,74	5,76
(B) UNSECURED BORROWINGS				
From Related Parties	2,27	2,27	-	-
From Others	33	34	-	-
(B)	2,60	2,61	5,74	5,76
Amount disclosed under "Other Current Liabilities" (Refer Note XI)			(5,74)	(5,76)
TOTAL (A)+(B)	17,00	22,73	-	-

a) Details of Securities :-

- 1) Term Loans from State Bank of India, Punjab National Bank and Canara Bank are secured by equitable mortgage of Land and Building of the Company's properties situated at village Ajnali, Ambey Majra and Kukkar Majra & by hypothecation of all the movable properties forming part of the fixed assets of the Company on pari passu basis. The term loans from SBI, PNB & Canara Bank are also secured by way of second charge on all the current assets of the Company.
- 2) 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

b) Guarantee by Directors & others:-

Aggregate amount of Secured Long Term Borrowings are guaranteed by Chairman, Managing Director and Mr Aditya Goyal (Director) are as follows:

Term Loan : 17,76.49 Lacs (21,27.66 Lacs)

WCTL : 2,36.34 Lacs (4,61.74 Lacs)

c) Terms of Repayment of Term Loan & Other Loans:-

1) TERM LOAN

STATE BANK OF INDIA

Term Loan 1 : 3,24.39 Lacs (3,89.31 Lacs)

Repayable in 81 monthly installments of ₹ 5.41 Lacs each w.e.f. July, 2010 and as on Balance Sheet date 60 installments are outstanding.

Term Loan 2 : 4,10.99 Lacs (4,93.55 Lacs)

Repayable in 81 monthly installments of ₹ 6.88 Lacs each w.e.f. July, 2010 and as on Balance Sheet date 60 installments are outstanding & 60th instalment will be of ₹ 5.08 Lacs.

Term Loan 3 : 3,57.05 Lacs (4,28.45 Lacs)

Repayable in 81 monthly installments of ₹ 5.95 Lacs each w.e.f. July, 2010 and as on Balance Sheet date 60 installments are outstanding.

**PUNJAB NATIONAL BANK****Term Loan 1** : **1,91.24 Lacs** (2,27.67 Lacs)

Repayable in 28 quarterly installments of ₹ 9.11 Lacs each w.e.f. July, 2010 and as on Balance Sheet date 21 installments are outstanding.

Term Loan 2 : **2,51.25 Lacs** (2,99.10 Lacs)

Repayable in 28 quarterly installments of ₹ 11.96 Lacs each w.e.f. July, 2010 and as on Balance Sheet date 21 installments are outstanding.

CANARA BANK**Term Loan** : **2,41.56 Lacs** (2,89.56 Lacs)Repayable in 81 monthly installments of ₹ 4 Lacs each and 81st installments will be of ₹ 6 Lacs w.e.f. July, 2010 and as on Balance Sheet date 60 installments are outstanding.**2) WORKING CAPITAL TERM LOANS****STATE BANK OF INDIA****WCTL** : **96.34 Lacs** (1,95.34 Lacs)Repayable in 36 monthly installments of ₹ 8.25 Lacs each w.e.f. April, 2010 and as on Balance Sheet date 12 installments are outstanding and 12th instalments will be of ₹ 5.59 Lacs.**PUNJAB NATIONAL BANK****WCTL** : **60.00 Lacs** (1,20.00 Lacs)

Repayable in 11 quarterly installments of ₹ 15 Lacs each w.e.f. September, 2010 and as on Balance Sheet date 4 installments are outstanding.

CANARA BANK**WCTL** : **21.99 Lacs** (43.99 Lacs)

Repayable in 19 monthly installments of ₹ 1.83 Lacs each w.e.f. September, 2011 and as on Balance Sheet date 12 installments are outstanding.

STATE BANK OF PATIALA**WCTL** : **58.00 Lacs** (1,02.40 Lacs)Repayable in 24 monthly installments of ₹ 3.70 Lacs each w.e.f. August, 2011 and as on Balance Sheet date 16 installments are outstanding and 16th instalments will be of ₹ 2.50 Lacs.**3) Other Loans (Unsecured Borrowings)**Unsecured borrowings from related parties & others are due for payment on 30th March, 2014.**NOTE : VI****DEFERRED TAX LIABILITY**

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
A) Deferred Tax Liability		
Accumulated Depreciation	<u>6,13</u>	<u>6,33</u>
(A)	<u>6,13</u>	<u>6,33</u>
B) Deferred Tax Asset		
Gratuity U/s 40 A (7)	74	66
Current year Loss	4,13	-
Bonus	41	37
(B)	<u>5,28</u>	<u>1,03</u>
Net (A-B)	<u>85</u>	<u>5,30</u>

NOTE : VII

OTHER LONG TERM LIABILITIES

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
Securities Received	3	2
TOTAL	3	2

NOTE : VIII

LONG TERM PROVISIONS

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
Provision for employees benefits		
Gratuity	1,93	1,72
TOTAL	1,93	1,72

The Company has adopted Accounting Standard 15 (Revised 2005) on employment benefit on 1st April, 2007, consequent to the clarification issued by ASB of the Institute of Chartered Accountants of India for implementing AS 15, the liability in respect of the same benefit have been reworked as on 31st March, 2012, based on the following assumptions.

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
A) Actuarial Assumptions:		
Discount Rate (per annum)	8.50%	8.00%
Rate of increase in compensation levels	6%	5.50%
Rate of return on plan assets	-	-
Expected average remaining working {Lives of employees (year)}	22.37	23.20
b) Table showing changes in present value of obligations:		
	₹ in Lacs	₹ in Lacs
Present Value of Obligation as at the beginning of the year	1,99	1,44
Acquisition adjustment	-	-
Interest Cost	17	11
Past Service Cost-vested	-	28
Current Service Cost	25	21
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefits Paid	(19)	(7)
Actuarial (gain)/loss on obligations	6	3
Present Value of Obligation as at the end of the year	2,28	1,99
c) Actuarial Gain/Loss Recognized:		
Actuarial (gain)/loss for the year – Obligation	6	3
Actuarial (gain)/loss for the year – Plan Assets	-	-
Total (gain)/loss for the year	6	3



MODERN STEELS LIMITED

Actuarial (gain)/loss recognized in the year	6	3
Unrecognized actuarial (gains)/losses at the end of year	-	-
d) The amounts to be recognized in Balance Sheet		
Present Value of Obligation as at the end of the year	2,28	1,99
Fair Value of Plan Assets as at the end of the year	-	-
Funded Status	(2,28)	(1,99)
Unrecognized Actuarial (gains)/losses	-	-
Net Asset/(Liability) recognized in Balance Sheet	(2,28)	(1,99)
e) Expenses recognized in the statement of Profit & Loss:		
Current Service Cost	25	21
Past Service Cost –vested	-	28
Interest Cost	17	11
Expected Return on Plan Assets	-	-
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/loss recognized in the year	6	3
Expenses recognized in the statement of Profit & Loss	48	63
f) Bifurcation of PBO at the end of year		
Current Liability (Amount due within one year)	36	28
Non -Current Liability (Amount due over one year)	1,93	1,72
Total PBO at the end of year	2,28	1,99

NOTE : IX

SHORT TERM BORROWINGS

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
SECURED BORROWINGS		
Loans repayable on demand: -		
- From Banks	76,01	67,82
Loans repayable within 12 months		
- From Banks		
Buyer's Credit	13,32	9,47
TOTAL	89,33	77,29

a) Detail of Securities :-

- Working Capital Borrowings such as Cash Credit from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala is secured by hypothecation on entire current assets of the Company on pari passu basis and second charge on fixed assets of the Company.
- Working Capital Borrowings such as Buyer's Credit from State Bank of India, Punjab National Bank, Bank of India and Indian Overseas Bank is secured by hypothecation on entire current assets of the Company on pari passu basis and second charge on fixed assets of the Company.

b) Guarantee by Directors & Others:-

Aggregate amount of Secured Short Term Borrowings guaranteed by Chairman, Managing Director & Mr. Aditya Goyal (Director) are as follows:

Cash Credit	76,01Lacs	(67,82 Lacs)
Buyer's Credit	13,32 Lacs	(9,47 Lacs)

NOTE : X
TRADE PAYABLES

Particulars	As at 31st March, 2012 ₹ in Lacs	As at 31st March, 2011 ₹ in Lacs
Dues to Micro, Small & Medium Ent.	21	97
Dues to Others	28,41	23,56
Employees related payables	89	71
TOTAL	29,51	25,24

Particulars	As at 31st March, 2012 ₹ in Lacs	As at 31st March, 2011 ₹ in Lacs
Principal amount remaining unpaid under MSMED Act, 2006	21	97
Interest accrued and remaining unpaid	-	-
TOTAL	21	97

NOTE : XI
OTHER CURRENT LIABILITIES

Particulars	As at 31st March, 2012 ₹ in Lacs	As at 31st March, 2011 ₹ in Lacs
Current maturities of Long Term Borrowings (Refer Note V)	5,74	5,76
Interest accrued but not due on Borrowings	13	5
Interest accrued and due on Borrowings	23	27
Other Payables:		
Advances from Customers	21	12
Expenses payable	3,71	3,80
Govt. dues payable	2,02	2,03
TOTAL	12,04	12,03

NOTE : XII
SHORT TERM PROVISIONS

Particulars	As at 31st March, 2012 ₹ in Lacs	As at 31st March, 2011 ₹ in Lacs
Provision for Employees benefits:		
Gratuity (Refer Note VIII)	36	28
Others:		
Provision for Income Tax (Net)	-	1,40
Provision for Wealth Tax	2	2
TOTAL	38	1,69



MODERN STEELS LIMITED

NOTE : XIII

FIXED ASSETS

₹ in Lacs

Particulars	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	As at 1 st Apr,2011	Addi- tions	Sales/ Adjust- ments	As at 31 st Mar,2012	Upto 31 st Mar,2011	During the year	Sold/ Adjust- ments	Upto 31 st Mar,2012	As at 31 st Mar,2012	As at 31 st Mar,2011
TANGIBLE ASSETS										
Land	25	—	—	25	—	—	—	—	25	25
Buildings	9.47	2.50	—	11.97	2.89	32	—	3.21	8.76	6.58
Plant & Equipment	73.22	2.58	38	75.42	32.84	3.57	35	36.06	39.36	40.39
Furniture & fixtures	1.09	—	—	1.09	67	5	—	72	37	42
Vehicles	2.28	—	—	2.28	1.17	21	—	1.38	90	1.11
Office Equipment	1.21	2	—	1.23	59	9	—	68	55	62
TOTAL	87.51	5.09	38	92.24	38.16	4.25	35	42.05	50.19	49.38
Previous Year	87.03	50	—	87.51	33.57	4.58	—	38.16	49.38	—
INTANGIBLE ASSETS										
Computer Software	1.03	9	—	1.12	53	16	—	69	43	50
TOTAL	1.03	9	—	1.12	53	16	—	69	43	50
Previous Year	95	8	—	1.03	35	18	—	53	50	—
Capital Work in Progress	3.07	3.16	2.63	3.60	—	—	—	—	3.60	—
Previous Year	2.63	3.07	2.63	3.07	—	—	—	—	3.07	—

NOTE : XIV

NON - CURRENT INVESTMENTS

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
A) TRADE INVESTMENTS (at Cost, Unquoted)		
Investment in equity instruments:		
In Associates:		
70,00,000 (30,00,000) Equity shares of ₹ 10 each fully paid up in Modern Automotives Ltd.	7,00	3,00
(A)	7,00	3,00
B) OTHER INVESTMENTS (at Cost, Unquoted)		
Investment in equity instruments:		
In Others:		
28,125 (37,500) Equity shares of ₹ 10 each fully paid up in Nimbus Green Field (Punjab) Ltd.	3	4
(B)	3	4
Aggregate cost of Unquoted Investment (A+B)	7,03	3,04

NOTE : XV

LONG TERM LOANS AND ADVANCES

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
(Unsecured, considered good)		
Capital Advances	73	31
Security Deposits	3,73	2,64
Loans & Advances to Related Parties		
Loans to Associates:		
Modern Automotives Ltd.	1,86	5,65
TOTAL	6,32	8,60

NOTE : XVI

OTHER NON CURRENT ASSETS

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Unsecured considered good		
Amount paid (under protest)	60	57
TOTAL	60	57

NOTE : XVII

INVENTORIES

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Raw Materials (including in transit 6,04.60 Lacs PY. 3,67.42 Lacs)	15,80	11,23
Work in Progress	6,97	10,36
Finished Goods	14,85	18,47
Stores, Spares & Fuel (Includes disposable stores)	10,53	10,46
TOTAL	48,14	50,52

Method of Valuation:

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

1. In case of Raw- material, Stores & Spares & Fuel on FIFO Basis (net of MODVAT, Service Tax & VAT).
2. In case of Work in Progress- Rolling Raw material are valued at monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.
3. 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.
4. Disposable stores and used items have been valued at net realisable value.

**MODERN STEELS LIMITED****NOTE : XVIII****TRADE RECEIVABLES**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
(Unsecured, Considered Good)		
Debts Outstanding for the period exceeding six months from date they are due for payment	1,06	79
Other Debts	67,91	76,36
TOTAL	68,97	77,14

NOTE : XIX**CASH AND BANK BALANCES**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
A) Cash and Cash Equivalents		
Balances with Banks		
In Current Accounts	2,04	36
Cheques in hand	-	1,70
Cash in hand	19	18
(A)	2,23	2,24
B) Other Bank Balances		
In Fixed Deposits Accounts inclusive of Interest accrued thereon	2,47	1,86
(B)	2,47	1,86
TOTAL (A+B)	4,70	4,10

1. Fixed deposit having remaining maturity more than 12 months ₹ 2.00 Lacs (NIL)
2. Fixed deposits including interest given as security ₹ 2,46 Lacs (1,85.27 Lacs) to the Banks against margin of the Letter of Credit and ₹ 0.60 Lacs (₹ 0.58 Lacs) to the Punjab Pollution Control Board.

NOTE : XX**SHORT TERM LOANS AND ADVANCES**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
(Unsecured, considered good)		
OTHERS		
Advance Tax and TDS	75	-
Old Income Tax	1,54	1,54
Advances recoverable in Cash or in kind or for value to be received	6,37	4,83
TOTAL	8,66	6,37

NOTE : XXI

OTHER CURRENT ASSETS

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Insurance refund/claim receivable	9	25
Interest Receivable on Security Deposits	27	23
TOTAL	<u>36</u>	<u>48</u>

NOTE : XXII

REVENUE FROM OPERATIONS

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Sale of Products	3,72,33	3,82,23
Other Operating Revenues	64	39
Revenue from Operations (Gross)	<u>3,72,97</u>	<u>3,82,62</u>

NOTE : XXIII

OTHER INCOME

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Interest Income	3,39	2,19
Net gain on sale of investment	1	1
Net gain on foreign currency translation and transaction	-	6
Other Non-Operating Incomes	1	2
TOTAL	<u>3,41</u>	<u>2,28</u>

NOTE : XXIV

COST OF MATERIALS CONSUMED

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Consumption of Scrap	1,85,24	1,83,28
Consumption of Purchase Intermediates	1,36	-
Consumption of Additives	32,91	40,34
TOTAL	<u>2,19,51</u>	<u>2,23,62</u>

**NOTE : XXV****CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Opening Stock		
Finished Goods	18,47	9,03
Work-in-progress	<u>10,36</u>	<u>8,85</u>
	<u>28,83</u>	<u>17,88</u>
Closing Stock		
Finished Goods	14,85	18,47
Work-in-progress	<u>6,97</u>	<u>10,36</u>
	<u>21,82</u>	<u>28,83</u>
TOTAL	<u>7,01</u>	<u>(10,95)</u>

NOTE : XXVI**EMPLOYEE BENEFITS EXPENSES**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Salary Wages & Bonus	11,32	10,36
Contributions to Provident and Other Fund	1,05	1,01
Gratuity	48	63
Staff Welfare Expenses	<u>64</u>	<u>59</u>
TOTAL	<u>13,49</u>	<u>12,59</u>

NOTE : XXVII**FINANCE COSTS**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Interest expense		
Banks (Refer Note V)		
Term Loans	3,25	3,52
Cash Credit	10,40	7,34
Bank & Others (against LC)	<u>2,00</u>	<u>1,30</u>
Others		
Unsecured Loans	19	22
Other Borrowing Cost	1,23	93
Net loss on foreign currency translation and transaction	<u>2,16</u>	<u>-</u>
TOTAL	<u>19,23</u>	<u>13,31</u>

A sum of ₹ 25.95 Lacs (₹ 30.86 Lacs) have been capitalized during the year on project under commissioning.

NOTE : XXVIII

OTHER EXPENSES

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
Consumption of stores and spares parts	19,43	20,79
Power and Fuel	48,88	49,89
Other Manufacturing Expenses	4,89	4,37
Conversion Charges	4,99	5,81
Increase /(Decrease) in excise duty of closing stock of finished goods	(9)	90
Rent	17	17
Repairs and Maintenance		
- Building	18	13
- Machinery	32	36
- Others	19	19
Insurance	34	33
Rates & Taxes	4	4
Fees	5	6
Travelling & Conveyance	91	85
Forwarding Expenses	2,27	2,45
Discount, rebate and allowances	6,21	5,41
Bad Debts written off	4	-
Net Loss on foreign currency translation and transaction	1,01	-
Miscellaneous Expenses	2,04	1,80
TOTAL	91,87	93,55

NOTE: XXIX

PRIOR PERIOD ITEMS

Particulars	As at	As at
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
Previous Year Expenses	33	11
Less: Previous Year Income	21	2
TOTAL	12	9

**NOTE: XXX****CONTINGENT LIABILITIES & COMMITMENTS**

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Contingent Liabilities:		
a) Claim against the Company not acknowledged as debts	2,90.02	2,94.85
b) Other money for which Company is contingent liable	6,12.80	11,22.56
Commitments:		
a) Estimated amount of contractors remaining to be executed on capital accounts and not provided for	2,74.14	-
b) Letter of credit against import of material	64.28	5,88.43
c) Unhedged foreign currency exposure as at year end :		

(Amounts in Lacs)

Particulars	Currency	As at 31 st March, 2012	As at 31 st March, 2011
Buyer's Credit	USD	\$ 26.16	\$ 21.24
Buyer's Credit	Indian Rupees	₹ 13,32	₹ 9,47
Foreign Vendors	USD	\$ 32.69	\$ 10.54
Foreign Vendors	Indian Rupees	₹ 16,64.81	₹ 4,70.03

NOTE: XXXI**EARNINGS PER SHARE**

Particulars	As at 31 st March, 2012	As at 31 st March, 2011
Profit / (Loss) after taxation as per Statement of Profit & Loss (₹ in Lacs)	(9,81.19)	8,23.13
Weighted average number of equity shares outstanding	1,25,92,359	1,25,92,359
Basic & diluted earnings per share in rupees (face value ₹10 each)	(7.79)	6.54

NOTE: XXXII**PAYMENT TO AUDITORS ***

Particulars	As at 31 st March, 2012 ₹ in Lacs	As at 31 st March, 2011 ₹ in Lacs
Audit Fees	3.86	3.93
Tax Audit Fees	0.16	0.17
Tax Consultancy Fees	0.39	0.39
Reimbursement	0.43	0.33

*inclusive of service tax

NOTE: XXXIII

STATEMENT OF TURNOVER AND CLOSING STOCK.

₹ in Lacs

Particulars	Turnover	Finished Goods		Work in Process	
		Closing Stock	Opening Stock	Closing Stock	Opening Stock
Concast Billets					
This Year	3,57.77	—	—	—	—
Previous Year	4,51.66	—	—	—	—
Rolled Products					
This Year	3,67,34.39	14,84.99	18,46.95	—	—
Previous Year	3,75,94.74	18,46.95	9,02.81	—	—
Induction Ingots					
This Year	1,40.73	—	—	—	—
Previous Year	1,76.23	—	—	—	—
Others					
This Year	—	—	—	—	—
Previous Year	0.59	—	—	—	—
Total Current Year	3,72,32.89	14,84.99	18,46.95	—	—
Previous Year	3,82,23.22	18,46.95	9,02.81	—	—
Work-In-Process Rolling Mill Material					
Billet					
This Year	—	—	—	4,28.75	7,05.32
Previous Year	—	—	—	7,05.32	5,44.38
Ingot					
This Year	—	—	—	1,80.83	2,82.14
Previous Year	—	—	—	2,82.14	2,76.97
Round					
This Year	—	—	—	86.93	48.85
Previous Year	—	—	—	48.85	64.14
Total Current Year	—	—	—	6,96.51	10,36.31
Previous Year	—	—	—	10,36.31	8,85.49

NOTE: XXXIV

The Information required by paragraph 5 of general instructions for preparation of the Statement of Profit & Loss as per revised schedule VI of Companies Act, 1956

(a) Value of Imports (CIF Basis)

Particulars	Year Ended	Year Ended
	31 st March, 2012	31 st March, 2011
	₹ in Lacs	₹ in Lacs
1) Raw Material	45,65.23	48,05.36
2) Stores & Spares	3,58.70	3,36.14



		₹ in Lacs		
(b) Expenditure in Foreign Currency				
Travelling Expenses		0.53	5.05	
(c) Value of Raw Material Consumed				
Particulars	Year Ended		Year Ended	
	31 st March, 2012	31 st March, 2011		
	%age	Value	%age	Value
Melting Scrap				
Imported	39.78	87,33	32.64	72,99
Indigenous	60.22	1,32,19	67.36	1,50,63
Total		<u>2,19,52</u>		<u>2,23,62</u>
Store & Spares				
Imported	21	4,08	27	5,64
Indigenous	79	15,35	73	15,15
Total		<u>19,43</u>		<u>20,79</u>
(d) Earning in Foreign Currency		Nil		Nil

NOTE: XXXV**TREATMENT OF EXCISE DUTY**

Excise duty amounting to ₹ 35,01.13 Lacs (Previous year ₹ 35,67.81 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 Other Expenses forming part of Statement of Profit & Loss.

NOTE: XXXVI**SEGMENT REPORTING**

The Company is engaged in the business of Steel Manufacturing which in context of Accounting Standard-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.

NOTE: XXXVII

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, Ms 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

M/s. Amarjit Goyal HUF, M/s. Krishan Kumar Goyal HUF, M/s. PHI Business Solutions Ltd., M/s. Mala Builders Pvt. Ltd., M/s. Modern Dairies Ltd., M/s. Nabha Commerce Pvt Ltd., (formerly Nabha Finance Private Limited), M/s. Chandigarh Finance Pvt Ltd.

Associates -

M/s. ModernAutomotives Ltd.

B) Transactions with the related parties

	Key Management Personnel	Relatives of Key Management Personnel & their enterprises	₹ in Lacs	Associates
Remuneration including perks	1,32.70 (1,02.01)	-		-
Interest on Unsecured Loan	11.43 (13.91)	4.38 (4.45)		-
Rent	-	10.80 (10.80)		-
Loan taken	62.00 (-)	- (1.70)		-
Loan repaid	74.25 (77.50)	- (8.70)		-
Loan given	-	1,09.05(1,98.96)	10,87.95 (5,95.49)	
Loan received back	-	1,22.69 (-)	15,37.95 (-)	
Investment made	-	-	4,00.00 (-)	
Interest received	-	15.16 (12.29)	78.99 (77.41)	
Share of expenses received	-	23.59 (30.19)	3.65 (-)	
Share of expenses paid	-	0.35 (0.78)		-
Purchase of steel scrap	-	11.20 (12.95)	2,97.09 (2,14.88)	
Purchase others	-	-	2.41 (15.41)	
Sales	-	-	26,73.40 (21,60.84)	

NOTE: XXXVIII

PREVIOUS YEAR FIGURES

Financial Statements for the year ended 31st March, 2011 has been prepared as per then applicable pre-revised schedule VI of the Companies Act, 1956. Consequent to the notification of revised schedule VI under the Companies Act, 1956, the financial statement for the year ended 31st March, 2012 are prepared as per revised schedule VI. Accordingly previous year figures have also been reclassified to confirm to this year classification

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: 18th May, 2012

ASHISH SHARMA

General Manager(Secretarial)
& Company Secretary

D.S. GILL

Director



MODERN STEELS LIMITED

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

GREEN INITIATIVE IN CORPORATE GOVERNANCE

Dear Shareholder,

In case you have not registered your email address for receiving communication from Company in electronic mode, you may submit the Registration Form given herein below to the Share Transfer Agents namely M/s. MCS Limited, F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi 110 020 or to the Company at its office at Modern Steels Limited, S.C.O. 98-99, Sub City Centre, Sector 34, Chandigarh-160 022. Shareholders holding shares in demat mode are requested to register their email address with Depository Participant.

E-COMMUNICATION REGISTRATION FORM

(In terms of circular no. 17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID :

Name of 1st Registered Holder :

Name of Joint Holder(s) :

Registered Address :

E-mail ID (to be registered) :

I/we shareholder(s) of Modern Steels Limited agree to receive communication from the Company in electronic mode. Please register my/our above e-mail id in your records for sending communication through e-mail.

Date:

Signature :

Note : Shareholder(s) are requested to keep the Company / Depository Participant informed as and when there is any change in the e-mail address.

