

39th

**ANNUAL REPORT
2012-13**



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. 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 -----	8
Corporate Governance Report -----	12
Auditor's Report -----	21
Balance Sheet -----	24
Statement of Profit & Loss -----	25
Cash Flow Statement -----	26
Notes -----	27



NOTICE

Notice is hereby given that the 39th Annual General Meeting of the members of Modern Steels Limited will be held on Wednesday, the 11th September, 2013 at 11.00 a.m. at the Registered Office of the Company at G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab -147 301 to transact the following business:-

As Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2013, the Statement of Profit & Loss of the Company for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Prof. Triloki Nath Kapoor who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.L. Talwar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. A. Goel & Associates, Chartered Accountants, are eligible for re-appointment.

As Special Business:

5. To consider and if thought fit, to pass with or without Modification(s) the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956, and other applicable provisions, necessary consents and approvals, if any, approval of the Company be and is hereby given to the re-appointment of Mr. Amarjit Goyal as Whole Time Director of the Company for a period of three years w.e.f. 29th June 2013 on the remuneration and on such terms and conditions as set out in the Explanatory Statement attached hereto and as approved by the Remuneration Committee with the liberty and authority to the Board of Directors of the Company to alter and vary such terms and conditions including remuneration as may be agreed to by the Board of Directors of the Company and Mr. Amarjit Goyal, subject to the conformity with the provisions of the Companies Act, 1956."

6. To consider and if thought fit, to pass with or without Modification(s) the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-

enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with The Bombay Stock Exchange Limited where the shares of the Company are listed and in accordance with the Guidelines/Regulations issued by the Securities and Exchange Board of India (the "SEBI") and other concerned authorities, if required, and subject to such other approvals, consents, permissions and sanctions as may be necessary or required and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any duly authorized Committee thereof for the time being exercising the powers conferred on the Board by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot upto 11,70,000 Warrants of ₹100/- each convertible into 11,70,000 equity shares of face value ₹10/- each at a price of ₹100/- inclusive of premium of ₹90/- per equity share (price being not less than the price calculated as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 of the Company, to the Promoter & Promoter Group/Investor as stipulated in the Explanatory Statement annexed hereto, on preferential basis, in terms of the CDR package sanctioned to the company by the CDR cell vide sanction letter dated 27th April, 2013 at such time or times, in one or more tranches and in such manner and on such terms and conditions as may be decided by the Board of Directors in this behalf.

RESOLVED FURTHER THAT the relevant date as per Clause 71 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 relating to Preferential Issues as amended up to date, for the determination of minimum price, for the issue of Warrants is 12th August, 2013.

RESOLVED FURTHER THAT the issue of Warrants, if any, as above, shall be subject to the following terms and conditions:

- i) The Warrant holders shall, subsequent to the allotment of Warrants, have the discretion to exercise conversion of the Warrants in one or more tranches within the currency of the Warrants which is eighteen months from the date of allotment of Warrants.
- ii) The 11,70,000 Warrants convertible into 11,70,000 equity shares as aforesaid, be allotted to the Promoter & Promoter Group/Investor on payment of 25% of the exercise price.

- iii) The requisite number of shares against the Warrants so allotted, be issued in favour of the Promoter & Promoter Group/Investor:- (a) upon receipt of the balance exercise price from them, as specified above, within the stipulated time of 18 months from the date of allotment of the Warrants and (b) surrender of the Warrants by them to the Company.
- iv) The amount referred in point ii) above shall be non-interest bearing and forfeited, if the option to acquire share is not exercised within a period of 18 months from the date of allotment of Warrants.
- v) The number of Warrants and price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956, and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 for corporate actions such as bonus issue, rights issue, stocks split, merger, de-merger, transfer of undertaking, sale of a division, or any such capital or corporate re-structuring.
- vi) The Equity Shares to be issued and allotted on conversion of Warrants shall be listed and traded on The Bombay Stock Exchange Limited and shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects, including dividends with the existing equity shares of the Company.
- vii) In pursuance of the preferential allotment as aforesaid to the Promoter & Promoter Group/Investor, their pre and post preferential holdings in the Company shall remain locked in for such periods as specified under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- viii) The Board be and is hereby authorized to accept any modification(s) or to modify the terms of issue of the said Warrants or Equity Shares subject to provisions of the Companies Act, 1956 and SEBI Guidelines/Regulations, without being required to seek any further consent or approval of the members of the Company in General Meeting.
- ix) The Warrants as aforesaid be issued to the Promoter & Promoter Group/Investor under the signature of any one of the Directors of the Company and the Secretary of the Company and the common seal of the Company be affixed thereto.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or

appropriate for making the said issue as aforesaid and to settle any question, difficulty or doubt that may arise in this regard and to take such consequential action thereon including the authority to revise/adjust the value/quantum of shares or any portions thereof in such manner as may be considered appropriate by the Board, in the event of such variation being considered expedient as a result of any modification effected by SEBI or other authorities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the aforesaid resolutions."

By order of the Board of Directors

Place : Chandigarh
Dated : 14th August, 2013

Ashish Sharma
GM (Secretarial) &
Company Secretary

NOTES:-

- i) Explanatory Statement under Section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the Meeting is annexed hereto.
- ii) 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.
- iii) The Register of Members and share transfer books of the Company will remain closed from 7th September, 2013 to 11th September, 2013 (both days inclusive) for the purpose of Annual General Meeting.
- iv) Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their addresses, bank details, mandate etc., to their respective Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.
- v) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31st March, 2013, may send their queries at least 10 days before the Annual General Meeting to the Company Secretary at Company's Office at SCO 98-99, Sub City Centre, Sector-34, Chandigarh 160022.
- vi) 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 2005-06 has been transferred to the IEPF.

Members who have not encashed their Dividend warrant(s) for the year 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.

vii) 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.

viii) 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, 2013

Ashish Sharma
GM (Secretarial) &
Company Secretary

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

Mr. Amarjit Goyal has been at the helm of affairs of the Company since inception. His last appointment as Chairman & Whole Time Director was made on 29th June, 2010. Mr. Goyal's present term of office expired on 28th June, 2013. Having regard to his outstanding contribution, experience and inspiring leadership the Board of Directors of the Company has

re-appointed him as Whole Time Director of the Company for a further period of three years w.e.f. 29th June, 2013. The Board of Directors while approving appointment of Mr. Goyal, had also approved remuneration by way of salary, perquisite and other terms & conditions of his appointment, as approved by the Remuneration Committee in its Meeting held on 28th May, 2013 as given herein below :

TERMS & CONDITIONS

A. SALARY:

₹ 2,50,000/- (Rupees Two Lacs Fifty Thousand Only) per month.

B. PERQUISITES:

Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount of ₹50,000/- (Rupees Fifty Thousand Only) per month. Perquisites are classified as follows:

- i) **Accommodation:** The Company shall provide rent free furnished accommodation. All expenses related to housing/house rent shall be borne by the Company.
- ii) **Gas, Electricity and water:** The Company shall provide gas, electricity and water free of cost.
- iii) **Medical Reimbursement:** Expenses incurred for him and his family shall be reimbursed in full.
- iv) **Leave and Leave Travel Concession:** Leave as per rules of the Company. Leave Travel concession for self and family once in a year shall be reimbursed.
- v) **Club Fees:** Fees of the Club subject to a maximum of two clubs.
- vi) **Personal Accident Insurance:** Personal accident insurance of an amount the annual premium of which does not exceed ₹ 20,000/- (Rupees Twenty Thousand Only).

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

C. OTHER TERMS AND CONDITIONS

- I **Contribution to Superannuation Fund and Provident Fund:** As per Company's rules.
- II **Gratuity:** Gratuity payable shall not exceed one half Month's salary for each completed year of service.
- III **Car:** Free use of company's car for company's work as well as for personal purposes alongwith driver.
- IV **Telephone:** Telephone, telefax and other communication facilities at company's cost.
- V **Sitting Fees:** The Whole Time Director shall not be entitled to payment of any sitting fee for attending the Board/Committee of Directors meetings.
- VI **Reimbursement of Expenses:** Reimbursement of all entertainment, traveling, hotel and other expenses

incurred by Mr. Amarjit Goyal during the course of and in connection with the business of the Company.

VII **Others:** Subject to any statutory ceilings, Mr. Amarjit Goyal may be given any other allowances, perquisites and facilities as the Board of Directors may decide from time to time.

The terms and conditions can be varied with mutual agreement of both parties subject however to the stipulation that the changes should be in conformity with the provisions of the Companies Act, 1956 read with Schedule XIII or any amendment thereof.

D. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Whole Time Director shall be paid remuneration by way of salary & perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in Schedule XIII of the Companies Act, 1956, from time to time.

This Explanatory Statement together with the notice may be treated as an abstract of the terms of the agreement and the Memorandum of interest under Section 302 of the Companies Act, 1956.

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

Your Directors commend the resolution as given at Item No. 5 of the notice for your approval.

Memorandum of Interest

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

ITEM NO. 6

In terms of the CDR package sanctioned to the Company vide sanction letter dated 27th April, 2013, the promoters are supposed to arrange ₹ 15.20 Crores as their contribution and out of the said amount ₹ 11.70 Crores has to be brought by way of equity and ₹ 3.50 Crores by way of unsecured loan. Accordingly Promoter & Promoter Group/ Investor propose to subscribe to 11,70,000 convertible warrants on preferential basis which carry the option to convert into equity shares at a price of ₹ 100/- per share (at a premium of ₹ 90/- per share). The members are requested to kindly consider the proposal for allotment of 11,70,000 warrants convertible into equity shares on preferential basis to the following Promoter & Promoter

Group/Investor which would, upon conversion, entitle them to acquire equivalent number of equity shares of face value of ₹ 10/- each at a price of ₹ 100/- per equity share, the price being not less than the price calculated as per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 subject to approval of shareholders at the ensuing Annual General Meeting.

Sr. No.	Name of Proposed Allottee	No. of Warrants Proposed
1	Mr. Amarjit Goyal	90,000
2	Mr. Krishan Kumar Goyal	1,00,000
3	Amarjit Goyal (HUF)	1,00,000
4	Krishan Kumar Goyal (HUF)	2,00,000
5	M/s Indo Pacific Finlease Ltd.	6,80,000
	Total	11,70,000

The following are essential terms and conditions of the Warrants convertible into equity shares:

- i). Each of the Warrants convertible into equity shares shall have a maximum maturity period of 18 months from the date of its issuance during which the holders shall have a right to convert such Warrants into equity shares of your Company, in one or more tranches, at a conversion price of ₹ 100 /- per equity share (including premium of ₹ 90/- per share).
- ii). The Warrants and the shares issued on conversion of the Warrants are locked-in for such period as is necessary in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- iii). The price paid for subscription to the Warrants shall be equal to atleast 25% of the exercise price in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Disclosures in terms of Clause 73 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 on Preferential Issues:

a) The objects of the issue through preferential offer :

As stated above in terms of the CDR package sanctioned to the Company, the promoters are supposed to arrange ₹15.20 Crores as their contribution and out of the said amount ₹ 11.70 Crores has to be brought by way of equity and ₹ 3.50 Crores by way of unsecured loan. Accordingly Promoter & Promoter Group/ Investor propose to subscribe to 11,70,000 convertible warrants on preferential basis which carry the option to convert into equity shares at a price of ₹ 100/- per share (at a premium of ₹ 90/- per share).

**b) Intentions of Promoters / Directors / Key Management Persons to subscribe to the offer :**

Upto 11,70,000 Warrants convertible into equivalent no. of Equity Shares of your Company are being proposed to be issued to Promoter & Promoter Group/ Investor as stipulated above, who shall be subscribing to the issue. No offer will be made to the other Directors/ Key Management Persons of the Company or to any other person.

c) Share holding pattern before the offer :-

Category	No. of Shares	% Holding
A. Promoter & Promoter Group/Investor		
- Proposed Allottees:		
Mr. Amarjit Goyal	10,99,250	8.73%
Mr. Krishan Kumar Goyal	23,96,179	19.03%
Amarjit Goyal (HUF)	2,70,000	2.14%
Krishan Kumar Goyal (HUF)	3,46,000	2.75%
M/s Indo Pacific Finlease Ltd	-	-
- Others	37,37,507	29.68%
SUB TOTAL (A)	78,48,936	62.33%
B. Non Promoter Shareholding		
- Banks	1,000	0.01%
- Mutual Funds	6,000	0.05%
- Non-Resident Individuals	42,450	0.34%
- Bodies Corporate	3,88,048	3.08%
- Indian Public	43,05,925	34.19%
SUB TOTAL (B)	47,43,423	37.67%
GRAND TOTAL (A+B)	1,25,92,359	100.00%

d) Shareholding pattern after the offer :-

In the event that the entire 11,70,000 Warrants issued to the Promoter & Promoter Group/Investor are exercised and converted into equity shares by the Allottees, the Promoters & Promoter Group would hold upto a maximum of 65.53% of the paid up equity share capital of the Company, subject to necessary compliances with the applicable laws and regulations.

e) Proposed time within which the allotment shall be completed :

The proposed issue will be completed within a period of fifteen days from the date of passing of the resolution for issue or within a period of fifteen days from date of receipt of last approval from Regulatory Authority or Central Government as may be required, whichever is later.

f) The identity of the proposed allottee and the percentage of post preferential issue capital that may be held by them :

As already indicated the proposed allottees are the Promoters or belong to the Promoter Group. Their percentage holding post the preferential issue is indicated above.

Section 81(1A) of the Companies Act, 1956 provides that where at any time after the expiry of two years from the formation of the Company or any time after the expiry of one year from the date of allotment of shares in that Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, such shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date. However, in terms of the provisions of section 81(1A), further shares may be offered by a Company to any person whether or not including the existing shareholders of the Company, if a special resolution to that effect is passed by the Company in General Meeting. Consequently therefore, consent of the Members by way of a special resolution is being sought in terms of the provisions of Section 81(1A) of the Companies Act, 1956 for issue of Warrants convertible into equity shares to the Promoter & Promoter Group/ Investor.

Accordingly Special Resolution under Item No. 6 of the Notice is submitted to the Meeting.

A Certificate from the Statutory Auditors of the Company to the effect that the proposed issue of Warrants convertible into equity shares to the Promoter & Promoter Group/ Investor is being made in accordance with the requirements contained in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 shall be placed before the Annual General Meeting.

The proposed resolution also delegates authority and powers in all aspects to finalise and effect the issue to the Board or its Committee constituted for the purpose as it may in its absolute discretion deem fit.

Your Directors commend the resolution as given at Item No. 6 of the notice for your approval.

Memorandum of Interest

Except Mr. Amarjit Goyal, Mr. Krishan Kumar Goyal and Mr. Aditya Goyal, no other Director is either concerned or interested in the aforesaid resolution.

By order of the Board of Directors

Ashish Sharma
GM (Secretarial) &
Company Secretary

Place : Chandigarh
Dated : 14th August, 2013

Information regarding details of the Directors seeking Re-appointment in Annual General Meeting fixed on 11th September, 2013 pursuant to Clause 49 of the Listing Agreement

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

Date of Birth : 2nd June, 1932

Date of Appointment : 1st August, 1992

Expertise in specific functional area : Prof. Triloki Nath Kapoor possesses a diverse and wide ranging experience and knowledge of corporate affairs having been associated as independent / non-executive / nominee Director with several well known public limited companies for the past over 35 years. An eminent management advisor and educationist of over 48 years standing, Prof. Kapoor's subject areas of specialization include Corporate Management Policy, Finance and Human Resource Management.

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

List of outside Directorships held :

OmaxAutos Ltd.

Swaraj Engines Ltd.

Sterling Tools Ltd.

KDDL Ltd.

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

Audit Committee - Member

Investor Grievances Committee - Chairman

Remuneration Committee - Chairman

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

i. OmaxAutos Ltd.

Investor Grievances Committee - Chairman

Audit Committee - Member

ii. Swaraj Engines Ltd.

Investor Grievances Committee - Chairman

Audit Committee - Member

iii. Sterling Tools Ltd.

Investor Grievances Committee - Chairman

Audit Committee - Member

iv. KDDL Ltd.

Audit Committee - Chairman

Shareholding in the Company: As on 31st March, 2013, Prof. Kapoor is holding Nil equity shares of the Company.

2. Name of the Director : Mr. P.L. Talwar

Date of Birth : 10th April, 1946

Date of Appointment : 27th September, 2008

Expertise in specific functional area : Mr. P.L. Talwar joined the Company as Senior General Manager on 22nd May, 2006. He was elevated as Chief General Manager w.e.f. 3rd September, 2007 and on 27th September, 2008 was appointed as Director (Operations) of the Company and thereafter has been managing the operations of the works. He is having vast experience of 46 years in the industry.

Qualification: B.Sc Engineering (Metallurgy)

List of outside Directorships held : NIL

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

Allotment Committee - Member

Banking & Finance Committee - Member

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

Shareholding in the Company: As on 31st March, 2013, Mr. Talwar is holding Nil equity shares of the Company.

3. Name of the Director : Mr. Amarjit Goyal

Date of Birth : 21st September, 1935

Date of Appointment : 19th November, 1973

Expertise in specific functional area : Mr. Amarjit Goyal is Promoter-Director of the Company. He is a well known personality in the Indian Iron & Steel Industry, having experience in manufacturing, Rolling & marketing of Iron & Steel products. He has rich experience of Management and Administration. He holds the office of Chairman & Whole Time Director of the Company

Qualification: F.Sc.

List of outside Directorships held :

Bharat Forgings Pvt. Ltd.

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

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

Shareholding in the Company: As on 31st March, 2013, Mr. Amarjit Goyal is holding 10,99,250 equity shares of the Company.

**DIRECTORS' REPORT**

To

The Members
Modern Steels Limited

Dear Members,

Your Directors hereby present their 39th Annual Report and audited accounts of the Company for the year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

	₹ in Lacs	
	Year Ended 31.03.2013	Year Ended 31.03.2012
Gross Sales	29352	37297
Excise Duty	3216	3501
Net Sales & Income from Operations	26136	33796
Operating Profit	(95)	598
Interest	1444	1584
Cash Profit/ (Loss)	(1539)	(986)
Depreciation	468	441
Profit/(Loss) before Tax	(2007)	(1427)
Net Profit / (Loss)	(1372)	(981)

PERFORMANCE

During the year under review, the Company achieved Gross Sales of ₹ 293.52 Crores as compared to ₹ 372.97 Crores in the previous year. The Company has reported a Net Loss of ₹ 13.72 Crores as compared to Net Loss of ₹ 9.81 Crores in the previous year.

This fiscal year also witnessed the slowdown in the domestic market and turmoil in the global market which has impacted the performance of the steel sector in the country. Further due to the continuous high rate of interest and the tight liquidity position in the market the demand in automobile sector was impacted which has direct bearing on the performance of your Company.

The cost of inputs and raw material continued to rise and because of sluggish market the said increase could not be passed on to the customer which affected the Company in terms of volumes and the margins which lead to the present difficult financial position.

DIVIDEND

Due to the present difficult financial position and the losses suffered by the Company, your Directors have not recommended any dividend for the year.

DEBT RESTRUCTURING BY THE CDR

Due to the difficult fiscal position, the Company applied to its bankers for restructuring of its loans under CDR mechanism and accordingly bankers approved and

sanctioned CDR package to the Company. The Company has been sanctioned a fresh term loan of ₹ 25.50 Crores in addition to the creation of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) and reschedulement of the existing term loans.

The promoters are supposed to arrange ₹ 15.20 Crores by way of unsecured loan / equity as their contribution to the said CDR package.

ISSUE OF WARRANTS ON PREFERENTIAL BASIS TO PROMOTER & PROMOTER GROUP / INVESTOR

Your Company is in the process of allotting 11,70,000 warrants @ ₹ 100/- each (at a premium of ₹ 90/- per warrant) to the promoter and promoter group / investor in terms of SEBI (Issue of Capital and Disclosure Requirement), Regulations 2009, to be converted into equal number of equity shares upon exercise of option within a period of eighteen months from the date of allotment.

PROJECTS

Your Company under the CDR has undertaken to upgrade its existing facilities and add on new facilities with an approx. capex of around ₹ 37.20 Crores. Accordingly your Company has initiated and has started working on the said proposals.

CURRENT OPERATIONS

During the first quarter, the Company has achieved Gross Sales of ₹ 74.58 Crores as compared to ₹ 85.43 Crores in the same period, in the previous year. It has incurred loss of ₹ 2.46 Crores as compared to loss of ₹ 6.93 Crores in the same quarter, previous year.

The current year continues to be challenging one affecting the Company's performance. As your Company depends on import of scrap in volumes, the continuous rupee depreciation has affected the financials of your Company.

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. Amarjit Goyal was appointed as Whole Time Director & Chairman of the Company on 29th June, 2010 for a period of three years. His present term expired on 28th June, 2013. The Board in its meeting held on 28th May, 2013 re-appointed him for another period of three years w.e.f. 29th June, 2013, subject to the approval of the shareholders at the ensuing Annual General Meeting.

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

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

Mr. Partap K. Aggarwal, Director resigned from directorship w.e.f 10th February, 2013 due to his personal commitments. The Board placed on record its appreciations for the services rendered by Mr. Aggarwal during his tenure as Director of the Company.

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 2013-14 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 ₹ 441.10 Lacs (Previous year ₹ 261.44 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, 2013, 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, 2013 and loss of the Company for the year ended 31st March, 2013;

- 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, 2013

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 slow down in the domestic economy and the continuous turmoil in the global market affected the performance of the steel sector in the country. Due to the high rate of interest and the continuous liquidity issues has affected the demand in automobile sector.

The cost of inputs and raw material continue to rise which could not be passed on to the customer and the volumes and margins were under pressure which further aggravated with the depreciation of rupee.

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

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.
- 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

Dependence on imports for raw material and volatility of foreign currency is the main concern of management. High cost of power and numerous power cuts is another area of concern for management.

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 ₹ 293.52 Crores as compared to ₹ 372.97 Crores in the previous year. The Company has reported a Net Loss of ₹ 13.72 Crores as compared to Net Loss of ₹ 9.81 Crores in the previous year.

This fiscal year also witnessed the slowdown in the domestic market and the turmoil in the global market which has impacted the performance of the steel sector in India. Further due to the continuous high rate of interest and the tight liquidity position the demand in automobile sector was impacted which has direct bearing on the performance of your Company.

The cost of inputs and raw material continued to rise and because of sluggish market the said increase could not be passed on to the customer, which affected the Company in terms of volumes and the margins which lead to the difficult position.

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. Company's manpower was rationalized keeping in view of less equipment utilization.

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 GOYALDated: 14th August, 2013

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	66,71,439	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

AMARJIT GOYALDated : 14th August, 2013

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, 2013.

FORM 'A'

A) POWER AND FUEL CONSUMPTION

	Current Year 2012-13	Previous Year 2011-12
1. Electricity		
Purchased Units (kwh)	4,81,78,000	6,16,13,000
Total Amount ₹	30,93,92,130	33,41,66,047
Rate Per unit ₹	6.42	5.42
2. Furnace Oil		
Quantity (Kgs)	30,29,836	40,78,902
Total Amount ₹	12,76,71,442	15,40,99,835
Rate Per Unit ₹	42.14	37.78
3. Propane Gas		
Quantity (Kgs)	82,526	12,117
Total Amount ₹	38,63,889	5,42,220
Rate Per Unit ₹	46.82	44.75

B) CONSUMPTION PER UNIT OF PRODUCTION

1. Production (Concast Billets) MT	32,534	51,789
a. Electricity Units	831	800
b. Furnace Oil (Kgs)	21.28	20.29
2. Production (Ingots) MT	23,268	21,294
a. Electricity Units	699	674
b. Furnace Oil (Kgs)	2.62	1.89
3. Production (Rolled Products with Oil) MT	43,947	51,874
Production (Rolled Products with Gas) MT	2,123	401
a. Electricity Units	94	100
b. Furnace Oil (Kgs)	51.80	57.58
c. Propane Gas (Kgs)	38.87	30.22

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

The Company has upgraded its production facilities in Rolling Mills and Bright Bar. Also Coal Gassifier has been added for replacing costly heating media in the Reheating Furnaces of Rolling Mills.

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, 2013

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, integrity and passion. 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, 2013 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 Executive - 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. Ramesh C. Jain	Non Executive - Independent Director	2	4	-	2	Yes
Mr. Aditya Goyal	Non Executive - Non Independent Director	3	2	-	-	No
Mr. P.L. Talwar	Director (Operations) Executive - Non Independent Director	5	-	-	-	Yes
Mr. Partap K. Aggarwal*	Non Executive - Independent Director	4	NA	NA	NA	Yes

Disclosure of change :-

* Mr. Partap K. Aggarwal, Director expressed his inability to continue as a Director of the Company due to his pre occupations and hence resigned w.e.f. 10th February, 2013.

B. Board Meeting and Attendance

During the financial year ended 31st March, 2013, 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.	18 th May, 2012	8	6
2.	14 th August, 2012	8	7
3.	24 th September, 2012	8	8
4.	10 th November, 2012	8	7
5.	10 th February, 2013	7	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 and Prof. Triloki Nath Kapoor.
- 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 18th May, 2012, 14th August, 2012, 10th November, 2012 and 10th February, 2013. The status of attendance of members at the Audit Committee meetings was as under:-

Name of Director	No. of Meetings attended during 2012-2013
Mr. D.S. Gill	4
Prof. Triloki Nath Kapoor	4
Mr. Partap K. Aggarwal*	3

* Mr. Partap K. Aggarwal, Director expressed his inability to continue as a Director of the Company due to his pre occupations and hence resigned w.e.f. 10th February, 2013, the Company is in the process of appointing a Director in place of Mr. Partap K. Aggarwal.

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

* Mr. Partap K. Aggarwal, Director expressed his inability to continue as a Director of the Company due to his pre occupations and hence resigned w.e.f. 10th February, 2013. Your Company is in the process of appointing a Director in place of Mr. Partap K. Aggarwal.
During the year, no meeting of the Remuneration Committee was held.

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 and contributions 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, 2013

Name of the Director	Amount in ₹					
	Salary	Benefits	Perquisites	Stock Option	Sitting Fee	Total
Mr. Amarjit Goyal	21,00,000	2,73,600	-	-	-	23,73,600
Mr. Krishan Kumar Goyal*	60,00,000	9,360	6,62,079	-	-	66,71,439
Prof. Triloki Nath Kapoor	-	-	-	-	1,30,000	1,30,000
Mr. D.S. Gill	-	-	-	-	90,000	90,000
Mr. Ramesh C. Jain	-	-	-	-	30,000	30,000
Mr. Aditya Goyal**	2,00,000	780	-	-	30,000	2,30,780
Mr. P.L. Talwar	18,00,000	1,59,354	1,45,125	-	-	21,04,479
Mr. Partap K. Aggarwal***	-	-	-	-	70,000	70,000

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

*** Mr. Partap K. Aggarwal, Director expressed his inability to continue as a Director of the Company due to his pre occupations and hence resigned w.e.f. 10th February, 2013.

Mr. D.S. Gill is holding 500 equity shares in the Company and Mr. Aditya Goyal is holding 7,95,590 equity shares in the Company. No other Non-Executive Director is holding any shares in the Company as on 31st March, 2013.

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 18th May, 2012, 14th August, 2012, 10th November, 2012 and 10th February, 2013.

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
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.
2011-12	Regd.office: G.T. Road, Mandi Gobindgarh (Pb)	24.09.2012	11.30 a.m.

Special Resolutions passed in previous three AGMs:

- (i) 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.
- (ii) 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 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 : Wednesday, the 11th September, 2013 at 11.00 a.m.
 Venue : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

2. Financial Calendar for:-

Adoption of Quarterly Results Ended	In the Month of (tentative)
30 th June, 2013	14 th August, 2013 (Already held)
30 th September, 2013	November, 2013 (2 nd week)
31 st December, 2013	February, 2014 (2 nd week)
31 st March, 2014	May, 2014 (2 nd week)
Annual General Meeting	By September, 2014

3. Book Closure Date:-

From 7th September, 2013 to 11th September, 2013 (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
2012							
April	16.40	12.00	13.12	37,819	17,664.10	17,010.16	17,318.81
May	14.70	11.50	13.50	28,163	17,432.33	15,809.71	16,218.53
June	15.70	12.21	13.25	16,754	17,448.48	15,748.98	17,429.98
July	14.80	11.15	11.80	64,256	17,631.19	16,598.48	17,236.18
August	12.84	11.20	11.21	15,058	17,972.54	17,026.97	17,429.56
September	13.50	9.30	13.18	29,809	18,869.94	17,250.80	18,762.74
October	15.30	11.30	12.90	37,002	19,137.29	18,393.42	18,505.38
November	14.55	12.00	12.54	20,574	19,372.70	18,255.69	19,339.90
December	14.35	12.15	13.94	42,580	19,612.18	19,149.03	19,426.71
2013							
January	14.90	11.24	11.50	29,984	20,203.66	19,508.93	19,894.98
February	12.69	9.18	9.47	18,480	19,966.69	18,793.97	18,861.54
March	10.05	7.01	7.31	26,589	19,754.66	18,568.43	18,835.77



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, 2013:-

Category	No. of shares held	%age of shareholding
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)	3,90,337	3.10
Indian Public	43,02,636	34.17
NRIs/OCBs	43,450	0.34
TOTAL	1,25,92,359	100.00

9. Distribution of Shareholding as on 31st March, 2013:-

SHAREHOLDING		SHAREHOLDERS		NO. OF SHARES	
From	To	Number	% of total	Number	% of total
upto	5000	6,368	88.15	14,50,740	11.52
5001	10000	440	6.09	3,58,858	2.85
10001	20000	218	3.02	3,13,623	2.49
20001	30000	50	0.69	1,27,621	1.01
30001	40000	29	0.40	1,03,254	0.82
40001	50000	16	0.22	72,019	0.57
50001	100000	46	0.64	3,27,942	2.60
100001	and above	57	0.79	98,38,302	78.13
TOTAL		7,224	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, 2013.

No. of Shares	89,81,604	71.33% of the total Share Capital.
---------------	-----------	------------------------------------

11. Plant Location of the Company:-

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

12. Investors Correspondence Address:-

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

i) **Modern Steels Limited**

Corporate Office: SCO 98-99, Sub City Centre, Sector 34, Chandigarh-160022

Tel.: +91-172-2609001, 2609002, 2609003, Fax.: +91-172-2609000

E-mail: secretarial@modernsteels.com, Company's Website: www.modernsteels.com

ii) **M/s.MCS Limited**

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

Tel.No. : +91-11- 41406149 , Fax No.: +91-11- 41709881,

E-mail : admin@mcsdel.com, Website: www.mcsdel.com

Declaration under Clause 49.I (D)(ii) by the Executive Director, of affirmation by the Board of 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 : 28th May, 2013

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, 2013, 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, 2013 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, 2013

Neeraj Jindal
Partner

AUDITOR'S REPORT

To

The Members,
Modern Steels Ltd.
MANDI GOBINDGARH

Dear Members,

Report on the Financial Statements

We have audited the accompanying financial statements of MODERN STEELS LIMITED, MANDI GOBINDGARH which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other Explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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, 2013;
- (b) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Companies Act, 1956, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Place : Chandigarh
Dated : 28th May, 2013

NEERAJ K JINDAL
Partner
M. No. 515077

**ANNEXURE TO THE AUDITORS'S REPORT**

The Annexure referred to in our report to the members of the company for the year ended 31st March, 2013. To the best of our knowledge and belief and information & explanation 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 ₹ 3.45 crore & year end outstanding is ₹ 2.14 crore.
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 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.
e) The Company has taken unsecured loan from two companies and eight parties during the year. The maximum amount involved during the year is ₹ 4.18 crores and year end outstanding is ₹ 4.18 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 an adequate internal control system 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.
5. 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 came across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.
To the best of our knowledge and belief and according to the information and explanations given to us we are of the opinion that the transactions need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or other Tribunal.
7. In our opinion the Company's present internal audit system is commensurate with its size and nature of business.
8. On the basis of records produced to us, we are of the opinion that prima facie the cost records prescribed by the Central Government of India under Section 209(1) (d) of the Companies Act, 1956 have been made & maintained. We have not carried out any detailed examination of such Account & records.
9. (a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, undisputed statutory dues in respect of Provident Fund, Employee's State Insurance dues, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues have generally been regularly deposited by the Company during the year with the appropriate authorities in India and there were no arrear outstanding in respect of above for a period of more than six month as on 31st March, 2013.
(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 ₹ 1.93 crore. 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	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	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	COMMISSIONER (APPEALS), CHANDIGARH	2004-05	5,16,272
CUSTOMS DUTY			
CUSTOMS ACT 1962	CESTAT, AHMEDABAD	2004-05	25,35,450
INCOME TAX			
INCOME TAX ACT 1961	INCOME TAX APPELLATE TRIBUNAL, CHANDIGARH	A/Y 2005-06 & 2006-07	1,64,482

10. The Company has no accumulated losses as at 31st March, 2013. It has suffered cash loss during the financial year ended on that date and also 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 has not issued any debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special / statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it.
14. The Company has not dealt or traded in shares, securities debentures or other securities during the year.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans have been applied for the purpose for which they were raised during the year.
17. On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short term basis have not been used for long term investment.
18. According to the information and explanation given to us. During the year the company has 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

NEERAJ K JINDAL
Partner
M. No. 515077

Place : Chandigarh
Dated : 28th May, 2013



BALANCE SHEET AS AT 31ST MARCH, 2013

Particulars	Notes	31 st March, 2013		31 st March, 2012	
		₹ in Lacs		₹ in Lacs	
EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	II	13,23		13,23	
Reserves and Surplus	III	<u>20,99</u>	34,22	<u>34,71</u>	47,94
Non-current Liabilities					
Long Term Borrowings	IV	64,21		17,00	
Deffered Tax Liabilities	V	-		85	
Other Long Term Liabilities	VI	3		3	
Long-Term provisions	VII	<u>1,92</u>	66,16	<u>1,93</u>	19,81
Current Liabilities					
Short Term Borrowings	VIII	48,85		89,33	
Trade payables	IX	28,68		29,51	
Other Current Liabilities	X	4,50		12,04	
Short-Term provisions	XI	<u>50</u>	<u>82,53</u>	<u>38</u>	<u>1,31,26</u>
TOTAL			<u>1,82,91</u>	<u>1,99,01</u>	
ASSETS					
Non-Currents assets					
Fixed Assets					
Tangible Assets	XII	52,75		50,19	
Intangible Assets	XII	22		43	
Capital Work-in-Progress	XII	1,31		3,60	
Non Current Investment	XIII	7,03		7,03	
Deffered Tax Asset	V	5,50		-	
Long Term Loans and advances	XIV	5,82		6,32	
Other Non Current Assets	XV	<u>63</u>	73,26	<u>61</u>	68,18
Current Assets					
Inventories	XVI	40,61		48,14	
Trade Receivables	XVII	53,11		68,98	
Cash and Bank Balances	XVIII	5,17		4,70	
Short Term Loans & Advances	XIX	5,24		8,65	
Other Current Assets	XX	<u>5,52</u>	<u>1,09,65</u>	<u>36</u>	<u>1,30,83</u>
TOTAL			<u>1,82,91</u>	<u>1,99,01</u>	
Significant Accounting Policies I					
The Notes I to XXXVII 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

NEERAJ K JINDAL

Partner

M. No. 515077

Place: Chandigarh

Dated: 28th May, 2013

MUKESH SEHGAL

G.M. (Corporate Finance)

& CFO

ASHISH SHARMA

General Manager (Secretarial)

& Company Secretary

KRISHAN KUMAR GOYAL

Director

D.S.Gill

Director

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Notes	31 st March, 2013 ₹ in Lacs	31 st March, 2012 ₹ in Lacs
REVENUE			
Revenue from Operations (Gross)	XXI	2,93,52	3,72,97
Less: Excise Duty		<u>32,16</u>	<u>35,01</u>
Revenue from Operations (Net)		2,61,36	3,37,96
Other Income	XXII	<u>4,61</u>	<u>3,41</u>
Total Revenue		<u>2,65,97</u>	<u>3,41,37</u>
EXPENSES			
Cost of materials consumed	XXIII	1,69,29	2,19,51
Changes in inventories of finished goods, work-in-progress	XXIV	7,82	7,01
Employee benefits expense	XXV	12,65	13,49
Finance Costs	XXVI	16,77	19,23
Depreciation and Amortisation expense	XII	4,68	4,41
Other expenses	XXVII	74,87	91,87
Prior period items	XXVIII	<u>(4)</u>	<u>12</u>
Total Expenses		<u>2,86,04</u>	<u>3,55,64</u>
Profit /(Loss) before Tax		(20,07)	(14,27)
Tax Expense:			
-- Deferred Tax Asset / (Liability)		6,35	4,45
-- Previous Year Tax adjustment a/c		<u>-</u>	<u>(1)</u>
Profit/(Loss) for the year		<u>(13,72)</u>	<u>(9,81)</u>
Earning Per Share (Face Value ₹ 10 per share) Basic & Diluted (in ₹)		(10.90)	(7.79)
Significant Accounting Policies			
I			
The Notes I to XXXVII 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
G.M. (Corporate Finance)
& CFO

KRISHAN KUMAR GOYAL
Director

NEERAJ K JINDAL
Partner
M. No. 515077

ASHISH SHARMA
General Manager (Secretarial)
& Company Secretary

D.S. GILL
Director

Place: Chandigarh
Dated: 28th May, 2013



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	31 st March, 2013 ₹ in Lacs	31 st March, 2012 ₹ in Lacs
Cash Flow from Operating Activities :		
Net Profit/(Loss) after tax	(13,72)	(9,81)
Adjusted for :		
Depreciation	4,68	4,41
Profit on Sale of Fixed Assets	-	(1)
Deferred Tax Liability	(6,35)	(4,45)
Provision for taxation	-	(1)
Finance Cost	16,77	19,24
Net Gain/Loss on sale of investment	-	(1)
Interest Income	(4,35)	(3,40)
	<u>10,75</u>	<u>15,77</u>
Operating profit before working capital changes	(2,97)	5,96
Adjusted for :		
Inventories	7,53	2,38
Trade & Other receivables	15,03	8,25
Trade Payable & Other Liabilities	(8,25)	4,57
	<u>14,31</u>	<u>15,20</u>
Cash Generated from Operations	11,34	21,16
Taxes Paid	(43)	(1,39)
Net Cash outflow from Operating Activities (A)	<u>10,91</u>	<u>19,77</u>
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4,95)	(5,71)
Sale/ Adjustment of Fixed Assets	22	4
Purchase of Investments	-	(4,00)
Sale of Investments	-	1
Interest Income	4,35	3,40
Net Cash used In Investing Activities (B)	<u>(38)</u>	<u>(6,26)</u>
Cash Flow from Financing Activities		
Net Increase (Decrease) in Long Term Borrowings Incl Amount Carved out from Cash Credit.	47,19	(5,73)
Net Increase (Decrease) in Short Term Borrowings Incl Converted into Working Capital Term Loans	(40,48)	12,05
Finance Cost	(16,77)	(19,24)
Net cash from Financing activities (C)	<u>(10,06)</u>	<u>(12,92)</u>
Net increase/decrease in Cash & Cash Equivalent (A+B+C)	<u>47</u>	<u>59</u>
Cash & Bank Balances as on 31st March, 2012	<u>4,70</u>	<u>4,11</u>
Cash & Bank Balances as on 31st March, 2013	<u>5,17</u>	<u>4,70</u>

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
G.M. (Corporate Finance)
& CFO

KRISHAN KUMAR GOYAL
Director

NEERAJ K JINDAL
Partner
M. No. 515077

ASHISH SHARMA
General Manager (Secretarial)
& Company Secretary

D.S. GILL
Director

Place: Chandigarh
Dated: 28th May, 2013

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**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, whichever is lower. The cost in respect of various items of inventory is computed as under:-

- i) In case of Raw-material 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.

Fresh Stocks of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT, Service tax, VAT). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and Used Stocks is 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 profit & loss account relating to current assets & current liabilities. Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India 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.

Current 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, 2013. 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, 2013, 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, 2013		As at 31 st March, 2012	
	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)	A	12,59		12,59
Forfeited Warrants (Amount paid up)		1		1
		63		63
	B	64		64
	(A+B)	13,23		13,23

a) **Reconciliation of the number of equity shares:-**

	No. of Shares	No. of Shares
Number of equity shares at the beginning and at the end of the year	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	14,88,840	12,32,590
3. Amarjit Goyal	10,99,250	10,99,250
4. Nabha Commerce Pvt. Ltd.	8,37,750	8,37,750
5. Aditya Goyal	7,95,590	7,95,590
	<u>66,17,609</u>	<u>63,61,359</u>


d) Forfeiture of share warrants

In the F.Y. 2011-12, the amount paid up on 7,71,641 warrants @ ₹ 8.25/- (Per warrant) of ₹ 63.66 lacs stands forfeited.

NOTE : III
RESERVES & SURPLUS

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Securities Premium Account (Balance at the beginning and at the end of Year)	2,89	2,89
General Reserve (Balance at the beginning and at the end of Year)	24,97	24,97
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance at the beginning of year	6,85	16,66
Add/Less: Transferred from Statement of Profit & Loss	(13,72)	(9,81)
Balance at the end of the year	(6,87)	6,85
Total	20,99	34,71

NOTE : IV
LONG TERM BORROWINGS

Particulars	NON CURRENT		CURRENT MATURITIES	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
SECURED BORROWINGS				
From Banks				
(a). Term Loans	16,40	14,26	-	3,51
(b). Working Capital Term Loans	39,50	14	-	2,23
(c). Funded Interest Term Loans	3,90	-	-	-
Total (A)	59,80	14,40	-	5,74
UNSECURED BORROWINGS				
From Related Parties	4,18	2,27	-	-
From Others	23	33	-	-
Total (B)	4,41	2,60	-	-
Amount disclosed under "Other Current Liabilities" (Refer Note X)	-	-	-	(5,74)
Total (A)+(B)	64,21	17,00	-	5,74

Details of Securities :-

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 entire 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.

Working Capital Term Loans and/or Funded Interest 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. The Working Capital Term Loan and/ or Funded Interest Term Loan from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala are also secured by way of second charge on all the current assets of the Company.

Guarantee by Directors & others:-

Aggregate amount of Secured Long Term Borrowings are guaranteed by Chairman, Managing Director and a Director and Corporate Guarantee of Chandigarh Finance Pvt. Ltd. are as follows:

TERM LOANS	:	16,40.39 Lacs (17,76.49 Lacs)
WCTL	:	39,50.00 Lacs (2,36.34 Lacs)
FITL	:	3,90.30 Lacs (Nil)

Terms of Repayment :-

Pursuant to the rework proposal approved under the corporate debt restructuring (CDR) scheme by CDR Empowered Group and sanctioned by respective banks* under the consortium, following interest rates and schedules of repayment have been agreed with the Company.

Term Loans @ 16% pa. (₹ in Lacs)

Name of Bank	Amount	Financial year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Outstanding	No of instalment in a year	-	3	4	4	4	4	4	4	1
State Bank of India	10,14.67	Annual instalment amount	-	1,09.00	1,45.00	1,45.00	1,45.00	1,45.00	1,45.00	1,45.00	36.00
Punjab National Bank	4,00.00	Annual instalment amount	-	43.00	57.00	57.00	57.00	57.00	57.00	57.00	15.00
Canara Bank	2,25.72	Annual instalment amount	-	24.00	32.00	32.00	32.00	32.00	32.00	32.00	10.00

* PNB Bank financial Approval is still awaited as on 31st March, 2013

Working Capital Term Loans (WCTL) @ 10.50 % pa. (₹ in Lacs)

Name of Bank	Amount	Financial year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Outstanding	No of instalment in a year	-	-	4	4	4	4	4	4	4
State Bank of India	18,00.00	Annual instalment amount	-	-	2,57.14	2,57.14	2,57.14	2,57.14	2,57.14	2,57.14	2,57.16
Punjab National Bank	10,00.00	Annual instalment amount	-	-	1,42.85	1,42.85	1,42.85	1,42.85	1,42.85	1,42.85	1,42.90
Canara Bank	8,00.00	Annual instalment amount	-	-	1,14.28	1,14.28	1,14.28	1,14.28	1,14.28	1,14.28	1,14.32
State Bank of Patiala	3,50.00	Annual instalment amount	-	-	50.00	50.00	50.00	50.00	50.00	50.00	50.00

Funded Interest Term Loans (FITL) @ 10.50 % pa. (₹ in Lacs)

Name of Bank	Amount	Financial year	2013-14	2014-15	2015-16	2016-17	2017-18
	Outstanding	No of instalment in a year	-	-	4	4	4
State Bank of India	2,02.46	Annual instalment amount	-	-	75.00	75.00	52.46
Punjab National Bank	98.04	Annual instalment amount	-	-	36.00	36.00	26.04
Canara Bank	40.98	Annual instalment amount	-	-	15.42	15.42	10.14
State Bank of Patiala	48.82	Annual instalment amount	-	-	19.28	19.28	10.26

Working Capital Term Loan (WCTL)

The amount of Working Capital Term Loan has been carved out of existing cash credit limits and same is repayable in 28 quarterly structured instalments commencing from 30th June, 2015.

Funded Interest Term Loan (FITL)

Interest on Term Loans & Working Capital Term loans will be converted in FITL with the Maximum amount of ₹ 10.20 Crores. The repayment of 28 quarterly structured instalments will be commencing from 30th June, 2015.

Other Loans (Unsecured Borrowings)

Unsecured borrowings from related parties & others amounting ₹ 4,41.10 lacs are due for payment on 30th March, 2015.

**NOTE : V****DEFERRED TAX LIABILITY /(ASSET)**

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
A) Deferred Tax Liability		
Accumulated Depreciation	6,51	6,13
Total (A)	<u>6,51</u>	<u>6,13</u>
B) Deferred Tax Asset		
Gratuity u/s 40 A (7)	78	74
Accumulated Losses	9,80	4,13
Bonus & FITL u/s 43B	1,44	41
Total (B)	<u>12,01</u>	<u>5,28</u>
Net (A-B)	<u>(5,50)</u>	<u>85</u>

NOTE : VI**OTHER LONG TERM LIABILITIES**

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Securities Received	3	3
Total	<u>3</u>	<u>3</u>

NOTE : VII**LONG TERM PROVISIONS**

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Provision for employee benefits		
Gratuity	1,92	1,93
Total	<u>1,92</u>	<u>1,93</u>

The Company has adopted Accounting Standard AS 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 of benefit have been reworked as on 31st March, 2013, based on the following assumptions.

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
A) Actuarial Assumptions:		
Discount Rate (per annum)	8.00%	8.50%
Rate of increase in compensation levels	5.50%	6.00%
Rate of return on plan assets	-	-
Expected average remaining working (Lives of employees (year))	21.98	22.37
B) Table showing changes in present value of obligations:		
Present Value of Obligation as at the beginning of the year	2,28	1,99
Acquisition adjustment	-	-
Interest Cost	18	17
Past Service Cost-vested	-	-
Current Service Cost	26	25
Curtailement Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefits Paid	(26)	(19)
Actuarial (gain)/loss on obligations	(5)	6
Present Value of Obligation as at the end of the year	2,41	2,28
C) Actuarial Gain/Loss Recognized:		
Actuarial (gain)/loss for the year – Obligation	(5)	6
Actuarial (gain)/loss for the year – Plan Assets	-	-
Total (gain)/loss for the year	(5)	6
Actuarial (gain)/loss recognized in the year	(5)	6
Unrecognized actuarial (gains)/losses at the end of year	-	-
D) The amounts to be recognized in Balance Sheet and Statement of Profit & Loss:		
Present Value of Obligation as at the end of the year	2,41	2,28
Fair Value of Plan Assets as at the end of the year	-	-
Funded Status	(2,41)	(2,28)
Unrecognized Actuarial (gains)/losses	-	-
Net Asset/(Liability) recognized in Balance Sheet	(2,41)	(2,28)
E) Expenses recognized in the Statement of Profit & Loss:		
Current Service Cost	26	25
Past Service Cost – vested	-	-
Interest Cost	18	17
Expected Return on Plan Assets	-	-
Curtailement Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/Loss recognized in the year	(5)	6
Expenses Recognized in the Statement of Profit & Loss	38	48
F) Bifurcation of PBO at the end of year		
Current Liability (Amount due within one year)	49	36
Non -Current Liability (Amount due over one year)	1,92	1,93
Total PBO at the end of year	2,41	2,29



NOTE : VIII

SHORT TERM BORROWINGS

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
SECURED BORROWINGS		
a) Loans repayable on demand: -		
- From Banks	37,97	76,01
b) Loans repayable within 12 months		
- From Banks		
Buyer's Credit	10,88	13,32
Total	48,85	89,33

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 entire Fixed Assets of the Company.

Working Capital Borrowings such as Buyer's Credit from State Bank of India, Canara Bank 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.

Guarantee by Directors & Others:-

Aggregate amount of Secured Short Term Borrowings guaranteed by Chairman, Managing Director & a Director and Corporate Guarantee of Chandigarh Finance Pvt Ltd are as follows:

Cash Credit	37,97 (76,01)
Buyer's Credit	10,88 (13,32)
Letter of Credit Issued By Banks	30,36 (27,88)

NOTE : IX

TRADE PAYABLES

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
- Dues to Micro, Small & Medium Enterprises	5	21
- Dues to Others	27,62	28,41
Employee Related Payables	1,01	89
	28,68	29,51

Dues to micro, small and medium enterprises pursuant to Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

Principal amount remaining unpaid under MSMED Act 2006	5	21
Interest accrued and remaining unpaid	-	-
	5	21

NOTE : X**OTHER CURRENT LIABILITIES**

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Current maturities of Long Term Borrowings	-	5,74
Interest accrued but not due on borrowings	-	13
Interest accrued and due on borrowings	-	23
Other Payables		
Advances from Customer	3	21
Expenses payables	3,09	3,71
Government dues payables	1,38	2,02
Total	<u>4,50</u>	<u>12,04</u>

NOTE : XI**SHORT TERM PROVISIONS**

Particulars	As at	As at
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Provision for Employee benefits		
Gratuity (Refer Note VII)	49	36
Others		
Provision for Wealth Tax	1	2
Total	<u>50</u>	<u>38</u>



MODERN STEELS LIMITED

NOTE : XII

FIXED ASSETS

₹ in Lacs

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1 st Apr, 2012	Addi- tions	Sales/ Adjust- ments	As at 31 st Mar, 2013	Upto 31 st Mar, 2012	During the year	Sold/ Adjust- ments	Upto 31 st Mar, 2013	As at 31 st Mar, 2013	As at 31 st Mar, 2012
TANGIBLE ASSETS										
Land	25	-	-	25	-	-	-	-	25	25
Buildings	11,97	-	-	11,97	3,21	36	-	3,57	8,40	8,76
Plant & Machinery	75,42	7,23	34	82,31	36,06	3,82	14	39,74	42,57	39,36
Office Equipment	1,23	1	-	1,24	68	4	-	72	52	55
Furniture	1,09	-	-	1,09	72	5	-	77	32	37
Vehicles	2,28	-	11	2,17	1,38	20	10	1,48	69	90
TANGIBLE ASSETS TOTAL	92,24	7,24	45	99,03	42,05	4,47	24	46,28	52,75	50,19
Previous Year	87,53	5,09	38	92,24	38,15	4,25	35	42,05	50,19	-
INTANGIBLE ASSETS										
Computer Software	1,12	-	-	1,12	69	21	-	90	22	43
INTANGIBLE ASSETS TOTAL	1,12	-	-	1,12	69	21	-	90	22	43
Previous Year	1,03	9	-	1,12	53	16	-	69	43	-
Total	93,36	7,25	45	1,00,15	42,74	4,68	24	47,19	52,97	50,62
Previous Year	88,56	5,18	38	93,35	38,68	4,41	35	42,74	50,61	-
Capital Work-in-Progress	3,60	3,41	5,70	1,31	-	-	-	-	1,31	-
Previous Year	3,07	3,16	2,63	3,60	-	-	-	-	3,60	-

NOTE : XIII

NON - CURRENT INVESTMENTS

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
A) TRADE INVESTMENTS (at Cost, Unquoted)		
Investment in equity instruments:		
In Associates:		
70,00,000 (70,00,000) Equity shares of ₹ 10 each fully paid up in Modern Automotives Ltd.	7,00	7,00
(A)	<u>7,00</u>	<u>7,00</u>
B) OTHER INVESTMENTS (at Cost, Unquoted)		
Investment in equity instruments:		
In Others:		
28,125 (28,125) Equity shares of ₹ 10 each fully paid up in Nimbua Green Field (Punjab) Ltd.	3	3
(B)	<u>3</u>	<u>3</u>
Aggregate cost of Unquoted Investments (A+B)	7,03	7,03

NOTE : XIV
LONG TERM LOANS AND ADVANCES

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
(Unsecured, considered good)		
Capital Advances	1	73
Security Deposits	3,67	3,73
Loans & Advances to Related Parties		
Loans to Associates:		
Modern Automotives Ltd.	2,14	1,86
Total	5,82	6,32

NOTE : XV
OTHER NON CURRENT ASSETS

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
(Unsecured considered good)		
Amount paid (under protest)	62	60
Prepaid Expenses	-	-
Earnest Money	1	1
Total	63	61

NOTE : XVI
INVENTORIES

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
Raw Materials (including-in-transit ₹4,30.68 lacs Previous Year ₹ 5,97.92 lacs)	16,14	15,80
Work in Progress	4,16	6,97
Finished Goods	9,84	14,85
Stores, Spares & Fuel (includes disposable stores)	10,47	10,52
Total	40,61	48,14

Method of valuation: -

1. 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:
 - a. In case of Raw-material on FIFO Basis (net of MODVAT , Service Tax & VAT).
 - b. 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.
 - c. 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.
2. Fresh Stocks of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT, Service tax, VAT). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and Used Stocks is valued at net realizable value.

**NOTE : XVII****TRADE RECEIVABLES**

Particulars	As at 31st March, 2013 ₹ in Lacs	As at 31st March, 2012 ₹ in Lacs
(Unsecured, Considered Good)		
Debts Outstanding for the period exceeding six months from due date of payment	79	1,06
Other Debts	52,32	67,92
Total	53,11	68,98

NOTE : XVIII**CASH AND BANK BALANCES**

Particulars	As at 31st March, 2013 ₹ in Lacs	As at 31st March, 2012 ₹ in Lacs
A) Cash and Cash Equivalents		
Balances with Banks		
In Current Accounts	2,04	2,04
Cash in hand	25	19
(A)	2,29	2,23
B) Other Bank Balances		
In Fixed Deposits Accounts inclusive of interest accrued thereon	2,88	2,47
(B)	2,88	2,47
Total (A+B)	5,17	4,70

Fixed deposit having remaining maturity more than 12 months ₹ 0.50 lacs (2.00 lacs)

Fixed deposits including interest given as security ₹ 2,87.83 lacs (2,46.00 lacs) to the Banks against margin of the Letter of Credit and ₹ NIL (0.60 lacs) to the Punjab Pollution Control Board.

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

Particulars	As at 31st March, 2013 ₹ in Lacs	As at 31st March, 2012 ₹ in Lacs
(Unsecured, considered good)		
Advance Tax and TDS	43	75
Old Income Tax	93	1,54
Advances recoverable in Cash or in kind or for value to be received	3,88	6,36
Total	5,24	8,65

NOTE : XX

OTHER CURRENT ASSETS

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
Insurance refund/claim receivable	6	9
Interest Receivable on Security Deposits	38	27
Interest & Installments refundable by Banks in view of CDR	5,08	-
Total	<u>5,52</u>	<u>36</u>

NOTE : XXI

REVENUE FROM OPERATIONS

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Sale of Finished Products	2,93,50	3,72,33
Other Operating Revenues	2	64
Revenue from Operations (Gross)	<u>2,93,52</u>	<u>3,72,97</u>

NOTE : XXII

OTHER INCOME

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Interest Income	4,35	3,39
Amount Written Bank	12	-
Net gain on sale of fixed assets	-	-
Net gain on sale of investment	-	1
Other Non-Operating Incomes	14	1
Profit on sale DEPB Licence	-	-
Total	<u>4,61</u>	<u>3,41</u>

NOTE : XXIII

COST OF MATERIALS CONSUMED

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Consumption of Scrap	1,44,01	1,85,24
Consumption of Purchase Intermediates	2,13	1,36
Consumption of Additives	23,15	32,91
Total	<u>1,69,29</u>	<u>2,19,51</u>

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

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Opening Stock		
Finished Goods	14,85	18,47
Work-in-progress	6,97	10,36
	(A)	
	<u>21,82</u>	<u>28,83</u>
Closing Stock		
Finished Goods	9,84	14,85
Work-in-progress	4,16	6,97
	(B)	
	<u>14,00</u>	<u>21,82</u>
	(A-B)	
	<u>7,82</u>	<u>7,01</u>

NOTE : XXV**EMPLOYEE BENEFITS EXPENSES**

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Salary Wages & Bonus	10,66	11,32
Contributions to Provident and Other Fund	1,00	1,05
Gratuity	38	48
Staff & Workers Welfare	61	64
Total	<u>12,65</u>	<u>13,49</u>

NOTE : XXVI**FINANCE COSTS**

Particulars	Year Ended 31 st March, 2013 ₹ in Lacs	Year Ended 31 st March, 2012 ₹ in Lacs
Interest expense		
Banks		
Term Loans	5,13	3,25
Cash Credit	7,22	10,40
Bank & Others (against LC)	1,90	2,00
Others		
Unsecured Loans	19	19
Other Borrowing Cost	1,66	1,23
Net loss on foreign currency translation and transaction	67	2,16
Total	<u>16,77</u>	<u>19,23</u>

NOTE : XXVII

OTHER EXPENSES

Particulars	Year Ended	Year Ended
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Consumption of stores and spares parts	14,60	19,43
Power and Fuel	44,08	48,88
Other Manufacturing Expenses	5,26	4,89
Conversion Charges	1,13	4,99
Increase /(Decrease) in excise duty of closing stock of finished goods	(55)	(9)
Rent	18	17
Repairs and Maintenance		
- Building	13	18
- Machinery	29	32
- Others	20	19
Insurance	33	34
Rates & Taxes	3	4
Fees	5	5
Travelling & Conveyance	81	91
Forwarding Expenses	1,87	2,27
Discount, rebate and allowances	3,69	6,21
Bad Debts written off	-	4
Net Loss on foreign currency translation and transaction	1,10	1,01
Miscellaneous Expenses	1,67	2,04
Total	<u>74,87</u>	<u>91,87</u>

NOTE: XXVIII

PRIOR PERIOD ITEMS

Particulars	Year Ended	Year Ended
	31 st March, 2013	31 st March, 2012
	₹ in Lacs	₹ in Lacs
Previous Year Expenses	7	33
Less: Previous Year Income	11	21
	<u>(4)</u>	<u>12</u>


NOTE: XXIX
CONTINGENT LIABILITIES & COMMITMENTS

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
Contingent Liabilities:		
a) Claim against the Company not acknowledged as debts	3,00.03	3,00.75
b) Other money for which Company is contingent liable	4,90.86	6,02.07
Commitments:		
a) Estimated amount of contractors remaining to be executed on capital accounts and not provided for	11.65	2,74.14
b) Letter of credit against import of material	3,39.41	64.28
c) Unhedged foreign currency exposure as at year end :		

(Amount in Lacs)

Particulars	Currency	As at 31 st March, 2013	As at 31 st March, 2012
Buyer's Credit	USD	\$20.03	\$26.16
Buyer's Credit	Indian Rupees	₹10,88	₹13,32
Foreign Vendors	USD	\$15.87	\$32.69
Foreign Vendors	Indian Rupees	₹8,63	₹16,65

NOTE: XXX
EARNINGS PER SHARE

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Profit / (Loss) after taxation as per Statement of Profit & Loss (₹ in Lacs)	(13,72.10)	(9 81.19)
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)	(10.90)	(7.79)

NOTE: XXXI
PAYMENT TO AUDITORS *

Particulars	As at 31 st March, 2013 ₹ in Lacs	As at 31 st March, 2012 ₹ in Lacs
Audit Fees	3.93	3.86
Tax Audit Fees	0.17	0.16
Tax Consultancy Fees	0.39	0.39
Reimbursement	0.53	0.43

*inclusive of service tax

NOTE: XXXII

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

Particulars	Turnover	₹ in Lacs			
		Finished Goods		Work in Process	
		Closing Stock	Opening Stock	Closing Stock	Opening Stock
Concast Billets This Year	1,59.52	-	-	-	-
Previous year	3,57.77	-	-	-	-
Rolled Product this year	2,83,20.64	9,83.59	14,84.99	-	-
Previous year	3,67,34.39	14,84.99	18,46.95	-	-
Induction Ingots this year	8,69.95	-	-	-	-
Previous year	1,40.73	-	-	-	-
Others this year	-	-	-	-	-
Previous year	0.59	-	-	-	-
Current Year	2,93,50.11	9,83.59	14,84.99	-	-
Previous year	3,72,32.89	14,84.99	18,46.95	-	-
Rolling Mills Material					
Billet – Current Year	-	-	-	2,07.29	4,28.75
Billet – Previous Year	-	-	-	4,28.75	7,05.32
Ingot – Current Year	-	-	-	1,01.72	1,80.83
Ingot – Previous Year	-	-	-	1,80.83	2,82.14
Round – Current Year	-	-	-	1,06.58	86.93
Round – Previous Year	-	-	-	86.93	48.85
Total – Current Year	-	-	-	4,15.59	6,96.51
Total – Previous Year	-	-	-	6,96.51	10,36.31

NOTE: XXXIII

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 31 st March, 2013	Year Ended 31 st March, 2012
	₹ in Lacs	₹ in Lacs
1) Raw Material	57,67.09	45,65.23
2) Stores & Spares	3,72.12	3,58.70

(b) Expenditure in Foreign Currency

Travelling Expenses	-	0.53
Electrical Repairs	0.70	-

**(c) Value of Raw Material Consumed**

Particulars	Year Ended 31 st March, 2013		Year Ended 31 st March, 2012	
	%age	Value in Lacs	%age	Value in Lacs
Cost of Materials Consumed				
Imported	49.61	83,99	39.78	87,33
Indigenous	50.39	85,30	60.22	1,32,19
Total		<u>1,69,29</u>		<u>2,19,52</u>
Store & Spares,				
Imported	20.15	2,96	21	4,08
Indigenous	79.85	11,64	79	15,35
Total		<u>14,60</u>		<u>19,43</u>

(d) Earning in Foreign Currency

-

-

NOTE: XXXIV**TREATMENT OF EXCISE DUTY**

Excise duty amounting to ₹32,15.87 lacs (Previous year ₹35,01.29 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: XXXV**SEGMENT REPORTING**

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

NOTE: XXXVI

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**

Mr. Amarjit Goyal

Mr. Krishan Kumar Goyal

Mr. P. L. Talwar

Relatives of Key Management Personnel (KMP)

Mrs. Rattan Mala Goyal, Mrs. Alka Goyal, Mr. Aditya Goyal,

Ms. Sonam Goyal

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

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

Associates-

B) Transactions with the related parties

	₹ in Lacs		
	Key Management Personnel	Relatives of Key Management Personnel & their enterprises	Associates
Remuneration including perks	1,11.50 (1,32.70)	2.00 (-)	- (-)
Interest on Unsecured Loan	11.43 (11.43)	4.84 (4.38)	- (-)
Rent Paid	- (-)	10.80 (10.80)	- (-)
Loan taken	1,79.00 (62.00)	21.00 (-)	- (-)
Loan repaid	25.00 (74.25)	- (-)	- (-)
Loan given	- (-)	1,21.19 (1,09.05)	1,13.00 (10,87.95)
Loan received back	- (-)	1,24.79 (1,22.69)	1,13.00 (15,37.95)
Investment made	- (-)	- (-)	- (4,00.00)
Interest Income	- (-)	4.00 (15.16)	30.32 (78.99)
Share of Expenses Received	- (-)	18.59 (23.59)	4.71 (3.65)
Share of expenses paid	- (-)	- (0.35)	- (-)
Purchase of Raw Material	- (-)	9.41(11.20)	3,67.53 (2,97.09)
Discount, Rebate & Allowances	- (-)	- (-)	71.74 (61.70)
Purchase DEPB	- (-)	- (-)	4.78 (2.41)
Sales of Finished Products	- (-)	- (-)	29,45.69 (26,73.40)

NOTE: XXXVII

Figures for the previous year have been regrouped / rearranged wherever considered necessary

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

For & on behalf of the Board of Directors

NEERAJ KUMAR JINDAL
Partner
M. No. 515077

MUKESH SEHGAL
G.M. (Corporate Finance)
& CFO

KRISHAN KUMAR GOYAL
Director

Place: Chandigarh
Dated: 28th May, 2013

ASHISH SHARMA
General Manager(Secretarial)
& Company Secretary

D.S. GILL
Director