

23rd
ANNUAL REPORT
2012-13



STEELCO GUJARAT LIMITED

Dear Members,

As you know, the Ministry of Corporate Affairs has undertaken a '**Green Initiative in Corporate Governance**' by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively.

Your Company proposes to deliver electronically various communication/documents such as Notice of General Meeting, Annual Reports, Postal Ballot documents and such other necessary communication/documents from time to time to the Members, who have provided their email address to their Depository Participant (DP). Members holding shares in physical form and who are desirous of receiving the communication/documents in electronic form, are required to inform their email address to the Registrar and Transfer Agent of the Company.

Email addresses as registered in your respective DP accounts in the records of the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) which will be periodically downloaded, will be deemed to be your registered email address for serving the necessary communication/documents. Thus, the necessary communication would be sent in electronic form to the registered email address. Members, who wish to inform any updations/changes of their email address, are requested to promptly update the same with their DP/the Registrar and Transfer Agent of the Company, as the case may be, from time to time.

As a member of the Company, you will be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of requisition from you. We request you to support this initiative and opt for the electronic mode of communication by submitting your email address to your DP or to the Company.



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. R. P. Chandaria	Director
Mr. Rashmi Chandaria	Director
Mr. J. Mehra	Director
Mr. Mahendra Lodha	Director
Mr. Vimal Chandaria	Alternate to Mr. R. P. Chandaria
Dr. R. S. Mamak	Non Executive Vice Chairman (w.e.f. 01-02-2013)
Mr. N. M. Mohnot	Managing Director
Mr. P. G. R. Prasad	Director (upto 16-11-2012)
Mr. S. S. Ranjan	Additional Director (w.e.f. 22-05-2013)

Jt. GENERAL MANAGER FINANCE

Mr. Sunil Singhvi

FINANCIAL CONTROLLER & ASST. COMPANY SECRETARY

Mr. Arvind Tambi

REGISTERED OFFICE & WORKS

Plot No. 2, G.I.D.C. Estate,
National Highway No. 8,
Palej - 392 220,
Dist. Bharuch, Gujarat.
Phone : 91-2642-277 479 / 480 / 481
Fax : 91-2642-277 307
Website : www.steelcogujarat.com

REGISTRAR & SHARE TRANSFER AGENT

M/s. Link Intime India Private Limited
Unit : Steelco Gujarat Limited
B-102 & 103, 1st Floor, Shangrila Complex,
Opp. HDFC Bank,
Near Radhakrishna Char Rasta, Akota,
Vadodara - 390 020.
Phone : 91-265-2356573 / 2356794
Fax : 91-265-2356791
Email : vadodara@linkintime.co.in

BANKERS

State Bank of India
Bank of India
Canara Bank
State Bank of Mysore
State Bank of Travancore
State Bank of Hyderabad
The Federal Bank Limited

STATUTORY AUDITORS

M/s. Mukesh M. Shah & Co.
Chartered Accountants, Ahmedabad

INTERNAL AUDITORS

M/s. Deloitte Haskins & Sells,
Chartered Accountants, Vadodara

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NOTICE

NOTICE is hereby given that **23rd ANNUAL GENERAL MEETING** of the Members of **STEELCO GUJARAT LIMITED** will be held on Saturday, the 17th August, 2013 at 3:30 P.M. at its Registered Office at Plot No. 2, GIDC Estate, Palej – 392 220, Dist. Bharuch, Gujarat to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the year ended on that date together with Reports of the Board of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Rashmi Chandaria who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. R S Mamak who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Mukesh M. Shah & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

5. APPOINTMENT OF MR. S. S. RANJAN AS A RETIRING DIRECTOR OF THE COMPANY:

To consider and if thought fit, to pass with or without modification(s), following resolution as an Ordinary Resolution –

“RESOLVED THAT Mr. S.S. Ranjan, who was appointed as an additional director of the Company pursuant to Clause 43 of the Articles of Association and section 260 of the Companies Act, 1956 to hold office up to the ensuing Annual General Meeting and in respect of whom requisite notice under section 257 of the Companies Act, 1956 has been received, be and is, hereby appointed as a director liable to retire by rotation.”

6. REMUNERATION TO DR. R. S. MAMAK AS NON EXECUTIVE VICE CHAIRMAN OF THE COMPANY:

To consider and, if thought fit, to pass with or without modification(s), following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of sections 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or enactment thereof) and clause 54(a) of the Articles of Association of the Company and subject to statutory approval(s), if any, including Central Government, as may be necessary, consent and approval of the Company, be and is, hereby accorded to payment of remuneration of ₹ 5.00 Lacs (Rupees Five Lacs) p.a. w.e.f. 1st February 2013 proportionately for the financial year 2012-13, to Dr. R. S. Mamak Non Executive Vice Chairman, or Commission, not exceeding in the aggregate, one percent of the net profits of the Company as computed in the manner laid down by sections 198, 349 & 350 of the Companies Act 1956, to all the non executive directors taken together,

whichever is higher, in addition to the sitting fees for attending the meetings of the Board and/or Committees thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

7. REMUNERATION TO ALL NON PROMOTER NON EXECUTIVE DIRECTORS OF THE COMPANY

To consider and, if thought fit, to pass with or without modification(s), following resolution as a Special Resolution:

“RESOLVED THAT in modification of earlier resolution passed, pursuant to provision of sections 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or enactment thereof) and Clause 54(a) of the Articles of Association of the Company and subject to statutory approval(s), if any, including Central Government, as may be necessary, consent and approval be and is hereby accorded to the payment of remuneration of ₹ 5 Lacs (Rupees Five Lacs Only) p.a. to each Non promoter Non Executive Directors or Commission, not exceeding in the aggregate one percent of the net profit of the Company, as computed in the manner laid down by sections 198, 349 and 350 of the Companies Act, 1956, whichever is higher, in addition to the sitting fees for attending the meeting of the Board and / or Committees thereof for the period of five years w.e.f. 1st April, 2013.

RESOLVED FURTHER THAT the Board of Directors, be and is, hereby authorized to take such step as may be necessary to give effect to this resolution.”

For and on behalf of the Board,
For Steelco Gujarat Ltd.,

Place : Mumbai
Date : 22nd May, 2013

N. M. Mohnot
Managing Director

NOTES :

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY (IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The proxy form shall be deposited at the registered office of the Company at least 48 hours before the commencement of the meeting.

- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from 12.08.2013 to 17.08.2013 (both days inclusive).
- (c) Members are further requested to:
- Intimate changes, if any, in their registered addresses to the Share Transfer Agent for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
 - Quote Registered Folio number in all the correspondence.



- Consolidate folios, if shareholdings are under multiple folios.
- Bring their copies of Annual Report and the Attendance slips with them at the Annual General Meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, TO THE ACCOMPANYING NOTICE DATED 22ND MAY, 2013:

Item No. 5

Appointment of Mr. S. S. Ranjan as a Retiring Director:

Your Directors appointed Mr. S. S. Ranjan as an Additional Director to hold office up to the ensuing Annual General Meeting. He has a bright academic career and rich experience of about 37 years in the field of Banking, investment and finance to his credit. Your Directors recommend and seek your approval by way of ordinary resolution for his appointment as a Director liable to retire by rotation, for whom requisite notice under section 257 of the Companies Act, 1956 has been received by the Company. No Director, except Mr. S. S. Ranjan, shall be deemed to be concerned or interested in the resolution.

Item Nos. 6 & 7

Remuneration payable to Non Promoter, Non Executive Directors:

The Company has been greatly benefitting from the invaluable inputs provided by Dr. R. S. Mamak, Non Executive Vice Chairman, who has vast experience, expertise and wisdom in various fields of business. The Non Executive Vice Chairman is also member of the various committees constituted by the Board and offers expert advice and guidance.

In appreciation of the valuable support and guidance being rendered by him, the Board of Directors at its meeting held on 26th January, 2013 approved the payment of remuneration of ₹ 5.00 Lacs p.a. w.e.f. 1st February, 2013 proportionately for the financial year or commission upto 1% p.a. of the Company's net profit computed in the manner laid down by sections 198, 349 and 350 of the Companies Act, 1956 and other applicable provisions, if any, to all the non executive directors taken together, whichever is higher, in addition to sitting fees for attending the meeting of Board and/or committees thereof subject to approval of the Central Government.

It is also proposed to pay remuneration to all Non Promoter Non Executive Directors on the same line of the Companies Act, 1956 to all the Non Executive Directors taken together.

It is the exclusive discretion of the Central Government to approve the remuneration and accordingly earlier they have approved remuneration of ₹ 2 Lacs per year to every Non Executive Independent Director for the year 2010-11 and 2011-12 as against ₹ 5 Lacs p.a. per Director as approved by the Company. Approval of the Central Govt. is awaited for the year 2012-13 to 2015-16.

Your approval is sought to the resolution as appearing in Item Nos. 6 & 7 of the accompanying notice pursuant to section 309, 310 of the Companies Act, 1956 and also Clause 49 of the Listing Agreement, as a Special Resolution. No Director except Dr. R. S. Mamak, Mr. J Mehra, Mr. Mahendra Lodha and Mr. S. S. Ranjan, shall be deemed to be interested or concerned in the respective resolutions.

For and on behalf of the Board,
For Steelco Gujarat Ltd.,

Place : Mumbai
Date : 22nd May, 2013

N. M. Mohnot
Managing Director

Details of the Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting (pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Rashmi Chandaria	Dr. R. S. MAMAK	Mr. S. S. RANJAN
Date of Birth	09.08.1940	24.09.1934	07.03.1952
Date of Appointment	08.07.1989	20.04.1995	22.05.2013
Expertise	Industrial Management	General Management	Finance and Banking
Qualifications	B.Sc. (Economics)	Science Graduate, Doctorate in Electrical Engineering	M.Sc.
List of Public Companies in which outside Directorship held as on 31 st March, 2013 \$	Parixit Industries Ltd.	NIL	NIL
Chairmanship / Membership of the Committees of the Board in which outside Directorship held as on 31 st March, 2013	NIL	NIL	NIL
No. of Shares held	NIL	4100	NIL

\$ Directorship in private companies, foreign companies and associates are excluded.

To
The Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report of your Company together with the Audited Statements of Accounts for the year ended 31st March 2013.

1. FINANCIAL HIGHLIGHTS

	Current Year Ended 31.03.13	Previous Year Ended 31.03.12
		(` in Lacs)
Sales / Other Income (Net of Excise Duty)	54,474.76	47,121.33
Profit before Depreciation & Interest	2,511.36	736.16
Depreciation	473.00	1,242.98
Profit / (Loss) before Interest & Financial Charges	2,038.36	(506.82)
Interest & Financial Charges	2,021.33	2,363.77
Profit / (Loss) after Interest & Financial Charges	17.03	(2,870.59)
Excess Provision written back	-	-
Net Profit / (Loss) before Tax	17.03	(2,870.59)
Tax	-	-
Net Profit / (Loss) after Tax	17.03	(2,870.59)

2. DIVIDEND

Your Directors do not recommend any dividend on the equity shares of the Company in view of carried forward losses.

3. REVIEW OF OPERATIONS

During the year under review, the Company has made a net profit of ` 17 Lacs on turnover of 88,901 MT Valuing ` 54,475 Lacs against a net loss of ` 2,871 Lacs on turnover of 77,114 MT valuing ` 47,121 Lacs in the previous year. The Company has made Cash Profit of ` 490 Lacs for the year ended 31st March 2013 as against a Cash loss of ` 1,628 Lacs in the previous year. This can be mainly attributed to improved capacity utilization, selection of appropriate product mix and cost efficiency during the year as follows:-

- (i) Selection of appropriate product mix resulted into better sales realization per MT.
- (ii) The Company has improved its turnover by 15% resulting into efficient utilization of equipments and reduction in costs.
- (iii) Financial Costs during the year of operations have reduced by ` 343 Lacs due to the CDR implementation.
- (iv) Forex losses reduced by ` 175 Lacs to a bare minimum of ` 2 Lacs during the year under review.
- (v) Power cost has reduced by ` 283 Lacs in view of purchase of power through Open Access by entering into an agreement with Indian Energy Exchange.
- (vi) Depreciation reduced by ` 770 Lacs mainly on account of the Rolling Mills and other ancillary equipments fully depreciated during the year under review.

4. CORPORATE DEBT RESTRUCTURING

The Corporate Debt Restructuring (CDR) Cell vide Letter of Approval No. BY.CDR(ATR) No. 322/2012-13 dated 27-06-2012 has approved restructuring of debts. The sanctioned scheme has reduced the interest burden from the cut-off date i.e. 30-11-2011. The scheme shall continue till March 2021.

5. PREFERENCE SHARES APPLICATION MONEY

During the year, your Company has received promoters' contribution of ` 348.64 Lacs as per condition of CDR Scheme. The Company would proceed for allotment of Non Convertible Redeemable Preference Shares to the Promoters M/s Spica Investments Limited after obtaining requisite approvals including approval under the ECB from the Reserve Bank of India.

6. BOARD OF DIRECTORS

During the year under review Shri P. G. R. Prasad passed away on 16-11-2012. Your Board of Directors at its meeting held on 15-12-2012 placed on record its appreciation for invaluable contributions made by him as a member of the Audit Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee.

As per Section 256 of the Companies Act, 1956, Dr. R. S. Mamak resigned from the office of Executive Vice Chairman w.e.f. 01-02-2013. However, at the request of the Board, he continues to be Non Executive Director as well as Non Executive Vice Chairman. Dr. R. S. Mamak and Mr. Rashmi Chandaria, Directors of the Company are liable to retire by rotation and being eligible offer themselves for re-appointment.

Your Directors appointed Mr. S.S. Ranjan as an additional director on 22nd May, 2013 pursuant to section 260 of the Companies Act, 1956 read with clause 43 of the Articles of Association to hold office upto the ensuing Annual General Meeting. The Company has received requisite notice pursuant to section 257 of the Companies Act, 1956 proposing his candidature for appointment as a retiring director at the ensuing Annual General Meeting.



7. AUDITORS

M/s. Mukesh M. Shah & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a written certificate from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limit under section 224 (1B) of the Companies Act, 1956.

8. AUDITORS OBSERVATION

Note No. 34 relating to preparation of financial statements on Going Concern basis, inspite of substantial erosion of net worth is self explanatory as regards the observation made by the auditors in paragraph No. 5 of their report.

9. COST AUDITORS

Your Directors have appointed M/s. A. G. Tulsian & Co., Cost Accountants, as Cost Auditors in compliance with the Companies (Cost Accounting Records) Rules, 2011.

10. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm: -

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

11. PARTICULARS OF EMPLOYEES

The particulars of employees as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out below:

S. No.	Name	Age (Yrs)	Designation	Remuneration (₹)	Qualification	Date of Commencement of employment	Experience (Yrs.)	Last Employment held	Designation
1	Mr. N.M. Mohnot	59	Managing Director	95,23,545/-	B.Sc., C.A.	29.09.1995	33	Indian Rayon Corporation Ltd. (Unit: Jayshree Insulators)	Vice President

Notes:

- (1) Remuneration includes Salary, Allowances and Contribution to retiral benefits and monetary value of perquisites at cost to the Company.
- (2) Aforesaid Director does not hold by himself or along with his spouse and dependent children, or through any company, any share of the Company.
- (3) Aforesaid Director's services are of contractual nature.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure 'A', forming part of this report.

13. CORPORATE GOVERNANCE

Your Company is compliant of all mandatory requirements pursuant to Clause 49 of Listing Agreement. A separate report on Corporate Governance compliance and Management Discussion and Analysis Report as stipulated by the Clause 49 of the Listing Agreement forms part of the Annual Report along with the required certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated by the revised Clause 49 of the Listing Agreement. The detailed Operational Performance of the Company has been comprehensively discussed in the Management Discussion and Analysis Report, which forms part of Directors' Report.

14. ACKNOWLEDGEMENT

In consonance with established maxim that the Company is only as good as its people, your Company has put together a team of highly qualified and experienced professionals.

The success achieved by your Company and the progress made by it are due to the co-operation, efforts and commitment of all concerned with its affairs, including the Government of India, Government of Gujarat, Financial Institutions, Company's Bankers, Electricity Companies, Palej Gram-Panchayat, other Government Agencies, Customers, Suppliers and Investors. Your Directors express gratitude to the investors for their confidence reposed in the Company and co-operation, and especially to the employees for their dedicated service and support.

For and behalf of the Board of Directors

Place : Mumbai
Date : 22nd May, 2013

Dr. R.S. Mamak
Vice Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

I. CONSERVATION OF ENERGY
Energy Conservation & Pollution Control measures taken:

The Energy optimization scheme and pollution control measures are being continuously reviewed and improved as an ongoing exercise. During the period, various industrial Air Ventilators are provided for clean air circulation into the processing lines to conserve the energy. Annealing Furnace was upgraded and new coolant tank was commissioned as Pollution control measures.

The Company is also meeting the requirements of local Pollution Control Board.

FORM A : The required data with respect to total energy consumption and energy consumption per unit of production is furnished below:

A. Power and Fuel Consumption -

	Current Year ended 31.03.2013	Previous Year ended 31.03.2012
1 ELECTRICITY		
(a) Purchased (Units in '000 KWH)	26,002.13	21,661.06
Total Amount (₹ in Lacs)	1,602.70	1,429.00
Rate/Unit (₹)	6.16	6.60
(b) Own generation (through Diesel Generator)		
Units (KWH)	-	-
Units per Ltr. of Fuel	-	-
Cost/Unit (₹)	-	-
2 LIGHT DIESEL OIL / HIGH SPEED DIESEL		
Quantity (Ltrs.)	1,01,310	98,190
Total Cost (₹ in Lacs)	51.46	55.27
Rate / Unit per Ltr (₹)	50.79	56.29
3 CNG		
Quantity (SCM)	32,10,787	31,77,451
Total (₹ in Lacs)	1,040.55	809.99
Rate / Unit (₹)	32.41	25.49

B. Consumption per Unit of Production -

PRODUCT	Current Year ended 31.03.2013	Previous Year ended 31.03.2012
Cold Rolled (Steel) Coils / Sheets & GP/GC Coils / Sheets		
ELECTRICITY (Units/P.M.T.)		
CR Coils / Sheets (Average Thickness - C.Y 0.186 mm / P.Y 0.196 mm)	283.63	275.37
GP / GC Coils / Sheets (Average Thickness - C.Y 0.140 mm / P.Y 0.145 mm)	40.11	45.12
FUEL (LDO+CNG) (SCM/P.M.T.)		
CR Coils / Sheets	20.91	25.93
GP / GC Coils / Sheets	31.26	34.95

II TECHNOLOGY ABSORPTION
Research & Development :

The Company does not have any in-house Research and Development Department.

Technology absorption, adaptation and innovation :

During the year, the Company has continued improvisation in producing high strength narrow steel for steel strapping and other industries.

III FOREIGN EXCHANGE EARNINGS AND OUTGO
1. Activities relating to Exports, Initiatives to increase exports, Development of new Export Markets for Products and Services and Export Plans:

The Company is exporting a large quantity of its Cold Rolled and Galvanized Products and has achieved a significant presence in the Global market as its products have been well accepted.

2. Total Foreign Exchange Earned and Expended:

	(₹ in Lacs)	
	Current Year ended 31.03.2013	Previous Year ended 31.03.2012
a. Earnings	26,191.80	25,897.32
b. Expenditure	7,248.20	11,962.41

For and behalf of the Board of Directors

Place : Mumbai
Date : 22nd May, 2013

Dr. R.S. Mamak
Vice-Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT**INDUSTRY STRUCTURE, DEVELOPMENTS, OPPORTUNITIES AND OUTLOOK**

During 2012, global capacity utilization in the steel sector remained below 80% due to continued growth in new steelmaking facilities particularly in developing countries coupled with sluggish demand of steel.

Globally steelmaking capacity will continue to exceed the demand growth in 2013 with expected excess capacity of 479 million tonnes. As a result, capacity utilization is also expected to remain below 80% in 2013, to limit the amount of excess supply in the market. Margins will continue to be tight in 2013 as steel prices will remain flat and costs are unlikely to decrease significantly in 2013. From 2014, the demand outlook may improve modestly resulting in modest increases in capacity utilization and steel prices.

The World Steel Association (WSA) has forecasted that steel demand in India to pick up and grow by 5.9% to 75.8 MT in 2013 following 2.5% growth in 2012 as monetary easing is expected to support investment activities. In 2014, growth in steel demand is expected to further accelerate to 7.0% in view of the reform measures aimed at narrowing the fiscal deficit, coupled with measures to improve the foreign direct investment climate.

The overall outlook for the steel sector is positive and the demand is likely to pick up towards the end of current financial year on the back of revival in economic growth and Govt.'s measures to ease infrastructure investments.

Infrastructure development of the country coupled with high targeted spending in core sector as announced by the Government in the Union Budget will boost the economy and accelerate the domestic demand of steel. The development of ports and infrastructure of roads and bridges are expected to accelerate steel demand and your Company is also poised to take benefit of the same.

THREATS, RISKS AND CONCERN

Compared to global average per capita consumption of 150 kgs, India's per capita consumption of steel is still a mere 39 kgs per head. Even by Asian standards India have a long way to go in the consumption of steel. Technologically, the main hurdles before Indian steel industry are the high cost of power and fuel and non availability of metallurgical coke.

To overcome these difficulties; your Company has continued the purchase of power through open access by entering into an agreement with Indian Energy Exchange providing a better and competitive price for purchase of power. Similarly your company has planned to put in fuel efficient furnaces to overcome the higher fuel costs.

Your Company is having high exposure to forex due to significant export and import. The volatility of currency contributes to high risk, however, during the year it has been managed efficiently.

The Board of Directors is being informed periodically in respect of risk assessment and steps being taken by the Company to mitigate the same.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company has made net Profit of ` 17 Lacs on turnover of 88,901 MT valuing ` 54,475 Lacs against net loss of ` 2,871 Lacs on turnover of 77,114 MT. valuing ` 47,121 Lacs in the previous year.

INTERNAL CONTROL SYSTEM AND THEIR EFFICACY

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transaction with proper authorization and ensure compliance of corporate policies.

Internal Audit is conducted at regular intervals covering the key area of operations. It is an independent assurance and functions responsible for evaluating and improving the effectiveness of risk management control and governance processes.

An Audit Committee consisting of three Independent Directors is in place. The Internal Audit Reports are placed before the Audit Committee. The Audit Committee deliberates and advises the Management on improvements/compliances.

STATUTORY COMPLIANCES

After obtaining confirmation from the various departments of the Company in respect of compliance with all the statutory requirements, a declaration regarding compliance of the provisions of various statutes is made by the Managing Director at each Board Meeting and deviations, if any, are brought to the notice of Directors with reasons and remedial measures taken to comply the same. The Asst. Company Secretary, as a Compliance Officer, ensures compliance of the SEBI Regulations and provisions of the Listing Agreement.

QUALITY:

In today's global competition and open economy, quality plays a vital role in marketing the products and in staying ahead of others. Therefore, more emphasis is being given to manufacturing of products that meets high standards of quality in the global market and customers' satisfaction. Proactive efforts are directed towards determining customers' requirements and achieving all-round customer satisfaction. This is primarily achieved through automated systems, high attention to complaint resolution, online communication and information exchange at various levels.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Industrial and employee relations with the Company remained cordial throughout the year. It has been with the fulfillment of our market commitments, prompt communications, participation in social activities and to provide challenging and safe environment in the company, where every employee can develop its own strength and deliver its best expertise in the Company's interest.

The Company encourages employees to go beyond their scope of work, undertake voluntary projects enabling them to learn and contribute innovative ideas in line with the goals of the Company.

Board of Directors conveys its thanks to all the employees for their valuable contribution towards the improvements in the Company.

CAUTIONARY STATEMENT:

Any Statement made in this management discussions and analysis report relating to Company's objectives, expectations, estimates, projections etc. may be considered as "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections etc. whether expressed or implied. Factors which could make a significant difference to the Company's operations include climate conditions, market price in the domestic and overseas markets, change in Government regulations and tax laws, economic conditions affecting demand and supply and other environmental factors on which the Company does not have any control.



CORPORATE GOVERNANCE REPORT

I COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is essentially the system by which companies are directed and controlled by the management in the best interest of all the stakeholders and others. Corporate Governance ensures fairness, transparency and integrity of the management.

Your Company believes that for its sustained success, it must maintain global standards of corporate conduct towards its shareholders, customers, employees, all other stakeholders and society in general. The Company has always focused on good corporate governance, which is a key drive of sustainable corporate growth and long-term value creation for its shareholders. Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Accountability and transparency are key drives to improve decision-making and rationale behind such decisions, which in turn improves confidence of all stakeholders.

II BOARD OF DIRECTORS

➤ **Composition :**

The Board has optimum combination of Executive and Non Executive Directors. The composition of the Board as on **31st March, 2013** was as under. The Board consists of seven directors including Alternate Director.

Category of Directors	No. of Directors
➤ Promoters, Non-Executive	2
➤ Non-Promoter Executive	1
➤ Non-Promoter - Non Executive	1
➤ Non-Executive Independent	2
➤ Alternate Director	1

➤ **Meetings and Attendance:**

During the year from 1st April 2012 to 31st March 2013, the Board met 4 (four) times i.e., 15th June 2012, 27th August 2012, 15th December 2012 and 26th January 2013. Attendance of Directors at the Meeting of the Board of Directors (BOD) held during the financial year 2012-2013 and Annual General Meeting (AGM) held on 29th September, 2012 are as follows:

Category	Name of Directors	No. of Board Meetings attended	Whether attended AGM held on 29.09.2012	*No. of Directorships in other Companies		**No. of Committee Memberships in other Companies	
				Chairman of the Board/MD	Board Members	Chairman of the Committee	Member
Promoter:							
- Executive Director	—	—	—	—	—	—	—
- Non-Executive Director	Mr. R.P.Chandaria Mr. Rashmi Chandaria	— 1	No No	— —	1 1	— —	— —
Non Promoter Executive/ Non- Executive Director(s)							
- Non Executive Vice Chairman#	Dr. R.S. Mamak	4	Yes	—	—	—	—
- Managing Director	Mr. N.M. Mohnot	4	Yes	—	1	—	—
Independent Non-Executive Director(s):	Mr. J. Mehra Mr. Mahendra Lodha Mr. P.G. R. Prasad \$	4 4 —	No No No	— — —	11 7 —	— 3 —	2 3 —
Alternate Director(s): - Promoter	Mr. Vimal Chandaria (Alternate to Mr. R.P. Chandaria)	—	No	—	—	—	—

upto 31st Jan 2013 as Executive Vice Chairman and from 1st Feb 2013 as Non Executive Vice Chairman.

\$ Passed away on 16th Nov 2012.

* Directorship in private companies, foreign companies and associates are excluded.

** Represents Membership / Chairmanships of Audit Committee and Shareholders' / Investors' Grievance Committee only. Subsequently Mr. S. S. Ranjan has been inducted on the board as Non Executive Independent Director on 22-05-2013.

III AUDIT COMMITTEE

➤ **The terms of reference of the Audit Committee :**

To deal with all the matters as contemplated in section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement and any other matter as may be referred by the Board of Directors from time to time. The terms of reference of the Audit Committee are broadly as under:

- Review of Quarterly and Annual statement and Auditors' Report before submission to the Board.



- b) Reviewing with the management, performance of Statutory and Internal Auditors, the adequacy of internal control system,
- c) Discussion with internal auditors regarding any significant findings and follow up thereon.
- d) Reviewing the findings of any internal investigations by internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- e) Review of reports on Treasury Management of the Company.
- f) Changes in accounting policies and practices, if any.
- g) Qualifications, if any, in the draft Audit Reports,
- h) Risk management policies and practices.
- i) Status of repayment of term loans and overdues of FI's, if any.
- j) Any other item considered appropriate or necessary to have effective oversight of financial reporting.

➤ **Composition and Attendance :**

During the year 2012-13, four (4) meetings of Audit Committee were held:

Name of Director	Composition as on 31 st March, 2013	No. of Meetings held	No. of Meetings attended
Mr. Mahendra Lodha	Chairman	4	4
Mr. J. Mehra	Member	4	4
Mr. P.G.R.Prasad \$	Member	2	NIL
Dr. R S Mamak @	Member	NIL	NIL

\$ Passed away on 16th Nov 2012.

@ Inducted as a member w.e.f. 26th January 2013.

All the members of the Audit Committee are having financial and accounting knowledge. The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Vice-Chairman and Managing Director also attended the Audit committee meeting. The Assistant Company Secretary acts as the Secretary to the Audit Committee.

IV REMUNERATION COMMITTEE

➤ **Terms of reference and Remuneration Policy**

Pursuant to Clause 49 of the Listing Agreement and Schedule XIII to the Companies Act, 1956, the terms of reference of the Remuneration Committee is to determine Company's policy on specific remuneration packages to Executive Directors including pension rights and any compensation payments and also to approve payment of remuneration to Managing Directors or Whole Time Directors.

➤ **Composition and Attendance:**

During the financial year 2012-2013, no meeting of Remuneration Committee was held.

Name of Director	Composition as on 31 st March , 2013
Mr. Mahendra Lodha	Chairman
Mr. J.Mehra	Member
Mr. P.G.R.Prasad \$	Member

\$ Passed away on 16th Nov 2012.

All the members of the Remuneration Committee are Non-Executive Independent Directors.

Remuneration to Executive Directors

The break-up of the remuneration paid to the Executive Directors during the period ended on 31st March 2013 is as under:

(Amount in `)

Particulars	Dr. R. S. Mamak Executive Vice-Chairman@	Mr. N.M. Mohnot Managing Director
Salary (`)	5,00,000	55,76,667
Retiral Benefits*	1,35,000	15,05,700
Other Benefits & Allowances	30,627	24,41,178

@ Upto 31st January 2013 as Executive Vice Chairman.

* Besides Salary and Perks, Executive Directors are also entitled to the Company's Contributions to Provident Fund & Superannuation Fund, Gratuity and Encashment of Leave at the end of tenure.

Remuneration to Non-Executive Directors

Your Directors at their meeting held on 13th April, 2011 and subsequently members of the Company at their Annual general Meeting held on 29th September, 2011 had resolved to pay remuneration to all Non Executive Independent Directors not exceeding in aggregate one percent of net profits as computed under sections 198, 349 and 350 of the Companies Act, 1956 or ` 5 Lacs per year to each of the Non Executive Independent Directors, for a period of 5 years w.e.f. 1st April 2011, whichever is higher subject



to approval of the Central Government. The Company has made application to the Central Government for payment of remuneration of ₹ 5 lacs to each of the Non Executive independent directors for a period of four years. Pending the approval from the Central Government, for remuneration for 2012-13 to independent directors; provision has been made for a remuneration of ₹ 2 lacs per annum for each non promoters - non executive director on the basis of last approval received for the year 2011-12. The details of the remuneration during the financial year 2012-13 are given below:

	Name of the Non-Executive Directors	Sitting Fees (₹)	Remuneration (₹)
1	Mr. R. P. Chandaria #	NIL	NIL
2	Mr. Rashmi Chandaria #	5,000	NIL
3	Mr. J. Mehra	32,000	2,00,000
4	Mr. Mahendra Lodha	56,000	2,00,000 (*)
5	Mr. Vimal Chandaria #	NIL	NIL
6	Mr. P. G. R. Prasad \$	NIL	NIL
7	Dr. R. S. Mamak @	NIL	33,334
	Total	93,000	4,33,334

Non-Executive Promoter Directors or Alternate Director.

\$ Passed away on 16th November 2012.

@ W.e.f. 1st February 2013 as Non Executive Vice Chairman.

* Application has already been made to the Ministry of Corporate Affairs, Govt. of India, New Delhi for approval of remuneration to each Independent Non Executive Directors upto ₹ 5 00,000/- p.a.

Information of Directors' Shareholding as on 31st March, 2013:

Name of Director	Designation	No. of Shares Held
Dr. R.S.Mamak	Non-Executive Vice Chairman	4100

V SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

During the financial year 2012-2013, 4 (four) meetings of Shareholders' / Investors' Grievance Committee were held:

Composition and Attendance:

Name of Director	Composition as on 31 st March, 2013	No. of Meetings held	No. of Meetings attended
Mr. Mahendra Lodha	Chairman	4	4
Dr. R.S.Mamak	Member	4	4
Mr. P.G.R. Prasad \$	Member	2	NIL
Mr. N. M. Mohnot @	Member	1	1

\$ Passed away on 16th November 2012.

@ Inducted as a member w.e.f. 26th January 2013.

Terms of Reference :

The Committee is looking after the Shareholders' / Investors' Grievance and redressal of investors' / shareholders' complaints related to transfer of shares, non-receipt of balance sheets, non-receipt of dividends etc.

Based on the report received from the Company's Registrar, the number of complaints received from shareholders comprises of correspondence identified as complaints i.e. letter received through statutory /regulatory bodies.

Status of Investor Complaints as on 31st March, 2013 and reported under Clause 41 of the Listing Agreement are as under:

During the year, the Company has received 24 complaints and all the complaints have been resolved and no complaints are pending as on 31st March, 2013.

Disclosure regarding Directors appointment & re-appointment

Mr. Rashmi Chandaria and Dr. R. S. Mamak, Directors of the Company are liable to retire by rotation and being eligible offer themselves for re-appointment.

VI GENERAL BODY MEETINGS

The last three Annual General Meetings (AGMs) of the Company were held at the Registered Office of the Company at Plot No. 2, GIDC Estate, Palej – 392 220, Dist Bharuch, as detailed below:

Financial Year	Date	Day	Time	Special Resolution
2009 -2010	29 th September, 2010	Wednesday	3:30 P.M.	2
2010 - 2011	29 th September, 2011	Thursday	3:30 P.M.	5
2011 - 2012	29 th September, 2012	Saturday	3:30 P.M.	6

All the resolutions, including special resolutions set out in the respective notices were passed by the shareholders. No resolution was passed through Postal Ballot at the meeting held during the year under review.

At the forthcoming AGM, there is no item on the agenda that needs approval by Postal Ballot.

VII DISCLOSURES

- There are no materially significant related party transactions having potential conflict with the interest of the Company at large.
- The Company is in compliance with the various requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters relating to Capital Markets during last three years except that the Company has yet to achieve minimum public shareholding pursuant to Clause 40(A) of the Listing Agreement.
- The Code of Conduct applicable to all Directors and senior management personnel of the Company has been complied with and they have confirmed their adherence to the provisions of the said code.
- It is confirmed that no personnel has been denied access to the Audit Committee.
- It is confirmed that the mandatory requirements are complied with and the non-mandatory provisions are adopted wherever necessary.

VIII MEANS OF COMMUNICATION

- The quarterly financial results of the Company are forwarded to the Stock Exchanges immediately on approval by the Board of Directors and are also published in widely circulated national English Daily Newspaper and local Gujarati Daily Newspaper.
- The financial results and official news releases are also displayed on the Company's website www.steelcogujarat.com.
- Management Discussion and Analysis forms part of the Annual Report.

IX GENERAL SHAREHOLDER INFORMATION

➤ Annual General Meeting (AGM) :

The 23rd Annual General Meeting of the Company is scheduled to be held on:

- Date & time : 17th August 2013 at 3:30 P.M.
- Venue : Plot No.2, GIDC Estate, Palej – 392 220, Dist. Bharuch
- Book Closure Date : 12.08.2013 to 17.08.2013 (both inclusive)
- Dividend : — Nil —

➤ Financial Calendar : 1st April 2013 to 31st March 2014.

➤ Listing of Securities of the Company:

The Company's securities are listed at the Vadodara Stock Exchange Ltd. (VSE), a regional Stock Exchange and Bombay Stock Exchange Limited (BSE). In view of, BSE, having a nationwide and extensive networking of centers across the country, the investors have access to online dealings in the Company's Equity Shares. Moreover, the Company's Equity Shares are required to be traded only in demat form by all investors.

➤ Stock Code Allotted by the BSE - STEGUDM : 500399

➤ ISIN - INE629B01024

The Company has paid the Annual Listing fees for the year 2013 –2014 to all the Stock Exchanges where Equity Shares of the Company are listed.

➤ Stock Market Price Data at BSE :

Month	High (₹)	Low (₹)
April - 2012	5.40	4.00
May - 2012	5.19	3.75
June - 2012	5.15	3.66
July - 2012	4.59	3.60
August - 2012	4.13	3.27
September - 2012	4.07	3.15
October - 2012	4.34	3.65
November - 2012	4.49	3.81
December - 2012	4.45	3.85
January - 2013	4.60	3.62
February - 2013	4.34	3.25
March - 2013	4.59	2.95

➤ Registrar and Share Transfer Agent :

Share Transfer and all other Investor's/Shareholder's related activities are attended and processed by our Registrars and Transfer Agent (R&T). For lodgment of transfer deeds and any other documents or for any grievances/complaints, kindly contact our Registrar and Transfer Agent at following address:

M/s. LINK INTIME INDIA PVT. LTD, (Unit : Steelco Gujarat Limited), B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta Akota, Vadodara-390020. Telephone No: 0265-2356573, 2356794 Fax : 0265-2356791, E-mail ID: vadodara@linkintime.co.in



➤ **Physical Share Transfer System :**

Share in physical form should be lodged for transfer at the office of the Company's Registrar & Transfer Agent M/s. Link Intime India Pvt. Ltd., Vadodara. The Transfers are normally processed within 14 days from the date of receipt, if technically found to be in order and complete in all respects. As per directives issued by SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form.

➤ **Dematerialization of Shares & Liquidity :**

The process of conversion of Shares from physical form to electronic form is known as dematerialization. For dematerialization of shares, the shareholders have to open a demat account with a Depository Participant (DP). The shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate(s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL to the R&T Agent. On receipt of the demat request, both physically and electronically and after verification, the Shares are dematerialized and an electronic credit of shares is given in the account of the shareholder.

➤ **Distribution of Share Holding as at 31st March 2013 :**

No. of Equity shares held	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Shareholding
1 - 500	133256	98.65	2900395	6.81
501 - 1000	827	0.61	718561	1.69
1001 - 2000	452	0.33	721889	1.70
2001 - 3000	181	0.13	476145	1.12
3001 - 4000	88	0.07	314524	0.74
4001 - 5000	75	0.06	356940	0.84
5001 - 10000	109	0.08	803542	1.89
10001 & Above	90	0.07	36269826	85.21
Total	135078	100.00	42561822	100.00

➤ **Category of Shareholders as on 31st March, 2013:**

Category of Shareholders	Total Holding	Percentage
Promoter (SPICA INVESTMENTS LTD.)	3,33,08,398	78.26
Institutional Investors		
a. Mutual Funds	19,290	0.05
b. Banks, FI's, Insurance Companies	6,25,642	1.47
Private Corporate Bodies	9,51,075	2.23
NRIs / OCBs (other than Promoter Group)	26,598	0.06
Indian Public	76,30,819	17.93
Total	4,25,61,822	100.00

X PLANT LOCATION OF THE COMPANY:

Plot No. 2, G.I.D.C. Estate, Palej – 392220, Dist. – Bharuch, Gujarat

XI COMPLIANCE

In compliance with listing agreement executed with the Stock Exchanges, the Company has obtained the certificate regarding compliance of conditions of Corporate Governance from M/s. Devesh Vimal & Company, Practising Company Secretaries, Vadodara, which appears as a part of the Annual Report of the Company.

Shareholders' correspondence should be addressed to the Company's RTA at the address mentioned above. The Shareholders having securities in a dematerialized form should give instructions relating to change of address, nomination and / or power of attorney executed by them directly to their respective Depository Participants. Alternatively shareholders may contact us at following email address: secretarial@steelcogujarat.com

XII DECLARATION REGARDING COMPLIANCE BY BOARD MEMEBRS AND SENIOR MANAGEMENT PERSONNEL WITH COMPANY'S CODE OF CONDUCT PURSUANT TO REVISED CLAUSE 49 OF THE LISTING AGREEMENT:

This is to confirm that all Board Members and Senior Management Personnel of the Company have complied with the code of conduct for Directors & Senior Management Personnel (i.e. D & S Code) during the year ended on 31st March, 2013.

For and on behalf of the Board of Directors
For Steelco Gujarat Limited

Place : Mumbai
Date : 22nd May, 2013

Dr. R. S. Mamak
Vice-Chairman

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Steelco Gujarat Limited,
Palej.

We have examined all relevant records of Steelco Gujarat Limited as made available to us for the purpose of certifying compliance under clause 49 of Listing Agreements of the said Company with Stock Exchange in India for the financial year 2012-13.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced and explanations and information furnished to us, the Company has materially complied with all the mandatory conditions of Clause 49 of the Listing Agreement.

For Devesh Vimal & Co.
Practising Company Secretaries

Place : Vadodara
Date : 22nd May, 2013

Devesh A. Pathak
Partner
Membership No. FCS - 4559
CP No. - 2306



INDEPENDENT AUDITORS' REPORT

To
The Members of
Steelco Gujarat Limited

1. Report on the Financial Statements :

We have audited the accompanying financial statements of **STEELCO GUJARAT LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements :

The Company's 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 Section 211(3C) of the Companies Act, 1956 ("the Act"). 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.

3. Auditors' 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the 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.

4. Opinion :

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- ii. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. Emphasis of Matter :

Attention of the members is invited to Note No. 34 regarding the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth is substantially eroded. The appropriateness of the said basis is interalia dependent upon the fulfillment of terms and conditions of approved Corporate Debt Restructuring ["CDR"] package by Corporate Debt Restructuring Cell of Reserve Bank of India vide its approval letter dtd. June 27, 2012 and company's ability to raise requisite finance and/or generate cash flows in future to meet its commitment of future revival plans and for continuing operations.

6. Report on Other Legal and Regulatory Requirements :

- i. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- ii. As required by Section 227(3) of the Act, 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 purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2013 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 Section 274(1)(g) of the Act.

For MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
Firm Registration No. 106625W

PARTNER

Chandresh S. Shah
Membership No. 42132

Place : Ahmedabad.
Date : 22nd May, 2013

Annexure to Independent Auditors' Report

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the company and taking into consideration, the information and explanation given to us in the normal course of audit, we report that:

1. (a) The Company has maintained proper records to show the particulars including quantitative details and situation in respect of the fixed assets.
- (b) Some of the fixed assets were physically verified during the year by the management in accordance with programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventory has been physically verified by management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventory.
3. (a) The Company has taken unsecured loan from the company, in which directors are interested, listed in the register maintained under section 301 of the Companies Act, 1956.

Name of Party	Relationship	Amount taken during the year	Amount repaid during the year	Year end balance
Ignis International Pvt. Ltd.	The company in which director is interested.	₹ 90,00,000	₹ 90,00,000	Nil

- (b) The rate of interest and other terms and condition of these loans are not prima facie prejudicial to the interest of the Company.
- (c) The Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-b), (iii-c) and (iii-d) of paragraph 4 of the order are not applicable.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, and according to the information and explanations given to us, during the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. In our opinion, the transactions that need to be entered into the register maintained under section 301 have been so entered. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion, and according to the information and explanations given to us, the company has not accepted any deposits from the Public within the meaning of the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder. Further, we are informed that no order has been passed by the Company Law Board.
7. The Company has an internal audit system which, in our opinion is commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of the cost records and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of cost records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance dues, Income-tax, Sales-tax, Wealth tax, Service Tax, Customs duty, Excise duty, Cess and any other dues during the year with the appropriate authorities. There are no cases of non-deposit of any undisputed statutory dues outstanding for a period of more than six months as at 31st March, 2013 from the date they became payable.



- (b) According to the information and explanations given to us, there are no cases of non-deposit with appropriate authorities of disputed dues of Sales tax, Income-tax, Customs duty, Wealth tax, Excise duty and Cess except the following:

Financial year to which it relates	Act	Nature of dues	Forum where dispute is pending	Amount (₹ in Lacs)
2008 – 2009	Customs Act	Customs Duty	CESTAT, Ahmedabad	32.66
2009 – 2010	Central Excise Act and Service Tax	Excise duty interest	CESTAT, Ahmedabad	1.60
1991 – 1992	Income Tax Act, 1961	Income Tax	H'nable Gujarat High Court	24.45
1992 – 1993	Income Tax Act, 1961	Income Tax	H'nable Gujarat High Court	26.03
1993 – 1994	Income Tax Act, 1961	Income Tax	H'nable Gujarat High Court	61.55

10. **The accumulated losses at the end of the financial year are more than 50% of its net worth. The Company has not incurred cash losses in the financial year** but it has incurred cash losses in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to financial institutions or banks, pursuant to approval of Corporate Debt Restructuring [CDR] package by the CDR Cell.
12. The Company had not granted any loans on the basis of security by way of pledge of shares, debentures or other securities.
13. The Company is not a chit fund/nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantees or provided any security in respect of borrowings taken by others from banks and financial institutions.
16. Term loans obtained by the Company were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash-flow statement and other records, we report that no funds raised on short term basis have prima facie, been used during the year for long term investment and vice versa.
18. The Company has not made any preferential allotment to any parties, firms and/or companies covered in the register maintained under section 301 of the Companies Act, 1956. Hence, there does not arise any question of an enquiry of the price of the issue to ascertain whether the same is, prima facie, prejudicial to the interest of the Company.
19. The Company has not issued any debentures, hence question of creating securities does not arise.
20. The Company has not raised any money by public issues during the year.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For MUKESH M. SHAH & CO.
CHARTERED ACCOUNTANTS
 Firm Registration No. 106625W

Place : Ahmedabad.
 Date : 22nd May, 2013

PARTNER
 Chandresh S. Shah
 Membership No. 42132

BALANCE SHEET AS AT MARCH 31, 2013

Particulars	Note No.	INR - LACS	
		Figures as at end of March 31,	
		2013	2012
EQUITY AND LIABILITIES:			
Shareholders' Funds:			
Share Capital	1	7,536.95	7,536.95
Reserves and Surplus	2	902.28	1,484.39
		8,439.23	9,021.34
Share Application Money Pending Allotment:	1-D	348.64	-
		8,787.87	9,021.34
Non-Current Liabilities:			
Long Term Borrowings	3	4,048.11	318.90
Other Long Term Liabilities	4	16.10	17.79
Long Term Provisions	5	206.69	205.48
		4,270.90	542.17
Current Liabilities:			
Short Term Borrowings	6	5,491.73	6,045.66
Trade Payables	7	12,634.62	16,231.50
Other Current Liabilities	8	1,145.88	1,450.27
Short Term Provisions	9	125.59	125.28
		19,397.82	23,852.71
Total		32,456.59	33,416.22
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	10	12,505.14	13,457.48
Intangible Assets	10	6.21	4.80
Capital work-in-progress		92.60	184.12
		12,603.95	13,646.40
Deferred Tax Asset [Net]	11	-	-
Long Term Loans and Advances	12	1,068.82	972.09
		13,672.77	14,618.49
Current Assets:			
Inventories	13	6,550.54	8,595.98
Trade Receivables	14	8,104.47	6,401.49
Cash and Bank Balances	15	630.70	916.57
Short Term Loans and Advances	16	1,773.68	1,305.03
Other Current Assets	17	1,724.43	1,578.66
		18,783.82	18,797.73
Total		32,456.59	33,416.22

Significant Accounting Policies
Notes to the Financial Statements

1 to 36

As per our report of even date

Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

Chandresh S. Shah
Partner
Membership No: 42132

Place : Ahmedabad
Date : 22nd May, 2013

For and on behalf of the Board

Dr. R.S.Mamak
Vice Chairman

Sunil Singhvi
Joint General Manager (Finance)

Place : Mumbai
Date : 22nd May, 2013

N.M. Mohnot
Managing Director

Arvind Tambi
Financial Controller &
Asst. Company Secretary



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

Particulars	Note No.	INR - LACS	
		Figures for the year ended on March 31,	
		2013	2012
REVENUE:			
Revenue from Operations:	19		
Sale of Products [Gross]		54,558.09	46,690.11
Less : Excise Duty		2,461.10	1,632.27
Sale of Products [Net]		52,096.99	45,057.84
Other Operating Revenues		2,054.46	1,922.27
Net Revenue from Operations		54,151.45	46,980.11
Other Income	20	323.11	141.22
Total Revenue		54,474.56	47,121.33
EXPENSES:			
Cost of Materials Consumed	21	42,467.84	36,533.28
Changes in Inventories of Finished goods and Work-in-progress	22	(25.32)	788.58
Employee Benefits Expense	23	1,091.66	1,099.77
Finance Costs	24	2,021.33	2,363.77
Depreciation and Amortisation Expenses	10	1,072.14	1,875.40
Less : Transferred from Revaluation Reserve (Refer Note. No.10)		(599.14)	(632.42)
Net Depreciation and Amortisation Expenses		473.00	1,242.98
Other Expenses	25	8,429.02	7,963.54
Total Expenses		54,457.53	49,991.92
Profit/(Loss) before Tax		17.03	(2,870.59)
Less/[Add]: Tax Expense:			
Current Tax		-	-
Deferred Tax	11	-	-
		-	-
Profit/(Loss) for the Year		17.03	(2,870.59)
Basic & Diluted Earning per Equity Share [EPS] [in ₹]	26	(0.92)	(7.71)
Significant Accounting Policies			
Notes to the Financial Statements	1 to 36		

As per our report of even date

Mukesh M. Shah & Co.
Chartered Accountants
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Chandresh S. Shah
Partner
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Financial Controller &
Asst. Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013
INR - LACS

Particulars	Figures for the year ended on March 31,	
	2013	2012
A CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit before taxation and extraordinary items	17.03	(2,870.59)
Adjustments for:		
Depreciation [Net]	473.00	1,242.98
[Profit]/Loss on sale of assets [Net]	(10.52)	(1.42)
Interest income	(110.28)	(89.13)
Interest expenses	2,021.33	2,363.77
Bad debts written off	25.74	-
Provision for doubtful debts written back	(33.81)	13.87
Exchange (Gain)/Loss - Unrealised	(258.65)	81.61
Provisions for employee benefits	39.06	65.78
Total	<u>2,145.87</u>	<u>3,677.46</u>
Operating profit before working capital changes	2,162.90	806.87
Adjustments for:		
[Increase]/Decrease in trade receivables	(1,332.90)	343.50
[Increase]/Decrease in inventories	2,045.44	(512.95)
[Increase]/Decrease in short term advances	(757.15)	27.76
[Increase]/Decrease in long term advances	(88.00)	24.72
[Increase]/Decrease in other current assets	(122.35)	(446.40)
Increase/[Decrease] in trade payables	(3,391.28)	1,826.86
Increase/[Decrease] in other current liabilities	(207.06)	106.45
Increase/[Decrease] in other long term liabilities	(1.69)	(0.15)
Increase/[Decrease] in long term Provisions	(37.85)	(30.92)
Increase/[Decrease] in short term Provisions	0.20	(0.62)
Total	<u>(3,892.64)</u>	<u>1,338.25</u>
Cash generated from operations	<u>(1,729.74)</u>	<u>2,145.12</u>
Less : Direct taxes paid [Net of refunds]	<u>(8.62)</u>	<u>(77.78)</u>
Cash flow before extraordinary items	<u>(1,738.36)</u>	<u>2,067.34</u>
Less : Extraordinary items	-	-
Net cash from operating activities	<u>(1,738.36)</u>	<u>2,067.34</u>
B CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(33.32)	(286.31)
Proceeds from sale of fixed assets	14.15	4.43
Interest received	86.86	87.23
Net cash from investing activities	67.69	(194.65)
C CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital / Share Application Money	348.64	-
Repayment of Long Term Borrowings	3,590.64	(331.92)
Short Term Borrowings [Net]	(571.74)	959.61
Interest paid	(1,982.74)	(2,364.75)
Net cash used in financing activities	<u>1,384.80</u>	<u>(1,737.06)</u>
Net increase/(decrease) in cash and cash equivalents	(285.87)	135.63
Cash and cash equivalents at the beginning of the year	916.57	780.94
Cash and cash equivalents at the close of the year	630.70	916.57

Notes to the cash flow statement

- All figures in brackets are outflow.
- Previous year's figures have been regrouped wherever necessary.

As per our report of even date

Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

Chandresh S. Shah
Partner
Membership No: 42132

Place : Ahmedabad
Date : 22nd May, 2013

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Joint General Manager (Finance)

Place : Mumbai
Date : 22nd May, 2013

N.M. Mohnot
Managing Director

Arvind Tambi
Financial Controller &
Asst. Company Secretary


Significant Accounting Policies
1 Basis of Accounting:

The financial statements are prepared under "historical cost convention" except in case of certain revalued fixed assets, on "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government to the extent applicable and with the applicable provisions of the Companies Act, 1956. The Company has consistently applied the Accounting Policies in preparation and presentation of the financial statements.

2 Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and reported amount of income and expenses during the year. Actual results/outcome could differ from these estimates. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Any revision to the accounting estimates is recognised prospectively in the year in which such estimates are actually materialized.

3 Fixed Assets and Depreciation:

A All Fixed Assets are valued at cost less depreciation / amortization. Cost [net of Cenvat credit available] comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Financial costs directly attributable to the construction of qualifying fixed assets are also included to the extent they relate to the period till such assets are ready for their intended use.

Cost of addition or extension to an existing asset, which is of a capital nature and/or which becomes an integral part of the existing asset is capitalised and added to the gross book value of that asset.

Certain assets were revalued as on 31st March, 2011 and resultant surplus has been added to the cost of the assets with a corresponding credit to Revaluation Reserve Account. (Refer Note No. 10 (1) to the financial statements.

B Leasehold Land is being amortised over the life of the lease.

C Depreciation on Buildings & Electrical Installations, Furniture, Fixtures, Office Equipment and Vehicles has been provided on Written Down Value Method, as per section 205(2) (a) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto.

D Depreciation on all other assets has been provided on Straight Line Method, as per section 205(2)(b) of the Companies Act, 1956, at the rates prescribed in Schedule XIV thereto.

For determining the appropriate depreciation rates, plant and machinery falling under the category of continuous process plant has been identified on the basis of technical opinion obtained.

E Depreciation on additions to and disposals of the Fixed Assets during the period has been provided on pro-rata basis, according to the period each such asset was used except in case of low value items not exceeding ₹ 10,000/-, which are depreciated fully in the period of addition.

F Depreciation on addition or extension to the existing Fixed Asset which becomes integral part of that asset, is provided on pro-rata basis according to the remaining useful life of the existing asset.

4 Impairment of Assets:

A The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates recoverable amount of the asset, being higher of the net selling price and value in use.

Value in use is determined from the present value of estimated future cash flows from continuing use of such assets discounted at weighted average cost of capital.

B If recoverable amount of such asset or the recoverable amount of the cash generating unit to which such asset belong is found to be lower than its carrying amount, then carrying amount of such asset is reduced to the extent of its recoverable amount.

Such reduction is treated as impairment loss and is charged to the statement of Profit and Loss.

C After impairment of an asset, the depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

D At a balance sheet date, if there is an indication that a previously recognised impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount and previously recognised impairment loss is reversed.

5 Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition / construction of qualifying Fixed Assets are capitalized as a part of the cost of the respective asset upto the date when such assets are ready for their intended use and borrowing costs other than these costs are charged to Profit and Loss Account.

6 Expenditure during the Construction Period:

The expenditure incidental to the expansion / new projects is carried forward as "Pre-operative and Project expenditure pending allocation / capitalization" and are allocated to Fixed Assets in the period of commencement of the commercial production.

7 Inventories:

- A** Inventories consisting of Raw Materials, Work-in-Process and Finished Goods are valued at lower of cost and net realizable value.
- B** For this purpose, the cost of raw material is determined using annual weighted average cost method (net of Cenvat credit availed).
- C** Cost of finished goods and Work-in-process is determined by taking annual weighted average material costs (net of Cenvat credit availed) and other appropriate and relevant manufacturing overheads.
- D** Inventories consisting of Stores, Consumables, Spare Parts and Packing Materials etc. are valued at lower of cost and net realizable value. For this purpose direct costs and appropriate relevant overheads are apportioned using the FIFO method.

8 Revenue Recognition:

- A** Revenue is recognised to the extent it is possible that economic benefits will flow to the company and the revenue can be reliably measured and there is a reasonable certainty regarding ultimate collection.
- B** Revenue from sale of products is recognised on transfer of all significant risks and rewards of ownership of the goods to the customers, which generally coincides with the dispatch of goods. Sales are stated exclusive of Sales Tax / VAT, trade discounts and sales returns.
- C** Export benefits / incentives are accounted on accrual basis in accordance with various government schemes and are shown under "Other Operating Revenue".
- D** Interest income is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable.
- E** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

9 Foreign Currency Transactions:

- A** The transactions in foreign currencies are converted into Indian Rupees at the rates of exchange prevailing on the date of transactions.
- B** The Company is exposed to the risks of foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rates fluctuations by following established risk management policies. The Company enters into forward contracts where the counter parties are banks. The gain/loss on the contracts settled during the year is recognised in the Profit and Loss Account. The outstanding forward contracts meant for hedging the receivable outstanding as at balance sheet date are marked to market and resultant loss/gain is recognised in Profit and Loss Account. However, the gain or loss on forward contracts outstanding as at the Balance Sheet date meant for hedging the currency fluctuation risks in respect of the forecasted cash flows resulting from sales expected during the subsequent period based on the orders on hand as on the Balance Sheet date is computed taking the difference between contracted rate and the spot rate on the balance sheet date. Such gain/loss will be recognised in the statement of the Profit and Loss Account of the period during which such hedged transactions are actually crystallized. Such loss/gain would be contra set off by the corresponding effect on actual sales realisation.
- C** The balances in Current Assets and Current Liabilities in foreign currencies at the date of Balance Sheet have been converted into Indian Rupees at the rate of exchange prevalent on that date. The resultant net gain/loss arising out of such foreign exchange translations is taken to Profit and Loss Account except in respect of such differences related to acquisition of fixed assets from a country outside India which are capitalized as a part of respective fixed asset.

10 Excise Duty:

Excise Duty is accounted gross of Cenvat benefit availed on inputs, fixed assets and eligible services.


11 Employee Benefits:
A Defined Contribution Plans:

The Company contributes on a defined contribution basis to Employees' Provident Fund towards post employment benefits, all of which are administered by the respective Government authorities, and it has no further obligation beyond making its contribution, which is expensed in the period to which it pertains.

B Defined Benefit Plans:

The Superannuation scheme is administered through the Life Insurance Corporation of India (LIC). The liability for the defined benefit plan is funded by way of payment of premium as determined by the LIC of India and the same is administered by LIC and the Company has no further obligation beyond making its contribution, which is expensed in the period to which it pertains.

The Company administers the gratuity scheme being unfunded liability. The liability for defined benefit plan of Gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. Actuarial gains and losses, which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the Profit and Loss Account.

C Leave Entitlements (Long Term Employee Benefit):

The employees of the company are entitled to leave as per the leave policy of the Company. The unfunded liability in respect of unutilized leave balances is provided based on an actuarial valuation carried out by an independent actuary, which is calculated using projected unit credit method as at the year end and charged to the Profit and Loss Account.

12 Provision for Bad and Doubtful Debts/Advances:

Provision is made for Bad & Doubtful Debts / Advances which in the opinion of the management is considered doubtful of recovery.

13 Taxes on Income:

A Tax expenses comprise of current and deferred tax.

B Current tax is measured at the amount expected to be paid on the basis of relief and deductions available in accordance with the provisions of Indian Income Tax Act, 1961 and includes Minimum Alternate Tax ("MAT") paid by the Company on book profits in accordance with the provisions of the Income Tax Act, 1961.

C MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period and will be able to set off such MAT credit entitlement.

D Deferred income tax reflects the impact of the current year reversible timing differences between the taxable income and accounting income for the year and reversal of timing differences of the earlier year.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised only to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

14 Leases:

Leases are classified as operating leases where the lessor effectively retains substantially all the risks and benefits of the whole ownership of the leased assets. Operating lease payments are recognized as expenses in the statement of Profit and Loss as and when paid.

15 Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made.

Contingent liability is disclosed for:

A Possible obligations which will be confirmed by future events not wholly within the control of the Company, or

B Present obligation arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

Notes to the Financial Statements

	INR - LACS	
	Figures as at end of March 31,	
	2013	2012
NOTE: 1-SHARE CAPITAL:		
Authorised:		
7,50,00,000 [as at 31-03-12 : 10,00,00,000] Equity Shares of ` 10/- each	7,500.00	10,000.00
7,50,00,000 [as at 31-03-12 : 5,00,00,000] Preference Shares of ` 10/- each	7,500.00	5,000.00
	<u>15,000.00</u>	<u>15,000.00</u>
Issued, Subscribed and Paid-up:		
4,25,61,822 [as at 31-03-12 : 4,25,61,822] Equity Shares of ` 10/- each, fully paid up	4,256.18	4,256.18
Less : Calls in arrears - Due from others	(1.23)	(1.23)
3,28,20,000 [as at 31-03-12 : 3,28,20,000] 12.50% Cumulative Redeemable Preference Shares of ` 10/- each, fully paid up	3,282.00	3,282.00
Total	<u>7,536.95</u>	<u>7,536.95</u>

A The reconciliation of the number of Shares outstanding is as under:

Particulars	Equity shares		Preference Shares	
	As at end of March 31,		As at end of March 31,	
	2013	2012	2013	2012
Number of shares at the beginning	42,561,822	42,561,822	32,820,000	32,820,000
Add: Bonus shares issued during the year/shares issued during the year	-	-	-	-
Less: Shares bought back/redeemed during the year	-	-	-	-
Number of shares at the end	<u>42,561,822</u>	<u>42,561,822</u>	<u>32,820,000</u>	<u>32,820,000</u>

B The equity shares rank parri passu and carry equal rights with respect to voting and dividend.

In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.

C The Preference Shares are redeemable after a period of 18 years from the date of its issues i.e.29-09-2008.

The said shares do not carry any voting rights nor do they participate in the profits of the Company, except that they carry preferential right in respect of cumulative arrears of unpaid dividend. In the event of liquidation of the Company, the preference shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all other preferential amounts but before distribution to the equity shareholders.

D In terms of conditions and covenants laid down in the approved Corporate Debt Restructuring Scheme, promoters are required to contribute a stipulated margin of ` 347 Lacs towards Lenders' sacrifice, which has been remitted by the promoters as an advance towards subscription to Preference Shares proposed to be issued by the Company. Pending the completion of relevant formalities & obtaining requisite approval from regulatory authorities, the amount so received is shown as "Share application money pending allotment".

	INR - LACS	
	Figures as at end of March 31,	
	2013	2012
E Details of Share Holders holding more than 5% of Share Capital :		
Spica Investments Limited (Holding Company), Mauritius, which is a subsidiary of Spica Business Corp., Panama.		
Number of Equity Shares	33,308,398	33,308,398
% to total share holding	78.26	78.26
Number of Preference Shares	32,820,000	32,820,000
% to total share holding	100.00	100.00
F Equity shares allotted without payment being received in cash	Nil	Nil
G Preference shares allotted without payment being received in cash	Nil	Nil
H Equity Shares allotted as fully paid up shares by way of Bonus Shares	Nil	Nil



		INR - LACS	
		Figures as at end of March 31,	
		2013	2012
NOTE: 2-RESERVES AND SURPLUS:			
Capital Reserve:			
Balance at the beginning and at the end of the reporting period		489.68	489.68
		<u>489.68</u>	<u>489.68</u>
Revaluation Reserve: [Refer Note No. 10 (1)]			
Balance as at the beginning of the year		8,647.76	9,280.18
Less : Transfer to statement of Profit and Loss to the extent of Depreciation provided on Revalued amount		(599.14)	(632.42)
		<u>8,048.62</u>	<u>8,647.76</u>
Surplus in statement of Profit and Loss:			
Balance as at the beginning of the year		(7,653.05)	(4,782.46)
Add: (Loss)/Profit for the year		17.03	(2,870.59)
Balance as at the end of the year		<u>(7,636.02)</u>	<u>(7,653.05)</u>
Total		<u>902.28</u>	<u>1,484.39</u>

NOTE: 3-LONG TERM BORROWINGS:

		INR - LACS			
		Non-current portion		Current Maturities	
		Figures as at end of March 31,			
		2013	2012	2013	2012
A	Term Loans from Banks:				
	Term Loan [Secured]	3,832.11	90.00	201.75	340.00
B	Finance Lease obligations [Unsecured]:				
	From Banks	16.00	28.90	14.01	14.33
C	From Others [Unsecured] / Inter corporate deposits	200.00	200.00	-	-
	Total	<u>4,048.11</u>	<u>318.90</u>	<u>215.76</u>	<u>354.33</u>
The above amount includes:					
	Secured borrowings	3,832.11	90.00	201.75	340.00
	Unsecured borrowings	216.00	228.90	14.01	14.33
	Amount disclosed under the head "Other Current Liabilities" [Note-8]	-	-	(215.76)	(354.33)
	Net amount	<u>4,048.11</u>	<u>318.90</u>	<u>-</u>	<u>-</u>

A Securities and Terms of Repayment for Secured Long Term Borrowings:

Rupee Term Loans:

Rupee Term Loan of ₹ 4033.86 Lacs is secured by way of joint mortgage of immovable properties of the company situated at Plot No.2, GIDC Estate, Palej, Dist. Bharuch, Gujarat (India) both present and future and by way of hypothecation of whole of immovable property of the Company, including plant and machinery and other movables, both present and future (Save and except inventories and book debts) whether installed or not, or in the course of transit by way of first charge to the lenders subject to the first charge on specified movable assets created in favour of banks providing Working capital finance) to rank on pari-passu basis.

The secured borrowings are further secured by way of pledge of 3,33,08,398 Equity Shares held by the promoters in favour of the Consortium of Bankers and corporate guarantee of Spica Business Corp., Panama, the holding Company of Spica Investments Ltd., Mauritius.

The loans are rescheduled in terms of Corporate Debts Restructuring Scheme as approved by the Corporate Debt Restructuring Cell vide its approval letter dtd. June 27, 2012. Accordingly the loans are now repayable in stepped-up quarterly 30 instalments commencing from December 2013 as detailed hereunder.

Sr No	Financial year	% of Principal to be repaid	Sr No	Financial year	% of Principal to be repaid	Sr No	Financial year	% of Principal to be repaid
1	2013-14	5%	4	2016-17	15%	7	2019-20	15%
2	2014-15	10%	5	2017-18	15%	8	2020-21	15%
3	2015-16	10%	6	2018-19	15%			

B Terms of Repayment for Unsecured Long Term Borrowings:

Finance obligations of ₹ 55.23 Lacs is taken against Hypothecation of respective vehicles and it is repayable as per the repayment schedule ranging 36 to 48 equal monthly instalments alongwith interest for the year. The outstanding amount as at 31st March 2013 is ₹ 30.01 Lacs. [As at 31-03-2012: ₹ 43.23 Lacs].

C There are no continuous default as on 31st March 2013.

INR - LACS
Figures as at end of March 31,

	2013	2012
NOTE :4-OTHER LONG TERM LIABILITIES:		
Others : Security deposits from customers	16.10	17.79
Total	16.10	17.79
NOTE: 5-LONG TERM PROVISIONS:		
Provision for Employee Benefits	206.69	205.48
Total	206.69	205.48

Disclosure pursuant to Accounting Standard-15 [Revised] "Employee Benefits" : Defined benefit plan and long term employment benefit
A General description:
Gratuity [Defined benefit plan]:

The Company has a defined benefit gratuity plan. Every employee who has completed continuous services of five years or more, gets a gratuity on death or resignation or retirement at 15 days salary [last drawn salary] for each completed year of service. The gratuity scheme is administered by the company, being unfunded liability.

Leave wages [Long term employment benefit]:

Employees of the Company are entitled to leave as per the leave policy of the Company. The liability on account of accumulated leave as on last day of the accounting year is recognised at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method. The Leave encashment obligations administered by the Company, being unfunded liability.

INR - LACS

	Figures as at end of March 31,			
	2013		2012	
	Gratuity	Pre. Leave	Gratuity	Pre. Leave
B Change in the present value of the defined benefit obligation:				
Opening defined benefit obligation	171.33	68.38	147.93	57.54
Interest cost	13.70	5.47	11.83	4.60
Current service cost	17.65	14.12	18.40	11.73
Benefits paid	(20.62)	(15.98)	(23.01)	(11.84)
Actuarial [gain]/losses on obligation	(9.74)	(3.19)	16.18	6.35
Closing defined benefit obligation	172.32	68.80	171.33	68.38
C Change in the fair value of plan assets:				
Opening fair value of plan assets	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions by employer	-	-	-	-
Benefits paid	-	-	-	-
Actuarial gains/[losses]	-	-	-	-
Closing fair value of plan assets	-	-	-	-
Total actuarial gain [loss] to be recognized	-	-	-	-
D Actual return on plan assets:				
Expected return on plan assets	-	-	-	-
Actuarial gain/[loss] on plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
E Amount recognised in the balance sheet:				
[Assets]/Liability at the end of the Year	172.32	68.80	171.33	68.38
Fair value of plan Assets at the end of the year	-	-	-	-
Difference	172.32	68.80	171.33	68.38
Unrecognised past service cost	-	-	-	-
[Assets]/Liability recognised in the Balance Sheet	172.32	68.80	171.33	68.38



INR - LACS

		Figures as at end of March 31,			
		2013		2012	
		Gratuity	Pre. Leave	Gratuity	Pre. Leave
F	[Income]/Expenses recognised in the Statement of Profit and Loss :				
	Current service cost	17.65	14.12	18.40	11.73
	Interest cost on benefit obligation	13.70	5.47	11.83	4.60
	Expected return on plan assets	-	-	-	-
	Net actuarial [gain]/loss in the year	(9.74)	(3.19)	16.18	6.35
	Net [benefit]/expense	<u>21.61</u>	<u>16.40</u>	<u>46.41</u>	<u>22.68</u>
G	Movement in net liability recognised in Balance Sheet:				
	Opening Net Liability	171.33	68.38	147.93	57.54
	Expenses as above [P & L Charge]	21.61	16.40	46.41	22.68
	Employer's contribution	(20.62)	(15.98)	(23.01)	(11.84)
	[Assets]/Liability recognised in the Balance Sheet	<u>172.32</u>	<u>68.80</u>	<u>171.33</u>	<u>68.38</u>
H	Principal actuarial assumptions as at Balance sheet date:				
	Discount rate	8.00%	8.00%	8.00%	8.00%
	[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]				
	Expected rate of return on plan Assets	N.A.	N.A.	N.A.	N.A.
	[The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]				
	Annual increase in salary cost	5.00%	5.00%	5.00%	5.00%
	[The estimates of future salary increases considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market]				
I	The categories of plan assets as a % of total plan assets are:				
	Insurance Company	N.A.	N.A.	N.A.	N.A.

INR - LACS

		Figures as at end of March 31,	
		2013	2012
NOTE: 6-SHORT TERM BORROWINGS:			
Loans repayable on Demand:			
	Working Capital Loans from Banks [Secured] [*]	5,491.73	6,045.66
	Total	<u>5,491.73</u>	<u>6,045.66</u>
The above amount includes:			
	Secured borrowings	5,491.73	6,045.66
	Unsecured borrowings	-	-
	Net amount	<u>5,491.73</u>	<u>6,045.66</u>

[*] Working Loan comprising Cash Credit(CC), Packing Credit Foreign Currency (PCFC), Export Packing Credit (EPC) and Demand Loan(DL) is repayable on demand from Banks are secured by way of hypothecation of the Company's entire current assets including stock of goods, including raw material, work-in-process, finished goods, stores, consumables, spares, goods in transit etc. and book-debts, both present and future, to rank on "pari-passu" basis. These facilities are also secured by way of first charge over the entire fixed assets including Equitable mortgage over leasehold right over the factory land of the Company situated at Plot No.2, GIDC estate, Palej, Dist. Bharuch, Gujarat (India) both present and future. Interest for borrowing in Indian Currency through CC, EPC and DL is in the range of 9.25% p.a. to 16% p.a. and for borrowing in foreign currency through PCFC is in the range of Libor + 2.00% p.a. to Libor+3.50% p.a.

The secured borrowings are further secured by way of pledge of 3,33,08,398 Equity Shares held by the promoters in favour of the Consortium of Bankers.

NOTE: 7-TRADE PAYABLES:

Micro, Small and Medium Enterprises [*]	7.83	1.37
Acceptances	8,090.56	10,852.40
Other Trade Payables	4,536.23	5,377.73
Total	<u>12,634.62</u>	<u>16,231.50</u>

[*] Disclosure in respect of Micro, Small and Medium Enterprises:

A Principal amount remaining unpaid to any supplier as at the Year	7.83	1.37
B Interest due thereon	-	-
C Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the Year.	-	-
D Amount of interest due and payable for the period of delay in making payment [which have been paid but beyond the appointed day during the Year] but without adding the interest specified under the MSMED.	0.04	0.25
E Amount of interest accrued and remaining unpaid at the end of the accounting year	0.04	0.25
F The amount of further interest due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure u/s 23.	-	-

The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.

NOTE: 8-OTHER CURRENT LIABILITIES:

Current Maturities of Long Term Debt [Refer Note No. 3]	215.76	354.33
Interest accrued and due on borrowings	42.05	9.07
Interest accrued but not due on borrowings	6.44	0.83
Advances from Customers	342.33	339.68
Others:		
Book Overdraft	13.62	129.63
Provision for Expenses	499.39	587.86
Payable to Statutory Authorities	26.29	28.87
Total	<u>1,145.88</u>	<u>1,450.27</u>

NOTE: 9-SHORT TERM PROVISIONS:

Provision for Employee Benefits	34.43	34.23
Others:		
Provision for Taxation	91.16	91.05
[Net of advance payment of taxes of ` 78.61 Lacs {as at 31-03-12: ` 78.61 Lacs}.]		
Total	<u>125.59</u>	<u>125.28</u>



NOTE: 10-FIXED ASSETS:

INR - IN LACS

	Leasehold Land	Buildings	Plant and Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Total
A Tangible Assets:							
Gross Block:							
As at March 31, 2012	1,630.77	5,732.29	29,012.60	75.20	191.87	280.68	36,923.41
Additions	-	8.06	53.06	50.29	0.36	8.74	120.51
Disposals	-	(0.23)	-	(19.17)	(28.59)	(107.97)	(155.96)
Other adjustments	-	-	-	-	-	-	-
As at March 31, 2013	<u>1,630.77</u>	<u>5,740.12</u>	<u>29,065.66</u>	<u>106.32</u>	<u>163.64</u>	<u>181.45</u>	36,887.96
Depreciation:							
As at March 31, 2012	34.60	2,314.69	20,689.83	67.37	121.40	238.04	23,465.93
Charge for the Year	16.47	309.95	710.05	2.07	19.03	11.65	1,069.22
Disposals	-	(0.15)	-	(18.67)	(26.58)	(106.93)	(152.33)
As at March 31, 2013	<u>51.07</u>	<u>2,624.49</u>	<u>21,399.88</u>	<u>50.77</u>	<u>113.85</u>	<u>142.76</u>	24,382.82
Net Block:							
As at March 31, 2012	1,596.17	3,417.60	8,322.77	7.83	70.47	42.64	13,457.48
As at March 31, 2013	<u>1,579.70</u>	<u>3,115.63</u>	<u>7,665.78</u>	<u>55.55</u>	<u>49.79</u>	<u>38.69</u>	12,505.14

B Intangible Assets:

	Computer Software	Total
Gross Block:		
As at March 31, 2012	14.76	14.76
Additions	4.33	4.33
Disposals	-	-
Other adjustments	-	-
As at March 31, 2013	<u>19.09</u>	19.09
Depreciation:		
As at March 31, 2012	9.96	9.96
Charge for the Year	2.92	2.92
Disposals	-	-
As at March 31, 2013	<u>12.88</u>	12.88
Net Block:		
As at March 31, 2012	4.80	4.80
As at March 31, 2013	<u>6.21</u>	6.21

Notes :

- 1 The major items of fixed assets comprising of Leasehold Land, Buildings and Plant and Machineries owned by the Company were revalued by M/s Mott MacDonald Private Limited, an independent professional technical expert and valuers as at 31st March, 2011. As per their report, the above assets with a written down value of ₹ 5740.30 Lacs have been revalued at ₹ 15020.48 Lacs resulting into surplus of ₹ 9280.18 Lacs, which is credited to "Revaluation Reserve Account." Such assets are revalued considering:-
 Current prevailing market prices/derived rates attributable to land;
 Current cost of construction;
 Present day cost of equivalent new plant and machinery installed and ready for production;
 Estimated useful life of fixed assets and related degree of obsolescence; Depreciation thereon since acquisition at appropriate rates following Straight Line Method.

The details of said revaluation and the resultant surplus in value are as follows:

Assets revalued	Revaluation as on	Revaluation surplus (₹ In lacs)
Lease hold Land	March 31, 2011	1,539.80
Buildings	March 31, 2011	2,735.11
Plant and Machineries	March 31, 2011	5,005.27
Total		9,280.18

- 2 Break up of additions, disposals and other adjustments for previous year is as under:

INR - LACS

	Tangible Assets			Intangible Assets		
	Gross Block	Depreciation	Net Block	Gross Block	Depreciation	Net Block
Opening	28,094.79	21,021.83	7,072.96	13.92	5.91	8.01
Additions	210.28	1,871.36	(1,661.08)	0.83	4.04	(3.21)
Disposals	(29.42)	(26.40)	(3.02)	-	(0.01)	0.01
Revaluation Surplus	8,647.76	599.14	8,048.62	-	-	-
Closing	<u>36,923.41</u>	<u>23,465.93</u>	<u>13,457.48</u>	<u>14.75</u>	<u>9.94</u>	<u>4.81</u>

NOTE: 11-DEFERRED TAX:

A The Company has worked out deferred tax liabilities / assets as at March 31, 2013. In view of unabsorbed depreciation and business losses under tax laws, net result of computation is net deferred tax assets, which are not recognised as a matter of prudence and in absence of virtual certainty as to its realization.

B Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under :

INR-LACS					
	As at 31-03-11	Charge for the previous Year	As at 31-03-12	Charge for the current Year	As at 31-03-13
Deferred Tax Liabilities:					
Depreciation	634.66	(230.30)	404.36	21.71	426.07
Total	634.66	(230.30)	404.36	21.71	426.07
Deferred Tax Assets:					
Retirement benefits and other statutory allowances	68.25	23.36	91.61	(4.62)	86.99
Bad debts provision	79.69	4.61	84.30	(9.54)	74.76
Unabsorbed Business losses	-	529.67	529.67	19.19	548.86
Unabsorbed depreciation (*)	3,604.66	419.70	4,024.36	101.23	4,125.59
Total	3,752.60	977.34	4,729.94	106.26	4,836.20
Net Deferred Tax Liability	(3,117.94)	(1,207.64)	(4,325.58)	(84.55)	(4,410.13)

Note : (*) The tax department has disputed & disallowed Company's claim of brought forward unabsorbed depreciation pertaining to the Assessment Years 1995-96 to 1999-2000. However, the Company has submitted detailed written representation to the tax authorities for rectification of prima facie mistakes in passing such orders. Based on the expert advice from the tax advisors of the Company, the management believes that the stand of tax authorities is not tenable in view of the tax provisions applicable to the Company during the relevant time period. Hence, deferred tax assets consequential to such unabsorbed depreciation allowance is considered as available for set off in future and is treated as realisable.

INR - LACS		
Figures as at end of March 31,		
	2013	2012
NOTE: 12-LONG TERM LOANS AND ADVANCES:		
[Unsecured, Considered Good unless otherwise stated]		
Security Deposits	216.90	220.22
Other Loans and Advances:		
Balances with Customs/ Central Excise/ Sales Tax Authorities	616.94	525.62
Advance payment of Tax (Net of Provision ` 114.50, {Previous year ` 114.50} Lacs.)	234.98	226.25
	851.92	751.87
Total	1,068.82	972.09

NOTE: 13-INVENTORIES:

[The Inventory is valued at lower of cost and net realisable value]

Classification of Inventories:

Raw Materials	1,465.26	3,485.83
Work-in-progress	1,700.90	1,589.31
Finished Goods	852.05	1,205.07
Stores and Spares	2,006.50	2,005.15
Packing Materials	69.30	86.47
Others : Scrap	456.53	224.15
Total	6,550.54	8,595.98

Goods in transit included above is as under:

Raw Materials	851.16	94.79
Finished Goods	258.43	258.08

NOTE: 14-TRADE RECEIVABLES:

[Unsecured]

Outstanding for a period exceeding six months from the date they are due for payment:

Considered good	2,539.24	2,495.21
Considered doubtful	219.95	253.76
	2,759.19	2,748.97
Less : Provision for doubtful debts	219.95	253.76
	2,539.24	2,495.21
Others-Considered good	5,565.23	3,906.28
Total	8,104.47	6,401.49



INR - LACS
Figures as at end of March 31,
2013 2012

NOTE: 15-CASH AND BANK BALANCES :

Balances with Banks		
In Current Accounts	21.99	16.95
In Fixed Deposits	605.36	885.82
Cash on Hand	3.35	13.80
Total	630.70	916.57
A Earmarked balances with banks:		
a Balances with Banks include balances to the extent held as margin money deposits against guarantee. Margin money lying with the Scheduled/ Nationalised banks		
Margin money is given against:		
i Guarantees	12.48	19.61
ii Letter of Credits	591.93	866.21
b Bank deposits with maturity of more than 12 months	31.34	29.36
(Company keeps Fixed deposit with the Nationalised / Scheduled banks, which can be withdrawn by the Company as per its own discretion)		

NOTE: 16-SHORT TERM LOANS AND ADVANCES:

[Unsecured, Considered Good]

Others :		
Balances with Customs/ Central Excise/ Sales Tax Authorities	1,597.17	897.35
Advances to Suppliers	105.29	393.79
Other Advances : Advances recoverable in cash or in kind or for value to be received	71.22	13.89
Total	1,773.68	1,305.03

NOTE: 17-OTHER CURRENT ASSETS:

Interest Receivables	58.15	34.73
Export Incentive Receivables	862.15	1,033.73
Prepaid Expenses	165.20	288.24
Other Receivables : Advances recoverable in cash or in kind for value to be received. (*)	638.93	221.96
Total	1,724.43	1,578.66

(*) It includes an amount of ` 289.70 Lacs (as at 31.03.2012 ` 185.86 Lacs) on accounts of refundable interest & financial charges by bank in terms of approved Corporate Debt Restructuring Scheme by CDR Cell vide letter dtd. 27th June, 2012.

NOTE: 18-CONTINGENT LIABILITIES AND COMMITMENT

[TO THE EXTENT NOT PROVIDED FOR]:

A Contingent Liabilities:		
a In respect of guarantees given by Banks and/or counter guarantees given by the Company	180.00	152.36
b Other money for which the company is contingent liable:		
i In respect of the demands raised by the Central Excise & Service Tax Authority	362.28	400.87
ii In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals/Courts.	262.59	249.15
iii Letters of Credit	292.04	505.42
iv Dividend on Cumulative Preference Shares	1,847.81	1,437.56
v Interest on Electricity Duty Deferment Loan	83.18	83.18
vi Labour Matters	50.00	50.00
Total	3,077.90	2,878.54
B Commitments:		
a Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	9.51	20.57
b Commitments under Wage Settlement agreement with the workers of the Company	18.60	52.48
Total	28.11	73.05

The Company has entered into a supply agreement with supplier of Zinc during the period from 1st April, 2013 to 31st March, 2014 under which it is under obligation to purchase minimum 3000 MT of Zinc during the said period with a minimum quarterly commitment of 750 MT. In case of any shortfall, the favourable pricing treatment would not be available to the Company for such shortfall quantity, the amount of which is not ascertainable.

INR - LACS
Figures for the year
ended on March 31,

	2013	2012	
NOTE: 19-REVENUE FROM OPERATIONS:			
Sales of Goods			
Sales	54,558.09	46,690.11	
	54,558.09	46,690.11	
Other Operating Revenues:			
Export Incentives	2,054.46	1,922.27	
Total	2,054.46	1,922.27	
Details of Sales of Goods			
Cold Rolled Coils/Sheets	24,134.79	20,789.64	
Galvanised Sheets	27,031.71	23,190.24	
Others : Scrap Sales	920.92	1,077.97	
NOTE: 20-OTHER INCOME:			
Interest Income [Gross]	110.28	89.13	
Net Gain on Sale/Discard of Assets	10.52	1.42	
Other Non-operating Income			
Bad debts recovered	60.00	-	
Liabilities written back (Net)	79.01	5.09	
Others	63.30	45.58	
Total	323.11	141.22	
NOTE: 21-COST OF MATERIALS CONSUMED:			
Raw Materials:			
Stock at commencement	3,485.83	2,160.53	
Add : Purchases	39,904.65	37,373.55	
	43,390.48	39,534.08	
Less : Stock at close	1,465.26	3,485.83	
	41,925.22	36,048.25	
Packing Materials consumed	542.62	485.03	
Total	42,467.84	36,533.28	
Details of Raw Materials Consumed			
H R Coils	36,944.57	32,051.80	
Zinc	4,980.65	3,996.45	
NOTE: 22-CHANGES IN INVENTORIES:			
Stock at close:			
Work-in-progress	1,700.90	1,589.31	
Finished Goods	1,301.82	1,428.65	
	3,002.72	3,017.96	
Less: Stock at commencement:			
Work-in-progress	1,589.31	1,725.07	
Finished Goods	1,428.65	2,077.66	
	3,017.96	3,802.73	
	15.24	784.77	
Differential Excise Duty on Opening and Closing stock of Finished Goods	(40.56)	3.81	
Total	(25.32)	788.58	
Details of Inventories			
	As at 31-03-11	As at 31-03-12	As at 31-03-13
Finished Goods			
Cold Rolled Coils/Sheets	1,429.15	625.32	783.85
Galvanised Coils/Sheets	648.51	803.33	517.97
Work - in - progress			
Cold Rolled Coils/Sheets	1,341.83	1,284.07	1,496.17
Galvanised Coils/Sheets	383.24	305.24	204.73



INR - LACS

Figures for the year
ended on March 31,

	2013	2012
NOTE: 23-EMPLOYEE BENEFIT EXPENSE:		
Salaries and wages	788.33	786.13
Contribution to provident and other funds	60.71	64.47
Staff welfare expenses	242.62	249.17
Total	1,091.66	1,099.77
NOTE: 24-FINANCE COST:		
Interest expense [*]	1,571.62	1,677.57
Other Borrowing Costs	89.22	41.17
Bank commission & charges	360.49	645.03
Total	2,021.33	2,363.77
[*] The break up of interest expense into major heads is given below:		
On term loans	222.81	89.57
On working capital loans	644.83	716.89
Others	703.98	871.11
	1,571.62	1,677.57
NOTE: 25-OTHER EXPENSES:		
Consumption of Stores and Spare Parts	1,628.79	1,610.48
Other Manufacturing Expenses	337.93	312.60
Power & fuel	2,694.70	2,294.49
Rent [*]	6.88	9.76
Repairs to Buildings	23.67	16.43
Repairs to Plant and Machinery	160.51	171.71
Repairs to Others	4.00	5.80
Insurance	77.25	78.46
Rates and Taxes [excluding taxes on income]	4.47	4.49
Managing Directors' Remuneration [**]	101.89	143.51
Independent non-executive Directors remuneration [***]	4.33	6.00
Travelling Expenses	132.56	148.71
Legal and Professional Fees	129.62	89.67
Net Loss on foreign currency transactions and translation	1.96	177.02
Commission on sales	156.01	181.43
Freight and forwarding on sales	2,650.90	2,413.13
Other marketing expenses	90.75	62.89
Bad Debts:		
Bad debts written off	25.74	-
Provision for Doubtful Debts	(33.81)	13.87
	(8.07)	13.87
Less : Transferred from Provision for Doubtful Debts	-	-
	(8.07)	13.87
Directors' Fees	0.93	1.78
Donations	0.01	0.31
Prior Period Expenditure/(Income) Net	14.02	7.36
Miscellaneous Expenses [****]	215.91	213.64
Total	8,429.02	7,963.54

[*] Rent Expenses:

The Company has taken various residential/office premises/godowns under operating lease or leave and license agreement. The lease terms in respect of such premises are on the basis of individual agreement entered into with the respective landlords. The Company has given refundable interest free security deposits in accordance with the agreed terms. The lease payments are recognised in the statement of Profit and Loss.

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/ can be cancelled at the option of either of the parties. There is no escalation clause in the lease agreement. There are no sub-leases. Lease payment recognised in the statement of Profit and Loss is ₹ 5.97 Lacs [Previous Year- ₹ 8.81 Lacs]

[**] The Company had applied for approval of remuneration payable to Managing Director which is returned back by the Ministry of Company Affairs for the reason that remuneration limits have been liberalised w.e.f. 14th July, 2011, with a direction to apply under section 309(5B) for approval of excess remuneration in comparison to the limits specified in Schedule - XIII of the Companies Act, 1956 amounting to ` 1.97 Lacs pertaining to the period 15th June, 2011 to 13th July, 2011. The Company is in the process of filing such application, pending which, such remuneration is accounted for as an expenditure in the books of the Company.

[***] The Company has approached the Central Government and has filed an application for approval of remuneration payable to Non-Executive Independent Directors of the Company which is pending approval. However, in anticipation of obtaining such approval, remuneration for the current year amounting to ` 4,33,334/- is provided for in the accounts.

[****] Miscellaneous Expenses include Payment to the auditors as [Excluding Service Tax]:

a	i	Auditors	8.00	8.00
	ii	For Taxation Matters	2.50	2.50
	iii	For Other Services	1.14	1.65
	iv	Total	11.64	12.15
b		Cost Auditors' Remuneration including fees for other services & including Service Tax	2.00	2.00

		INR - LACS	
		Figures for the year	
		ended on March 31,	
		2013	2012

NOTE: 26-CALCULATION OF EARNINGS PER EQUITY SHARE [EPS]:

The numerators and denominators used to calculate the basic and diluted EPS are as follows:

A	Profit/(Loss) after tax	INR - Lacs	17.03	(2,870.59)
B	Dividend on cumulative Preference shares	INR - Lacs	410.25	410.25
C	Loss after tax attributable to Equity Shareholders			
	a	Before Exceptional items	(393.22)	(3,280.84)
	b	After Exceptional items	(393.22)	(3,280.84)
D	Basic and weighted average number of Equity shares outstanding during the year	Numbers	42,561,822	42,561,822
E	Nominal value of equity share	INR	10	10
	Basic & Diluted EPS			
	a	Before Exceptional items	(0.92)	(7.71)
	b	After Exceptional items	(0.92)	(7.71)

NOTE: 27-VALUE OF IMPORTS CALCULATED ON CIF BASIS:

Raw Materials	6,199.95	11,199.65
Spare Parts	126.82	249.11
Capital Goods	-	-

NOTE: 28-EXPENDITURE IN FOREIGN CURRENCY:

Professional and Consultation Fees	-	16.40
Others [including Travelling, Commission, Patent fees, Trademarks, Personnel cost, Research & Development expenses, Marketing expenses etc.]	921.42	497.26

NOTE: 29-EARNINGS IN FOREIGN EXCHANGE:

Export of goods calculated on F.O.B. basis	26,191.80	25,897.32
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NOTE: 30-REMITTANCES MADE ON ACCOUNT OF DIVIDEND IN FOREIGN CURRENCY

Nil Nil



Figures for the year ended on March 31,
2013 2012

	INR - LACS	% to Total	INR - LACS	% to Total
NOTE: 31-RAW MATERIALS AND SPARE PARTS CONSUMED:				
Value of Raw Materials Consumed:				
Imported	8,559.02	20.41	9,663.54	26.81
Indigenous	33,366.20	79.59	26,384.71	73.19
Total	41,925.22	100.00	36,048.25	100.00
Value of Spare parts Consumed:				
Imported	198.80	12.21	215.55	13.38
Indigenous	1,429.99	87.79	1,394.93	86.62
Total	1,628.79	100.00	1,610.48	100.00

NOTE: 32-SEGMENT INFORMATION:

As the Company has identified manufacture of steel products as its sole primary business segment, the disclosure requirements of Accounting Standard 17 – “Segment Reporting”, issued by the Institute of Chartered Accountants of India are not applicable.

SECONDARY BUSINESS SEGMENT BY GEOGRAPHICAL MARKET

	Within India	Outside India	INR-LACS Total
i Sales Revenue (net of excise duty)			
Current Year	24,093.01	28,003.98	52,096.99
Previous Year	17,926.27	27,131.57	45,057.84
ii Carrying amount of segment assets (Assets outside India include Export receivables)			
Current Year	28,993.46	4,889.24	33,882.70
Previous Year	20,768.58	4,047.12	24,815.70
iii Additions to fixed assets			
Current Year	124.84	0.00	124.84
Previous Year	211.11	0.00	211.11

NOTE: 33-RELATED PARTY TRANSACTIONS:

A Name of the Related Party and Nature of the Related Party Relationship:

a Holding Company:

Spica Business Corp., Panama	Holding Company of Spica Investments Limited
Spica Investments Limited, Mauritius	Holding Company

b Directors and their relatives:

Mr. R. P. Chandaria	Non-Executive Director
Mr. Rashmi Chandaria	Non-Executive Director
Mr. P. G. R. Prasad	Non-Executive Independent Director (upto 16.11.2012)
Mr. Mahendra Lodha	Non-Executive Independent Director
Mr. Jatinder Mehra	Non-Executive Independent Director
Dr. R. S. Mamak	Non Executive Vice Chairman (Executive Vice Chairman upto 31.01.2013)
Mr. N. M. Mohnot	Managing Director
Mrs. Saroj Mohnot	Wife of Managing Director

c Enterprises significantly influenced by Directors and/or their relatives:

Amfin Finser (India) LLP
Disha Infin Advisor Pvt. Ltd.
Ignis International Pvt. Ltd.

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business :

a Details relating to parties referred to in items 33 - A [a, b & c]

Nature of Transactions	Value of the Transactions [INR LACS]					
	Directors & their Relatives			Enterprises significantly influenced by Directors and/or their relatives		
	Figures for the year ended on March 31,					
	2013	2012	2013	2012	2013	2012
Purchases:						
Ignis International Pvt. Ltd.			848.29	-		
Sales:						
Ignis International Pvt. Ltd.			56.97	-		
Services:						
Remuneration to Directors			95.89	139.40		
Sitting Fees			0.93	1.78		
House Rent to a relative of a Director			6.00	4.11		
Reimbursement of Travelling Expenses (Disha Infin Advisor Pvt. Ltd.)					1.34	1.80
Professional Fees (Amfin Finser (India) LLP)					12.92	9.51
Total			1,008.08	145.29	14.26	11.31
Finance:						
Guarantees Availed						
Spica Business Corp., Panama	25,372.00					
Loans Taken :						
Ignis International Pvt. Ltd.						
Loan Taken			90.00			
Loan repaid			90.00			
Balance outstanding Loan			-			
Interest Paid			0.78			

NOTE: 34

The financial statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities though the Company has incurred substantial losses and its net worth has been eroded in view of the fact and having regard to execution of the Master Restructuring Agreement with consortium of lenders and approval of Corporate Debt Restructuring Scheme ("CDR") by Corporate Debt Restructuring Cell vide its approval letter dtd. June 27, 2012, infusion of additional funds by the promoters, improved operating performance and measures taken by the management to sustain the same etc.,

NOTE: 35

Confirmation letters have not been obtained from some of the Debtors, Creditors and Loans & Advances. Hence the, balances of these accounts are subject to confirmation, reconciliation and consequent adjustments, if any.

NOTE: 36

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 36 to the Financial Statements

As per our report of even date

Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

Chandresh S. Shah
Partner
Membership No: 42132

Place : Ahmedabad
Date : 22nd May, 2013

For and on behalf of the Board

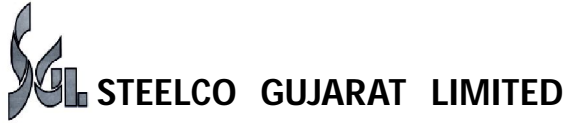
Dr. R.S.Mamak
Vice Chairman

Sunil Singhvi
Joint General Manager (Finance)

Place : Mumbai
Date : 22nd May, 2013

N.M. Mohnot
Managing Director

Arvind Tambi
Financial Controller &
Asst. Company Secretary



Regd. Office : Plot No. 2, G.I.D.C. Estate, Palej - 392 220, Dist. Bharuch.

PROXY FORM

I/We _____ of _____
being a Member(s) of the above named Company hereby appoint _____
_____ or failing him _____

_____ as my/our proxy to attend and vote for me/us on
my/our behalf at the TWENTY THIRD ANNUAL GENERAL MEETING of Steelco Gujarat Limited to be held on Saturday,
the 17th August 2013 at 3.30 p.m. at the Registered Office of the Company or any adjournment thereof.

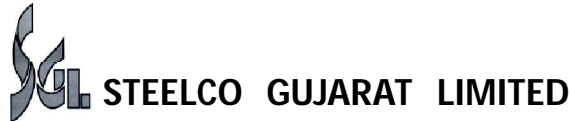
Signed this _____ day of _____ 2013.

Regd. Folio No. / D.P. ID. No. _____

No. of Shares _____

Affix
Revenue
Stamp of
Re.1/-

This instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than 48 hours
before the time of holding the Meeting. The proxy need not be a member of the Company.



Regd. Office : Plot No. 2, G.I.D.C. Estate, Palej - 392 220, Dist. Bharuch.

ATTENDANCE FORM

Member(s) or his / her / their proxy (ies) are requested to present this form for admission, duly signed in accordance with
his / her / their specimen signature(s) registered with the Company.

Name : _____ Folio No. / DP. ID. No. _____ No. of Shares _____

I hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING of Steelco Gujarat Limited to be held
on Saturday, the 17th August 2013 at 3.30 P.M. at the Registered Office of the Company or any adjournment thereof.

Please ✓ in the appropriate box.

Member

Proxy

Name of the Proxy in Block Letters

Member's Signature

Proxy's Signature

Book-Post

To,



STEELCO GUJARAT LIMITED

Regd. Office & Works : Plot No. 2, G.I.D.C. Estate,
National Highway No. 8, Palej - 392 220. Dist. Bharuch.
Gujarat Phone:91-2642-277479/480/481
Fax : 91-2642-277 307
Website : www.steelcogujarat.com



Website : www.steelcojgujarat.com

REGD. OFFICE & WORKS : Plot No.2, G.I.D.C. Estate, Palej, Dist. Bharuch - 392 220, Gujarat, India.
Phone: (02642) 277479 (Hunting line) 277480, 277481, 277317, 277326, 277332 Fax : (+91-2642) 277307

Form A

Format of covering letter of annual audit report to be filed with the stock exchanges

1	Name of Company	STEELCO GUJARAT LIMITED
2	Annual Financial Statemetn for the year ended on	31ST MARCH, 2013
3	Type of Audit oservation	Emphasis of Matter (Refer Para - 5 of Independent Auditors' Report)
4	Frequency of observation	Repetitive, since March, 2012 (2 financial years)
5	To be singed by -	
	* CEO / Managing Director	
	* CFO	
	* Audit Committee Chairman	
	* Auditor of the Company	C S Shah

CORPORATE OFFICE :

4th Floor, Marble Arch, Race Course Circle, Vadodara - 390 007. Phone : (0265) 2333484, 2336407 Fax : (+91-265) 2333483