



41st
Annual Report
2010-2011

LLOYDS STEEL
INDUSTRIES LIMITED

BOARD OF DIRECTORS

CHAIRMAN MUKESH R. GUPTA

MANAGING DIRECTOR RAJESH R. GUPTA

DIRECTORS

B.L. AGARWAL

B. RAVINDRANATH (IDBI NOMINEE)

S. K. GUPTA (ARCIL NOMINEE)

B. L. KHANNA (BIFR SPL DIRECTOR)

K. A. KRISHNA RAO

BANKERS

STATE BANK OF INDIA

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LIMITED

AUDITORS

TODARWAL & TODARWAL

REGISTRAR & SHARE TRANSFER AGENTS

BIGSHARE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka,

Andheri (E), Mumbai – 400 072.

Tel No. - 022 - 4043 200 / 299

Fax No. - 022 - 2847 5207

E-mail - investor@bigshareonline.com

REGISTERED OFFICE :

Trade World, C Wing,

16th Flr, Kamala City,

Senapati Bapat Marg,

Lower Parel, Mumbai - 400 013

WORKS

Steel Plant :-

Lloyds Nagar,

Bhugaon Link Road,

Wardha, Maharashtra, India

Engg. Plant :-

Plot No. A-5/5 & A-6/3

MIDC Industrial Area,

Murbad. Dist Thane,

Maharashtra, India.

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NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Hall of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on **Saturday, 8th October, 2011** at 11.00 a.m. to transact the following business :-

ORDINARY BUSINESS:

1. To consider, approve and adopt the Profit and Loss Account of the Company for the period ended on 30th June, 2011 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint Shri Mukesh R Gupta, Director who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to approval of the Central Government and such other approvals / consents as may be required, Consent of the members be and is hereby accorded to the reappointment of Shri Rajesh Gupta as Managing Director of the Company for a period of five years with effect from 1st January, 2012 upon remuneration, perquisites, and other allowances as set out below with the liberty to the Board of Directors to alter and vary the terms and conditions of appointment including remuneration payable in such manner within the overall limits specified in schedule XIII to the said Act:-

| | | |
|---|---|---------------------|
| a) Basic Salary | : | 1,00,000 per month |
| b) House Rent Allowance | | 60% of Basic Salary |
| c) Medical Allowance, | } | 40,000 per month |
| d) Leave Travel Allowance & | | |
| e) Other Perquisites | | |
| f) Leave :- One Month's leave with full salary for every 11 months. | | |

In addition to this he is also eligible for:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT notwithstanding loss or inadequacy of profits by the company in any financial years during the period of five years from 1st January, 2012, Shri Rajesh Gupta, shall be paid aforesaid remuneration by way of Salary, perquisites and other allowances as minimum remuneration subject to and in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS

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

"RESOLVED THAT pursuant to and in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") (including any amendment thereto or re-enactment thereof) and subject to the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement (s) with Stock Exchanges on which the Shares of the Company are listed or may hereafter be listed and all other applicable laws and regulation including the Securities and Exchange Board of India Regulations/Guidelines and subject to all such approvals, permissions, sanctions and consents as may be required under applicable laws and regulations and of concerned Authorities, Bodies and Agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Committee thereof which the Board constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the Board be and is hereby authorized on behalf of the Company to create, issue, offer and allot from time to time such number of Equity Shares of face value of ₹10/- each, against part conversion of existing loan to Asset Reconstruction Company (India) Limited (hereinafter referred to as 'ARCIL'), under and by way of Preferential Issue, through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such price, terms and conditions as may be determined by the Board in its absolute discretion with power to settle details as to the form and terms of issue of the shares and all other terms conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by persons involved with any such issue of Equity Shares subject, however, to all applicable laws and regulations, provided that the aggregate amount so converted shall not exceed ₹ 50,00,00,000 (Rupees Fifty crores Only) and the price of the shares so issued shall be calculated in accordance with provisions of the Chapter VII of the SEBI (ICDR) Regulations,2009.

RESOLVED FURTHER THAT the Equity Shares hereby authorised to be issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall be listed and traded on Stock Exchanges and rank pari passu in all respects with the existing equity shares of the Company

RESOLVED FURTHER THAT the 'Relevant Date' for the Preferential Issue, as per the ICDR Regulations, shall be 8th September, 2011 being the date 30 days prior to the date of the Annual General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of the above stated Equity Shares, the Board be and hereby authorized to take all such actions, give such directions and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, desirable to give effect to this resolution in all respects and to settle all questions, difficulties or doubts that may arise in regard to or in connection with any such offer, issue or allotment of shares, as it may in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any Director(s) or Officer (s) / employee(s) of the company to give effect to this resolution."

By order of the Board

Place: Mumbai
Dated: 29th August, 2011

Neelu Dhingra
Company Secretary

NOTES:

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the item No. 4 & 5 above, are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
3. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from **29th September, 2011 to 8th October, 2011** (both days inclusive).
5. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of the meeting to enable the Management to keep full information ready.
6. Members are requested to bring their copy of Annual Report for the purpose of attending the meeting.
7. Members are requested to kindly notify changes, if any, in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., (Unit : Lloyds Steel Industries Limited) at E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
8. Members are requested to quote their Folio No. and DP ID / Client ID, in case of shares are in physical / dematerialized form, as the case may be, in all their correspondence with the Company / Registrar and Share Transfer Agent.
9. The Ministry of Corporate Affairs ("Ministry") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances through electronic mode. Therefore we request you to provide your email id to our registrar m/s Bigshare Services Pvt. Ltd. Unit: Lloyds Steel Industries Ltd. on the address given in this notice to send various notices/ documents etc. or email us at investor@bigshareonline.com

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ENSUING 41st ANNUAL GENERAL MEETING (Pursuant to clause 49 of the Listing Agreement)

| | | |
|---|---|--|
| 1. Name | Shri Mukesh R Gupta | Shri Rajesh R Gupta |
| 2. Brief Resume | | |
| Age | 53 years | 46 years |
| Qualification | B. Com. | B.Com., |
| Experience | 33 years | 25 years |
| Date of appointment on the Board of the company | 28.09.1977 | 30.09.1983 |
| 3. Nature of expertise in specific functional Areas | Vast and varied experience in Steel Industry. Expertise in the field of | Rich experience in production, management and other areas in |

| | | |
|--|--|---|
| 4. Name(s) of other Companies in which Directorship held | project implementation, finance and other areas 1. Lloyds Metals & Energy Ltd. | Steel Industry 1. Lloyds Metals & Energy Ltd. 2. Vidarbha Power Ltd. |
| 5. Name(s) of other companies in which he is Chairman / Member of the *Committee(s) | 1. Lloyds Metals & Energy Ltd.- Member/ Chairman Shareholders'/ Investor Grievance Committee | 1. Lloyds Metals & Energy Ltd.- Member Shareholders'/Investor Grievance Committee |
| 6. No. of shares held of ₹ 10/- each | 10434 | 90350 |
| 7. Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act,1956) | He is related to Mr. Rajesh Gupta, Director of the Company | He is related to chairman of the company |
| * Committees means only Audit and Shareholder's/ Investor Grievance Committee as per Clause 49 of the Listing agreement. | | |

Place : Mumbai
Date : 29th August, 2011

By order of the Board,
Neelu Dhingra
Company Secretary

EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act,1956)

Item No. 4

The members of the company at 39th Annual General Meeting held on 31st July, 2009 had re-appointed Shri Rajesh Gupta as Managing Director for five years with effect from 1st January, 2010. Central Government approved his appointment under Section 269 of the Companies Act, 1956 for a period of two years from January 1, 2010 to December 31, 2011. Therefore the present tenure of Shri Rajesh Gupta expires on 31st December, 2011, hence it is proposed to reappoint him for further period of five years on such terms and conditions including remuneration in accordance with the Section 269 and other applicable provisions including Schedule XIII of the Companies Act,1956 subject to approval of the members, Central Government and any other authorities as may be required.

Accordingly, the Board of Directors at their meeting held on 29th August, 2011 reappointed Shri Rajesh Gupta as Managing Director for further period of five years with effect from 1st January, 2012. The Remuneration Committee also at it's meeting held on 29th August, 2011 approved the remuneration payable to him on his reappointment.

The remuneration and terms of the appointment of Shri Rajesh Gupta mentioned in the Resolution No.4 annexed to this Notice shall be treated as abstract under Section 302 of the Companies Act,1956 of the terms and conditions of appointment of Shri Rajesh Gupta as Managing Director of the company.

The Board recommends your approval for Resolution No. 4 in respect of his re-appointment.

None of the Directors, except Shri Rajesh Gupta and Shri Mukesh Gupta, is in any way concerned or interested in the above resolution.

STATEMENT AS REQUIRED TO BE GIVEN TO THE SHAREHOLDERS IN TERMS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 (In respect of Item No. 4)

I. GENERAL INFORMATION

1. Nature of Industry - Manufacturing of Steel and capital Equipment products
2. Date of commencement of commercial Production - The company has commenced it's production activities since 1974.
3. In case of new Companies, expected date of Commencement of activities as per project approved by financial institutions appearing in the prospectus. - N.A.

4. Financial performance based on given indicators :

| Particulars | ₹ In Lakhs | | |
|-------------------|------------|-----------|------------|
| | 2008-09 | 2009-10 | 2010-11 |
| Total Income | 284798.69 | 305725.15 | 439945.19 |
| Profit Before Tax | (16470.04) | (7751.68) | (13978.72) |
| Profit after tax | (16512.13) | (7751.68) | (13978.72) |

5. Export performance and net foreign exchange collaborations:

| Particulars | ₹ In Lakhs | | |
|---------------------|------------|---------|---------|
| | 2008-09 | 2009-10 | 2010-11 |
| FOB value of Export | 18279.34 | 424.39 | 2150.57 |

6. Foreign Investments or collaborations, if any - NIL

II. INFORMATION ABOUT THE APPOINTEE

Shri Rajesh Gupta

1. Background Details

B.Com. having more than 20 years of experience in steel industry. The company under his leadership implemented several projects. He is promoter director and designated as managing Director with effect from 1995.

2. Past Remuneration

Salary- ₹ 1,00,000/- per month, HRA@ 60 % of basic salary and Other allowances - ₹ 40,000/- per month

3. Recognition or Awards

4. Job Profile and it's suitability

At present, Managing Director of the company.

He was appointed as a Director on 30.09.1983. He was appointed as Joint Managing Director w.e.f. 1-1-1990 and working as Managing Director since 1-1-1995 for more than last 15 years. He is looking after and responsible for day to day affairs and management of the company.

5. Remuneration proposed

Same as mentioned at Point 2 above.

6. Comparative remuneration profile with respect to industry, size of the Company, profile and position of person

The remuneration proposed is reasonable as compared to size of the company, profile and position of the person as well as with respect to the industry.

- 7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial person, if any.** He is a promoter director. He is related with Chairman of the company

III. OTHER INFORMATION

1. Reasons of loss or in adequate profits
 - Increase in the cost of production
 - High cost of financial charges
 - Stagnancy in the Steel prices
 - Shortage of working capital
2. Steps taken or proposed to be taken for improvement.
 - Restructuring of debts with the Financial Institutions and Banks
 - Repayments of the existing debts in a phased manner
 - Efforts to improve the working capital of the company
 - Measures to keep the cost of production at minimum level
 - Infusion of capital by preferential issue of shares to promoters for modernisation of existing plant and working capital requirement
3. Expected increase in productivity and profits in measurable terms.

Expected increase can not be measured exactly at this stage.

ITEM NO. 5

As per the terms of the Restructuring of Company's debts on One Time Settlement (OTS) basis, the Company has been advised by the ARCIL for issue of Equity shares of face value of ₹10/- each on preferential basis against part conversion of their existing loan, of an aggregate amount not exceeding ₹ 50,00,00,000 (Rupees Fifty Crore Only) subject to compliance with SEBI and other applicable Guidelines / statutory provisions and obtaining approvals wherever necessary. As per the provisions of preferential issue of shares contained in Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as SEBI (ICDR) Regulations), "Regulation 70(2)" states that provisions of this chapter in respect of the pricing and lock in of shares are not applicable to allotment of equity shares to any Financial Institutions within the meaning of sub-clauses (ia) and (ii) of Clause (h) of Section 2 of the Recovery of Debts due to the Banks and Financial Institutions Act,1993 (51 of 1993). As the ARCIL falls under the above category of Financial Institution, the above mentioned two clauses are

not applicable to it. However as per the terms of Restructuring with ARCIL, shares are to be issued at a price determined in accordance with SEBI (ICDR) Regulations, 2009 and therefore the shares are proposed to be issued at a price calculated in accordance with provisions of the Chapter VII of the SEBI (ICDR) Regulations,2009 and without any lock in stipulation.

Pursuant to provisions of the Section 81 of the Companies Act, 1956 where it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the persons who at the date of offer are holders of the Equity Shares of the Company in proportion to the capital paid-up on those Shares as of that date, unless the shareholders decides otherwise. The Special Resolution(s) seeks the consent of the Shareholders authorizing the Board of Directors, to issue / allot the Equity Shares on preferential basis.

The Disclosure for Preferential Issue as required under Regulation 73 (1) of chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 (the "SEBI Regulations") are as under:

- (1) **The object of the issue:** The object of the issue is to restructure company's debts by part conversion of existing loan of ARCIL into equity of the company.
- (2) **Intention of the Promoters/Directors/Key Management persons to subscribe to the offer:** The promoters / directors / key management personnel are not intending to subscribe to the offer as the preferential offer is proposed to ARCIL.
- (3) **Shareholding pattern before and after the offer:** The shareholding pattern of the Company, before and after the preferential allotment would be as follows:

| Shareholding pattern Category | Before Preferential issue | | *After Preferential Issue | |
|---|---------------------------|--------------------|---------------------------|--------------------|
| | No. of shares | % of Total Capital | *No. of shares | % of Total Capital |
| 1) Promoters and Person Acting in concert | 208169259 | 53.19 | 208169259 | 49.56 |
| 2) Mutual Funds & UTI | 575821 | 0.15 | 575821 | 0.14 |
| 4) Banks/Financial Institutions/Insurance Companies | 30968996 | 7.91 | 59655169 | 14.20 |
| 5) Central/ State Government. Institutions / Non-Government Inst. | 1500 | 0.00 | 1500 | 0.00 |
| 6) FIIs/NRIs/OCBs | 14457021 | 3.70 | 14457021 | 3.44 |
| 7) Bodies Corporate | 39235723 | 10.03 | 39235723 | 9.34 |
| 8) Indian Public | 95949384 | 24.52 | 95949384 | 22.85 |
| 9) Any Other (Clearing Members, trust, etc) | 1980537 | 0.50 | 1980537 | 0.47 |
| Total Paid up capital | **391338241 | 100 | 420024414 | 100 |

*Post Issue Shareholding Pattern has been arrived on the basis of SEBI pricing formula as on 26th August, 2011. The actual shareholding pattern will be obtained on 8th September, 2011 being the Relevant Date as per SEBI Guidelines.

** Excludes 22714451 forfeited equity shares of ₹10/- each pending re-issue.

There will be no change in the Board of Directors or control of the Company as a consequence of issue of Equity Shares. However, there will be change in the pattern of voting due to above issue.

- (4) **Proposed time within which the allotment shall be completed:** The issue and allotment of Equity Shares is to be completed within the statutory time limits prescribed by the regulatory authorities from the date of this meeting subject to all the necessary approvals being in place.
- (5) **Identity of the proposed allottee:** The equity shares are proposed to be issued to ARCIL. The percentage of post preferential issue capital that may be held by ARCIL after the proposed allotment of the resultant equity shares are as under.

| Name of the Allottee | Category | Before Preferential issue | | After Preferential Issue | |
|----------------------|-----------------------|---------------------------|--------------------|--------------------------|--------------------|
| | | No. of shares | % of Total Capital | No. of shares | % of Total Capital |
| ARCIL | Bank / Financial Ins. | 2,00,00,000 | 5.11 | 48686173 | 11.59 |

* Post Issue Shareholding Pattern has been arrived on the basis of SEBI pricing formula as on 26th August, 2011. The actual shareholding pattern will be obtained on 8th September, 2011 being the Relevant Date as per SEBI Guidelines

- (6) **Relevant date:** The 'relevant date' for determining the issue price of the equity shares is 8th September, 2011 being the date 30 days prior to the date of Annual General Meeting in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009
- (7) **Pricing of the Issue:** Not applicable but as per the terms of the settlement with ARCIL, the issue price will be determined as per the Chapter VII of the SEBI (ICDR) Regulations, 2009.
- (8) **Auditor Certificate:** A copy of the Auditor's Certificate certifying the compliance with SEBI's (ICDR) Regulations, 2009 will be laid before the meeting.
- (9) **Lock-in:** Not applicable.

The Board of Directors recommends the resolution(s) set out at Item No. 5 of the accompanying Notice for approval of the Members. None of the Directors are concerned or interested in the said resolution except Mr. Satish Kumar Gupta- Nominee Director ARCIL.

IV. DISCLOSURE

The disclosure on remuneration package payable to the managerial person is given under the head " Corporate Governance " in this report.

Place : Mumbai
Date : 29th August, 2011

By order of the Board,
Neelu Dhingra
Company Secretary

DIRECTORS' REPORT

The Directors present their 41st Annual Report on the business and operations of your Company and Audited Statement of Accounts for the period ended 30th June, 2011.

FINANCIAL HIGHLIGHTS

(₹ in Lacs)

| | Current Period 2010-2011 (15 Months) | Previous Year 2009-2010 (12 Months) |
|--|--|---|
| Sales : | 436536.29 | 305278.06 |
| Other Income | 3408.90 | 447.09 |
| Total Income : | 439945.19 | 305726.15 |
| Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax | 9806.62 | 10621.41 |
| Less : Finance Charges | 8529.16 | 4897.03 |
| Depreciation | 15493.07 | 11668.20 |
| Profit / (Loss) before exceptional items & taxes | (14215.61) | (5943.82) |
| Add: Exceptional items (Net) | 236.89 | (1807.86) |
| Profit/(Loss) before tax | (13978.72) | (7751.68) |
| Tax Provision | - | - |
| Profit/(Loss) after Tax | (13978.72) | (7751.68) |
| Add: Prior Period Income/Expenses | 11.59 | (56.41) |
| Net Profit/ (Loss) | (13967.13) | (7808.09) |
| Profit / (Loss) b/f from previous year | (150603.66) | (142795.57) |
| Transferred from Debenture | 1902.00 | - |
| Redemption Reserve | - | - |
| Balance Carried Forward | (162668.79) | (150603.66) |

EXTENSION OF FINANCIAL YEAR

The Company has extended its current Financial Year (2010-2011) by a period of three months i.e. upto 30th June, 2011 through resolution passed by circulation on 30th March, 2011. Accordingly the financial accounts are prepared for a period of 15 months i.e. from 1st April, 2010 to 30th June, 2011.

DIVIDEND

In view of the losses, the Directors have not recommended any Dividend for the period ended 30th June, 2011.

STEEL INDUSTRY SCENARIO

The Indian Steel Industry, after passing through a phase of economic slowdown in 2009 has shown a steady growth in 2010. The consumption of steel in the country has shown an increase of around 10.3 per cent during April 2010 to January 2011 as compared to the same period of previous year, indicating strengthening of demand. During the last few years, the demand growth has been more than supply growth. The lag in supply growth was mainly due to delays in statutory clearances, land acquisition issues, lack of new raw material linkages, etc. However the Indian economy is facing the risk of very high inflationary conditions leading the Government to tighten monetary policies which may in turn affect growth significantly. The high raw material cost coupled with increasing operational cost has put pressure on operating margins of the Steel Companies in the later half and trend is expected to continue during the current year as well.

OPERATIONS & OVERALL PERFORMANCE

The Company achieved a Turnover of ₹ **4365.36 crores** in 15 months period as against ₹ 3052.78 crores in the previous year (12 months). The Company incurred a Loss of ₹ **139.79**

crores during the period (15 months) as against previous year (12 months) loss of ₹ 77.52 crores after providing depreciation of ₹ **154.93 crores** (Previous year ₹ 116.68 crores).

The company during the period has completed modernization and modification of its steel plant at Wardha and installed some new equipment/s, modified existing equipments and up-graded other auxiliary facilities to increase the existing capacity of the plant. The company has now started receiving regular Hot Metal supplies and accordingly has changed its charge mix by replacing scrap by Hot Metal thereby reducing the production time and saving a considerable amount on power consumed. The company has made necessary changes in its plant to synchronise with production cycle of Hot metal. The above changes alongwith removal of certain bottlenecks has now increased its production capacity to 1 million tonnes of HR per annum. This will help to improve the viability of its operations in the long run.

Debt Restructuring

The Company has completed restructuring of debt with majority of its lenders. Restructuring proposals of debts with some Financial Institutions and Banks are under various stages of discussion. In spite of Company facing a very difficult situation, the Company has paid off ₹ **57.76 crores** during the period towards past Debt liabilities in accordance with the restructuring terms.

Steel Products

Sale of steel products during the period under review (15 months) has been ₹ **2841.96 crores** as against the previous year (12 months) figure of ₹ 1793.21 crores. Export during the period of 15 months has increased to ₹ **13.32 crores** as against ₹ 2.13 Crores recorded during the previous year of 12 months.

Engineering Products

During the period under review the sales of engineering products were ₹ **400.77 crores** for the 15 months period as compared to the previous year (12 months) of ₹ 438.26 crores. The Company during the year has supplied critical items to G.R.S.E., DPRO and other equipments for many clients. The division has completed its project of supply and commissioning of Marine Loading Arms to Essar Construction Ltd.. The Division continues to support in supply of Spares and Services to all the major Oil, Gas, Port Trust and various Government Bodies. The Company has been successful in obtaining further orders from reputed companies for their projects.

PREFERENTIAL ISSUE

During the period under review, the Company has converted 16,85,00,000 Warrants of ₹ 10/- each issued on preferential basis to promoters into Equity Shares of ₹ 10/- each upon exercise of conversion option by them. The Warrants were convertible at the option of the holder at any time within a period of 18 months from the date of allotment. The Company has received listing approval from both BSE and NSE in respect of the aforesaid shares.

MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is manufacturing and marketing Iron and Steel products and manufacturing capital equipments and turnkey projects. The Management

discussions and analysis is given hereunder:-

- a) **Industry structure and development** : India's domestic steel demand remained robust with apparent demand last year, led by good demand for autos and engineering services. The Indian Steel Industry is expected to do well on the back of increase in demand and capacity addition by domestic steel companies. The engineering industry in India manufactures a wide range of products, with heavy engineering goods accounting for bulk of the production. The development of Engineering Industry depends upon the development of core sectors and the infrastructure sector. The Engineering Industry demands high level of investment.
- b) **Opportunities and threats**: The Indian steel industry has a very good growth potential, with future demand boosting India's per capita consumption of steel to higher levels. The Indian steel markets are emerging high due to robust demand for construction and civil engineering, automotive and mechanical engineering. This growth however will be more dependent on supply-side response, innovative product offerings and substitutions, massive increase in oil prices etc.
- c) **Segment-wise performance**: The Company is mainly in the business of manufacturing Steel and Capital Equipments and Turnkey Projects. The Company has no activity outside India except export of steel products manufactured in India. Segment wise performance is given at Note No. 23 of Schedule P i.e. Notes on Accounts.
- d) **Outlook**: The outlook for the domestic steel industry looks positive. The country has acquired a central position on the global steel map with its giant steel mills, acquisition of global scale capacities by players, continuous modernization & up gradation of old plants, improving energy efficiency, and backward integration into global raw material sources. Steel consumption in India is expected to grow significantly in coming years as per capita finished steel consumption is far less than its regional counterparts. However inflation can affect the higher growth rate of the economy. Government measures like fiscal policies to control inflation will affect access to credit and could slow down investment as well as demand. The Company continues to compete and participate in the tenders of various Public and Private Sector giants and is hopeful of bagging fresh orders for engineering products. The Engineering products of the company has been approved for its engineering skills/works/services by various premier consulting companies such as MECON, LRIS and also approved by Industrial Boiler Regulatory Authority (IBR).
- e) **Risk and concerns**: The domestic steel industry always runs on risk of normal industry cycle. Your Company is exposed to the normal Industry Risk Factors and manages these risks by following prudent business and risk management practices. The company has been taking continuous modernization programmes to maintain efficient

- f) **Internal control system**: The Company maintains periodical internal checks and conduct adequate internal audit, which provide safeguards and proper monitoring and vetting of transactions. ISO-9001:2008 certification has been obtained for execution of works at Murbad. Necessary quality control systems and procedures have been established. Periodical internal checks and audits are conducted by the Management and Internal Auditors. Upgradation wherever necessary are carried out at frequent intervals.
- g) **Discussion on financial performance with respect to operating performance**: The operating performance of the Company has been discussed in Directors Report under the head 'Financial Highlights' & 'Operations and Overall Performance' in the current period.
- h) **Human resources and industrial relations**: During the period under review the Employee/Industrial relations at all units and job sites remained cordial Training programmes are conducted internally for staff and workmen. Training is imparted for updating of manufacturing techniques/processes. Personnel are sponsored for external programmes on need based. Number of employees as on 30th June, 2011 was **1350**.
- i) **Cautionary Statement**: The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No. 3(L-7) BC/2001 dated 11th July 2001. The Hon'ble BIFR vide its order dated 1st March, 2006, after hearing the matter has declared the Company as a sick industrial company in terms of section 3 (1) (o) of SICA and appointed ICICI Bank Ltd. as the Operating Agency. The Company submitted a revised Draft Rehabilitation Scheme (DRS) to the ICICI Bank Ltd., OA and the copy of the same was forwarded to the BIFR .

The BIFR in its hearing held on 23.09.2010 directed ICICI Bank Ltd, OA to examine the DRS and convene a joint meeting of all concerned and to submit its report on DRS. As per the direction of Hon'ble BIFR, ICICI Bank Ltd, OA

convened a joint meeting on 21st October, 2010 whereat except SBI other creditors agreed to the DRS submitted. It was also decided that the lenders should provide their comments to OA on future course of action.

BIFR vide its letter dated 04.02.2011 has appointed Shri B. L. Khanna as a Special Director on the Board of the Company under section 16 (4) of the Sick Industrial Companies (Special Provisions) Act, 1985.

INVESTOR SERVICES

The Company and its Registrars M/s. Bigshare Services Private Limited who is looking after the physical as well as Demat work and also shareholders correspondence, endeavored their best to service the Investors satisfactorily. Your company has constituted a committee comprising of 3 Senior directors of the Company to redress the Investor grievances.

DIRECTORS

During the year, Shri Mukesh R Gupta, Director of your Company, retire by rotation and being eligible, offer himself for reappointment.

Mr. B L Khanna was appointed as Special Director by BIFR with effect from 4th February, 2011. The Company welcomes Mr. Khanna on the Board. He is a Chartered Accountant by profession and is in practice for more than 40 years. His presence on the board will be immensely beneficial for the Company.

IFCI has withdrawn its nominee Director Mr. R Parthasarthy from the Board of the Company with effect from 4th March, 2011. The Board record its sincere appreciation for the valuable guidance and meaningful contribution made by Mr. R Parthasarthy as member of the Board, Audit and Remuneration Committee during the period of his association with the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of annual accounts for the period ended 30th June 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
3. 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;
4. Final accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement your Company has taken adequate steps to ensure that all

mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance and the Auditor's Certificate on its compliance are annexed hereto and forms part of this Annual Report.

ENVIRONMENT & SOCIAL OBLIGATION

The Company's plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution.

The Company is continuously endeavoring to improve the quality of life in the communities surrounding its industrial complex.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the period.

AUDITORS & AUDITORS' REPORT

The members are requested to appoint Auditors for the next financial year and fix their remuneration.

As regards qualification at Sr.No.4 (f) in the Auditors' Report, Directors wish to state that in view of the ongoing discussion for restructuring of the debt and interest liability, the Company has not provided for interest on some loans. Auditors' observations in Clause No. 9 (b) , 10 & 11 in the Annexure Audit Report (CARO Report) are self explanatory and do not require further explanation.

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

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

PARTICULARS OF EMPLOYEES

The Company does not have any employee, whose particulars are required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended by MCA vide its Circular No. 23/2011 dated 03.05.2011.

ACKNOWLEDGEMENT:

Your Directors place on record their sincere appreciation and gratitude for the assistance and generous support extended by all Government authorities, Financial Institutions, Banks, Customers, Vendors and Members during the period under review. Your Directors wish to express their immense appreciation for the devotion, commitment and contribution shown by the employees of the company while discharging their duties.

For and on behalf of the Board

Dated : 29th August, 2011
Place : Mumbai

Mukesh R Gupta
Chairman

ANNEXURE - A

STATEMENT PURSUANT TO SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

(A) CONSERVATION OF ENERGY

Engineering Products

Form "A" is not applicable as its activities does not fall under the list of industries specified in the Schedule attached to Rule 2.

Steel Products

- 1) Bending system for FM, 110 kw pump was replaced with 30 kw pump.
- 2) In RHF, two hydraulics pumps of 55 kw were running continuously, with some modifications, now only one pump of 55 kw running without any problem.
- 3) Use of Coke Oven Gas in place of Furnace Oil for ladle Preheating.
- 4) Electrical energy saving due to use of hot metal in place of scrap in Arc furnace.
- 5) Electrical energy saving by using bottom steering system in arc furnace.
- 6) Electrical energy saving by using 3rd Jet box..

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION Research & Development (R & D)

Steel Products

1. Specified areas in which R & D carried out by the Company :

- a) Development of chequerred Plate for industrial application such as Engineering Structural.
- b) Process standardization for use of Hot Metal carried out. Design & Fabrication of Door Feeding launder was done IN HOUSE.
- c) Use of Coke oven gas in 250mt /Hour Reheating furnace was standardized.

2. Benefits derived as a result of R & D

- a) Beneficiation of crushed EAF slag started.

3. Future plan of action for R & D

- a) Development of "Boron" steel for overcoming defects like wrinkles in HR Plates.
- b) Development of Micro alloyed steel suitable for Heavy Automobiles.
- c) Development of steel for use at -40 C.

4. Expenditure on R & D

Expenses on R & D ₹ 7.47 lacs.

1) Technology Absorption, Adaptation and Innovation:

- a) Waste products such as slag, ash, etc. are getting converted into useful products such as bricks.

2) Benefits.

- a) High quality steels can be manufactured to improve the contribution.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of Foreign Exchange Earnings and Outgo are as under:

| | (₹ in Lacs) | |
|---|-------------|-----------|
| | 2010-2011 | 2009-2010 |
| (a) Earnings | | |
| a. Brokerage and Commission | 21.77 | 22.30 |
| b. Exports including Deemed and Third Party | 2150.57 | 424.39 |
| (b) Outgo | | |
| Traveling /Books Periodicals | 108.34 | 78.34 |
| Imported Raw Materials, Stores & Spares, etc. | 20257.60 | 29322.71 |
| Brokerage & Commission | 5.99 | 22.61 |
| Repairs & Maintenance | 108.92 | 9.47 |
| Engineering & Design | 107.03 | 270.95 |
| Others | 42.63 | 45.24 |

FORM - A

Form for Disclosure of Particulars with respect to Conservation of Energy:

| A. Power & Fuel Consumption | UNIT | 2010-2011 | 2009-2010 |
|--|---------|----------------|----------------|
| 1 Electricity | | | |
| a) Purchased | | | |
| Units | Kwh | 567839743.20 | 494343936 |
| Total Amount | ₹ | 2,01,82,04,018 | 2,20,77,59,864 |
| Rate/Unit | ₹/kwh | 3.55 | 4.47 |
| b) Own Generation | | | |
| i) Through Diesel Generator | | | |
| Units | Kwh | 416 | 21196 |
| Units per ltr. of Diesel Oil | Kwh/ltr | 1.26 | 1.66 |
| Cost/Unit | ₹/kwh | 31.61 | 21.37 |
| ii) Through Steam Turbine / Generator | | NIL | NIL |
| 2 Coal | | NIL | NIL |
| 3 Fuel Oil | | | |
| a) Furnace Oil | | | |
| Quantity | KI | 25961 | 26694 |
| Total Amount | ₹ | 66,10,60,317 | 59,53,80,255 |
| Average Rate | ₹/KI | 25464 | 22304 |
| b) LDO | | | |
| Quantity | KI | 2203 | 1111 |
| Total Amount | ₹ | 7,03,58,235 | 2,94,50,899 |
| Average Rate | ₹/KI | 31938 | 26515 |
| ₪) Coke Oven Gas | | | |
| Quantity | SM3 | 22050146 | - |
| Total Amount | ₹. | 12,12,75,805 | - |
| Average Rate | ₹/SM3 | 5.5 | - |
| 4 Others/Internal Generation | | NIL | NIL |
| B. Consumption per unit of production | | | |
| 1 HR PRODUCTS | | | |
| - Electricity | kwh/mt | 671 | 901 |
| - Furnace Oil | ltr/mt | 37 | 53 |
| - LDO | ltr/mt | 1.03 | 1.02 |
| - COG | SM3/mt | 31.79 | - |
| 2 GP/GC PRODUCTS | | | |
| - Electricity | kwh/mt | 914 | 1217 |
| - Furnace Oil | ltr/mt | 39 | 56 |
| - LDO | ltr/mt | 7.8 | 8.9 |
| 3 CR PRODUCTS | | | |
| - Electricity | kwh/mt | 850 | 1149 |
| - Furnace Oil | ltr/mt | 39 | 56 |
| - LDO | ltr/mt | 8 | 9 |

For and on behalf of the Board

Dated: 29th August, 2011
Place : Mumbai

Mukesh R. Gupta
Chairman

CORPORATE GOVERNANCE

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of **Lloyds Steel Industries Limited**

We have examined the compliance of the conditions of Corporate Governance by Lloyds Steel Industries Limited, for the period ended 30th June, 2011(15 months), as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For and on behalf of
TODARWAL & TODARWAL
Chartered Accountants
ICAI Reg. No.: 111009W

Sunil Todarwal
Partner
M.No. 32512

Dated : 29th August, 2011
Place : Mumbai

NOTE ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to pursue objectives that are in the best interest of the Company and its stakeholders.

2. BOARD OF DIRECTORS

The Board of Directors of the Company has a combination of executive, non-executive and independent Directors.

The Board of Directors of the Company comprised of :

Promoter Directors 3

Non-executive - Nominee Directors

Representing IDBI, ARCIL & BIFR 3

Non-executive Independent Director 1

Attendance of each Director at the Board meetings and the last AGM is as follows.

| Director | Category of Directorship | No. of meetings held | No. of Meetings Attended | Last AGM Attended | No. of Directorship on Board of other public Companies | No. of other company Committees where he is a Chairman (C)/Member (M) |
|----------------------|-----------------------------------|----------------------|--------------------------|-------------------|--|---|
| Mr. Mukesh R. Gupta | Promoter Non-Executive | 5 | 5 | Yes | 1 | 1(C)/ 1(M) |
| Mr. Rajesh R. Gupta | Promoter Executive | 5 | 5 | Yes | 2 | 1(M) |
| Mr. B. L. Agarwal | Promoter Non-Executive | 5 | 5 | Yes | 2 | 1(M) |
| Mr. B Ravindranath | Independent IDBI Nominee | 5 | 4 | No | 3 | NIL |
| #Mr. R.Parthasarathy | Independent IFCI Nominee | 5 | 4 | No | 1 | 2(M) |
| Mr. K.A. Krishna Rao | Independent Non-Executive | 5 | 5 | Yes | NIL | NIL |
| Mr. S K Gupta | Independent ARCIL Nominee | 5 | 2 | No | 2 | NIL |
| ##Mr. B L Khanna | Independent BIFR Special Director | 5 | 1 | No | 1 | NIL |

Withdrawn as a nominee director w.e.f. 4th March, 2011

Appointed as BIFR Special Director w.e.f 4th February, 2011

Note: Committees for the above purpose, only Audit and Share transfer and Investors' Grievance Committees is considered

During the financial period of 15 months of 2010-2011, Five (5) Board Meetings were held on 24th May, 2010, 29th July, 2010, 8th November 2010, 10th February, 2011 and 10th May, 2011 respectively.

CODE OF CONDUCT:

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management Personnel. The said code has been communicated to the Directors and the Members of the Senior Management Personnel which is also affirmed by them for the period ended 30th June, 2011. The declaration to this effect by Managing Director is annexed at the end of this report.

The Code has also been posted on the Company's website at www.lloyds.in.

3. AUDIT COMMITTEE:

a) Terms of Reference:

The role and terms of reference of the Audit Committee covers the areas mentioned in the Clause 49 of the Listing Agreement with the Stock Exchanges and Section

292 A of the Companies Act, 1956, as amended from time to time, besides other matters as may be referred by the Board of Directors. These, inter alia, include the Review of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, Review of the adequacy of internal control systems and advising the necessary steps to be taken to correct the weaknesses, Review of the quarterly and annual financial statements before submission to the Board for approval, Review of financial and risk management policies and practices etc.

b) Composition:

During the period IFCI has withdrawn its nominee director from the Board. Hence the Company had reconstituted the Audit Committee of the Board comprising of following:

| Name | Designation |
|-----------------------|-------------|
| Mr. K. A. Krishna Rao | Chairman |
| Mr. B. L. Agarwal | Member |
| Mr. B. Ravindranath | Member |
| Mr. S K Gupta | Member |

Shri S.N.Tiwari was acting as secretary to the Committee till 31st July, 2011. With effect from 1st August, 2011, Mrs. Neelu Dhingra has been appointed as a Company Secretary and Compliance Officer of the Company. She will also act as secretary to the Committee.

c) No. of Meetings held and attendance thereof during the year

During the financial period of 15 months of 2010-2011, Five (5) Meetings of Audit Committee were held on 24th May, 2010, 29th July 2010, 8th November 2010, 10th February, 2011 and 10th May, 2011 respectively.

The attendance of the members at the meetings is as under:-

| Name of Director | No. of Meetings held | No. of Meetings attended |
|-----------------------|----------------------|--------------------------|
| Mr. K. A. Krishna Rao | 5 | 5 |
| Mr. B. L. Agarwal | 5 | 5 |
| Mr. B. Ravindranath | 5 | 4 |
| #Mr. R.Parthasarathy | 5 | 4 |
| ##Mr. S K Gupta | 5 | - |

Withdrawn as a nominee director w.e.f. 4th March, 2011

Appointed as a member w.e.f 10th May, 2011

4. REMUNERATION COMMITTEE:

● **Composition**

The present Remuneration Committee comprises of three Non Executive Independent Directors namely Mr.

K A.Krishna Rao, Mr. B.Ravindranath and Mr. S K Gupta. During the period IFCI has withdrawn its nominee director from the Board. Hence the Company had reconstituted the Remuneration Committee of the Board.

● **Remuneration Policy**

The remuneration of Director in all the cases is decided by the Board subject to necessary approval of shareholders, Remuneration Committee and other applicable approvals, if any.

Save and except Mr. Rajesh R. Gupta, Managing Director, no other director has drawn remuneration during the financial period of 15 months of 2010-11.

Mr. Rajesh R.Gupta was re-appointed as a Managing Director for a term of five years w.e.f. 1st January, 2010 and is responsible for day to day affairs of the Company. During the year Mr. Rajesh R.Gupta has been paid minimum remuneration of ₹ 25.44 Lacs by way of Salary, Perquisites & Contribution to Provident Fund, in accordance with the provisions of Schedule XIII of the Companies Act, 1956

All the Directors except Managing Director are in receipt of sitting fees of ₹ 1000/- per Board/Audit Committee meeting attended by them.

● **Details of shares held by Non-Executive Directors in their own name as on 30th June, 2011.**

| S.No. | Name of the Director | No. of Equity shares held (Face value ₹ 10/- each) |
|-------|----------------------|---|
| 1. | Mr. Mukesh Gupta | 10434 |
| 2. | Mr. B.L.Agarwal | NIL |
| 3. | Mr. B.Ravindranath | NIL |
| 4. | Mr. R.Parthasarathy | NIL |
| 5. | Mr. K.A. Krishna Rao | 5000 |

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted the Share Transfer & Investor Grievance Committee comprising of 3 Directors. Mr. Mukesh R. Gupta, Mr. B. L. Agarwal and Mr. Rajesh R Gupta. The Committee is headed by Mr. B L Agarwal, a non executive director.

The Committee oversees the performance of the Registrar and Share Transfer Agents', recommends measures to improve the level of investor services and matters pertaining to shareholders' complaints and grievances e.g. non-receipt of annual report, change of address etc.

The Board has designated Shri S. N.Tiwari, Company Secretary, as the Compliance Officer upto 31st July, 2011. With effect from 1st August, 2011, Mrs. Neelu Dhingra has been appointed as a Company Secretary and Compliance Officer of the Company.

The Company has incorporated a grievance redressal division for the purpose of registering complaints by investors and for its speedy disposal. The investors therefore are requested to send their grievance, if any, on investor@lloyds.in.

The Company's Registrar and Transfer Agent M/s Bigshare Services Pvt Ltd. Recently launched Gen – Next Investor Module i' Boss, the most advanced tool to interact with shareholders. The investors may login into i' Boss (www.bigshareonline.com) to help the company to serve better.

The Committee meets fortnightly / weekly for the approval of the share transfers / issue of duplicate shares / replacements etc.

The total numbers of complaints received and replied to the satisfaction of the shareholders during the period are as follows:-

| Description | Received | Replied |
|------------------------|------------|------------|
| Direct | 378 | 378 |
| Bombay Stock Exchange | 4 | 4 |
| SEBI Complaints | 15 | 15 |
| MCA | 2 | 2 |
| Investors' Association | 0 | 0 |
| TOTAL | 399 | 399 |

6. GENERAL BODY MEETING:

a. Location & Time for last 3 Annual General Meeting were:

| Year | Location | Date | Time |
|-----------|---|------------|------------|
| 2007-2008 | Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018. | 19.07.2008 | 11.00 a.m. |
| 2008-2009 | Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018. | 31.07.2009 | 11.00 a.m. |
| 2009-2010 | Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018. | 29.07.2010 | 11.00 a.m. |

b. No Extra Ordinary General Meeting (EGM) was held during the last period (15 months).

c. Details of Special Resolution passed in last 3 AGMs :

| Date of AGM | Details of Special Resolution |
|-------------|-------------------------------|
| 19.07.2008 | No Special Resolution passed |
| 31.07.2009 | No Special Resolution passed |
| 29.07.2010 | No Special Resolution passed |

At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

7. DISCLOSURES :

a) Disclosure on Materially Significant Related Party Transaction i.e. Transactions of the Company of material nature, with Its Promoters, the Directors or the Management, their subsidiaries or relatives etc that may have potential conflicts with the interest of the company at large :

There were no such transactions during the year. The details of transactions with related parties are disclosed in the accounts.

b) Details of Non-Compliance by the Company, Penalties, Strictures imposed on the Company by Stock exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years:

There has been no instance of non-compliance by the company on any matter related to capital markets during the last 3 years, however as reported during the last year, the SEBI has cautioned the company vide it's letter dtd. May 14, 2008 for being diligent in connection with submission of shareholding pattern to the Stock Exchanges.

c) Whistler Blower Policy and affirmation that No Personnel has been denied access to the Audit committee.

No Personnel has been denied access to the Audit committee.

d) Details of Compliance with Mandatory requirements and Adoption of the Non-mandatory requirements of this clause :

The Company has complied with all the Mandatory requirements. As regards the Non-mandatory requirements, they have been complied with to the extent possible.

8. CEO / CFO CERTIFICATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFO certification.

9. MEANS OF COMMUNICATION:

The Quarterly and Annual Results are published in Navshakti and Free Press Journals and are displayed on Company's website www.lloyds.in.

10. GENERAL SHAREHOLDER INFORMATION:

1. Annual General Meeting

| | |
|-------|---|
| Date | Saturday, 8th October, 2011 |
| Venue | Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018. |
| Time | 11.00 a.m. |

2. Financial Calendar

| | |
|---|-----------------------------|
| (tentative) | |
| Results for quarter ending 30.09.2011 | Fourth Week of October 2011 |
| Results for half year ending 31.12.2011 | Fourth week of January 2012 |
| Results for period ending 31.03.2012 | Fourth week of May 2012 |

3. Book Closure Date 29th September, 2011 to 8th October, 2011 (both days inclusive)

4. Dividend Payment date Not declared

5. Listing of Equity Shares on Stock Exchanges at Bombay Stock Exchange, Mumbai National Stock Exchange, Mumbai

The Company has paid listing fees to the above stock exchanges for the year 2011-2012.

6. Stock Code 500254 - Bombay Stock Exchange LLOYDSTEEL - National Stock Exchange of India ISIN No. : INE292A01015

| No. of Shares Held | No. of Shareholders | | No. of Shares Held | |
|--------------------|---------------------|---------------|--------------------|---------------|
| | Total | % of Total | Total | % of Total |
| 1 - 500 | 143245 | 84.51 | 28970638 | 7.40 |
| 501 - 1000 | 16053 | 9.47 | 12869781 | 3.29 |
| 1001 - 2000 | 5179 | 3.06 | 8053798 | 2.06 |
| 2001 - 3000 | 1574 | 0.93 | 4109077 | 1.05 |
| 3001 - 4000 | 623 | 0.37 | 2267825 | 0.58 |
| 4001 - 5000 | 826 | 0.49 | 3998332 | 1.02 |
| 5001 - 10000 | 936 | 0.55 | 7293368 | 1.86 |
| 10001 and Above | 1067 | 0.63 | 323775422 | 82.74 |
| Total | 169503 | 100.00 | *391338241 | 100.00 |

Note : * Excludes 2714451 Forfeited shares of ₹ 10/- each. (Previous Year 446321 forfeited shares).

7. Stock Market Data **The monthly movement of Equity Share Price on Bombay Stock Exchange**

| Sensex | Share Price (In. ₹) | | BSE Close |
|----------------|---------------------|-------|-----------|
| | High | Low | |
| April 2010 | 20.20 | 15.10 | 17758.71 |
| May 2010 | 18.30 | 13.50 | 16944.63 |
| June 2010 | 15.60 | 13.01 | 17700.90 |
| July 2010 | 15.50 | 13.10 | 17868.29 |
| August 2010 | 14.00 | 11.50 | 17971.12 |
| September 2010 | 14.29 | 12.10 | 20069.12 |
| October 2010 | 15.20 | 12.26 | 20032.34 |
| November 2010 | 15.80 | 12.55 | 19521.25 |
| December 2010 | 14.51 | 11.62 | 20509.09 |
| January 2011 | 23.79 | 14.35 | 18327.76 |
| February 2011 | 20.50 | 14.30 | 17823.40 |
| March 2011 | 20.45 | 15.80 | 19445.22 |
| April 2011 | 22.90 | 18.60 | 19135.96 |
| May 2011 | 21.90 | 15.25 | 18503.28 |
| June 2011 | 20.75 | 15.50 | 18845.87 |

11 Dematerialisation of Shares Over **94.66%** of the outstanding shares have been dematerialised upto 30th June, 2011.

Liquidity Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 08.05.2000 as per notification issued by the Securities and Exchange Board of India.

Company's Shares are actively traded on the Bombay Stock Exchange & National Stock Exchange of India Limited, Mumbai.

12 Outstanding Warrants and convertible Bonds, Conversion date and likely impact on the Equity NIL

13 Plant Locations **Steel Plant:-** Lloyds Nagar, Bhugaon Link Road, Wardha - 442001, Maharashtra, India. **Engg. Plant:-** Plot No. A-5/5 & A6/3, MIDC Industrial Area, Murbad, Dist. Thane, Maharashtra, India.

14 (i) Investor Correspondence For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company. **Bigshare Services Private Limited** E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka Andheri (E), Mumbai- 400 072. Tel. No. 022- 40430200 / 299 Fax No. 022- 2847 5207 E- mail : investor@bigshareonline.com

(ii) Any query on Annual Report **Secretarial Department** Lloyds Steel Industries Ltd. Trade World, C Wing, 16th Flr, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 Tel. No.: 022-3041 8111 Fax No.: 022-3041 8260 Email: investor@lloyds.in

8 Registrar and Transfer Agents (share transfer and communication regarding share certificates, dividends and change of address) **Bigshare Services Private Limited** (Unit : Lloyds Steel Industries Ltd) E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai- 400 072. Tel. No. 022- 40430200 / 299 Fax No. 022- 2847 5207

9 Share Transfer System Share transfer requests are registered within an average period of 15 to 20 days from the date of receipt. Share transfer requests received in physical form with demat request have been discontinued from February 2004 in terms of SEBI directive.

| | | |
|---|------------------------------|---------------|
| 10 Distribution of shareholding as on 30 th June, 2011 | Promoters | 53.19 |
| | Financial Institutions/Banks | 6.79 |
| | MFs / UTI | 0.15 |
| | FII | 0.06 |
| | Others | 39.81 |
| | | ----- |
| | TOTAL | 100.00 |

DECLARATION

" I, Rajesh R. Gupta, Managing Director of Lloyds Steel Industries Limited, do hereby declare and confirm that all the Board members and Senior Management Personnel have affirmed the compliance of the code of conduct for the period ended 30th June, 2011 laid down by the Board and which is placed before the Board."

For & on behalf of the Board

Dated : 29th August, 2011
Place : Mumbai

Rajesh R Gupta
Managing Director

AUDITORS' REPORT

TO THE MEMBERS OF LLOYDS STEEL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Lloyds Steel Industries Limited as at June 30, 2011 and the related Profit and Loss Account and Cash Flow for the period ended on that date, annexed thereto, both of which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Further, 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 appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act;
 - (e) The company has changed the valuation method, of Engineering Plant finished goods, from contract price method to lower of cost and market value method. Since there was no closing inventories of the same as on 30th June, 2011, there is no impact on the financials in the current period.
 - (f) *The company has not provided interest amounting to ₹ 6096.44 lacs for the current period (till date ₹ 22771.77 lacs). Had the same been considered the loss for the period would have been ₹ 20063.58 lacs (as against the reported figure of loss of ₹ 13967.14 lacs) and the accumulated loss for the period ending would have been ₹ 185440.57 lacs (as against the reported loss of ₹ 162668.80 lacs)*
 - (g) On the basis of the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the Director is disqualified as on June 30, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (h) In view of the foregoing paragraphs, in our opinion and to the best of our information and according to the explanations given to us, and *subject to point 4 (f), regarding non provision of interest above the*

Balance Sheet, Profit and Loss Account and Cash flow together with the Notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and also 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 June 30, 2011;
- ii) In the case of the Profit and Loss Account, of the Loss for the period ended on that date; and
- iii) In the case of the Cash Flow Statement, of the Cash Flow of the Company for the period ended on that date.

For and on behalf of

TODARWAL & TODARWAL
Chartered Accountants
ICAI Reg. No.: 111009W

Sunil Todarwal

Partner

Dated : 29th August, 2011

Place : Mumbai

M. No. - 32512

ANNEXURE TO AUDITORS' REPORT

[Referred to in Paragraph 3 of the Auditor's Report of even date to the Members of Lloyds Steel Industries Limited on the Financial Statements for the period ended 30th June 2011]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per the information and explanation given to us, fixed assets are physically verified by the management according to a phased programme designed to cover all the locations which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, the management during the period physically verified the fixed assets at certain locations and no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanation given to us, the company has disposed off an insignificant part of the fixed assets during the period. Thus, paragraph 4(i) (c) of the Companies (Auditor's Report) Order, 2003 is not applicable.
2. (a) Inventory has been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information & explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) According to information and explanation given to us, the Company has neither granted nor taken any secured or unsecured loans to / from companies, firms, parties covered in the register maintained under Section 301 of the Act. In view of the above, provisions of clause 4(iii) (b), (c), (d), (e), (f) and (g) are not applicable to the company.

4. In our opinion and according to information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
5. (a) On the basis of our examination of the books of account, we are of the opinion that the transactions that need to be entered in the register in pursuance of Section 301 of the Act have been entered in the said register.
(b) In our opinion, and according to the information & explanation given to us, the transactions made during the period with parties covered under Sec.301 of the Act have been at prices which are reasonable, having regard to the prevailing market price for such goods and materials or prices at which transaction for similar goods or material have been made with other parties.
6. According to the information and explanation given to us, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under. Hence the provisions of clause 4(vi) are not applicable to the company.
7. In our opinion and according to information and explanation given to us, the Company's present internal audit system is commensurate with its size and the nature of its business.
8. We have reviewed the books of accounts maintained by the company in respect of Steel division, where, pursuant to the rules made by the Central Government, the maintenance of Cost Records have been prescribed u/s. 209(1) (d) of the Companies Act, 1956. We are of the view that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also Management representations, undisputed statutory dues in respect of Provident fund, Profession tax, Income Tax, Sales Tax, Value added tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other material statutory dues, if any, applicable to it, has been regularly deposited with the appropriate authorities.
(b) According to the records of the Company, the disputed dues in respect of Excise Duty of ₹ 447.84 lacs (Previous year ₹ 447.84 lacs) and Sales Tax of ₹ 28.65 lacs (Previous year ₹ 28.65 lacs) as at June 30, 2011 have not been deposited with appropriate authorities and no provision has been made for the same.
10. *The Company's accumulated losses at the end of the current period are not less than fifty percent of its net worth and the Company has not incurred cash losses in the period under audit, and also not in the immediately preceding financial year.*
11. *According to the records of the Company, and as informed to us, the dues to Lenders are under various stages of restructuring process. Amount of default aggregating to ₹ 7334.87 lacs till date including ₹ 4559.96 lacs during the period.*
12. According to information and explanation given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities during the period.
13. In our opinion, considering the nature of activities carried on by the Company during the period, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to it. Hence the provisions of clause 4(xiii) are not applicable to the company.
14. According to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments. Hence clause 4(xiv) is not applicable to the company.
15. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from a bank, the terms and conditions whereof in our opinion are not prejudicial to the interest of the company.
16. As per information given to us, no fresh term loans have been taken by the Company during the period. Hence the provisions of clause 4(xvi) are not applicable to the company.
17. On the basis of overall examination of the Balance Sheet of the Company and according to information and explanations given to us, there are no funds raised on short-term basis, which have been used for long-term investments.
18. According to information and explanation given to us, the Company has during the period made preferential allotment of share to a party covered in the register maintained under section 301. In our opinion the price at which it is issued is not prejudicial to the interest of the Company.
19. According to information and explanation given to us, the company has not issued any fresh debenture during the period. Hence the provisions of clause 4(xix) are not applicable to the company.
20. According to information and explanation given to us, the Company has not raised any money by public issue during the period. Hence the provisions of clause 4(xx) are not applicable to the company.
21. During the course of our examination of the books of account carried in accordance with the generally accepted auditing standards in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the period, nor have we been informed of such case by the Management.

| Sr. No. | Name of the Statute | Amount (In Lacs) | Forum where dispute is pending |
|---------|---------------------------------|------------------|--------------------------------|
| 1 | The Central Excise Act, 1944 | 43.38 | Chief Commissioner of Appeals |
| | | 45.07 | Assistant Commissioner |
| | | 135.55 | Commissioner |
| | | 38.94 | Additional Commissioner |
| | | 150.89 | High Court |
| | | 34.01 | Supreme Court |
| | Total | 447.84 | |
| 2 | State & Central Sales Tax Acts. | 28.65 | Gujarat Sales Tax Tribunal |
| | Total | 28.65 | |

For and on behalf of
TODARWAL & TODARWAL
Chartered Accountants
ICAI Reg. No.: 111009W
Sunil Todarwal
Partner
M. No. - 32512

Dated : 29th August, 2011
Place : Mumbai

BALANCE SHEET AS AT 30TH JUNE 2011

(₹ in Lacs)

| PARTICULARS | Schedule | AS AT 30.06.2011 | AS AT 31.03.2010 |
|---|----------|---------------------|---------------------|
| I. SOURCES OF FUNDS | | | |
| 1. SHAREHOLDERS' FUNDS | | | |
| (a) Share Capital | 'A' | 62893.70 | 46043.70 |
| (b) Subscription for Share Warrants | | - | 4212.50 |
| (c) Reserves & Surplus | 'B' | 69866.58 | 71610.33 |
| | | 132760.28 | 121866.53 |
| 2. LOAN FUNDS | | | |
| (a) Secured Loans | 'C' | 72895.29 | 78934.38 |
| (b) Unsecured Loans | 'D' | 219.77 | 352.31 |
| | | 73115.06 | 79286.69 |
| TOTAL | | 205875.34 | 201153.22 |
| II. APPLICATION OF FUNDS | | | |
| 1. FIXED ASSETS | 'E' | | |
| Gross Block | | 274961.72 | 226321.19 |
| Less: Depreciation | | 160137.27 | 144707.00 |
| Net Block | | 114824.45 | 81614.19 |
| Capital Work in Progress | | 3089.62 | 22500.99 |
| | | 117914.07 | 104115.18 |
| 2. INVESTMENTS | 'F' | 250.26 | 250.26 |
| 3. CURRENT ASSETS, LOANS & ADVANCES | 'G' | | |
| (a) Inventories | | 27678.01 | 20290.76 |
| (b) Sundry Debtors | | 20225.63 | 20186.21 |
| (c) Cash & Bank Balances | | 4893.02 | 3048.75 |
| (d) Loans & Advances | | 58457.99 | 38945.95 |
| | | 111254.65 | 82471.67 |
| Less: Current Liabilities & Provisions | 'H' | 186212.43 | 136287.55 |
| NET CURRENT ASSETS | | (74957.78) | (53815.88) |
| 4. PROFIT & LOSS ACCOUNT | | 162668.79 | 150603.66 |
| TOTAL | | 205875.34 | 201153.22 |
| Notes forming part of Accounts. | 'P' | | |

As per our Report of even date attached

For and on behalf of

TODARWAL & TODARWAL

Chartered Accountants

ICAI Reg. No.: 111009W

For and on behalf of the Board

SUNIL L. TODARWAL

Partner

M. No. - 32512

Date : 29th August, 2011

Place : Mumbai

NEELU DHINGRA

Company Secretary

RAJESH R. GUPTA

Managing Director

MUKESH R. GUPTA

Chairman

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30TH JUNE 2011

(₹ in Lacs)

| PARTICULARS | Schedule | Current Period 30.06.2011 (15 Mnts Ended) | Previous Year 31.03.2010 (12 Mnts Ended) |
|--|----------|---|--|
| INCOME | | | |
| (a) Gross Turnover (including job work) | | 436536.29 | 305278.06 |
| Less : Excise Duty | | 28462.53 | 15406.00 |
| Net Turnover | | 408073.76 | 289872.06 |
| (b) Other Income | 'I' | 3408.90 | 447.09 |
| | | 411482.66 | 290319.15 |
| EXPENDITURE | | | |
| (a) Cost of Materials | 'J' | 358858.21 | 239973.61 |
| (b) Manufacturing & Asset Maintenance | 'K' | 23366.65 | 25510.28 |
| (c) Personnel Cost | 'L' | 6780.78 | 3976.55 |
| (d) Selling & Distribution Expenses | 'M' | 10981.79 | 8499.23 |
| (e) Administrative & Other Expenses | 'N' | 1688.61 | 1738.07 |
| | | 401676.04 | 279697.74 |
| PROFIT/LOSS (-) BEFORE INTEREST, DEPRECIATION & TAX | | 9806.62 | 10621.41 |
| Interest & Financial Charges (Net) | 'O' | 8529.16 | 4897.03 |
| PROFIT / (LOSS) BEFORE DEPRECIATION & TAX | | 1277.46 | 5724.38 |
| Depreciation | | 15493.07 | 11668.20 |
| PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEM & TAX | | (14215.61) | (5943.82) |
| Add: Exceptional Items (Net) | | 236.89 | (1807.86) |
| PROFIT / (LOSS) BEFORE TAX | | (13978.72) | (7751.68) |
| Tax Provision | | - | - |
| PROFIT / (LOSS) AFTER TAX | | (13978.72) | (7751.68) |
| Add : Prior Period Income / (Expenses) (Net) | | 11.59 | (56.41) |
| NET PROFIT / (LOSS) FOR THE PERIOD | | (13967.13) | (7808.09) |
| Add : Profit / Loss (-) B/F from Previous Year. | | (150603.66) | (142795.57) |
| Add : Transferred from Debenture Redemption Reserve | | 1902.00 | - |
| BALANCE CARRIED TO BALANCE SHEET | | (162668.79) | (150603.66) |
| Basic & Diluted Earning Per Share (₹) | | (4.46) | (3.65) |
| Notes forming part of Accounts. | 'P' | | |

As per our Report of even date attached

For and on behalf of

TODARWAL & TODARWAL

Chartered Accountants

ICAI Reg. No.: 111009W

For and on behalf of the Board

SUNIL L. TODARWAL

Partner

M. No. - 32512

Date : 29th August, 2011

Place : Mumbai

NEELU DHINGRA

Company Secretary

RAJESH R. GUPTA

Managing Director

MUKESH R. GUPTA

Chairman

SCHEDULES

SCHEDULES "A TO P" ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2011 AND PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30TH JUNE 2011.

(₹ in Lacs)

| | AS AT 30.06.2011 | AS AT 31.03.2010 |
|---|---------------------|---------------------|
| SCHEDULE A : SHARE CAPITAL | | |
| AUTHORISED | | |
| Equity Shares : | | |
| 50,00,00,000 Equity Shares of ₹10/- each (Previous Year 50,00,00,000 Equity Shares of ₹10/- each) | 50000.00 | 50000.00 |
| Preference Shares: | | |
| 25,00,00,000. Preference Shares of ₹10/- each (Previous Year 25,00,00,000 Preference Shares of ₹10/- each) | 25000.00 | 25000.00 |
| TOTAL | 75000.00 | 75000.00 |
| ISSUED, SUBSCRIBED & PAID-UP | | |
| Equity Shares : | | |
| 39,13,38,241 Equity Shares of ₹ 10/-each fully paid up (P.Y.22,51,06,371 Equity Shares of ₹ 10/-each fully paid up) | 39133.82 | 22510.64 |
| Less: Calls - in - Arrears | - | 113.41 |
| Add : 27,14,451 Forfeited Shares (Amount originally received) | 132.34 | 18.93 |
| | 39266.16 | 22416.16 |
| Preference Shares: | | |
| 23,62,75,420 Redeemable Preference Shares of ₹ 10/- each fully paid up (PY 23,62,75,420 Redeemable Preference Shares of ₹ 10/- each) | 23627.54 | 23627.54 |
| TOTAL | 62893.70 | 46043.70 |
| <p>Note: 1) The Redeemable Preference Shares will be redeemed with a premium of 11.50% in 6 (Six) Annual Instalments commencing from financial year 2016.</p> <p>2) During the period, the Company has issued 16,85,00,000 Equity Shares of ₹ 10/- each to Promoters on conversion of 16,85,00,000 Share Warrants</p> | | |
| SCHEDULE B : RESERVES & SURPLUS | | |
| Capital Reserve | | |
| Balance as per last Balance Sheet | 32274.65 | 16542.42 |
| Add: Addition during the period | 158.25 | 15732.23 |
| | 32432.90 | 32274.65 |
| Debenture Redemption Reserve | | |
| Balance as per last Balance Sheet | 1902.00 | 1902.00 |
| Less: Trfd. to Profit & Loss A/c | 1902.00 | - |
| | - | 1902.00 |
| Share Premium Account | | |
| Balance as per last Balance Sheet | 37433.68 | 37728.50 |
| Less : Calls - in - Arrears | - | 294.82 |
| | 37433.68 | 37433.68 |
| TOTAL | 69866.58 | 71610.33 |

SCHEDULES

SCHEDULE C : SECURED LOANS

1. Long Term Loans

(a) From Banks :

Rupee Loan

12361.99

12411.99

(b) From Financial Institutions

Rupee Loan

56014.55

60110.67

(c) Interest Accrued and Due

1310.93

1750.38

69687.47

74273.04

2. Debentures (Non Convertible)

5000000 17% Privately Placed Secured Redeemable Non-Convertible Debentures of ₹ 100/- each issued in the year 1999

-

547.08

3. Working Capital from Banks

Cash Credit / Working Capital Demand Loan.

3207.82

4114.26

TOTAL

72895.29

78934.38

(₹ in Lacs)

| AS AT 30.06.2011 | AS AT 30.03.2010 |
|---------------------|---------------------|
| | |
| 12361.99 | 12411.99 |
| 56014.55 | 60110.67 |
| 1310.93 | 1750.38 |
| 69687.47 | 74273.04 |
| - | 547.08 |
| 3207.82 | 4114.26 |
| 72895.29 | 78934.38 |

NOTES TO SCHEDULE C:

1. a. Long Term Loans referred to in 1(a) and 1(b) above, are secured by way of hypothecation of all the movables except book debts, including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created in favour of the Company's Bankers for Working Capital facilities.
- b. (i) Long Term Loans referred to in 1(a) and 1(b) above, to the extent of ₹ **46760.89 lacs**, are also secured by way of first mortgage and charge on Company's immovable properties, both present and future ranking pari passu with other First Charge holders, subject to prior charge of SBI for housing colony for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.
- (ii) Long Term Loans referred to in 1(a) and 1(b) above, to the extent of ₹ **2837.01 lacs**, are also secured by way of first mortgage and charge on Company's immovable properties situated at Wardha, both present and future, ranking pari passu with other First Charge holders, subject to prior charge of SBI for housing colony for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.
- c. Long Term Loans referred to in 1(a) and 1(b) above, to the extent of ₹ **16500.00 lacs**, are to be secured by way of first mortgage and charge on Company's immovable properties, both present and future ranking

pari passu with other First Charge holders, subject to prior charge of SBI for housing colony for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.

- d. The Term Loans of ₹ **353.97 lacs** from SBI are secured by exclusive mortgage of the housing colony situated at Wardha.
- e. Long Term Loan referred to in 1(b) above, to the extent of ₹ **1924.67 lacs**, cash credit facilities assigned by banks, is secured against hypothecation of Raw Materials, Work-in-process, Finished Goods, Stores & Spares, Book Debts etc., and by way of Second Charge on company's immovable properties, and also guaranteed by some of the directors of the Company.
2. Cash Credit from Bank is secured against hypothecation of Raw Materials, Work-in-process, Finished Goods, Stores & Spares, Book Debts etc., and by way of Second Charge on Company's immovable properties, and also guaranteed by some of the Directors of the Company.
3. a. The loans mentioned above includes non interest bearing loans of ₹ **52540.57 lacs** as per the loan restructuring terms.
- b. The loans mentioned above includes loan of ₹ **5000.00 lacs** convertible into Equity Shares on September 15, 2011 at a price to be determined in accordance with SEBI (ICDR) Regulations and in Compliance with all the statutory provisions in this regard.

SCHEDULES

(₹ in Lacs)

SCHEDULE D : UNSECURED LOANS

From Financial Institutions

- (i) Capital Subsidy Loan (SICOM)
- (ii) Sales Tax Deferral Loan (SICOM)

TOTAL

| AS AT 30.06.2011 | AS AT 31.03.2010 |
|---------------------|---------------------|
| - | 19.04 |
| 219.77 | 333.27 |
| 219.77 | 352.31 |

Note :

Amount repayable within one year ₹ 51.36 Lacs (Previous year ₹ 53.02 lacs)

SCHEDULE E : FIXED ASSETS

(₹ in Lacs)

| Sr. No | Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------|---------------------------|---------------------|-----------------|--------------------|---------------------|---------------------|-------------------|-----------------|---------------------|---------------------|---------------------|
| | | As at 01.04.2010 | Additions | Discarded /Sold | As at 30.06.2011 | As at 01.04.2010 | For the Period | Written back | As at 30.06.2011 | As at 30.06.2011 | As at 31.03.2010 |
| 1 | Land | 459.11 | 39.71 | - | 498.82 | - | - | - | - | 498.82 | 459.11 |
| 2 | Building | 4858.36 | 1373.80 | - | 6232.16 | 1370.68 | 126.92 | - | 1497.60 | 4734.56 | 3487.68 |
| 3 | Plant & Machinery | 218212.12 | 46255.17 | 3.04 | 264464.25 | 141177.17 | 15193.81 | 2.89 | 156368.09 | 108096.16 | 77034.95 |
| 4 | Computers | 832.07 | 51.54 | 0.11 | 883.50 | 705.09 | 45.38 | 0.04 | 750.43 | 133.06 | 126.98 |
| 5 | Electrical Installations | 93.63 | 33.94 | - | 127.57 | 79.09 | 1.60 | - | 80.69 | 46.87 | 14.54 |
| 6 | Office Equipment | 264.53 | 42.12 | 24.40 | 282.25 | 180.30 | 16.99 | 11.32 | 185.97 | 96.28 | 84.23 |
| 7 | Furniture & Fixtures | 524.36 | 137.29 | 50.13 | 611.52 | 464.40 | 18.43 | 31.18 | 451.64 | 159.88 | 59.96 |
| 8 | Motor Vehicles | 113.13 | 107.15 | 31.72 | 188.56 | 31.07 | 19.28 | 17.37 | 32.98 | 155.59 | 82.06 |
| 9 | Railway Siding | 963.88 | 709.22 | - | 1673.10 | 699.20 | 70.67 | - | 769.87 | 903.23 | 264.68 |
| | Total | 226321.19 | 48749.94 | 109.40 | 274961.73 | 144707.00 | 15493.07 | 62.80 | 160137.27 | 114824.45 | 81614.19 |
| | Capital Work -in-Progress | 22500.99 | 3361.11 | 22772.48 | 3089.62 | - | - | - | - | 3089.62 | 22500.99 |
| | Total | 248822.18 | 52111.05 | 22881.88 | 278051.35 | 144707.00 | 15493.07 | 62.80 | 160137.27 | 117914.07 | 104115.18 |
| | Previous Year | 230896.24 | 18208.74 | 282.80 | 248822.18 | 133073.60 | 11668.20 | 34.79 | 144707.00 | 104115.18 | |

Note :Gross Block, accumulated depreciation and net block of plant & machinery includes asset given on operating lease.

SCHEDULES

(₹ in Lacs)

| | AS AT 30.06.2011 | AS AT 31.03.2010 |
|---|---------------------|---------------------|
| SCHEDULE F : INVESTMENTS (At Cost) | | |
| Shares (Unquoted)- | | |
| 1,00,00,000 Equity Shares of ₹ 2.50/-each of Aristo Realty Developers Ltd (Previous Year 1,00,00,000 Equity Shares of ₹ 2.50/- each) | 250.00 | 250.00 |
| 2600 Equity Shares of ₹ 10/-each of Indrajit Power Pvt. Ltd. (Previous Year 2600 Equity Shares of ₹ 10/- Each) | 0.26 | 0.26 |
| TOTAL | 250.26 | 250.26 |
| SCHEDULE G : CURRENT ASSETS, LOANS AND ADVANCES | | |
| (a) INVENTORIES | | |
| Stores and Spare Parts | 6892.16 | 6912.34 |
| Fuel & Gases | 105.25 | 94.06 |
| Stock-in-Trade : | | |
| Raw Materials | 7021.15 | 5734.06 |
| Finished Goods | 6075.57 | 3269.74 |
| Work in Process/Semi Finished | 7225.53 | 3814.25 |
| Scrap Materials | 358.35 | 466.31 |
| | 27678.01 | 20290.76 |
| (b) SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated) Exceeding Six Months | | |
| Others | 1509.36 | 978.32 |
| | 18716.27 | 19207.89 |
| (c) CASH & BANK BALANCES | | |
| Cash on hand | 43.99 | 8.85 |
| Bank Balance : | | |
| With Scheduled Banks- | | |
| i) In Current accounts | 2296.82 | 881.63 |
| ii) Margin Account (FDR) | 2132.84 | 1526.15 |
| iii) Cheques on hand / Remittance in Transit | 419.37 | 632.12 |
| | 4893.02 | 3048.75 |
| (d) LOANS & ADVANCES (Unsecured and Considered good) Advances recoverable in cash or in kind or for value to be received | | |
| Deposits with Govt. Dept. and others | 53800.90 | 34253.42 |
| Advance Income Tax and Income Tax deducted at source | 4634.84 | 4453.40 |
| | 22.25 | 239.13 |
| | 58457.99 | 38945.95 |
| TOTAL | 111254.65 | 82471.67 |
| SCHEDULE H : CURRENT LIABILITIES & PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors | 115906.29 | 76889.21 |
| Acceptances | 8611.94 | 14827.63 |
| Advances against orders received | 53502.28 | 39146.46 |
| Current Account Overdrawn | 346.25 | 1397.63 |
| Interest accrued but not due | 148.77 | 502.08 |
| Other liabilities | 5775.67 | 2110.62 |
| PROVISIONS | | |
| Provision for Leave encashment & Gratuity | 1921.23 | 1413.92 |
| TOTAL | 186212.43 | 136287.55 |

SCHEDULES

(₹ in Lacs)

| | Current Period 30.06.2011 (15 Mnts Ended) | Previous Year 31.03.2010 (12 Mnts Ended) |
|---|---|--|
| SCHEDULE I : OTHER INCOME | | |
| Lease Rent Received | 1186.00 | 311.49 |
| Profit on sale of Fixed Assets | 3.48 | 12.80 |
| Exchange Fluctuation Gain | 2.21 | - |
| Miscellaneous Receipts | 2217.21 | 122.80 |
| TOTAL | 3408.90 | 447.09 |
| SCHEDULE J : COST OF MATERIALS | | |
| Consumption of : | | |
| Raw Materials | 211565.24 | 124244.99 |
| Trading | 119561.11 | 84340.14 |
| Production Consumables,Stores & Spares | 29191.45 | 21914.16 |
| Petroleum Products (Fuel) | 13731.74 | 8948.25 |
| (Increase)/ Decrease in Stocks | | |
| Opening Stock : | | |
| Finished Goods | 3269.74 | 2002.18 |
| Work in Process/Semi finished Goods | 3814.25 | 5952.31 |
| Scrap | 466.31 | 121.88 |
| Less: | 7550.30 | 8076.37 |
| Closing Stock : | | |
| Finished Goods | 6075.57 | 3269.74 |
| Work in Process/Semi finished Goods | 7225.53 | 3814.25 |
| Scrap | 358.35 | 466.31 |
| | 13659.45 | 7550.30 |
| (Increase) / Decrease in Stocks | (6109.15) | 526.07 |
| Transfer to Project | (9082.18) | - |
| TOTAL | 358858.21 | 239973.61 |
| SCHEDULE K : MANUFACTURING & ASSET MAINTENANCE | | |
| Electricity & Water Charges | 20365.39 | 22164.99 |
| Repairs & Maintenance - | | |
| Plant & Machinery | 1157.75 | 697.00 |
| Buildings | 5.67 | 9.31 |
| Others | 38.91 | 27.61 |
| Engineering & Processing charges | 644.92 | 1452.84 |
| Insurance (Net) | 329.46 | 225.90 |
| Misc. Expenses for Production | 1404.55 | 932.63 |
| Transfer to Project | (580.00) | - |
| TOTAL | 23366.65 | 25510.28 |
| SCHEDULE L : PERSONNEL COST | | |
| Salaries, Wages & Bonus | 7012.88 | 3650.74 |
| Employer's Contribution to Provident Fund and Other Funds | 453.23 | 255.71 |
| Staff Welfare / Workmen Expenses | 121.67 | 70.10 |
| Transfer to Project | (807.00) | - |
| TOTAL | 6780.78 | 3976.55 |
| SCHEDULE M : SELLING & DISTRIBUTION EXPENSES | | |
| Commission & Brokerage | 1811.08 | 1404.71 |
| Freight Outwards | 8995.42 | 7044.32 |
| Other Selling Expenses | 175.29 | 50.20 |
| TOTAL | 10981.79 | 8499.23 |

(g) **Customs Duty :**

Customs Duty payable on imported raw materials, components and stores and spares is recognized to the extent assessed by the customs department.

(h) **Customs Duty Benefit :**

Customs duty entitlement eligible under pass book scheme / DEPB is accounted on accrual basis. Accordingly, import duty benefits against exports effected during the period are accounted on estimate basis as incentive till the end of the period in respect of duty free imports of raw material yet to be made.

(i) **Lease Rentals :**

Lease rentals are expensed with reference to lease terms.

(j) **Research and Development :**

Research and Development costs (other than cost of fixed assets acquired) are expensed in the period in which they are incurred.

(k) **Provision of Gratuity :**

Provision for Gratuity is made on the basis of actuarial valuation based on the provisions of the Payment of Gratuity Act, 1972.

(l) **Leave Salary :**

Provision is made for value of unutilized leave due to employees at the end of the year.

(m) **Investments :**

Long term investments are carried at cost less provision for permanent diminution in value. Current investments are carried at lower of cost or fair value.

(n) **Amortization of Expenses :**

i) **Equity Issue Expenses:**

Expenditure incurred in equity issue is being treated as Deferred Revenue Expenditure to be amortized over a period of ten years.

ii) **Debenture Issue Expenses:**

Debenture Issue expenditure is amortized over the period of 10 years Debentures.

iii) **Deferred Revenue Expenses:**

Deferred Revenue expenses are amortized over a period of 5 years.

(o) **Foreign Currency Transactions:**

Foreign currency transactions during the accounting period are translated at the rates prevalent on the transaction date. Exchange differences arising from foreign currency fluctuations are dealt with on the date of payment/receipt. Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the period are translated at the period end rate. The exchange difference is credited / charged to Profit & Loss Account in case of revenue items and capital items.

(p) **Impairment of Assets :**

The company determines whether a provision should be made for impairment loss on fixed assets (including Intangible Assets), by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard – 28 "Impairment of Assets". Where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made.

(q) **Provision for doubtful debts:**

The management reviews on a periodical basis the outstanding debtors with a view to determine as to whether the debtors are good, bad or doubtful after taking into consideration all the relevant aspects. On the basis of such review and in pursuance of other prudent financial considerations the management determines the extent of provision to be made in the accounts.

(r) **Contingent Liability :**

Unprovided Contingent Liabilities are disclosed in the accounts by way of notes giving the nature and quantum of such liabilities.

(2) **Contingent Liabilities not provided for :**

| | As at 30.06.2011 (15Mnts Period) (₹ in Lacs) | As at 31.03.2010 (12Mnts Period) (₹ in Lacs) |
|---|---|---|
| (a) In respect of guarantees issued by Banks : This includes expired Bank guarantees of ₹ 111.11 Lacs. | 1576.80 | 1201.43 |
| (b) Corporate Guarantee issued by the Company | 55.96 | 66.95 |
| (c) i) Claims against the Company not acknowledged as debt. | 846.86 | 870.18 |
| ii) Show cause notices under hearing in respect of excise duty which is disputed by the Company | 447.84 | 447.84 |
| iii) Sales Tax | 28.65 | 28.65 |
| TOTAL | 2956.11 | 2615.05 |

(3) **Cash and Bank Balances :-**

a) **Details of Balance with Non-Scheduled Bank:**

| Balance with Non-Scheduled Bank | Current Period (15Mnts Period) (₹ in Lacs) | Previous Year (12Mnts Period) (₹ in Lacs) |
|---|--|---|
| In Current accounts Wardha Nagrik Sahakari Adikoshia Ltd. | Nil | 0.29 |
| Maximum balance with Non-Scheduled Bank during the period In Current accounts Wardha Nagrik Sahakari Adikoshia Ltd. | 0.29 | 0.29 |

(b) Amount held in Margin / Fixed Deposit accounts with banks having lien for Guarantees provided of ₹ 2132.84 Lacs (Previous Year ₹ 1526.14 Lacs)

(4) (a) The computation of net profit for the purpose of calculation of managerial remuneration u/s 349 of Companies Act, 1956 has not been enumerated since minimum remuneration has been paid to the Managing Director.

(b) Managerial remuneration u/s 198 of the Companies Act, 1956 include:

| | (₹ in Lacs) | |
|-----------------|-----------------------------------|----------------------------------|
| Particulars | Current Period (15Mnts Period) | Previous Year (12Mnts Period) |
| Salary | 24.00 | 19.20 |
| PF Contribution | 1.80 | 1.44 |
| Perquisites | 6.00 | 4.80 |
| Total | 31.80 | 25.44 |

(5) Disclosure as required by the Accounting Standard – 5 "Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies" are given below.

Prior period expenses are ₹ 60.56 Lacs (Previous year ₹ 56.41). Prior period incomes are ₹ 72.15 Lacs (Previous year Nil)

(6) **Auditors' remuneration**

| | (₹ in Lacs) | |
|-----------------------------------|----------------------------|----------------------------|
| Particulars | 2010-11 (15Mnts Period) | 2009-10 (12Mnts Period) |
| a) As Auditor for | | |
| (i) Fees | 3.75 | 3.00 |
| (ii) Expenses Reimbursed & Others | 0.57 | 0.47 |
| b) As Advisor In | | |
| Taxation Matters | 0.63 | 0.50 |
| Total | 4.95 | 3.97 |

(7) **Disclosure as required by the Accounting Standard-15 "Employee Benefit" are given below:**

a) General Description of Plan : Defined Gratuity Benefit obligation (Unfunded)

b) Method of Valuation of Gratuity : Projected Unit Credit Method.

c) Reconciliation of opening and closing balance of defined benefit obligation

| | |
|---|-----------------|
| i. Obligation as at the beginning of the period | ₹ 868.43 Lacs |
| ii. Current Services Cost | ₹ 148.29 Lacs |
| iii. Interest Cost | ₹ 99.35 Lacs |
| iv. Actuarial (Gain)/Loss | ₹ 342.37 Lacs |
| v. Benefits paid | ₹ (111.51) Lacs |
| vi. Obligation as at the end of the period | ₹ 1346.93 Lacs |

d) Expenses recognized during the period

| | |
|---|---------------|
| i. Current Services Cost | ₹ 148.29 Lacs |
| ii. Interest Cost | ₹ 99.35 Lacs |
| iii. Actuarial (Gain)/Loss | ₹ 342.37 Lacs |
| iv. Expenses recognized during the period | ₹ 590.02 Lacs |

e) Actuarial Assumptions.

| | |
|----------------------|---|
| i. Rate of Interest | 8.25% per annum |
| ii. Salary Growth | 7.00% per annum |
| iii. Withdrawal Rate | 1% |
| iv. Mortality Rate | LIC (1994-96) ultimate Mortality Rates. |
| v. Retirement Age | 60 years |

(8) **Disclosure as required by the Accounting Standard – 20 "Earning Per Share" are given below.**

| Particulars | 2010-11 (15Mnth Period) | 2009-10 (12Mnth Period) |
|--------------------------------------|----------------------------|----------------------------|
| NPBT | (139,78,71,981) | (77,51,68,335) |
| Prior Period Items | 11,58,652 | (56,40,827) |
| Tax Expenses | Nil | Nil |
| Numerator (A) | (139,67,13,329) | (78,08,09,162) |
| Denominator (B) (Weighted) | 313370039 | 214029659 |
| Basic & Diluted EPS (A/B) | (4.46) | (3.65) |

- (9) a) The Income tax assessment have been completed upto Assessment Year 2008-09
b) The company does not envisage any liability for Income Tax for the current period in absence of taxable income.
c) Disclosure as required by the Accounting Standard – 22 "Accounting for Taxes on Income" are given below.:

In the event of carry forward losses and unabsorbed depreciation no Deferred Tax Liability has been created for the period ended 30.06.2011. The deferred tax asset has not been recognized as there is no virtual certainty of sufficient future taxable income available against which this deferred tax asset can be realized

- (10) Disclosure as required by the Accounting Standard – 18 "Related Party Disclosure" are given below.:

| | | Current Period (15Mnts Period) | Previous Year (12Mnts Period) |
|----|--|-----------------------------------|----------------------------------|
| a) | Parties where control exists :- | | |
| A | Name of related party and relationship | Indrajit Power Pvt Ltd. | |
| | i) Name of the Related Party | Significant Influence | |
| | ii) Relationship | | |
| A1 | Transaction with related parties | | |
| | Nature of Transaction | | |
| | Sales & Services | 4538.16 | 630.19 |
| | Purchase | 6069.62 | 4424.11 |
| B | Name of related party and relationship | Shree Global Tradefins Ltd | |
| | i) Name of the Related Party | Significant Influence | |
| | ii) Relationship | | |
| B1 | Transaction with related parties | | |
| | Nature of Transaction | | |
| | Purchase | 2187.12 | — |
| b) | Key Managerial Personnel :- | | |
| A | Name of related party and relationship | Rajesh R Gupta | |
| | i) Name of the Related Party | Key Managerial Personnel | |
| | ii) Relationship | | |
| B | Transaction with related parties | | |
| | Nature of Transaction | | |
| | a) Salary | 24.00 | 19.20 |
| | b) PF Contribution | 1.80 | 1.44 |
| | c) Perquisites | 6.00 | 4.80 |

- (11) Sales include :

- a) Engineering Plant sales to Steel Plant at cost price amounting to ₹ 6869.46 Lacs (Previous Year ₹ 621.48 Lacs).out of which ₹ 6409.78 Lacs (Previous Year ₹ 333.84 Lacs) are Capitalized.
b) Steel Plant sales to Engineering Plant at selling price amounting to ₹ 9301.22 Lacs (Previous Year ₹ 6174.53 Lacs).

- c) Trading Sales to Steel Plant at selling price amounting to ₹ 3577.48 Lacs
d) Steel Plant sales includes Repairs & Maintenance Expenses of ₹ 231.83 Lacs (Previous Year ₹ 362.13 Lacs) and CWIP of ₹ 116.74 Lacs (Previous Year ₹ 492.23 Lacs).

- (12) Balances of Debtors, Loans & Advances, Creditors and Bank dues are subject to Confirmation by the parties. Differences, (if any), shall be accounted on such reconciliation.

- (13) The Company has no information as to whether any of its suppliers constitute micro, small & medium enterprises as per Micro, Small & Medium Enterprises Development Act, 2006 and therefore, the amount due to such suppliers has not been identified.

- (14) Disclosure as required by Accounting Standard-11 "Effect Of Changes in Foreign Exchange Rates"
Credited to Profit and Loss Account is ₹ 2.21 Lacs (net) (Previous Year Debited to ₹ 145.46 Lacs)

- (15) There are 27,14,451 forfeited Equity Shares pending reissue at the period end (Previous Year 446321 shares).

- (16) As part of restructuring process of debt with some of the lenders, the total outstanding amount (Principal Plus Interest) as per books of ₹ 447.89 Lacs has been restructured and settled for ₹ 52.75 Lacs. Principal amount of ₹ 158.25 Lacs written back has been credited to Capital Reserve and the balance amount of ₹ 236.89 Lacs has been credited to profit & loss account as an Exceptional item.

- (17) The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No.3(L-7)BC/2001 dated 11th July 2001. The Hon'ble BIFR after hearing the matter on 1st March 2006 has declared the Company as sick industrial company in terms of Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and appointed ICICI Bank Limited as the Operating Agency (OA).

The company submitted a revised (DRS) to OA and the copy of the same was forwarded to Hon'ble BIFR. As per the direction of Hon'ble BIFR at its hearing on 23.09.2010, OA convened a joint meeting of all concerned on 21.10.2010 whereat except one lender other creditors agreed to the DRS. It was also decided that the lenders should provide their comments to OA on future course of action.

Hon'ble BIFR vide its letter dated 04.02.2011 has appointed Shri B.L. Khanna as a special Director on the board of the Company under the provisions of SICA.

The developments in this regard are being informed to Operating Agency

- (18) (a) Deposited with Government Department Includes Custom duty ₹ 72.16 Lacs deposited for clearance of import consignment under Project import is recoverable from the Custom Department.

(b) Special Additional Duty of ₹ 111.66 Lacs Refund from Custom Department.

(c) The anti dumping duty of ₹ 23.82 Lacs deposited under protest with the Custom department,

- (19) Additional information pursuant to the provisions of Paragraph 3 and 4C of Part II Schedule VI of the Companies Act, 1956.

(A) PRODUCTION

| | | Unit | Licensed Capacity | Installed Capacity (Per Annum) | Actual Production (15Mnts Period) |
|---|---|------|-------------------|--------------------------------|-----------------------------------|
| 1 | a) Fabrication of Chemical, Pharmaceutical & Other Machinery and Structural | M.T. | N.A. (N.A.) | *16000 (13855) | See Notes Below |
| | b) Steel Structural | M.T. | N.A. (N.A.) | 7000 (7000) | See Notes Below |
| 2 | Ship sets of Steering Gears & Stabilizers each | Nos. | N.A. (N.A.) | 8 (8) | - (-) |
| 3 | Steel Pipes and Tubes | M.T. | N.A. (N.A.) | *9000 (10000) | See Notes Below |
| 4 | Silos | M.T. | N.A. (N.A.) | *9500 (10000) | - (-) |
| 5 | Marine Loading Arms/TruckAnd Rail Loading Arms | Nos. | N.A. (N.A.) | 200 (200) | See Notes Below |
| 6 | Power Plants | Nos. | N.A. (N.A.) | 5 (5) | - (-) |
| 7 | Hot Rolled Coils/Plates/Sheets | M.T. | N.A. (N.A.) | *100000 (600000) | 693623 (487880) |
| 8 | Cold Rolled Coils/Sheets | M.T. | N.A. (N.A.) | *375000 (350000) | 187982 (133491) |
| 9 | GP Coils/Sheets & GC Sheets | M.T. | N.A. (N.A.) | *250000 (125000) | 183168 (129973) |

NOTES:

1. N.A. - Not Applicable in terms of Government of India's Notification No. S.O. 477(E), dated 25th July, 1991.
2. Considering the nature of business of fabrication of Chemical, Pharmaceutical and Other Machinery and Structural, Steel Pipes and Tubes, Marine Loading Arms production details are not available in M.T.
3. Figure in the brackets pertains to previous year.
4. *Installed capacity is taken on the basis of IEM dated 27.01.2011. The installed capacity of Hot Rolled is increased from 600000 MT to 1000000 MT, Cold Rolled, Coil/Sheets from 350000 MT to 375000 MT & GP Coil / Sheets & GC Sheets from 125000 MT to 250000 MT, with effect from 1st December, 2010.
5. Installed Capacity for the current period is on per annum basis.
6. Saleable Production excluding captive consumption is as under :

- a) Hot Rolled Coils & Plate (MT)
- b) Cold Rolled Coils (MT)
- c) Galvanised Plain Coils (MT)

| Current Period (15Mnts Period) | Previous Year (12Mnts Period) |
|-----------------------------------|----------------------------------|
| 480606 | 338112 |
| 5055 | 3011 |
| 182473 | 129393 |

(B) FINISHED GOODS:

| | | Sales | | Opening Stock | | Closing Stock | |
|---|---|--------------------------|-------------------------------|----------------|----------------------|-----------------|----------------------|
| | | Qty. | Value (₹ in Lacs) | Qty. | Value (₹ in Lacs) | Qty. | Value (₹ in Lacs) |
| 1 | Fabrication of Chemicals Pharmaceutical, Machinery, Structurals, Marine Loading Arms & Engineering Services | NA (NA) | 39060.55 (37914.22) (-) | | | | |
| 2 | HR Coils/Plates/Sheets (MTS) | 473860.23 (337822.15) | 184025.38 (113514.97) | 5666 (5376) | 2054.04 (1651.11) | 12411 (5666) | 4903.86 (2054.04) |
| 3 | CR Coils/Sheets (MTS) | 5054.94 (3011.40) | 2010.61 (1047.38) | - (-) | - (-) | - (-) | - (-) |
| 4 | GP Coils/Sheets & GC Sheets (MTS) | 182930.93 (127423.70) | 81257.47 (48074.38) | 2971 (1002) | 1215.70 (351.07) | 2513 (2971) | 1171.71 (1215.70) |
| 5 | Scrap & Others | - (-) | **10556.95 (19898.67) | - (-) | - (-) | - (-) | - (-) |
| | Net Sales | | *316910.96 (220449.62) | | | | |

Notes : Figure in the brackets pertain to previous year.

* The above sales does not include Trading Sales shown separately in note below.

** The above sales includes job charges received.

(C) (a) COST OF RAW MATERIAL CONSUMED / SOLD (₹ in lacs)

| | Current Period (15Mnts Period) | | Previous Year (12Mnts Period) | |
|--|-----------------------------------|------------------|----------------------------------|-------------|
| | Qty. | Value | Qty. | Value |
| i. Melting Scrap (HMS) | 62557.000 | MT 14625.53 | 137495.293 | MT 22286.11 |
| ii. HBI/Sponge Iron | 441918.000 | MT 88550.50 | 411823.103 | MT 68588.81 |
| iii. Pig Iron | 334049.000 | MT 69761.06 | 40164.000 | MT 7584.94 |
| iv. Zinc & Alloys | 4071.000 | MT 4626.66 | 2949.134 | MT 2935.40 |
| v. Iron & Steel (including M.S. & S.S.) | 66660.178 | MT 24694.81 | 116250.958 | MT 22609.54 |
| vi. Pipes & Tubes | 50113.960 1.450 | MTR MT 224.49 | 38357.745 | MTR 240.19 |
| vii. Trade Items – Steel | | 114879.27 | | 81999.14 |
| Others | | 4681.84 | | 2341.00 |

(b) DETAILS OF TRADED GOODS

(₹ In Lacs)

| Particulars | Steel 2010-11 (15Mnts Period) | | Others 2010-11 | | Steel 2009-10 (12Mnts Period) | | Others 2009-2010 | |
|-------------|----------------------------------|-----------|-------------------|---------|----------------------------------|----------|---------------------|---------|
| | Qty | Value | Qty | Value | Qty | Value | Qty | Value |
| Op.Stock | 3763.220 | 1691.73 | - | - | - | - | - | - |
| Purchases | 189394.960 | 116827.71 | N.A | 4681.84 | 193000.908 | 83690.87 | N.A | 2341.00 |
| Sales | 184919.844 | 114793.00 | N.A | 4832.33 | 189237.688 | 82131.24 | N.A | 2697.21 |
| Cl. Stock | 8238.336 | 3640.18 | - | - | 3763.220 | 1691.73 | - | - |

(D) PRODUCTION CONSUMABLES, STORES & SPARE PARTS AND COMPONENTS CONSUMED

| | Value ₹ In Lacs | Percentage |
|---------------|------------------------|------------------|
| a) Imported | 8525.15 (4513.50) | 19.86 (14.62) |
| b) Indigenous | 34398.03 (26348.91) | 80.14 (85.38) |

(E) RAW MATERIAL CONSUMED

| | | |
|---------------|--------------------------|------------------|
| a) Imported | 13254.62 (24660.98) | 4.11 (11.82) |
| b) Indigenous | 308789.55 (183924.15) | 95.89 (88.18) |

(F) C.I.F. VALUE OF IMPORTS

| | |
|--|------------------------|
| a) Raw Material | 12568.11 (22442.45) |
| b) Production Consumables, Stores & Spares | 7689.49 (3914.11) |
| c) Projects | Nil (2966.15) |

(G) EXPORTS

| | |
|------------|---------------------|
| (a) Direct | 1331.72 (213.39) |
| (b) Deemed | 818.85 (211.00) |

(H) EXPENDITURE IN FOREIGN CURRENCY

| | |
|---------------------------------------|--------------------|
| a) Travelling, Books & Periodicals | 108.34 (78.34) |
| b) Brokerage and Commission | 5.99 (22.61) |
| c) Engineering & Design | 107.03 (270.95) |
| d) Conference & Training Exps/Royalty | 15.46 (12.16) |
| e) Repairs & Maintenance | 108.92 (9.47) |
| f) Professional Fess | 27.17 (33.08) |

(I) EARNING IN FOREIGN CURRENCY

| | |
|------------------------|------------------|
| Brokerage & Commission | 21.77 (22.30) |
|------------------------|------------------|

(20) The Company has not made provision for interest on various loans of institutions and banks in view of the likely restructuring of the loans, amounting to ₹ 6096.44 Lacs. (Cumulative ₹ 22,771.77 Lacs)

(21) The Company has extended its current financial year (2010-2011) by a period upto 3 Months i.e. upto 30th June, 2011. Accordingly the financial accounts are prepared for a period of 15 Months i.e. from April 01, 2010 to June 30, 2011. Hence the figures for current accounting period are not comparable with those of previous accounting year.

(22) Previous year's figures have been re-grouped and recast wherever necessary.

23) Disclosures as required by the Accounting Standard 17 on "Segment Reporting " are given below :

(₹ in Lacs)

| S. No. | Particulars | Period Ended 30.06.2011 | | | | | Year Ended 31.03.2010 | | | | |
|--------|--|-------------------------|---------------------|-------------------|--------------------|--------------------|-----------------------|---------------------|------------------|-------------------|-------------------|
| | | Steel Product | Engineering Product | Trading | Elimination | Consolidated | Steel Product | Engineering Product | Trading | Elimination | Consolidated |
| I) | Segment Revenue : | | | | | | | | | | |
| | Sales : | | | | | | | | | | |
| | External | 242,600.64 | 29,612.02 | 116,047.85 | - | 388,260.52 | 156,873.76 | 41,373.85 | 84,828.45 | - | 283,076.06 |
| | Inter - Segment | 9,370.19 | 6,865.57 | 3,577.48 | (19,813.24) | - | 6,174.53 | 621.48 | - | (6,796.01) | - |
| | Total | 251,970.83 | 36,477.59 | 119,625.33 | (19,813.24) | 388,260.52 | 163,048.29 | 41,995.33 | 84,828.45 | (6,796.01) | 283,076.06 |
| II) | Segment Result : | | | | | | | | | | |
| | Operating Net Profit | (11,488.84) | 7,180.64 | 30.33 | - | (4,277.86) | (8,119.10) | 7,730.24 | 488.30 | - | 99.44 |
| | Common Expenses (Net) | | | | | (1,408.59) | | | | | (1,146.25) |
| | Interest | | | | | (8,529.16) | | | | | (4,897.02) |
| | Exceptional items | | | | | 236.89 | | | | | (1,807.86) |
| | Profit before tax | | | | | (13,978.72) | | | | | (7,751.69) |
| III) | Segment Assets : | | | | | | | | | | |
| | Common Assets | 178,398.27 | 43,727.54 | | | 222,125.81 | 149,722.72 | 32,056.39 | | | 181,779.11 |
| | Total | | | | | 229,168.72 | | | | | 4,807.74 |
| IV) | Segment Liabilities : | | | | | | | | | | |
| | Common Liabilities | 106,344.96 | 42,467.86 | | | 148,812.81 | 74,992.12 | 34,408.34 | | | 109,400.46 |
| | Total | | | | | 37,399.63 | | | | | 26,385.01 |
| | | | | | | 186,212.45 | | | | | 135,785.47 |
| V) | Capital Expenditure during the period | | | | | | | | | | |
| | Segment | 48,281.47 | 359.07 | | | 48,640.53 | 213.37 | 64.75 | | | 278.12 |
| | Common | | | | | - | | | | | - |
| | Total | | | | | 48,640.53 | | | | | 278.12 |
| VI) | Depreciation during the period | | | | | | | | | | |
| | Segment | 15,397.97 | 95.11 | | | 15,493.07 | 11,603.17 | 65.03 | | | 11,668.20 |
| | Common | | | | | 37,399.63 | | | | | - |
| | Total | | | | | 15,493.07 | | | | | 11,668.20 |
| VII) | Non Cash Expenses other than Depreciation | | | | | | | | | | |
| | Segment | 369.36 | 101.53 | | | 470.89 | 241.72 | 665.23 | | | 906.95 |
| | Common | | | | | 55.75 | | | | | 5.59 |
| | Total | | | | | 526.64 | | | | | 912.54 |

Notes :-

- Business Segment : The business operations of the Company comprise Steel Product & Engineering Product. The business segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns and the internal financial reporting systems.
- Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|------------------------------------|-------------------------|-----------|
| I. Registration Details | | | |
| Registration No. | 14621 | State Code | 11 |
| Balance Sheet Date | 30.06.2011 | | |
| II. Capital Raised during the period (Amount ₹ in Thousands) | | | |
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placement | 168500 |
| III. Position of Mobilisation and Deployment of Funds (₹ in Thousands) | | | |
| SOURCES OF FUNDS | | | |
| Total Liabilities | 39208777 | Total Assets | 39208777 |
| Paid-up Capital | 6289371 | Reserves & Surplus | 6986658 |
| Secured Loans | 7289529 | Unsecured Loans | 21977 |
| APPLICATION OF FUNDS | | | |
| Net Fixed Assets | 11791407 | Investments | 25026 |
| Net Current Assets | (7495779) | Miscellaneous Exps. | - |
| Accumulated Losses | 16266880 | | |
| IV. Performance of Company (₹ in Thousands) | | | |
| Turnover | 43653629 | Total Expenditure | 45416081 |
| Profit/(Loss) Before Tax | (1397872) | Profit/(Loss) After Tax | (1397872) |
| Earning Per Share in ₹ | (4.46) | Dividend rate % | NIL |
| V. Generic Names of Three Principal Products/Service of Company. | | | |
| (As per Monetary terms) | | | |
| 1. Item Code No. | 72 - 08 - 31 | | |
| (ITC Code) | | | |
| Product Description | Hot Rolled Coils | | |
| 2. Item Code No. | 72 - 10 - 49 | | |
| (ITC Code) | | | |
| Product Description | Hot Dipped Galvanised Coils/Sheets | | |
| 3. Item Code No. | | | |
| (ITC Code) | | | |
| Product Description | Turnkey Projects | | |

For and on behalf of the Board

Date : 29th August, 2011
Place : Mumbai

NEELU DHINGRA
Company Secretary

RAJESH R. GUPTA
Managing Director

MUKESH R. GUPTA
Chairman

CASH FLOW STATEMENT

FOR THE 15 MONTHS PERIOD ENDED 30TH JUNE 2011

(₹ in Lacs)

| | Period Ended 30.06.2011 | Year Ended 31.03.2010 |
|--|----------------------------|--------------------------|
| A. CASH FLOW FROM OPERATION ACTIVITIES: | | |
| Net Profit before tax and extraordinary items | (13,967.13) | (7,808.09) |
| Adjustments for: | | |
| Depreciation | 15,493.07 | 11,668.20 |
| Loss / (Profit) on Sale of Fixed Assets (Net) | 34.62 | (12.80) |
| Interest Expense (Net) | 8,529.16 | 4,897.02 |
| Provision for expenses | 626.65 | 478.79 |
| Exceptional items | (236.89) | 1,807.86 |
| Sundry balance W/Off | 0.94 | 466.07 |
| | 24,447.55 | 19,305.14 |
| Operating Profit before working capital changes | 10,480.42 | 11,497.05 |
| Adjustments for: | | |
| Trade and Other Receivables | (19,552.40) | 1,521.18 |
| Inventories | (7,387.24) | (1,013.74) |
| Trade Payables and Others | 49,298.25 | 16,055.65 |
| Cash generated from operations | 32,839.03 | 28,060.14 |
| TDS (Paid) /Refunded | - | - |
| Cash Flow before extraordinary items | 32,839.03 | 28,060.14 |
| Net cash from operating activities :- | 32,839.03 | 28,060.14 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | (29,338.57) | (17,974.37) |
| Sale of Fixed Assets | 11.98 | 26.43 |
| Interest Received | 1,227.63 | 946.84 |
| Net cash used in investing activities :- | (28,098.96) | (17,001.10) |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Issue of Share Capital | 12,637.50 | 4,217.23 |
| Reduction in Loans | (5,776.50) | (10,022.63) |
| Interest Paid | (9,756.79) | (5,843.86) |
| Net cash from financing activities :- | (2,895.79) | (11,649.26) |
| Net increase / (decrease) in cash and cash equivalents :- | 1,844.28 | (590.22) |
| Cash and cash equivalents as at 01.04.2010 | 3,048.74 | 3,638.96 |
| Cash and cash equivalents as at 30.06.2011 | 4,893.02 | 3,048.74 |

Notes:

1. Cash Flow statement has been prepared following the indirect method except in case of dividend paid/received and taxes paid which have been considered on the basis of actual movements of cash.
2. Purchases of Fixed Assets includes movements of Capital Work-in-process between the beginning and end of the period.
3. Proceeds from long-term and other borrowings are shown net of repayments.
4. Previous year's figures have been regrouped/reclassified wherever applicable.
5. Figures in brackets represent outflows.

As per our Report of even date attached

For and on behalf of
TODARWAL & TODARWAL
Chartered Accountants
ICAI Reg. No.: 111009W

For and on behalf of the Board

SUNIL L. TODARWAL
Partner
M. No. - 32512

NEELU DHINGRA
Company Secretary

RAJESH R. GUPTA
Managing Director

MUKESH R. GUPTA
Chairman

Date : 29th August, 2011
Place : Mumbai

LLOYDS STEEL INDUSTRIES LIMITED

Regd. Office : Trade World, "C" Wing, 16th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai-400 013.
Tel. No. 3041 8111. Fax No. 3041 8260

| | |
|-------------|--|
| DP ID * | |
| Client ID * | |

PROXY FORM

| | |
|---------------|--|
| Folio No. | |
| No. of Shares | |

I /We _____
of _____
being Member/s of LLOYDS STEEL INDUSTRIES LIMITED, hereby appoint _____
of _____ or failing him _____
of _____ as my/ our proxy to vote for me/us on my/our behalf at the
41st Annual General Meeting of the Company to be held on Saturday, 8th October, 2011 at 11.00 a.m. at the Hall
of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 and at any adjournment thereof.

Signed at _____ this day of _____ 2011

Affix
Revenue
Stamp

Note : This form duly completed and signed must be deposited at the Registered Office of the Company not
less than 48 hours before the Meeting.

* Applicable for investors holding shares in electronic form.

Tear Here

LLOYDS STEEL INDUSTRIES LIMITED

Regd. Office : Trade World, "C" Wing, 16th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai-400 013.
Tel. No. 3041 8111. Fax No. 3041 8260

41st Annual General Meeting

| | |
|-------------|--|
| DP ID * | |
| Client ID * | |

ATTENDANCE SLIP

(To be handed at the entrance
of the Meeting Hall)

| | |
|---------------|--|
| Folio No. | |
| No. of Shares | |

I, Certify that I am a registered Member/ Proxy for the registered Member of the Company, I hereby record my
presence at the 41st Annual General Meeting of the Company to be held at Hall of Harmony, Nehru Centre,
Dr. Annie Besant Road, Worli, Mumbai – 400 018 on Saturday, 8th October, 2011 at 11.00 a.m.

Full Name of Member (in BLOCK LETTERS) _____

Name of the Proxy (in BLOCK LETTERS) _____

(To be filled in if the Proxy attends instead of Member/s)

Member's/Proxy's Signature _____

* Applicable for investors holding shares in electronic form.

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(Unit : LLoyds Steel Industries Limited)

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Phone : 022-4043 0200 / 299

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