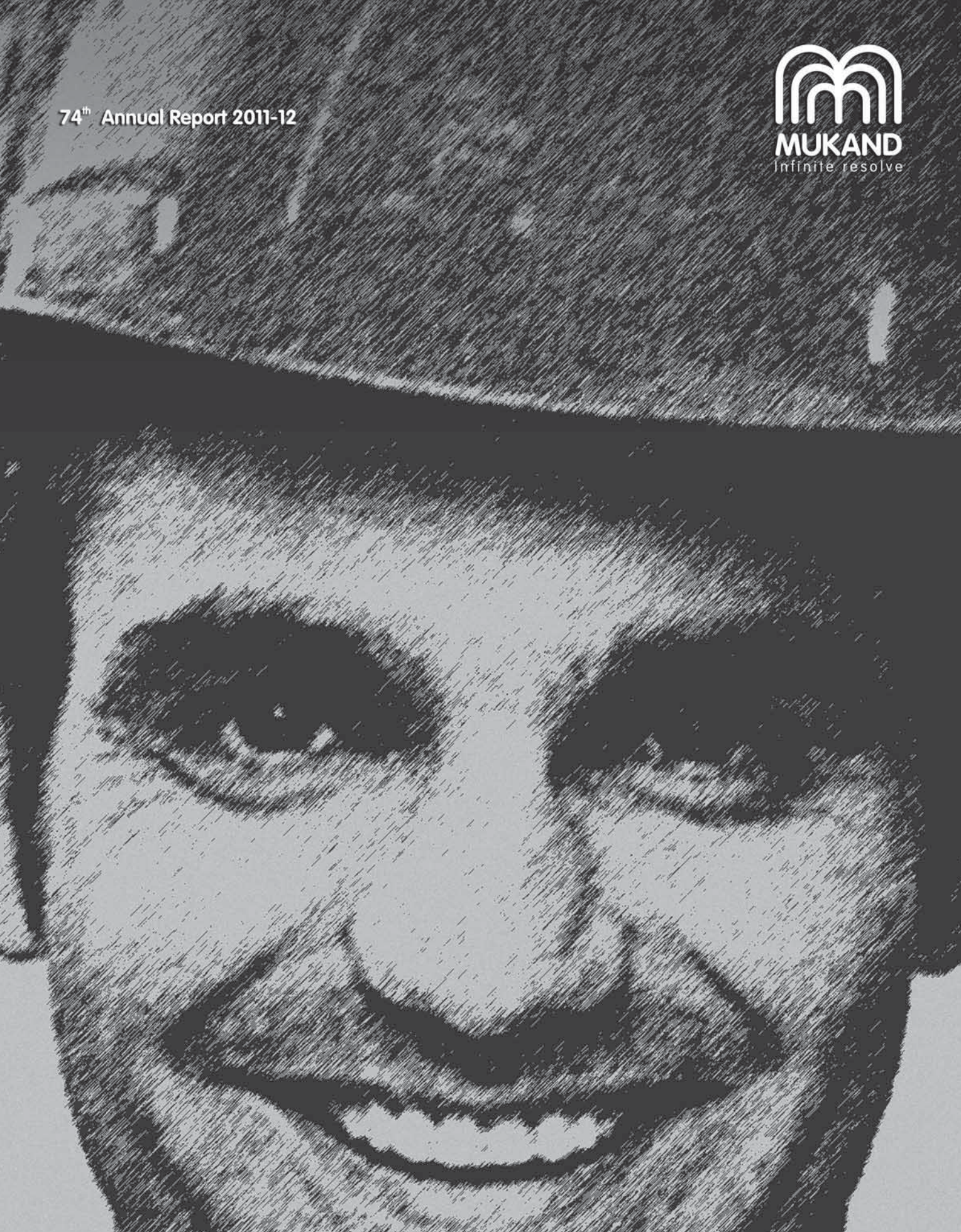


74<sup>th</sup> Annual Report 2011-12





## MUKAND LTD.

### BOARD OF DIRECTORS AND THE MANAGEMENT TEAM

#### BOARD OF DIRECTORS

Niraj Bajaj	Chairman & Managing Director
Rajesh V Shah	Co-Chairman & Managing Director
Dhirajlal S Mehta	
Suketu V Shah	Joint Managing Director
Vinod S Shah	
Dr. N P Jain, IFS (Retd.)	
Narendra J Shah	
N C Sharma	
Prakash V Mehta	
Pradip P Shah	
Amit Yadav	

#### Company Secretary

K J Mallya

#### Auditors

Haribhakti & Co. Chartered Accountants

#### ANNUAL GENERAL MEETING

Monday, August 13, 2012 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020

#### Registered Office

Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021.

#### Works

Thane, Maharashtra 400 605.  
Ginigera, Karnataka 583 228.

#### Branch Offices

Bengaluru, Chennai, Delhi, Kolkata, Visakhapatnam

E-mail : [investors\\_cell@mukand.com](mailto:investors_cell@mukand.com)

Website: [www.mukand.com](http://www.mukand.com)

#### A Request

As a measure of economy copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy to the meeting.

#### THE MANAGEMENT TEAM

##### Corporate

Niraj Bajaj	Chairman & Managing Director
Rajesh V Shah	Co-Chairman & Managing Director
Suketu V Shah	Joint Managing Director
S B Jhaveri	Chief Financial Officer

##### Steel Division

A M Kulkarni	Chief Executive (Steel Plant, Thane)
R Sampath Kumar	Chief Executive (Steel Plant, Ginigera)
C H Sharma	Technical Advisor, Steel
Sidharth Shah	Chief of Materials Management
V M Mashruwala	Chief of Marketing (Alloy & Stainless Steel)

##### Industrial Machinery Division

R Jagannathan	Chief Executive
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## NOTICE

To

The Members,

NOTICE is hereby given that the 74<sup>th</sup> ANNUAL GENERAL MEETING of the Members of MUKAND LTD. will be held on Monday, the 13<sup>th</sup> August, 2012 at 4.00 p.m. at Indian Merchants' Chamber, IMC Bldg., IMC Marg, Churchgate, Mumbai 400 020 to transact the following business:

1. To consider and adopt the Statement of Profit & Loss for the year ended 31<sup>st</sup> March, 2012, the Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend on 0.01% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri Vinod S. Shah, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Narendra J. Shah, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri N. C. Sharma, who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that M/s. Haribhakti & Co., Chartered Accountants (Registration No. 103523W), be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors of the Company."

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing a proxy, to be effective, should however, be deposited at the Registered Office of the Company not less than 48 (forty-eight) hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 4<sup>th</sup> August, 2012 to Monday, the 13<sup>th</sup> August, 2012 (both days inclusive).
3. Corporate members intending to send their authorised representative to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. A Proxy shall not vote except on a poll.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. a) The payment of dividend on 0.01% Cumulative Redeemable Preference Shares, upon declaration by the Members at the forthcoming Annual General Meeting, will be made on or after 18<sup>th</sup> August, 2012 as under :
  - i. To all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be made available to the Company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of the day on Friday, the 3<sup>rd</sup> August, 2012 ; and
  - ii. To all those shareholders holding shares in physical form after giving effect to all the valid share transfers lodged with the Company on or before Friday, the 3<sup>rd</sup> August, 2012.

b) It is suggested for convenience of Members that they should notify change in their addresses and / or Bank Mandate details, if any, preferably on or before Friday, the 3<sup>rd</sup> August, 2012 , in respect of :-

- i. shares held in physical form - to Company's Share Transfer Agents (STAs) ; and
- ii. shares held in dematerialized form - to their respective Depository Participants (DPs) to enable printing of these particulars on dividend warrants, to minimize chances of loss due to fraudulent encashment of warrants.

7. In accordance with the RBI Circular DPSS (CO) EPPD No. 191/04.01.01/2009-2010 dated 29 July, 2009, with effect from 1<sup>st</sup> October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) which essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

Members are, therefore, requested to ensure that the new Bank Account Number allotted to them by their Bank after implementation of CBS is furnished to their respective DP, in case they hold the shares in dematerialized form, or to the Share Transfer Agents (STAs), if they hold the shares in physical form. In case the new account number is not available with the DP / STAs, the ECS to their old account may either be rejected or returned.

Where dividend payments are made through NECS, intimations regarding such remittances would be sent separately to the Members. In cases where the dividends cannot be paid through ECS, the same will be paid by dividend warrants or account payee / not negotiable instruments.

8. Members who have neither received nor encashed their dividend warrant(s) for any of the financial years from 2004-05 upto 2010-11, are requested to write to the STAs of the Company mentioning the relevant Folio Number(s)/ DP ID and Client ID, for issuance of duplicate/ revalidated dividend warrant(s).
9. The Company has designated an exclusive e-mail ID viz. **investors\_cell@mukand.com** to enable the investors to post their grievance, if any, and monitor its redressal.
10. Members desiring any information relating to the annual accounts of the Company are requested to send their queries to the Company Secretary at least 7 (seven) days before the date of the Meeting.
11. Members / Proxies are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
12. The Securities and Exchange Board of India (SEBI) has made it mandatory for every participant in the securities / capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical form are requested to furnish their PAN along with self-attested photocopy of PAN Card to the STAs. Members holding shares in demat form are requested to register the details of their PAN with their DPs.
13. Members holding shares in single name and in physical form are advised to make nomination in respect of their shareholding with the STAs of the Company. Members holding shares in dematerialised form may contact their DP for recording their nomination.
14. As per "Green Initiative in Corporate Governance" taken by Ministry of Corporate Affairs (MCA) vide Circular 17/2011 dated 21<sup>st</sup> April, 2011 and Circular 18/2011 dated 29<sup>th</sup> April, 2011, it has been clarified that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, if the documents

like notices, annual reports etc. are sent in electronic form to its members.

Further, in terms of Clause 32 of the listing agreements with Stock Exchanges, which were amended as per Circular No. CIR/CFD/DIL/7/2011 dated 5<sup>th</sup> October, 2011 issued by SEBI, listed companies are required to supply soft copies of the said documents to all shareholders who have registered their e-mail IDs for the purpose.

Accordingly, the said documents of the Company for the Financial Year ended 31<sup>st</sup> March, 2012 will be sent in electronic form to those members who have registered their e-mail IDs with their DP and STAs in terms of the aforesaid clause. However, in case a member wishes to receive a physical copy of the said documents, he is requested to intimate the same by e-mail to the STAs at the earliest, duly quoting his Folio Number(s)/ DP ID and Client ID.

Members holding shares in physical form but who have not registered/ updated their e-mail IDs with the STAs and the Members holding shares in dematerialised form but who have not registered / updated their e-mail IDs with their DP are requested to do so with the STAs or DP; as the case may be, at the earliest, so as to enable the Company to send the said documents in electronic form, thereby fully supporting and aiding MCA's green initiative. The members are requested to promptly notify

the change in e-mail ID from time to time in future to STAs / DP as the case may be.

Members may note that, the aforesaid documents will be uploaded on the website of the Company viz. [www.mukand.com](http://www.mukand.com) and made available for inspection at the Registered Office of the Company during business hours.

15. As regards the re-appointment of retiring directors, viz. Shri Vinod S. Shah, Shri Narendra J. Shah and Shri N. C. Sharma referred to in item Nos. 3, 4 and 5 of the Notice respectively, their brief resumes, including shareholding details, have been given in the Report on Corporate Governance which forms part of the Directors' Report and members are requested to refer to the same.

By Order of the Board of Directors  
For MUKAND LTD.

Mumbai  
Dated : May 25, 2012  
**Registered Office:**  
Bajaj Bhawan, 3<sup>rd</sup> floor,  
Jamnalal Bajaj Marg,  
226, Nariman Point, Mumbai 400 021.

K J Mallya  
Company Secretary

## DIRECTORS' REPORT

### To the Members,

**1.0** The directors present the 74<sup>th</sup> Annual Report and audited statements of accounts of the company for the year ended March 31, 2012.

### 2.0 Gross Sales, Services and Other Income:

**2.01** The gross sales from the operations and other income for the year under review was at Rs.2,828 crore as against Rs.2,840 crore in the previous year.

**2.02** Revenues from exports rose by over 41% at Rs.216.95 crore during the year under review as against Rs.153.54 crore in the previous year.

### 3.0 Dividend:

The directors do not recommend any dividend on equity shares due to the losses incurred during the year. The directors recommend a payment of dividend of 0.01% on cumulative redeemable preference shares. The dividend and tax thereon aggregate Rs 6,540/- for the year and the same will be paid by transfer from the general reserve.

### 4.0 Performance:

**4.01** During the year under review, the loss after writing back deferred tax was Rs.93.50 crore as against the profit after tax of Rs.46.66 crore for the previous year.

**4.02** The loss was mainly on account of lower iron ore supply consequent to the banning of mining and transport of iron ore in some of the districts in Karnataka.

The salient features of the operating performance in each segment during the year under review are discussed in the following paragraphs.

### 4.10 Specialty Steel Division:

**4.11** The net sales of alloy, special and stainless steel long products were at Rs.2,291 crore compared to Rs.2,240 crore in the previous year. Increase in selling prices and improved product mix enabled the company to maintain its turnover similar to that of the previous year. However, the sales in volume declined due to the paucity of iron ore in the state of Karnataka where the company operates one of its steel making facilities.

**4.12** Input prices rose during the year under report. Iron ore prices increased by over 60%, crude oil prices moved up by more than 25%. The power generation from the captive power plant at Dighe, Thane, Maharashtra became uneconomical and the company had to resort to purchase of power from Maharashtra State Electricity Distribution Company (MSEDCL) at higher cost. The Indian Rupee depreciated by 22.5% during the year and thus, negatively impacted the costs of imported raw-materials and equipment. Indian Rupee is likely to depreciate further in 2012-13.

### 4.13 Iron Ore supply:

**4.13.1** The supply of iron ore from the iron ore rich mines in the state of Karnataka has become scarce since last two years, especially in the year under report.

**4.13.2** Further, consequent to the Karnataka Lokayukta Report and Petition filed in the Hon'ble Supreme Court, alleging illegal mining, encroachment of forest areas and other related charges, the apex court suspended mining operations, transportation and sale of iron ore in Bellary District in July 2011 and subsequently, in Tumkur and Chitradurga Districts out of 166 mines in the three districts of Karnataka.

**4.13.3** In September 2011, the Hon'ble Supreme Court permitted transportation and sale of existing stocks of iron ore available with mines and stockyards and also permitted mining operations in only the two mines of National Mineral Development Corporation (NMDC). To-date, the industry currently depends exclusively on e-auctions conducted by the Monitoring Committee of the stock as mentioned at Para 4.13.5 and from the ongoing production of the two NMDC mines. This does not meet the industry's demand.

**4.13.4** The ban on mining and transportation in July 2011, forced the company to close down its steel making facility in Hospet, Karnataka for 35 days. The commencement of e-auctions of iron ore enabled the company to restart its Karnataka operations initially to 40% of its capacity and gradually improve it to 75%.

**4.13.5** After strenuous efforts by the user industry and others, the Hon'ble Supreme Court has permitted category 'A' mines to reopen after getting approval of their Reclamation and Rehabilitation plans and complying with other conditionalities. It is expected that category 'A' mines will open by July

2012 and 'B' category mines by September 2012. The Hon'ble Supreme Court appointed Central Empowered Committee to categorize 166 mines in Karnataka into 'A', 'B' and 'C' category mines depending on the level of violations, if any.

**4.14** Due to rising input costs, the company had to raise its selling prices in the month of October 2011. Unfortunately, increases in selling prices were lower than the increase in input costs. Moreover, the company expects its prices to continue to be under pressure due to increase in supply emanating from expansion in capacities by existing players, entry of new players in the alloy steel market and cheaper imports. Therefore, further rise in input prices may not be recovered by increase in selling price.

**4.15** The auto industry grew by 12 per cent per annum in the year under report and is expected to continue this growth in the year in progress. This strong outlook in the growth of user industry is however currently faced with short-term challenges in the form of inflation, high interest rates, uncertainty of fuel prices and rising tax burden.

**4.16** The company's continuous endeavour to tap new markets has resulted in higher exports and the company plans to enhance the same in the year FY 2012-13.

**4.17** The sales in volume and value of stainless steel products too rose during the year under report. The company has plans to improve the sales in this segment with the introduction of new value added products.

### 4.18 Measures taken to improve the performance:

**4.18.1** At present, the company can only use calibrated iron ore (C-ore) and cannot use iron ore fines and hence, has to pay the exorbitantly high price of c-ore. The company has simultaneously undertaken several cost reduction projects such as installation of Sinter Plant, Hot Blast Stoves, Pulverized Coal Injection, etc. to enable it to use iron ore fines and lower the consumption of coke. With the improvement in availability of iron ore in coming months, company's ability to utilize 70% of input of iron ore fines, reduction in coke consumption and other operating costs, it is anticipated that the cost of making steel will reduce considerably.

The steel plant at Ginigera, Karnataka received CII National Energy Management Award-2010 (Excellent Energy Efficient Unit).

**4.18.2** The company continues to explore all areas to reduce its operating costs. Steps are being taken to reduce energy cost, improve productivity, introduce new products, etc. All these steps will have a positive effect on the company's performance in the coming years. The first phase of cost reduction project is expected to be completed by 30<sup>th</sup> September 2012 and second phase by 31<sup>st</sup> December 2012.

### 4.20 Industrial Machinery Division:

**4.21** At the beginning of the year under report, the Division had orders on hand amounting to Rs.361 crore. However, by the end of the year, the division was unable to achieve higher turnover as many of the major customers, particularly, in the steel sector, delayed their projects which in turn delayed the placement of new orders during the year. This had the effect of marginally reducing the turnover of the division at Rs.253 crore as compared to Rs.266 crore in the previous year. At the end of the year the division had orders aggregating to Rs. 275 crore on hand.

**4.22** Some of the major equipment manufactured and commissioned by the division in 2011-12 include, Level luffing traveling tower crane for a large shipyard, Electrical level luffing cranes for ports, Rotating trolley cranes for a steel plant, EOT cranes of more than 100 tonne lifting capacity, Large capacity ladles and ladle transport cars for a steel plant in co-operation with Siemens VAI. The division is also gearing for the development and manufacture of new equipment to widen its market.

**4.23** The Division expects to book several new orders in the first quarter of 2012-13 thereby ensuring that there is adequate order book for execution in the next three quarters of the year in progress. The actual sales would however depend on the movement of finished goods for the steel sector where the progress of projects unfortunately continues to be slow. The Division is making all efforts to book export orders to increase the share of exports of cranes and process equipment.

**4.24** The Division has taken a number of cost reduction measures in design and other costs so as to become more competitive in the current market. Cost reduction to the extent of 10% has been achieved through improved designs and better sourcing during the year under report. These efforts would also continue rigorously in the year in progress.

#### 4.40 Road Construction Division:

4.41 During the year company received "Defect Liability Certificate" for both the projects at Kanpur and Varanasi from National Highways Authority of India (NHAI) denoting completion. The final bills raised have been submitted to NHAI and are under verification / certification by NHAI and will be accounted after such certification. Most of the plant and machinery procured for execution of these projects have been disposed off in view of the decision of the company not to bid for further projects in this line of business.

#### 5.0 Finance:

5.01 The losses during the year, forced the company to borrow additional funds for the operations in order to meet its commitments. The rate of interest also went-up during the year. These factors led to higher interest costs.

#### 5.02 Fixed Deposits:

The company accepts / renews fixed deposits from its shareholders and the public. The company has, during the year, transferred Rs.0.06 crore of unclaimed deposits and interest thereon to the Investor Education and Protection Fund set up by the Government of India.

#### 6.0 Industrial Relations:

The company has maintained good and cordial relations with its workforce for over 25 years. The company continues to train and motivate all employees to participate in Total Quality Management activities resulting in the recertification of all existing ISO systems. It has 2,060 permanent employees on its rolls as at 31<sup>st</sup> March 2012.

#### 7.0 Corporate Social Responsibility:

##### 7.01 By the company:

The company continues to support and encourage developmental activities that are inclusive in nature. The company, along with other organizations, aims to facilitate the achievement of a minimum education level of class ten for every girl child born on or after the year 2005 belonging to the SC/ST and economically disadvantaged categories in seven remote talukas of Thane district. Currently, the company reaches out to 16,000 girl students studying in schools across seven Talukas of Thane District.

Company's steel plant at Ginigera, Karnataka received CII's Excellence Award for environment, health and safety.

The employees and families of our Dighe, Thane, Maharashtra facility were involved in activities such as tree plantation, spreading environmental awareness, etc.. The company also implemented a pilot project to harvest rainwater in its facility in Dighe, Thane, Maharashtra. A 24 hour disaster management cell has been set up in the company which makes available its ambulance and fire engine to the neighboring areas in case of an emergency.

##### 7.02 By the Group:

In addition to the activities carried out by the company, the Bajaj Group of Companies and their charitable trusts are involved in a number of developmental initiatives relating to social, environmental and health issues. Some of the health related activities include, health care, prevention of HIV / AIDS and managing hospitals. On the education side, it includes managing schools and colleges and provides basic education and literacy to the children of scheduled castes and tribes. The Group is also involved in activities related to women's empowerment, social welfare, employment generation, promotion of Gandhian values, technical education, etc. and declares awards for excellence in these activities. These activities are implemented through its employees, Welfare Funds and Group NGOs / Trusts / Charitable Bodies operating at various locations in the country.

#### 8.0 Statutory disclosures:

8.01 The statutory disclosures in accordance with section 217 (1) (e) of the Companies Act, 1956, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are made in Appendix-I to the report.

8.02 A statement showing details of employees covered within the purview of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Appendix-II to the report.

8.03 The company has five wholly owned Subsidiary Companies, viz. Mukand Global Finance Limited, Vidyavihar Containers Limited, Mukand International Limited (MIL), Mukand Vijayanagar Steel Limited and Mukand International FZE (MIFZE).

A statement pursuant to Section 212 of the Companies Act, 1956 setting out the details of these subsidiaries is attached to the Balance Sheet. Government has granted general exemption to companies from compliance U/S 212 of Companies Act, 1956 subject to fulfilment of certain conditions. The company has satisfied the stipulated conditions and is therefore, entitled to the said exemption from attaching the financial statements of subsidiary companies to the Accounts of the company for the Financial Year 2011-2012. A summary of key financials of the subsidiaries is included in the Annual Report. The Annual Accounts of these subsidiaries and the related detailed information are available to the shareholders of the company and other investors seeking such information at any point of time at the Registered Office of the company. The Annual Accounts are also available for inspection by any investor at the Registered Office of the company and that of the Subsidiary Company concerned.

8.04 Consolidated financial statements (CFS), pursuant to clause 32 of the Listing Agreement, have been prepared by the company in accordance with the requirements of Accounting Standard 21 prescribed under the Companies Act, 1956.

8.05 A report on corporate governance, pursuant to clause 49 of the Listing Agreement, along with the certificate from a practicing Company Secretary regarding compliance of conditions of corporate governance and Management Discussion and Analysis are separately given in this report.

#### 9.0 Directors' Responsibility Statement:

Pursuant to section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

I. In the preparation of the annual accounts, the applicable accounting standards have been followed;

II. Appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as on March 31, 2012, and of the Loss of the company for the year ended March 31, 2012;

III. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

IV. The Annual Accounts have been prepared on a going concern basis.

#### 10.0 Directors:

Shri Vinod Shah, Shri Narendra J. Shah and Shri N. C. Sharma, Directors of the company, retire by rotation and are eligible for re-appointment.

#### 11.0 Auditors:

Messrs Haribhakti & Co., Chartered Accountants, Mumbai, Auditors of the company, retire and are eligible for re-appointment.

#### 12.0 Auditors' Report:

The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

#### 13.0 Acknowledgement:

The Board of Directors thanks the Banks, Financial Institutions, Central and State Government Authorities, Shareholders, Customers, Suppliers and Business Associates for their continued co-operation and support to the company. The company also places on record, appreciation of the dedication and commitment of its employees at all levels and looks forward to their continued support in the future.

On behalf of the Board of Directors,

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V. Shah**  
Co-Chairman & Managing Director

Mumbai, May 25, 2012.



## MANAGEMENT DISCUSSION AND ANALYSIS

The year under report experienced turmoil in most of the global economies in Europe and America. However, the Indian economy was not adversely affected by this crisis although some signs of a downturn are visible in the current year. The International Monetary Fund has projected India to be the second-fastest-growing major economy after China.

### Performance:

Despite maintaining its turnover, the company recorded a loss in the year that has been. Scarcity of iron ore, a major input for steel making and its rising cost, depreciation of the rupee resulting in higher costs of imports, escalating fuel and interest costs, inflation and slow growth in the economy have all had a negative impact on the performance of the company.

### Steel:

India is the fifth largest steel producer in the world and is poised to become the second largest producer in the coming years as a result of several futuristic and positive steps taken by Indian steel companies. Today, the country has several giant steel mills, global scale capacities and backward integration into global raw material sources. Most of these steel capacities are in the form of commodity steel.

Mukand is in the business of speciality steel long products. The special and alloy steels, which forms the lion's share of Mukand's steel production in terms of volume, primarily feeds the automobile and auto component sector while our stainless steel products feed into the exports, engineering, automobile, nuclear, etc. sectors.

The Indian automobile industry has maintained its growth rate despite several negative factors. It is to be seen if the industry can sustain this growth in the year in running, despite the rising fuel and finance costs.

Mukand produces special and alloy steel through the mini blast furnace route using iron ore as one of the major inputs. This facility is based in Ginigera which is situated in the iron ore rich state of Karnataka. However, it was severely affected by the Supreme Court ruling to ban mining in all the three iron ore producing districts in Karnataka since July 2011. In the month of September 2011 iron ore was available through e-auction but at a much higher price. The subsequent order by the Supreme Court dated 20th April 2012 permitting category "A" mines to re-open after approval of reclamation and rehabilitation plans is expected to open up the supply by July 2012 and likely to ease the unwarranted pressure on the prices as well as availability of this raw material. But the ban, and the subsequent developments however caused a dip in the production of the company's alloy steel in the year under review due to the total closure of our facility for 35 days in the second quarter and partial closure in the third and fourth quarter of the year.

The company produces stainless steel through the ultra high power furnace route in Dighe, Thane, Maharashtra. Prices of alloys required to produce stainless steel such as nickel, molybdenum and ferro-chrome high carbon softened during the year under report, but due to the declining value of the rupee against the dollar, the company was not able to benefit substantially. The company however, recorded a growth in the sales of its stainless steel products in both the export and domestic markets.

The overall margin of the steel division was however adversely affected in the year under review. Substantial increase in iron ore prices, fuel, inflation, slow growth in the economy, depreciation of the Rupee and subsequent increase in finance cost all contributed to this.

The company expects the iron ore prices to soften once the Supreme Court order to re-open Category "A" and "B" mines, subject to clearances, is effected. It will have a positive effect on the pricing and availability of iron ore thereby permitting us to achieve our full capacities in production. Meanwhile, the sinter plant which will enable the company to use iron ore fines, which are available at a considerably lower cost, will also be commissioned. This is expected to bring down the cost of steel making considerably. However, the company expects competitive pressure on pricing to intensify with more capacities available in the market vis-à-vis demand.

Cost saving measures introduced by the company will fructify in the year in running. In a study conducted by Bureau of Energy Efficiency on the energy consumption per tonne of steel produced, Mukand's energy consumption level was the fourth lowest amongst 67 steel companies in India.

Constantly adapting to change and developing newer products that will enhance productivity of both the company and the customer is intrinsic to Mukand. In the year under report, several new products that meet the requirements for high end automotive, petrochemical and nuclear application were developed successfully. Import substitutions for the domestic market too were developed.

### Industrial Machinery:

In a recessionary economy, the debate between austerity vs. growth has brought down governments and propped up others across the world. It is a debate that perhaps has no clear solutions just like the chicken and egg discussion. In India although we do not make this a crucial issue, the government and many large private companies have put their expansion and growth plans on the backburner as a precautionary measure. This has adversely affected the industrial machinery division of Mukand whose performance is linked to the definite growth patterns of other infrastructure industries.

The year under report began on a positive note with order bookings reaching Rs.361 crore. However, at the end of the year the division only achieved a turnover of Rs.253 crore as some of the customers postponed the delivery dates of their orders. The orders booked during the year were lower due to depressed market. The division continues to hold orders worth Rs.275 crore at the end of the year and hopes to further its order book position in the first quarter of the year in running. A major market for the products of the division comes from the steel sector where there is a marked slowdown in the execution of brown and green field projects which will inadvertently affect the performance of the industrial machinery division of the company. The division is also looking at increasing its presence in international markets such as Africa and the Middle East.

The division expects to book several new orders based on tenders quoted, the actual execution will depend on the progress of various new as well as expansion projects of our customers.

The company has been involved in enhancing its technical skills and widening the product range. Strategic technical collaborations with global leaders are under consideration which will fructify into financial benefits in the future. The division also achieved a 10% reduction in costs through improved product designs and better sourcing during the last one year and is also working on the possibilities of reduction in other costs to become more competitive in the current market. These efforts would rigorously continue in the year in running.

### Total Quality Management:

Focus on business excellence through total quality management (TQM) activities has been Mukand's mantra for decades. This strategy has paid rich dividends in terms of market share, brand reputation and superior quality of products over the years.

The steel and industrial machinery divisions continue in conformation to the ISO 14001:2004 standard which relates to the environment management system. The steel division also continues its conformity to the ISO/TS 16949 standard which is specific to steel suppliers for the global automotive industry while the industrial machinery division conforms to the ISO 9001:2008 quality management system. The quality control laboratories of the steel division too continued its ISO/IEC 17025:2005 quality management systems enabling it to be considered as an accredited system for undertaking any metallurgical analysis of global standards.

TQM activities form an important part of our every day life in Mukand. Our worker group quality circles have won several laurels in national and state competitions including the Par Excellence and Excellence awards at the national level held by the Quality Circle Forum of India.

### Internal control systems:

Adequate systems for internal controls provide assurances on the efficiency of operations, security of assets, statutory compliances, appropriate authorization, reporting and recording of transactions. The management and audit department prepare regular reports on the review of the systems and procedures. The scope of the audit activity is broadly guided by the annual audit plan approved by the Audit Committee. The Chairman and Managing Director of the Company regularly reviews significant audit observations, discusses corrective measures with the senior managers. The Chief of Management Audit monitors the implementation of these suggested measures.

### Conclusion:

At Mukand, we believe that a company as large as ours cannot assess its success on short term profits, although financial performance is the main factor to overall success. For the entire system to generate success, we need to piece together the performance of every individual employee just as much as we need every product to reap a rich harvest.

### Employing our Intellectual capital:

So as we move towards our 75th anniversary, perhaps, we will not be misconstrued if we look within and analyze our contribution to society and

perhaps even the country. Today, countries are realizing that measuring GDP alone does not give the whole picture and are exploring new pursuits that reflect society's broader goals like measuring the happiness levels of its citizens. Perhaps, the time is ripe for us at Mukand to focus a little on the happiness and welfare of our employees along with the financial reports.

#### **Moulding for employability:**

For most of the new recruits it is their first job. It is but natural for them, fresh out of college and transported directly onto the shop floor or into a large ocean of professionals, to flounder. Hand holding, mentoring, etc., of these employees are common practices in Mukand and other reputed companies. At Mukand, apart from providing mentors to each new employee, we embrace them with love and affection just as we would embrace a new member of our family.

Within a few months from joining the company, the employee also gets an opportunity to meet the Co-Chairman and senior management of the company where the company's vision, market conditions, what is expected of them etc., are shared. The new employees are also encouraged to share their experiences, both good and bad, about the company and give suggestions if any during this interaction. The feedback is acted upon by the concerned departments. For most employees, this meeting creates a lot of value not just in terms of understanding the company, but in building an open, transparent and strong bond with the management.

At Mukand it is also a norm that new employees should be empowered by giving responsibilities as soon as possible and guided to achieve success. They enjoy the freedom to explore different methods to handle an old job. We believe that the conducive environment provides an impetus for innovation and excellence.

#### **Supporting work life balance:**

In today's fast moving world of high stress, we recognize the importance of providing an effective work life balance for every employee. Healthy meals are provided to all employees at a nominal rate and employees are always encouraged to eat on time and maintain a healthy lifestyle. A gymnasium exclusively for the employees and their families, yearly medical check ups by professionals, etc., are made available within the company premises.

#### **Training for achievement:**

Training and development is part and parcel of every company in order to harvest the potential value of employees. Mukand is no different. Upgradation of technical skills training is periodically given to employees as per identified requirements while employees are encouraged to participate in personality development, soft skills enhancement programmes, etc.

Total Quality Management activities are also a very important aspect in the every day life of Mukand. Employees undergo training in TPM, ISO or Demming award preparation and are given opportunities to participate in quality circles, Kaizen, suggestions schemes, etc.

#### **Building a concern for the environment and society:**

Adherence to environmental norms and a passion for increasing the green cover is very evident at both the Dighe (Thane, Maharashtra) and Ginigera (Karnataka) facilities. Mukand's Corporate Social Responsibility activities revolve around promoting a clean environment and enhancing education levels amongst the economically disadvantaged children.

#### **Commitment, motivation and happiness:**

So what makes Mukand different? A commitment to excel, highly motivated and happy team of employees is perhaps the differentiator.

Most companies today are concerned with high attrition. It is well known that attrition rates go up when a company is not making profits, as employees then start moving to other profit making companies fearing a closure. Attrition rates also go up when the economy is racing ahead and there is no dearth of new opportunities. Over the years, Mukand has faced both these situations but the attrition levels remained constant. Mukand's attrition rate is also lower than the industry level. Nearly 8,000 employees have received long service awards for completing 20 years or more with the company. This award was instituted in 1973.

Perhaps it is this conducive and happy environment that is responsible for the several innovations that have led to enhanced customer value.

### **DETAILS OF BALANCE SHEET AS AT 31ST MARCH, 2012 AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012 OF SUBSIDIARY COMPANIES**

		Indian Subsidiaries			Foreign Subsidiaries		Rs. In crore
Sr. No.	Particulars	Mukand Global Finance Limited	Vidyavihar Containers Limited	Mukand Vijayanagar Steel limited	Mukand International Limited	Mukand International FZE	
1	Share Capital	11.75	119.77	0.07	0.01	6.93	
2	Reserves and Surplus	27.58	0.27	-	0.03	2.58	
3	Total Assets	137.84 @	97.51	0.01	0.04	9.76	
4	Accumulated Losses	-	215.55	6.97	-	-	
5	Total Liabilities	98.51	193.02	6.91	-	-	
6	Investments in Shares	19.85	0.01	-	-	-	
7	Turnover and Other Income	9.55	14.71	-	-	172.75	
8	Profit / (Loss) before Taxation	1.44	2.15	-	(0.02)	1.86	
9	Provision for Taxation (including for earlier years)	0.01 *	0.40	-	-	-	
10	Profit / (Loss) After Taxation	1.43	1.75	-	(0.02)	1.86	
11	Dividend paid	-	-	-	-	0.25	

@ Includes deferred tax assets (net)

\* Includes provision for deferred tax.

Note: In respect of foreign subsidiary

a) Item nos.1 - 6 and 11 are translated at exchange rate as on 31st March, 2012 of US\$ 1 = Rs. 50.88

b) Item nos. 7 - 10 are translated at annual average exchange rate of US\$ 1 = Rs. 48.08

The above details have been annexed in compliance with the conditions stipulated for general exemption to companies u/s 212 of the Companies Act, 1956.



# CORPORATE GOVERNANCE REPORT

**Corporate Philosophy:** Mukand continues to uphold its commitment to adhere to high standards of Corporate Governance. The Company strives to ensure transparency in all its operations, make disclosures and comply with various laws and regulations. Emphasis therefore, is on adding value to its shareholders, investors, employees, suppliers, customers and the community.

## 1. THE BOARD OF DIRECTORS:

### 1.1 Composition and size of the Board:

The Board at present consists of 11 directors, including the Executive Chairman. Out of these 11 Directors, 8 are Non-Executive Directors, which include 6 Independent Directors. The Company has had no pecuniary relations or transactions with the Non-Executive Directors.

### 1.2 Board Meetings:

During the year under review, four Board Meetings were held on May 27, 2011; July 27, 2011; November 11, 2011 and February 9, 2012. The Board was presented with relevant and necessary information at these meetings. The attendance of each Director at the Board Meetings during the year and at the last Annual General Meeting along with details of number of other public limited companies and committees where he is a director and member/ chairman of any Committee respectively is tabulated below:

Name	Category	Attendance Particulars		Number of positions held in other Public Limited Companies		
		Board Meetings	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
Shri Niraj Bajaj	P.CMD	4	Yes	10	1	-
Shri Rajesh V. Shah	P.CCMD	4	Yes	5	2	-
Shri Dhirajlal S. Mehta	I.NED	2	Yes	3	3	-
Shri Suketu V. Shah	P.Jt.MD	4	Yes	7	-	-
Shri Vinod S. Shah	NED	4	Yes	8	-	-
Dr. N.P. Jain, IFS (Retd.)	I.NED	4	Yes	1	-	-
Shri Narendra J. Shah	P.NED	4	Yes	-	-	-
Shri N.C. Sharma	I.NED	4	Yes	3	3	1
Shri Prakash V. Mehta	I.NED	4	Yes	9	7	-
Shri Pradip P. Shah	I.NED	4	Yes	12	6	1
Shri Amit Yadav	I.NED	4	No	-	-	-

**P:** Promoter; **CMD:** Chairman & Managing Director; **CCMD:** Co-Chairman & Managing Director; **I:** Independent; **NED:** Non-Executive Director; **Jt.MD:** Joint Managing Director

None of the directors is a member of more than ten committees or acting as Chairman of more than five committees across all companies in which he is a Director.

### 1.3 Re-appointment of Directors:

Shri Vinod Shah, Shri Narendra J Shah and Shri N C Sharma retire by rotation and are eligible for re-appointment. Their attendance record in Board/General meetings during the year under review is given in the Table hereinabove. Their brief particulars are as follows:

**Shri Vinod Shah**, born in 1930, a Commerce Graduate, joined the services of the Company in the year 1953 and since then, has held various positions including that of General Manager, Dy. Chief Executive, Sr. Vice President, Jt. President, Advisor (Special Projects) and presently is a Director of the Company. He has been on the Board of Directors of the Company since 1989.

**Shri Narendra J Shah**, born in 1928, is an Arts Graduate. He joined the Company in the year 1948 as a Management Trainee and has held different managerial positions at different times. He was Assistant Chief Executive when he left the Company in 1969. He has been on the Board of Directors of the Company since 1989.

**Shri N C Sharma**, born in 1942, a post-graduate in English Literature, joined Life Insurance Corporation of India (LIC) in 1965. Shri Sharma was Managing Director of LIC during the years 2000 – 2002. Before taking over as Managing Director of LIC in November 2000, Shri Sharma served as Zonal Manager, Western Zone and as Executive Director (Personnel) at the Corporate Office. He retired from LIC in November 2002. After his retirement from LIC, he has worked as Chief Financial Officer and Director of Sahara Life Insurance Co.

Ltd. He had also earlier served as Director on the Board of Tata Chemicals Ltd., Punjab Tractors Limited and as Public Representative (SEBI Nominee) on the Board of Delhi Stock Exchange Association Ltd.. Shri Sharma writes extensively on subjects related to Life Insurance Industry.

He had been on the Board of Directors of Mukand Ltd. for the period from June 30, 1998 to January 31, 2004. Shri Sharma was re-appointed as Director w.e.f. September 7, 2004. The details of his directorships and committee memberships in listed companies are as follows:-

PSL Ltd.	-	Committee Member
Eskay K'N' IT Ltd.	-	Committee Member
Asian Oil Field Services Ltd.	-	Committee Member

## 2. AUDIT COMMITTEE :

The Audit Committee consists of Dr. N.P. Jain (IFS, Retd.), Chairman, Shri Dhirajlal S. Mehta, Shri N.C. Sharma and Shri Prakash V. Mehta all of whom are Independent Directors. Terms of Reference of the Audit Committee specified by the Board are as mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements with the Stock Exchanges as and where applicable.

During the year under review four meetings of the Audit Committee were held. Dr. N.P. Jain (IFS, Retd.), Chairman, Shri N.C. Sharma and Shri Prakash V. Mehta attended all the four meetings of the Committee while Shri Dhirajlal S. Mehta attended two meetings. These Meetings were also attended by the Statutory Auditors, Chief – Management Audit, and Shri Niraj Bajaj - Chairman & Managing Director, Shri Rajesh V. Shah - Co-Chairman & Managing Director, Shri Suketu V. Shah - Joint Managing Director and Shri S.B. Jhaveri – Chief Financial Officer. Shri K.J. Mallya - Company Secretary acts as Ex-officio Secretary to the Audit Committee.

Apart from considering un-audited and/or audited financial results for the relevant quarters and for the year prior to adoption/ approval by the Board, the Committee focused its attention on key areas impacting the overall performance of the Company, Operations of Plants, Management Audit, Cost Audit, Review of Internal Control System, Energy Conservation/Saving and Cost Control measures, I.T. Security and Management Information Systems, Major Accounting Policies and Practices, Current Assets Management, Performance Reviews, Annual Budget and Annual Internal Audit plan. Based on the Committee's discussions and review of the observations of the reports submitted by the Company's internal audit department on Systems and Controls, Cost Control measures and Statutory Compliance in various functional areas, the Audit Committee advises the management on areas where greater internal control and internal audit focus is needed and on new areas to be considered for audit.

## 3. REMUNERATION OF DIRECTORS:

The Company has a Remuneration Committee which consists of Dr. N.P. Jain, (IFS, Retd.) Chairman, Shri Dhirajlal S. Mehta, Shri N.C. Sharma and Shri Prakash V. Mehta as members, all of whom are Independent Directors.

The Shareholders at the Annual General Meeting of the Company held on July 27, 2011, subject to the approval of Central Government, re-appointed Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director for a period of 3 years w.e.f. July 5, 2011 on remuneration as per the recommendation of the Remuneration Committee. The Company has received requisite approval for aforesaid re-appointment and payment of remuneration to Managing Directors during the year.

The details of remuneration paid for FY 2011-12 to Shri Niraj Bajaj - Chairman & Managing Director, Shri Rajesh V. Shah - Co-Chairman & Managing Director and Shri Suketu V. Shah - Joint Managing Director are given below:

(Rs. in lacs)

Remuneration Package	Niraj Bajaj	Rajesh V. Shah	Suketu V. Shah
Salary and allowances	64.96	53.87	65.98*
Contribution to Provident Fund and Other funds	8.80	7.47	8.01
Perquisites	13.67	8.28	10.69
<b>TOTAL</b>	<b>87.43</b>	<b>69.62</b>	<b>84.68</b>

\* includes Leave Encashment

The Chairman & Managing Director, the Co-Chairman & Managing Director and the Joint Managing Director have agreements with the Company for a period of 3 years which can be terminated by giving 6 months' notice in writing.

The Company does not pay any remuneration to the Non-Executive Directors of the Company except for the payment of sitting fees for attending Board / Committee meetings. The Company has not issued stock options to any of its Directors.

Details of sitting fees paid to the Non-Executive Directors during the year ended March 31, 2012 and the shares in the Company held by them as on March 31, 2012 are as under:-

Sr. No.	Name of the Director	Shareholding		
		Sitting Fees (Rs.)	Equity Shares	0.01% Cumulative Redeemable Preference Shares
1	Shri Dhirajlal S. Mehta	80,000	133	69
2	Shri Vinod S. Shah	80,000	6,032	464
3	Dr. N. P. Jain, IFS(Retd.)	200,000	40	10
4	Shri Narendra J. Shah	80,000	99,605	8,245
5	Shri N.C. Sharma	200,000	-	-
6	Shri Prakash V. Mehta	180,000	2,000	-
7	Shri Pradip P. Shah	80,000	96	24
8	Shri Amit Yadav	80,000	-	-

#### 4. SHAREHOLDERS' / INVESTORS' GRIEVANCES :

The Shareholders' / Investors' Grievance Committee consists of Shri N. C. Sharma -Chairman, Shri Dhirajlal S. Mehta and Dr. N.P. Jain (IFS, Retd.) all of whom are Independent Directors. The Eleventh meeting of the Committee was held on May 25, 2012. As on March 31, 2012, no request for transfer of shares and for dematerialization/ rematerialisation of shares was pending for approval. Shri K.J. Mallya, Company Secretary is the Compliance Officer.

There were no major complaints from the investors. Routine complaints relating to non-receipt of Annual Report, details of shares offered, payment of dividends, transfer of shares, dematerialisation of shares and request for change of address, etc. were attended generally within 3 / 4 days. The Company had received 5 complaints from shareholders through the Securities and Exchange Board of India (SEBI) which were promptly attended.

#### 5. GENERAL BODY MEETINGS:

Last three Annual General Meetings were held at Kamalnayan Bajaj Hall, Bajaj Bhawan, Jammalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021 on the following dates and time:

AGM	Date	Time
71 <sup>st</sup>	July 27, 2009	4.00 p.m.
72 <sup>nd</sup>	July 28, 2010	4.00 p.m.
73 <sup>rd</sup>	July 27, 2011	4.30 p.m.

The Company had passed 3 Special Resolutions in the Annual General Meeting held on July 27, 2011 for re-appointment and payment of remuneration to Shri Niraj Bajaj as Chairman & Managing Director, Shri Rajesh V. Shah as Co-Chairman & Managing Director and Shri Suketu V. Shah as Joint Managing Director which were put to vote by show of hands and were passed unanimously.

#### 6. DISCLOSURES:

##### 6.1. Related Party Transactions:

There were no materially significant related party transactions made by the Company with its promoters, directors or their relatives during the year, which may have potential conflict with the interests of the Company at large. The details of transactions with related parties are disclosed in the Accounts.

##### 6.2. Compliance with Regulations:

There were no non-compliance matters related to capital markets by the Company during the last three years, nor did the Company attract any penalties or strictures passed by the stock exchanges, SEBI or any other statutory authority.

##### 6.3. Risk Management:

The process of identification and evaluation of various risks inherent in the business environment and the operations of the Company and initiation of appropriate measures for prevention and/or mitigation of the same are dealt with by the concerned operational heads under the overall supervision of the Managing Directors of the Company. The Audit Committee periodically reviews the adequacy and efficacy of the overall risk management system.

#### 7. CODE OF CONDUCT:

The Company adopted a Code of Conduct for its Directors and Senior Management cadres in the meeting of Board of Directors held on October 28, 2005. The Directors and senior management personnel have affirmed their compliance of the Code of Conduct.

#### 8. CODE FOR PREVENTION OF INSIDER TRADING:

The Company has instituted a Code of Conduct for prevention of Insider Trading in the securities of the Company for its Directors and key managerial staff as required by SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

#### 9. CEO AND CFO CERTIFICATION:

In accordance with the requirement of clause 49(V) of the Listing Agreement, the CEOs i.e., Chairman & Managing Director and Co-Chairman & Managing Director and CFO i.e., Chief Financial Officer have furnished the requisite certificate to the Board of Directors of the Company.

#### 10. MEANS OF COMMUNICATION:

The quarterly un-audited and yearly audited financial results are published in English and regional language newspapers. The financial results, shareholding pattern and other corporate communication to stock exchanges, filed in compliance of clause 52 of the Listing Agreement, under Corporate Filing and Dissemination System (CFDS) are available at the website [www.corpfiling.co.in](http://www.corpfiling.co.in) and on the corporate website of the Company [www.mukand.com](http://www.mukand.com). The Management Discussion and Analysis is a part of the Annual Report. All financial and other vital information is promptly communicated to the Stock Exchanges where the Company's shares are listed.

Information, in words and visuals, about the Company and its businesses, including products manufactured, projects executed, facilities and processes, quality policy, financial results, shareholding pattern, code of conduct etc. is available at the corporate website: [www.mukand.com](http://www.mukand.com).

#### 11. SHAREHOLDERS' INFORMATION:

##### 11.1 Annual General Meeting:

<b>Date</b>	Monday, August 13, 2012
<b>Time</b>	4.00 p.m.
<b>Venue</b>	Indian Merchants' Chamber, IMC Bldg., IMC Marg, Churchgate, Mumbai 400 020

##### 11.2 Financial calendar:

Financial Year: April 1 to March 31

Consideration of Financial Results (tentative):

i.	First quarter	[unaudited]	second week of August.
ii.	Second quarter	[unaudited]	second week of November.
iii.	Third quarter	[unaudited]	second week of February.
iv.	Annual	[audited]	last week of May.

##### 11.3 Date of Book Closure and Dividend Payment:

The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 4<sup>th</sup> August, 2012 to Monday, the 13<sup>th</sup> August, 2012 (both days inclusive) for the purpose of payment of Dividend on 0.01% Cumulative Redeemable Preference Shares.

The Preference Dividend as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid at par on or after August 18, 2012 to those members whose names appear on the Company's Register of members as holders of preference shares in physical form on August 3, 2012. In respect of preference shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership details to be furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for this purpose.

##### 11.4 Stock Exchange Listing:

Equity Shares and 0.01% Cumulative Redeemable Preference Shares (CRPS) of the Company are listed on Bombay Stock Exchange Ltd.(BSE) and National Stock Exchange of India Ltd.(NSE) and the applicable listing fees have been duly paid to the Exchanges.

##### 11.5 Stock Code:

	Equity	CRPS
1.	BSE 500460	700087
2.	NSE MukandItd	Mukandcrps
3.	ISIN INE 304A01026	INE 304A04012

## 11.6 Stock Price Data:

Monthly highs and lows of the Company's Equity Share prices on the BSE and NSE in the year 2011-12 are given hereunder:

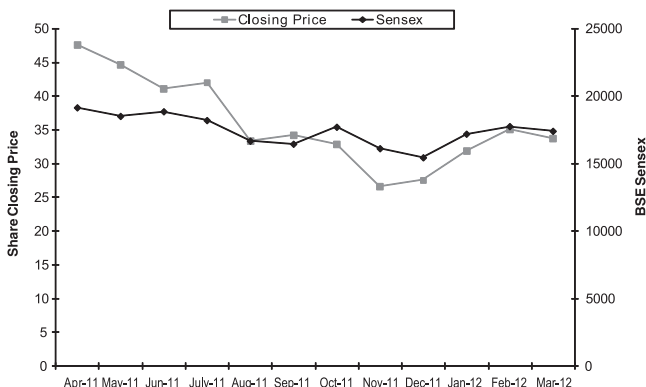
Rs. per share

Months	BSE		NSE	
	High	Low	High	Low
<b>Year 2011</b>				
April	57.30	45.10	57.00	45.10
May	48.95	42.45	49.95	42.60
June	46.50	40.05	46.15	40.15
July	48.50	40.95	48.35	40.00
August	42.80	32.10	43.20	32.00
September	38.70	33.25	38.45	31.40
October	34.35	31.00	35.15	30.35
November	34.65	24.30	35.50	24.50
December	29.00	24.00	28.95	24.10
<b>Year 2012</b>				
January	33.40	26.75	33.35	26.00
February	38.50	32.10	38.15	31.80
March	38.00	33.35	37.70	33.25

During the year, CRPS were traded on BSE and the price ranged between Rs. 3.38 and Rs.8.59 per share.

## 11.7 Comparative Stock Price Performance :

The Equity share prices of the Company on BSE in comparison with the BSE Sensex are given in the following graph:



## 11.8 Share Transfer Agents:

M/s Karvy Computershare Private Limited are the Share Transfer Agents of the Company for carrying out work relating to Share transfers of the Company.

## 11.9 Share Transfer System:

The Share transfers are approved by a Committee of Directors, which is normally done once in 10 days. Share transfers are registered within a period of 15 days from the date of receipt, if the documents are complete in all respect. The Company has followed the guidelines issued by SEBI for dematerialisation of Shares.

During the year, 23,441 Equity Shares and 4,388 CRPS were transferred in physical (non-dematerialized) form.

## 11.10 Distribution of Shareholding:

The Company had 48,504 Equity Shareholders and 43,083 CRPS holders as on March 31, 2012. Distribution of shareholding is given in the tables hereunder:

Distribution of Shareholding	No. of Equity Shares	% of Equity Shares	No. of Equity Shareholders	% of Equity Shareholders
Upto - 50	539,350	0.74	23,604	48.66
51 - 100	795,273	1.09	9,276	19.12
101 - 500	2,909,989	3.98	11,095	22.88
501 - 1,000	1,869,789	2.56	2,331	4.81
1,001 - 5,000	3,688,671	5.04	1,727	3.56
5,001 - 10,000	1,490,122	2.04	207	0.43
10,001 and above	61,820,935	84.55	264	0.54
<b>Total :</b>	<b>73,114,129</b>	<b>100.00</b>	<b>48,504</b>	<b>100.00</b>

Distribution of Shareholding	No. of CRPS	% of CRPS	No. of CRPS holders	% of CRPS holders
Upto - 50	412,876	7.34	38,875	90.23
51 - 100	154,523	2.75	1,993	4.62
101 - 500	373,771	6.64	1,748	4.06
501 - 1,000	154,117	2.74	206	0.48
1,001 - 5,000	401,594	7.14	185	0.43
5,001 - 10,000	223,050	3.96	29	0.07
10,001 and above	3,906,389	69.43	47	0.11
<b>Total :</b>	<b>5,626,320</b>	<b>100.00</b>	<b>43,083</b>	<b>100.00</b>

The shareholding pattern of Equity Shares as on March 31, 2012 is given in the table as under:

Sl. No.	Category of Shareholders	No. of Shares	% of Total Shareholding
1	Promoter & Promoter Group	40,754,103	55.74
2	Mutual Funds and Unit Trust of India	6,007	0.01
3	Financial Institutions & Banks	109,644	0.15
4	Insurance Companies	7,452,308	10.19
5	Other Bodies Corporate	7,613,243	10.41
6	Foreign Institutional Investors	1,997,243	2.73
7	Non Resident Indians / OCBs	315,637	0.43
8	Indian Public	14,865,944	20.34
	<b>Total</b>	<b>73,114,129</b>	<b>100.00</b>

## 11.11 Dematerialization of Shares and liquidity:

The Company's Shares are dealt with both the depositories viz. NSDL and CDSL. The Company for the benefit of the Shareholders has made one time payment to NSDL towards custodial charges. During the year, 674,803 Equity Shares and 157,059 CRPS were dematerialised in respect of 402 and 234 requests respectively. The dematerialisation level as on March 31, 2012 stood at 97.56 % of the total paid-up Equity Share capital and 92.30 % of the total paid-up 0.01% Cumulative Redeemable Preference Share Capital. As on March 31, 2012, 31,143 Shareholders held 71,332,798 Equity Shares and 18,583 Shareholders held 5,192,831 CRPS in demat form.

## 11.12 Plant Locations:

Dighe, Thane, Maharashtra- 400 605  
Giniger, Karnataka- 583 228

## 11.13 Address for Correspondence:

(i) Physical Shares (Equity and Preference):

### Share Transfer Agents :

M/s Karvy Computershare Private Limited,  
(Unit: Mukand Limited)  
Plot No.17 to 24, Near Image Hospital  
Vittalrao Nagar, Madhapur, Hyderabad - 500 081  
**Tel: (040) 4465 5000 / 4465 5152, Fax: (040) 4465 5024,**  
**E-mail : mohsin@karvy.com**  
**Website : www.karvycomputershare.com**

(ii) Demat Shares (Equity & Preference) :  
Respective Depository Participants of Shareholders

(iii) Shares, Debentures & Fixed Deposits :  
Bajaj Bhawan, Jammalal Bajaj Marg,  
226, Nariman Point, Mumbai 400 021.  
**Tel: Shares & Debentures: 022-6121 6666**  
**Fixed Deposits: 022-6121 6629**  
**Fax: 022-2202 1174**  
**E-mail : Shares & Debentures: investors\_cell@mukand.com**  
**Fixed Deposits: fixeddeposit@mukand.com**

## 12. Certificate on Corporate Governance by Practicing Company Secretary:

The Company has obtained a certificate from M/s. Anant B. Khamankar & Co., Practicing Company Secretaries regarding compliance of the conditions of Corporate Governance as stipulated in the Listing Agreements with the Stock Exchanges. This is annexed to the Directors' Report. The certificate will be sent to the Stock Exchanges along with the Annual Report to be filed by the Company.



## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Mukand Limited

We have examined the compliance of conditions of Corporate Governance by Mukand Limited ("the Company"), for the year ended 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

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

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

**For Anant B. Khamankar & Co.  
Company Secretaries**

**Anant B Khamankar  
Proprietor  
FCS No.: 3198  
C.P. No.: 1860  
Place: Mumbai  
Date : 25<sup>th</sup> May, 2012**

## Appendix-I to the Directors' Report

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the report of Board Of Directors) Rules, 1988.

### (A) Conservation of Energy :

#### (a) Energy Conservation Measures taken :

##### Steel Plant :

#### (a) To reduce electrical energy consumption :

- Energy efficient screw compressors installed to replace old reciprocating compressors.
- Pumps for UHPF and Converter upgraded with energy efficient pumps.
- Variable frequency drive installed for Wire Rod mill Descaler motor.
- Commissioned 9 MVAR, 33 KV, and 3 MVAR, 11 KV harmonic filter capacitor bank for harmonic regulation & power factor improvement.
- Replacement of existing shed light fittings with energy efficient shed light fittings.

#### (b) To reduce Fuel Oil consumption in Reheating Furnaces of Rolling Mills :

- To replace purchase of electric power from power generating plants, the Company commissioned 15 MW Captive Power Plant to generate power from Mini Blast Furnaces' waste gas.
- 'High' and 'low' fire system installed in heating and pre-heating zone for atomizing air which will help to reduce oxygen in the furnace and hence the fuel consumption.
- Commissioned Oxygen monitoring system installed in recuperative zone.
- High range pressure reducing valves are commissioned for incoming furnace oil.
- 90 KW motor in combustion blower commissioned to tune for more than 25 MT/Hr. production.
- Commissioned new twin parallel flow recuperator.
- Commissioned auto temperature control in preheating zone.

#### Additional Investments and proposals being implemented for reduction in consumption of energy:

##### Steel Plant:

#### (a) To reduce electrical energy consumption:

- Replaced Converter oxygen lance cooling pump with energy efficient pumps.
- Replacement of cooling water pumps for Mould & Ladle Refining Furnace with energy efficient pumps.
- Replacement of existing standard efficiency old motors of SMS pump houses with new energy efficient motors.

#### (b) To reduce fuel oil consumption:

- Use of off gases of Blast Furnace to replace fuel oil in Reheating Furnaces.

#### (c) Impact of the above measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.

Due to measures taken as described above, the overall power and fuel oil consumption in Steel Plant at Dighe, Thane, Maharashtra has reduced and reduction in the cost of production is achieved.

In a study of specific energy consumption in steel companies concluded by Bureau of Energy Efficiency, Mukand stood fourth place among sixty seven companies in India.

- (d) Total energy consumption and energy consumption per unit of production.

### Form - A

#### Form for disclosure of particulars with respect to conservation of energy.

##### A. Power and Fuel Consumption:

	2011-12	2010-11	
<b>1. Electricity Purchased :</b>			
Unit : '000 kwh	137,164	133,676	
Total amount – Rs. Crore	94.54	77.95	
Rate / Unit – Rs./Kwh	6.89	5.83	
<b>2. Own Generation Through Fuel Oil</b>			
Unit : '000 kwh	45,743	82,698	
Kwh / litre of Fuel Oil	4.47	4.53	
Total cost / unit -- Rs. / Kwh	9.92	7.66	
<b>3. Own Generation Through steam turbine / generator unit :</b>			
Unit : '000 Kwh	41,306	6,669	
Unit/NM3(Blast furnace gas) Kwh/ NM <sup>3</sup>	0.182	0.134	
Total cost / unit -- Rs. / Kwh	5.94	5.64	
<b>4. Furnace Oil*</b>			
Quantity (Kl.)	20,232	21,516	
Total amount – Rs. Crore	76.99	55.86	
Rate – Rs./Kl.	38,055	25,962	
<b>5. Coke</b>			
Quantity (MT)	148,043	196,142	
Total amount – Rs. Crore	373.19	464.98	
Average Rate – Rs. / MT.	25,209	23,707	
*Includes diesel oil.			

##### B. Consumption per unit :

	2011-12	2010-11	2009-10
<b>1. Electricity kwh / tonne :</b>			
Rolled Products	537	475	477
<b>2. Furnace Oil * ltr. / tonne</b>			
Rolled Products	56	52	51
*Includes diesel oil.			
<b>3. Coke (Kg. / tonne) :</b>			
Hot Metal	700	739	694

### (B) Form for disclosure of particulars with respect to Technology Absorption, Research and Development.

#### (a) Research and Development :

##### 1. Specific areas in which Research and Development was carried out by the Company.

###### Stainless Steel:

Following new Grades were developed for critical application and import substitution :

- High Chromium, low nickel duplex grade for welding, an import substitute.
- High molybdenum grade for seamless tubes.
- High Chromium, high nickel and high molybdenum grade for wire industry.
- Solenoid grade for solenoid valve application.
- High strength, high corrosion resistance grade for use in pump shafts and compressor parts.

**Special Alloy Steel:**

- Chrome Silicon spring steel for automobile suspension system.
- Special quality grade to achieve weight reduction and superior formality for auto application.
- Development of <= 70 PPM nitrogen in bearing steels.
- Special grades were developed for Toyota, Renault, Bosch USA, FAG, SKF.
- Process standardisation for hardened and tempered wire rods for export markets.

**2. Benefits derived as a result of the above efforts.**

- Widened product mix and improved capability to meet the steel requirement for high end automotive, petrochemical and nuclear industry applications.
- Enhanced steel quality level achieved to gain acceptance by Global Automakers in their efforts to indigenize steel procurement for components.
- Import substitution for domestic manufacturing of electrode grade wires, stainless steel input round billet for manufacture of tubes and pipes.
- Improvement in Market Share and increase in volume of value added products.

**3. Future Plan of Action :**

- Studies with respect to type and occurrence of Titanium inclusions in our Ti stabilized stainless steel grades through inclusion characterization using EDAX analysis.
- Studies related to leaded micro alloyed steels for improvement in both mechanical properties and machinability for CRDI system application in the automotive sector.
- To carry out feasibility for manufacture of Super Duplex Stainless Steels.
- Studies on the development of low carbon Chrome Nickel steel for fuel injection application.
- Improved carburizing steels for high end automobile gear application.

**4. Expenditure on R&D :**

	2011-12	2010-11
	Rs.Crore	Rs.Crore
(a) Capital	0.11	5.79
(b) Recurring	1.04	0.86
<b>Total .....</b>	<b>1.15</b>	<b>6.65</b>
Total R&D expenditure as a % of total turnover	0.04	0.26

**(b) Technology absorption, adaptation and innovation.****Efforts made towards technology absorption, adaptation and innovation :**

- Process standardization carried out as per guidance given by global auto component experts.
- Reduce double rolling costs while maintaining the same quality by changes in the process.
- Eliminated pickling of coils which was earlier a pre requisite for annealing in Short Time Cycle / Bell Furnace.

**(1) Benefits derived as a result of the above efforts :**

- Improvement in quality, yield and customer satisfaction.
- Improvement in the market share and increase in volume of value added products.

**(2) Imported Technology :**

Company has not imported any technology during the year under review.

**(C) Foreign Exchange Earnings and Outgo**

	2011-12
	Rs. Crore
(i) Foreign Exchange Earnings	217.65
(ii) CIF Value of imports	487.49
(iii) Expenditure in Foreign Currency	4.65

**Appendix - II to the Directors' Report**

Statement of Particulars pursuant to the provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2012

Sr. No.	Name	Age (Yrs)	Designation & Nature of Duties	Qualification	Experience (Yrs.)	Remuneration Received Gross Rs.	Net Rs.	Date of Commence-ment of employment	Last Employment held, Designation, Name of the employer (Years for which post held)
A. Names of Employees employed throughout the year and who were in receipt of remuneration not less than Rs.60,00,000/- per annum.									
1	BAJAJ NIRAJ	57	CHAIRMAN & MANAGING DIRECTOR	B.COM.,M.B.A. (HARVARD BUSINESS SCHOOL)	31	8,742,992	5,621,042	31/03/1983	EXECUTIVE TRAINEE, BAJAJ AUTO LTD.(2)
2	SHAH RAJESH V	60	CO-CHAIRMAN & MANAGING DIRECTOR	M.A.(CAMBRIDGE),M.B.A. (CALIFORNIA),P.M.D. (HARVARD BUSINESS SCHOOL)	35	6,961,811	4,440,879	11/06/1977	DIRECTOR,VIRANI FASTENERS & BOLTS PVT.LTD.(1)
3	SHAH SUKETU V	57	JOINT MANAGING DIRECTOR	B.COM.(HONS.),M.B.A. (HARVARD BUSINESS SCHOOL)	30	8,468,051	5,402,277	29/12/1984	EXECUTIVE DIRECTOR, ADONIS LABORATORIES, (2 YRS & 6 MTHS)

**NOTES:**

1. Gross remuneration includes Salary, House Rent Allowance, Leave Encashment, Medical, Other Allowances, Contribution to Provident and Superannuation Funds and value of perquisites etc. but excludes contribution to Gratuity Fund.
2. Net remuneration represents gross remuneration as above less taxes, contribution to Provident and Superannuation Funds.
3. All appointments are contractual.
4. None of the above employees is related to any Director of the Company except that Shri Rajesh V Shah and Shri Suketu V Shah are related to each other.



# AUDITORS' REPORT

To

The Members of Mukand Limited

1. We have audited the attached Balance Sheet of Mukand Limited ('the Company') as at March 31, 2012, the statement of Profit and Loss account and Cash Flow Statements for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (CARO), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
  - i. 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;
  - ii. 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;
  - iii. The balance sheet, statement of profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, statement of profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956,
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. Without qualifying our report, we invite attention to note no. 18 (a) of the notes to the financial statement, relating to the Exposures in Bombay Forgings Limited (BFL) aggregating to Rs. 70.85 crore as at 31 March, 2012 (Rs. 67.17 crore at 31 March, 2011), where the management has, barring any significant uncertainties in future, relied upon the projected future earnings from the business activities of BFL.

6. As more fully explained in note nos. 18 (b), 18(c), 18 (d) and 21(b) to the notes to the financial statements, no provision has been made with regard to :
  - a) The realisability of the 'Exposures' in Vidyavihar Containers Limited (VCL), a subsidiary company, aggregating Rs. 76.37 crore (net) as at 31 March, 2012 (Rs. 109.76 crore (net) as at 31 March, 2011), due to significant uncertainties in recovering its investment and loans which is dependent on the ultimate realization of the assets of VCL;
  - b) The realisability of the 'Exposures' in Stainless India Limited (SIL), an associate company, aggregating Rs. 40.28 crore (net) as at 31 March, 2012 (Rs. 39.66 crore (net) at 31 March, 2011), where the networth of SIL has been completely eroded and there is no significant activities being carried out by SIL;
  - c) The realisability of the 'Exposures' in Mukand Global Finance Limited (MGFL), a subsidiary Company, aggregating Rs. 26.25 crore as at 31 March, 2012 (Rs. 26.25 crore as at 31 March, 2011) where the management is in the process of disposing its investments;
  - d) The realisability of the claim of Rs. 113.27 crore as at 31 March, 2012 (Rs. 114.73 crore as at 31 March, 2011), from National Highway Authority of India (NHAI).

The exposure on the above Companies and the ultimate shortfall, if any, is not presently determinable.

7. In our opinion and to the best of our information and according to the explanations given to us, subject to the effects of our observation given in the paragraph 6 above, the said accounts give the information required by the Companies Act, 1956, subject to in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
  - b) in the case of the statement of profit and loss account, of the loss for the year ended on that date; and
  - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For Haribhakti & Co.  
Chartered Accountants  
FRN: 103523W

Sumant Sakhardande  
Partner  
Membership No. 034828

Place: Mumbai

Date: May 25, 2012

## ANNEXURE TO AUDITORS' REPORT

### [REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MUKAND LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2012]

- (i) (a) The Company has maintained the fixed assets register for quantitative details and situation of fixed assets. However, it is in the process of updating the same for accumulated depreciation and net block of the assets.
- (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect

of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

- (b) 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) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

Accordingly, clauses (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company and hence, not reported upon.

- (b) The Company has taken secured loans from a company covered in the register maintained under section 301 of the Companies

Act, 1956. The maximum amount involved during the year was Rs. 15.13 crore and the year-end balance of loans taken from such company was Rs. 12.40 crore.

- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loans, the Company is regular in repayment of principal amount as stipulated and is also regular in payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
- (vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities *except for payment of income tax deducted at source and sales tax which have not been regularly deposited and there has been a slight delay in many cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in crore)	Period to which the amount relates	Forum where dispute is pending
Trade Tax & Entry Tax	UP Trade Tax, Entry Tax	0.23	2001-02, 2002-03	High Court
Sales Tax	Local Sales Tax, Central Sales Tax	0.02	1988-89, 1989-90	Tribunal
Sales Tax	Local Sales Tax, Central Sales Tax	0.02	1989-90, 1990-91, 1991-92, 1996-97, 1998-99	Deputy Commissioner - (Appeals)
Trade Tax	UP Trade Tax	3.93	2002-03, 2003-04	Commissioner (Appeals)

- (x) In our opinion, the Company does not have accumulated losses at the end of the financial year. Further, the company has incurred cash losses during the financial year covered by our audit and has not incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders, *except that as at 31 March, 2012 the company was in default in repayment of its dues to a bank amounting to Rs. 17.50 crore.*
- (xii) According to information and explanations given to us and based on document and records provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us and based on records examined by us, the Company has not issued any debentures during the year. Further, the Company has created security or charge in respect of debentures issued in earlier years.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Haribhakti & Co.  
Chartered Accountants  
FRN: 103523W

Sumant Sakhardande  
Partner  
Membership No.034828

Place: Mumbai

Date: May 25, 2012

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012

	Note No.		31st March, 2012 Rs. in crore		31st March, 2011 Rs. in crore
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) Shareholders' Funds</b>					
(a) Share Capital	1	78.75			78.75
(b) Reserves and surplus	2	<u>2,047.08</u>			<u>2,144.97</u>
			<b>2,125.83</b>		<b>2,223.72</b>
<b>(2) Non Current Liabilities</b>					
(a) Long-term borrowings	3	774.19			890.09
(b) Deferred tax liabilities (net)	4	-			14.65
(c) Other long term liabilities	5	12.26			4.49
(d) Long-term provisions	6	<u>28.49</u>			<u>24.21</u>
			<b>814.94</b>		<b>933.44</b>
<b>(3) Current Liabilities</b>					
(a) Short-term borrowings	7	840.55			576.99
(b) Trade payables	8	732.72			625.31
(c) Other current liabilities	9	438.70			407.01
(d) Short-term provisions	10	<u>4.53</u>			<u>16.35</u>
			<b>2,016.50</b>		<b>1,625.66</b>
<b>Total</b>			<u><b>4,957.27</b></u>		<u><b>4,782.82</b></u>
<b>II. ASSETS</b>					
<b>(1) Non Current Assets</b>					
(a) Fixed Assets	11				
(i) Tangible assets		2,389.65			2,431.71
(ii) Intangible assets		0.47			0.48
(iii) Capital work-in-progress		<u>104.22</u>			<u>23.65</u>
			<b>2,494.34</b>		<b>2,455.84</b>
(b) Non-current investments	12	109.67			109.67
(c) Long-term loans and advances	13	122.88			92.68
(d) Other non-current assets	14	<u>48.28</u>			<u>48.28</u>
			<b>280.83</b>		<b>250.63</b>
<b>(2) Current Assets</b>					
(a) Inventories	15	996.31			925.16
(b) Trade receivables	16	876.98			870.35
(c) Cash and Bank Balances	17	78.69			104.38
(d) Short-term loans and advances	18	227.18			173.52
(e) Other Current Assets	19	<u>2.94</u>			<u>2.94</u>
			<b>2,182.10</b>		<b>2,076.35</b>
<b>Total</b>			<u><b>4,957.27</b></u>		<u><b>4,782.82</b></u>
<b>Statement of Significant Accounting Policies adopted by the Company and Notes forming part of the Financial Statements</b>					
	1 to 36				

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Mallya**  
Company Secretary  
Mumbai: May 25, 2012



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	Note No.	2011-12 Rs. in crore	2010-11 Rs. in crore
<b>I) Gross Revenue from Operations</b>		<b>2,825.56</b>	2,789.97
Less Excise Duty		<u>234.45</u>	<u>241.32</u>
Net Revenue from Operations	21	<b>2,591.11</b>	2,548.65
<b>II) Other Income</b>	<b>22</b>	<u>2.51</u>	<u>50.41</u>
<b>III) Total Revenue (I) + (II)</b>		<u><b>2,593.62</b></u>	<u>2,599.06</u>
<b>IV) Expenses</b>			
a) Cost of Materials Consumed	23	<b>1,394.21</b>	1,379.14
b) Changes in inventories of finished goods and work-in progress	24	<b>(44.52)</b>	(169.42)
c) Employee benefits expenses	25	<b>131.85</b>	125.47
d) Finance costs	26	<b>181.87</b>	162.64
e) Depreciation and amortization expenses		<b>65.72</b>	67.81
f) Other expenses	27	<b>977.28</b>	974.12
Expenditure transferred to Capital Accounts / Capital Work-in-Progress [including Trial Run Expenditure (net)]		<b>(4.41)</b>	(1.98)
Total Expenses		<u><b>2,702.00</b></u>	<u>2,537.78</u>
<b>V) Profit before tax (III) - (IV)</b>		<b>(108.38)</b>	61.28
<b>VI) Tax Expense:</b>			
Net Current Tax		-	-
Deferred Tax (Charge) / Credit		<b>14.65</b>	(14.65)
Excess / (Short) provision for tax in respect of earlier years		<u><b>0.23</b></u>	<u>0.03</u>
		<b>14.88</b>	(14.62)
<b>Profit/ (Loss) for the year (V) - (VI)</b>		<u><b>(93.50)</b></u>	<u>46.66</u>
Weighted average number of Equity Shares outstanding during the year		<b>73,114,129</b>	73,114,129
Basic and diluted earnings per share (in Rs.)	29	<b>(12.79)</b>	6.38
Nominal value of share		<b>10.00</b>	10.00
<b>Statement of Significant Accounting</b>			
<b>Policies adopted by the Company and</b>			
<b>Notes forming part of the Financial Statements</b>	<b>1 to 36</b>		

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Mallya**  
Company Secretary  
Mumbai: May 25, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	2011-12	2011-12	2011-12	2010-11	2010-11	2010-11
	<b>Rs. in crore</b>					
<b>A. Cash Flow arising from Operating Activities</b>						
<b>Profit / (Loss) before Tax</b>			<b>(108.38)</b>			61.28
<b>Add back :</b>						
(1) Depreciation		65.72			67.81	
(2) Other Non-cash Expenditure/(Income) - (net)		(2.54)			32.57	
(3) Interest / Lease Charges (net)		169.39			152.21	
			<u>232.57</u>			<u>252.59</u>
			<b>124.19</b>			<b>313.87</b>
<b>Deduct :</b>						
(1) Investment Income		0.94			3.77	
(2) Surplus/(Loss) on sale of assets - (net)		(0.09)			38.79	
			<u>0.85</u>			<u>42.56</u>
<b>Operating Profit before Working Capital changes</b>			<b>123.34</b>			<b>271.31</b>
<b>Less : Working Capital Changes</b>						
(1) Increase in Trade and Other Receivables	114.05			145.86		
(2) Increase in Inventories	71.15			154.00		
		<u>185.20</u>			299.86	
<b>Less:</b>						
(1) Increase in Trade Payables	155.64			115.10		
		<u>155.64</u>			115.10	
<b>Net Working Capital changes</b>			<u>29.56</u>			<u>184.76</u>
<b>Cash Flow from Operations</b>			<b>93.78</b>			<b>86.55</b>
<b>Less : Direct taxes paid</b>			<u>19.41</u>			<u>5.08</u>
			<b>74.37</b>			<b>81.47</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>			<u>74.37</u>			<u>81.47</u>
<b>B. Cash Flow arising from Investing Activities</b>						
<b>Inflow</b>						
(1) Sale of Fixed Assets		1.78			42.98	
(2) Dividends received		0.94			1.89	
(3) Decrease in Loans to Subsidiaries And Other Companies		33.39			1.48	
(4) Sale of Investments		---			14.88	
			<u>36.11</u>			<u>61.23</u>
<b>Deduct Outflow</b>						
(1) Acquisition of Fixed Assets		104.62			39.97	
(2) Acquisition of Investments (including application money)		---			16.49	
			<u>104.62</u>			<u>56.46</u>
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>			<u>(68.51)</u>			<u>4.77</u>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012 (Contd.)

	2011-12	2011-12	2011-12	2010-11	2010-11	2010-11
						Rs. in crore
<b>C. Cash Flow arising from Financing Activities</b>						
<b>Inflow</b>						
(1) Increase in Term Loans (net)		---			4.32	
(2) Increase in Working Capital Loans from Banks - (net)		195.86			82.60	
(3) Increase in Other Unsecured Loans (net)		80.47			7.23	
			276.33			94.15
<b>Deduct Outflow</b>						
(1) Redemption of Debentures		3.13			11.93	
(2) Decrease in Term Loans - (net)		78.35			---	
(3) Dividends paid		8.45			8.49	
(4) Interest / Lease charges - (net)		222.61			165.66	
			312.54			186.08
<b>Net Cash Inflow / (Outflow) from Financing Activities</b>			(36.21)			(91.93)
<b>Net Increase / (Decrease) in Cash/Cash Equivalents</b>			(30.35)			(5.69)
<b>Add : Balance at the beginning of the year</b>			51.41			57.10
<b>Cash/Cash Equivalents at the close of the year</b>			21.06			51.41

**Note :** Cash / Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.03.2012 - Rs. 57.63 crore; 31.03.2011 - Rs. 52.97 crore; 31.03.2010 - Rs. 44.73 crore

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Mallya**  
Company Secretary  
Mumbai: May 25, 2012

## NOTES

	31st March, 2012	31st March, 2011
	Rs.in crore	Rs.in crore
<b>(1) Share Capital</b>		
<b>Authorised</b>		
118,000,000 (31 March 2011 : 118,000,000) Equity Shares of Rs.10/- each	118.00	118.00
7,000,000 (31 March 2011 : 7,000,000) Preference Shares of Rs.10/- each	7.00	7.00
	125.00	125.00
<b>Issued</b>		
73,159,805* (31 March 2011 : 73,159,805*) Equity Shares of Rs.10/- each	73.16	73.16
5,626,320 (31 March 2011 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	5.63	5.63
<b>Total issued share capital</b>	78.79	78.79
* includes 28,031 Equity Shares which have been kept in abeyance by the Stock Exchange Authorities.		
<b>Subscribed and fully paid up</b>		
73,114,129 (31 March 2011 : 73,114,129) Equity Shares of Rs.10/- each	73.11	73.11
5,626,320 (31 March 2011 : 5,626,320) 0.01% Cumulative Redeemable Preference Shares of Rs 10/- each	5.63	5.63
	78.74	78.74
<b>Add: Forfeited shares (amounts originally paid up)</b>	0.01	0.01
<b>Total subscribed and fully paid-up share capital</b>	78.75	78.75

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

### Equity shares

	31-Mar-12		31-Mar-11	
	Nos. in crore	Rs.in crore	Nos. in crore	Rs.in crore
At the beginning of the period	7.31	73.11	7.31	73.11
Add : issued during the period	-	-	-	-
Less : bought back during the year	-	-	-	-
Outstanding at the end of the period	7.31	73.11	7.31	73.11

	31-Mar-12		31-Mar-11	
	Nos. in crore	Rs.in crore	Nos. in crore	Rs.in crore
<b>Preference shares (CRPS)</b>				
At the beginning of the period	0.56	5.63	0.56	5.63
Add : issued during the period	-	-	-	-
Less : bought back during the year	-	-	-	-
Outstanding at the end of the period	0.56	5.63	0.56	5.63

b. Terms / rights attached to equity shares

The Company has only one class of equity share having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

During the year ended 31st March 2012, the amount of dividend per share recognized as distribution to equity shareholders was Rs. Nil (31 March 2011 : Re. 1/-).

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

c. Terms of redemption of CRPS

Pursuant to the order of the Hon'ble High Court of Judicature at Bombay dated October 14, 2003, the Company had cancelled 22 ½ equity shares issued and unallotted and reduced 20% of the outstanding equity shares amounting to 5,626,320 equity shares. In lieu of cancelled shares, the Company has issued 5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each entitled for cumulative Preference dividend of 0.01% p.a. and redeemable in five equal annual installments starting from September 2019. In the event of liquidation of the Company before redemption, the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

d. The Company does not have any holding company.

e. There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.



## NOTES (Contd.)

f. Details of shareholders holding more than 5% shares in the Company:

	31-Mar-12		31-Mar-11	
	Numbers	% holding in the class	Numbers	% holding in the class
<b>Equity Shares of Rs. 10/- each fully paid</b>				
Jamnalaal Sons Pvt. Ltd.	13,147,761	17.98	13,147,761	17.98
LIC of India	7,228,076	7.89	7,228,076	7.89
Bajaj Holdings & Investment Ltd.	4,056,782	5.55	4,056,782	5.55
Jeewan Ltd.	4,031,857	5.51	3,688,336	5.04

	31-Mar-12		31-Mar-11	
	Numbers	% holding in the class	Numbers	% holding in the class
<b>CRPS of Rs. 10/- each fully paid</b>				
LIC of India	595,545	10.58	595,470	10.58
Jamnalaal Sons Pvt. Ltd.	474,143	8.43	474,143	8.43

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

g. There are no shares reserved for issue under options and contracts / commitments for sale of shares/disinvestment.

h. There are no unpaid calls from any Director and officer.

### (2) RESERVES AND SURPLUS

	31st March, 2012	31st March, 2011
	Rs. in crore	Rs. in crore
<b>Capital Reserve :</b>		
As per last Account (Rs. 47,439/-)	-	-
<b>Capital Redemption Reserve:</b>		
As per last Account	3.00	3.00
<b>Securities Premium Account :</b>		
As per last Account	225.55	225.55
<b>Debenture Redemption Reserve :</b>		
As per last Account	12.21	16.22
Add / (Less) :		
- Transferred to Surplus	(0.78)	(6.25)
- Set aside during the year	-	2.24
	11.43	12.21
<b>Revaluation Reserve :</b>		
As per last Account	1,673.33	1,339.00
Add : Additions on revaluation	-	334.33
Less : Transferred to Statement of Profit & Loss	(4.39)	---
	1,668.94	1,673.33
<b>General Reserve :</b>		
As per last Account	200.65	158.65
Add / (Less) :		
- Transferred to Surplus for Proposed Dividend and Tax thereon (Fy2011-12 : Rs. 6,540/-; Fy2010-11 : Nil)	-	-
- Transferred from Surplus being Opening Balance / Appropriation	30.23	42.00
- Transferred from Surplus being write back of Debenture Redemption Reserve	0.78	-
	231.66	200.65
<b>Surplus :</b>		
As per last Account	30.23	30.06
Surplus / (Deficit) as per annexed Statement of Profit and Loss	(93.50)	46.66
Transferred from Debenture Redemption Reserve	0.78	6.25
Transferred to Debenture Redemption Reserve	-	(2.24)
Transfer from General Reserve for Proposed Preference Dividend and tax thereon (Fy 2011-12 :Rs 6,540/-;Fy2010-11 : Nil)	-	-
Proposed Preference Dividend (Fy 2011-12: Rs 5,627/- ;Fy 2010-11: Rs 5,627/-)	-	-
Proposed Equity Dividend for the year (Fy2011-12: Nil; Fy 2010-11 @ Re 1/- per share )	-	(7.31)
Tax on Preference / Equity Dividend (Fy 2011-12 :Rs 913/-)	-	(1.19)
Transferred to General Reserve being Opening Balance / Appropriation	(30.23)	(42.00)
Transferred to General Reserve being write back of Debenture Redemption Reserve	(0.78)	-
	(93.50)	30.23
	2,047.08	2,144.97

## NOTES (Contd.)

(3) LONG-TERM BORROWINGS	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
<b>I) SECURED LOANS</b>		
a) Debentures	38.72	45.69
b) Term Loans :		
- from Banks	414.06	530.22
- from Financial Institutions	155.86	181.81
- from Others	44.03	18.18
<b>Total Secured Loans</b>	613.95	730.21
<b>II) UNSECURED LOANS</b>		
a) Fixed Deposits	119.66	111.87
b) Sales Tax Deferment Loan	1.86	2.32
<b>Total Unsecured Loans</b>	121.52	114.19
<b>Total Long-term borrowings</b>	774.19	890.09

### Nature of Security & Terms of repayment for Long Term Borrowings

(I) Nature of Security	Terms of Repayment
<p>(i) Debentures</p> <p>5,800,000, 10.50% (2006-15) Mortgage Debentures (balance outstanding as at 31.03.2012 Rs. 45.69 crore, Previous Year Rs.48.82 crore), are secured by way of first pari-passu charge against mortgage/ hypothecation of Company's freehold land, immovable and movable fixed assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable and movable fixed assets both present and future of the Company at Ginigera/ Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their term loans except term loans at (ii) to (ix) below. These debentures are also secured by way of a second and subservient pari-passu charge on stocks (excluding machinery spares) and book debts.</p>	<p>Rescheduled for repayment in 90 monthly installments from 2006 to 2015 in terms of financial restructuring package approved by Corporate Debt Restructuring Cell (CDR) in July 2003 and April 2009.</p>
<p>(ii) Term Loans from Banks, Financial Institutions and a Company (balance outstanding as at 31.03.2012 Rs.308.90 crore, Previous Year Rs.431.48 crore): These are secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.</p>	<p>The principal term debt is to be repaid in 144 monthly installments commencing from April 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.119 crore during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 in place of the earlier schedule of payments by FY2017-18 without any increase in the rate of interest. The Company had improved its operations as well as the resultant cash flows, except for set-back in FY2011-12. Based on an assessment of its financial commitments and the estimated cash flows, the management is confident of meeting all its financial commitments in the foreseeable future.</p> <p>Interest/lease rentals payable on all the principal term debt for the period from 1st April, 2002 to 30th September, 2004 have been converted into Future Funded Interest Term Loan (FFITL) and would be repaid in 78 installments commencing from April 2005 and ending in March, 2013 with a ballooning schedule.</p>
<p>(iii) Term Loan of Rs.62.50 crore (balance outstanding as at 31-3-2012 Rs 62.50 crore, Previous Year Rs.40.00 crore) from a Bank is secured against office premises at Mumbai and three residential premises at Mumbai.</p>	<p>Repayable in 36 equal monthly installments commencing from April 2013.</p>
<p>(iv) Term Loan of Rs.350.00 crore (balance outstanding as at 31.03.2012 - Rs.287.50 crore, Previous Year Rs.335.00 crore) from a Bank is secured against mortgage of 50 acres of leasehold land at Dighe, Thane.</p>	<p>Term Loan of Rs.75 crore is repayable in 30 equal monthly installments commencing from September 2010. Term Loan of Rs.150 crore is repayable in 40 equal monthly installments commencing from August 2011. Term Loan of Rs.125 crore is repayable in 36 equal monthly installments commencing from April 2013.</p>
<p>(v) Term Loan of Rs.100.00 crore (balance outstanding as at 31.03.2012 - Rs.70.00 crore, Previous Year Rs.Nil) from a Bank is secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.</p>	<p>Repayable in 40 equal monthly installments commencing from February 2011.</p>

## NOTES (Contd.)

- |   |  |
|---|--|
| (vi) Term Loan of Rs.35 crore (balance outstanding as at 31.03.2012 - Rs.35.00 crore, Previous Year Rs.Nil) from a Bank is secured against plant and machinery and other moveable assets of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka. | Repayable in 60 equal monthly installments commencing from April 2012. |
| (vii) Loan of Rs.12.50 crore (balance outstanding as at 31.03.2012 - Rs.5.78 crore, Previous Year Rs.9.80 crore) from a Company is secured against hypothecation of specific movable plant and machinery, furniture and fixtures and office equipment.                                | Repayable in 36 monthly installments commencing from July 2010.        |
| (viii) Loan of Rs.17.50 crore (balance outstanding as at 31.03.2012 - Rs.14.63 crore, Previous Year Rs.Nil) from a Company is secured against a residential premises at Delhi.  | Repayable in 36 monthly installments commencing from September 2011.   |
| (ix) Loan of Rs.25.00 crore (balance outstanding as at 31.03.2012 - Rs.25.00 crore, Previous Year Rs.Nil) from a Company is secured against mortgage of 5 acres of leasehold land at Dighe, Thane.  | Repayable in 24 monthly installments commencing from February 2013.    |

### (II) Effect and Progress of Restructuring Package

In terms of the Financial Restructuring Package (FRP) approved by the Corporate Debt Restructuring (CDR) Cell in July 2003 and April 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far :

- (i) Promoters/Associates have pledged 11,426,514 equity shares and 546,652 cumulative redeemable preference shares out of their share-holding in the Company.
- (ii) Pledge of Promoters' holding of shares of Bajaj Auto Limited is to the tune of Rs.14.65 crore.
- (iii) The Company shall ensure balance realization of non-core assets and investments aggregating Rs.82.73 crore (net of amounts realized till 31.03.2012) over a specified time schedule ending on 30th September, 2012.
- (iv) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge / credit in FRP for 8 years commencing from the date of approval.
- (v) In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

(III) For details of loans received from related parties, please refer Note No. 33.

(IV) Deferred sales tax liability is to be paid in 5 annual instalments commencing from FY2012-13 to FY 2016-17.

### (4) Deferred Tax Liabilities (Net)

	<b>31st March, 2012</b>	<b>31st March, 2011</b>
	<b>Rs. in crore</b>	<b>Rs. in crore</b>
Deferred Tax Liabilities	<b>118.82</b>	133.47
Less : Deferred Tax Assets	<b>118.82</b>	118.82
	<b>-</b>	<b>14.65</b>
	<b>-</b>	<b>14.65</b>

Components of Deferred tax (assets) / liabilities are as under :

		<i>Rs.in crore</i>	
	As at 31-Mar-11	Charge / (Credit) for the year 2011-12	As at 31-Mar-12
Deferred Tax liability on account of :			
a) Depreciation	120.36	2.30	118.06
b) Others	13.11	2.06	11.05
	<b>133.47</b>	<b>4.36</b>	<b>129.11</b>
Deferred Tax Asset on account of :			
a) Employee benefits, etc	10.03	(0.41)	10.44
b) Taxes, Duties, Cess, Interest to Banks/FIs', etc	26.94	5.35	21.59
c) Provision for doubtful debts	0.13	-	0.13
d) Unabsorbed Depreciation/ Business Loss, etc	81.07	(15.88)	96.95
e) Others	0.65	0.65	-
	<b>118.82</b>	<b>(10.29)</b>	<b>129.11</b>
Net Deferred Tax (Asset)/Liability \$	<b>14.65</b>	<b>14.65</b>	<b>-</b>

\$ Deferred Tax Asset aggregating Rs.15.19 crore was not recognised considering the principle of virtual certainty as stated in the Accounting Standard AS-22-Accounting for taxes on Income.

## NOTES (Contd.)

(5) OTHER LONG-TERM LIABILITIES	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
Security Deposits	4.49	4.49
Acceptances / Payables for Capital Goods	7.77	-
	<b>12.26</b>	<b>4.49</b>
(6) LONG-TERM PROVISIONS		
for Premium on Redemption of Debentures	0.04	0.04
for Employee Benefits	28.45	24.17
	<b>28.49</b>	<b>24.21</b>

### (7) SHORT-TERM BORROWINGS

#### I) SECURED LOANS

Working Capital Loans from Banks	590.98	395.12
Total Secured Loans	<b>590.98</b>	<b>395.12</b>

#### II) UNSECURED LOANS

Short Term Loans from Companies	249.57	181.87
Total Unsecured Loans	<b>249.57</b>	<b>181.87</b>
Total Short-term borrowings	<b>840.55</b>	<b>576.99</b>

#### Short Term Borrowings - Secured

##### Working Capital Facilities

- (a) Working Capital Facilities from the Banks and other non-funded facilities are secured/to be secured by hypothecation of stocks (excluding machinery spares) and book debts excluding stocks, book debts and movable assets of Road Construction Division. The said facilities are also secured by way of second and subservient pari passu charge against the same assets as given to Trustees for Debentures as shown at Note No.3. The said charge shall be second and subservient to all other first charges created in favour of Trustees for all the series of Debentures and Lenders for their term loans at (i) and (ii) at Note No.3(I).

Note : Security given for the debentures, term loans at Note No.3(I) and working capital facilities mentioned above exclude :

48 acres of grant land at Kalwe and Dighe, Dist. Thane in the State of Maharashtra.

Leasehold land at Dighe, Thane, as it is mortgaged to Lenders covered at Note No.3(I) (iv) and (ix).

Freehold land acquired for Coke Oven Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.

Plant and Machinery of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka is given as security to lenders covered at Note No.3(I) (vi).

39.58 acres leasehold land at Lonand, Dist. Satara in the State of Maharashtra, for Company's project of expansion of finishing facilities for steel products.

43.14 acres of leasehold land at Sinnar, Dist. Nasik, in the State of Maharashtra, for Company's project of expansion of its Industrial Machinery Division.

143.95 acres of freehold land in the State of Jharkhand, for Company's projects in that State.

- (b) Working capital and other facilities from a Bank to M/s. JSC Centrodorstroy, Russia with whose co-operation Company executed a Road Construction Project in the State of Uttar Pradesh are secured by stocks, book debts and movable assets of Road Construction Division and second charge against a residential flat at Mumbai.
- (c) Company has defaulted in repayment of current maturity of Long Term Debt to a bank to extent of Rs.17.50 crore out of which Rs.8.75 crore has been paid after close of the year.

### (8) TRADE PAYABLES

	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
Acceptances	358.01	371.85
Trade Payables	374.71	253.46
	<b>732.72</b>	<b>625.31</b>

- (a) "Trade Payables" include (i) Rs.1.02 crore (Previous year Rs.1.63 crore) due to creditors registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) (ii) Rs. 373.69 crore (Previous year Rs. 251.83 crore) due to other creditors.

- (b) Disclosure in respect of creditors registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSME).



## NOTES (Contd.)

Disclosure as required by Micro, Small and Medium Enterprises Development Act, 2006 is as under :

			For the year ended 31-Mar-12 Rs.in crore	For the year ended 31-Mar-11 Rs.in crore
The principal amount and the interest due thereon remaining unpaid to suppliers				
a	i)	Principal	1.02	1.63
	ii)	Interest due thereon	0.02	0.01
b	I	Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSME)	-	-
c	I	Normal interest accrued during the year, for all the delayed payments, as per the agreed terms.	0.24	0.09
	II	Normal interest payable for the period of delay in making payment, as per the agreed terms.	-	0.09
d	I	Total interest accrued during the year.	0.24	0.10
	II	Total interest accrued during the year and remaining unpaid.	0.26	0.10
e		Included in (d) above is interest on amounts outstanding as at beginning of the accounting year.	0.01	-

The disclosure above is based on the information available with the Company regarding the status of the suppliers under the MSME.

### (9) OTHER CURRENT LIABILITIES

	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
Current maturities of long-term debt	266.51	279.06
Interest accrued but not due on borrowings	13.42	11.34
Interest accrued and due on borrowings	4.76	-
Unpaid Dividends (represents amounts unclaimed)	0.21	0.16
Unpaid matured deposits (represents amounts unclaimed)	1.30	0.91
Liability towards Employee Benefits	7.73	8.49
Advances against Orders and Engineering Contracts	61.79	65.56
Statutory Liabilities	39.08	35.47
Acceptances / Payables for Capital Goods	36.40	3.86
Other Payables	7.50	2.16
	<b>438.70</b>	<b>407.01</b>

### (10) SHORT-TERM PROVISIONS

for Employee Benefits	3.84	6.90
for Equity / Preference Dividends & tax thereon	-	8.50
for Warranty Costs	0.69	0.95
	<b>4.53</b>	<b>16.35</b>

### (11) FIXED ASSETS

	GROSS BLOCK ( At Cost / Book Value)					DEPRECIATION				NET BLOCK	
	As at 1st April, 2011	Additions/ Adjustments	Deductions/ Adjustments	Adjustments/ Additions/ (Deductions) to Revalued Assets	As at 31st March, 2012	As at 1st April, 2011	For the year	Recouped during the year	As at 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
<b>i) Tangible Assets</b>											
Freehold Land	1,346.40	1.49	—	—	1,347.89	—	—	—	—	1,347.89	1,346.40
Leasehold Land	353.31	0.71	(0.04)	—	354.06	2.06	4.69*	—	6.75	347.31	351.25
Railway Siding	13.82	—	—	—	13.82	1.92	0.66	—	2.58	11.24	11.90
Buildings and Roads	173.16	5.77	—	—	178.93	55.21	5.04	—	60.25	118.68	117.95
Plant and Machinery	1,238.18	17.99	8.17	—	1,248.00	641.18	58.41	6.83	692.76	555.24	597.00
Furniture,Fixtures,etc.	7.63	1.02	0.19	—	8.46	4.13	0.34	0.19	4.28	4.18	3.50
Office Machinery	2.57	0.16	0.01	—	2.72	1.20	0.14	0.01	1.33	1.39	1.37
Vehicles	7.61	2.38	3.87	—	6.12	5.27	0.43	3.30	2.40	3.72	2.34
	3,142.68	29.52	12.20	—	3,160.00	710.97	69.71	10.33	770.35	2,389.65	2,431.71
<b>ii) Intangible Assets- Software</b>	0.95	0.39	—	—	1.34	0.47	0.40	—	0.87	0.47	0.48
	0.95	0.39	—	—	1.34	0.47	0.40	—	0.87	0.47	0.48
Total (i) + (ii)	3,143.63	29.91	12.20	-	3,161.34	711.44	70.11	10.33	771.22	2,390.12	2,432.19
Previous year's Total	2,690.23	143.87	24.81	334.34	3,143.63	664.25	67.81	20.62	711.44	2,432.19	
<b>iii) Capital Work-in-Progress, expenditure to date</b>									<b>104.22</b>	<b>23.65</b>	
									<b>2,494.34</b>	<b>2,455.84</b>	

\* includes Rs. 4.39 crore withdrawn from Revaluation Reserve

## NOTES (Contd.)

(i) Revaluation :

Free-hold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984 and the addition to assets on account of this revaluation, aggregating Rs.12.27 crore was correspondingly credited to the Revaluation Reserve during the year ended 30th June, 1984. To reflect the current fair market value, the Company further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market values of these lands. The addition to assets on account of this revaluation, aggregating Rs.114.36 crore was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Company has further revalued the aforesaid land as at 31.03.2009 and an amount aggregating Rs.1,212.37 crore has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.03.2009.

Leasehold land at Dighe, Thane as at 31.03.2011 has been revalued to reflect the current Fair Market Value of this land. The valuation was carried out by a Registered Valuer. The addition to assets on account of this revaluation, aggregating Rs.334.34 crore has been correspondingly credited to the revaluation reserve as at 31.03.2011. An amount of Rs.4.39 crore has been transferred from the revaluation reserve to the statement Profit & Loss towards charge of amortization of the said land for the year.

(ii) Gross Block of Buildings as at 31st March, 2012 includes value of offices, residential flats and garages in co-operative societies/proposed co-operative societies/association of apartment owners aggregating Rs.6.39 crore at cost (Previous Year Rs.6.39 crore) [including cost of shares in co-operative societies Rs.7,500/- (Previous Year Rs.7,500/-)].

(iii) Fixed assets include net book value of assets at Ginigera Steel Plant aggregating Rs.1.40 crore which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

Assets held for disposal

	Rs. in crore			
Description	As at 1-Apr-11	Depreciation as at 31-Mar-12	Loss on Discard written-off	Net Block as at 31-Mar-12
Plant & Machinery	3.30	1.90	-	1.40

(iv) Fixed Assets include borrowing costs of Rs.5.86 crore capitalised during the year (Previous Year Rs.5.74 crore).

(v) As lessee: Future Rental obligations in respect of premises taken on lease – Operating Lease.

		Rs.in crore	
		As at	As at
		31-Mar-12	31-Mar-11
1	For a period not later than one year.	1.82	2.48
2	For a period later than one year and not later than five years.	-	-
3	For a period later than five years.	-	-
<b>Total.....</b>		<b>1.82</b>	<b>2.48</b>

Lease rentals charged to revenue for the current year Rs. 3.15 crore (Previous Year Rs. 2.91 crore).

These premises comprise residential flats, office premises and warehouses. The Agreements for lease are executed for tenure of 11 to 72 months with a provision for renewal and termination by either party giving a prior notice of 1 to 3 months.

(vi) As Lessor: Future Rental income in respect of premises given on lease – Operating Lease.

		Rs.in crore	
		As at	As at
		31-Mar-12	31-Mar-11
1	For a period not later than one year.	0.57	0.59
2	For a period later than one year and not later than five years.	-	0.04
3	For a period later than five years.	-	-
<b>Total .....</b>		<b>0.57</b>	<b>0.63</b>

These premises comprise office premises and a residential flat given on lease for tenure of two years with a provision for renewal in case of office premises.

Gross carrying amount of assets: Rs.2.40 crore.

Accumulated depreciation upto 31.03.2012: Rs.0.65 crore.

Depreciation for the year: Rs.0.04 crore.

## NOTES (Contd.)

(12) NON-CURRENT INVESTMENTS, <i>At Cost / Value after providing for diminution</i>	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
<b>I. Investments in Equity instruments :</b>		
<b>A. In Subsidiary Companies (Trade / Unquoted) :</b>		
(i) <b>Mukand Global Finance Ltd.</b> 11,749,500 Equity Shares of Rs.10/-each, fully paid up	26.25	26.25
(ii) <b>Mukand International Ltd.</b> 1,000 Ordinary Shares of Stg. Pound 1/-each, fully paid up (Rs. 50,000/-)	0.01	0.01
(iii) <b>Mukand International Fze Ltd.</b> 5 Ordinary Shares of AED 1/- million each, fully paid up	6.25	6.25
(iv) <b>Vidyavihar Containers Ltd</b> 11,976,762 Equity Shares of Rs.100/-each, fully paid up Less : Provision for diminution in the value of investments	61.63 <u>18.49</u> 43.14	61.63 <u>18.49</u> 43.14
(v) <b>Mukand Vijaynagar Steel Ltd.</b> 70,000 Equity Share of Rs.10/-each, fully paid up Less : Provision for diminution in the value of investments	0.07 <u>0.07</u> ---	0.07 <u>0.07</u> ---
<b>Sub-total - Subsidiary Companies</b>	<b>75.65</b>	<b>75.65</b>
<b>B. Trade ( Unquoted ) :</b>		
<b>In Associates :</b>		
(i) <b>Hospet Steels Ltd.</b> 70,000 Equity Shares of Rs. 10/-each, fully paid up	0.07	0.07
<b>In Others :</b>		
(i) <b>Bekaert Mukand Wire Industries Pvt Ltd</b> 13,000,000 Equity Shares of Rs.10/-each, fully paid up	13.00	13.00
<b>In Joint Ventures</b>		
(i) <b>Mukand Vini Mineral Ltd (A Joint Venture Company)</b> 667,765 Equity Shares of Rs.10/-each, fully paid up	<u>0.67</u>	<u>0.67</u>
<b>Sub-total - Trade</b>	<b>13.74</b>	<b>13.74</b>
<b>C. Other than trade ( Quoted ) :</b>		
<b>In Associates</b>		
(i) <b>Mukand Engineers Ltd.</b> 4,539,781 Equity Shares of Rs.10/-each, fully paid up	19.78	19.78
<b>D. Other than trade ( Unquoted ) :</b>		
<b>In Associates</b>		
(i) <b>Stainless India Ltd.</b> 6,097,200 Equity Shares of Rs.10/-each, fully paid up Less : Provision for diminution in the value of investments	13.09 <u>(13.09)</u> ---	13.09 <u>(13.09)</u> ---
(ii) <b>Bombay Forgings Ltd</b> 28,800 Equity Shares of Rs.66.67 each fully paid up	<u>0.19</u>	<u>0.19</u>
<b>Sub-total : Associates</b>	<b>0.19</b>	<b>0.19</b>
<b>In Others</b>		
(i) <b>Lazard Creditcapital Ltd.</b> 100 Equity Shares of Rs.10/- each, fully paid up (Rs. 1,000/-) [Previous year (Rs.1,000/-)]	-	-
(ii) <b>Pradip Realtors Pvt. Ltd.</b> 12 Equity Shares of Rs.10/-each, fully paid up (Rs.120/-); [Previous year (Rs.120/-)]	-	-
(iii) <b>The Greater Bombay Co-operative Bank Ltd.</b> 10 Equity Shares of Rs.25/-each, fully paid up (Rs. 250/-) [Previous year (Rs. 250/-)]	<u>-</u>	<u>-</u>
<b>Sub-total - Others</b>	<u>-</u>	<u>-</u>
	<b>109.36</b>	<b>109.36</b>
<b>II. Share Application Money :</b>		
Mukand Vini Mineral Ltd (A Joint Venture Company)	<u>0.31</u>	<u>0.31</u>
	<b>109.67</b>	<b>109.67</b>

## NOTES (Contd.)

	Book Value as at		Market Value as at	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
	Rs. in crore	Rs. in crore	Rs. in crore	Rs. in crore
Quoted Investments	19.78	19.78	10.24	12.64
Unquoted Investments	<u>89.58</u>	<u>89.58</u>		
	<u>109.36</u>	<u>109.36</u>		
<p>Note : Aggregate diminution in value of Investments Rs 31.65 crore (Previous year Rs 31.65 crore)</p>				
<b>(13) LONG-TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified</b>			<b>31st March, 2012</b>	<b>31st March, 2011</b>
			<b>Rs. in crore</b>	<b>Rs. in crore</b>
Other Loans and Advances			0.08	0.14
Advances recoverable in cash or in kind or for value to be received			59.70	49.05
Advance payment of Income-tax (net)			42.29	22.65
Deposits with --				
Central Excise, etc.		8.20		7.30
Others \$		<u>12.61</u>		<u>13.54</u>
			<u>20.81</u>	<u>20.84</u>
			<u>122.88</u>	<u>92.68</u>
<p>\$ Includes National Savings Certificates of the cost of Rs. 74,000/- (Previous year Rs. 59,000/- ) deposited with government departments.</p>				
<b>(14) OTHER NON-CURRENT ASSETS</b>				
MAT Entitlement Credit			<u>48.28</u>	<u>48.28</u>
			<u>48.28</u>	<u>48.28</u>
<b>(15) INVENTORIES</b>				
<b>(For mode of valuation refer Accounting Policy 6)</b>				
Raw Materials		63.57		85.59
Material-in-Transit		<u>42.02</u>		<u>14.78</u>
Total Raw Materials			<u>105.59</u>	<u>100.37</u>
Work-in-Progress			92.02	110.45
Contracts in Progress [Refer Accounting Policy 8 (v) and Note No. 21]			288.39	285.56
Finished Goods			420.34	374.71
Iron Ore / Cokes Fines etc.			36.06	11.32
Stores, Spares, Components and Engineering Construction Materials		44.71		36.31
Material-in-Transit		<u>7.78</u>		<u>4.14</u>
Total Stores, Spares, Components and Engineering Construction Materials			<u>52.49</u>	<u>40.45</u>
Fuel			1.25	2.20
Loose Tools			0.17	0.10
			<u>996.31</u>	<u>925.16</u>
<b>Current Assets</b>				
<p>In the opinion of the Board of Directors of the Company, all items of 'Current Assets, Loans and Advances', continue to have a realizable value of at least the amounts at which they are stated in the Balance Sheet, unless otherwise stated.</p>				
<b>(16) Trade Receivables , Unsecured</b>				
More than six months from the due date of payment :				
Considered Good		327.96		295.71
Considered Doubtful		0.10		0.10
Less : Provision		<u>(0.10)</u>		<u>(0.10)</u>
		---		---
			<u>327.96</u>	<u>295.71</u>
Other Trade Receivables :				
Considered Good			<u>549.02</u>	<u>574.64</u>
			<u>876.98</u>	<u>870.35</u>



## NOTES (Contd.)

### (17) CASH AND BANK BALANCES

	31st March, 2012 Rs. in crore	31st March, 2011 Rs. in crore
Cash on hand	2.57	6.06
( including cheques on hand Rs. 2.38 crore Previous year Rs. 5.87 crore and stamp papers on hand Rs. 0.13 crore Previous year Rs. 0.11 crore)		
Balances with Banks :		
(i) In Current Accounts	6.98	29.87
(ii) In Unpaid Dividend Accounts	0.21	0.15
(iii) In Margin Money Accounts #	57.63	52.97
(iv) In Deposit Accounts	0.70	0.34
	65.52	83.33
Remittances-in-Transit	10.60	14.99
	78.69	104.38

# under lien with Banks

### (18) SHORT-TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified

Loans to Subsidiaries :

Vidyavihar Containers Ltd.	33.23	66.62
Other Loans and Advances	0.08	0.40
Advances recoverable in cash or in kind or for value to be received	182.20	101.28
Considered Doubtful	0.30	0.30
Less : Provision	(0.30)	(0.30)
	---	---
	182.20	101.28
Balances, etc. with --		
Central Excise	11.50	5.10
Others	0.17	0.12
	11.67	5.22
	227.18	173.52

#### Short Term Loans and Advances, Trade Receivables, non-current investments etc.

- (a) The Company has investments of Rs. 0.19 crore (Previous Year Rs. 0.19 crore) in equity shares of Bombay Forgings Limited (BFL), and has trade receivables due from BFL / advances recoverable which stood at Rs. 70.66 crore as at 31.03.2012 (Previous Year Rs. 66.98 crore) (collectively referred to as 'Exposures'). Net worth of BFL has turned positive and BFL is no longer a sick industrial company. BIFR has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies upon on the valuation of unencumbered assets of BFL as at 31<sup>st</sup> March, 2012 which is at Rs. 79.92 crore (Previous Year Rs. 75.57 crore) and barring any significant uncertainties in future, relies upon the earnings from the ongoing business of BFL. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgement, have placed their reliance.
- (b) The Company has an investment of Rs. 61.63 crore (Previous Year Rs. 61.63 crore) in equity shares of Vidyavihar Containers Ltd. (VCL) a wholly owned subsidiary. The Company has outstanding balances of loans amounting to Rs. 33.23 crore (net of amount received during the year Rs. 33.39 crore) (Previous Year Rs. 66.62 crore) (collectively referred to as 'Exposures'). Although the Net Worth of VCL has eroded, the management considers it appropriate to recognise diminution in value of investments only upto an amount of Rs.18.49 crore and consider no further provision necessary. Management, barring any significant uncertainties in future, relies upon the VCL management's estimation of realizable values of financial assets of VCL and expected additional realization from its real estate development agreement with a developer to be able to recover its exposures. The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered, and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgement, have placed their reliance.
- (c) The Company has an investment of Rs.13.09 crore (Previous Year Rs.13.09 crore) in equity shares of Stainless India Limited (SIL), has trade receivables recoverable Rs. 1.12 crore (Previous Year Rs. 0.85 crore), loans and interest receivable outstanding aggregating Rs. Nil (Previous Year Rs. 0.47 crore) and has trade advances, aggregating Rs. 39.16 crore (Previous Year Rs. 38.34 crore).  
The Net-worth of SIL has eroded. The management has recognised fully the diminution in value of investments. The management, barring any significant uncertainties, relies upon the estimated realisable values of unencumbered assets of SIL, as at 31<sup>st</sup> March, 2012 estimated at Rs. 45.35 crore (Previous Year Rs. 49.50 crore). The management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgement, have placed their reliance.
- (d) The Company has an investment of Rs. 26.25 crore (Previous Year Rs. 26.25 crore) in equity shares of Mukand Global Finance Limited (MGFL), a wholly owned subsidiary, whose recovery is dependent upon realisation of the financial assets that MGFL stands invested into at the close of the year. The management considers the 'Exposure' to be 'Good' and adequately covered since it is in the process of disposing off this investment. As the negotiated price is yet undecided, any ultimate shortfall in the realization is not determinable at present, the Auditors being unable to make an informed judgment have placed reliance on the judgment of the management.
- (e) For details of loans and advances given to related parties, please refer Note No. 33

## NOTES (Contd.)

- (f) Details of loans and advances in the nature of loans recoverable from subsidiaries/associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges).

Rs.in crore

	Name of the Party	Outstanding amount		Maximum amount during the year	
		As at 31-Mar-12	As at 31-Mar-11	2011-12	2010-11
i]	Subsidiaries:				
	Mukand Global Finance Ltd – interest free.	-	-	-	0.60
	Vidyavihar Containers Ltd. – interest waived.	33.23	66.19	66.19	67.50
ii]	Associates:				
	Stainless India Ltd.	-	0.40	0.40	0.40

- (g) In case of the Company's long term investments of Rs.13 crore in equity shares of Bekaert Mukand Wire Industries Pvt. Ltd., (BMW IPL), no provision for diminution in the value of investments in BMW IPL is considered even though BMW IPL's net-worth has eroded by over 40% since this is a long term investment by the Company. Moreover, NV Bekaert SA has infused additional capital in BMW IPL to double the capacity of its plant and this is expected to earn sufficient profits in the coming years and recoup the losses incurred till 31.03.2012. The Auditors being unable to make an informed judgment have placed reliance on the judgment of the management.

### (19) OTHER CURRENT ASSETS

	31st March, 2012	31st March, 2011
	Rs. in crore	Rs. in crore
Receivables Others	<u>2.94</u>	<u>2.94</u>
	<b>2.94</b>	<b>2.94</b>

Other current assets represent an amount of Rs.2.94 crore due from Ispat Group of Companies. The Company had entered into an agreement dated 31st March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.6.94 crore. Under the terms of the said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, the Company had taken credit for the consideration aggregating Rs.6.94 crore, during the Accounting Year 1997-98. The Company has, upto the close of the accounting year 2011-12, received amounts aggregating Rs.4.00 crore against the aggregate consideration of Rs.6.94 crore, and management considers the balance amount to be good and recoverable in due course and this has been relied upon by the Auditors.

### (20) (a) Contingent Liabilities not provided for :

	31-Mar-12 Rs.in crore	31-Mar-11 Rs.in crore
(i) Disputed matters in appeal/contested in respect of:		
- Income Tax *	20.10	20.83
- Excise Duty, Customs Duty etc.	4.53	2.76
- Sales Tax, Works Contract Tax etc. **	4.90	2.83
- Other matters	0.24	0.24
<p><i>* included in this amount (not provided in the Accounts) is the liability under Sec 115JB of the Income Tax Act, 1961 for Assessment Year 2005-06 as the Company's appeal is pending disposal. Company places reliance on certain judicial pronouncements and has also obtained a legal opinion on the matter.</i></p> <p><i>** In the matter of certain ex-parte assessments completed by Commercial Tax Officer in the State of Uttar Pradesh, Company is advised that liability if any, that may arise will be determined after the matter is remanded to the Assessing Officer and on completion of reassessment proceedings and therefore, the same is not included herein.</i></p>		
(ii) Claims against the Company not acknowledged as debt as these are disputed and pending disposal at various fora.	20.89	17.26
For items (i) & (ii)		
The Company has taken legal and other steps to protect its interest in respect of these matters, which is based on legal advice and/or precedents in its own/other cases. It is not possible to make any further determination of the liability which may arise in these matters.		
(iii) Bills discounted with the Bankers and others		
Sale Bills discounted	9.80	17.27
(iv) Guarantees and Counter guarantees given by the Company on behalf of :-		
- Other Companies	22.75	18.96
(v) Bonds / Undertakings given by the Company under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for)	0.66	0.66
(vi) Bonds given by the Company against import of machinery under EPCG Scheme. (Net of redemption applied for)	30.02	19.37
(vii) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charged in FRP for 8 years commencing from the date of approval.		
(viii) The Company has implemented the award given by the Industrial Tribunal in the matter relating to emoluments of staff and officers. The said award is under challenge in the High Court of Bombay by way of a Writ Petition, and is pending disposal.		

## NOTES (Contd.)

Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising there from cannot therefore be determined at present.

- (ix) Government of Maharashtra had served a Demand Notice on the Company for payment of electricity duty for power generated during the period 01.04.2000 to 30.04.2005 and penal interest thereon in Company's Captive Power Plant amounting to Rs. 14.27 crore. The Writ Petition filed by the Company is disposed by the Hon'ble Bombay High Court on 7<sup>th</sup> November, 2009 quashing the said Demand Notice. Government of Maharashtra has however, filed an appeal in the Supreme Court of India against the aforesaid judgment of High Court.
- (x) There have been delays in payment of tax deducted at source in earlier years and also in FY2011-12. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities.
- (xi) A claim towards difference in price of calibrated iron ore for the period 1<sup>st</sup> April, 2006 to 28<sup>th</sup> February, 2007 amounting to Rs. 33.07 crore has been raised by a supplier in March 2007. The Company has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue along with method of review and re-fixing of price of calibrated iron ore effective on 1<sup>st</sup> of April each year in terms of agreement is referred to an arbitral tribunal whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of calibrated iron ore w.e.f. 1<sup>st</sup> April, 2007 and thereafter w.e.f. 1<sup>st</sup> April, every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim mutually agreed price on the marketing contractor who in turn, has billed the Company at the same price and which liability, has been fully accounted for.

(b) Commitments			Rs. in crore	
			31-Mar-12	31-Mar-11
i) Estimated amount of contracts remaining to be executed on Capital Account and not provided for			91.10	35.08
ii) Commitments in respect of derivative instruments:				
Derivative instruments outstanding:	Amount in crore			
			As at 31-Mar-12	Equivalent
			As at 31-Mar-11	Equivalent
For Imports	USD	2.50	Rs. 126.98	USD 1.16
	Euro	0.12	Rs. 7.84	Euro -
For Exports	USD	0.48	Rs. 24.17	USD -
	Euro	0.05	Rs. 3.39	Euro 0.35

Foreign Currency exposures that are not hedged by derivative instruments :

Amounts in brackets are for previous year.

									Amount in crore	
	Debtors	Eqvt. Rs.	Creditors	Eqvt. Rs.	Cash Bank Balances	Eqvt. Rs.	Other Payables	Eqvt. Rs.	Total	Eqvt. Rs.
USD		0.12	1.89	96.15		0.01		0.06	1.89	96.34
	(0.11)	(5.08)	(1.82)	(81.31)		(0.01)	(0.01)	(0.19)	(1.94)	(86.59)
Euro			0.36	24.54					0.36	24.54
			(0.02)	(1.54)					(0.02)	(1.54)
GBP		-								-
		(0.03)								(0.03)
CHF				0.06						0.06
				-						-

### (21) Revenue from Operations

		2011-12	2010-11
		Rs. in crore	Rs. in crore
<b>Sale of Products and Services</b>			
1.	Bars, Rods and Coils - Alloy Steel	1,456.97	1,508.75
2.	Bars, Rods and Coils - Stainless Steel	919.63	791.25
3.	Engineering Contracts	371.77	402.03
4.	Others	30.16	59.57
	Total	2,778.53	2,761.60
	Less : Excise Duty	234.45	241.32
	<b>Net Sale of Products and Services</b>	<b>2,544.08</b>	<b>2,520.28</b>

Sales is net of returns, discounts and rebate aggregating Rs 17.09 crore (Previous year Rs 17.29 crore)

## NOTES (Contd.)

	2011-12	2010-11
	Rs. in crore	Rs. in crore
<b>Other Operating Revenues</b>		
(a) Sale of Scrap and Sundries	8.64	8.74
(b) Sales-tax/VAT Refunds	17.32	2.64
(c) Gain on variation in foreign exchange rates (net)	-	0.63
(d) Interest Received - From Banks	12.15	3.23
(e) Insurance Claims etc.	0.59	0.80
(f) Credit balances appropriated	1.56	1.10
(g) Other Miscellaneous receipts	3.74	8.44
(h) Excess provisions written back (net)	1.94	1.10
(i) Surplus on account of sale of assets	1.09	1.69
<b>Total Other Operating Revenues</b>	<b>47.03</b>	<b>28.37</b>
<b>Total Sales and Services and Other Operating Revenues</b>	<b>2,591.11</b>	<b>2,548.65</b>
(a) Disclosure regarding Income from Engineering Contracts – Road Construction Division:		<b>Rs.in crore</b>
	<b>2011-12</b>	<b>2010-11</b>
(i) The amount of Contract revenue recognised as revenue during the year.	-	14.62
(ii) The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year.	765.42	761.99
(iii) The amount of advances received (Gross)	-	-
(iv) The amount of retentions (included in Trade Receivables) (net balance)	-	-
(v) Amount due to customers	-	-
(vi) Amount due from customers	39.22	39.97
(b) The management has, keeping in view the accounting policy 31(8)(v) adopted by the Company, technically determined the realisable value of Contracts in Progress (including incidental income by way of disposal of plant and equipment at the end of the contract) compared to reliable revenues and claims raised by the Company in respect of its Road Construction Contracts. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims by the Company aggregating Rs.113.27 crore (Previous Year Rs.114.73 crore) for incremental jobs executed, escalations and time over-runs, losses currently expected are already recognized till the close of the year. Since realization of these claims is a judgmental matter, on which auditors are not able to make an informed judgment, the auditors have placed reliance on the Management's judgment of the losses currently expected, reliability of claims which is expected to be settled progressively by 31st March, 2013, and further losses if any, would be entirely recognized and fully expensed by that date.		
(c) Disclosure regarding Income from Contracts of Industrial Machinery Division to which Accounting Standard 7 applies :		<b>Rs.in crore</b>
	<b>2011-12</b>	<b>2010-11</b>
The amount of Contract revenue recognised as revenue during the year.	246.03	275.70
The aggregate amount of costs incurred and recognised profits (less recognised losses) upto 31.03.2012.	980.83	735.15
The amount of advances received (Gross)	32.12	55.50
The amount of retentions (included in Trade Receivables) (net balance)	78.36	57.26
Amount due to customers	-	-
Amount due from customers	141.37	141.92
<b>(22) Other Income</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>Rs. in crore</b>	<b>Rs. in crore</b>
(a) Rent received	1.24	0.94
(b) Surplus on account of sale of Land	-	38.50
(c) Surplus on sale of investments	-	1.88
(d) Interest Received - From Others	0.33	7.20
(e) Dividends (Gross) :		
from Subsidiary	0.24	1.14
from Trade Investments	0.70	0.06
from Mutual Fund Investments	-	0.69
<b>Total Other Income</b>	<b>0.94</b>	<b>1.89</b>
	<b>2.51</b>	<b>50.41</b>



## NOTES (Contd.)

	2011-12 Rs. in crore	2010-11 Rs. in crore
<b>(23) RAW MATERIALS CONSUMED</b>		
Opening Stocks	85.59	52.55
Add : Purchases	1,372.15	1,412.30
Less : Sales / Materials given on loan	(0.04)	0.12
	1,457.78	1,464.73
Less : Closing Stocks	63.57	85.59
	1,394.21	1,379.14

### Details of Imported and Indigenous Materials Consumed.

**Raw Materials** (including materials taken on loan and after adjustments relating to return of materials taken on loan):

Important basic raw materials:

- Scrap *		
- Pig Iron	285.90	224.44
- Hot Briquetted Iron		
- Ferro Nickel/Nickel	253.06	264.35
- Ferro Chrome	157.15	148.00
- Structural & other Steel @	22.33	29.23
Billets / Blooms	1.66	-
Coke	373.86	464.98
Iron Ore @@	226.45	193.34
Other raw materials	73.80	54.80
	1,394.21	1,379.14

	2011-12		2010-11	
	% of total	Rs.in crore	% of total	Rs.in crore
<b>Imported</b>	30.37	423.40	39.46	544.16
<b>Indigenous</b>	69.63	970.81	60.54	834.98
	100.00	1,394.21	100.00	1,379.14

\* Excludes Internal Arisings

@ Includes for Capital jobs

@@ Used for conversion to hot metal for making pig iron, blooms, billets and rounds

	2011-12 Rs. in crore	2010-11 Rs. in crore
<b>(24) Changes in inventories of finished goods and work-in progress</b>		
Opening Stocks	782.04	596.41
Less : Closing Stocks	836.81	782.04
Variation in Stocks	(54.77)	(185.63)
Variation in Excise Duty on Opening & Closing Stocks of Finished Goods	10.25	16.21
(Increase)/Decrease in Stocks	(44.52)	(169.42)

<b>(25) Employee Benefits Expense</b>		
Salaries, Wages, Bonus, Compensation and Other Payments	109.49	101.59
Contribution towards Employees' State Insurance, Provident and Other Funds	11.22	13.92
Welfare Expenses	11.14	9.96
	131.85	125.47

	2011-12 Rs. in crore	2010-11 Rs. in crore
<b>(26) Finance Costs</b>		
Interest Expense	248.01	217.49
Less :		
Interest Capitalised	5.86	5.74
Interest Income from Trade Dues	70.89	59.20
	76.75	64.94
Other borrowing costs	4.24	3.72
Lease Rentals	6.37	6.37
	181.87	162.64

## NOTES (Contd.)

### (27) Other Expenses :

	<b>2011-12</b>	<b>2010-11</b>
	<b>Rs. in crore</b>	Rs. in crore
Stores, Spares, Components, Tools, etc. consumed (a)	<b>378.18</b>	392.31
Contract execution costs	<b>6.12</b>	17.03
Power and Fuel consumed	<b>206.53</b>	179.05
Machining and Processing charges	<b>148.92</b>	158.31
Sub-contracting expenses	<b>33.40</b>	28.17
Other Manufacturing expenses	<b>14.32</b>	15.66
Rent (net)	<b>0.97</b>	1.01
Repairs:		
to Buildings	<b>1.87</b>	2.52
to Plant and Machinery (b)	<b>7.51</b>	7.27
to Other assets	<b>2.00</b>	1.74
	<b>11.38</b>	11.53
Rates and Taxes	<b>3.31</b>	3.04
Insurance	<b>1.91</b>	1.68
Commission	<b>5.02</b>	5.40
Freight, Forwarding and Warehousing (net)	<b>77.08</b>	85.95
Directors' Fees and Travelling Expenses	<b>0.11</b>	0.10
Bad Debts, debit balances and claims written off	<b>0.49</b>	90.46
Less : Doubtful debts provided in earlier years	<b>-</b>	61.95
	<b>0.49</b>	28.51
Loss on assets discarded / impaired	<b>1.15</b>	1.11
Loss on assets sold	<b>0.03</b>	0.29
Loss on variation in foreign exchange rates (net)	<b>41.84</b>	---
Miscellaneous Expenses (c)	<b>46.52</b>	44.97
	<b>977.28</b>	974.12

(a) After adjusting sales/material on loan Rs 1.84 crore (Previous year Rs 1.37 crore).

(b) Excludes spares consumed for repairs.

(c) Includes non-recoverable excise duty Rs 0.04 crore and sales tax Rs 0.37 crore on sales (Previous year Rs 0.42 crore and Rs. 0.04 crore respectively).

### (28) Earnings in Foreign Exchange

Exports (F.O.B. Value)	216.95	153.54
Dividend	0.23	1.14
Others (includes Management fees, reimbursement of legal costs and a claim from a supplier)	0.47	2.01
	<b>217.65</b>	<b>156.69</b>

### (29) Computation of Profit for Earnings per Share (EPS) :

Net Profit/(Loss) After Taxation as per Statement of Profit & Loss	(93.50)	46.66
Less : Dividends and tax thereon		
Net Profit/(Loss) for calculation of basic / diluted EPS	(93.50)	46.66
Weighted average number of equity shares outstanding	73,114,129	73,114,129
Basic and diluted EPS (face value Rs.10/- per share) (in Rs.)	(12.79)	6.38

### (30) (a) Stores, Spares, Components etc. (net of sales) consumed :

	2011-12		2010-11	
	% of total		% of total	
	Consumption	Rs.in crore	Consumption	Rs.in crore
i) Stores, Spares, etc.				
- Imported	18.11	64.85	17.82	61.28
- Indigenous	81.89	293.15	82.18	282.52
	<b>100.00</b>	<b>358.00</b>	<b>100.00</b>	<b>343.80</b>
ii) Components				
- Imported	0.15	0.03	16.65	8.08
- Indigenous	99.85	20.14	83.35	40.44
	<b>100.00</b>	<b>20.17</b>	<b>100.00</b>	<b>48.52</b>
		<b>378.17</b>		<b>392.32</b>

## NOTES (Contd.)

**(b) Value of imports (C.I.F. basis) (including in-transit).**

	2011-12 Rs. in crore	2010-11 Rs. in crore
Raw Materials	383.45	468.41
Stores, Spare Parts, Components and Fuel	61.59	53.82
Goods for trade	–	6.30
Capital goods	42.45	1.59
	487.49	530.12

**(c) Expenditure in Foreign Currency**

(Including amounts capitalised and amounts recovered)

Interest and Bank charges (Net of tax)	3.14	1.12
Technical Consultancy / Services and Engineering contract execution costs (Net of tax)	0.49	0.14
Foreign Travel	0.41	0.51
Legal and Professional fees	0.16	0.53
Other matters	0.45	0.46
	4.65	2.76

**(d) Disclosures in respect of provisions for warranty costs:**

						Rs. in crore
	Op.Bal. as at 01.04.11	Provided during the year	Utilised during the year	Reversed during the year		Closing Balance as at 31.03.12
	0.95	0.94	1.01	0.19		0.69

**(e) The Company had, during the Financial Year 1998-99, entered into a strategic alliance with Kalyani Steels Limited to set-up a steel plant to be operated by a Company – Hospet Steels Limited.**

Expenses and liabilities arising out of this alliance to Hospet Steels Limited are shared on the basis stipulated in the relevant Agreements, and its accounting in the books of the Company is carried out, accordingly.

Wherever, due to the terms of the alliance, estimations are required to be made in respect of expenses, liabilities, production, etc., the same have been relied upon by the auditors, being technical matters.

**(f) Payment to Auditors**

	2011-12 Rs. in crore	2010-11 Rs. in crore
(i) As Auditors	0.33	0.25
(ii) For Taxation matters	0.03	0.02
(iii) For other services	0.13	0.07
(iv) For reimbursement of expenses	0.06	0.06
	0.55	0.40

**(31) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY.**

**(1) Basis of preparation:**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

**(2) Use of Estimates:**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated and actual materialized results and estimates are recognized in the period, in which the results are known.

**(3) Fixed Assets:**

**(a) Tangible Assets**

Fixed Assets are stated at cost of acquisition or construction. However, fixed assets, which are revalued by the Company, are stated at their revalued book values.

## NOTES (Contd.)

Cost of acquisition comprise all costs incurred to bring the assets to their location and working condition upto the date assets are put to use. Cost of construction comprise of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to specific assets upto the date the assets are put to use.

### (b) Intangible Assets

Intangible Assets are stated at their cost of acquisition less accumulated amortization and impairment losses. An asset is recognized, where it is possible that future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciable amount on intangible assets is allocated over the best estimate of its useful life on a straight line basis or the period of agreement whichever is lower.

### (c) Depreciation / Amortisation

- (i) The Company provides depreciation on all its assets on the "Straight Line Method" in accordance with the provisions of Section 205 (2)(b) of the Companies Act, 1956.
- (ii) Depreciation on Buildings and Furniture & Fixtures acquired upto 31st March, 1987 is provided at the rates of depreciation prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 [1/1/86-CL-V] dated 21.5.1986 issued by the Company Law Board.
- (iii) Depreciation on addition to assets referred to in (ii) above, acquired on or after 1st April, 1987 is provided at the Straight Line Method rates specified from time to time in Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on assets under Plant & Machinery group in Schedule XIV to the Companies Act, 1956, is provided over the recomputed "Specified Period", at the rates given in the said Schedule from time to time, in accordance with Circular 14/93 dated 20th December, 1993, issued by the Department of Company Affairs.
- (v) Software is amortised over a period of 3 years.
- (vi) Depreciation in respect of assets used for long term engineering contracts is provided on the estimated useful life of the assets.
- (vii) Assets costing less than Rs.5,000/- are fully depreciated at the rate of 100% in the year of purchase.
- (viii) Depreciation on addition to assets or on sale / discardment of assets is calculated pro-rata from the month of such addition or upto the month of such sale / discardment, as the case may be.
- (ix) Cost of Leasehold land is amortized over the period of lease.
- (x) Technical know-how is amortised over the period of agreement or six years, whichever is lower.

### (4) Impairment of Assets :

An asset is considered as impaired in accordance with Accounting Standard 28 on "Impairment of Assets", when at balance sheet date there are indications of impairment and the carrying amount of the assets or where applicable the cash generating unit to which the assets belong, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss Account.

### (5) Investments :

Investments are classified as current or long term in accordance with Accounting Standard 13 on "Accounting for Investments". Long term Investments are stated at cost of acquisition. Provision for diminution is made to recognize a decline, other than temporary, in the value of such investments. Current investments are stated at lower of cost of acquisition and fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

### (6) Inventories :

Inventories are valued at lower of cost or net realizable value. Materials-in-transit are valued at cost-to-date. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. The cost formulae used for determination of cost are either 'First in First Out' or 'Average Cost', as applicable.

### (7) Foreign currency translations :

- (i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- (ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the year. The resultant gain or loss is accounted for during the year.
- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.

Non monetary items such as investments are carried at historical costs using the exchange rates on the date of the transactions.

### (8) Revenue Recognition :

- (i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.
- (ii) Revenue from sale of goods is recognized when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of Sales Tax/Value Added Tax. Excise Duty recovered is presented as a reduction from gross turnover.
- (iii) Liability for Excise Duty and Customs Duty payable on goods held in bond at the year end is provided for.
- (iv) Benefit on account of entitlement to import duty-free materials under the Advance Licence and Duty Entitlement Pass-Book Scheme, is estimated and accounted in the year of export.
- (v) Accounting for Long Term Engineering Contracts:

Revenue from construction/project related activity for supply/commissioning of Plant & Equipment is recognised on the percentage of completion method, in proportion that the contract costs incurred for the work performed upto the reporting date bear to the estimated total contract costs.

Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current estimates.

## NOTES (Contd.)

At each reporting date, the contracts in progress (progress work) is valued and carried in the Balance Sheet under Current Assets.

- (vi) Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognized when the right to receive dividend is established.

Interest income earned on trade dues is netted against interest expense under finance costs.

- (vii) Front-end fees paid on borrowings are amortised over the period of loans/debentures or over a period of three years whichever is shorter.

### (9) Leases :

- (a) Operating lease:

Lease, where the lessor effectively retain substantially all the risks and benefits of ownership of the leased assets, are classified as operating lease. Operating lease receipts and payments are recognized as income or expense in the Profit and Loss Account on a straight line basis over the lease term.

- (b) In respect of Other Assets taken on Lease upto 31-3-2001:

- (i) Interest and other charges are deferred over the "specified period" of the assets or the term of lease, whichever is shorter.  
(ii) Lease rentals are charged over the "specified period" of the assets or the term of lease, whichever is shorter.

The "specified period" is worked out at the rates of depreciation on the Straight Line Method in Schedule XIV to the Companies Act, 1956, and it commences from the year in which the asset is installed.

### (10) Employee benefits :

Employee benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident fund and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the Profit and Loss Account in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as compensated absences and gratuity which fall due for payment after a period of twelve months from rendering service or after completion of employment, are measured by the project unit cost method, on the basis of actuarial valuation carried out by third party actuaries at each balance sheet date. The Company's obligations recognized in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

### (11) Borrowing cost :

Borrowing cost attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on "Borrowing Costs" are capitalized as part of the cost of such assets upto the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

### (12) Taxation :

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

### (13) Segment Reporting Policies :

#### Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

#### Inter segment Transfers :

The Company generally accounts for inter segment transfers at cost. However, in case of its captive power plant of Steel Division at Ginigera, Karnataka, the inter segment transfers are accounted at the per unit comparable cost of energy purchased from the supplier of energy at that plant.

#### Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

#### Unallocated items :

Includes general corporate income and expense items which are not allocated to any business segment.



## NOTES (Contd.)

### Segment Policies :

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

#### (14) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### (15) Provisions and Contingent Liabilities :

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Financial Statements.

#### (16) Cash Flow Statement :

The Cash Flow Statement is prepared by the "indirect method" set-out in Accounting Standard 3 on "Cash Flow Statement" and presents the Cash Flows by operating, investing and financing activities of the Company.

Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and unencumbered, highly liquid bank balances.

### (32) Disclosures under Accounting Standard 15 on Employee Benefits

#### (a) (i) Details in respect of gratuity are as under :

	2011-12 Rs.in crore	2010-11 Rs.in crore
Liability to be recognised in Balance Sheet		
Present Value of Funded Obligations	31.49	29.39
Fair Value of Plan Assets	12.27	10.43
Net Liability	19.22	18.96
Change in Plan Assets (Reconciliation of Opening & Closing Balances)		
Fair Value of Plan Assets as at beginning of the year	10.43	6.24
Expected Return on Plan Assets	1.01	0.66
Actuarial Gain / (Losses)	-	-
Contributions	2.70	5.64
Benefits Paid	(1.87)	(2.11)
Fair Value of Plan Assets as at the close of the year	12.27	10.43
Reconciliation of Opening and Closing Balances of obligation		
Change in defined Benefit Obligation		
Obligation as at beginning of the year	29.39	24.54
Current Service Cost	1.56	1.49
Interest Cost	2.35	1.96
Actuarial Losses / (Gain)	0.06	3.51
Benefits Paid	(1.87)	(2.11)
Obligation as at the close of the year	31.49	29.39
Expenditure to be recognised during the year		
Current Service cost	1.56	1.49
Interest Cost	2.35	1.96
Expected Return on Plan Assets	(1.01)	(0.66)
Net Actuarial Losses / (Gains) Recognised during the year	0.06	3.51
Total Expenditure included in "Employees' Emoluments"	2.96	6.30
Assumptions		
Discount Rate (per annum)	8.50%	8.00%
Expected rate of Return on Assets (per annum)	9.40%	9.40%
Salary Escalation Rate	5.25%	5.00%

(ii) The Company expects to contribute Rs.1.68 crores to its gratuity plan for the next year. In assessing the Company's post retirement liabilities, the Company monitors mortality assumptions and uses up-to-date mortality tables, the base being the LIC, 1994-96 ultimate tables.

(iii) Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

(iv) The composition of the plan assets, by category from the insurers, LIC are on the basis of overall investment by them for all such insured entities and hence, the disclosures as required by Accounting Standard 15 in 'Employee Benefits' have not been given, and Auditors have relied upon the same.

## NOTES (Contd.)

(v) Other disclosures :

	Rs.in crore				
Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Present Value of Funded Obligations.	31.49	29.39	24.53	21.24	20.24
Fair Value of Plan Assets	12.27	10.43	6.23	4.29	5.70
Net Liability	19.22	18.96	18.30	16.95	14.54
Experience Adjustments on Plan					
Liabilities Loss / (Gain)	0.06	3.51	2.35	0.22	0.96
Experience on Plan Assets–Loss / (Gain)	---	-	-	(0.07)	-

- (b) In terms of the strategic alliance with Kalyani Steels Limited, the Company has accounted for its share towards gratuity in respect of employees of Hospet Steels Ltd. amounting to Rs. 0.20 crore (Previous Year Rs. 0.19 crore) on the basis of an actuarial valuation.
- (c) In respect of certain employees of Road Construction Division, liability for gratuity is provided at actuals on the basis of amount due as at 31st March, 2012, since the projects are for shorter duration. Such liability as at 31st March, 2012 (including Rs. 0.14 crore for the year which has been paid) aggregate Rs. 0.05 crore (Previous Year Rs. 0.05 crore)
- (d) An amount of Rs. 3.70 crore as contribution towards defined contribution plans [including Rs. 0.74 crore in terms of strategic alliance referred in (b) above] is recognised as expense in the Profit and Loss Account.

### (33) Related Party Disclosures

(a) Relationship :

(i) Subsidiaries:

Mukand Global Finance Ltd., Mukand International Ltd. (MIL),  
Vidyavihar Containers Ltd. (VCL), Mukand Vijayanagar Steel Ltd.,  
Mukand International FZE (MIFZE) w.e.f. 09.01.2011  
Step-down Subsidiary: Mukand International FZE (MIFZE) upto 08.01.2011.

(ii) Other related parties where control exists :

Mukand Engineers Ltd. (MEL), Bombay Forgings Ltd. (BFL), Stainless India Ltd. (SIL), Hospet Steels Ltd. (HSL),

(iii) Joint Ventures :

Mukand Vini Mineral Ltd. (MVML), Bekaert Mukand Wire Industries Pvt. Ltd. (upto 28.03.2011).

(iv) Key Management Personnel :

Niraj Bajaj, Rajesh V. Shah, Suketu V. Shah.

(v) Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (iv) above or their relatives where transactions have taken place : Viren J. Shah

(vi) Other related parties where significant influence exists or where the related party has significant influence on the Company :

Kalyani Mukand Ltd., Lineage Investments Ltd., Catalyst Finance Ltd., Econium Investments & Finance Ltd., Fusion Investments & Financial Services Ltd., Primus Investments & Finance Ltd., Conquest Investments & Finance Ltd., Jamnalal & Sons Pvt. Ltd. (JSPL).

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

## NOTES (Contd.)

(b) Details of transactions with the related parties referred in (a) above :

(Rs.in crore)

Nature of transactions	Related parties as referred in						Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	a (vi) above	
1. Purchases :							
Raw-material :							<b>11.29</b>
							(12.31)
Mukand International FZE	<b>6.60</b>						
	(4.42) *						
Mukand International Ltd.	--						
	( - )						
Bombay Forgings Ltd.		<b>4.69</b>					
		(5.73)					
Mukand Bekaert Wire Industries Pvt. Ltd.			-				
			(2.16)				
Stores :							<b>1.83</b>
							(0.65)
Mukand International FZE	<b>1.12</b>						
	( - )						
Stainless India Ltd. (SIL)		<b>0.71</b>					
		(0.65)					
Fixed Assets							-
							(4.69)
Mukand Engineers Ltd.		-					
		(0.01)					
Stainless India Ltd.		-					
		(4.68)					
2. Sales :							
Semi-finished / finished goods:							<b>153.25</b>
							(185.30)
Mukand International FZE	<b>148.51</b>						
	(111.91)**						
Bombay Forgings Ltd.		<b>4.74</b>					
		(10.06)					
Stainless India Ltd.		-					
		(0.38)					
Mukand Bekaert Wire Industries Pvt. Ltd.			-				
			(62.95)				
Fixed Assets :							<b>0.18</b>
							(0.26)
Mukand Engineers Ltd.		<b>0.18</b>					
		(0.26)					
3. Expenditure :							
Rent :							<b>0.18</b>
							(0.18)
Stainless India Ltd.		<b>0.18</b>					
		(0.18)					
Interest paid :							<b>1.28</b>
							(1.50)
Mukand Engineers Ltd.		<b>1.28</b>					
		(1.50)					
Sub-contracting expenses :							<b>6.02</b>
							(4.19)
Mukand Engineers Ltd.		<b>6.02</b>					
		(4.19)					

\* Purchases are upto 08.01.2011.

\*\* Includes Rs.77.43 crores upto 08.01.2011.

## NOTES (Contd.)

(Rs.in crore)

Nature of transactions	Related parties as referred in						Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	a (vi) above	
Service charges :							<b>13.21</b>
							(18.44)
Mukand Engineers Ltd.		<b>12.60</b>					
		(17.85)					
Mukand Global Finance Ltd.	<b>0.61</b>						
	(0.59)						
Share of expenses under an alliance :							<b>27.46</b>
							(26.39)
Hospet Steels Ltd.		<b>27.26</b>					
		(26.17)					
Kalyani Mukand Ltd.						<b>0.20</b>	
						(0.22)	
Remuneration :							<b>2.86</b>
							(2.04)
Niraj Bajaj				<b>0.87</b>			
				(0.54)			
Rajesh V. Shah				<b>0.70</b>			
				(0.54)			
Suketu V. Shah				<b>0.85</b>			
				(0.53)			
Viren J. Shah						<b>0.44</b>	
						(0.43)	
EDP Data Processing Services:							4.58
							(4.50)
Mukand Engineers Ltd.		<b>4.58</b>					
		(4.50)					
Advances written off :							-
							(19.00)
Stainless India Ltd.		-					
		(19.00)					
Bad debts written off :							-
							(9.01)
Bombay Forgings Ltd.		-					
		(9.01)					
4. Income :							
Rent :							<b>0.30</b>
							(0.08)
Mukand Engineers Ltd.		<b>0.30</b>					
		(0.08)					
Dividend :							
Mukand International Ltd.	-						<b>0.93</b>
	(1.14)						(1.82)
Mukand International FZE	<b>0.23</b>						
	(-)						
Mukand Engineers Ltd.		<b>0.68</b>					
		(0.68)					
Bombay Forgings Ltd.		<b>0.02</b>					
		(-)					
Service Charges :							
Mukand International FZE	<b>0.15</b>						<b>0.18</b>
	(0.13)						(0.13)
Mukand Engineers Ltd.		<b>0.03</b>					
		(-)					

## NOTES (Contd.)

(Rs.in crore)

Nature of transactions	Related parties as referred in						Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	a (vi) above	
Interest received : Stainless India Ltd.		-					-
		(0.05)					(0.05)
Other Miscellaneous :							<b>0.01</b>
							(3.00)
Kalyani Mukand Ltd.						-	
						(2.94)	
Mukand Engineers Ltd.		<b>0.01</b>					
		(0.05)					
Stainless India Ltd.		-					
		(0.01)					
5. Other payments :							
Reimbursement of expenses :							<b>0.01</b>
							(0.01)
Stainless India Ltd.		<b>0.01</b>					
		(-)					
Mukand International FZE	-						
	(0.01)						
6. Other receipts :							
Reimbursement of expenses :							<b>6.97</b>
							(5.06)
Mukand International FZE	<b>6.67</b>						
	(4.31)+						
Mukand Global Finance Ltd.	<b>0.02</b>						
	(0.01)						
Mukand Engineers Ltd.		<b>0.16</b>					
		(0.42)					
Bombay Forgings Ltd.							
Lineage Investments Ltd.						-	
						(0.06)	
Econium Investments & Finance Ltd.						-	
						(0.02)	
Fusion Investments & Financial Services Ltd.						-	
						(0.10)	
Primus Investments & Finance Ltd.						-	
						(0.02)	
Mukand Vini Minerals Ltd.			<b>0.12</b>				
			(0.12)				
Advances written off earlier recovered during the year							<b>0.27</b>
							(-)
Lineage Investments Ltd.						<b>0.17</b>	
						(-)	
Econium Investments & Finance Ltd.						<b>0.05</b>	
						(-)	
Primus Investments & Finance Ltd.						<b>0.05</b>	
						(-)	
7. Investments, Finance & Advances:							
Loans / advances repaid by loanees / parties							<b>33.59</b>
							(1.48)
Mukand Global Finance Ltd.	-						
	(0.60)						

+ Includes Rs.3.02 crores upto 08.01.2011.



## NOTES (Contd.)

(Rs.in crore)

Nature of transactions	Related parties as referred in						Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	a (vi) above	
Vidyavihar Containers Ltd.	<b>33.39</b>						
	(0.88)						
Lineage Investments Ltd.						<b>0.06</b>	
						( - )	
Econium Investments & Finance Ltd.						<b>0.02</b>	
						( - )	
Fusion Investments & Financial Services Ltd.						<b>0.10</b>	
						( - )	
Primus Investments & Finance Ltd.						<b>0.02</b>	
						( - )	
Loans repaid (incl. interest):							<b>2.73</b>
							(0.94)
Mukand Engineers Ltd.		<b>2.73</b>					
		(0.94)					
Purchase of shares :							-
							(6.25)
Mukand International FZE	-						
	(6.25)						
Application money for shares:							-
							(0.24)
Mukand Vini Mineral Ltd.			-				
			(0.24)				
Divestment of shares:							-
							(2.99)
Mukand International Ltd.	-						
	(2.99)						
<b>8. Outstanding balances at the close of the year :</b>							
Trade Receivables							<b>80.75</b>
							(80.11)
Mukand International FZE	<b>12.47</b>						
	(9.55)						
Bombay Forgings Ltd.		<b>67.16</b>					
		(66.98)					
Stainless India Ltd.		<b>1.12</b>					
		(0.85)					
Mukand Bekaert Wire Industries Pvt. Ltd.			-				
			(2.73)				
Other amounts recoverable							<b>0.44</b>
							(2.94)
Kalyani Mukand Ltd.						<b>0.23</b>	
						(2.94)	
Mukand Engineers Ltd.		<b>0.21</b>					
		( - )					
Trade Payables :							<b>33.80</b>
							(18.04)
Mukand International FZE	<b>7.72</b>						
	( - )						
Mukand Global Finance Ltd.	<b>0.05</b>						
	( - )						
Mukand Engineers Ltd.		<b>24.44</b>					
		(15.73)					
Hospet Steels Ltd.		<b>1.59</b>					
		(2.31)					

## NOTES (Contd.)

(Rs.in crore)

Nature of transactions	Related parties as referred in						Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	a (vi) above	
Advance Received against Orders							<b>8.91</b>
							( - )
Mukand International FZE	<b>8.91</b>						
	( - )						
Loans & Advances receivables (including int.)							<b>75.89</b>
							(106.26)
Vidyavihar Containers Ltd. @	<b>33.23</b>						
	(66.62)						
Mukand Global Finance Ltd.							
Stainless India Ltd.		<b>39.16</b>					
		(38.81)					
Bombay Forgings Ltd.		<b>3.50</b>					
		( - )					
Mukand Engineers Ltd.		-					
		(0.63)					
Lineage Investments Ltd.						-	
						(0.06)	
Econium Investments & Finance Ltd.						-	
						(0.02)	
Fusion Investments & Financial Services Ltd.						-	
						(0.10)	
Primus Investments & Finance Ltd.						-	
						(0.02)	
For Reimbursement of expenditure – receivable							<b>0.35</b>
							(0.23)
Mukand Vini Mineral Ltd.			<b>0.35</b>				
			(0.23)				
Property Deposits given :							-
Property Deposits taken :							<b>0.07</b>
							(0.07)
Mukand Engineers Ltd.		<b>0.07</b>					
		(0.07)					
Term Loan (incl. int.)							<b>12.40</b>
							(15.13)
Mukand Engineers Ltd.		<b>12.40</b>					
		(15.13)					
Guarantees given by the Company :							<b>4.90</b>
							(4.90)
Mukand Vini Mineral Ltd.			<b>4.90</b>				
			(4.90)				
Counter Guarantees given on behalf of the Company :							<b>6.00</b>
							(6.00)
Mukand Engineers Ltd.		<b>6.00</b>					
		(6.00)					
Collateral given on behalf of the Company :					#		##

Figures in bracket relate to previous year.

# 3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of the Company.

## 3,869,089 Equity Shares of the Company.

@ Interest income not accounted out of prudence / interest waived during the year.

## NOTES (Contd.)

### (34) Information on Joint Ventures :

#### (A) Bekaert Mukand Wire Industries Pvt. Ltd.

- i) Jointly controlled entity – Bekaert Mukand Wire Industries Pvt. Ltd.  
 Country of incorporation : India  
 Percentage of ownership interest  
 as at 31.03.2011 : Nil.  
 upto 28.03.2011 : 26%.

	<b>As at 31-3-2012 Un-Audited</b>	<b>Rs.in crore As at 31-3-2011 Audited</b>
ii) Contingent liabilities in respect of Joint Venture.		
a) Directly incurred by the Company.	N/A	N/A
b) Share of the Company in contingent liabilities incurred by jointly controlled entity (to the extent ascertainable)	N/A	N/A
iii) Capital commitments in respect of Joint Venture.		
a) Direct capital commitments by the Company.	N/A	N/A
b) Share of the Company in capital commitments of the jointly controlled entity	N/A	N/A
iv) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity.		
(A) Assets:		
a) Fixed Assets (Net Block) / Capital Work in progress	N/A	N/A
b) Investments	N/A	N/A
c) Current Assets, Loans and Advances	N/A	N/A
Inventories	N/A	N/A
Sundry Debtors	N/A	N/A
Cash and Bank Balances	N/A	N/A
Loans and Advances	N/A	N/A
Other Current Assets	N/A	N/A
d) Preliminary expenses	N/A	N/A
e) Pre-operative expenses	N/A	N/A
(B) Liabilities		
a) Loan Funds		
Secured Loans	N/A	N/A
Unsecured Loans	N/A	N/A
b) Current Liabilities and Provisions		
Liabilities	N/A	N/A
Provisions	N/A	N/A
c) Deferred Tax Liability	N/A	N/A
(C) Income	N/A	23.38
(D) Expenses	N/A	31.08
(E) Tax	N/A	-

#### (B) Mukand Vini Minerals Ltd.

- i) Jointly controlled entity – Mukand Vini Minerals Ltd.  
 Country of incorporation : India  
 Percentage of ownership interest : 48.80%.

ii) Contingent liabilities in respect of Joint Venture.	<b>As at 31-3-2012 Un-Audited</b>	<b>As at 31-3-2011 Audited</b>
a) Directly incurred by the Company.	<b>4.90</b>	4.90
b) Share of the Company in contingent liabilities incurred by jointly controlled entity (to the extent ascertainable)	-	-
iii) Capital commitments in respect of Joint Venture.		
a) Direct capital commitments by the Company.	-	-
b) Share of the Company in capital commitments of the jointly controlled entity	-	-

## NOTES (Contd.)

	As at 31-3-2012 Un-Audited	As at 31-3-2011 Audited
iv) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity.		
(A) Assets:		
a) Fixed Assets (Net Block) Capital Work in progress	-	
b) Investments	-	
c) Current Assets, Loans and Advances		0.02
Inventories		
Sundry Debtors		
Cash and Bank Balances		
Loans and Advances		
Other Current Assets		
d) Preliminary expenses	0.02	0.02
e) Pre-operative expenses	1.23	1.10
(B) Liabilities		
a) Loan Funds	-	-
Secured Loans	-	-
Unsecured Loans	-	-
b) Current Liabilities and Provisions		
Liabilities	0.26	0.22
Provisions	-	-
c) Deferred Tax Liability	-	-
(C) Income	-	-
(D) Expenses	-	-
(E) Tax	-	-

(35) In accordance with Accounting Standard – 17 “Segment Reporting”, segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on segment information is given in these financial statements.

(36) As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of Revised Schedule VI.

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Mallya**  
Company Secretary  
Mumbai: May 25, 2012

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 RELATING TO SUBSIDIARY COMPANIES**

Particulars	Name of the Subsidiary Company				
	Mukand Global Finance Ltd.	Vidyavihar Containers Ltd.	Mukand International Ltd.	Mukand International FZE	Mukand Vijayanagar Steel Ltd.
The financial year of the subsidiary company ended on	<b>31st March, 2012</b>	<b>31st March, 2012</b>	<b>31st March, 2012</b>	<b>31st March, 2012</b>	<b>31st March, 2012</b>
Number of Shares in the subsidiary company held by Mukand Ltd., at the above date					
Equity	11,749,500	11,976,762	1,000	5	70,000
Percentage of holding	100	100	100	100	100
The net aggregate of profits, less losses of the subsidiary company so far as they concern the members of Mukand Ltd.					
	<b>Rs. Crore</b>	<b>Rs. Crore</b>	<b>USD</b>	<b>USD</b>	<b>Rs. Crore</b>
(i) Dealt with in the accounts of Mukand Ltd, amounted to :					
(a) for the subsidiary's financial year	1.43	-	-	-	-
(b) for the previous financial years of the subsidiary since it became a subsidiary of Mukand Ltd	4.00	-	1,158,699	50,000	-
(ii) Not dealt with in the accounts of Mukand Ltd, amounted to :					
(a) for the subsidiary's financial year	-	1.75	(3,687) (Loss)	386,762	0.01 (Loss)
(b) for the previous financial years of the subsidiary since it became a subsidiary of Mukand Ltd	11.64	(87.18) (Loss)	250,436	119,704	(6.97) (Loss)
Changes in the interest of Mukand Ltd between the end of the subsidiary's financial year and 31-03-2012	N.A.	N.A.	N.A.	N.A.	N.A.
Material changes between the end of the subsidiary's financial year and 31-3-2012					
(i) Fixed Assets	N.A.	N.A.	N.A.	N.A.	N.A.
(ii) Investments	N.A.	N.A.	N.A.	N.A.	N.A.
(iii) Moneys lent by the subsidiary	N.A.	N.A.	N.A.	N.A.	N.A.
(iv) Moneys borrowed by the subsidiary other than for meeting current liabilities	N.A.	N.A.	N.A.	N.A.	N.A.

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**K J Mallya**  
Company Secretary

Mumbai: May 25, 2012



## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF MUKAND LIMITED

To the Board of Directors

Mukand Limited

1. We have audited the attached Consolidated Balance Sheet of Mukand Limited ("the Company") and its Subsidiaries, associates and joint ventures (collectively referred to as "the Group") as at March 31, 2012, and also the consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We 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. We did not audit the financial statements of certain subsidiaries which reflect total assets of Rs. 70.24 crore as at March 31, 2012, total revenue of Rs. 196.71 crore and net cash flows amounting to Rs. 2.09 crore for the year then ended and financial statements of certain associates in which the share of profit (net) of the Group is Rs. 0.90 crore. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of other auditors.
4. *We have relied on the unaudited financial statements of joint venture, which reflect total assets of Rs. 1.25 crore as at March 31, 2012, total revenue of Rs. Nil and net cash flows amounting to Rs. (0.02) crore for the year then ended and financial statements of two associates in which the share of profit/(loss) (net) of the Group is Rs. (0.29) crore. These unaudited financial statements as approved by the respective Board of Directors of these companies have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of the joint ventures and associate is based solely on such approved unaudited financial statements.*
5. We report that the consolidated financial statements have been prepared by the Mukand Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures, as notified by the Companies (Accounting Standards) Rules, 2006.
6. Without qualifying our report, we invite attention to Note No 18(a) of the notes to the consolidated financial statement in respect of balances due to the group from Bombay Forgings Limited (BFL), an associate company, aggregating to Rs. 70.66 crore as at March 31, 2012 (Rs 66.98 crore at March 31, 2011), where the management has, barring any significant uncertainties in future, relied upon the projected future earnings from the business activities of BFL.
7. The auditor of an associate has without qualifying his report drawn attention to note no. 18(e) of the notes to the consolidated financial statement relating to the recoverability of the overdue loans, aggregating Rs. 10.34 crore as at March 31, 2012 (Rs 11.97 crore as at March 31, 2011) and interest receivable thereon aggregating Rs. 4.95 crore as at March 31, 2012 (Rs. 5.66 crore as at March 31, 2011) that are due from investment companies (related parties) whose net worth have been eroded, and the management's assessment on their recoverability due to the reason stated therein, which are susceptible to inherent uncertainties which, if not materialize, could significantly impact the carrying values of the aforesaid loan and interest thereon. The group's share for the above loans and interest receivable is Rs. 5.52 crore as at March 31, 2012 (Rs. 5.84 crore at March 31, 2011).

8. *As more fully explained in note 18(b), 18(c), 34(i), 21(b) and 34(vii) of the notes to the consolidated financial statements, no provision has been made with regard to:*

- a) *The realisability of the 'Exposures' in certain investment companies (through two wholly owned subsidiaries), aggregating Rs 135.74 crore (net) as at March 31, 2012 (Rs 149.86 crore (net) at March 31, 2011), in view of inherent uncertainties involved the management is unable to make an assessment of the said realisability with accuracy.*
- b) *The realisability of the 'Exposures' in Stainless India Limited (SIL), an associate company, aggregating Rs. 66.19 crore (net) as at March 31, 2012 (Rs 67.53 crore (net) at March 31, 2011), where the networth of SIL has been completely eroded and there is no significant activities being carried out by SIL;*
- c) *The exposures towards loans given aggregating Rs.39.82 crore as at March 31, 2012 (Rs.43.60 crore as at March 31, 2011) to, and investment aggregating Rs. 37.26 crore as at March 31, 2012 (Rs. 38.69 crore as at March 31, 2011) in shares of, certain companies in excess of limits specified in paragraph 18 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.*
- d) *The realisability of the claim of Rs 113.27 crore as at March 31, 2012 (Rs 114.73 crore as at March 31, 2011), from National Highway Authority of India (NHAI);*  
*The exposure on the above and the ultimate shortfall, if any, is not presently determinable.*
- e) *The accounts of Vidyavihar Containers Limited, a subsidiary, have been prepared on the principles applicable to a going concern as the property development activity has commenced despite substantial carry forward losses incurred.*

*The audit report on the financial statements for the year ended March 31, 2011 was qualified in respect of the aforesaid matters.*

9. Based on our audit, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the component, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, *subject to our remarks in paragraph 8 above the effect of which is presently not ascertainable*, give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the Loss of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash flow statement, of the Cash Flows of the Group for the year ended on that date.

For Haribhakti & Co.  
Chartered Accountants  
FRN: 103523W

Sumant Sakhardande  
Partner  
Membership No.034828

Place: Mumbai

Date: May 25, 2012

**CONSOLIDATED BALANCE SHEET**  
As at 31st March, 2012

	Note No.	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	78.75	78.75
(b) Reserves and Surplus	2	1,967.71	2,058.96
		<b>2,046.46</b>	<b>2,137.71</b>
<b>(2) Non-Current Liabilities</b>			
(a) Long Term Borrowings	3	774.19	890.09
(b) Deferred Tax Liabilities (net)	4	-	14.65
(c) Other Long Term Liabilities	5	12.26	4.49
(d) Long Term Provisions	6	28.54	24.24
		<b>814.99</b>	<b>933.47</b>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings	7	919.17	640.23
(b) Trade Payables	8	733.45	626.23
(c) Other Current Liabilities	9	559.66	499.54
(d) Short Term Provisions	10	6.59	19.83
		<b>2,218.87</b>	<b>1,785.83</b>
<b>Total</b>		<b>5,080.32</b>	<b>4,857.01</b>
<b>II ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets	11		
(i) Tangible Assets		2,389.88	2,431.98
(ii) Intangible Assets		0.47	0.48
(iii) Capital Work-in-Progress		105.44	24.76
		<b>2,495.79</b>	<b>2,457.22</b>
(b) Non-Current Investments	12	52.22	51.32
(c) Deferred Tax Asset (net)	4	-	0.01
(d) Long Term Loans and Advances	13	137.61	104.00
(e) Other Non-Current Assets	14	48.28	48.28
		<b>238.11</b>	<b>203.61</b>
<b>(2) Current Assets</b>			
(a) Inventories	15	996.28	925.25
(b) Trade Receivables	16	873.48	875.08
(c) Cash and Bank Balances	17	89.14	112.20
(d) Short Term Loans and Advances	18	376.69	273.87
(e) Other Current Assets	19	10.83	9.78
		<b>2,346.42</b>	<b>2,196.18</b>
<b>Total</b>		<b>5,080.32</b>	<b>4,857.01</b>
<b>Notes forming part of the Consolidated Financial Statements</b>	1- 35		

As per our attached report of even date

For <b>Haribhakti &amp; Co.</b> Chartered Accountants	<b>Niraj Bajaj</b> Chairman & Managing Director	<b>Rajesh V Shah</b> Co-Chairman & Managing Director	<b>Suketu V Shah</b> Joint Managing Director
			<b>K J Mallya</b> Company Secretary
<b>Sumant Sakhardande</b> Partner Mumbai: May 25, 2012			Mumbai: May 25, 2012

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**  
For the year ended 31st March, 2012

	Note No.	2011-12 Rs.in crore	2010-11 Rs.in crore
<b>I) Gross Revenue from Operations</b>	21	<b>2,851.44</b>	2,818.33
Less : Excise Duty		<b>234.45</b>	241.31
Net Revenue from Operations		<b>2,616.99</b>	2,577.02
<b>II) Other Income</b>	22	<b>2.70</b>	49.29
<b>III) Total Revenue (I) + (II)</b>		<b>2,619.69</b>	2,626.31
<b>IV) Expenses</b>			
a) Cost of Materials Consumed	23	1,393.95	1,380.91
b) Purchases of Stock-in-Trade		7.10	4.53
c) Changes in Inventories of finished goods and work-in-progress	24	(44.52)	(169.41)
d) Employee Benefit Expenses	25	132.50	126.10
e) Finance Costs	26	178.02	174.69
f) Depreciation and Amortization Expenses (including share of Joint Ventures)		65.75	69.24
g) Other Expenses	27	993.56	1,001.69
Expenditure transferred to Capital Accounts/ Capital Work-in-Progress [Including Trial Run Expenditure (net)]		(4.41)	(1.98)
		<b>2,721.95</b>	<b>2,585.77</b>
<b>V) Profit for the year before tax (III) - (IV)</b>		<b>(102.26)</b>	40.54
<b>VI) Tax Expense :</b>			
Net Current Tax		(0.41)	---
Net Deferred Tax (Charge) / Credit Excess / (Short) provision for tax in respect of earlier years		14.65	(14.65)
<b>Profit / (Loss) for the year before share of profits of associates (V) - (VI)</b>		<b>(87.78)</b>	25.57
<b>Add / (Less) :</b>			
Share of Profit in Associates (net)		0.90	2.44
Prior Period Adjustments (net) (including share in Associates/ Joint Venture)	28	-	(0.82)
<b>Profit / (Loss) for the year</b>		<b>(86.88)</b>	27.19
Weighted average number of Equity Shares outstanding during the year		73,114,129	73,114,129
Basic and diluted earnings per share (in Rs.)	29	(11.88)	3.72
Nominal value of share (in Rs.)		10.00	10.00
<b>Notes forming part of the Consolidated Financial Statements</b>	1-35		

As per our attached report of even date

For <b>Haribhakti &amp; Co.</b> Chartered Accountants	<b>Niraj Bajaj</b> Chairman & Managing Director	<b>Rajesh V Shah</b> Co-Chairman & Managing Director	<b>Suketu V Shah</b> Joint Managing Director
			<b>K J Mallya</b> Company Secretary
<b>Sumant Sakhardande</b> Partner Mumbai: May 25, 2012			Mumbai: May 25, 2012

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	2011-12	2011-12	2011-12	2010-11	2010-11	2010-11
	Rs. in crore					
<b>A. Cash Flow arising from Operating Activities</b>						
<b>Profit before Tax</b>			(102.25)			40.54
<b>Add back :</b>						
a) Depreciation		65.75			69.24	
b) Other Non-cash Expenditure / (Income) - (Net)		7.34			43.01	
c) Finance and Lease Charges - (Net)		157.32			155.54	
			<u>230.41</u>			<u>267.79</u>
			<u>128.16</u>			<u>308.33</u>
<b>Deduct :</b>						
a) Investment Income		0.71			0.76	
b) Profit on sale of Investments		-			1.88	
c) Surplus/(Loss) on sale of assets - (Net)		(0.09)			38.78	
			<u>0.62</u>			<u>41.42</u>
<b>Operating Profit before Working Capital changes</b>			<u>127.54</u>			<u>266.91</u>
<b>Less : Working Capital Changes</b>						
a) Increase in Trade and Other Receivables	131.53			139.81		
b) Increase in Inventories	71.03			151.19		
			<u>202.56</u>		291.00	
<b>Less:</b>						
a) Increase in Trade Payables	199.25			99.21		
			<u>199.25</u>		<u>99.21</u>	
<b>Net Working Capital changes</b>			<u>(3.31)</u>			<u>(191.79)</u>
<b>Cash flow from Operations</b>			<u>124.23</u>			<u>75.12</u>
<b>Less : Direct taxes paid</b>			<u>23.25</u>			<u>9.05</u>
			<u>100.98</u>			<u>66.07</u>
<b>Less : Prior period adjustments</b>			-			0.71
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>			<u>100.98</u>			<u>65.36</u>
<b>B. Cash Flow arising from Investing Activities</b>						
<b>Inflow</b>						
a) Sale of Fixed Assets		1.78			69.19	
b) Interest received on loans to Companies		0.03			0.24	
c) Dividends received		0.71			0.76	
d) Decrease in Loans to Companies		(2.50)			3.39	
e) Sale of Investments - (Net)		-			11.89	
			<u>0.02</u>		<u>85.47</u>	
<b>Deduct Outflow</b>						
a) Acquisition of fixed assets		104.72			39.96	
b) Acquisition of Investments - (Net)		-			11.52	
			<u>104.72</u>		<u>51.48</u>	
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>			<u>(104.70)</u>			<u>33.99</u>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	2011-12	2011-12	2011-12	2010-11	2010-11	2010-11
	<b>Rs. in crore</b>					
<b>C. Cash Flow arising from Financing Activities</b>						
<b>Inflow</b>						
a) Increase in Working Capital Loans from Banks - (Net)		<b>195.86</b>			82.60	
b) Increase in Other Unsecured Loans - (Net)		<b>80.47</b>			7.23	
			<b>276.33</b>			89.83
<b>Deduct Outflow</b>						
a) Redemption of Debentures		<b>3.13</b>			11.93	
b) Decrease in Term Loans - (Net)		<b>78.35</b>			13.40	
c) Dividend paid		<b>8.45</b>			8.49	
d) Finance and Lease Charges - (Net)		<b>210.96</b>			168.99	
			<b>300.89</b>			202.81
<b>Net Cash inflow/(outflow) from financing activities</b>			<b>(24.56)</b>			(112.98)
<b>Net Increase / (Decrease) in Cash/Cash Equivalents</b>			<b>(28.28)</b>			(13.63)
Add : Balance at the beginning of the year			<b>54.41</b>			68.04
<b>Cash/Cash Equivalents at the close of the year</b>			<b>26.13</b>			54.41

Note :

Cash / Cash Equivalents exclude balances with banks in Margin Money Accounts : 31.03.2012 - Rs.57.70 crore; 31.03.2011 - Rs.53.03 crore; 31.03.2010 - Rs.44.79 crore; and in Escrow Account : 31.03.2012 - Rs.5.31 crore; 31.03.2011 - Rs. 4.76 crore

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman & Managing Director

**Rajesh V Shah**  
Co-Chairman & Managing Director

**Suketu V Shah**  
Joint Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Mallya**  
Company Secretary  
Mumbai: May 25, 2012

## NOTES TO THE ACCOUNTS

1. SHARE CAPITAL	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
<b>Authorised :</b>		
7,000,000 Preference Shares of Rs.10/- each	7.00	7.00
118,000,000 Equity Shares of Rs.10/- each	118.00	118.00
	125.00	125.00
<b>Issued :</b>		
5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each	5.63	5.63
73,159,805 * Equity Shares of Rs.10/- each	73.16	73.16
* Includes 28,031 Equity Shares which have been kept in abeyance by the Stock Exchange Authorities	78.79	78.79
<b>Subscribed and fully paid up :</b>		
5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each, fully paid up	5.63	5.63
73,114,129 Equity Shares of Rs.10/- each, fully paid up	73.11	73.11
Add : Forfeited Shares, amounts originally paid up	0.01	0.01
	73.12	73.12
	78.75	78.75

- a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31-Mar-12		31-Mar-11	
	Nos. in crore	Rs.in crore	Nos. in crore	Rs.in crore
At the beginning of the period	7.31	73.11	7.31	73.11
Add : issued during the period	-	-	-	-
Less : bought back during the year	-	-	-	-
Outstanding at the end of the period	7.31	73.11	7.31	73.11
<b>Preference shares (CRPS)</b>				
At the beginning of the period	0.56	5.63	0.56	5.63
Add : issued during the period	-	-	-	-
Less : bought back during the year	-	-	-	-
Outstanding at the end of the period	0.56	5.63	0.56	5.63

- b. Terms / rights attached to equity shares

The Company has only one class of equity share having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

During the year ended 31st March 2012, the amount of dividend per share recognized as distribution to equity shareholders was Rs. Nil (31 March 2011 : Re. 1/-).

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

- c. Terms of redemption of CRPS

Pursuant to the order of the Hon'ble High Court of Judicature at Bombay dated October 14, 2003, the Company had cancelled 22 ½ equity shares issued and unallotted and reduced 20% of the outstanding equity shares amounting to 5,626,320 equity shares. In lieu of cancelled shares, the Company has issued 5,626,320 0.01% Cumulative Redeemable Preference Shares of Rs.10/- each entitled for cumulative Preference dividend of 0.01% p.a. and redeemable in five equal annual installments starting from September. 2019. In the event of liquidation of the Company before redemption, the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

- d. The Company does not have any holding company.  
e. There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.  
f. Details of shareholders holding more than 5% shares in the Company

Equity Shares of Rs. 10/- each fully paid	31-Mar-12		31-Mar-11	
	Numbers	% holding in the class	Numbers	% holding in the class
Jamnalal Sons Pvt. Ltd.	13,147,761	17.98	13,147,761	17.98
LIC of India	7,228,076	7.89	7,228,076	7.89
Bajaj Holdings & Investments	4,056,782	5.55	4,056,782	5.55
Jeewan Ltd.	4,031,857	5.51	3,688,336	5.04
<b>CRPS of Rs. 10/- each fully paid</b>				
LIC of India	595,545	10.58	595,470	10.58
Jamnalal Sons Pvt. Ltd.	474,143	8.43	474,143	8.43

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

- g. There are no shares reserved for issue under options and contracts / commitments for sale of shares/disinvestment.  
h. There are no unpaid calls from any Director and officer.

### 2. RESERVES AND SURPLUS

	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
<b>Capital Reserve :</b>		
As per last Account (Rs.47,439/-)	-	-
<b>Capital Redemption Reserve:</b>		
As per last Account	3.00	3.00
<b>Securities Premium Account :</b>		
As per last Account	225.55	225.55
<b>Debenture Redemption Reserve :</b>		
As per last Account	12.21	16.22
Add / (Less) : Transferred to Surplus	(0.78)	(6.25)
Set aside during the year	-	2.24
	11.43	12.21
<b>Revaluation Reserve :</b>		
As per last Account	1,673.33	1,339.00
Add : Additions on revaluation	-	334.33
Less: Transferred to Statement of Profit and Loss	(4.39)	-
	1,668.94	1,673.33
<b>Reserve Fund :</b>		
As per last Account	2.01	1.67
Add : Transferred from Surplus in terms of Section 45-I C (I) of Reserve Bank of India Act, 1934	0.30	0.34
	2.31	2.01



	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
<b>Currency Fluctuation Reserve - On Consolidation</b>		
As per last Account	(3.16)	(1.30)
Add / (Less):		
Increase / (Decrease) for the year on Consolidation	<u>0.02</u>	<u>(1.86)</u>
	(3.14)	(3.16)
<b>General Reserve :</b>		
As per last Account	138.72	96.72
Add : Transferred to Surplus for Proposed Dividend & Tax thereon (F.Y. 2011-12 Rs.6,540/-; F.Y.2010-11 Nil)	-	-
Transferred from Surplus being Opening Balance / Appropriation	30.23	42.00
Transferred from Surplus being write back of Debenture Redemption Reserve	<u>0.78</u>	<u>-</u>
	169.73	138.72
<b>Surplus</b>		
As per last Account	7.30	26.94
Surplus / (Deficit) as per Statement of Profit and Loss	<u>(86.88)</u>	<u>27.19</u>
Transferred from Debenture Redemption Reserve	0.78	6.25
Transferred to Debenture Redemption Reserve	-	(2.24)
Transferred from General Reserve for Proposed Preference Dividend and tax thereon (FY 2011-12 Rs.6,540/-; FY 2010-11 Nil)	-	-
Transferred to Reserve Fund in terms of Section 45-I C (i) of Reserve Bank of India Act, 1934	<u>(0.30)</u>	<u>(0.34)</u>
Proposed Preference Dividend (FY 2011-12 Rs.5,627/-; FY 2010-11 Rs.5,627/-)	-	(7.31)
Proposed Equity Dividend for the year (FY 2011-12 Nil; FY 2010-11 @ Re 1/- per Share)	-	(1.19)
Tax on Preference / Equity Dividend (FY 2011-12 Rs.913/-; FY 2010-11 Rs.913/-)	-	-
Transferred to General Reserve being Opening Balance / Appropriation	<u>(30.23)</u>	<u>(42.00)</u>
Transferred to General Reserve being write back of Debenture Redemption Reserve	<u>(0.78)</u>	<u>-</u>
	<u>(110.12)</u>	<u>7.30</u>
	<u>1,967.71</u>	<u>2,058.96</u>

### 3. LONG TERM BORROWINGS

#### I. SECURED LOANS

a) Debentures	38.72	45.69
b) Term Loans :		
- Banks	414.06	530.22
- Financial Institutions	155.86	181.81
- Others	<u>44.03</u>	<u>18.18</u>
	<u>613.95</u>	<u>730.21</u>
<b>Total Secured Loans</b>	<u>652.67</u>	<u>775.90</u>

#### II. UNSECURED LOANS

Fixed Deposits	119.66	111.87
Sales Tax Deferment Loan	1.86	2.32
<b>Total Unsecured Loans</b>	<u>121.52</u>	<u>114.19</u>
<b>TOTAL LONG TERM BORROWINGS</b>	<u>774.19</u>	<u>890.09</u>

### Nature of Security & Terms of repayment for Long Term Borrowings - By Mukand

(I) Nature of Security	Terms of Repayment
(i) Debentures	Rescheduled for repayment in 90 monthly installments from 2006 to 2015 in terms of financial restructuring package approved by Corporate Debt Restructuring Cell (CDR) in July 2003 and April 2009.
5,800,000, 10.50% (2006-15) Mortgage Debentures (balance outstanding as at 31.03.2012 Rs. 45.69 crore, Previous Year Rs.48.82 crore), are secured by way of first pari-passu charge against mortgage/ hypothecation of Company's freehold land, immovable and movable fixed assets both present and future of the Company at Kalwe and Dighe, Dist. Thane, in the State of Maharashtra and leasehold land, immovable and movable fixed assets both present and future of the Company at Ginigera/Kankapura, Dist. Ginigera in the State of Karnataka and such mortgage and charge shall rank pari-passu with the existing mortgages and charges created in favour of financial institutions, banks and a company for their term loans except term loans at (ii) to (ix) below. These debentures are also secured by way of a second and subservient pari-passu charge on stocks (excluding machinery spares) and book debts.	
(ii) Term Loans from Banks, Financial Institutions and a company (balance outstanding as at 31.03.2012 Rs. 308.90 crore, Previous Year Rs.431.48 crore):	The principal term debt is to be repaid in 144 monthly installments commencing from April 2006 and ending in March, 2018 with a pre-determined ballooning schedule. During April 2009 CDR Cell approved deferment of principal amount due for payment aggregating Rs.119 crore during the period of 18 months commencing from 1st April, 2009 and ending on 30th September, 2010. The total loan amount is now rescheduled to be paid during FY2010-11 to FY2014-15 in place of the earlier schedule of payments by FY2017-18 without any increase in the rate of interest. The Company had improved its operations as well as the resultant cash flows, except for set-back in FY2011-12. Based on an assessment of its financial commitments and the estimated cash flows, the management is confident of meeting all its financial commitments in the foreseeable future.
These are secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.	

- Interest/lease rentals payable on all the principal term debt for the period from 1st April, 2002 to 30th September, 2004 have been converted into Future Funded Interest Term Loan (FFITL) and would be repaid in 78 installments commencing from April 2005 and ending in March, 2013 with a ballooning schedule.
- (iii) Term Loan of Rs.62.50 crore (balance outstanding as at 31-3-2012 Rs 62.50 crore, Previous Year Rs.40.00 crore) from a Bank is secured against office premises at Mumbai and three residential premises at Mumbai.
- (iv) Term Loan of Rs.350.00 crore (balance outstanding as at 31.03.2012 - Rs.287.50 crore, Previous Year Rs.335.00 crore) from a Bank is secured against mortgage of 50 acres of leasehold land at Dighe, Thane.
- (v) Term Loan of Rs.100.00 crore (balance outstanding as at 31.03.2012 - Rs.70.00 crore, Previous Year Rs.Nil crore) from a Bank is secured on pari-passu basis against the same assets as given to Trustees for Debentures as shown at (i) above.
- (vi) Term Loan of Rs.35 crore (balance outstanding as at 31.03.2012 - Rs.35 crore, Previous Year Rs.Nil crore) from a Bank is secured against plant and machinery and other moveable assets of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.
- (vii) Loan of Rs.12.50 crore (balance outstanding as at 31.03.2012 - Rs.5.78 crore, Previous Year Rs.9.80 crore) from a company is secured against hypothecation of specific movable plant and machinery, furniture and fixtures and office equipment.
- (viii) Loan of Rs.17.50 crore (balance outstanding as at 31.03.2012 - Rs.14.63 crore, Previous Year Rs.Nil crore) from a Company is secured against a residential premises at Delhi.
- (ix) Loan of Rs.25.00 crore (balance outstanding as at 31.03.2012 - Rs.25.00 crore, Previous Year Rs.Nil crore) from a company is secured against mortgage of 5 acres of leasehold land at Dighe, Thane.

#### (II) Effect and Progress of Restructuring Package - of Mukand

In terms of the Financial Restructuring Package (FRP) for Mukand approved by the Corporate Debt Restructuring Cell in July 2003 and April 2009, the terms of security, redemption and conversion have been rescheduled. A separate disclosure is made hereunder to explain the same, as also the progress made so far :

- a) Promoters / Associates of Mukand have pledged 11,426,514 equity shares in Mukand and 546,652 cumulative redeemable preference shares out of their share-holding in Mukand.

- b) Pledge of Promoters' holding of shares of Bajaj Auto Limited to the tune of Rs.14.65 crore.
- c) Mukand shall ensure balance realization of non-core assets and investments aggregating Rs.82.73 crore (net of amounts realized till 31.03.2012) over a specified time schedule ending on 30th September, 2012.
- d) Lenders shall have a right of recompense upto 12% per annum in excess of the effective IRR charge in FRP for 8 years, commencing from the date of approval.
- e) In the event of default, as defined in the restructuring package, the lenders have the right to cancel, suspend, reduce or modify all or any of the relief and concessions or vary the terms and conditions thereof.

(III) For details of loans received from related parties, please refer Note No. 33.

(IV) Deferred sales tax liability is to be paid in 5 annual instalments commencing from FY2012-13 to FY 2016-17.

#### 4. DEFERRED TAX LIABILITY (NET)

	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
Deferred Tax Liability	118.82	133.47
Less : Deferred Tax Asset	118.82	118.82
	-	14.65
	-	14.65

#### a) Mukand :

Components of Deferred tax (assets)/liabilities are as under :

	Rs. in crore		
	As at 31.03.2011	Charge/ (Credit) for the year 2011-12	As at 31.03.2012
Deferred Tax liability on account of :			
Depreciation	120.36	2.30	118.06
Others	13.11	2.06	11.05
	133.47	4.36	129.11
Deferred Tax Asset on account of :			
Employee benefits, etc	10.03	(0.41)	10.44
Taxes, Duties, Cess, Interest to Banks/Fls', etc	26.94	5.35	21.59
Provision for doubtful debts	0.13	-	0.13
Unabsorbed Depreciation/ Business Loss, etc	81.07	(15.88)	96.95
Others	0.65	0.65	-
	118.82	(10.29)	129.11
Net Deferred Tax (Asset)/Liability \$	14.65	14.65	-

\$ Deferred tax asset aggregating to Rs.15.19 crore has not been recognised, considering the principle of virtual certainty as stated in the Accounting Standard AS-22 - Accounting for taxes on Income

#### b) MGFL

	Rs. in crore		
	As at 31.03.2011	Charge/ (Credit) for the year 2011-12	As at 31.03.2012
Deferred Tax Assets on account of :			
Depreciation	-	-	-
Provision for Employee Benefits	0.01	-	0.01
	0.01	-	0.01
Deferred Tax Liability on account of :			
Depreciation	-	0.01	0.01
Net Deferred Tax Asset	0.01	0.01	-

**c) VCL**

Deferred tax asset aggregating Rs.0.10 crore has not been recognised by way of prudence in accordance with Accounting Standard AS-22 – Accounting for taxes on income.

**5. OTHER LONG TERM LIABILITIES**

	<b>31st March, 2012</b>	31st March, 2011
	<b>Rs.in crore</b>	Rs.in crore
Acceptances / Payables for Capital Goods	<b>7.77</b>	---
Other Liabilities	<b>4.49</b>	4.49
	<b>12.26</b>	4.49

**6. LONG TERM PROVISIONS**

for Premium on Redemption of Debentures	<b>0.04</b>	0.04
for Employee Benefits	<b>28.50</b>	24.20
	<b>28.54</b>	24.24

**7. SHORT TERM BORROWINGS****I. SECURED LOANS**

Working Capital Loans from Banks	<b>590.98</b>	395.12
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**II. UNSECURED LOANS**

Short Term Loans from Companies	<b>328.19</b>	245.11
	<b>919.17</b>	640.23

**Short Term Borrowings - Secured****(I) Working Capital Facilities of Mukand**

(a) Working Capital Facilities from the Banks and other non-funded facilities are secured/to be secured by hypothecation of stocks (excluding machinery spares) and book debts excluding stocks, book debts and movable assets of Road Construction Division. The said facilities are also secured by way of second and subservient pari passu charge against the same assets as given to Trustees for Debentures as shown at Note No.3. The said charge shall be second and subservient to all other first charges created in favour of Trustees for all the series of Debentures and Lenders for their term loans at (i) and (ii) at Note No.3(l).

**Note :** Security given for the debentures, term loans at Note No.3(l) and working capital facilities mentioned above exclude :

48 acres of grant land at Kalwe and Dighe, Dist. Thane in the State of Maharashtra.

Leasehold land at Dighe, Thane, as it is mortgaged to Lenders covered at Note No.3(l) (iv) & (ix).

Freehold land acquired for Coke Oven Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka.

Plant and Machinery of Captive Power Plant at Ginigera / Kankapura, District Ginigera in the State of Karnataka is given as security to lenders covered at Note No.3(l) (vi).

39.58 acres leasehold land at Lonand, Dist. Satara in the State of Maharashtra, for Company's project of expansion of finishing facilities for steel products.

43.14 acres of leasehold land at Sinnar, Dist. Nasik, in the State of Maharashtra, for Company's project of expansion of its Industrial Machinery Division.

143.95 acres of freehold land in the State of Jharkhand, for Company's projects in that State.

(b) Working capital and other facilities from a Bank to M/s. JSC Centrodorstroy, Russia with whose co-operation Company executed a Road Construction Project in the State of Uttar Pradesh are secured by stocks, book debts and movable assets of Road Construction Division and second charge against a residential flat at Mumbai.

(c) Mukand has defaulted in repayment of current maturity of Long Term Debt to a bank to extent of Rs.17.50 crore out of which Rs.8.75 crore has been paid after close of the year.

(II) Loan from other Companies to MGFL include Rs.12.25 crore availed against pledge of shares belonging to Baroda Industries Private Limited, Shri Rajesh V. Shah, Shri Suketu V. Shah, Smt. Bansri Rajesh Shah, Smt. Neerja Shah and Smt. Jyoti Shah (Third Party Pledgors); (Previous Year Rs.12.25 crore against pledge of shares belonging to third party pledgors).

**8. TRADE PAYABLES**

	<b>31st March, 2012</b>	31st March, 2011
	<b>Rs.in crore</b>	Rs.in crore
Acceptances	<b>358.01</b>	371.85
Sundry Creditors	<b>375.44</b>	254.38
	<b>733.45</b>	626.23

**9. OTHER CURRENT LIABILITIES**

Current Maturities of Long Term Debt [Refer Note 7 (l) (c)]	<b>266.51</b>	279.06
Interest accrued but not due on borrowings	<b>14.06</b>	11.92
Interest accrued and due on borrowings	<b>4.83</b>	0.06
Unpaid Dividends (represents amounts unclaimed)	<b>0.21</b>	0.16
Unpaid matured deposits (represents amount unclaimed)	<b>1.30</b>	0.91
Liability towards Employee Benefits	<b>7.73</b>	8.49
Advances against Orders and Engineering Contracts	<b>53.27</b>	65.89
Liabilities for Property Development	<b>127.29</b>	89.09
Statutory Liabilities	<b>40.06</b>	37.21
Acceptance / Payables for Capital Expenditure	<b>36.65</b>	3.86
Others	<b>7.75</b>	2.89
	<b>559.66</b>	499.54

VCL has entered into a development agreement for its land at Vidyavihar for a consideration of residential flats to be made available to VCL at the developer's own cost and an additional consideration as compensation payable for Government dues. Advances received against reservation / allotment of flats and deposits received in this regard has been included in other current liabilities under the head "Advance Towards Property Development". Moreover, the developer is to acquire at developer's own cost by way of externally procured TDR subject to payment of additional consideration of Rs.25.00 crore to VCL, which accrued during FY2008-09 together with interest thereon. During the year 2009-10 VCL filed a winding up petition in the High Court of Bombay against the Developer for recovery of this additional consideration (including interest). Pursuant to the Court's Order dated 22nd June 2011, the developer has paid the entire amount to VCL. As per the accounting policy on income recognition consistently followed by VCL, the additional consideration of Rs.25.00 crore will be accounted for in the year in which the possession of constructed flats is handed and the sale of land is completed.

**10. SHORT TERM PROVISIONS**

	<b>31st March, 2012</b>	31st March, 2011
	<b>Rs.in crore</b>	Rs.in crore
for Employee Benefits	<b>3.86</b>	6.93
for NPA as per RBI Prudential Norms (Refer Note No.18 (c) and 34 (ii))	<b>1.75</b>	3.21
for Standard Assets as per RBI Prudential Norms	<b>0.29</b>	0.24
for Warranty Costs	<b>0.69</b>	0.95
for Proposed Preference Dividend (FY 2011-12 Rs.5,627/-, FY 2010-11 Rs.5,627/-)	-	-
for Proposed Equity Dividend (FY 2011-12 Nil; FY 2010-11 @ Re 1 per share)	-	7.31
for Tax on Equity / Preference Dividend (FY 2011-12 Rs.913/-)	-	1.19
	<b>6.59</b>	19.83

**11. FIXED ASSETS**
**Rs.in crore**

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NETBLOCK		
	As at 1st April, 2011	Additions/ Adjustments	Deductions/ Adjustments	Additions to Revalued Assets	As at 31st March, 2012	As at 1st April, 2011	For the year	Adjustments/ Deductions during the year	As at 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
<b>(i) Tangible Assets</b>											
Land (Including Leasehold Land)	1,699.71	2.20	(0.04)	-	1,701.95	2.06	4.69*	-	6.75	<b>1,695.20</b>	1,697.65
Railway Siding	13.82	-	-	-	13.82	1.92	0.66	-	2.58	<b>11.24</b>	11.90
Buildings	173.60	5.77	-	-	179.37	55.47	5.06	-	60.53	<b>118.84</b>	118.13
Plant and Machinery	1,238.35	17.99	8.17	-	1,248.17	641.33	58.41	6.83	692.91	<b>555.26</b>	597.02
Furniture, Fixtures, etc.	10.50	1.18	0.20	-	11.48	5.57	0.49	0.20	5.86	<b>5.62</b>	4.94
Vehicles	7.61	2.38	3.87	-	6.12	5.27	0.43	3.30	2.40	<b>3.72</b>	2.34
Sub-Total	3,143.59	29.52	12.20	-	3,160.91	711.62	69.74	10.33	771.03	<b>2,389.88</b>	2,431.98
<b>(ii) Intangible Assets</b>											
Software	0.95	0.39	-	-	1.34	0.47	0.40	-	0.87	<b>0.47</b>	0.48
Sub-Total	0.95	0.39	-	-	1.34	0.47	0.40	-	0.87	<b>0.47</b>	0.48
Share of Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
<b>Total (i) + (ii)</b>	<b>3,144.54</b>	<b>29.91</b>	<b>12.20</b>	<b>-</b>	<b>3,162.25</b>	<b>712.09</b>	<b>70.14</b>	<b>10.33</b>	<b>771.90</b>	<b>2,390.35</b>	2,432.46
<b>Previous year's Total</b>	2,713.62	143.87	47.28	334.34	3,144.55	665.55	69.25	22.71	712.09	2,432.46	
(iii) a) Capital Work-in-Progress, expenditure to date										<b>104.22</b>	23.64
(iii) b) Capital Work-in-Progress, Share of Joint Ventures										<b>1.22</b>	1.12
<b>Total (iii)</b>										<b>105.44</b>	24.76
										<b>2,495.79</b>	2,457.22

\* Includes Rs. 4.69 crore (Previous year Rs.Nil) withdrawn from Revaluation Reserve

**a) Revaluation:**
**Mukand :**

Free-hold land at Kalwe / Dighe, Thane as at 30.6.1983 was revalued as at 30.6.1984 and the additions to assets on account of this revaluation aggregating Rs.12.27 crore was correspondingly credited to the Revaluation Reserve during the year ended 30.06.1984. To reflect the current fair market value, the Mukand further revalued the freehold land at Kalwe as at 31.3.2001 during November, 2001. The registered valuer had carried out the valuation on the basis of the then market value of this land. The addition to assets on account of this revaluation, aggregating Rs.114.36 crore was correspondingly credited to the Revaluation Reserve during the year ended 31st March, 2002. Mukand has further revalued the aforesaid land as at 31.03.2009 and an amount aggregating Rs.1,212.37 crore has been added to assets and correspondingly credited to the Revaluation Reserve as at 31.03.2009.

Leasehold land at Dighe, Thane as at 31.03.2011 has been revalued to reflect the current Fair Market Value of this land. The valuation was carried out by a Registered Valuer. The addition to assets on account of this revaluation, aggregating Rs.334.34 crore has been correspondingly credited to the revaluation reserve as at 31.03.2011. An amount of Rs.4.39 crore has been transferred from the revaluation reserve to the statement of profit & loss towards amortization charge of the said land for the year.

- b) Fixed assets include net book value of assets at Ginigera Steel Plant of Mukand aggregating Rs.1.40 crore which have been retired from active use and are held for disposal as tabulated hereunder. The said net book value is on the basis of realisable value as per valuation report of an approved valuer.

**Assets held for disposal**

Description	<i>Rs. in crore</i>			
	As at 01.04.2011	Depreciation as at 31.03.2012	Loss on discard written-off during FY2011-12	Net Block as at 31.03.2012
Plant & Machinery	3.30	1.90	-	1.40

- c) Fixed Assets include borrowing costs of Rs.5.86 crore capitalised during the year (Previous year Rs.5.74 crore)

- d) As Lessee: Future Rental obligations in respect of premises taken on lease by Mukand – Operating Lease.

	<i>Rs. in crore</i>	
	As at 31.3.2012	As at 31.3.2011
For a period not later than one year.	<b>1.82</b>	2.48
For a period later than one year and not later than five years.	-	-
For a period later than five years.	-	-
<b>Total</b>	<b>1.82</b>	<b>2.48</b>

Lease rental charged to revenue for the current year Rs.3.15 crore (Previous Year Rs.2.91 crore)

These premises comprise residential flats, office premises and warehouses. The Agreements for lease are executed for tenure of 11 to 72 months with a provision for renewal and termination by other party giving a prior notice of 1 to 3 months.

- e) As Lessor: Future Rental income in respect of premises given on lease by Mukand – Operating Lease.

	<i>As at</i>	<i>As at</i>
	31.3.2012	31.3.2011
For a period not later than one year.	<b>0.57</b>	0.59
For a period later than one year and not later than five years.	-	0.04
For a period later than five years.	-	-
<b>Total</b>	<b>0.57</b>	<b>0.63</b>

These premises comprise office premises and a residential flat given on lease for tenure of two years with a provision for renewal in case of office premises.

Gross carrying amount of assets: Rs.2.40 crore.

Accumulated depreciation upto 31.03.2011: Rs.0.65 crore.

Depreciation for the year: Rs.0.04 crore.

12. NON-CURRENT INVESTMENTS	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
At Cost / Value after providing for diminution [Refer Note 18 (a), (b) and (c)]				
A. Trade ( Unquoted )	1.53	1.53		
B. Others ( Quoted )	30.28	29.09		
C. Others ( Unquoted )	33.20	33.49		
Less : Provision for diminution in the value of investments	12.79	12.79		
	<u>20.41</u>	<u>20.70</u>		
	<u>52.22</u>	<u>51.32</u>		
	<b>Book Value as at</b>	<b>Market Value as at</b>		
	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
Quoted Investments	30.28	29.09	10.46	12.91
Unquoted Investments	21.94	22.23		
	<u>52.22</u>	<u>51.32</u>		

#### Investments in Equity Shares of Associates / Joint Ventures.

Name of the Associate	Rs.in crore	
	As at 31st March 2012	As at 31st March 2011
(i) Mukand Engineers Limited Including Goodwill of Rs.7.99 crore Share of post acquisition accumulated Profits/Reserves Share of current Profit	19.78	19.78
	<u>1.19</u>	<u>2.35</u>
	<u>30.21</u>	<u>29.02</u>
(ii) Stainless India Limited Including Goodwill of Rs.70,161 thousands. Share of post acquisition accumulated Loss Share of current (Loss)	13.68	13.68
	-	-
	-	-
(iii) Bombay Forgings Limited Share of post acquisition accumulated profits Share of current Profit / (Loss) Less: Provision for diminution in value of investments.	0.19	0.19
	8.58	8.53
	(0.29)	0.05
	<u>7.85</u>	<u>7.85</u>
	<u>0.63</u>	<u>0.92</u>
(iv) Bekaert Mukand Wire Industries Pvt. Ltd. Share of losses till the date of termination of Joint Venture i.e. 28.03.2011 / close of the year.	NA	13.00
	NA	(11.48)
	NA	1.52
(v) Hospet Steels Ltd. Share of post acquisition loss	0.07	0.07
	0.07	0.07
	-	-
Note: Share of current profit in Associate Companies is after considering prior period items.		

13. LONG TERM LOANS AND ADVANCES, Unsecured, considered good, unless otherwise specified	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
Loans and Advances	0.08	0.18
Advances recoverable in cash or in kind or for value to be received	59.70	49.05
Advance payment of Income-tax (net)	56.45	33.37
Balances, etc. with --		
Port Trust, Central Excise, etc.	8.32	7.42
Others	13.06	13.98
	<u>21.38</u>	<u>21.40</u>
	<u>137.61</u>	<u>104.00</u>

14. OTHER NON-CURRENT ASSETS	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
MAT Entitlement Credit	48.28	48.28
	<u>48.28</u>	<u>48.28</u>

15. INVENTORIES [For mode of valuation refer Accounting Policy 30F]	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
Raw Materials	68.53	85.59
Raw Materials in Transit	36.96	14.78
Total Raw Materials	105.49	100.37
Work-in-Process	92.02	110.45
Contracts in Progress [Refer Accounting Policy 30 H (v) and Note 21]	288.39	285.56
Finished Goods	420.34	374.71
Iron Ore / Coke Fines, etc.	36.06	11.32
Stores, Spares, Fuel, Components and Engineering Construction Materials	44.71	36.31
Stores in Transit	7.76	4.14
Total Stores, Spares, Fuel, Components and Engineering Construction Materials	52.47	40.45
Fuel	1.25	2.20
Loose Tools	0.17	0.10
Stock-in-trade of Property Development business	0.09	0.09
	<u>996.28</u>	<u>925.25</u>

16. TRADE RECEIVABLES, (Unsecured) [Refer Note 18 (a) and (c) ]	31st March, 2012 Rs.in crore	31st March, 2011 Rs.in crore
More than six months from the due date of payment :		
Considered good	327.98	295.72
Considered doubtful	0.10	0.10
Less : Provision	(0.10)	(0.10)
	<u>---</u>	<u>---</u>
	<u>327.98</u>	<u>295.72</u>
Others :		
Considered good	545.50	579.36
	<u>873.48</u>	<u>875.08</u>



## 17. CASH AND BANK BALANCES

	<b>31st March, 2012 Rs.in crore</b>	31st March, 2011 Rs.in crore
Cash on hand (including cheques on hand Rs.2.38 crore; Previous year Rs.5.87 crore and stamp papers on hand Rs.0.13 crore Previous year Rs.0.11 crore)	<b>2.58</b>	6.08
Balances with Banks :		
(i) In Current Accounts	<b>10.66</b>	32.70
(ii) In Unpaid Dividend Accounts	<b>0.21</b>	0.15
(iii) In Escrow Account	<b>5.31</b>	4.76
(iv) In Margin Money Accounts #	<b>57.70</b>	53.03
(v) In Deposit Accounts	<b>2.08</b>	0.47
	<b>75.96</b>	91.11
Remittances-in-Transit	<b>10.60</b>	14.99
Share of Joint Ventures	-	0.02
	<b>89.14</b>	112.20
# under lien with Banks		

## 18. SHORT TERM LOANS AND ADVANCES

**Unsecured, considered good, unless otherwise specified**

Loans and Advances	<b>168.23</b>	165.86
Advances recoverable in cash or in kind or for value to be received	<b>196.66</b>	102.66
Considered doubtful	<b>0.30</b>	0.30
Less : Provision	<b>(0.30)</b>	(0.30)
	-	-
	<b>196.66</b>	102.66
Balances, etc. with --		
Port Trust, Central Excise, etc.	<b>11.50</b>	5.10
Others	<b>0.17</b>	0.12
	<b>11.67</b>	5.22
Share of Joint Ventures	<b>0.13</b>	0.13
	<b>376.69</b>	273.87

### Short Term Loans & Advances, Trade Receivables, Non-current Investments etc.

(a) Mukand has investments of Rs.0.19 crore (Previous Year Rs.0.19 crore) in equity shares of Bombay Forgings Limited (BFL), and has trade receivables due from BFL/advances recoverable which stood at Rs.70.66 crore (Previous Year Rs.66.98 crore) (collectively referred to as 'Exposures'). Net worth of BFL has turned positive and BFL is no longer a sick industrial company. BIFR has discharged BFL from the purview of provisions of SICA. The management, considering its long term view on the 'Exposures' relies upon the valuation of unencumbered assets of BFL as at 31<sup>st</sup> March, 2012 which is at Rs.79.92 crore (Previous Year Rs.75.57 crore) and barring any significant uncertainties in future, relies upon the earnings from the ongoing business of BFL. The management considers the 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which the Auditors, being unable to make an informed judgement, have placed their reliance.

(b) MGFL has investments aggregating Rs.24.72 crore (Previous Year Rs.24.72 crore) in Preference Shares and has loans and interest dues aggregating to Rs.79.20 crore (Previous Year Rs.82.09 crore) recoverable from investment companies. The net worth of these companies has eroded. These loans have been renewed for further periods. MGFL has fully provided during FY2007-08 for a diminution in the value of investments in Fusion Investments and Financial Services Limited amounting to Rs.4.94 crore. VCL has loans and interest dues aggregating Rs.36.76 crore after

writing off Rs.11.24 crore during the year (Previous Year Rs.48.00 crore) recoverable from these investment companies. As a matter of financial prudence, VCL has not recognised the revenue on these loans amounting to Rs.4.32 crore. The management believes that ultimate losses that may result on account of these loans will depend upon the amount that would be realised from the financial assets of these companies. Under the circumstances, being unable to make an informed judgment, the Auditors have relied upon the judgment of the management.

(c) Mukand / MGFL has an investment of Rs.13.68 crore (Previous Year Rs.13.68 crore) in equity shares of Stainless India Limited (SIL). For the purpose of Consolidation of Accounts, the said value of investment has been reduced to Rs. Nil by accounting for share of post acquisition losses.

VCL has loans aggregating Rs.39.16 crore (Previous Year Rs.39.66 crore). VCL had provided during FY2010-11 an amount of Rs.15.00 crore as doubtful of recovery against these loans. VCL has not provided for interest on these loans as a matter of financial prudence for FY2007-08 to FY2011-12. SIL has not adhered to repayment of the loan as agreed in the undertaking given by SIL to pay the amount of loan as per the repayment schedule.

Mukand has also trade debts Rs.1.12 crore (Previous Year Rs.0.85 crore) loans and interest receivable outstanding aggregating Rs.NIL (Previous Year Rs.0.47 crore) and has trade advances, aggregating Rs.39.16 crore (Previous Year Rs.38.34 crore).

MGFL has also purchased a fully secured debt of SIL of Rs.28.00 crore as per Deed of Assignment executed by IDBI in favour of MGFL on 29<sup>th</sup> April, 2008 for a consideration of Rs.12.50 crore. MGFL had made a provision for Non Performing Assets amounting to Rs.6.25 crore in respect of these dues from SIL in earlier years in accordance with the guidelines for purchase of Non Performing Assets (NPA) and prudential norms prescribed by Reserve Bank of India. During the year, MGFL has received an amount of Rs.2.92 crore (Previous Year Rs.6.08 crore) from SIL and accordingly it has reversed the provision for Non-Performing Assets amounting to Rs.1.46 crore (Previous Year Rs.3.04 crore) and taken credit for the same in the Statement of Profit & Loss. As at 31st March, 2012 provision for NPA remains at Rs.1.75 crore (Previous Year Rs.3.21 crore) against the outstanding dues of Rs.3.50 crore (Previous Year Rs.6.42 crore).

The Net-worth of SIL has eroded. The management has recognised fully the diminution in value of investments and has made no further provision of balance 'Exposures' in SIL. The management, barring any significant uncertainties, relies upon the estimated realisable values of assets of SIL, based on which the management considers the balance 'Exposures' to be 'Good' at the close of the year and adequately covered and expects full realisability of the same in future, upon which, the Auditors, being unable to make an informed judgment, have placed their reliance.

(d) (i) Details of loans and advances in the nature of loans recoverable from associates and shares held by loanees (stipulated under clause 32 of the listing agreement with Stock Exchanges):

Name of the Party	<i>Rs. in crore</i>			
	Outstanding Amount		Maximum Amount during the year	
	As at 31.03.12	As at 31.03.11	2011-12	2010-11
Lineage Investments Ltd.	36.18	38.22	38.22	38.22
Catalyst Finance Ltd.	3.34	8.21	8.21	11.46
Econium Investments & Finance Ltd.	11.13	13.93	14.02	16.35
Fusion Investments & Financial Services Ltd.	37.41	38.63	38.63	42.48
Primus Investments & Finance Ltd.	13.79	14.96	14.98	14.96
Conquest Investments & Finance Ltd.	7.57	16.14	16.14	16.85
Stainless India Ltd.	42.66	46.55	46.55	52.56
Mukand Vini Mineral Ltd.	0.31	0.14	0.31	0.14



## (ii) Equity Shares held by the loanees in the capital of Mukand :

Name of the Loanee	No. of Shares held by Loanee		Maximum No. of Shares held by Loanee during the Year	
	As at 31.03.12	As at 31.03.11	2011-12	2010-11
Lineage Investments Ltd.	427,880	477,880	427,880	638,500
Catalyst Finance Ltd.	581,000	581,000	581,000	623,660
Econium Investments & Finance Ltd.	345,760	345,760	345,760	356,260
Fusion Investments & Financial Services Ltd.	806,180	806,180	806,180	825,680
Primus Investments & Finance Ltd.	213,608	213,608	213,608	342,865
Conquest Investments & Finance Ltd.	248,320	248,320	248,320	288,320

## (iii) Preference Shares held by the loanees in the capital of Mukand :

Name of the Loanee	No. of Shares held by Loanee		Maximum No. of Shares held by Loanee during the Year	
	As at 31.03.12	As at 31.03.11	2011-12	2010-11
Lineage Investments Ltd.	166,000	166,000	166,000	166,000
Catalyst Finance Ltd.	161,790	161,790	161,790	161,790
Econium Investments & Finance Ltd.	97,940	97,940	97,940	97,940
Fusion Investments & Financial Services Ltd.	206,420	206,420	206,420	206,420
Primus Investments & Finance Ltd.	91,591	91,591	91,591	91,591
Conquest Investments & Finance Ltd.	72,080	72,080	72,080	72,080

(e) MEL has, as at 31st March, 2012 loans aggregating Rs.10.34 crore (Previous Year Rs.11.97 crore) and interest recoverable aggregating Rs.4.95 crore (Previous Year Rs.5.66 crore) due from investment companies. The net worth of these companies has eroded. On the undertaking by these companies to pay the principal amount along with interest, (accrued upto 31st March, 2003) MEL had agreed to waive interest on these loans with effect from 1st April, 2003. As a matter of prudence, MEL had already stopped accounting for interest income on these loans with effect from 1st April, 2003. The management of MEL, based on its assessment of the estimated realisable values of the financial assets of these companies, believes that the MEL would still be able to recover the loans and interest as mentioned above and has accordingly treated the said loan amounts and interest due thereon as current assets.

(f) During the year, MEL has concluded one time settlement with one of the investment companies, referred to in Note 'e' above, to settle the total outstanding amount as on 12.05.2011. Accordingly, the investment company has paid an amount of Rs.1.17 crore towards principal outstanding. The balance amount of Rs.1.17 crore (Principal Rs.0.46 crore and interest Rs.0.71 crore) is written off by MEL during the year.

(g) As per the understanding reached by Mukand with Commerzbank AG as recorded in the Consent Terms filed in the Debt Recovery Tribunal, MEL during financial year FY2002-03 joined as a surety under the said Consent Decree to pay a sum of Rs.7.60 crore in the manner specified in the Consent terms, whereby MEL became entitled to assignment of the entire outstanding debt of Rs.16.09 crore due by Mukand to the Bank together with the security held by the Bank. MEL discharged its obligations under the said Consent Terms and the aforesaid debt has been assigned in its favour. The difference between the face value of debt assigned to MEL and the obligation discharged by it aggregating Rs.8.49 crore was credited to the Profit and Loss Account as "Exceptional Income" during FY2002-03.

During the year 2009-10, MEL re-participated along with other secured creditors in restructuring of Mukand's debts to receive the payment of principal amount and interest only over a period of 9 years (earlier 12 years), on similar lines, as other secured creditors, who have accepted the Financial Restructuring Package (FRP) approved by the Corporate Debt

Restructuring Cell for Mukand. As per the aforesaid FRP, interest for the period 1<sup>st</sup> April, 2002 to 30<sup>th</sup> September, 2004 was converted into a loan to be repaid till March 2013. The Principal amount will be repaid till March, 2015 as per the said FRP. MEL has ceded pari-passu charge on certain current assets and fixed assets of Mukand to the extent of Priority Debt raised by Mukand.

## 19. OTHER CURRENT ASSETS

	31st March, 2012	31st March, 2011
	Rs.in crore	Rs.in crore
Interest receivable [Refer Note 18 (b)]	7.89	6.84
Receivable Others	2.94	2.94
	<b>10.83</b>	<b>9.78</b>

Other Current Assets include Rs.2.94 crore recoverable by Mukand from Ispat Group of Companies. Mukand had entered into an agreement dated 31<sup>st</sup> March, 1998 to sell 500,000 Equity shares of Rs.10/- each of Kalyani Mukand Ltd., for an aggregate consideration of Rs.6.94 crore. Under the terms of the said agreement, the sale of shares was based on certain conditions to be complied with subsequent to sale, and which conditions have been fulfilled.

Since the sale and transfer of the shares were considered to be legally complete upon execution of the Agreement of Sale of shares, Mukand had taken credit for the consideration aggregating Rs.6.94 crore, during the Accounting Year 1997-98. Mukand has, upto the close of the Accounting Year 2011-12, received amounts aggregating Rs.4.00 crore against the aggregate consideration of Rs.6.94 crore and management considers the balance amount to be good and recoverable in due course, and this has been relied upon by the Auditors.

## 20. (a) Contingent Liabilities not provided for :

	31.3.2012	31.3.2011
	Rs. in crore	Rs. in crore
(i) Disputed matters in appeal/contested in respect of:		
- Income Tax *	53.94	39.54
- Excise Duty, Customs Duty etc.	4.53	2.76
- Sales Tax, Works Contract Tax etc. **	4.90	2.83
- Other matters	0.24	0.24
<i>* included in this amount (not provided in the Accounts) is the liability under Sec 115JB of the Income Tax Act, 1961 for Assessment Year 2005-06 as Mukand's appeal is pending disposal. Mukand places reliance on certain judicial pronouncements and has also obtained a legal opinion on the matter.</i>		
<i>** In the matter of certain ex-parte assessments completed by Commercial Tax Officer in the State of Uttar Pradesh, Mukand is advised that liability if any, that may arise will be determined after the matter is remanded to the Assessing Officer and on completion of reassessment proceedings and therefore, the same is not included herein.</i>		
(ii) Claims against the Company not acknowledged as debt	21.24	17.61
(iii) Bills discounted with the Bankers and others Sale Bills discounted	9.80	17.27
(iv) Guarantees and Counter guarantees given on behalf of :-		
- Associates	-	-
- Others	8.90	18.96

	31.3.2012	31.3.2011
	Rs. in crore	Rs. in crore
(v) Bonds / Undertakings given by Mukand under concessional duty/ exemption to Customs / Excise Authorities (Net of redemption applied for)	0.66	0.66
(vi) Bonds given by Mukand against import of machinery under EPCG Scheme	30.02	19.37
(vii) Share in the contingent liabilities of Associates	1.59	2.23
(viii) Share in the contingent liabilities of Joint Ventures	-	-
(ix) The Lenders of Mukand have a right to recompense upto 12% per annum in excess of the effective IRR charged in Financial Restructuring Package for 8 years commencing from the date of approval.		
(x) Mukand has implemented the award given by the Industrial Tribunal in the matter relating to emoluments to staff and officers. The said award is under challenge in the High Court of Bombay by way of a Writ Petition, and is pending disposal. Demand for Annual Bonus for the financial years 1995-96 to 2006-07 by Staff and Officers' Association of Mukand is pending at different stages in proceedings under The Industrial Disputes Act, 1947. Bulk of these employees are statutorily not covered by The Payment of Bonus Act, 1965 and many of the employees are also not covered by The Industrial Disputes Act, 1947. Liability arising there from cannot therefore, be determined at present.		
(xi) Government of Maharashtra has served a Demand Notice on Mukand for payment of electricity duty for power generated during the period 01.04.2000 to 30.04.2005 and penal interest thereon in Mukand's Captive Power Plant amounting to Rs.14.27 crore. The Writ Petition filed by Mukand is disposed by the Hon'ble Bombay High Court on 7 <sup>th</sup> November, 2009 quashing the said Demand Notice. Government of Maharashtra, has however, filed an Appeal in the Supreme Court of India against the aforesaid judgment of High Court.		
(xii) There have been delays in payment of tax deducted at source by Mukand in earlier years and also in FY2011-12. Interest payable on delays has been accounted for in respect of cases where appropriate orders have been received from Income Tax authorities.		
(xiii) A claim towards difference in price of calibrated iron ore for the period 1 <sup>st</sup> April, 2006 to 28 <sup>th</sup> February, 2007 amounting to Rs.33.07 crore has been raised by a supplier on Mukand in March 2007. Mukand has been legally advised that the supplier cannot seek this price revision under a concluded agreement and hence no provision is made in the Accounts for the same. The issue along with method of review and re-fixing of price of calibrated iron ore effective on 1 <sup>st</sup> of April each year in terms of agreement is referred to an arbitral tribunal, whose award is awaited. Moreover, the said supplier has also unilaterally increased the price of iron ore w.e.f. 1 <sup>st</sup> April, 2007 and thereafter w.e.f 1 <sup>st</sup> April every year. This issue too is to be settled by the aforesaid arbitral tribunal. However, pending such determination of final price, the supplier has raised invoices at an ad-hoc interim mutually agreed price on the marketing contractor who in turn has billed Mukand at the same price and which liability, has been fully accounted for.		
		Rs. in crore
	31.3.2012	31.3.2011
b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	91.10	35.08

## 21. REVENUE FROM OPERATIONS

	2011-12	2010-11
	Rs.in crore	Rs.in crore
<b>i) REVENUE FROM OPERATIONS</b>		
(a) Sale of Products and Services		
1. Steel Products	2,392.69	2,293.42
2. Engineering Contracts	371.77	402.03
3. Others	30.01	59.44
Total	2,794.47	2,754.89
Less : Excise Duty	234.45	241.31
Net Sales	2,560.02	2,513.58
(b) Interest from Financing Activities	7.37	7.41
(c) Income from Property Development Activities	0.96	1.33
(d) Share of Joint Ventures	-	21.97
<b>(i) Total Revenue from Operations</b>	<b>2,568.35</b>	<b>2,544.29</b>
<b>ii) Other Operating Revenues</b>		
a) Sale of Scrap and Sundries	8.64	8.74
b) Sales-tax / VAT Refunds	17.32	2.64
c) Gain on variation in foreign exchange rates (net)	-	0.75
d) Interest Received from Banks	12.16	3.24
e) Insurance Claims etc.	0.59	0.80
f) Credit balances appropriated	1.56	1.10
g) Other Miscellaneous receipts	3.87	8.60
h) Bad Debts Recovered	-	0.18
i) Excess provisions written back (net) (Including for Non Performing Assets)	3.41	4.14
j) Surplus on account of sale of Assets	1.09	1.69
k) Share of Joint Ventures	-	0.85
<b>(ii) Total Other Operating Revenues</b>	<b>48.64</b>	<b>32.73</b>
<b>Total Sales and Services and Other Operating Revenues</b>	<b>2,616.99</b>	<b>2,577.02</b>
<b>a) Disclosure regarding Income from Engineering Contracts of Mukand – Road Construction Division:</b>		
		Rs. in crore
	2011-12	2010-11
The amount of Contract revenue recognised as revenue during the year.	-	14.62
The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year.	765.42	761.99
The amount of advances received (Gross)	-	-
The amount of retentions (included in trade receivables) (net balance)	-	-
Amount due to customers	-	-
Amount due from customers	39.22	39.97
<b>b) The management has, keeping in view the accounting policy adopted by Mukand technically determined the realisable value of Contracts in Progress (including incidental income by way of disposal of plant and equipment at the end of the contract) compared to relatable revenues and claims raised by Mukand in respect of its Road Construction Contracts. Although the outcome of the Road Construction activity cannot be estimated with reliability at present, it is the opinion of the management that in view of the substantially large claims by Mukand</b>		

aggregating Rs.113.27 crore (Previous Year Rs.114.73 crore) for incremental jobs executed, escalations and time over-runs, losses currently expected are already recognized till the close of the year. Since realization of these claims is a judgmental matter, on which auditors are not able to make an informed judgment, the auditors have placed reliance on the Management's judgment of losses currently expected, realisability of claims which is expected to be settled by 31st March, 2013 and further losses if any, would be entirely recognized and fully expensed by that date.

- c) Disclosure regarding Income from Contracts of Industrial Machinery Division of Mukand to which Accounting Standard 7 applies :

	Rs. in crore	
	2011-12	2010-11
The amount of Contract revenue recognised as revenue during the year.	<b>246.03</b>	275.70
The aggregate amount of costs incurred and recognised profits (less recognised losses) upto close of the year.	<b>980.83</b>	735.15
The amount of advances received (Gross)	<b>32.12</b>	55.50
The amount of retentions (included in trade receivables) (net balance)	<b>78.36</b>	57.26
Amount due to customers	-	-
Amount due from customers	<b>141.37</b>	141.92
<b>22. OTHER INCOME</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>Rs.in</b>	<b>Rs.in</b>
	<b>crore</b>	<b>crore</b>
a) Rent received	<b>1.24</b>	0.94
b) Surplus on account of sale of Land	-	38.50
c) Surplus on sale of long term investments	-	1.88
d) Interest Received from Others	<b>0.75</b>	7.21
e) Dividends (Gross) :		
from Trade Investments (long term)	<b>0.70</b>	0.06
from Other Investments (short term)	<b>0.01</b>	0.70
	<b>0.71</b>	0.76
Total Other Income	<b>2.70</b>	49.29
<b>23. RAW MATERIALS CONSUMED</b>		
Opening Stocks	<b>85.59</b>	52.56
Add : Purchases	<b>1,376.85</b>	1,411.63
Less : Sales / Materials given on loan	<b>(0.04)</b>	0.12
	<b>1,462.48</b>	1,464.07
Less : Closing Stocks	<b>68.53</b>	85.59
	<b>1,393.95</b>	1,378.48
Share of Joint Ventures	-	2.43
	<b>1,393.95</b>	1,380.91
<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
Opening Stocks	<b>782.13</b>	596.50
Less : Closing Stocks	<b>836.90</b>	782.13
Variation in Stocks	<b>(54.77)</b>	(185.63)
Variation in Excise Duty on Opening & Closing Stocks of Finished Goods	<b>10.25</b>	16.22
(Increase) / Decrease in Stocks	<b>(44.52)</b>	(169.41)

**25. EMPLOYEE BENEFIT EXPENSES**

	2011-12	2010-11
	Rs.in	Rs.in
	crore	crore
Salaries, Wages, Bonus, Compensation and Other Payments	<b>110.08</b>	102.17
Contribution towards Employees' State Insurance, Provident and Other Funds	<b>11.22</b>	13.92
Welfare Expenses	<b>11.20</b>	10.01
	<b>132.50</b>	126.10

**26. FINANCE COSTS**

	2011-12	2010-11
	Rs.in	Rs.in
	crore	crore
Interest Expenses	<b>257.47</b>	226.80
Less :		
Interest Capitalised	<b>5.86</b>	5.74
Interest Income from Trade Dues (Gross)	<b>84.20</b>	59.20
	<b>90.06</b>	64.94
	<b>167.41</b>	161.86
Other Borrowing Costs	<b>4.24</b>	3.72
Lease Rentals	<b>6.37</b>	6.37
Share of Joint Ventures	-	2.74
	<b>178.02</b>	174.69

**27. OTHER EXPENSES**

	2011-12	2010-11
	Rs.in	Rs.in
	crore	crore
Stores, Spares, Components, Tools, etc. consumed	<b>378.14</b>	392.32
Contract execution costs	<b>6.12</b>	17.03
Power and Fuel consumed	<b>206.53</b>	179.04
Machining and Processing charges	<b>148.92</b>	158.31
Sub-contracting expenses	<b>33.40</b>	28.17
Other Manufacturing expenses	<b>14.32</b>	15.66
Property Development Expenses	<b>0.96</b>	0.77
Rent (net)	<b>1.04</b>	1.08
Repairs:		
to Buildings	<b>1.87</b>	2.52
to Plant and Machinery	<b>7.51</b>	7.27
to Other assets	<b>2.00</b>	1.75
	<b>11.38</b>	11.54
Rates and Taxes	<b>3.31</b>	3.04
Insurance	<b>2.19</b>	1.83
Commission	<b>6.30</b>	6.64
Freight, Forwarding & Warehousing (net)	<b>77.25</b>	86.10
Directors' Fees and Travelling Expenses	<b>0.11</b>	0.10
Bad Debts, debit balances & claims written off	<b>11.73</b>	90.56
Less : Doubtful debts provided in earlier years	-	61.95
	<b>11.73</b>	28.61
Provision for doubtful debts / advances	-	15.00
Provision on Standard Assets	<b>0.05</b>	0.24
Loss on assets discarded / impaired	<b>1.15</b>	1.11
Loss on assets sold (net)	<b>0.03</b>	0.30
Loss on variation in foreign exchange rates (net)	<b>42.34</b>	-
Miscellaneous Expenses	<b>48.29</b>	46.66
	<b>993.56</b>	993.55
Share of Joint Ventures	-	8.14
	<b>993.56</b>	1,001.69

Mukand had, during the Financial Year 1998-99, entered into a strategic alliance with Kalyani Steels Limited to set-up a steel plant to be operated by a Company – Hospet Steels Limited.

Expenses and liabilities arising out of this alliance to Hospet Steels Limited are shared on the basis stipulated in the relevant Agreements, and its accounting in the books of Mukand is carried out, accordingly.

Wherever, due to the terms of the alliance, estimations are required to be made in respect of expenses, liabilities, production, etc., the same have been relied upon by the auditors, being technical matters.

## 28. Prior period adjustments' represents :

	Rs. in crore	
	2011-12	2010-11
Share in Associates / Joint Venture	-	0.82
<b>Total</b>	-	0.82

## 29. Computation of Profit for Earnings per Share :

Net Profit /(Loss) after taxation as per Statement of Profit & Loss	<b>(86.88)</b>	2.72
Less : Dividends and tax there-on (Rs. 6,540/- for FY 2011-12 and 2010-11)	-	-
Net Profit /(Loss) for calculation of basic/diluted EPS.	<b>(86.88)</b>	2.72
Weighted average number of equity shares outstanding	<b>73,114,129</b>	73,114,129
Basic and diluted EPS in Rs (Face Value Rs.10/- per share)	<b>(11.88)</b>	3.72

## 30. BASIS AND PRINCIPLES OF CONSOLIDATION

- The consolidated financial statements of the group have been prepared based on a line-by-line consolidation of the financial statements of Mukand Limited and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances except for the changes in accounting policy discussed more fully below. All material inter-company balances and transactions are eliminated on consolidation. Mukand Limited and all the subsidiaries have closed books of accounts as at March 31, 2012 as year-end for the purpose of preparing the consolidated financial statements of the group.
- Investment of the Company in associates is accounted as per the equity method prescribed under notified accounting standard 23 – "Accounting for Investment in Associates in Consolidated Financial Statements" under Companies Accounting Standard Rules 2006 (as amended).
- Interest in Jointly Controlled Entity is accounted as per the Proportionate Consolidation Method prescribed under Notified Accounting Standard 27 – 'Financial Reporting of Interests in Joint Venture in Consolidated Financial Statements' under Companies Accounting Standard Rules, 2006 (as amended).
- Assets and liabilities of subsidiaries are translated into Indian rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and expenses are translated into Indian rupees at average of twelve months closing rates and the resulting net translation adjustment aggregating Rs.0.02 crore (Previous Year Rs.1.86 crore) has been adjusted to Reserves.
- Accordingly, the Consolidated Financial Statements (CFS) includes the results of five wholly owned subsidiaries, joint venture and four associates. The names, country of incorporation and proportion of ownership is given hereunder :

Name of the Company	Country of Incorporation	Percentage of shareholding	Consolidated as
Mukand Global Finance Ltd. (MGFL)	India	100.00	Subsidiary
Vidyavihar Containers Ltd. (VCL)	India	100.00	Subsidiary
Mukand Vijaynagar Steels Ltd. (MVSL)	India	100.00	Subsidiary
Mukand International Ltd. (MIL)	UK	100.00	Subsidiary
Mukand International FZE (MIFZE)	UAE	100.00	Subsidiary
Mukand Vini Mineral Ltd. (MVML)	India	48.80	48.80:51.20 Joint Venture
Bekaert Mukand Wire Industries Pvt. Ltd.	India	26.00	26:74 Joint Venture upto 28.03.2011
Mukand Engineers Ltd. (MEL)	India	36.11	Associate
Bombay Forgings Ltd. (BFL)	India	24.00	Associate
Stainless India Ltd. (SIL)	India	48.30	Associate
Hospet Steels Ltd. (HSL)	India	28.00	Associate

Significant accounting policies and notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

Intra-group balances, intra-group transactions and unrealised profits have been eliminated in preparing these accounts.

The excess of the cost to the Parent Company of its investments in each of the subsidiaries and associates over its share of equity in the respective subsidiary/associate, on the acquisition date, is recognised in the financial statement as goodwill and amortized over a period of five years. However, such excess or deficit arising after the acquisition date on account of currency fluctuation in respect of foreign subsidiaries is transferred to Currency Fluctuation Reserve.

### Statement of significant accounting policies and practices.

#### A] Basis of preparation:

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

#### B] Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could defer from those estimated and actual materialized results and estimates are recognized in the period, in which the results are known.

## C] Fixed Assets:

### a) Tangible Assets:

- (i) Fixed Assets except leasehold land are stated at cost of acquisition or construction. However, fixed assets, which are revalued are stated at their revalued book values.
- (ii) Cost of acquisition comprise all costs incurred to bring the assets to their location and working condition upto the date assets are put to use. Cost of construction comprise of those costs that relate directly to specific assets and those that are attributable to the construction activity in general and can be allocated to specific assets upto the date the assets are put to use.

### (b) Intangible Assets:

Intangible Assets are stated at their cost of acquisition less accumulated amortization and impairment losses. An asset is recognized, where it is possible that future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciable amount on intangible assets is allocated over the best estimate of its useful life on a straight line basis or the period of agreement whichever is lower.

### (c) Depreciation/ Amortisation:

- (i) Depreciation is provided on all assets on the "Straight Line Method" in accordance with the provisions of Section 205 (2)(b) of the Companies Act, 1956.
- (ii) Depreciation on Buildings and Furniture & Fixtures acquired upto 31<sup>st</sup> March, 1987 is provided at the rates of depreciation prevalent at the time of acquisition of the assets in accordance with Circular No.1 of 1986 [1/1/86-CL-V] dated 21.5.1986 issued by the Company Law Board.
- (iii) Depreciation on addition to assets referred to in (ii) above, acquired on or after 1<sup>st</sup> April, 1987 is provided at the Straight Line Method rates specified from time to time in Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation on assets under Plant & Machinery group in Schedule XIV to the Companies Act, 1956, is provided over the recomputed "Specified Period", at the rates given in the said Schedule from time to time, in accordance with Circular 14/93 dated 20<sup>th</sup> December, 1993, issued by the Department of Company Affairs.
- (v) Software is amortised over a period of 3 years. At MEL ERP Software is amortised over a period of 5 years.
- (vi) Depreciation in respect of assets used for long term engineering contracts is provided on the estimated useful life of the assets.
- (vii) Assets costing less than Rs.5,000/- are fully depreciated at the rate of 100% in the year of purchase.
- (viii) Depreciation on addition to assets or on sale / discardment of assets is calculated pro-rata from the month of such addition or upto the month of such sale / discardment, as the case may be.
- (ix) Cost of Leasehold land is amortized over the period of lease.
- (x) Technical know-how is amortised over the period of agreement or six years, whichever is lower.
- (xi) By the foreign subsidiaries –on methods and at rates applicable under local laws or at such rates so as to write-off the value of assets over its useful life.

## D] Impairment of Assets :

An asset is considered as impaired in accordance with Accounting Standard 28 on "Impairment of Assets", when at balance sheet date there are indications of impairment and the carrying amount of the assets or where applicable the cash generating unit to which the assets belong, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss Account.

## E] Investments:

Investments are classified as current or long term in accordance with Accounting Standard 13 on "Accounting for Investments". Long term Investments are stated at cost of acquisition. Provision for diminution is made to recognize a decline, other than temporary, in the value of such investments. Current investments are stated at lower of cost of acquisition

and fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

## F] Inventories:

The inventories resulting from intra group transactions have been stated at cost by eliminating unrealized profit on such transactions.

Inventories are valued at lower of cost or net realizable value. Materials-in-transit are valued at cost-to-date. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition including excise duty payable on goods produced. The cost formulae used for determination of cost are either 'First in First Out' or 'Average Cost', as applicable.

Inventories of shares/other securities are valued at lower of aggregate costs as compared to the aggregate market value for each category of inventories.

## G] Foreign currency translations :

- (i) All transactions in foreign currency, are recorded at the rates of exchange prevailing as at the date of the transaction.
- (ii) Monetary assets and liabilities in foreign currency, outstanding at the close of the year, are converted in Indian currency at the appropriate rates of exchange prevailing at the close of the year. The resultant gain or loss is accounted for during the year.
- (iii) In respect of forward exchange contracts entered into towards hedge of foreign currency risks, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expenditure over the life of the contract. Further, the exchange differences arising on such contracts are recognised as income or expenditure along with the exchange differences on the underlying assets/liabilities. Profit or Loss on cancellations/renewals of forward contracts is accounted for during the year.  
Non monetary items such as investments are carried at historical costs using the exchange rates on the date of the transactions.
- (iv) In accordance with the approval obtained by MIL from the Inland Revenue Department, the currency of accounting of MIL was changed from GBP to USD from 1.04.1997.

## H] Revenue Recognition:

- (i) Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.
- (ii) Revenue from sale of goods is recognized when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained. Sales are net of Sales Tax/Value Added Tax. Excise Duty recovered is presented as a reduction from gross turnover.
- (iii) Liability for Excise Duty and Customs Duty payable on goods held in bond at the year end is provided for.
- (iv) Benefit on account of entitlement to import duty-free materials under the Advance Licence and Duty Entitlement Pass-Book Scheme, is estimated and accounted in the year of export.
- (v) Accounting for Long Term Engineering Contracts:  
Revenue from construction/project related activity for supply/commissioning of Plant & Equipment is recognised on the percentage of completion method, in proportion that the contract costs incurred for the work performed upto the reporting date bear to the estimated total contract costs.  
Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current estimates.  
At each reporting date, the contracts in progress (progress work) is valued and carried in the Balance Sheet under Current Assets.
- (vi) Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognized when the right to receive dividend is established.  
Interest income earned on trade dues is netted against interest expense under finance costs.
- (vii) Front-end fees paid on borrowings are amortised over the period of loans/debentures or over a period of three years whichever is shorter.



(viii) MGFL follows the prudential norms for income recognition and provisioning for bad and doubtful debts and other non-performing assets as prescribed by the Reserve Bank of India, for Non-Banking Finance Companies.

(ix) Income from property development activities is recognised in terms of agreements with developers, where applicable, when the construction of the flats and conveyance of the land is completed.

(x) Income from EDP Services provided by MEL is accounted on accrual basis.

**I] Leases:**

(a) Operating lease:

Lease, where the lessor effectively retain substantially all the risks and benefits of ownership of the leased assets, are classified as operating lease. Operating lease receipts and payments are recognized as income or expense in the Profit and Loss Account on a straight line basis over the lease term.

(b) In respect of Other Assets taken on Lease upto 31-3-2001:

(i) Interest and other charges are deferred over the "specified period" of the assets or the term of lease, whichever is shorter.

(ii) Lease rentals are charged over the "specified period" of the assets or the term of lease, whichever is shorter.

The "specified period" is worked out at the rates of depreciation on the Straight Line Method in Schedule XIV to the Companies Act, 1956, and it commences from the year in which the asset is installed.

**J] Employee Benefits :**

Employee benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident fund and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the Profit and Loss Account in the period in which the service is rendered.

Employee benefits under defined benefit plans, such as compensated absences and gratuity which fall due for payment after a period of twelve months from rendering service or after completion of employment, are measured by the project unit cost method, on the basis of actuarial valuation carried out by third party actuaries at each balance sheet date. The obligations recognized in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

**K] Borrowing Costs:**

Borrowing cost attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on "Borrowing Costs" are capitalized as part of the cost of such assets upto the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

**L] Taxation:**

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date unrecognised deferred tax assets are re-assessed. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may

be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. It writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. It reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Foreign Subsidiaries

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

**M] Segment Reporting Policies :**

**Identification of segments:**

The operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions operate.

**Inter segment Transfers:**

The Company generally accounts for inter segment transfers at cost. However, in case of Mukand's Captive Power Plant of Steel Division at Ginigera, Karnataka, the inter-segment transfers are accounted at the per unit comparable cost of energy purchased from supplier of energy at that plant.

**Allocation of common costs:**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Unallocated items :**

Includes general corporate income and expense items which are not allocated to any business segment.

**Segment Policies:**

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the group as a whole.

**N] Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**O] Provisions and Contingent Liabilities:**

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Financial Statements.

**P] Cash Flow Statement:**

The Cash Flow Statement is prepared by the "indirect method" set-out in Accounting Standard 3 on "Cash Flow Statement" and presents the Cash Flows by operating, investing and financing activities.

Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and unencumbered, highly liquid bank balances.



### 31. Disclosures under Accounting Standard 15 on Employee Benefits

(i) Details in respect of gratuity (including share in associates) are as under :

	Rs. in crore	
	2011-12	2010-11
<b>Liability to be recognised in Balance Sheet</b>		
Present Value of Funded Obligations	<b>32.91</b>	30.65
Fair Value of Plan Assets	<b>13.48</b>	11.42
<b>Net Liability</b>	<b>19.43</b>	19.23
<b>Change in Plan Assets (Reconciliation of opening &amp; Closing Balances)</b>		
Fair Value of Plan Assets as at beginning of the year	<b>11.42</b>	7.07
Expected Return on Plan Assets	<b>1.10</b>	0.72
Actuarial (Gain) / Losses	-	0.01
Contributions	<b>2.87</b>	5.81
Benefits Paid	<b>(1.91)</b>	(2.19)
Fair Value of Plan Assets as at the close of the year	<b>13.48</b>	11.42
<b>Reconciliation of Opening and Closing Balances of obligation</b>		
<b>Change in defined Benefit Obligation</b>		
Obligation as at beginning of the year	<b>30.65</b>	25.44
Current Service Cost	<b>1.76</b>	1.61
Interest Cost	<b>2.46</b>	2.02
Actuarial Losses / (Gain)	<b>0.08</b>	3.77
Benefits Paid	<b>(1.91)</b>	(2.19)
Obligation as at the close of the year	<b>33.04</b>	30.65
<b>Expenditure to be recognised during the year</b>		
Current Service cost	<b>1.76</b>	1.61
Interest Cost	<b>2.46</b>	2.02
Expected Return on Plan Assets	<b>(1.04)</b>	(0.72)
Net Actuarial Losses / (Gains) Recognised during the year	<b>0.02</b>	3.77
Total Expenditure included in "Employees' Emoluments"	<b>3.20</b>	6.68
<b>Assumptions</b>		
Discount Rate (per annum) %	<b>8.50</b>	7.75 to 8.00
Expected rate of Return on Assets (per annum) %	<b>8.50 to 9.40</b>	8.00 to 9.40
Salary Escalation Rate %	<b>5.25 to 6.00</b>	5.00 to 6.00

(ii) Mukand expects to contribute Rs.1.68 crore to its gratuity plan for the next year. In assessing the Mukand's post retirement liabilities, Mukand monitors mortality assumptions and uses up-to-date mortality tables, the base being the LIC, 1994-96 ultimate tables.

(iii) Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

(iv) The composition of the plan assets, by category from the insurers, LIC are on the basis of overall investment by them for all such insured entities and hence, the disclosures as required by Accounting Standard 15 in 'Employee Benefits' have not been given, and Auditors have relied upon the same.

(v) Other disclosures for Mukand:

Particulars	Rs. in crore				
	2011-12	2010-11	2009-10	2008-09	2007-08
Present Value of Funded Obligations.	31.49	29.39	24.53	21.24	20.24
Fair Value of Plan Assets.	12.27	10.43	6.23	4.29	6.70
<b>Net Liability.</b>	<b>19.22</b>	<b>18.96</b>	<b>18.30</b>	<b>16.95</b>	<b>14.54</b>
<b>Experience Adjustments on Plan Liabilities</b>					
Loss / (Gain)	0.06	3.51	2.35	0.22	0.96
Experience on Plan Assets—	-	--	--	(0.07)	--
Loss / (Gain)					

(vi) In respect of certain employees of Road Construction Division of Mukand, liability for gratuity is provided at actuals on the basis of amount due as at 31<sup>st</sup> March, 2012. Similarly, In respect of employees of Bombay Forgings Limited and Stainless India Limited, liability for gratuity is provided at actuals on the basis of amount due as at 31<sup>st</sup> March, 2012.

(vii) An amount of Rs.4.17 crore as contribution towards defined contribution plans including Rs.0.74 crore in terms of strategic alliance is recognised as expense in the Statement of Profit and Loss.

### 32. Segment Information for the year ended 31st March, 2012

A. Business Segment						
Particulars	Steel	Industrial Machinery	Power Plant	Others	Eliminations	Total
	(Rs. in crores)					
<b>Segment Revenue :</b>						
External Revenue	2,523.04	271.43	-	8.33	-	2,802.80
Inter-Segment Revenue	-	6.96	19.99	0.06	(27.01)	-
<b>Total Revenue</b>	<b>2,523.04</b>	<b>278.39</b>	<b>19.99</b>	<b>8.39</b>	<b>(27.01)</b>	<b>2,802.80</b>
Less : Excise Duty						234.45
<b>Net Revenue</b>						<b>2,568.35</b>
<b>Segment Results before interest and tax :</b>						
Inter-Segment Margin	3.05	57.84	13.63	(3.47)	-	71.05
<b>Total Segment Results before interest and tax :</b>	<b>3.05</b>	<b>58.60</b>	<b>13.63</b>	<b>(2.80)</b>	<b>(1.43)</b>	<b>71.05</b>
Less : Unallocated Expenses (net of Income)						(3.08)
Add : Share of Profit in Associates						0.90
Less : Finance and Lease Charges						(170.23)
Add : Tax Expenses (net)						14.24
Add : Excess Provision for tax						0.24
<b>Net Loss</b>						<b>(86.88)</b>
<b>Other Information</b>						
Segment Assets	3,935.99	514.33	51.57	388.20	(5.21)	4,884.88
Un-allocated Assets						195.44
<b>Total Assets</b>						<b>5,080.32</b>
Segment Liabilities	785.39	114.19	0.71	228.71	(16.44)	1,112.56
Un-allocated Liabilities (Including Loan Funds)						1,921.30
<b>Total Liabilities</b>						<b>3,033.86</b>
<b>Capital Expenditure</b>						
Segment Capital Expenditure	104.08	6.04	0.14	-	-	110.26
Un-allocated Capital Expenditure						0.32
<b>Total Capital Expenditure</b>						<b>110.58</b>
<b>Depreciation &amp; Amortisation</b>						
Segment Depreciation & Amortisation	59.82	2.19	2.60	0.82	-	65.43
Un-allocated Depreciation & Amortisation						0.32
<b>Total Depreciation &amp; Amortisation</b>						<b>65.75</b>
<b>Significant Non-Cash Expenditure</b>						
Segment Non-Cash Expenditure	0.21	0.09	-	0.19	-	0.49
Un-allocated Non-Cash Expenditure						11.24
<b>Total Significant Non-Cash Expenditure</b>						<b>11.73</b>

#### Notes :

- Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.7.79 crore.
- Segment Result is after adjusting prior period items.
- Share of Profit in Associates is after considering prior period items.

#### B. Geographical Segment :

Particulars	India	Rest of the World	Total
	Rs. in crores		
Segment Revenue	2,569.45	233.35	2,802.80
Carrying cost of Segment Assets	4,875.36	9.52	4,884.88
Additions to Fixed Assets & Intangible Assets	110.26	-	110.26

#### (C) Other Disclosures :

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17) taking into account the organizational structure as well as the differential risk and returns of these segments.

Business segment has been disclosed as primary segment.

Types of products and services in each business segment:

Steel – billets, blooms, rounds, wire rods, bars, rods and sections, bright bars and wires of special & alloy steel and stainless steel.

Power Generation for captive use.

Industrial Machinery - EOT and other cranes, steel structurals, material handling equipment, processing plant and equipment, etc.

Others -- Comprise Segments of road construction, property development, income from operations of Non-banking Financial Activities.

The segments as reported above include trading activity of the respective segments.

Inter segment revenues are recognized at cost except in respect of segment of power generation.

The Segment Information include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

### 32. Segment Information for the year ended 31st March, 2011

A. Business Segment						
Particulars	Steel	Industrial Machinery	Power Plant	Others	Eliminations	Total
	(Rs. in crores)					
<b>Segment Revenue :</b>						
External Revenue	2,477.26	284.98	-	23.36	-	2,785.60
Inter-Segment Revenue	-	3.57	3.07	0.06	(6.70)	-
<b>Total Revenue</b>	<b>2,477.26</b>	<b>288.55</b>	<b>3.07</b>	<b>23.42</b>	<b>(6.70)</b>	<b>2,785.60</b>
Less : Excise Duty						241.31
<b>Net Revenue</b>						<b>2,544.29</b>
<b>Segment Results before interest and tax :</b>						
Inter-Segment Margin	129.63	79.96	1.44	(9.98)	-	201.05
<b>Total Segment Results before interest and tax :</b>	<b>129.63</b>	<b>80.22</b>	<b>1.44</b>	<b>(9.33)</b>	<b>(0.91)</b>	<b>201.05</b>
Add : Unallocated Income (net of Expenses)						4.83
Add : Share of Profit in Associates						2.34
Less : Finance and Lease Charges						(165.99)
Less : Tax Expenses (net)						(14.72)
Less : Short Provision for tax						(0.32)
<b>Net Profit</b>						<b>27.19</b>
<b>Other Information</b>						
Segment Assets	3,710.54	525.67	54.08	294.55	(2.06)	4,582.78
Un-allocated Assets						307.39
<b>Total Assets</b>						<b>4,890.17</b>
Segment Liabilities	616.63	132.32	0.71	180.43	(16.45)	913.64
Un-allocated Liabilities (Including loan funds)						1,824.16
<b>Total Liabilities</b>						<b>2,737.80</b>
<b>Capital Expenditure</b>						
Segment Capital Expenditure	26.93	1.69	10.46	0.02	-	39.10
Un-allocated Capital Expenditure						0.75
<b>Total Capital Expenditure</b>						<b>39.85</b>
<b>Depreciation &amp; Amortisation</b>						
Segment Depreciation & Amortisation	63.42	2.02	0.64	2.57	-	68.65
Un-allocated Depreciation & Amortisation						0.60
<b>Total Depreciation &amp; Amortisation</b>						<b>69.25</b>
<b>Significant Non-Cash Expenditure</b>						
Segment Non-Cash Expenditure	0.10	0.24	-	0.12	-	0.46
Un-allocated Non-Cash Expenditure						43.14
<b>Total Significant Non-Cash Expenditure</b>						<b>43.60</b>

#### Notes :

- Finance and Lease Charges excludes interest charged to Segment Results (net of eliminations) Rs.8.70 crore.
- Segment Result is after adjusting prior period items.
- Share of Profit in Associates is after considering prior period items.

#### B. Geographical Segment :

Particulars	India	Rest of the World	Total
	Rs. in crores		
Segment Revenue	2,638.63	146.97	2,785.60
Carrying cost of Segment Assets	4,563.24	19.54	4,582.78
Additions to Fixed Assets & Intangible Assets	39.10	-	39.10

#### 33. Related Party Disclosures

##### (a) Relationship :

- Other related parties where control exists :  
Mukand Engineers Ltd. (MEL), Bombay Forgings Ltd. (BFL), Stainless India Ltd. (SIL), Hospet Steels Ltd. (HSL),
- Joint Ventures :  
Mukand Vini Mineral Ltd. (MVML), Bekaert Mukand Wire Industries Pvt. Ltd. (upto 28.03.2011).
- Key Management Personnel :  
Niraj Bajaj, Rajesh V. Shah, Suketu V. Shah.
- Relatives of key management personnel and enterprises in which significant influence can be exercised by persons at (iii) above or their relatives where transactions have taken place : Viren J. Shah
- Other related parties where significant influence exists or where the related party has significant influence on the Company :  
Kalyani Mukand Ltd., Lineage Investments Ltd., Catalyst Finance Ltd., Eonium Investments & Finance Ltd., Fusion Investments & Financial Services Ltd., Primus Investments & Finance Ltd., Conquest Investments & Finance Ltd., Jannalal & Sons Pvt. Ltd. (JSPPL).

Note : Related party relationship is as identified by Mukand and relied upon by the Auditors.

(b) Details of transactions with the related parties referred in (a) above :						
(Rs.in crore)						
Nature of transactions	Related parties as referred in					Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	
1. Purchases :						
Raw-material :						4.69
						(7.89)
Bombay Forgings Ltd.	4.69					
	(5.73)					
Bekaert Mukand Wire Industries Pvt. Ltd.		-				
		(2.16)				
Stores :						0.71
						(0.65)
Stainless India Ltd. (SIL)	0.71					
	(0.65)					
Fixed Assets						-
						(4.69)
Mukand Engineers Ltd.	-					
	(0.01)					
Stainless India Ltd.	-					
	(4.68)					
2. Sales :						
Semi-finished / finished goods:						4.74
						(73.39)
Bombay Forgings Ltd.	4.74					
	(10.06)					
Stainless India Ltd.	-					
	(0.38)					
Bekaert Mukand Wire Industries Pvt. Ltd.		-				
		(62.95)				
Fixed Assets :						0.18
						(0.26)
Mukand Engineers Ltd.	0.18					
	(0.26)					
3. Expenditure :						
Rent :						0.18
						(0.18)
Stainless India Ltd.	0.18					
	(0.18)					
Interest paid :						1.28
						(1.82)
Mukand Engineers Ltd.	1.28					
	(1.50)					
Bombay Forgings Ltd.	-					
	(0.02)					
Jamnallal & Sons Pvt. Ltd.				-		
				(0.30)		
Sub-contracting expenses :						6.02
						(4.19)
Mukand Engineers Ltd.	6.02					
	(4.19)					
Service charges :						12.60
						(17.85)
Mukand Engineers Ltd.	12.60					
	(17.85)					
Share of expenses under an alliance :						27.46
						(26.39)
Hospet Steels Ltd.	27.26					
	(26.17)					
Kalyani Mukand Ltd.				0.20		
				(0.22)		
Remuneration :						2.86
						(2.04)
Niraj Bajaj			0.87			
			(0.54)			
Rajesh V. Shah			0.70			
			(0.54)			

(b) Details of transactions with the related parties referred in (a) above :						
(Rs.in crore)						
Nature of transactions	Related parties as referred in					Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	
Suketu V. Shah			0.85			
			(0.53)			
Viren J. Shah				0.44		
				(0.43)		
EDP Data Processing Services:						4.58
						(4.50)
Mukand Engineers Ltd.	4.58					
	(4.50)					
Loans / Advances written off / provided :						11.24
						(34.00)
Stainless India Ltd.	-					
	(34.00)					
Catalyst Finance Ltd.						4.47
						-
Econium Investments & Finance Ltd.						1.92
						-
Conquest Investments & Finance Ltd.						4.85
						-
Bad debts written off :						-
						(9.01)
Bombay Forgings Ltd.	-					
	(9.01)					
4. Income :						
Rent :						0.30
						(0.08)
Mukand Engineers Ltd.	0.30					
	(0.08)					
Dividend :						0.70
						(0.68)
Mukand Engineers Ltd.	0.68					
	(0.68)					
Bombay Forgings Ltd.	0.02					
	(-)					
Service Charges :						0.07
						(0.03)
Mukand Engineers Ltd.	0.07					
	(0.03)					
Interest received :						6.06
						(6.56)
Stainless India Ltd	-					
	0.05					
Lineage Investments Ltd.						1.87
						(1.93)
Catalyst Finance Ltd.						0.27
						(0.43)
Econium Investments & Finance Ltd.						0.89
						(0.94)
Fusion Investments & Financial Services Ltd.						1.08
						(1.18)
Primus Investments & Finance Ltd.						1.10
						(1.12)
Conquest Investments & Finance Ltd.						0.82
						(0.91)
Mukand Vini Mineral Ltd.		0.03				
Other Miscellaneous :						0.01
						(3.00)
Kalyani Mukand Ltd.						-
						(2.94)
Mukand Engineers Ltd.	0.01					
	(0.05)					

(b) Details of transactions with the related parties referred in (a) above :						
(Rs.in crore)						
Nature of transactions	Related parties as referred in					Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	
Stainless India Ltd.	-					
	(0.01)					
Provision for NPA Written Back:						<b>1.46</b>
						(3.04)
Stainless India Ltd.	<b>1.46</b>					
	(3.04)					
5. Other payments :						
Reimbursement of expenses :						<b>0.01</b>
						(-)
Stainless India Ltd.	<b>0.01</b>					
	(-)					
6. Other receipts :						
Reimbursement of expenses :						<b>0.28</b>
						(0.74)
Mukand Engineers Ltd.	<b>0.16</b>					
	(0.42)					
Lineage Investments Ltd.						-
						(0.06)
Econium Investments & Finance Ltd.						-
						(0.02)
Fusion Investments & Financial Services Ltd.						-
						(0.10)
Primus Investments & Finance Ltd.						-
						(0.02)
Mukand Vini Minerals Ltd.	<b>0.12</b>					
	(0.12)					
Advances written off earlier recovered during the year						<b>0.27</b>
						-
Lineage Investments Ltd.						<b>0.17</b>
						(-)
Econium Investments & Finance Ltd.						<b>0.05</b>
						(-)
Primus Investments & Finance Ltd.						<b>0.05</b>
						(-)
7. Investments, Finance & Advances:						
Loans / advances repaid by loanees / parties						<b>6.32</b>
						(20.03)
Stainless India Ltd.	<b>3.42</b>					
	(6.09)					
Lineage Investments Ltd.						<b>0.06</b>
						-
Econium Investments & Finance Ltd.						<b>0.02</b>
						(3.30)
Fusion Investments & Financial Services Ltd.						<b>0.10</b>
						(5.07)
Primus Investments & Finance Ltd.						<b>0.02</b>
						(0.15)
Conquest Investments & Finance Ltd.						<b>2.70</b>
						(1.77)
Catalyst Finance Ltd.						-
						(3.65)
Loans / advances given:						<b>0.14</b>
						(0.14)
Mukand Vini Mineral Ltd.	<b>0.14</b>					
	(0.14)					

(b) Details of transactions with the related parties referred in (a) above :						
(Rs.in crore)						
Nature of transactions	Related parties as referred in					Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	
Loans repaid (incl. interest):						<b>2.73</b>
						(13.81)
Mukand Engineers Ltd.	<b>2.73</b>					
	(0.94)					
Jamnalal & Sons Pvt. Ltd.						-
						(12.25)
Bombay Forgings Ltd.	-					
	(0.62)					
Loans taken :						-
						(12.87)
Jamnalal & Sons Pvt. Ltd.						-
						(12.25)
Bombay Forgings Ltd.	-					
	(0.62)					
Application money for shares:						-
						(0.24)
Mukand Vini Mineral Ltd.						-
						(0.24)
8. Outstanding balances at the close of the year :						
Trade Receivables						<b>68.28</b>
						(70.56)
Bombay Forgings Ltd.	<b>67.16</b>					
	(66.98)					
Stainless India Ltd.	<b>1.12</b>					
	(0.85)					
Bekaert Mukand Wire Industries Pvt. Ltd.						-
						(2.73)
Other amounts recoverable						<b>0.45</b>
						(2.94)
Kalyani Mukand Ltd.						<b>0.23</b>
						(2.94)
Mukand Engineers Ltd.	<b>0.22</b>					
	(-)					
Trade Payables :						<b>26.03</b>
						(18.04)
Mukand Engineers Ltd.	<b>24.44</b>					
	(15.73)					
Hospet Steels Ltd.	<b>1.59</b>					
	(2.31)					
Loans & Advances receivables (including int.)						<b>186.76</b>
						(197.74)
Stainless India Ltd.	<b>65.07</b>					
	(66.68)**					
Bombay Forgings Ltd.	<b>3.50</b>					
	(-)					
Mukand Engineers Ltd.	-					
	(0.63)					
Lineage Investments Ltd.						<b>38.20</b>
						(38.28)
Econium Investments & Finance Ltd.						<b>14.02</b>
						(13.95)
Fusion Investments & Financial Services Ltd.						<b>38.59</b>
						(38.73)
Primus Investments & Finance Ltd.						<b>14.98</b>
						(14.98)
Catalyst Finance Ltd.						<b>3.63</b>
						(8.21)
Conquest Investments & Finance Ltd.						<b>8.46</b>
						(16.14)
Mukand Vini Mineral Ltd.						<b>0.31</b>
						(0.14)

(b) Details of transactions with the related parties referred in (a) above :						
(Rs.in crore)						
Nature of transactions	Related parties as referred in					Total
	a (i) above	a (ii) above	a (iii) above	a (iv) above	a (v) above	
For Reimbursement of expenditure – receivable						0.35
						(0.23)
Mukand Vini Mineral Ltd.		0.35				
		(0.23)				
Property Deposits taken :						0.07
						(0.07)
Mukand Engineers Ltd.	0.07					
	(0.07)					
Term Loan (incl. int.)						12.40
						(15.13)
Mukand Engineers Ltd.	12.40					
	(15.13)					
Guarantees given by the Company :						4.90
						(4.90)
Mukand Vini Mineral Ltd.		4.90				
		(4.90)				
Counter Guarantees given on behalf of the Company :						6.00
						(6.00)
Mukand Engineers Ltd.	6.00					
	(6.00)					
Collateral given on behalf of the Company :				#		##
Figures in bracket relate to the previous year.						

\* Net of Provision for doubtful advance Rs.16.75 crores

\*\* Net of Provision for doubtful advance Rs.18.21 crores

# 3,869,089 Equity Shares and 546,652 Cumulative Redeemable Preference Shares of the Company.

## 3,869,089 Equity Shares of the Company.

#### 34. Other Notes of Subsidiaries / Associates

- MGFL has given loans to and invested in shares of certain companies which as at 31<sup>st</sup> March, 2012, are in excess of the limits specified for single borrower/investee under the Non Banking Financial (Non-Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. MGFL has brought down the excess credit concentration of the aforesaid exposures and is still in the process of taking adequate steps to bring down the excess concentration of the aforesaid exposures within the prescribed ceiling specified under paragraph 18 of the said directions.
- MGFL has complied with the Prudential Norms relating to Income Recognition, Accounting Standards, Asset Classification and Provisioning for Bad and Doubtful Debts as required by the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. MGFL has also made provision on Standard Assets as on 31<sup>st</sup> March, 2012 as prescribed by Reserve Bank of India (RBI) in their Notifications No. DNBS. 222 CGM(US)2011 and No. DNBS. 223 CGM (US) 2011 both dated January 17, 2011. Various Returns required to be filed with RBI have been filed with RBI in time.
- Disclosure requirements by MGFL in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are attached to these consolidated financial statements as 'Annexure I'.
- Disclosure requirements by MGFL as per Reserve Bank of India Guidelines dated 1<sup>st</sup> August, 2008 as regards capital adequacy, liquidity and disclosure norms are attached to these consolidated financial statements as 'Annexure II'.
- SIL's operations have been suspended w.e.f. 27.10.2008. However, the manufacturing facilities have been properly maintained and operations can be commenced at a very short notice. During the year, SIL did business in trading of steel products. Most of the staff and workers have left the employment. For past several years SIL's net worth has been fully eroded. In view of above, the accounts have been prepared under going concern assumption.
- SIL's Plant was not in operation during the whole year 2011-12. Depreciation on Plant & Machinery has been charged on single shift basis considering the normal wear and tear of plant with the passing of time.

vii) The management of VCL plans to, and is hopeful of, reviving in the foreseeable future, economically viable non-industrial commercial activity. The accounts of VCL have been drawn up based on the going concern assumption based on the VCL management's perception of the future of VCL.

35. As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1<sup>st</sup> April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of Revised Schedule VI.

As per our attached report of even date

For **Haribhakti & Co.**  
Chartered Accountants

**Niraj Bajaj**  
Chairman &  
Managing Director

**Rajesh V Shah**  
Co-Chairman &  
Managing Director

**Suketu V Shah**  
Joint  
Managing Director

**Sumant Sakhardande**  
Partner  
Mumbai: May 25, 2012

**K J Maliya**  
Company Secretary  
Mumbai: May 25, 2012

#### Annexure - I

##### MGFL

##### Schedule to the Balance Sheet of a non-deposit taking non-banking financial company

[as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

(Rs. in crore)

Particulars	Amount	Amount
<b>Liabilities side :</b>		
<b>(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>	Amount	Amount
(a) Debentures : Secured	out-standing	overdue
: Unsecured	Nil	Nil
(other than falling within the meaning of public deposits)	Nil	Nil
(b) Deferred Credits	Nil	Nil
(c) Term Loans	Nil	Nil
(d) Inter-corporate loans and borrowing	95.77	16.51
(e) Commercial Paper	Nil	Nil
(f) Other Loans (specify nature)		
(1) Loan from a Company against Hypothecation of Assets	Nil	Nil
(2) Overdraft from Bank against pledge of security	Nil	Nil
(3) Loan from Banks	Nil	Nil
* Please see Note 1 below		
<b>Assets side :</b>		
<b>(2) Break-up of Loans and Advances including bills receivable [other than those included in (4) below] :</b>	Amount	outstanding
(a) Secured (Net of Provision)	1.75	
(b) Unsecured (includes loans to employees)	105.70	
<b>(3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>		
<b>(i) Lease assets including lease rentals under sundry debtors :</b>		
(a) Financial lease	Nil	
(b) Operating lease	Nil	
<b>(ii) Stock on hire including hire charges under sundry debtors :</b>		
(a) Assets on hire	Nil	
(b) Repossessed Assets	Nil	
<b>(iii) Other loans counting towards AFC activities</b>		
(a) Loans where assets have been repossessed	Nil	
(b) Loans other than (a) above	Nil	

**(4) Break-up of Investments :****Current Investments :****1. Quoted :**

(i) Shares :	(a) Equity	Nil
	(b) Preference	Nil
(ii) Debentures and Bonds		Nil
(iii) Units of mutual funds		Nil
(iv) Government Securities		Nil
(v) Other (please specify)		Nil

**2. Unquoted :**

(i) Shares :	(a) Equity	Nil
	(b) Preference	Nil
(ii) Debentures and Bonds		Nil
(iii) Units of mutual funds		Nil
(iv) Government Securities		Nil
(v) Others (please specify)		Nil

**Long Term Investments :**

(Rs. in crore)

**1. Quoted :**

(i) Shares :	(a) Equity	0.07
	(b) Preference	Nil
(ii) Debentures and Bonds		Nil
(iii) Units of mutual funds		Nil
(iv) Government Securities		Nil
(v) Others (please specify)		Nil

**2. Unquoted (Net of Provision):**

(i) Shares :	(a) Equity	
	(b) Preference	19.78
(ii) Debentures and Bonds		Nil
(iii) Units of mutual funds		Nil
(iv) Government Securities		Nil
(v) Others (please specify)		Nil

**(5) Borrower group-wise classification of assets financed in (2) and (3) above:**

Please see Note 2 below

Category	Amount net of provisions		
	Secured	Unsecured	Total
<b>1. Related Parties **</b>			
(a) subsidiaries	-NA-	-NA-	-NA-
(b) Companies in the same group	1.75	5.28	7.03
(c) Other related parties	Nil	72.65	72.65
<b>2. Other than related parties</b>	Nil	27.76	27.76
<b>Total</b>	<u>1.75</u>	<u>105.69</u>	<u>107.44</u>

**Capital to Risk-Assets Ratio (CRAR)**

Items	Current Year	Previous Year
i) CRAR %	13.31%	17.26%
ii) CRAR - Tier I Capital (%)	13.05%	17.01%
iii) CRAR - Tier II Capital (%)	0.25%	0.24%

**Exposures**

	Current Year	Previous Year
Exposure to Real Estate Sector	Nil	Nil

**Asset Liability Management**

Maturity pattern of certain items of assets and liabilities as on 31st March, 2012

(Amount in Crores of Rupees)

Particulars	1 day to 30/31 Days (One Month)	Over One Month to 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
<b>Liabilities</b>									
Borrowings from banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	12.25	66.37	-	-	-	78.62
<b>Assets</b>									
Loans & Advances (Net of Provision)	1.75	-	-	-	105.70	-	-	-	107.45
Investments (Net of Provision)	-	-	-	-	-	-	-	19.85	19.85

**(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):** Please see Note 3 below

Category	Market value/Break up or fair value or NAV	Book value (net of Provisions)
<b>1. Related Parties **</b>		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group #		
(c) Other related parties #	19.78	19.78
<b>2. Other than Related Parties #</b>	0.23	0.07
<b>Total</b>	<u>20.01</u>	<u>19.85</u>

# Investments in preference shares and unquoted equity shares are shown at cost (net of provision).

\*\* As per Accounting Standard (Please see Note 3)

**(7) Other Information :**

Particulars	Amount
<b>(i) Gross Non-Performing Assets</b>	
(a) Related parties	3.50
(b) Other than related parties	Nil
<b>(ii) Net Non-Performing Assets</b>	
(a) Related parties	1.75
(b) Other than related parties	Nil
<b>(iii) Assets acquired in satisfaction of debt</b>	Nil

**Notes :**

- As defined in paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/ fair value / NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

**Annexure - II**



## Admission Slip



Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021

Name of the Member			
<b>In case of shares held in Demat Form</b>		<b>In case of shares held in Physical Form</b>	
DP ID:		Folio No.	
Client ID:		No. of Shares	
No. of Shares			

I/We hereby record my/our presence at the 74th Annual General Meeting of the Company at 4.00 p.m. on Monday, the 13th August, 2012 at Indian Merchants' Chamber, IMC Bldg., IMC Marg, Churchgate, Mumbai 400 020.

Signature of the Member/Proxy/Representative attending the Meeting

Note: Member/Proxy/Representative must bring the Admission Slip to the Meeting and hand over at the entrance duly signed.

## Proxy Form



Registered Office: Mukand Ltd., Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai 400 021

Name of the Member			
<b>In case of shares held in Demat Form</b>		<b>In case of shares held in Physical Form</b>	
DP ID:		Folio No.	
Client ID:		No. of Shares	
No. of Shares			

I/We.....  
of ..... being a Member/Members of  
MUKAND LTD. hereby appoint .....  
of .....or failing him/her .....  
.....of.....as my/our  
proxy to vote for me/us on my /our behalf at the 74th Annual General Meeting of the Company to be held on Monday, the  
13th August, 2012 and at any adjournment thereof.

Signed this.....day of ..... 2012

Signature

Affix Re. 1/- Revenue Stamp
--------------------------------------

Notes:

1. The Proxy duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. Signature should be affixed across the Revenue Stamp as per specimen signature registered with the Company.





MUKAND LIMITED, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021.  
[www.mukand.com](http://www.mukand.com)