

40<sup>th</sup>

ANNUAL REPORT  
2013-14



**MODERN STEELS LIMITED**



**BOARD OF DIRECTORS**

Chairman & WholeTime Director  
Mr. Amarjit Goyal

Managing Director & CEO  
Mr. Krishan Kumar Goyal

Mr. D.S. Gill  
Prof. Priyavrat Thareja  
Dr. Lalit K. Bansal  
Mr. Aditya Goyal  
Mr. P.L. Talwar - Whole Time Director

**GM (SECRETARIAL)  
& COMPANY SECRETARY**

Mr. Ashish Sharma

**AUDITORS**

M/s. A. Goel & Associates  
Chartered Accountants

**BANKERS**

State Bank of India  
Punjab National Bank  
State Bank of Patiala  
Canara Bank

**CORPORATE OFFICE**

SCO 98-99, Sub City Centre,  
Sector 34, Chandigarh-160 022, India

**REGISTERED OFFICE & WORKS**

G.T. Road, Mandi Gobindgarh,  
Distt. Fatehgarh Sahib, Punjab - 147 301, India

**REGISTRARS & SHARE TRANSFER AGENTS**

M/s. MCS Limited  
F-65, First Floor, Okhla Industrial Area, Phase 1,  
New Delhi- 110 020

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**DIRECTORS' REPORT**

To

The Members  
Modern Steels Limited  
Dear Members,

Your Directors hereby present their 40<sup>th</sup> Annual Report and audited accounts of the Company for the year ended 31<sup>st</sup> March, 2014.

**FINANCIAL HIGHLIGHTS**

	₹ in Lacs	
	Year Ended <b>31.03.2014</b>	Year Ended 31.03.2013
Gross Sales	<b>29542</b>	29352
Excise Duty	<b>3228</b>	3216
Net Sales & Income from Operations	<b>26314</b>	26136
Operating Profit	<b>893</b>	138
Finance Cost	<b>1984</b>	1677
Cash Profit/(Loss)	<b>(1091)</b>	(1539)
Depreciation & Amortisation	<b>467</b>	468
Profit/(Loss) before Tax	<b>(1558)</b>	(2007)
Profit/(Loss) after Tax	<b>(1067)</b>	(1372)

**PERFORMANCE**

During the year under review, the Company achieved Gross Sales and other operating income of ₹295.42 Crores as compared to ₹293.52 Crores in the previous year. The operations of the Company remained at the same level and it continued to be in loss situation, slightly better than last year.

This fiscal year continued to witness slowdown in the domestic automobile and consumer durable market. It adversely affected the demand of alloy steel sector which caters to this segment and remained under stress.

The input cost of raw materials continued to increase during the year and could not be passed onto the consumer. The high interest rates and liquidity position in the market impacted the automobile sector.

**DIVIDEND**

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

**DEBT RESTRUCTURING BY THE CDR**

During the year CDR has sanctioned a rehabilitation scheme on 27<sup>th</sup> April, 2013 with a cut off date as 1<sup>st</sup> September, 2012. The CDR has sanctioned fresh Corporate loan of ₹25.50 crores in addition to creation of WCTL and FITL and reschedulement of existing term loan. The promoters were to bring in ₹15.20 crores as their contribution. During the year the Scheme has been implemented and the major part of the promoter contribution has been inducted and correspondingly the banks have also released the term loan. The Scheme is expected to be implemented completely by the end of September, 2014.

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

During the year your Company allotted 11,70,000 Warrants of face value ₹10 each at a price of ₹100 inclusive of

premium of ₹90 (price being not less than the price calculated as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, to the persons from Promoters and Promoter Group/ Investor to be converted into equal number of shares upon exercise of option within a period of eighteen months from the date of allotment.

The entire consideration having been received, 11,70,000 Equity Shares of ₹10 each (at a premium of ₹90 per share) have been allotted on 26<sup>th</sup> June, 2014.

**PROJECTS**

The company has undertaken to upgrade its existing facilities and added new value added production facilities with the capex of ₹37.20 crores. The company has installed gasifier unit for production of gas for reheating furnaces in rolling mills and added heat treatment facility for alloy steel bars. The company has also added bigger ingot casting facilities in the steel melting shop to diversify process route. The company has successfully commissioned auto component division to further expand its product range. Forge shop consisting of forging presses, hammer, heat treatment facilities along with finishing and inspection facilities were added. It also installed machining & assembly lines for the manufacturing of auto steel components.

**CURRENT OPERATIONS**

During the first quarter, the Company has achieved Gross Sales of ₹84.71 Crores as compared to ₹74.58 Crores in the same period, in the previous year. It has incurred net loss after deferred tax of ₹2.14 Crores as compared to loss of ₹1.82 Crores in the same period, previous year.

In the current fiscal year domestic steel industry continues to remain under stress. Weak price trend coupled with slow demand growth ruled out any improvement in the operating profitability of Indian steel manufacturers

**KAIZEN & TS 16949 ACCREDITATION**

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

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

**DIRECTORS**

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company Prof. Priyavrat Thareja and Dr. Lalit K. Bansal were appointed as Additional Non Executive Directors designated as Independent Directors w.e.f. 26<sup>th</sup> August, 2014 and they shall hold office up to the date of the ensuing Annual General Meeting. The Company has received notices in writing from members proposing Prof. Priyavrat Thareja and Dr. Lalit K. Bansal for appointment as Independent Directors.

The Board appointed Mr. Amarjit Goyal as Chairman & Whole time Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2014, subject to the approval of the shareholders in terms of the provisions of Companies Act, 2013.

The Board appointed Mr. Krishan Kumar Goyal as Managing Director & CEO of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2014, subject to the approval of the shareholders in terms of the provisions of Companies Act, 2013.

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

The Company has received notice in writing from a member proposing Mr. D.S. Gill for appointment as an Independent Director.

Prof. Triloki Nath Kapoor and Mr. Ramesh C. Jain have expressed their desire not to seek appointment. The Board placed on record its appreciations for the services rendered by Prof. Triloki Nath Kapoor and Mr. Ramesh C. Jain during their respective tenure as Directors of the Company.

The Board appointed Mr. P. L. Talwar as Whole time Director of the Company for a period of three years w.e.f. 1<sup>st</sup> April, 2014, subject to the approval of the shareholders in terms of the provisions of Companies Act, 2013.

#### **AUDITORS**

M/s. A. Goel & Associates, Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting. Your management puts on record its sincere appreciations for the work done by Retiring Auditor's during their tenure.

The Board recommends the appointment of M/s. Aaryaa & Associates, Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting, in accordance with the provisions of the Companies Act, 2013. M/s. Aaryaa & Associates, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed and have confirmed their eligibility. In this regard, attention of the members is invited to item no. 3 of the Notice convening the forthcoming Annual General Meeting.

The Board of Directors have approved the appointment and remuneration of M/s. V. Kumar & Associates as Cost Auditors of the Company to conduct the cost audit for the year 2014-15 on the recommendations of the Audit Committee subject to the ratification of the remuneration by the shareholders.

#### **AUDITOR'S REPORT**

All the comments of the Statutory Auditors on the Annual Accounts of the Company are self-explanatory and require no further comments.

#### **FIXED DEPOSITS**

The outstanding exempted deposits at the end of the year under review amount to ₹625.54 Lacs (Previous year ₹441.10 Lacs). There are no overdue deposits.

#### **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSIONS & ANALYSIS**

A separate report on Corporate Governance and Management Discussions & Analysis is attached herewith and forms part of this report.

#### **HUMAN RESOURCES**

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

The Statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Disclosure of Particulars in the Report of Board of

Directors Rules, 1988, as amended, is enclosed as Annexure 'A' and forms part of this report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

#### **DIRECTOR'S RESPONSIBILITY STATEMENT**

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

- i) In the preparation of annual accounts for the financial year ended 31<sup>st</sup> March, 2014, the applicable accounting standards have been followed and that there were no material departures;
- ii) The accounting policies selected by them have been applied consistently and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the Company as on 31<sup>st</sup> March, 2014 and loss of the Company for the year ended 31<sup>st</sup> March, 2014;
- iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

#### **APPRECIATION**

Your Directors wish to place on record their sincere thanks to the Company's Bankers for their valuable support.

For & on behalf of the Board

Place : Chandigarh

Dated: 26<sup>th</sup> August, 2014

**AMARJIT GOYAL**

Chairman & Whole Time Director

#### **MANAGEMENT DISCUSSIONS AND ANALYSIS**

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

##### **1. Industry's Structure and Developments**

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

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

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



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

**2. Opportunities & Threats**

**Key Opportunities include:**

- Localization of imported steel by foreign auto majors.
- Identify and implement cost reduction measures.

**Key Threats include:**

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

**3. Risks and concerns the management perceives**

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

**4. Internal control system and their adequacy**

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls including an internal audit process. Internal controls are supported by Management reviews.

The Board of Directors have an Audit Committee that is chaired by an Independent Director. The committee meets periodically with Management, Internal Auditor, Statutory Auditors to review the Company's program of internal controls, audit plans and results, recommendations of the auditors and management's responses to those recommendations.

**5. Performance**

During the year under review, the Company achieved

Gross Sales and other operating income of ₹295.42 Crores as compared to ₹293.52 Crores in the previous year. The Company has reported a Net Loss of ₹10.67 Crores as compared to Net Loss of ₹13.72 Crores in the previous year.

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

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

**6. Human Resources**

Human resources are the most valuable assets of the Company and the Company recognizes employees' contributions to the growth of the Company. The Company is having professionalized and motivated work force. Company's manpower was rationalized keeping in view of less equipment utilization.

**7. Cautionary statement**

The statement in this management discussion and analysis describing the Company's objectives, projections, estimates, expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed & implied. Important factors that could make difference to the Company's decisions include economic conditions effecting demand & supply and price conditions in the domestic market.

For & on behalf of the Board

Place : Chandigarh  
Dated : 26<sup>th</sup> August, 2014

**AMARJIT GOYAL**  
Chairman & Whole Time Director

**Annexure 'A' to Directors Report**

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

S. No.	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration (₹)	Qualification	Total Experience (Years)	Date of Commencement of Employment	Previous employment / positions held
1.	Mr. Krishan Kumar Goyal	57	Mg. Director & CEO	63,34,888	B.Com, LLB	35	02.10.1978	-

**Notes:**

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

For & on behalf of the Board

Place : Chandigarh  
Dated : 26<sup>th</sup> August, 2014

**AMARJIT GOYAL**  
Chairman & Whole Time Director

## Annexure 'B' to Directors' Report

**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014.**

**FORM 'A'**

**A) POWER AND FUEL CONSUMPTION**

	Current Year 2013-14	Previous Year 2012-13
1. Electricity		
Purchased Units (kwh)	5,31,79,500	4,81,78,000
Total Amount ₹	36,32,94,395	30,93,92,130
Rate Per unit ₹	6.83	6.42
2. Fuel		
Quantity (Kgs)/kl	11,08,729	30,29,836
Total Amount ₹	5,07,65,171	12,76,71,442
Rate Per Unit ₹	45.78	42.14
3. Steam Coal(Gasifire)		
Quantity (Kgs)	50,85,245	-
Total Amount ₹	5,16,04,216	-
Rate Per Unit ₹	10.15	-

**B) CONSUMPTION PER UNIT OF PRODUCTION**

1. Production (Concast Billets) MT	39,030	32,534
a. Electricity Units	860	831
b. Furnace Oil (Kgs)	22	21.28
2. Production (Ingots) MT	18,292	23,268
a. Electricity Units	703	699
b. Furnace Oil (Kgs)	3.20	2.62
3. Production (Rolled Products with Oil) MT	2,823	43,947
Production (Rolled Products with Coal) MT	44,900	2,123
a. Electricity Units	93	94
b. Steam Coal(Kgs)-Gasifier	113	-
c. Furnace Oil (Kgs)	53.85	51.80
d. Propane Gas (Kgs)	-	38.87

**FORM 'B'**

**1. TECHNOLOGY ABSORPTION**

**Research & Development**

- a. The team of technocrats and metallurgists succeeded in development of new grades for import substitution for auto major. Other grade substitution is progressing as per plan.
- b. Technological improvement in processes & systems of steel making to improve quality of our products.

**Technology Absorption, Adaptation and Innovation**

- a. Gasifier for Reheating Furnaces of Rolling Mills have been successfully commissioned for replacing costly heating media.
- b. Heat treatment facilities for alloy steel bars were added to improve quality of heat treatment and avoid dependence on outsourcing.
- c. Bigger ingot casting facilities were added in Steel Melting Shop to enter into niche market.
- d. Auto Component Division was added with Presses, Hammer, Heat Treatment Furnace, Machining and Assembly lines for adding further value to its product range to meet growing demand in the automobile sector.

**2. FOREIGN EXCHANGE EARNING AND OUTGO**

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

For & on behalf of the Board

Place : Chandigarh  
Dated : 26<sup>th</sup> August, 2014

**AMARJIT GOYAL**  
Chairman & Whole Time Director

**CORPORATE GOVERNANCE REPORT**

In line with the requirement for providing a "Report on Corporate Governance" as per Clause 49 of the revised Listing Agreement of the Stock Exchanges as applicable, given below is a report on the Company's Corporate Governance norms.

**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Modern Steels Limited is committed in adopting the best practices of Corporate Governance. The Company endeavours to act on the principles of transparency, accountability, trusteeship, integrity and passion. The ultimate objective being of realizing long term shareholder value, while taking into account the interest of other stakeholders.

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

A list of Directors including the Chairman of the Board and their status as Executive / Non-Executive and Independent / Non-Independent during the year ended 31<sup>st</sup> March, 2014 is set out below:-

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

**Disclosure of Change :-**

\* Prof. Triloki Nath Kapoor and Mr. Ramesh C. Jain retired as Non Executive - Independent Directors of the Company upon completion of their terms w.e.f. 26<sup>th</sup> August, 2014. Prof. Priyavrat Thareja and Dr. Lalit K. Bansal were appointed as Non Executive - Independent Directors of the Company by the Board of Directors w.e.f. 26<sup>th</sup> August, 2014.

The Committee composition of Directors underwent the following changes:

Prof. Priyavrat Thareja and Dr. Lalit K. Bansal joined as members of Audit Committee w.e.f. 26<sup>th</sup> August, 2014.

Mr. P.L. Talwar replaced Mr. Krishan Kumar Goyal as member of the Investors Grievances Committee w.e.f. 11<sup>th</sup> February, 2014. Mr. D.S. Gill was appointed as Chairman of the Stakeholders Relationship Committee (*Formerly Investors Grievance Committee*) in place of Prof. Triloki Nath Kapoor, while Mr. Aditya Goyal joined the said Committee as a member in place of Mr. Ramesh C. Jain w.e.f. 26<sup>th</sup> August, 2014.

Note: In accordance with provisions of Listing Agreement membership / chairmanship of the Audit Committee and Investors Grievance Committee in all Public Limited Companies (listed / unlisted) have been considered.

**B. Board Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March, 2014, five meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:-

S. No.	Date of Board Meeting	Board's Strength	No. of Directors Present
1.	28 <sup>th</sup> May, 2013	7	6
2.	14 <sup>th</sup> August, 2013	7	6
3.	11 <sup>th</sup> September, 2013	7	7
4.	12 <sup>th</sup> November, 2013	7	7
5.	11 <sup>th</sup> February, 2014	7	7



**C. Board's Processes**

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc., are regularly placed before the Board.

The information as required under Corporate Governance is being made available to the Board.

**2. COMMITTEES OF THE BOARD****A. Audit Committee<sup>#</sup>**

- a. i) The Company has an Audit Committee as per the provisions of the Listing Agreement and under Section 292A of the Companies Act, 1956, which consists of Independent and Non-Executive Directors namely Mr. D.S. Gill, Prof. Priyavrat Thareja\* and Dr. Lalit K. Bansal\*.
- ii) The Chairperson of Audit Committee Mr. D.S. Gill is a Non-Executive Independent Director.
- iii) All of the above Directors are financially literate and have accounting and related financial management expertise.
- iv) The Chairperson was present at the last Annual General Meeting to answer the shareholders queries.
- v) The Company Secretary of the Company Mr. Ashish Sharma is the Secretary of the Audit Committee.
- b. The Committee met four times during the year on 28<sup>th</sup> May, 2013, 14<sup>th</sup> August, 2013, 12<sup>th</sup> November, 2013 and 11<sup>th</sup> February, 2014. The status of attendance of members at the Audit Committee meetings was as under:-

Name of Director	No. of Meetings attended during 2013-2014
Mr. D.S. Gill	4
Prof. Triloki Nath Kapoor**	4

\* Prof. Priyavrat Thareja and Dr. Lalit K. Bansal joined as member of Audit Committee w.e.f 26<sup>th</sup> August, 2014.

\*\* Prof. Triloki Nath Kapoor retired as Non Executive - Independent Director of the Company upon completion of his term w.e.f. 26<sup>th</sup> August, 2014.

# *The Board of Directors in its meeting held on 26<sup>th</sup> June, 2014 revised the terms of reference of Audit Committee as per the provisions of the Companies Act, 2013 and revised Listing Agreement.*

**c. Powers of Audit Committee:**

The Audit Committee has the following powers as amended from time to time:-

1. To investigate any activity within its terms of reference.
2. To seek any information from any employee.
3. To obtain outside professional legal advice.
4. To secure attendance of outsiders with relevant expertise, if considered necessary.

**d. Role of Audit Committee**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fee.
3. Approval of payment to the Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with management, the annual financial statements before submission to the Board for approval with particular reference to:
  - a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of the audit findings.
  - e) Compliance with Listing and other legal requirements relating to financial statements.



- f) Disclosure of any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- g) Qualifications in draft audit report.
- 5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- 6. Reviewing with the management, performance of the Statutory and Internal Auditors, adequacy of internal control systems.
- 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 8. Discussion with the Internal Auditors on any significant findings and follow-up thereon.
- 9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- 10. Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- 12. To review the functioning of Whistle Blower mechanism, in case the same is existing.
- 13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the Listing Agreement, the Companies Act, 1956, and other statutes.

#### e. Review of information by Audit Committee:

The Audit Committee has the power to mandatorily review the following information:-

- 1. Management discussion and analysis of financial conditions and results of operations;
- 2. Statement of significant related party transaction (as defined above), as submitted by management;
- 3. Management letters/ letters of internal control weakness issued by the Statutory Auditors;
- 4. Internal Audit Reports relating to internal control weakness; and
- 5. The appointment, removal and terms of remuneration of the Chief Internal Auditors shall be subject to review by the Audit Committee.

#### B. Remuneration Committee<sup>^</sup>

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors. The Committee fixes the remuneration after taking into consideration remuneration practices followed by companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in remuneration package of the Executive Directors to the Board.

All members of the Committee are Non Executive and persons of repute and have sound knowledge of management practices. The power and role of the Remuneration Committee is as per guidelines set out in the Listing Agreement. The constitution of the Remuneration Committee is as under:

Name of Director	Category of the Director	Member / Chairman
Mr. D.S. Gill**	Non Executive Independent	Chairman
Mr. Aditya Goyal*	Non Executive Non-Independent	Member
Prof. Priyavrat Thareja**	Non Executive Independent	Member

\* Mr. Aditya Goyal joined Remuneration & Nomination Committee (Formerly Remuneration Committee) as a member w.e.f. 5<sup>th</sup> August, 2014.

\*\* The Committee has been reconstituted by re-designating Mr. D.S. Gill as Chairman, who replaced Prof. Triloki Nath Kapoor as Chairman and by joining of Prof Priyavrat Thareja as a member of the Committee w.e.f. 26<sup>th</sup> August, 2014.

During the year, one meeting of the Committee was held on 28<sup>th</sup> May, 2013.

<sup>^</sup> The Board of Directors in its meeting held on 26<sup>th</sup> June, 2014 renamed the Remuneration Committee as Nomination and Remuneration Committee and approved the revised terms of reference of Nomination and Remuneration Committee as per the provisions of the Companies Act, 2013 and revised Listing Agreement.

### Remuneration Policy

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

Details of Remuneration paid to the Directors during the financial year ended 31<sup>st</sup> March, 2014

Name of the Director	Amount in ₹					
	Salary	Benefits	Perquisites	Stock Option	Sitting Fee	Total
Mr. Amarjit Goyal	21,00,000	2,73,600	-	-	-	23,73,600
Mr. Krishan Kumar Goyal*	56,10,752	8,753	7,15,383	-	-	63,34,888
Prof. Triloki Nath Kapoor**	-	-	-	-	1,40,000	1,40,000
Mr. D.S. Gill	-	-	-	-	1,10,000	1,10,000
Mr. Ramesh C. Jain**	-	-	-	-	90,000	90,000
Mr. Aditya Goyal	-	-	-	-	40,000	40,000
Mr. P.L. Talwar	17,50,000	1,82,800	1,69,612	-	-	21,02,412

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

\*\* Prof. Triloki Nath Kapoor and Mr. Ramesh C. Jain retired as Non Executive - Independent Director of the Company upon completion of their term w.e.f. 26<sup>th</sup> August, 2014.

Mr. D.S. Gill is holding 500 equity shares in the Company, Mr. Aditya Goyal is holding 795590 equity shares in the Company and Prof. Priyavrat Thareja is holding 200 equity shares in the Company. No other Non-Executive Director is holding any shares in the Company as on 31<sup>st</sup> March, 2014.

### C. Shareholders/ Investors Grievances Committee

The Company has formed a Shareholders/Investors Grievances Committee which looks into the redressing of shareholders and investors complaints like transfer of shares, non receipt of balance sheet, change of address etc. The Committee met four times during the year on 28<sup>th</sup> May, 2013, 14<sup>th</sup> August, 2013, 12<sup>th</sup> November, 2013 and 11<sup>th</sup> February, 2014.

The Chairman of the Committee Mr. D.S. Gill\*\* is a Non-Executive Independent Director nominated by the Board. The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange. The constitution of the Shareholders/Investors Grievances Committee is as under:

Name of Director	Category of the Director	Member / Chairman
Mr. D.S. Gill**	Non Executive Independent	Chairman
Mr. P.L. Talwar*	Executive Non Independent	Member
Mr. Aditya Goyal**	Non Executive Non-Independent	Member

\* Mr. P.L. Talwar replaced Mr. Krishan Kumar Goyal as member of the Investors Grievances Committee w.e.f. 11<sup>th</sup> February, 2014.

\*\* Mr. D.S. Gill was appointed as Chairman of the Stakeholders Relationship Committee (*Formerly Investors Grievance Committee*) in place of Prof. Triloki Nath Kapoor, while Mr. Aditya Goyal joined the said Committee as a member in place of Mr. Ramesh C. Jain w.e.f. 26<sup>th</sup> August, 2014.

~ The Board of Directors in its meeting held on 26<sup>th</sup> June, 2014 renamed the Shareholders/Investors Grievances Committee as Stakeholders Relationship Committee and approved the revised terms of reference of Stakeholders Relationship Committee as per the provisions of the Companies Act, 2013 and revised Listing Agreement.

**D. Share Transfer Committee**

For the expeditious disposal of the share transfer and allied services, Company has formed a Share Transfer Committee to look into and decide matters pertaining to share allotment, transfer, duplicate share certificates and related matters.

**E. Banking & Finance Committee**

The Company has also constituted a Banking & Finance Committee under the chairmanship of Mr. D.S. Gill, a Non-Executive Independent Director. Mr. Aditya Goyal and Mr. P.L. Talwar are the members of the Committee.

The Committee oversees the Company's banking operations and borrowing from banks and financial institutions and allied matters, which otherwise require the consent of Board of Directors.

During the year, one meeting of the Committee was held on 23<sup>rd</sup> July, 2013.

**F. Allotment Committee**

The Company has also constituted an Allotment Committee under the chairmanship of Mr. D.S. Gill, a Non-Executive Independent Director. Mr. Krishan Kumar Goyal and Mr. P.L. Talwar are the members of the Committee.

The Committee approves the allotment of Securities i.e Shares / Debentures / Warrants etc. from time to time. During the year, one meeting of the Committee held on 3<sup>rd</sup> October, 2013.

**3. Mr. Ashish Sharma, GM (Secretarial) & Company Secretary is the Compliance Officer of the Company.****4. Details of last three Annual General Meetings (AGMs)**

Financial Year	Location	Date	Time
2010-11	Regd.office: G.T. Road, Mandi Gobindgarh (Pb)	16.07.2011	11.30 a.m.
2011-12	Regd.office: G.T. Road, Mandi Gobindgarh (Pb)	24.09.2012	11.30 a.m.
2012-13	Regd Office: G.T. Road, Mandi Gobindgarh (Pb)	11.09.2013	11.00 a.m.

Special Resolutions passed in previous three AGMs:

- (i) In the 37<sup>th</sup> AGM dated 16.07.2011 the following Special resolutions were passed:
- Re-appointment and remuneration of Mr. Krishan Kumar Goyal as Mg. Director & CEO of the Company.
  - Re-appointment and remuneration of Mr. Aditya Goyal as Whole Time Director of the Company.
  - Re-appointment and remuneration of Mr. P.L. Talwar as Director (Operations) of the Company.
- (ii) In the 39<sup>th</sup> AGM dated 11.09.2013 the following Special resolutions were passed:
- Re-appointment and remuneration of Mr. Amarjit Goyal as Whole Time Director of the Company.
  - Issuance of 11,70,000 warrants @ ₹100/- per warrant, convertible into equal number of equity shares of ₹10/- each to be issued at a premium of ₹90/- to Promoter & Promoter group/investor on preferential basis.

During the year the Company passed no resolution through postal ballot.

**5. Disclosures**

- None of the transactions with any of the related parties were in conflict with the interests of the Company at large. Transaction with related parties are disclosed in Notes to the Accounts in the Annual Report.
- There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with the above Mandatory Requirements of Corporate Governance & the Company has not adopted any Non Mandatory Requirements of Corporate Governance except Remuneration Committee, Allotment Committee and Banking & Finance Committee.

**6. Means of Communication**

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

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

**GENERAL SHAREHOLDER INFORMATION**

**1. Company Registration Details:**

The Company is registered in the State of Punjab, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L27109PB1973PLC003358.

**2. Annual General Meeting:**

Day, Date & Time : Monday, the 29<sup>th</sup> September, 2014 at 11.00 a.m.

Venue : G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

**3. Financial Calendar for:**

Adoption of Quarterly Results Ended	In the Month of (tentative)
30 <sup>th</sup> June, 2014	5 <sup>th</sup> August, 2014 (Already held)
30 <sup>th</sup> September, 2014	November, 2014 (2 <sup>nd</sup> week)
31 <sup>st</sup> December, 2014	February, 2015 (2 <sup>nd</sup> week)
31 <sup>st</sup> March, 2014	May, 2015 (2 <sup>nd</sup> week)
Annual General Meeting	By September, 2015

**4. Book Closure Date:**

From 26<sup>th</sup> September, 2014 to 29<sup>th</sup> September, 2014 (both days inclusive).

**5. Listing on Stock Exchanges:**

Your Company is listed at the Bombay Stock Exchange Limited.

**6. Stock Code:**

BSE: 513303

ISIN No. in NSDL & CDSL: INE001F01019

**7. Stock Data:**

Month	Modern Steels Limited at BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
<b>2013</b>							
April	8.45	6.52	8.00	10527	19622.68	18144.22	19504.18
May	9.49	6.85	8.68	6140	20443.62	19451.26	19760.30
June	11.73	9.45	11.73	136	19860.19	18467.16	19395.81
July	13.23	11.41	13.23	153	20351.06	19126.82	19345.70
August	16.24	10.27	16.24	1080	19569.20	17448.71	18619.72
September	16.90	16.90	16.90	1	20739.69	18166.17	19379.77
October	16.85	15.70	16.45	115	21205.44	19264.72	21164.52
November	16.90	16.90	16.90	2	21321.53	20137.67	20791.93
December	-	-	-	-	21483.74	20568.70	21170.68
<b>2014</b>							
January	16.10	15.25	15.80	333	21409.66	20343.78	20513.85
February	15.80	11.95	11.95	261	21140.51	19963.12	21120.12
March	12.50	7.93	8.54	7706	22467.21	20920.98	22386.27

**8. Registrars and Share Transfer Agents (For Physical as well as for Demat Segment):**

M/s. MCS Limited

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

Tel.No. : +91-11-41406149 , Fax No.: +91-11-41709881, E-mail : admin@mcsdel.com

Website: www.mcsdel.com.

All shareholders of the Company can avail online services from our Registrars & Share Transfer Agents M/s. MCS Limited, with regard to Investor Grievances. Please login on the site of MCS Limited at [www.mcsdel.com](http://www.mcsdel.com) and click on Investors Services and you can register your queries/grievances and details as required by you. The registered queries/grievances on the site will be responded by M/s. MCS Limited on priority basis.

**9. Shareholding Pattern of the Company as on 31<sup>st</sup> March, 2014:**

Category	No. of shares held	%age of shareholding
Promoters & Promoter Group	78,48,936	62.33
Mutual Funds & UTI	6,000	0.05
Financial Institutions / Banks	1,000	0.01
Bodies Corporate (not included above)	3,70,052	2.94
Indian Public	43,23,921	34.34
NRIs/OCBs	42,450	0.33
<b>TOTAL</b>	<b>1,25,92,359</b>	<b>100.00</b>

**10. Distribution of Shareholding as on 31<sup>st</sup> March, 2014:**

SHAREHOLDING		SHAREHOLDERS		NO. OF SHARES	
From	To	Number	% of total	Number	% of total
upto	5000	6,366	88.23	14,47,684	11.49
5001	10000	436	6.04	3,55,093	2.82
10001	20000	226	3.13	3,26,306	2.59
20001	30000	51	0.71	1,29,324	1.03
30001	40000	28	0.39	1,00,420	0.80
40001	50000	14	0.19	63,372	0.50
50001	100000	43	0.60	3,09,291	2.46
100001	and above	51	0.71	98,60,866	78.31
<b>TOTAL</b>		<b>7,215</b>	<b>100.00</b>	<b>1,25,92,359</b>	<b>100.00</b>

**11. Dematerialisation of Shares:**

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

**Share Dematerialisation record:** The following data indicates the extent of Dematerialization of Company's shares as on 31<sup>st</sup> March, 2014.

No. of Shares	1,16,75,677	92.72% of the total Share Capital.
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**12. Plant Location of the Company:**

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

**13. Investors Correspondence Address:**

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

- i) Modern Steels Limited  
Corporate Office: SCO 98-99, Sub City Centre, Sector 34, Chandigarh-160022  
Tel.: +91-172-2609001, 2609002, 2609003, Fax.: +91-172-2609000  
E-mail: secretarial@modernsteels.com, Company's Website: www.modernsteels.com
  
- ii) M/s.MCS Limited  
F-65, First Floor, Okhla Industrial Area Phase-I, New Delhi 110 020.  
Tel.No. : +91-11-41406149 , Fax No.: +91-11-41709881,  
E-mail : admin@mcsdel.com, Website: www.mcsdel.com

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

The Shareholders,

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

Place : Chandigarh  
Dated : 26<sup>th</sup> June, 2014

**Krishan Kumar Goyal**  
Managing Director & CEO



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

**To,  
The Members  
Modern Steels Limited**

We have examined the compliance of Corporate Governance by Modern Steels Limited for the year ended 31<sup>st</sup> March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange. The compliance of conditions of the Corporate Governance is the responsibility of the Management. Our examination has been limited to the review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that no investor complaint is pending for a period exceeding one month as on 31<sup>st</sup> March, 2014 against the Company, as per records maintained by the Investor Grievance Committee of the Company.

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

**FOR A. GOEL & ASSOCIATES**  
Chartered Accountants

Place: Chandigarh  
Dated: 26<sup>th</sup> August, 2014

**NEERAJ K. JINDAL**  
Partner



**AUDITOR'S REPORT**

To  
The Members,  
Modern Steels Ltd.  
MANDI GOBINDGARH

Dear Members,

**Report on the Financial Statements**

We have audited the accompanying financial statements of MODERN STEELS LIMITED, MANDI GOBINDGARH which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other Explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
- (b) In the case of the Statement of Profit & Loss, of the Loss of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Companies Act, 1956, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Statement of Profit & Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors as on 31<sup>st</sup> March, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Place : Chandigarh  
Dated : 26<sup>th</sup> June, 2014

**NEERAJ K. JINDAL**  
Partner  
M. No. 515077

**ANNEXURE TO THE AUDITORS'S REPORT**

The Annexure referred to in our report to the members of the Company for the year ended 31<sup>st</sup> March, 2014. To the best of our knowledge and belief and information & explanation given to us, we further report that:-

1. a) The Company has maintained proper records to show full particulars including quantitative details & situation of its fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management which in our opinion is reasonable having regards to size of the Company and nature of its assets. No material discrepancies have been noticed during the year.
- c) During the year substantial part of fixed assets have not been disposed off by the Company.
2. a) The inventory of the Company has been physically verified by the management during the year.
- b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. In respect of loans, secured or unsecured granted by the Company to Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanation given to us.
  - a) The Company has granted unsecured loan to one Company during the year. The maximum amount involved during the year is ₹2.61 crores & year end outstanding is ₹2.07 crores.
  - b) The rate of interest and other term & conditions of the above loan is, in our opinion, not prima facie prejudicial to the interest of the Company.
  - c) The receipts of principal amounts and interest have been regular as per stipulations.
  - d) There was no overdue amount.  
In respect of loans, secured or unsecured taken by the Company to Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanation given to us.
  - e) The Company has taken unsecured loan from three companies and eight parties during the year. The maximum amount involved during the year is ₹4.86 crores and year end outstanding is ₹4.80 crores.
  - f) The rate of interest and other terms and conditions of such loans are in our opinion, prima facie not prejudicial to the interest of the Company.
  - g) Payment of principal amount and interest have been regular/ as per stipulations.
4. There is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets, inventory, sale of goods & services.
5. Further on the basis of our examination of books and records of the Company and according to information and explanations given to us we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.
5. To the best of our knowledge and belief and according to the information and explanations given to us we are of the opinion that the transactions need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
7. In our opinion the Company's present internal audit system is commensurate with its size and nature of business.
8. On the basis of records produced to us, we are of the opinion that prima facie the cost records prescribed by the Central Government of India under Section 209(1) (d) of the Companies Act, 1956 have been made & maintained. We have not carried out any detailed examination of such account & records.
9. (a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, undisputed statutory dues in respect of Provident Fund, Employee's State Insurance dues, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues have generally been regularly deposited by the Company during the year with the appropriate authorities in India and there were no arrear outstanding in respect of above for a period of more than six month as on 31<sup>st</sup> March, 2014.
- (b) According to the records of the Company examined by us and the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute other than the following amounting to ₹1.93 crores. The details are as under:-

NATURE OF DUES/ NAME OF STATUTES	FORUM WHERE DISPUTE IS PENDING	YEAR	DISPUTED AMOUNT ₹
<b>EXCISE DUTY</b>			
CENTRAL EXCISE ACT 1944	PUNJAB AND HARYANA HIGH COURT	1989-90	6,47,885
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08	2,56,533
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08 to 2008-09	2,59,085
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2004-05 to 2006-07	89,56,212
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2004-05	78,579
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2002-03 to 2004-05	15,87,580
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2005-06 to 2006-07	11,30,998
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08	2,64,934
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08 to 2008-09	3,11,332
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2004-05 to 2005-06	3,55,235
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2008-09	1,10,550
CENTRAL EXCISE ACT 1944	CESTAT, NEW DELHI	2003-04 to 2007-08	20,78,246
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2004-05	5,16,272
<b>CUSTOMS DUTY</b>			
CUSTOMS ACT 1962	CESTAT, AHMEDABAD	2004-05	25,35,450
<b>INCOME TAX</b>			
INCOME TAX ACT 1961	INCOME TAX APPELLATE TRIBUNAL, CHANDIGARH	A/Y 2005-06 & 2006-07	1,64,482

10. The Company has no accumulated losses as at 31<sup>st</sup> March, 2014. It has suffered cash loss during the financial year ended on that date and also in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, the Company has not defaulted in any repayment of dues to financial institutions, banks, institution and has not issued any debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special / statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it.
14. The Company has not dealt or traded in shares, securities debentures or other securities during the year.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans raised during the year have been applied for the purpose for which they were raised during the year.
17. On the basis of review of utilization of funds, which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short term basis have not been used for long term investment.
18. According to the information and explanation given to us. During the year the Company has made preferential allotment of warrants which are convertible in equity shares at later date to four parties and one Company covered in register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures that were outstanding at any time during the year.
20. The Company has not raised any money by public issue during the year.
21. As per the information and explanation given to us and on the basis of examination of records, no material fraud on or by the Company was noticed or reported during the course of our audit.

**FORA. GOEL & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 002743N

**NEERAJ K. JINDAL**  
Partner  
M. No. 515077

Place : Chandigarh  
Dated : 26<sup>th</sup> June, 2014



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2014**

Particulars	Notes	31 <sup>st</sup> March, 2014		31 <sup>st</sup> March, 2013	
		₹ in Lacs		₹ in Lacs	
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's Funds</b>					
Share Capital	III	13,24		13,24	
Reserves and Surplus	IV	10,32		20,99	
Money received against Warrants	V	<u>10,67</u>	34,23	<u>-</u>	34,23
<b>Non-Current Liabilities</b>					
Long Term Borrowings	VI	91,40		64,21	
Other Long Term Liabilities	VII	4		3	
Long-Term provisions	VIII	<u>1,67</u>	93,11	<u>1,92</u>	66,16
<b>Current Liabilities</b>					
Short Term Borrowings	IX	67,11		48,85	
Trade payables	X	29,42		27,67	
Other Current Liabilities	XI	8,51		5,50	
Short-Term provisions	XII	<u>67</u>	<u>1,05,71</u>	<u>50</u>	<u>82,52</u>
<b>TOTAL</b>			<u><b>2,33,05</b></u>		<u><b>1,82,91</b></u>
<b>ASSETS</b>					
<b>Non-Currents Assets</b>					
<b>Fixed Assets</b>					
Tangible Assets	XIII	51,19		52,75	
Intangible Assets	XIII	7		22	
Capital Work-in-Progress	XIII	21,22		1,31	
Non-current investments	XIV	7,03		7,03	
Deferred Tax Assets (net)	XV	10,40		5,50	
Long Term Loans and advances	XVI	<u>11,07</u>	1,00,98	<u>11,61</u>	78,42
<b>Current Assets</b>					
Inventories	XVII	54,85		40,61	
Trade Receivables	XVIII	63,01		53,11	
Cash and Bank Balances	XIX	8,40		5,17	
Short Term Loans and Advances	XX	5,31		5,16	
Other Current Assets	XXI	<u>50</u>	<u>1,32,07</u>	<u>44</u>	<u>1,04,49</u>
<b>TOTAL</b>			<u><b>2,33,05</b></u>		<u><b>1,82,91</b></u>
<b>Significant Accounting Policies</b>					
<b>II</b>					
<b>Notes I to XXXXII form an integral part of the Financial Statements</b>					
As per our report of even date attached.			For & on behalf of the Board of Directors		
<b>For A.GOEL &amp; ASSOCIATES</b>					
Chartered Accountants					
Firm Registration No 002743N					
<b>NEERAJ K. JINDAL</b>			<b>MUKESH SEHGAL</b>		<b>KRISHAN KUMAR GOYAL</b>
Partner			G.M. (Corporate Finance)		Director
M. No. 515077			& CFO		
Place: Chandigarh			<b>ASHISH SHARMA</b>		<b>D.S.GILL</b>
Dated: 26 <sup>th</sup> June, 2014			General Manager (Secretarial)		Director
			& Company Secretary		

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014**

Particulars	Notes	31 <sup>st</sup> March, 2014 ₹ in Lacs	31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>REVENUE</b>			
Revenue from Operations (Gross)	XXII	2,95,42	2,93,52
Less Excise Duty		<u>32,28</u>	<u>32,16</u>
Revenue from Operations (Net)		2,63,14	2,61,36
Other Income	XXIII	<u>3,62</u>	<u>4,61</u>
<b>Total Revenue</b>		<u>2,66,76</u>	<u>2,65,97</u>
<b>EXPENSES</b>			
Cost of material consumed	XXIV	1,66,89	1,69,29
Changes in inventories of finished goods and work-in-process	XXV	(4,99)	7,82
Employee benefits expenses	XXVI	13,34	12,65
Finance Costs	XXVII	19,84	16,77
Depreciation and Amortisation expenses	XIII	4,67	4,68
Other Expenses	XXVIII	82,64	74,87
Prior Period Items	XXIX	(5)	(4)
<b>Total Expenses</b>		<u>2,82,34</u>	<u>2,86,04</u>
<b>Profit/(Loss) before Tax</b>		<b>(15,58)</b>	<b>(20,07)</b>
<b>Tax Expense:</b>			
- Deferred Tax Asset/(Liability)		<u>4,91</u>	<u>6,35</u>
<b>Profit/(Loss) for the year</b>		<u><b>(10,67)</b></u>	<u><b>(13,72)</b></u>
Earning/(Loss) per share (Face value of ₹10 per share)	XXXI		
- Basic (in ₹)		<b>(8.47)</b>	<b>(10.90)</b>
- Diluted (in ₹)		<b>(8.10)</b>	<b>(10.90)</b>
<b>Significant Accounting Policies</b>	<b>II</b>		
<b>Notes I to XXXXII form an integral part of the Financial Statements</b>			
As per our report of even date attached.		For & on behalf of the Board of Directors	
<b>For A.GOEL &amp; ASSOCIATES</b> Chartered Accountants Firm Registration No 002743N	<b>MUKESH SEHGAL</b> G.M. (Corporate Finance) & CFO	<b>KRISHAN KUMAR GOYAL</b> Director	
<b>NEERAJ K. JINDAL</b> Partner M. No. 515077	<b>ASHISH SHARMA</b> General Manager (Secretarial) & Company Secretary	<b>D.S. GILL</b> Director	
Place: Chandigarh Dated: 26 <sup>th</sup> June, 2014			


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014**

Particulars	31 <sup>st</sup> March, 2014 ₹ in Lacs	31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Cash Flow from Operating Activities :</b>		
<b>Net Profit/(Loss) after tax</b>	<b>(10,66)</b>	<b>(13,72)</b>
<b>Adjusted for :</b>		
Depreciation	4,67	4,68
Loss on Sale of Fixed Assets	-	-
Deferred Tax Liability/Asset	<b>(4,91)</b>	(6,35)
Finance Cost	<b>19,83</b>	16,77
Interest Income	<b>(3,56)</b>	(4,35)
	<u>16,03</u>	<u>10,75</u>
<b>Operating profit before working capital changes</b>	<b>5,37</b>	<b>(2,97)</b>
<b>Adjusted for :</b>		
Inventories	(14,25)	7,53
Trade & other receivables	<b>(9,21)</b>	15,03
Trade payable & other liabilities	<b>4,92</b>	(8,25)
	<u>(18,54)</u>	<u>14,31</u>
<b>Cash Generated from Operations</b>	<b>(13,18)</b>	<b>11,34</b>
Taxes paid	<b>(36)</b>	(43)
<b>Net Cash outflow from Operating Activities (A)</b>	<b>(13,53)</b>	<b>10,91</b>
<b>Cash Flow from Investing Activities</b>		
Increase in Fixed Assets and Capital WIP	<b>(22,92)</b>	(4,95)
Sale/Adjustments of Fixed Assets	7	22
Interest Income	<b>3,56</b>	4,35
Increase/(decrease) in Bank balances not considered as cash and cash equivalents	<b>(19)</b>	(41)
<b>Net Cash used in Investing Activities (B)</b>	<b>(19,48)</b>	<b>(79)</b>
<b>Cash Flow from Financing Activities</b>		
Increase/(Decrease) in Share Warrants	<b>10,67</b>	-
Net Increase(Decrease) in Long Term Borrowings	<b>27,18</b>	47,20
Net Increase(Decrease) in Liabilities / Provisions	<b>(24)</b>	(1)
Net Increase (Decrease) in Short Term Borrowings	<b>18,26</b>	(40,48)
Finance cost	<b>(19,83)</b>	(16,77)
<b>Net Cash from Financing Activities (C)</b>	<b>36,04</b>	<b>(10,06)</b>
<b>Net increase/decrease in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>3,03</b>	<b>6</b>
<b>Cash &amp; Cash equivalents as on 1<sup>st</sup> April, 2013</b>	<b>2,29</b>	<b>2,23</b>
<b>Cash &amp; Cash equivalents as on 31<sup>st</sup> March, 2014</b>	<b>5,33</b>	<b>2,29</b>
<b>Reconciliation of Cash and Bank Balances with Balance Sheet</b>		
Cash and Bank Balances as per Balance Sheet	<b>8,40</b>	5,17
Less: Bank Balances not considered as Cash and Cash Equivalents	<b>3,07</b>	2,88
<b>Cash &amp; Cash Equivalents as on 31<sup>st</sup> March, 2014</b>	<b>5,33</b>	<b>2,29</b>

As per our report of even date attached.

For & on behalf of the Board of Directors

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

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

**KRISHAN KUMAR GOYAL**  
Director

**NEERAJ K. JINDAL**  
Partner  
M. No. 515077

**ASHISH SHARMA**  
General Manager (Secretarial)  
& Company Secretary

**D.S. GILL**  
Director

Place: Chandigarh  
Dated: 26<sup>th</sup> June, 2014

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014****NOTE : I CORPORATE INFORMATION**

Modern Steels Limited (the Company) is a public listed Company incorporated under the provisions of the Companies Act, 1956 on 19<sup>th</sup> November, 1973. The Company is engaged in manufacturing of Steel Rolled products.

**NOTE : II SIGNIFICANT ACCOUNTING POLICIES****2.1) Accounting Convention**

The Financial Statements are prepared under the Historical Cost Convention in accordance with applicable Accounting Standards referred to in Section 211(3c) and relevant presentational requirements of the Companies Act, 1956.

**2.2) Use of Estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principals, require estimates and assumptions to be made that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results materialize.

**2.3) Fixed Assets and Depreciation**

All tangible fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and other attributable cost including financing & other cost of borrowed funds attributable to construction or acquisition of tangible fixed assets for the period upto the date when the assets are first put to use. Modvat credit, service tax credit and VAT credit on tangible fixed assets has been reduced from the cost. Expenditure during construction is being capitalized.

Depreciation on tangible fixed assets has been provided on straight-line method according to the Schedule XIV of the Companies Act, 1956, except for assets costing less than and up to ₹5,000/- which are fully depreciated in the year of purchase.

**2.4) Intangibles and Amortisation**

Intangible assets are recognized if it is probable that the future economic benefits attributable to that assets will flow to the enterprise and cost of the asset can be measured reliably in accordance with Accounting Standard-26 on "Intangibles" issued by the Institute of Chartered Accountant of India.

Intangibles assets are amortized on straight line basis over their useful lives, which range from 1-5 years, determined on the basis of expected future economic benefits. The amortization period and method would be reviewed at the end of each financial year.

**2.5) Inventories**

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

- i) In case of Raw-material on FIFO Basis (net of Modvat, Service Tax & VAT).
- ii) In case of Work in Progress - Rolling Mill Raw Material are valued at monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.
- iii) In case of Finished Goods at cost plus all appropriate allocable overheads and Excise Duty thereon. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads and Excise Duty thereon.

Fresh Stocks of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT, Service tax, VAT). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and used stocks is valued at net realizable value.

**2.6) Foreign Exchange Transaction**

The transactions in Foreign exchange are accounted for at the exchange rates prevailing on the date of the transactions. The current assets and current liabilities are converted at the exchange rate prevailing at the last working day of the accounting year. The resultant gains/losses are recognized in the profit & loss account relating to current assets & current liabilities. Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India have been adjusted to revenue.

**Forward Exchange contracts not intended for trading or speculation purpose**

In case of forward exchange contract, the premium or discount arising at the inception of such contract is amortized as income or expense over the life of contract as well as exchange difference on such contract i.e. difference between the exchange rate at the reporting/ settlement date and the exchange rate on the date of inception/ the last reporting date, is recognized as income/ expense for the period.

**2.7) Investments**

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

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

**2.8) Employees Benefits****Provident Fund**

Retirement benefits in the form of Provident Fund and Family Pension Fund whether in pursuance of law or otherwise is accounted on accrual basis and charged to Statement of Profit & Loss of the year.

**Gratuity**

The retirement benefits in the form of Gratuity Scheme have been provided for the year ended as on 31<sup>st</sup> March, 2014. In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined "benefit" scheme.

**2.9) Borrowing Costs**

To capitalize the borrowing costs that is directly attributable to the acquisition or construction of that Capital asset. Other borrowing Costs are recognized as an expense in the period in which they are incurred.

**2.10) Revenue Recognition**

Revenues / Incomes and Cost /Expenditures are being generally accounted on accrual basis, as they are earned or incurred. Expenditures have been disclosed net of excise duty, service tax and VAT which are Modvatable.

**Sales**

Sales comprise of value of sales of products (net of returns) excluding VAT and Trade Discounts but including excise duty. Sales are recognized when the title of the goods is passed to the customers. Excise duty is reduced from gross sales to arrive at net sales.

**Interest**

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

**Dividend**

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

**2.11) Taxes on Income**

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961 and Wealth Tax Act. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of tax to extent the timing differences are expected to crystallize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realized.

**2.12) Impairment of Fixed Assets**

As at 31<sup>st</sup> March, 2014 the Company has reviewed the future earning of its cash generating unit in accordance with the "Accounting Standards 28 Impairment of Assets" issued by the Institute of Chartered Accountant of India. As the carrying amount of the assets does not exceed the future recoverable amount consequently, no adjustment is considered necessary by the management.

**2.13) Provisions for Contingent liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be outflow of resources. Contingent liabilities are disclosed by way of notes. Contingent assets are neither recognized nor disclosed in the financial statement.

**2.14) Earning Per Share**

Basic earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into the account the aggregate of the weighted average number of equity shares outstanding during the period and weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

**2.15) Cash Flow Statement**

The cash flow statement has been in accordance with the Accounting Standard (AS)-3 on "Cash Flow Statements" issued by the Companies (Accounting Standard) Rules, 2006.

**2.16) Accounting policies not specifically referred to above are consistent with Generally Accepted Accounting Practices (GAAP).**



**NOTE : III****SHARE CAPITAL**

Particulars	As at 31 <sup>st</sup> March, 2014		As at 31 <sup>st</sup> March, 2013	
	Number	₹ in Lacs	Number	₹ in Lacs
<b>Authorised</b>				
Equity Shares of ₹ 10/- each	2,49,00,000	24,90	2,49,00,000	24,90
9.5% Redeemable Cumulative Preference Shares of ₹ 100/- each	10,000	10	10,000	10
		25,00		25,00
<b>Issued, Subscribed and Fully Paid Up</b>				
Equity Shares of ₹ 10/- each	1,25,92,359	12,59	1,25,92,359	12,59
	A	12,59		12,59
Forfeited Shares (Amount paid up)		1		1
Forfeited Warrants (Amount paid up)		64		64
	B	65		65
	(A+B)	13,24		13,24

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

	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Number and amount of equity shares at the beginning and at the end of the year	1,25,92,359	12,59	1,25,92,359	12,59

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

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

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

Each Equity Shareholder is entitled to one vote per share.

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

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

**c) Shares held by holding Company or its ultimate holding Company or subsidiary or associates of the holding Company or the ultimate holding in aggregate Nil (Nil).****d) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without being received in cash Nil(Nil), bonus shares and shares buy back for the period of five years immediately preceding the reporting date Nil (Nil).**

**e) Shareholders holding more than 5% shares as at balance sheet date:**

Name of Equity Shareholders	As at 31 <sup>st</sup> March, 2014		As at 31 <sup>st</sup> March, 2013	
	No. of Shares	%	No. of Shares	%
1 Krishan Kumar Goyal	23,96,179	19.03	23,96,179	19.03
2 Alka Goyal	12,32,590	9.79	12,32,590	9.79
3 Amarjit Goyal	10,99,250	8.73	10,99,250	8.73
4 Nabha Commerce Pvt. Ltd.	8,37,750	6.65	8,37,750	6.65
5 Aditya Goyal	7,95,590	6.32	7,95,590	6.32

**f) Forfeiture of share warrants**

In the F.Y. 2011-12, the amount paid up on 7,71,641 warrants @ ₹8.25/- (Per warrant) of ₹63.66 lacs stands forfeited as not converted.

**NOTE : IV****RESERVES & SURPLUS**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Securities Premium Account</b> (Balance at the beginning and at the end of year)	2,89	2,89
<b>General Reserve</b> (Balance at the beginning and at the end of year)	24,97	24,97
<b>Surplus/(Deficit) in the Statement of Profit &amp; Loss</b>		
Balance at the beginning of year	(6,87)	6,85
Add/Less: Transferred from Statement of Profit & Loss	(10,67)	(13,72)
Balance at the end of year	(17,54)	(6,87)
<b>Total</b>	<b>10,32</b>	<b>20,99</b>

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

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
Opening Balance	-	-
Gross Amount received	10,67	-
<b>Total</b>	<b>10,67</b>	<b>-</b>

11,70,000 (Nil) equity warrants allotted on preferential basis, carrying option to the holder of such warrants to subscribe to one equity share of ₹10/- at premium of ₹90/- per share for every warrant held, within 18 months from date of allotment i.e. 3<sup>rd</sup> October, 2013

**NOTE : VI**

**LONG TERM BORROWINGS**

Particulars	NON CURRENT		CURRENT MATURITIES	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	₹ in Lacs		₹ in Lacs	
<b>SECURED BORROWINGS</b>				
<b>From Banks</b>				
(a) Term Loan - I	14,50	16,40	1,76	-
Term Loan - II	21,04	-	-	-
(b) Working Capital Term Loan	39,50	39,50	-	-
(c) Funded Interest Term Loan	10,10	3,90	-	-
<b>Total (A)</b>	<b>85,14</b>	<b>59,80</b>	<b>1,76</b>	<b>-</b>
<b>UNSECURED BORROWINGS</b>				
From Related Parties	4,81	4,18	-	-
From Others	1,45	23	-	-
<b>Total (B)</b>	<b>6,26</b>	<b>4,41</b>	<b>-</b>	<b>-</b>
Amount disclosed under "Other Current Liabilities" (Refer Note XI)			(1,76)	-
<b>Total (A) + (B)</b>	<b>91,40</b>	<b>64,21</b>	<b>1,76</b>	<b>-</b>

**a) Details of Securities :-**

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

Working Capital Term Loans and or Funded Interest Term Loans from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala are secured by equitable mortgage of Land and Building of the Company's properties situated at village Ajnali, Ambey Majra and Kukkar Majra & by hypothecation of all the movable properties forming part of the fixed assets of the Company on pari passu basis. The Working Capital Term Loan and/or Funded Interest Term Loan from State Bank of India, Punjab National Bank, Canara Bank and State Bank of Patiala are also secured by way of second charge on all the current assets of the Company.

**Collateral Security**

Equitable mortgage of i) a vacant industrial plot on Truck Stand Road, Mandi Gobindgarh owned by Chandigarh Finance Pvt. Ltd. ii) residential property in the name of a Director at Sarvapriya Vihar, New Delhi.

Pledge of promoters entire shareholding i.e. 62.33% of the paid up capital.

**b) Guarantee by Directors & others:-**

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

<b>TERM LOAN I</b>	:	<b>16,25.63 Lacs</b> (16,40.39 Lacs)
<b>TERM LOAN II</b>	:	<b>21,04.16 Lacs</b> (Nil)
<b>WCTL</b>	:	<b>39,49.97 Lacs</b> (39,50.00 Lacs)
<b>FITL</b>	:	<b>10,10.25 Lacs</b> (3,90.30 Lacs)



**c) Terms of Repayment :-**

Pursuant to the rework proposal approved under the Corporate Debt Restructuring (CDR) scheme by CDR Empowerment Group duly sanctioned by respective banks under the consortium, following interest rates and schedules of repayment have been agreed with the Company.

**la) Term Loans @ 16% pa. (included in Long Term Borrowings and Other Current Liabilities) (₹ in Lacs)**

**TERM LOAN I**

Name of Bank	Amount	Financial year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	<b>Outstanding</b>	No of instalment in a year	3	4	4	4	4	4	4	1
State Bank of India	10,02.76	Annual instalment amount	1,09.00	1,45.00	1,45.00	1,45.00	1,45.00	1,45.00	1,45.00	23.76
Punjab National Bank	4,00.00	Annual instalment amount	42.85	57.14	57.14	57.14	57.14	57.14	57.14	14.31
Canara Bank	2,22.87	Annual instalment amount	23.87	31.84	31.84	31.84	31.84	31.84	31.84	7.96

**lb) Term Loans @ 16% pa. (included in Long Term Borrowings and Other Current Liabilities) (₹ in Lacs)**

**TERM LOAN II**

Name of Bank	Amount	Financial year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	<b>Outstanding</b>	No of instalment in a year	-	4	4	4	4	4	4	4	4
State Bank of India	9,73.68	Annual instalment amount	-	1,21.72	1,21.72	1,21.72	1,21.72	1,21.72	1,21.72	1,21.72	1,21.64
Punjab National Bank	5,45.92	Annual instalment amount	-	68.24	68.24	68.24	68.24	68.24	68.24	68.24	68.24
Canara Bank	1,95.33	Annual instalment amount	-	24.40	24.40	24.40	24.40	24.40	24.40	24.40	24.53
State Bank of Patiala	3,89.24	Annual instalment amount	-	49.04	49.04	49.04	49.04	49.04	49.04	49.04	45.96

**II) Working Capital Term Loan (WCTL) (included in Long Term Borrowings and Other Current Liabilities) @ 10.50 % pa.**

(₹ in Lacs)

Name of Bank	Amount	Financial year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	<b>Outstanding</b>	No of instalment in a year	-	4	4	4	4	4	4	4
State Bank of India	18,00.00	Annual instalment amount	-	2,57.14	2,57.14	2,57.14	2,57.14	2,57.14	2,57.14	2,57.16
Punjab National Bank	10,00.00	Annual instalment amount	-	1,42.85	1,42.85	1,42.85	1,42.85	1,42.85	1,42.85	1,42.90
Canara Bank	7,99.98	Annual instalment amount	-	1,14.28	1,14.28	1,14.28	1,14.28	1,14.28	1,14.28	1,14.32
State Bank of Patiala	3,50.00	Annual instalment amount	-	50.00	50.00	50.00	50.00	50.00	50.00	50.00

**III) Funded Interest Term Loans (FITL) (included in Long Term Borrowings and Other Current Liabilities) @ 10.50 % pa.**

(₹ in Lacs)

Name of Bank	Amount	Financial year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	<b>Outstanding</b>	No of instalment in a year	-	4	4	4	4	4	4	4
State Bank of India	5,24.25	Annual instalment amount	-	75.00	75.00	75.00	75.00	75.00	75.00	74.25
Punjab National Bank	2,52.00	Annual instalment amount	-	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Canara Bank	1,08.00	Annual instalment amount	-	15.42	15.42	15.42	15.42	15.42	15.42	15.48
State Bank of Patiala	1,26.00	Annual instalment amount	-	18.00	18.00	18.00	18.00	18.00	18.00	18.00

**IV) Working Capital Term Loan (WCTL)**

In the previous year the amount of Working Capital Term Loan has been carved out of cash credit limits and same is repayable in 28 quarterly structured instalments commencing from 30<sup>th</sup> June, 2015.

**V) Funded Interest Term Loan (FITL)**

In the previous year the CDR Empowered Group has sanctioned the conversion of future interest into various instruments and repayments thereof keeping in view the present scale of operations and expected liquidity position in the initial years of post implementation of the restructuring scheme. The repayment of 28 quarterly structured instalments will be commencing from 30<sup>th</sup> June, 2015.

**Other Loans (Unsecured Borrowings) @ 10% p.a. 6,25.54 Lacs (4,41.10 Lacs)**

Unsecured borrowings from related parties & others are due for payment from the financial year 2015-16 to 2016-17.

**NOTE : VII**

**OTHER LONG TERM LIABILITIES**

Particulars	As at	As at
	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
	₹ in Lacs	₹ in Lacs
Securities Received	4	3
<b>Total</b>	<u>4</u>	<u>3</u>

**NOTE : VIII**

**LONG TERM PROVISIONS**

Particulars	As at	As at
	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
	₹ in Lacs	₹ in Lacs
<b>Provision for employee benefits</b>		
Gratuity	1,67	1,92
<b>Total</b>	<u>1,67</u>	<u>1,92</u>

The Company has adopted Accounting Standard AS 15 (Revised 2005) on employment benefit on 1<sup>st</sup> April, 2007, consequent to the clarification issued by ASB of the Institute of Chartered Accountants of India for implementing AS 15, the liability in respect of the same of benefit have been reworked as on 31<sup>st</sup> March, 2014, based on the following assumptions.

Particulars	As at	As at
	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
	₹ in Lacs	₹ in Lacs
<b>a) Actuarial Assumptions</b>		
Discount Rate (per annum)	8.75%	8.00%
Rate of increase in compensation levels	5.00%	5.50%
Rate of return on plan assets	-	-
Expected average remaining working {Lives of employees (year)}	21.74	21.98
<b>b) Table showing changes in present value of obligations</b>		
Present Value of Obligation as at the beginning of the year	2,41	2,28
Acquisition adjustment	-	-
Interest Cost	19	18
Past Service Cost-vested	-	-
Current Service Cost	22	26
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefits Paid	(35)	(26)
Actuarial (gain)/loss on obligations	(15)	(5)
Present Value of Obligation as at the end of the year	<u>2,33</u>	<u>2,41</u>



<b>c) Actuarial (Gain)/Loss Recognized</b>		
Actuarial (gain)/loss for the year – Obligation	(15)	(5)
Actuarial (gain)/loss for the year – Plan Assets	-	-
Total (gain)/loss for the year	(15)	(5)
Actuarial (gain)/loss recognized in the year	(15)	(5)
Unrecognized actuarial (gains)/losses at the end of year	-	-
<b>d) The amounts to be recognized in Balance Sheet and Statement of Profit &amp; Loss</b>		
Present Value of Obligation as at the end of the year	2,33	2,41
Fair Value of Plan Assets as at the end of the year	-	-
Funded Status	(2,33)	(2,41)
Unrecognized Actuarial (gains)/losses	-	-
Net Asset/(Liability) recognized in Balance Sheet	2,33	(2,41)
<b>e) Expenses recognized in the Statement of Profit &amp; Loss</b>		
Current Service Cost	22	26
Past Service Cost –vested	-	-
Interest Cost	19	18
Expected Return on Plan Assets	-	-
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/Loss recognized in the year	(15)	(5)
Expenses Recognized in the statement of Profit & Loss	27	38
<b>f) Bifurcation of PBO at the end of year</b>		
Current Liability (Amount due within one year)	65	49
Non - Current Liability (Amount due over one year)	1,67	1,92
Total PBO at the end of year	2,33	2,41

**NOTE : IX**

**SHORT TERM BORROWINGS**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>SECURED BORROWINGS</b>		
<b>a) LOANS REPAYABLE ON DEMAND</b>		
- From Banks	55,70	37,97
<b>b) LOANS REPAYABLE WITHIN 12 MONTHS</b>		
- From Banks		
Buyer's Credit	11,41	10,88
<b>Total</b>	<u>67,11</u>	<u>48,85</u>

**a) Detail of Securities**

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

**b) Collateral Security**

Equitable mortgage of i) a vacant industrial plot on Truck Stand Road, Mandi Gobindgarh owned by Chandigarh Finance Pvt. Ltd. ii) residential property in the name of a Director at Sarvapriya Vihar, New Delhi.

**c) Guarantee by Directors & Others:-**

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

Cash Credit	55,69.98 Lacs (37,96.92 Lacs)
Buyer's Credit	11,41.29 Lacs (10,88.25 Lacs)
Letter of credit issued by banks	34,42.12 Lacs (30,62.68 Lacs)

**NOTE : X**

**TRADE PAYABLE**

Particulars	As at	As at
	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
	₹ in Lacs	₹ in Lacs
- Dues to Micro, Small & Medium Enterprises	-	5
- Dues to Others	29,42	27,62
<b>Total</b>	<b>29,42</b>	<b>27,67</b>

According to communication received from suppliers regarding the applicability of the act to them by the Company, dues to micro, small and medium enterprises pursuant to Section 22 of the Micro, Small and medium Enterprises Development Act, 2006 (MSMED)

Principal amount remaining unpaid under MSMED Act, 2006	-	5
Interest accrued and remaining unpaid	-	-
<b>Total</b>	<b>-</b>	<b>5</b>


**NOTE : XI**
**OTHER CURRENT LIABILITIES**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
Current maturities of Long Term Borrowings	1,76	-
Interest accrued and due on borrowings	84	-
<b>Other Payables</b>		
Advances from Customer	5	3
Expenses payable	3,19	3,09
Employee Related Payable	99	1,01
Statutory dues payable	1,68	1,37
<b>Total</b>	8,51	5,50

**NOTE : XII**
**SHORT TERM PROVISIONS**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Provision for Employee benefits</b>		
Gratuity (Refer Note VIII)	65	49
<b>Others</b>		
Provision for Wealth Tax	2	1
<b>Total</b>	67	50

**NOTE : XIII**
**FIXED ASSETS**

₹ in Lacs

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 1 <sup>st</sup> April, 2013	Addi- tions	Sales/ Adjust- ments	As at 31 <sup>st</sup> Mar, 2014	Upto 1 <sup>st</sup> April, 2013	During the year	Sold/ Adjust- ments	Upto 31 <sup>st</sup> Mar, 2014	As at 31 <sup>st</sup> Mar, 2014	As at 31 <sup>st</sup> Mar, 2013
<b>TANGIBLE ASSETS</b>										
Land	25	-	-	25	-	-	-	-	25	25
Buildings	11,97	-	-	11,97	3,57	36	-	3,93	8,04	8,40
Plant & Machinery	82,30	2,64	-	84,94	39,74	3,84	-	43,58	41,36	42,56
Office Equipment	1,24	2	-	1,26	71	5	-	76	50	53
Furniture	1,10	2	-	1,12	76	5	-	81	31	33
Vehicles	2,17	31	30	2,18	1,48	20	23	1,45	73	69
<b>TANGIBLE ASSETS TOTAL</b>	99,03	2,99	30	1,01,72	46,26	4,50	23	50,53	51,19	52,75
Previous Year	92,24	7,24	45	99,03	42,05	4,47	24	46,28	52,75	-
<b>INTANGIBLE ASSETS</b>										
Computer Software	1,12	2	-	1,14	90	17	-	1,07	7	22
<b>INTANGIBLE ASSETS TOTAL</b>	1,12	2	-	1,14	90	17	-	1,07	7	22
Previous Year	1,12	-	-	1,12	69	21	-	90	22	-
<b>Total</b>	1,00,15	3,01	30	1,02,86	47,17	4,67	23,39	51,61	51,26	52,97
Previous Year	93,36	7,25	45	1,00,16	42,74	4,68	24	47,19	52,97	-
<b>Capital Work-in-Progress</b>	1,31	22,55	2,64	21,22	-	-	-	-	21,22	-
Previous Year	3,60	3,41	5,70	1,31	-	-	-	-	1,31	-



**NOTE : XIV**

**NON - CURRENT INVESTMENTS**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>A) TRADE INVESTMENTS (at Cost, Unquoted)</b>		
Investment in equity instruments:		
In Associates:		
38,00,000 (38,00,000) Equity shares of ₹10 each fully paid up in Modern Automotives Ltd. Out of which 8,00,000 equity shares allotted at premium @ ₹40 per share	7,00	7,00
(A)	7,00	7,00
<b>B) OTHER INVESTMENTS (at Cost, Unquoted)</b>		
Investment in equity instruments:		
In Others:		
28,125 (28,125) Equity shares of ₹ 10 each fully paid up in Nimbua Green Field (Punjab) Ltd.	3	3
(B)	3	3
<b>Aggregate cost of Unquoted Investments (A+B)</b>	7,03	7,03

**NOTE : XV**

**DEFERRED TAX LIABILITY / ASSET**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Deferred Tax Liability</b>		
Impact of difference between income tax depreciation and depreciation/amortisation charged for financial reporting period	6,57	6,51
<b>Total (A)</b>	6,57	6,51
<b>Deferred Tax Asset</b>		
Disallowance u/s 40A(7) on account of provision of gratuity	75	78
On account of accumulated losses as per Income Tax Act	12,75	9,79
Disallowance u/s 43B on account of FITL interest	3,28	1,26
Disallowance u/s 43B on account of Bonus	19	18
<b>Total (B)</b>	16,97	12,01
<b>Net (B-A)</b>	10,40	5,50

**NOTE : XVI****LONG TERM LOANS AND ADVANCES**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>(Unsecured, Considered Good)</b>		
Advances for Capital Goods	3,53	1
Security Deposits	3,67	3,67
Loans & Advances to Related Parties		
Loans to Associates:-		
Modern Automotives Ltd.	2,07	2,14
Other Loans & Advances		
Interest & Instalments refundable by Banks in view of CDR	1,06	5,08
Amount paid (under protest) on account of Excise, Power, ESI etc.	74	71
Prepaid Expenses	-	-
Earnest Money	-	-
<b>Total</b>	<b>11,07</b>	<b>11,61</b>

**NOTE : XVII****INVENTORIES**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Inventories</b>		
Raw Materials (including-in-transit ₹ 4,13.61 Lacs Previous Year ₹ 4,30.67 Lacs)	22,85	16,14
Work in Progress	6,85	4,16
Finished Goods	12,14	9,84
Stores, Spares & Fuel (includes disposable stores)	13,01	10,47
<b>Total</b>	<b>54,85</b>	<b>40,61</b>

**Method of Valuation:**

1. Inventories are valued at cost or net realizable value, whichever is lower. The cost in respect of various items of inventory is computed as under:
  - a. In case of Raw- material on FIFO Basis ( net of MODVAT , Service Tax & VAT).
  - b. In Case of Work in Process- Rolling Raw Material are Valued at Monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.
  - c. In Case of Finished Goods at Cost plus all appropriate allocable overheads and Excise Duty thereon. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads and Excise Duty thereon.
2. Fresh Stocks of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT, Service tax, VAT). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and used stocks is valued at net realizable value.

**NOTE : XVIII**

**TRADE RECEIVABLES**  
**Particulars**

	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>(Unsecured, Considered Good)</b>		
Debts Outstanding for period exceeding six months from due date of payment	71	79
Other Debts	<u>62,30</u>	<u>52,32</u>
<b>Total</b>	<u>63,01</u>	<u>53,11</u>

**NOTE : XIX**

**CASH AND BANK BALANCES**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>(A) Cash and Cash Equivalents</b>		
Balances with Banks		
In Current Accounts	2,89	2,04
Cheques in Hand	2,36	-
Cash in hand	8	25
<b>(A)</b>	<u>5,33</u>	<u>2,29</u>
<b>(B) Other Bank Balances</b>		
In Fixed Deposits Accounts Inclusive of interest accrued thereon	3,07	2,88
<b>(B)</b>	<u>3,07</u>	<u>2,88</u>
<b>Total (A+B)</b>	<u>8,40</u>	<u>5,17</u>

Fixed deposit having remaining maturity more than 12 months ₹Nil ( 0.50 Lacs)

Fixed deposits including interest given as security ₹3,07.01 Lacs (2,87.83 Lacs) to the Banks against margin of the Letter of Credit.

**NOTE : XX**

**SHORT TERM LOANS AND ADVANCES**

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>(Unsecured, considered good)</b>		
<b>OTHERS</b>		
Advance Tax and TDS	36	43
Old Income Tax	1,30	93
Balance with Statutory Authorities	2,54	1,98
Advances to Suppliers	75	73
Advances to Employees	8	3
Prepaid Expenses	25	38
Other Recoverable	3	68
<b>Total</b>	<u>5,31</u>	<u>5,16</u>

**NOTE : XXI****OTHER CURRENT ASSETS**

<b>Particulars</b>	<b>As at 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>As at 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
<b>(Unsecured, considered good)</b>		
Insurance refund/claim receivable	12	6
Interest receivable from PSPCL	38	38
<b>Total</b>	<b>50</b>	<b>44</b>

**NOTE : XXII****REVENUE FROM OPERATIONS**

<b>Particulars</b>	<b>Year Ended 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>Year Ended 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
Sale of Products (Refer Note No XXXIII)	2,95,32	2,93,50
Other Operating Revenue	10	2
<b>Revenue from Operations (Gross)</b>	<b>2,95,42</b>	<b>2,93,52</b>

**NOTE : XXIII****OTHER INCOME**

<b>Particulars</b>	<b>Year Ended 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>Year Ended 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
Interest Income	3,56	4,35
Amount written back	-	12
Net gain on sale of fixed assets	2	-
Other Non-Operating Incomes	4	14
Profit on sale DEPB Licence	-	-
<b>Total</b>	<b>3,62</b>	<b>4,61</b>

**NOTE : XXIV****COST OF MATERIAL CONSUMED**

<b>Particulars</b>	<b>Year Ended 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>Year Ended 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
Scrap	1,41,81	1,44,01
Purchase Intermediates (Billets / Ingots)	65	2,13
Additives	24,43	23,15
<b>Total</b>	<b>1,66,89</b>	<b>1,69,29</b>

**NOTE : XXV**

**CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROCESS**

Particulars	Year Ended 31 <sup>st</sup> March, 2014 ₹ in Lacs	Year Ended 31 <sup>st</sup> March, 2013 ₹ in Lacs
<b>Opening Stock</b>		
Finished Goods	9,84	14,85
Work-in-process	4,16	6,97
(A)	<u>14,00</u>	<u>21,82</u>
<b>Closing Stock</b>		
Finished Goods	12,14	9,84
Work-in-process	6,85	4,16
(B)	<u>18,99</u>	<u>14,00</u>
(A-B)	<u>(4,99)</u>	<u>7,82</u>

**NOTE : XXVI**

**EMPLOYEE BENEFITS EXPENSES**

Particulars	Year Ended 31 <sup>st</sup> March, 2014 ₹ in Lacs	Year Ended 31 <sup>st</sup> March, 2013 ₹ in Lacs
Salary Wages and Bonus	11,30	10,66
Contributions to Provident and Other Fund	1,05	1,00
Gratuity	27	38
Staff & Workers Welfare expenses	72	61
<b>Total</b>	<u>13,34</u>	<u>12,65</u>

**NOTE : XXVII**

**FINANCE COST**

Particulars	Year Ended 31 <sup>st</sup> March, 2014 ₹ in Lacs	Year Ended 31 <sup>st</sup> March, 2013 ₹ in Lacs
Interest Expense		
Banks		
Term Loans	7,49	5,13
Cash Credit	5,85	7,22
Bank & Others (against LC)	2,12	1,90
Others		
Unsecured Loans	38	19
Other Borrowing Cost	2,01	1,66
Net Loss on foreign currency translation and transaction	1,99	67
<b>Total</b>	<u>19,84</u>	<u>16,77</u>



**NOTE : XXVIII**

**OTHER EXPENSES**

<b>Particulars</b>	<b>Year Ended 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>Year Ended 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
Consumption of stores and spares parts	16,11	14,60
Power and fuel	46,42	44,08
Other manufacturing expenses	6,64	5,26
Conversion charges	1,26	1,13
Increase / (decrease) in excise duty of closing stock of finished goods	25	(55)
Rent	16	18
Repairs and maintenance:		
- Building	14	13
- Machinery	17	29
- Others	13	20
Insurance	31	33
Rate & taxes	3	4
Fees	10	8
Travelling and conveyence	67	81
Forwarding expenses	3,30	1,87
Discount, rebate and allowances	4,01	3,69
Bad debt written off	3	-
Net loss on foreign currency translation & transactions	1,30	1,10
Miscellaneous expenses	1,67	1,63
Cost of trial run transferred to capital WIP	(6)	-
<b>Total</b>	<b>82,64</b>	<b>74,87</b>

**NOTE: XXIX**

**PRIOR PERIOD ITEMS**

<b>Particulars</b>	<b>Year Ended 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>Year Ended 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
Previous Year Expenses	7	7
Less: Previous Year Income	12	11
<b>Total</b>	<b>(5)</b>	<b>(4)</b>

**NOTE: XXX**

**CONTINGENT LIABILITIES & COMMITMENTS**

<b>Particulars</b>	<b>As at 31<sup>st</sup> March, 2014 ₹ in Lacs</b>	<b>As at 31<sup>st</sup> March, 2013 ₹ in Lacs</b>
<b>Contingent Liabilities:</b>		
a) Claim against the Company not acknowledged as debts	2,98.14	3,00.03
b) Other money for which Company is contingent liable	6,40.64	4,90.86
<b>Commitments:</b>		
a) Estimated amount of contractors remaining to be executed on capital accounts and not provided for.	6,70.00	11.65
b) Letter of credit against import of material	2,29.23	3,39.41

c) Unhedged foreign currency exposure as at year end:

(Amount in Lacs)

Particulars	Currency	As at 31 <sup>st</sup> March, 2014	As at 31 <sup>st</sup> March, 2013
Buyer's Credit	USD	\$6.76	\$20.03
Buyer's Credit	Indian Rupees	₹4,07	₹10,88
Foreign Vendors	USD	\$12.40	\$15.87
Foreign Vendor	Indian Rupees	₹7,45	₹8,63

**NOTE: XXXI**

**EARNINGS/(LOSS) PER SHARE**

Particulars	As at 31 <sup>st</sup> March, 2014	As at 31 <sup>st</sup> March, 2013
Profit / (Loss) after taxation as per Statement of Profit & Loss (₹ in lacs)	(10,66.66)	(13,72.10)
Equity shares outstanding	1,25,92,359	1,25,92,359
Basic earnings/(loss) per share in rupees (face value ₹ 10/- each)	(8.47)	(10.90)
Diluted earnings/(loss) per share in rupees (face value ₹ 10/- each)	(8.10)	(10.90)

**NOTE: XXXII**

**PAYMENT TO AUDITORS\***

Particulars	As at 31 <sup>st</sup> March, 2014 ₹ in Lacs	As at 31 <sup>st</sup> March, 2013 ₹ in Lacs
Audit Fees	3.93	3.93
Tax Audit fees	0.17	0.17
Tax Consultancy Fees	0.39	0.39
Reimbursement	0.54	0.53

\*inclusive of service tax

**NOTE: XXXIII**

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

Particulars	Turnover	Finished Goods		Work in Process	
		Closing Stock	Opening Stock	Closing Stock	Opening Stock
<b>Concast Billets this year</b>	<b>73.97</b>	-	-	-	-
Previous year	1,59.52	-	-	-	-
<b>Rolled Product this year</b>	<b>2,93,99.46</b>	<b>12,13.65</b>	<b>9,83.59</b>	-	-
Previous year	2,83,20.64	9,83.59	14,84.99	-	-
<b>Induction Ingots this year</b>	<b>55.92</b>	-	-	-	-
Previous year	8,69.95	-	-	-	-
<b>Others this year</b>	<b>3.11</b>	-	-	-	-
Previous year	-	-	-	-	-
<b>Current Year</b>	<b>2,95,32.46</b>	<b>12,13.65</b>	<b>9,83.59</b>	-	-
Previous year	2,93,50.11	9,83.59	14,84.99	-	-
<b>Rolling Mills Material</b>					
<b>Billet – Current Year</b>	-	-	-	<b>4,60.38</b>	<b>2,07.29</b>
Billet – Previous Year	-	-	-	2,07.29	4,28.75



<b>Ingot – Current Year</b>	-	-	-	<b>1,90.00</b>	<b>1,01.72</b>
Ingot – Previous Year	-	-	-	1,01.72	1,80.83
<b>Round – Current Year</b>	-	-	-	<b>35.07</b>	<b>1,06.58</b>
Round – Previous Year	-	-	-	1,06.58	86.93
<b>Total – Current Year</b>	-	-	-	<b>6,85.45</b>	<b>4,15.59</b>
Total – Previous Year	-	-	-	4,15.59	6,96.51

### NOTE: XXXIV

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

#### a) Value of Imports (CIF Basis)

Particulars	Year Ended	
	31 <sup>st</sup> March, 2014 ₹ in Lacs	31 <sup>st</sup> March, 2013 ₹ in Lacs
1) Raw Material	<b>63,56.65</b>	57,67.09
2) Stores & Spares	<b>4,34.12</b>	3,72.12

#### b) Expenditure in Foreign Currency

Travelling Expenses	-	-
Electrical Repairs	-	0.70

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

Particulars	Year Ended		Year Ended	
	31 <sup>st</sup> March, 2014		31 <sup>st</sup> March, 2013	
	%age	Value in Lacs	%age	Value in Lacs
<b>Cost of Materials Consumed</b>				
Imported	51.56	<b>86,06</b>	49.61	83,99
Indigenous	48.44	<b>80,84</b>	50.39	85,30
<b>Total</b>		<b>1,66,90</b>		<b>1,69,29</b>
<b>Store &amp; Spares</b>				
Imported	31.04	<b>5,00</b>	20.15	2,96
Indigenous	68.96	<b>11,11</b>	79.85	11,64
<b>Total</b>		<b>16,11</b>		<b>14,60</b>

#### (d) Earning in Foreign Currency

	-	-
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### NOTE: XXXV

#### TREATMENT OF EXCISE DUTY

Excise duty amounting to ₹32,27.69 Lacs (Previous year ₹32,15.87 Lacs) has been reduced from gross turnover as the same is included in the figure of gross turnover. Further the differences of excise duty between the closing stock and opening stock has been disclosed separately in the Other Expenses forming part of Statement of Profit & Loss.



**NOTE: XXXVI****CAPITALIZATION OF EXPENDITURE**

The following expenditures have been capitalized during the year:

	(₹ in Lacs)
Salary and Wages	66.39
Power and Fuel	4.00
Finance Costs	74.04
Trial run Cost	6.31
<b>Total</b>	<b>1,50.74</b>

The Company has not started any commercial activity in relation to Auto Components Unit as on 31<sup>st</sup> March, 2014. But has only trial run production on which cost amounting to ₹6.30 lacs has been incurred which has been transferred to Capital Work in Progress.

The Company has made trial run sale amounting to ₹0.16 lacs (net of excise) and recovered job work income in relation to auto components amounting to ₹8.89 lacs on which Company has incurred net cost of ₹6.30 lacs and same has been transferred to Capital work in progress.

**NOTE: XXXVII****SEGMENT REPORTING**

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

**NOTE: XXXVIII**

In the opinion of the Board of Directors, Current Assets, Loan and Advances have value on realization in the ordinary course of business at least equal to the amounts at which they are stated and provision for all known liabilities have been made in accounts.

**NOTE: XXXIX**

The Company has applied for its debts under Corporate Debt Restructuring Mechanism during the financial year 2012-13. The proposal to restructure all the debts from the lenders:

- State Bank of India
- Punjab National Bank
- State Bank of Patiala
- Canara Bank

CDR Empowered Group approved restructuring on 8<sup>th</sup> November, 2012 and CDR Cell issued Letter of Approval (LOA) on dated 27<sup>th</sup> April, 2013. Master Restructuring Agreement incorporating the terms of LOA was signed with the lenders on 25<sup>th</sup> July, 2013. The Company has created security in favour of the lenders.

**NOTE: XXXX**

In terms of Letter of Approval (LOA) and Master Restructuring Arrangement (MRA), the Company's debts have been restructured with longer repayment schedule stretching upto FY 2022-23 and low rate of interest. A part of the interest for the period from September, 2012 to March, 2014 is being funded by the lenders by way of Funded Interest Term Loan (FITL). However, CDR lenders would have the right to recompense for their sacrifices at the time of Company's exit from CDR. The sacrifice amount for which lenders have right to recompense works out to ₹12.33 Crores during the tenure of CDR, of which the amount for the period from 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014 is ₹2.35 Crores and the cumulative amount for the period upto 31<sup>st</sup> March, 2014 is ₹4.29 Crores.

However no provision has been made in the books of accounts of the Company of the lenders right to recompense for their sacrifices, as the liability shall arise only at the time of exit from CDR.

**NOTE: XXXXI**

As per the Accounting Standard – 18 issued by the Institute of Chartered Accountants of India “Related Party Disclosure”. In view of this the Company has given the following disclosures for the year.

The Company has identified the related parties having transactions during the year, as per detail given below. No provision for doubtful debts is required to be made & no amount was written off during the year.

**A) Related Party and their relationship****Key Management Personnel**

Mr. Amarjit Goyal  
Mr. Krishan Kumar Goyal  
Mr. P. L. Talwar

**Relatives of Key Management personnel's (KMP)**

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

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

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

**Associates-****B) Transactions with the Related Parties****Particulars****Key Management Personnel****Relatives of Key Management Personnel & their Enterprises****(₹ in Lacs)**  
**Associates**

Remuneration including perks	1,08.11 (1,11.50)	- (2.00)	- (-)
Interest on Unsecured Loan	29.92 (11.43)	6.63 (4.84)	- (-)
Rent Paid	- (-)	10.80 (10.80)	- (-)
Loan Taken	- (1,79.00)	35.00 (21.00)	- (-)
Loan Repaid	- (25.00)	5.44 (-)	- (-)
Loan Given	- (-)	- (1,21.19)	75.00 (1,13.00)
Loan Received back	- (-)	- (1,24.79)	1,02.29 (1,13.00)
Investment made	- (-)	- (-)	- (-)
Interest income	- (-)	- (4.00)	23.07 (30.32)
Share of expenses received	- (-)	32.47 (18.59)	13.57 (4.71)
Purchase of Raw Material	- (-)	7.45(9.41)	5,19.24 (3,67.53)
Discount, Rebate & Allowances	- (-)	- (-)	76.70 (71.74)
Purchase of DEPB	- (-)	- (-)	- (4.78)
Sales of Finished Products	- (-)	- (-)	35,63.12 (29,45.69)
Allotment of Warrants	1,07.50(-)	9,60.00(-)	- (-)

**NOTE: XXXXII**

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

For & on behalf of the Board of Directors

**FOR A.GOEL & ASSOCIATES**

Chartered Accountants  
Firm Registration No 002743N

**MUKESH SEHGAL**

General Manager  
(Corporate Finance) & CFO

**KRISHAN KUMAR GOYAL**

Director

**NEERAJ K. JINDAL**

Partner  
M. No. 515077

Place: Chandigarh

Dated: 26<sup>th</sup> June, 2014

**ASHISH SHARMA**

General Manager (Secretarial)  
& Company Secretary

**D.S. GILL**

Director



