

39th Annual Report

2011 - 2012

BOARD OF DIRECTORS	: Shri Ashok Malhotra	- Chairman & Managing Director
	Shri Mohanraj M. Singhi	- Director
	Shri Nilesh Mehta	- Director
	Shri Amal Dhru	- Director
	Shri Milan Shah	- Director
	Shri Hanish Malhotra	- Director (Marketing)
	Shri Pradeep Sharma	- Director (Operations)

SECRETARY : Shri Deepak Nagar

AUDITORS : M/s J.R.S. Patel & Co.
Chartered Accountants
Vadodara.

BANKERS : State Bank of India

REGISTERED OFFICE : G.I.D.C. Industrial Estate,
Kalol - 389 330
Dist. Panchmahals, Gujarat.

CORPORATE OFFICE : "Landmark", 7th Floor,
Race Course Circle,
Vadodara - 390 007.

**39th Annual General Meeting on Monday, the
16th July, 2012 at 10.00 a.m. at the
Registered Office of the Company at
G.I.D.C. Industrial Estate, Kalol-389 330,
Dist. Panchmahals, (Gujarat)**

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NOTICE

Notice is hereby given that the 39th Annual General Meeting of the Members of Panchmahal Steel Limited will be held at the Registered Office of the Company situated at G.I.D.C. Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat) on Monday, the 16th day of July, 2012 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2012, the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare a Dividend on Equity Shares of the Company.
3. To appoint a Director in place of Mr. Nilesh Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Amal Dhru, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s J.R.S. Patel & Co., Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956 (including any modifications or re-enactment thereof for the time being in force), approval of the members be and is hereby accorded to the re-appointment of Mr. Pradeep Sharma as Director (Operations) of the Company for a further period of three (3) years commencing from 26th October, 2011 upon the terms and conditions as set out in the draft Agreement with liberty to the Board of Directors or its Committee to alter, vary, modify or change the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board or its Committee and Mr. Pradeep Sharma."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956 (including any modifications or re-enactment thereof for the time being in force), approval of the members be and is hereby accorded to the re-appointment of Mr. Hanish Malhotra as Director (Marketing) of the Company for a further period of three (3) years commencing from 1st February, 2012 upon the terms and conditions as set out in the draft Agreement with liberty to the Board of Directors or its Committee to alter, vary, modify or change the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board or its Committee and Mr. Hanish Malhotra."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and Schedule XIII thereto (including any amendment, statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Central Government and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and/or modifications as may be imposed / stipulated / suggested by such authorities while granting such approvals, permissions and sanctions, the Company hereby approves the re-appointment of Mr. Ashok Malhotra as Managing Director of the Company for a period of three years with effect from 1st April, 2012 on a remuneration and upon the terms and conditions set out in the draft Agreement with liberty to the Board of Directors or its Committee to alter, vary, modify or change the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board or its Committee and Mr. Ashok Malhotra."

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

"RESOLVED that pursuant to Section 314 of the Companies Act, 1956 read with Directors' Relatives (Office or Place of Profit) Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), including any statutory modification or re-enactment thereof for the time being in force, the Company hereby accords its consent to Mr. Vikas Malhotra, who is a relative of Directors of the Company holding and continuing to hold an office or place of profit as Management Executive, on a total monthly remuneration not exceeding Rs.2,50,000 or such other permissible monthly remuneration that may be prescribed in this behalf from time to time under the Act with effect from 1st December, 2011;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to sanction at its discretion, such increments or promote Mr. Vikas Malhotra to higher grade provided that the total monthly remuneration shall not exceed Rs.2,50,000/- or such sum, as may be prescribed from time to time, pursuant to the provisions of Section 314 (1B) and other applicable provisions of the Act."

NOTES:

1. Explanatory Statement setting out all material facts concerning the Special Business under item Nos. 6 to 9 as required under Section 173 of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF /HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 9th day of July, 2012 to Monday, the 16th day of July, 2012 (both days inclusive).
4. The dividend on equity shares for the financial year ended 31st March, 2012, as recommended by the Board of Directors, if declared, will be payable to those members, holding shares in physical form, whose names appear on the Register of Members of the Company at the close of business hours on 16th July, 2012 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 8th July, 2012 and to those beneficial owners, holding shares in electronic form, whose names appear in the statement of beneficial owners provided by the Depositories to the Company as at the close of business hours on 8th July, 2012.
5. In accordance with the RBI Circular DPSS (CO) EPPD No. 191/ 04.01.01/2009-2010 dated 29 July, 2009, with effect from 1st October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) which essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

Kindly note that if the Members have not provided to the Company or their DP the new bank account number, if any, allotted to them, after implementation of the CBS, credit of dividend through NECS to their old bank account number may be rejected or returned by the banking system. Members are, therefore, requested to ensure that the new Bank Account Number allotted to them by their Bank after implementation of CBS together with the name of the Bank, Branch, 9 digit MICR Bank / Branch code, account type, a photocopy of cancelled cheque pertaining to their bank account and their Client ID or Folio No. is furnished to their respective DP, in case they hold the shares in dematerialized form, or to the Share Transfer Agents (STAs), if they hold the shares in physical form.

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

6. SEBI vide its circular dated April 27, 2007 and May 20, 2009 has made it mandatory for every participant in the securities/capital market to furnish Income Tax Permanent Account Number (PAN) for transactions involving transfer of shares. Therefore, members holding shares in physical mode are requested to furnish their PAN along with photocopy of PAN Card to the Share Transfer Agent. Members holding shares in demat mode are requested to register the details of their PAN with their DPs.
7. Members who have neither received nor encashed their dividend warrants(s) for any of the financial years 2009-10 & 2010-11, are requested to write to the STAs of the Company mentioning the relevant Folio Number(s)/ DP ID and Client ID, for issuance of duplicate/revalidated dividend warrant(s).
8. Members who desire to seek any information pertaining to accounts and operations of the Company are requested to address their question/queries to the Secretary of the Company so as to reach at least seven days before the date of the Annual General Meeting to enable the Company to make the information sought available to the best extent possible.
9. Members holding shares in single name and physical form are advised to make nomination by filing the prescribed Form 2B (in duplicate) in respect of their shareholding with the STAs of the Company. Members holding shares in dematerialised form may contact their DP for recording their nomination.
10. As per "Green Initiative in the Corporate Governance" taken by Ministry of Corporate Affairs (MCA) vide Circular 17/2011 dated 21st April, 2011 and Circular 18/2011 dated 29th April, 2011, it has been clarified that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, if the documents like notices, annual reports etc. are sent in electronic form to its members.

Accordingly, the said documents of the Company for the Financial Year ended 31st March, 2012 will be sent in electronic form to those members who have registered their e-mail IDs with their DP and made available to the Company / STAs by the Depositories.

However, in case a member wishes to receive a physical copy of the said documents, he is requested to intimate the same by e-mail to the STAs at the earliest, duly quoting his Folio Number(s)/ DP ID and Client ID.

Members holding shares in physical form are requested to submit their e-mail ID to the STAs of the Company, duly quoting their Folio Number(s) and the Members holding shares in dematerialised form and who have not registered / updated their e-mail ID with their DP, are requested to do so at the earliest, so as to enable the Company to send the said documents in electronic form, thereby fully supporting and aiding green initiative of the MCA. The members are requested to promptly notify the change in e-mail ID from time to time in future to STAs / DP as the case may be. Members are requested to refer to the letter, printed at the end of this report.

Regd. Office :

G.I.D.C. Industrial Estate,
Kalol - 389 330,
Dist. Panchmahals (Gujarat)
Date: 22nd May, 2012

By order of the Board of Directors

Deepak Nagar
AGM (Legal) & Company Secretary

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6

At the 35th Annual General Meeting held on 30.09.2008, the members appointed Mr. Pradeep Sharma as Director (Operations) of the Company for a period of 3 years with effect from 26th October, 2008.

The Board of Directors of the Company at its meeting held on 14th November, 2011 have as per the recommendation of the Remuneration Committee, re-appointed Mr. Pradeep Sharma as Director (Operations) of the Company for a further period of 3 years w.e.f. 26th October, 2011 to 25th October, 2014.

The Board of Directors of the Company, subsequently at its meeting held on 9th February, 2012 approved the revision in his basic salary from Rs.1,50,000/- to Rs.1,75,000/- with consequent increase in perquisites payable to him w.e.f. 1st February, 2012, subject to your approval.

The main terms and conditions regarding the re-appointment and payment of remuneration and perquisites proposed to be paid to Mr. Pradeep Sharma from the date of his re-appointment are set out in the draft Agreement. The said terms were approved by the Remuneration Committee of the Company and on its recommendation the same were approved by the Board of Directors, subject to the approval of the Shareholders of the Company at the ensuing annual general meeting.

The said draft agreement, inter alia, contains the following terms and conditions:

1. Period of Appointment: From 26th October, 2011 to 25th October, 2014.
2. Remuneration:
 - a) Salary: Rs.1,50,000/- per month (upto 31.01.2012) & Rs.1,75,000/- per month thereafter.
 - b) Perquisites : Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave travel assistance, encashment of leave, provident fund, superannuation fund and gratuity in accordance with the applicable rule(s) and scheme(s) of the Company. The total remuneration by way of salary and perquisites shall be restricted to an overall ceiling limit of Rs.3,50,000/- per month. Following perquisites shall not be included for computation of aforesaid ceiling on remuneration:
 - (i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (ii) Gratuity payable at the rate not exceeding half a month salary for each completed year of service; &
 - (iii) Encashment of leave at the end of tenure.
3. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances as set out in Section-II of Part II of Schedule XIII of the Companies Act, 1956.
4. As long as Mr. Pradeep Sharma functions as Director (Operations), no sitting fee to be paid to him for attending the meetings of the Board of Directors or committee(s) thereof.
5. The said appointment may be terminated by either party by giving the other three calendar months' notice in writing.
6. The Director (Operations) shall look after overall operations at the plant subject to the superintendence, control and direction of the Managing Director."

Other terms and conditions of the Agreement are such as are customarily contained in an agreement of similar nature.

The terms and conditions of appointment of Mr. Pradeep Sharma as set out above may also be treated as an abstract of the terms of the Agreement to be executed between Mr. Pradeep Sharma and the Company under Section 302 of the Companies Act, 1956.

In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members at the Annual General Meeting for their approval.

The draft Agreement to be executed between Mr. Pradeep Sharma and the Company is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day up to the date of the Annual General Meeting.

The Board recommends passing the Special Resolution as set out in item no. 6 of the accompanying Notice.

No Director, except Mr. Pradeep Sharma, is concerned or interested in the resolution.

Item No. 7

At the 36th Annual General Meeting held on 30th September, 2009, the members appointed Mr. Hanish Malhotra as Director (Marketing) of the Company for a period of 3 years with effect from 1st February, 2009.

The Board of Directors of the Company have at its meeting held on 9th February, 2012, as per the recommendation of the Remuneration Committee, re-appointed Mr. Hanish Malhotra as Director (Marketing) of the Company for a further period of 3 years w.e.f. 1st February, 2012 to 31st January, 2015.

The main terms and conditions regarding the re-appointment and payment of remuneration and perquisites proposed to be paid to Mr. Hanish Malhotra from the date of his re-appointment are set out in the draft Agreement. The said terms were approved by the Remuneration Committee of the Company and on its recommendation the same were approved by the Board of Directors, subject to the approval of the Shareholders of the Company at the ensuing annual general meeting.

The said draft Agreement, inter alia, contains the following terms and conditions:

1. Period of Appointment: From 1st February, 2012 to 31st January, 2015.
2. Remuneration:
 - a) Salary: Rs.2,00,000/- per month.
 - b) Perquisites: Perquisites (evaluated as per Income Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings, personal accident insurance, use of car and telephone at residence, medical reimbursement, leave travel assistance, encashment of leave, provident fund, superannuation fund and gratuity in accordance with the applicable rule(s) and scheme(s) of the Company.

The total remuneration by way of salary and perquisites shall be restricted to an overall ceiling limit of Rs.3,50,000/- per month. Following perquisites shall not be included for computation of aforesaid ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961;
- (ii) Gratuity payable at the rate not exceeding half a month salary for each completed year of service; &
- (iii) Encashment of leave at the end of tenure.

3. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances as set out in Section-II of Part II of Schedule XIII of the Companies Act, 1956.

4. As long as Mr. Hanish Malhotra functions as Director (Marketing), no sitting fee to be paid to him for attending the meetings of the Board of Directors or committee(s) thereof.
5. The said appointment may be terminated by either party by giving the other three calendar months' notice in writing.
6. The Director (Marketing) shall look after overall marketing functions of the Company subject to the superintendence, control and direction of the Managing Director.

Other terms and conditions of the Agreement are such as are customarily contained in an agreement of similar nature.

The terms and conditions of appointment of Mr. Hanish Malhotra as set out above may also be treated as an abstract of the terms of the Agreement to be executed between Mr. Hanish Malhotra and the Company under Section 302 of the Companies Act, 1956.

In compliance with the provisions of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members at the Annual General Meeting for their approval.

The draft Agreement to be executed between Mr. Hanish Malhotra and the Company is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day up to the date of the Annual General Meeting.

The Board recommends to pass the Special Resolution as set out in item no. 7 of the accompanying Notice.

Mr. Hanish Malhotra is interested individually in this Resolution. None of the other Directors, except Mr. Ashok Malhotra, being related to Mr. Hanish Malhotra, is deemed to be concerned or interested in the said Resolution.

Item No. 8

The members, at the 34th Annual General Meeting held on 28th December, 2007 had approved appointment of Mr. Ashok Malhotra as Managing Director for a period of 5 (five) years with effect from 1st April, 2007.

Further, extending his appointment, the Board of Directors of the Company at the meeting held on 9th February, 2012 has, subject to the approval of the Members and Central Government, if any, re-appointed Mr. Ashok Malhotra as Managing Director for a further period of 3 (three) years with effect from 1st April, 2012.

The main terms and conditions regarding the re-appointment and payment of remuneration and perquisites proposed to be paid to Mr. Ashok Malhotra from the date of his re-appointment are set out in the draft Agreement. The Remuneration Committee of the Company approved the said terms and on its recommendation the same were approved by the Board of Directors, subject to the approval of the Shareholders of the Company and the Central Government, if required.

The said draft Agreement, inter alia, contains the following terms and conditions:

1. Period of Appointment: From 1st April, 2012 to 31st March, 2015.
2. Remuneration:
 - a. Salary : Rs.6,50,000/- (Rupees Six lacs Fifty Thousand only) per month.
 - b. Perquisites :
 - (i) In addition to the salary payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house

maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings and repairs, all of which may be hired or owned; medical reimbursement; club fees and leave travel concession for himself and family; medical insurance, personal accident insurance and such other perquisites and allowances in accordance with rules of the Company or as may be agreed to by the Board of Directors and the Managing Director. Such perquisites and allowances will be subject to maximum of 125% of his annual salary.

- (ii) For the purpose of calculating the above ceiling, perquisite and allowances shall be evaluated as per Income tax Rules, wherever applicable; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost or hire charges.
- (iii) Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in computation of perquisites for the purpose of calculating the said ceiling.
- (iv) Company's contribution to the Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income tax Act, Gratuity payable as per the rules of the Company and Encashment of leave at the end of the tenure, shall not be included in computation of limits for remuneration or perquisites aforesaid.

c. Commission :

Commission on profits, not exceeding 2% of the net profit of the Company in any financial year of the Company as the Board or its committee at the end of each financial may determine, subject to the overall ceiling on remuneration as stipulated in Section 198 and 309 of the Companies Act, 1956. The commission payable to the managing Director will be determined at the end of each financial year and will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the members.

d. Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, during the duration of the Agreement, the Managing Director shall be entitled to the remuneration herein provided but without commission and the same shall be subject to the approval of the Central Government, if required.

3. As long as Mr. Ashok Malhotra functions as Managing Director, no sitting fee to be paid to him for attending the meetings of the Board of Directors or committee(s) thereof.
4. The said appointment may be terminated by either party by giving the other three calendar months' notice in writing.
5. The Managing Director shall look after overall operations of the Company subject to the superintendence, control and direction of the Board of Directors of the Company.

Other terms and conditions of the Agreement are such as are customarily contained in an agreement of similar nature.

The terms and conditions of re-appointment of Mr. Ashok Malhotra as set out above may also be treated as an abstract of the terms of the Agreement to be executed between Mr. Ashok Malhotra and the Company under Section 302 of the Companies Act, 1956.

The Agreement to be executed between Mr. Ashok Malhotra and the Company is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day upto the date of the Annual General Meeting.

The Board recommends to pass the Special Resolution as set out in item no. 8 of the accompanying Notice.

None of the Directors, except Mr. Hanish Malhotra and Mr. Ashok Malhotra, are directly or indirectly concerned or interested in the said Resolution.

Additional Information pursuant to Part II of Schedule XIII to the Companies Act, 1956 for Item No. 6, 7 & 8 of the Notice are furnished hereunder.

I. General Information:

(i) Nature of Industry:

The Company manufactures a comprehensive range of Stainless Steel grades, in hot rolled wire rod & bars and cold finished bars & wires.

(ii) Date /expected date of commencement of commercial production:

The Company's plant for manufacture of Stainless Steel is already in commercial production. The commercial production was started in November, 1973.

(iii) Financial Performance based on given indicators:

The financial performance of the Company as reflected by total income, profit, earning per share and dividend recommended for the financial year ended 31st March, 2012 is as under:-

	(Rs.in crores)
Turnover & Other Income	465.44
Profit before Tax	8.39
Profit for the year	5.75
Earning per share	3.043
Rate of Dividend	25%

(iv) Export Performance & Foreign Exchange Earning/ Outgo:

	2011-12	2010-11	2009-10
FOB Value of Exports	225.97	145.53	57.62
CIF Value of Import	191.70	165.11	115.60
Other Expenditure in Foreign Currency	3.29	1.26	0.86

(v) Foreign Investment or Collaborators, if any:

Not Applicable

II. Information about the Appointees :

Nature of Information	Mr. Ashok Malhotra	Mr. Hanish Malhotra	Mr. Pradeep Sharma
Background Details	Mr. Ashok Malhotra, aged 59 years, is a Commerce Graduate and has been involved with Company's management since 1976 and is well-versed with all aspects of the industry. He has around 40 years of experience in the steel industry and has been instrumental in establishing the Company name as a qualitative and reliable manufacturer in the global market.	Mr. Hanish Malhotra, aged 35 years, is a Management Graduate from Richmond College, London (U.K.). He was appointed as Director (Marketing) w.e.f. 1st February, 2006.	Mr. Pradeep Sharma, aged 47 years is B.Com.; LL.B. He joined the services of the Company in June, 1988. He was appointed as Director (Operations) on 26th October, 2005.

	Mr. Ashok Malhotra		Mr. Hanish Malhotra		Mr. Pradeep Sharma	
Past Remuneration	Year	Rs. in lacs	Year	Rs. in lacs	Year	Rs. in lacs
	2009-10	103.73	2009-10	26.83	2009-10	30.47
	2010-11	103.80	2010-11	26.95	2010-11	30.78
	2011-12	103.74	2011-12	28.41	2011-12	31.38
Recognition or Awards	He was a past President of Indian Stainless Steel Association of India.		He is a member of the Managing Committee of Indian Stainless Steel Association of India.		-	
Job Profile & Suitability	<p>He is serving as Managing Director of the Company since 18th February, 1976. He is responsible for overall affairs of the Company including strategic planning, direction, operations, finance & corporate affairs.</p> <p>He has sound knowledge of the steel industry, marketing, business process and contemporary management techniques.</p>		<p>He is responsible for marketing the products of the Company both globally and indigenously.</p> <p>He is having more than 10 years of experience of international market in Steel industry and provides the Company an opportunity to further strengthen its customer base, improve volumes and to vie other competitors on the international arena.</p>		<p>He is responsible for overall operations at the Plant besides corporate management, procurement & commercial activities of the Company.</p> <p>He has wide experience and long association with the Company.</p>	
Remuneration proposed	As mentioned in the Explanatory Statement.					
Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person	The remuneration proposed takes into consideration the nature and size of business operations, the qualifications, experience and contribution of the appointees to all round growth of the Company besides present industry benchmarks for payment of managerial remuneration by companies of comparable size and nature of business. The remuneration proposed to be paid is reasonable and commensurate with the remuneration packages paid to similar senior level appointees in other companies. The proposed remuneration was recommended to the Board of Directors by the Remuneration Committee after elaborate discussion.					
Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	Does not have any pecuniary relationship with the Company except remuneration drawn as Managing Director/Directors (Marketing)/Director (Operations) and as a shareholder to the extent of their respective shareholding in the Company. Mr. Ashok Malhotra and Mr. Hanish Malhotra are related to each other.					

III. Other Information :

Reasons of Loss or Inadequate Profit	<p>The Company has been making profits since 2005-06 except during the financial year 2008-09 when the performance was adversely affected on account of global financial meltdown effecting the general business environment particularly, the entire steel industry.</p> <p>The reason for inadequacy in the profit for the purpose of managerial remuneration, during the financial year 2011-2012 is occurred mainly due to adverse movement of rupee exchange rate vis-à-vis US dollar resulting in foreign exchange translation loss of Rs.9.54 crores in the year 2011-12. The forex loss has been considered by the Company to be exceptional in nature. Global recession, high cost of basic inputs and services, stagnating demand in domestic market & fierce competition are other factors resulting into inadequacy of profits generated by the Company during the year under review.</p>
Steps taken or proposed to be taken for improvement	Amidst adverse scenario, the Company has taken several steps towards cost control, productivity improvements and market consolidation to overcome in the phase of challenges due to global financial meltdown.
Expected increase in productivity and profits in measurable terms	The Company has been performing well over the past several years. The inadequacy in profits during the financial year ended 31.03.2012 is in aberration on account of global recessionary trends and depressed business environment. The Company continues to focus on improving efficiencies and market developments.

IV. Disclosures :

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual Report in the Corporate Governance Report Section under the Heading "Remuneration of Directors" for the year ended 31st March, 2012.

Item No. 9

As per provisions of Section 314 (1) of the Companies Act, 1956 read with Directors Relatives (Office or Place of Profits) Rules, 2003, a relative of a director can be appointed at a place of profits under the Company or any of its subsidiary, with consent of the Board and shareholders of the company by passing special resolution, if the monthly remuneration payable to him does not exceed Rs.2,50,000/- per month.

Mr. Vikas Malhotra, who is a relative of Mr. Ashok Malhotra & Mr. Hanish Malhotra, was appointed as a Management Executive w.e.f. 1st December, 2011 by the Board of Directors of the Company at its meeting held on 14th November, 2011. He has studied Engineering from Brunel University, U.K. He is carrying a basic salary of Rs.70,000/- per month and other usual allowances, perquisites, benefits, amenities and facilities including provident fund, superannuation fund, retiring gratuity as per the scheme(s) and rules of the Company over and above the basic salary referred to above. The Special Resolution set out at Item No. 9 of the accompanying Notice is intended to obtain the approval of the Company under Section 314 of the Act in respect of Mr. Vikas Malhotra, holding and continuing to hold the said office of profit under the Company.

The Resolution also seeks authority for the Board to grant increments to Mr. Vikas Malhotra together with usual allowances and benefits, as may be permissible under the Act.

The Directors recommends the Special Resolution for the approval of the members.

None of the Directors, except Mr. Ashok Malhotra & Mr. Hanish Malhotra being relatives of Mr. Vikas Malhotra, are interested in the Resolution.

Details of Directors seeking Appointment/Re-appointment in the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Nilesh Mehta	Mr. Amal Dhru
Date of Birth	24.04.1962	17.09.1951
Date of Appointment	26.12.1997	31.01.2004
Qualifications	FCA, PGDM - IIM Ahmedabad	FCA, PGDM - IIM Ahmedabad
Expertise in specific functional areas	Investment Banking, Private Equity and Fund related activities & Corporate Advisory services.	Finance, Accounts, Taxation & Management Consultancy
List of other Companies in which Directorship held	<ul style="list-style-type: none"> - Jyothy Laboratories Ltd. - Suashish Diamond Ltd. - Vikalpa Financial & Management Services (P) Ltd. - Access Asset Manager (P) Ltd. - Access Trusteeship Co. (P) Ltd. - Aavishkaar Ventures Trustees (P) Ltd. - Bhavitha Charitable Trust - Henkel India Limited 	<ul style="list-style-type: none"> - Sirhind Steel Ltd. - Comprehensive Finance Services (P) Ltd. - Pahal Financial Services (P) Ltd - FXB India Suraksha - Urja Products (P) Ltd. - Indo-Americian Chamber of Com. - Jupiter Oasis Holidays (P) Ltd.
Chairman/Member of the Committees of the Board of other companies on which he is a Director	<p><u>Audit Committee</u></p> <p><u>Chairman</u></p> <ul style="list-style-type: none"> - Jyothy Laboratories Limited <p><u>Member</u></p> <ul style="list-style-type: none"> - Suashish Diamond Limited - Henkel India Limited <p><u>Investor Grievance Committee</u></p> <p><u>Member</u></p> <ul style="list-style-type: none"> - Jyothy Laboratories Limited 	Nil
No. of shares held in the Company	Nil	Nil

DIRECTORS' REPORT

To,
The Members

The Directors of your Company present to you the 39th Annual Report of your Company together with the Statement of Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

(Rs. in crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Revenue from Operations	464.16	404.60
Operating Expenses	435.25	365.64
Operating Profit before Interest, Tax, Depreciation & Amortization	28.91	38.96
Depreciation & Amortization Expense	12.03	13.97
Finance Costs	9.64	8.83
Other Income	1.28	1.05
Prior Period Items	0.13	(0.10)
Profit before Tax	8.39	17.31
Tax Expense (including Deferred Tax)	2.64	5.73
Profit after Tax	5.75	11.58
Balance brought forward from the previous year	38.08	29.83
Balance available for appropriation	43.83	41.41
<u>Appropriations</u>		
Transfer from Debenture Redemption Reserve	(0.39)	(3.44)
Transfer to General Reserve	0.60	1.20
Proposed Dividend	4.73	4.73
Tax on Proposed Dividend	0.77	0.77
Dividend (F.Y.2009-10)	-	0.06
Tax on Dividend (F.Y. 2009-10)	-	0.01
Balance carried to Balance Sheet	38.13	38.08

OPERATIONS

The sales and other income of the Company is Rs.465.44 crores as against Rs.405.65 crores in the previous year. The operating profit is Rs.28.91 crores as compared to Rs.38.96 crores in the previous year.

The global economic uncertainties, recessionary trends and depreciating rupee continue to create a challenging business environment. However, your Company is well poised to face these uncertainties and the management is confident and optimistic of the growth and bright future of the Company.

DIVIDEND

Your Directors have recommended a dividend @ Rs.2.50/- per equity share of face value of Rs.10/- each for the year ended 31st March, 2012.

FINANCIAL RESTRUCTURING

The Company is meeting its entire obligation and is making payments to the Secured Lenders as per the terms of the Scheme of Compromise and/or Arrangement as approved by the Hon'ble High Court of Gujarat.

DEPOSITS

The Company has not accepted any deposits and as such, no amount of principal or interest was outstanding as on 31st March, 2012.

STATUTORY DISCLOSURES

1. The statutory disclosures in accordance with Section 217(1)(e) of the Companies Act, 1956, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are made in Annexure-A to this report.
2. The information required under the amended provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report is given in Annexure - B of this report.
3. A Report on Corporate Governance, pursuant to the revised Clause 49 of the Listing Agreement, along with the Auditors Certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis are separately given as Annexure - C to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors affirm that the audited accounts containing financial statements for the financial year 2011-12 are in full conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly, the form and substances of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These statements are audited by the statutory auditors M/s JRS Patel & Co., Chartered Accountants, Vadodara.

Your Directors further confirm that :

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

Your Company's Internal Auditors have conducted periodic audits to provide reasonable assurances that established policies and procedures have been followed.

DIRECTORS

GIIC Limited and Asset Reconstruction Company (India) Limited withdrew their nominees, Mr. Rajendra R. Rajyaguru and Mr. Satish Kumar Gupta respectively from the Board of Directors of the Company. The Board records its appreciation for the valuable guidance rendered by them.

The Board of Directors has re-appointed Mr. Pradeep Sharma as Director (Operations), Mr. Hanish Malhotra as Director (Marketing) and Mr. Ashok Malhotra as Managing Director of the Company with effect from 26th October, 2011, 1st February, 2012 & 1st April, 2012 respectively for a period of 3 years. The Board recommends their re-appointment.

In accordance with the provisions of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company, Mr. Nilesh Mehta and Mr. Amal Dhru, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The observations made by the Auditors, read with the relevant Notes to the Accounts and Accounting Policies are self explanatory.

The Auditors M/s. JRS Patel & Co., Chartered Accountants, retires and offers themselves for re-appointment.

APPRECIATION

Your Directors thank the Banks, Financial Institutions, Shareholders, Customers, Suppliers for their co-operation and support to the Company. The Directors express their sincere appreciation for the dedication and commitment of all its employees.

For and on behalf of the Board of Directors

Place : Vadodara
Date : 22nd May, 2012

Ashok Malhotra
Chairman & Managing Director

Annexure - A to Directors' Report

FORM - A

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

	<u>Year</u> <u>2011-12</u>	<u>Year</u> <u>2010-11</u>
A. Power and Fuel Consumption :		
1. Electricity		
(a) Purchased		
Units (kwh)- in '000s	40810750	41191589
Total Amount (Rs. in lacs)	308221462	291722724
Rate per Unit- kwh (Rs.)	7.55	7.08
(b) Own Generation		
(i) Through Diesel Generator	It is Emergency stand by utility	
(ii) Through Steam Turbine/Generator	-	-
2. Coal	-	-
3. Furnace Oil		
Qty. (M.T.)	2059.097	2148.569
Value (Rs. in lacs)	78561239.70	58469768.90
Average Rate per Kg.(Rs.)	38.15	27.21
B. Consumption per unit of Production :		
<u>Products</u>		Electricity (kwh per Tonne)
Billets	924	848
Rolled Products	217	220
		Furnace Oil (Kgs. per Tonne)
Billets	13.83	13.64
Rolled Products	47.69	43.28

FORM - BDisclosure of Particulars with Respect to Technology Absorption 2011-12.

I. Research & Development (R&D)

1. Specific area in which R & D carried out by the Company	-	Nil
2. Benefits derived as a result of the above R & D	-	Nil
3. Future Plan of Action	-	Nil
4. Expenditure on R & D	-	Nil

II. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards, Technology Absorption and Innovation :

Innovation and Technology adaptation is an integral part of Company work culture. The operating personnel work as a team for effective adaptation and absorption of technology.

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

The above efforts have resulted in improved quality and reproductibility of Company's products. It has also helped improved yields and reduced costs.

3. Technology Imported during last 5 years	-	Nil
--	---	-----

III. Foreign Exchange Earned and outgo :

i) Foreign Exchange earned	-	Rs.225.97 Crores (Rs.145.53 crores)
ii) Foreign Exchange used	-	Rs.194.99 Crores (Rs.166.37 Crores)

For and on behalf of the Board of Directors

Place : Vadodara

Date : 22nd May, 2012

Ashok Malhotra

Chairman & Managing Director

Annexure - B to Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2011.

Sr.No.	Name of the Employee	Age	Designation	Remuneration Received (Rs. in lacs)	Qualification	Experience (Years)	Date of Employment	Particular of Last employment
01	Mr. Ashok Malhotra	59	Chairman & Managing Director	103.74	B.Com.	40	01.12.1976	N.A.

Note :

1. The amount of remuneration comprises salary, allowances & monetary value of perquisites paid to the Chairman & Managing Director including Company's contribution to Provident Fund but excludes contribution to Gratuity Fund. No commission is payable to him for the financial year ended 31st March, 2012.
2. The Chairman & Managing Director is a relative of Mr. Hanish Malhotra, Director (Marketing) of the Company.
3. The appointment is contractual in nature.
4. In view of the inadequate profits of the Company for the financial year ended 31st March, 2012, the Company has moved an application to the Central Government for the waiver of the excess remuneration paid to the Chairman & Managing Director and the approval is awaited.

Annexure - C to the Directors' Report for the year ended 31st March, 2012

I Report on Corporate Governance

1. Corporate Governance Philosophy

Your Company's philosophy on Corporate Governance encompasses the active observance of fair and ethical business practices ensuring transparency, accountability, integrity and the statutory compliance of various laws with the primary objective of enhancing the value of all its stakeholders. The Company is committed to good corporate governance by creating an environment based on professionalism, entrepreneurship and pursuit for excellence.

During the year under review, the Board continued its pursuit of achieving these objectives through the adoption of corporate strategies, prudent business plan and ensuring that the Company peruses policies and procedures to satisfying its legal and ethical responsibilities.

2. Board of Directors

(i) Composition of the Board

Name of the Director	Category	Number of other		
		Director-ships	Committee Memberships	Committee Chairmanships
Mr. Ashok Malhotra	Non-Independent Executive Director	2	Nil	Nil
Mr. Nilesh Mehta	Independent Non -Executive Director	8	3	1
Mr. Mohanraj M. Singhi	Independent Non -Executive Director	Nil	Nil	Nil
Mr. Amal Dhru	Independent Non -Executive Director	7	Nil	Nil
Mr. Milan Shah	Independent Non -Executive Director	2	2	Nil
Mr. Rajendra R. Rajyaguru* (GIIC Nominee)	Independent Non -Executive Director	3	2	Nil
Mr. Satish Kumar Gupta** (Arcil Nominee)	Independent Non -Executive Director	2	Nil	Nil
Mr. Hanish Malhotra	Non- Independent -Executive Director	1	Nil	Nil
Mr. Pradeep Sharma	Non-Independent Executive Director	Nil	Nil	Nil

* ceased as Director w.e.f. 30.05.2011

** ceased as Director w.e.f. 10.05.2012

(ii) Board Meetings held and attendance of Directors

During the year under review, 4 (Four) Board Meetings were held on 30th May, 2011, 9th August, 2011, 14th November, 2011 & 9th February, 2012. The Thirty Eighth Annual General Meeting was held on 25th July, 2011. The attendance of each Director at these meetings was as follows:

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at the AGM held on 31.07.2010
1	Mr. Ashok Malhotra	4	Yes
2	Mr. Nilesh Mehta	2	No
3	Mr. Mohanraj M. Singhi	3	No
4	Mr. Amal Dhru	4	No
6	Mr. Milan Shah	4	No
5	Mr. Rajendra R. Rajyaguru*	-	No
9	Mr. Satish Kumar Gupta**	-	No
7	Mr. Hanish Malhotra	4	Yes
8	Mr. Pradeep Sharma	4	Yes

* ceased as Director w.e.f. 30.05.2011

** ceased as Director w.e.f. 10.05.2012

3. Audit Committee

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with the requirements specified under Section 292A of the Companies Act and Clause 49 of the Listing Agreement. These inter alia include review of annual financial statement, adequacy of internal control systems and internal audit function.

Details of Audit Committee meetings held during the year April 2011 to March 2012 and the attendance of the Audit Committee Members are as follows:

Sr. No.	Name	Status	Category	No. of Meetings	
				Held	Attended
1	Mr. Nilesh Mehta	Chairman	Independent & Non-Executive Director	4	2
2	Mr. Amal Dhru	Member	Independent & Non-Executive Director	4	4
3	Mr. Milan Shah	Member	Independent & Non-Executive Director	4	4

4. Remuneration Committee

The Remuneration Committee was set up to evaluate compensation and benefits for Directors and to frame suitable policies and systems for the same.

Terms of Reference :

The remuneration and other terms of appointment of the Whole Time Directors are decided by the Board of Directors on the basis of recommendations of the Remuneration Committee and approved by the Shareholders/ Central Government as may be required.

Composition of Remuneration Committee as on 31st March, 2011 :

The Remuneration Committee comprises of three Independent Directors, including Chairman of the Committee. During the year, 2 meetings of the committee were held on 14.11.2011 & 09.02.2012. The composition of the Remuneration Committee as on 31st March, 2012 is as under:

Sr. No.	Member of the Remuneration Committee	Category	No of Meeting attended
1	Mr. Mohanraj M. Singhi, Chairman	Independent & Non-Executive Director	2
2	Mr. Nilesh Mehta, Member	Independent & Non-Executive Director	1
3	Mr. Amal Dhru, Member	Independent & Non-Executive Director	2

Remuneration of Directors for the year ended 31st March, 2012

Remuneration of Executive Directors is decided by the Board based on recommendations of the Remuneration Committee as per the remuneration policy of the Company, within the ceiling fixed by the shareholders. The details of the remuneration paid to the Directors for the year ended March 31, 2012 are as under:

(Rs. in lacs)

Sr. No.	Name of the Director	Sitting Fees (including Committee Meetings)	Gross * Remuneration	Commission	Contribution to Provident and Superannuation Funds
1	Mr. Ashok Malhotra	Nil	96.54	Nil	7.20
2	Mr. Nilesh B. Mehta	0.40	Nil	Nil	Nil
3	Mr. M. M. Singhi	0.35	Nil	Nil	Nil
4	Mr. Amal Dhru	0.65	Nil	Nil	Nil
5	Mr. Milan Shah	0.75	Nil	Nil	Nil
6	Mr. Rajendra R. Rajyaguru	--	Nil	Nil	Nil
7	Mr. Satish Kumar Gupta	--	Nil	Nil	Nil
8	Mr. Hanish Malhotra	Nil	26.13	Nil	2.28
9	Mr. Pradeep Sharma	Nil	26.46	Nil	4.92

* The gross remuneration includes salary, allowances, ex-gratia and perquisites.

5. Shareholders and Investor Grievance Committee

The Company has a Shareholders & Investor Grievance Committee at the Board level to specifically look into the redressal of the grievance, complaints and other issues concerning the shareholders/investors including transfer and transmissions of shares, issue of duplicate/consolidated/split share certificates etc.

The Shareholders & Investor Grievance Committee comprises of two Directors and is presently chaired by Mr. Milan Shah, an Independent Director. The Committee met 4 times during the year. The details of composition of the Committee and attendance at its Meetings are given below:

Name of Director	No. of Meetings	
	Held	Attended
Mr. Milan Shah, Chairman	4	4
Mr. Hanish Malhotra, Member	4	4

All the transfers received have been processed in time with no pending share transfers. There are no unresolved shareholders' complaints pending.

The Board has designated Mr. Deepak Nagar, AGM (Legal) & Company Secretary as Compliance Officer to monitor share transfers, shareholders' grievances and complaints and liaise with regulatory authorities.

6. CEO/CFO Certificate

A Certificate from Chairman & Managing Director on the financial statements of the Company was placed before the Board.

7. General Body Meetings

The Annual General Meetings of the Company have been held at the following places in the last three years:

Year	Date	Time	Venue
2008-09	30.09.2009	10.00 p.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2009-10	31.07.2010	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)
2010-11	25.07.2011	10.00 a.m.	Regd. Office at GIDC Industrial Estate, Kalol-389 330 Dist. Panchmahals (Gujarat)

All special resolutions set out in the respective Notices were passed unanimously on a show of hands by the shareholders present at the meeting. No postal ballots were used/invited for voting at these meetings. None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

8. Disclosures

- There are no materially significant transactions with related party i.e. transactions of the Company of material nature with its Promoters, the Directors or the management, their subsidiaries or relatives etc. which may have potential conflict with the interests of the Company at large.

Related Party Transactions are disclosed as per Point No. 7 of Note No. 1, which in the opinion of Management may not have potential conflict with the interests of the Company at large.

- No penalties and strictures have been imposed on the Company by the Stock Exchange, SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

9. Means of Communication

- Financial Results are published in leading financial news papers as well as copies of the same are also being sent to all the Stock Exchanges where the Shares of the Company are listed. These results are simultaneously displayed on the Company's website.

Financial Results are published normally in Indian Express, Economic Times, Business Standard and in Financial Express (Gujarati).

Website of the Company is www.panchmahalsteel.co.in

- The Management Discussion and Analysis Report prepared by the management and forming part of the Annual Report is separately attached.

10. General Shareholder information

(i) 39th Annual General Meeting

Date & Time : Monday, the 16th day of July, 2012 at 10.00 a.m.

Venue : Regd. Office : GIDC Industrial Estate, Kalol - 389 330, Dist. Panchmahals (Gujarat).

(ii) Financial Calendar (tentative)

Financial reporting for the quarter ending June 30, 2012] within 45 days of the end of the quarter. within 60 days of the end of the financial year.
Financial reporting for the quarter ending Sept.30, 2012	
Financial reporting for the quarter ending Dec. 31, 2012	
Financial reporting for the quarter ending March, 2013	

(iii) Date of Book Closure

The period of Book Closure is from Monday, the 9th July, 2012 to Monday, the 16th July, 2012 (both days inclusive).

(iv) Dividend Payment Date

The Dividend, as recommended by the Board of Directors, if declared, will be paid on or after 16th July, 2012.

Dividend, if approved, will be paid:

- to those members, holding shares in physical form, whose names appear on the Register of Members of the Company at the close of business hours on 16th July, 2012 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar & Share Transfer Agent on or before 8th July, 2012; &
- to those beneficial owners, holding shares in electronic form, whose names appear in the statement of beneficial owners provided by the Depositories to the Company as at the close of business hours on 8th July, 2012.

(v) Listing on Stock Exchanges

The Equity shares of the Company are listed at Bombay Stock Exchange Limited. The Company has paid Listing Fees for the year 2012-13 to the Stock Exchange.

Stock Code :

The Bombay Stock Exchange Ltd. - 513511

ISIN for NSDL & CDSL - INE 798F01010

(vi) Market Price Data

The high and low prices recorded on the Bombay Stock Exchange Limited are as under:

Month	Share Price (Rs.)		Quantity Traded (No. of Shares)	BSE Index	
	High	Low		High	Low
April, 2011	90.00	67.50	3,347	19811.14	18976.19
May, 2011	74.90	60.00	1,162	19253.87	17786.13
June, 2011	74.00	57.00	2,289	18873.39	17314.38
July, 2011	72.90	59.25	922	19131.70	18131.86
August, 2011	93.25	55.50	4,617	18440.07	15765.53
September, 2011	93.20	76.80	1,489	17211.80	15801.01
October, 2011	77.65	63.55	1,011	17908.13	15745.43
November, 2011	66.70	46.05	1,660	17702.26	15478.69
December, 2011	51.85	44.45	1,51,689	17003.71	15135.86
January, 2012	45.55	42.00	966	17258.97	15358.02
February, 2012	66.20	42.65	2,843	18523.78	17061.55
March, 2012	73.85	54.10	4,35,358	18040.69	16920.61

(vii) Registrar & Share Transfer Agents

M/s MCS Limited is the Registrar & Share Transfer Agent for share registry work held both in the physical and electronic forms.

The Members and the Depository Participants are requested to kindly send their requests for transfer, dematerialisation and rematerialisation of shares directly to the Registrar at the following address:

M/s MCS Limited
Unit - Panchmahal Steel Limited
Neelam Apartment, 88, Sampatrao Colony,
Alkapuri, Vadodara-390 007.
Phone No.: 0265-2339397, Fax No.: 0265-2341639
E-mail : mcsLtdbaroda@yahoo.com

(viii) Share Transfer System

M/s MCS Limited (RTA) process the share transfer/transmission requests on fortnightly basis. Shares lodged for transfer in the physical form are normally processed at the earliest within the statutory time frame from the date of lodgment provided the documents are complete in all respect. The Company Secretary is empowered to approve transfers and the gist are placed before the meetings of the Shareholders & Investors Grievance Committee and the Board of Directors for their noting.

(ix) Distribution of Shareholding & Shareholding Pattern as on 31.03.2012

Shareholding Pattern			Distribution of Shareholding		
Category	No. of Shares	%	No. of Shares	No. of Shareholders	Shares held in each class
Promoters/ Promoters Group	12351813	65.34	01 - 500	3332	376144
FII's	1000	0.01	501 - 1000	65	51989
NRIs	505	0.00	1001 - 2000	27	38136
Mutual Funds, Banks, Insurance Companies & PFIs	4902280	25.93	2001 - 3000	7	17816
Bodies Corporate	918942	4.86	3001 - 4000	7	25557
Public	729920	3.86	4001 - 5000	7	31949
			50011 - 10000	2	15583
			10001 & above	22	18347286
Total	18904460	100.00	Total	3469	18904460

(x) Dematerialisation of Shares

The Equity Shares of the Company are compulsorily traded in dematerialized form and are available for trading on both the depositories - NSDL and CDSL.

1,86,74,255 number of Equity Shares of the Company representing 98.78% of the Share Capital are dematerialised upto 31.03.2012.

(xi) Outstanding GDRs/ADRs/ Warrants or any convertible instruments

Not Applicable

(xii) Plant Location

Plot No.117, GIDC Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

(xiii) Address for Correspondence

7th Floor, Landmark, Race Course Circle, Vadodara-390 007.

Phone Nos. (0265) 3051777, Fax No. (0265) 3051705

E-mail : dnagar@panchmahalsteel.co.in

A separate e-mail id : shares@panchmahalsteel.co.in has been created specifically for investor query / complaints.

Declaration by the Chairman & Managing Director

(Code of Conduct - Pursuant to Clause 49 of the Listing Agreement)

To,
The Members of
Panchmahal Steel Limited

I, Ashok Malhotra, Chairman & Managing Director of the Panchmahal Steel Limited hereby declare that all Directors and Senior Management Personnel have affirmed compliance with code of conduct as applicable to them in respect of the financial year 2011-12.

Place : Vadodara
Date : 22nd May, 2012.

Ashok Malhotra
Chairman & Managing Director

II. Management Discussion and Analysis Report

Industry Structure, Developments and Outlook

The Company is primarily engaged in the manufacture of stainless steel long products in the form of wire rods, bars and wires, which find application in a wide range of applications in engineering, construction and infrastructure, automotive and railways, consumer durables, food processing and dairy industry, housing and pharmaceuticals.

The Company is an established and recognized quality producer of Stainless Steel long products and exporting around the world.

The business environment will continue to be challenging on account of the global and local uncertainties. However, the Company is well geared to meet these challenges and the management is confident and optimistic of the growth and bright future of the Company.

Internal control systems

The Company has proper and adequate systems of internal control ensuring efficiency of operations, statutory compliances, reporting and recording of transactions. The system is supported by management and internal audit.

Human Resources

The Company's human resource policy lays stress on motivating and training people for better work culture and environment and continuous improvement in productivity, efficiency and quality.

For and on behalf of the Board of Directors

Place : Vadodara
Date : 22nd May, 2012.

Ashok Malhotra
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Panchmahal Steel Limited

We have examined the compliance of conditions of Corporate Governance by Panchmahal Steel Limited for the financial year 2011-12, as stipulated in Clause 49 of Listing Agreement entered into by the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. 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 abovementioned Listing Agreement.

We state that no grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Shareholders/Investors Grievance Committee.

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

For **J.R.S. Patel & Co.**
Chartered Accountants,
Firm Regn. No.107709W

Place : Vadodara
Date : 22nd May, 2012.

Kalpesh Parmar
Partner
Membership No. 103887

AUDITORS' REPORT

To
The Members of
PANCHMAHAL STEEL LIMITED

1. We have audited the attached Balance Sheet of PANCHMAHAL STEEL LIMITED as at 31st March 2012, Statement of Profit and Loss and also Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
 - iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report generally comply with the applicable mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors, as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2012 from being appointed as a Director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012 ;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date ; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **J.R.S. Patel & Co.**
Chartered Accountants,
Firm Regn. No.107709W

Place : Vadodara
Date : 22nd May, 2012

Kalpesh Parmar
Partner
Membership No. 103887

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED ON 31st MARCH, 2012 OF PANCHMAHAL STEEL LIMITED, KALOL.

1. In respect of its Fixed Assets :
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.
 - (b) The Company carries out physical verification of fixed assets under a phased program of verification at reasonable intervals, which in our opinion is reasonable. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) In our opinion, the fixed assets disposed off do not constitute substantial part of the fixed assets of the Company and such disposal has, as such not affected the going concern status of the Company.
2.
 - (a) As explained to us, the inventories have been physically verified by the management during the year at reasonable intervals other than material in transit and lying with branches and consignment agent/stockiest, which have been substantially confirmed by them. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations 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 the nature of its business.
 - (c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of its inventories. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventory as compared to the book records.
3. Loans granted/taken by the Company:
 - (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
 - (b) Since the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, therefore, sub-clauses (b), (c) and (d) of (iii) of the said Order are not applicable.
 - (c) The Company has taken an unsecured loan from a company listed in the register maintained under Section 301 of the Companies Act, 1956. Total amount outstanding as at 31.03.2012 is Rs. Nil/- (Rupees Nil). The maximum amount involved was Rs. 1,97,00,000/- (Rupees One Crore Ninety Seven Lacs Only). The Company has not taken any loans, secured or unsecured from firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956.
 - (d) In our opinion, the rate of interest and other terms and conditions in respect of loans taken from the Company listed in the register maintained under Section 301 of the Companies Act, 1956, are not prima-facie prejudicial to the interest of the Company.
 - (e) In respect of the loan taken by the Company from the Company listed in the register maintained under Section 301 of the Companies Act, 1956, the interest payments are regular and the principal amount is repayable on demand.
4. In our opinion and according to explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control systems.
5. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 :
 - (a) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
 - (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contract or arrangements entered in to the register in pursuance of Section 301 of the Act and

exceeding the value of rupees five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, wherever applicable.

6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public during the year and hence the question of complying with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India, wherever applicable, does not arise.
7. On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business.
8. On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Companies Act, 1956, have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
9. According to the information and explanations given to us in respect of statutory and other dues :
 - (a) The Company is generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us and on the basis of records produced before us by the Company, the details of disputed Income Tax/Custom Duty/Excise Duty/Service Tax which have not been deposited as on 31st March, 2012 are given below:

Name of Statute	Nature of Dues	Amount (Rs. in Lacs)	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	57,41,982	Gujarat High Court
The Central Excise Act, 1944	Excise Duty	5,05,018	CESTAT, Mumbai
The Central Excise Act, 1944	Excise Duty	21,00,056	CEGAT, Mumbai
The Central Excise Act, 1944	Excise Duty	2,19,069	Commissioner (Appeals), Baroda
The Central Excise Act, 1944	Excise Duty	1,95,484	Commissioner (Appeals), Baroda
The Central Excise Act, 1944	Excise Duty	1,70,980	CESTAT, Ahmedabad
The Central Excise Act, 1944	Excise Duty	3,35,090	Commissioner (Appeals), Baroda
Finance Act, 1994 (Service Tax Provision)	Service Tax	2,15,606	Commissioner (Appeals), Baroda
Finance Act, 1994 (Service Tax Provision)	Service Tax	26,84,743	CESTAT, Ahmedabad
The Custom Act, 1962	Custom Duty	4,66,000	CESTAT, Mumbai

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to Banks, Debenture holders and Financial Institutions.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, the requirements of Clause 4(xiv) of the Order, to comment on whether the terms and conditions, whereof are prejudicial to the interest of the Company, is not applicable.
16. The Company has not taken any term loans during the year.
17. On the basis of the information and explanations given to us and on an overall examination of the Cash Flow and Balance Sheet of the Company as at the end of the year, funds raised on short term basis have, prima facie, not being used for long term investment.

18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties or companies covered in the Register maintained under Section 301 of Companies Act, 1956.
19. According to the information and explanations given to us and the records examined by us, the Company has created securities in respect of debentures issued and outstanding as at the end of the year.
20. According to the information and explanations given to us, the Company has not made any public issues during the year and therefore the question of disclosing the end use of money does not arise.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Place : Vadodara
Date : 22nd May, 2012

For **JRS Patel & Co.**
Chartered Accountants,
Firm Regn. No.107709W
Kalpesh Parmar
Partner
Membership No.103887

BALANCE SHEET AS AT 31ST MARCH, 2012

Particulars	Note No.	(Amount in Rupees)	
		AS AT 31.03.2012	AS AT 31.03.2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2	189,092,500	189,092,500
(b) Reserves and Surplus	3	1,178,576,205	1,175,986,795
(2) Non-Current Liabilities			
(a) Long Term Borrowings	4	-	8,715,267
(b) Other Long Term Liabilities	5	5,168,197	-
(c) Long-Term Provisions	6	56,454,729	56,482,297
(3) Current Liabilities			
(a) Short-Term Borrowings	7	446,568,694	467,931,583
(b) Trade Payables	8	1,052,957,080	1,157,094,074
(c) Other Current Liabilities	9	180,732,041	175,728,380
(d) Short-Term Provision	10	60,633,372	64,774,297
TOTAL		<u>3,170,182,818</u>	<u>3,295,805,193</u>
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	11	1,146,653,585	1,220,590,585
(ii) Capital Work-in-Progress		37,546,881	20,359,588
(b) Non-current Investments	12	5,025	5,025
(c) Deferred Tax Assets (Net)	13	31,960,382	58,343,963
(d) Long-Term Loans and Advances	14	112,266,691	94,475,041
(2) Current Assets			
(a) Inventories	15	1,447,313,783	1,393,268,361
(b) Trade Receivables	16	257,628,982	307,935,474
(c) Cash and Cash equivalents	17	47,238,293	60,922,047
(d) Short-Term Loans and Advances	18	82,577,081	133,589,845
(e) Other Current Assets	19	6,992,116	6,315,264
TOTAL		<u>3,170,182,818</u>	<u>3,295,805,193</u>
Significant Accounting Policies and accompanying Notes to the Accounts	1		

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants**Ashok Malhotra**
Chairman and Managing Director**Hanish Malhotra**
Director (Marketing)**Kalpesh Parmar**
Partner
Membership No.103887
Vadodara, 22nd May, 2012**Pradip H. Gupta**
Vice President (Finance)**Deepak Nagar**
AGM (Legal) & Company SecretaryVadodara, 22nd May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	Note No.	(Amount in Rupees)	
		For the year 2011-2012	For the year 2010-2011
I. Revenue from Operations	20	4,641,612,562	4,046,041,294
II. Other Income	21	12,813,388	10,525,574
III. Total Revenue (I + II)		4,654,425,950	4,056,566,868
IV. Expenses:			
Cost of Materials Consumed	22	3,228,286,909	2,913,548,773
Manufacturing Expenses	23	791,805,164	681,364,350
Changes in Inventory of Finished Goods	24	(104,347,497)	(214,678,965)
Employee Benefits Expense	25	183,167,216	165,346,234
Finance Cost	26	96,390,036	88,289,171
Depreciation and Amortization Expense	11	120,274,041	139,705,332
Other Expenses	27	253,560,962	110,854,693
Total Expenses		4,569,136,831	3,884,429,588
V. Profit before Exceptional and Extraordinary Items and Tax (III - IV)		85,289,119	172,137,280
VI. Exceptional Items / Extraordinary Items		-	-
VII. Prior Period Items		1,388,038	(1,047,165)
VIII. Profit before Tax (V- VI - VII)		83,901,081	173,184,445
IX. Tax Expense:			
(1) Current Tax (MAT)		17,106,850	34,550,599
Less : MAT Credit Entitlement		17,106,850	34,550,599
Net Current Tax		-	-
(2) Deferred Tax		26,383,581	51,933,552
(3) Tax for earlier years		-	5,431,248
X. Profit/(Loss) for the period from continuing Operations after Tax (VIII - IX)		57,517,500	115,819,645
XI. Earnings per Equity Share:			
(1) Basic		3.043	6.264
(2) Diluted		3.043	6.264

Significant Accounting Policies and accompanying Notes to the Accounts

1

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Hanish Malhotra
Director (Marketing)

Kalpesh Parmar
Partner
Membership No.103887
Vadodara, 22nd May, 2012

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 22nd May, 2012

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2011-12

	Year ended 31.03.2012	(Amt. in Rs.) Year ended 31.03.2011
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	85,289,118	172,137,280
Adjustments for :		
Depreciation	120,274,042	139,705,332
Provision for Doubtful Debts	-	794,915
Provision for Wealth Tax	210,930	175,310
Finance Cost	96,390,036	88,289,171
Prior period adjustments	(1,388,038)	1,047,165
Loss on disposal of Capital Assets	336,883	2,357
Loss / (Profit) on sale of Capital Assets	969,940	(379,271)
Interest Received	(3,485,271)	(5,162,940)
Operating Profit before Working Capital Changes	298,597,640	396,609,319
Adjustments for (Increase)/Decrease in Operating Assets		
Inventories	(54,045,422)	(312,551,716)
Trade Receivables	50,306,492	(47,927,696)
Short-Term Loans and Advances	57,423,936	(54,166,945)
Long-Term Loans and Advances	(684,800)	32,175,225
Other Current Assets	537,135	676,119
Adjustments for Increase/(Decrease) in Operating Liabilities		
Trade Payables	(104,136,994)	263,131,098
Other Current Liabilities	10,319,745	36,163,475
Other Long-Term Liabilities	5,168,197	-
Short-Term Provisions	840,949	89,568
Long-Term Provisions	(27,568)	671,910
Cash generated from Operations	264,299,310	314,870,357
Direct Taxes Paid	(28,710,826)	(22,845,022)
Net Cash from Operating Activities	235,588,484	292,025,335
B. Cash Flow from Investing Activities	...A	
Purchase of Fixed Assets	(74,148,879)	(46,975,547)
Sale/Disposal of Fixed Assets	9,317,722	2,503,880
Interest Received	2,271,284	7,069,057
Net Cash (used in)/from Investing Activities	...B	(37,402,610)
C. Cash Flow from Financing Activities		
Repayment of Long Term Borrowings	(12,600,000)	(262,733,336)
Net Increase/(Decrease) in Working Capital Borrowings	(21,362,889)	34,988,088
Finance Cost	(98,090,662)	(88,965,070)
Dividend Paid	(46,991,874)	(36,447,884)
Tax on Dividend	(7,666,940)	(6,088,104)
Proceeds from Issue of Shares (including premium)	-	147,689,115
Premium paid on Redemption of Debentures	-	(29,537,823)
Net Cash (used in)/from Financing Activities	...C	(241,095,014)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(13,683,754)	13,527,711
Cash and Cash Equivalents at the beginning of the year		
Cash on Hand	120,631	189,648
Balance with Banks in Current, Margin and Deposits Accounts	60,801,416	47,204,688
	60,922,047	47,394,336
Cash and Cash Equivalents at the closing of the year		
Cash on Hand	258,142	120,631
Balance with Banks in Current, Margin and Deposits Accounts	46,980,151	60,801,416
	47,238,293	60,922,047
Net Increase/(Decrease) as disclosed above	(13,683,754)	13,527,711

The statement referred above and notes to accounts form an integral part of Cash Flow Statement.

As per our Report of even date attached

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Hanish Malhotra
Director (Marketing)

Kalpesh Parmar
Partner
Membership No.103887

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 22nd May, 2012

Vadodara, 22nd May, 2012

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	AS AT 31.03.2012	AS AT 31.03.2011
NOTE NO. 2		
SHARE CAPITAL		
AUTHORISED		
4,00,00,000 Equity Shares of Rs. 10/- each (4,00,00,000)	<u>400,000,000</u>	<u>400,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP		
1,89,04,460 Equity Shares of Rs. 10/- each fully paid-up (1,89,04,460)	189,044,600	189,044,600
Add: Forfeited Equity Shares of Rs.10/- each		
5,600 Forfeited Equity Shares of Rs.3/- each Paid	16,800	16,800
4,600 Forfeited Equity Shares of Rs.6/- each Paid	27,600	27,600
500 Forfeited Equity Shares of Rs.7/- each Paid	<u>3,500</u>	<u>3,500</u>
	47,900	47,900
TOTAL	<u>189,092,500</u>	<u>189,092,500</u>

Additional Notes :

- 1) Reconciliation of Issued, Subscribed and Paid up Share Capital

Share Capital	31.03.2012		31.03.2011	
	No. of Shares	Face Value Rs.	No. of Shares	Face Value Rs.
Equity Shares at the beginning of the year	1,89,04,460	189,044,600	1,79,97,000	179,970,000
Add : Equity Shares allotted during the year	-	-	9,07,460	9,074,600
Equity Shares at the end of the year	1,89,04,460	189,044,600	1,89,04,460	189,044,600

- 2) Details of Shares held by each shareholder in excess of 5% of Paid up Share Capital

Name of Share Holder	31.03.2012		31.03.2011	
	Number of Shares held	% Holding in Shares	Number of Shares held	% Holding in Shares
a) Mr.Ashok Malhotra	1234380	6.53%	1234380	6.53%
b) Honeyvick Enterprises (P) Ltd.	6798000	35.96%	6798000	35.96%
c) Amil Enterprises (P) Ltd.	3440313	18.20%	3088500	16.34%
d) Asset Reconstruction Company (India) Ltd.	3988920	21.10%	3988920	21.10%

- 3) The Company is having only one class of shares i.e Equity carrying a nominal value of Rs.10/- per share.
4) Every holder of the equity share of the Company is entitled to one vote per share held.

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	AS AT 31.03.2012	AS AT 31.03.2011
NOTE NO. 3		
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	17,523,435	17,523,435
Securities Premium Account		
As per last Balance Sheet	750,372,332	641,295,640
(including Rs.4,26,100/- of Forfeited Shares)		
Add: Premium on Conversion of Fully Convertible Debentures (FCD)	-	138,614,515
	<u>750,372,332</u>	<u>779,910,155</u>
Less: Premium on Redemption of Debentures	-	29,537,823
	<u>750,372,332</u>	<u>750,372,332</u>
Debentures Redemption Reserve		
As per last Balance Sheet	4,250,000	38,650,000
Less: Transfer to Statement of Profit and Loss	<u>3,925,000</u>	<u>34,400,000</u>
	325,000	4,250,000
General Reserve		
As per last Balance Sheet	23,000,000	11,000,000
Add: Transfer from Surplus in Statement of Profit and Loss	<u>6,000,000</u>	<u>12,000,000</u>
	29,000,000	23,000,000
Surplus in Statement of Profit and Loss		
As per last Balance Sheet	380,841,028	298,321,423
Add: Surplus for the year	57,517,500	115,819,645
Transfer from Debenture Redemption Reserve	<u>3,925,000</u>	<u>34,400,000</u>
	<u>442,283,528</u>	<u>448,541,067</u>
Less: Appropriations		
Dividend for F.Y.2009-10	-	662,000
Corporate Dividend Tax for F.Y.2009-10	-	109,950
Proposed Dividend	47,261,150	47,261,150
Corporate Dividend Tax	7,666,940	7,666,940
Transfer to General Reserve	<u>6,000,000</u>	<u>12,000,000</u>
	<u>60,928,090</u>	<u>67,700,040</u>
TOTAL	<u><u>1,178,576,205</u></u>	<u><u>1,175,986,795</u></u>

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	AS AT 31.03.2012	AS AT 31.03.2011
NOTE NO. 4		
<u>LONG-TERM BORROWINGS</u>		
SECURED BORROWINGS		
<u>Debentures</u>		
5% Non Convertible Debentures (NCD - Series 2)	-	6,933,328
Interest accrued but not due	-	1,781,939
TOTAL	-	8,715,267
<p>1. The Debentures are secured by first pari passu charge over all the immovable and movable properties of the Company situated at the Registered Office of the Company at Kalol, District Panchmahals (Gujarat) and all movable properties, subject to the prior charge of working capital lenders over Inventories, Receivables and other chargeable Current Assets, in favour of M/s Axis Trustee Services Limited, the Debenture Trustees appointed for the benefit of the Debenture Holders. The 5% Non-Convertible Debentures - Series 2 (NCDs-series2) along with coupon rate are redeemable in 12 equal quarterly installments over a period of 3 years commencing from June 30, 2010 and ending on March 31, 2013.</p>		
NOTE NO. 5		
<u>OTHER LONG-TERM LIABILITIES</u>		
Statutory Liabilities	5,168,197	-
TOTAL	5,168,197	-
NOTE NO. 6		
<u>LONG-TERM PROVISIONS</u>		
Provision for Leave Encashment	4,894,856	4,922,424
Interest Provision	51,559,873	51,559,873
TOTAL	56,454,729	56,482,297
NOTE NO. 7		
<u>SHORT-TERM BORROWINGS</u>		
SECURED BORROWINGS		
Working Capital Advance		
a) From State Bank of India		
Cash Credit	251,006,543	308,900,715
Bills Discounting	45,562,151	79,058,948
Export Packing Credit	150,000,000	79,971,920
TOTAL	446,568,694	467,931,583
<p>1. The Working Capital Advances from State Bank of India are secured by first charge over the Inventories, Receivables and other chargeable Current Assets; second charge over the immovable properties situated at Plot No.117, GIDC Industrial Estate, Kalol, Dist. Panchmahals and is further guaranteed by Chairman and Managing Director of the Company.</p>		

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	AS AT 31.03.2012	AS AT 31.03.2011
NOTE NO. 8		
<u>TRADE PAYABLES</u>		
For Supplies/Services		
a) Due to Micro, Small and Medium Enterprises	929,377	1,943,625
b) Others	497,842,976	727,601,637
	498,772,353	729,545,262
Bills Payable	554,184,727	427,548,812
TOTAL	1,052,957,080	1,157,094,074
NOTE NO. 9		
<u>OTHER CURRENT LIABILITIES</u>		
Current maturities of Long-Term Debt (Secured)	1,266,664	6,933,336
Interest accrued but not due on Borrowings (Secured)	366,330	1,781,936
Interest accrued and due on Borrowings (Secured)	1,496,918	-
Advances received from Customers	40,222,252	42,869,570
Gratuity Contribution	25,218,905	33,464,531
Sundry Creditors for Projects	1,799,550	2,850,734
Unpaid Dividend	477,392	208,116
Duties and Taxes	109,468,921	87,026,186
Other Payables	415,108	593,971
TOTAL	180,732,041	175,728,380
NOTE NO. 10		
<u>SHORT-TERM PROVISIONS</u>		
Provision for Employee Benefits	5,705,282	4,864,333
Provision for Taxation (including Wealth Tax)	-	60,948,880
Less : Advance Tax and TDS -	-	55,967,006
Proposed Dividend	47,261,150	47,261,150
Tax on Proposed Dividend	7,666,940	7,666,940
TOTAL	60,633,372	64,774,297

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012
NOTE NO. 11
TANGIBLE FIXED ASSETS
(Amount in Rupees)

Tangible Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.11	Addition during the year	Sales/ Adjust- ment (Cost)	As at 31.03.12	Upto 01.04.11	Provided during the year	Sales/ Adjust- ment	Upto 31.03.12	As at 31.03.12	As at 31.03.11
Land										
Leasehold Land	2,794,105	4,465,220	-	7,259,325	351,622	33,861	-	385,483	6,873,842	2,442,483
Free-hold Land	1,335,968	-	-	1,335,968	-	-	-	-	1,335,968	1,335,968
Land Development	2,833,434	-	-	2,833,434	-	-	-	-	2,833,434	2,833,434
Buildings										
Factory Building	60,609,312	2,808,325	6,788,991	56,628,646	29,326,427	1,163,100	5,217,832	25,271,695	31,356,951	31,282,885
Other Building	34,094,763	100,000	893,719	33,301,044	8,575,113	542,807	166,693	8,951,227	24,349,817	25,519,650
Plant & Machinery	2,045,752,850	30,506,447	97,685,878	1,978,573,419	926,394,810	111,658,358	92,195,458	945,857,710	1,032,715,709	1,119,358,040
Furniture & Fittings	17,742,863	1,799	38,760	17,705,902	12,991,640	1,127,874	29,013	14,090,501	3,615,401	4,751,223
Office Equipments	9,621,665	617,843	196,064	10,043,444	3,642,696	470,287	49,402	4,063,581	5,979,863	5,978,969
EDP Equipments	12,541,467	5,778,387	2,162,873	16,156,981	9,200,083	1,744,102	2,162,132	8,782,053	7,374,928	3,341,384
Vehicles	39,177,731	12,683,564	8,034,880	43,826,415	15,431,182	3,533,651	5,356,090	13,608,743	30,217,672	23,746,549
Total	2,226,504,158	56,961,586	115,801,165	2,167,664,578	1,005,913,573	120,274,040	105,176,620	1,021,010,993	1,146,653,585	1,220,590,585
Previous Year	2,200,487,979	29,819,147	3,802,968	2,226,504,158	867,884,243	139,705,332	1,676,002	1,005,913,573	1,220,590,585	1,436,494,485

Particulars	AS AT 31.03.2012	AS AT 31.03.2011
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NOTE NO. 12
NON-CURRENT INVESTMENTS
Non Trade Investments (Unquoted)
(At cost)

Investment in Equity Instruments (Unquoted - Fully Paid)

1) Kalol Urban Co-Operative Bank Ltd.	25	25
1 (1) Equity Share of Rs.25/- each		
2) Landmark Premises Co-Operative Services Society Ltd.	2,000	2,000
40 (40) Shares of Rs.50/- each		

Investment in Government or Trust Securities

6 Years National Savings Certificate VIIIth series	3,000	3,000
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TOTAL	5,025	5,025
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NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	AS AT 31.03.2012	AS AT 31.03.2011
NOTE NO. 13		
DEFERRED TAX ASSETS (NET)		
Deferred Tax - Assets		
On account of unabsorbed Depreciation	86,116,198	99,943,317
On account of disallowances u/s 43B	13,757,147	12,490,948
	99,873,345	112,434,265
Less : Deferred Tax - Liabilities		
On account of difference in Tax & Book Depreciation	67,912,963	54,090,302
	67,912,963	54,090,302
TOTAL	31,960,382	58,343,963
NOTE NO. 14		
LONG-TERM LOANS AND ADVANCES		
UNSECURED, CONSIDERED GOOD		
Capital Advances	7,005,191	5,979,891
Security Deposits	1,681,080	2,021,580
Other Deposits	25,700,000	25,700,000
MAT Credit Entitlement	77,880,420	60,773,570
TOTAL	112,266,691	94,475,041
NOTE NO. 15		
INVENTORIES		
Raw Materials	399,797,598	428,299,490
[Included Stock-in-Transit of Rs.10,87,31,833/- P.Y. Rs.14,52,34,899/-]		
Production Materials	39,908,168	52,560,581
[Included Stock-in-Transit of Rs.Nil P.Y. Rs.1,01,89,111/-]		
General Stores & Spares	55,526,322	64,674,092
[Included Stock-in-Transit of Rs.Nil P.Y. Rs.4,29,525/-]		
Finished goods	952,081,695	847,734,198
[Included Stock-in-Transit of Rs.6,03,35,962/- P.Y. Rs.7,22,49,306/-]		
TOTAL	1,447,313,783	1,393,268,361

Raw Materials, Production Materials and General Stores and Spares are valued at cost Finished Goods are valued at lower of cost or Net Realizable Value.

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)			
	AS AT 31.03.2012		AS AT 31.03.2011	
NOTE NO. 16				
TRADE RECEIVABLES				
(Unsecured)				
a) Outstanding for more than six months				
Considered Good	3,350,713		1,848,645	
Considered Doubtful	2,302,546		2,302,546	
	<u>5,653,259</u>		<u>4,151,191</u>	
Less : Provision for Doubtful Debts	2,302,546	3,350,713	2,302,546	1,848,645
b) Others *				
Considered Good		254,278,269		306,086,828
TOTAL		<u>257,628,982</u>		<u>307,935,474</u>
* Other Trade Receivables are net of Bills Discounted with the Banks Rs. 13,46,20,691/- (Previous year Rs. 10,48,45,995/-)				
NOTE NO. 17				
CASH AND CASH EQUIVALENTS				
Balances with Banks				
a) In Current Accounts	6,402,759		28,093,300	
b) In Unpaid Dividend Accounts	477,392		208,116	
		6,880,151		28,301,416
In Fixed Deposit Accounts				
held as Margin Money	40,100,000		32,500,000	
		40,100,000		32,500,000
Cash on Hand		258,142		120,631
TOTAL		<u>47,238,293</u>		<u>60,922,047</u>
NOTE NO. 18				
SHORT-TERM LOANS AND ADVANCES				
UNSECURED, CONSIDERED GOOD				
Advance Income Tax And TDS (including Wealth Tax)	84,502,522		-	
Less : Provision for Taxation	78,091,350		-	
		6,411,172		-
Balance with Excise and Customs Authorities		70,374,577		116,291,515
Advance to Suppliers / Service Providers		3,286,462		10,455,948
Other Loans and Advances		2,504,870		6,842,383
TOTAL		<u>82,577,081</u>		<u>133,589,845</u>
NOTE NO. 19				
OTHER CURRENT ASSETS				
UNSECURED, CONSIDERED GOOD				
Unbilled Revenue		-		1,677,392
Other Receivables and Current Assets		3,547,554		2,407,297
Interest accrued on Margin Money		3,444,562		2,230,575
TOTAL		<u>6,992,116</u>		<u>6,315,264</u>

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	For the year 2011-2012	For the year 2010-2011
NOTE NO. 20		
<u>REVENUE FROM OPERATIONS</u>		
Sales (Net of Returns)		
a) Domestic Sales	2,479,452,261	2,723,052,543
b) Export Sales	2,297,217,392	1,483,945,746
	<u>4,776,669,653</u>	<u>4,206,998,289</u>
Less : Excise Duty	<u>230,435,480</u>	<u>250,717,271</u>
	4,546,234,173	3,956,281,018
Income from Job work	50,093,208	62,976,575
(Tax ded. at Source Rs.9,65,513/- Prev. year Rs.13,10,229/-)		
Export Incentives	45,285,181	26,783,701
TOTAL	<u>4,641,612,562</u>	<u>4,046,041,294</u>
NOTE NO. 21		
<u>OTHER INCOME</u>		
Miscellaneous Sales	8,062,723	1,971,494
Miscellaneous Income	2,818	57,004
Sales Tax Refund	17,248	-
Interest Income	3,485,271	5,162,940
(Tax ded. at Source Rs.2,53,207/- Prev. year Rs.10,16,349/-)		
Profit on sale of Capital Assets	-	379,271
Remission of Liabilities	1,245,328	-
Foreign Exchange Variation (Net)	-	1,744,682
ECGC Insurance Claim	-	1,210,183
TOTAL	<u>12,813,388</u>	<u>10,525,574</u>
NOTE NO. 22		
<u>COST OF MATERIALS CONSUMED</u>		
Raw Materials Consumed		
Opening Stock of Raw Materials	428,299,490	323,754,313
Add : Purchases	3,199,785,017	3,018,093,950
Less : Closing Stock of Raw Materials	<u>399,797,598</u>	<u>428,299,490</u>
	3,228,286,909	2,913,548,773
TOTAL	<u>3,228,286,909</u>	<u>2,913,548,773</u>
<u>Details of Major Raw Material Consumption</u>		
Scrap	743,262,402	698,262,588
Nickel	1,645,531,741	1,468,182,726
Ferro Chrome	474,729,093	438,701,126
Others	364,763,673	308,402,333
	<u>3,228,286,909</u>	<u>2,913,548,773</u>

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	For the year 2011-2012	For the year 2010-2011
NOTE NO. 23		
<u>MANUFACTURING EXPENSES</u>		
Consumption of Production Materials, General Stores and Spares	280,522,352	229,124,553
Power and Fuel	458,498,415	414,810,121
Repairs and Maintenance :		
Buildings	937,479	442,847
Plant & Machineries	16,396,814	12,227,205
Other Manufacturing Expenses	7,157,568	5,729,183
Excise Duty on Finished Goods	28,292,536	19,030,441
TOTAL	<u>791,805,164</u>	<u>681,364,350</u>
NOTE NO. 24		
<u>CHANGES IN INVENTORY OF FINISHED GOODS</u>		
Opening Stock	847,734,198	633,055,233
Less : Closing Stock	952,081,695	847,734,198
TOTAL	<u>(104,347,497)</u>	<u>(214,678,965)</u>
NOTE NO. 25		
<u>EMPLOYEE BENEFITS EXPENSE</u>		
Directors' Remuneration	17,546,806	15,924,080
Salaries, Wages and Bonus	149,624,053	135,083,963
Contribution to Provident and other Funds	13,500,733	13,068,725
Staff Welfare Expenses	2,495,623	1,269,466
TOTAL	<u>183,167,216</u>	<u>165,346,234</u>
NOTE NO. 26		
<u>FINANCE COST</u>		
Interest on Debentures and Term Debts	664,628	3,857,620
Interest on Working Capital	43,740,527	45,454,309
Interest on other Loans	10,004,304	5,360,970
Bank Charges	41,980,576	33,616,272
TOTAL	<u>96,390,036</u>	<u>88,289,171</u>

NOTES FORMING PART TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2012

Particulars	(Amount in Rupees)	
	For the year 2011-2012	For the year 2010-2011
NOTE NO. 27		
<u>OTHER EXPENSES</u>		
Administrative and General Expenses		
Travelling and Conveyance	7,584,146	7,169,775
Printing and Stationery	1,074,242	1,082,427
Communication Cost	3,645,536	3,042,039
Vehicle Expenses	4,723,629	3,666,880
<u>Statutory Auditor's Remuneration</u>		
a) As Auditor	565,000	565,000
b) For Tax Audit Fees	100,000	100,000
c) For Taxation Matters	65,000	65,000
d) For Other Services	4,500	3,000
e) For Reimbursement of Expenses	14,190	8,350
	748,690	741,350
<u>Cost Auditor's Remuneration</u>		
a) As Auditor	150,000	100,000
b) For Other Services	50,000	-
c) For Reimbursement of Expenses	20,674	14,310
	220,674	114,310
Repairs and Maintenance to other Assets	7,031,886	2,580,528
Legal and Professional Charges	4,971,047	5,198,795
Directors Sitting Fees	215,000	140,000
Insurance Charges	778,568	783,862
Rent, Rates and Taxes	8,099,452	3,238,879
Foreign Exchange Variation (Net)	95,355,611	-
Miscellaneous Expenses	3,158,767	3,453,647
Loss on Sale of Capital Assets	969,940	-
Loss on Disposal of Capital Assets	336,883	2,357
TOTAL (I)	138,914,071	31,214,849
<u>Selling Expenses</u>		
Carriage Outward	77,902,497	60,024,120
Commission on Sales	5,960,189	6,131,914
Discount and Claims	15,314,165	2,145,693
Marine and ECGC Insurance	4,113,429	3,611,809
Other Selling Expenses	10,786,463	5,156,095
Bad Debts	570,147	1,775,298
Provision for Doubtful Debts	-	794,915
TOTAL (II)	114,646,891	79,639,844
TOTAL (I + II)	253,560,962	110,854,693

NOTE NO. 1**SIGNIFICANT ACCOUNTING POLICIES AND ACCOMPANYING NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012.****1) Significant Accounting Policies :****a) Basis of Accounting :**

The financial statements are prepared under the historical cost convention, on the basis of a going concern in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants of India, as applicable and the relevant provisions of the Companies Act, 1956. The Company generally follows accrual system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties or stated otherwise.

b) Fixed Assets and Depreciation :

i) Fixed Assets are stated at cost net of CENVAT, VAT & Service Tax Credit less accumulated depreciation/ amortization.

ii) Depreciation and Amortization :

- Leasehold Land: Premium on leasehold land is amortized over the period of lease.
- Other Fixed Assets :
 1. Depreciation has been calculated for the year on all other fixed assets of the Company on Straight Line Method at the rates as specified in Schedule XIV to the Companies Act, 1956.
 2. In respect of additions to/deletions from the Fixed Assets, on pro rata basis with reference to the date of addition/ deletion of the Assets.

iii) Expenditure during Implementation of Projects :

- In case of new projects and substantial Modernization/ Expansion at existing units of the Company, all relative Pre-operative expenditure and initial spares acquired with machines for the purpose are capitalized up to the date of installation to the cost of fixed assets.
- Interest on specific borrowing incurred for the purpose of acquisition of fixed assets are dealt in line with Accounting Standard (AS-16) relating to borrowing cost.

iv) Capital Work-in-Progress:

Project under commissioning and other Capital work-in-progress are carried at cost comprising direct cost and related incidental expenses.

c) Investments :

Non-trade Investments are stated at cost less permanent diminution in value, if any.

d) Inventories :

- i) Raw materials, Production materials, Stores and Spares are valued at cost using weighted average method. The cost includes freight inward, direct expenses and other cost incurred in bringing the inventories to their present location and condition.
- ii) Finished goods are valued at lower of cost or net realizable value. Cost includes raw-materials cost, production materials cost, related overheads and excise duty.

e) Revenue Recognition :

- i) Domestic Sales are recognized on dispatch of goods, and inclusive of excise duty but are net of sales return and VAT (Sales Tax).
- ii) Export Sales are accounted on the date of bill of lading.
- iii) Consignment Sales are recognized as sales only on goods sold by the consignee.
- iv) Export Benefits/Incentives are recognized as income in the year of exports.
- v) Revenue from job work is recognized on completion of the job.
- vi) Interest income is recognized on time proportion basis except those with significant uncertainty are recognized on realization basis.

f) Employee Benefits :

Company's contribution to Provident Fund, Superannuation Fund, Employee State Insurance and other funds are determined under the relevant schemes and/or statute and charged to revenue.

Company's liability towards Gratuity and other retirement benefits are made in terms of schemes of LIC of India.

Provision for Leave Encashment is made on the basis of estimated liability as at the year end.

g) Borrowing Costs :

Borrowing Costs directly attributable to acquisition or construction of qualifying fixed assets are capitalized as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

All other borrowing costs are charged to the Profit and Loss account in the year in which they are incurred.

h) Foreign Currency Transactions :

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are booked at the exchange rate prevailing at the time of recording of such transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet and resultant exchange differences are recognized in the profit and loss account for the year.

i) Taxation:

Tax expenses comprise current, deferred and wealth tax.

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) eligible for set-off in subsequent years (as per tax laws), is recognized as an asset by way of credit to the Profit and Loss Account only if there is convincing evidence of its realization. At each Balance Sheet date, the carrying amount of MAT Credit Entitlement receivable is reviewed to reassure of its realization.

Deferred Tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax Assets are recognized only if there is virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

Wealth Tax is provided in accordance with the provisions of the Wealth Tax Act, 1957.

j) Impairment of Assets :

An Asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An Impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The Impairment Loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

k) Earnings per share:

The earnings considered in ascertaining the company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of share used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share and also the weighted average number of shares, which would have been issued on the conversion of all dilutive potential equity shares.

l) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past event and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by the future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Liabilities are not recognized but are disclosed in the Financial Statements. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

2) Micro, Small and Medium Enterprises Development Act, 2006:

The Company has amounts due to suppliers under MSMED as at 31st March, 2012. The disclosure pursuant to the said Act is as under:

	Amount - Rupees	
	31.03.2012	31.03.2011
Delayed Payment Due - Principal amount	192,758	458,816
- Interest on above	1,135	2,429
Interest paid	Nil	Nil
Interest due on Principal amount paid beyond due date during the year	77,752	135,086
Total Interest due but not paid	78,887	137,515

The information has been given in respect of such vendors to the extent they could be identified as 'micro, small and medium enterprises' on the basis of information available with the company.

3) Managerial Remuneration:

	Amount - Rupees	
	31.03.2012	31.03.2011
I. Directors Sitting Fee	2,15,000	1,40,000
II. Other Remuneration:		
Salaries and Allowances	126,30,000	124,80,000
Commission	Nil	Nil
Company Contribution to Provident & Superannuation Funds	14,40,000	14,22,000
Other Perquisites (valued as per Income Tax Rules)	22,84,176	22,50,869
Sub total (II)	163,54,176	161,52,869
Total (I+II)	165,69,176	162,92,869

Remuneration to the Managing Director and Whole time Directors has been paid in terms of approval of shareholders to the said appointments. However, due to inadequacy of profit during the year, not determinable on the date of such approval, the remuneration so approved and paid to the Managing Director of the company, is in excess of the requirements of the Companies Act, 1956. The Company has moved an application to the Central Government for waiver of excess remuneration.

4) Contingent Liabilities & Commitments not provided for:

	Amount - Rupees	
	31.03.2012	31.03.2011
a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances)	186,88,010	83,84,036
b) Letter of Credits Outstanding	1465,22,599	1012,35,667
c) Claims against Company not acknowledged as debts	185,82,336	185,82,336
d) Disputed Excise, Custom & Service Tax Liabilities	126,34,028	190,59,341
e) Disputed Income Tax Liabilities	272,51,851	272,51,851
f) Guarantee given to M.G.V.C.L. by Company's Banker	346,17,067	346,17,067

Based on the favourable decision in similar cases and in the opinion of lawyers, the Management believes that it has good cause in respect of all the items listed under (c) to (e) above therefore no provision against is considered.

- 5) Free-hold Land & Staff Executive Building include shares of Rs.750/- (Previous year Rs.750/-) held in Co-operative Societies, which are in the name of nominees of the Company.
- 6) Balances of the most of the Debtors, Creditors and Loans of the Company are confirmed periodically.

7) Related Party Disclosures (As identified by the Management):
A. List of Related Parties

- | | | |
|---|---|---|
| i) Associate Companies | : | AMIL Enterprises Private Limited |
| | : | Honeyvick Enterprises Private Limited |
| ii) Key Management Personnel | : | Mr. Ashok Malhotra - Chairman & Managing Director |
| | : | Mr. Hanish Malhotra - Director (Marketing) |
| | : | Mr. Pradeep Sharma - Director (Operations) |
| iii) Relative of Key Management Personnel | : | Mr. Vikas Malhotra (Relative of Director) |

B. Related Party /Key Management Personnel Transactions

- | | | |
|---|---|--|
| i) Associate | | |
| Deposit received | : | Rs.197,00,000 (Rs.100,00,000) |
| Deposit paid | : | Rs.197,00,000 (Rs.100,00,000) |
| Interest | : | Rs. 11,57,852 (Rs. 4,47,945) |
| ii) Key Management Personnel | | |
| Gross Remuneration | : | Rs. 163,54,176 (Rs. 161,52,869) |
| iii) Relative of Key Management Personnel : | | |
| Gross Remuneration | : | Rs.3,97,933 # (Rs. 45,000*) |

w.e.f. 01.12.2011 * up to 30.04.2010

Note : Figures in the brackets are for previous year.

8) Segment Disclosures:

The Company is engaged in a single segment of manufacture and marketing of "Steel Products " in accordance with Accounting Standards (AS - 17).

9) Financial Restructuring:

The Company has fully implemented the Scheme of Compromise and/or Arrangement as approved by Hon`ble High Court of Gujarat. The matter related to dissenting creditor is pending before the Hon`ble High Court of Gujarat.

10) Details of Earnings Per Share:

		Unit	Year ended 31.03.2012	Year ended 31.03.2011
a)	Amount used as Numerator (Profit after Taxes)	Rupees	575,17,499	1158,19,645
b)	Weighted average number of Equity Shares used as the denominator (Basic)	Nos.	189,04,460	189,04,460
c)	Weighted average number of Equity Shares used as the denominator (Diluted)	Nos.	189,04,460	189,04,460
d)	Nominal Value Per Share	Rupees	10.000	10.000
e)	Earnings per Share (Basic)	Rupees	3.043	6.264
f)	Earnings per Share (Diluted)	Rupees	3.043	6.264

11) (a) Registered/Installed Capacity:

Class of Goods	Units	Registered Capacity	Installed Capacity (As certified by the Managing Director)
Steel Billets	M.T.	150,000 (150,000)	150,000 (150,000)
Bars, Rods, Coils & Wires	M.T.	150,000 (150,000)	72,000 (72,000)

(b) Production, Sales and Stocks:

Class of Goods	Opening Stock		Production	Sale		Closing Stock	
	Qty.	Rupees	Qty.-M.T.	Qty.-M.T.	Rupees	Qty.-M.T.	Rupees
Steel Billets	1012 (2235)	125915144 (207150971)	30602 (31000)	0 (0)	0 (0)	1658 (1012)	243634439 (125915144)
Bars, Rods, Coils & Wires	4807 (3630)	721819054 (425904262)	32238* (37761)	26904 (27394)	4776669653 (4206998289)	4427 (4807)	708447256 (721819054)

* Include Job work production 3426 M.T. (Previous Year 6,470 M.T.)

Note: Figures in the bracket are for previous year.

(c) Total Value of Imported and Indigenous Raw Materials and Parts Consumed and Percentage to Total Consumption:

	Year 2011-2012		Year 2010-2011	
	Value (in Rs.)	%	Value (in Rs.)	%
Raw Materials				
Imported	188,67,26,202	58.44	161,62,81,471	55.47
Indigenous	134,15,60,707	41.56	129,72,67,302	44.53
Total	322,82,86,909	100.00	291,35,48,773	100.00
Production Materials & Stores & Spares				
Imported	717,63,428	25.58	456,50,234	19.92
Indigenous	2087,58,924	74.42	1834,74,319	80.08
Total	2805,22,352	100.00	2291,24,553	100.00

(d) Expenditure in Foreign Currency:

(Rupees)

	Year 2011-12	Year 2010-11
C.I.F. Value of Imports :		
Raw Materials	184,73,48,487	160,88,88,470
Production Materials and Stores & Spares	6,48,40,853	2,89,77,457
Capital Equipments	48,60,361	1,32,80,704
Other Expenditure :		
On Foreign Travelling	23,12,253	17,48,860
Foreign Bank Charges	18,40,306	10,87,598
On Professional Fees Subscription & Books etc.	4,52,908	3,99,142
Commission on Export Sales	53,35,606	55,23,900
Discounts & Claims	146,22,989	19,58,997
On Foreign Exhibitions	43,15,887	18,37,118
On Salary & Allowances	40,33,673	NIL

(e) Foreign Exchange Earned:

FOB Value of Exports	225,97,15,722	145,52,64,288
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12) The revised schedule VI has become effective from April 1st, 2011 for the preparation of financial statements. This significantly impacted the disclosures and presentation made in the financial statements. Previous year's figures have been recast/ regrouped/reclassified wherever necessary to correspond with current year's classification/ disclosures.

For **J.R.S. Patel & Co.**
Chartered Accountants

Ashok Malhotra
Chairman and Managing Director

Hanish Malhotra
Director (Marketing)

Kalpesh Parmar
Partner
Membership No.103887
Vadodara, 22nd May, 2012

Pradip H. Gupta
Vice President (Finance)

Deepak Nagar
AGM (Legal) & Company Secretary

Vadodara, 22nd May, 2012

Dear Shareholder,

22nd May, 2012**Sub: MCA's Green Initiative for Paperless Communications**

Ministry of Corporate Affairs ("MCA") has recently taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies. Towards this, MCA has issued Circulars dated 21 April 2011 & 29 April 2011 stating that the service of notice / document by a company to its shareholders can now be made through electronic mode, subject to a few conditions.

Our Company appreciates the initiative taken by MCA, as it believes strongly in a Greener Environment. This initiative also helps in prompt receipt of communication, apart from helping avoid losses / delays in postal transit.

We therefore propose to send documents, such as the Notice of the Annual General Meeting, Annual Report etc. henceforth to shareholders in Electronic Form at the e-mail address provided by them and made available to us by the depositories from time to time.

As per our records, your e-mail address is not registered with your Depository Participant / Share Transfer Agent of the Company. In case you wish to receive all the above communications in electronic form; and

- A) hold your shares in dematerialized form, kindly register your e-mail address with your Depository Participant at the earliest; or
 B) hold your shares in physical form, kindly register your e-mail address with MCS Limited, our Share Transfer Agent, at the following address at the earliest:

M/s. MCS Limited

Unit - Panchmahal Steel Limited

Neelam Apartment, 88, Sampatrao Colony,

Alkapuri, Vadodara-390 007.

Phone No.: 0265-2339397, Fax No.: 0265-2341639

E-mail : mcsLtdbaroda@yahoo.com

You may use the format given below for registering your e-mail address with your Depository Participant / MCS Limited.

We are sure you would appreciate the "Green Initiative" taken by MCA, just as it is being implemented by companies like us. Needless to say, you will be, as a member of the Company, entitled to be furnished with a copy of the above mentioned documents as required under the provisions of the Companies Act, 1956, free of cost, upon receipt of a requisition from you any time during the year.

We solicit your whole-hearted co-operation in helping the Company implement the e-governance initiatives of the Government in the interest of environment, which is the need of the hour today.

This communication may be ignored, if your e-mail address is already registered with your Depository Participant / Share Transfer Agent.

Thanking you,

Yours faithfully,

For Panchmahal Steel Ltd.

Deepak Nagar

AGM (Legal) & Company Secretary

E-COMMUNICATION REGISTRATION FORM

(In terms of circulars dated 21-04-2011 & 29-04-2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID No. :

.....

Name of 1st Registered holder :

Name of Joint holder(s) :

.....

E-mail ID (to be registered) :

Please register my above e-mail ID in your records for receiving communication in electronic form from company/ies of which I / we, am / are shareholder(s).

Date :

Signature:

(First holder)

Note : Shareholder(s) are requested to keep the Company informed of change, if any, in the e-mail address.



Regd. Office : G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat)

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

DP. Id*

Regd. Folio No.

Client Id*

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **39th ANNUAL GENERAL MEETING** of the Company held on Monday, the 16th July, 2012 at 10.00 a.m. at the Regd. Office of the Company at G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat).

Signature of the Shareholder or proxy

*Applicable for investors holding shares in electronic form



Regd. Office : G.I.D.C. Industrial Estate, Kalol-389 330, Dist. Panchmahals (Gujarat)

DP. Id*

Regd. Folio No.

Client Id*

I/We _____ of

_____ being a member/members of PANCHMAHAL STEEL LIMITED

hereby appoint _____ of

_____ or failing him

_____ of _____

as my/our proxy to vote for me/us on my/our behalf at the **39th ANNUAL GENERAL MEETING** to be held on Monday, the 16th July, 2012 at 10.00 a.m. or at any adjournment thereof.

Signed this _____ day of _____ 2012.

* Applicable for investors holding shares in electronic form.

Affix
1/- Rupee
Revenue
Stamp

NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

BOOK-POST

To,



 **Panchmahal**
Steel Limited

Stainless Steel
WIRE ROD • BARS • WIRES

Corporate Office:

Landmark, 7th Floor, Race Course Circle
Vadodara - 390 007, Gujarat, INDIA
Phone: +91 265 305 1777
Fax: +91 265 305 1705
E-mail: sales@panchmahalsteel.co.in
Website: www.panchmahalsteel.co.in

Regd. Office:

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Dist. Panchmahal, Gujarat, INDIA
Phone: +91 2676 304 777
Fax: +91 2676 304 889