
SUNFLAG IRON AND STEEL COMPANY LIMITED

TWENTYFIFTH ANNUAL REPORT

2010 – 2011

SUNFLAG IRON AND STEEL COMPANY LIMITED

DIRECTORS	Mr. P. B. BHARDWAJ (Chairman) Mr. RAVI BHUSHAN BHARDWAJ (Vice Chairman & Managing Director) Mr. PRANAV BHARDWAJ (Joint Managing Director) Mr. SUHRIT BHARDWAJ (Effective 27 th July 2011) Dr. E. R. C. SHEKAR Mr. NARESH GWALANI (Nominee - IDBI Bank Limited) Mr. S. GAJENDRAN CA JAYESH M. PARMAR Mr. KAILASH CHANDER VIJH (Effective 27 th July 2011) Mr. SURENDRA KUMAR GUPTA (Whole-time Director)
CHIEF FINANCIAL OFFICER	CA R. MURALIDHAR, Executive Director (Finance)
COMPANY SECRETARY	CS MUKESH D. PARAKH
STATUTORY AUDITORS	M/s. PATEL, SHAH & JOSHI CHARTERED ACCOUNTANTS, MUMBAI
COST AUDITORS	M/s. G. R. PALIWAL & COMPANY COST ACCOUNTANTS, NAGPUR
BANKERS	STATE BANK OF INDIA BANK OF INDIA CANARA BANK INDIAN BANK STATE BANK OF BIKANER AND JAIPUR IDBI BANK LIMITED
REGISTERED OFFICE	33, MOUNT ROAD, SADAR, NAGPUR - 440001 (MAHARASHTRA)
WORKS	WARTHI, BHANDARA ROAD, BHANDARA - 441905 (MAHARASHTRA)
WEB SITE	www.sunflagsteel.com
REGISTRAR & TRANSFER AGENT	BIGSHARE SERVICES PRIVATE LIMITED, MUMBAI

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SUNFLAG IRON AND STEEL COMPANY LIMITED
REGISTERED OFFICE : 33, MOUNT ROAD, SADAR, NAGPUR - 440001

NOTICE

NOTICE is hereby given that the Twenty-fifth (25th) Annual General Meeting of the Members of **Sunflag Iron and Steel Company Limited** will be held on **Friday, the 23rd Day of September 2011 at 3.00 p.m.** at Indian Medical Association's J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the financial year ended 31st March 2011, the Balance Sheet as at that date and Profit & Loss Account for the financial year ended 31st March 2011, together with the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend @5% (` 0.50 per Equity Share) on Equity Shares of the Company.
3. To appoint a Director in place of CA Jayesh M Parmar who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956; Messers Patel, Shah & Joshi, Chartered Accountants, Mumbai, (ICAI Firm Registration No. 107768W), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at a remuneration as decided by the Board of Directors or Committee of the Board."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

Appointment of Mr. Kailash Chander Vijn as a Director of the Company

"RESOLVED THAT pursuant to the provisions of Section 260 of the Companies Act, 1956; Article 138 of the Articles of Association of the Company and subject to such other provisions and / or approvals, if any, Mr. Kailash Chander Vijn, be and is hereby appointed as a Director (Independent - Non-executive) of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

Appointment of Mr. Suhrit Bhardwaj as a Director of the Company

"RESOLVED THAT pursuant to the provisions of Section 260 of the Companies Act, 1956; Article 138 of the Articles of Association of the Company and subject to such other provisions and / or approvals, if any, Mr. Suhrit Bhardwaj, be and is hereby appointed as a Director of the Company not liable to retire by rotation."

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

Payment of remuneration by way of commission @1% to Non-executive Director/s of the Company

"RESOLVED THAT pursuant to provisions of Section 309 and other applicable provisions of the Companies Act, 1956 and Article 140 of the Articles of Association of the Company, a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act, be paid to and distributed amongst the Non-executive Directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respects as may be decided and directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each financial year, for a period of five (5) years commencing from the financial year 2011-2012."

By Order of the Board

Nagpur
27th July 2011

CS Mukesh D. Parakh
Company Secretary

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item Nos. 5, 6 and 7 are annexed hereto and forms part of the Notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Saturday, the 3rd Day of September 2011 to Friday, the 23rd Day of September 2011** (both days inclusive) for the purpose of Annual General Meeting and Dividend (if declared).
3. Dividend (if declared) on the Equity Shares as recommended by the Board of Directors for the financial year ended 31st March 2011 at the 25th Annual General Meeting will be paid to those Members whose names appear :
 - i. as Beneficial Owners as per the list to be furnished by the Depositories in respect of the shares held in demat form as of the Book Closure date; and
 - ii. as Members on the Register of Members of the Company as on **Friday, the 23rd Day of September 2011 (AGM)** after giving effect to all valid share transfers in physical form which would be received by the Company / Registrar & Share Transfer Agent up to the end of business hours on **Friday, the 2nd Day of September 2011**.
4. Members are requested to send their queries, if any, in writing at least 15 days in advance of the date of the meeting to the Company at its Registered Office.
5. Members / Proxies are requested to bring the attendance slip attached at page 56, duly filled in, for attending the meeting.
6. **DEMATERIALIZATION OF SHARES**

This is to inform that 88,450,719 equity shares, which represents 54.533% of the total paid-up capital of the Company, have already been dematerialised as of 31st March 2011. The Shareholders who have not dematerialised their equity shareholding may opt the same accordingly.
7. **REGISTRAR AND SHARE TRANSFER AGENT**

M/s. Bigshare Services Private Limited, E - 2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072 have been appointed by the Company as the Registrar and Share Transfer Agent with effect from 31st March 2003. Therefore, Depository Participants / Shareholders / Investors of the Company are advised to send all documents / correspondence such as requests for Dematerialisation of Shares, Transfer of Shares, Change of Address, Registration of e-mail id, Change of Bank Mandate / NECS and other Shares related documents to M/s Bigshare Services Private Limited at the above mentioned address only.
8. **CHANGE OF INFORMATION / BANK MANDATE**

The Members / Shareholders holding Equity Shares in physical form are requested to notify / update any change in their Address, Bank Mandate e.g. Name of Bank, Branch Address, Account Number and MICR / IFS Code to the Registrar and Share Transfer Agent and / or the Company or to their respective Depository Participants (DP), if the shares are held in Demat mode.
9. **GREEN INITIATIVE**

As a responsible corporate citizen, your Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India. We strongly urge you to support this 'Green Initiative' by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.

The members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses with the Company, Registrar and Share Transfer Agent or Depository Participant (DP), as the case may be. The members are requested to refer a note on 'Green Initiative' as appearing at page no. 55 of this report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 05 :**

During the period under review, to broad-base the management of the Company, the Board of Directors of the Company at its Meeting held on 27th July 2011 has appointed Mr. Kailash Chander Vijn as an Additional Director (Independent, Non-executive) of the Company.

A brief profile of Mr. Kailash Chander Vijn is annexed to the Directors' Report to the Members of the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 138 of the Articles of Association of the Company, the term of Mr. Kailash Chander Vijn as an Additional Director of the Company expires at the ensuing Twenty-fifth (25th) Annual General Meeting of the Members of the Company.

The Company has received a notice from a member of the Company in terms of provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Kailash Chander Vijn for the office of the Director of the Company.

The Board recommends for the approval of the members, the appointment of Mr. Kailash Chander Vijn as an Independent, Non-executive Director liable to retire by rotation in the interest of the Company. None of the directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 06 :

During the period under review, to broad-base the management of the Company, the Board of Directors of the Company at its Meeting held on 27th July 2011 has appointed Mr. Suhrit Bhardwaj as an Additional Director (Promoter) of the Company.

A brief profile of Mr. Suhrit Bhardwaj is annexed to the Directors' Report to the Members of the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 138 of the Articles of Association of the Company, the term of Mr. Suhrit Bhardwaj as an Additional Director of the Company expires at the ensuing Twenty-fifth (25th) Annual General Meeting of the Members of the Company.

The Company has received a notice from a member of the Company in terms of provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Suhrit Bhardwaj for the office of the Director of the Company.

The Board recommends for the approval of the members, the appointment of Mr. Suhrit Bhardwaj as a Director, not liable to retire by rotation in the interest of the Company.

Mr. P. B. Bhardwaj (Chairman), Mr. Ravi Bhushan Bhardwaj (Vice-Chairman and Managing Director) and Mr. Pranav Bhardwaj (Joint Managing Director) are deemed to be concerned or interested in the resolution. Except the above, none of the other Directors are deemed to be concerned or interested in the resolution.

ITEM NO. 07 :

The Members had, at the Annual General Meeting/s held on 28th September 2006 and 25th September 2007 approved, under the provisions of Section 309 of the Act, the payment of remuneration by way of commission to Mr. P.B. Bhardwaj, Non-executive Chairman of the Company, of a sum not exceeding one percent per annum of the net profits of the Company, calculated in accordance with the provisions of the Act, for a period of five years commencing from the financial year 2006-2007.

Taking into account the responsibilities of the Directors, it is proposed that in terms of Section 309(4) of the Act, the Non-executive Directors be paid for each of the five years of the Company commencing from the financial year 2011-2012, remuneration not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of the Act. This remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.

Accordingly, a fresh approval of the Members is sought by way of a Special Resolution for payment of commission to the Non-executive Directors for a period of five years commencing from financial year 2011-2012 as set out in the Resolution at Item No. 7 of the Notice.

All the Directors of the Company except Mr. Surendra Kumar Gupta, Whole-time Director may be deemed to be concerned or interested in the Resolution mentioned at Item No. 7 of the Notice either as a beneficiary or a relative to beneficiary to the extent of the remuneration that may be received by them respectively.

By Order of the Board

Nagpur
27th July 2011

CS Mukesh D. Parakh
Company Secretary

DIRECTORS' REPORT

To,

The Shareholders,

The Board of Directors hereby present the 25th Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March 2011. During the year under review, though the Steel Industry as well as Automobile and Auto component sectors witnessed better demands in the improved market conditions, high input costs have reduced the profits considerably. The unstinted efforts by the Company's Management continued for strict cost reduction and better financial / working capital management helped to maintain its overall performance.

1. FINANCIAL RESULTS

Summarised financial results for the year are as follows :

` in Lacs

Sr. No.	Particulars	For the financial year ended	
		31 st March 2011	31 st March 2010
a.	Total Income	154,967	135,459
b.	Total Expenditure	138,177	115,857
c.	Gross Profit	16,790	19,602
d.	Interest	3,744	3,004
e.	Profit before Depreciation	13,046	16,598
f.	Depreciation	3,964	3,788
g.	Profit before Tax	9,082	12,810

2. FINANCE

Your Company has ended the financial year with a profit after tax of ` 7,053 Lacs. After taking into account the brought forward profit of ` 24,884 Lacs and appropriations of ` 943 Lacs, your Company has carried forward an amount of ` 30,994 Lacs.

3. DIVIDEND

The Company is in need of additional funds through internal accruals to meet requirement of the lending banks financing ongoing capital projects under expansion programme, which will enable future growth of the Company.

As such, Board of Directors feel appropriate to recommend Dividend @ 5% i.e. ` 0.50 per equity share of the Company for the Financial Year 2010-2011, subject to approval of the members in the ensuing 25th Annual General Meeting of the Company.

4. MARKET SCENARIO

SUNFLAG STEEL continues to develop new high value grades of alloy steel to cater the needs of domestic as well as international markets. During the financial year under review, the growth in the net turnover is about 14.24% as compared to previous financial year.

5. OPERATIONS

i. During the year under review :

- a. Direct Reduction Plant during the year under review produced 92,774 MT as against 126,336 MT in the previous year.
- b. The total production of Billets was 304,936 MT in our Steel Melt Shop as against 326,141 MT of the previous year.
- c. The total production of Rolled products was 311,131 MT as against 309,596 MT of the previous year.
- d. The total production of Pig Iron was 193,992 MT as against the previous year production of 205,502 MT.
- e. The total production of Sinter Plant was 333,201 MT as against 191,385 MT previous year.

ii. The power plant generated 1,276.20 Lacs kWh as compared to 1,461.03 Lacs kWh in the corresponding previous year.

iii. The total coal production at Belgaon Coal Block is 114,000 MT as against 140,147 MT in the previous year.

6. PROJECTS

Steel Plant :

The Company has taken effective steps for the implementation of the Blooming Mill and Sponge Iron Plant II with WHRGS projects. The same are under installation stage and expected to be commissioned for their commercial production during the year 2011-2012.

Subsidiary Companies :

Sunflag Power Limited : The necessary approvals are being sought for the implementation of Hydro Power Project at Hanol-Tuini, in the state of Uttarakhand.

Sunflag Special Steels Limited : The management is exploring the business opportunities for the Company.

Khappa Coal Company Private Limited : In respect of Khappa & Extⁿ Coal Block in the state of Maharashtra, the Company has taken effective steps for getting various approvals / clearances viz. mining and closure plan from Coal Ministry, terms of references from Forest & Environment Ministry, reports of subsidence prediction study and survey from CIMFR, etc. Further, the procurement of land for incline drivage and other infrastructure has commenced. Certain applications have been made to concerned authorities and their approvals and clearances are awaited.

Joint Venture Companies :

Madanpur (North) Coal Company Private Limited : Various approvals / clearances are being sought from the concerned authorities for effective implementation of the Madanpur (North) Coal project in the state of Chhattisgarh.

C T Mining Private Limited : Various approvals / clearances are being sought from the concerned authorities for effective implementation of the Choritand - Taliya Coking Coal project in the state of Jharkhand.

Gujarat State Mining and Resources Corporation Limited : A State Government Company by virtue of subsidiary of GMDC Limited, wherein the share of the Company is 49%, was formed during the period under review, for development of integrated coke oven plant in the state of Gujarat.

7. DEMATERIALISATION OF SHARES

As on 31st March 2011, there were 88,450,719 equity shares, which represents 54.533% of the total paid-up capital of the company, dematerialised through depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL).

8. LISTING OF SHARES

The equity Shares of your Company continued to be listed with / traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The listing fees have been paid to both Stock Exchanges (BSE & NSE) for the current financial year 2011 - 2012.

9. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNINGS AND OUTGO

The requisite particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annex to this report.

10. SUBSIDIARY COMPANIES

In pursuance of General Circular No. 2/2011 dated 8th February 2011 issued by the Ministry of Corporate Affairs, Government of India and on compliance of terms and condition for availing the general exemption Under Section 212(8) of the Companies Act, 1956, the Annual Accounts of the Subsidiary Companies, viz. 'Sunflag Power Limited', 'Sunflag Special Steels Limited' and 'Khappa Coal Company Private Limited' are not attached with the Annual Report of the Company. The Annual Accounts of these Subsidiary Companies are available for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of subsidiary Company's accounts, may write to the Company Secretary at the Registered Office of the Company.

11. DIRECTORS

- i. Pursuant to Article 151 of the Articles of Association of the Company, CA Jayesh M. Parmar retire by rotation and being eligible, offered himself for re-appointment.
- ii. During the period under review, the Board of Directors has appointed Mr. Kailash Chander Vijn and Mr. Suhrit Bhardwaj as Additional Directors of the Company effective 27th July 2011. The Board recommends for the approval of the members, the appointment of Mr. Kailash Chander Vijn and Mr. Suhrit Bhardwaj as Directors of the Company.

Except the above, there is no change in the constitution of the Board of Directors of the Company during the period under review.

12. PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTOR/S

The members are requested to approve, by way of Special Resolution as set out in Item No. 7 of the Notice, the payment of remuneration by way of commission @1% of net profits to Non-executive Director/s of the Company for a period of five (5) years effective from the financial year 2011-2012.

13. INDUSTRIAL RELATIONS

During the year under review, industrial relations remained cordial. Employees' competencies and skills were enhanced by exposing them to several internal and external training programmes. Various measures were taken to improve motivation level of employees. Additional efforts are continued to be implemented with a view to obtain commitment and loyalty towards the organisation.

14. PERSONNEL / PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, as permitted by Section 219(1)(b)(iv) of the Companies Act 1956, the report and accounts are being sent to all shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

15. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The Dividend declared by the Company which remain unpaid / unclaimed for a period of Seven (7) years are required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

The Members are requested to claim their unpaid/unclaimed Dividend(s), if any, declared and paid for the financial years 2005-2006, 2006-2007, 2007-2008, 2008-2009 and 2009-2010.

16. AUDITOR'S REPORT

The observations made by the Statutory Auditors in their report are self-explanatory and have also been further amplified in the Notes to the Accounts.

17. AUDITORS

i. M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai - the Statutory Auditors of the Company are eligible and recommended for re-appointment as the Statutory auditors till the conclusion of the next Annual General Meeting.

The Statutory Auditors have furnished a Certificate of their eligibility for re-appointment Under Section 224(1-B) of the Companies Act, 1956 and are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

ii. M/s. G. R. Paliwal & Company, Cost Accountants, Nagpur has been appointed by the Board of Directors of the Company on the recommendations of the Audit Committee, as the Cost Auditors of the Company for the financial year 2011-2012.

The Cost Auditors have furnished a Certificate of their eligibility for appointment Under Section 224(1-B) of the Companies Act, 1956, Certificate for independence and arm length relationship with the Company and are not disqualified for such appointment within the meaning of Section 226 / 233-B(5) of the Companies Act, 1956. Accordingly, the Company has made an application in E-form No. 23C to the Central Government for their approval to the appointment of Cost Auditors of the Company.

18. AUDIT COMMITTEE

The Audit Committee of the Board is under Chairmanship of Dr. E. R. C. Shekar, an Independent, Non-executive Director of the Company and consisting of other Independent, Non-executive Directors viz. CA Jayesh Madhavji Parmar, Mr. Naresh Gwalani (Nominee - IDBI Bank Limited, Mumbai) and Mr. S. Gajendran as the Members, as a practice of good Corporate Governance.

19. CORPORATE GOVERNANCE REPORT

Your Directors are pleased to report that your Company has complied with the SEBI Guidelines on Corporate Governance as of 31st March 2011 relating to Clause 49 of the Listing Agreement with concerned Stock Exchange(s). A Certificate from Statutory Auditors - Messers Patel, Shah & Joshi, Chartered Accountants, confirming compliance with conditions as stipulated under the aforesaid Clause 49 is annexed to the Corporate Governance Report.

20. CODES OF CONDUCT OF BUSINESS PRINCIPLES & ETHICS AND PREVENTION OF INSIDER TRADING

Your Directors are pleased to report that your Company has complied with :

- i. the Code of Conduct of Business Principles and Conduct; and
- ii. the Prevention of Insider Trading in Sunflag Securities by the designated persons/officers (insider).

21. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors confirms :

- i. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departure;
- ii. that the Directors had selected such Accounting Policies and applied them consistently and made judgements 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 financial year;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors had prepared the Annual Accounts on a going concern basis.

22. ACKNOWLEDGEMENT

The Directors acknowledge with thanks co-operation and assistance received by the Company from the Shareholders, Central and State Government, Financial Institutions and Banks. The Directors also record their appreciation of the dedication of all the employees of the Company for their support and commitment to ensure that the Company continues to grow.

For and on behalf of the Board

Nagpur
27th July 2011

Ravi Bhushan Bhardwaj
Vice-chairman & Managing Director

**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988
ANNEX TO THE DIRECTORS' REPORT**

CONSERVATION OF ENERGY

The following measures were taken during the year under review for conservation of energy :

- i. Recycling waste gas produced in Blast Furnace in Alloy Steel Mill Re-heating furnace to save fuel
- ii. Installation of 75 MT crane for handling of hot metal to reduce energy loss
- iii. Increased hot metal consumption has reduced power consumption
- iv. Installation of dual fuel burners in Re-heating furnace for fuel saving

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A) POWER AND FUEL CONSUMPTION

Sr. No.	Particulars	2010-2011	2009-2010
1	Electricity purchased [Units (kWh)]	159,365,082	152,357,285
	Total Amount (` in lacs)	8,273	7,426
	Rate/Unit (` /kWh)	5.191	4.873
2	Production of Rolled Products (MT)	311,131	309,596
	Electricity purchased (kWh/MT)	512.212	492.116
3	Fuel Oil like Furnace Oil/LSHS/LDO etc. Quantity (K.Ltrs.)	12,945	13,847
	Total Amount (` in lacs)	3,567	3,331
	Average Rate (` /KL)	27,556	24,055

B) CONSUMPTION PER UNIT OF PRODUCTION

Sr. No.	Particulars	2010-2011		2009-2010	
		DRI	STEEL	DRI	STEEL
1	Production (MT)	92,774	311,131	126,336	309,596
2	Electricity (kWh/MT)	153.60	805.98	124.25	838.51
3	Fuel (Ltr/MT)	1.098	41.27	0.792	44.40

C) DETAILS OF CAPTIVE POWER GENERATION

Sr. No.	Particulars	2010-2011	2009-2010
1	Production (kWh)	127,620,000	146,103,000
2	Captive Consumption (CPP)	17,466,023	17,916,159
3	Captive Consumption (Steel)	105,650,629	122,938,441
4	Wheeled back power	4,503,348	5,248,400

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A) RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- i. Installation of stand 19/20 in BSM
- ii. Development of new grades and products
- iii. Introduction of online dimension measurement system to set the Rolling Mill immediately to avoid rejection and also introduced ultrasonic system to check internal soundness of the product

Benefits :

- i. Improve the productivity, product quality and rolling of higher sizes
- ii. Wider product range and value addition
- iii. To minimise rejections of finished products

Future Plans : Additional Sponge Iron and Power Plant, Blooming Mill, Coke Oven Plant, Pulverized Coal injection

EXPENDITURE ON RESEARCH & DEVELOPMENT

Sr. No.	Particulars	2010-2011	2009-2010
1	Capital (` in lacs)	308	279
2	Recurring (` in lacs)	401	48
3	Total (` in lacs)	709	327
4	Total R & D Expenditure as a percentage of net turnover	0.46%	0.24%

B) FOREIGN EXCHANGE EARNINGS AND OUTGO

` in Lacs

Sr. No.	Particulars	2010-2011	2009-2010
1	Earnings : Export of goods	11,514	12,274
2	Out Go : a) CIF value of imports	17,363	11,031
	b) Others including Technical Services	277	195

BRIEF PROFILE OF THE DIRECTOR(S) SEEKING APPOINTMENT/ RE-APPOINTMENT
CA Jayesh M. Parmar

CA Jayesh M Parmar is a fellow member of the Institute of Chartered Accountants of India ('the ICAI'). He is in practice as a Chartered Accountant and a partner with M/s. Kanu Doshi Associates, Chartered Accountants, Mumbai since year 1993. He was a member of a committee set up by the ICAI on revision of the accounting standards. In the course of practice, he dealt with number of clients including corporate, manufacturing and service sector industry on various subjects like international taxation, acquisition and mergers, valuation of business and shares, restructuring of business, due diligence audits, cross border transactions, setting up of a foreign branch, entry level strategy, offshore company formation, government approvals for foreign investments. He is a member of Audit Committee and Remuneration Committee of the board. He is also holding the directorship in Arcon Automotive India Private Limited, Capstone Commodities Multi Trade Private Limited, AGS Transact Tech Limited, Unibios Laboratories Limited and KDA Corporate Advisors Private Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

Mr. Kailash Chander Vijh

Mr. Kailash Chander Vijh S/o. Late Shri Bisambarnath Vijh, aged about 70 years, is a graduate mining engineer from Indian School of Mines, Dhanbad. He holds First class Mine Managers' Certificate of Competency and is also a Fellow Member of the Institution of Engineers. He also holds Post Graduate in Mine Planning from Leningrad Mining Institute, USSR and Post Graduate Diploma in Business Management (Gold Medalist).

Mr. Vijh had an excellent and distinguished career in mining industry. Over three decades, he worked in various subsidiaries of Coal India Limited and retired as Chairman-cum-Managing Director of Western Coalfields Limited.

Mr. Vijh has expertise in design and operations of large underground and opencast mines, Design and layout of longwall faces/continuous miner faces and their successful operation with improved productivity and reduced cost. He had started large green field projects without time and cost overrun. During his distinguished career, he had handled complex industrial relations problems including management, development and training of manpower. He is a Director of B L A Power Private Limited and Castron Mining Limited. He does not hold any shares in Sunflag Iron and Steel Company Limited.

Mr. Suhrit Bhardwaj

Mr. Suhrit Bhardwaj S/o. Shri Ravi Bhushan Bhardwaj, aged about 36 years, is a Kenyan national and person of India origin. He has graduated as B.Sc. Majoring in Chemistry and Business Management (Joint Honors Degree) from the world renowned Kings College of London University.

Though he belongs to the Promoter Group, he preferred to join Sunflag Group Companies in Kenya in the year 1997. He is having a rich experience while working at basic levels through training and further heading in production, planning and control, maintenance and service, quality control, purchase, marketing, customer satisfaction and human resource management. He is instrumental in project development and commercial aspects. Presently, he is a Group Managing Director of Sunflag Group, Kenya which owns Textile Manufacturing Units employing about 4,000 employees. He is a Director of Supra Corporation Limited and holding 11,517,398 (7.10%) Equity Shares in Sunflag Iron and Steel Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Sunflag Iron and Steel Company Limited (*SUNFLAG STEEL*) had set up a 'state of the art' integrated Steel plant at Warthi, Bhandara Road to produce high quality Special Steel with manufacturing facilities like Sponge Iron Plant, Mini Blast Furnace, Sinter plant and Captive Power Plant.

SUNFLAG STEEL has established itself as a major global force. With the modern complex pulsating with world class technology, expert human resources and a commitment to excellence, *SUNFLAG STEEL* has become a reputed supplier in Flat Bars, Round Bars, Bright Bars and Wire Rods of Alloy Steel, Spring Steel and Stainless Steel and captured better position in these market segments. *SUNFLAG STEEL* is also embarking on an export thrust and is regularly supplying to various customers in South East Asian, African, Middle East and South American countries.

GLOBAL AND INDIAN ECONOMIC SCENARIO

The road to recovery from the great recession is proving to be long, winding and rocky. After a year of fragile and uneven recovery, growth of the world economy started to decelerate on a broad front in mid-2010. The slowdown is expected to continue in 2011 and 2012. The outlook is shrouded in great uncertainty and serious downside risk remains globally. The United nations baseline forecast for the growth world gross product (WGP) is 3.1% for 2011 and 3.5% for 2012, which is below the 3.6% estimated for 2010 and the pre-crisis pace of global growth. Better outcomes may be expected only through strengthened international policy co-ordination.

Among the developed economies, USA has been on the mend from its longest and deepest recession since second world war. At 2.6% in 2010, the growth is expected to be moderate further to 2.2% in 2011 and to improve slightly to 2.8% in 2012. The growth prospects for Europe and Japan are even dimmer and the growth in the euro area is forecast virtually stagnate at 1.3% in 2011 and 1.7% in 2012 as against the growth in 2010 was 1.6%. Many European countries such as Greece, Ireland, Portugal and Spain will see even less growth challenged by persistent deflation and elevated public debt, the economy is expected to grow by meager 1.1% in 2011 and 1.4% in 2012.

Among the economies in transition, the Commonwealth of Independent States (CIS) and Georgia experienced a rebound in GDP by about 4.0% on average in 2010, up from the deep contraction of 6.7% in 2009. Increased external demand and rebounding commodity prices are the drivers of the recovery. The recovery has slowed in the course of 2010, however, output growth is not expected to accelerate in the outlook for 2011 and 2012. In 2011 and 2012, the pace of recovery in South-Eastern Europe is expected to be rather slow.

The developing countries continue to drive the global recovery, but their output growth is also expected to moderate to 6.0% on an average during 2011-2012, down from 7.1% in 2010. Developing Asia, led by China and India, continues to show the strongest growth performance, but GDP growth in these two new economic giants is expected to experience some moderation in 2011 and 2012. Growth in Latin America, particularly that in the South American economies, is projected to remain relatively robust at about 4.1% in the base line forecast.

India is rated today as one of the most attractive investment destination across the globe. As per International Monetary Fund (IMF), the Indian economy is projected to expand by 8.2% in 2011, unchanged from its growth forecast made in April. However, this is much lower than 10.4% growth witnessed in 2010. Inflation & hike in input costs have played a major role in striking the GDP. The multilateral lender's latest projection comes at a time when the country is grappling with uncomfortably high inflation that threatens to derail its growth story. Inflation in India, which is the second fastest economy after China, crossed 9.0% mark in May. IMF expects India to expand at a much slower pace at 7.8% in 2012, according to the world economic outlook report. The multilateral lender had earlier in April estimated that the Indian economy will expand by 8.2% and 7.8% in 2011 and 2012, respectively.

As per India Brand Equity Foundation (IBEF), the overall growth Index of Industrial Production (IIP) during 2010-2011 was about 7.8%. The six core industries comprising of crude oil, petroleum refinery products, coal, electricity, cement and finished carbon steel and which accounts for nearly 27% of the total, grew by 5.7% as compared to 5.4% in the previous year. The domestic environment is conducive for growth and private final consumption expenditure is projected to grow by healthy 7.5% and gross fixed capital formation by 14.6%. On the back of such facts, India's GDP is projected to continue to grow at a brisk pace of 8.8% in 2011-2012.

STEEL INDUSTRY

Industrial climate during the year has marginally improved for the Steel Industry, Automobile and Auto Components Sectors. The Indian Steel Industry also witnessed the marginal growth during the financial year 2010-2011. The Alloy steel industry in general also showed good improvement in production, commensurate with the demand of steel for automobile application. The growth in the manufacture of commercial vehicles during the year was significant. In other areas of automobile industry, motorcycle production also shown growth which improved the demand of alloy steel for component manufacture for this industry.

The overall inflation for 2010-2011 stands at 9.4% and is much above what the RBI considers as the 'growth promoting inflation rate' and which is about 5%. In the manufactured products category too signs of a buildup in inflation have strengthened with segments like edible oils, cotton textiles, man-made textiles, basic metal alloys, iron and steel & rubber and plastic products seeing a considerable increase in prices. This has relatively increased the input costs as manufacturers have crossed the level beyond which holding price line is no longer a viable option.

SUNFLAG STEEL having entered into the areas of manufacturing of wire rod and bars of alloy and special steel, after commissioning vacuum degassing, has been able to embark its growth even in such economic conditions.

MATERIAL DEVELOPMENT

SUNFLAG STEEL has been able to increase its turnover during the year by about 14.24% over the previous year, mainly due to marginal rise in selling prices of its products. However, due to abnormal rise in the cost of inputs such as pig iron, iron ore and coke, full benefit could not be realised.

In order to achieve effective cost reduction and improvement in productivity, activity of total productive maintenance (TPM) continued to be implemented by the Company during the year under review.

OPPORTUNITIES

SUNFLAG STEEL see more opportunities in the years to come due to continuous developments of new grades of high alloy steel as well wire rod. Further, venturing into the self dependency of raw material will help in decreasing in the cost of production and enhancing the profitability. This has even proved advantageous during the recessionary period which is very good sign for the Company.

The transition to GST would be an important milestone from a macro perspective, moving from the current system of different types of indirect taxes at multiple rates. The new system would cover a wider base, including all goods and services and would create a vibrant common market. The GST would aim to bring considerable economic benefit in the form of reduced transaction costs, revenue neutrality and substantially lower taxes. The current system taxes production, whereas GST would tax consumption. Indeed, current law levies taxes on the movement of goods from one state to other - effectively creating borders within borders. It also distorts the allocation of resources and inhibits productivity growth.

THREATS

The global slowdown as well as rising and fluctuating prices of raw materials is adversely affected the output prices thereby causing hardship to the customers. The availability of the quality raw materials viz Iron Ore, Coal, LAM Coke is the cause of concern for the industry. As such there is no threat to *SUNFLAG STEEL* other than those mentioned above.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of business. These procedures are designed to ensure :

1. That all assets and resources are used efficiently and are adequately protected;
2. That all the internal policies and statutory guidelines are complied with; and
3. The accuracy and timing of financial reports and management information is maintained.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

Industrial relations remained cordial during the year. Employees' competencies and skills were enhanced by exposing them to several internal and external training programmes. Additional efforts continued to be implemented with a view to obtain commitment and loyalty towards the organisation.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning applicable to securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets, changes in the Government regulations, tax laws and other statutes and other incidental factors.

CORPORATE GOVERNANCE REPORT

Your Company has already implemented the Code of Corporate Governance as prescribed by SEBI in terms of amended Clause 49 of the Listing Agreement with the Stock Exchange(s). As per the amended Clause 49 of Listing Agreement, your Company has approved '**SISCO Code of Business Principles and Conduct**' for Board Members as well as Members of the Senior Management and the same are posted on the Company's Website. The Company is also following the '**SISCO Code of Conduct for prevention of Insider Trading**' as per SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended. The detailed compliance report on the Corporate Governance for the year 2010 - 2011 is as follows :

A - MANDATORY REQUIREMENTS

1) SUNFLAG PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors and management of Sunflag Iron and Steel Company Limited commit themselves to :

- i) Strive hard towards enhancement of shareholders value through
 - sound business decisions,
 - prudent financial management, and
 - high standard of ethics throughout the organisation.
- ii) Ensure transparency and professionalism in all decisions and transactions of the Company.
- iii) Achieve excellence in Corporate Governance by
 - conforming to and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.
 - regularly reviewing the Board processes and management systems for further improvement.
- iv) Ensure safety, health and environment management by making it an integral part of the Company's business strategy and to actively promote awareness of safety, health and environment issues throughout the Company and to our business partners.
- v) Implement, maintain and continuously improve an environment management system.
- vi) Achieve excellence in all activities by implementing Total Productive Maintenance (TPM) with the involvement of all employees to reduce cost, increase productivity and improve quality continuously with the aim of achieving "**Zero Failure, Zero Defect and Zero Accident**".

2) BOARD OF DIRECTORS

a) **Composition** : The Board of Directors of the Company as of 31st March 2011 consisted of :

i) Non-Executive Directors

- Promoter Group Mr. P. B. Bhardwaj
- Non-Promoter Group Dr. E.R.C. Shekar

Mr. Naresh Gwalani
(Nominee-IDBI Bank Limited)
Mr. S. Gajendran
CA Jayesh M. Parmar

ii) Executive Directors

- Promoter Group Mr. Ravi Bhushan Bhardwaj
- Non-Promoter Group Mr. Pranav Bhardwaj
- Non-Promoter Group Mr. Surendra Kumar Gupta

[Brief Profile of the Director(s) seeking appointment / re-appointment are given at the end of Directors' Report]

b) **Attendance at the Board and Board Committee Meetings during the financial year; last Annual General Meeting and details of membership of Directors in other Boards.**

- Six Meetings of the Board of Directors were held on 10th April 2010, 28th May 2010, 19th July 2010, 23rd September 2010, 28th October 2010 and 29th January 2011 and a Board Committee meeting was held on 7th April 2010 during the financial year under review.
- Twenty-fourth (24th) Annual General Meeting was held on 23rd September 2010.

Sr. No.	Name of Director	No. of Board / Committee Meetings attended	Whether attended last AGM	Membership in other Companies	Committee Membership
1	Mr. P. B. Bhardwaj	3	Yes	2	1
2	Mr. Ravi Bhardwaj	5	Yes	4	2
3	Mr. Pranav Bhardwaj	3	No	5	2
4	Dr. E. R. C. Shekar	5	Yes	5	4
5	Mr. Naresh Gwalani	4	No	--	2
6	Mr. S. Gajendran	6	Yes	1	3
7	CA Jayesh M. Parmar	4	Yes	1	2
8	Mr. S. K. Gupta	6	Yes	5	2

Membership in other companies meant companies other than foreign companies and private limited companies.

3) AUDIT COMMITTEE

a) Constitution

Dr. E.R.C. Shekar is the Chairman of the Committee. The terms of reference covers all aspects stipulated by the SEBI guidelines as specified in Clause 49 of the Listing Agreement with Stock Exchanges. The current terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

b) The **composition** of the Audit Committee consisting of following Independent Members :

Chairman : Dr. E. R. C. Shekar
Members : Mr. Naresh Gwalani, Mr. S. Gajendran and CA Jayesh M. Parmar
Secretary : CS Mukesh D. Parakh, Company Secretary

c) **Meetings and Attendance** : Four meetings of the Audit Committee were held on 20th May 2010, 19th July 2010, 28th October 2010 and 28th January 2011 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
No. of Meetings Attended	3	4	4	3

- The Audit Committee held discussions with the Statutory Auditors on the audit of the quarterly / half-yearly accounts, the yearly audit plan, matters relating to compliance of Accounting Standards and Policies, their observations arising from the Audit of the Company's Accounts and other related matters.
- The Audit Committee during their four meetings reviewed with the Management and the Auditors (both external and internal) all issues which are required to be reviewed by the Audit Committee pursuant to the Listing Agreement with the Stock Exchanges as also the Companies Act, 1956. The Audit Committee has also reviewed the observations of the Internal and Statutory Auditors in relation to all areas of operations of the Company as also the internal control systems. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the Auditors.

4) REMUNERATION COMMITTEE

a) The **composition** of the Remuneration Committee consisting of following Independent Members :

Chairman : Dr. E. R. C. Shekar
Members : Mr. Naresh Gwalani, Mr. S. Gajendran and CA Jayesh M. Parmar
Secretary : CS Mukesh D. Parakh, Company Secretary

b) **Meeting and Attendance**

A Meeting of the Remuneration Committee was held on 20th May 2010 during the financial year.

Attendance :

Name of Director	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
Attendance at Meeting	Yes	Yes	Yes	Yes

c) The Committee looks after appointment / re-appointment and finalisation of the annual increments payable to the Executive Directors within the prescribed limits of the Companies Act, 1956.

i) **For Executive Director(s)** :

The total remuneration, subject to the Shareholders' Approval, consists of :

- A fixed component - consisting of salary and perquisites; the perquisites and benefits are in line with Company's Rules.
- Commission @2% on Net Profits paid to each Managing Director and Joint Managing Director respectively.
- No commission is paid to the Whole Time Director of the Company.

ii) **For Non-Executive Director(s)**

Sitting Fees in accordance with Clause 10-B of the Companies (Central Government's General Rules & Forms) Rules 2003, @ ` 5000/- and @ ` 2000/- per Meeting of the Board and Committee thereof, as the case may be, respectively, have been paid together with reimbursement of actual travel and out-of-pocket expenses incurred for attending such meetings.

iii) Commission to Non-executive Chairman :

The Members at their Meeting held on 25th September 2007 has approved the payment of remuneration by way of Commission @1% of the Net Profits to Mr. P. B. Bhardwaj, Non-executive Chairman. Accordingly, the Commission amounting to ` 97.85 Lacs has been provided in the Accounts for the financial year 2010 - 2011.

d) The Details of Sitting fees and Remuneration paid / payable to all the Directors for the financial year 2010-2011 are as under :
i) Details of Sitting fees paid

Name of Directors	Dr. E.R.C. Shekar	Mr. Naresh Gwalani	Mr. S. Gajendran	CA Jayesh M. Parmar
Sitting fees paid	` 30,000	` 27,000	` 37,000	` 25,000

• No sitting fees paid to the Non-Executive Chairman and Executive Director(s) of the Company.

ii) Total remuneration paid to the Managing Director(s) and Whole Time Director of the Company during the financial year is ` 76,292,689/- as detailed below :

Sr. No.	Name	Designation	Amount (`)
1	Mr. Ravi Bhardwaj	Vice Chairman & Managing Director	36,506,468
2	Mr. Pranav Bhardwaj	Joint Managing Director	34,650,634
3	Mr. S. K. Gupta	Whole-time Director	5,135,587
Total			76,292,689

Particulars	Mr. Ravi Bhardwaj VC & MD	Mr. Pranav Bhardwaj Jt. MD	Mr. S.K. Gupta Whole-time Director
	Amount in `		
Basic Salary	3,660,000	3,240,000	2,001,613
House Rent Allowance	3,000,000	2,400,000	600,484
Allowances / Reimbursements	1,485,588	763,154	1,993,054
PF / EPF / Superannuation Fund	988,200	874,800	540,436
Commission (2009-2010)	27,372,680	27,372,680	0
Total	36,506,468	34,650,634	5,135,587

5) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Objective : Especially to look after grievances of Shareholders and Investors Complaints like dematerialisation / rematerialisation of shares, transfer of shares, transmission of shares, non-receipt of share certificates, balance sheet etc. and timely redressal of their grievances.

- a) The Shareholders / Investors' Grievance Committee is consisting of Dr. E. R. C. Shekar as the Chairman, Mr. Ravi Bhushan Bhardwaj, Mr. Pranav Bhardwaj, Mr. S. Gajendran and Mr. Surendra Kumar Gupta, as the Committee Members while, CS Mukesh D. Parakh, Secretary to the Committee.
- b) During the financial year, the Committee had Three Meetings and reviewed regularly :
 - i) the system of handling with and responding to complaints received from the Shareholders and Investors;
 - ii) the complaint letters received from Shareholders / Investors through Stock Exchanges, SEBI, Depositories viz. NSDL & CDSIL and responses thereof.
- c) All complaints as of 31st March 2011 have been attended to, suitably replied / resolved and redressed accordingly.
- d) The authority relating to share transfers has been delegated to the Share Transfer Committee which consists of five Members, viz. two Non-executive Directors and three Executive Directors. The Board has authorised the Share Transfer Committee to approve all routine transfers and transmission and rematerialisation of shares and ratify dematerialisation of shares, carried out by the Share Transfer Agent. Presently, the request for transfer / transmission of Shares, etc. are effected within 15 to 30 days.
- e) As per amended Clause 47(f), the Company has created a designated e-mail ID for the Investor Grievances / Complaints as investor@sunflagsteel.com. The required information has been sent to concerned Stock Exchanges and also displayed at Company's Website.

6) GENERAL BODY MEETINGS
a) Details of last three Annual General Meetings (AGM) :

Sr. No.	Year	Location	Date	Time
1	22 nd AGM - 2008	Indian Medical Association's J. R. Shaw Auditorium, North Ambazari Road, Nagpur - 440 010	23.09.2008	15:00 Hrs.
2	23 rd AGM - 2009		25.09.2009	15:00 Hrs.
3	24 th AGM - 2010		23.09.2010	15:00 Hrs.

b) Some special resolutions were passed at the aforesaid meetings. However, no matter which requires Postal Ballot has been placed.

7) DISCLOSURES
a) Related Party Disclosures :

Related Party	Relationship
Sunflag Limited, Channel Island, UK	Enterprise which have significant influence
Sunflag Power Limited Sunflag Special Steels Limited Khappa Coal Company Private Limited	Subsidiary Companies
Madanpur (North) Coal Company Private Limited C T Mining Private Limited Gujarat State Mining and Resources Corporation Limited	Joint Venture Companies
Haryana Television Limited	Associate Enterprise
Mr. P. B. Bhardwaj Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Mr. Surendra Kumar Gupta	Key Managerial Personnel (KMP)
Ridge Farm Developers Private Limited	Relative to Key Managerial Personnel

b) Transactions with the related parties:

Sr. No.	Particulars	in Lacs
a.	Subsidiary Companies : Share Application Money	47
b.	Joint Venture Companies : Share Capital	2
	Share Application Money	4
	Unsecured Loan	1
c.	Associate Enterprises : Rent Paid	26
d.	Relative to KMP : Rent Paid	13
	Other Expenses	4
e.	Key Managerial Personnel : Remuneration and Commission	691

The Company has complied with the requirement of regulatory authorities on capital markets. There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities on such matters, for the last three years.

8) MEANS OF COMMUNICATION

a) The quarterly financial results are being published in Business Standard / Financial Express / Times of India / Indian Express in English and Loksatta / Sakal in Marathi. The quarterly results are also displayed on the Company's Notice Board.

b) Management Discussion and Analysis forms part of this Annual Report.

9) GENERAL SHAREHOLDER INFORMATION

a.	25 th Annual General Meeting	Friday, the 23 rd Day of September 2011 at 3.00 P.M.
b.	Book closure dates	From Saturday, the 3 rd Day of September 2011 to Friday, the 23 rd Day of September 2011 (both days inclusive)
c.	Dividend payment date (if declared at AGM)	28 th September 2011 onwards
d.	Financial Calender i. Unaudited Results for the quarter ending on 30.06.2011 ii. Unaudited Results for the quarter ending on 30.09.2011 iii. Unaudited Results for the quarter ending 31.12.2011 iv. Audited Results for the year / quarter ending 31.03.2012	Tentative Schedule 27 th July 2011 October / November 2011 January / February 2012 May 2012
e.	Listing of Equity Shares For the year 2010-2011, the Company's Equity Shares were listed with two (2) Stock Exchanges viz. BSE & NSE	Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)
f.	Equity Shares - Stock Codes : Trading Symbol at Stock Exchanges Demat ISI Number in NSDL & CDSIL	500404 (BSE) SUNFLAG (NSE) INE947A01014 - Sunflag Iron - Equity

g) Stock Market Data

The high and low prices recorded on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) with their respective Indices are as under :

Month	Share Price of Sunflag Steel				BSE SENSEX		S & P CNX NIFTY	
	BSE		NSE		High	Low	High	Low
	High (`)	Low (`)	High (`)	Low (`)				
April 2010	36.10	31.00	36.00	30.30	18048	17277	5400	5161
May 2010	32.70	27.10	32.70	26.15	17537	15960	5279	4786
June 2010	30.50	27.00	30.30	26.90	17920	16318	5367	4961
July 2010	32.70	29.00	32.70	28.15	18238	17396	5478	5226
August 2010	33.85	30.60	33.95	30.50	18475	17820	5550	5349
September 2010	34.85	31.00	34.90	31.00	20268	18027	6074	5403
October 2010	32.95	29.50	33.00	29.50	20855	19769	6284	5937
November 2010	32.15	25.55	32.30	25.55	21109	18955	6339	5690
December 2010	30.70	25.75	30.40	25.00	20552	19075	6147	5721
January 2011	31.15	24.65	31.10	24.55	20665	18038	6181	5417
February 2011	26.10	21.60	26.00	20.45	18691	17296	5599	5178
March 2011	29.80	25.10	29.80	25.00	19575	17792	5872	5348

(Source : Official websites of Bombay Stock Exchange & National Stock Exchange)

h) Registrar & Share Transfer Agent :

Effective 31st March 2003, **M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072** have been acting as the Registrar & Share Transfer Agent. All the Shareholders / Investors related Services, subject to approval of the Company either through Board / Committee of the Board or Managing Director / Company Secretary, are done by the said Registrar and Share Transfer Agent for and on behalf of the Company.

i) Distribution of Shareholding as on 31st March 2011 :

Share holding of nominal value of		Shareholders		Value of Shares (`)	
		Number	%	Amount	%
10	5000	68,335	82.84	128,773,910	7.94
5001	10000	7,819	9.48	64,529,860	3.98
10001	20000	3,324	4.03	51,676,820	3.19
20001	30000	1,016	1.23	26,354,820	1.62
30001	40000	400	0.48	14,766,230	0.91
40001	50000	466	0.56	22,474,900	1.39
50001	100000	576	0.70	43,788,070	2.70
100001	1621975030	557	0.68	1,269,610,420	78.27
Total		82,493	100.00	1,621,975,030	100.00

Pattern of Shareholdings as on 31st March 2011 :

S N	Category	No. of Holders	No. of Shares	%
1	Promoters - Foreign	2	75,920,980	46.81
2	Promoters - Indian	3	9,945,496	6.13
3	Non Resident Indians / Flls	289	860,362	0.53
4	Financial Institutions	5	553,360	0.35
5	Bodies Corporate	942	15,445,890	9.53
6	Banks (Nationalised / Others)	20	1,259,950	0.77
7	Mutual Funds / Trust	14	51,025	0.03
8	Clearing Members / Corporations	65	77,061	0.05
9	Indian Public / Directors	81,153	58,083,379	35.81
Total		82,493	162,197,503	100.00

j) Dematerialisation of Shares and Trading at Stock Exchanges (Liquidity) :

The Equity Shares of the Company are compulsorily traded in electronic form only. Out of the total Equity Shares in the Capital of the Company 88,450,719 equity shares, which represents 54.533% of the total paid-up share capital of the Company have already been stand dematerialised, (Foreign Promoter's shareholding is presently held in physical form).

The Equity Shares of the Company were actively traded on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and hence have good liquidity.

k) Plant Location : Sunflag Iron and Steel Company Limited

Works: P.O.: Bhandara Road, Warthi, BHANDARA - 441905 (Maharashtra)

Phone Nos : 07197-285551 to 55

ADDRESS FOR CORRESPONDENCE OF SHAREHOLDERS / INVESTORS

For all matters relating to shares be sent to :	For all matters relating to Annual Reports / Grievances / Dividend :
Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), MUMBAI - 400072 Phone : 022-4043 0200 / 2847 0652 / 53; 2847 3474 Fax : 022-28475207 e-mail : info@bigshareonline.com; Website : http://www.bigshareonline.com	Company Secretary, Sunflag Iron and Steel Company Limited 33, Mount Road, Sadar, Nagpur - 440001 Phone : 0712-2524 661 / 2520 356 / 57 / 58 Fax : 0712-2520 360 E-Mail : investor@sunflagsteel.com Website : http://www.sunflagsteel.com

B - NON-MANDATORY REQUIREMENTS**1. Chairman's Office:**

In accordance with the Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. P.B. Bhardwaj, Non-executive Chairman has been provided a leased accommodation @ monthly rent of ` 1.00 Lac, at Company's expenses in performance of his duties.

2. Remuneration Committee:

The Company has constituted the Remuneration Committee and the requisite details are included in the Corporate Governance Report.

3. Shareholders' Rights:

The quarterly results / half-yearly results are not being furnished to the individual shareholders as they are furnished to the Stock Exchanges and published through the newspapers.

The statement of quarterly results / half yearly results are being published in Newspapers. (Business Standard / Financial Express / Times of India / Indian Express in English and Loksatta / Sakal in Marathi).

4. Postal Ballot:

The Company has had no occasion to exercise the postal ballot so far.

Report on Corporate Governance

This chapter of the Annual Report together with the information given under "Management Discussion and Analysis" constitutes a detailed Compliance Report on Corporate Governance during the financial year under review.

CEO/CFO Certificate on Corporate Governance

The Company has also obtained a Certificate from the CEO / CFO of the Company regarding compliance stipulation of Corporate Governance as stipulated in Clause 49 of Listing Agreement with the Stock Exchanges.

Auditors' Certificate on Corporate Governance

The Company has obtained a Certificate from the Statutory Auditors of the Company regarding compliance stipulation of Corporate Governance as stipulated in Clause 49 of Listing Agreement with the Stock Exchanges and the same is annexed to the Directors' Report.

AUDITORS' CERTIFICATE - CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by Sunflag Iron and Steel Company Limited for the financial year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement, of the said Company with Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 based on 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 the Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the financial year ended 31st March 2011, no investor grievances were remaining unattended / pending against the Company for a period exceeding one month as per the records maintained by the Shareholders / Investors Grievance Committee of the Company.

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 conducted the affairs of the Company.

**For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS**

**JAYANT I. MEHTA
PARTNER
Membership Number - 42630**

**Nagpur
27th July 2011**

AUDITOR'S REPORT

To,

The Members of
Sunflag Iron and Steel Company Limited
Nagpur

1. We have audited the attached Balance Sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** as at 31st March 2011, Profit and Loss Account for the year ended on that date and Cash Flow Statement for the year ended on that date, both 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 the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditor's Report) Order, 2003 ("CARO") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and according to the information and explanation given to us during the course of the audit and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2011;
 - (b) in the case of the Profit and Loss Account, 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 PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
Firm Regn. No. 107768W**

**CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630**

**Nagpur
27th May 2011**

ANNEXURE TO THE AUDITOR'S REPORT
**Referred to in paragraph (3) of our Report of even date on the accounts of
SUNFLAG IRON AND STEEL COMPANY LIMITED for the year ended 31st March 2011**

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major proportion of the assets have been physically verified by the management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancy has been noticed on such verification.
- (c) According to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year.
- ii. (a) We are informed that during the year the management has physically verified the inventories. In case of material lying with third parties, certificates confirming stock have been received in respect of a substantial portion of stock held. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) According to the information and explanations given to us, the Company has maintained proper records of inventories. Discrepancies noticed on verification between physical stocks and the book records were not material.
- iii. (a) According to the information and explanations given to us, the Company has, during the year, granted loans and advances to the companies covered in the register maintained under Section 301 of the companies Act 1956, as per details hereunder :

Name of Company	Nature of Loans & Advances	Amount in `	
		During the Year	Maximum / Year end Balance
Sunflag Power Limited (Subsidiary Company)	Interest free unsecured loan	4,707,986	84,178,906
Khappa Coal Company Private Limited (Subsidiary / Joint Venture Company)	Interest free unsecured loan	Nil	69,597,000
Gujarat State Mining and Resources Corporation Limited (Joint Venture Company)	Interest free unsecured loan	146,820	146,820

- (b) There is no stipulation for the repayment of Principal and the Interest.
- (c) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) (e) (f) (g) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the Company and the nature of its business with regards to the purchase of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control.
- v. According to the information and explanation given to us, during the year, there were no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year; hence paragraph 4 (vi) of the Order is not applicable.
- vii. In our opinion, the Company has an internal audit division, which is commensurate with size and the nature of its business.
- viii. We have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been generally depositing undisputed statutory dues including Provident Fund, Employees' State Insurance dues, Income Tax, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty, Service Tax, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities.
- (b) We are informed that there are no undisputed statutory dues as at the year end, outstanding for a period of more than six months from the date they became payable.

- (c) According to the records of the company, the details of disputed dues of Income Tax, Sales Tax and Excise duty & Cess are enclosed in *Annexure A*.
- x. The Company does not have accumulated losses at the end of the financial year 31st March 2011. Further, the Company has not incurred cash losses during the financial year ended 31st March 2011 and in the immediately preceding financial year ended 31st March 2010.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- xii. According to information and explanations given 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.
- xiii. The Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society to which the provisions of special statute relating to Chit Fund are applicable.
- xiv. As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination the Balance Sheet of the Company, we report that during the year short-term funds have not been used to finance long-term investments.
- xviii. The Company has not made preferential allotment of shares during the year.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised money by public issue during the year.
- xxi. On the basis of our examination and according to the information and explanation given to us, no material fraud on or by the Company has been noticed or reported.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
 Firm Regn. No. 107768 W

CA JAYANT I. MEHTA
PARTNER
 Membership Number - 42630

Nagpur
 27th May 2011

Annexure - A

Statement of disputed statutory dues and annexure to report as at 31 st March 2011						
Particulars		Amount (` in Lacs)	Period to which the amount related (various years covering the period)	Forum where dispute is pending	Whether paid or unpaid	
Excise Duty Deptt.'s show causes	Excise duty *	2.48	2008 - 2009	Commissioner, Central Excise Commissioner, Central Excise Commissioner, Central Excise Tax Appellate Tribunal Commissioner of Customs	Not Deposited	
	Excise duty	55.31	2008 - 2009			
	Excise duty	29.03	2009 - 2010			
	Departmental appeals Deptt.'s show cause	Excise duty *	1.87			1994 - 1996
	Excise duty	14.18	1994 - 1995			
	Total	102.87				
Sales Tax Company's appeals	Sales Tax	2,659.33	2005 - 2006 to 2009 - 2010	High Court (Although the Company has filed Writ petition but has paid this amount under protest)	Deposited Under Protest	
	Total	2,659.33				
Income Tax Company's appeals	Income Tax	308.81	2007 - 2008	Commissioner of Income Tax (Appeal) Commissioner of Income Tax (Appeal)	Deposited Deposited	
		54.80	2006 - 2007			
	Total	363.61				

* Pertains to Modvat Credit

SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
BALANCE SHEET AS AT 31st MARCH 2011

	Schedule	As at 31.03.2011 (` in Lacs)	As at 31.03.2010 (` in Lacs)
I SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
SHARE CAPITAL			
a) Paid up Capital	1	16,220	16,220
b) Reserves & Surplus	2	31,250	25,140
2. LOAN FUNDS			
a) Secured Loans	3	33,843	18,432
b) Unsecured Loans	4	9,865	14,450
3. DEFERRED TAX LIABILITIES		4,881	5,020
		<u>96,059</u>	<u>79,262</u>
II APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
a) Gross Block		89,682	88,330
b) Less : Depreciation		<u>55,185</u>	<u>51,236</u>
c) Net Block		34,497	37,094
d) Capital work-in-progress		19,736	2,835
2. INVESTMENTS	6	758	756
3. CURRENT ASSETS, LOANS & ADVANCES	7		
a) Inventories		29,903	25,489
b) Sundry Debtors		14,090	12,169
c) Cash & Bank Balances		3,455	2,964
d) Loans & Advances		<u>14,665</u>	<u>17,412</u>
		62,113	58,034
Less : CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	8	(13,928)	(13,193)
b) Provisions	9	<u>(7,117)</u>	<u>(6,264)</u>
		<u>(21,045)</u>	<u>(19,457)</u>
NET CURRENT ASSETS		41,068	38,577
		<u>96,059</u>	<u>79,262</u>
Significant accounting policies and Notes forming part of these accounts	15		

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th May 2011

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

DR. E.R.C. SHEKAR

S. GAJENDRAN

CA JAYESH M. PARMAR

S.K. GUPTA

DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED, NAGPUR
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

Schedule	Year ended 31.03.2011 (` in Lacs)	Year ended 31.03.2010 (` in Lacs)
INCOME		
Turnover (Gross)	168,568	145,278
Less : Excise Duty	<u>14,570</u>	<u>10,472</u>
Turnover (Net)	153,998	134,806
Export Incentive	409	157
Other Income	10	496
	<u>154,967</u>	<u>135,459</u>
EXPENDITURE		
Raw Material Consumption	11(a)	98,622
Other Manufacturing Expenses	11(b)	26,323
Staff & Establishment Expenses	12	8,305
Selling Expenses	13	4,927
Depreciation	5	3,964
Interest	14	3,744
Total Expenditure	<u>145,885</u>	<u>122,649</u>
Profit before Taxation	9,082	12,810
Provision for Taxation		
Current	(2,146)	(2,904)
Deferred	139	(415)
Prior Period Tax adjustments	<u>(22)</u>	<u>-</u>
Net Profit after tax	7,053	9,491
Profit brought forward	<u>24,884</u>	<u>16,342</u>
Profit available for appropriation	<u>31,937</u>	<u>25,833</u>
Appropriation to :-		
Proposed dividend on :		
Equity Shares	811	811
Corporate Dividend Tax	132	138
Profit Carried forward	<u>30,994</u>	<u>24,884</u>
	<u>31,937</u>	<u>25,833</u>
Earnings per Share (Refer Note 21 of Schedule 15 Part-B)	Amount in `	Amount in `
Basic	4.35	5.85
Diluted	4.35	5.85
Significant Accounting Policies and Notes forming part of these Accounts	15	
<i>As per our report attached</i>		
For PATEL, SHAH & JOSHI Chartered Accountants	RAVI BHUSHAN BHARDWAJ <i>VICE CHAIRMAN & MANAGING DIRECTOR</i>	DR. E.R.C. SHEKAR
CA JAYANT I. MEHTA PARTNER Membership Number - 42630	CA R. MURALIDHAR <i>EXECUTIVE DIRECTOR (FINANCE)</i>	S. GAJENDRAN
Nagpur 27th May 2011	CS MUKESH D. PARAKH <i>COMPANY SECRETARY</i>	CA JAYESH M. PARMAR
		S.K. GUPTA <i>DIRECTORS</i>

Schedules forming part of the Balance Sheet as at 31st March 2011		(` in Lacs)	
SCHEDULE - 1 : SHARE CAPITAL		As at 31-Mar-11	As at 31-Mar-10
AUTHORISED :			
165,000,000	Equity Shares of ` 10/- each	16,500	16,500
4,000,000	10% Cumulative Convertible Preference Shares of ` 100/- each	4,000	4,000
		<u>20,500</u>	<u>20,500</u>
ISSUED, SUBSCRIBED & FULLY PAID UP			
162,197,503	Equity Shares of ` 10/- each	16,220	16,220
(162,197,503)		<u>16,220</u>	<u>16,220</u>
SCHEDULE - 2 : RESERVES AND SURPLUS			
A) Capital Reserves	: Balance Brought Forward	25	25
B) General Reserves	: Balance Brought Forward	231	231
C) Profit & Loss Account	: Balance Brought Forward	24,884	16,342
	Profit for the year (after tax and appropriation)	<u>6,110</u>	<u>8,542</u>
		<u>30,994</u>	<u>24,884</u>
		<u>31,250</u>	<u>25,140</u>
SCHEDULE - 3 : SECURED LOANS			
A) Long Term Loans	: From Banks	22,816	14,493
B) Borrowing for Working Capital	: From Banks	11,027	3,939
		<u>33,843</u>	<u>18,432</u>
Notes:			
1. Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, both present and future, ranking pari passu inter se and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of the Company's bankers on inventories, book debts and other movables for securing the borrowings of working capital requirement.			
2. Borrowings for working capital from banks are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking pari passu over the fixed assets both present and future, subject to prior charges created by the Company in favour of Banks for securing term loan. Working capital borrowings are further secured by the personal guarantee of Shri Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.			
3. Long Term loans include ` 4,819 Lacs (Previous year ` 5,211 Lacs) payable within a year.			
SCHEDULE - 4 : UNSECURED LOANS			
A) Interest free Sales Tax Loan		8,490	13,075
B) From Promoters		1,375	1,375
		<u>9,865</u>	<u>14,450</u>
SCHEDULE - 6 : INVESTMENTS			
In Subsidiaries - UNQUOTED / Non-Trade :			
49,940	Equity shares of ` 10/- each in Sunflag Special Steels Limited	5	5
49,940	Equity shares of ` 10/- each in Sunflag Power Limited	5	5
3,163,500	Equity shares of ` 10/- each in Khappa Coal Co. Pvt. Limited	<u>316</u>	<u>316</u>
		326	326
In Others - UNQUOTED / Non-Trade :			
74	Equity shares of ` 10/- each in Indiabulls CSEB Bhaiyathan Power Limited	0.01	0.01
1,118,859	Equity shares of ` 10/- each in Madanpur (North) Coal Company Private Limited	112	112
3,180,000	Equity shares of ` 10/- each in C T Mining Private Limited	318	318
24,500	Equity shares of ` 10/- each in Gujarat State Mining and Resources Corporation Limited	<u>2</u>	<u>-</u>
		<u>432.01</u>	<u>430.01</u>
		<u>758.01</u>	<u>756.01</u>

Schedule forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March 2011

SCHEDULE - 5 : FIXED ASSETS

Sr. No.	DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK		in Lacs
		As At 01.04.2010	Additions in 2010-11	Adj / Del in 2010-11	As At 31.03.2011	As At 01.04.2010	Adj / Del in 2010-11	For the Year 2010-2011	As At 31.03.2011	
1	Freehold Land	295	29	-	324	-	-	-	324	295
2	Leasehold Land	84	-	-	84	-	1	22	62	63
3	Buildings	14,735	-	-	14,735	6,948	874	7,822	6,913	7,787
	a) Factory Building	191	1	-	192	70	3	73	119	121
	b) Non-Factory Building	458	-	-	458	105	20	125	333	353
	c) Office Building	630	-	-	630	195	10	205	425	435
	d) Township	87	(1)	-	86	24	1	25	61	63
	e) Welfare Building	253	-	-	253	70	9	79	174	183
	f) Roads	87	-	-	87	14	2	16	71	73
	g) Boundary wall and fencing	16,441	-	-	16,441	7,426	919	8,345	8,096	9,015
4	Railway Siding	375	-	-	375	344	4	348	27	31
5	Plant & Machinery	69,058	1,315	(25)	70,348	42,947	2,933	45,876	24,472	26,111
6	Furniture & Fixture	214	6	-	220	175	3	178	42	39
7	Heavy Vehicles	16	-	-	16	14	-	14	2	2
8	Light Vehicles	326	-	(14)	312	212	29	230	82	114
9	Development of Mines	1,521	41	-	1,562	97	75	172	1,390	1,424
	TOTAL	88,330	1,391	(39)	89,682	51,236	3,964	55,185	34,497	37,094
	PREVIOUS YEAR	79,536	8,801	(7)	88,330	47,453	3,788	51,236	37,094	32,083

Schedule forming part of the Balance Sheet as at 31st March 2011
SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES

	As at 31-Mar-11	(` in Lacs)	As at 31-Mar-10
A. CURRENT ASSETS			
(i) Inventories - (as taken, valued and certified by Management)			
a) Raw Materials	10,994		7,015
b) Consumable Stores, Spares etc.	395		1,189
c) Semi Finished Goods	3,623		4,419
d) Finished Goods	14,891		12,866
	<u>29,903</u>		<u>25,489</u>
(ii) Sundry Debtors (Unsecured)			
a) Over six months			
- Considered good	639	429	
- Considered bad and doubtful	223	223	
			652
b) Other Debts : Considered Good	13,451		11,740
	<u>14,313</u>		<u>12,392</u>
Less : Provision for bad and doubtful debts	223		223
	<u>14,090</u>		<u>12,169</u>
(iii) Cash and Bank Balances			
a) Cash on hand	32		25
b) Balances with Scheduled Banks			
- Current Account	513		580
- in Margin Money against Letters of Credit and Bank Guarantees	2,910		2,359
	<u>3,455</u>		<u>2,964</u>
B. LOANS AND ADVANCES (Unsecured Considered good)			
(i) Advances recoverable in cash or in kind or for value to be recovered	11,151		14,819
(ii) Advances to subsidiaries (see note below)	1,538		1,491
(iii) Deposits :			
a) With Maharashtra State Electricity Board	740	483	
b) With Excise Authorities	1,139	419	
c) With Others	97	200	1,102
	<u>14,665</u>		<u>17,412</u>
Total Current Assets	<u>62,113</u>		<u>58,034</u>

Note : 1) Closing Stock of Finished Goods includes Excise Duty of ` 1,574 Lacs (Previous year ` 1,234 Lacs)

2) Advances to Subsidiaries includes ` 696 Lacs (Previous year ` 696 Lacs) to M/s. Khappa Coal Company Private Limited as Interest Free Unsecured Loan and ` 842 Lacs (Previous year ` 795 Lacs) to Sunflag Power Limited as Share Application Money and ` 3.51 Lacs to Madanpur North Coal Company Private Limited as Share Application Money and ` 1.45 Lacs and ` 2.55 Lacs (Previous year Nil) respectively to Gujarat State Mining & Resources Corporation Limited and GMDC Limited as interest free Unsecured Loan.

SCHEDULE - 8 : CURRENT LIABILITIES

Acceptances	3,120	4,266
Sundry Creditors	5,105	1,142
Other Liabilities (Including Interest)	663	1,980
Provision for Expenses	5,040	5,805
	<u>13,928</u>	<u>13,193</u>

SCHEDULE - 9 : PROVISIONS

Proposed Dividend	811	811
Provision for Taxation		
- Income Tax	6,154	5,274
- Fringe Benefits Tax	24	41
- Dividend Tax	128	138
	<u>6,306</u>	<u>5,453</u>
	<u>7,117</u>	<u>6,264</u>

Schedules forming part of the Profit & Loss Account for the year ended 31st March 2011

(` in Lacs)

SCHEDULE - 10 : OTHER INCOME	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Interest received		
- From Banks	176	154
- From Others	30	27
Miscellaneous Income	354	315
	<u>560</u>	<u>496</u>

SCHEDULE - 11 : RAW MATERIAL CONSUMPTION & OTHER MANUFACTURING EXPENSES

a) Consumption of Raw materials and consumables :			
Opening Stock	8,204		4,862
Add : Purchases	101,807		85,470
Less : Closing Stock	(11,389)		(8,204)
Value of Materials Consumed (a)	<u>98,622</u>		<u>82,128</u>
b) Other Manufacturing Expenses :			
Power **	8,273		7,426
Fuel	3,567		3,331
Other Works Overhead	5,766		5,125
Sales Tax	5,482	6,263	
Less : Sales Tax Subsidy Received under Mega Project Scheme @	<u>(1,278)</u>	<u>4,204</u>	<u>-</u>
Freight and Forwarding	5,742		5,508
(Increase) / Decrease in Semi-finished and Finished Goods	(1,229)		(5,558)
Total Other Manufacturing Expenses (b)	<u>26,323</u>		<u>22,095</u>
Total (a+b)	<u>124,945</u>		<u>104,223</u>

** Power is net of Captive Power consumed in Steel Unit

@ Refer to Subsidy sanctioned received and provided upto current year

SCHEDULE - 12 : STAFF AND ESTABLISHMENT EXPENSES

Salaries, Wages and Other Allowances	4,899		4,258
Contribution to Provident and Other Funds (# see note below)	543		458
Staff Welfare Expenses	469		372
Insurance	189		119
Rent, Rates & Taxes	238		179
Director's Remuneration (including Commission)	691		877
General Expenses	1,276		966
	<u>8,305</u>		<u>7,229</u>

Note : # This includes contribution to Gratuity & Superannuation of Directors

SCHEDULE - 13 : SELLING EXPENSES

Commission	120		225
Rebate & Discounts	4,629		4,016
Other Selling Overheads	178		164
	<u>4,927</u>		<u>4,405</u>

SCHEDULE - 14 : INTEREST

Interest on			
- Term Loans	1,356		1,643
- Others	2,388		1,361
	<u>3,744</u>		<u>3,004</u>

**SCHEDULE - 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2011**

PART - A : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, except export incentives which has been accounted for on cash basis as stated below.

2. Fixed Assets and Depreciation

i) Fixed assets are valued at their cost of acquisition or construction and include interest and other costs incurred till the asset is put to use, less depreciation accumulated to date. Assets are valued net of CENVAT claimed. Depreciation has been charged as under:

- a. Freehold Land : Nil
- b. Leasehold Land : Over the period of the lease
- c. Heavy & Light Vehicles : On reducing balance method
- d. All other assets are depreciated as per the rates and manner specified in Schedule XIV of the Companies Act, 1956. In respect of additions / deletions made during the year, depreciation is provided on a pro-rata basis. The Company has decided to depreciate Plant & Machinery and related buildings over a period of fourteen years. Accordingly, Depreciation is provided on these assets. No depreciation is provided on Capital Work in Progress.

ii) Expenses on development of Belgaon Mine are accounted for as development expenditure.

3. Investments

Long Term Investments are stated at cost less provision for diminution other than temporary, if any, in value of such investments. Current investments are carried at lower of cost or fair value.

4. Deferred Revenue Expenditure

Preliminary expenses and other deferred revenue expenditure including share issue expenses are amortised over a period of five years.

5. Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the rate prevailing on the date of transaction. Assets and liabilities outstanding at the year end are translated at the rate prevailing as on the Balance Sheet date. Any exchange gain or loss is accounted for in the profit and loss account.

6. Inventories

- a. Raw Materials: Valued at weighted average cost.
- b. Consumables, stores & spares: At or below cost.
- c. Finished and Semi finished goods produced and purchased by the Company : Carried at lower of cost or market value.
- d. Work in process : At cost.
- e. Any other saleable products of the manufacturing process are considered as finished goods and these are valued at the lower of the estimated net realisable value or cost.

7. Excise and Custom Duty

Customs Duty payable on imported items are accounted for when cleared from the bonded warehouse. Excise Duty payable on year end stock of finished goods lying in stock at factory is provided for.

8. Insurance Claims

Insurance claims are accounted for on accrual basis and any unrealised year end claims are accounted for on an estimated basis.

9. Employee Benefits

- a. The Company has taken group gratuity policy with the Life Insurance Corporation of India (LIC) for future payment of gratuity. The gratuity liability is determined based on an actuarial valuation performed by LIC.
- b. Liability towards superannuation is funded in accordance with the scheme with LIC.
- c. Contribution to Provident Fund are accrued as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Contributions payable to the Employees Provident Fund in respect of the Company are charged to the profit and loss account. The Company pays contribution to a recognised Provident Fund.
- d. Leave salary payable in respect of earned leave has been provided for according to the new service rules of the Company.

10. Research & Development Expenses

Research & Development expenses are charged to revenue under the respective heads of accounts in the year in which they are incurred.

11. Revenue Recognition

Sales comprises sale of goods and services, but net of sales returns. In order to comply with the Accounting Standards Interpretation (ASI-14) issued by the Institute of Chartered Accountants of India, gross turnover includes both Sales Tax and Excise Duty. Net turnover excludes Excise Duty. The Sales Tax paid is shown as part of other manufacturing expenses.

12. Deferred Sales Tax

- a. In view of expiry of Eligibility period under Package Scheme of Incentive - 1993 (PSI - 1993), the Company now accounts for this liability at its actual value.
- b. The Company is eligible for the sales tax exemption owing to its investments in Capital Assets and the State Industrial Policy under Industrial Promotion Subsidy (Mega Project). Accordingly the subsidy under the said scheme is recognised on the basis of actual receipt / applied / sanction letter from the Government Authority.

13. Export Benefits

Export benefits are recognised as and when utilised or sold.

14. Impairment of Assets

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount being the higher of the asset's net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the asset. For the purpose of assessing impairment, assets are grouped at the lowest level for which, there are separately identifiable cash flows (i.e. cash generating units).

15. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete and commercially stabilised. 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 revenue.

16. Deferred Tax

Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

17. Leases

For assets acquired under operating lease, rentals payable are charged to the Profit & Loss account.

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011
PART- B : NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for are ₹ 11,913 Lacs (Previous year ₹ 9,756 Lacs).
2. Contingent Liabilities not provided for: ₹ in Lacs

Sr. No.	Particulars	As at 31.03.2011	As at 31.03.2010
i.	Unexpired Letters of Credit	5,034	10,850
ii.	Guarantees issued by Company's Bankers on behalf of the Company	1,800	1,161
iii.	Bonds / Undertakings given by the Company under Duty Exemption Scheme to Customs Authorities	3,408	36
iv.	Bills Discounted	2,935	3,994
v.	Excise Duty & Customs Duty against which Company has preferred an appeal	103	400
vi.	Sales Tax liability against which Company has preferred an appeal	Nil	2,803
vii.	Corporate Guarantee issued to Banks on behalf of Subsidiaries	400	400
viii.	Income Tax Liability even though paid against which Company has preferred an appeal	364	Nil

3. PAYMENTS TO AUDITORS ₹ in Lacs
4. DIRECTORS REMUNERATION ₹ in Lacs

Particulars	Year ended	
	31.03.2011	31.03.2010
Statutory Audit Fees		
Audit Fee	7	7
Tax Audit Fee	2	2
Other Services & Service Tax	1	1
Out of Pocket Expenses	2	1
Cost Audit Fees (including Service Tax)	1	1
	13	12

Particulars	Year ended	
	31.03.2011	31.03.2010
Salary, Provident Fund and other funds	136	125
Perquisites / Allowances	6	9
HRA/Leased Accomodation	60	59
Commission	489	684
Total	691	877

5. COMPUTATION OF PROFIT IN ACCORDANCE WITH SECTION 309(5) OF THE COMPANIES ACT, 1956

Particulars	Year ended	
	31.03.2011	31.03.2010
a) Profit before Tax as per Profit & Loss Account	9,082	12,810
Add : Loss on sale of Fixed Assets	12	0
Exchange fluctuation loss (non operating)	-	-
Director's Remuneration including Provision for Commission	691	877
Bad Debts Written off & Provision for doubtful debts	0	0
Sub Total	9,785	13,687
Less : Profit on sale of Fixed Assets	-	-
Profit under section 309(5) of the Companies Act, 1956	9,785	13,687
b) Commission payable to Vice Chairman and Joint Managing Director @2% each on the above profits.	391	547
c) Commission payable to Mr. P. B. Bhardwaj, Non-executive Chairman @ 1% on the above profits.	98	137

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011
6. CAPACITY AND PRODUCTION PARTICULARS

Particulars	Unit of Measurement	Installed Capacity (@)	Production - Year ended	
			31.03.2011	31.03.2010
Direct Reduced Iron	MT	150,000 (150,000)	92,774	126,336
Mild & Alloy Steel Rolled Products	MT	200,000 (200,000)	311,131*	309,596*
Hot Metal / Pig Iron	MT	240,000 (240,000)	193,992	205,502
Sinter	MT	364,000 (364,000)	333,201	191,385
Captive Power	kWh	180,000,000 (180,000,000)	127,620,000	146,103,000

@ As certified by Management, being technical in nature

* Includes outside conversion 19,219 MT (Previous year 13,001 MT) and re-rolling & coil to rounds inputs 16,736 MT (Previous year 2,315 MT)

7. RAW MATERIALS CONSUMED

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Qty. (MT)	Value (` Lacs)	Qty. (MT)	Value (` Lacs)
a) Scrap, HBI, Pig Iron	35,604	6,393	40,212	5,126
b) Coal / Coal fines (of above Belgaon coal)	233,188 (93,986)	3,565 (1,184)	279,583 (120,855)	4,181 (1,366)
c) Iron Ore	432,800	25,188	542,307	22,051
d) Coke	134,921	27,568	142,733	21,812
e) Ferro Alloys**		19,537		14,262
f) Others**		16,371		14,696
Total		<u>98,622</u>		<u>82,128</u>

** In view of numerous items and as none of the items individually exceed ten percent of total consumption, the quantitative details are not furnished.

8. SALES AND STOCKS

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Qty. (MT)	Value (` Lacs)	Qty. (MT)	Value (` Lacs)
Sales :				
a) Rolled Products	280,722	165,333	281,366	139,180
b) Others		3,235		6,098
		<u>168,568</u>		<u>145,278</u>
Closing Stock :				
a) Rolled Products	* 31,395	14,282	*36,206	12,145
b) Others		4,232		5,140
		<u>18,514</u>		<u>17,285</u>
Opening Stock :				
a) Rolled Products	* 36,206	12,145	*22,174	7,880
b) Others		5,140		3,847
		<u>17,285</u>		<u>11,727</u>

* includes Stocks lying with third parties 1,977 MT of value ` 905 Lacs. (Previous year 2,380 MT of value ` 865 Lacs) and arrived after adjusting process loss and shortage etc., 3,408 MT (Previous year 2,163 MT) and transfer for melting 15,076 MT (Previous year 9,720 MT).

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011
9. DETAILS OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	%	(` Lacs)	%	(` Lacs)
a) Raw Materials & Consumables :				
- Imported (including canalised)	13.37	13,186	12.10	9,942
- Indigenous	80.38	79,268	82.56	67,803
Total (a)	93.75	92,454	94.66	77,745
b) Spare Parts & Components				
- Imported	0.28	279	0.28	227
- Indigenous	5.97	5,889	5.06	4,156
Total (b)	6.25	6,168	5.34	4,383
Total (a + b)	100.00	98,622	100.00	82,128

10. REPAIRS & MAINTENANCE

Particulars	(` in Lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
a) Repairs to Building	28	37
b) Repairs to Plant & Machinery	121	113
	149	150

11. VALUE OF IMPORTS CALCULATED ON CIF BASIS

(including imports through Canalising agencies)

Raw Material	12,956	10,035
Component & Spare Parts	262	211
Capital Goods	4,145	785

12. EXPENDITURE IN FOREIGN CURRENCY

Technical Services	118	56
Subscription & Membership fees	2	Nil
Foreign Travelling	17	17
Others	140	122

13. EARNING IN FOREIGN EXCHANGE

Exports at FOB value	11,514	12,274
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14. PAYMENTS DUE TO SMALL AND MEDIUM ENTERPRISES (SME)

The Company is in the process of compiling information from its suppliers in respect of their registration under the Micro, Small and Medium Enterprises Development Act, 2006. However, based on the information available with the company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2011 due for a period of more than 45 days. Further, no interest during the year under review was paid / is payable in terms of the said Act.

15. The Company has ` 71 Lacs (Previous year ` 75 Lacs) of Export benefits under Scheme of DEPB in hand pending utilisation or sale.

16. DEFERRED TAXATION

(` in Lacs)

Particulars	Balance as on 01.04.2010	Arising during the year	Balance as on 31.03.2011
A. Deferred Tax Liabilities:			
On account of timing difference in Depreciation	5,447	(153)	5,294
Others	-	-	-
Total (A)	5,447	(153)	5,294
B. Deferred Tax Assets :			
Disallowances	353	(12)	341
Provisions for doubtful debts	74	(2)	72
Sub Total (B)	427	(14)	413
Deferred Tax Liabilities / (Assets) (A-B)	5,020	(139)	4,881

The opening deferred tax liability / assets has been recalculated and adjusted. The net increase of the deferred tax charged has been appropriated to Profit and Loss Account.

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011
17. RELATED PARTY DISCLOSURE : (as identified by the Management)

Related Party	Relationship
Sunflag Power Limited Sunflag Special Steels Limited Khappa Coal Company Private Limited	Subsidiary Companies
Haryana Television Limited	Associate Enterprise
Sunflag Limited, Channel Islands, UK	Enterprise which have significant influence
Mr. P. B. Bhardwaj Mr. Ravi Bhardwaj Mr. Pranav Bhardwaj Mr. Surendra Kumar Gupta	Key Managerial Personnel (KMP)
Ridge Farm Developers Private Limited	Relative to Key Managerial Personnel
Madanpur (North) Coal Company Private Limited C T Mining Private Limited Gujarat State Mining & Resources Corporation Limited	Joint Venture Companies

18. TRANSACTION WITH THE RELATED PARTIES

` in Lacs

Transaction	Year ended	
	31.03.2011	31.03.2010
Subsidiaries : Advance Paid	Nil	Nil
Share Capital	Nil	316
Share Application Money	47	71
Unsecured Loan	Nil	697
Associate Enterprise : Rent Paid	26	22
Relative to KMP : Rent Paid	13	15
: Expenses	4	4
Key Managerial Personnel : Remuneration and Commission	691	877
Joint Venture Company : Share Capital	2	Nil
Share Application Money	4	Nil
Unsecured Loan	1	Nil

19. SEGMENT INFORMATION

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such consumed units are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	Year ended	
	31.03.2011	31.03.2010
Units consumed (kWh '000)	105,651	128,294
Value (` in Lacs)	5,823	6,759

20. DISCLOSURE OF EMPLOYEE BENEFIT AS PER ACCOUNTING STANDARD 15 (REVISED)

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS 15 Revised) to the Company effective 1st January 2007, the additional charges are paid and charged to Profit and Loss Account according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the Company has made good the shortfall of interest on fund ` 51 Lacs (Previous year ` 6 Lacs)

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011

Further, the following table sets out plan for the Employees Benefits as required under Accounting Standard 15 (Revised)

in Lacs

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	688	601	2,480	1,970	1,222	1,056
Interest Cost	71	48	246	179	110	94
Current Service Cost	73	51	555	518	144	131
Benefits paid	(70)	(84)	(278)	(187)	(86)	(59)
Actuarial Loss on Obligations	61	72	-	-	-	-
Present value of obligations as at the end of the year	823	688	3,003	2,480	1,390	1,222
Table showing changes in the fair value of plan assets :						
Fair value of Plan Assets at the beginning of year	681	647	2,480	1,970	1,222	1,056
Expected return on Plan Assets	71	48	194	172	112	97
Contributions	75	70	555	518	142	128
Benefits paid	(70)	(84)	(277)	(186)	(86)	(59)
Actuarial Gain / (Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	757	681	2,952	2,474	1,390	1,222
Funded Status	66	7	51	6	-	-
Excess of Actual over estimated return on Plan Assets						
Actuarial Gain / (Loss) recognised :						
Actuarial Gain / (Loss) for the year - Obligation	61	72	-	-	-	-
Actuarial Gain / (Loss) for the year - Plan Assets	66	(7)	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain / (Loss) recognised in the year	127	65	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	823	688	3,003	2,480	1,390	1,222
Fair value of Plan Assets as at the end of the year	757	681	2,952	2,474	1,390	1,222
Funded Status	66	7	51	6	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	66	7	51	6	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	73	51	246	179	-	-
Interest Cost	-	-	-	-	-	-
Expected Return on Plan Assets	-	-	194	172	-	-
Net Actuarial (Gain) / Loss Recognised in the Statement of Profit & Loss	127	65	-	-	-	-
Expenses Recognised in Statement of Profit & Loss	75	70	51	6	-	-

Significant Accounting Policies and Notes forming part of the Accounts for the year ended 31st March 2011

in Lacs

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Actuarial Assumptions :						
Discount Rate	9.30%	-	9.50%	8.00%	-	-
Salary Escalation	5.00%	-	5.00%	5.00%	-	-
Investment details (%) :						
GOI Securities	-	-	46%	31%	-	-
State Government Securities	-	-	22%	23%	-	-
Approved Marketable Securities	-	-	-	-	-	-
Bonds / Debentures etc	-	-	32%	46%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund/Money Market Instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

- a. The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
- b. The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.

21. THE BASIC AND DILUTED EARNING PER SHARE (EPS)

in Lacs

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Net Profit Before Tax	9,082	12,810
Less : Current Year Tax	2,146	2,904
Deferred Tax	(139)	415
Prior Period Tax Adjustments	22	-
Net Profit	7,053	9,491
Number of Equity Shares (outstanding at the end of the year)	162,197,503	162,197,503
Nominal Value of Ordinary Shares	10/-	10/-
Basic / Diluted earning per share	4.35	5.85

22. Previous year's figures have been regrouped / re-classified wherever necessary to make them more comparable.

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th May 2011

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CS MUKESH D. PARAKH
COMPANY SECRETARY

DR. E.R.C. SHEKAR

S. GAJENDRAN

CA JAYESH M. PARMAR

S.K. GUPTA

DIRECTORS

SUNFLAG IRON AND STEEL COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Year ended 31-Mar-11 (` in Lacs)	Year ended 31-Mar-10 (` in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	9,082	12,809
ADJUSTMENTS FOR :		
DEPRECIATION	3,964	3,788
OTHER NON-CASH CHARGES	-	-
LOSS/(PROFIT) ON SALE OF ASSETS	12	(8)
INTEREST PAID	3,744	3,004
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>16,802</u>	<u>19,593</u>
ADJUSTMENTS FOR :		
(INCREASE)/DECREASE IN SUNDRY DEBTORS	(1,921)	(4,588)
(INCREASE)/DECREASE IN INVENTORIES	(4,414)	(8,900)
(INCREASE)/DECREASE IN LOANS & ADVANCES	4,525	(279)
INTEREST PAID	(2,388)	(1,361)
INCOME TAX PAID	(2,835)	(2,960)
DIVIDEND PAID	(811)	(811)
DIVIDEND TAX PAID	(135)	(138)
INCREASE/(DECREASE) IN CASH CREDIT ACCOUNTS	7,088	2,721
INCREASE/(DECREASE) IN CURRENT LIABILITIES	735	3,976
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>16,646</u>	<u>7,262</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	(18,292)	(3,275)
PROCEEDS FROM SALE OF ASSETS	14	2
INVESTMENTS MADE	(2)	(634)
	<u>(18,280)</u>	<u>(3,907)</u>

	Year ended 31-Mar-11 (` in Lacs)	Year ended 31-Mar-10 (` in Lacs)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
REPAYMENT OF BORROWINGS	(5,247)	(5,511)
INTEREST PAID	(1,356)	(1,643)
DEFERRED SALES TAX	(4,585)	2,727
FIXED DEPOSIT	-	-
LOAN RECEIVED FROM PROMOTERS	-	-
DEPOSIT WITH MSEB	(256)	-
TERM LOAN RECEIVED FROM BANKS	13,569	1,705
SUB TOTAL - C	<u>2,125</u>	<u>(2,722)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	491	633
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	2,964	2,331
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	<u>3,455</u>	<u>2,964</u>

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

DR. E.R.C. SHEKAR

S. GAJENDRAN

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CA JAYESH M. PARMAR

S.K. GUPTA

Nagpur
27th May 2011

CS MUKESH D. PARAKH
COMPANY SECRETARY

DIRECTORS

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of the Sunflag Iron and Steel Company Limited for the year ended 31st March 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchange(s) and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 27th May 2011 to the Members of the Company.

For **PATEL, SHAH & JOSHI**
Chartered Accountants

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th May 2011

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

Sr. No.	Name of the Subsidiary	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
1	Financial year ended	31.03.2011	31.03.2011	31.03.2011
2	Shares of the subsidiary held by the Company on the above date : (a) Number Face value (b) Extent of holding	49940 (49940) ` 10 each (` 10 each) 99.88% (99.88%)	49940 (49940) ` 10 each (` 10 each) 99.88% (99.88%)	3163500 (3163500) ` 10 each (` 10 each) 63.27% (63.27%)
3	Net aggregate amount of profits/(losses) dealt with in the accounts of the Company for the year ended 31.03.2011	Not Applicable	Not Applicable	Not Applicable
4	Net aggregate amount of profits/(losses) dealt with in the accounts of the Company for the previous year ended 31.03.2010	Not Applicable	Not Applicable	Not Applicable
5	Board of Directors	Mr. Ravi Bhushan Bhardwaj Mr. Pranav Bhardwaj Dr. E. R. C. Shekar	Mr. Ravi Bhushan Bhardwaj Dr. E. R. C. Shekar Mr. S. K. Gupta	Mr. S. K. Gupta Dr. E.R.C. Shekar Mr. R. Muralidhar Mr. V. K. Agarwal Mr. V. P. Sharma Mr. Vipin Agarwal

Note : Figures in the brackets are in respect of the previous financial year.

SUNFLAG IRON AND STEEL COMPANY LIMITED**Financial Information of Subsidiary Companies As At 31st March 2011**

in Lacs

Particulars	Sunflag Power Limited	Sunflag Special Steels Limited	Khappa Coal Company Private Limited
Share of Sunflag Iron and Steel Company Limited	99.88%	99.88%	63.27%
Paid-up Share Capital	5.00	5.00	500.00
Share Application Money	841.79	Nil	Nil
Reserves & Surplus	Nil	Nil	Nil
Total Assets	846.79	5.00	1600.00
Total Liabilities	846.79	5.00	1600.00
Details of Investments	Nil	Nil	Nil
Turnover	Nil	Nil	Nil
Profit Before Taxation	Nil	Nil	Nil
Provision for Taxation	Nil	Nil	Nil
Profit After Taxation	Nil	Nil	Nil
Proposed Dividend	Nil	Nil	Nil

Financial Information of Joint-Venture Companies As At 31st March 2011

in Lacs

Particulars	Madanpur (North) Coal Company Private Limited	CT Mining Private Limited	Gujarat State Mining and Resources Corporation Limited
Share of Sunflag Iron and Steel Company Limited	11.7318%	31.80%	49.00%
Paid-up Share Capital	953.694	1000.00	5.00
Share Application Money	30.00	Nil	Nil
Reserves & Surplus	Nil	Nil	Nil
Total Assets	986.278	1000.01	6.468
Total Liabilities	986.278	1000.01	6.468
Details of Investments	Nil	Nil	Nil
Turnover	Nil	Nil	Nil
Profit Before Taxation	Nil	Nil	Nil
Provision for Taxation	Nil	Nil	Nil
Profit After Taxation	Nil	Nil	Nil
Proposed Dividend	Nil	Nil	Nil

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31st March 2011**

To

The Board of Directors,

Sunflag Iron and Steel Company Limited

Nagpur

1. We have audited the attached consolidated balance sheet of **SUNFLAG IRON AND STEEL COMPANY LIMITED** ("the Company") and its subsidiaries and Joint Ventures which together referred as "the Group" as at 31st March 2011 and the consolidated Profit and Loss account and the consolidated Cash Flow statement of the Group for the year ended on that date, both 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 the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial of joint venture entities whose financial statements reflect total assets of ₹ 436 Lacs. These financial statements have been audited by other auditors whose reports and audited financial statements as approved by the Management of the joint venture entities have been furnished to us and our opinion, in so far as they relate to the amounts included in respective of these entities, is based solely on the report of the other auditors and such approved financial results.
4. Further to our remarks above, we report that :
 - (a) the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard - 21 (Consolidated Financial Statements) and Accounting Standard-27 (Financial Reporting of interest in Joint Ventures) issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the Company, its subsidiaries and joint ventures included in these consolidated financial statements.
 - (b) on the basis of the information and explanations given to us and on the consideration of the separate audit reports of other auditors and financial statements of the Group, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March 2011:
 - ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS
Firm Regn. No. 107768W

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th May 2011

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011**

	Schedule	As at 31.03.2011			As at
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
I SOURCES OF FUNDS					
in Lacs					
1. SHAREHOLDERS' FUNDS					
SHARE CAPITAL					
a) Paid up Capital	1	16,220	432	16,652	16,650
Proportionate Consolidation Elimination				(432)	(430)
b) Advance Share Application Money			4	4	-
Proportionate Consolidation Elimination					
c) Reserves & Surplus	2	31,250	-	31,250	25,140
Proportionate Consolidation Elimination					
2 MINORITY INTEREST		184	-	184	184
3 LOAN FUNDS					
a) Secured Loans	3	33,843	-	33,843	18,433
b) Unsecured Loans	4	10,269	-	10,269	14,854
4 Deferred Tax Liabilities		4,881	-	4,881	5,020
		96,647	436	96,651	79,851
II APPLICATION OF FUNDS					
1 FIXED ASSETS					
a) Gross Block		89,703	4	89,707	88,336
b) Less Depreciation		55,185	2	55,187	51,236
c) Net Block	5	34,518	2	34,520	37,100
d) Capital work- in- progress		21,867	243	22,110	5,133
2 INVESTMENTS		432	-	432	430
Proportionate Consolidation Elimination				(432)	(430)
3 CURRENT ASSETS, LOANS & ADVANCES	6				
a) Inventories		29,903	-	29,903	25,489
b) Sundry Debtors		14,090	-	14,090	12,169
c) Cash & Bank Balances		3,722	163	3,885	3,444
d) Loans & Advances		13,148	29	13,177	16,426
		60,863	192	61,055	57,528
Less: CURRENT LIABILITIES & PROVISIONS					
a) Current Liabilities	7	(13,930)	-	(13,930)	(13,665)
b) Provisions	8	(7,120)	(9)	(7,129)	(6,270)
		(21,050)	(9)	(21,059)	(19,935)
NET CURRENT ASSETS		39,813	183	39,996	37,593
4 MISCELLANEOUS EXPENDITURE (to the extent not written off)	9	17	8	25	25
		96,647	436	96,651	79,851
Significant Accounting policies and Notes forming part of these accounts	15				

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

DR. E.R.C. SHEKAR

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

S. GAJENDRAN

CA JAYESH M. PARMAR

Nagpur
27th May 2011

CS MUKESH D. PARAKH
COMPANY SECRETARY

S.K. GUPTA

DIRECTORS

**SUNFLAG IRON AND STEEL COMPANY LIMITED AND ITS SUBSIDIARIES AND JOINT VENTURES
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

	Schedule	Year ended 31.03.2011			Year ended
		Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
INCOME					
in Lacs					
Turnover (Gross)		168,568	-	168,568	145,278
Less : Excise Duty		14,570	-	14,570	10,472
Turnover (Net)		153,998	-	153,998	134,806
Export Incentive		409	-	409	157
Other Income	10	560	-	560	496
		154,967	-	154,967	135,459
EXPENDITURE					
Raw Material Consumption	11(a)	98,622	-	98,622	82,128
Other Manufacturing Expenses	11(b)	26,323	-	26,323	22,095
Staff & Establishment Expenses	12	8,305	-	8,305	7,229
Selling Expenses	13	4,927	-	4,927	4,405
Depreciation	5	3,964	-	3,964	3,788
Interest	14	3,744	-	3,744	3,004
Total Expenditure		145,885	-	145,885	122,649
Profit before Taxation		9,082	-	9,082	12,810
Provision for Taxation					
Current		(2,146)	-	(2,146)	(2,904)
Deferred		139	-	139	(415)
Prior Period Tax adjustments		(22)	-	(22)	-
Net Profit after tax		7,053	-	7,053	9,491
Profit brought forward		24,884	-	24,884	16,342
Profit available for appropriation		31,937	-	31,937	25,833
Appropriation to :-					
Proposed dividend on Equity Shares		811	-	811	811
Corporate Dividend Tax		132	-	132	138
Profit Carried forward		30,994	-	30,994	24,884
		31,937	-	31,937	25,833
Amount in `					
Earnings per Share (Ref. Note 11 of Schedule 15 Part-B)					
Basic		4.35	-	4.35	5.85
Diluted		4.35	-	4.35	5.85
Significant Accounting policies and Notes forming part of these accounts	15				

As per our report attached

For PATEL, SHAH & JOSHI
Chartered Accountants

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

DR. E.R.C. SHEKAR

S. GAJENDRAN

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CA JAYESH M. PARMAR

S.K. GUPTA

Nagpur
27th May 2011

CS MUKESH D. PARAKH
COMPANY SECRETARY

DIRECTORS

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

	As at 31.03.2011			As at
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
SCHEDULE - 1 : SHARE CAPITAL				
AUTHORISED :				
165,000,000 Equity Shares of ₹ 10/- each	16,500	-	16,500	16,500
4,000,000 10% Cumulative Convertible Preference Shares of ₹ 100/- each	4,000	-	4,000	4,000
	20,500	-	20,500	20,500
ISSUED, SUBSCRIBED & FULLY PAID UP				
162,197,503 Equity Shares of ₹ 10/- each (162,197,503)	16,220	430	16,650	16,650
	16,220	430	16,650	16,650
SCHEDULE - 2 : RESERVES AND SURPLUS				
A) Capital Reserves				
Balance Brought Forward	25	-	25	25
B) General Reserves				
Balance Brought Forward	231	-	231	231
C) Profit & Loss Account				
Balance Brought Forward				24,884
Profit for the year (after tax and appropriation)	6,110	-	30,994	24,884
	31,250	-	31,250	25,140
SCHEDULE - 3 : SECURED LOANS				
A) LONG TERM LOANS				
From Banks	22,816	-	22,816	14,494
B) BORROWINGS FOR WORKING CAPITAL				
From Banks	11,027	-	11,027	3,939
	33,843	-	33,843	18,433
Notes:				
1. Term Loans from Banks are secured by a first mortgage of all the Company's immovable properties, both present and future, ranking pari passu inter se and a first charge by way of hypothecation of all the Company's movables subject to prior charges created in favour of the Company's bankers on inventories, book debts and other movables for securing the borrowings of working capital requirement.				
2. Borrowings for working capital from banks are secured by way of hypothecation of inventories and book debts and further secured by way of second charge ranking pari passu over the fixed assets both present and future subject to prior charges created by the company in favour of Banks for securing term loan. Working capital borrowings are further secured by the personal guarantee of Shri. Ravi Bhushan Bhardwaj, Vice Chairman & Managing Director.				
3. Long Term loans include ₹ 4,819 Lacs (Previous year ₹ 5,211 Lacs) payable within a year.				
SCHEDULE - 4 : UNSECURED LOANS				
A) Interest Free Sales Tax Loan	8,490	-	8,490	13,075
B) From Promoters	1,375	-	1,375	1,375
C) From M/s. Dalmia Cement (Bharat) Limited	404	-	404	404
	10,269	-	10,269	14,854

**SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011
SCHEDULE - 5 : FIXED ASSETS**

Sr. No.	DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As on 31 st March 2011		Previous year 31.03.2010	As on 31 st March 2011		Previous year 31.03.2010	As At		As At 31.03.2010	
		Sunflag & Subsidiaries	Joint Ventures		Consolidated	Sunflag & Subsidiaries		Joint Ventures	Consolidated		
1	Freehold Land	341	-	295	-	-	-	341	-	295	
2	Leasehold Land	84	-	84	-	22	-	62	21	63	
3	Buildings										
	a) Factory Building	14,735	-	14,735	-	7,822	-	6,913	6,948	7,787	
	b) Non-Factory Building	192	-	192	-	73	-	119	70	122	
	c) Office Building	458	-	458	-	125	-	333	105	353	
	d) Township	630	-	630	-	205	-	425	195	435	
	e) Welfare Building	86	-	86	-	25	-	61	25	61	
	f) Roads	253	-	253	-	77	-	176	69	184	
	g) Boundary wall and fencing	87	-	87	-	16	-	71	14	73	
4	Railway Siding	16,441	-	16,441	-	8,343	-	8,098	7,426	9,015	
5	Plant & Machinery	375	-	375	-	348	-	27	344	31	
6	Furniture & Fixture	70,350	3	70,353	1	45,877	1	24,475	42,947	26,113	
7	Heavy Vehicles	222	1	223	1	179	1	43	176	41	
8	Light Vehicles	16	-	16	-	13	-	3	13	3	
9	Development of Mines	312	-	312	-	231	-	81	212	115	
		1,562	-	1,562	-	172	-	1,390	97	1,424	
	TOTAL	89,703	4	89,707	2	55,185	2	34,520	51,236	37,100	
	PREVIOUS YEAR	88,333	3	88,336	-	51,236	-	37,100	47,453	32,084	

in Lacs

Schedules forming part of Consolidated Balance Sheet

	As at 31.03.2011			As at
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
SCHEDULE - 6 : CURRENT ASSETS, LOANS & ADVANCES				
in Lacs				
A. CURRENT ASSETS				
i) Inventories - (as taken, valued and certified by Management)				
a) Raw Materials	10,994	-	10,994	7,015
b) Consumable Stores, Spares etc.	395	-	395	1,189
c) Semi Finished Goods	3,623	-	3,623	4,419
d) Finished Goods	14,891	-	14,891	12,866
	29,903	-	29,903	25,489
ii) Sundry Debtors (Unsecured)				
a) Over Six months - Considered Good	639	-	639	429
- Considered bad and doubtful	223	-	223	223
	862	-	862	652
b) Other Debts - Considered Good	13,451	-	13,451	11,740
	14,313	-	14,313	12,392
Less : Bad and doubtful Debts Written off	-	-	-	-
Less : Provision for bad and doubtful debts	223	-	223	223
	14,090	-	14,090	12,169
iii) Cash and Bank Balances				
a) Cash on Hand	33	1	34	25
b) Balances with Scheduled Banks				
- Current Accounts	779	8	787	897
- in Margin Money against Letters of credit and Bank Guarantees	2,910	154	3,064	2,522
	3,722	163	3,885	3,444
B. LOANS AND ADVANCES (Unsecured Considered good)				
a) Advances recoverable in cash or in kind or for value to be recovered (see note below)	11,172	29	11,201	15,324
b) Deposits :				
i) With Maharashtra State Electricity Board	740	-	740	483
ii) With Excise Authorities	1,139	-	1,139	419
iii) With Others	97	-	97	200
	1,976	-	1,976	1,102
	13,148	29	13,177	16,426
Total Current Assets	60,863	192	61,055	57,528
Note : Closing Stock of Finished Goods includes Excise Duty of ₹ 1,574 Lacs (Previous year ₹ 1,234 Lacs)				
SCHEDULE - 7 : CURRENT LIABILITIES				
Acceptances	3,120	-	3,120	4,266
Sundry Creditors	5,105	-	5,105	1,611
Other Liabilities (Including Interest)	665	-	665	1,980
Provision for Expenses	5,040	-	5,040	5,808
	13,930	-	13,930	13,665
SCHEDULE - 8 : PROVISIONS				
Proposed Dividend	811	-	811	811
Provision for Taxation	6,157	9	6,166	5,280
- Income Tax	24	-	24	41
- Fringe Benefits Tax	128	-	128	138
- Dividend Tax	6,309	9	6,318	5,459
	7,120	9	7,129	6,270
SCHEDULE - 9 : MISCELLANEOUS EXPENDITURE				
Preliminary expenses (to the extent not written off or adjusted)	17	8	25	25

Schedules forming part of the Consolidated Profit & Loss Account

	Year ended 31 st March 2011			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
SCHEDULE - 10 : OTHER INCOME	in Lacs			
Interest received				
- From Banks	176	-	176	154
- From Others	30	-	30	27
Miscellaneous Income	354	-	354	315
	560	-	560	496
SCHEDULE - 11 : RAW MATERIAL CONSUMPTION & OTHER MANUFACTURING EXPENSES				
a) Consumption of Raw Materials and consumables :				
Opening Stock	8,204	-	8,204	4,862
Add : Purchases	101,807	-	101,807	85,470
Less : Closing Stock	(11,389)	-	(11,389)	(8,204)
Value of materials consumed (a)	98,622	-	98,622	82,128
b) Other Manufacturing Expenses :				
Power **	8,273	-	8,273	7,426
Fuel	3,567	-	3,567	3,331
Other Works Overhead	5,766	-	5,766	5,125
Sales Tax	4,204	-	4,204	6,263
Freight and forwarding	5,742	-	5,742	5,508
(Increase)/Decrease in Semi-finished and Finished Goods	(1,229)	-	(1,229)	(5,558)
Total other Manufacturing Expenses (b)	26,323	-	26,323	22,095
Total (a + b)	124,945	-	124,945	104,223
** Power is net of Captive power consumed in Steel Unit				
SCHEDULE - 12 : STAFF AND ESTABLISHMENT EXPENSES				
Salaries, Wages & other Allowances	4,899	-	4,899	4,258
Contribution to Provident Fund and Other Funds (# see note)	543	-	543	458
Staff Welfare Expenses	469	-	469	372
Insurance	189	-	189	119
Rent, Rates & Taxes	238	-	238	179
Director's Remuneration (including Commission)	691	-	691	877
General Expenses	1,276	-	1,276	966
# This includes contribution to Gratuity & Superannuation of Directors	8,305	-	8,305	7,229
SCHEDULE - 13 : SELLING EXPENSES				
Commission	120	-	120	225
Rebate & Discounts	4,629	-	4,629	4,016
Other Selling Overheads	178	-	178	164
	4,927	-	4,927	4,405
SCHEDULE - 14 : INTEREST				
Interest on - Term Loans	1,356	-	1,356	1,643
- Others	2,388	-	2,388	1,361
	3,744	-	3,744	3,004

SCHEDULE - 15
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY, ITS SUBSIDIARIES AND JOINT VENTURE COMPANIES FOR THE YEAR ENDED 31st MARCH 2011
I) PRINCIPLES OF CONSOLIDATION :

The consolidated financial statements relate to the Sunflag Iron and Steel Company Limited, ("the Company") its majority owned subsidiary companies and joint ventures which together constitute "The Group" as on 31st March 2011. The consolidated financial statements have been prepared on the following basis:

- The Financial Statements of the company, its subsidiary companies and jointly controlled entities are combined on line by line basis by adding together like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard on "Consolidated Financial Statement" AS-21 read with Accounting Standard "Financial Reporting of Interest in Joint Ventures" (AS-27) issued by the Institute of Chartered Accountants of India.
- The Financial Statements of the subsidiaries and jointly controlled entities used in the consolidation are drawn upto the same reporting date as that of the company i.e, 31st March 2011.
- Minority interest in the net assets of consolidated subsidiaries consist of :-
 - (a) The amount of equity attributable to minorities at the date on which the investment in a subsidiary is made;
 - (b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- Subsidiaries have followed the same accounting policies followed by the holding Company

The list of subsidiary Companies and jointly controlled entities, which are included in the consolidation and the Company's holdings therein are as under:

a) List of Subsidiary Companies :

Name of the Company	Ownership in % either directly or through subsidiaries	
	2010 - 2011	2009 - 2010
Sunflag Special Steels Limited	99.88	99.88
Sunflag Power Limited	99.88	99.88
Khappa Coal Company Private Limited	63.27	63.27

b) List of Jointly Controlled Entities :

Name of the Company	Ownership interest in %	
	2010 - 2011	2009 - 2010
Madanpur (North) Coal Company Private Limited	11.7318	11.7318
C T Mining Private Limited	31.8000	31.8000
Gujarat State Mining & Resources Corporation Limited	49.00	Nil

II) ACCOUNTING POLICIES :
1. Basis of Preparation of Accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountant of India and the relevant provisions of the Companies Act, 1956, except export incentives which has been accounted for on cash basis as stated below.

2. Fixed Assets and Depreciation

Fixed assets are valued at their cost of acquisition or construction and include interest and other costs incurred till the asset is put to use, less depreciation accumulated to date. Assets are valued net of CENVAT claimed. Depreciation has been charged as under:

- a. Freehold land : Nil
- b. Leasehold land : Over the period of the lease
- c. Heavy & Light Vehicles : On reducing balance method

- d. All other assets are depreciated as per the rates and manner specified in Schedule XIV of the Companies Act, 1956. In respect of additions / deletions made, during the year, depreciation is provided on a *pro-rata* basis. The Company has decided to depreciate Plant & Machinery and related buildings over a period of fourteen years. Accordingly Depreciation is provided on these assets. No depreciation is provided on Capital Work in Progress.
- e. Expenses on development of Belgaon Mine are accounted for as Development expenditure.

3. Deferred Revenue Expenditure

Deferred revenue expenditure including share issue expenses are amortised over a period of five years. Preliminary expenses will be amortised over a period of five years after commencement of business.

4. Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the rate prevailing on the date of transaction. Assets and liabilities outstanding at the year end are translated at the rate prevailing as on the Balance Sheet date. Any exchange gain or loss is accounted for in the profit and loss account.

5. Inventories

- a. Raw materials: Valued at weighted average Cost.
- b. Consumables, stores & spares: At or below Cost.
- c. Finished and Semi finished goods produced and purchased by the Company : Carried at lower of cost or market value.
- d. Work in process : At cost.
- e. Any other saleable products of the manufacturing process are considered as finished goods and these are valued at the lower of the estimated net realisable value or cost.

6. Excise and Custom Duty

Customs Duty payable on imported items are accounted for when cleared from the bonded warehouse. Excise Duty payable on year end stock of finished goods lying in stock at factory is provided for.

7. Insurance Claims

Insurance claims are accounted for on accrual basis and any unrealised year end claims are accounted for on an estimated basis.

8. Employee Benefits

The Company has taken group gratuity policy with the Life Insurance Corporation of India (LIC) for future payment of gratuity. The gratuity liability is determined based on an actuarial valuation performed by LIC.

Liability towards Superannuation is funded in accordance with the scheme with LIC.

Contribution to Provident Fund are accrued as per the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. Contributions payable to the Employees Provident Fund in respect of the company are charged to the profit and loss account. The company pays contribution to a recognised Provident Fund.

Leave salary payable in respect of earned leave has been provided for according to the new service rules of the Company.

9. Research & Development Expenses

Research & Development expenses are charged to revenue under the respective heads of accounts in the year in which they are incurred.

10. Revenue Recognition

Sales comprise sale of goods and services, but net of sales returns. In order to comply with the Accounting Standards Interpretation (ASI-14) issued by the Institute of Chartered Accountants of India, gross turnover includes both Sales Tax and Excise Duty. Net turnover excludes Excise Duty. The Sales Tax paid is shown as part of other manufacturing expenses.

11. Deferred Sales Tax

- a. In view of expiry of Eligibility period under Package Scheme of Incentive-1993 (PSI-1993), the Company now accounts for this liability at its actual value.
- b. The Company is eligible for the Sales Tax exemption owing to its investments in Capital Assets and the State Industrial Policy under Industrial Promotion Subsidy (Mega Project). Accordingly, the subsidy under the said scheme is recognised on the basis of actual receipt / applied / sanction letter from the Government Authority.

12. Export Benefits

Export benefits are recognised as and when utilised or sold.

13. Impairment of Assest

Specified assets are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount being the higher of the asset's net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the asset. For the purpose of assessing impairment, assets are grouped at the lowest level for which, there are separately identifiable cash flows (i.e cash generating units).

14. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete and commercially stabilized. 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 revenue.

15. Deferred Tax

Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

16. Leases

For assets acquired under operating lease, rentals payable are charged to the Profit & Loss account.

III) NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for are ₹ 11,913 Lacs (Previous year ₹ 9,756 Lacs).

2. Contingent Liabilities not provided for:

₹ in Lacs

Particulars	As at 31.03.2011			As at 31.03.2010 Consolidated
	Sunflag & Subsidiaries	Joint Venture	Consolidated	
Unexpired Letters of Credit	5,034	-	5,034	10,850
Guarantees issued by Company's bankers on behalf of the Company	2,190	878	3,068	2,038
Bonds / Undertakings given by the Company under Duty Exemption Scheme to Customs Authorities	3,408	-	3,408	36
Bills Discounted	2,935	-	2,935	3,994
Excise Duty & Customs Duty against which Company has preferred an appeal	103	-	103	400
Sales Tax liability against which Company has preferred an appeal	-	-	-	2,803
Income Tax Liability even though paid against which Company has preferred an appeal	364	-	364	-

3. Deferred Taxation

₹ in Lacs

Particulars	Balance as on 01.04.2010	Arising during the year	Balance as on 31.03.2011
A. Deferred Tax Liabilities :			
On account of timing difference in Depreciation	5,447	(153)	5,294
Others	-	-	-
Total (A)	<u>5,447</u>	<u>(153)</u>	<u>5,294</u>
B. Deferred Tax Assets:			
Disallowances	353	(12)	341
Provisions for doubtful debts	74	(2)	72
Total (B)	<u>427</u>	<u>(14)</u>	<u>413</u>
Deferred Tax Liabilities / (Assets) (A-B)	<u>5,020</u>	<u>(139)</u>	<u>4,881</u>

The opening deferred tax liability / asset has been recalculated and adjusted. The net increase of the deferred tax charged has been appropriated to Profit and Loss Account.

4. Payments due to Small and Medium Enterprises (SME) :

The Company is in the process of compiling information from its suppliers in respect of their registration under the Micro, Small and Medium Enterprises Development Act, 2006. However, based on the information available with the Company, there were no dues to Micro, Small and Medium Enterprises as on 31st March 2011 due for a period of more than 45 days. Further no interest during the year under review was paid / is payable in terms of the said Act.

5. Related Party Disclosure (as identified by the Management) :

Party	Relationship
Haryana Television Limited	Associate Enterprise
Sunflag Limited, Channel Islands, UK	Enterprise which have significant influence
Mr. P. B. Bhardwaj Mr. Ravi Bhardwaj Mr. Pranav Bhardwaj Mr. Surendra Kumar Gupta	Key Managerial Personnel (KMP)
Ridge Farm Developers Private Limited	Relative to Key Managerial Personnel
Madanpur (North) Coal Company Private Limited C T Mining Private Limited Gujarat State Mining & Resources Corporation Limited	Joint Venture Companies

6. Transaction with the related parties :

` in Lacs

Transaction	Year ended	
	31.03.2011	31.03.2010
Associate Enterprise :		
a. Rent Paid	26	22
Relative to KMP :		
a. Rent Paid	13	15
b. Expenses	4	4
Key Managerial Personnel :		
a. Remuneration & Commission	691	877
Joint Venture Company :		
a. Share Capital	2	-
b. Share Application Money	4	-
c. Unsecured Loan	1	-

7. Segment information :

The Company's business activity primarily falls within a single business segment i.e., Iron & Steel business, however, the Company also generate power from its Captive Plant, which is entirely consumed in Iron & Steel Manufacturing Unit and no sale to third party has been made. The details of such units consumed are shown below. Hence there are no additional disclosures to be made under Accounting Standard (AS) 17, other than those already provided in the financial statements.

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Units consumed (kWh'000)	105,651	128,294
Value (` Lacs)	5,823	6,759

8. The Company has ` 71 Lacs (Previous year ` 75 Lacs) of export benefits under scheme of DEPB in hand pending utilisation or sale.

9. Employees benefit

As per revised AS-15 Employees Benefit (Revised) in respect of :

Disclosure as per Accounting Standard 15 (Revised)

In view of the mandatory applicability of the revised Accounting Standard on Employee Benefits (AS) 15 Revised to the Company, effective 1st January 2007, the additional charges are paid and charged to Profit and Loss Account according to the provisions of AS 15 (Revised) as under :

- Employee Provident Fund, the Company has made good the shortfall of interest on fund ` 51 Lacs (Previous year ` 6 Lacs)

Further the following table sets out for the Employees Benefits plan as required under Accounting Standard 15 (AS-15) Revised.

in Lacs

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Statement showing changes in Present Value of obligation :						
Present value of obligations at the beginning of the year	688	601	2,480	1,970	1,222	1,056
Interest Cost	71	48	246	179	110	94
Current Service Cost	73	51	555	518	144	131
Benefits Paid	(70)	(84)	(278)	(187)	(86)	(59)
Actuarial loss on Obligations	61	72	-	-	-	-
Present value of Obligations as at the end of the year	823	688	3,003	2,480	1,390	1,222
Table showing changes in the fair value of plan assets :						
Fair value of Plan Assets at the beginning of the year	681	647	2,480	1,970	1,222	1,056
Expected return on Plan Assets	71	48	194	172	112	97
Contributions	75	70	555	518	142	128
Benefits Paid	(70)	(84)	(277)	(186)	(86)	(59)
Actuarial Gain/(Loss) on Plan Assets	-	-	-	-	-	-
Fair value of Plan Assets at the end of the year	757	681	2,952	2,474	1,390	1,222
Funded Status	66	7	51	6	-	-
Excess of Actual over estimated return on Plan Assets						
Actuarial Gain/Loss recognised :						
Actuarial Gain/(Loss) for the year - Obligation	61	72	-	-	-	-
Actuarial Gain/(Loss) for the year - Plan Assets	66	(7)	-	-	-	-
Total Loss for the year	-	-	-	-	-	-
Actuarial Gain/(Loss) recognised in the year	127	65	-	-	-	-
Amounts to be recognised in the Balance Sheet :						
Present value of obligations as at the end of the year	823	688	3,003	2,480	1,390	1,222
Fair value of Plan assets as at the end of the year	757	681	2,952	2,474	1,390	1,222
Funded Status	66	7	51	6	-	-
Net Asset / (Liability) Recognised in the Balance Sheet	66	7	51	6	-	-
Expenses Recognised in the statement of Profit and Loss Account :						
Current Service Cost	73	51	246	179	-	-
Interest Cost	-	-	-	-	-	-
Expected return on Plan Assets	-	-	194	172	-	-
Net Actuarial (Gain)/Loss recognised in the Statement of Profit & Loss	127	65	-	-	-	-
Expenses Recognised in statement of Profit & Loss	75	70	51	6	-	-

in Lacs

Particulars	Gratuity		Provident Fund		Superannuation	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Actuarial Assumptions :						
Discount Rate	9.30%	-	9.50%	8.00%	-	-
Salary escalation	5.00%	-	5.00%	5.00%	-	-
Investment details (%) :						
GOI Securities	-	-	46%	31%	-	-
State Government Securities	-	-	22%	23%	-	-
Approved Marketable Securities	-	-	0%	0%	-	-
Bonds / Debentures etc	-	-	32%	46%	-	-
Loans	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Liquid fund / Money Market instrument	-	-	-	-	-	-
Total	-	-	100%	100%	-	-

- a) The investment details of Gratuity funds are as per the Scheme of Life Insurance Corporation of India (LIC).
- b) The investment details of Superannuation funds are as per the Scheme of Life Insurance Corporation of India (LIC) under two plans. Even though these plans are still continuing, Company has stopped making contribution towards One plan i.e., Superannuation Scheme of Workers w.e.f. 01.04.1995 on payment of bonus in the year 1995 as per the terms and conditions of Rules framed at the time of subscribing to the designated policy of LIC. Company was liable as per terms and conditions of the Trust deed to pay contributions only till applicability of provisions of payment of Bonus Act.

10. The Basic and diluted Earning per Share (EPS)

in Lacs

Particulars	Year Ended	
	31.03.2011	31.03.2010
Net Profit before Tax	9,082	12,810
Less: Current Year Tax	2,146	2,904
Deferred Tax	(139)	415
Prior period Tax Adjustments	22	-
Net profit	7,053	9,491
Number of Equity Shares (outstanding at the end of the year)	162,197,503	162,197,503
Nominal Value of Ordinary Shares	10/-	10/-
Basic / Diluted earning per share	4.35	5.85

11. Previous year's figures represent regrouped / re-classified wherever necessary to make them more comparable.

As per our report attached

For **PATEL, SHAH & JOSHI**
Chartered Accountants**CA JAYANT I. MEHTA**
PARTNER
Membership Number - 42630Nagpur
27th May 2011**RAVI BHUSHAN BHARDWAJ**
VICE CHAIRMAN & MANAGING DIRECTOR**CA R. MURALIDHAR**
EXECUTIVE DIRECTOR (FINANCE)**CS MUKESH D. PARAKH**
COMPANY SECRETARY**DR. E.R.C. SHEKAR****S. GAJENDRAN****CA JAYESH M. PARMAR****S.K. GUPTA**

DIRECTORS

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Year ended 31 st March 2011			Year ended 31.03.2010 Consolidated
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	
	in Lacs			
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX	9,082	-	9,082	12,810
ADJUSTMENTS FOR :				
DEPRECIATION	3,964	-	3,964	3,788
OTHER NON-CASH CHARGES	-	-	-	-
LOSS / (PROFIT) ON SALE OF ASSETS	12	-	12	-
INTEREST PAID	3,744	-	3,744	3,004
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,802	-	16,802	19,602
ADJUSTMENTS FOR :				
(INCREASE) / DECREASE IN SUNDRY DEBTORS	(1,921)	-	(1,921)	(4,588)
(INCREASE) / DECREASE IN INVENTORIES	(4,414)	-	(4,414)	(8,900)
(INCREASE) / DECREASE IN LOANS & ADVANCES	4,557	(1)	4,556	477
INTEREST PAID	(2,388)	-	(2,388)	(1,361)
INCOME TAX PAID	(2,835)	-	(2,835)	(2,960)
DIVIDEND PAID	(811)	-	(811)	(811)
DIVIDEND TAX PAID	(135)	-	(135)	(138)
INCREASE / (DECREASE) IN CASH CREDIT ACCOUNTS	7,088	-	7,088	2,721
INCREASE / (DECREASE) IN CURRENT LIABILITIES	738	2	740	3,985
PROCEEDS FROM ADDITIONAL WORKING CAPITAL FACILITIES	-	-	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	16,681	1	16,682	8,027
B. CASH FLOW FROM INVESTING ACTIVITIES :				
ADDITIONS TO FIXED ASSETS INCLUDING CWIP AND ADVANCES ON CAPITAL ACCOUNT	(18,372)	(13)	(18,385)	(4,630)
PROCEEDS FROM SALE OF ASSETS	14	-	14	2
INVESTMENTS	(2)	-	(2)	(318)
SALE PROCEEDS OF INVESTMENTS	-	-	-	-
DEFERRED REVENUE EXPENDITURE	-	1	1	(15)
SUB TOTAL - (B)	(18,360)	(12)	(18,372)	(4,961)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	Year ended 31 st March 2011			Year ended
	Sunflag & Subsidiaries	Joint Ventures	Consolidated	31.03.2010 Consolidated
C. CASH FLOW FROM FINANCING ACTIVITIES :	in Lacs			
REPAYMENT OF BORROWINGS	(5,247)	-	(5,247)	(5,511)
INTEREST PAID	(1,356)	-	(1,356)	(1,643)
DEFERRED SALES TAX	(4,585)	-	(4,585)	2,727
SHARE CAPITAL	2	4	6	184
ADVANCE SHARE APPLICATION MONEY	-	-	-	-
UNSECURED LOAN RECEIVED	-	-	-	404
PAYABLE TO MSEB	(256)	-	(256)	-
TERM LOAN RECEIVED FROM BANKS	13,569	-	13,569	1,705
SUB TOTAL - (C)	2,127	4	2,131	(2,134)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	448	(7)	441	932
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	3,274	170	3,444	2,512
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	3,722	163	3,885	3,444

RAVI BHUSHAN BHARDWAJ
VICE CHAIRMAN & MANAGING DIRECTOR

DR. E.R.C. SHEKAR

S. GAJENDRAN

CA R. MURALIDHAR
EXECUTIVE DIRECTOR (FINANCE)

CA JAYESH M. PARMAR

S.K. GUPTA

Nagpur
27th May 2011

CS MUKESH D. PARAKH
COMPANY SECRETARY

DIRECTORS

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of the Sunflag Iron and Steel Company Limited for the year ended 31st March 2011. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchange(s) and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 27th May 2011 to the Members of the Company.

For PATEL, SHAH & JOSHI
CHARTERED ACCOUNTANTS

CA JAYANT I. MEHTA
PARTNER
Membership Number - 42630

Nagpur
27th May 2011

GREEN INITIATIVE

FOR THE KIND ATTENTION OF MEMBERS

As a responsible corporate citizen, your Company welcomes and supports the '**Green Initiative**' taken by the Ministry of Corporate Affairs (**MCA**), Government of India, vide its Circular No. 17/2011 dated 21st April 2011 and 18/2011 dated 29th April 2011. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of Annual Reports and other documents of your Company.

In terms of enabling provisions of these Circulars, the Company will henceforth effect electronic delivery of documents including Annual Report, Notice of Meeting / Postal Ballot, other shareholder communications, etc. to the members at their e-mail addresses available / registered with the Company.

For supporting this green initiative, if you hold the shares in :

- a. **Electronic form**, please intimate your e-mail address to your Depository Participant (DP). The same will be deemed to be your registered e-mail address for serving notices / documents including those covered under Section 219 of the Companies Act, 1956.
- b. **Physical form**, please send a duly signed letter quoting the name of first / sole holder and registered folio addressed to the Company Secretary of the Company or the Registrar & Share Transfer Agent at :

Company Secretary, Sunflag Iron and Steel Company Limited 33, Mount Road, Sadar, Nagpur - 440001	Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072
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Kindly note that if you desire, a physical copy of the Annual Report and other communication / documents will be sent to you free of cost, as per the current practices. Such documents will also be displayed on the Company's website **www.sunflagsteel.com**.

We strongly urge you to support this '**Green Initiative**' by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live.

In case, your shares are in physical form, we urge you to have your shares dematerialised by approaching Depository Participant (DP) of your choice.

In case, you have not registered your bank details for receiving dividend or alike benefits, please do so to safeguard your own interest.

If Shares held in demat Mode

DPID	
CLID	
No. of Shares	

PROXY FORM

SUNFLAG IRON & STEEL CO. LTD.
Registered Office : 33, Mount Road,
Sadar, Nagpur - 440001

If Shares held in Physical Mode

Reg. Folio No.	
No. of Shares	

I/We of
 being a member/members of SUNFLAG IRON AND STEEL COMPANY LIMITED hereby appoint
 of or failing him/her of
 as my/our proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held
 at 3.00 p.m. on Friday, the 23rd September 2011 and at any adjournment thereof.

Signed this day of..... 2011.

Affix 1.00 Re. Revenue Stamp

(Signature of the Shareholder(s))

**NOTE : THE PROXY FORM COMPLETED AND STAMPED MUST REACH THE REGISTERED OFFICE OF THE
 COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.**

ATTENDANCE SLIP

SUNFLAG IRON AND STEEL COMPANY LIMITED
Registered Office : 33, Mount Road, Sadar, Nagpur - 440001

25th Annual General Meeting held on Friday, the 23rd September 2011 at 3.00 P.M.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional Slips on request.

NAME & ADDRESS OF THE SHAREHOLDER(S)

DPID	
CLID	

Reg. Folio No.	
No. of Shares	

I hereby record my presence at the 25th Annual General Meeting of the Company held at Indian Medical Association's
 J.R. Shaw Auditorium, North Ambazari Road, Nagpur - 440010 on Friday, the 23rd day of September 2011.

SIGNATURE OF THE SHAREHOLDER OR THE PROXY ATTENDING THE MEETING

If Shareholder, Please Sign here

.....

If Proxy, Please Sign here

.....

Note : Your copy of Annual Report may please be brought alongwith you to the meeting hall.

Please tear off here

BOOK POST

If undelivered please return to :

SUNFLAG IRON AND STEEL COMPANY LIMITED

Registered Office : 33, Mount Road, Sadar,
NAGPUR - 440001 (MAHARASHTRA) INDIA

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